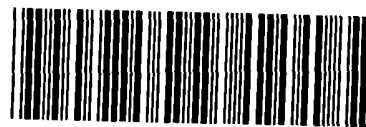


Registered number 05073406 (England and Wales)

Southside & City Developments Limited
Annual report and financial statements
for the year ended 31 December 2017

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Southside & City Developments Limited

Annual report and financial statements for the year ended 31 December 2017

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Southside & City Developments Limited

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

Strategic Report for the Year Ended 31 December 2017

The directors present their strategic report for Southside & City Developments Limited (the "Company") for the year ended 31 December 2017.

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 completed the disposal of all significant elements of its remaining land at its Luton site and has substantially completed the agreed infrastructure works on the site it was due to carry out as part of the terms of sale.

The loss for the financial year amounted to £293,934 (2016: £3,476,709).

At the balance sheet date, the Company had repaid its infrastructure loan and senior debt from the proceeds of sale.

There are no longer any key performance indicators because there is limited activity. It is a property development company that has sold its land. During the year, the sale proceeds were £8,200,000 (2016: £15,500,000) giving total cumulative sale proceeds of £34,862,000 since 2015.

Principal risks and uncertainties

The key financial risk affecting the Company is viewed as the continued availability of funding.

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 was 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 previous year and sales proceeds from the sale of land were applied to repay the balance on the Super Senior facility and no further drawdowns are anticipated to be required from this facility. At the year end the balance on the Enabling Facility was £4,209,079 (2016: £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 a delay in the approval of the sale of certain of the property assets by one of the senior lenders left insufficient time to permit compliance with this deadline. Hence 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 and Super Senior debt has now been repaid in full, the Company continued to be in default as at 31 December 2017 in respect of PIK notes. No subsequent action has been taken by any of the lenders to accelerate the repayment of the PIK notes and indeed since the year end the lenders have agreed to remove security held by them in respect of the outstanding 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 2016 and at 31 December 2017.

Although the company's loan facilities remain in technical default, since the year end the remaining PIK note and Enabling facilities have continued.

Southside & City Developments Limited

Strategic Report for the Year Ended 31 December 2017 (continued)

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 26 July 2018 and signed on its behalf by:



C Klerides

Director

Southside & City Developments Limited

Directors' report for the year ended 31 December 2017

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 2017 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 2018. 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 (2016: £nil).

Going Concern and Future Developments

The company meets its day to day working capital requirements through the Enabling facilities provided by related company Laing O'Rourke Treasury Limited and any residual cash proceeds from the sale of assets and release of guarantees.

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 these facilities remain available to the Company.

The Company has now completed the infrastructure works on portions of the land which were a condition of previous sales.

The expectation of the Directors is that following the expiry of the completion of guarantee periods in relation to infrastructure works and the release of related bank deposits held as security, 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 in due course but in the short to medium term they are expected to offer their continuing support by maintaining the current facilities.

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 remaining 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 judgement, 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.

Southside & City Developments Limited

Directors' report for the year ended 31 December 2017

Political donations

The Company and its subsidiaries made no political donations during the year (2016: £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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping 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.

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 directors are aware, there is no relevant audit information of which the Company's auditors are unaware; and
- (2) each director has 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.

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 26 July 2018 and signed on its behalf by



C Klerides

Director

Southside & City Developments Limited

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

Report on the financial statements

Opinion

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

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its loss and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual report and financial statements (the "Annual Report"), which comprise: the Balance sheet as at 31 December 2017; the Profit and loss account, the Statement of comprehensive income, the Statement of cash flows, the Statement of changes in equity for the year then ended; and the Notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Material uncertainty relating to 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 entity's ability to continue as a going concern. The company's loan facilities were repayable on demand at the year end and the date of approval of these 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 entity's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the entity was unable to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

Southside & City Developments Limited

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

With respect to the Strategic Report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' report for the year ended 31 December 2017 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of the directors' responsibilities set out on page 5, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

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

OTHER REQUIRED REPORTING

Companies Act 2006 exception reporting

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 by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.



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

3 August 2018

Southside & City Developments Limited

Profit and loss account Year ended 31 December 2017

	Note	For the year ended 31 December 2017 £	For the year ended 31 December 2016 £
Turnover	2	8,200,000	15,500,000
Cost of sales		(7,075,461)	(15,372,181)
Gross profit		1,124,539	127,819
Administrative expenses		(321,219)	(2,218,862)
Operating profit/(loss)	5	803,320	(2,091,043)
Interest receivable and similar income	6	278	1,075
Interest payable and similar expenses	7	(1,097,532)	(1,386,741)
Loss before taxation		(293,934)	(3,476,709)
Tax on loss	8		
Loss for the financial year		(293,934)	(3,476,709)

Statement of comprehensive income For the year ended 31 December 2017

	For the year ended 31 December 2017 £	For the year ended 31 December 2016 £
Loss for the financial year	(293,934)	(3,476,709)
Other comprehensive income:		
Total comprehensive expense for the year	(293,934)	(3,476,709)

Further comments on the profit and loss account line items are presented in notes 1-16 of the financial statements.

