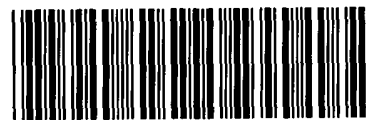


Registered number 5073406

Southside & City Developments Limited
Annual report and financial statements
for the year ended 31 December 2016

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Southside & City Developments Limited

Annual report and financial statements for the year ended 31 December 2016

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Southside & City Developments Limited

Directors, officers and advisers

Directors

C Klerides
V Papadopoulos

Company secretary

CMK Management Ltd

Registered office

6 Grosvenor Street
London
W1K 4PZ

Independent auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
1 Embankment Place
London
WC2N 6RH

Southside & City Developments Limited

Directors, officers and advisers

Strategic Report for the Year Ended 31 December 2016

The directors present their strategic report for Southside & City Developments Limited (the "Company") for the year ended 31 December 2016.

Fair review of the business

The principal activities of the Company during the year continued to be the development and sale of real estate.

During the year, the Company contracted to sell substantially all of its remaining land at its Luton site and has committed to carrying out agreed infrastructure works on the site as part of the terms of sale. The expected total gross sale proceeds for the sales contracts entered into in the year is expected to be £23.7m, albeit the sale in relation to some £8.2m of this revenue will not complete or be recognised in the financial statements until 2017.

The loss for the financial year amounted to £3,476,709 (2015: £3,265,422).

At the balance sheet date, the Company's only significant asset was land held as work-in-progress at Luton which it had contracted to sell in 2017 for gross proceeds of £8.2m. The company has a commitment to complete infrastructure works on the site. These works will be financed out of the super senior loan facility which will be repaid from the proceeds from sale of the land. At that point a significant proportion of the outstanding enabling loan facility will also be repaid.

The directors' view the key performance indicators to be the value of sales proceeds achieved on the disposal of the properties, net of infrastructure and other sales costs incurred. This allows the maximum repayment to the company's lenders.

Principal risks and uncertainties

The key financial risk affecting the Company is viewed as the continued availability of funding to allow it to complete on the sales of land and meet its obligations to complete infrastructure works.

Financing

The company, together with its sister company KDC Properties Limited successfully restructured its existing debt facilities in 2011. The senior debt of the Company was bifurcated into £20,801,109 of 'Senior debt' and £67,158,707 of 'Payment In Kind ('PIK') notes'. As part of the restructure, the Company, together with its sister company, KDC Properties Limited has been provided with two further funding facilities, a 'Super Senior'/Infrastructure facility of £6,000,000 and an 'Enabling Facility' of £5,500,000. The Senior debt was repaid in full during the year and part of the sales proceeds from the sale of land were applied to repay the balance on the Super Senior facility at that time. Subsequently a further £1,262,213 was drawn down on this facility and remained outstanding at 31 December 2016. This balance was repaid in full after the year end and no further drawdowns are anticipated to be required from this facility. At the year end the balance on the Enabling Facility was £7,462,384. All Super Senior and Enabling Facility funding in the year was provided to the Company and none to KDC Properties Ltd.

The above facilities allowed the Company and KDC Properties Limited a seven year period from December 2011 to improve the planning consent, perform limited infrastructure work and sell the land as undeveloped lots. The seven year repayment period is conditional on two debt repayment milestones at the end of the third and fifth anniversary of the debt being restructured.

At the date of the third anniversary, December 2014, the company was in a position to meet the terms of its three year facility milestone but the sale of certain of the property assets required to achieve this was not approved by one of the senior lenders in sufficient time to permit compliance with this deadline. Approval was subsequently received. However, at December 2014 the company was in default of the terms of the facilities and consequently the facilities became repayable on demand. Whilst the Senior debt has been repaid in full during 2016 along with all Super Senior debt owed at the time of completion of sales, the Company continued to be in default as at 31 December 2016. No subsequent action has been taken by any of the lenders to accelerate the repayment of the debt. However, as a result of the default the facilities have been classified on the balance sheet as amounts owed within one year at 31 December 2015 and at 31 December 2016.

