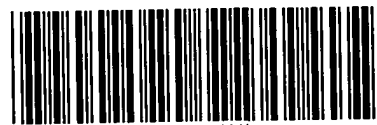


Company No: 01505228

ROTCH PROPERTY GROUP LIMITED
GROUP FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MAY 2014

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ROTCH PROPERTY GROUP LIMITED
GROUP FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MAY 2014

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ROTCH PROPERTY GROUP LIMITED

OFFICERS AND ADVISERS

Directors	R Tchenguiz BS (Joint Chairman and Joint Managing Director) V A Tchenguiz BSc MBA (Joint Chairman and Joint Managing Director)	
Secretary	A S Fitzpatrick ACA	
Auditor	Baker Tilly UK Audit LLP Chartered Accountants 3rd Floor One London Square Cross Lanes Guildford Surrey GU1 1UN	
Principal Lenders	Aviva Commercial Finance Limited PO Box 4 Surrey Street, Norwich NR1 3NG	Allied Irish Bank (GB) Corporate Banking 9/10 Angel Court London EC2R 7AB
	Standard Life Assurance Company 3 George Street Edinburgh EH2 2XZ	
Clearing Bankers	Barclays Bank plc London Corporate Banking 54 Lombard Street London EC3P 3AH	
Solicitors	Osborne Clarke One London Wall London EC2Y 5EB	
Registered Office	5th Floor Leconfield House Curzon Street London W1J 5JA	

ROTCH PROPERTY GROUP LIMITED

STRATEGIC REPORT

Activities

The principal activities of the company and the group, which have remained unchanged during the financial year, were property investment and development.

Business review and future developments

There were no acquisitions or disposals of property during the year (2013: One investment property was sold for a net consideration of £8,742,115 and a property held as a finance lease was sold for £4,071,007). At 31st May 2014 the directors valued the group's investment property portfolio at £63,087,457 (2013: £56,828,003).

The group's results for the year are set out on pages 6 and 7. The group has returned to profitability and is starting to benefit from the improvement in the commercial property market which is expected to continue throughout 2015.

Financial risks and key performance indicators

The directors use the following key indicators to measure the group's performance:

	2014	2013
Ratio of loan to property value/finance lease/security deposit	101.7%	115.6%
Interest rental cover	160.2%	156.6%

Financial instruments

It is the group's policy that no trading in financial instruments shall be undertaken, and the group only enters into derivative contracts as part of its risk mitigation strategy.

The group is exposed to interest rate risk, tenant credit risk, cash flow risk, market value risk and third party risk. Further details and its mitigation approaches are as follows:

Interest rate risk

The risk has been mitigated by the group only being party, wherever possible, to fixed interest rate loan arrangements through the use of swap arrangements.

Tenant credit risk

The risk has been mitigated by the group only taking on appropriate tenants with credit checks undertaken by Prime Estates Property Management Limited, a subsidiary.

Cash flow risk

The group minimises its cash flow risk of non performance on its loan agreements by minimising its tenant credit risk and by arranging for its rentals to be paid by direct transfer to the lender.

The group also provides loan finance to related parties. The interest payable on the group's loans is matched with an equal interest charge to the related party to which the loans are on lent. These companies have also mitigated their exposure and therefore the group's exposure by minimising their tenant credit risk and by arranging for their rentals to be paid by direct transfer or employing Prime Estates Property Management Limited, a subsidiary, as their management agents utilising their specialist skills to ensure collection of rent takes place on time.

ROTCH PROPERTY GROUP LIMITED

STRATEGIC REPORT

Financial risks and key performance indicators (Continued)

Market value risk

The group's investment property values are determined by market forces outside of the group's control.

With the exception of one loan which is in default (see page 11), the group's loans are not exposed to a loan default resulting from a fall in property values as the loan agreements do not include a loan to value covenant.

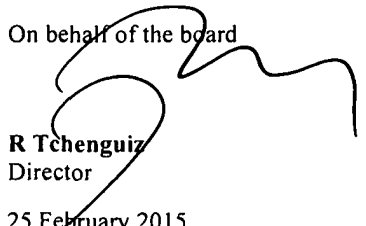
Third party risk

The group is exposed to third party risk as it has entered into agreements and guarantees in respect of various related parties as detailed in note 28. Also, the company operates a treasury function in respect of various companies controlled by its ultimate controlling party, the Tchenguiz Family Trust, and has also advanced funds to companies controlled by other Tchenguiz family trusts. As a result, the company and group are exposed to potential bad debts in respect of funds advanced to those companies.

Policy on the payment of creditors

It is group policy to agree and clearly communicate the terms of payment as part of the commercial arrangements negotiated with suppliers and then to pay according to those terms based on the timely receipt of an accurate invoice.

On behalf of the board



R Tchenguiz
Director

25 February 2015

ROTCH PROPERTY GROUP LIMITED

DIRECTORS' REPORT

The directors submit their 34th annual report and the audited group financial statements of Rotch Property Group Limited for the year ended 31st May 2014.

Statement of Directors' responsibilities

The directors are responsible for preparing the Strategic Report and 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 group and the company and of the profit or loss of the group for that period. In preparing those financial statements, the directors are required to:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and 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 group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Dividends

The directors are precluded from recommending the payment of a dividend.

Directors

The following directors have held office since 1 June 2013:

R Tchenguiz
V A Tchenguiz

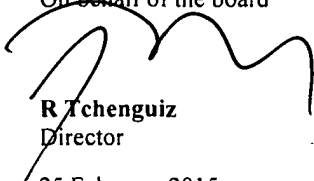
Auditor

The auditor, Baker Tilly UK Audit LLP, Chartered Accountants, has indicated its willingness to continue in office.

Statement as to disclosure of information to the auditor

The directors who were in office on the date of approval of these financial statements have confirmed that, as far as they are aware, there is no relevant audit information of which the auditor is unaware. Each of the directors have confirmed that they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.

On behalf of the board



R Tchenguiz
Director

25 February 2015

ROTCH PROPERTY GROUP LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ROTCH PROPERTY GROUP LIMITED

We have audited the group and parent company financial statements on pages 6 to 41. 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 auditor

As more fully explained in the Directors' Responsibilities Statement, set out on page 4, 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 Financial Reporting Council's website at <http://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 group's and parent company's affairs as at 31 May 2014 and of the group's result 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 Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns;
- 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.

Baker Tilly UK Audit LLP

Christopher Hurren BA FCA (Senior Statutory Auditor)
For and on behalf of BAKER TILLY UK AUDIT LLP, Statutory Auditor
Chartered Accountants
3rd Floor, One London Square
Cross Lanes, Guildford
Surrey GU1 1UN

26 February 2015

ROTCH PROPERTY GROUP LIMITED

GROUP PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31ST MAY 2014

	Notes	2014 £	2013 £
Turnover:			
Group and share of joint ventures and associates		9,811,976	10,122,450
Less:			
Share of joint ventures' turnover		(7,465)	(134,965)
Share of associates' turnover		(627,274)	(484,790)
Group turnover	2	9,177,237	9,502,695
Cost of sales	3	(2,373,503)	(1,922,192)
Gross profit		6,803,734	7,580,503
Administrative expenses		(1,584,584)	(2,225,558)
Provision against amounts due from related companies		(1,495,677)	(1,141,884)
Other operating income (net)	5	683,439	1,309,885
Group operating profit		4,406,912	5,522,946
Share of operating profit in:			
Joint ventures	13.1	467	35,164
Associates	13.1	47,752	100,584
		4,455,131	5,658,694
Amounts written off - investments	13.1	(45,503)	(28,643)
Profit on disposal of investment properties		-	3,517,114
Profit on disposal of finance leases		-	1,113,658
Profit on disposal of fixed asset investments	6	5,015,158	4,964
Interest receivable	7	1,606,655	2,256,521
Interest payable and similar charges	8	(6,684,047)	(8,312,894)
Profit on ordinary activities before taxation	4	4,347,394	4,209,414
Tax on profit on ordinary activities	10	284,611	212,778
Profit on ordinary activities after tax		4,632,005	4,422,192
Minority interest	24	(213,992)	(7,328,634)
Retained profit/(loss) attributable to shareholders	23	£ 4,418,013	£ (2,906,442)

Turnover and operating profit are derived from the Group's continuing activities.

