

Registrar's Copy

**Sackville Property Investments
Limited**

Report and Financial Statements

Year Ended

31 March 2010

Company Number 06230958



Sackville Property Investments Limited

Annual report and financial statements for the year ended 31 March 2010

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Directors

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

Secretary and registered office

I M Wood-Smith, First Floor, Xafinity House, 42-62 Greyfriars Road, Reading, Berkshire, RG1 1NN

Company number

06230958

Auditors

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

Sackville Property Investments Limited

Report of the directors for the year ended 31 March 2010

The directors present their report together with the audited financial statements for the year ended 31 March 2010

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 investment, principally industrial and commercial properties

On 19 December 2008, the company agreed with Royal Bank of Scotland to restructure its loan agreement to reflect the changes in the property market. The revised agreement is described in note 11 to these accounts

Subsequent to the year end the company breached the covenants set out in this agreement. The impact of these breaches on the ability of the company to continue as a going concern is set out in note 1 to these accounts

The Board view interest volatility as a potentially significant risk to the business and therefore have entered into appropriate interest rate swap transactions in order to mitigate the risk

On 2 October 2009, the investment property at Goodman House, Harlow, owned by Sackville Properties (Harlow) Limited, a subsidiary company, was sold, realising a loss on sale against historic cost of £1,404,466 in that company. A provision of £64,751, in addition to £1,214,672 in 2009, has been made against the residual amount due from Sackville Properties (Harlow) Limited, following repayment by that company to Sackville Property Investments Limited of funds received on disposal

Use of financial instruments

The company has funded its property acquisitions by way of loans from RBS and the majority shareholder. The interest rate risk is mitigated through the use of interest rate hedges contracts

Directors

All of the directors served throughout the year

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

Sackville Property Investments Limited

Report of the directors for the year ended 31 March 2010 (Continued)

Directors' responsibilities

The directors are responsible for preparing the directors' report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Disclosure of information to auditors

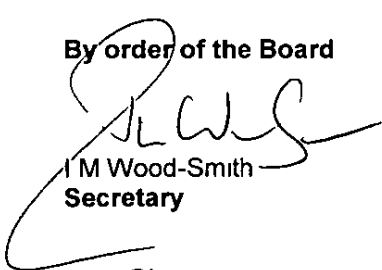
All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant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

Auditors

BDO LLP have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the annual general meeting in accordance with section 485 of the Companies Act 2006.

In preparing this directors' report advantage has been taken of the small companies' exemption.

By order of the Board



J M Wood-Smith
Secretary

Date 26 January 2011

Sackville Property Investments Limited

Independent auditor's report

TO THE MEMBERS OF SACKVILLE PROPERTY INVESTMENTS LIMITED

We have audited the financial statements of Sackville Property Investments Limited for the year ended 31 March 2010, which comprise the profit and loss account, the balance sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and auditors

As explained more fully in the statement of directors' responsibilities, 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 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

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.

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 2010 and of its loss 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.

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 recorded a loss of £901,788 (2009: £1,606,605) for the year and had net liabilities of £2,854,793 (2009: £1,953,005) at the balance sheet date.

The company continues to make losses and is dependent on its current bank facilities and the ultimate controlling party for financial support. Subsequent to the year end, the company has breached its banking covenants and there is no guarantee that funding will not be withdrawn as a result. A withdrawal of banking facilities may mean the group would be unable to continue to trade unless the company is able to secure additional funding. The directors are currently in negotiations with the bank and are confident that they will be able to secure such funding as will be required to enable the group to continue to trade for the foreseeable future. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue to trade as a going concern and support its subsidiaries. The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern.

