

**Sydney & London Properties Limited and  
subsidiary undertakings**

Directors' report and consolidated  
financial statements

. Registered number 2124766

31 March 2011

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## Chief Executive's Report

The Group has performed well during a year in which the commercial property investment market remained challenging and volatile. This performance reflects the quality of our portfolio and our asset management skills.

The valuation of our UK portfolio rose by 2% to £15,300,000 and our European portfolio rose by 8% to £15,900,000.

After a difficult first half, we began to see a significant increase in investor demand for prime UK property assets. Quality assets at the right price have been scarce which coupled with the banks' restrictive credit policies has made the economics of investment very difficult hence no acquisitions have been made during the year.

Net assets of the group have increased, before dividend payments, by 4%.

Actions have been taken to reduce future financing risks by the purchase of interest rate caps referred to below.

### Group Results

The pre-tax loss for the year was £399,413 (2010: loss of £1,266,979). The pre-tax loss was arrived at after taking into account asset write downs which include hedging instrument impairment of £331,000 and a foreign exchange loss of £124,000.

### Dividends

Dividends totalling £2,000,000 were paid during the year (2010: nil).

### Group Balance Sheet

Shareholder funds have decreased by £1,285,000. However, it should be noted that shareholder funds before dividend payments have increased by £715,000.

The Group continues to be liquid with cash balances totalling £3,359,971 (2010: £9,659,839).

### Significant Events

- Entering into £24,000,000 of interest rate caps with start dates in July 2013 and strike rates averaging 3.7% at a cost of £580,000. This will protect the Group from the risk of interest rate rises in the next 5 years.
- Siemens agreed to extend their lease for the property in Aberdeen subject to our providing an extension to the building. Construction of the extension was completed shortly after the year end.
- Terms agreed shortly after the year end for the sale of Sydney & Ballater Properties Limited whose principal asset is the extended property at Aberdeen. For the purposes of the sale of the company the Aberdeen property has been valued at approximately £3,500,000.
- Plans to redevelop part of the Dumfries House, Cardiff site continue and a conditional offer of £1,750,000 has been received for the redevelopment element of the site.

## **Chief Executive's Report** *(continued)*

- In March 2011, Court appointed experts reported that the rent indemnity on the Group's property investment in Avenue des Champs Elysees, France could be determined to be significantly above the existing indemnity of €1,102,000.
- The construction phase for the redevelopment of the residential investment in Geula Street, Tel Aviv, which is owned by an investment company in which the Group owns a 16% interest, commenced in February 2011 and is due to complete in May 2012.

### **Business Review 2010**

#### *United Kingdom*

After a difficult first half, we began to see a significant increase in investor demand for prime UK property assets. Quality assets at the right price have been scarce which coupled with the banks' restrictive credit policies has made the economics of investment very difficult hence no acquisitions have been made during the year.

Occupier demand has increased in London during the year but not elsewhere in the UK.

#### *France*

The French investment market recovered well during the year. Vacant space has reduced in the Paris region. Speculative construction is unlikely to recommence until it becomes less difficult to finance.

#### *Luxembourg*

The residential investment in Tel Aviv, which is administered in Luxembourg and owned by an investment company in which the Group owns a 16% interest, continues to progress well. The construction phase of the project commenced in February 2011 following negotiation of the construction contract with Denya Cibus.

With European property investment markets improving, the Luxembourg office remains active.

### **Equity Investments**

Smart TCP, the robotic welding development company has ceased business. The slow recovery in world manufacturing has come too late. The carrying value of the Group's investment has therefore been written down completely from £204,000 to nil.

### **Future Prospects**

Economic signals are very mixed. In an era of Government austerity, inflation is rising, credit is tightening and sovereign debt is a concern. Signals from the property sector are also mixed. Prime investments are possibly overpriced, whereas, due to the banks' restrictive credit policies, there are fewer buyers for high yielding property.

Therefore, we intend to maintain high levels of liquidity while, on a selective basis, exploit any attractive property propositions as they arise.

## Chief Executive's Report *(continued)*

### Management and Staff

On 31 December 2010 Francis Cornish retired as a Non-Executive Director of the company. Francis joined us on 30 September 2003 after a distinguished career in the Diplomatic Service, culminating in his post as British Ambassador in Israel. He brought to the Board a lifetime experience covering the full range of geopolitical and economic affairs and was a source of wise counsel. We thank Francis for his input to the Board and we wish him and his wife Jane well for the future.

On 1 February 2011 Alan Jenkins was appointed as a Non-Executive Director of the company. We are delighted to welcome Alan to the Board in a non executive capacity. Alan has had a hugely distinguished legal career culminating in his position as Chairman of Eversheds LLP, one of the largest law firms in the UK and which has offices abroad. Alan has acted for the Group since 1989 and we look forward to benefitting from the breadth of his legal and commercial experience over the next few years.

The Group has performed well during a challenging year and I would like to thank all staff for their loyalty and commitment throughout the year.



Richard J Anning  
Chief Executive



2011

## Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 March 2011.

### Principal activities and business review

The Group operates in the field of property investment.

A detailed review of the activities and the development of the Group during the year is set out in the Chief Executive's report on pages 1-3.

The directors believe the significant financial risk facing the Group is globalisation of the Group's market place which will result in greater competition in all of the Group's current and future markets.

The Group's key performance indicator is movement in net assets after adjusting for non-performance related items. The reduction for the year was 8% (2010: reduction of 5%).

### Results

The loss for the financial year was £675,915 (2010: loss of £1,402,518). The Group had net assets of £15,929,247 at 31 March 2011 (2010: £17,214,127).