Southside & City Developments Limited

Directors, officers and advisers

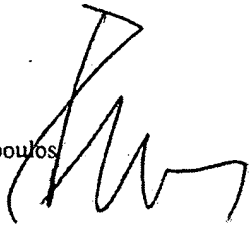
Although the company's loan facilities remain in technical default, since the year end the remaining facilities have continued and lenders have allowed the Company to draw down additional funding on its infrastructure and enabling funding lines.

As at the date of approval of the financial statements the company has received no indication from the lenders that they intend to invoke their rights under the facility agreements and demand repayment of the debt within the next 12 months, and therefore the facilities remain available to the company.

Approved by the Board on **29** September 2017 and signed on its behalf by:

V Papadopoulos

Director



Southside & City Developments Limited

Directors' report for the year ended 31 December 2016 (continued)

The directors present their annual report together with the audited financial statements of Southside & City Developments Limited for the year ended 31 December 2016. This report has been prepared in accordance with the special provisions relating to small companies within Part 15 of the Companies Act 2006.

Principal activities

The principal activity of the business is the development and sale of real estate. A review of activities in the year is shown in the strategic review.

Subsequent events

Since the year end the company has completed on the remaining sales contracts entered into during 2016 and is in the process of completing the infrastructure works required under the terms of the sales contract. This is anticipated to be completed in late 2017. Funding is in place to allow completion of the remaining infrastructure works.

Directors

The directors who held office during the year and up to the date of signing the financial statements are given below:

V Papadopoulos

C Klerides

Dividends

No dividends were paid or proposed during the year (2015: £nil).

Going Concern and Future Developments

The company meets its day to day working capital requirements through the Super-Senior and Enabling facilities provided by HSBC and related company Laing O'Rourke Treasury Limited and cash proceeds from the sale of assets.

As a result of the default on the terms of the Company's facilities noted below, all facilities became repayable on demand in 2014. As at the date of approval of the financial statements and following repayment of the Senior and Super Senior debt in full, the Company has received no indication from the lenders that they intend to invoke their rights under the remaining facilities and demand repayment of that debt within the next 12 months, and therefore the facilities remain available to the Company.

The Company has either sold or exchanged contracts to sell its remaining property assets. The Company is carrying out certain infrastructure works on portions of the land as a condition of sale and has utilised (and repaid in full) the infrastructure facility to assist with any working capital funding needed for this work. This work is expected to complete approximately three months from the date of approval of these financial statements and funds are available from the proceeds of the sale of land to complete this work.

The expectation of the Directors is that, following the sale of the final major lot of land, the completion of any required infrastructure work, the receipt of any proceeds from residual assets (e.g. residual elements of land) and the satisfaction of guarantees and similar obligations the liabilities of the company will have been discharged to the maximum extent possible. Following this the directors will give consideration to the orderly winding up of the company. The Directors are of the understanding that the lenders support such an orderly winding up and now that all the major land assets of the company have been sold and proceeds applied to repaying loans, the lenders will therefore allow such a process to take place without demanding repayment of the remaining debt within the next 12 months.

These financial statements do not include any adjustments to the carrying amounts of assets and liabilities, reported amounts of income and expenses, and balance sheet classifications used, that could arise in the event that a demand for repayment of the facilities is received. The conditions surrounding the facilities indicate the existence of a

Southside & City Developments Limited

Directors' report for the year ended 31 December 2016 (continued)

material uncertainty, which may cast significant doubt as to the Company's future ability to continue as a going concern.

However, management believes that the Company will be able to continue its operating activities until all its remaining assets have been realised and therefore have prepared these financial statements on a going concern basis. In making this judgment, management have considered the facts available to date and that no indication has been received from the lenders that repayment will be sought within a period of 12 months from the date of approval of the financial statements.

