
SOUTHWARK REAL ESTATE INVESTMENTS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

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SOUTHWARK REAL ESTATE INVESTMENTS LIMITED

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SOUTHWARK REAL ESTATE INVESTMENTS LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2015

INTRODUCTION

The directors present their strategic and annual report together with the audited financial statements of the company for the year to 31 December 2015.

BUSINESS REVIEW

The company was incorporated on the 4 July 2013. The principal activity of the company during the year was investment in real estate property in the United Kingdom. It holds investment property which has contracted revenue streams under lease agreements in place on properties in the London Borough of Southwark.

The company is in a net asset and net current liability position and is loss making in 2015. The intermediate holding company, Grosvenor Limited, has provided the directors of the company with a letter of support confirming that it intends to support the company for a period of not less than twelve months from the date of signing the accounts, provided that the company remains a wholly owned subsidiary of Grosvenor Group Limited. Grosvenor Limited will enable them to meet their liabilities as they fall due. The directors have made enquiries and understand that the intermediate holding company has adequate resources to be able to provide this financial support.

As a result the directors have a reasonable expectation that the company has adequate resources for the foreseeable future and for a minimum period of 12 months from the date of signing the financial statements. Accordingly, they continue to adopt the going concern basis in preparing the company's financial statements.

The results of the company for the year are shown in the Profit and Loss Account. The balance sheet shows that the company's net assets increased from £46,610 to £65,115 during the year.

The directors do not anticipate any significant change in the activity of the company. The general level of activity is expected to remain consistent with 2015 in the forthcoming year. This is consistent with the long-term strategy of the company and reflects an expectation that the property market will be stable in the coming year.

PRINCIPAL RISKS AND UNCERTAINTIES

The management of the business and the execution of the company's strategy are subject to a number of risks. The key business risks and uncertainties affecting the company arise from the investment in property, including:

- demand from occupiers which affects the amount of rent obtainable for buildings in the company's market and the level of occupancy in its portfolio;
- supply of properties for rent in the company's market;
- demand from investors which affects the valuation of investment properties;
- tenant default; and
- valuation of investment properties.

The company is financed by equity and intra group loans. It has no external debt. It therefore has no interest rate exposure.

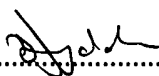
SOUTHWARK REAL ESTATE INVESTMENTS LIMITED

STRATEGIC REPORT (continued)

KEY PERFORMANCE INDICATORS

The directors of Grosvenor Limited manage its group operations on a divisional basis. For this reason, the company's directors believe that further key financial and non-financial performance indicators for the company are not necessary or appropriate for an understanding of the development, performance or position of the business of the company. The performance of the Grosvenor Limited Group, which includes the company, is discussed in the directors' report in the annual report of that company which does not form part of this report.

This report was approved by the board on 18 March 2016 and signed on its behalf.


.....
D Yaldron
Director

SOUTHWARK REAL ESTATE INVESTMENTS LIMITED

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2015**

The directors present their report and the financial statements for the year ended 31 December 2015.

RESULTS AND DIVIDENDS

The profit for the year, after taxation, amounted to £18,505 (2014 - £46,609).

The directors have not recommended payment of a dividend in the current or preceding period.

Please refer to the Strategic Report for information on risk management objectives and policies and the going concern status of the company.

The company is incorporated in the United Kingdom and the registered office is 70 Grosvenor Street, London, W1K 3JP.

DIRECTORS

The directors who served during the year and subsequently, except as noted, were:

S D Armstrong
D C Lee
D Yaldron
K J Rodgers (appointed 16 July 2015)
R I Powell

DISCLOSURE OF INFORMATION TO AUDITORS

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

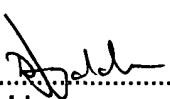
- so far as that director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This information is given and should be interpreted in accordance with s.418 of the Companies Act 2006.

AUDITORS

Deloitte LLP has indicated its willingness to be reappointed for another term and is deemed to be reappointed accordingly.

This report was approved by the board on 18 March 2016 and signed on its behalf.


