

## **Esselco Office Limited**

Report and Financial Statements

Year Ended

31 December 2012

Company Number 07355718

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# **Esselco Office Limited**

## **Report and financial statements for the year ended 31 December 2012**

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### **Directors**

L M Dorfman  
C Dorfman  
C Green  
O Olsen

### **Secretary and registered office**

C Green, 22 Manchester Square, London, W1U 3PT

### **Company number**

07355718

### **Auditors**

BDO LLP, 55 Baker Street, London, W1U 7EU

# **Esselco Office Limited**

## **Report of the directors for the year ended 31 December 2012**

The directors present their report and the group financial statements of Esselco Office Limited for the year ended 31 December 2012

### **Results and dividends**

The portfolio performed strongly in the year maintaining an average occupancy of 97% (2011 97%) in the mature portfolio. Three new buildings opened during the year, including the first building to come out of the Joint Venture with Network Rail. The mature portfolio of 7 buildings generated revenue of £9.4m up 11% on 2011 through a combination of consistently high occupancy, improved rates per square foot and improved service revenue. All three new buildings opened during the last 2 months of the year - as a consequence, their contribution to revenue was limited in 2012. All three buildings have been well received by clients and reached 100% occupancy within 5 months of opening - their contribution to the Group is expected to be strong in 2013.

Operating Costs in 2012 increased by £1.8m from 2011 to £7m. £1.2m of this arose as a result of costs incurred in the new buildings prior to opening, and a large proportion of these were non-cash items such as accrued rent. On a like-for-like basis operating costs increased by £500K (10%). In the mature portfolio the EBITDA Margin increased to 69% (2011 68%) due to revenue growth and well managed costs.

Loss before tax was £591k, down from a profit before tax of £526K in 2011 due to the additional costs incurred in the year with the new buildings and also the write down in the value of the Bristol building by £810k. Management expect to show strong profit growth in 2013 as these buildings are now trading maturely.

The directors do not recommend the payment of a dividend (2011 £Nil).

### **Developments**

As noted above, the Group opened 3 new buildings during the year at Stratford Place, Euston Square and Paddington (as part of the Network Rail Joint Venture), a total of 70,000 sq ft (NIA) bringing the Group's portfolio to 150,000 sq ft of open buildings. In addition to this the Group also acquired interests in 2 further properties: a Freehold building at 74 Rivington Street (immediately opposite the Group's existing Shoreditch building), which completed in May 2013 and a 125 year long leasehold interest in a development site on the King's Cross Central scheme known as the 'Stanley Building'. The Stanley Building commenced construction in February 2013 and is expected to open during Q3 2014.

The Group's 50/50 Joint Venture with Network Rail began to bear fruit in the year with the first building, at Paddington Station, opening fully in November 2012 following a comprehensive refurbishment. The building was fully occupied within 5 months of opening at rates higher than budgeted. On the back of this success the Group will shortly be opening phase 2 at Paddington (circa 8,000 sq ft). A further 3 buildings, all of which will be refurbished during the coming year are scheduled to open in late 2013/early 2014. The pipeline of further opportunities for the Joint Venture is strong and growing.

2012 also marked the opening of 3 further Clubrooms, which is the Group's membership based drop-in working product designed to capitalise on the trend for mobile working. All 3 Clubrooms are currently trading ahead of expectation. The Group is confident that this product will continue to grow and will become a part of all future buildings whilst delivering enhanced returns.

### **Future**

The high average occupancy, growing rate per square foot and the speed that new buildings have reached mature trading give great confidence that the market for flexible work space continues to grow and that the Group's product is highly sought after. With average conventional lease lengths continuing to fall, the traditional lettings market is converging with the flexible office market. Many clients have been with the business for several years, the longest having been in occupation for 8 years - proving the viability of the Group's product over the long term.

# Esselco Office Limited

## Report of the directors for the year ended 31 December 2012 (continued)

### Directors

The directors of the company were

L M Dorfman  
C Dorfman  
C Green  
O Olsen

### 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 group and company 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 group and company and of the profit or loss of the group 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,
- 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 group and the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group and the company's transactions and disclose with reasonable accuracy at any time the financial position of the group and 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 group and the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

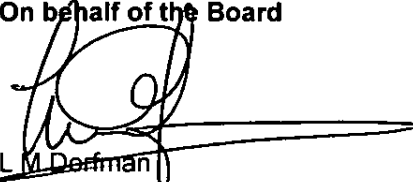
### Statement as to disclosure of information to the auditor

The directors who were in office on the date of approval of these financial statements have confirmed that, as far as they are aware, there is no relevant audit information of which the auditor is unaware. Each of the directors has confirmed that they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.

### Auditors

BDO LLP has expressed their willingness to continue in office.

