

COMPANY REGISTRATION NUMBER 07225015

**UK GROUND RENT ESTATES (2) LIMITED  
(FORMERLY BEDE GROUND RENT ESTATES  
LIMITED)**

**FINANCIAL STATEMENTS**

**31 JULY 2011**

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**UK GROUND RENT ESTATES (2) LIMITED (FORMERLY BEDE  
GROUND RENT ESTATES LIMITED)**

**FINANCIAL STATEMENTS**

**YEAR ENDED 31 JULY 2011**

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# **UK GROUND RENT ESTATES (2) LIMITED (FORMERLY BEDE GROUND RENT ESTATES LIMITED)**

## **THE DIRECTORS' REPORT**

**YEAR ENDED 31 JULY 2011**

The directors have pleasure in presenting their report and the unaudited financial statements of the company for the year ended 31 July 2011

### **PRINCIPAL ACTIVITIES AND BUSINESS REVIEW**

The principal activity of the company during the year was that of freehold investment. On 19 January 2011 the company changed its name from Bede Ground Rent Estates Limited to UK Ground Rent Estates (2) Limited.

The company was incorporated in April 2010 and acquired four ground rent investment properties up to 31 July 2010. During the current period the company pursued the strategy of growing the business through acquisitions of a further 33 such properties throughout England.

The directors look to source properties through market contacts and rely on buying investments at prices which represent value for money for the shareholders. The directors have valued investment properties on the basis of open market value at the year end, as advised by a third party independent valuation in September 2011 undertaken by Knight Frank LLP which has resulted in a £553,177 uplift in values.

Post year end the company has continued its acquisition strategy which is expected to complete in the next financial year.

Income for the year totalled £202,480, but for 33 of the properties acquired, during the year this income only represents a part year and as such the income for the year to 31 July 2012 will be significantly higher.

Since the year end the company has refinanced and as a result has reduced its blended cost of debt, which has improved profitability. The directors are pleased with the results for the year and are confident of achieving improved results in the future.

The directors do not propose the payment of a dividend in respect of the financial year ended 31 July 2011.

### **DIRECTORS**

The directors who served the company during the year were as follows:

I R Baggett BSc (Hons) PhD  
J Mackay

### **DONATIONS**

During the year the company made the following contributions:

	2011	2010
	£	£
Charitable	<u>1,200</u>	<u>-</u>

**UK GROUND RENT ESTATES (2) LIMITED (FORMERLY BEDE  
GROUND RENT ESTATES LIMITED)**

**THE DIRECTORS' REPORT** *(continued)*

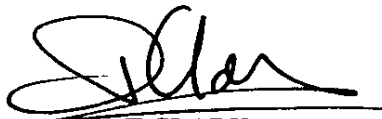
**YEAR ENDED 31 JULY 2011**

**SMALL COMPANY PROVISIONS**

This report has been prepared in accordance with the special provisions for small companies under Part 15 of the Companies Act 2006

Registered office  
The Exchange  
Manor Court  
Jesmond  
Newcastle Upon Tyne  
NE2 2JA

Signed by order of the directors

A handwritten signature in black ink, appearing to read 'T Clark', written over a horizontal line.

T CLARK  
Company Secretary

Approved by the directors on 27 April 2012

# UK GROUND RENT ESTATES (2) LIMITED (FORMERLY BEDE GROUND RENT ESTATES LIMITED)

## PROFIT AND LOSS ACCOUNT

YEAR ENDED 31 JULY 2011

	Note	2011 £	2010 £
<b>TURNOVER</b>		202,480	4,073
Cost of sales		110,146	1,335
<b>GROSS PROFIT</b>		92,334	2,738
Administrative expenses		2,616	852
Other operating income	2	(3,730)	(174)
<b>OPERATING PROFIT</b>	3	93,448	2,060
Interest payable and similar charges		88,157	3,058
<b>PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		5,291	(998)
Tax on profit/(loss) on ordinary activities	4	(4,617)	—
<b>PROFIT/(LOSS) FOR THE FINANCIAL YEAR</b>		9,908	(998)

All of the activities of the company are classed as continuing

The notes on pages 6 to 13 form part of these financial statements

**UK GROUND RENT ESTATES (2) LIMITED (FORMERLY BEDE  
GROUND RENT ESTATES LIMITED)**

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**

**YEAR ENDED 31 JULY 2011**

	<b>2011</b>	<b>2010</b>
	<b>£</b>	<b>£</b>
Profit/(Loss) for the financial year attributable to the shareholders	<b>9,908</b>	<b>(998)</b>
Unrealised profit on revaluation of certain fixed assets	<b>488,171</b>	<b>65,006</b>
Total gains and losses recognised since the last annual report	<b><u>498,079</u></b>	<b><u>64,008</u></b>