Sackville Property Investments Limited

Independent auditor's report (*Continued*)

Opinion on other matters prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit, or
- the directors were not entitled to prepare the financial statements and the directors' report in accordance with the small companies' regime

BDO LLP

Christopher Pooles, (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
Reading
United Kingdom

26 January 2011

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

Sackville Property Investments Limited

Profit and loss account for the year ended 31 March 2010

	Note	2010	2009
Turnover	2	298,733	311,000
Gross profit		298,733	311,000
Administrative expenses (including provision against amount due from group company of £64,751 (2009 £1,214,672))		381,480	1,584,525
Other operating income		(149,730)	(188,363)
Operating profit before provision against amount due from group company		131,734	129,510
Provision against amount due from group company		64,751	1,214,672
Operating profit/(loss)	5	66,983	(1,085,162)
Interest payable and similar charges	6	(5,664,684)	(5,443,537)
Interest receivable and similar income		4,824,545	5,010,067
Loss on ordinary activities before taxation		(773,156)	(1,518,632)
Taxation on loss from ordinary activities	7	128,632	87,973
Loss on ordinary activities after taxation		(901,788)	(1,606,605)
All amounts relate to continuing activities			
There were no recognised gains and losses other than the loss for the year			

The notes on pages 7 to 13 form part of these financial statements

Sackville Property Investments Limited

Balance sheet at 31 March 2010

Company number 06230958	Note	2010 £	2010 £	2009 £	2009 £
Fixed assets					
Investments	8		3,365,190		3,365,190
Current assets					
Debtors – due within one year	9	1,138,890		1,378,538	
Debtors – due after more than one year	9	68,990,167		76,961,342	
		<u>70,129,057</u>		<u>78,339,880</u>	
Cash at bank and in hand		726,370		1,235,729	
		<u>70,855,427</u>		<u>79,575,609</u>	
Creditors: amounts falling due within one year	10	5,204,637		4,239,549	
		<u></u>		<u></u>	
Net current assets			65,650,790		75,336,060
Total assets less current liabilities			69,015,980		78,701,250
Creditors: amounts falling due after more than one year	11		(71,870,773)		(80,654,255)
			<u>(2,854,793)</u>		<u>(1,953,005)</u>
Capital and reserves					
Called up share capital	12		2		2
Profit and loss account	13		(2,854,795)		(1,953,007)
Shareholders' deficit			<u>(2,854,793)</u>		<u>(1,953,005)</u>

These financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime

The financial statements were approved by the Board and authorised for issue on 26 January 2011



I Smith
Director

The notes on pages 7 to 13 form part of these financial statements

Sackville Property Investments Limited

Notes forming part of the financial statements for the year ended 31 March 2010

1 Accounting policies

The financial statements have been prepared under the historical cost convention. The following principal accounting policies have been applied:

Going concern

The financial statements have been prepared on a going concern basis. The company recorded a loss of £901,788 (2009: £1,606,605) for the year and had net liabilities of £2,854,793 (2009: £1,953,005) at the balance sheet date.

The group, headed by Sackville Properties Limited, is funded through Sackville Property Investments Limited by its bank and the ultimate controlling party.

The directors are aware that, subsequent to the year end, the company has breached its banking covenants. No waivers have yet been received in respect of these breaches. Funding from the bank is required on an ongoing basis for the company and the group to continue as a going concern unless the company is able to secure additional funding. The directors are currently in negotiations with the bank and are confident that they will be able to secure such funding as will be required to enable the company and the group to continue to trade for the foreseeable future.

The directors have considered the cash flow requirement for the company and the group for a period including twelve months from the date of the approval of these financial statements. The directors consider that the negotiations with the company's bankers will be successful and that the company and the group will therefore have sufficient cash resources during this period to pay its liabilities as they fall due.

During the year the ultimate controlling party increased his loan to Sackville Property Investments Limited by a further £2,500,000 to enable the company to meet further banking covenants. The ultimate controlling party has confirmed that his facility will not be withdrawn for a period of at least twelve months from the date of the approval of these financial statements and that he will continue to provide ongoing support to the company and the group if such additional funding is required.

As a result of the above, the directors consider it appropriate to prepare the financial statements on a going concern basis. However, as at the date of approval of these financial statements, banking covenants have been breached, no waivers have yet been received and therefore the bank has the right to call in its loan. As such, there remains material uncertainty over the ability of the company to secure bank facilities on an ongoing basis. These circumstances may cast significant doubt over the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern.

Consolidated financial statements

The company is exempt from the requirements to prepare consolidated financial statements under the Companies Act 2006 as the group it heads qualifies as a small group. These financial statements therefore present information about the company as an individual undertaking and not about its group.

