COMPANY REGISTRATION NUMBER: 01138461

CRISTOBAL ESTATES LIMITED

UNAUDITED FINANCIAL STATEMENTS

31 DECEMBER 2015

CRISTOBAL ESTATES LIMITED
FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2015

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CRISTOBAL ESTATES LIMITED

DIRECTORS' REPORT

YEAR ENDED 31 DECEMBER 2015

The directors present their report and the unaudited financial statements of the company for the year ended 31 December 2015.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the company is property investment in commercial and residential properties in the UK. From time to time the Company undertakes the redevelopment of its existing properties. The Company's business model is generally to hold its properties for the long term in order to generate rental income and capital appreciation. However, each of the Company's investment properties is considered to be potentially for sale in the right circumstances. There has been no significant change in the nature of the company's business activities during the year under review, nor is any envisaged in the immediate future.

DIRECTORS

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

B S E Freshwater
I M Katz

The Articles of Association of the company do not require the directors to retire by rotation. Neither director has a service contract with the company.

The majority of the day-to-day management of the company's properties and its operations are carried out by Highdorn Co. Limited. Mr BSE Freshwater is a director of, but has no beneficial interest in the share capital of, Highdorn Co. Limited.

RESULTS AND DIVIDENDS

The results for the year are set out in the attached profit and loss account and explanatory notes.

The company did not pay a dividend in the year (2014: £nil). The directors do not propose a final dividend for the year (2014: £nil).

PROPERTY

A professional valuation of the company's investment portfolio was carried out at 31 December 2015 by Colliers International Property Advisers UK LLP, RICS Registered Valuers.

The valuation totalled £4,367,025 (2014: £4,467,025) producing a deficit of £100,000 (2014: surplus £406,000) which has been included in the profit and loss account.

This report was approved by the board of directors on 28 SEP 2016 and signed on behalf of the board by:

M R M Jenner, F.C.I.S.
Company Secretary

Registered office:
Freshwater House
158-162 Shaftesbury Avenue
London
WC2H 8HR

CRISTOBAL ESTATES LIMITED

PROFIT AND LOSS ACCOUNT

YEAR ENDED 31 DECEMBER 2015

	Note	2015 £	2014 £
TURNOVER	3	**204,262**	139,379
Cost of sales		**(144,742)**	(331,410)
GROSS PROFIT/(LOSS)		**59,520**	(192,031)
Administrative expenses		**(4,960)**	(8,052)
Net valuation (deficit)/gain on investment property		**(100,000)**	406,000
Gain on disposal of investment property		**19,585**	–
OPERATING (LOSS)/PROFIT		**(25,855)**	205,917
Interest receivable		**4,477**	50
Interest payable		**(51,018)**	(51,018)
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		**(72,396)**	154,949
Taxation on ordinary activities	5	**94,084**	(85,000)
PROFIT FOR THE FINANCIAL YEAR		**21,688**	69,949

All the activities of the company are from continuing operations.

The notes on pages 5 to 14 form part of these financial statements.

CRISTOBAL ESTATES LIMITED

STATEMENT OF INCOME AND RETAINED EARNINGS

YEAR ENDED 31 DECEMBER 2015

	Note	2015 £	2014 £
Profit for the financial year and total comprehensive income		**21,688**	69,949
RETAINED LOSSES AT THE START OF THE YEAR		**(3,441,725)**	(3,511,674)
RETAINED LOSSES AT THE END OF THE YEAR		**(3,420,037)**	(3,441,725)

The balance on the profit and loss account at 31 December 2015 is stated net of £3,024,991 of unrealised profits.

The notes on pages 5 to 14 form part of these financial statements.

CRISTOBAL ESTATES LIMITED

BALANCE SHEET

31 DECEMBER 2015

	Note	2015 £	2015 £	2014 £	2014 £
FIXED ASSETS					
Investment properties	6		**4,367,025**		4,467,025
Investments	7		**1**		1
			4,367,026		4,467,026
CURRENT ASSETS					
Debtors	8	**20,375**		25,259	
CREDITORS: amounts falling due within one year	9	**(7,229,520)**		(7,262,008)	
NET CURRENT LIABILITIES			**(7,209,145)**		(7,236,749)
TOTAL ASSETS LESS CURRENT LIABILITIES			**(2,842,119)**		(2,769,723)
PROVISIONS	11		**(577,916)**		(672,000)
NET LIABILITIES			**(3,420,035)**		(3,441,723)
CAPITAL AND RESERVES					
Called up share capital	12		**2**		2
Profit and loss account	13		**(3,420,037)**		(3,441,725)
SHAREHOLDERS DEFICIT			**(3,420,035)**		(3,441,723)

For the year ending 31 December 2015 the company was entitled to exemption from audit under section 477 of the Companies Act 2006 relating to small companies.