The Group undertakings affecting the consolidated loss and net assets in the year are listed in note 11 to the financial statements.

### Dividends

A dividend of £2,000,000 (2010: £nil) was paid during the year.

### Directors

The directors who held office during the year were as follows:

R J Anning	(Chief Executive)
D Gross	
H de Carmoy*	
SJ Childs	
R F Cornish*	(resigned 31 December 2010)
C Gautier*	
W Curtis *	
A Jenkins*	(appointed 1 Feb 2011)

\* non-executive

## Directors' report *(continued)*

### Charitable and political donations

The group made charitable donations of £34,356 during the year (2010: £55,000). The group made no political donations.

### Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware; and each director has taken all the steps that he/she ought to have taken as a director to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

### Auditors

A resolution will be proposed at the forthcoming annual general meeting for the re-appointment of KPMG LLP, who have expressed their willingness to continue in office as auditors for the ensuing year.

By order of the board



Richard J Anning  
*Chief Executive*

25 Harley Street  
London  
W1G 9BR



2011

## **Statement of directors' responsibilities in respect of the Directors' report and the financial statements**

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 they have elected to prepare the group and parent company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

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 parent company and of their profit or loss for that period. In preparing each of the group and parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and 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 parent company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.



KPMG LLP

3 Assembly Square

Britannia Quay

Cardiff

CF10 4AX

## **Independent auditor's report to the members of Sydney & London Properties Limited**

We have audited the financial statements of Sydney & London Properties Limited for the year ended 31 March 2011 set out on pages 9 to 32. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK 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 auditor**

As explained more fully in the Directors' Responsibilities Statement set out on page 6, 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 APB's web-site at [www.frc.org.uk/apb/scope/private.cfm](http://www.frc.org.uk/apb/scope/private.cfm)

### **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 March 2011 and of the group's loss for the year then ended;
- have been properly prepared in accordance with UK 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 Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

**Independent auditor's report to the members of Sydney & London Properties Limited** *(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.

*Virginia Stevens*

**Virginia J Stevens**  
(Senior Statutory Auditor)  
for and on behalf of KPMG LLP, Statutory Auditor  
Chartered Accountants

3 Assembly Square  
Britannia Quay  
Cardiff  
CF10 4AX

*5<sup>th</sup> July* 2011

**Consolidated profit and loss account**  
*for the year ended 31 March 2011*

	<i>Note</i>	Year ended 31 March 2011 £	Year ended 31 March 2010 £
<b>Turnover</b>	2	2,023,431	2,102,460
Cost of sales		1,613	(95,966)
		<hr/>	<hr/>
<b>Gross profit</b>		2,025,044	2,006,494
Administrative expenses		(1,495,467)	(1,966,046)
		<hr/>	<hr/>
<b>Operating profit</b>		529,577	40,448
Loss on sale of investment properties		-	(53,121)
Loss on sale of investments		(7,449)	(87,677)
Income from other fixed asset investments		848	2,813
Interest receivable and similar income	3	216,250	203,952
Amounts written off investments		(241,688)	(381,490)
Amounts written off other assets		(89,216)	(190,321)
Interest payable and similar charges	4	(807,735)	(801,583)
		<hr/>	<hr/>
<b>Loss on ordinary activities before taxation</b>	2-6	(399,413)	(1,266,979)
Tax on loss on ordinary activities	7	(276,502)	(147,923)
		<hr/>	<hr/>
<b>Loss on ordinary activities after taxation</b>		(675,915)	(1,414,902)
Equity minority interest	21	-	12,384
		<hr/>	<hr/>
<b>Loss for the financial year</b>	19	(675,915)	(1,402,518)
		<hr/> <hr/>	<hr/> <hr/>

The above results relate entirely to continuing activities.

**Consolidated statement of total recognised gains and losses**

*for the year ended 31 March 2011*

	Year ended 31 March 2011 £	Year ended 31 March 2010 £
Loss for the financial year	(675,915)	(1,402,518)
Unrealised surplus on revaluation of properties	1,482,491	986,589
Currency translation differences on foreign investments	(91,456)	(422,764)
	<hr/>	<hr/>
<b>Total recognised gains and losses relating to the financial year</b>	<b>715,120</b>	<b>(838,693)</b>
	<hr/> <hr/>	<hr/> <hr/>

**Consolidated note of historical cost profits and losses**

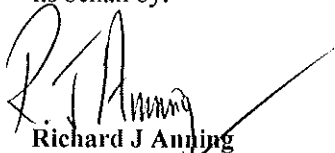
*for the year ended 31 March 2011*

	Year ended 31 March 2011 £	Year ended 31 March 2010 £
Reported loss on ordinary activities before taxation	(399,413)	(1,266,979)
Realisation of property revaluation surplus of previous years	-	270,022
	<hr/>	<hr/>
Historical cost loss on ordinary activities before taxation	(399,413)	(996,957)
	<hr/>	<hr/>
<b>Historical cost loss for the year retained after taxation, minority interest and dividends</b>	<b>(2,675,915)</b>	<b>(1,132,496)</b>
	<hr/> <hr/>	<hr/> <hr/>