On behalf of the Board



L M Dorfman  
Director

Date 16 May 2013

# **Esselco Office Limited**

## **Independent auditor's report**

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### **TO THE MEMBERS OF ESSELCO OFFICE LIMITED**

We have audited the financial statements of Esselco Office Limited for the year ended 31 December 2012 which comprise the consolidated profit and loss account, the consolidated statement of total recognised gains and losses, the consolidated and company balance sheets, 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 and express an opinion on 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**

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

### **Opinion on financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 December 2012 and of the group's 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.

### **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.

# Esselco Office Limited

## Independent auditor's report (*continued*)

### 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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent company 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

*AT*

Alexander Tapp (senior statutory auditor)  
For and on behalf of BDO LLP, statutory auditor  
London  
United Kingdom

Date 21 May 2013

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

# Esselco Office Limited

## Consolidated profit and loss account for the year ended 31 December 2012

	Note	2012 £	2011 £
<b>Turnover</b>			
Group and share of joint venture	2	9,386,049	8,466,213
Less share of joint venture turnover		(241,175)	-
<b>Group turnover</b>		<u>9,144,874</u>	<u>8,466,213</u>
Administrative expense – permanent diminution in property value		(810,362)	-
Administrative expenses – Other		(6,275,535)	(5,300,808)
<b>Operating profit</b>		<u>2,058,977</u>	<u>3,165,405</u>
Share of operating profit in joint venture	10	67,449	-
Interest receivable	3	29,337	-
Interest payable	4	(2,747,147)	(2,639,133)
<b>(Loss)/Profit on ordinary activities before taxation</b>	7	<u>(591,384)</u>	<u>526,272</u>
Taxation	8	(662,365)	266,207
<b>(Loss)/Profit on ordinary activities after taxation</b>		<u>(1,253,749)</u>	<u>792,479</u>
Minority Interest		(1,317)	(181,147)
<b>(Loss)/Profit for the financial year</b>	18	<u>(1,255,066)</u>	<u>611,332</u>

The profit and losses for the year arises from the group's continuing operations

The notes on pages 9 to 25 form part of these financial statements

## **Esselco Office Limited**

### **Consolidated statement of total recognised gains and losses for the year ended 31 December 2012**

	<b>Note</b>	<b>2012 £</b>	<b>2011 £</b>
Profit for the financial year		<b>(1,255,066)</b>	611,332
Unrealised (deficit)/surplus on revaluation of properties (net of minority interest share of movement)	17	<b>(636,756)</b>	1,197,875
Total recognised gains and losses in the year		<b>(1,891,822)</b>	1,809,207

The notes on pages 9 to 25 form part of these financial statements



# Esselco Office Limited

## Consolidated balance sheet at 31 December 2012

Company number 07355718	Note	2012 £	2012 £	2011 £	2011 £
<b>Fixed assets</b>					
Tangible assets	9		55,377,261		52,827,215
Investment in joint venture	10		988,864		63,681
Goodwill	11		(302,239)		(367,004)
			<hr/>		<hr/>
			56,063,886		52,523,892
<b>Current assets</b>					
Debtors	12	2,261,081		950,743	
Cash at bank and in hand		2,700,559		2,243,881	
		<hr/>		<hr/>	
		4,961,640		3,194,624	
<b>Creditors: amounts falling due within one year</b>	13	(5,945,611)		(3,649,743)	
		<hr/>		<hr/>	
<b>Net current liabilities</b>			(983,971)		(455,119)
<b>Total assets less current liabilities</b>			<hr/>		<hr/>
			55,079,915		52,068,773
<b>Creditors: amounts falling due after more than one year</b>	14		(46,750,369)		(42,236,159)
<b>Provisions for liabilities</b>	15		(524,510)		(10,333)
			<hr/>		<hr/>
<b>Net assets</b>			7,805,036		9,822,281
			<hr/>		<hr/>
<b>Capital and reserves</b>					
Called up share capital	16		3,000		3,000
Revaluation reserve	17		5,427,884		6,064,640
Profit and loss account	18		(482,618)		772,448
			<hr/>		<hr/>
<b>Shareholders' funds</b>	19		4,948,266		6,840,088
<b>Minority interest</b>			2,856,770		2,982,193
			<hr/>		<hr/>
			7,805,036		9,822,281
			<hr/>		<hr/>

The financial statements were approved by the Board of Directors and authorised for issue on 16 May 2013