Political donations

The Company and its subsidiaries made no political donations during the year (2015: £nil).

Statement of directors' responsibilities

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 prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising Financial Reporting Standard 102 The Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS 102), 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 these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards comprising FRS 102 have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

The directors 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.

In the case of each director in office at the date the Directors' Report is approved:

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

Statements of Disclosure of information to Auditors

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

- (1) so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware;
- (2) each director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Southside & City Developments Limited

Directors' report for the year ended 31 December 2016 (continued)

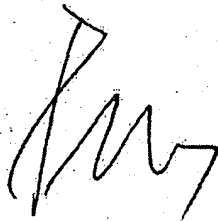
Independent Auditors

The independent auditors, PricewaterhouseCoopers LLP, have indicated their willingness to act as auditors and a resolution that they be appointed as independent auditors of the Company will be passed at the Annual General Meeting.

Approval

This report was approved by the board on 29/09/17 and signed on its behalf by

V Papadopoulos
Director



Southside & City Developments Limited

Independent auditors' report to the members of Southside & City Developments Limited

Report on the financial statements

Our opinion

In our opinion, Southside & City Developments Limited's financial statements (the financial statements):

- give a true and fair view of the state of the company's affairs as at 31 December 2016 and of its loss 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 disclosure made in note 1 to the financial statements concerning the company's ability to continue as a going concern. We have considered the fact that the terms of the company's loan facilities were repayable on demand at the year end and the date of approval of the financial statements. The Directors have received no indication that the lenders will withdraw the availability of the facilities within a period of 12 months from the date of approval of these financial statements.

These conditions, along with the other matters explained in note 1 to the financial statements, 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.

What we have audited

The financial statements, included within the Annual Report, comprise:

- the Profit and loss account and statement of comprehensive income for the year then ended;
- the Balance sheet as at 31 December 2016;
- the Statement of changes in equity for the year then ended;
- the Statement of cash flows for the year then ended;
- the significant accounting policies and judgements and the notes to the financial statements, which include other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Southside & City Developments Limited

Independent auditors' report to the members of Southside & City Developments Limited

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- 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; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Directors' Report. We have nothing to report in this respect.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully 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) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Southside & City Developments Limited

Independent auditors' report to the members of Southside & City Developments Limited

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report. With respect to the Strategic Report and Directors' Report, we consider whether those reports include the disclosures required by applicable legal requirements.



Ian Benham (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

29 September 2017

Southside & City Developments Limited

Profit and loss account Year ended 31 December 2016

	Note	For the year ended 31 December 2016 £	For the year ended 31 December 2015 £
Turnover		15,500,000	11,162,000
Cost of sales		(15,372,181)	(11,180,142)
Gross profit/(loss)		127,819	(18,142)
Administrative expenses		(2,218,862)	(383,158)
Impairment charge	5, 10	-	(1,177,490)
Operating loss	6	(2,091,043)	(1,578,790)
Interest receivable and similar income	7	1,075	1,151
Interest payable and similar charges	8	(1,386,741)	(1,687,783)
Loss before taxation		(3,476,709)	(3,265,422)
Tax on loss	9	-	-
Loss for the financial year		(3,476,709)	(3,265,422)

Statement of comprehensive income For the year ended 31 December 2016

	For the year ended 31 December 2016 £	For the year ended 31 December 2015 £
Loss for the financial year	(3,476,709)	(3,265,422)
Other comprehensive income:	-	-
Total comprehensive expense for the year	(3,476,709)	(3,265,422)

Further comments on the profit and loss account line items are presented in notes 1-17 of the financial statements.

The notes on pages 13-19 form integral part of these financial statements.