**Consolidated balance sheet**  
 at 31 March 2011

	Note	31 March 2011 £	31 March 2010 £
<b>Fixed assets</b>			
Intangible assets: Goodwill	9	11,823	19,705
Tangible assets			
Investment properties	10	31,206,204	28,938,886
Investments	11	2,123,550	1,685,855
<b>Total fixed assets</b>		<b>33,341,577</b>	<b>30,644,446</b>
<b>Current assets</b>			
Debtors	12	2,024,243	1,249,828
Investments	13	24,280	976,369
Cash at bank and in hand	14	3,359,971	9,659,839
<b>Creditors: amounts falling due within one year</b>	15	<b>5,408,494 (2,471,849)</b>	<b>11,886,036 (4,366,228)</b>
<b>Net current assets</b>		<b>2,936,645</b>	<b>7,519,808</b>
<b>Total assets less current liabilities</b>		<b>36,278,222</b>	<b>38,164,254</b>
<b>Creditors: amounts falling due after more than one year</b>	16	<b>(19,867,785)</b>	<b>(20,626,787)</b>
<b>Provisions for liabilities and charges</b>	17	<b>(481,190)</b>	<b>(323,340)</b>
<b>Net assets</b>	2	<b>15,929,247</b>	<b>17,214,127</b>
<b>Capital and reserves</b>			
Share capital	18	6,500,000	6,500,000
Investment property revaluation reserve	19	8,766,918	7,352,563
Capital reserve	19	441,446	441,446
Foreign currency investment translation reserve	19	536,737	560,057
Profit and loss account	19	(315,854)	2,360,061
<b>Total shareholders' funds</b>	20	<b>15,929,247</b>	<b>17,214,127</b>

These financial statements were approved by the board of directors on 27 June 2011 and were signed on its behalf by:

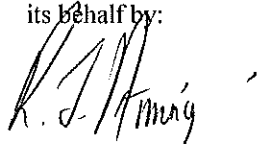
  
 Richard J Anning  
 Director

  
 Simon J Childs  
 Director

**Company balance sheet**  
 at 31 March 2011

	Note	31 March 2011 £	31 March 2010 £
<b>Fixed assets</b>			
Tangible assets			
Investment properties	10	1,475,000	1,625,000
Investments	11	1,313,075	784,342
		<hr/>	<hr/>
<b>Total fixed assets</b>		<b>2,788,075</b>	<b>2,409,342</b>
		<hr/>	<hr/>
<b>Current assets</b>			
Debtors	12	13,534,649	14,458,610
Investments	13	13,920	976,369
Cash at bank and in hand		1,921,438	7,135,409
		<hr/>	<hr/>
<b>Creditors: amounts falling due within one year</b>	15	<b>15,470,007</b> <b>(1,713,339)</b>	<b>22,570,388</b> <b>(3,684,016)</b>
		<hr/>	<hr/>
<b>Net current assets</b>		<b>13,756,668</b>	<b>18,886,372</b>
		<hr/>	<hr/>
<b>Total assets less current liabilities</b>		<b>16,544,743</b>	<b>21,295,714</b>
		<hr/>	<hr/>
<b>Creditors: amounts falling due after more than one year</b>	16	<b>(10,043,006)</b>	<b>(10,766,881)</b>
		<hr/>	<hr/>
<b>Net assets</b>		<b>6,501,737</b>	<b>10,528,833</b>
		<hr/> <hr/>	<hr/> <hr/>
<b>Capital and reserves</b>			
Share capital	18	6,500,000	6,500,000
Investment property revaluation reserve	19	473,363	623,363
Profit and loss account	19	(471,626)	3,405,470
		<hr/>	<hr/>
<b>Total shareholders' funds</b>	20	<b>6,501,737</b>	<b>10,528,833</b>
		<hr/> <hr/>	<hr/> <hr/>

These financial statements were approved by the board of directors on *17 June* 2011 and were signed on its behalf by:

  
 Richard J Anning  
 Director

  
 Simon J Childs  
 Director

**Consolidated cash flow statement**  
*for the year ended 31 March 2011*

	<i>Note</i>	Year ended 31 March 2011 £	Year ended 31 March 2010 £
Cash flow from operating activities	23	(73,591)	(428,346)
Returns on investments and servicing of finance	25	(563,947)	(611,415)
Taxation		(198,347)	(6,070)
Capital expenditure and financial investment	25	(1,737,475)	1,597,389
Equity dividends paid		(2,000,000)	-
		-----	-----
Cash (outflow)/inflow before use of liquid resources and financing		(4,573,360)	551,558
Management of liquid resources	25	944,640	1,974,521
Financing	25	(2,655,398)	(1,642,539)
		-----	-----
(Decrease)/increase in cash in the financial year		(6,284,118)	883,540
		=====	=====

**Reconciliation of net cash flow to movement in net debt**

	<i>Note</i>	Year ended 31 March 2011 £	Year ended 31 March 2010 £
(Decrease)/increase in cash in the financial year		(6,284,118)	883,540
Cash outflow/(inflow) from movement in loans and current assets		1,710,758	(331,982)
		-----	-----
Change in net debt resulting from cash flows		(4,573,360)	551,558
Foreign exchange differences		35,665	109,096
Non cash movements		(7,449)	874,372
		-----	-----
Movement in net debt in the financial year		(4,545,144)	1,535,026
Net debt at start of year	24	(13,748,916)	(15,283,942)
		-----	-----
Net debt at end of year	24	(18,294,060)	(13,748,916)
		=====	=====

## **Notes** *(forming part of the financial statements)*

### **1 Accounting policies**

The principal accounting policies applied in the preparation of the financial statements of the company and the group are described below.

#### ***Basis of preparation***

The financial statements have been prepared under the historical cost accounting rules, modified to include the revaluation of investment properties, and in accordance with applicable accounting standards and with the Companies Act 2006 except as noted under "Investment properties" below.

#### ***Basis of consolidation***

The consolidated financial statements incorporate the results of Sydney & London Properties Limited and those of its subsidiary undertakings, whose results are included from the date of acquisition and until the date of disposal. Subsidiaries acquired are accounted for under the acquisition method.