ROTCH PROPERTY GROUP LIMITED

GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

FOR THE YEAR ENDED 31ST MAY 2014

	Notes	2014 £	2013 £
Profit/(loss) for the financial year	23	4,418,013	(2,906,442)
Unrealised surplus/(deficit) on revaluation of investment properties:			
- of the group	12	6,259,454	412,000
- attributable to minority interests	24	(2,766,227)	294,500
- held in joint ventures	13.1	-	54,580
		<u>£ 7,911,240</u>	<u>£ (2,145,362)</u>

NOTE OF GROUP HISTORICAL COST PROFITS AND LOSSES

FOR THE YEAR ENDED 31ST MAY 2014

	2014 £	2013 £
Profit on ordinary activities before tax	4,347,394	4,209,414
Realisation of property revaluation surplus	-	1,326,607
Realisation of joint venture revaluation surplus	274,580	-
Historical cost profit on ordinary activities before taxation	<u>£ 4,621,974</u>	<u>£ 5,536,021</u>
Historical cost profit/(loss) retained for the year after taxation and minority interests	<u>£ 4,692,593</u>	<u>£ (1,579,835)</u>

ROTCH PROPERTY GROUP LIMITED

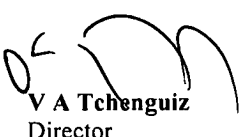
GROUP BALANCE SHEET (Company Registration Number: 01505228)

AT 31ST MAY 2014

	Notes	£	2014 £	£	2013 £
Fixed assets					
Tangible assets	12		63,119,616		56,867,131
Investments:					
In joint ventures	13.1				
Share of gross assets		-		1,240,790	
Share of gross liabilities		-		(966,210)	
			-		274,580
In associates	13.1		5,985		-
Other	13.1		1,286,826		1,695,074
			<u>64,412,427</u>		<u>58,836,785</u>
Current assets					
Stocks and work in progress	14	789,750		829,750	
Debtors due within one year	15	53,520,140		71,051,709	
Debtors due after more than one year	15	40,239,322		42,248,118	
Investments	16	1		1	
Cash at bank and in hand	17	9,739,289		2,064,164	
			<u>104,288,502</u>	<u>116,193,742</u>	
Creditors: Amounts falling due within one year	18	(86,556,584)		(101,089,430)	
Net current assets			<u>17,731,918</u>	<u>15,104,312</u>	
Total assets less current liabilities			<u>82,144,345</u>	<u>73,941,097</u>	
Creditors: Amounts falling due after more than one year	19		(58,009,286)		(60,381,490)
Provisions for liabilities	21		(1,747,948)		(2,063,955)
Net assets			<u>£ 22,387,111</u>	<u>£ 11,495,652</u>	
Capital and reserves					
Called up share capital	22		100,000		100,000
Revaluation reserve	23		22,884,136		19,665,489
Other reserves	23		2,008,169		2,008,169
Profit and loss account	23		(23,473,760)		(28,166,353)
Shareholders' surplus/(deficit)	25		<u>1,518,545</u>	<u>(6,392,695)</u>	
Minority interests	24		20,868,566		17,888,347
			<u>£ 22,387,311</u>	<u>£ 11,495,652</u>	

The financial statements on pages 6 to 41 were approved by the board of directors and authorised for issue on 25 February 2015 and are signed on its behalf by:


R Tchenguiz
Director


V A Tchenguiz
Director

ROTCH PROPERTY GROUP LIMITED


COMPANY BALANCE SHEET (Company Registration Number: 01505228)

AT 31ST MAY 2014

	Notes	£	2014 £	£	2013 £
Fixed assets					
Tangible assets	12		961,924		929,128
Investments	13.2		22,280,937		19,963,024
			<u>23,242,861</u>		<u>20,892,152</u>
Current assets					
Stocks and work in progress	14	91,476		94,789	
Debtors due within one year	15	57,890,551		66,128,837	
Debtors due after more than one year	15	6,566,308		6,566,308	
Cash at bank and in hand		1,189,576		1,929,278	
			<u>65,737,911</u>	<u>74,719,212</u>	
Creditors: Amounts falling due within one year	18	(101,608,215)		(115,860,233)	
Net current liabilities			<u>(35,870,304)</u>		<u>(41,141,021)</u>
Total assets less current liabilities			<u>(12,627,443)</u>		<u>(20,248,869)</u>
Creditors: Amounts falling due after more than one year	19		-		-
Net liabilities			<u>£ (12,627,443)</u>		<u>£ (20,248,869)</u>
Capital and reserves					
Called up share capital	22		100,000		100,000
Revaluation reserve	23		922,000		1,154,580
Profit and loss account	23		(13,649,443)		(21,503,449)
Shareholder's deficit	25		<u>£ (12,627,443)</u>		<u>£ (20,248,869)</u>

The financial statements on pages 6 to 41 were approved by the board of directors and authorised for issue on 25 February 2015 and are signed on its behalf by:


R. Tchenguiz
 Director


A. Tchenguiz
 Director

ROTCH PROPERTY GROUP LIMITED

GROUP CASH FLOW STATEMENT

FOR THE YEAR ENDED 31ST MAY 2014

	Notes	2014	2013
		£	£
Net cash inflow/(outflow) from operating activities	26	15,173,888	(1,708,560)
Returns on investments and servicing of finance			
Interest received	1,602,705	2,210,521	
Interest and similar charges paid	(6,298,634)	(6,641,434)	
		(4,695,929)	(4,430,913)
Taxation			
Corporation tax repaid		-	78,039
Capital expenditure and financial investment			
Sale of finance leases	-	4,071,007	
Sale of tangible fixed assets	-	8,748,015	
Payments to acquire tangible fixed assets	(2,823)	-	
Payments to acquire investments	(118,775)	(143,262)	
Sale of investments	520,869	73,013	
Withdrawals from joint ventures	-	6,261	
Sale of joint ventures	272,838	2	
		672,109	12,755,036
Net cash inflow before financing		11,150,068	6,693,602
Financing			
Repayment of loans	(3,336,145)	(25,043,186)	
		(3,336,145)	(25,043,186)
Increase/(decrease) in cash	26	£ 7,813,923	£ (18,349,584)

ROTCH PROPERTY GROUP LIMITED

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MAY 2014

1. Accounting policies

The financial statements have been prepared in accordance with applicable United Kingdom accounting standards.

The following accounting policies have been used consistently in dealing with items which are considered material in relation to the financial statements.

Basis of accounting

The financial statements have been prepared under the historical cost convention with the exception of investment properties which are stated at revalued amounts.

Basis of consolidation

The group financial statements consolidate the financial statements of the company and all its subsidiaries made up to 31st May 2014. Companies where the group holds more than 50% of the voting share capital or where the group effectively controls all investment decisions are treated as subsidiaries.

Subsidiaries acquired are consolidated using the acquisition method. Their results are incorporated from the date control passes. The difference between the cost of acquisition of shares in subsidiaries and the fair value of the separable net assets acquired is capitalised as goodwill. Provision is made for impairment.

All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the group.

Going concern

The directors have assessed the operation of the group's property investment structures and have also reviewed the group's working capital needs, including the group's operations and the treasury function it carries out for its ultimate controlling party, the Tchenguiz Family Trust, and have also assessed the continuation and availability of support being provided by the Tchenguiz Family Trust. On the basis of their review they have determined that the group has, or can expect to have, sufficient working capital for its needs for at least 12 months from the date of signing of these accounts.

At 31 May 2014 bank loans of £27,605,178 (2013: £28,282,272) owed by Uni Lease No.1 Limited, a subsidiary company, were subject to cross guarantees and cross collateralisation of the underlying properties used as security with other bank loans made to related parties within a wider cross collateralised funding structure. Apart from Uni Lease No.1 Limited, and its immediate parent company Sagehill Limited whose shares in Uni Lease No.1 Limited are charged under the cross-collateralisation structure, no other member of the Rotch Property Group Limited group is party to the cross collateralisation structure. The total value of the bank loans subject to this cross collateralisation structure, including the subsidiary's loans at 31 May 2014 was £103,937,331 (2013: £104,800,230) and the fair value of the financial instruments also subject to the cross collateralisation was a liability of £16,426,817 (2013: a liability of £20,534,294) as set out in note 19.

