Holaw (537) Limited

FINANCIAL STATEMENTS

for the year ended

31 May 2014

Company Registration No. 03730130

Holaw (537) Limited
COMPANY INFORMATION

DIRECTORS	R Tchenguiz V A Tchenguiz
COMPANY NUMBER	03730130 (England & Wales)
REGISTERED OFFICE	5th Floor Leconfield House Curzon Street London W1J 5JA
AUDITOR	Baker Tilly UK Audit LLP 3rd Floor One London Square Cross Lanes Guildford Surrey GU1 1UN
SOLICITORS	Osborne Clarke One London Wall London EC2Y 5EB

Holaw (537) Limited
DIRECTORS' REPORT
For the year ended 31 May 2014

The directors present their report and the financial statements of Holaw (537) Limited for the year ended 31 May 2014.

PRINCIPAL ACTIVITIES AND REVIEW OF THE BUSINESS

The principal activity of the company, which has remained unchanged during the financial year, was that of property investment by holding lease interests in land and buildings.

In the opinion of the directors, subject to the matters set out on page 6 regarding going concern and the support given by Rotch Property Group Limited, a fellow group company, the result for the year and the financial position of the company at 31 May 2014 were satisfactory.

DIVIDENDS

The directors do not recommend payment of a dividend.

DIRECTORS

The following directors have held office since 1 June 2013:

R Tchenguiz
V A Tchenguiz

STATEMENT AS TO DISCLOSURE OF INFORMATION TO 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.

AUDITOR

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

This report has been prepared in accordance with the provisions applicable to companies entitled to the small companies exemption.

On behalf of the board

R Tchenguiz
Director
22 December 2014

Holaw (537) Limited
DIRECTORS' RESPONSIBILITIES IN THE PREPARATION OF FINANCIAL STATEMENTS

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

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 company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Holaw (537) Limited
INDEPENDENT AUDITOR'S REPORT
To The Members Of Holaw (537) Limited

We have audited the financial statements on pages 4 to 13. 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, 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 company's affairs as at 31 May 2014 and of its 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.

Emphasis of matter - Going Concern
In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosures made in the accounting policies on page 6 of the financial statements concerning the company's ability to continue as a going concern. The company is a party to a cross-collateralised group loan funding structure. As a result of breaches to loan covenants by a fellow group company and a member of that cross-collateralised group loan funding structure the company's ability to continue as a going concern may be impacted by the contingent events described on page 6. These contingent events indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern.

Opinion on other matter prescribed by the Companies Act 2006
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to take advantage of the small companies exemption from the requirement to prepare a strategic report or in preparing the directors' report.

Baker Tilly UK Audit LLP

Christopher Hurren 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
9 January 2015

Holaw (537) Limited
PROFIT AND LOSS ACCOUNT
For the year ended 31 May 2014

	Notes	2014 £	2013 £
TURNOVER	1	141,561	141,624
Other operating expenses	2	(4,200)	(9,900)
OPERATING PROFIT		137,361	131,724
Interest payable and similar charges	3	(126,154)	(127,237)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	4	11,207	4,487
Taxation	6	17,470	(4,328)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	12	28,677	159

All amounts derive from continuing activities.

No separate Statement of Total Recognised Gains and Losses has been presented as all such gains and losses have been dealt with in the Profit and Loss Account.

Holaw (537) Limited
BALANCE SHEET
As at 31 May 2014

Company registration No. 03730130

	Notes	2014 £	2013 £
CURRENT ASSETS			
Debtors: amounts falling due within one year	7	266,088	268,158
Debtors: amounts falling due after more than one year	7	1,818,373	1,827,405
		2,084,461	2,095,563
CREDITORS: Amounts falling due within one year	8	(60,390)	(55,282)
NET CURRENT ASSETS		2,024,071	2,040,281
TOTAL ASSETS LESS CURRENT LIABILITIES		2,024,071	2,040,281
CREDITORS: Amounts falling due after more than one year	9	(2,050,982)	(2,078,399)
PROVISIONS FOR LIABILITIES	10	(197,310)	(214,780)
NET LIABILITIES		(224,221)	(252,898)
CAPITAL AND RESERVES			
Called up share capital	11	2	2
Profit and loss account	12	(224,223)	(252,900)
SHAREHOLDERS' FUNDS	13	(224,221)	(252,898)

The financial statements on pages 4 to 13 were approved by the board of directors and authorised for issue on 22 December 2014 and are signed on its behalf by:

R Tchenguiz Director

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

The financial statements have been prepared under the historical cost convention.