In accordance with Section 408(4) of the Companies Act 2006, the company has not presented its own profit and loss account. The loss for the financial year dealt with in the company is shown in note 19.

For participations in joint arrangements, the group includes its own share of the assets, liabilities and cash flows in the financial statements, measured according to the terms of the agreement governing the arrangement.

#### ***Turnover and profit on sale of investment properties***

Turnover, which is stated net of VAT, consists of rental income earned from properties held for investment purposes. Proceeds from the sale of investment properties are not included in turnover, and the related profit or loss is calculated with reference to the carrying amount in the balance sheet. Purchases and sales of investment properties are accounted for when exchanged contracts become unconditional.

#### ***Goodwill***

In accordance with FRS 10 'Goodwill and intangible assets', goodwill arising on acquisitions is capitalised within fixed assets and written off to nil by equal instalments over its estimated useful economic life of 10 years, with its carrying value at the end of its first full year reviewed for impairment.

#### ***Investment properties***

In accordance with SSAP 19 'Accounting for investment properties':

- investment properties are revalued annually and surpluses or deficits are transferred to a revaluation reserve unless a deficit on an individual property is considered permanent. In that case the deficit is charged to the profit and loss account and any subsequent reversal is credited to the profit and loss account in the year in which it arises; and
- no depreciation is provided in respect of freehold investment properties or leasehold interests with an unexpired term of more than 20 years.

## Notes (continued)

### 1 Accounting policies (continued)

#### *Investment properties (continued)*

This treatment is a departure from the requirements of the Companies Act concerning depreciation of fixed assets. However, the group's properties are not held for consumption but for investment and the directors consider that systematic annual depreciation would be inappropriate. The accounting policy adopted is therefore necessary for the accounts to give a true and fair view. Depreciation is only one of the many factors reflected in the annual valuation and the amount which might otherwise have been shown cannot be separately identified or quantified.

The most recent valuation of the full portfolio was at 31 March 2011. Independent professional valuations for investment properties are obtained by the directors annually.

#### *Fixed asset investments*

Fixed asset investments are shown at cost less any provision for impairment. Provisions for impairment are charged to the profit and loss account as they arise. Income is included in the consolidated financial statements for the financial year in which it is receivable, for both fixed and current asset investments.

Where endowment policies have been taken out on the lives of directors and the company is the ultimate beneficiary of the proceeds, the benefit of the endowment policies is carried in the balance sheet at cost, being the cumulative premiums paid by the company, less any provision for impairment.

#### *Current asset investments*

Current asset investments held are shown at the lower of cost or market value.

#### *Taxation*

Provision is made for corporation tax payable at current rates on profits as adjusted for tax purposes. Except where otherwise required by accounting standards, full provision for deferred tax on timing differences is made (without discounting) in accordance with FRS 19 'Deferred tax', at rates in force at the balance sheet date. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that there will be suitable taxable profits from which the future reversal of underlying timing differences can be deducted.

In the case of investment properties, where a binding sale agreement has been entered into before the balance sheet date and the company has recognised the gains and losses expected to arise on sale, deferred tax is provided based on the taxation which would arise on the disposal of such properties at their book valuation. The provision is charged to the profit and loss account or, to the extent that it relates to the investment property revaluation reserve, against that reserve.

#### *Related party transactions*

As the company is a 100% subsidiary of Gross Hill Properties Limited, the exemption under Financial Reporting Standard 8 from the requirement to disclose transactions or balances between group entities has been adopted.

#### *Foreign currency*

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

For consolidation purposes, the assets and liabilities and profit and loss accounts of overseas subsidiary undertakings are translated at the closing exchange rate. Exchange differences arising on these translations are taken directly either to the investment property revaluation reserve or to the foreign currency investment translation reserve.

**Notes** *(continued)*

**2 Turnover and segment information**

	Turnover		Loss before taxation	
	Year ended 31 March 2011 £	Year ended 31 March 2010 £	Year ended 31 March 2011 £	Year ended 31 March 2010 £
United Kingdom	1,048,210	1,043,507	(758,742)	(1,499,124)
Continental Europe	975,221	1,058,953	463,271	295,825
Middle East	-	-	(103,942)	(63,680)
	<u>2,023,431</u>	<u>2,102,460</u>	<u>(399,413)</u>	<u>(1,266,979)</u>

	Net assets	
	2011 £	2010 £
United Kingdom	3,347,023	5,443,808
Continental Europe	11,785,062	10,922,791
Middle East	797,162	847,528
	<u>15,929,247</u>	<u>17,214,127</u>

In the opinion of the directors, the group operates only one class of business, being property investment.

For management purposes the group's primary reporting format is the geographic location of its properties as set out above.

**3 Interest receivable and similar income**

	Year ended 31 March 2011 £	Year ended 31 March 2010 £
Bank interest	23,633	148,062
Other	192,617	55,890
	<u>216,250</u>	<u>203,952</u>

**Notes (continued)**

**4 Interest payable and similar charges**

	Year ended 31 March 2011 £	Year ended 31 March 2010 £
Amounts payable on bank and institutional loans and overdrafts	759,591	742,755
Amounts payable on other loans	20,268	30,921
Amounts payable on loans from joint venture partners	27,876	27,907
	807,735	801,583
	807,735	801,583

**5 Loss on ordinary activities before taxation**

	Year ended 31 March 2011 £	Year ended 31 March 2010 £
<i>Loss on ordinary activities before taxation is stated after charging:</i>		
<b>Audit services</b>		
Fees payable to the company auditor for the audit of company and consolidated accounts	20,000	21,500
Fees payable to the company auditor and associated companies for other services:		
- the audit of the company's subsidiaries pursuant to legislation	6,000	6,000
- tax services	35,921	50,347
	41,921	77,847
<b>Administration expenses</b>		
Management fees	1,280,994	1,373,059
Amortisation of goodwill	7,882	7,882
Depreciation of fixed asset investments	27,912	21,818
Exchange losses on foreign currency balances	123,793	253,689
Bad debts written off	20,868	-
	1,461,449	1,656,498
	1,461,449	1,656,498

Expenses of the company are paid by Gross Hill Management Services Limited and a management charge is made in accordance with the Management Agreement dated 26 March 2004. No remuneration has been paid to the directors in either year.

