

Company Registration No. 01262332

Cubcall Limited

REPORT AND FINANCIAL STATEMENTS

31 December 2017



Cubcall Limited

DIRECTORS AND OFFICERS

DIRECTORS

MS Al Tajir
H.E. MM Al Tajir
AMM Al Tajir
KMM Al Tajir

SECRETARY

Taylor Wessing Secretaries Limited

REGISTERED OFFICE

Taylor Wessing LLP
5 New Street Square
London EC4A 3TW

INDEPENDENT AUDITOR

RSM UK Audit LLP
Chartered Accountants
25 Farringdon Street
London EC4A 4AB

Cubcall Limited

STRATEGIC REPORT

The directors present their strategic report for Cubcall Limited for the year ended 31 December 2017.

PRINCIPAL ACTIVITY

The principal activity of the company during the year was that of holding the leasehold interest in a residential apartment block situated in London's West End and receiving rents and service charges from the letting of apartments and commercial units.

BUSINESS REVIEW AND FUTURE DEVELOPMENTS

The company continued with the implementation of its planned refurbishment programme, initially started in 2016. Several updated units returned to inventory during the year, thus allowing the company to achieve growth in both occupancy and average daily rates. This was also supported by strong demand from the leisure sector.

The company is committed to offering a modern, luxury product at an exclusive location in the heart of London and it will continue with the next stage of the refurbishment programme in 2018.

Gross profit for the year increased by 20%, reflecting the record turnover and low cost of sales.

In February 2017 the company restructured its debt facilities, which resulted in the increase of the Deutsche Bank loan from £138,000,000 to £158,000,000 and the proceeds were loaned to other related companies. The new bank loan is repayable on 29 July 2019 and there are no interim payments. The bank loan rate is LIBOR plus 3.5% and mandatory costs and interest payments are made on a quarterly basis. The loan is secured on the group's assets and the freehold property owned by the parent company, Arlington Green Park Limited.

In February 2017 for consideration of £3,476,936 the company acquired 100% of the issued share capital of Lupus Property Company Limited, a limited company domiciled and incorporated in England and Wales. The bank loan with Deutsche Bank is also secured on the assets of the acquired company. An impairment review was carried out at the end of the year, resulting in an impairment loss to reflect the net assets value of the subsidiary as at 31 December 2017.

PRINCIPAL RISKS AND UNCERTAINTIES

The company continues to review the risks and uncertainties during its budgeting process and quarterly strategic meetings.

Competitive risks

The company operates at the upper end of a highly competitive market. Risks are from either new competitors entering the market or existing competitors expanding and opening new sites.

Economic risks

The company is reliant on healthy economies in all its major markets and it monitors closely the current economic and political situation in Europe and the Middle East.

Interest rate risks

The company has a loan facility, which attracts interest at LIBOR plus 3.5% and mandatory costs. The company continues to monitor closely the London Interbank Offered Rate and its effect on the quarterly interest payments.

Cubcall Limited

STRATEGIC REPORT

FINANCIAL KEY PERFORMANCE INDICATORS

The company's financial key performance indicators during the year were as follows:

	2017 £000	2016 £000	Change
Turnover	12,084	10,794	+ 12.0%
Operating profit (excluding impairment)	8,074	6,729	+ 20.0%
Profit before taxation, property revaluation and impairment	5,669	4,959	+ 14.3%

Turnover

Growth in both occupancy and average daily rates resulted in a significant increase in the turnover for the year.

Operating profit

Higher turnover and lower cost of sales had a positive effect on the operating profit.

Profit before taxation and property revaluation

Profit before taxation and property revaluation was higher compared to last year, reflecting the increase in the operating profit, although this was partly offset by the higher interest costs of the additional £20 million bank loan.

This report was approved by the board on 27/9/2018 and signed on its behalf.



KMM Al Tajir
Director

Cubcall Limited

DIRECTORS' REPORT

The directors submit their report and the financial statements of Cubcall Limited for the year ended 31 December 2017.

