

Unaudited Financial Statements Sackville Developments (Reading) Limited

For the year ended 31 March 2016



Sackville Developments (Reading) Limited
Registered number:05320888

Company Information

Directors	D J Camp S C Camp N Waring J De Leo
Registered number	05320888
Registered office	2nd floor 100 New Oxford Street London WC1A 1HB
Accountants	Grant Thornton UK LLP Chartered Accountants Grant Thornton House Melton Street Euston Square London NW1 2EP
Bankers	The Royal Bank of Scotland plc 24 Grosvenor Place London EC4A 1LT
Solicitors	Macfarlanes LLP 20 Cursitor Street 9 Appold Street London EC4A 1LT

Contents

	Page
Directors' report	1
Accountant's report	2
Statement of comprehensive income	3
Statement of financial position	4
Statement of changes in equity	5
Notes to the financial statements	6 - 18

Sackville Developments (Reading) Limited

Directors' report

For the year ended 31 March 2016

The directors present their report and the financial statements for the year ended 31 March 2016.

Results and dividends

The profit for the year, after taxation, amounted to £2,309,160 (2015: loss £1,917,099).

Directors

The directors who served during the year were:

D J Camp
S C Camp
N Waring
J De Leo

Post balance sheet events

The company was acquired by Station Hill Holding BV on 1st April 2016, and on 1st April 2016 the shareholder capital contribution was capitalised into shares and share premium. Following this there was a capital reduction bringing the share capital down to £1 and converting the share premium into distributable profits to eliminate the brought forward losses and leaving £2.8m of positive reserves.

On 14 April 2016, the company sold its stock for £55.0m to two sister companies and transferred its bank debt to one of the buyers. This gave rise to a profit of £28.7m. As the company has tax losses brought forward, a deferred tax asset has been recognised in the financial statements for the year ended 31 March 2016. See note 15.

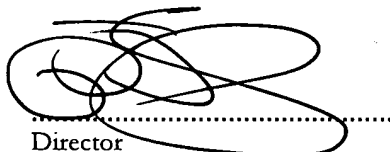
Following the sale of the stock, the company repaid the shareholder loans of £16.5m and distributed the remaining £34.0m to its parent.

The bank loan was transferred to one of the company's sister companies and extended for a further year to August 2017 on 10 May 2016.

Small companies exemptions

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

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



Director

Date: David Camp
6 August 2016

Report to the directors on the preparation of the unaudited statutory financial statements of Sackville Developments (Reading) Limited for the year ended 31 March 2016

We have compiled the accompanying financial statements of Sackville Developments (Reading) Limited based on the information you have provided. These financial statements comprise the Statement of financial position of Sackville Developments (Reading) Limited as at 31 March 2016, Statement of Comprehensive income for the year then ended, Statement of changes in equity and a summary of significant accounting policies and other explanatory information.

This report is made solely to the Board of Directors of Sackville Developments (Reading) Limited, as a body, in accordance with the terms of our engagement letter. Our work has been undertaken solely to prepare for your approval the financial statements of Sackville Developments (Reading) Limited and state those matters that we have agreed to state to the Board of Directors of Sackville Developments (Reading) Limited, as a body, in this report in accordance with our engagement letter. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Sackville Developments (Reading) Limited and its Board of Directors, as a body, for our work or for this report.

We performed this compilation engagement in accordance with International Standard on Related Services 4410 (Revised), Compilation Engagements.

We have applied our expertise in accounting and financial reporting to assist you in the preparation and presentation of these financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. As a member firm of the Institute of Chartered Accountants in England and Wales, we are subject to its ethical and other professional requirements which are detailed at www.icaew.com.

These financial statements and the accuracy and completeness of the information used to compile them are your responsibility.

Since a compilation engagement is not an assurance engagement, we are not required to verify the accuracy or completeness of the information you provided to us to compile these financial statements. Accordingly, we do not express an audit opinion or a review conclusion on whether these financial statements are prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.