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

GOING CONCERN
The properties owned by the company are financed by a loan from its parent company which forms part of a cross-collateralised long term funding structure, set up to be principally self-financing. The directors have assessed the operation of the cross-collateralised structure and the continuation and availability of support being provided by Rotch Property Group Limited, a fellow group company (see note 15).

The directors have determined that the company has, or can expect to have, subject to the further matters set out hereafter, sufficient working capital for its needs for at least 12 months from the date of approval of these financial statements. In view of this the directors consider it appropriate for the financial statements to be prepared on a going concern basis.

During the year ended 31 May 2012, following a valuation of the property portfolio securing the borrowings, the valuation covenant was breached on certain of the loans of a fellow group company and member of the cross-collateralised group loan funding structure to which the company is a party. This triggered defaults on all of the bank loans of that company.

As a result of the cross default clauses in the loan agreements, defaults on the wider cross-collateralised group loans were triggered. The bank has reserved its position in respect of the fellow group company's valuation covenant breach. At the year-end, therefore, the fellow group company's bank loans and all the loans within the cross-collateralised structure amounting to £103,937,331 (2013: £104,800,230) were effectively repayable on demand. In addition, the cross-collateralised group also has interest rate swaps that in the event of a break would be added to the liability of the cross-collateralised group and would become immediately repayable. The value of the interest rate swaps as at 31 May 2014 was a liability of £16,426,817 (2013: £20,534,294).

The company, together with its parent company and the other companies that are 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 group's efforts. 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.

The financial statements have been prepared on the going concern basis which assumes that the bank will not withdraw its loan facilities to the cross-collateralised group. The principal direct and indirect effects of the withdrawal by the lender of its funding are that:

i. the cross collateralised borrowings as at the year-end, totalling £103,937,331 (2013: £104,800,230), as set out in note 9, would be demanded for immediate repayment. Further costs could arise in respect of the interest rate arrangements that fix the interest rates on those loans, the level of which would depend on the market rates of interest prevailing at the time of such a termination. As at 31 May 2014 these costs were £16,426,817 (2013: £20,534,294);

ii. if not repaid when due, the bank could exercise its security over the properties and may seek to sell or dispose of assets separately or together at a time of its own choosing. This process may not represent an orderly realisation in the normal course of business. In these circumstances the properties may be realised at values significantly less than their carrying values. The consequence of this is that the company's property may be realised at less than its carrying value in these financial statements.

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 company's taxable profits and its results as stated in the financial statements.

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.

FINANCE LEASES

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 period. Finance charges are recognised in the profit and loss account so as to produce a constant return on the carrying amount.

CASH FLOW STATEMENT

The company is exempt from the requirement to prepare a cash flow statement, as more than 90% of the voting rights are controlled within the group and consolidated financial statements in which the company is included are publicly available.

1 TURNOVER

Turnover represents finance charges allocated to the period so as to give a constant periodic rate of return over the duration of the lease.

2 OTHER OPERATING EXPENSES

	2014	2013
	£	£
Administrative expenses	4,200	9,900

3 INTEREST PAYABLE AND SIMILAR CHARGES

	2014	2013
	£	£
Loan interest payable to group undertakings	124,399	125,482
Amortisation of finance costs	1,755	1,755
	126,154	127,237

4 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	2014	2013
	£	£
Profit is stated after charging:		
Auditor's remuneration	3,000	3,000

5 EMPLOYEES

There were no employees during the year apart from the directors, who received no emoluments.

6 TAXATION

	2014	2013
	£	£
UK Corporation tax		
Current tax charge	-	-
Deferred tax		
Effects of changes in tax rates and laws	(28,014)	(8,628)
Deferred tax charge current year	10,544	12,956
Total deferred tax	(17,470)	4,328
Tax on profit on ordinary activities	(17,470)	4,328
Factors affecting the tax charge for the year		
Profit on ordinary activities before taxation	11,207	4,487
Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 21.00% (2013 - 23.00%)	2,353	1,032
Effects of:		
Non deductible expenses	11,233	12,881
Group relief	(3,861)	(1,878)
Adjustment in respect of finance leases	(10,544)	(12,956)
UK transfer pricing	819	921
	(2,353)	(1,032)
Current tax charge	-	-

7 DEBTORS

	2014	2013
	£	£
Amounts owed by group undertakings	257,056	263,120
Finance lease	1,795,217	1,798,500
Prepayments and accrued income	32,188	33,943
	2,084,461	2,095,563

Amounts falling due after more than one year and included in the debtors above are:

	2014	2013
	£	£
Finance lease	1,787,940	1,795,217
Prepayments and accrued income	30,433	32,188
	1,818,373	1,827,405

The original cost of the finance lease was £1,559,102 (2013: £1,559,102).