Southside & City Developments Limited

Balance sheet as at 31 December 2016

	Note	2016 £	2015 £
Current assets			
Stocks	10	4,816,000	15,610,000
Debtors:			
amounts falling due			
within one year	11	226,473	176,559
after more than one year	12	-	-
Cash at bank and in hand		223,241	177,032
		<u>5,265,714</u>	<u>15,963,591</u>
Creditors: amounts falling due:			
within one year	13	<u>(78,269,347)</u>	<u>(85,490,515)</u>
Net current liabilities:		<u>(73,003,633)</u>	<u>(69,526,924)</u>
Capital and reserves			
Called up share capital	14	1	1
Profit and loss account		(73,003,634)	(69,526,925)
Total shareholders' deficit		<u>(73,003,633)</u>	<u>(69,526,924)</u>

The notes on pages 13-19 form integral part of these financial statements.

The financial statements of Southside & City Developments Limited, registered number 5073406, on pages 9 to 12 were approved by the board of directors on 29/09/17 and signed on its behalf by

V Papadopoulos
Director

Further comments on the balance sheet line items are presented in notes 1-17 of the financial statements.

Southside & City Developments Limited

Statement of changes in equity For the year ended 31 December 2016

	Called up share capital £	Profit and loss account £	Total shareholders' deficit £
Balance at 1 January 2015	1	(66,261,503)	(66,261,502)
Comprehensive expense			
Loss for the financial year and total comprehensive expense	-	(3,265,422)	(3,265,422)
Balance at 31 December 2015	1	(69,526,925)	(69,526,924)
Balance at 1 January 2016	1	(69,526,925)	(69,526,924)
Comprehensive expense			
Loss for the financial year and total comprehensive expense	-	(3,476,709)	(3,476,709)
Balance at 31 December 2016	1	(73,003,634)	(73,003,633)

The notes on pages 13-19 form integral part of these financial statements.

Southside & City Developments Limited

Statement of cash flows For the year ended 31 December 2016

	2016 £	2015 £
Loss for the financial year:	(3,476,709)	(3,265,422)
Interest payable and similar charges	1,386,741	1,687,783
Interest receivable and similar income	(1,075)	(1,151)
Impairment of work-in-progress	-	1,022,583
Impairment of debtors	23,359	154,907
Working capital movements:		
Decrease/(increase) in debtors	(73,267)	16,113
Increase in creditors	686,485	3,131,210
Decrease in stock and work-in-progress	10,794,000	10,687,417
Net cash generated by operating activities	9,339,533	13,433,334
Cash flow from investing activities		
Interest received	1,075	1,151
Cash flow from financing activities		
Repayment of non-bank borrowings	(9,355,409)	(11,448,946)
Receipt of non-bank borrowings	550,000	850,000
Interest paid	(488,990)	(3,006,732)
Net cash used in financing activities	(9,294,399)	(10,598,946)
Net cash increase/(decrease) in the year	46,209	(171,193)
Cash and cash equivalents at the start of the year	177,032	348,225
Cash and cash equivalents at the end of the year	223,241	177,032

Cash and cash equivalents comprise solely cash at bank and in hand.

The notes on pages 13-19 form integral part of these financial statements.

Southside & City Developments Limited

Notes to financial statements for the year ended 31 December 2016 (continued)

1. SIGNIFICANT ACCOUNTING POLICIES AND JUDGEMENTS

1.1 Basis of preparation of financial statements

These financial statements are prepared on the going concern basis, under the historical cost convention and in accordance with Financial Reporting Standard 102 ('FRS 102') and section 396 of the Companies Act 2006. The principal accounting policies are set out below. The Company has applied the amendments to FRS 102 issued by the FRC in July 2015 and the amendments to Company law made by The Companies, Partnerships and Groups (Accounts and Reports) Regulations 2015 effective for accounting periods beginning on or after 1 January 2016.

The company is a private company limited by shares and is incorporated and domiciled in England. The address of its registered office is 6 Grosvenor Street, London, W1K 4PZ.

1.2 Stock and work in progress

Land and developments held as trading stock are valued at the lower of direct cost plus attributable overheads, and estimated net realisable value. Provision is made for any foreseeable losses where appropriate. No element of profit is included in the valuation of stocks. Net realisable value is the estimated selling price less applicable variable selling expenses and less costs to complete.

