

NETLATCH LIMITED

Unaudited Financial Statements

Year Ended

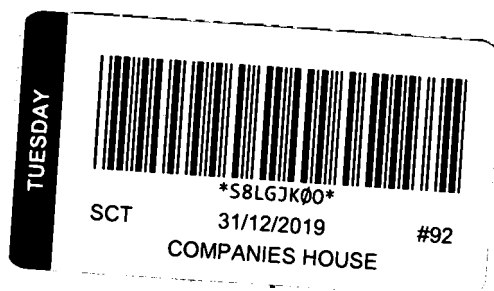
31 March 2019

Company Number SC222822

COMPANIES HOUSE
EDINBURGH

31 DEC 2019

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NETLATCH LIMITED

Company Information

Directors	Nigel H Lauer Gavin L Rabinowitz Adam R Forman Saul J Forman
Company secretary	Saul J Forman
Registered number	SC222822
Registered office	Citypoint 65 Haymarket Terrace Edinburgh EH12 5HD
Accountants	BDO LLP Citypoint 65 Haymarket Terrace Edinburgh EH12 5HD
Bankers	Bank of Scotland The Mound Edinburgh EH1 1YZ Natwest Drummond House 1 Redheughs Avenue Edinburgh EH12 9JN
Solicitors	Blackadders 30 & 34 Reform Street Dundee DD1 1RJ

NETLATCH LIMITED

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NETLATCH LIMITED

Chartered accountants' report to the board of directors on the preparation of the unaudited statutory financial statements of Netlatch Limited for the year ended 31 March 2019

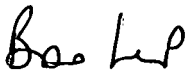
In order to assist you to fulfil your duties under the Companies Act 2006, we have prepared for your approval the financial statements of Netlatch Limited for the year ended 31 March 2019 which comprise the balance sheet and the related notes from the company's accounting records and from information and explanations you have given us.

As a practising member firm of the Institute of Chartered Accountants in England and Wales (ICAEW), we are subject to its ethical and other professional requirements which are detailed at <http://www.icaew.com/en/members/regulations-standards-and-guidance/>.

It is your duty to ensure that Netlatch Limited has kept adequate accounting records and to prepare statutory financial statements that give a true and fair view of the assets, liabilities, financial position and loss of Netlatch Limited. You consider that Netlatch Limited is exempt from the statutory audit requirement for the year.

We have not been instructed to carry out an audit or review of the financial statements of Netlatch Limited. For this reason, we have not verified the accuracy or completeness of the accounting records or information and explanations you have given to us and we do not, therefore, express any opinion on the statutory financial statements.

This report is made solely to the board of directors of Netlatch Limited, as a body, in accordance with the terms of our engagement letter. Our work has been undertaken solely to prepare for your approval the financial statements of Netlatch Limited and state those matters that we have agreed to state to the board of directors of Netlatch Limited, as a body, in this report in accordance with ICAEW Technical Release TECH07/16AAF. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Netlatch Limited and its board of directors, as a body, for our work or for this report.



23 December 2019

BDO LLP
Chartered accountants
Edinburgh
United Kingdom

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

NETLATCH LIMITED
Registered number: SC222822

Balance sheet
As at 31 March 2019

	Note	2019 £	2018 £
Fixed assets			
Tangible assets	5	20,658	30,286
Investment property	6	2,550,000	10,059,982
		<u>2,570,658</u>	<u>10,090,268</u>
Current assets			
Debtors: amounts falling due within one year	7	139,975	84,560
Cash at bank and in hand	8	111,668	12,317
		<u>251,643</u>	<u>96,877</u>
Creditors: amounts falling due within one year	10	(452,937)	(1,654,381)
Net current liabilities		<u>(201,294)</u>	<u>(1,557,504)</u>
Total assets less current liabilities		<u>2,369,364</u>	<u>8,532,764</u>
Creditors: amounts falling due after more than one year	11	(7,370,472)	(12,318,403)
Provisions for liabilities			
Deferred tax	13	-	(321,704)
		<u>-</u>	<u>(321,704)</u>
Net liabilities		<u>(5,001,108)</u>	<u>(4,107,343)</u>
Capital and reserves			
Called up share capital	14	1,001,000	1,001,000
Revaluation reserve	15	-	1,570,669
Profit and loss account	15	(6,002,108)	(6,679,012)
		<u>(5,001,108)</u>	<u>(4,107,343)</u>

NETLATCH LIMITED
Registered number: SC222822

Balance sheet (continued)
As at 31 March 2019

The directors consider that the company is entitled to exemption from audit under section 477 of the Companies Act 2006 and members have not required the company to obtain an audit for the year in question in accordance with section 476 of Companies Act 2006.