**Notes** *(continued)*

**6 Staff numbers and costs**

The average number of persons employed by the Group and Company during the year, analysed by category, was as follows:

	Number of employees Group		Number of employees Company	
	2011	2010	2011	2010
Management	1	1	-	-
Administration	1	1	-	-
	<u>2</u>	<u>2</u>	<u>-</u>	<u>-</u>

The aggregate payroll costs of these persons were as follows:

	Group		Company	
	2011 £	2010 £	2011 £	2010 £
Wages & salaries	<u>104,490</u>	<u>104,943</u>	<u>-</u>	<u>-</u>

**Notes (continued)**

**7 Taxation charge**

	Year ended 31 March 2011 £	Year ended 31 March 2010 £
<i>Current tax</i>		
UK corporation tax charge on profits for the year	8,503	11,350
Foreign tax charge on profits for the year	107,603	100,145
Adjustments in respect of prior years	-	(207,086)
	116,106	(95,591)
<i>Deferred tax</i>		
Deferred tax charge for the year (note 17)	160,396	243,514
	276,502	147,923
	276,502	147,923

*Factors affecting the tax charge for the year*

The current tax charge for the period is higher (2010: charge is lower) than the standard rate of corporation tax in the UK of 28% (2010: 28%). The differences are explained below.

	Year ended 31 March 2011 £	Year ended 31 March 2010 £
Loss on ordinary activities before taxation	(399,413)	(1,266,979)
	(399,413)	(1,266,979)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 28% (2009: 28%)	(111,836)	(354,754)
	(111,836)	(354,754)
<i>Effects of:</i>		
Expenses not deductible for corporation tax purposes	323,227	19,284
Non taxable income	(321,912)	(785)
Difference between chargeable gains and accounting profits on sale of investment properties	-	15,935
Capital allowances for the year in excess of depreciation	(61,517)	(88,577)
Difference between UK and overseas tax on foreign profits	6,991	84,936
Increase in tax losses on which deferred tax has not been recognised	268,033	447,453
Unutilised charges	9,620	-
Consolidation adjustments to profit before tax not reflected in individual company accounts and which have no tax effect	-	(386)
Write down of value of investments	3,500	(11,611)
Adjustments in respect of prior years	-	(207,086)
	116,106	(95,591)
	116,106	(95,591)

**Notes** *(continued)*

**8 Dividends**

The aggregate dividend comprises:

	Year ended 31 March 2011	Year ended 31 March 2010
	£	£
Aggregate amount of dividends paid in the financial year	2,000,000	-

**9 Intangible fixed assets**

	Goodwill £
<i>Cost</i>	
At beginning and end of year	78,820
<i>Amortisation</i>	
At beginning of year	59,115
Charge for the year	7,882
<b>At end of year</b>	<b>66,997</b>
<i>Net book value</i>	
<b>At end of year</b>	<b>11,823</b>
At beginning of year	19,705

**Notes** *(continued)*

**10 Investment properties**

	Freehold £	Long leasehold £	Total £
<i>Group</i>			
At beginning of year	22,808,886	6,130,000	28,938,886
Additions at cost	18,148	883,300	901,448
Surplus on revaluation	895,791	586,700	1,482,491
Foreign currency revaluation	(116,622)	-	(116,622)
	<hr/>	<hr/>	<hr/>
<b>At end of year</b>	<b>23,606,203</b>	<b>7,600,000</b>	<b>31,206,203</b>
	<hr/>	<hr/>	<hr/>
<i>Company</i>			
At beginning of year	875,000	750,000	1,625,000
(Deficit)/surplus on revaluation	(200,000)	50,000	(150,000)
	<hr/>	<hr/>	<hr/>
<b>At end of year</b>	<b>675,000</b>	<b>800,000</b>	<b>1,475,000</b>
	<hr/>	<hr/>	<hr/>

The historical cost of investment properties was:

<i>Group</i>			
At end of year	15,429,421	7,009,865	22,439,286
	<hr/>	<hr/>	<hr/>
At beginning of year	15,459,758	6,126,565	21,586,323
	<hr/>	<hr/>	<hr/>
<i>Company</i>			
At end of year	410,511	591,126	1,001,637
	<hr/>	<hr/>	<hr/>
At beginning of year	410,511	591,126	1,001,637
	<hr/>	<hr/>	<hr/>

Valuations of the investment properties were prepared as at 31 March 2011 by King Sturge LLP and Cushman & Wakefield, acting as external valuers. The properties were valued on the basis of market value in accordance with the current Practice Statements and all cardinals contained within the RICS Appraisal and Valuation Standards Fifth Edition.