ROTCH PROPERTY GROUP LIMITED

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MAY 2014

1. Accounting policies - continued

Going concern - continued

During the year ended 31 May 2012, following a valuation of the property portfolio securing the borrowings of a related party member of the cross collateralised group structure, the valuation covenant was breached on certain of that related party company's loans and because of the cross default clauses in the loan agreements, this triggered defaults on all the wider cross collateralised loans, including the subsidiary's loans.

The bank has reserved its position in respect of the related party company's valuation covenant breach. At the year end, therefore, all the loans within the cross collateralised structure, including the subsidiary's loans, were effectively repayable on demand. The subsidiary company together with the other related party companies party to the cross collateralisation structure, continues in discussion with its bankers to explore the alternatives available to effect a cure of the breach to the loan valuation covenant and to regularise the overall loan position. Heads of Terms have now been agreed with the bank to revise the loan to value covenant which the directors expect the group to pass and thereby cure the default and eliminate the cross-defaults. In addition the repayment term of the loans will also be amended to reduce the loan terms to five years.

The directors acknowledge that to date the bank has been supportive of the efforts made by the companies within the cross collateralised structure. As Heads of Terms have now been agreed, the funding structure remains self-financing and the group is meeting all its interest and repayment obligations the directors do not expect a withdrawal of the bank facilities for at least 12 months from the date of approval of these financial statements.

Should the refinancing efforts of the cross collateralised structure fail the effect on the Rotch Property Group Limited group would be that the subsidiary company Uni Lease No1 Limited could face demands that could be significantly in excess of the subsidiary's assets and this could give rise to the insolvency of the subsidiary. It is the opinion of the directors of Rotch Property Group Limited that the effect on the Rotch Property Group Limited group of any bank demands in relation to the cross collateralised structure would be solely limited to the book loss of the net assets of the subsidiary Uni Lease No.1 Limited, which at 31 May 2014 amounted to net liabilities of £(4,303,983) (2013: £(4,283,777)), and the settlement of any amounts owed to the subsidiary at that time and would not impact the rest of the Rotch Property Group Limited group. At the year end Rotch Property Group Limited had outstanding debt due to the subsidiary of £1,906,506 (2013: £1,948,606) and had not guaranteed its liabilities and this position is not expected to change significantly in the foreseeable future.

The directors have also assessed the status of the contingencies and guarantees as set out in note 28, and the support received from related parties, and on the basis of their review and the current discussions with the various lenders do not expect that these will be called for settlement or if called the group has been suitably indemnified by a related party.

As the directors do not expect the loan default in the cross collateralised structure, as commented on above, to give rise to an adverse cash impact on the group and in view of the adequacy of the group's working capital position, the financial statements have been prepared on the going concern basis.

ROTCH PROPERTY GROUP LIMITED

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MAY 2014

1. Accounting policies - continued

Tangible fixed assets

Tangible fixed assets are stated at cost or valuation, net of depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets, other than investment properties, at rates calculated to write off the cost or valuation of each asset to its estimated residual value on a straight line/reducing balance basis over its expected useful life, as follows:

Computer equipment	-	25% per annum (reducing balance basis)
Fixtures and fittings	-	15% per annum (reducing balance basis)
Motor vehicles	-	25% per annum (reducing balance basis)

Residual value is calculated on prices prevailing at the date of acquisition or revaluation.

Impairments

Fixed assets (other than investment properties) are reviewed for impairment if events or changes in circumstances indicate that the carrying amount may not be recoverable.

Shortfalls between the carrying value of fixed assets and their recoverable amounts, being the higher of net realisable value and value-in-use, are recognised as impairments. Impairments of revalued assets, except those caused by a clear consumption of economic benefit, are recognised in the statement of total recognised gains and losses until the carrying amount reaches depreciated historic cost. All other impairment losses are recognised in the profit and loss account.

Investment properties

In accordance with SSAP 19, "Accounting for Investment Properties", investment properties are revalued annually and the aggregate surplus or deficit is transferred to revaluation reserve, except where a deficit on an individual investment property is expected to be permanent in which case it is charged (or credited, where a deficit is reversed) to the profit and loss account of the period. No depreciation is provided in respect of freehold investment properties or on leasehold investment properties where the unexpired lease term exceeds 20 years.

The Companies Act requires all properties to be depreciated. However, this requirement conflicts with the generally accepted accounting principle set out in SSAP 19. The directors consider that, because these properties are not held for consumption, but for their investment potential, to depreciate them would not give a true and fair view and that it is necessary to adopt SSAP 19 in order to give a true and fair view.

If this departure from the Act had not been made, the profit for the financial year would have been reduced by depreciation. However the amount of depreciation cannot reasonably be quantified, because depreciation is only one of many factors reflected in the annual valuation and the amount which might otherwise have been shown cannot be separately identified or quantified.

Investment properties are revalued annually by the directors.

Profits arising on the disposal of investment properties are recognised on exchange of contracts. The profits are treated as exceptional items and any revaluation surplus relating to the property is transferred to profit and loss reserves.

Where investment properties are owned jointly with third parties only the group's beneficial interest is reflected in the financial statements.

ROTCH PROPERTY GROUP LIMITED

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MAY 2014

1. Accounting policies - continued

Fixed asset investments

Fixed asset investments, other than associated companies and joint ventures, are stated at cost.

Provision is made for any impairment in the value of fixed asset investments.

Associated undertakings

Undertakings in which the group has an investment comprising a participating interest of not less than 20% in the voting capital and over which it exerts significant influence are defined as associated undertakings. The group financial statements include the appropriate share of these undertakings' results and retained reserves based on the latest audited financial statements.

Joint ventures

Interests in joint property ventures under contractual profit sharing arrangements, where the group has no other direct interest in the entity holding the underlying property or where the group's interest in the entity holding the property is governed by a joint venture agreement enabling the group to exercise a veto on strategic decisions, are included as fixed asset investments. The group financial statements include these interests at cost plus the group's attributable share of the results and revaluation surpluses arising under the arrangements based on the latest audited information. The share of turnover and profits arising in the year are reflected as part of the activities of the group. The group's share of revaluation surpluses is included in the revaluation reserve.

Trading properties and development costs

Properties acquired with a view to resale are identified as stock or work in progress and stated at the lower of cost and net realisable value. Cost includes the cost of acquisition and development, including directly attributable fees, expenses and finance costs.

Profits arising from the sale of trading and development properties are recognised on completion of the sale and as being part of the ordinary activities of the group.

Leases

Assets held under finance leases are included as fixed assets at the capitalised value of the future minimum lease payments. The capital element of the future payments is treated as a liability and the interest element is charged to profit and loss account.

Amounts receivable from tenants under finance lease agreements are included within debtors. The finance leases are initially stated at cost including acquisition costs. The carrying amount is increased by finance charges in the accounting period and reduced by payments received in the year. Finance charges are recognised in the profit and loss account so as to produce a constant return on the carrying amount.

Rental costs under operating leases are charged to the profit and loss account in equal annual amounts over the periods of the leases.

Current asset investments

Unlisted investments are stated at cost. Provision is made for any impairment in the value of fixed asset investments.

ROTCH PROPERTY GROUP LIMITED

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MAY 2014

1. Accounting policies - continued

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 that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the taxable profits and the results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which that are recognised in the financial statements.

No provision is made for deferred tax on unrealised gains recognised on revaluing property to its market value.

Deferred tax is measured at the tax rates that are expected to apply in the periods in which timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. An asset is not recognised to the extent that the transfer of economic benefits in future is uncertain. Deferred tax is measured on a non-discounted basis.

Rent receivable

Rental income from investment properties leased out under operating leases is recognised in the profit and loss account on an accruals basis over the term of the lease. The effect of rent reviews is only recognised when such reviews have been agreed with tenants. Where rents are subject to fixed indexation in lieu of rent reviews, the rents are recognised on a systematic basis as income in the periods in which they are earned.

Where a rent free period is included in a lease, the rental income foregone is allocated evenly over the period of the lease or, if shorter, the period ending when prevailing market rentals become payable.

Hedging financial instruments

Receipts and payments arising from financial instruments entered into in order to fix interest payable on loans are treated as additions to or reductions from interest payable.

Receipts and payments arising from financial instruments entered into in order to fix the rental income used to determine the finance lease finance charges are treated as additions to or reductions from that income.