DIVIDENDS

The directors do not recommend the payment of a dividend for the year (2016: £Nil).

DIRECTORS

The following directors have held office since 1 January 2017:

MS Al Tajir
H.E. MM Al Tajir
AMM Al Tajir
KMM Al Tajir

GOING CONCERN

During the year the company made a profit before property revaluations and it has continued to trade profitably since the year end. The directors believe that the company will generate sufficient funds from its trading activities to enable it to meet its obligations as and when they fall due.

At the year end date and the date of approval of the financial statements, the company is within its borrowing facilities and has complied with the bank covenants. The directors therefore consider it appropriate to prepare the financial statements on a going concern basis.

The freehold property from which the company's leasehold is granted, is owned by an intermediary parent company, Arlington Green Park Limited. The company continues to use the freehold property to secure finance.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO THE AUDITOR

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

AUDITOR

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

In accordance with section 414c(ii) of the Companies Act 2006, included in the Strategic Report is the Review of Business, principal risks and uncertainties and key performance indicators. This information would have been required by section 7 of the 'large and medium' sized Companies and Group (Accounts and Reports) Regulations 2008 to be contained within the Directors Report.

By order of the board



KMM Al Tajir
Director

27/9/2018

Cubcall Limited

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the 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 accounting estimates that are reasonable and prudent;
- c. state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- d. prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CUBCALL LIMITED

Opinion

We have audited the financial statements of Cubcall Limited (the 'company') for the year ended 31 December 2017 which comprises the Statement of Income and Retained Earnings and Statement of Financial Position and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and their environment obtained in the course of the audit, we have not identified material misstatements in the directors' report.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CUBCALL LIMITED

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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

Responsibilities of directors

As explained more fully in the director's responsibilities statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities> This description forms part of our auditor's report.

Use of our report

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.

RSM UK Audit LLP

Christopher Tate (Senior Statutory Auditor)
For and on behalf of RSM UK Audit LLP, Statutory Auditor
Chartered Accountants
25 Farringdon Street, London EC4A 4AB

27 September 2018

Cubcall Limited

STATEMENT OF INCOME AND RETAINED EARNINGS for the year ended 31 December 2017

	Notes	2017 £	2016 £
TURNOVER	2	12,083,841	10,794,409
Cost of sales		(3,805,274)	(3,911,366)
GROSS PROFIT		<u>8,278,567</u>	<u>6,883,043</u>
Administrative expenses		(204,846)	(154,057)
Impairment loss		(403,520)	-
OPERATING PROFIT		<u>7,670,201</u>	<u>6,728,986</u>
Fair value gain/(loss) on investment property	3	1,022,970	(15,692,384)
Interest receivable and similar income	4	3,808,109	3,308,037
Interest payable and similar charges	5	(6,212,742)	(5,078,418)
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION	6	<u>6,288,538</u>	<u>(10,733,779)</u>
Taxation	8	(1,413,788)	2,663,175
PROFIT/(LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION AND PROFIT/(LOSS) FOR THE FINANCIAL YEAR		<u>4,874,750</u>	<u>(8,070,604)</u>
RETAINED EARNINGS AT 1 JANUARY		<u>74,012,391</u>	<u>82,082,995</u>
RETAINED EARNINGS AT 31 DECEMBER		<u>78,887,141</u>	<u>74,012,391</u>

The turnover and operating profit for the year arises from the company's continuing operations.

