

Registrar's Copy

Sackville Properties (Harlow) Limited

Report and Financial Statements

Year Ended

31 March 2010

Company Number 06287534



Sackville Properties (Harlow) Limited

Report and financial statements for the year ended 31 March 2010

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Directors

M E Bracken
J P Homan
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

06287534

Auditors

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

Sackville Properties (Harlow) 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 profit 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

The company was incorporated on 20 June 2007 as Sackville Properties (Harlow) Limited

On 30 July 2007, the company acquired a specialised building as part of a group acquisition of the Bowline Portfolio. The acquisition was funded by a loan from the immediate parent company.

Subsequent to the year end the group breached the covenants set out in its bank loan 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.

On 5 October 2009, the company agreed a surrender of the lease on its property in Harlow and simultaneously agreed to sell the property freehold to Essex County Council. The combined consideration in respect of the surrender of the lease and sale of the property was £8,500,000. The combined proceeds represent a gain of £2,250,000 before selling costs of £75,263 when compared to the carrying value of the property, but a net loss of £1,188,843 against the original cost of the property of £9,688,843.

Use of financial instruments

The company has funded its property acquisitions by way of inter-group loans from the immediate parent company. The management of the interest rate risk is co-ordinated by the immediate parent company through the use of interest rate hedges.

Directors

All the directors served throughout the year

M E Bracken
J P Homan
I M Wood-Smith
I Smith

Sackville Properties (Harlow) 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 Properties (Harlow) Limited

Independent auditor's report

TO THE MEMBERS OF SACKVILLE PROPERTIES (HARLOW) LIMITED

We have audited the financial statements of Sackville Properties (Harlow) Limited for the year ended 31 March 2010, which comprise the profit and loss account, the statement of total recognised gains and losses, 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 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.

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 profit of £2,150,556 (2009 £710) for the year and had net liabilities of £1,279,421 (2009 £3,429,977) at the balance sheet date.

The company is dependent on its immediate parent company and the ultimate controlling party for financial support. Subsequent to the year end, the group 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 immediate parent 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. The financial statements do not include the adjustments that would result if the group was unable to continue as a going concern.

Sackville Properties (Harlow) 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

Date 26 JANUARY 2011

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

Sackville Properties (Harlow) Limited

Profit and loss account for the year ended 31 March 2010

	Note	2010 £	2009 £
Turnover	2	340,523	678,005
Gross Profit		340,523	678,005
Administrative expenses		42,067	60,729
Operating profit	5	298,456	617,276
Profit on disposal of investment property		2,174,737	-
Profit on ordinary activities before interest and taxation		2,473,193	617,276
Interest payable and similar charges	6	(322,637)	(616,800)
Interest receivable		-	234
Profit on ordinary activities before taxation		2,150,556	710
Taxation on profit on ordinary activities	7	-	-
Profit on ordinary activities after taxation		2,150,556	710

All amounts relate to continuing activities

The notes on pages 8 to 12 form part of these financial statements

Sackville Properties (Harlow) Limited

Statement of total recognised gains and losses, note of historical cost profits and losses, and reconciliation of movement in shareholders' funds for the year ended 31 March 2010

	2010 £	2009 £
Statement of total recognised gains and losses		
Profit for the year	2,150,556	710
Unrealised deficit on revaluation of properties	-	(2,450,000)
	<hr/>	<hr/>
Total recognised gains and losses for the year	2,150,556	(2,449,290)
	<hr/>	<hr/>
	2010 £	2009 £
Note of historical cost profits and losses		
Reported profit on ordinary activities before taxation	2,150,556	710
Realisation of property revaluation deficits of previous years	(3,438,843)	-
	<hr/>	<hr/>
Historical cost (loss)/profit on ordinary activities before taxation	(1,288,287)	710
	<hr/>	<hr/>
	2010 £	2009 £
Reconciliation of movements in shareholders' funds		
Profit for the year	2,150,556	710
Unrealised deficit on revaluation of properties	-	(2,450,000)
Opening shareholders' deficit	(3,429,977)	(980,687)
	<hr/>	<hr/>
Closing shareholders' deficit	(1,279,421)	(3,429,977)
	<hr/>	<hr/>