The fair value of the financial instruments is set out in note 20 and is otherwise not recognised in these accounts.

Loan finance charges

Loan finance costs are amortised over the term of the related borrowings and the loans to which they relate are stated after deducting the amount of the unamortised finance costs.

ROTCH PROPERTY GROUP LIMITED

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MAY 2014

1. Accounting policies - continued

Loan and swap break costs

These costs, which arise from the early settlement of fixed rate borrowings, are charged to the profit and loss account as incurred unless the borrowings are refinanced and, save for these break costs, the replacement and original borrowings are of similar amounts and the maturity of the replacement loan is not significantly different from that of the original borrowing. Where these conditions exist, the break costs are treated as additional finance costs of the replacement borrowings.

The directors consider that at the time of a loan refinancing, when the circumstances are as set out above, the capitalisation of the break costs, rather than their being expensed, is required in order for the financial statements to present a true and fair view.

Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rates ruling at the date of the transactions. All differences are taken to the profit and loss account, except for those on property revaluations which are taken to the revaluation reserve.

Liquid resources

For the purposes of the cash flow statement liquid resources are defined as short term bank deposits.

Pension costs

Contributions to the group's defined contribution pension scheme are charged to the profit and loss account in the year in which they become payable.

ROTCH PROPERTY GROUP LIMITED

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MAY 2014

2. Turnover

	2014	2013
	£	£
Turnover is wholly undertaken in the United Kingdom		
Analysis of turnover by activity :		
Property investment	9,117,237	9,502,695
Property trading and development	60,000	-
	<u>£ 9,177,237</u>	<u>£ 9,502,695</u>

Property investment comprises rents receivable from investment properties of £5,889,050 (2013: £5,913,568) and finance charges on leased property assets of £3,228,187 (2013: £3,589,127).

3. Cost of sales

	2014	2013
	£	£
Cost of land sold	40,000	-
Decrease in property stock realisable value provisions	-	(43,500)
Operating lease rentals - headleases on sublet land and buildings	2,333,503	1,965,692
	<u>£ 2,373,503</u>	<u>£ 1,922,192</u>

4. Profit on ordinary activities before taxation

	2014	2013
	£	£
Profit on ordinary activities before taxation is stated after charging/(crediting):-		
Auditor's remuneration:		
Statutory audit of parent and consolidated accounts	63,000	61,000
Loss/(profit) on disposal of tangible fixed assets	478	(5,900)
Depreciation of tangible fixed assets	9,314	11,573
Operating lease rentals - land and buildings	125,136	121,216
- plant and machinery	6,500	6,500
Exceptional item - provision against amounts due from related companies	1,495,677	1,138,598
	<u>£ 1,495,677</u>	<u>£ 1,138,598</u>

5. Other operating income (net)

	2014	2013
	£	£
Management fees, licences and commissions	684,121	763,945
Exchange differences on foreign currency transactions	(682)	545,940
	<u>£ 683,439</u>	<u>£ 1,309,885</u>

6. Profit on disposal of fixed asset investments

	2014	2013
	£	£
Profit/(loss) on disposal of subsidiary undertakings	4,975,809	(3)
Profit on disposal of unlisted investments	39,349	4,967
	<u>£ 5,015,158</u>	<u>£ 4,964</u>

The profit on disposal of subsidiary undertakings in the year arises from the dissolution of a subsidiary in the year whose outstanding bank loan was extinguished without recourse to the group.

ROTCH PROPERTY GROUP LIMITED

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MAY 2014

7. Interest receivable	2014	2013
	£	£
Group:		
Group undertakings	1,496,350	1,491,648
Related undertakings	6,976	715,807
Other	96,075	7,909
	<u>1,599,401</u>	<u>2,215,364</u>
Joint ventures	6,857	41,157
Associates	397	-
	<u>£ 1,606,655</u>	<u>£ 2,256,521</u>

8. Interest payable and similar charges	2014	2013
	£	£
Group:		
Bank loans and overdrafts	1,880,645	1,945,198
Other loans	3,846,190	4,120,771
Group undertaking loans	338,451	415,178
Other interest	-	1,023
Amortisation of finance charges	598,927	518,314
Unamortised finance costs expensed on loan redemption	-	1,083,133
Break costs	-	159,264
	<u>6,664,213</u>	<u>8,242,881</u>
Joint ventures	9,058	70,013
Associates	10,776	-
	<u>£ 6,684,047</u>	<u>£ 8,312,894</u>

9. Employees and Directors	2014	2013
	£	£
Staff costs including directors during the year amounted to:-		
Wages and salaries	1,303,826	1,209,940
Social security costs	171,177	146,581
Other pension costs	3,888	3,888
	<u>£ 1,478,891</u>	<u>£ 1,360,409</u>

The group operates a defined contribution pension scheme.

The average number of employees during the year was:-

	No.	No.
Management and administration	<u>15</u>	<u>14</u>

Directors' emoluments:

Executive remuneration	£ Nil	£ Nil
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The emoluments of the highest paid director were £Nil (2013: £Nil) including pension contributions of £Nil (2013: £Nil).

ROTCH PROPERTY GROUP LIMITED

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MAY 2014

10. Taxation	2014	2013
	£	£
Analysis of charge/(credit) for year		
Current tax:		
UK Corporation tax on results of the year	-	-
UK Corporation tax - prior years	-	(1,182)
Share of joint ventures taxation (note 13.1)	8	47
Share of associates taxation (note 13.1)	4,123	-
Current tax charge/(credit)	4,131	(1,135)
Deferred tax:		
Current year	(63,802)	(65,670)
Prior years	(26,779)	(90,912)
Effects of changes in tax rates and laws	(198,161)	(55,061)
Deferred tax credit	(288,742)	(211,643)
Total tax credit for the year	£ (284,611)	£ (212,778)
Factors affecting current tax charge for year:		
Profit on ordinary activities before taxation	£ 4,347,394	£ 4,209,414
Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax 21% (2013: 23%)	912,953	968,165
Effects of:		
Permanent differences:		
Non deductible/taxable items	(726,984)	(44,009)
Share of profits in associates and joint ventures	(7,848)	(23,145)
Share of associates and joint ventures tax	4,131	47
Capital transactions	(8,263)	(23,212)
Group relief (net)	121,410	(718,958)
UK transfer pricing	(184,941)	97,618
Lease premium relief	(96,823)	(128,553)
Adjustment to prior years	-	(1,182)
Other	85	1,162
Timing differences:		
Lease premium relief and capital allowances	(12,076)	(12,418)
Tax losses	(171,065)	(270,032)
Other	173,552	153,382
Current tax charge/(credit)	£ 4,131	£ (1,135)

ROTCH PROPERTY GROUP LIMITED

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MAY 2014

11. Company profit and loss account

As permitted by section 408 Companies Act 2006, no separate profit and loss account of the company is presented. The company's profit for the financial year amounted to £7,579,426 (2013: loss £3,316,481).

12. Tangible fixed assets

Group	Investment properties	Fixtures & equipment	Motor vehicles	Total
	£	£	£	£
Cost or valuation				
At 1st June 2013	56,828,003	231,832	92,315	57,152,150
Additions	-	2,823	-	2,823
Disposals	-	(22,110)	-	(22,110)
Revaluation	6,259,454	-	-	6,259,454
At 31st May 2014	63,087,457	212,545	92,315	63,392,317
Depreciation				
At 1st June 2013	-	193,131	91,888	285,019
Charge for the year	-	9,207	107	9,314
Disposals	-	(21,632)	-	(21,632)
At 31st May 2014	-	180,706	91,995	272,701
Net book value				
At 31st May 2014	£ 63,087,457	£ 31,839	£ 320	£ 63,119,616
At 31st May 2013	£ 56,828,003	£ 38,701	£ 427	£ 56,867,131

The investment properties were valued as at 31st May 2014 at £63,087,457 (2013: £56,828,003) by the directors based on reports provided to them by Chartered Surveyors employed by the group's in house management company. During the course of the last five years, the majority of the properties held as investment properties at 31st May 2014 have been valued by independent professional valuers. The original cost of the investment properties held at 31st May 2014 was £30,402,629 (2013: £30,402,629).