**The notes on pages 6 to 13 form part of these financial statements**

# UK GROUND RENT ESTATES (2) LIMITED (FORMERLY BEDE GROUND RENT ESTATES LIMITED)

## BALANCE SHEET

31 JULY 2011

	Note	2011 £	2010 £
<b>FIXED ASSETS</b>			
Tangible assets	5	<u>2,782,290</u>	<u>204,000</u>
<b>CURRENT ASSETS</b>			
Debtors	6	164,465	21,898
Cash at bank		<u>73,066</u>	<u>-</u>
		237,531	21,898
<b>CREDITORS: Amounts falling due within one year</b>	8	<u>2,457,732</u>	<u>161,888</u>
<b>NET CURRENT LIABILITIES</b>		<b>(2,220,201)</b>	<b>(139,990)</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u><b>562,089</b></u>	<u><b>64,010</b></u>
<b>CAPITAL AND RESERVES</b>			
Called-up equity share capital	10	2	2
Revaluation reserve	11	553,177	65,006
Profit and loss account	12	<u>8,910</u>	<u>(998)</u>
<b>SHAREHOLDERS' FUNDS</b>	13	<u><b>562,089</b></u>	<u><b>64,010</b></u>

The directors are satisfied that the company is entitled to exemption from the provisions of the Companies Act 2006 (the Act) relating to the audit of the financial statements for the year by virtue of section 477(2), and that no member or members have requested an audit pursuant to section 476(1) of the Act

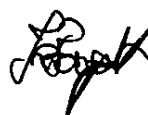
The directors acknowledge their responsibilities for

- (i) ensuring that the company keeps adequate accounting records which comply with section 386 of the Act, and
- (ii) preparing financial statements which give a true and fair view of the state of affairs of the company as at the end of the financial year and of its profit or loss for the financial year in accordance with the requirements of section 393, and which otherwise comply with the requirements of the Act relating to financial statements, so far as applicable to the company

These financial statements have been prepared in accordance with the special provisions for small companies under Part 15 of the Companies Act 2006

These financial statements were approved by the directors and authorised for issue on 27 April 2012, and are signed on their behalf by

IR BAGGETT BSC (HONS) PHD  
Director



Company Registration Number 07225015

The notes on pages 6 to 13 form part of these financial statements

# **UK GROUND RENT ESTATES (2) LIMITED (FORMERLY BEDE GROUND RENT ESTATES LIMITED)**

## **NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED 31 JULY 2011**

### **1. ACCOUNTING POLICIES**

#### **Basis of accounting**

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of certain fixed assets, and in accordance with applicable UK accounting standards

#### **Cash flow statement**

Under FRS 1 (Revised) the company is exempt from the requirement to prepare a cash flow statement on the grounds of its size

#### **Turnover**

Turnover represents rental income, administration charges and insurance recovered from tenants (excluding value added tax where applicable) accounted for on an accruals basis under the terms of leasehold agreements

#### **Fixed assets**

All fixed assets are initially recorded at cost

#### **Investment properties**

In accordance with the Statement of Standard Accounting Practice No 19 'Investment properties'

- investment properties are revalued annually at open market values. All surpluses and deficits arising on valuation are taken directly to revaluation reserve except that any permanent diminution in the value of an investment property is taken to the profit and loss account for the year, and
- no depreciation or amortisation is provided in respect of freehold investment properties

This treatment, as regards the company's investment properties, may be a departure from the requirements of the Companies Act concerning depreciation of fixed assets. However, these properties are not held for consumption but for investment and the directors consider that systematic annual depreciation would be inappropriate. The accounting policy adopted is therefore necessary for the financial statements to give a true and fair view.

Depreciation or amortisation is only one of the many factors reflected in the annual valuation and the amount which might otherwise have been shown cannot be separately identified or quantified.



# UK GROUND RENT ESTATES (2) LIMITED (FORMERLY BEDE GROUND RENT ESTATES LIMITED)

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 JULY 2011

### 1. ACCOUNTING POLICIES *(continued)*

#### Deferred taxation

The charge for taxation is based on the results for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19

#### Financial instruments

Following the adoption of FRS 25, financial instruments issued by the company are treated as equity (i.e., forming part of shareholders' funds) only to the extent that they meet the following two conditions

- they include the contractual obligations upon the company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the company, and
- where the instrument will or may be settled in the company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company's own equity instruments or is a derivative that will be settled by the company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments

To the extent that the definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the company's own shares, the amounts presented in these financial statements for called up share capital and share premium account excludes amounts in relation to those shares

Finance payments associated with financial liabilities are dealt with as part of interest payable and similar charges. Finance payments associated with financial instruments that are classified as part of shareholders' funds (see dividends policy) are dealt with as appropriations in the reconciliation of movements in shareholders' funds