The notes on pages 8 to 12 form part of these financial statements

Sackville Properties (Harlow) Limited

Balance sheet at 31 March 2010

<i>Company Number 06287534</i>	Note	2010 £	2010 £	2009 £	2009 £
Fixed assets					
Tangible assets	8		-		6,250,000
Current assets					
Debtors	9	2		185,128	
Creditors: amounts falling due within one year	10	-		187,836	
Net current assets/(liabilities)			2		(2,708)
Total assets less current liabilities			2		6,247,292
Creditors, amounts falling due after more than one year	11		1,279,423		9,677,269
			(1,279,421)		(3,429,977)
Capital and reserves					
Called up share capital	12		2		2
Revaluation reserve	13		-		(3,438,843)
Profit and loss account	13		(1,279,423)		8,864
Shareholders' deficit			(1,279,421)		(3,429,977)

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 8 to 12 form part of these financial statements

Sackville Properties (Harlow) 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, 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 recorded a profit of £2,150,556 (2009: £710) for the year and had net liabilities of £1,279,421 (2009: £3,429,977) at the balance sheet date.

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

The directors are aware that, subsequent to the year end, the group 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 group to continue as a going concern unless the immediate parent 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.

The directors have considered the cash flow requirement for 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 group'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.

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 a material uncertainty over the ability of the group 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.

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 it is a "small" company under the Companies Act 2006.

Turnover

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

Investment properties

In accordance with SSAP 19 investment properties are revalued annually to open market value and no depreciation is provided. The directors consider that this accounting policy results in the financial statements giving a true and fair view. The effect of this departure from the Companies Act 2006 has not been quantified because it is impracticable and, in the opinion of the directors, would be misleading.

The aggregate surplus or deficit arising on revaluation is transferred to the revaluation reserve except where a deficit is deemed to represent a permanent diminution in value, in which case it is charged to the profit and loss account.

Sackville Properties (Harlow) Limited

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

1 Accounting policies (*Continued*)

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 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

5 Operating profit

	2010 £	2009 £
This has been arrived at after charging		
Auditors' remuneration	2,900	2,900
	<hr/>	<hr/>

6 Interest payable and similar charges

	2010 £	2009 £
Other group loan	322,637	616,800
	<hr/>	<hr/>

Sackville Properties (Harlow) Limited

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

7 Taxation on profit from ordinary activities

	2010 £	2009 £
<i>Current tax</i>		
UK corporation tax on profits of the year	-	-
The tax assessed for the year differs from the standard rate of corporation tax in the UK. The differences are explained below		
	2010 £	2009 £
Profit on ordinary activities before tax	2,150,556	710
Profit on ordinary activities at the standard rate of corporation tax in the UK of 28% (2009: 28%)	602,156	199
Effects of:		
Income not taxable	(608,927)	-
Group relief surrendered/(claimed)	6,771	(199)
Current tax charge for year	-	-

8 Tangible assets

	Investment Properties £
<i>Cost or valuation</i>	
At 31 March 2009	6,250,000
Disposal	(6,250,000)
At 31 March 2010	-

On 5 October 2009, the company sold its freehold property at Goodman House, Harlow

The sale proceeds were £8,500,000. The historic cost was £9,688,843 and the carrying value at the 1 April 2009 was £6,250,000.

The sale resulted in a profit on sale of £2,174,737 being recorded in the profit and loss account, after taking account of selling costs. The negative revaluation reserve, which at 1 April 2009 stood at £3,438,843, was recycled through the profit and loss reserve on completion of the sale.

Sackville Properties (Harlow) Limited

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

9 Debtors

	2010 £	2009 £
Unpaid share capital	2	2
Group companies	-	178,220
Prepayments	-	6,906
	<u>2</u>	<u>185,128</u>

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

10 Creditors amounts falling due within one year

	2010 £	2009 £
Other taxation	-	24,674
Other creditors	-	159,050
Deferred income	-	4,112
	<u>-</u>	<u>187,836</u>

11 Creditors amounts falling due after more than one year

	2010 £	2009 £
Other loan – group company	<u>1,279,423</u>	<u>9,677,269</u>

The outstanding loan balance is not interest bearing

	2010 Other Loan £	2009 Other Loan £
In more than one year	<u>1,279,423</u>	<u>9,677,269</u>

Sackville Properties (Harlow) Limited

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

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

13 Reserves

	Revaluation reserve £	Profit and loss account £
At 31 March 2009	(3,438,843)	8,864
Profit for the year	-	2,150,556
Transfer to profit and loss on disposal of investment property	3,438,843	(3,438,843)
At 31 March 2010	-	(1,279,423)

14 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

During the year, total fees of £18,000 (2009 £ Nil) were charged by Field Seymour Parkes, a legal firm in which I M Wood-Smith is a partner

15 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 Sackville Property Investments Limited is the company's immediate parent company However, this company does not prepare consolidated financial statements

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