

Sackville Developments (Reading) Limited

Report and Financial Statements

Year Ended

31 March 2011

Company Number 5320888

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Sackville Developments (Reading) Limited

Annual report and financial statements for the year ended 31 March 2011

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Directors

D Camp
S Camp
P Irons
M Mogull

Registered office

Norfolk House
31 St James's Square
London
SW1Y 4JJ

Company number

5320888

Auditors

Grant Thornton UK LLP
Grant Thornton House
Melton Street
London
NW1 2EP

Bankers

The Royal Bank of Scotland plc
24 Grosvenor Place
London
SW1X 7HP

Sackville Developments (Reading) Limited

Report of the directors for the year ended 31 March 2011

The directors present their report together with the audited financial statements for the year ended 31 March 2011

Results and dividends

The profit and loss account is set out on page 5 and shows the profit (2010 - loss) for the year

The directors do not recommend a dividend

Principal activities, trading review and future developments

The principal activity of the company is property development

The company is pursuing a project for the redevelopment of a site at Station Hill in the centre of Reading. The company acquired the initial part of the site in March 2005. Subsequently, the company has acquired other adjacent sites in order to facilitate the redevelopment of this key area in Reading. In May 2007, the company acquired the freehold and leasehold of the Friars Walk shopping centre.

On 26th June 2009, the company submitted a planning application for the enlarged site to Reading Borough Council and on 23rd September 2009 the Planning Committee of Reading Borough Council unanimously passed a resolution to grant planning subject to formal agreement of the s106 Agreement and other matters. The s106 proposals are now materially agreed.

On 15th December 2010, the loan from the former ultimate shareholder was sold to Stanhope (Station Hill) Limited and Cooperatie Bensell Real Estate III B A. Subsequently, the company's shareholder, Sackville Property Developments Limited sold its entire holding to Stanhope (Station Hill) Limited and Cooperatie Bensell Real Estate III B A. The existing £1 Ordinary shares were reclassified into "A" Ordinary Shares and "B" Ordinary Shares. The company then entered into an agreement with its Bank to restructure and repay its outstanding bank debt by repaying £12,250,000 of the principal and waiving the balance. The shareholders acquired 50 'A' shares and 50 'B' shares for £5,000,000 and agreed to capitalise the debt of £19,900,000 they had acquired into 199 "A" Ordinary Shares and 199 "B" Ordinary Shares.

The company continues to pursue the redevelopment of its site in Reading and is in the process of preparing a revised planning application reflecting the changed market circumstances.

Directors

The directors of the company during the year were

Sir R J Madejski OBE DL	(resigned 15 th December 2010)
M E Bracken	(resigned 15 th December 2010)
J P Homan	(resigned 15 th December 2010)
M E Bracken	(resigned 15 th December 2010)
N Howe	(resigned 15 th December 2010)
I M Wood Smith	(resigned 15 th December 2010)
D Camp	(appointed 15 th December 2010)
S Camp	(appointed 15 th December 2010)
M Mogull	(appointed 15 th December 2010)
P Irons	(appointed 15 th December 2010)

Sackville Developments (Reading) Limited

Report of the directors for the year ended 31 March 2011 (Continued)

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 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 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,
- 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.

Disclosure of information to auditors

In so far as the directors are aware

- there is no relevant audit information of which the company's auditors are unaware,
- and the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

Auditors


Grant Thornton UK LLP, were appointed in the year to fill a casual vacancy. Grant Thornton UK LLP will be deemed reappointed for the next financial year in accordance with Section 487(2) of the Companies Act 2006 unless the company receives notice under Section 488(1) of the Companies Act 2006.

Small company provisions

This report has been prepared in accordance with the special provisions for small companies under Part 15 of the Companies Act 2006.

By order of the Board

Director
Date.


