

REGISTRAR'S COPY

COMPANY

NUMBER: 5320888

Sackville Developments (Reading) Limited

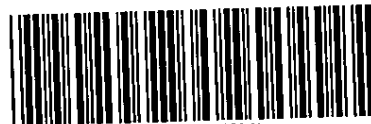
Report and Financial Statements

Year Ended

31 March 2009

Company Number 5320888

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Sackville Developments (Reading) Limited

**Report and financial statements
for the year ended 31 March 2009**

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Directors

R J Madejski OBE DL
M E Bracken
J P Homan
N Howe
I M Wood-Smith
I Smith

Secretary and registered office

I M Wood-Smith

River Wing, Latimer Park, Latimer, Chesham, Buckinghamshire HP5 1TU

Company number

5320888

Auditors

BDO LLP, Kings Wharf, 20-30 Kings Road, Reading RG1 3EX

Sackville Developments (Reading) Limited

Report of the directors for the year ended 31 March 2009

The directors present their report together with the audited financial statements for the year ended 31 March 2009.

Results and dividends

The profit and loss account is set out on page 5 and shows the 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 redevelopment site in March 2005. Subsequently the company has acquired other adjacent sites in order to facilitate the redevelopment of this key area of Reading. In May 2007 the company acquired the freehold and leasehold of the Friars Walk shopping centre. This acquisition was funded through a further development funding arrangement with Bank of Scotland.

In February 2007, the company submitted the outline planning application in respect of the original site to Reading Borough Council. On 5 March 2008 the Reading Borough Council Planning Committee passed the resolution to grant planning permission for the proposed scheme.

In light of the decision of the Secretary of State to call in the planning application, the company withdrew its initial planning application in order to concentrate its efforts on the preparation of the application for the larger scheme, incorporating Friars Walk.

On 26 June 2009 the company submitted the planning application for the enlarged scheme to Reading Borough Council. On 23 September 2009 Reading Borough Council Planning Applications Committee passed unanimously a resolution to grant the planning permission for the enlarged scheme. The company is working with its professional advisers and Reading Borough Council to finalise the outstanding matters and to get the formal planning permission issued.

In November 2009 the company was formally notified of a breach of the finance agreement. It has not proved possible to reach agreement on a new funding structure with HBoS and therefore both parties are now in negotiations to enter into a joint venture agreement to allow the development to continue. These negotiations, whilst progressing in a positive manner, are at an early stage and no formal agreement has yet been reached with any potential partner.

Directors

The directors of the company during the year were:

Sir R J Madejski OBE DL
M E Bracken
J P Homan
N Howe
I M Wood-Smith
I Smith

Sackville Developments (Reading) Limited

Report of the directors for the year ended 31 March 2009 (Continued)

Directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; 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 proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. 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


All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware.

Auditors

BDO LLP have expressed their willingness to continue in office and a resolution to reappoint them as auditors will be proposed at the next annual general meeting.

This report has been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

By order of the Board


J M Wood-Smith
Secretary

Date 27.1.2010

Sackville Developments (Reading) Limited

Report of the independent auditors

To the shareholders of Sackville Developments (Reading) Limited

We have audited the financial statements of Sackville Developments (Reading) Limited for the year ended 31 March 2009 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with the Companies Act 1985 and whether the information given in the Director's report is consistent with those financial statements. We also report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Our report has been prepared pursuant to the requirements of the Companies Act 1985 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the Companies Act 1985 or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Sackville Developments (Reading) Limited

Report of the independent auditors (*Continued*)

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 March 2009 and of its loss for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' report is consistent with the financial statements

Emphasis of matter – going concern

In forming our opinion on the financial statements, which is not qualified, we have considered the adequacy of the disclosures made in note 1 to the financial statements concerning the company's ability to continue as a going concern. The company incurred a loss of £3,664,406 (2008: £3,116,478) for the year and had net liabilities of £8,966,172 (2008: £5,301,766) at the balance sheet date.

The company's bank loan facility has expired and the company has been formally notified of a breach of its bank finance agreement. Therefore, this facility is now repayable on demand. The company, assisted by its bankers, is currently in negotiations with a number of third parties to enter into a joint venture agreement to develop the site in line with the planning consent now granted. However, as at the date of this report no agreement has yet been reached with any joint venture partner to assist with the funding of the development of the site. As such there remains a material uncertainty over the ability of the company to secure such funding. These conditions indicate the existence of a material uncertainty which may cast significant doubt over the company's ability to continue as a going concern and therefore it may be unable to realise its assets and discharge its liabilities in the normal course of business. The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern.