.....
D Yaldron
Director

SOUTHWARK REAL ESTATE INVESTMENTS LIMITED

**DIRECTORS' RESPONSIBILITIES STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2015**

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 'Reduced Disclosure Framework'. Under Company law the directors must not approve the financial statements unless 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 judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

SOUTHWARK REAL ESTATE INVESTMENTS LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF SOUTHWARK REAL ESTATE INVESTMENTS LIMITED

We have audited the financial statements of Southwark Real Estate Investments Limited for the year ended 31 December 2015, set out on pages 7 to 21. 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) including Financial Reporting Standard 101 'Reduced Disclosure Framework'.

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

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 December 2015 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.

OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006

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

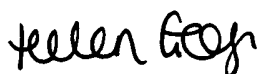
SOUTHWARK REAL ESTATE INVESTMENTS LIMITED

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF SOUTHWARK REAL ESTATE
INVESTMENTS LIMITED**

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.



**Helen George (Senior Statutory Auditor)
for and on behalf of Deloitte LLP**

Chartered Accountants and Statutory Auditors

London
United Kingdom

18 March 2016

SOUTHWARK REAL ESTATE INVESTMENTS LIMITED

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2015**

		Year ended 31 December 2015 £	<i>Restated</i> <i>Period ended</i> 31 December 2014 £
	Note		
Turnover	3	637,273	264,874
Cost of sales		<u>(322,449)</u>	<u>(216,984)</u>
Gross profit		314,824	47,890
Administrative expenses		(3,911)	(23)
Revaluation Losses		<u>(356,595)</u>	<u>(1,258)</u>
Operating profit		(45,682)	46,609
Taxation (credit)/charge on loss on ordinary activities	6	<u>64,187</u>	<u>-</u>
Profit for the year		<u>18,505</u>	<u>46,609</u>

The notes on pages 10 to 21 form part of these financial statements.

There were no recognised gains and losses for 2015 or 2014 other than those included in the profit and loss account and as a result no statement of comprehensive income has been presented.

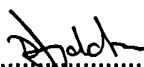
All activities in the current and prior period are derived from continuing operations.

SOUTHWARK REAL ESTATE INVESTMENTS LIMITED
REGISTERED NUMBER:08596350

BALANCE SHEET
AS AT 31 DECEMBER 2015

	Note	2015 £	As restated 2014 £
Investment property	7	15,831,500	12,715,000
		<u>15,831,500</u>	<u>12,715,000</u>
Current assets			
Debtors: amounts falling due within one year	8	107,282	24,581
Cash at bank and in hand		668	22,211
		<u>107,950</u>	<u>46,792</u>
Creditors: amounts falling due within one year	9	(15,874,335)	(12,715,182)
Net current assets		<u>(15,766,385)</u>	<u>(12,668,390)</u>
Total assets less current liabilities		65,115	46,610
 Net assets excluding pension asset		<u>65,115</u>	<u>46,610</u>
Net assets		<u><u>65,115</u></u>	<u><u>46,610</u></u>
 Capital and reserves			
Called up share capital	12	1	1
Profit and loss account	11	65,114	46,609
		<u>65,115</u>	<u>46,610</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 18 March 2016.


.....
D Yaldron
Director

The notes on pages 10 to 21 form part of these financial statements.

SOUTHWARK REAL ESTATE INVESTMENTS LIMITED

**STATEMENT OF CHANGES IN EQUITY
AS AT 31 DECEMBER 2015**

	Share capital £	Profit and loss account £	Total equity £
At 1 January 2015 (as previously stated)	1	47,867	47,868
Prior year adjustment: adoption of FRS101	-	(1,258)	(1,258)
At 1 January 2015 (as restated)	1	46,609	46,610
Profit for the year	-	18,505	18,505
At 31 December 2015	1	65,114	65,115

**STATEMENT OF CHANGES IN EQUITY
AS AT 31 DECEMBER 2014**

	Share capital £	Profit and loss account £	Total equity £
Profit for the period	-	46,609	46,609
Shares issued during the period	1	-	1
At 31 December 2014	1	46,609	46,610

SOUTHWARK REAL ESTATE INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

1. ACCOUNTING POLICIES

1.1 BASIS OF PREPARATION OF FINANCIAL STATEMENTS

In the year ended 31 December 2015, the company changed its accounting framework to Financial Reporting Standard 101, as issued by the Financial Reporting Council. The date of transition is 1 January 2014. The prior year financial statements have been restated for material adjustments on transition to FRS 101.