14 July 2011

Sackville Developments (Reading) Limited

Independent auditor's report

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SACKVILLE DEVELOPMENTS (READING) LIMITED

We have audited the financial statements of Sackville Developments (Reading) Limited for the year ended 31 March 2011, which comprise the profit and loss account, the balance sheet and the related notes. 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 auditors

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). 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 APB's website at www.frc.org.uk/apb/private.cfm

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 March 2011 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Sackville Developments (Reading) Limited

Independent auditor's report (*Continued*)

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 prepare the financial statements and the report of the directors in accordance with the small companies regime



Mark Cardiff
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP,
Statutory Auditor, Chartered Accountants
London

Date: 14th July 2011

Sackville Developments (Reading) Limited

Profit and loss account for the year ended 31 March 2010

	Note	2011 £	2010 £
Turnover	2	1,005,936	1,194,456
Cost of sales		(506,103)	(44,988,872)
Gross profit/(loss)		499,833	(43,794,416)
Administrative expenses		(325,309)	(221,944)
Operating profit/(loss)	3	174,524	(44,016,360)
Exceptional gain arising on refinancing	6	34,572,834	-
Profit/(loss) after exceptional items		34,747,358	(44,016,360)
Interest receivable		148	12
Interest payable and similar charges	7	(1,579,201)	(1,834,294)
Profit/(loss) on ordinary activities before taxation		33,168,305	(45,850,642)
Taxation on profit/(loss) on ordinary activities	8	(93,757)	-
Profit/(loss) on ordinary activities after taxation		33,074,548	(45,850,642)

All amounts relate to continuing activities

All recognised gains and losses in the current and prior years are included in the profit and loss account

Sackville Developments (Reading) Limited

Balance sheet
at 31 March 2011

Company Number 5320888

	Note	2011 £	2011 £	2010 £	2010 £
Current assets					
Stocks and work in progress	9	12,250,000		12,250,000	
Debtors	10	461,109		386,845	
Cash at bank and in hand		97,804		55,695	
		<u>12,808,913</u>		<u>12,692,540</u>	
Creditors, amounts falling due within one year	11	<u>(1,301,179)</u>		<u>(67,509,354)</u>	
Net current assets/(liabilities)			11,507,734		(54,816,814)
Creditors, amounts falling due after more than one year	12		<u>(8,350,000)</u>		<u>-</u>
Net assets/(liabilities)			<u>3,157,734</u>		<u>(54,816,814)</u>
Capital and reserves					
Called up share capital	13		500		2
Share premium	14		24,899,502		-
Profit and loss account	14		<u>(21,742,268)</u>		<u>(54,816,816)</u>
Shareholders' funds/(deficit)	15		<u>3,157,734</u>		<u>(54,816,814)</u>

These financial statements have been prepared in accordance with the special provisions for small companies under Part 15 of the Companies Act 2006

The financial statements were approved by the Board and authorised for issue on

14 July 2011

Director



Sackville Developments (Reading) Limited

Notes forming part of the financial statements for the year ended 31 March 2011

1 Accounting policies

The financial statements have been prepared under the historical cost convention, and are in accordance with applicable accounting standards. The following principal accounting policies have been applied:

Going concern

The financial statements have been prepared on a going concern basis. The directors consider the company to be a going concern as a result of the refinancing and restructuring which took place during the year. This has ensured that appropriate funding is in place for the company's future.

Cash flow statement

The company has taken advantage of the exemption conferred by Financial Reporting Standard 1, "Cash Flow Statements (Revised 2006)", not to prepare a cash flow statement on the grounds that it is a "small" company under the Companies Act.

Turnover

Turnover represents rents and other property related income invoiced to tenants less value added tax.

Stock and work in progress

Stocks and work in progress are stated at the lower of cost and net realisable value. Cost comprises costs of acquisition and development including directly attributable fees and expenses. Net realisable value is based on estimated selling price, less further costs expected to be incurred to completion and disposal.

Deferred taxation

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date except that:

- deferred tax is not recognised on timing differences arising on revalued properties unless the company has entered into a binding sale agreement and is not proposing to take advantage of rollover relief, and
- the recognition of deferred tax assets is limited to the extent that the company anticipates making sufficient taxable profits in the future to absorb the reversal of the underlying timing differences.

Deferred tax balances are not discounted.

Financial instruments

The company uses derivative financial instruments to hedge the exposures to fluctuations in interest rates. Instruments accounted for as hedges are designated as a hedge at the inception of contracts. Receipts and payments on interest rate instruments are recognised on an accruals basis over the life of the instrument.

