

Registered number: 784866

CADOGAN DEVELOPMENTS LIMITED

REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 2008

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CADOGAN DEVELOPMENTS LIMITED**31 DECEMBER 2008**

Directors:	H R Seaborn R J Grant
Secretary:	P M Loutit
Registered office:	18 Cadogan Gardens London SW3 2RP
Registered number:	784866
Auditors	Ernst & Young LLP 1 More London Place London SE1 2AF

CADOGAN DEVELOPMENTS LIMITED

DIRECTORS' REPORT

The directors present their report and financial statements for the year ended 31 December 2008.

PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS

The principal activity of the company is that of property investment and this is expected to continue for the foreseeable future. The company is a wholly owned subsidiary of Cadogan Group Limited and a review of the group's business (including principal risks and uncertainties) is set out in the consolidated financial statements.

RESULTS AND DIVIDENDS

The financial statements show a profit for the year attributable to shareholders of £558,979 (2007 - £521,933). An interim dividend of £559,000 (2007 - £521,000) was paid during the year.

DIRECTORS

The directors holding office during the financial year and up to the date of this report are listed on page 1, except Mr H R Seaborn who was appointed to the board on 19 December 2008. Mr S A Corbyn resigned as a director on 31 December 2008.

The ultimate holding company has taken out indemnity insurance in respect of its own and its subsidiaries' directors and officers.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the annual 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). The financial statements are required by law to 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:

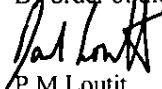
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. 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.

DISCLOSURE OF INFORMATION TO THE AUDITORS

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the company's auditor, each director has taken all the steps that he is obliged to take as a director in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information.

By order of the board



P M Loutit

Secretary

23 October 2009

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CADOGAN DEVELOPMENTS LIMITED

We have audited the company's financial statements for the year ended 31 December 2008 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet and the related notes 1 to 8. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) 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 International Standards on Auditing (UK and Ireland).

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 whether in our opinion the information given in the directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 other transactions is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

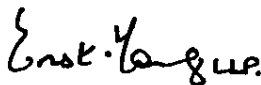
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2008 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the directors' report is consistent with the financial statements.



Ernst & Young LLP
Registered auditor
London
21 October 2009

CADOGAN DEVELOPMENTS LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2008

	Note	2008 £	2007 £
Rents receivable		925,472	903,899
Property expenses		(146,685)	(163,062)
Net rents receivable		778,787	740,837
Other property income		2,540	351
Administrative expenses		(3,788)	(3,397)
OPERATING PROFIT	3	777,539	737,791
Interest receivable		310	3,542
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		777,849	741,333
Tax on profit on ordinary activities	4	(218,870)	(219,400)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		558,979	521,933
Dividend paid		(559,000)	(521,000)
RETAINED RESULT FOR THE FINANCIAL YEAR	8	(21)	933

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	2008 £	2007 (as restated) £
Profit attributable to shareholders	558,979	521,933
Unrealised surplus/(deficit) on revaluation of leasehold investment properties	(2,012,700)	1,369,850
TOTAL RECOGNISED GAINS AND LOSSES	(1,453,721)	1,891,783
Prior year adjustment (as explained in note 1(b))	20,552,862	
TOTAL RECOGNISED GAINS AND LOSSES SINCE LAST ANNUAL REPORT	19,099,141	

HISTORICAL COST PROFITS AND LOSSES

The profit the year has been calculated on the historical cost basis.

