

Avanta Properties (No.2) Limited

REPORT AND FINANCIAL STATEMENTS

For the year ended
31 March 2009

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COMPANIES HOUSE

Company Registration No. 6406288

Avanta Properties (No.2) Limited

DIRECTORS, OFFICERS AND ADVISORS

DIRECTORS

RWM Brook
DAV Alberto
AD Pepper
DJ Kinnaird

COMPANY SECRETARY

P Alexander
RBS Nominees Limited

REGISTERED OFFICE

1 Lyric Square
London
W6 ONB

REGISTERED AUDITOR

Baker Tilly UK Audit LLP
Registered Auditor
Chartered Accountants
2 Bloomsbury Street
London WC1B 3ST

Avanta Properties (No.2) Limited

DIRECTORS' REPORT

The directors submit their report and the financial statements of Avanta Properties (No. 2) Limited for the year ended 31 March 2009.

PRINCIPAL ACTIVITIES

The principal activity of the company during the period was the acquisition and refurbishment of buildings for the purposes of letting.

REVIEW OF THE BUSINESS

The directors are satisfied with the result for the period and financial position of the company at the period end.

POST BALANCE SHEET EVENTS

During the year the company breached certain loan covenants associated with its borrowings which has resulted in borrowings of £2,189,825 being reclassified as current liabilities for the year ended 31 March 2009. Since the year end the company has received confirmation from its bankers that they will not seek repayment of these loans as at the date of approval of these financial statements. If this had been received by 31 March 2009 these borrowings would have been classified as long term liabilities.

DIVIDENDS

The directors do not recommend the payment of a dividend (2008: £nil).

PRIOR YEAR ADJUSTMENT

UK GAAP requires that all pre-opening costs in relation to a newly acquired building are capitalised as part of the cost of that building. The impact of this prior year adjustment is disclosed in the notes to the accounts.

DIRECTORS

The following directors held office during the period:

RWM Brook	
DAV Alberto	
AD Pepper	
S Dempsey	(Resigned 12 June 2009)
DJ Kinnaird	(Appointed 25 September 2008)

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITOR

The directors who were in office on the date of approval of these financial statements have confirmed, as far as they are aware, that there is no relevant audit information of which the auditor is unaware. Each of the directors have 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.

Avanta Properties (No.2) Limited


DIRECTORS' REPORT

AUDITOR

The auditor, Baker Tilly UK Audit LLP, Chartered Accountants, has indicated its willingness to continue in office.

This report has been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

By order of the board


P Alexander
Secretary

26 January 2010

Avanta Properties (No.2) Limited

DIRECTORS' RESPONSIBILITIES IN THE PREPARATION OF FINANCIAL STATEMENTS

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable laws and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to 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 those financial statements, the directors are required to:

- a. select suitable accounting policies and then apply them consistently;
- b. make judgements and estimates that are reasonable and prudent;
- c. 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 proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the requirements of the Companies Act 1985. 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF AVANTA PROPERTIES (NO. 2) LIMITED

We have audited the financial statements on pages 7 to 14.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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 opinion we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition, we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

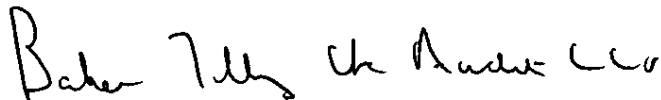
Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs at 31 March 2009 and of its loss for the period then ended and have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

Emphasis of matter - Going concern

In forming our opinion on the financial statements, which is not qualified, we have considered the adequacy of the disclosures made in the accounting policies on page 9 of the financial statements concerning the Company's ability to continue as a going concern. For the year ended 31 March 2009 the Company had net losses of £73,170 (2008: £10,130 net loss). During the year the Company breached certain loan covenants associated with its borrowings which has resulted in borrowings of £2,189,825 being reclassified as current liabilities for the year ended 31 March 2009. This has resulted in the Company's current liabilities exceeded its current assets by £2,867,586. These conditions, along with the other matters explained in the accounting policies on page 9 of the financial statements, could indicate the existence of an uncertainty which may cast doubt about the Company's ability to continue as a going concern. Since the year end the Company has received confirmation from its bankers that they will not seek repayment of these loans as at the date of approval of these financial statements. In addition, the directors have received an undertaking from Avanta Group Limited that it will provide financial support for at least 12 months from the date of approval of these financial statements to enable the company to meet its liabilities as they fall due. The financial statements do not include the adjustments that would result if the Company was unable to continue as a going concern.



