

Herbframe Limited

FINANCIAL STATEMENTS

for the year ended

31 May 2015

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COMPANIES HOUSE

Company Registration No. 2996792

Herbframe Limited

COMPANY INFORMATION

DIRECTORS	V A Tchenguiz R Tchenguiz
COMPANY NUMBER	2996792 (England & Wales)
REGISTERED OFFICE	5th Floor Leconfield House Curzon Street London W1J 5JA
AUDITOR	RSM UK AUDIT LLP (formerly Baker Tilly UK Audit LLP) 3rd Floor One London Square Cross Lanes Guildford Surrey GU1 1UN
SOLICITORS	Osborne Clarke One London Wall London EC2Y 5EB

Herbframe Limited

DIRECTORS' REPORT

The directors present their report and the financial statements of Herbframe Limited for the year ended 31 May 2015.

PRINCIPAL ACTIVITIES AND REVIEW OF THE BUSINESS

The principal activity of the company, which has remained unchanged during the year, was to hold a reversionary interest in an investment property.

The company has leased the property at a peppercorn rent for a period of 30 years terminating in 2025. This is held as an investment property as the tenant has no right to purchase the freehold at the end of the lease term.

The investment property held at 31 May 2015 was valued at that date at £10,400,000 (2014: £9,675,000) by the directors. The increase in value during the year amounted to £725,000 (2014: £426,000) as set out in note 5. This valuation reflects that the company currently generates no income from the property.

In the opinion of the directors, subject to the matters set out on page 7 regarding going concern, the result for the year and the financial position of the company at 31 May 2015 were satisfactory.

DIVIDENDS

The directors do not recommend payment of a dividend.

DIRECTORS

The following directors have held office since 1 June 2014:

V A Tchenguiz
R Tchenguiz

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

RSM UK Audit LLP (formerly Baker Tilly UK Audit LLP) have indicated their willingness to be reappointed for another term and appropriate arrangements are being made for them to be deemed reappointed as auditors in the absence of an Annual General Meeting.

This report has been prepared in accordance with the provisions applicable to companies entitled to the small companies exemption.

On behalf of the board



R Tchenguiz
Director

11 December 2015

Herbframe Limited

DIRECTORS' RESPONSIBILITIES IN THE PREPARATION OF 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 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.

Herbframe Limited

INDEPENDENT AUDITOR'S REPORT

To The Members Of Herbframe Limited

We have audited the financial statements on pages 4 to 13. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 more fully explained in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (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 Financial Reporting Council's website at <http://www.frc.org.uk/auditscopeukprivate>

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 May 2015 and of its result for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Emphasis of matter - Going Concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosures made in the accounting policies on page 7 of the financial statements concerning the company's ability to continue as a going concern. The company is a party to a cross-collateralised group loan funding structure. As a result of breaches to loan covenants by a fellow group company and member of that cross-collateralised group loan funding structure the company's ability to continue as a going concern may be impacted by the contingent events described on page 7. These contingent events indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern.

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.

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to take advantage of the small companies exemption from the requirement to prepare a strategic report or in preparing the directors' report.

RSM UK Audit LLP

Christopher Hurren FCA (Senior Statutory Auditor)

For and on behalf of RSM UK AUDIT LLP (formerly Baker Tilly UK Audit LLP), Statutory Auditor

Chartered Accountants

3rd Floor, One London Square

Cross Lanes, Guildford, Surrey, GU1 1UN

17/12/2015

Herbframe Limited
PROFIT AND LOSS ACCOUNT
For the year ended 31 May 2015

	Notes	2015 £	2014 £
Provision for loan guarantee	8	278,188	(20,206)
Other operating expenses	2	(3,000)	-
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION	3	275,188	(20,206)
Taxation	4	-	-
PROFIT/(LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION	11	275,188	(20,206)

All amounts derive from continuing activities.