  
L.M. Dorfman  
Director

The notes on pages 9 to 25 form part of these financial statements

# Esselco Office Limited

## Company balance sheet at 31 December 2012

<i>Company number 07355718</i>	<b>Note</b>	<b>2012 £</b>	<b>2012 £</b>	<b>2011 £</b>	<b>2011 £</b>
<b>Fixed assets</b>					
Investments	10		<b>19,663,751</b>		<b>19,663,751</b>
<b>Current assets</b>					
Debtors	12	<b>22,018</b>		<b>88,518</b>	
<b>Creditors: amounts falling due within one year</b>	13	<b>(1,143,417)</b>		<b>(1,141,138)</b>	
<b>Net current assets</b>			<b>(1,121,399)</b>		<b>(1,052,620)</b>
<b>Total assets less current liabilities</b>			<b>18,542,352</b>		<b>18,611,131</b>
<b>Creditors: amounts falling due after more than one year</b>	14		<b>(18,865,682)</b>		<b>(18,865,682)</b>
<b>Net liabilities</b>			<b>(323,330)</b>		<b>(254,551)</b>
<b>Capital and reserves</b>					
Called up share capital	16		<b>3,000</b>		<b>3,000</b>
Profit and loss account	18		<b>(326,330)</b>		<b>(257,551)</b>
<b>Shareholders' funds</b>	19		<b>(323,330)</b>		<b>(254,551)</b>

The financial statements were approved by the Board of Directors and authorised for issue on 16 May 2013

  
L M Dorfman  
Director

The notes on pages 9 to 25 form part of these financial statements

# Esselco Office Limited

## Notes forming part of the financial statements for the year ended 31 December 2012

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### 1 Accounting policies

#### *Basis of accounting*

The financial statements have been prepared under the historical cost convention modified to include the revaluation of freehold properties and on the going concern basis

#### *Going concern*

The ability of the group and the company to continue as going concerns is dependent upon the continued support of the company's bankers and one of its shareholders. The group's bank facilities are based upon certain bank covenants, one of which relies upon certain loan to property value ratios, being met. Based upon the valuations at the balance sheet date prepared by the directors, this lending covenant has been met.

The directors consider that it is appropriate to adopt the going concern basis in preparing the financial statements.

#### *Basis of consolidation*

The consolidated financial statements incorporate those of Esselco Office Limited and all of its subsidiary undertakings for the year. All financial statements are made up to 31 December 2012. Subsidiaries and quasi subsidiaries acquired during the year are consolidated using the acquisition method. Their results are incorporated from the date that control passes. The difference between the cost of acquisition of shares in subsidiaries and the fair value of the separable net assets acquired is capitalised as purchased goodwill and amortised through the profit and loss account over its estimated economic life. Provision is made for any impairment.

All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the group.

#### *Joint venture*

An entity is treated as a joint venture where the group holds a long-term interest and shares control under a contractual arrangement.

In the group accounts, interests in joint ventures are accounted for using the gross equity method of accounting. The consolidated profit and loss account indicates the group's share of the joint venture's turnover and includes the group's share of the operating results, interest, pre-tax results and attributable taxation of such undertakings based on audited financial statements. In the consolidated balance sheet, the group's share of the identifiable gross assets (including any unamortised premium paid on acquisition) and its share of the gross liabilities attributable to its joint ventures are shown separately.

#### *Profit and loss account*

The company has taken advantage of section s408 of the Companies Act 2006 and consequently a profit and loss account for the company alone has not been presented.

#### *Cash flow statement*

The group has taken advantage of the provisions under FRS1 not to disclose a cash flow statement.

# Esselco Office Limited

## Notes forming part of the financial statements for the year ended 31 December 2012

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### 1 Accounting policies (*continued*)

#### *Turnover*

Turnover represents licence fees in relation to the provision of office space and ancillary charges for additional services including telephone, IT and other support services. Turnover is recognised exclusive of VAT and is recognised on the accruals basis.

#### *Tangible assets*

##### *Freehold investment properties*

In accordance with Statement of Standard Accounting Practice No 19, investment properties are revalued annually and the aggregate surplus or deficit is transferred to a revaluation reserve. If the deficit is considered permanent it is recognised within the profit and loss account. No depreciation is provided in respect of investment properties. This accounting policy is not in accordance with the requirements of the Companies Act 2006 but the directors consider that it results in the accounts giving a true and fair view as these properties are not held for consumption in the business operations but for investment. Consequently, the effect of not depreciating investment properties has not been quantified. Properties in the course of construction are carried at historic cost and are not depreciated. Acquisitions and disposals of properties are recognised on completion during the accounting period.

##### *Other tangible fixed assets*

Tangible fixed assets other than investment properties are included at historic cost.

Depreciation is provided on all other tangible fixed assets at the following annual rates in order to write each asset down to its estimated residual value evenly over its estimated useful life as follows:

Fixtures, fittings and equipment	- 25% on cost
Short leasehold properties	- over the period of the lease

##### *Deferred taxation*

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Group's taxable profits and its results as stated in the financial statements.

Deferred tax is recognised in the Statement of Total Recognised Gains and Losses on revaluations where at the balance sheet date there is a binding agreement to sell the asset and the gain or loss expected to arise on sale has been recognised.

Deferred tax is measured at the average tax rates that are expected to apply in the years in which timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

##### *Leased assets and obligations*

Operating lease rentals are charged to the profit and loss account on a straight line basis over the lease term.