BAKER TILLY UK AUDIT LLP
Registered Auditor
Chartered Accountants
2 Bloomsbury Street
London WC1B 3ST

26 January 2010

Avanta Properties (No.2) Limited
PROFIT AND LOSS ACCOUNT
for the year ended 31 March 2009

	Note	2009 £	2008 £ (restated)
TURNOVER	1	189,922	-
Cost of sales		-	-
GROSS PROFIT		<u>189,922</u>	<u>-</u>
Administrative expenses		(54,063)	(10,130)
OPERATING PROFIT / (LOSS)		<u>135,859</u>	<u>(10,130)</u>
Interest payable (net)	4	(209,029)	-
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	2	<u>(73,170)</u>	<u>(10,130)</u>
Taxation	5	-	-
LOSS ON ORDINARY ACTIVITIES AFTER TAX	11	<u>(73,170)</u>	<u>(10,130)</u>
STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES			
Loss for the financial year		(73,170)	(10,130)
Unrealised (deficit) / surplus on revaluation of property	10	(500,518)	500,518
Total gains and losses relating to the year		<u>(573,688)</u>	<u>490,388</u>

The operating profit for the period arises from the company's continuing operations.

Avanta Properties (No.2) Limited

BALANCE SHEET

As at 31 March 2009

Company Registration No: 6406288

	Note	2009 £	2008 £ (restated)
FIXED ASSETS			
Tangible assets	6	2,784,287	3,241,807
CURRENT ASSETS			
Debtors	7	87,506	416,558
Cash at bank and in hand		2,997	1,435
		90,503	417,993
Creditors: Amounts falling due within one year	8	(2,958,089)	(3,169,411)
NET CURRENT LIABILITIES		(2,867,586)	(2,751,418)
TOTAL ASSETS LESS CURRENT LIABILITIES		(83,299)	490,389
NET (LIABILITIES) / ASSETS		(83,299)	490,389
CAPITAL AND RESERVES			
Called up share capital	9	1	1
Revaluation reserve	10	-	500,518
Profit and loss account	11	(83,300)	(10,130)
EQUITY SHAREHOLDER'S FUNDS	12	(83,299)	490,389

These financial statements have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

Approved by the board and authorised for issue on 26 January 2010.



Avanta Properties (No.2) Limited

ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The financial statements have been prepared under the historical cost convention modified to include the revaluation of investment properties.

GOING CONCERN

For the year ended 31 March 2009 the Company had net losses of £73,170 (2008: £10,130 net loss). At 31 March 2009, the company had net current liabilities of £2,867,586 (2008: £2,751,418). Included within current liabilities are bank loans which had covenants relating to the ratio of the loan value to the value of the investment property. At the 31 March 2009 the loan to value covenant in relation to this loan was breached and consequently the loan became repayable on demand and is included as a current liability.

Subsequent to the year ended 31 March 2009 the Group has renegotiated its banking arrangements in respect of these property related bank loans and obtained formal waivers in respect of any covenant breaches and accordingly these loans are not redeemable on demand. Notwithstanding this, due to the situation in existence at 31 March 2009 these loans are required to be shown in current liabilities. If this had not been the case net current liabilities would have been £677,761 (2008: £2,751,418).

In addition, the directors have received an undertaking from Avanta Group Limited that it will provide financial support for at least 12 months from the date of approval of these financial statements to enable the company to meet its liabilities as they fall due.

On the basis of the above information and after considering the Company's cash flow requirements for a period of 12 months from the date of approval of these financial statements, the directors have concluded that it is appropriate to prepare these financial statements on the going concern basis.

