

Report of the Directors and
Financial Statements for the Year Ended 31 December 2012
for
Mountstephen Investments Limited

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Mountstephen Investments Limited

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for the Year Ended 31 December 2012

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Mountstephen Investments Limited

Company Information
for the Year Ended 31 December 2012

DIRECTORS:

H Ward PhD BSc(Eng) FIoD
T R Ward BSc(Econ) FRSA MIO D
J G Ward
D Gibson FCCA FCT ACIB

SECRETARY:

T R Ward BSc(Econ) FRSA MIO D

REGISTERED OFFICE:

13 Victoria Road
Surbiton
Surrey
KT6 4JU

REGISTERED NUMBER:

02458613 (England and Wales)

AUDITORS:

Fallows & Company Chartered Accountants
and Registered Auditors
Archway House
81-82 Portsmouth Road
Surbiton
Surrey
KT6 5PT

Mountstephen Investments Limited

Report of the Directors **for the Year Ended 31 December 2012**

The directors present their report with the financial statements of the company for the year ended 31 December 2012

PRINCIPAL ACTIVITY

The principal activity of the company in the year under review was that of investment in retail, residential and office property in England.

REVIEW OF BUSINESS

The results for the year and financial position of the company and the group are shown in the annexed financial statements

DIVIDENDS

In continuance of their established policy, the directors do not recommend the distribution of a dividend for the year ended 31 December 2012.

FIXED ASSETS

It is the company's policy to review the value of its tangible fixed assets on an annual basis and to revalue them as required to reflect the true market value. However no revaluation adjustment was made for the current year as the directors deemed the net book value at the year end as a fair market value

DIRECTORS

The directors shown below have held office during the whole of the period from 1 January 2012 to the date of this report

H Ward PhD BSc(Eng) FIoD

T R Ward BSc(Econ) FRSA MIOD

J G Ward

D Gibson FCCA FCT ACIB

COMPANY'S POLICY ON PAYMENT OF CREDITORS

It is the company's policy to agree the terms of payment on commencement of business with all suppliers and to abide by those terms.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Report of the Directors 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 these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent,
- 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

Mountstephen Investments Limited

Report of the Directors
for the Year Ended 31 December 2012

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditors are unaware, and each director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

AUDITORS

The auditors, Fallows & Company Chartered Accountants, will be proposed for re-appointment at the forthcoming Annual General Meeting.

ON BEHALF OF THE BOARD:


T R Ward BSc(Econ) FRSA MIOD - Secretary

24 May 2013

**Report of the Independent Auditors to the Members of
Mountstephen Investments Limited**

We have audited the financial statements of Mountstephen Investments Limited for the year ended 31 December 2012 on pages six to fifteen. 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 a Report of the Auditors 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 auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page two, 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 Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Report of the Directors to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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 December 2012 and of its profit 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.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

**Report of the Independent Auditors to the Members of
Mountstephen Investments Limited**

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



G R Fallows (Senior Statutory Auditor)
for and on behalf of Fallows & Company Chartered Accountants
and Registered Auditors
Archway House
81-82 Portsmouth Road
Surbiton
Surrey
KT6 5PT

24 May 2013

Mountstephen Investments Limited

Profit and Loss Account
for the Year Ended 31 December 2012

	Notes	2012 £	2011 £
TURNOVER		248,113	244,092
Administrative expenses		28,151	52,319
		219,962	191,773
Other operating income		1,620	2,160
OPERATING PROFIT	3	221,582	193,933
Interest receivable and similar income		4	1,835
		221,586	195,768
Interest payable and similar charges	4	94,044	94,432
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		127,542	101,336
Tax on profit on ordinary activities	5	26,090	20,517
PROFIT FOR THE FINANCIAL YEAR		101,452	80,819

CONTINUING OPERATIONS

None of the company's activities were acquired or discontinued during the current year or previous year.

