Pikehigh Limited

FINANCIAL STATEMENTS

for the year ended

31 May 2013

Company Registration No 03369700

Pikehigh Limited
COMPANY INFORMATION

DIRECTORS	R Tchenguiz V A Tchenguiz
COMPANY NUMBER	03369700 (England & Wales)
REGISTERED OFFICE	5th Floor Leconfield House Curzon Street London W1J 5JA
AUDITOR	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

Pikehigh Limited
DIRECTORS' REPORT

The directors present their report and the financial statements of Pikehigh Limited for the year ended 31 May 2013

PRINCIPAL ACTIVITIES AND REVIEW OF THE BUSINESS

The company's principal activity is the letting of investment property There were no additions or disposals of investment property during the year

The investment property held at 31 May 2013 was valued as at that date at £3,511,000 by the directors The increase in value during the year amounted to £58,000 as set out in note 6

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 2013 were satisfactory

DIVIDENDS

The directors do not recommend payment of a dividend

DIRECTORS

The following directors have held office since 1 June 2012

R Tchenguiz
V A 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

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

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

On behalf of the board

R Tchenguiz
Director

17 December 2013

Pikehigh 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

Pikehigh Limited

INDEPENDENT AUDITOR'S REPORT

To The Members Of Pikehigh Limited

We have audited the financial statements on pages 4 to 15 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/Our-Work/Codes-Standards/Audit-and-assurance/Standards-and-guidance/Standards-and-guidance-for-auditors/Scope-of-audit/UK-Private-Sector-Entity-(issued-1-December-2010) aspx

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 2013 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 a 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 in preparing the directors' report

Baker Tilly UK Audit LLP

Christopher Hurren FCA (Senior Statutory Auditor)
For and on behalf of BAKER TILLY UK AUDIT LLP, Statutory Auditor
Chartered Accountants
3rd Floor, One London Square, Cross Lanes
Guildford, Surrey, GU1 1UN
17 December 2013

Pikehigh Limited
PROFIT AND LOSS ACCOUNT
For the year ended 31 May 2013

	Notes	2013 £	2012 £
RENT RECEIVABLE		180,089	178,604
Other operating expenses	1	(11,280)	(5,580)
OPERATING PROFIT		168,809	173,024
Interest payable and similar charges	2	(164,187)	(165,347)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	3	4,622	7,677
Taxation	5	(82)	18
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	12	4,540	7,695

All amounts derive from continuing activities

Pikehigh Limited

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

For the year ended 31 May 2013

	Notes	2013 £	2012 £
Profit for the financial year		4,540	7,695
Unrealised surplus on revaluation of properties	6	58,000	17,000
Total recognised gains and losses relating to the year		62,540	24,695

Pikehigh Limited

BALANCE SHEET

As at 31 May 2013

Company registration No 03369700

	Notes	2013 £	2012 £
FIXED ASSETS			
Tangible assets	6	3,511,000	3,453,000
CURRENT ASSETS			
Debtors	7	989,289	982,161
CREDITORS Amounts falling due within one year	8	(32,560)	(29,933)
NET CURRENT ASSETS		956,729	952,228
TOTAL ASSETS LESS CURRENT LIABILITIES		4,467,729	4,405,228
CREDITORS Amounts falling due after more than one year	9	(2,705,850)	(2,705,971)
PROVISIONS FOR LIABILITIES	10	(7,538)	(7,456)
NET ASSETS		1,754,341	1,691,801
CAPITAL AND RESERVES			
Called up share capital	11	2	2
Revaluation reserve	12	2,110,214	2,052,214
Profit and loss account	12	(355,875)	(360,415)
SHAREHOLDERS' FUNDS	13	1,754,341	1,691,801

The financial statements on pages 4 to 15 were approved by the board of directors and authorised for issue on 17 December 2013 and are signed on its behalf by

R Tchenguiz Director

Pikehigh 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 property owned by the company is financed by a loan from its parent company which forms part of a cross-collateralised long term funding structure, set up to be principally self-financing The directors have assessed the operation of the cross-collateralised structure