Investment properties at net book value comprise:-	2014	2013
	£	£
Freehold	10,607,001	10,139,001
Long leasehold	52,480,456	46,689,002
	£ 63,087,457	£ 56,828,003

ROTCH PROPERTY GROUP LIMITED

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MAY 2014

12. Tangible fixed assets (continued)

Company	Investment properties £	Fixtures & equipment £	Motor vehicles £	Total £
Cost or valuation				
At 1st June 2013	890,000	221,253	92,315	1,203,568
Disposals	-	(11,533)	-	(11,533)
Revaluation	42,000	-	-	42,000
At 31st May 2014	932,000	209,720	92,315	1,234,035
Depreciation				
At 1st June 2013	-	182,552	91,888	274,440
Charge for the year	-	8,618	107	8,725
Disposals	-	(11,054)	-	(11,054)
At 31st May 2014	-	180,116	91,995	272,111
Net book value				
At 31st May 2014	£ 932,000	£ 29,604	£ 320	£ 961,924
At 31st May 2013	£ 890,000	£ 38,701	£ 427	£ 929,128

The investment properties have been valued as at 31st May 2014 at £932,000 (2013: £890,000) by the directors based on reports provided to them by Chartered Surveyors employed by the group's in house management company. The original cost of the investment properties held at 31st May 2014 was £10,000 (2013: £10,000).

Investment properties at net book value comprise:-	2014 £	2013 £
Freehold	£ 932,000	£ 890,000

ROTCH PROPERTY GROUP LIMITED

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MAY 2014

13. Fixed asset investments

13.1 Group

	Unlisted investments £	Listed investments £	Interests in joint property ventures £	Associated undertakings £	Total £
Cost					
At 1st June 2013	1,569,312	523,407	-	-	2,092,719
Additions	118,775	-	-	-	118,775
Disposals	(481,520)	-	-	-	(481,520)
At 31st May 2014	1,206,567	523,407	-	-	1,729,974
Share of undistributed post acquisition profits					
At 1st June 2013	-	-	274,580	-	274,580
Share of current year:					
- operating profit	-	-	467	47,752	48,219
- interest payable	-	-	(9,058)	(10,776)	(19,834)
- interest receivable	-	-	6,857	397	7,254
- taxation	-	-	(8)	(4,123)	(4,131)
Transfer from provisions (note 21)	-	-	-	(27,265)	(27,265)
Disposals	-	-	(272,838)	-	(272,838)
At 31st May 2014	-	-	-	5,985	5,985
Impairment provisions					
At 1st June 2013	(6,461)	(391,184)	-	-	(397,645)
Provision in year	(746)	(44,757)	-	-	(45,503)
At 31st May 2014	(7,207)	(435,941)	-	-	(443,148)
Net book value					
At 31st May 2014	£ 1,199,360	£ 87,466	£ -	£ 5,985	£ 1,292,811
At 31st May 2013	£ 1,562,851	£ 132,223	£ 274,580	£ -	£ 1,969,654

The market value of the listed investments at 31st May 2014 was £87,438 (2013: £132,505).

ROTCH PROPERTY GROUP LIMITED

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MAY 2014

13. Fixed asset investments (continued)

13.2 Company

	Listed investments £	Unlisted investments £	Subsidiary undertakings £	Interests in joint property ventures £	Total £
Cost					
At 1st June 2013	519,192	1,559,310	64,856,359	-	66,934,861
Additions	-	118,775	-	-	118,775
Disposals	-	(481,520)	(5)	-	(481,525)
At 31st May 2014	519,192	1,196,565	64,856,354	-	66,572,111
Share of profits					
At 1st June 2013	-	-	-	274,580	274,580
Share of losses	-	-	-	(1,742)	(1,742)
Disposals	-	-	-	(272,838)	(272,838)
At 31st May 2014	-	-	-	-	-
Impairment provisions					
At 1st June 2013	(391,184)	-	(46,855,233)	-	(47,246,417)
(Charge)/credit for year	(44,757)	-	3,000,000	-	2,955,243
At 31st May 2014	(435,941)	-	(43,855,233)	-	(44,291,174)
Net book value					
At 31st May 2014	£ 83,251	£ 1,196,565	£ 21,001,121	£ -	£ 22,280,937
At 31st May 2013	£ 128,008	£ 1,559,310	£ 18,001,126	£ 274,580	£ 19,963,024

The market value of the listed investments at 31st May 2014 was £83,251 (2013: £128,008).

13.3 Subsidiary undertakings

Details of the company's principal subsidiary undertakings (all of which are registered in England and Wales), associated undertakings and joint property ventures, are given below. All interests are in the ordinary share capital of the entities concerned.

The subsidiary undertakings are wholly owned unless otherwise stated. Rotch Properties Limited is 50% owned but is treated as a subsidiary as the remaining 50% of its share capital is ultimately held by the company's ultimate controlling party, The Tchenguiz Family Trust, and the company is effectively controlled by the management of Rotch Property Group Limited.

ROTCH PROPERTY GROUP LIMITED

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MAY 2014

13. Fixed asset investments (continued)

Subsidiary undertakings (continued)

Company and activity

Property investment

Granquay Limited

Herbframe Limited

Holaw (401) Limited

Primary Development Limited

Rotch Properties Limited (50% owned) and its 100% owned subsidiaries:

Barnmist Limited*

Bartonmoss Limited

Holaw (403) Limited

Holaw (429) Limited

Holaw (434) Limited

Holaw (587) Limited*

Park Road (Medical Centre) Limited*

Rotch 18 (Welwyn) Limited

Uni Lease No.1 Limited*

Valleymile Limited

*These companies hold their property investments by way of finance leases.

Property development

Holaw (339) Limited

Mistland Limited

Other

Rotch Financial Limited

Prime Estates Holdings Limited - and its 100% owned subsidiary:

Prime Estates Property Management Limited

Placemanor Limited

Activity

Property finance

Property management

Property finance

ROTCH PROPERTY GROUP LIMITED

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MAY 2014

13. Fixed asset investments (continued)

13.4 Associated undertakings

Company and activity

Holding of ordinary shares by:

Property services

Asite Limited

Group Company

13.3%

-

The group's interest is held via B&C Plaza Limited, part of the 50% owned Rotch Properties Limited group of companies. Although B&C Plaza Limited owns 13.3% of the total share capital of Asite Limited, it owns 26% of the ordinary 'A' shares which have voting rights attached, giving B&C Plaza Limited significant influence over Asite Limited. The accounting reference date of Asite Limited is 30 June.

13.5 Joint property ventures

Joint property ventures consisted of the company's 50% interest in properties owned by Prestigic Limited. The company's and the group's share of the results of Prestigic Limited for the year ended 31st May 2014 and their share of the revaluation surpluses of the properties at 31st May 2014 are included in these financial statements. The company contributed finance to the venture and participated in important management decisions. The interest in these properties was disposed of during the year.

ROTCH PROPERTY GROUP LIMITED

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MAY 2014

14. Stocks and work in progress

	Group		Company	
	2014	2013	2014	2013
	£	£	£	£
Stock:-				
Properties held for resale	5,000	5,000	5,000	5,000
Work in progress:-				
Property developments	784,750	824,750	86,476	89,789
	£ 789,750	£ 829,750	£ 91,476	£ 94,789

15. Debtors

	Group		Company	
	2014	2013	2014	2013
	£	£	£	£
Due within one year:				
Trade debtors	59,817	22,645	40,899	14,736
Finance leases	1,076,818	836,214	-	-
Amounts owed by subsidiary undertakings	-	-	6,361,849	6,104,337
Amounts owed by group undertakings	8,319,335	991,371	8,288,953	954,647
Amounts owed by related undertakings	42,790,438	58,732,506	42,790,438	58,732,506
Other debtors	111,793	9,293,729	108,502	39,408
Prepayments and accrued income	1,161,939	1,175,244	299,910	283,203
	£ 53,520,140	£ 71,051,709	£ 57,890,551	£ 66,128,837
Due after more than one year:				
Finance leases	28,423,905	29,500,723	-	-
Amounts owed by group undertakings	2,709,117	3,492,460	-	-
Amounts owed by related undertakings	6,566,308	6,566,308	6,566,308	6,566,308
Prepayments and accrued income	2,539,992	2,688,627	-	-
	£ 40,239,322	£ 42,248,118	£ 6,566,308	£ 6,566,308

Included in other debtors is £nil (2013: £9,248,823) which are part of the group's borrowing facilities and are not freely available for use.