Cubcall Limited

STATEMENT OF FINANCIAL POSITION 31 December 2017

Company Registration No. 01262332

	Notes	2017 £	- 2016 £
FIXED ASSETS			
Tangible assets	9	112,774,653	111,738,174
Investments	10	3,166,599	86
		<u>115,941,252</u>	<u>111,738,260</u>
CURRENT ASSETS			
Debtors: Due within one year	11	132,847,572	113,601,127
Cash at bank and in hand		10,342,874	8,474,239
		<u>143,190,446</u>	<u>122,075,366</u>
CREDITORS: Amounts falling due within one year	12	(5,975,921)	(5,758,188)
NET CURRENT ASSETS		<u>137,214,525</u>	<u>116,317,178</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		253,155,777	228,055,438
CREDITORS: Amounts falling due after more than one year	13	(157,564,582)	(137,526,750)
Provisions for liabilities	14	(16,704,052)	(16,516,295)
NET ASSETS		<u>78,887,143</u>	<u>74,012,393</u>
CAPITAL AND RESERVES			
Called up share capital	15	2	2
Profit and loss account		78,887,141	74,012,391
TOTAL EQUITY		<u>78,887,143</u>	<u>74,012,393</u>

The financial statements on pages 8 to 21 were approved by the Board of Directors and authorised for issue on
27/9/2018 and are signed on its behalf by:



KMM Al Tajir
Director

Cubcall Limited

ACCOUNTING POLICIES

COMPANY INFORMATION

Cubcall Limited is a private company, limited by shares, domiciled and incorporated in England and Wales. The registered office is Taylor Wessing LLP, 5 New Street Square, London, EC4A 3TW. The company's principal activities are disclosed in the Strategic Report.

BASIS OF ACCOUNTING

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006 and under the historical cost convention, modified to include investment properties at fair value. These accounts present information about the company as an individual undertaking and not about its group, as the company has taken advantage of the exemption provided by Section 400 of the Companies Act 2006 not to prepare consolidated accounts as it and its subsidiary are included in the consolidation of Arlington House Investments Limited.

Monetary amounts in these financial statements are rounded to the nearest whole £1, except where otherwise indicated.

GOING CONCERN

During the year the company made a profit before property revaluations and it has continued to trade profitably since the year end. The directors believe that the company will generate sufficient funds from its trading activities to enable it to meet its obligations as and when they fall due.

At the year end date and the date of approval of the financial statements, the company is within its borrowing facilities and has complied with the bank covenants. The directors therefore consider it appropriate to prepare the financial statements on a going concern basis.

The freehold property from which the company's leasehold is granted, is owned by an intermediary parent company, Arlington Green Park Limited. The company continues to use the freehold property to secure finance.

TURNOVER

Turnover is recognised at the fair value of the consideration received or receivable for the rent of apartments, commercial units and related services in the ordinary nature of business. Turnover is shown net of Value Added Tax, in respect of services provided to customers outside the group.

TANGIBLE FIXED ASSETS

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses. Depreciation is provided on all tangible fixed assets, other than investment properties, at rates calculated to write off the cost or valuation of each asset to its estimated residual value on a straight line basis over its expected useful life, as follows:-

Fixtures and fittings	10% on cost
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Cubcall Limited

ACCOUNTING POLICIES

INVESTMENT PROPERTIES

Investment properties (including properties held under an operating lease) are initially measured at cost and subsequently measured at fair value whilst a reliable measure of fair value is available without undue cost or effort. Changes in fair value are recognised in profit or loss.

The Companies Act 2006 requires all properties to be depreciated. However, this requirement conflicts with the generally accepted accounting principle set out in FRS 102. The directors consider that, because investment properties are not held for consumption, but for their investment potential, to depreciate them would not give a true and fair view.

If this departure from the Companies Act 2006 had not been made in order to give a true and fair view, the profit for the financial year would have been increased as there would be no impairment. However the amount of depreciation cannot reasonably be quantified, because depreciation is only one of many factors reflected in the annual valuation and the amount relating to the depreciation of the property cannot be separately identified.

An assessment is made at each reporting date of whether there are indications that a fixed asset may be impaired or that an impairment loss previously recognised has fully or partially reversed. If such indications exist, the Company estimates the recoverable amount of the asset or, for goodwill, the recoverable amount of the cash-generating unit to which the goodwill belongs.