Rent free periods or other incentives required for entering into a lease are accounted for over the period of the lease so as to spread the benefit received over the lease term.

# Esselco Office Limited

## Notes forming part of the financial statements for the year ended 31 December 2012

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### **1 Accounting policies (continued)**

#### *Impairments*

Fixed assets are reviewed for impairment if events or changes in circumstances indicate that the carrying amount may not be recoverable or as otherwise required by relevant accounting standards

Shortfalls between the carrying value of fixed assets and their recoverable amounts, being the higher of net realisable value and value-in-use, are recognised as impairments. Valuation deficits on investment properties are recognised in the statement of total recognised gains and losses for all temporary diminutions in value and, for permanent diminutions in value, until the carrying amount reaches depreciated historic cost. All other impairment losses are recognised in the profit and loss account.

#### *Cost of loan finance*

Finance costs associated with raising loan finance are capitalised and offset against the related loan balance. These costs are amortised to the profit and loss account over the life of the loan at a constant rate on the outstanding loan balance.

#### *Capitalisation of interest*

Interest directly attributable to the construction of tangible fixed assets incurred up to the time that identifiable major capital projects are ready for service, is capitalised as part of the cost of the assets.

#### *Financial instruments*

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Amounts payable or receivable on derivatives held to manage interest rate risk are recognised over the period of the contract. Changes in the derivative's fair value are not recognised.

#### *Investments*

Fixed asset investments are stated at cost in the company balance sheet. Provision is made for any impairment in the value of fixed asset investments.

Investments in subsidiaries are stated at cost less provision for impairment.

### **2 Turnover and loss on ordinary activities before taxation**

The group's turnover and loss on ordinary activities before taxation was made in the United Kingdom and all derived from the group's principal activities.

# Esselco Office Limited

Notes forming part of the financial statements  
for the year ended 31 December 2012 (continued)

## 3 Interest receivable

	2012 £	2011 £
Interest receivable from joint venture	29,337	-
	<u>29,337</u>	<u>-</u>

## 4 Interest payable

	2012 £	2011 £
Interest payable on bank loan	1,078,969	1,090,652
Interest payable on loan notes	1,605,213	1,509,281
Loan arrangement fee amortisation	62,965	39,200
	<u>2,747,147</u>	<u>2,639,133</u>

## 5 Employees

	2012 £	2011 £
Staff costs consist of		
Wages and salaries	1,684,749	1,467,096
Social security costs	187,513	155,149
	<u>1,872,262</u>	<u>1,622,245</u>

The average monthly number of persons (including directors) employed by the group during the year was 59 (2011 48)

## 6 Directors remuneration

	2012 £	2011 £
Aggregate emoluments	<u>356,360</u>	<u>444,857</u>

The highest paid director received emoluments totalling £178,180 (2011 £222,429)

# Esselco Office Limited

Notes forming part of the financial statements  
for the year ended 31 December 2012 *(continued)*

## 7 (Loss)/profit on ordinary activities before taxation

	2012 £	2011 £
This is arrived at after charging/(crediting)		
Depreciation		
- owned assets	345,998	366,308
- leased assets	289,175	185,176
Amortisation of negative goodwill arising on acquisition of subsidiary	(64,765)	(64,765)
Operating lease rentals - other	955,836	255,094
Permanent diminution in value	(810,632)	-
Auditors' remuneration		
- statutory audit of parent and consolidated accounts	4,500	4,500
- statutory audit of subsidiaries	33,000	31,500
- taxation compliance services	14,000	16,700
- other assurance services	1,000	1,000
Profit on disposal of tangible fixed assets	555	-

# Esselco Office Limited

## Notes forming part of the financial statements for the year ended 31 December 2012 (continued)

### 8 Taxation

	2012 £	2011 £
<i>Current tax</i>		
UK corporation tax on loss for the year	148,188	-
Adjustment in respect of previous period	-	(130,823)
Total current tax	148,188	(130,823)
<i>Deferred taxation</i>		
Origination and reversal of timing differences	232,085	(244,726)
Adjustment in respect of previous period	307,520	110,169
Effect of changed tax rates on opening position	(25,428)	(827)
Total deferred tax	514,177	(135,384)
Tax on loss on ordinary activities	662,365	(266,207)

#### *Factors affecting the tax charge for the year*

The tax assessed for the year varies from the standard rate of corporation tax 24.5% (2011 26.5%) as explained below

	2012 £	2011 £
(Loss)/profit on ordinary activities before tax	(591,384)	526,272
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax 24.5% (2011 26.5%)	(144,889)	139,462
Effects of		
Non-deductible expenses	362,765	47,202
Capital allowances in excess of depreciation	(43,325)	(59,745)
Tax losses utilised	(19,646)	(58,979)
Timing differences relating to payment of loan interest	-	(141,563)
Over provision in respect of prior year charge	-	(130,823)
Losses carried forward	-	73,623
Other	(6,717)	-
Current tax charge/(credit) for year	148,188	(130,823)