Grant Thornton UK LLP

Chartered Accountants

London

Date: 23 August 2016

Statement of comprehensive income

For the year ended 31 March 2016

	Note	2016 £	2015 £
Turnover	4	833,271	903,645
Cost of sales		(375,124)	(283,175)
Gross profit		458,147	620,470
Administrative expenses		(990,660)	(644,317)
Operating loss	5	(532,513)	(23,847)
Interest receivable and similar income	7	5,477	2,421
Interest payable and expenses	8	(2,886,363)	(1,895,673)
Loss before tax		(3,413,399)	(1,917,099)
Tax on loss	9	5,722,559	-
Profit/(loss) for the year		2,309,160	(1,917,099)
Other comprehensive income for the year		-	-
Total comprehensive income for the year		2,309,160	(1,917,099)

There were no recognised gains and losses for 2016 or 2015 other than those included in the income statement.

The notes on pages 6 to 18 form part of these financial statements.

Statement of financial position

As at 31 March 2016

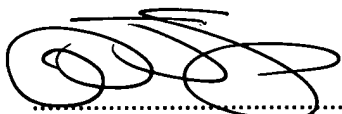
	Note	2016 £	2015 £
Current assets			
Work in progress	10	26,070,144	19,419,707
Debtors: amounts falling due within one year	11	6,212,628	450,235
Cash at bank and in hand	12	3,885,323	2,607,458
		<u>36,168,095</u>	<u>22,477,400</u>
Creditors: amounts falling due within one year	13	(27,597,325)	(1,659,827)
Net current assets		<u>8,570,770</u>	<u>20,817,573</u>
Total assets less current liabilities		<u>8,570,770</u>	<u>20,817,573</u>
Creditors: amounts falling due after more than one year	14	-	(24,092,445)
Net assets		<u><u>8,570,770</u></u>	<u><u>(3,274,872)</u></u>
Capital and reserves			
Called up share capital	16	9,346,082	500
Share premium account	17	24,899,502	24,899,502
Other reserve	17	1,880,928	1,690,028
Profit and loss account	17	(27,555,742)	(29,864,902)
		<u><u>8,570,770</u></u>	<u><u>(3,274,872)</u></u>

For the financial year in question the company was entitled to exemption under section 477 of the Companies Act 2006 relating to small companies. No members have required the company to obtain an audit of its accounts for the year in question in accordance with section 476 of the Companies Act 2006.

The directors acknowledge their responsibilities for complying with the requirements of the Companies Act 2006 with respect to accounting records and the preparation of financial statements.

The Company's financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime.

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


.....

Director *David Camp*
Date: *6 August 2016*

The notes on pages 6 to 18 form part of these financial statements.

Statement of changes in equity

For the year ended 31 March 2016

	Share capital £	Share premium £	Other reserve £	Retained earnings £	Total equity £
At 1 April 2015	500	24,899,502	1,690,029	(29,864,902)	(3,274,871)
Comprehensive income for the year					
Profit for the year	-	-	-	2,309,160	2,309,160
Total comprehensive income for the year	-	-	-	2,309,160	2,309,160
Shares issued during the year	9,345,582	-	-	-	9,345,582
Capital contribution on shareholder loans	-	-	190,899	-	190,899
At 31 March 2016	9,346,082	24,899,502	1,880,928	(27,555,742)	8,570,770

Statement of changes in equity

For the year ended 31 March 2015

	Share capital £	Share premium £	Other reserve £	Retained earnings £	Total equity £
At 1 April 2014	500	24,899,502	1,031,212	(27,947,803)	(2,016,589)
Comprehensive income for the year					
Loss for the year	-	-	-	(1,917,099)	(1,917,099)
Total comprehensive income for the year	-	-	-	(1,917,099)	(1,917,099)
Capital contribution on shareholder loans	-	-	658,817	-	658,817
At 31 March 2015	500	24,899,502	1,690,029	(29,864,902)	(3,274,871)

The notes on pages 6 to 18 form part of these financial statements.

Notes to the financial statements

For the year ended 31 March 2016

1. Company information

Sackville Developments (Reading) Limited is a private limited company, limited by shares and is incorporated in England. The registered office is 2nd floor, 100 New Oxford Street, London WC1A 1HB.

The Company's principal activity is that of property development.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland and the Companies Act 2006.

Information on the impact of first-time adoption of FRS 102 is given in note 23.

The individual accounts of the company have adopted the following disclosure exemptions:

the requirement to present a statement of cash flows and related notes
financial instrument disclosures, including:

- categories of financial instruments,
- items of income, expenses, gains or losses relating to financial instruments, and
- exposure to and management of financial risks.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 3).

