

Report and Financial Statements Sackville Developments (Reading) Limited

For the year ended 31 March 2013



Registered number: 05320888

Sackville Developments (Reading) Limited

Company Information

Directors	D J Camp S C Camp P Irons J De Leo
Registered number	05320888
Registered office	Norfolk House 31 St James's Square London SW1Y 4JJ
Independent auditor	Grant Thornton UK LLP Chartered Accountants & Statutory Auditor Grant Thornton House Melton Street Euston Square London NW1 2EP
Bankers	The Royal Bank of Scotland plc 24 Grosvenor Place London SW1X 7HP
Solicitors	Shearman & Sterling LLP Broadgate West 9 Appold Street London EC2A 2AP

Sackville Developments (Reading) Limited

Contents

	Page
Directors' report	1 - 2
Independent auditor's report	3 - 4
Profit and loss account	5
Balance sheet	6
Notes to the financial statements	7 - 12

Sackville Developments (Reading) Limited

Directors' Report

For the year ended 31 March 2013

The directors present their report and the financial statements for the year ended 31 March 2013

Principal activities

The principal activity of the company is property development. The company owns property in Reading and submitted a revised planning permission for a mixed use redevelopment of its site in March 2013.

Directors

The directors who served during the year were

D J Camp
S C Camp
P Irons
M Mogull (resigned 11 February 2013)
J De Leo (appointed 11 February 2013)

Provision of information to auditor

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that

- so far as that director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any information needed by the company's auditor in connection with preparing its report and to establish that the company's auditor is aware of that information.

Auditor

The auditor, Grant Thornton UK LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

In preparing this report, the directors have taken advantage of the small companies exemptions provided by section 415A of the Companies Act 2006.

Directors' responsibilities statement

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 judgments and accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,

Sackville Developments (Reading) Limited

Directors' Report

For the year ended 31 March 2013

- 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.

This report was approved by the board and signed on its behalf



S C Camp
Director

Date **2 July 2013**

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 2013, 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 the Financial Reporting Standard for Smaller Entities (effective April 2008) (United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an Auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' responsibilities statement, set out on pages 1 and 2, 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 Auditing Practices Board's website at www.frc.org.uk/apb/scope/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 2013 and of its loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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



Independent Auditor's Report to the Members of Sackville Developments (Reading) Limited

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 in accordance with the small companies regime and take advantage of the small companies' exemption in preparing the Directors' report

Grant Thornton UK LLP

Philip Westerman
Senior statutory auditor
for and on behalf of Grant Thornton UK LLP
Chartered Accountants, Statutory Auditor
London (Euston)
Date 2 July 2013

Sackville Developments (Reading) Limited

Profit and Loss Account

For the year ended 31 March 2013

	Note	2013 £	2012 £
Turnover	1	981,158	979,958
Cost of sales		(488,407)	(513,499)
Gross profit from rental		492,751	466,459
Other cost of sales - planning and development fees		(1,080,408)	(944,266)
Gross loss		(587,657)	(477,807)
Administrative expenses		(621,391)	(628,962)
Operating loss	2	(1,209,048)	(1,106,769)
Interest receivable and similar income		3,161	1,921
Interest payable and similar charges	4	(1,116,940)	(1,112,983)
Loss on ordinary activities before taxation		(2,322,827)	(2,217,831)
Tax on loss on ordinary activities	5	-	93,757
Loss for the financial year		(2,322,827)	(2,124,074)

All amounts relate to continuing operations

The notes on pages 7 to 12 form part of these financial statements

Balance Sheet

As at 31 March 2013

	Note	£	2013 £	£	2012 £
Current assets					
Stocks and work in progress	6	12,250,000		12,250,000	
Debtors	7	395,264		331,390	
Cash at bank		781,579		726,736	
		<u>13,426,843</u>		<u>13,308,126</u>	
Creditors, amounts falling due within one year	8	<u>(788,565)</u>		<u>(658,762)</u>	
Net current assets			<u>12,638,278</u>		<u>12,649,364</u>
Total assets less current liabilities			<u>12,638,278</u>		<u>12,649,364</u>
Creditors, amounts falling due after more than one year	9		<u>(13,927,445)</u>		<u>(11,615,704)</u>
Net (liabilities)/assets			<u><u>(1,289,167)</u></u>		<u><u>1,033,660</u></u>
Capital and reserves					
Called up share capital	10		500		500
Share premium account	12		24,899,502		24,899,502
Profit and loss account			<u>(26,189,169)</u>		<u>(23,866,342)</u>
Shareholders' (deficit)/funds	11		<u><u>(1,289,167)</u></u>		<u><u>1,033,660</u></u>