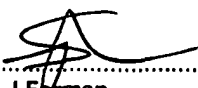
The directors acknowledge their responsibilities for complying with the requirements of the Companies Act 2006 with respect to accounting records and the preparation of financial statements.

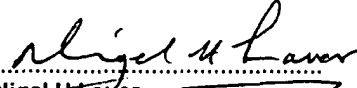
The financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime and in accordance with the provisions of FRS 102 Section 1A - small entities.

The financial statements have been delivered in accordance with the provisions applicable to companies subject to the small companies regime.

The company has opted not to file the statement of comprehensive income in accordance with provisions applicable to companies subject to the small companies' regime.

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


.....
Saul J Forman
Director


.....
Nigel H Laver
Director

22/12/2019

The notes on pages 4 to 14 form part of these financial statements.

NETLATCH LIMITED

Notes to the financial statements For the year ended 31 March 2019

1. General information

Netlatch Limited is a private company, limited by shares, with registered number SC222822, incorporated in Scotland, UK. The address of its registered office is Citypoint, 65 Haymarket Terrace, Edinburgh, EH12 5HD and the address of its principal place of business is 1 Globe Road, Rosyth, Dunfermline, KY11 2AQ.

The principal activity of the company is property investment and provision of short term serviced accommodation.

The functional and presentational currency of the company is GBP. These financial statements are rounded to the nearest £1.

2. Accounting policies

Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Section 1A of Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The provisions of FRS 102 Section 16 in relation to fair value assessment of investment properties have not been fully complied with as explained in note 2.9 below.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the company's accounting policies (see note 3).

The following principal accounting policies have been applied:

2.1 Going concern

The company has net current liabilities of 201,294 (2018 - £1,557,504), and net liabilities of £5,001,108 (2018 - £4,107,343). Loss after tax for the year is £642,362 (2018 - £8,135,073).

The company is reliant upon the support of Troon Investment Holdings Limited as the principal creditor of the company. The directors are confident that the bond will not be called in and are therefore satisfied that the going concern basis of preparation continues to be appropriate. The financial statements do not include any adjustments that would result if the company was unable to continue as a going concern.

2.2 Revenue

Revenue is recognised to the extent that it is probable that the economic benefit will flow to the company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, excluding value added tax and other sales taxes. Revenue comprises rent received for short term property and serviced accommodation during the year and is recognised on an accruals basis.

2.3 Finance costs

Finance costs are charged to the statement of comprehensive income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

NETLATCH LIMITED

Notes to the financial statements For the year ended 31 March 2019

2. Accounting policies (continued)

2.4 Borrowing costs

All borrowing costs are recognised in the statement of comprehensive income in the year in which they are incurred.

2.5 Pensions

Defined contribution pension plan

The company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. Once the contributions have been paid the company has no further payment obligations.

The contributions are recognised as an expense in the statement of comprehensive income when they fall due. Amounts not paid are shown in accruals as a liability in the balance sheet. The assets of the plan are held separately from the company in independently administered funds.

2.6 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the statement of comprehensive income, except that a charge 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 tax 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 tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

2.7 Exceptional items

The exceptional item relates to the provision against amounts owed to group undertakings and has been presented separately due to its size.

2.8 Tangible fixed assets

Tangible fixed assets, other than investment properties, are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

NETLATCH LIMITED

Notes to the financial statements For the year ended 31 March 2019

2. Accounting policies (continued)

2.8 Tangible fixed assets (continued)

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Motor vehicles	- 12.5%
Fixtures & fittings	- 10%

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the statement of comprehensive income.

2.9 Investment property

Investment property is carried at fair value determined annually 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 statement of comprehensive income.

2.10 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.

2.11 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.

2.12 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

NETLATCH LIMITED

Notes to the financial statements For the year ended 31 March 2019

2. Accounting policies (continued)

2.13 Financial instruments

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in the case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the statement of comprehensive income.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the company would receive for the asset if it were to be sold at the balance sheet date.

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Derivatives, including interest rate swaps, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in the statement of comprehensive income in interest payable and expenses. The company does not currently apply hedge accounting for interest rate.

3. Judgments in applying accounting policies and key sources of estimation uncertainty

In preparing these financial statements, the directors have made the following judgements:

Fixed assets

The directors determine whether there are indicators of impairment of the company's fixed assets. Factors taken into consideration in reaching such a decision include economic viability and expected future usage and economic benefits derived from the tangible fixed assets.