2 Turnover

Turnover is wholly attributable to the principal activity of the company and arises solely within the United Kingdom.

Sackville Developments (Reading) Limited

Notes forming part of the financial statements
for the year ended 31 March 2011 (*Continued*)

3 Operating profit

	2011 £	2010 £
This has been arrived at after charging		
Auditors' remuneration		
Fees payable for the audit of the company's annual accounts	7,000	7,000
Fees payable for tax services	10,000	2,100
	<u> </u>	<u> </u>

4 Employees

The company had no employees during the year other than the directors

5 Directors

None of the directors received any emoluments for their services as directors during the year

6 Restructuring and refinance of loans

As a result of the refinance and restructuring of the company in connection with the acquisition of the share capital by Stanhope (Station Hill) Limited and Cooperative Bensell Real Estate Investment III BA, £12,250,000 was repaid to the bank and the balance of the loan and interest, £31,457,545, was waived by the bank

The then existing shareholder loan was partially waived, £55,945 of the principal, and the accrued interest of £3,861,029 was also waived as part of the restructuring transaction

Fees and balances owed to previously associated companies of £276,566 were also waived

The credits arising from the waivers have been treated as exceptional items in the profit and loss account

In undertaking the restructure additional professional and related fees and expenses were incurred totalling £1,078,251 and these costs have also been treated as an exceptional charge in the profit and loss account. The total credit of £35,651,085 has been offset by the related costs of £1,078,251 to give the net credit of £34,572,834 in the profit and loss account

7 Interest payable and similar charges

	2011 £	2010 £
Bank loan	910,661	1,364,644
Other loans	668,540	469,650
	<u> </u>	<u> </u>
	1,579,201	1,834,294
	<u> </u>	<u> </u>

Sackville Developments (Reading) Limited

Notes forming part of the financial statements for the year ended 31 March 2011 (Continued)

8 Taxation on profit/(loss) from ordinary activities

The tax assessed for the year is calculated at a composite rate that is different from the standard rate of corporation tax in the UK. The differences are explained below.

	2011 £	2010 £
Profit/(loss) on ordinary activities before tax	33,168,305	(45,850,642)
Profit/(loss) on ordinary activities at the standard rate of corporation tax in the UK of 28% (2010 - 28%)	9,287,125	(12,838,180)
Effects of		
Expenses not deductible for tax purposes	327,980	107
Income not taxable	(1,081,088)	-
Unrelieved tax losses and other deductions	-	12,706,571
Utilisation of losses	(8,440,260)	-
Other short term timing differences	-	131,502
Current tax charge for year	93,757	-

The company has a deferred tax asset of £5.3m at 31 March 2011. Management are uncertain of the timing of future trading profits and therefore have not recognised the deferred tax asset (2010 - £nil).

9 Stocks and work in progress

	2011 £	2010 £
Land held for development and work in progress	12,250,000	12,250,000

10 Debtors

	2011 £	2010 £
Unpaid share capital	-	2
Trade debtors	259,287	310,717
Other debtors	144,320	76,126
Taxation - VAT	57,502	-
	461,109	386,845

Sackville Developments (Reading) Limited

Notes forming part of the financial statements
for the year ended 31 March 2011 (*Continued*)

11 Creditors: amounts falling due within one year

	2011 £	2010 £
Bank loan (secured)	-	43,655,947
Other loan (secured)	-	19,237,945
Amounts due to related companies	-	65,730
Trade creditors	168,285	250,751
Taxation - VAT	-	29,519
Corporation Tax	93,757	-
Other creditors	27,305	-
Accruals	798,565	4,046,037
Deferred income	213,267	223,425
	<u>1,301,179</u>	<u>67,509,354</u>

The Bank and other loans were secured on the company's development land and buildings. The Bank loans were partially repaid and the balance was waived as part of the company's restructuring in December 2010 (see note 6).

The other loan was due to the majority shareholder in Sackville Property Developments Limited, the former parent company. As part of the December 2010 restructuring, £55,945 of the loan was waived, and the balance of £19,900,000 was sold by the shareholder on 15th December 2010 to Stanhope (Station Hill) Limited and Cooperatie Bensell Real Estate Investment III B A prior to the acquisition of the company's shares by Stanhope (Station Hill) Limited and Cooperatie Bensell Real Estate Investment III B A. The interest that had accrued on this shareholder loan was waived as part of the restructuring (see note 6 for further details).