The financial statements have been prepared in accordance with the special provisions relating to companies subject to the small companies regime within Part 15 of the Companies Act 2006 and in accordance with the Financial Reporting Standard for Smaller Entities (effective April 2008)

The financial statements were approved and authorised for issue by the board and were signed on its behalf by


S C Camp
Director

Date 2 July 2013

The notes on pages 7 to 12 form part of these financial statements

Notes to the Financial Statements

For the year ended 31 March 2013

1. Accounting Policies

1.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with the Financial Reporting Standard for Smaller Entities (effective April 2008)

1.2 Going concern

The financial statements are prepared on a going concern basis, notwithstanding the company's net liabilities, which the directors believe to be appropriate for the following reasons. The company is dependent for its working capital on funds provided to it by the company's shareholders. The shareholders have provided the company with an undertaking that for at least 12 months from the date of approval of these financial statements, they will continue to make available such funds as are needed by the company, and in particular will not seek repayment of amounts currently made available.

This should enable the company to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for payment. Based on this undertaking the directors believe it remains appropriate to prepare the financial statements on a going concern basis. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

1.3 Stocks

Trading and development properties are included in stock as work in progress and are stated at the lower of cost or net realisable value. Disposals are recognised on completion, with profit and losses arising being recognised through the profit and loss account. If properties held for trading are appropriated to investment, they are transferred from stock at book value. Any impairments are recognised in the profit and loss account in the year in which they are incurred.

Planning and development fees incurred in the process of obtaining planning permission are expensed to the profit and loss account prior to planning permission being granted.

1.4 Turnover

Turnover comprises rent and other property related income invoiced to tenants, exclusive of Value Added Tax.

1.5 Deferred taxation

Deferred taxation is accounted for on an undiscounted basis at expected tax rates on all differences arising from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements. A deferred tax asset is only recognised when it is more likely than not that the asset will be recoverable in the foreseeable future out of suitable taxable profits from which the underlying timing differences can be deducted.

1.6 Interest-bearing loans and borrowings

All loans and borrowings are recognised initially at cost, which is the fair value of the consideration received. Costs of raising loans are capitalised and amortised over the life of the loan.

Notes to the Financial Statements

For the year ended 31 March 2013

1. Accounting Policies (continued)

1.7 Derivatives

The fair value of any derivatives, such as interest rate swaps, are not recognised in the balance sheet but are disclosed in accordance with FRS 25 "Financial instruments"

1.8 Cash flow

The financial statements do not include a cash flow statement because the company, as a small reporting entity, is exempt from the requirement to prepare such a statement under the Financial Reporting Standard for Smaller Entities (effective April 2008)

2. Operating loss

During the year, no director received any emoluments in respect of their services to the company (2012 - £NIL)

3. Auditors' remuneration

	2013 £	2012 £
Fees payable to the company's auditor and its associates for the audit of the company's annual accounts	7,200	7,000
Fees payable to the company's auditor in respect of		
Preparation of financial statements	850	-
Taxation compliance services	5,650	8,550
	<u>13,700</u>	<u>15,550</u>

4. Interest payable

	2013 £	2012 £
On bank loans and overdrafts	176,038	121,446
On shareholder loans (note 15)	940,902	991,537
	<u>1,116,940</u>	<u>1,112,983</u>

Interest is charged at 15% on the amounts received from the shareholders, as disclosed in note 15

Sackville Developments (Reading) Limited

Notes to the Financial Statements

For the year ended 31 March 2013

5. Taxation

Tax on loss on ordinary activities

	2013	2012
	£	£
UK corporation tax charge/(credit) on loss for the year	-	(93,757)

6. Stocks and work in progress

	2013	2012
	£	£
Work in progress	12,250,000	12,250,000

7. Debtors

	2013	2012
	£	£
Trade debtors	32,506	31,214
Prepayments and accrued income	90,392	94,662
Other debtors	179,564	170,113
VAT recoverable	92,802	35,401
	395,264	331,390

8. Creditors:

Amounts falling due within one year

	2013	2012
	£	£
Bank loan	160,000	160,000
Bank loan interest	29,354	33,429
Trade creditors	124,398	242,818
Accruals and deferred income	456,836	204,585
Other creditors	17,977	17,930
	788,565	658,762