Shortfalls between the carrying value of fixed assets and their recoverable amounts, being the higher of fair value less costs to sell and value-in-use, are recognised as impairment losses. Impairments of revalued assets are treated as a revaluation loss. All other impairment losses are recognised in profit and loss.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Reversals of impairment losses are recognised in profit or loss or, for revalued assets, as a revaluation gain. On reversal of an impairment loss, the depreciation or amortisation is adjusted to allocate the asset's revised carrying amount (less any residual value) over its remaining useful life.

TAXATION

The tax expense represents the sum of the current tax expense and deferred tax expense. Current tax assets are recognised when tax paid exceeds the tax payable.

Current tax is based on taxable profit for the year. Taxable profit differs from total comprehensive income because it excludes items of income or expense that are taxable or deductible in other periods. Current tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on tax rates that have been enacted or substantively enacted by the reporting date. Deferred tax is not discounted.

Deferred tax liabilities are recognised in respect of all timing differences that exist at the reporting date. Timing differences are differences between taxable profits and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in different periods from their recognition in the financial statements. Deferred tax assets are recognised only to the extent that it is probable that they will be recovered by the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is recognised on differences between the value of assets (other than goodwill) and liabilities recognised in a business combination and the amounts that can be deducted or assessed for tax. The deferred tax recognised is adjusted against goodwill.

For non-depreciable assets measured using the revaluation model and investment properties measured at fair value (except investment property with a limited useful life held by the Company to consume substantially all of its economic benefits), deferred tax is measured using the tax rates and allowances that apply to the sale of the asset or property.

Cubcall Limited

ACCOUNTING POLICIES

Current and deferred tax is charged or credited in profit or loss, except when it relates to items charged or credited to other comprehensive income or equity, when the tax follows the transaction or event it relates to and is also charged or credited to other comprehensive income, or equity.

Current tax assets and current tax liabilities and deferred tax assets and deferred tax liabilities are offset, if and only if, there is a legally enforceable right to set off the amounts and the entity intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

PENSIONS

The company operates a defined contribution pension scheme and the amount charged to profit or loss is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments.

LEASED ASSETS

All leases are “operating leases” and the annual rentals are charged to profit and loss on a straight line basis over the lease term.

REDUCED DISCLOSURES

In accordance with FRS 102, the Company has taken advantage of the exemptions from the following disclosure requirements:

- Section 7 “Statement of Cash Flows” – Presentation of a Statement of Cash Flow and related notes and disclosures
- Section 11 ‘Basic Financial Instruments’ & Section 12 ‘Other Financial Instrument Issues’ – Carrying amounts, interest income/expense and net gains/losses for each category of financial instrument; basis of determining fair values; details of collateral, loan defaults or breaches, details of hedges, hedging fair value changes recognised in profit or loss and in other comprehensive income.
- Section 33 ‘Related Party Disclosures’ – Compensation for key management personnel

INVESTMENTS

Investments held as fixed assets are stated at cost less any provision for impairment.

FINANCIAL INSTRUMENTS

The company has elected to apply the provisions of Section 11 ‘Basic Financial Instruments’ and Section 12 ‘Other Financial Instruments Issues’ of FRS 102, in full, to all of its financial instruments.

Financial assets and financial liabilities are recognised when the company becomes a party to the contractual provisions of the instrument, and are offset only when the company currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

FINANCIAL ASSETS

TRADE DEBTORS

Trade debtors which are receivable within one year and which do not constitute a financing transaction are initially measured at the transaction price. Trade debtors are subsequently measured at amortised cost, being the transaction price less any amounts settled and any impairment losses.

Where the arrangement with a trade debtor constitutes a financing transaction, the debtor is initially and subsequently measured at the present value of future payments discounted at a market rate of interest for a similar debt instrument.

A provision for impairment of trade debtors is established when there is objective evidence that the amounts due will not be collected according to the original terms of the contract. Impairment losses are recognised in profit or loss for the excess of the carrying value of the trade debtor over the present value of the future cash flows discounted using the original effective interest rate. Subsequent reversals of an impairment loss that objectively relate to an event occurring after the impairment loss was recognised, are recognised immediately in profit or loss.