Herbframe Limited

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

For the year ended 31 May 2015

	Notes	2015 £	2014 £
Profit/(loss)for the financial year		275,188	(20,206)
Unrealised surplus on revaluation of properties	5	725,000	426,000
Total recognised gains and losses relating to the year		1,000,188	405,794

Herbframe Limited

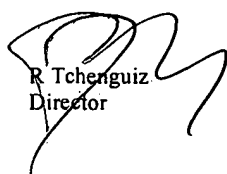
BALANCE SHEET

As at 31 May 2015

Company registration No. 2996792

	Notes	2015 £	2014 £
FIXED ASSETS			
Tangible assets	5	10,400,000	9,675,000
		<hr/>	<hr/>
CURRENT ASSETS			
Debtors	6	-	1
CREDITORS: Amounts falling due within one year	7	(2,999)	-
		<hr/>	<hr/>
NET CURRENT (LIABILITIES) / ASSETS		(2,999)	1
TOTAL ASSETS LESS CURRENT LIABILITIES		10,397,001	9,675,001
PROVISIONS FOR LIABILITIES	8	(4,025,795)	(4,303,983)
		<hr/>	<hr/>
NET ASSETS		6,371,206	5,371,018
		<hr/>	<hr/>
CAPITAL AND RESERVES			
Called up share capital	10	2	2
Revaluation reserve	11	10,399,999	9,674,999
Profit and loss account	11	(4,028,795)	(4,303,983)
		<hr/>	<hr/>
SHAREHOLDERS' FUNDS	12	6,371,206	5,371,018
		<hr/>	<hr/>

The financial statements on pages 4 to 13 were approved by the board of directors and authorised for issue on 11 December 2015 and are signed on its behalf by:


R. Tchenguiz
Director

Herbframe Limited

ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The financial statements have been prepared in accordance with applicable United Kingdom accounting standards.

The financial statements have been prepared under the historical cost convention with the exception of investment properties which are stated at revalued amounts.

The following accounting policies have been used consistently in dealing with items which are considered material in relation to the financial statements.

GOING CONCERN

The company is party to a cross-collateralised long term funding structure which has been set up to be self financing and under this structure its investment property has been used as security against loans taken out by fellow group undertakings. The directors have assessed the operation of the cross-collateralised structure and have determined that the company has, or can expect to have, subject to the further matters set out hereafter, sufficient working capital for its needs for at least 12 months from the date of approval of these financial statements. In view of this the directors consider it appropriate for the financial statements to be prepared on a going concern basis.

During the year ended 31 May 2012, following a valuation of the property portfolio securing the borrowings, the valuation covenant was breached on certain of the loans of a fellow group company and member of the cross-collateralised group loan funding structure to which the company is a party. This triggered defaults on all of the bank loans of that company.

As a result of the cross default clauses in the loan agreements, defaults on the wider cross-collateralised group loans were triggered. The bank has reserved its position in respect of the fellow group company's valuation covenant breach. At the year-end, therefore, the fellow group company's bank loans and all the loans within the cross-collateralised structure amounting to £102,725,923 (2014: £103,937,331) were effectively repayable on demand. In addition, the cross-collateralised group also has interest rate swaps that in the event of a break would be added to the liability of the cross-collateralised group and would become immediately repayable. The value of the interest rate swaps as at 31 May 2015 was a liability of £20,132,623 (2014: £16,426,817).

The company, together with its parent company and the other companies that are party to the cross-collateralisation structure, continues in discussion with its bankers to explore the alternatives available to effect a cure of the breach to the loan valuation covenant and to regularise the overall loan position. Recent valuations indicate that the amount required to cure the breach is much smaller than hitherto, and the directors have offered to pay this amount, £129,000, to remedy the breach and are awaiting the decision of the bank as to whether to accept this proposal.

The directors acknowledge that to date the bank has been supportive of the group's efforts. As the amount required to cure the breach has been offered to the bank, the funding structure remains self-financing and the group is meeting all its interest and repayment obligations the directors do not expect a withdrawal of the bank facilities for at least 12 months from the date of approval of these financial statements.