Notes 1 to 9 form an integral part of these financial statements

CADOGAN DEVELOPMENTS LIMITED

BALANCE SHEET 31 DECEMBER 2008

	Note	2008 £	2007 (as restated) £
FIXED ASSETS			
Tangible assets	5	<u>19,758,050</u>	<u>21,770,750</u>
CURRENT ASSETS			
Trade debtors		21,734	37,414
Prepayments and accrued income		14,674	9,931
Other debtors		<u>835</u>	<u>4,026</u>
		<u>37,243</u>	<u>51,371</u>
CREDITORS - amounts falling due within one year			
Other creditors		35,002	14,657
Amount owed to parent undertaking		915,762	949,479
Corporation tax		<u>221,665</u>	<u>222,400</u>
		<u>1,172,429</u>	<u>1,186,536</u>
NET CURRENT LIABILITIES		<u>(1,135,186)</u>	<u>(1,135,165)</u>
		<u>18,622,864</u>	<u>20,635,585</u>
CAPITAL AND RESERVES			
Called up share capital	6	100	100
Revaluation reserve	7	18,540,162	20,552,862
Profit and loss account	7	<u>82,602</u>	<u>82,623</u>
SHAREHOLDERS' FUNDS	8	<u>18,622,864</u>	<u>20,635,585</u>

H R Seaborn
Director

R J Grant
Director

23 October 2009

Notes 1 to 9 form an integral part of these financial statements

CADOGAN DEVELOPMENTS LIMITED

NOTES ON THE FINANCIAL STATEMENTS 31 DECEMBER 2008

1 ACCOUNTING POLICIES

(a) Accounting convention

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

(b) Change of accounting policy

The directors have reconsidered the accounting treatment applied in accounting for the property assets held within the company. They now consider that it is more appropriate for these assets to be treated as investment properties under the provision of "Statement of Standard Accounting Practice 19 ('SSAP 19') Accounting for Investment Properties". Consequently the leasehold properties and revaluation reserve in the company balance sheet have increased by £19,183,012 as at 1 January 2007, £20,552,862 as at 31 December 2007 and £18,540,162 as at 31 December 2008. In the statement of recognised gains and losses the unrealised surplus/(deficit) on revaluation of leasehold properties increased by £1,369,850 in 2007 and decreased by £2,012,700 in 2008. There was no impact on the profit and loss account.

(c) Rents receivable

Rents receivable is stated net of VAT and comprises rents due in respect of the accounting period. The cost of all lease incentives (such as rent-free periods) is offset against the total rent due and the net rental income is then spread evenly over the period from the start of the lease to the date of the next rent review or the lease end date. Increases in rents arising from rent reviews are recognised when the review has been completed and agreed with the tenant.

(d) Investment properties

Investment properties are included in the financial statements at market valuation at the period end. Any surplus arising on revaluation is taken through the statement of total recognised gains and losses to the revaluation reserve. Any resulting deficit, if temporary, is taken through the statement of total recognised gains and losses to the revaluation reserve. If a deficit below original cost arises and is deemed to be permanent it is taken through the profit and loss account. Additions to properties include costs of a capital nature only; interest and other costs in respect of developments and refurbishments are written off as incurred.

(e) Depreciation

In accordance with Statement of Standard Accounting Practice 19, no depreciation is provided on long leasehold investment properties where the lease has over 20 years to the date of expiry. Although the Companies Act 1985 requires all properties to be depreciated the directors believe that departure from this requirement is necessary in order for the financial statements to give a true and fair view. Depreciation is reflected in the open market value of the investment properties included in the financial statements and cannot be quantified separately.

CADOGAN DEVELOPMENTS LIMITED

NOTES ON THE FINANCIAL STATEMENTS 31 DECEMBER 2008

1 ACCOUNTING POLICIES (continued)

(f) Taxation

Provision is made for deferred taxation on all material timing differences. No deferred taxation is provided on the revaluation of investment properties, unless a binding agreement for the sale of the asset exists at the year end.

(g) Cash flow statement

The company is a wholly owned subsidiary of Cadogan Estates Limited which itself is a wholly owned subsidiary of Cadogan Group Limited. As Cadogan Group Limited prepares consolidated financial statements the company has made use of the exemption under Financial Reporting Standard 1 (Revised), "Cash Flow Statements", not to prepare a statement of cash flow.

(h) Related parties

As the company is at least 90% owned directly or indirectly by the ultimate parent undertaking, it has made use of the exemption in Financial Reporting Standard 8, "Related Party Transactions", not to disclose transactions with other group companies.

2 STAFF COSTS AND EMOLUMENTS OF DIRECTORS

The company did not employ any staff during the year (2007 – nil).

The directors received no remuneration during the year (2007 – nil).