**Notes** *(continued)*

**11 Fixed asset investments**

	Subsidiary undertakings £	Endowment policy premiums £	Other investments £	Total £
<i>Group</i>				
At beginning of year	-	720,939	964,916	1,685,855
Additions at cost	-	31,715	804,313	836,028
Amounts written off investments	-	-	(323,973)	(323,973)
Depreciation	-	-	(27,912)	(27,912)
Foreign currency revaluation	-	-	(46,448)	(46,448)
<b>At end of year</b>	<b>-</b>	<b>752,654</b>	<b>1,370,896</b>	<b>2,123,550</b>
<i>Company</i>				
At beginning of year	63,403	720,939	-	784,342
Additions at cost	-	31,715	579,800	611,515
Amounts written off investments	-	-	(82,285)	(82,285)
Foreign currency revaluation	(497)	-	-	(497)
<b>At end of year</b>	<b>62,906</b>	<b>752,654</b>	<b>497,515</b>	<b>1,313,075</b>

**Notes** *(continued)*

**11 Fixed asset investments** *(continued)*

At 31 March 2011 the principal operating and trading entities which have been included in the consolidated accounts were:

Entity	Country of incorporation	Principal Activity	Effective proportion of equity held %
Sydney & Arbroath Properties Limited*	Scotland	Property investment	100
Sydney & Ballater Properties Limited *	Scotland	Property investment	100
Sydney & Cardiff Properties Limited* (note a)	England	Property investment	75
Sydney & Farnborough Properties Limited*	Scotland	Property investment	100
Sydney & Newfoundland Properties Limited*	England	Property investment	100
Sydney & Tavistock Properties Limited*	England	Property investment	100
Euston Estate (GP) Limited*	England	Partnership management	100
Euston Estate (No.1) Limited*	England	Holding title to property	100
Sydney & London Lux SARL*	Luxembourg	Property investment	100
Sydney & Paris Nord Lux SARL	Luxembourg	Property investment	100

\* directly owned by the company

Note a) Sydney & London Properties Limited participates in a joint arrangement with Zina Properties Limited. Accordingly, the group includes its own share of the assets, liabilities and cashflows in the consolidated financial statements, and there is no minority interest.

**Notes (continued)**

**12 Debtors**

	Group		Company	
	2011 £	2010 £	2011 £	2010 £
<i>Amounts falling due within one year</i>				
Trade debtors - rents receivable	152,815	59,893	127,439	15,008
Amounts owed by subsidiary undertakings	-	-	11,525,421	12,394,029
Other debtors and prepayments	1,871,428	1,189,935	1,881,789	2,049,573
	<u>2,024,243</u>	<u>1,249,828</u>	<u>13,534,649</u>	<u>14,458,610</u>

**13 Current asset investments**

	Group		Company	
	2011 £	2010 £	2011 £	2010 £
Other investments	24,280	976,369	13,920	976,369
	<u>24,280</u>	<u>976,369</u>	<u>13,920</u>	<u>976,369</u>

**14 Cash at bank and in hand**

Group cash balances include £691,482 (2010: £720,258) of cash deposits which are deposited as security for other loans.

**Notes (continued)**

**15 Creditors: amounts falling due within one year**

	Group		Company	
	2011 £	2010 £	2011 £	2010 £
Loan from joint arrangement partners	-	979,913	-	979,913
Amounts owed to other group companies	1,810,526	2,778,424	1,560,806	2,552,237
Corporation tax	49,211	131,449	-	-
Other creditors	65,424	70,144	1,637	2,283
Accruals and deferred income	546,688	406,298	150,896	149,583
	<u>2,471,849</u>	<u>4,366,228</u>	<u>1,713,339</u>	<u>3,684,016</u>

The shareholder loans from Gross Hill Properties Limited and its subsidiaries to the group of £1,810,526 (2010: £2,778,424) shown above are non-interest bearing and have no fixed repayment date.

**16 Creditors: amounts falling due after more than one year**

	Group		Company	
	2011 £	2010 £	2011 £	2010 £
Secured loans	13,214,067	13,249,194	3,389,288	3,389,288
Other loans	6,653,718	7,377,593	6,653,718	7,377,593
	<u>19,867,785</u>	<u>20,626,787</u>	<u>10,043,006</u>	<u>10,766,881</u>

**Secured loans**

Secured loans from banks and institutional lenders are repayable as follows:

	2011 £	2010 £
<b>Group</b>		
Between 1-2 years	7,590,000	-
Between 2-5 years	5,624,067	13,249,194
	<u>13,214,067</u>	<u>13,249,194</u>
<b>Company</b>		
Between 1-2 years	2,190,000	-
Between 2-5 years	1,199,288	3,389,288
	<u>3,389,288</u>	<u>3,389,288</u>

**Notes** *(continued)*

**16 Creditors: amounts falling due after more than one year** *(continued)*

The group has granted legal charges on each of its freehold and leasehold properties and over the endowment policies included within fixed asset investments as security for the bank and institutional loans and overdrafts.

All long term secured loans are either at fixed interest rates ranging between 3.74% and 11.56%, or at variable rates.

**Other loans**

Other loans comprise the following:

	Group		Company	
	2011	2010	2011	2010
	£	£	£	£
Loan from Soterios Limited (note 26)	1,500,000	1,500,000	1,500,000	1,500,000
Loan from Siglamo Holdings Inc (note 26)	117,000	117,000	117,000	117,000
Loan from Packston Limited	-	-	-	-
Loan from Dorsham Investments Limited (note 26)	1,949,266	1,949,266	1,949,266	1,949,266
Loan from Danzig International Consultancy Group Ltd (note 26)	286,962	303,250	286,962	303,250
Loan from Gross Hill Properties Limited (note 26)	1,000,000	3,000,000	1,000,000	3,000,000
Loans from joint arrangement partners	1,800,490	508,077	1,800,490	508,077
	<u>6,653,718</u>	<u>7,377,593</u>	<u>6,653,718</u>	<u>7,377,593</u>

The shareholder loan from Gross Hill Properties Limited to the Group of £1,000,000 (2010: £3,000,000) is non interest bearing and is repayable on 18 March 2015.