The notes on pages 13-18 form integral part of these financial statements.

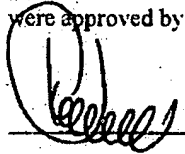
Southside & City Developments Limited

Balance sheet as at 31 December 2017

	Note	2017 £	2016 £
Current assets			
Stocks	9	90,000	4,816,000
Debtors:			
amounts falling due:			
within one year	10	503,573	226,473
after more than one year	11	-	-
Cash at bank and in hand		504,726	223,241
		<u>1,098,299</u>	<u>5,265,714</u>
Creditors: amounts falling due			
within one year	12	(74,395,866)	(78,269,347)
Net current liabilities		<u>(73,297,567)</u>	<u>(73,003,633)</u>
Capital and reserves			
Called up share capital	13	1	1
Profit and loss account		(73,297,568)	(73,003,634)
Total shareholders' deficit		<u>(73,297,567)</u>	<u>(73,003,633)</u>

The notes on pages 13-18 form integral part of these financial statements.

The financial statements of Southside & City Developments Limited, registered number 5073406, on pages 10 to 18 were approved by the board of directors on 26 July 2018 and signed on its behalf by



C Klerides

Director

.....

Further comments on the balance sheet line items are presented in notes 1-16 of the financial statements.

Southside & City Developments Limited

Statement of changes in equity For the year ended 31 December 2017

	Called up share capital £	Profit and loss account £	Total shareholders' deficit £
Balance at 1 January 2016	<u>1</u>	<u>(69,526,925)</u>	<u>(69,526,924)</u>
Comprehensive expense			
Loss for the financial year and total comprehensive expense	-	(3,476,709)	(3,476,709)
Balance at 31 December 2016	<u>1</u>	<u>(73,003,634)</u>	<u>(73,003,633)</u>
Balance at 1 January 2017	1	(73,003,634)	(73,003,633)
Comprehensive expense			
Loss for the financial year and total comprehensive expense	-	(293,934)	(293,934)
Balance at 31 December 2017	<u>1</u>	<u>(73,297,568)</u>	<u>(73,297,567)</u>

The notes on pages 13-18 form integral part of these financial statements.

Southside & City Developments Limited

Statement of cash flows For the year ended 31 December 2017

	2017 £	2016 £
Loss for the financial year	(293,934)	(3,476,709)
Interest payable and similar charges	1,097,532	1,386,741
Interest receivable and similar income	(278)	(1,075)
Impairment of debtors	26,107	23,359
Working capital movements:		
Increase in debtors	(303,207)	(73,267)
(Decrease)/Increase in creditors	(620,177)	686,485
Decrease in stock and work-in-progress	4,726,000	10,794,000
Net cash generated by operating activities	4,632,043	9,339,534
Cash flow from investing activities		
Interest received	278	1,075
Cash flow from financing activities		
Repayment of borrowings	(2,555,564)	(9,355,409)
Receipt of borrowings	2,450,000	550,000
Interest paid	(4,245,272)	(488,990)
Net cash used in financing activities	(4,350,836)	(9,294,399)
Net cash increase in the year	281,485	46,209
Cash and cash equivalents at the start of the year	223,241	177,032
Cash and cash equivalents at the end of the year	504,726	223,241

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

The notes on pages 13-18 form integral part of these financial statements.

Southside & City Developments Limited

Notes to financial statements for the year ended 31 December 2017

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 2016 and the amendments to Company law made by The Companies, Partnerships and Groups (Accounts and Reports) Regulations 2016 effective for accounting periods beginning on or after 1 January 2017.

The company is a private company limited by shares and is incorporated and domiciled in the United Kingdom. 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 2017 (continued)

1. SIGNIFICANT ACCOUNTING POLICIES AND JUDGEMENTS (CONTINUED)

1.7 Going Concern

The company meets its day to day working capital requirements through the Enabling facilities provided by related company Laing O'Rourke Treasury Limited and any residual cash proceeds from the sale of assets and release of guarantees.

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 these facilities remain available to the Company.

The Company has now completed the infrastructure works on portions of the land which were a condition of previous sales.

The expectation of the Directors is that following the expiry of the completion of guarantee periods in relation to infrastructure works and the release of related bank deposits held as security, 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 in due course but in the short to medium term they are expected to offer their continuing support by maintaining the current facilities.