### 2. OTHER OPERATING INCOME

	2011	2010
	£	£
Other operating income	<u>3,730</u>	<u>174</u>

# UK GROUND RENT ESTATES (2) LIMITED (FORMERLY BEDE GROUND RENT ESTATES LIMITED)

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 JULY 2011

### 3. OPERATING PROFIT

Operating profit is stated after crediting

	2011 £	2010 £
Directors' remuneration	<u>-</u>	<u>-</u>

### 4. TAXATION ON ORDINARY ACTIVITIES

#### (a) Analysis of charge in the year

	2011 £	2010 £
Current tax		
UK Corporation tax based on the results for the year at 20 67% (2010 - 21%)	<u>18,250</u>	<u>-</u>
Total current tax	<u>18,250</u>	<u>-</u>
Deferred tax		
Origination and reversal of timing differences	<u>(22,867)</u>	<u>-</u>
Tax on profit/(loss) on ordinary activities	<u>(4,617)</u>	<u>-</u>

#### (b) Factors affecting current tax charge

The tax assessed on the profit/(loss) on ordinary activities for the year is higher than the standard rate of corporation tax in the UK of 20 67% (2010 - 21%)

	2011 £	2010 £
Profit/(loss) on ordinary activities before taxation	<u>5,291</u>	<u>(998)</u>
Profit/(loss) on ordinary activities by rate of tax	1,094	(210)
Expenses not deductible for tax purposes	72	-
Utilisation of tax losses	(210)	-
Unrelieved tax losses	-	210
Other timing differences	<u>17,294</u>	<u>-</u>
Total current tax (note 4(a))	<u>18,250</u>	<u>-</u>

# UK GROUND RENT ESTATES (2) LIMITED (FORMERLY BEDE GROUND RENT ESTATES LIMITED)

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 JULY 2011

### 5. TANGIBLE FIXED ASSETS

	Freehold Property £
<b>COST OR VALUATION</b>	
At 1 August 2010	204,000
Additions	2,090,119
Revaluation	488,171
<b>At 31 July 2011</b>	<b><u>2,782,290</u></b>
<b>DEPRECIATION</b>	
At 1 August 2010 and 31 July 2011	—
<b>NET BOOK VALUE</b>	
<b>At 31 July 2011</b>	<b><u>2,782,290</u></b>
At 31 July 2010	<u>204,000</u>

All freehold properties classified as investment properties were valued on 31 July 2011 by the directors on the basis of open market value. The directors have based the year end valuation on the results of the valuation undertaken on 6 September 2011 by Knight Frank LLP, undertaken on the basis of open market value. The valuation was in accordance with the Royal Institute of Chartered Surveyors valuation standards.

In respect of certain fixed assets stated at valuations, the comparable historical cost and depreciation values are as follows

	2011 £	2010 £
<b>Historical cost:</b>		
At 1 August 2010	138,994	—
Cost of assets revalued for the first time in year	2,090,119	138,994
<b>At 31 July 2011</b>	<b><u>2,229,113</u></b>	<b><u>138,994</u></b>

### 6. DEBTORS

	2011 £	2010 £
Trade debtors	67,388	—
Amounts owed by related parties	8,132	—
Directors current accounts	23,603	14,442
Other debtors	42,475	7,456
Deferred taxation (note 7)	22,867	—
	<b><u>164,465</u></b>	<b><u>21,898</u></b>

# UK GROUND RENT ESTATES (2) LIMITED (FORMERLY BEDE GROUND RENT ESTATES LIMITED)

## NOTES TO THE FINANCIAL STATEMENTS

**YEAR ENDED 31 JULY 2011**

### 7. DEFERRED TAXATION

The deferred tax included in the Balance sheet is as follows

	2011 £	2010 £
Included in debtors (note 6)	<u>22,867</u>	<u>-</u>

The balance of the deferred taxation account consists of the tax effect of timing differences in respect of

	2011 £	2010 £
Provision deferred tax, other (describe)	<u>22,867</u>	<u>-</u>
	<u>22,867</u>	<u>-</u>

### 8. CREDITORS: Amounts falling due within one year

	2011 £	2010 £
Amounts owed to related parties	108,554	8,059
Corporation tax	18,250	-
Other creditors	<u>2,330,928</u>	<u>153,829</u>
	<u>2,457,732</u>	<u>161,888</u>

I R Baggett, director and shareholder, has provided a personal guarantee for 50% of the loan from the director, J Mackay. The loan is at an interest rate of 7% per annum and is repayable with six months notice.