The directors 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 prior year, 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 have been triggered during the year 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 £104,800,230 (2012 £105,321,246) 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 2013 was a liability of £20,534,294 (2012 £20,875,645)

The company, together with its parent company and the other companies that are party to the cross-collateralisation structure, is 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 This discussion includes the consideration of alternative repayment possibilities such as putting in place new financing facilities or the sale of one or more of the properties financed by the funding structure

The directors acknowledge that to date the bank has been supportive of the group's efforts They also acknowledge that, whilst this support will not be indefinite, it should continue for as long as the group's efforts show that the approach taken remains in the bank's interest and maximises the return to the bank As the funding structure remains self-financing and, other than in respect of the valuation issue, 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 £104,800,230 (2012 £105,321,246), as set out in note 9, 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 2013 these costs were £20,534,294 (2012 £20,875,645),

Pikehigh 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 at a time of its own choosing This process may not represent an orderly realisation in the normal course of business In these circumstances the properties may be realised at values significantly less than their carrying values The consequence of this is that the company's property may be realised at less than its carrying value in these financial statements

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 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 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

RENT RECEIVABLE

Rental income from investment properties leased out under operating leases is recognised in the profit and loss account on an accruals basis over the term of the lease The effect of rent reviews is only recognised when such reviews have been agreed with tenants Where rents are subject to fixed indexation in lieu of rent reviews, the rents are recognised on a systemic basis as income in the periods in which they are earned

Where a rent free period is included in a lease, the rental income foregone is allocated evenly over the period from the date of lease commencement to the earliest termination date

Pikehigh Limited
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 May 2013

1	OTHER OPERATING EXPENSES	2013	2012
		£	£
	Administrative expenses	11,280	5,580

2	INTEREST PAYABLE AND SIMILAR CHARGES	2013	2012
		£	£
	Loan interest payable to group undertakings	161,802	162,962
	Amortisation of finance costs	2,385	2,385
		164,187	165,347

3	PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	2013	2012
		£	£
	Profit is stated after charging		
	Auditor's remuneration	3,000	3,000

4 EMPLOYEES

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

5 TAXATION	2013 £	2012 £
UK Corporation tax		
Current tax charge	-	-
Deferred tax		
Effect of change in tax rate	(311)	(575)
Deferred tax charge current year	393	557
Total deferred tax	82	(18)
Tax on profit on ordinary activities	82	(18)
Factors affecting the tax charge for the year		
Profit on ordinary activities before taxation	4,622	7,677
Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 23 00% (2012 - 24 00%)	1,063	1,842
Effects of		
Capital allowances	(393)	(557)
Group relief	(3,789)	(4,497)
UK transfer pricing	3,119	3,212
	(1,063)	(1,842)
Current tax charge	-	-

6 TANGIBLE FIXED ASSETS

	Investment properties £
Valuation	
At 1 June 2012	3,453,000
Revaluation	58,000
At 31 May 2013	3,511,000

The property was valued as at 31 May 2013 at £3,511,000 (2012 £3,453,000) by the directors on reports provided to them by Chartered Surveyors employed by the group's in house management company

The original cost of the property was £1,400,786 (2012 £1,400,786)

Investment property at net book value comprises	2013 £	2012 £
Freehold	3,511,000	3,453,000

7 DEBTORS

	2013 £	2012 £
Amounts owed by group undertakings	908,364	899,740
Prepayments and accrued income	80,925	82,421
	989,289	982,161

Amounts falling due after more than one year and included in the debtors above are

	2013 £	2012 £
Prepayments and accrued income	44,175	46,560

8 CREDITORS amounts falling due within one year

	2013 £	2012 £
Loan from group undertaking (note 9)	7,733	5,124
Accruals and deferred income	24,827	24,809
	32,560	29,933

9 CREDITORS amounts falling due after more than one year	2013 £	2012 £
Loans from group undertakings	2,705,850	2,705,971

Loan maturity analysis		
In more than one year but not more than two years	12,408	7,733
In more than two years but not more than five years	63,975	50,539
In more than five years	2,629,467	2,647,699
	2,705,850	2,705,971