Directors responsibilities:

- The shareholders have not required the company to obtain an audit of its financial statements for the year in question in accordance with section 476;
- The directors acknowledge their responsibilities for complying with the requirements of the Act with respect to accounting records and the preparation of financial statements.

These financial statements were approved by the board of directors and authorised for issue on 28 SEP 2016, and are signed on behalf of the board by:

B S E Freshwater
Director

Company registration number: 01138461

The notes on pages 5 to 14 form part of these financial statements.

CRISTOBAL ESTATES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

1. STATEMENT OF COMPLIANCE

These financial statements have been prepared in compliance with FRS 102, 'The Financial Reporting Standard applicable in the UK and the Republic of Ireland'.

2. ACCOUNTING POLICIES

Basis of preparation

Cristobal Estates Limited (the "Company") is a company limited by shares and incorporated in the UK. The Company's Registered Office is Freshwater House, 158-162 Shaftesbury Avenue, London WC2H 8HR.

These financial statements were prepared in accordance with Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102").

The Company is exempt by virtue of s400 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group.

The financial statements have been prepared under the historical cost convention except that investment property is measured at fair value.

The financial statements have been prepared on a going concern basis, notwithstanding the company's net current liabilities as at 31 December 2015, since the directors have received an assurance from a connected company, Metropolitan Properties Company Limited, that it will continue to provide such cash resources as are required by the company for at least 12 months from the date of approval of these financial statements.

This should enable the company to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for payment. As with any company placing reliance on other entities for financial support, the directors acknowledge that there can be no certainty that this support will continue, although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Based on this undertaking the directors believe that it remains appropriate to prepare the financial statements on a going concern basis. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

Disclosure exemptions

In these financial statements, the company is considered to be a qualifying entity (for the purposes of FRS 102) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

• Reconciliation of the number of shares outstanding from the beginning to the end of the period;

• Cash Flow Statement and related notes;

• Key Management Personnel compensation; and

• Basic and Other Financial Instruments.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

2. ACCOUNTING POLICIES *(continued)*

Judgements and key sources of estimation uncertainty

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 18.

Turnover

Turnover comprises rents and service charges receivable. Rental income from investment property leased out under operating leases is recognised in the profit and loss account on a straight line basis over the period to the first break clause. Lease incentives granted to tenants are recognised on a straight line basis over the period to the first break clause. Service charge income is recognised as the services are provided.

Property outgoings

The costs of repairs are recognised in the profit and loss account in the year in which they are incurred.

Lease payments under operating leases are recognised in the profit and loss account on a straight line basis over the term of the lease.

2. ACCOUNTING POLICIES *(continued)*

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is expected tax payable or receivable on the taxable income or loss for the year, using rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is provided in respect of the additional tax that will be paid or avoided on differences between the amount at which an asset (other than goodwill) or liability is recognised in a business combination and the corresponding amount that can be deducted or assessed for tax.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. For investment property that is measured at fair value, deferred tax is provided at the rate and allowances applicable to the sale of the property.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

2. ACCOUNTING POLICIES *(continued)*

Investment properties

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Investment properties are recognised initially at cost.

Subsequent to initial recognition

- Investment properties whose fair value can be measured reliably without undue cost or effort are held at fair value. Any gains or losses arising from changes in the fair value are recognised in the profit and loss account in the period that they arise; and
- No depreciation is provided in respect of investment properties applying the fair value model.

This treatment, as regards the company's investment properties, may be a departure from the requirements of the Companies Act concerning depreciation of fixed assets. However, these properties are not held for consumption but for investment and the directors consider that systematic annual depreciation would be inappropriate. The accounting policy adopted is therefore necessary for the financial statements to give a true and fair view. Depreciation is only one of the many factors reflected in the annual valuation and the amount which might otherwise have been shown cannot be separately identified or quantified.

Investment property fair value is based on a valuation by an external, independent valuer, having an appropriate recognised professional qualification and recent experience in the location and class of property being valued. Any gain or loss arising from a change in fair value is recognised in the profit and loss account.