The original cost of the finance leases was £26,769,141 (2013: £26,769,141).

16. Current asset investments

	Group		Company	
	2014	2013	2014	2013
	£	£	£	£
Other investments	£ 1	£ 1	£ -	£ -

ROTCH PROPERTY GROUP LIMITED

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MAY 2014

17. Cash at bank and in hand

Included in the group's cash at bank is £8,615,901 (2013: £151,453) of funds lodged with financial institutions as additional security for the borrowing facilities from those institutions and which are not otherwise freely available for use.

18. Creditors: Amounts falling due within one year

	Group		Company	
	2014	2013	2014	2013
	£	£	£	£
Bank overdrafts (secured)	229,697	368,495	229,697	368,495
Bank loans (note 19)	27,605,178	33,731,532	-	-
Other loans (note 19)	2,213,542	2,011,541	180,334	180,334
Loan from group undertaking (note 19)	5,774,604	5,827,771	5,774,604	5,827,771
Trade creditors	22,801	21,600	17,095	18,500
Amounts owed to subsidiary undertakings	-	-	44,213,568	49,267,795
Amounts owed to group undertakings	34,296,405	29,852,793	34,287,666	29,844,054
Amounts owed to related undertakings	14,321,213	19,517,188	14,312,478	19,488,411
Other taxation and social security costs	201,223	1,964,933	58,098	1,874,664
Other creditors	23,554	5,910,087	-	5,885,719
Accruals and deferred income	1,868,367	1,883,490	2,534,675	3,104,490
	£ 86,556,584	£ 101,089,430	£ 101,608,215	£ 115,860,233

The bank overdrafts are secured against certain of the group's and company's investment and development properties.

19. Creditors: Amounts falling due after more than one year

	Group		Company	
	2014	2013	2014	2013
	£	£	£	£
Other loans	£ 58,009,286	£ 60,381,490	£ -	£ -

Bank loans

The bank loans total £27,605,178 (2013: £33,731,532) and comprise loans to a subsidiary undertaking and are repayable by 2028.

All bank loans are secured by fixed and floating charges on the investment properties and the property finance leases of those subsidiary undertakings.

ROTCH PROPERTY GROUP LIMITED

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MAY 2014

19. Creditors: Amounts falling due after more than one year (continued)

Bank loans of £27,605,178 (2013: £28,282,272) to one of the subsidiaries, Uni Lease No.1 Limited, are subject to cross-guarantees and cross-collateralisation of the underlying properties used as security with other bank loans to related parties. The total value of the bank loans subject to this cross-collateralisation, including the group's loans, is £103,937,331 (2013: £104,800,230), and the fair value of the financial instruments also subject to the cross-collateralisation is £(16,426,817) (2013: £(20,534,294)). During the year ended 31 May 2012, following a related party company's breach of a loan to value covenant, the cross collateralised borrowings including the group's loans, have become effectively repayable on demand due to the operation of the cross default clauses in the loan agreements.

The other bank loans in 2013 of £5,449,260 were held by the subsidiary Flatgrove Limited and represented the residual amount due to the subsidiary's bankers under the terms of its loan facility following the disposal during the year ended 31 May 2012 of the subsidiary's investment property upon the instructions of the subsidiary's bankers following the breach of the subsidiary's loan to value covenant of its loan facility. On 8 October 2013 Flatgrove Limited was dissolved and the bank loan was extinguished without recourse to the group.

Other loans

These loans consists of loans of £60,042,494 (2013: £62,212,697) from financial institutions which are repayable in 2060 and are secured by fixed and floating charges on the investment properties of certain subsidiaries and fellow group companies, and unsecured loans of £180,334 (2013: £180,334) which are repayable within one year.

Loan from group undertaking

The group undertaking loan is with Greenflat Limited, a subsidiary of Five Mile Limited (note 29). The loan is unsecured and has no specific repayment date. The loan bears interest at a fixed rate of 5.99% per annum.

The bank and other loans are repayable as follows:

	Group		Company	
	2014	2013	2014	2013
	£	£	£	£
In less than one year	30,253,229	36,178,754	180,334	180,334
One to two years	2,684,950	2,467,720	-	-
Two to five years	9,576,521	9,219,281	-	-
Over five years	54,491,620	57,872,803	-	-
	97,006,320	105,738,558	180,334	180,334
Less: finance charges allocated to future periods	(9,178,314)	(9,613,995)	-	-
	87,828,006	96,124,563	180,334	180,334
Less: included within amounts falling due within one year	(29,818,720)	(35,743,073)	(180,334)	(180,334)
	£ 58,009,286	£ 60,381,490	£ -	£ -

ROTCH PROPERTY GROUP LIMITED

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MAY 2014

19. Creditors: Amounts falling due after more than one year (continued)

	Group		Company	
	2014	2013	2014	2013
	£	£	£	£
Of the amounts falling due after more than five years:				
Repayable by instalments	£ 54,491,620	£ 57,872,803	£ -	£ -

The bank and other loan interest rate analysis is as follows:

	Group		Company	
	2014	2013	2014	2013
	£	£	£	£
Interest rate				
<i>Loans repayable wholly or in part by instalments:</i>				
5.0% - 6.0%	75,810,858	78,062,190	180,334	180,334
6.0% - 7.0%	-	5,449,260	-	-
7.0% - 8.0%	21,195,462	22,227,108	-	-
	£ 97,006,320	£ 105,738,558	£ 180,334	£ 180,334

The interest rates payable are fixed either by the terms of the relevant loan agreement or by way of fixed rate interest rate swaps.

ROTCH PROPERTY GROUP LIMITED

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MAY 2014

20. Derivative financial instruments

The group has entered into fixed interest rate swaps to fix the interest rate payable on certain of the bank loans and other loans as detailed in note 19. The fair value of these swaps at 31 May 2014 is £(1,650,984) (2013: £(2,034,673)).

21. Provisions for liabilities

	Group	
	2014	2013
	£	£
Deficit on interest in associate	-	27,265
Deferred taxation	1,747,948	2,036,690
	£ 1,747,948	£ 2,063,955

The movement in the year is as follows:

	Group	
	Deferred taxation	Deficit on interest in associate
	£	£
Balance at 1st June 2013	2,036,690	27,265
Transfer from profit and loss account	(288,742)	-
Transfer to investments (note 13.1)	-	(27,265)
Balance at 31st May 2014	£ 1,747,948	£ -

Deferred taxation

The analysis of the deferred tax position is as follows:

Group	Provided		Unprovided	
	2014	2013	2014	2013
	£	£	£	£
Excess of tax allowances over depreciation	177,737	200,683	(39,000)	(67,000)
Other timing differences	2,984,583	3,620,562	-	-
Tax losses available - income	(1,414,372)	(1,784,555)	(7,778,000)	(9,057,000)
Tax losses available – capital	-	-	(174,000)	(187,000)
Surplus on revaluations	-	-	3,554,000	2,826,000
Gain held over	-	-	6,462,000	7,431,000
	£ 1,747,948	£ 2,036,690	£ 2,025,000	£ 946,000

ROTCH PROPERTY GROUP LIMITED

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MAY 2014

21. Provisions for liabilities (Continued)

The analysis of the deferred tax position is as follows:

Company	Provided		Unprovided	
	2014	2013	2014	2013
	£	£	£	£
Excess of tax allowances over depreciation	-	-	(39,000)	(67,000)
Tax losses available - income	-	-	(6,734,000)	(7,863,000)
Surplus on revaluations	-	-	187,000	197,000
Gain held over	-	-	6,462,000	7,431,000
	<u>£ -</u>	<u>£ -</u>	<u>£ (124,000)</u>	<u>£ (302,000)</u>

Other timing differences arise on the difference in recognition of net income from finance leases over the lease term at a constant rate of return and that recognised for tax purposes.

In accordance with FRS19 – Deferred Tax, no provision for deferred taxation has been made in respect of properties held as investments which are included in these financial statements at a valuation of £63,087,457 (2013: £56,828,003), which would arise if they were sold at that valuation.

The deferred tax asset arising on certain of the unutilised losses has not been recognised, as recovery in the foreseeable future of those losses is considered remote.