# UK GROUND RENT ESTATES (2) LIMITED (FORMERLY BEDE GROUND RENT ESTATES LIMITED)

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 JULY 2011

### 9. RELATED PARTY TRANSACTIONS *(continued)*

#### 9 RELATED PARTY TRANSACTIONS

The company is controlled by I R Baggett by virtue of his 50% shareholding and his management of day to day operations

The following are transactions which took place with related parties during the period

##### **UK Ground Rent Estates Limited**

UK Ground Rent Estates Limited is wholly owned by I R Baggett. During the period UK Ground Rent Estates Limited paid Stamp Duty Land Tax of £1,708 on behalf of the company. In the prior year certain auction fee costs and deposits were paid on behalf of the company, totalling £8,012 and later recharged. In addition interest was charged to the company of £534 (2010 £47) at a rate equivalent to the Bank of England Base Rate plus 1% per annum. At the 31 July 2011 the company owed UK Ground Rent Estates Limited £2,755 (2010 £8,059).

##### **Forte Freehold Managers Limited**

I R Baggett, a director of the company, is the controlling shareholder of Forte Freehold Managers Limited who provide services to the company as an agent responsible for the administration of the collection of ground rent, insurance and other charges recoverable under the leases on the company's freehold properties.

During the year Forte Freehold Managers Limited charged the company £57,057 (2010 £nil). There were no outstanding amounts at the year end.

A contract between the companies provides for a commission to be paid by Forte Freehold Managers Limited to the company relating to the revenue earned by Forte Freehold Managers Limited from administering the company's property portfolio. This year the commission earned is £8,132 (2010 £nil). At the balance sheet date the company is owed this amount in full.

##### **Adderstone Group Limited**

Adderstone Group Limited is a wholly owned subsidiary of Adderstone Properties Limited which is owned by I R Baggett. During the year, Adderstone Group Limited paid auction costs and bank charges totalling £562 (2010 £nil) on behalf of the company.

Adderstone Group Limited loaned the company £269,678 (2010 £nil) to facilitate the purchase of three properties. £164,484 was repaid by the company during the year leaving a balance outstanding at the year end of £105,757 (2010 £nil). Interest was charged by Adderstone Group Limited during the year at a rate of 7% per annum totalling £1,490 (2010 £nil).

##### **J Mackay**

J Mackay, director and 50% shareholder, loaned to the company £149,222 during the prior year and a further £2,000,389 during the current year. This was used to fund capital purchases. The loan is repayable with six months notice and bears an interest rate of 7% per annum. I R Baggett, director and shareholder, has provided a personal guarantee for 50% of the loan. During the year interest was charged totalling £86,083 (2010 £2,965). At the balance sheet date the company owed J Mackay £2,149,811 (2010 £149,222) in capital and £89,048 in accrued interest (2010 £2,965).

# UK GROUND RENT ESTATES (2) LIMITED (FORMERLY BEDE GROUND RENT ESTATES LIMITED)

## NOTES TO THE FINANCIAL STATEMENTS

**YEAR ENDED 31 JULY 2011**

### 9. RELATED PARTY TRANSACTIONS *(continued)*

#### **I R Baggett**

During the year additional funding from J Mackay was received by I R Baggett totalling £9,161 (2010 £14,442) from which the costs of the capital purchases were made. At the year end there was an excess of funds totalling £23,603 (2010 £14,442) which was owed to the company. Interest has been charged on this balance at 7% per annum totalling £3,904 (2010 £174) and this is shown on the profit and loss account as "Other Income". The balance has been repaid to the company after the year end.

The maximum amount outstanding during the year was £23,603 (2010 £14,442).

### 10. SHARE CAPITAL

**Allotted, called up and fully paid:**

	2011		2010	
	No	£	No	£
2 Ordinary shares of £1 each	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>

### 11. REVALUATION RESERVE

	2011	2010
	£	£
Balance brought forward	65,006	—
Revaluation of fixed assets	488,171	65,006
Balance carried forward	<u>553,177</u>	<u>65,006</u>

### 12. PROFIT AND LOSS ACCOUNT

	2011	2010
	£	£
Balance brought forward	(998)	—
Profit/(loss) for the financial year	9,908	(998)
Balance carried forward	<u>8,910</u>	<u>(998)</u>

### 13. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2011	2010
	£	£
Profit/(Loss) for the financial year	9,908	(998)
Other net recognised gains and losses	488,171	65,006
New ordinary share capital subscribed	—	2
Net addition to shareholders' funds	498,079	64,010
Opening shareholders' funds	64,010	—
Closing shareholders' funds	<u>562,089</u>	<u>64,010</u>

**UK GROUND RENT ESTATES (2) LIMITED (FORMERLY BEDE  
GROUND RENT ESTATES LIMITED)**

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED 31 JULY 2011**

**14. POST BALANCE SHEET EVENTS**

On 30 September 2011 the company refinanced and took out a loan of £1,400,000 secured against all of its freehold properties. The loan is to be repaid over 20 years at a variable interest rate of 2.65% over LIBOR.