INVESTMENT PROPERTIES

Investment properties are accounted for in accordance with SSAP 19, "Accounting for Investment Properties", which provides that these should not be subject to periodic depreciation charges (unless held on lease), but should be shown at open market value. This is contrary to the Companies Act 1985 which states that, subject to any provision for depreciation or diminution in value, fixed assets are normally to be stated at purchase price or production cost. Current cost accounting or the revaluation of specific assets to market value, as determined at the date of their last valuation, is also permitted.

The treatment of investment properties under the Companies Act does not give a true and fair view as these assets are not held for consumption in the business but as investments, the disposal of which would not materially affect any manufacturing or trading operations of the enterprise. In such a case it is the current value of these investments, and changes in that current value, which are of prime importance. Consequently, for the proper appreciation of the financial position, the accounting treatment required by SSAP 19 is considered appropriate for investment properties.

Included in the carrying value of the investment property is capitalised interest of £69,044.

PRIOR YEAR ADJUSTMENT

UK GAAP requires that all costs incurred in bringing an asset to its current location and condition are capitalised such that all pre-opening costs in relation to a newly acquired building are capitalised as part of the cost of that building. Interest costs incurred pre-opening of £69,044 have been recognised as a prior year adjustment. Administration costs in the period to 31 March 2008 have been decreased by £69,044 which has the effect of increasing the retained profit for the period by the same amount.

Avanta Properties (No.2) Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2009

1 TURNOVER

The company's turnover and profit on ordinary activities before taxation was made in the United Kingdom.

2 LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

	2009 £	2008 £ (restated)
Loss on Ordinary Activities before taxation is stated after charging:		
Auditors Remuneration		
- Statutory audit	1,210	-
- Tax compliance	894	-
- Owned assets	-	280
	<hr/> <hr/>	<hr/> <hr/>

3 EMPLOYEES

No director received any remuneration from the company during the year. Apart from the directors of the company, there were no other employees of the company.

4 INTEREST RECEIVABLE / (PAYABLE)

	2009 £	2008 £ (restated)
Bank interest receivable	3,257	1,435
Bank interest payable	(105,194)	-
Intercompany interest	(107,092)	(1,435)
Interest payable (net)	<hr/> (209,029) <hr/>	<hr/> - <hr/>

5 TAXATION

	2009 £	2008 £ (restated)
Current Tax:		
UK Corporation tax on profits on the period	-	-
Total Current Tax	<hr/> - <hr/>	<hr/> - <hr/>
Deferred Taxation:		
Origination and reversal of timing differences	-	-
Total deferred tax	<hr/> - <hr/>	<hr/> - <hr/>
Tax on profit on ordinary activities	<hr/> - <hr/>	<hr/> - <hr/>

Avanta Properties (No.2) Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2009

5 TAXATION (continued)	2009 £	2008 £ (restated)
Factors affecting tax charge for the period:		
The tax assessed for the period is higher than the standard rate of corporation tax in the UK. The differences are explained below:		
Loss on ordinary activities before tax	(73,170)	(10,130)
Profit on ordinary activities multiplied by standard rate or corporation tax in the UK of 28% (2008: 30%)	(20,488)	(3,039)
Effects of:		
Expenses not deductible for tax purposes	6,155	2,402
Other timing differences	-	(21,118)
Capital allowances in excess of depreciation	(19,828)	(823)
Losses carried forward	34,161	22,175
Tax charge for the period	-	(403)

The company has unrelieved tax losses of £222,682 (2008: £100,679) which, subject to agreement with the Inland Revenue, are available to carry forward and offset against future profits of the same trade.

A deferred tax asset of £39,475 (2008: £28,190) has not been provided in respect of those losses, net of a liability on accelerated capital allowances of £26,876 (2008: £7,048) as the recoverability is uncertain for the foreseeable future.