The unprovided deferred tax at 31 December 2012 that would arise on the sale of the revalued assets in the group amounts to £3,415,329 (2011 £3,617,258)



# Esselco Office Limited

Notes forming part of the financial statements  
for the year ended 31 December 2012 (*continued*)

## 9 Tangible assets

Group	Freehold investment properties £	Short leasehold property £	Fixtures, fittings and equipment £	Total £
<i>Cost or valuation</i>				
At 1 January 2012	50,275,361	2,429,763	1,694,496	54,399,620
Transfer	-	3,734	(3,734)	-
Additions in the year	1,050	3,781,002	983,365	4,765,417
Disposals	(2,553)	-	(5,508)	(8,061)
Revaluation	(763,496)	-	-	(763,496)
Permanent diminution in value	(810,362)	-	-	(810,362)
<b>At 31 December 2012</b>	<b>48,700,000</b>	<b>6,214,499</b>	<b>2,668,619</b>	<b>57,583,118</b>
<i>Amortisation</i>				
At 1 January 2012	-	535,053	1,037,352	1,572,405
Charged in the year	-	289,175	345,998	635,173
Disposals	-	-	(1,721)	(1,721)
<b>At 31 December 2012</b>	<b>-</b>	<b>824,228</b>	<b>1,381,629</b>	<b>2,205,857</b>
<i>Net book value</i>				
<b>At 31 December 2012</b>	<b>48,700,000</b>	<b>5,390,271</b>	<b>1,286,990</b>	<b>55,377,261</b>
<b>At 31 December 2011</b>	<b>50,275,361</b>	<b>1,894,710</b>	<b>657,144</b>	<b>52,827,215</b>
<i>Cost or valuation</i>				
At 31 December 2012				
Carried at				
Historic cost	39,682,975	6,214,499	2,668,619	48,566,093
Valuation	9,017,025	-	-	9,017,025
<b>At 31 December 2012</b>	<b>48,700,000</b>	<b>6,214,499</b>	<b>2,668,619</b>	<b>57,583,118</b>

During the year £152,560 (2011 £Nil) of interest costs directly attributable to the financing of freehold property developments were capitalised within additions at the weighted average cost of the related borrowings. The total capitalised finance cost at 31 December 2012 was £1,290,911 (2011 £1,138,351). There is no effect on the tax charge.

The valuations of the investment properties were carried out at 31 December 2012 by C Green, a director of the company and Chartered Surveyor, on an open market basis.

The historic cost of investment properties was £39,682,975 (2011 £39,683,428).

In accordance with the requirements of Statement of Standard Accounting Practice number 19 ("SSAP 19"), but contrary to the requirements of the Companies Act 2006, investment properties are not depreciated. Instead they are revalued annually, which the directors consider necessary in order for the financial statements to show a true and fair view.

# Esselco Office Limited

Notes forming part of the financial statements  
for the year ended 31 December 2012 (*continued*)

## 10 Investment

<b>Group</b>	<b>Investment in joint ventures £</b>
At 1 January 2012	63,681
Additions	886,819
Profit share for the period after tax	38,364
	<hr/>
At 31 December 2012	<b>988,864</b>
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### *Unlisted investment*

Esselco Office Properties Limited, a subsidiary of Esselco Office Limited, invested capital into The Station Office Network LLP, a Limited Liability Partnership incorporated in the United Kingdom. The investment represents a 50% interest in capital.

### **Joint venture**

<b>Name</b>	<b>Aggregate of share capital and reserves £</b>	<b>Profit and loss account £</b>
The Station Office Network LLP	<b>77,728</b>	<b>76,728</b>
	<hr/>	<hr/>

The group's aggregate share of the joint venture's net assets at the balance sheet date are as follows

	<b>£</b>	<b>£</b>
Share of assets		
Fixed assets	<b>1,002,039</b>	
Current assets	<b>275,377</b>	
	<hr/>	<b>1,277,416</b>
Share of liabilities		
Due within one year	<b>(288,552)</b>	
	<hr/>	<b>(288,552)</b>
		<hr/>
<b>Share of net assets</b>		<b>988,864</b>
		<hr/>

# Esselco Office Limited

Notes forming part of the financial statements  
for the year ended 31 December 2012 *(continued)*

## 10 Investments *(continued)*

Company	Loans in Subsidiaries £	Unlisted investments £	Total £
At 1 January and 31 December 2012	<b>19,661,751</b>	<b>2,000</b>	<b>19,663,751</b>

### *Subsidiaries*

As at year end the Company held a controlling interest in the following subsidiaries