Investment properties

The directors determine whether investment property is carried at fair value and derived from the current market rents and investment property yields for comparable real estate, adjusted if necessary for and difference in the nature, location or condition of the specific asset. There is an inevitable degree of judgement involved in that each property is unique and value can only ultimately be reliably tested in the market itself.

NETLATCH LIMITED

Notes to the financial statements For the year ended 31 March 2019

4. Employees

The average monthly number of employees, including the directors, during the year was as follows:

	2019 No.	2018 No.
Employees	12	22

5. Tangible fixed assets

	Motor vehicles £	Fixtures & fittings £	Total £
Cost			
At 1 April 2018	4,963	301,510	306,473
Additions	5,981	-	5,981
Disposals	(10,944)	(182,330)	(193,274)
At 31 March 2019	-	119,180	119,180
Depreciation			
At 1 April 2018	4,030	272,157	276,187
Charge for the year on owned assets	-	6,953	6,953
Disposals	(4,030)	(180,588)	(184,618)
At 31 March 2019	-	98,522	98,522
Net book value			
At 31 March 2019	-	20,658	20,658
At 31 March 2018	933	29,353	30,286

NETLATCH LIMITED

Notes to the financial statements For the year ended 31 March 2019

6. Investment property

	Freehold investment property £
Valuation	
At 1 April 2018	10,059,982
Disposals	(6,419,982)
Surplus on revaluation	(1,090,000)
At 31 March 2019	2,550,000

The latest valuation of the investment properties are as follows:

Rosyth

Investment properties in Rosyth were revalued by Graham & Sibbald, Chartered Surveyors, on 24 October 2018. The directors have chosen to use the valuation provided on the basis that the remaining property would be sold as a group sale, rather than on a piecemeal basis. Adopting this valuation approach results in an impairment of £1,090,000 which is recognised in the statement of comprehensive income.

If the Investment properties had been accounted for under the historic cost accounting rules, the properties would have been measured as follows:

	2019 £	2018 £
Historical cost	2,792,123	8,167,610
Accumulated depreciation	(949,321)	(1,910,566)
	1,842,802	6,257,044

NETLATCH LIMITED

Notes to the financial statements For the year ended 31 March 2019

7. Debtors

	2019 £	2018 £
Trade debtors	95,264	61,324
Other debtors	40,718	23,026
Prepayments	-	210
Tax recoverable	3,993	-
	<u>139,975</u>	<u>84,560</u>

8. Cash and cash equivalents

	2019 £	2018 £
Cash at bank and in hand	111,668	12,317
Less: bank overdrafts	-	(102,810)
	<u>111,668</u>	<u>(90,493)</u>

9. Contingent asset

The company has a contingent asset due to the disposal of freehold investment property in the period to the value of £5,890,000. The company may earn future proceeds on the disposal should the purchaser achieve certain agreed upon targets, however these financial statements do not include any adjustment for these future amounts due to the uncertainty of them being received.

NETLATCH LIMITED

Notes to the financial statements For the year ended 31 March 2019

10. Creditors: Amounts falling due within one year

	2019 £	2018 £
Bank overdrafts	-	102,810
Bank loans	-	748,379
Other loans	310,303	358,192
Trade creditors	8,965	40,504
Corporation tax	-	150,740
Other taxation and social security	-	4,918
Other creditors	91,606	192,483
Accruals and deferred income	42,063	52,200
Interest rate swap	-	4,155
	452,937	1,654,381

11. Creditors: Amounts falling due after more than one year

	2019 £	2018 £
Bank loans	-	3,211,813
Deep discount bond	7,120,472	8,856,590
Other creditors	250,000	250,000
	7,370,472	12,318,403

Secured loans

The other creditors are loans due to Michael J Saunders and Nigel H Lauer, which are back to back loans from Troon Investment Holdings Limited.

The deep discount bond is secured by a standard security over the investment properties, a floating charge over the assets of the company and a debenture held by the parent company creating fixed and floating charges over its assets.

There is an intercreditor agreement in place which ranks the deep discount bonds ahead of the other loans.

NETLATCH LIMITED

Notes to the financial statements For the year ended 31 March 2019

12. Loans

Analysis of the maturity of loans is given below:

	2019 £	2018 £
Amounts falling due within one year		
Bank loans	-	748,379
Other loans	310,303	358,192
	<u>310,303</u>	<u>1,106,571</u>
Amounts falling due 1-2 years		
Bank loans	-	748,379
Amounts falling due 2-5 years		
Bank loans	-	2,463,434
Deep discount bond	7,120,472	6,053,435
Amounts falling due after more than 5 years		
Deep discount bond	-	2,803,155
	<u>7,430,775</u>	<u>13,174,974</u>

The other loan is secured by a personal guarantee from Michael J Saunders and Nigel H Lauer.

