

Registered number: 05956752

DEVELOPMENT SECURITIES (NO.39) LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 29 FEBRUARY 2016



DEVELOPMENT SECURITIES (NO.39) LIMITED

COMPANY INFORMATION

DIRECTORS	M H Marx (resigned 29 February 2016) C J Barwick (resigned 7 July 2016) M O Shepherd M S Weiner (appointed 8 February 2016) R Upton (appointed 8 February 2016)
COMPANY SECRETARY	C J Barton
REGISTERED NUMBER	05956752
REGISTERED OFFICE	7A Howick Place London SW1P 1DZ
INDEPENDENT AUDITORS	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors 1 Embankment Place London WC2N 6RH
BANKERS	Barclays Bank PLC 50 Pall Mall London SW1A 1QA

DEVELOPMENT SECURITIES (NO.39) LIMITED

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DEVELOPMENT SECURITIES (NO.39) LIMITED

**STRATEGIC REPORT
FOR THE YEAR ENDED 29 FEBRUARY 2016**

BUSINESS REVIEW AND FUTURE DEVELOPMENTS

The principal activity of the company remains that of property investment, trading and management.

During the year, the company has utilised proceeds from disposal of its trading property in Crawley, West Sussex to fully repay intercompany loans to facilitate winding up of the company.

The profit for the year, after taxation, amounted to £2,487,244 (2015 - £1,657,932). The directors do not recommend the payment of a dividend (2015 - £Nil).

PRINCIPAL RISKS AND UNCERTAINTIES

The management of the business and the execution of the company's strategy are subject to a number of risks, particularly around market and operational risks. The company is a member of the U and I Group PLC group of companies. Further discussion of the risks and uncertainties, in the context of the group as a whole, is provided in the group's annual report which does not form part of this report.

FINANCIAL KEY PERFORMANCE INDICATORS

The directors of U and I Group PLC manage the group's operations on a group basis. For this reason, the company's directors believe that an analysis using KPIs for the company is not necessary or appropriate for an understanding of the development, performance or position of the business of the company. The development, performance and position of the group is discussed in the group's annual report which does not form part of this report.

This report was approved by the board on 4 November 2016 and signed on its behalf.



C J Barton
Company secretary

DEVELOPMENT SECURITIES (NO.39) LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 29 FEBRUARY 2016

The directors present their report and the financial statements for the year ended 29 February 2016.

RESULTS AND DIVIDENDS

The profit for the year, after taxation, amounted to £2,487,244 (2015 - £1,657,932).

The directors do not recommend the payment of a dividend (2015 - £Nil).

DIRECTORS

The directors who served during the year and up to the date of signing of the financial statements were:

M H Marx (resigned 29 February 2016)
C J Barwick (resigned 7 July 2016)
M O Shepherd
M S Weiner (appointed 8 February 2016)
R Upton (appointed 8 February 2016)

QUALIFYING THIRD PARTY INDEMNITY PROVISIONS

The company maintains directors' and officers' liability insurance, which is reviewed annually and is considered to be adequately insured. Such qualifying third party indemnity provisions remain in place at the date of approving the directors' report.

GOING CONCERN

The directors believe that preparing the financial statements on the going concern basis is appropriate due to the continued financial support of the ultimate parent company U and I Group PLC. The directors have received confirmation that for the foreseeable future, U and I Group PLC intends to support the company such that it can meet its liabilities as they fall due.

DISCLOSURE OF INFORMATION TO AUDITORS

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 auditors are 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 relevant audit information and to establish that the company's auditors are aware of that information.

DEVELOPMENT SECURITIES (NO.39) LIMITED

**DIRECTORS' REPORT
FOR THE YEAR ENDED 29 FEBRUARY 2016**

INDEPENDENT AUDITORS

The auditors, PricewaterhouseCoopers LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 4 November 2016 and signed on its behalf.



C J Barton
Company secretary

DEVELOPMENT SECURITIES (NO.39) LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 29 FEBRUARY 2016

The directors are responsible for preparing the Strategic Report, 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 audited financial statements in accordance with applicable law and 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'. Under company law the Directors must not approve the audited 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 audited financial statements, the Directors are required to:

- select suitable accounting policies for the company financial statements 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. 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.

Independent auditors' report to the members of Development Securities (No.39) Limited

Report on the financial statements

Our opinion

In our opinion, Development Securities (No.39) Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 29 February 2016 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.
-

What we have audited

The financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), comprise:

- the Balance Sheet as at 29 February 2016;
- the Statement of Comprehensive Income year then ended;
- the Statement of Changes in Equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matter prescribed by the Companies Act 2006

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

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, 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.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Directors' Responsibilities Statement set out on page 4, 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) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.



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

4 November 2016

DEVELOPMENT SECURITIES (NO.39) LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 29 FEBRUARY 2016**

	Note	2016 £	2015 £
Turnover	3	-	4,641,663
Cost of sales		<u>(2,703)</u>	<u>(2,888,721)</u>
Gross (loss)/profit		(2,703)	1,752,942
Administrative expenses		<u>(58)</u>	<u>(95,010)</u>
Operating (loss)/profit		(2,761)	1,657,932
Income from waiver of intercompany loans		<u>2,490,005</u>	<u>-</u>
Profit on ordinary activities before taxation		<u>2,487,244</u>	<u>1,657,932</u>
Tax on profit on ordinary activities		<u>-</u>	<u>-</u>
Profit for the year		<u>2,487,244</u>	<u>1,657,932</u>

The notes on pages 11 to 16 form part of these financial statements.