Name	Country of incorporation	% ownership	Principal activity
Esselco Office Properties Limited	England and Wales	100%	Service office provider
The Office Group Holdings Limited	England and Wales	100%	Service office provider
The Office Islington Limited *	England and Wales	100%	Service office provider
The Office (Kings Cross) Limited *	England and Wales	100%	Service office provider
The Office (Farringdon) Limited *	England and Wales	100%	Service office provider
The Office (Shoreditch) Limited *	England and Wales	100%	Service office provider
The Office (Bristol 1) Limited *	England and Wales	100%	Service office provider
The Office (Marylebone) Limited *	England and Wales	100%	Service office provider
The Office (Kirby) Limited *	England and Wales	100%	Service office provider

\* Indirectly held

# Esselco Office Limited

Notes forming part of the financial statements  
for the year ended 31 December 2012 (*continued*)

## 11 Negative goodwill

	Negative goodwill £
<i>Cost</i>	
At 1 January 2012 and 31 December 2012	<b>453,357</b>
<i>Amortisation</i>	
At 1 January 2012	86,353
Provided in the year	64,765
At 31 December 2012	<b>151,118</b>
<i>Net book value</i>	
At 31 December 2012	<b>302,239</b>
At 31 December 2011	367,004

## 12 Debtors

	Group 2012 £	Group 2011 £	Company 2012 £	Company 2011 £
Trade debtors	<b>79,311</b>	163,638	-	-
Amounts owed by group undertakings	<b>300,090</b>	80,268	-	-
Amounts owed by related parties	<b>7,303</b>	3,000	<b>2,277</b>	2,667
Corporation tax	-	151,738	-	-
Deferred tax asset	-	-	<b>19,351</b>	85,851
Other debtors	<b>1,163,560</b>	187,840	<b>390</b>	-
Prepayments and accrued income	<b>710,817</b>	364,259	-	-
	<b>2,261,081</b>	950,743	<b>22,018</b>	88,518

Included within the other debtors balance is £425,000 which relates to a deposit paid on exchange of contracts to acquire the freehold on 74 Rivington Street, which completed in May 2013

The deferred tax asset is recoverable after more than one year

	Group 2012 £	Group 2011 £	Company 2012 £	Company 2011 £
The deferred tax asset comprises				
Tax losses carried forward	-	-	<b>19,351</b>	85,851

# Esselco Office Limited

Notes forming part of the financial statements  
for the year ended 31 December 2012 (continued)

## 13 Creditors: amounts falling due within one year

	Group 2011 £	Group 2011 £	Company 2012 £	Company 2011 £
Bank loan	460,787	460,790	-	-
Trade creditors	977,170	189,089	-	7,500
Other creditors	1,734,184	1,434,118	2,000	-
Amounts owed to related parties	21,815	-	-	-
Amounts owed to group undertakings	169,241	283,406	1,141,417	1,133,638
Corporation tax	148,187	-	-	-
Other taxation and social security	8,250	94,240	-	-
Accruals and deferred income	2,425,977	1,188,100	-	-
	<b>5,945,611</b>	<b>3,649,743</b>	<b>1,143,417</b>	<b>1,141,138</b>

The bank loan is secured by a fixed and floating charge over the assets of the group

## 14 Creditors: amounts falling due after more than one year

	Group 2012 £	Group 2011 £	Company 2012 £	Company 2011 £
Bank loan	22,850,000	23,475,000	-	-
Loan notes	23,965,689	18,865,682	18,865,682	18,865,682
	<b>46,815,689</b>	<b>42,340,682</b>	<b>18,865,682</b>	<b>18,865,682</b>
Unamortised loan arrangement fees	(65,320)	(104,523)	-	-
	<b>46,750,369</b>	<b>42,236,159</b>	<b>18,865,682</b>	<b>18,865,682</b>
Due after more than one year				
Repayable between one and two years	500,000	500,000	-	-
Repayable between two and five years	22,350,000	22,975,000	-	-
Repayable after more than five years	23,965,689	18,865,682	18,865,682	18,865,682
	<b>46,815,689</b>	<b>42,340,682</b>	<b>18,865,682</b>	<b>18,865,682</b>

The bank loan is secured by fixed and floating charges over the assets of the group

Interest on the unsecured loan is charged at 8% (2011 - 8%)

At 31 December 2012 there was an interest rate swap arrangement in place on the bank loan which had a negative market value of £968,108 (2011 £1,279,550) on a pre tax basis which has not been reflected in these financial statements as it is the intention to hold the instrument to maturity

# Esselco Office Limited

Notes forming part of the financial statements  
for the year ended 31 December 2012 (continued)

## 15 Provisions for liabilities

	2012 £	2011 £
<i>Deferred taxation</i>		
Balance at 1 January	10,333	145,716
Prior year adjustment	307,520	-
Deferred tax charge to profit and loss account	232,085	(135,383)
Movement due to change in rate	(25,428)	-
	<hr/>	<hr/>
Balance at 31 December	524,510	10,333
	<hr/>	<hr/>

