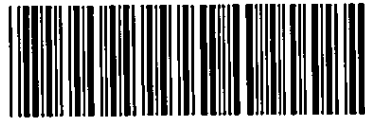


TERRACE HILL NORTH EAST LIMITED
FINANCIAL STATEMENTS
FOR THE PERIOD ENDED
30 SEPTEMBER 2012

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COMPANIES HOUSE

TERRACE HILL NORTH EAST LIMITED

FINANCIAL STATEMENTS

YEAR ENDED 30 SEPTEMBER 2012

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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 2012

The directors have pleasure in presenting their report and the financial statements of the company for the year ended 30 September 2012

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 2012

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 2013

TERRACE HILL NORTH EAST LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TERRACE HILL NORTH EAST LIMITED

YEAR ENDED 30 SEPTEMBER 2012

We have audited the financial statements of Terrace Hill North East Limited for the year ended 30 September 2012 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 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 Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

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 2012 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 2012

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



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

21 June 2013

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 2012

	Note	2012 £	2011 £
TURNOVER	2	6,889,651	56,308
Cost of sales		<u>(5,092,942)</u>	<u>(118,265)</u>
GROSS PROFIT/(LOSS)		1,796,709	(61,957)
Administrative expenses		<u>(940,065)</u>	<u>898,319</u>
OPERATING PROFIT	3	856,644	836,362
Income from shares in group undertakings	5	5,712,211	—
Interest receivable		—	14
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		6,568,855	836,376
Tax on profit on ordinary activities	6	(81,431)	(6,514)
PROFIT FOR THE FINANCIAL YEAR		<u>6,487,424</u>	<u>829,862</u>

All of the activities of the company are classed as continuing

The notes on pages 9 to 15 form part of these financial statements.

TERRACE HILL NORTH EAST LIMITED
STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
YEAR ENDED 30 SEPTEMBER 2012

	2012 £	2011 £
Profit for the financial year attributable to the shareholders	6,487,424	829,862
Unrealised (loss)/profit on revaluation of Shares in group companies brought forward	(4,916,202)	1,460,118
Total gains and losses recognised since the last annual report	<u>1,571,222</u>	<u>2,289,980</u>

The notes on pages 9 to 15 form part of these financial statements

TERRACE HILL NORTH EAST LIMITED

BALANCE SHEET

30 SEPTEMBER 2012

	Note	2012 £	2011 £
FIXED ASSETS			
Investments	8	473,446	5,389,648
CURRENT ASSETS			
Stocks	9	87,484	309,973
Debtors	10	4,132,967	8,097,860
Cash at bank		293	38,643
		4,220,744	8,446,476
CREDITORS: Amounts falling due within one year	12	1,880,811	11,343,967
NET CURRENT ASSETS/(LIABILITIES)		2,339,933	(2,897,491)
TOTAL ASSETS LESS CURRENT LIABILITIES		2,813,379	2,492,157
CAPITAL AND RESERVES			
Called-up equity share capital	14	100	100
Revaluation reserve	15	473,432	5,389,634
Profit and loss account	16	2,339,847	(2,897,577)
SHAREHOLDER'S FUNDS	17	2,813,379	2,492,157

These financial statements were approved by the directors and authorised for issue on 21 June 2013, and are signed on their behalf by


T G WALSH

Company Registration Number 3125799

The notes on pages 9 to 15 form part of these financial statements

TERRACE HILL NORTH EAST LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 SEPTEMBER 2012

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

Consolidation

The company was, at the end of the year, a wholly-owned subsidiary of another company incorporated in the EEA and in accordance with Section 400 of the Companies Act 2006, is not required to produce, and has not published, consolidated accounts

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.

Long term contracts are computed on the percentage completion basis. The percentage completion basis is determined by using the total costs incurred at the reporting date as a proportion of the total forecast costs at completion. Profits are only recognised where the outcome can be determined with reasonable certainty. Full provision is made for losses as soon as such losses are foreseen.

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 2012

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.

Long term contracts

The amount of long term contracts, at costs incurred, net of amounts transferred to cost of sales, after deducting foreseeable losses and payments on account not matched with turnover, is included in work in progress and stock as long term contract balances. Turnover in excess of payments received on account is included in debtors as amount recoverable on contracts. Payments in excess of recorded turnover and long term contract balances are included in creditors as payments received on account on long term contracts.

2. TURNOVER

An analysis of turnover is given below

	2012 £	2011 £
Revenue on long term contracts	6,889,021	-
Other income	630	56,308
	<u>6,889,651</u>	<u>56,308</u>

3. OPERATING PROFIT

Operating profit is stated after crediting

	2012 £	2011 £
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.