1.3 Finance Income/Costs

Interest charged on bank and other loans used to fund the development of the site is recognised in the Profit and Loss Account as an expense.

1.4 Financial risk management

The Directors receive quarterly reports from the project managers which review progress on the site and project forward from a financial viewpoint to see anticipated sales and financial returns.

1.5 Turnover

Turnover is recognised at the fair value of consideration received or receivable at the point that the company has transferred the significant risks and rewards of ownership to the buyer, and to the extent that it is probable that future economic benefits will flow to the company.

Turnover in respect of the sale of the company's trading stock of land is usually recognised at the time of completion of the sales contract.

Turnover in respect of the provision of infrastructure works is recognised using the percentage completion method based on the stage of completion of the contract at the balance sheet date, providing the expected outcome of the contract can be reliably estimated as regards turnover, costs incurred, costs to complete and stage of completion.

1.6 Financial instruments

Financial assets

Basic financial instruments which include trade receivables, cash and bank balances are initially recognised at transaction price, and such assets are subsequently carried at amortised cost using the effective interest method. At the end of each accounting period such assets are assessed for objective evidence of impairment. If an asset is impaired, the impairment loss is recognised in the profit and loss account. If there is subsequent event which results in a reversal of part or all of the impairment, the reversal is recognised in the profit and loss up to the amount of the previous impairment brought forward.

Financial liabilities

Basic financial liabilities including trade and other payables, bank and other loans, and amount due to other group companies are initially recognised at transaction price. If the transaction is a financing transaction the debt is measured at the present value of future cash flows discounted at a market rate of interest. Subsequently trade and other payables and debt instruments are measured at amortised cost using the effective interest method.

Southside & City Developments Limited

Notes to financial statements for the year ended 31 December 2016 (continued)

Significant accounting policies and judgements (continued)

1.7 Going Concern

The company meets its day to day working capital requirements through the Super Senior and Enabling facilities provided by HSBC and related Company Laing O'Rourke Treasury Limited and cash proceeds from the sale of assets.

As a result of the default on the terms of the Company's facilities noted below, all facilities became repayable on demand in 2014. As at the date of approval of the financial statements and following repayment of the Senior and Super Senior debt in full, the Company has received no indication from the lenders that they intend to invoke their rights under the remaining facilities and demand repayment of that debt within the next 12 months, and therefore the facilities remain available to the Company.

The Company has either sold or exchanged contracts to sell its remaining property assets. The Company is carrying out certain infrastructure works on portions of the land as a condition of sale and has utilised (and repaid in full) the infrastructure facility to assist with any working capital funding needed for this work. This work is expected to be complete approximately three months from the date of approval of these financial statements and funds are available from the proceeds of the sale of land to complete this works.

The expectation of the Directors is that, following the sale of the final major lot of land, the completion of any required infrastructure work, the receipt of any proceeds from residual assets (e.g. residual elements of land) and the satisfaction of guarantees and similar obligations the liabilities of the company will have been discharged to the maximum extent possible. Following this the directors will give consideration to the orderly winding up of the company. The Directors are of the understanding that the lenders support such an orderly winding up and now that all the major land assets of the company have been sold and proceeds applied to repaying loans, the lenders will therefore allow such a process to take place without demanding repayment of the remaining debt within the next 12 months.

These financial statements do not include any adjustments to the carrying amounts of assets and liabilities, reported amounts of income and expenses, and balance sheet classifications used, that could arise in the event that a demand for repayment of the facilities is received. The conditions surrounding the facilities indicate the existence of a material uncertainty, which may cast significant doubt as to the Company's future ability to continue as a going concern.

However, management believes that the Company will be able to continue its operating activities until all its remaining assets have been realised and therefore have prepared these financial statements on a going concern basis. In making this judgment, management have considered the facts available to date and that no indication has been received from the lenders that repayment will be sought within a period of 12 months from the date of approval of the financial statements.