12 Creditors: amounts falling due after more than one year

	2011 £	2010 £
Other loan	<u>8,350,000</u>	<u>-</u>

The other loan comprises a loan from BE Reading BV, a Netherlands registered company, and subsidiary of one of the shareholders, which was entered into on 15th December 2010. The amount drawn under the loan agreement cannot exceed £10,000,000 and the facility expires on 14th December 2015, or on sale of the site if earlier. The loan is not secured and incurs interest at the rate of 15% per annum.

Sackville Developments (Reading) Limited

Notes forming part of the financial statements
for the year ended 31 March 2011 *(Continued)*

13 Share capital

	Authorised, allotted and called up shares			
	2011 Number Paid	2011 £ Paid	2010 Number Unpaid	2010 £ Unpaid
Ordinary shares of £1 each	-	-	2	2
"A" Ordinary shares of £1 each	250	250	-	-
"B" Ordinary shares of £1 each	250	250	-	-
	<hr/>	<hr/>	<hr/>	<hr/>

On 15th December 2010 the company, as part of the financial restructuring, reclassified the existing 2 £1 Ordinary shares into one "A" Ordinary share and one "B" Ordinary share. Immediately after the acquisition of these two shares Stanhope (Station Hill) Limited and Cooperatie Bensell Real Estate Investment III BA each subscribed for 249 additional "A" and "B" Ordinary shares respectively the consideration for which was the capitalisation of their outstanding loans to the company of £19,900,000 plus cash of £5,000,000. The "A" and "B" shares are fully paid.

The "A" and "B" Ordinary Shares rank *pari passu* in respect of dividends and other distributions.

14 Reserves

	Share Premium account £	Profit and loss account £
At 1 April 2010	-	(54,816,816)
Arising on issuance of new shares	24,899,502	-
Profit for the year	-	33,074,548
	<hr/>	<hr/>
At 31 March 2011	24,899,502	(21,742,268)
	<hr/>	<hr/>

On 15th December 2010, 498 new shares were issued in consideration for the £5,000,000 cash and the capitalisation of the existing shareholder loans totalling £19,900,000 held by Stanhope (Station Hill) Limited and Cooperatie Bensell Real Estate Investment III B A.

Sackville Developments (Reading) Limited

Notes forming part of the financial statements for the year ended 31 March 2011 (*Continued*)

15 Reconciliation of movement in shareholders' funds

	2011 £	2010 £
Profit/(loss) for year	33,074,548	(45,850,642)
New shares	498	-
Share premium arising on new shares	24,899,502	-
Opening shareholders' funds	(54,816,814)	(8,966,172)
	<hr/>	<hr/>
Closing shareholders' funds	3,157,734	(54,816,814)
	<hr/>	<hr/>

16 Related party transactions

The company has a loan arrangement with BE Reading BV, a subsidiary company of one of the shareholders. The key terms of the loan are summarised in note 12 above. Interest on this loan of £342,344 has accrued and remains unpaid at the end of the year.

During the year, management charges amounting to £Nil (2010 - £138,750) were charged by Sackville Property Developments Limited, the erstwhile ultimate parent company. At 31st March 2011, £nil (2010 £104,063) was due by the company to Sackville Property Developments Limited in respect of management charges.

The company has been recharged £Nil (2010 - £25,664) in respect of expenses incurred by Sackville Property Management Limited, a related company on its behalf. At 31st March 2011, £65,530 (2010 £39,866) was due to Sackville Property Management Limited in respect of these charges.

The company has been charged £118,772 (2010 - £nil) in respect of development management fees by Stanhope PLC, a related company to one of the shareholders.

The company has also been charged £9,665 (2010 - £nil) in respect of asset management fees by Benson Elliot Services Limited, a company related to one of the shareholders.

17 Ultimate parent company

The company is owned 50/50 by Stanhope (Station Hill) Limited and Cooperatie Bensell Real Estate Investment III B A. Due to the deadlock provisions, no shareholder has control and there is no ultimate parent company.