Cubcall Limited

ACCOUNTING POLICIES

FINANCIAL INSTRUMENTS (continued)

FINANCIAL LIABILITIES AND EQUITY

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

EQUITY INSTRUMENTS

Financial instruments classified as equity instruments are recorded at the fair value of the cash or other resources received or receivable, net of direct costs of issuing the equity instruments.

TRADE CREDITORS

Trade creditors payable within one year that do not constitute a financing transaction are initially measured at the transaction price and subsequently measured at amortised cost, being the transaction price less any amounts settled.

Where the arrangement with a trade creditor constitutes a financing transaction, the creditor is initially and subsequently measured at the present value of future payments discounted at a market rate of interest for a similar instrument.

BORROWINGS

Borrowings are initially recognised at the transaction price, including transaction costs, and subsequently measured at amortised cost using the effective interest method. Interest expense is recognised on the basis of the effective interest method and is included in interest payable and other similar charges.

Commitments to receive a loan are measured at cost less impairment.

DERECOGNITION OF FINANCIAL ASSETS AND LIABILITIES

A financial asset is derecognised only when the contractual rights to cash flows expire or are settled, or substantially all the risks and rewards of ownership are transferred to another party, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party. A financial liability (or part thereof) is derecognised when the obligation specified in the contract is discharged, cancelled or expires.

Cubcall Limited

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2017

1 CRITICAL ACCOUNTING ESTIMATES AND AREAS OF JUDGEMENT

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates and assumptions will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

The charge in respect of periodic depreciation is derived after determining an estimate of an asset's expected useful life and the expected residual value at the end of its life. Increasing an asset's expected life or its residual value would result in a reduced depreciation charge in the income statement.

Critical areas of judgement

The following are the critical judgements apart from those involving estimations (see above) that the directors have made in the process of applying the entity's accounting policies and that have a significant effect on the amount recognised in the financial statements:

The Company has an investment property with a carrying amount of £103,415,360 (2016: £109,771,550) (see Note 3). This carrying amount is based on directors' valuation at open market value, which reflects assumptions related to data from published relativity tables. The investment property was valued as a freehold property by professional valuers in January 2017.

2 TURNOVER AND PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

The company's turnover and profit before taxation were all derived from its principal activity wholly undertaken in the United Kingdom. Analysis of turnover by class of business is as follows:

	2017 £	2016 £
Residential turnover	11,633,841	10,342,769
Commercial turnover	450,000	451,640
	<u>12,083,841</u>	<u>10,794,409</u>

3 FAIR VALUE GAIN/(LOSS) ON INVESTMENT PROPERTY

	2017 £	2016 £
Property value at 1 January	109,771,550	125,254,636
Fair value gain/(loss)	1,022,970	(15,692,384)
Additions	42,995	209,298
Property value at 31 December	<u>110,837,515</u>	<u>109,771,550</u>

Cubcall Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2017

4	INTEREST RECEIVABLE AND SIMILAR INCOME	2017 £	2016 £
	Bank interest receivable	9,022	18,417
	Other interest receivable	3,799,087	3,289,620
		<u>3,808,109</u>	<u>3,308,037</u>
5	INTEREST PAYABLE AND SIMILAR CHARGES	2017 £	2016 £
	Bank interest and similar charges	5,938,437	4,889,540
	Amortisation of issue costs of bank loan	274,305	188,878
		<u>6,212,742</u>	<u>5,078,418</u>
6	PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION	2017 £	2016 £
	Profit/(loss) on ordinary activities before taxation is stated after charging:		
	Depreciation and amounts written off tangible fixed assets:		
	Charge for the year owned assets	626,049	677,485
	Operating lease rentals:		
	Land and buildings	10,300	10,300
	Auditor's remuneration – audit	24,950	24,300
		<u></u>	<u></u>
7	EMPLOYEES	2017 No.	2016 No.
	The average monthly number of persons (including directors) employed by the company during the year was:		
	Directors	4	4
	Administrative	8	8
		<u>12</u>	<u>12</u>
		<u></u>	<u></u>
		2017 £	2016 £
	Staff costs for the above persons:		
	Wages and salaries	331,500	313,985
	Social security costs	35,413	33,441
	Other pension costs	7,663	7,174
		<u>374,576</u>	<u>354,600</u>
		<u></u>	<u></u>
	Defined pension contribution expenses are included in other pension costs.		
	DIRECTORS' REMUNERATION		
	Emoluments	25,000	25,000
		<u></u>	<u></u>
	No pension contributions are made on behalf of the directors (2016: NIL).		