The financial statements have been prepared under the historical cost basis, except for the revaluation of certain properties that are measured at revalued amounts or fair values at the end of each reporting period, and in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' and the Companies Act 2006.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement purposes in these financial statements is determined on such a basis, except for leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36. In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

Level 3 input are unobservable inputs for the asset or liability.

Information on the impact first-time adoption of FRS 101 is given in note 14.

The preparation of financial statements in compliance with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the company's accounting policies (see note 2).

SOUTHWARK REAL ESTATE INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

1. ACCOUNTING POLICIES (continued)

1.2 FINANCIAL REPORTING STANDARD 101 - REDUCED DISCLOSURE EXEMPTIONS

The company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of IFRS 7 Financial Instruments: Disclosures
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
 - paragraph 79(a)(iv) of IAS 1;
 - paragraph 73(e) of IAS 16 Property, Plant and Equipment;
 - paragraphs 76 and 79(d) of IAS 40 Investment Property; and
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 of IAS 1 Presentation of Financial Statements
- the requirements of IAS 7 Statement of Cash Flows
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
- the requirements of paragraph 17 of IAS 24 Related Party Disclosures
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member
- the requirements of paragraphs 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets.

Where required, equivalent disclosures are given in the group accounts of Grosvenor Limited. The group accounts of Grosvenor Limited are available to the public and can be obtained as set out in note 11.

1.3 GOING CONCERN

The going concern status of the company is detailed in the Strategic Report.

1.4 TURNOVER

Turnover and profit before tax are attributable to the one principal activity of the company and arise entirely in the United Kingdom. Turnover is generated through the rental of properties in the London Borough of Southwark.

1.5 INVESTMENT PROPERTY

Investment property is carried at fair value determined annually by external valuers and derived from the current market rents and investment property yields for comparable real estate, adjusted if necessary for any difference in the nature, location or condition of the specific asset. No depreciation is provided. Changes in fair value are recognised in the Profit and Loss Account.

Profits and losses on the disposal of investment properties are recognised on unconditional exchange of contracts and are calculated by reference to book value and are included in the profit and loss account. On the disposal or recognition of a provision for impairment of a revalued asset, any related balance remaining in the revaluation reserve is also transferred to the profit and loss account as a movement on reserves.

SOUTHWARK REAL ESTATE INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

1. ACCOUNTING POLICIES (continued)

1.6 DEBTORS

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

1.7 CASH AND CASH EQUIVALENTS

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

1.8 FINANCIAL INSTRUMENTS

The Company recognises financial instruments when it becomes a party to the contractual arrangements of the instrument. Financial instruments are de-recognised when they are discharged or when the contractual terms expire. The Company's accounting policies in respect of financial instruments transactions are explained below:

Financial assets

The Company classifies all of its financial assets as loans and receivables.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of contractual monetary asset. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Company will be unable to collect all of the amounts due under the terms receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable. For trade receivables, which are reported net, such provisions are recorded in a separate allowance account with the loss being recognised within administrative expenses in the Profit and Loss Account. On confirmation that the trade receivable will not be collected, the gross carrying value of the asset is written off against the associated provision.

Financial liabilities

The Company classifies all of its financial liabilities as liabilities at amortised cost.

At amortised cost

Financial liabilities at amortised cost including bank borrowings are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried into the Balance Sheet.

SOUTHWARK REAL ESTATE INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

1. ACCOUNTING POLICIES (continued)

1.9 CREDITORS

Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers

Creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

1.10 PROVISIONS FOR LIABILITIES

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Profit and Loss Account in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet.

1.11 CURRENT AND DEFERRED TAXATION

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Profit and Loss Account, except that a change attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company operates and generates income.

Deferred balances are recognised in respect of all timing differences that have originated but not reversed by the Balance Sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

SOUTHWARK REAL ESTATE INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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

In the application of the company's accounting policies, which are described in note 1, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liability within the next financial year, are discussed below:

Property valuations

Investment properties are carried at fair value determined by market value in accordance with valuations carried out by independent valuers. Valuations are based on a number of key assumptions including an estimate of future rental income and the appropriate discount rate. For investment properties under development key judgements also include estimates of future development costs.

