

TERRACE HILL NORTH EAST LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
30 SEPTEMBER 2013

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TERRACE HILL NORTH EAST LIMITED

FINANCIAL STATEMENTS

YEAR ENDED 30 SEPTEMBER 2013

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TERRACE HILL NORTH EAST LIMITED
OFFICERS AND PROFESSIONAL ADVISERS

The board of directors

J M Austen
P A J Leech
R E Lane

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

STRATEGIC REPORT

YEAR ENDED 30 SEPTEMBER 2013

REVIEW OF THE BUSINESS

This year saw the completion of a foodstore in Sedgefield, County Durham and the profits on this project have now been fully recognised. The company continues to co-ordinate the property development activities of its subsidiaries and appraise development opportunities. Dividends have once again been received from subsidiary companies and this is a trend expected to continue in future.

PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks and uncertainties are considered to be credit risk from group undertakings and liquidity risk. The group debtors are regularly reviewed and the activities of the subsidiaries monitored to assess the likelihood of recoverability. If there is doubt over the recoverability of the debt, a provision is included in the year end accounts. The company maintains a rolling, stress-tested cashflow forecast to ensure funds are available when required.

PERFORMANCE AND POSITION OF THE BUSINESS

The net assets have increased 34% from 30 September 2012, largely due to the recognition of the remaining profits on the foodstore that was completed this year. At present the company does not have any projects of that magnitude in the pipeline, although continues to appraise opportunities as they arise, and profits are expected to drop in the next financial year.

Signed by order of the directors



TERRACE HILL (SECRETARIES)
LIMITED
Company Secretary

Approved by the directors on 21 May 2014

TERRACE HILL NORTH EAST LIMITED

DIRECTORS' REPORT

YEAR ENDED 30 SEPTEMBER 2013

The directors present their report and the financial statements of the company for the year ended 30 September 2013.

RESULTS AND DIVIDENDS

The profit for the year amounted to £1,443,893. The directors have not recommended a dividend.

DIRECTORS

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

J M Austen
P A J Leech
R E Lane
T G Walsh

J M Austen was appointed as a director on 3 June 2013.

T G Walsh resigned as a director on 1 July 2013.

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 Strategic Report, 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 year.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting 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.

TERRACE HILL NORTH EAST LIMITED

DIRECTORS' REPORT *(continued)*

YEAR ENDED 30 SEPTEMBER 2013

STRATEGIC REPORT

The company has included a Strategic report in its accounts for the year ended 30 September 2013 and information on the principal risks and uncertainties and a review of the business can be found there.

AUDITOR

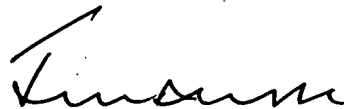
BDO LLP are deemed to be re-appointed under section 487(2) of the Companies Act 2006.

Each of the persons who is a director at the date of approval of this report confirm that:

- so far as each director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- each director has taken all steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

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 May 2014

TERRACE HILL NORTH EAST LIMITED

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

YEAR ENDED 30 SEPTEMBER 2013

We have audited the financial statements of Terrace Hill North East Limited for the year ended 30 September 2013 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 Financial Reporting Council's (FRC'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 FRC'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 2013 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 MATTER PRESCRIBED BY THE COMPANIES ACT 2006

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

TERRACE HILL NORTH EAST LIMITED

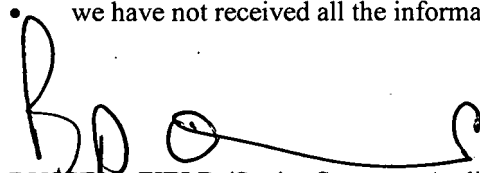
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TERRACE HILL NORTH EAST LIMITED *(continued)*

YEAR ENDED 30 SEPTEMBER 2013

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.



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

21 May 2014

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 2013

	Note	2013 £	2012 £
TURNOVER	2	9,823,485	6,889,651
Cost of sales		<u>(6,588,854)</u>	<u>(5,092,942)</u>
GROSS PROFIT		3,234,631	1,796,709
Administrative expenses		<u>(1,842,108)</u>	<u>(940,065)</u>
OPERATING PROFIT	3	1,392,523	856,644
Income from shares in group undertakings	5	51,370	5,712,211
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		<u>1,443,893</u>	<u>6,568,855</u>
Tax on profit on ordinary activities	6	–	(81,431)
PROFIT FOR THE FINANCIAL YEAR		<u>1,443,893</u>	<u>6,487,424</u>

All of the activities of the company are classed as continuing.

The notes on pages 10 to 15 form part of these financial statements.

TERRACE HILL NORTH EAST LIMITED
STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
YEAR ENDED 30 SEPTEMBER 2013

	2013 £	2012 £
Profit for the financial year attributable to the shareholders	1,443,893	6,487,424
Unrealised profit/(loss) on revaluation of: Shares in group companies brought forward	<u>13,388</u>	<u>(4,916,202)</u>
Total gains and losses recognised since the last annual report	<u><u>1,457,281</u></u>	<u><u>1,571,222</u></u>

The notes on pages 10 to 15 form part of these financial statements.