Cubcall Limited

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2017

8	TAXATION	2017 £	2016 £
	Current tax:		
	UK corporation tax on profits of the period	1,206,907	1,149,346
	Amounts receivable in respect of group relief	19,124	12,604
	Adjustment to tax charge in respect of previous year – group relief	-	-
	Adjustments in respect of previous periods	-	-
	Total current tax charge	1,226,031	1,161,950
	Deferred tax:		
	Origination and reversal of timing difference	13,852	(21,051)
	Deferred tax charge/(credit) re valuation land and buildings	173,905	(3,804,074)
	Total deferred tax	187,757	(3,825,125)
	Tax on profit on ordinary activities	1,413,788	(2,663,175)
		<u>2017</u> £	<u>2016</u> £
	Factors affecting tax charge for period:		
	The tax assessed for the period is higher than the average effective rate of corporation tax in the UK 19% (2016: 20%). The differences are explained below:		
	Profit/(Loss) on ordinary activities before taxation	6,288,538	(10,733,779)
	Profit/(Loss) on ordinary activities multiplied by the effective rate of corporation tax in the UK 19.25% (2016: 20%)	1,210,328	(2,146,756)
	Effects of:		
	Imputed interest re: transfer pricing	148,422	137,592
	Expenses not deductible for tax purposes	2,525	7,709
	Impairment loss on fixed asset investments	77,664	-
	Wear and tear allowance and enhanced expenditure	-	(6,992)
	Group relief	(339)	(246)
	Impact on b/f position of change in rate at which deferred tax recognised	-	(1,130,079)
	Impact of amounts not recognised in deferred tax at current tax rate	-	-
	Impact on recognised current year movements of difference in corporation tax rate and deferred tax rate	(24,812)	475,595
	Adjustment to tax charge in respect of previous periods	-	-
	Tax charge for period	<u>1,413,788</u>	<u>(2,663,175)</u>

Cubcall Limited

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2017

9	TANGIBLE FIXED ASSETS	Long leasehold investment property £	Fixtures & fittings £	Total £
	Cost or valuation			
	1 January 2017	109,771,550	9,842,948	119,614,498
	Additions	42,995	596,563	639,558
	Revaluation	1,022,970	-	1,022,970
	31 December 2017	<u>110,837,515</u>	<u>10,439,511</u>	<u>121,277,026</u>
	Depreciation and impairment			
	1 January 2017	-	7,876,324	7,876,324
	Charged in the year	-	626,049	626,049
	31 December 2017	<u>-</u>	<u>8,502,373</u>	<u>8,502,373</u>
	Carrying amount			
	31 December 2017	<u>110,837,515</u>	<u>1,937,138</u>	<u>112,774,653</u>
	31 December 2016	<u>109,771,550</u>	<u>1,966,624</u>	<u>111,738,174</u>

The investment property is shown at the directors' valuation at open market value at 31 December 2017 of £110,837,515 (2016: £109,771,550). The directors' valuation for 2013 was based on advice from professional valuers and the valuations for 2016 and 2017 were based on the same methodology. On a historical cost basis the investment property would be stated at £11,870,033 (2016: £11,827,038).