Notes to the Financial Statements

For the year ended 31 March 2013

9. Creditors:

Amounts falling due after more than one year

	2013	2012
	£	£
Bank loan	4,533,661	4,673,422
15% shareholders' loan	7,243,784	5,702,282
0% shareholders' loan	2,150,000	1,240,000
	<u>13,927,445</u>	<u>11,615,704</u>

On 11 August 2011, the Company obtained a 5 year bank loan facility from Barclays Bank PLC of £5,000,000. The loan incurs interest at 3 Month LIBOR and margin of 2.25% pa which is paid on a quarterly basis together with the repayment of £40,000 per quarter. As at 31 March 2013, the notional amount outstanding on the bank loan is £4,760,000. Within the bank loan are issue costs that remain unamortised at £66,339. Barclays Bank PLC has been granted security by way of a legal mortgage on all monies due or to become due from the company in relation to the Gairard Street Car Park.

On 11 August 2011, the Company entered into an Interest Rate Swap arrangement with Barclays Bank PLC to hedge against the interest rate risk on the bank loan. Under the terms of the swap, the Company pays a fixed rate of 1.15% and receives 3 Month LIBOR on a quarterly basis. As at 31 March 2013, the notional amount on the interest rate swap is £3,332,000 and the mark-to-market value is £31,425 (2012: £11,726). The accrued interest on the loan and interest rate swap is £29,354 (2012: £33,428).

The shareholders' 15% loan is a loan from Bensell Finance III B V, a Netherlands registered company and a subsidiary of one of the shareholders. The loan incurs 15% pa interest and interest is capitalised on a quarterly basis on 28 February, 31 May, 31 August and 30 November.

The shareholders' 0% loan are loans from Bensell Finance III B V, a Netherlands registered company and a subsidiary of one of the shareholders and from Stanhope (Station Hill) Limited, a shareholder of the company.

10. Share capital

	2013	2012
	£	£
Allotted, called up and fully paid		
250 Ordinary A shares of £1 each	250	250
250 Ordinary B shares of £1 each	250	250
	<u>500</u>	<u>500</u>

The Ordinary 'A' and 'B' shares rank par passu

Sackville Developments (Reading) Limited

Notes to the Financial Statements

For the year ended 31 March 2013

11. Reconciliation of movement in shareholders' funds

	2013	2012
	£	£
Opening shareholders' funds	1,033,660	3,157,734
Loss for the year	(2,322,827)	(2,124,074)
Closing shareholders' (deficit)/funds	<u>(1,289,167)</u>	<u>1,033,660</u>

12. Share premium account

	£
At 1 April 2012 and 31 March 2013	<u>24,899,502</u>

13. Capital commitments

The company has no capital commitments as at 31 March 2013 or 31 March 2012

14. Contingent liabilities

The company has no contingent liabilities as at 31 March 2013 or 31 March 2012

15. Related party transactions

The company has loan arrangements with Bensell Finance III BV, a subsidiary of Cooperatie Bensell Real Estate Investment III BA (a 50% shareholder of the company) and Stanhope (Station Hill) Limited, as disclosed in note 9

Loans outstanding from related companies

	2013	2012
	£	£
Bensell Finance III BV (15% loan)	5,414,582	4,813,982
Bensell Finance III BV (0% loan)	1,075,000	620,000
Stanhope (Station Hill) Limited (0% loan)	<u>1,075,000</u>	<u>620,000</u>

During the year, £600,600 of additional 15% loans were issued

During the year, £455,000 of additional 0% loans were issued by each of Stanhope (Station Hill) Limited and Bensell Finance III B V, resulting in two year end loan balances of £1,075,000

Sackville Developments (Reading) Limited

Notes to the Financial Statements

For the year ended 31 March 2013

15. Related party transactions (continued)

Interest payable on the 15% loan

	2013	2012
	£	£
Bensell Finance III BV (15% loan)	<u>1,829,202</u>	<u>888,300</u>

Interest of £940,902 was charged on this loan for the year ended 31 March 2013 (2012 £991,537), with outstanding accrued interest outstanding as disclosed above

During the year, the company was charged £440,000 (2012 £430,000) for development management fees by Stanhope plc, a related company of one of the shareholders

The company was also charged £37,355 (2012 £35,324) for asset management fees by Benson Elliot Services Limited, a related company of one of the shareholders

16. Ultimate parent undertaking and controlling party

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