	Group 2012 £	Group 2011 £	Company 2012 £	Company 2011 £
The provision for deferred tax is made up as follows				
Accelerated capital allowances	563,035	460,864	-	-
Tax losses carried forward	(262,812)	(470,897)	-	-
Other timing differences including capitalised interest	224,287	20,366	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2012	524,510	10,333	-	-
	<hr/>	<hr/>	<hr/>	<hr/>

## 16 Share capital

	2012 Number	Allotted, called up and fully paid 2011 Number	2012 £	2011 £
Ordinary 'A' shares of 10p each	20,000	20,000	2,000	2,000
	<hr/>	<hr/>	<hr/>	<hr/>

On 9 February 2011 the ordinary shares were re-designated as 'A' shares of 10p each 10,000 'B' shares of 10p each were allotted on the same date

Rights associated with the 'A' shares are as follows

- The 'A' shares shall entitle the holders thereof to receive all of any dividends or distributions declared, paid or made by the company which derive from or relate to the Office Group Holdings Limited and its subsidiaries
- On a Return of Capital the 'A' shares shall entitle the holders thereof to receive all of the surplus assets of the company after paying all its liabilities which derive from or relate to the Office Group Holdings Limited and its subsidiaries
- 'A' shares shall alone vote any matters relating to The Office Group Holdings Limited and its subsidiaries, cannot vote on any matters relating to Esselco Office Properties Limited and can vote on any resolution that does not relate to either the Office Group Holdings Limited and its subsidiaries or Esselco Office Properties Limited

# Esselco Office Limited

## Notes forming part of the financial statements for the year ended 31 December 2012 (continued)

### 16 Share capital (continued)

- The 'A' shares only have in respect of dividends, rights to participate in distributions received by the company from or in respect of The Office Group Holdings Limited and its subsidiaries
- The 'A' shares have, in respect of capital (including on a winding up), rights to participate in distributions received by the company from or in respect of The Office Group Holdings Limited and its subsidiaries

	Allotted, called up and fully paid			
	2012 Number	2011 Number	2012 £	2011 £
Ordinary 'B' shares of 10p each	10,000	10,000	1,000	1,000

- Rights associated with the 'B' shares are as follows
- The 'B' shares entitle the holders thereof to receive all of any dividends on distributions declared, paid or made by the company which derive from or relate to
  - (a) Esselco Office Properties Limited and its subsidiaries

The 'B' shares entitle the holders thereof to receive all of any dividends or distributions declared, paid to made by the company which derive from or relate to

(a) the Esselco Office Properties Group and its subsidiaries and any other business or assets of the company other than the Office Group Holdings Limited and its subsidiaries

On a Return of Capital the 'B' shares shall entitle the holders thereof to receive all of the surplus assets of the company after paying all its liabilities which derive from or relate to

(a) Esselco Office Properties Limited and its subsidiaries and any other business or assets of the company other than the Office Group,

The 'B' shares

(a) shall alone entitle the holders thereof to receive notice of and to attend and speak at any general meeting of the company and to exercise all the votes eligible to be cast in respect of any resolution to be passed by the Shareholders that relates to Esselco Office Properties Limited and its subsidiaries

(b) shall not entitle the holders thereof to receive notice of and to attend and speak at any general meeting of the company and to exercise any votes on any resolution to be passed by the shareholders that relates to the Office Group Holdings Limited and its subsidiaries

(c) shall entitle the holders thereof to receive notice of and to attend and speak at any general meeting of the company and to exercise votes in respect of any resolution that does not relate to either the Office Group Holdings Limited and its subsidiaries or to the Esselco Office Properties Limited and its subsidiaries

# Esselco Office Limited

Notes forming part of the financial statements  
for the year ended 31 December 2012 (continued)

## 17 Revaluation reserve

	Group 2012 £	Group 2011 £
At 1 January 2012	6,064,640	4,866,765
Revaluation of properties	(636,756)	1,197,875
	<hr/>	<hr/>
At 31 December 2012	5,427,884	6,064,640
	<hr/>	<hr/>

## 18 Profit and loss account

	Group 2012 £	Group 2011 £	Company 2012 £	Company 2011 £
At 1 January	772,448	161,116	(257,551)	(85,635)
Profit/(loss) for the financial year	(1,255,066)	611,332	(68,779)	(171,916)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December	(482,618)	772,448	(326,330)	(257,551)
	<hr/>	<hr/>	<hr/>	<hr/>

## 19 Reconciliation of movement in shareholders' funds

	Group 2012 £	Group 2011 £	Company 2012 £	Company 2011 £
Profit for the financial year	(1,255,066)	611,332	(68,779)	(171,916)
Revaluation of investment property	(636,756)	1,197,875	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Net addition/(decrease) to shareholders' funds	(1,891,822)	1,809,207	(68,779)	(171,916)
Opening shareholders' funds	6,840,088	5,030,881	(254,551)	(82,635)
	<hr/>	<hr/>	<hr/>	<hr/>
Closing shareholders' funds	4,948,266	6,840,088	(323,330)	(254,551)
	<hr/>	<hr/>	<hr/>	<hr/>