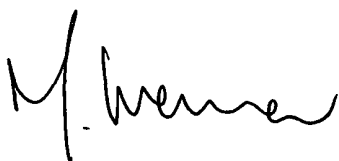
There was no other comprehensive income for 2016 (2015 - £NIL).

DEVELOPMENT SECURITIES (NO.39) LIMITED
REGISTERED NUMBER:05956752

BALANCE SHEET
AS AT 29 FEBRUARY 2016

	Note	29 February 2016 £	28 February 2015 £
Current assets			
Trading property		-	-
Debtors: Amounts falling due within one year	8	1	4,601,946
Cash at bank and in hand		-	4,798
		<u>1</u>	<u>4,606,744</u>
Creditors: Amounts falling due within one year	9	-	(7,093,987)
		<u>1</u>	<u>(2,487,243)</u>
Net current assets/(liabilities)		<u>1</u>	<u>(2,487,243)</u>
Net assets/(liabilities)		<u>1</u>	<u>(2,487,243)</u>
Capital and reserves			
Called up share capital	10	1	1
Retained earnings		-	(2,487,244)
		<u>1</u>	<u>(2,487,243)</u>
Total equity		<u>1</u>	<u>(2,487,243)</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 4 November 2016.



M S Weiner
Director

The notes on pages 11 to 16 form part of these financial statements.

DEVELOPMENT SECURITIES (NO.39) LIMITED

STATEMENT OF CHANGES IN EQUITY
AS AT 29 FEBRUARY 2016

	Share capital £	Retained earnings £	Total equity £
At 1 March 2015	1	(2,487,244)	(2,487,243)
Comprehensive income for the year			
Profit for the year	-	2,487,244	2,487,244
At 29 February 2016	1	-	1

The notes on pages 11 to 16 form part of these financial statements.

DEVELOPMENT SECURITIES (NO.39) LIMITED

STATEMENT OF CHANGES IN EQUITY
AS AT 28 FEBRUARY 2015

	Share capital £	Retained earnings £	Total equity £
At 1 March 2014	1	(4,145,176)	(4,145,175)
Comprehensive income for the year			
Profit for the year	-	1,657,932	1,657,932
At 28 February 2015	<u>1</u>	<u>(2,487,244)</u>	<u>(2,487,243)</u>

The notes on pages 11 to 16 form part of these financial statements.

DEVELOPMENT SECURITIES (NO.39) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 29 FEBRUARY 2016

1. ACCOUNTING POLICIES

1.1 General information

Development Securities (No.39) Limited is a property investment, trading and management company.

During the year, the company has utilised proceeds from disposal of its trading property in Crawley, West Sussex to fully repay intercompany loans to facilitate winding up of the company.

The company is a private company limited by shares and is incorporated and domiciled in England. The address of its registered office is 7A Howick Place, SW1P 1DZ, London.

1.2 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 UK and the Republic of Ireland and the Companies Act 2006.

The Company has notified its shareholders in writing about, and they do not object to, the adoption of FRS 102 in the preparation of these financial statements.

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 2).

The following principal accounting policies have been applied:

1.3 Going concern

The directors believe that preparing the financial statements on the going concern basis is appropriate due to the continued financial support of the ultimate parent company U and I Group PLC. The directors have received confirmation that for the foreseeable future, U and I Group PLC intends to support the company such that it can meet its liabilities as they fall due.

1.4 Exemptions for qualifying entities under FRS 102

The company has taken advantage of the exemption, under FRS 102 paragraph 1.12(b), from preparing a statement of cash flows, on the basis that it is a qualifying entity and its ultimate parent company, U and I Group PLC, includes the company's cash flows in its own consolidated financial statements.

This company discloses transactions with related parties which are not wholly owned within the U and I Group PLC group. It does not disclose transactions with members of the U and I Group PLC group that are wholly owned.

1.5 Turnover

Turnover, which excludes value added tax, represents the sale proceeds from trading and development. Sales of property classified as work in progress is recognised when the risks and rewards of ownership have been transferred. Turnover, which excludes value added tax, also includes rental income, net of value added tax, and is recognised on an accruals basis.

DEVELOPMENT SECURITIES (NO.39) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 29 FEBRUARY 2016

1. ACCOUNTING POLICIES (continued)

1.6 Financial instruments

The company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors and loans to and from group undertakings.

Financial assets

Cash and cash equivalents – Cash comprises cash in hand and on-demand deposits less overdrafts. Cash equivalents comprise short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Trade debtors – Trade debtors are recognised and carried at the original transaction value. A provision for impairment is established where there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables concerned.

Financial liabilities

Trade creditors – Trade creditors are recognised and carried at the original transaction value.

Financial assets and liabilities are offset and the net amount reported in the Balance sheet when there is an 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.