The gain held over would crystallise if the subsidiary in which the gain arose was disposed of by the group.

During the year, Finance Act 2013 was enacted and included legislation to reduce the main rate of corporation tax to 21% with effect from 1 April 2014 and by a further 1%, reaching 20% with effect from 1 April 2015. As this change was substantively enacted at the balance sheet date, deferred tax is recognised at 20% in the current period.

ROTCH PROPERTY GROUP LIMITED

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MAY 2014

22. Share capital **2014** **2013**

Allotted, issued and fully paid:

Equity shares:

100,000 ordinary shares of £1 each **£ 100,000** **£ 100,000**

23. Reserves

Group:

	Other reserves £	Revaluation reserve £	Profit and loss account £
At 1st June 2013	2,008,169	19,665,489	(28,166,353)
Retained profit for year	-	-	4,418,013
Surplus on property revaluations	-	6,259,454	-
Minority share of net revaluation surplus	-	(2,766,227)	-
Realised surplus on sale of joint ventures	-	(274,580)	274,580
At 31st May 2014	£ 2,008,169	£ 22,884,136	£ (23,473,760)

Company:

	Revaluation reserve £	Profit and loss account £
At 1st June 2013	1,154,580	(21,503,449)
Retained profit for year	-	7,579,426
Surplus on property revaluations	42,000	-
Realised surplus on sale of joint ventures	(274,580)	274,580
At 31st May 2014	£ 922,000	£ (13,649,443)

24. Minority interest

	Group £
At 1st June 2013	17,888,347
Share of profit after taxation	213,992
Share of net revaluation surplus	2,766,227
At 31st May 2014	£ 20,868,566

The minority interest represents a 50% holding in Rotch Properties Limited by Vertigo Overseas Limited, which is a wholly-owned subsidiary of the Group's ultimate controlling party the Tchenguiz Family Trust.

ROTCH PROPERTY GROUP LIMITED

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MAY 2014

25. Reconciliation of movement in shareholders' funds

	Group		Company	
	2014	2013	2014	2013
	£	£	£	£
Profit/(loss) for the year	4,418,013	(2,906,442)	7,579,426	(3,316,481)
Other recognised gains and losses relating to the year	3,493,227	761,080	42,000	156,580
Net addition/(depletion) to shareholders funds	7,911,240	(2,145,362)	7,621,426	(3,159,901)
Opening shareholders' (deficit)	(6,392,695)	(4,247,333)	(20,248,869)	(17,088,968)
Closing shareholders' funds/(deficit)	£ 1,518,545	£ (6,392,695)	£(12,627,443)	£(20,248,869)

26. Notes to the cash flow statement

	2014	2013
	£	£
<i>Reconciliation of operating profit to net cash flow from operating activities</i>		
Group operating profit	4,406,912	5,522,946
Depreciation	9,314	11,573
Loss/(profit) on sale of tangible fixed assets	478	(5,900)
Decrease/(increase) in stocks	40,000	(43,500)
Decrease/(increase) in debtors	10,139,614	(6,652,765)
(Decrease)/increase in creditors	(8,067,514)	1,728,094
Net operating cash flows before related party movements	6,528,804	560,448
Decrease in related party debtors	9,397,447	676,006
Decrease in related party creditors	(752,363)	(2,945,014)
Net cash inflow/(outflow) from operating activities	£ 15,173,888	£ (1,708,560)
<i>Reconciliation of net cash flow to movement in net debt</i>		
	£	£
Increase/(decrease) in cash in the year	7,813,923	(18,349,584)
Cash flow from decrease in debt	3,336,145	25,043,186
Changes in net debt resulting from cash flows	11,150,068	6,693,602
Finance charges	(435,681)	(1,583,658)
Subsidiary loan written off without recourse	5,449,260	-
Movement in net debt in the year	16,163,647	5,109,944
Net debt at 31st May 2013	(100,256,665)	(105,366,609)
Net debt at 31st May 2014	£ (84,093,018)	£ (100,256,665)

ROTCH PROPERTY GROUP LIMITED

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MAY 2014

26. Notes to the cash flow statement (Continued)

Analysis of changes in net debt

	At 1st June 2013 £	Cash flow £	Non-cash changes £	At 31st May 2014 £
Cash at bank and in hand	2,064,164	7,675,125	-	9,739,289
Overdrafts	(368,495)	138,798	-	(229,697)
	<u>1,695,669</u>	<u>7,813,923</u>	<u>-</u>	<u>9,509,592</u>
Debt due within 1 year	(41,570,844)	3,336,145	2,641,375	(35,593,324)
Debt due after 1 year	(60,381,490)	-	2,372,204	(58,009,286)
	<u>£ (100,256,665)</u>	<u>11,150,068</u>	<u>5,013,579</u>	<u>£ (84,093,018)</u>

Non-cash changes during the year represent the amortisation of the finance charges allocated to future periods, the writing off of a subsidiary loan without recourse to the group and the movement of the loan maturity between one year and after one year.

Included in the group's cash at bank is £8,615,901 (2013: £151,453) of funds lodged with financial institutions as additional security for the borrowing facilities from those institutions and which are not otherwise freely available for use.

27. Commitments

Operating lease commitments

Group

At 31st May 2014 the group was committed to making the following payments during the next year in respect of operating leases:-

	Land and buildings		Other	
	2014 £	2013 £	2014 £	2013 £
Leases which expire:-				
Within 2 to 5 years	-	-	6,500	6,500
After 5 years	2,333,518	2,333,518	-	-
	<u>£ 2,333,518</u>	<u>£ 2,333,518</u>	<u>£ 6,500</u>	<u>£ 6,500</u>

The leases of land and buildings include current annual commitments of £2,333,518 (2013: £2,333,518) in respect of tenanted properties.

ROTCH PROPERTY GROUP LIMITED

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MAY 2014

27. Commitments (Continued)

Company

At 31st May 2014 the company was committed to making the following payments during the next year in respect of operating leases:-

	Land and buildings		Other	
	2014	2013	2014	2013
	£	£	£	£
Leases which expire:-				
Within 2 to 5 years	-	-	6,500	6,500
After 5 years	222,500	222,500	-	-
	£ 222,500	£ 222,500	£ 6,500	£ 6,500

The leases of land and buildings include current annual commitments £222,500 (2013: £222,500) in respect of tenanted properties.

The leases of land and buildings are subject to periodic review.

Capital commitment

Group and Company

	2014	2013
	£	£
Investment in venture funds	£ 155,825	£ 194,183

ROTCH PROPERTY GROUP LIMITED

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MAY 2014

28. Contingencies and guarantees

The company has undertaken to provide limited financial support to certain of its subsidiary undertakings and to certain of its related party undertakings which are ultimately controlled by the Tchenguiz Family Trust, so as to assist the companies in meeting their operational costs as they arise.

The company has also guaranteed:

- (1) the interest shortfall on loans of £232m and all money guarantee on £1.4m advanced to related companies. The loan is currently in default and the interest shortfall was met by a related party until September 2012 when the related companies failed to pay the interest due to the bank under the facilities and the bank served notice on the company to fulfil its guarantee in the sum of £2,610,465. The validity of this interest shortfall claim was successfully challenged by the company. In June 2013 the lenders sought to appoint administrators to the related party but subsequently stayed their application. The company has received a letter of indemnity from a related party, whose ultimate controlling party is the Tchenguiz Family Trust, in respect of this interest shortfall.
- (2) the shortfall in the triennial valuation tests of loans advanced to a related company. There is no current shortfall in the valuation tests.
- (3) the swap break costs in the event of the repayment of a loan advanced to a related party and any shortfall in rentals. The loan is currently in default although the interest on the loan continues to be serviced by the related company's trading cash flows. The related company is currently in discussions with the lender to extend the loan and the directors do not expect that the guarantee will be called. The estimated swap break costs as at 31 May 2014 are £2.4m (2013: £3.6m) and the company's exposure under the guarantee is estimated as £0.4m (2013: £1.1m) as at 31 May 2014.
- (4) the covenants entered into by a related company in respect of its occupational lease of office premises at an annual rental of £0.7m. Currently the rentals are being met when demanded.
- (5) any interest shortfall on a loan of £100m advanced to a group company. There is currently no interest shortfall with the group company meeting its loan interest covenants. The loan was repaid in September 2014.
- (6) the payment of inter alia, interest penalties and swap break costs in the event of early repayment of a loan of £45m (2013: £45m) advanced to a related company. The loan is currently in default and the estimated swap break costs as at 31 May 2014 are £11.2m (2013: £12.2m). The related company is currently in discussions with the lender to extend the loan and the directors do not expect that the guarantee will be called
- (7) the payment of inter alia, interest penalties and swap break costs in the event of early repayment of a loan of £102.0million (2013: £108.3 million) advanced to a related company. The related party is currently meeting its loan obligations as they fall due and trading profitably.