The financial statements have been prepared on the going concern basis which assumes that the bank will not withdraw its loan facilities to the cross-collateralised group. The principal direct and indirect effects of the withdrawal by the lender of its funding are that:

- i. the cross collateralised borrowings as at the year-end, totalling £102,725,923 (2014: £103,937,331), as set out in note 15, would be demanded for immediate repayment. Further costs could arise in respect of the interest rate arrangements that fix the interest rates on those loans, the level of which would depend on the market rates of interest prevailing at the time of such a termination. As at 31 May 2015 these costs were £20,132,623 (2014: £16,426,817);

Herbframe Limited

ACCOUNTING POLICIES (CONTINUED)

GOING CONCERN - continued

ii. if not repaid when due, the bank could exercise its security over the properties and may seek to sell or dispose of assets separately or together and at a time of its own choosing. This process may not represent an orderly realisation in the normal course of business. The consequence of these circumstances is that the company's property may be realised at less than its carrying value in these financial statements.

iii. If a realisation of the company's investment property was carried out then a tax liability would arise on any sale of the property in excess of cost. No provision has been made in the financial statements for any such tax liability. A disposal based on the carrying value of the property as at the year end would have resulted in a tax liability crystallising estimated at £ 2,080,000 (2014: £2,031,750) as referred to in note 9.

INVESTMENT PROPERTIES

In accordance with Statement of Standard Accounting Practice No.19, investment properties are revalued annually on an open market basis and the aggregate surplus or deficit is transferred to a revaluation reserve. No depreciation or amortisation is provided in respect of freehold investment properties and leasehold investment properties with over 20 years to run.

This treatment is a departure from the requirements of the Companies Act concerning the depreciation of fixed assets. However, these 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 financial statements to give a true and fair view. Depreciation or amortisation 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.

DEFERRED TAXATION

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements.

No provision is made for deferred tax on unrealised gains recognised on revaluing property to its market value.

Deferred tax is measured at the tax rates that are expected to apply in the periods in which timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. An asset is not recognised to the extent that the transfer of economic benefits in the future is uncertain. Deferred tax is measured on a non-discounted basis.

CASH FLOW STATEMENT

The company is exempt from the requirement to prepare a cash flow statement, as more than 90% of the voting rights are controlled within the group and consolidated financial statements in which the company is included are publicly available.

Herbframe Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 May 2015

1 EMPLOYEES

There were no employees during the year apart from the directors, who received no emoluments.

2 OTHER OPERATING EXPENSES

	2015	2014
	£	£

Administration Expenses	3,000	-
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3 PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION

	2015	2014
	£	£

Profit/(loss) is stated after charging:

Auditor's remuneration	3,000	-
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4 TAXATION

	2015	2014
	£	£

UK Corporation tax

Current tax charge	-	-
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Factors affecting the tax charge for the year

Profit/(loss) on ordinary activities before taxation	275,188	(20,206)
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Profit/(loss) on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 20% (2014: 21%)

	55,038	(4,243)
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Effects of:

Non deductible expenses	(55,638)	4,243
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Losses carried forward	600	-
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	(55,038)	4,243
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Current tax charge

	-	-
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The deferred tax asset arising on the losses carried forward of £3,000 (2014: £nil) has not been recognised as their utilisation in the foreseeable future is considered remote.

Herbframe Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 May 2015

5 TANGIBLE FIXED ASSETS

	Investment properties £
Valuation	
At 1 June 2014	9,675,000
Revaluation	725,000
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At 31 May 2015	10,400,000
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The property was valued as at 31 May 2015 at £10,400,000 (2014: £9,675,000) by the directors based on reports provided to them by Chartered Surveyors employed by the group's in house management company.

The original cost of the property was £1 (2014: £1).