3 OPERATING PROFIT is stated after charging:

	2008 £	2007 £
Auditors' remuneration – audit of the financial statements	<u>3,753</u>	<u>3,362</u>

CADOGAN DEVELOPMENTS LIMITED

NOTES ON THE FINANCIAL STATEMENTS 31 DECEMBER 2008

4 TAXATION

(a) Analysis of charge in the year

	2008	2007
	£	£
Current tax:		
UK corporation tax on profits of the year	221,665	222,400
Adjustments in respect of previous periods	(2,795)	(3,000)
Total tax on profits on ordinary activities	<u>218,870</u>	<u>219,400</u>

(b) Factors affecting tax charge for the year

The tax charge for the current year is the same as the current standard rate of corporation tax in the UK of 28.5% (2007 - 30%).

	2008	2007
	%	%
Standard tax rate	29	30
Actual current tax rate	29	30
Difference	<u>-</u>	<u>-</u>

(c) Factors that may affect future tax charges

The company does not expect its future effective tax rate to differ materially from the standard UK tax rate.

No provision has been made for deferred tax which would arise in the event that the company disposed of its investment properties at their current market value as included in these financial statements. Tax would be payable on these disposals to the extent that rollover relief is not available. The total potential deferred tax liability on the sale of the company's investment properties is £5,191,000 (2007 - £5,755,000).

CADOGAN DEVELOPMENTS LIMITED

NOTES ON THE FINANCIAL STATEMENTS 31 DECEMBER 2008

5 TANGIBLE FIXED ASSETS

	Leasehold investment properties £
Valuation	
At 1 January 2008 (as restated)	21,770,750
Revaluation	(2,012,700)
At 31 December 2008	<u>19,758,050</u>

The company's investment properties were revalued at 31 December 2008 by Chapman Petrie (commercial properties) and Cluttons (residential properties) both firms of chartered surveyors, on the basis of market value, in accordance with the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors.

The comparable amount of these leasehold investment properties according to the historical cost accounting rules was £1,217,888 (2007 - £1,217,888).

6 CALLED UP SHARE CAPITAL

	2008 £	2007 £
250,000 Authorised ordinary shares of £1 each	<u>250,000</u>	<u>250,000</u>
100 Allotted and fully paid ordinary shares of £1 each	<u>100</u>	<u>100</u>

7 RESERVES

	Revaluation reserve £	Profit and loss account £
At 1 January 2008 (as restated)	20,552,862	82,623
Profit for the year	-	558,979
Dividend declared and paid	-	(559,000)
Decrease in revaluation reserve resulting from revaluation of leasehold investment properties	(2,012,700)	-
At 31 December 2008	<u>18,540,162</u>	<u>82,602</u>

CADOGAN DEVELOPMENTS LIMITED

NOTES ON THE FINANCIAL STATEMENTS 31 DECEMBER 2008

8 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2008 £	2007 £
Total recognised gain and losses	(1,453,721)	1,891,783
Dividend declared and paid	(559,000)	(521,000)
Net (reduction)/addition to shareholders' funds	<u>(2,012,721)</u>	<u>1,370,783</u>
Opening shareholders' funds (originally £82,723 before adding prior year adjustment of £20,522,862)	20,635,585	19,264,802
Closing shareholders' funds	<u><u>18,622,864</u></u>	<u><u>20,635,585</u></u>

9 ULTIMATE HOLDING COMPANY

The company's immediate parent undertaking is Cadogan Estates Limited. The holding company for all operational purposes is Cadogan Group Limited, Cadogan Estates Limited's immediate parent undertaking. This is the smallest group which included the company's results in its consolidated financial statements.

In the directors' opinion, the company's ultimate holding company (and the largest group in which the company's results are consolidated) is Cadogan Settled Estates Limited.

The ultimate ownership of Cadogan Settled Estates Limited is vested in The Eighth Earl Cadogan's 6 December 1961 Settlement.

Group financial statements are prepared by Cadogan Settled Estates Limited and Cadogan Group Limited and can be obtained from the Registrar of Companies, Companies House, Crown Way, Cardiff CF14 3UZ.