The financial statements are presented in pounds sterling. The company's presentational and functional currency is the pound sterling.

Going concern

The financial statements are prepared on a going concern basis which the directors believe to be appropriate for the following reasons. The company sold its stock on 14 April 2016 to two sister companies and transferred its bank debt to one of the buyers. The company also repaid its shareholders loans and made a distribution out of the proceeds of the sale to its parent. This has been disclosed as a post balance sheet event in the notes to the accounts.

The remaining undistributed proceeds 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 following principal accounting policies have been applied:

Notes to the financial statements

For the year ended 31 March 2016

2. Accounting policies (continued)

2.2 Work in progress

Trading and development properties are included 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.

2.3 Turnover

Revenue comprises rent and other property related income invoiced to tenants, exclusive of Value Added Tax. Rental income and service charges are recognised in the period to which they relate.

2.4 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.

2.5 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less. Cash and cash equivalents are included in the balance sheet at cost.

Notes to the financial statements

For the year ended 31 March 2016

2. Accounting policies (continued)

2.6 Financial instruments

Financial assets

Basic financial assets, including trade and other receivables and cash and bank balances are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price.

Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publically traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Financial assets are derecognised when:

- (a) the contractual rights to the cash flows from the asset expire or are settled, or
- (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or
- (c) despite having retained some significant risks and rewards of ownership, control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

Financial liabilities

Basic financial liabilities, including trade and other payables, bank loans, loans from fellow Group companies and preference shares that are classified as debt, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Notes to the financial statements

For the year ended 31 March 2016

2. Accounting policies (continued)

2.6 Financial instruments (continued)

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade creditors are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

Offsetting

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Derivatives, including interest rate swaps, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or income as appropriate. The company does not currently apply hedge accounting for interest rate derivatives.

2.7 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Income statement, except that a change attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of financial position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

Notes to the financial statements

For the year ended 31 March 2016

3. Judgments in applying accounting policies and key sources of estimation uncertainty

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Market rate of interest:

The directors are also required to make judgements in determining a market rate of interest on zero coupon loans and how they are classified (ie as non-financing or financing). The directors have assessed the market rate of interest on these shareholders loans to equate to 15%. This judgement has been made based on rates of similar transactions and expectations of returns to shareholders. Refer to Note 23 for the fair value accounting under FRS102.

Deferred tax:

The directors have recognised a deferred tax asset as on the 14 April 2016, the company sold its WIP for £55.0m and recognised a profit of £28.7m. The company has tax losses brought forward to be utilised against this profit and so a deferred tax asset has been recognised.

4. Turnover

All turnover arose within the United Kingdom and relates to tenant related income.

5. Operating loss

During the year, no director received any emoluments (2015 - £NIL).

6. Auditors' remuneration

	2016 £	2015 £
Fees payable to the Company's auditor and its associates for the audit of the Company's annual accounts	-	8,000
Preparation of the financial statements	950	550
Taxation compliance services	7,825	5,900
	<u> </u>	<u> </u>

7. Interest receivable

	2016 £	2015 £
Bank interest receivable	5,477	2,421
	<u> </u>	<u> </u>

Notes to the financial statements

For the year ended 31 March 2016

8. Interest payable and similar charges

	2016 £	2015 £
On bank loans	143,281	152,122
On shareholder loans	2,743,082	1,743,551
	<u>2,886,363</u>	<u>1,895,673</u>

Details of interest on shareholder loans are given in note 13. Bank loan interest includes £19,902 (2015: £19,901) in respect of amortised loan issue costs.

9. Taxation

	2016 £	2015 £
Total current tax	<u>-</u>	<u>-</u>
Deferred tax		
Origination and reversal of timing differences	(5,722,559)	-
Total deferred tax	<u>(5,722,559)</u>	<u>-</u>
Taxation on (loss)/profit on ordinary activities	<u>(5,722,559)</u>	<u>-</u>

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2015 - higher than) the standard rate of corporation tax in the UK of 20% (2015 - 21%). The differences are explained below:

	2016 £	2015 £
Loss on ordinary activities before tax	<u>(3,413,399)</u>	<u>(1,917,099)</u>
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2015 - 21%)	(682,680)	(402,591)
Effects of:		
Loan relationship adjustments to brought forwards	(156,065)	-
Transfer pricing adjustments	376,185	-
Other differences leading to an increase in the tax charge	-	402,591
Deferred tax not recognised	<u>(5,259,999)</u>	<u>-</u>
Total tax charge for the year	<u>(5,722,559)</u>	<u>-</u>

Notes to the financial statements

For the year ended 31 March 2016

10. Work in progress

	2016 £	2015 £
Work in progress	<u>26,070,144</u>	<u>19,419,707</u>

11. Debtors

	2016 £	2015 £
Trade debtors	35,103	42,993
Other debtors	191,910	162,368
Prepayments and accrued income	86,367	90,173
VAT recoverable	176,689	154,701
Deferred taxation (note 15)	5,722,559	-
	<u>6,212,628</u>	<u>450,235</u>

12. Cash and cash equivalents

	2016 £	2015 £
Cash at bank and in hand	<u>3,885,323</u>	<u>2,607,458</u>

Notes to the financial statements

For the year ended 31 March 2016

13. Creditors: Amounts falling due within one year

	2016	2015
	£	£
Bank loans	4,273,366	160,000
15%/12% shareholder loans	5,645,581	-
0% shareholders' loan	16,500,000	-
Bank loan interest	23,975	24,296
Trade creditors	316,502	473,823
Other creditors	38,301	-
Accruals and deferred income	799,600	1,001,708
	<u>27,597,325</u>	<u>1,659,827</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 2016, the notional amount outstanding on the bank loan is £4,280,000. Within the bank loan are issue costs that remain unamortised at £6,634. 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 Garrard Street Car Park. On 10 May 2016, this bank loan was transferred to one of the company's sister companies and extended for a further year to August 2017.

The shareholders' 15%/12% loan is a loan from Bensell Finance III B.V., a Netherlands registered company and a subsidiary of one of the shareholders. The loan incurred 15% pa interest, up to 12 December 2013 after which it accrued at 12% pa until 21 December 2015 when the principal was repaid. The outstanding interest was fixed at £5,645,582 and was reassigned to a new Holding Company on 1 April 2016 and the interest was subsequently waived on 14 June 2016.

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. See note 20 for further details. Further drawdowns of £2,700,000 were made from each shareholder to the Company during the year.

The shareholders' loans have been valued in the accounts at their present value as per FRS102, using an interest rate of 15%. The remaining portion of the loan has been included as a capital contribution in the reserves.

14. Creditors: Amounts falling due after more than one year

	2016	2015
	£	£
Bank loans	-	4,253,465
15%/12% shareholder loans	-	9,648,682
0% shareholders' loan	-	10,190,298
	<u>-</u>	<u>24,092,445</u>

Notes to the financial statements

For the year ended 31 March 2016

15. Deferred taxation

	Deferred tax £
Charged to the profit or loss	5,722,559
At 31 March 2016	5,722,559

The deferred tax asset is made up as follows:

	2016 £	2015 £
Unused trading losses	5,722,559	-
	<u>5,722,559</u>	<u>-</u>

On 14 April 2016, the company sold its stock for £55.0m which gave rise to a profit of £28.7m. As the Company has tax losses brought forwards, a deferred tax asset of £5.7m has been recognised at 31 March 2016. The company has unrecognised deferred tax asset of £0.3m at 31 March 2016. At 31 March 2015 management were uncertain of the timing of future profits and therefore no deferred tax was recognised.

16. Share capital

	2016 £	2015 £
Allotted, called up and fully paid		
Ordinary A shares of £1 each	4,673,041	250
Ordinary B shares of £1 each	4,673,041	250
	<u>9,346,082</u>	<u>500</u>

Notes to the financial statements

For the year ended 31 March 2016

17. Reserves

Share premium

Includes any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from the share premium.

Profit & loss account

Includes all current and prior period retained profit and losses.

Other reserves

Includes all capital contributions recognised on shareholder loans arising from applying a market rate of interest.

18. Capital commitments

The company has no capital commitments as at 31 March 2016 or 31 March 2015.

19. Contingent liabilities

The company has no contingent liabilities as at 31 March 2016 or 31 March 2015.

20. 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 13.