Leases

The accounting treatment for a lease is determined by its classification as either an operating lease or a finance lease. Lease classification requires judgement in determining whether substantially all of the risks and benefits associated with ownership have been transferred between the lessor and the lessee.

When operating lease premiums are received in exchange for the grant of a long leasehold interest, the related profit is recognised over the term of the leases. Many of the transactions giving rise to deferred lease premiums took place a number of years ago before the requirement to spread profit recognition; the Group applies judgement to estimate certain of the lease premium deferrals and associated deferred tax assets.

Recoverability of debtor balances

Debtor balances, including intercompany balances, are reviewed annually to ensure that the counterparty is capable of repaying the balance when required. The credit quality of the counterparty is considered adequate and as such no provision has been made at 31 December 2015.

Income Tax

The Group applies judgement in the application of taxation regulations and makes estimates in calculating current income tax and deferred tax assets and liabilities, including the likely availability of future taxable profits against which deferred tax assets can be utilised.

SOUTHWARK REAL ESTATE INVESTMENTS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

3. ANALYSIS OF TURNOVER

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

	Year ended 31 December 2015 £	Period ended 31 December 2014 £
Rental Income	637,273	264,874
	637,273	264,874

All turnover arose within the United Kingdom.

4. AUDITOR'S REMUNERATION

Auditor's remuneration for the audit of the financial statements of the company for the year ended 31 December 2015 is £1,570 (2014 - £1,535) and is borne by Grosvenor Estate Management Limited, a fellow subsidiary undertaking.

No fees were payable to Deloitte LLP and its associates for non-audit services to the company during the current or preceding year.

5. PARTICULARS OF EMPLOYEES

No fees or other emoluments were paid to the directors of the company during the current period in respect of their services to the company. These directors are paid by Grosvenor Estate Management Limited.

There are no employees of the company for the current year or preceding period.

SOUTHWARK REAL ESTATE INVESTMENTS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

6. TAXATION

	Year ended 31 December 2015 £	Period ended 31 December 2014 £
Current tax on profits for the year	-	-
Current Tax	-	-
Deferred tax		
Effect of tax rate changes	8,023	-
Origination and reversal of timing differences	(72,210)	-
Total deferred tax (credit)/charge	(64,187)	-
(Loss)/profit on ordinary activities before tax	(64,187)	-

FACTORS AFFECTING TAX CHARGE FOR THE YEAR/PERIOD

The tax assessed for the year/period is lower than (2014 - *lower than*) the standard rate of corporation tax in the UK of 20.25% (2014 - 21.5 %). The differences are explained below:

	Year ended 31 December 2015 £	As restated Period ended 31 December 2014 £
Profit on ordinary activities before tax	(45,682)	46,609
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20.25% (2014 - 21.5 %)	(9,251)	10,021
Effects of:		
Effect of tax rate change on deferred tax	8,023	-
Group relief surrendered/(received) for no consideration	(62,959)	(10,531)
Other items attracting no tax relief or liability	-	510
Total tax (credit) for the year/period	(64,187)	-

SOUTHWARK REAL ESTATE INVESTMENTS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

6. TAXATION (continued)

FACTORS THAT MAY AFFECT FUTURE TAX CHARGES

On 1 April 2015, the UK corporate tax rate was reduced from 21% to 20%. A further reduction to 19% from 1 April 2017 and then to 18% from 1 April 2020 was substantively enacted on 26 October 2015 (Finance (No. 2) Act 2015).

A current tax rate of 20.25% (3 months of the year at 21%, 9 months at 20%) has been applied to the year ended 31 December 2015.

A deferred tax rate of 18% has been applied to opening balances and movements in deferred tax in the year ended 31 December 2015.

7. INVESTMENT PROPERTY

	Long term leasehold investment property £
Valuation	
At 1 January 2015	12,715,000
Additions at cost	4,080,814
Disposals	(607,719)
Loss on revaluation	(356,595)
At 31 December 2015	15,831,500

Investment property was independently valued at 31 December 2015 by DTZ. The valuation was performed on a fair value basis in accordance with the Royal Institution of Chartered Surveyors' Valuation - Professional Standards guidelines and performed in accordance with International Valuation Standards.