BDO LLP

BDO LLP

*Chartered Accountants
and Registered Auditors*

Reading
United Kingdom

Date 27 JANUARY 2010

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127)

Sackville Developments (Reading) Limited

Profit and loss account for the year ended 31 March 2009

	Note	2009 £	2008 £
Turnover	2	1,229,516	1,473,046
Cost of sales		619,210	439,210
Gross Profit		610,306	1,033,836
Administrative expenses		182,131	224,607
Operating profit	5	428,175	809,229
Interest receivable		11,069	33,320
Interest payable and similar charges	6	(4,103,650)	(3,959,027)
Loss on ordinary activities before taxation		(3,664,406)	(3,116,478)
Taxation on loss on ordinary activities	7	-	-
Loss on ordinary activities after taxation		(3,664,406)	(3,116,478)

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.

The notes on pages 7 to 11 form part of these financial statements.

Sackville Developments (Reading) Limited

Balance sheet at 31 March 2009

<i>Company number 5320888</i>	Note	2009 £	2009 £	2008 £	2008 £
Current assets					
Stocks and work in progress	8	55,850,144		55,261,731	
Debtors	9	208,456		732,675	
Cash at bank and in hand		254,433		557,958	
		<u>56,313,033</u>		<u>56,552,364</u>	
Creditors: amounts falling due within one year	10	<u>65,279,205</u>		<u>61,854,130</u>	
Net current liabilities			<u>(8,966,172)</u>		<u>(5,301,766)</u>
			<u>(8,966,172)</u>		<u>(5,301,766)</u>
Capital and reserves					
Called up share capital	11		2		2
Profit and loss account	12		<u>(8,966,174)</u>		<u>(5,301,768)</u>
Shareholders' deficit	13		<u>(8,966,172)</u>		<u>(5,301,766)</u>

The financial statements have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

The financial statements were approved by the Board and authorised for issue on 27/1/2010



I Smith
Director

The notes on pages 7 to 11 form part of these financial statements.

Sackville Developments (Reading) Limited

Notes forming part of the financial statements for the year ended 31 March 2009

1 Accounting policies

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of land and buildings 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 company incurred a loss of £3,664,406 (2008: 3,116,478) for the year and had net liabilities of £8,966,172 (2008: £5,301,766) at the balance sheet date.

The company's bank loan facility expired on 4 March 2008 and in November 2009 the company was formally notified of a breach of its bank finance agreement. Therefore, this facility is now repayable on demand. The company, assisted by its bankers, is currently in negotiations with a number of third parties to enter into a joint venture agreement to develop the site in line with the planning consent now granted. Whilst no formal agreement has yet been reached, the directors' expectation is that a joint venture development partner should be in place by the end of Spring 2010.

Although notification of a breach of the finance agreement has been received, the loan has not been withdrawn and funding has remained in place up to the date of these financial statements. In discussions with the company's bankers, the bank has indicated that the current funding arrangements will remain in place until such time as negotiations with potential joint venture development partners are completed.

The directors have prepared and reviewed cash flow information for a period including twelve months from the date of these financial statements and discussed those projections with the company's bankers and the ultimate controlling party.

Subsequent to the year end the ultimate controlling party has supported the ongoing running costs of the business by increasing his loan by a further £1,935,000 to enable the company to meet its obligations as they fall due. He has also confirmed that this facility will not be withdrawn for a period of at least twelve months from the date of these financial statements and that he will continue to support the company during the funding negotiations currently taking place.

The directors are confident, based on the results of discussions with its bankers, the ultimate controlling party and potential joint venture partners, that they will be able to secure the necessary funding to enable the company to meet its projections, such that it will be able to continue to trade for the foreseeable future.

As a result of the above, the directors consider it appropriate to prepare the financial statements on the going concern basis. However, as at the date of approval of these financial statements, the bank facility is repayable on demand and no agreement has yet been reached with any joint venture partner to assist with the funding of the development of the site. As such there remains a material uncertainty over the ability of the company to secure such funding. These conditions indicate the existence of a material uncertainty which may cast significant doubt over the company's ability to continue as a going concern and therefore it may be unable to realise its assets and discharge its liabilities in the normal course of business. The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern.

Cash flow statement

The company has used the exemption under Financial Reporting Standard 1, "Cash Flow Statements", not to prepare a cash flow statement as the directors believe the company is a 'small entity' as defined under section 247 of the Companies Act.

Turnover

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

Sackville Developments (Reading) Limited

Notes forming part of the financial statements
for the year ended 31 March 2009 (*Continued*)

1 Accounting policies (*Continued*)

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 to make sufficient taxable profits in the future to absorb the reversal of the underlying timing differences.

Deferred tax balances arising from underlying timing differences in respect of tax allowances on industrial buildings are reversed if and when all conditions for retaining those allowances have been met.