2 Turnover

All turnover arose from the sale of land during the year and occurred in the UK.

3 Employees and directors

There were two employees (including directors) during the year (2015: two). Directors' emoluments amounted to £35,066 for the year. (2015: £31,228).

4 Financial Status

The company, together with its sister company KDC Properties Limited successfully restructured its existing debt facilities on 15 December 2011. The senior debt of the Company was bifurcated into £19,575,542 of 'Senior debt' and £67,158,707 of 'Payment In Kind ('PIK') notes'. As part of the restructure, the Company, together with its sister company, KDC Properties Limited were provided two further funding facilities, a 'Super Senior' facility of £6,000,000 and an 'Enabling Facility' of £4,500,000 which was subsequently increased to £5,500,000. At 31

Southside & City Developments Limited

Notes to financial statements for the year ended 31 December 2016 (continued)

December 2017 the Senior facility had been repaid in full, and the balances on the Super Senior and Enabling facilities.

Since the year end the remaining facilities have continued in place and lenders have allowed the Company to draw down additional funding on its Super Senior and enabling funding lines. The Super Senior debt has now been repaid in full.

As at the date of approval of the financial statements the company has received no indication from the lenders that they intend to invoke their rights under the facilities and demand repayment of the remaining debt within the next 12 months, and therefore the facilities remain available to the company.

5 Impairment Charge

	2016 £	2015 £
Impairment of inventory against work-in-progress.	-	(1,022,583)

No additional impairment of inventory has been made during the year ended 31 December 2016. In 2015 the historical impairment was increased to reflect the current estimated net realisable value of the site. See note 10.

6 Operating loss

This is arrived at after charging:

	2016 £	2015 £
Services provided by the Company's auditors - fees payable for the audit	40,000	40,000

7 Interest receivable and similar income

	2016 £	2015 £
Interest received on bank account	1,075	1,151

8 Interest payable and similar charges

	2016 £	2015 £
Senior debt interest and interest on other loans	1,386,741	1,687,783

Southside & City Developments Limited

Notes to financial statements for the year ended 31 December 2016 (continued)

9 Tax on (loss)/profit on ordinary activities

	2016	2015
	£	£
Cyprus corporation tax		
Current tax on income for the year	-	-
	<u>-</u>	<u>-</u>

The tax assessed for the year is the standard rate of corporation tax in Cyprus 12.5% (2015:12.5%).

Tax reconciliation	2016	2015
	£	£
Loss on ordinary activities before taxation	<u>(3,476,709)</u>	<u>(3,265,422)</u>
Loss on ordinary activities before taxation multiplied by rate of corporation tax in Cyprus of 12.5% (2015: 12.5%)	(434,588)	(408,178)
Tax effect of tax losses carried forward	-	-
Losses not recognised	434,588	408,178
Tax effect of income not taxable for tax purposes	-	-
Total taxation charge	<u>-</u>	<u>-</u>

The directors do not consider the deferred tax on losses is recoverable with sufficient certainty to recognise an asset. The Company is a Cypriot tax resident company and will be subject to rates and law applicable within the Cyprus tax jurisdiction.

10 Stocks

Stocks	2016	2015
	£	£
Work in progress	<u>4,816,000</u>	<u>15,610,000</u>
	<u>4,816,000</u>	<u>15,610,000</u>

During 2015, the historical impairment was increased to reflect the expected sales proceeds for the site at that time. No change in the level of impairment has been required in 2016. The impairment was calculated based on the actual or expected value of sales contracts entered into for all of the Company's work in progress less the latest estimate of expected costs that the company is required to incur prior to completion of the sales.