The historical cost of the property was £16.2m (2014 - £12.8m).

The amounts recognised in profit or loss for the year for rental income from investment property is £637,273 and direct operating expenses (including repairs and maintenance) arising from investment property that generated rental income during the period are £322,449. There were no direct operating expenses that did not generate rental income during the period.

At 31 December 2015 there were contractual obligations to construct investment property, the provision for which is detailed in note 15.

At 31 December 2015 there was no investment property pledged as security for borrowings.

At 31 December 2015 the Group had no investment properties under offer from third parties.

SOUTHWARK REAL ESTATE INVESTMENTS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

8. DEBTORS: Amounts falling due within one year

	2015 £	2014 £
Other debtors	43,095	24,581
Deferred taxation	64,187	-
	<u>107,282</u>	<u>24,581</u>

9. CREDITORS: Amounts falling due within one year

	2015 £	2014 £
Trade creditors	-	44,783
Amounts owed to group undertakings	15,839,359	12,670,399
Accruals and deferred income	34,976	-
	<u>15,874,335</u>	<u>12,715,182</u>

10. DEFERRED TAXATION

	Deferred tax £
Credited to the profit or loss	64,187
At 31 December 2015	<u><u>64,187</u></u>

The deferred tax asset is made up as follows:

	2015 £	2014 £
Investment property - contingent gains	64,187	-
	<u>64,187</u>	<u>-</u>

SOUTHWARK REAL ESTATE INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

11. RESERVES

Revaluation reserve

Under UK GAAP, any surplus or deficit on revaluation of investment properties at each period end was transferred to the revaluation reserve. If a deficit was expected to be permanent and was in excess of any previously recognised surplus over cost relating to the same property, or the reversal of such a deficit, it was charged or credited to the profit and loss account, with all other changes in fair value recognised within the revaluation reserve. Under FRS 101, all changes in fair value are recognised in the profit and loss account.

12. CALLED UP SHARE CAPITAL

	2015 £	2014 £
Allotted, called up and fully paid		
1 Ordinary share of £1	<u>1</u>	<u>1</u>

13. CONTROLLING PARTY

The company's ultimate parent undertaking is Grosvenor Group Limited a company incorporated in Great Britain and registered in England and Wales which is wholly owned by trusts on behalf of the Grosvenor family, headed by the Duke of Westminster.

The ultimate parent undertaking heads the largest group of undertakings of which the company is a member and for which group accounts are prepared. Grosvenor Limited, the intermediate holding company, heads the smallest group of undertakings of which the company is a member and for which group accounts are prepared.

Copies of the consolidated financial statements of Grosvenor Group Limited and Grosvenor Limited can be obtained from Companies House, 3 Crown Way, Maindy, Cardiff, CF14 3UZ.

SOUTHWARK REAL ESTATE INVESTMENTS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

14. FIRST TIME ADOPTION OF FRS 101

	<i>As previously stated 31 December 2014 £</i>	<i>Effect of transition 31 December 2014 £</i>	<i>FRS 101 (as restated) 31 December 2014 £</i>
Turnover	264,874	-	264,874
Cost of sales	(216,984)	-	(216,984)
	47,890	-	47,890
Administrative expenses	(23)	-	(23)
Loss on revaluation of investment property	1 -	(1,258)	(1,258)
	47,867	(1,258)	46,609
Operating profit	-	-	-
Taxation			
Profit on ordinary activities after taxation and for the financial period	47,867	(1,258)	46,609

Explanation of changes to previously reported profit and equity:

- 1 Under UK GAAP, any surplus or deficit on revaluation of investment properties at each period end was transferred to the revaluation reserve. If a deficit was expected to be permanent and was in excess of any previously recognised surplus over cost relating to the same property, or the reversal of such a deficit, it was charged or credited to the profit and loss account, with all other changes in fair value recognised within the revaluation reserve. Under FRS 101, all changes in fair value are recognised in the profit and loss account.

There is no balance sheet impact of transition to FRS 101.