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 remaining 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 judgement, 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 (2016: two). Directors' emoluments amounted to £52,641 for the year. (2016: £50,094).

4 Financial Status

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 was 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 previous year and sales proceeds from the sale of land were applied to repay the balance on the Super Senior facility and no further drawdowns are anticipated to be required from this facility. At the year end the balance on the Enabling Facility was £4,209,079 (2016: £7,462,384). All Super Senior and Enabling Facility funding in the year was provided to the Company and none to KDC Properties Ltd.

Southside & City Developments Limited

Notes to financial statements for the year ended 31 December 2017 (continued)

4 Financial Status (continued)

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 Operating profit/(loss)

This is arrived at after charging:

	2017 £	2016 £
Services provided by the Company's auditors - fees payable for the audit	<u>36,000</u>	<u>40,000</u>

6 Interest receivable and similar income

	2017 £	2016 £
Interest received on bank account	<u>278</u>	<u>1,075</u>

7 Interest payable and similar expenses

	2017 £	2016 £
Interest on enabling, infrastructure and other loans	<u>1,097,532</u>	<u>1,386,741</u>

Southside & City Developments Limited

Notes to financial statements for the year ended 31 December 2017 (continued)

8 Tax on loss

	2017	2016
	£	£
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% (2016:12.5%).

Tax reconciliation	2017	2016
	£	£
Loss before taxation	<u>(293,934)</u>	<u>(3,476,709)</u>
Loss before taxation multiplied by rate of corporation tax in Cyprus of 12.5% (2016: 12.5%)	(36,742)	(434,588)
Tax effect of tax losses carried forward	-	-
Losses not recognised	36,742	434,588
Tax effect of income not taxable for tax purposes	<u>-</u>	<u>-</u>
Total tax 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.

9 Stocks

Stocks	2017	2016
	£	£
Work in progress	<u>90,000</u>	<u>4,816,000</u>
	<u>90,000</u>	<u>4,816,000</u>

The impairment during the year was calculated based on the sales that completed during the year and one minor land asset remaining at the year end, which was disposed of in May 2018.

Southside & City Developments Limited

Notes to financial statements for the year ended 31 December 2017 (continued)

10 Debtors: amounts falling due within one year

	2017	2016
	£	£
Trade debtors	35,312	-
Other debtors	468,261	226,473
	<u>503,573</u>	<u>226,473</u>

11 Debtors: amounts falling due after more than one year

	2017	2016
	£	£
S&CD Developments Limited	204,373	178,266
Impairment of intercompany balance	<u>(204,373)</u>	<u>(178,266)</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 £26,107 (2016: £23,359) to cover the increase in the balance owed to the Company.

12 Creditors: amounts falling due within one year

	2017	2016
	£	£
Trade creditors	81,400	649,761
Enabling Facility loan	4,147,437	4,253,000
Interest on Enabling loan	61,643	3,209,384
PIK Notes	66,766,564	66,766,564
KDC Properties Limited	3,178,032	3,223,032
Other creditors	124,790	127,606
Accruals and deferred income	36,000	40,000
	<u>74,395,866</u>	<u>78,269,347</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 2017 (continued)

12 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 2016.

The Senior Debt Loan and PIK notes are secured on the remaining development site land included within work in progress £90,000 (2016: £4,816,000). 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 2016, attracting a fixed 17.5% interest rate on amounts drawn. £4,147,436 of this facility was drawn at 31 December 2017 (2016: £4,253,000).

The Company also benefits from a Super Senior Infrastructure loan facility of £6,000,000 which was fully paid up at 31 December 2017 (2016: £nil). The loan facility attracts interest at a fixed 11.0% rate on amounts drawn.

The company sold most of its various remaining land assets during the year. The proceeds repaid all of the amounts drawn to date on the company's 'Super senior'/Infrastructure debt, including interest and it part-repaid enabling loan interest and debt.

13 Called up share capital

Called up share capital	2017	2016
	£	£
Authorised		
100 (2016:100) ordinary shares of £1 each	<u>100</u>	<u>100</u>
Allotted and fully paid		
1 (2016:1) ordinary shares of £1 each	<u>1</u>	<u>1</u>

14 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.

15 Related party transactions

Loan interest payable of £1,066,280 (2016: £1,207,825) is payable to Laing O'Rourke Treasury Limited.

During the year the Company paid £185,000 (2016: £1,545,766) of management fees to Augur Group Limited.

16 Commitments

In 2016, 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. £420,446 was repaid during the year following practical completion of the S278 works. At the balance sheet date the amount of performance and guarantee bond due to the company was £280,297 (2016: £700,743).