Investment property at net book value comprises:	2015 £	2014 £
Freehold	10,400,000	9,675,000
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Herbframe Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 May 2015

6	DEBTORS	2015 £	2014 £
	Amounts owed by group undertakings	-	1
7	CREDITORS	2015 £	2014 £
	Amounts owed to group undertakings	2,999	-
8	PROVISIONS FOR LIABILITIES		Provision for loan guarantee £
	Balance at 1 June 2014		4,303,983
	Profit and loss account		(278,188)
	Balance at 31 May 2015		4,025,795
<p>As set out in note 13, the company's investment property is secured against loans taken out by fellow group undertakings. As at 31 May 2015 the company's estimate of its exposure under those security arrangements amounted to £4,025,795 (2014: £4,303,983) and a decrease in the provision has been made during the year.</p>			
9	DEFERRED TAXATION		
<p>No provision for deferred taxation has been made in respect of the property held as an investment which is included in these financial statements at a valuation of £10,400,000 (2014: £9,675,000). It is estimated that if this property were to be sold at that valuation the tax liability would amount to £ 2,080,000 (2014: £2,031,750).</p>			
10	SHARE CAPITAL	2015 £	2014 £
	Allotted, issued and fully paid		
	Equity		
	2 ordinary shares of £1 each	2	2
11	RESERVES	Revaluation reserve £	Profit and loss account £
	Balance at 1 June 2014	9,674,999	(4,303,983)
	Result for the year	-	275,188
	Revaluation during the year	725,000	-
	Balance at 31 May 2015	10,399,999	(4,028,795)

Herbframe Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 May 2015

12 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS	2015	2014
	£	£
Result for the financial year	275,188	(20,206)
Other recognised gains and losses	725,000	426,000
Net addition to shareholders' funds	1,000,188	405,794
Opening shareholders' funds	5,371,018	4,965,224
Closing shareholders' funds	6,371,206	5,371,018

13 CONTINGENT LIABILITIES

The company's investment property has been used as security against loans taken out by fellow group undertakings. The loans are secured by a fixed and floating charge over the company's investment property and by cross guarantees provided by fellow group companies and the cross-collateralisation of the properties owned by those fellow group companies. The total value of the loans subject to this arrangement as at 31 May 2015 was £102,725,923 (2014: £103,937,331). The fair value of the financial instruments also subject to this cross-collateralisation arrangement is £(20,132,623) (2014: £(16,426,817)).

Following a related party company's breach of a loan to value covenant, the cross collateralised borrowings, as set out above, has effectively become repayable on demand, due to the operation of the cross default clauses in the company's loan agreements.

14 CONTROL

The company's immediate holding company, and also United Kingdom ultimate holding company, is Rotch Property Group Limited.

The parent undertaking of the smallest and largest group for which group accounts are prepared and of which the company is a member is Rotch Property Group Limited, which is registered in England. Copies of these group accounts are available from Companies House, Crown Way, Maindy, Cardiff, CF14 3UZ.

The directors regard the ultimate holding company to be Sunnymist Limited, a company incorporated in the British Virgin Islands.

The ultimate controlling party is the Tchenguiz Family Trust.

Herbframe Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 May 2015

15 RELATED PARTY TRANSACTIONS

As set out in note 13 and detailed below, the company is party to a cross-collateralisation arrangement in respect of loan facilities as at the year end of £102,725,923 (2014: £103,937,331) provided to fellow subsidiaries of Sunnymist Limited. The fair value of the financial instruments also subject to this cross-collateralisation arrangement is £(20,132,623) (2014: £(16,426,817)).

	2015 £	2014 £
Loan facilities:		
Dalefox Limited	31,247,065	31,416,989
Timecoast Limited	44,704,229	44,915,164
Uni Lease No 1 Limited	26,774,629	27,605,178
	<u>102,725,923</u>	<u>103,937,331</u>
Financial instruments:		
Dalefox Limited	11,961,846	8,691,694
Timecoast Limited	5,933,501	6,084,139
Uni Lease No 1 Limited	2,237,276	1,650,984
	<u>20,132,623</u>	<u>16,426,817</u>

The company has taken advantage of the exemptions provided by Financial Reporting Standard Number 8 'Related Party Disclosures' and has not disclosed transactions entered into between two or more members of a group, provided that any subsidiary undertaking which is party to the transaction is wholly owned by a member of that group.