Disposals of properties

The company generally holds its properties for the long term in order to generate rental income and capital appreciation although in the right circumstances any property could be available for sale. When an outright sale does occur the resulting surplus based on the excess of sales proceeds over valuation is included within the company's profit on ordinary activities, and taxation applicable thereto is shown as part of the taxation charge. Disposals are recognised on the date the significant risks and rewards of ownership have been transferred. In addition the company also 'sells' leasehold extensions when requested by leaseholders. The proceeds of these leasehold extension sales, less directly applicable costs, are also included in profit on disposal of investment properties.

2. ACCOUNTING POLICIES *(continued)*

Financial instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all its financial liabilities.

Basic financial instruments

Trade and other debtors

Trade and other debtors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate for a similar debt instrument.

Trade and other creditors

Trade and other creditors are recognised initially at transaction price less attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate for a similar debt instrument.

Income and expenses

Interest receivable and Interest payable:

Interest income and interest payable are recognised in the profit and loss account as they accrue, using the effective interest method.

Borrowing costs that are directly attributable to the acquisition, construction or redevelopment of an asset that takes a substantial time to be prepared for use are expensed as incurred.

Interest receivable and similar income include interest receivable on intercompany loans and late payment charges.

3. TURNOVER

Turnover arises from:

	2015	2014
	£	£
Rent receivable	**204,262**	139,379

The whole of the turnover is attributable to the principal activity of the company wholly undertaken in the United Kingdom.

4. PARTICULARS OF EMPLOYEES

No salaries or wages have been paid to the directors during the year (2014: £Nil).

5. TAXATION ON ORDINARY ACTIVITIES

Major components of tax (income)/expense

	2015	2014
	£	£
Deferred tax:		
Origination and reversal of timing differences	**(26,884)**	85,000
Impact of change in tax rate	**(67,200)**	–
Total deferred tax	**(94,084)**	85,000
Taxation on ordinary activities	**(94,084)**	85,000

All tax is recognised in the profit and loss account.

Reconciliation of tax (income)/expense

The tax assessed on the profit on ordinary activities for the year is lower than (2014: higher than) the standard rate of corporation tax in the UK of 20.25% (2014: 21.50%).

	2015	2014
	£	£
(Loss)/profit on ordinary activities before taxation	**(72,396)**	154,949
(Loss)/profit on ordinary activities by rate of tax	**(14,660)**	33,314
Effect of expenses not deductible for tax purposes	**–**	(110)
Utilisation of tax losses brought forward	**(17,597)**	–
Impact of change in tax rate	**(67,200)**	–
Timing differences on unrealised gains	**(6,634)**	(2,290)
Disallowable expenditure	**1,578**	484
Tax losses carried forward	**10,429**	53,602
Tax on (loss)/profit on ordinary activities	**(94,084)**	85,000

Factors that may affect future tax income

Reductions in the UK corporation tax rate to 19% (effective from 1 April 2017) and 18% (effective from 1 April 2020) were substantially enacted on 18 November 2015. This will reduce the Company's future tax charge accordingly. A further reduction to UK corporation tax rate to 17% was announced on 16 March 2016 but this has not yet been enacted into law.

6. INVESTMENT PROPERTIES

	Freehold property £
Fair value	
At 1 January 2015	**4,467,025**
Revaluations	**(100,000)**
At 31 December 2015	**4,367,025**
Carrying amount	
At 31 December 2015	**4,367,025**
At 31 December 2014	4,467,025

Investment properties held at valuation

An independent professional revaluation of the Company's property was carried out at 31 December 2015 by Colliers International Property Advisers UK LLP, RICS Registered Valuers. The revaluation figures are based on open market value assessed in accordance with the RICS Valuation - Professional Standards (2014).

Valuation techniques and key inputs

The company's residential apartments and houses (£2,967,025) were valued using a sales valuation approach, derived from recent comparable transactions in the market, adjusted by applying discounts to reflect status of occupation and condition. The largest discounts were applied to those properties subject to registered tenancies, reflecting the relative difference in security of tenure, whilst the smallest discounts were applied to those properties subject to assured shorthold tenancies. Sales value assumptions were in the range £606 to £655 per square foot.

The company’s commercial units (£1,400,000) were valued using the income capitalisation method, requiring the application of an appropriate market based yield to net operating income. Adjustments are made to allow for voids when less than five years are left under the current tenancy and to reflect market rent at the point of lease expiry or rent review.

Historical cost model

The historical cost of investment properties at 31 December 2015 is £764,118 (2014:£764,118).