The group undertaking loans comprise two loans which are in turn financed by two loans from a third party to that group undertaking and has been provided to the company on the same interest and repayment terms The loans are secured by a fixed and floating charge on all assets of the company Loan 1 bears interest at 5 98% per annum and loan 2 bears interest at 5 58% per annum

Loan one's interest shortfall rolled up into the loan until January 2011 Thereafter the interest is paid in full and the loan is repayable in instalments until October 2032 when one bullet payment of £1,718,406 will be made

Loan two's interest shortfall rolls up into the loan until April 2020 Thereafter the interest is paid in full and the loan is repayable in instalments until October 2032

The loans are subject to cross-guarantees and cross-collateralisation of the underlying properties used as a security with other group loans The total value of the group loans subject to this cross-collateralisation as at 31 May 2013, including the company's loan is £104,800,230 (2012 £105,321,246), and the fair value of the financial instruments also subject to the cross collateralisation is £(20,534,294) (2012 £(20,875,645))

10 PROVISIONS FOR LIABILITIES

	Deferred tax liability £
Balance at 1 June 2012	7,456
Profit and loss account	82
Balance at 31 May 2013	7,538

The deferred tax liability is made up as follows

	2013 £	2012 £
Excess of capital allowances over depreciation	7,538	7,456

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 £3,511,000 (2012 £3,453,000) It is estimated that if this property were to be sold at that valuation the tax liability would amount to £311,809 (2012 £326,787)

During the year, Finance Act 2012 was enacted and included legislation to reduce the main rate of corporation tax to 23% with effect from 1 April 2013 As this change was substantively enacted at the balance sheet date, deferred tax is recognised at 23% in the current period

In his budget of 20 March 2013, the Chancellor of the Exchequer announced tax changes which will have an effect on the Company's future tax position The budget proposed a decrease in the rate of UK corporation tax from 23% to 21% from 1 April 2014 and by a further 1%, reaching 20% with effect from 1 April 2015 The further proposed reductions in the main rate of corporation tax to 20% were not substantively enacted at the balance sheet date and therefore in accordance with Accounting Standards, these proposed changes have not been reflected in the accounts at 31 May 2013

11 SHARE CAPITAL

	2013 £	2012 £
Allotted, issued and fully paid		
Equity		
2 ordinary shares of £1 each	2	2

12 RESERVES

	Revaluation reserve	Profit and loss account
	£	£
Balance at 1 June 2012	2,052,214	(360,415)
Profit for the year	-	4,540
Revaluation during the year	58,000	-
Balance at 31 May 2013	2,110,214	(355,875)

13 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2013	2012
	£	£
Profit for the financial year	4,540	7,695
Other recognised gains and losses	58,000	17,000
Net addition to shareholders' funds	62,540	24,695
Opening shareholders' funds	1,691,801	1,667,106
Closing shareholders' funds	1,754,341	1,691,801

14 CONTROL

The immediate holding company is Timecoast 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 Restmead Limited, the company's ultimate UK holding company, which is registered in England Copies of the 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

15 RELATED PARTY TRANSACTIONS

The company is related to fellow subsidiaries of Sunnymist Limited, with whom in many cases it has directors in common

One such company is Rotch Property Group Limited ("Rotch") Rotch provides management services to the company At the balance sheet date, and included within amounts owed by group undertakings, £908,364 (2012 £899,740) was due from that company Management fees payable for the year amounted to £2,580 (2012 £2,580)

As set out in note 9, the company is party to a cross-collateralisation arrangement in respect of loan facilities as at the year end totalling £104,800,230 (2012 £105,321,246) Of this amount £28,282,271 (2012 £28,835,306) relates to loan facilities with Uni Lease No 1 Limited, a fellow subsidiary of Sunnymist Limited The fair value of the financial instruments also subject to this cross-collateralisation arrangement is £(20,534,294) (2012 £(20,875,645)) of which £(2,034,673) (2012 £(2,204,959)) relates to Uni Lease No 1 Limited

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