As at 31st May 2014 and to date there have been no calls under the above guarantees except as noted above and the directors do not expect this to change in the foreseeable future.

ROTCH PROPERTY GROUP LIMITED

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MAY 2014

29. Related party transactions

The group is related to fellow subsidiaries of Sunnymist Limited with whom in many cases it has directors in common. At the balance sheet date the following amounts were due to/from the following companies:

Amounts owed by group companies

	Group		Company	
	2014	2013	2014	2013
	£	£	£	£
Bartonpath Limited	544,696	550,423	-	-
Beamlock Limited	3,916,728	-	3,916,728	-
Five Mile Limited *	1,458,466	2,372,685	1,458,466	2,372,685
Genmead Limited	2,578,987	2,640,501	384,184	422,619
Nomrotch Limited	1	1	1	1
VR Hotel (Holdings) Limited	219,996	-	219,996	-
Stepend Limited	-	760,879	-	-
Tamevale Limited	30,978,460	29,772,043	30,978,460	29,772,043
	<u>39,697,334</u>	<u>36,096,532</u>	<u>36,957,835</u>	<u>32,567,348</u>
Less provisions	<u>(28,668,882)</u>	<u>(31,612,701)</u>	<u>(28,668,882)</u>	<u>(31,612,701)</u>
	<u>£ 11,028,452</u>	<u>£ 4,483,831</u>	<u>£ 8,288,953</u>	<u>£ 954,647</u>
Amounts due within one year	8,319,335	991,371	8,288,953	954,647
Amounts due in more than one year	2,709,117	3,492,460	-	-
	<u>£ 11,028,452</u>	<u>£ 4,483,831</u>	<u>£ 8,288,953</u>	<u>£ 954,647</u>

* and their subsidiaries

ROTCH PROPERTY GROUP LIMITED

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MAY 2014

29. Related party transactions (continued)

Amounts owed to group companies

	Group		Company	
	2014	2013	2014	2013
	£	£	£	£
Bartonpath Limited	51,028	18,953	51,028	18,953
Five Mile Limited *	29,592,618	28,951,655	29,592,618	28,951,655
Highread Limited *	4,700,971	5,065,596	4,700,971	5,065,596
Stepend Limited	1,178,845	1,635,620	1,178,845	1,635,620
Vin-Rotch Properties Limited Inc	8,739	8,739	-	-
Finehedge Limited	1	1	1	1
VR Hotel (Holdings) Limited*	4,538,807	-	4,538,807	-
	£ 40,071,009	£ 35,680,564	£ 40,062,270	£ 35,671,825

	Group		Company	
	2014	2013	2014	2013
	£	£	£	£
Amounts due within one year	40,071,009	35,680,564	40,062,270	35,671,825
Amounts due in more than one year	-	-	-	-
	£ 40,071,009	£ 35,680,564	£ 40,062,270	£ 35,671,825

* and their subsidiaries

	Group		Company	
	2014	2013	2014	2013
	£	£	£	£
Interest receivable from group companies	£ 1,496,350	£ 1,491,648	£ 1,337,594	£ 1,301,036
Fees receivable from group companies	£ 143,251	£ 135,635	£ 124,550	£ 124,550
Interest payable to group companies	£ 338,451	£ 415,178	£ 338,451	£ 415,178

The group is related to other companies controlled by the Tchenguiz Family Trust and to other companies with whom in many cases it has a director in common. The company also provides funding to, and receives funding from other Tchenguiz family trusts, of which the directors R Tchenguiz and V Tchenguiz are a beneficiary and certain companies controlled by those trusts.

At the balance sheet date the following amounts were due to/from these related parties:

ROTCH PROPERTY GROUP LIMITED

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MAY 2014

29. Related party transactions (continued)

Amounts owed by related undertakings

	Group		Company	
	2014	2013	2014	2013
	£	£	£	£
Arbre et Ciel SARL	-	259,000	-	259,000
Adrianne Properties Limited*	327,039	18,539,645	327,039	18,539,645
Challenger Investments Limited*	-	3,593,271	-	3,593,271
Crowlane Limited	98,842	98,842	98,842	98,842
Dunain Holdings Limited	-	126,015	-	126,015
Holaw (546) Limited	740,658	740,658	740,658	740,658
Insurance Financial Services Holdings Limited	440,800	440,800	440,800	440,800
Lanespace Limited*	14,677,930	23,914,380	14,677,930	23,914,380
Leconfield House Limited	297,127	328,316	297,127	328,316
Lizella Trust	198,233	183,791	198,233	183,791
R20 Limited*	23,691,183	23,335,888	23,691,183	23,335,888
Tchenguiz Family Trust	3,884,934	2,699,024	3,884,934	2,699,024
Valleytown Limited	302,090	302,090	302,090	302,090
Vimelator Holdings Limited	27,068	27,068	27,068	27,068
Vincos Limited	25,562,252	25,781,071	25,562,252	25,781,071
VR Hotel (Holdings) Limited	-	219,995	-	219,995
YS&L Holdco Limited*	295,248	295,248	295,248	295,248
Other entities	335,389	365,720	335,389	365,720
	70,878,793	101,250,822	70,878,793	101,250,822
Less provisions	(21,522,047)	(35,952,008)	(21,522,047)	(35,952,008)
	£ 49,356,746	£ 65,298,814	£ 49,356,746	£ 65,298,814
	42,790,438	58,732,506	42,790,438	58,732,506
Amounts due within one year	6,566,308	6,566,308	6,566,308	6,566,308
Amounts due in more than one year	£ 49,356,746	£ 65,298,814	£ 49,356,746	£ 65,298,814

* and their subsidiaries

ROTCH PROPERTY GROUP LIMITED

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MAY 2014

29. Related party transactions (continued)

Amounts owed to related undertakings

	Group		Company	
	2014	2013	2014	2013
	£	£	£	£
Newton Properties Limited	14,069,653	14,069,653	14,069,653	14,069,653
R20 Limited*	-	20,042	-	-
Tchenguiz Settlement	102,326	771,688	102,326	771,688
VR Hotel (Holdings) Limited*	-	4,550,808	-	4,550,808
Dunain Holdings Limited	40,614	-	40,614	-
Other entities	108,620	104,997	99,885	96,262
	£ 14,321,213	£ 19,517,188	£ 14,312,478	£ 19,488,411
Amounts due within one year	14,321,213	19,517,188	14,312,478	19,488,411
Amounts due in more than one year	-	-	-	-
	£ 14,321,213	£ 19,517,188	£ 14,312,478	£ 19,488,411

* and their subsidiaries

	Group		Company	
	2014	2013	2014	2013
	£	£	£	£
Interest receivable from related parties	£ 6,976	£ 715,807	£ 6,976	£ 715,807
Fees receivable from related parties	£ 353,484	£ 422,178	£ 133,200	£ 261,000
Fees payable to related parties	£ 24,000	£ 12,000	£ 24,000	£ 12,000

The company and group occupy offices under an annually renewable licence from R20 limited. The rent paid during the year was £125,136 (2013: £121,216).

The company has taken advantage of the exemptions provided by Financial Reporting Standard Number 8 'Related Party Disclosures' and has not disclosed transactions entered into between two or more members of a group, provided that any subsidiary undertaking which is party to the transaction is wholly owned by a member of that group.

ROTCH PROPERTY GROUP LIMITED

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

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30. Immediate and ultimate parent company

The company's immediate parent company is Vin-Rotch Properties Limited Inc., a company incorporated in the Republic of Panama.

The company's ultimate parent company is Sunnymist Limited, a company incorporated in the British Virgin Islands.

31. Ultimate controlling party

The ultimate controlling party is the Tchenguiz Family Trust.