10 FIXED ASSET INVESTMENTS

	Shares in group undertakings £
Cost	
1 January 2017	86
Additions	3,570,033
31 December 2017	<u>3,570,119</u>
Accumulated impairment	
1 January 2017	-
Impairment loss	403,520
31 December 2017	<u>403,520</u>
Carrying amount	
31 December 2017	<u>3,166,599</u>
31 December 2016	<u>86</u>

Cubcall Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2017

10 FIXED ASSET INVESTMENTS (continued)

Arlington House Residents Management Limited is a subsidiary company, registered in England and Wales and whose registered office address is 5 New Street Square, London EC4A 3TW. The principal activity of the subsidiary is to pay property management expenses and collect tenants' service charge contributions. The company had no profit or loss for the year and its aggregate capital and reserves at 31 December 2017 was £97 (2016: £96). The company holds 90% (2016: 90%) of the issued ordinary share capital of the subsidiary.

Lupus Property Company Limited is a subsidiary company, registered in England and Wales and whose registered office address is 24 Arlington House, 17-20 Arlington Street, London SW1A 1RL. The principal activity of the subsidiary is property investment and management. The company's profit for the year was £322,631 (2016: £77,849) and its aggregate capital and reserves at 31 December 2017 were £3,165,413 (2016: £2,843,882). The company acquired 100% of the issued ordinary share capital of the subsidiary in February 2017 for consideration of £3,476,936. An impairment review was carried out at the end of the year, resulting in an impairment loss to reflect the net assets value of the subsidiary as at 31 December 2017.

11	DEBTORS	2017 £	2016 £
	Amounts falling due within one year:		
	Trade debtors	179,759	140,553
	Other debtors	-	-
	Prepayments and accrued income	165,070	132,222
	Amounts owed by related parties	114,434,791	-
	Amounts owed by group undertakings	18,067,952	113,328,352
		<u>132,847,572</u>	<u>113,601,127</u>

Included within amounts due by related parties and group undertakings are loans totalling £64,401,811 (2016: £61,675,695) which earn interest at LIBOR plus 4%, a loan of £23,142,424 (2016: £22,608,655) which earns interest at LIBOR plus 2% and a loan of £18,270,494 (2016: NIL) which earns interest at LIBOR plus 3%. The remaining balances are interest free. The loans are repayable on demand.

12 CREDITORS: Amounts falling due within one year

	2017 £	2016 £
Trade creditors	455,773	431,034
Amount owed to group undertakings	249,844	2,329,602
Other creditors	213,078	170,628
Amount owed to related parties	2,337,746	176,626
Corporation Tax	572,136	598,772
Other taxation and social security	284,711	303,742
Accruals and deferred income	1,862,633	1,747,784
	<u>5,975,921</u>	<u>5,758,188</u>

The loan amounts due to group undertakings and related parties are not subject to interest.

Cubcall Limited

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2017

13 CREDITORS: Amounts falling due after more than one year

	2017 £	2016 £
Bank loans (secured)	158,000,000	138,000,000
Less: Unamortised loan arrangement fees	(435,418)	(473,750)
	<u>157,564,582</u>	<u>137,526,750</u>

Bank loans:

	2017 £	2016 £
Amounts repayable by instalments falling due:		
Between one to two years	158,000,000	-
Between two to five years	-	138,000,000
	<u>158,000,000</u>	<u>138,000,000</u>

The bank loan is repayable on 29 July 2019 and there are no interim payments. The bank loan rate is LIBOR plus 3.5% and mandatory costs. Interest payments are made on a quarterly basis.

The bank loan is secured on the company's assets and the freehold property owned by an intermediary parent company, Arlington Green Park Limited. The freehold property was valued at £243,500,000 in January 2017.

At 31 December 2017 £2,283,000 (2016: £1,000,000) of the company's cash balances are not available for use by the company due to restrictions imposed by the covenants of the bank loan.