**17 Provisions for liabilities and charges - deferred taxation**

**Group**

Deferred tax liabilities and assets have been offset to the extent to which the asset and liability fall within the same tax jurisdiction, and are expected to reverse in the same period.

A deferred tax liability has been recognised in respect of:

	2011	2010
	£	£
Difference between accumulated depreciation and amortisation and capital allowances	<u>481,190</u>	<u>323,340</u>

Movements in the year:

At beginning of year	323,340
Foreign currency revaluation	(2,546)
Charge for the year in the profit and loss account	<u>160,396</u>

At end of year

481,190

The group has unprovided potential deferred tax assets at 26% (2010: 28%) as shown below. These arise as a result of unutilised tax losses of £5,389,329 (2010: £4,255,448) and future deferred capital allowances of £656,323 (2010: £820,404).

**Notes (continued)**

**17 Provisions for liabilities and charges - deferred taxation (continued)**

On 23 March 2011 the Chancellor announced the reduction in the main rate of UK corporation tax to 26% with effect from 1 April 2011. This change became substantively enacted on 29 March 2011 and therefore the effect of the rate reduction creates a reduction in the unprovided deferred tax asset which has been included in the figures above.

The Chancellor also proposed changes to further reduce the main rate of corporation tax by 1% per annum to 23% by 1 April 2014, but these changes have not yet been substantively enacted and therefore are not included in the figures above. The overall effect of the further reductions from 26% to 23%, if these applied to the unprovided deferred tax balance at 31 March 2011 would be to further reduce the unprovided deferred tax asset by approximately £181,000.

The future recoverability of these assets is dependent on a number of factors including the level of future investment, property acquisitions and disposals within the group and the manner in which these transactions are structured. In this regard it is difficult to predict the timing and extent of their future utilisation. In view of this uncertainty, no deferred tax asset has been recognised.

	Group	
	2011	2010
	Unprovided asset	Unprovided asset
	£	£
Difference between accumulated depreciation and amortisation and capital allowances	170,644	229,714
Accumulated tax losses	1,401,226	1,191,525
	1,571,870	1,421,239

No provision has been made for deferred tax on gains recognised on revaluing properties to their market value. Such tax would become payable only if the properties were sold. In view of the availability of the above tax losses no additional corporation tax would be payable in relation to UK investment properties. Foreign tax of £1,514,000 (2010: £624,000) would be payable in relation to overseas investment properties based on an overseas tax rate of 33% (2010: 33%). At present it is not envisaged that any tax will become payable in respect of revalued investment properties in the foreseeable future.

**Company**

As shown below, the company has unprovided deferred tax assets at 27% (2010: 28%) relating to unutilised tax losses of £4,058,656 (2010: £3,333,034). The elements of unprovided deferred taxation are as follows:

	Company	
	2011	2010
	Unprovided asset	Unprovided asset
	£	£
Accumulated tax losses	1,055,251	933,249
	1,055,251	933,249

**Notes (continued)**

**18 Share capital**

Group and company	2011	2010
	£	£
<i>Authorised, allotted, called up and fully paid</i>		
6,500,000 Ordinary shares of £1 each	6,500,000	6,500,000
	<u>                    </u>	<u>                    </u>

**19 Reserves**

	Capital reserve £	Foreign currency investment translation reserve £	Investment property revaluation reserve £	Profit and loss account £
<b>Group</b>				
At beginning of year	441,446	560,057	7,352,563	2,360,061
Loss for the financial year	-	-	-	(675,915)
Revaluation surplus	-	-	1,482,491	-
Dividends	-	-	-	(2,000,000)
Foreign currency retranslation	-	(23,320)	(68,136)	-
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>At end of year</b>	<b>441,446</b>	<b>536,737</b>	<b>8,766,918</b>	<b>(315,854)</b>
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>Company</b>				
At beginning of year	-	-	623,363	3,405,470
Loss for the financial year	-	-	-	(1,877,096)
Revaluation deficit	-	-	(150,000)	-
Dividends	-	-	-	(2,000,000)
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>At end of year</b>	<b>-</b>	<b>-</b>	<b>473,363</b>	<b>(471,626)</b>
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>

As provided by Section 408(4) of the Companies Act 2006, no profit and loss account is presented in respect of the company. The retained profit for the financial year dealt with in the company is shown above.

**Notes** *(continued)*

**20 Reconciliation of movements in shareholder's funds**

	Group		Company	
	2011 £	2010 £	2011 £	2010 £
Loss for the financial year	(675,915)	(1,402,518)	(1,877,096)	(25,458)
Dividends	(2,000,000)	-	(2,000,000)	-
	<hr/>	<hr/>	<hr/>	<hr/>
Retained loss	(2,675,915)	(1,402,518)	(3,877,096)	(25,458)
Surplus/(deficit) on revaluation of investment properties	1,482,491	986,589	(150,000)	50,000
Foreign currency retranslation	(91,456)	(422,764)	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Net (decrease)/increase in shareholder's funds</b>	<b>(1,284,880)</b>	<b>(838,693)</b>	<b>(4,027,096)</b>	<b>24,542</b>
Opening shareholder's funds	17,214,127	18,052,820	10,528,833	10,504,291
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Closing shareholder's funds</b>	<b>15,929,247</b>	<b>17,214,127</b>	<b>6,501,737</b>	<b>10,528,833</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

**21 Minority interest**

	2011 £	2010 £
At beginning of year	-	46,582
Share of loss for the year	-	(12,384)
Share of dividend paid during the year	-	(34,198)
	<hr/>	<hr/>
<b>At end of year</b>	<b>-</b>	<b>-</b>
	<hr/> <hr/>	<hr/> <hr/>

**22 Contingent liabilities**

*Company*

In respect of loans to certain subsidiary undertakings the company has provided a guarantee for an amount up to £7,800,000 (2010: £7,800,000) in excess of the amounts dealt with in its own financial statements.