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. Finance costs associated with debt issuance are capitalised within development costs on the balance sheet 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.

3 Employees

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

4 Directors

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

Sackville Developments (Reading) Limited

Notes forming part of the financial statements
for the year ended 31 March 2009 *(Continued)*

5 Operating profit

	2009 £	2008 £
This has been arrived at after charging:		
Auditors' remuneration	7,000	7,000
	<u> </u>	<u> </u>

6 Interest payable and similar charges

	2009 £	2008 £
Bank loan	3,209,115	3,036,931
Other loan	894,535	922,096
	<u> </u>	<u> </u>
	4,103,650	3,959,027
	<u> </u>	<u> </u>

7 Taxation on loss from ordinary activities

There is no tax charge for the current or prior years.

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:

	2009 £	2008 £
Loss on ordinary activities before tax	(3,664,406)	(3,116,478)
	<u> </u>	<u> </u>
Loss on ordinary activities at the standard rate of corporation tax in the UK of 28% (2008: 30%)	(1,026,034)	(934,943)
Effects of:		
Expenses not deductible for tax purposes	4,648	2,443
Unrelieved tax losses and other deductions	746,638	655,884
Other short term timing differences	274,748	276,616
	<u> </u>	<u> </u>
Current tax charge for year	-	-
	<u> </u>	<u> </u>

8 Stocks and work in progress

	2009 £	2008
Land held for development and work in progress	55,850,144	55,261,731
	<u> </u>	<u> </u>

Sackville Developments (Reading) Limited

Notes forming part of the financial statements
for the year ended 31 March 2009 (Continued)

9 Debtors

	2009 £	2008 £
Unpaid share capital	2	2
Trade debtors	126,581	169,681
Other debtors	81,873	72,297
Taxation	-	490,695
	<u>208,456</u>	<u>732,675</u>

All amounts shown under debtors fall due for payment within one year.

10 Creditors: amounts falling due within one year

	2009 £	2008 £
Bank loan (secured)	43,655,947	42,858,150
Other loan	17,302,945	15,642,604
Amounts due to related companies	40,066	15,535
Taxation	2,240	-
Other creditors	344,090	71,416
Accruals	3,681,240	3,005,698
Deferred income	252,677	260,727
	<u>65,279,205</u>	<u>61,854,130</u>

The Bank and other loans are secured on the company's development land and buildings.

As disclosed in note 1 the company is currently in negotiations with its bankers and potential joint venture development partners with regards to the funding of the development site going forward.

The other loan is due to the company's ultimate controlling party. This loan is subordinated to the bank loan and bears interest at 2% above bank base rate per annum. The interest on this loan is being accrued and will be paid in full at the redemption of the loan. Subsequent to the year end the company renegotiated the terms of this loan such that the capital and interest repayable is now not due until one year from the date of these financial statements.

11 Share capital

	2009 Number	2009 £	Authorised 2008 Number	2008 £
Ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>
	2009 Number	2009 £	Allotted, called up and unpaid 2008 Number	2008 £
Ordinary shares of £1 each	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>

Sackville Developments (Reading) Limited

Notes forming part of the financial statements
for the year ended 31 March 2009 (Continued)

12 Reserves

	Profit and loss account £
At 1 April 2008	(5,301,768)
Loss for the year	(3,664,406)
At 31 March 2009	<u>(8,966,174)</u>

13 Reconciliation of movement in shareholders' funds

	2009 £	2008 £
Loss for the year	(3,664,406)	(3,116,478)
Opening shareholders' funds	<u>(5,301,766)</u>	<u>(2,185,288)</u>
Closing shareholders' funds	<u>(8,966,172)</u>	<u>(5,301,766)</u>

14 Related party transactions

The company has a loan arrangement with the majority shareholder of the ultimate parent company. The key terms of the loan are summarised in note 10 above.

During the year, management charges amounting to £138,750 (2008: £138,650) were charged by Sackville Property Developments Limited, the ultimate parent company. At 31 March 2009, £34,688 (2008: £69,375) was due by the company to Sackville Property Developments Limited in respect of management charges.

The company has been recharged £24,831 (2008: £19,545) in respect of expenses incurred by Sackville Property Management Limited, a related company, on its behalf. At 31 March 2009, £39,866 (2008: £15,035) was due to Sackville Property Management Limited in respect of these charges.

During the year, total fees of £12,816 (2008: £57,478) were charged by Field Seymour Parkes, a legal firm in which I M Wood-Smith is a partner. At 31 March 2009 and 31 March 2008, there were no outstanding balances with Field Seymour Parkes.

15 Ultimate parent company

At 31 March 2009 the company's ultimate parent company was Sackville Property Developments Limited.

The ultimate controlling party is Sir R J Madejski OBE DL.