8 CREDITORS: amounts falling due within one year

	2014	2013
	£	£
Loans from group undertakings (note 9)	32,774	26,795
Accruals and deferred income	27,616	28,487
	60,390	55,282

9 CREDITORS: amounts falling due after more than one year	2014	2013
	£	£
Loans from group undertaking	2,050,982	2,078,399

Loan maturity analysis		
In more than one year but not more than two years	38,888	32,774
In more than two years but not more than five years	157,524	136,534
In more than five years	1,854,570	1,909,091
	2,050,982	2,078,399

The group undertaking loans comprise two loans which are in turn financed by two loans from a third party to that group undertaking and have been provided to the company on the same interest and repayment terms. The loans are secured by a fixed charge on all the assets of the company.

Loan one is repayable in instalments until 2032 when one bullet payment of £266,808 will be made. The loan bears interest at 5.98% per annum.

Loan two's interest shortfall rolls up into the loan until April 2021. Thereafter interest is paid in full and the loan is then repayable in instalments until 2032. The loan bears interest at 5.58% per annum.

The loans are subject to cross-guarantees and cross-collateralisation of the underlying properties used as a security with other group loans. The total value of the group loans subject to this cross-collateralisation as at 31 May 2014, including the company's loan 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)).

10 PROVISIONS FOR LIABILITIES

	Deferred tax liability £
Balance at 1 June 2013	214,780
Profit and loss account	(17,470)
Balance at 31 May 2014	197,310

The deferred tax liability is made up as follows:

	2014 £	2013 £
Other timing differences	197,310	214,780

Other timing differences arise on the difference in recognition of net income from the finance lease over the lease term at a constant rate of return and that recognised for tax purposes. These timing differences are not expected to reverse until 2023.

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.

11 SHARE CAPITAL

	2014 £	2013 £
Allotted, issued and fully paid		
Equity		
2 ordinary shares of £1 each	2	2

12 RESERVES

	Profit and loss account £
Balance at 1 June 2013	(252,900)
Profit for the year	28,677
Balance at 31 May 2014	(224,223)

13 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS	2014	2013
	£	£
Profit for the financial year	28,677	159
Opening shareholders' funds	(252,898)	(253,057)
Closing shareholders' funds	(224,221)	(252,898)

14 CONTROL

The company's immediate holding company is Timecoast Limited.

The parent undertaking of the smallest and largest group for which group accounts are prepared and of which the company is a member, is Restmead Limited, the company's ultimate UK holding company, which is registered in England. Copies of the group accounts are available from Companies House, Crown Way, Maindy, Cardiff, CF14 3UZ.

The directors regard the ultimate holding company to be Sunnymist Limited, a company incorporated in the British Virgin Islands.

The ultimate controlling party is the Tchenguiz Family Trust.

15 RELATED PARTY TRANSACTIONS

The company is related to fellow subsidiaries of Sunnymist Limited, with whom in many cases it has directors in common.

One such company is Rotch Property Group Limited ("Rotch"). Rotch provides management services to the company. At the balance sheet date, and included within amounts owed by group undertakings, £257,055 (2013: £263,119) was due from that company. No interest accrues on this balance. Management fees payable for the year amounted to £1,200 (2013: £1,200).

Rotch Property Group Limited has agreed to provide additional support to assist the company in meeting its operational costs as they arise should this be necessary.

As set out in note 9, the company is party to a cross-collateralisation arrangement in respect of loan facilities as at the year end totalling £103,937,331 (2013: £104,800,230). Of this amount £27,605,178 (2013: £28,282,271) relates to loan facilities with Uni Lease No 1 Limited, a fellow subsidiary of Sunnymist Limited. The fair value of the financial instruments also subject to this cross-collateralisation arrangement is £(16,426,817) (2013: £(20,534,294)) of which £(1,650,984) (2013: £(2,034,673)) relates to Uni Lease No 1 Limited.

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.

4 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	2014	2013
	£	£
Profit is stated after charging:		
Auditor's remuneration	3,000	3,000