7. INVESTMENTS

	Other investments other than loans £
Cost	
At 1 Jan 2015 and 31 Dec 2015	**1**
Impairment	
At 1 Jan 2015 and 31 Dec 2015	**–**
Carrying amount	
At 31 December 2015	**1**

The company owns the whole of the issued share capital of Cristobal (PF) Limited, a company incorporated in England & Wales. A summary of the unaudited results for the year ended 31 December 2015 is as follows:

	2015 £	2014 £
Aggregate Capital and Reserves	**(274)**	(274)

Under the provision of the Section 398 of the Companies Act 2006 the company is exempt from preparing Consolidated Accounts and has not done so. Therefore the Accounts show information about the company as an individual entity.

8. DEBTORS

	2015 £	2014 £
Trade debtors	**7,680**	11,921
Other debtors	**12,695**	13,338
	20,375	25,259

All debtors are payable within one year or are payable on demand.

9. CREDITORS: amounts falling due within one year

	2015 £	2014 £
Trade creditors	**49,678**	33,246
Other creditors	**7,179,842**	7,228,762
	7,229,520	7,262,008

9. CREDITORS: amounts falling due within one year *(continued)*

Included in other creditors are amounts due to companies in which Mr B S E Freshwater, a director of this company, is also a director or governor and in certain of which he has either a beneficial or a non-beneficial interest. Included therein is an interest-free amount of £1,156,675 (2014 - £1,156,675) due to Henry Davies Developments Limited, which was previously interest bearing and which is effectively repayable on demand. At the balance sheet date, interest of £4,195,367 (2014 - £4,195,367) in respect of this loan was accrued and unpaid.

Other creditors also include an amount due to Highdorn Co. Limited (see note 16) of £637,731 (2014 - £637,731), which bears interest at variable rates and is repayable on demand. At the balance sheet date interest of £764,981 (2014 - £713,963) in respect of this loan was accrued and unpaid. Also included is an interest-free management balance due to Highdorn Co. Limited of £339,732 (2014 - £426,843).

All inter-company loans are denominated in sterling.

10. DEFERRED TAX

The deferred tax included in the balance sheet is as follows:

	2015	2014
	£	£
Included in provisions (note 11)	**577,916**	672,000

11. PROVISIONS

	Deferred tax (note 10)
	£
At 1 January 2015	**672,000**
Movement in year	**(94,084)**
At 31 December 2015	**577,916**

12. CALLED UP SHARE CAPITAL

Issued, called up and fully paid

	2015		2014	
	No.	**£**	No.	£
Ordinary shares of £1 each	**2**	**2**	2	2

13. CAPITAL AND RESERVES

Called-up share capital represents the nominal value of shares that have been issued.

Profit and loss account includes all current and prior period retained profits and losses.

14. COMMITMENTS UNDER OPERATING LEASES

As lessor

The total future minimum lease payments receivable under non-cancellable operating leases are as follows:

	2015	2014
	£	£
Not later than 1 year	**60,268**	36,271
Later than 1 year and not later than 5 years	**76,168**	84,704
Later than 5 years	**315,500**	321,065
	451,936	442,040

15. CHARGES ON ASSETS AND GUARANTEES

One of the company's investment properties with a market value at 31 December 2015 of £1,400,000 (2014: £1,500,000) is charged as part security for loan facilities granted to the company by Highdorn Co. Limited, which at 31 December 2015 amounted to £637,731 (2014: £637,731).

16. DIRECTORS' INTEREST IN CONTRACTS

The majority of the day to day management of the company's properties and its operations is carried out by Highdorn Co. Limited, one of the Freshwater Group of Companies, with which this company is closely related. Mr B S E Freshwater is a director but has no beneficial interest in the share capital of that company.

During the year £5,416 (2014: £3,598), including VAT, was payable to Highdorn Co. Limited for these services which were charged for at normal commercial rates. The amount owing to Highdorn Co. Limited at 31 December 2015 is £2,149 (2014: £2,596).

17. PARENT COMPANY AND CONTROLLING PARTY

The company is controlled by Mr I M Katz, a director of the company, together with the Estate of Mr P Pizer.

18. ACCOUNTING ESTIMATES AND JUDGEMENTS

i. Property valuations

The valuation of the company's property portfolio is inherently subjective, depending on many factors, including the individual nature of each property, its location and expected future net rental values, market yields and comparable market transactions (as set out in Note 6). Therefore the valuations are subject to a degree of uncertainty and are made on the basis of assumptions which may not prove to be accurate, particularly in periods of difficult market or economic conditions. As noted in Note 2 above, all the company's properties are valued by external valuers with appropriate qualifications and experience.

ii. Trade debtors

Management uses details of the age of trade debtors and the status of any disputes together with external evidence of the credit status of the counterparty in making judgements concerning any need to impair the carrying values.