Cash flow statement

The company has taken advantage of the exemption conferred by Financial Reporting Standard 1 "Cash Flow Statements (revised 1996)" not to prepare a cash flow statement on the grounds that at least 90% of the voting rights in the company are controlled within the group headed by Sackville Properties Limited and that the company is included in its consolidated financial statements.

Sackville Property Investments Limited

Notes forming part of the financial statements for the year ended 31 March 2010 (Continued)

1 Accounting policies (Continued)

Turnover

Turnover represents management fees received from the subsidiary companies

Investments

Investments held as fixed assets are stated at cost less any provision for impairment in value

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

2 Turnover

Turnover comprises management fees charged to the subsidiary property holding companies

3 Employees

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

4 Directors

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

5 Operating profit/(loss)

	2010 £	2009 £
This has been arrived at after charging		
Management fees payable to related company (see note 14)	298,733	311,000
Auditors' remuneration	3,750	3,750
Provision against amount due from group company	64,751	1,214,672
	<hr/>	<hr/>

Sackville Property Investments Limited

Notes forming part of the financial statements
for the year ended 31 March 2010 (*Continued*)

6 Interest payable and similar charges

	2010 £	2009 £
Interest on bank loans	4,149,961	4,183,157
Other loans	1,208,339	980,443
Other charges	306,384	279,937
	<u>5,664,684</u>	<u>5,443,537</u>

7 Taxation on loss from ordinary activities

	2010 £	2009 £
<i>Current tax</i>		
UK corporation tax on loss of the year	128,632	87,973

The tax assessed for the year differs from the standard rate of corporation tax in the UK The differences are explained below

	2010 £	2009 £
Loss on ordinary activities before tax	(773,156)	(1,518,632)
Loss on ordinary activities at the standard rate of corporation tax in the UK of 28% (2009 28%)	(216,484)	(425,217)
Effects of		
Expenses not deductible for tax purposes	17,335	340,109
Group relief claimed	(9,510)	(12,444)
Other short term timing differences	338,336	188,164
Utilisation of tax losses and other deductions	-	(2,639)
Adjustment in respect of prior periods	(1,045)	-
Current tax charge for year	<u>128,632</u>	<u>87,973</u>

Sackville Property Investments Limited

Notes forming part of the financial statements
for the year ended 31 March 2010 (Continued)

8 Investments

	Investment in Subsidiary Companies £	Investment in Unit Trust £	Total £
At 1 April 2009 and 31 March 2010	20	3,365,170	3,365,190

Investments in subsidiary companies are shown at cost. The principal subsidiary companies owned at 31 March 2010 are

	Date Acquired	Ordinary Shares Held £	Proportion of Share Capital Held %	Net Liabilities £
Sackville Properties (Ashby) Limited	30 July 2007	2	100	(1,377,019)
Sackville Properties (Normanton) Limited	30 July 2007	2	100	(3,976,608)
Sackville Properties (Port Talbot) Limited	30 July 2007	2	100	(626,314)
Sackville Properties (Cardiff) Limited	30 July 2007	2	100	(3,305,622)
Sackville Properties (Swindon) Limited	30 July 2007	2	100	(2,865,844)
Sackville Properties (Harlow) Limited	30 July 2007	2	100	(1,279,421)
Sackville Properties (Welwyn) Limited	30 July 2007	2	100	(7,328,674)
Sackville Properties (St Albans) Limited	30 July 2007	2	100	(3,830,855)
Sackville Properties (Deeside) Limited	26 September 2007	2	100	(1,619,225)
Sackville Properties (Hook) Limited	19 October 2007	2	100	(13,898)

All subsidiary companies are incorporated in the United Kingdom

The investment in Unit Trust comprises the holding of 2,683,141 units in Bartley Wood Unit Trust, purchased on 19 October 2007. The Bartley Wood Unit Trust is a Jersey registered property unit trust that holds the freehold of a property at Bartley Wood, Hook, Hampshire. The consideration comprised £3,340,088. The company holds 95% of the units directly and its subsidiary company, Sackville Properties (Hook) Limited holds the remaining 5% of the units.