1.7 Current and deferred taxation

Tax is recognised in the Statement of comprehensive income, 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 balances are recognised in respect of all timing differences that have originated but not reversed by the Balance sheet 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 income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

DEVELOPMENT SECURITIES (NO.39) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 29 FEBRUARY 2016**

1. ACCOUNTING POLICIES (continued)

1.8 Taxation

Tax is recognised in the Profit and Loss Account, 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 balance sheet date in the countries where the company operates and generates income.

2. JUDGEMENTS IN APPLYING ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of financial statements in accordance with FRS 102 requires the use of certain critical accounting estimates and judgements. It also requires management to exercise judgement in the process of applying the company's accounting policies. Not all of these accounting policies require management to make difficult, subjective or complex judgements or estimates. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results may differ from those estimates. The following is intended to provide an understanding of the policies that management consider critical because of the level of complexity, judgement or estimation involved in their application and their impact on the financial statements.

Trade debtors

The company is required to judge when there is sufficient objective evidence to require the impairment of individual trade debtors. It does this on the basis of the age of the relevant receivables, external evidence of the credit status of the debtor entity and the nature of any disputed amounts.

3. TURNOVER

An analysis of turnover by class of business is as follows:

	2016 £	2015 £
Development proceeds	-	4,600,000
Rental income	-	41,663
	<u>-</u>	<u>4,641,663</u>

All turnover arose within the United Kingdom.

DEVELOPMENT SECURITIES (NO.39) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 29 FEBRUARY 2016

4. OPERATING (LOSS)/PROFIT

The auditors' remuneration of £3,500 (2015 - £2,500) has been borne by U and I Group PLC, the ultimate parent company.

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

5. EMPLOYEES

The Company has no employees other than the Directors (2015 - none). Their remuneration, including pension costs, is not borne directly by the company but by U and I Group PLC. The entity has been recharged its share of overhead expenses, totalling £nil (2015 - £94,863). This includes Directors' costs. However, the amount is not easily identifiable.

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2016 £	2015 £
UK corporation tax		
Current tax on profits for the year	-	-

Factors affecting tax charge for year

The tax assessed for the year is lower than (2015 - lower than) the standard rate of corporation tax in the UK of 20.1% (2015 - 21.2%). The differences are explained below:

	2016 £	2015 £
Profit on ordinary activities before tax	2,487,244	1,657,932
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20.1% (2015 - 21.2%)	499,936	351,482
EFFECTS OF:		
Group relief claimed for nil consideration	(499,936)	(351,482)
TAX CHARGE FOR THE YEAR	-	-

FACTORS THAT MAY AFFECT FUTURE TAX CHARGES

The UK corporation tax rate was 20% from 1 April 2015 and this has been reflected in the accounts. Further changes to the UK corporation tax rates were announced in the Chancellor's Budget on 8 July 2015. These include reductions to the main rate to 19% from 1 April 2017 and to 18% from 1 April 2020. As these changes had not been substantively enacted at the balance sheet date their effects are not included in these financial statements.

DEVELOPMENT SECURITIES (NO.39) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 29 FEBRUARY 2016**

7. TRADING PROPERTY

	29 February 2016 £	28 February 2015 £
At net realisable value:		
At 1 March 2015/1 March 2014	-	2,503,000
Disposal	-	(2,503,000)
	<u>-</u>	<u>-</u>
At 29 February 2016/28 February 2015	<u><u>-</u></u>	<u><u>-</u></u>

8. DEBTORS

	29 February 2016 £	28 February 2015 £
Due within one year		
Amounts owed by group companies	1	-
Trade debtors	-	4,600,000
Prepayments and accrued income	-	1,946
	<u>1</u>	<u>4,601,946</u>
	<u><u>1</u></u>	<u><u>4,601,946</u></u>

There is neither a set date nor terms for repayment of the unsecured amounts owed by the parent undertakings and interest is not charged on the balance.

9. CREDITORS: Amounts falling due within one year

	29 February 2016 £	28 February 2015 £
Amounts owed to group undertakings	-	7,056,900
VAT payable	-	1,983
Other creditors	-	104
Accruals and deferred income	-	35,000
	<u>-</u>	<u>7,093,987</u>
	<u><u>-</u></u>	<u><u>7,093,987</u></u>

There is neither a set date nor terms for repayment of the unsecured amounts owed to the parent undertakings and interest is not charged on the balance.

DEVELOPMENT SECURITIES (NO.39) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 29 FEBRUARY 2016**

10. CALLED UP SHARE CAPITAL

	29 February 2016 £	28 February 2015 £
Allotted, called up and fully paid		
1 (2015 - 1) Ordinary share of £1	<u>1</u>	<u>1</u>

11. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The ultimate parent undertaking and controlling party is U and I Group PLC, which is the parent of the largest to consolidate these financial statements.

The immediate parent company is Development Securities (No.42) Limited.

Both companies are incorporated in Great Britain and registered in England and Wales.

Copies of the annual report and financial statements of U and I Group PLC and Development Securities(No.42) Limited can be obtained from 7A Howick Place, London SW1P 1DZ.