The deep discount bonds are issued at a discount to the amount repayable. Of the bonds £6,053,435 (2018 - £6,053,435) is repayable subject to the intercreditor agreement as described in note 11. £1,067,037 (2018 - £2,803,155) is repayable on 31 December 2023 at a value of £5,705,844.

NETLATCH LIMITED

Notes to the financial statements For the year ended 31 March 2019

13. Deferred taxation

	2019 £	2018 £
At beginning of year	(321,704)	(1,044,495)
Credited to profit or loss	321,704	722,791
At end of year	-	(321,704)

The deferred taxation balance is made up as follows:

	2019 £	2018 £
Revaluation of investment properties	-	(321,704)
	-	(321,704)

There is an unrecognised deferred tax asset of £35,055 (2018 - £455,249) in respect of fixed asset timing differences and other timing differences on the deep discounted bond. The deferred tax asset has not been recognised due to uncertainty over its recoverability in future years.

14. Share capital

	2019 £	2018 £
Allotted, called up and fully paid		
250 (2018 - 250) Ordinary A shares of £1.00 each	250	250
750 (2018 - 750) Ordinary B shares of £1.00 each	750	750
1,000,000 (2018 - 1,000,000) Ordinary C shares of £1.00 each	1,000,000	1,000,000
	1,001,000	1,001,000

The Ordinary A shares have ten votes per share, rank equally with Ordinary B and Ordinary C shares for rights to dividends, rights to capital distributions and no redemption rights.

The Ordinary B shares have one vote per share, rank equally with Ordinary A and Ordinary C shares for rights to dividends, rights to capital distributions and no redemption rights.

The Ordinary C shares have no voting rights, rank equally with Ordinary A and Ordinary B shares for rights to dividends, rights to capital distributions and no redemption rights.

NETLATCH LIMITED

Notes to the financial statements For the year ended 31 March 2019

15. Reserves

Revaluation reserve

The revaluation reserve represents the revaluation of the land and buildings fixed assets.

Profit & loss account

The profit and loss account represents the accumulated profit and losses on the activities of the company.

16. Related party transactions

The company is a subsidiary of Capital & Provincial (Realty) Limited and has taken advantage of the exemption conferred by section 33 of FRS102 'Related Party Disclosures' not to disclose transactions with Capital & Provincial (Realty) Limited.

Included within other creditors is £125,000 (2018 - £125,000) due to Nigel Howard Lauer, a director of the company, which is a back to back loan due to Troon Investment Holdings Limited.

Included within other creditors is £125,000 (2018 - £125,000) due to Michael John Saunders, who served as a director of the company in prior years, which is a back to back loan due to Troon Investment Holdings Limited.

Included within other debtors is £16,474 (2018 - £16,474) due from Michael John Saunders, who served as a director of the company in prior years.

Included within other loans falling due after more than one year is an amount due in respect of a deep discount bond of £7,120,472 (2018 - £8,856,590) due to Troon Investment Holdings Limited, a related party. Discount unwind of £504,274 (2018 - £504,274) was charged to interest payable during the year.

During the year travel expenses of £1,092 (2018 - £6,728) were paid to Capital & Provincial Property Company Limited, a company with common directors. Amounts due to Capital & Provincial Property Company Limited are £nil (2018 - £1,220).

During the year payments of £6,049 (2017 - £11,519) were made to Capital & Provincial (Rosyth) Limited, a company with common directors. The company received £78,588 from customers in the period for services supplied by Capital & Provincial (Rosyth) Limited. Additionally expenses recharged in the period amounted to £72,539. Amounts due to Capital & Provincial (Rosyth) Limited are £nil (2017 - £Nil).

Included within amounts owed to related parties is £nil (2018 - £nil) due to Troon Investment Holdings Limited. During the year company received £163,000 and repaid £163,000.

During the year, fees of £110,880 (2018 - £110,880) were payable to a company for management services in relation to one of the directors.

17. Controlling party

The ultimate holding company is Capital & Provincial (Realty) Limited (SC428575), however control rests with Troon Investment Holdings Limited, registered address: C/O: Abacus Trust And Management Services Limited, Road Town, Tortola, British Virgin Islands.

The ultimate controlling party is Credo Property III Limited due to its control over Troon Investment Holdings Limited. Credo Properties III Limited has registered address: C/O: Abacus Trust And Management Services Limited, Road Town, Tortola, British Virgin Islands.