9 Debtors

	2010 £	2009 £
Unpaid share capital	2	2
Group companies	167,508	362,633
Taxation	12,950	1,208
Other debtors	958,430	1,014,695
	1,138,890	1,378,538
<i>Amounts due after more than one year</i>		
Group companies	68,990,167	76,961,342

Sackville Property Investments Limited

Notes forming part of the financial statements
for the year ended 31 March 2010 (Continued)

10 Creditors: amounts falling due within one year

	2010 £	2009 £
Group companies	1,816,497	2,174,027
Corporation tax creditor	144,060	58,058
Accruals	3,244,080	2,007,464
	<u>5,204,637</u>	<u>4,239,549</u>

11 Creditors: amounts falling due after more than one year

	2010 £	2009 £
Bank loan	51,844,876	63,128,358
Other loan	20,025,897	17,525,897
	<u>71,870,773</u>	<u>80,654,255</u>

The acquisition by the company's subsidiaries of various property assets was funded by loans from The Royal Bank of Scotland and by loans from Sir R J Madejski OBE DL, the principal shareholder of the company's parent company. The shareholder's loan is subordinated to The Royal Bank of Scotland loans.

The Royal Bank of Scotland loan was drawn down in three tranches, with the final total drawdown being £66,087,500. Following the renegotiation of the loan facilities, a repayment of £2,000,000 was made and a further tranche of £2,500,000 was repaid in October 2009 by way of additional shareholder loans. The balance is due to be repaid on 23 July 2012 under the terms of the loan (see note 1). During the life of the loan, surplus cashflow from the properties will be used to reduce the outstanding balance. This loan incurs interest quarterly calculated by reference to LIBOR.

In order to manage the interest rate risk, the company has entered into a number of interest rate swap contracts which effectively mitigate the interest rate risk.

The loan is subject to cross guarantees and the group's property portfolio is used as security for loan.

The loan from Sir R J Madejski OBE DL is also due for repayment in 2012. The shareholder's loan accrues interest at the same rate as the RBS loan. The shareholder interest is payable on repayment of the RBS loan.

Sackville Property Investments Limited

Notes forming part of the financial statements
for the year ended 31 March 2010 (Continued)

11 Creditors: amounts falling due after more than one year (Continued)

	2010 Bank loan £	2009 Bank loan £
In two to five years	51,844,876	63,128,358
	<u> </u>	<u> </u>
	2010 Other loan £	2009 Other loan £
In two to five years	20,025,897	17,525,897
	<u> </u>	<u> </u>

12 Share capital

	Allotted, called up and unpaid		Allotted, called up and unpaid	
	2010 Number	2010 £	2009 Number	2009 £
Ordinary shares of £1 each	2	2	2	2
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

13 Reserves

	Profit and loss account £
At 1 April 2009	(1,953,007)
Loss for the year	(901,788)
	<u> </u>
At 31 March 2010	(2,854,795)
	<u> </u>

Sackville Property Investments Limited

Notes forming part of the financial statements
for the year ended 31 March 2010 (*Continued*)

14 Reconciliation of movement in shareholders' deficit

	2010 £	2009 £
Loss for the year	(901,788)	(1,606,605)
Opening shareholders' deficit	(1,953,005)	(346,400)
	<hr/>	<hr/>
Closing shareholders' deficit	(2,854,793)	(1,953,005)
	<hr/>	<hr/>

15 Related party transactions

The company has taken advantage of the exemption conferred by Financial Reporting Standard 8, "Related Party Disclosures", not to disclose transactions with members of the group headed by Sackville Properties Limited on the grounds that at least 100% of the voting rights in the company are controlled within that group and the company is included in consolidated financial statements

The company entered into a management agreement with Sackville Property Management Limited, a related company, in respect of management services for the property portfolio. Fees payable under this agreement for the year were £298,733 (2009 £311,000)

The company has paid professional fees totalling £ Nil (2009 £5,156) to Field Seymour Parkes, solicitors in Reading, a firm in which I M Wood-Smith is a partner

The company has a loan arrangement with the majority shareholder of the ultimate parent company. The key terms are summarised in note 11 above

16 Ultimate parent company & controlling party

At 31 March 2010 the company's ultimate parent company was Sackville Properties Limited which is the parent of largest group of which the company is a member

Copies of the consolidated financial statements of Sackville Properties Limited are available from Companies House

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