6 TANGIBLE FIXED ASSETS	Investment Property £	Fixtures & Fittings £	Total £
Valuation			
1 April 2008 (restated)	3,229,189	12,898	3,242,087
Revaluation	(500,518)	-	(500,518)
Additions	88,147	-	88,147
Reclassification	-	-	-
Diposals	(32,531)	(12,898)	(45,429)
31 March 2009	2,784,287	-	2,784,287
Depreciation			
As at 1 April 2008 (restated)	-	280	280
Disposals	-	(280)	(280)
31 March 2009	-	-	-

Avanta Properties (No.2) Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2009

6 TANGIBLE FIXED ASSETS (continued)	Investment Property £	Fixtures & Fittings £	Total £
Net book value			
31 March 2009	<u>2,784,287</u>	<u>-</u>	<u>2,784,287</u>
31 March 2008	<u>3,229,189</u>	<u>12,618</u>	<u>3,241,807</u>

The historical cost of the revalued freehold property is £1,850,000. The property is revalued annually, which the directors consider necessary in order to show a true and fair view. No depreciation is provided in respect of investment properties. The last professional valuation of the investment property was made on 31 March 2008 by Colliers CRE, Chartered Surveyors, on an existing use open market value basis, in accordance with the Statement of Assets Valuation Practice No. 4 and the Guidance Notes of the Royal Institution of Chartered Surveyors. The valuation has been completed by the directors, which has the effect of decreasing net assets by £499,168 (2008: increase of £499,168). No depreciation is provided in respect of investment properties.

7 DEBTORS	2009 £	2008 £
Other debtors	11,225	-
Tax and social security	-	416,558
Prepayments and accrued income	76,281	-
	<u>87,506</u>	<u>416,558</u>
8 CREDITORS: Amounts falling due within one year	2009 £	2008 £
Trade creditors	-	31,896
Amounts owed to group undertakings	723,171	2,941,136
Tax and social security	7,925	-
Other creditors	5,501	-
Accruals and deferred income	31,667	196,379
Bank loan	2,189,825	-
	<u>2,958,089</u>	<u>3,169,411</u>

The bank loan is repayable on 5 June 2011. Interest is payable at a rate of LIBOR plus 1.75% per annum.

The loan is secured on the property owned by the company. In addition, the company's fellow subsidiary, Avanta Properties (Heathrow) Limited has provided a guarantee to the bank in respect the loan.

Avanta Properties (No.2) Limited
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2009

9 SHARE CAPITAL	2009	2008
	£	£
Authorised		
100 Ordinary Shares of £1 each	100	100
Allotted , issued and fully paid		
1 Ordinary shares of £1 each	1	1
10 REVALUATION RESERVE	2009	2008
	£	£
1 April	500,518	-
(Devaluation) / Revaluation in the period	(500,518)	500,518
31 March	-	500,518
11 PROFIT AND LOSS ACCOUNT	2009	2008
	£	£
		(restated)
1 April (restated)	(10,130)	-
Loss for the financial year	(73,170)	(10,130)
31 March	(83,300)	(10,130)
12 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS	2009	2008
	£	£
		(restated)
Loss for the financial year	(73,170)	(10,130)
Unrealised (loss) / gain on revaluation of property	(500,518)	500,518
Share Issue	-	1
	(573,688)	490,389
Opening Shareholders Funds (restated)	490,389	-
Closing Shareholders Funds	(83,299)	490,389

13 CAPITAL COMMITMENTS

As at March 2009 the Company had outstanding contractual capital commitments of £nil (2008: £569,027).

14 IMMEDIATE AND ULTIMATE PARENT COMPANY

The company's immediate parent company is Avanta Group Limited, a company incorporated in England and Wales. This is also the ultimate parent company of the group.

15 RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemption in FRS 8 that transactions do not need to be disclosed with companies 90% or more of whose voting rights are controlled within the group.

Avanta Properties (No.2) Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2009

16 CONTROL

The company is part of the group controlled by Kenmore Private Equity Limited.

17 POST BALANCE SHEET EVENT

During the year the company breached certain loan covenants associated with its borrowings which has resulted in borrowings of £2,189,825 being reclassified as current liabilities for the year ended 31 March 2009. Since the year end the company has received confirmation from its bankers that they will not seek repayment of these loans as at the date of approval of these financial statements. If this had been received by 31 March 2009 these borrowings would have been classified as long term liabilities.