**Notes (continued)**

**23 Reconciliation of operating profit to net cash flow from operating activities**

	2011 £	2010 £
Operating profit	529,577	40,448
Increase in debtors	(810,111)	(398,434)
Increase/(decrease) in creditors	171,149	(100,060)
Amortisation of goodwill	7,882	7,882
Depreciation	27,912	21,818
	(73,591)	(428,346)
Net cash outflow from operating activities	(73,591)	(428,346)

**24 Analysis of net debt**

	At 1 April 2010 £	Cash flow £	Exchange movements £	Other non- cash changes £	At 31 March 2011 £
Cash in hand and at bank	9,659,839	(6,284,118)	(15,750)	-	3,359,971
Debt due within one year: Other loans	(3,758,337)	967,898	-	979,913	(1,810,526)
Debt due after one year: Secured loans and other loans	(20,626,787)	1,687,500	51,415	(979,913)	(19,867,785)
Current asset investments	976,369	(944,640)	-	(7,449)	24,280
<b>Total</b>	(13,748,916)	(4,573,360)	35,665	(7,449)	(18,294,060)

**Notes** *(continued)*

**25 Analysis of cash flows for headings netted in the cash flow statement**

	2011		2010	
	£	£	£	£
<b>Returns on investments and servicing of finance</b>				
Interest received	217,098		206,765	
Interest paid	(781,045)		(783,982)	
Dividends paid to minority interests	-		(34,198)	
	<hr/>		<hr/>	
<b>Net cash outflow from returns on investments and servicing of finance</b>		<b>(563,947)</b>		<b>(611,415)</b>
		<hr/> <hr/>		<hr/> <hr/>
<b>Capital expenditure and financial investment</b>				
Purchase of and improvements to properties	(901,447)		(52,243)	
Proceeds from sale of investment properties	-		1,795,521	
Endowment policy premiums paid	(31,715)		(31,715)	
Purchase of investment securities	(804,313)		(114,174)	
	<hr/>		<hr/>	
<b>Net cash (outflow)/inflow from capital expenditure and financial investment</b>		<b>(1,737,475)</b>		<b>1,597,389</b>
		<hr/> <hr/>		<hr/> <hr/>
<b>Management of liquid resources</b>				
Purchase of current asset investments	(10,360)		(13,920)	
Proceeds from sale of current asset investments	955,000		1,988,441	
	<hr/>		<hr/>	
<b>Net cash inflow from management of liquid resources</b>		<b>944,640</b>		<b>1,974,521</b>
		<hr/> <hr/>		<hr/> <hr/>
<b>Financing</b>				
New advances	312,500		4,459,905	
Repayment of secured loans	-		(4,422,802)	
Repayment of amounts owed to group companies	(2,967,898)		(1,679,642)	
	<hr/>		<hr/>	
<b>Net cash outflow from financing</b>		<b>(2,655,398)</b>		<b>(1,642,539)</b>
		<hr/> <hr/>		<hr/> <hr/>

**Notes (continued)**

**26 Related party transactions**

During the year the group entered into the following material transactions with related parties.

Party	Relationship	Transaction	2011 Value £	Balance at 31 March 2011 due (to)/from related party £	2010 Value £	Balance at 31 March 2010 due (to)/from related party £
H de Carmoy	Director of company	Consultancy fees	15,000	-	15,000	-
C Gautier	Director of company	Consultancy fees	8,521	-	8,860	-
W Curtis	Director of company	Consultancy fees	23,000	(18,767)	18,767	(18,767)
A Jenkins	Director of company	Consultancy fees	417	-	-	-

Included in creditors due in more than one year are loans totalling £4,853,228 (2010: £6,869,516) due to Soterios Limited, Siglamo Holdings Inc, Dorsham Investments Limited, Danzig International Consultancy Group Limited and Gross Hill Properties Limited. These companies are all under the ultimate control of Michael Gross (see note 27). The loans are non-interest bearing (see note 16).

**27 Ultimate parent undertaking and controlling party**

The ultimate parent undertaking of the company is Gross Hill Properties Limited, a company incorporated in England and Wales. Gross Hill Properties Limited is under the control of Michael Gross, the main shareholder. Gross Hill Properties Limited heads the largest group of undertakings for which group financial statements are drawn up, and of which the company is a member. Sydney & London Properties Limited heads the smallest group of undertakings for which group financial statements are drawn up, and of which the company is a member.

The consolidated financial statements of these companies are available to the public and may be obtained from Park House, Greyfriars Road, Cardiff, CF10 3AF.

**Company profit and loss account**  
*for the year ended 31 March 2011*

This profit and loss account does not form part of the audited financial statements

	Year ended 31 March 2011 £
<b>Turnover</b>	67,000
Administrative expenses	(905,496)
	<hr/>
<b>Operating loss</b>	(838,496)
Loss on sale of investments	(7,449)
Income from other fixed asset investments	848
Interest receivable and similar income	545,452
Amounts written off investments	(89,216)
Interest payable and similar charges	(339,397)
Other operating expense	(1,148,838)
	<hr/>
<b>Loss on ordinary activities before and after taxation being loss for the financial year</b>	<b>(1,877,096)</b>
	<hr/> <hr/>

The above results relate entirely to continuing activities.