TERRACE HILL NORTH EAST LIMITED

BALANCE SHEET

30 SEPTEMBER 2013

	Note	2013 £	2012 £
FIXED ASSETS			
Investments	8	<u>486,834</u>	<u>473,446</u>
CURRENT ASSETS			
Stocks	9	59,407	87,484
Debtors	10	5,176,700	4,132,967
Cash at bank		<u>435</u>	<u>293</u>
		5,236,542	4,220,744
CREDITORS: Amounts falling due within one year	11	<u>1,452,716</u>	<u>1,880,811</u>
NET CURRENT ASSETS		<u>3,783,826</u>	<u>2,339,933</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>4,270,660</u>	<u>2,813,379</u>
CAPITAL AND RESERVES			
Called-up equity share capital	13	100	100
Revaluation reserve	14	486,820	473,432
Profit and loss account	15	3,783,740	2,339,847
SHAREHOLDER'S FUNDS	16	<u>4,270,660</u>	<u>2,813,379</u>

These accounts were approved by the directors and authorised for issue on 21 May 2014, and are signed on their behalf by:



J M AUSTEN
Director

Company Registration Number: 3125799

The notes on pages 10 to 15 form part of these financial statements.

TERRACE HILL NORTH EAST LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 SEPTEMBER 2013

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.

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 2013

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:

	2013 £	2012 £
United Kingdom	9,823,485	6,889,021
Other income	-	630
	<u>9,823,485</u>	<u>6,889,651</u>

3. OPERATING PROFIT

Operating profit is stated after crediting:

	2013 £	2012 £
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

	2013 £	2012 £
Dividend Received	<u>51,370</u>	<u>5,712,211</u>

TERRACE HILL NORTH EAST LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 SEPTEMBER 2013

6. TAXATION ON ORDINARY ACTIVITIES

Analysis of charge in the year

	2013 £	2012 £
Deferred tax:		
Origination and reversal of timing differences		
Losses	-	81,431

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 23.50% (2012 - 25%).

	2013 £	2012 £
Profit on ordinary activities before taxation	1,443,893	6,568,855
Profit on ordinary activities by rate of tax	339,315	1,642,214
Losses brought forward	-	(173,013)
Group Relief	(407,499)	(41,148)
Non taxable income	(12,072)	-
Expenses not deductible for tax purposes and non-taxable income	80,256	(1,428,053)
Total current tax	-	-

7. DIVIDENDS

Equity dividends

	2013 £	2012 £
Paid during the year:		
Dividends on equity shares	-	1,250,000

TERRACE HILL NORTH EAST LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 SEPTEMBER 2013

8. INVESTMENTS

	Investment in Subsidiaries
	£
COST OR VALUATION	
At 1 October 2012	2,834,792
Revaluations	13,388
At 30 September 2013	<u>2,848,180</u>
AMOUNTS WRITTEN OFF	
At 1 October 2012 and 30 September 2013	<u>2,361,346</u>
NET BOOK VALUE	
At 30 September 2013	<u>486,834</u>
At 30 September 2012	<u>473,446</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.

	2013 £	2012 £
Aggregate capital and reserves		
Terrace Hill (Bishop Auckland) Limited	209,095	161,588
Terrace Hill (Baltic No.2) Limited	1,980	1,980
Terrace Hill (Baltic No.4) Limited	275,758	258,507
Profit and (loss) for the year		
Terrace Hill (Bishop Auckland) Limited	47,507	93,905
Terrace Hill (Baltic No.2) Limited	—	(1,501)
Terrace Hill (Baltic No.4) Limited	17,251	90,180

9. STOCKS

	2013 £	2012 £
Work in progress	<u>59,407</u>	<u>87,484</u>

Development work in progress does not include interest capitalised.

TERRACE HILL NORTH EAST LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 SEPTEMBER 2013

10. DEBTORS

	2013	2012
	£	£
Trade debtors	30,343	2,770
Amounts owed by group undertakings	4,936,038	3,209,441
VAT recoverable	210,319	–
Amount recoverable on contracts	–	572,769
Other debtors	–	162,500
Prepayments and accrued income	–	185,487
	<u>5,176,700</u>	<u>4,132,967</u>

11. CREDITORS: Amounts falling due within one year

	2013	2012
	£	£
Trade creditors	83,432	227,321
Amounts owed to group undertakings	1,369,284	1,492,781
VAT	–	155,307
Accruals and deferred income	–	5,402
	<u>1,452,716</u>	<u>1,880,811</u>

12. RELATED PARTY TRANSACTIONS

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.

13. SHARE CAPITAL

Allotted, called up and fully paid:

	2013		2012	
	No	£	No	£
Ordinary shares of 1 each of £1 each	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>

14. REVALUATION RESERVE

	2013	2012
	£	£
Balance brought forward	473,432	5,389,634
Revaluation of fixed assets	13,388	(4,916,202)
Balance carried forward	<u>486,820</u>	<u>473,432</u>

TERRACE HILL NORTH EAST LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 SEPTEMBER 2013

15. PROFIT AND LOSS ACCOUNT

	2013	2012
	£	£
Balance brought forward	2,339,847	(2,897,577)
Profit for the financial year	1,443,893	6,487,424
Equity dividends	—	(1,250,000)
Balance carried forward	<u>3,783,740</u>	<u>2,339,847</u>

16. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2013	2012
	£	£
Profit for the financial year	1,443,893	6,487,424
Other net recognised gains and losses	13,388	(4,916,202)
Equity dividends	—	(1,250,000)
Net addition to shareholders' funds	<u>1,457,281</u>	<u>321,222</u>
Opening shareholders' funds	<u>2,813,379</u>	<u>2,492,157</u>
Closing shareholders' funds	<u>4,270,660</u>	<u>2,813,379</u>

17. 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.