# Esselco Office Limited

## Notes forming part of the financial statements for the year ended 31 December 2012 (continued)

### 20 Contingent liability

All assets of The Office Group Holdings Limited and its subsidiaries have been pledged as security for a group bank loan held by the Office Group Holdings Limited. At 31 December 2012 the group bank loan was £23,350,000 (2011 £23,975,000)

### 21 Commitments under operating leases

At 31 December 2012 the group was committed to making payments during the next year under non-cancellable operating leases as set out below

	Land and buildings 2012 £	Land and buildings 2011 £
Operating leases which expire		
After more than five years	1,339,228	203,700

### 22 Post balance sheet events

On 6th February 2013, the Group acquired a 125 year leasehold interest in a development site on the King's Cross Central scheme, immediately adjacent to St Pancras station and in close proximity to Google's New European Head Office. With Argent LLP acting as development manager the Group is constructing a new build wrapped around the existing listed Stanley building to create circa 30,000sqft of office space. Construction commenced almost immediately and the building is expected to open during Q3 2014.

On 8<sup>th</sup> May 2013, the Group completed on the acquisition of a freehold interest in a building at 74 Rivington Street in Shoreditch. The building will be refurbished immediately and is expected to open during Q3 2013.

# Esselco Office Limited

## Notes forming part of the financial statements for the year ended 31 December 2012 (continued)

### 23 Related party transactions

Esselco Office Limited is the immediate parent of The Office Group Holdings Limited and holds £12,296,276 (2011 £12,296,276) of long term loan notes

Interest of £1,512,887 (2011 £1,264,471) has accrued on these loan notes during the year, and the total accrued interest payable to Esselco Office Limited at the year end was £5,388,204 (2011 £2,610,846) Of the interest accruing in the period, £1,512,887 has been charged to the group profit and loss account (2011 £1,264,471)

During the year, The Office Islington Limited paid expenses of £7,250 (2011 - £862,379) on behalf of Esselco Office Limited and at the accounting date, £869,629 (2011 - £862,379) was due to the group

During the year, The Office Group Holdings Limited paid expenses of £529 (2011 - £56,860) on behalf of Esselco Office Limited and at the accounting date, £57,389 (2011 - £56,860) was due to the group

The company is related to Esselco LLP by virtue of being under common control During the year, the company incurred expenses of £2,178 (2011 £5,125) on behalf of Esselco LLP and at the year end, £7,303 (2011 £5,125) was due to the group During the year the company also incurred management expenses of £222,000 (2011 £105,058) to Esselco LLP and at the year end, £16,200 (2011 £Nil) was owed by the company

Esselco Properties LLP is the ultimate parent of Esselco Office Limited During the year, the company incurred management expenses of £Nil (2011 £21,103) to Esselco Properties LLP and at the year end, £Nil (2011 £Nil) was owed by the company

During the year, the company incurred expenses of £146,028 (2011 - £103,044) to Esselco Services LLP and at the accounting date, £4,631 (2011 - (£17,947)) was due to Esselco Services LLP During the year the company also paid expenses of £178,936 (2011 - £80,873) on behalf of Esselco Services LLP and at the accounting date, £259,809 (2011 - £80,873) was due to the company

The company is related to Esselco Office Properties Limited by virtue of being under common control During the year the company paid expenses of £1,542,541 (2011 £140,383) on behalf of Esselco Office Properties Limited and at the year end, £1,542,541 (2011 £140,383) was due to the company

During the year, Esselco Properties LLP, the ultimate parent to the group, issued £5,100,007 (2011- £Nil) of loan stock to Esselco Office Properties Limited, a member of the Group At year end the amount of £5,100,007 (2011- £Nil) was due to Esselco Properties LLP During the year interest of £74,861 (2011- £Nil) was charged on the loan stock, and at the year end this amount is included in accruals

At the year end £21,815 (2011 £63,131 receivable) was due to The Station Office Network LLP, in respect to an interest free working capital loan Esselco Office Properties Limited is a member with a 50% interest in the partnership

The company has taken advantage of the exemption provided by FRS8 'Related Party Disclosures' and has not disclosed transactions with other group companies as 100% of these company's voting rights are controlled within the group

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# **Esselco Office Limited**

**Notes forming part of the financial statements  
for the year ended 31 December 2012 (*continued*)**

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## **24 Ultimate parent**

The ultimate parent undertaking is Esselco Properties LLP. The immediate parent company is Esselco Holdings Limited. Copies of both of these sets of financial statements can be obtained from 55 Baker Street, London, W1U 7EU.

Both the immediate company and ultimate parent undertaking are registered in England and Wales.

## **25 Control**

The ultimate parent undertaking, Esselco Properties LLP, is controlled by its members.