14	DEFERRED TAX	Deferred tax £	
	1 January 2017 (provision)	16,516,295	
	Deferred tax charge in profit and loss account	187,757	
	31 December 2017 (provision)	<u>16,704,052</u>	
		2017 £	
		2016 £	
	Accelerated capital allowances	(120,993)	(135,021)
	Valuation land and property	16,824,472	16,650,567
	Other timing differences	573	749
	Provision for deferred tax	<u>16,704,052</u>	<u>16,516,295</u>

Cubcall Limited

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2017

15	SHARE CAPITAL	2017	2016
		£	£
	Allotted, issued and fully paid:		
	2 ordinary shares of £1 each	2	2
		<u> </u>	<u> </u>

Each share is entitled to one vote in any circumstances.

16 COMMITMENTS UNDER OPERATING LEASES

The total future minimum lease payments under non-cancellable operating leases for land and buildings are as follows:

	2017	2016
	£	£
Amounts due:		
Within one year	10,300	10,300
Between one and five years	41,200	41,200
After five years	105,088	115,388
	<u>156,588</u>	<u>166,888</u>

17 CONTINGENT LIABILITIES

The company is part of the Group VAT registration and hence is jointly and severally liable for any group VAT liabilities. At 31 December 2017 the liability of the company was £264,857 (2016: £294,549).

18 ULTIMATE PARENT COMPANY

In the opinion of the directors, the company's ultimate parent company is Butterfield Trust, which is registered in Guernsey and is the parent of the largest group of undertakings of which the company is a member. The immediate parent undertaking is Arlington House Investments Limited, which is incorporated in the UK, and is the parent of the smallest group of undertakings of which the company is a member and for which group financial statements are prepared. The registered office address of Arlington House Investments Limited is 5 New Street Square, London EC4A 3TW. Copies of the group financial statements are available from Companies House, Crown Way, Maindy, Cardiff CF4 3UZ. The ultimate controlling party is H.E. MM Al Tajir.

19 CAPITAL COMMITMENTS AND OTHER CONTRACTUAL OBLIGATIONS

	2017	2016
	£	£
Capital expenditure contracted for but not provided in the financial statements		
Commitments for the acquisition of equipment	43,695	-
	<u> </u>	<u> </u>

At 31 December 2017, the company had contractual obligations to purchase electronic equipment for its serviced apartments and office.

Cubcall Limited

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2017

20 RELATED PARTY DISCLOSURES

The following is the summary of related party transactions and balances at the end of the year.

Party	Nature	Transactions in the year		Balance receivable/(owed) at	
		2017	2016	2017	2016
		£	£	£	£
Fellow group undertakings:					
Arlington Green Park Limited	Loan account	(8,240)	(2,371)	(53,871)	(45,631)
Arlington House Investments Limited	Short term loan	(12,030)	(12,604)	18,002,047	18,014,077
Lupus Property Company Limited	Loan account	(73,122)	25,000	(249,748)	(176,626)
Arlington House Residents Management Limited	Service charge and loan	(4,503) *	5,871	65,809	70,312
Other related parties:					
Park Tower Holdings Establishment	Loan account	19,153,546	1,550,000	22,759,880	3,606,334
	Short term loan	1,009,938	1,039,742	34,391,460	33,381,523
Park Tower Hotel Limited	Group relief	-	-	(417,286)	(417,286)
Drift Properties Limited	Group relief	-	-	3,315,586	3,315,586
Park Tower Investments Limited	Group relief	-	-	(1,810,397)	(1,810,397)
	Loan account	-	-	(56,191)	(56,191)
Al Tajir Establishment	Loan	(3,222,508)	1,250,000	-	3,222,508
Highland Spring Limited	Group relief	-	-	815,087	815,087
Carltop Estates Limited	Short term loan	1,233,100	1,233,062	29,130,775	27,897,675
Ochil Developments Limited	Short term loan	1,016,847	1,016,816	24,022,000	23,005,154

* Included within this net figure is a service charge expense of £602,457 (2016: £648,996).