	2016	2015
	£	£
Bensell Finance III BV (15%/12% loan)	5,645,582	5,645,582
Bensell Finance III BV (0% loan)	8,250,000	5,550,000
Stanhope (Station Hill) Limited (0% loan)	8,250,000	5,550,000
	<u>22,145,582</u>	<u>16,745,582</u>

During the year, £2,700,000 (2015: £2,300,000) of additional 0% loans were issued by each of Stanhope (Station Hill) Limited and Bensell Finance III B.V.

Notes to the financial statements

For the year ended 31 March 2016

Interest payable on the 15%/12% loan:

	2016	2015
	£	£
Bensell Finance III BV (15%/12% loan)	<u>5,645,582</u>	<u>4,003,101</u>

Interest of £1,642,481 was charged on the shareholder loans for the year ended 31 March 2016 (2015: £1,075,952). The balance above relates to accrued interest unpaid to date. The loans incurred 15% pa interest, up to 12 December 2013 after which it accrued at 12% pa.

During the year, the company was charged £640,000 (2015: £440,000) for development management fees by Stanhope plc, a related company of one of the shareholders.

The company was also charged £73,857 (2015: £53,369) for asset management fees by Benson Elliot Services Limited, a related company of one of the shareholders.

21. Post balance sheet events

The company was acquired by Station Hill Holding BV on 1st April 2016, and on 1st April 2016 the shareholder capital contribution was capitalised into shares and share premium. Following which there was a capital reduction bringing the share capital down to £1 and converting the share premium into distributable profit to eliminate the brought forward losses and leaving £2.8m of positive reserves.

On 14 April 2016, the company sold its stock for £55.0m to two sister companies and transferred its bank debt to one of the buyers. This gave rise to a profit of £28.7m. As the company has tax losses brought forward, a tax deferred asset has been recognised in the financial statements for the year ended 31 March 2016. See note 15.

Following the sale of the stock, the company repaid the shareholder loans of £16.5m and distributed the remaining £34.0m to its parent.

The bank loan was transferred to one of the company's sister companies and extended for a further year to August 2017 on 10 May 2016.

22. Ultimate parent undertaking and controlling party

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

Notes to the financial statements

For the year ended 31 March 2016

23. Transition to FRS 102

The Company transitioned to FRS 102 from previously extant UK GAAP as at 1 April 2014. The impact of the transition to FRS 102 is as follows:

Reconciliation of equity at 1 April 2014

	Note	£
Equity at 1 April 2014 under previous UK GAAP		(2,925,037)
Conversion of shareholder loans to capital contribution		1,031,212
Interest charge on shareholder loans		(112,727)
Loss on derivative (note 2)		(10,037)
Equity shareholders funds at 1 April 2014 under FRS 102		(2,016,589)

Reconciliation of equity at 31 March 2015

	Note	£
Equity at 1 April 2015 under previous UK GAAP		(4,184,574)
Conversion of shareholder loans to capital contribution		1,031,212
Interest charge on shareholder loans		(112,727)
Loss on derivative (note 2)		(10,037)
Conversion of shareholder loans to capital contribution		658,817
Increase in loss for the year		(657,562)
Equity shareholders funds at 1 April 2015 under FRS 102		(3,274,871)

Reconciliation of profit and loss account for the year ended 31 March 2015

	£
Profit/(loss) for the year under UK GAAP	(1,259,537)
Interest charge on shareholder loans (note 1)	(667,599)
Reverse loss on derivative as expired (note 2)	10,037
Restated loss on ordinary activities before taxation under FRS 102	(1,917,099)

Notes to the financial statements

For the year ended 31 March 2016

23. Transition to FRS 102 (continued)

The following were changes in accounting policies arising from the transition to FRS 102:

1. FRS 102 requires "basic" financial instruments, including inter-company loans, to be measured at amortised cost using the effective interest method. The carrying value of the loans have been reviewed in order to assess the likelihood and timing of its repayment and restated as its appropriate fair value. Interest has been charged on the shareholders' loans at a market rate of interest of 15%, based on the level of risk associated with the funding.
2. FRS 102 requires a non-basic financial instrument to be measured at fair value and for changes in the fair value to be recognised in the profit or loss. The loss on derivative recognised on transition is the negative fair value movement on the interest rate swap held by the company. This loss was reversed in the year ended 31 March 2015 as the interest rate swap expired in the period.