Southside & City Developments Limited

Notes to financial statements for the year ended 31 December 2016 (continued)

11 Debtors: amounts falling due within one year

	2016	2015
	£	£
Other debtors	226,473	149,384
Prepayments and accrued income	-	27,175
	<u>226,473</u>	<u>176,559</u>

12 Debtors: amounts falling due after more than one year

	2016	2015
	£	£
S&CD Developments Limited	178,266	154,907
Impairment of intercompany balance	<u>(178,266)</u>	<u>(154,907)</u>
	<u>-</u>	<u>-</u>

The inter-company balances were unsecured, interest free and repayable upon demand. The inter-company debtor arose from expenses incurred on its behalf and is not anticipated to be recoverable. Accordingly during the year the impairment was increased by £23,359 (2015: £25,601) to cover the increase in the balance owed to the Company.

13 Creditors: amounts falling due within one year

	2016	2015
	£	£
Trade creditors	649,761	103,883
Senior debt loan and rolled up interest	-	9,105,409
Super Senior/Infrastructure loan	-	-
Enabling Facility loan	4,253,000	3,953,000
Interest on Enabling Facility and Super Senior/Infrastructure loan	3,209,384	2,311,627
PIK Notes	66,766,564	66,766,564
KDC Properties Limited	3,223,032	3,210,032
Other creditors	127,606	-
Accruals and deferred income	40,000	40,000
	<u>78,269,347</u>	<u>85,490,515</u>

The Company is a joint borrower with its sister company, KDC Properties Limited for all loans and PIK notes.

Southside & City Developments Limited

Notes to financial statements for the year ended 31 December 2016 (continued)

13 Creditors: amounts falling due within one year (continued)

The Senior Debt Loan was for a three year period and the Company, together with KDC Properties Limited, with the right to extend for a further two year period under the condition that the combined debt has been reduced by 25% at the end of the three year term. As explained in the directors' report, while this reduction was not achieved within the required timescale as a result of the action of the lenders, the lenders continue to support the company. The reduction was subsequently achieved during 2015.

The Senior Debt Loan and PIK notes are secured on the remaining development site land included within work in progress £4,816,000 (2015: £15,610,000). The Senior Debt Loan accrues interest at 4% over the Bank of England base rate.

The Enabling Facility loan is a £4,500,000 loan facility, increased to £5,500,000 in 2015, attracting a fixed 17.5% interest rate on amounts drawn. £4,253,000 of this facility was drawn at 31 December 2016 (2014: £3,953,000).

The Company also benefits from a Super Senior Infrastructure loan facility of £6,000,000 which was fully paid up at 31 December 2016 (2015: £nil). The loan facility attracts interest at a fixed 11.0% rate on amounts drawn.

The company has exchanged contracts for the sale of its various remaining land assets which will complete in mid-2017. The proceeds will be used to repay all of the amounts drawn to date on the company's 'Super senior' Infrastructure debt, including interest and part-repay enabling loan interest and debt.

14 Called up share capital

Called up share capital	2016	2015
	£	£
Authorised		
100 (2015:100) ordinary shares of £1 each	<u>100</u>	<u>100</u>
Allotted and fully paid		
1 (2015:1) ordinary shares of £1 each	<u>1</u>	<u>1</u>

15 Ultimate parent undertaking

The immediate parent undertaking is S&CD Developments Limited a company registered in Cyprus.

The ultimate parent company and controlling party of S&CD Developments Limited is Suffolk Partners Corporation a company registered in the British Virgin Islands.

These separate financial statements contain information about Southside & City Developments Limited as an individual company. No consolidated financial statements are prepared.

16 Related party transactions

Loan interest payable of £1,207,825 (2015: £1,196,510) is payable to Laing O'Rourke Treasury Limited.

During the year the Company paid £1,545,766 (2015: £300,000) of management fees to Augur Group Limited.

Southside & City Developments Limited

Notes to financial statements for the year ended 31 December 2016 (continued)

17 Commitments

At the year end the Company's bankers had provided a performance and guarantee bond on behalf of the Company with a maximum value of £700,743 in respect of infrastructure works being carried out on the Luton site.