5. INCOME FROM SHARES IN GROUP UNDERTAKINGS

	2012 £	2011 £
Dividend Received	<u>5,712,211</u>	<u>-</u>

TERRACE HILL NORTH EAST LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 SEPTEMBER 2012

6. TAXATION ON ORDINARY ACTIVITIES

(a) Analysis of charge in the year

	2012 £	2011 £
Deferred tax		
Origination and reversal of timing differences		
Losses	<u>81,431</u>	<u>6,514</u>

(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 25% (2011 - 27%)

	2012 £	2011 £
Profit on ordinary activities before taxation	<u>6,568,855</u>	<u>836,376</u>
Profit on ordinary activities by rate of tax	1,642,214	225,822
Losses brought forward	(173,013)	-
Group Relief	(41,148)	103,281
Expenses not deductible for tax purposes and non-taxable income	(1,428,053)	(291,166)
Other income/(expenses)	-	(37,937)
Total current tax (note 6(a))	<u>-</u>	<u>-</u>

(c) Factors that may affect future tax charges

Deferred tax has been calculated at the tax rate of 23% as detailed in the Finance Act 2012. If enacted, this will be reduced by a further 2% to 21% as announced in the 2012 Autumn Statement

7. DIVIDENDS

Equity dividends

	2012 £	2011 £
Paid during the year		
Dividends on equity shares	<u>1,250,000</u>	<u>-</u>

TERRACE HILL NORTH EAST LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 SEPTEMBER 2012

8 INVESTMENTS

	Investment in Subsidiaries
	£
COST OR VALUATION	
At 1 October 2011	7,750,994
Revaluations	(4,916,202)
At 30 September 2012	<u>2,834,792</u>
AMOUNTS WRITTEN OFF	
At 1 October 2011 and 30 September 2012	<u>2,361,346</u>
NET BOOK VALUE	
At 30 September 2012	<u>473,446</u>
At 30 September 2011	<u>5,389,648</u>

The company's principal subsidiaries are listed below. The company owns 100% of the issued ordinary share capital of these companies and they are all registered in England and Wales.

	2012 £	2011 £
Aggregate capital and reserves		
Terrace Hill (Bishop Auckland) Limited	161,588	5,317,682
Terrace Hill (Baltic No 2) Limited	1,980	3,481
Terrace Hill (Baltic No 4) Limited	258,507	168,326
Terrace Hill (Heaton Park) Management Limited	51,371	251,371
Profit and (loss) for the year		
Terrace Hill (Bishop Auckland) Limited	93,905	1,785,033
Terrace Hill (Baltic No 2) Limited	(1,501)	–
Terrace Hill (Baltic No 4) Limited	90,180	590,513
Terrace Hill (Heaton Park) Management Limited	–	251,370

9. STOCKS

	2012 £	2011 £
Work in progress	<u>87,484</u>	<u>309,973</u>

Development work in progress does not include interest capitalised

TERRACE HILL NORTH EAST LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 SEPTEMBER 2012

10 DEBTORS

	2012	2011
	£	£
Trade debtors	2,770	2,770
Amounts owed by group undertakings	3,209,441	7,945,158
VAT recoverable	—	14,851
Amount recoverable on contracts	572,769	—
Other debtors	162,500	25,675
Prepayments and accrued income	185,487	27,975
Deferred taxation (note 11)	—	81,431
	<u>4,132,967</u>	<u>8,097,860</u>

11 DEFERRED TAXATION

The deferred tax included in the Balance sheet is as follows

	2012	2011
	£	£
Included in debtors (note 10)	—	<u>81,431</u>

The movement in the deferred taxation account during the year was

	2012	2011
	£	£
Balance brought forward	81,431	87,945
Profit and loss account movement arising during the year	<u>(81,431)</u>	<u>(6,514)</u>
Balance carried forward	—	<u>81,431</u>

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

	2012	2011
	£	£
Tax losses available	—	81,431
	<u>—</u>	<u>81,431</u>

12. CREDITORS: Amounts falling due within one year

	2012	2011
	£	£
Trade creditors	227,321	67,662
Amounts owed to group undertakings	1,492,781	11,216,305
VAT	155,307	—
Accruals and deferred income	5,402	60,000
	<u>1,880,811</u>	<u>11,343,967</u>

TERRACE HILL NORTH EAST LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 SEPTEMBER 2012

13 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

14 SHARE CAPITAL

Allotted, called up and fully paid:

	2012		2011	
	No	£	No	£
100 Ordinary shares of £1 each	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>

15 REVALUATION RESERVE

	2012	2011
	£	£
Balance brought forward	5,389,634	3,929,516
Revaluation of fixed assets	(4,916,202)	1,460,118
Balance carried forward	<u>473,432</u>	<u>5,389,634</u>

16 PROFIT AND LOSS ACCOUNT

	2012	2011
	£	£
Balance brought forward	(2,897,577)	(3,727,439)
Profit for the financial year	6,487,424	829,862
Equity dividends	(1,250,000)	—
Balance carried forward	<u>2,339,847</u>	<u>(2,897,577)</u>

17 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2012	2011
	£	£
Profit for the financial year	6,487,424	829,862
Other net recognised gains and losses	(4,916,202)	1,460,118
Equity dividends	(1,250,000)	—
Net addition to shareholders' funds	<u>321,222</u>	<u>2,289,980</u>
Opening shareholders' funds	<u>2,492,157</u>	<u>202,177</u>
Closing shareholders' funds	<u>2,813,379</u>	<u>2,492,157</u>

TERRACE HILL NORTH EAST LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 SEPTEMBER 2012

18 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