The notes form part of these financial statements

Mountstephen Investments Limited

Statement of Total Recognised Gains and Losses
for the Year Ended 31 December 2012

	2012 £	2011 £
PROFIT FOR THE FINANCIAL YEAR	101,452	80,819
Revaluation of freehold properties	-	(62,819)
TOTAL RECOGNISED GAINS AND LOSSES RELATING TO THE YEAR	<u>101,452</u>	<u>18,000</u>

The notes form part of these financial statements

Mountstephen Investments Limited (Registered number: 02458613)

Balance Sheet
31 December 2012

		2012	2011
	Notes	£	£
FIXED ASSETS			
Tangible assets	6	4,706,042	4,706,042
CURRENT ASSETS			
Debtors	7	673,961	718,561
Cash at bank		59,105	75,770
		733,066	794,331
CREDITORS			
Amounts falling due within one year	8	201,219	177,778
NET CURRENT ASSETS		531,847	616,553
TOTAL ASSETS LESS CURRENT LIABILITIES		5,237,889	5,322,595
CREDITORS			
Amounts falling due after more than one year	9	2,513,551	2,699,709
NET ASSETS		2,724,338	2,622,886
CAPITAL AND RESERVES			
Called up share capital	12	1,000,000	1,000,000
Revaluation reserve	13	609,511	609,511
Profit and loss account	13	1,114,827	1,013,375
SHAREHOLDERS' FUNDS	17	2,724,338	2,622,886

The financial statements were approved by the Board of Directors on 24 May 2013 and were signed on its behalf by:

Henry Ward

H Ward PhD BSc(Eng) FIoD - Director

Timothy L. Ward

T R Ward BSc(Econ) FRSA MIoD - Director

The notes form part of these financial statements

Mountstephen Investments Limited**Cash Flow Statement
for the Year Ended 31 December 2012**

	Notes	2012 £	2011 £
Net cash inflow from operating activities	1	224,305	201,457
Returns on investments and servicing of finance	2	(94,040)	(92,597)
Taxation		(20,517)	(30,093)
		109,748	78,767
Financing	2	(126,413)	(60,851)
(Decrease)/increase in cash in the period		(16,665)	17,916
Reconciliation of net cash flow to movement in net debt	3		
(Decrease)/increase in cash in the period		(16,665)	17,916
Cash outflow from decrease in debt		167,413	68,706
Change in net debt resulting from cash flows		150,748	86,622
Movement in net debt in the period		150,748	86,622
Net debt at 1 January		(2,717,724)	(2,804,346)
Net debt at 31 December		(2,566,976)	(2,717,724)

The notes form part of these financial statements

Mountstephen Investments Limited

**Notes to the Cash Flow Statement
for the Year Ended 31 December 2012**

1. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2012 £	2011 £
Operating profit	221,582	193,933
Decrease/(increase) in debtors	3,600	(3,600)
(Decrease)/increase in creditors	(877)	11,124
Net cash inflow from operating activities	<u>224,305</u>	<u>201,457</u>

2. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT

	2012 £	2011 £
Returns on investments and servicing of finance		
Interest received	4	1,835
Interest paid	(94,044)	(94,432)
Net cash outflow for returns on investments and servicing of finance	<u>(94,040)</u>	<u>(92,597)</u>
Financing		
Loan repayments in year	(167,413)	(68,706)
Group loans	41,000	7,855
Net cash outflow from financing	<u>(126,413)</u>	<u>(60,851)</u>

3. ANALYSIS OF CHANGES IN NET DEBT

	At 1/1/12 £	Cash flow £	At 31/12/12 £
Net cash:			
Cash at bank	75,770	(16,665)	59,105
	<u>75,770</u>	<u>(16,665)</u>	<u>59,105</u>
Debt:			
Debts falling due within one year	(93,785)	(18,745)	(112,530)
Debts falling due after one year	(2,699,709)	186,158	(2,513,551)
	<u>(2,793,494)</u>	<u>167,413</u>	<u>(2,626,081)</u>
Total	<u>(2,717,724)</u>	<u>150,748</u>	<u>(2,566,976)</u>

The notes form part of these financial statements

Mountstephen Investments Limited

**Notes to the Financial Statements
for the Year Ended 31 December 2012**

1. ACCOUNTING POLICIES

Accounting convention

The financial statements have been prepared under the historical cost convention as modified by the revaluation of certain assets

Tangible fixed assets

Investment properties are included on the balance sheet at their open market values. In accordance with SSAP19, investment properties are revalued annually and their aggregate surplus or deficit is transferred to a revaluation reserve. No depreciation is provided in respect of freehold properties

Revenue recognition

Turnover represents the amounts derived from the provision of services which fall within the company's ordinary activities and is derived from rents receivable and other fees and charges in connection with the letting of investment properties. Turnover is stated net of value added tax

Rents receivable

Rental income from operating leases is recognised on a straight line basis over the period of the lease

2. STAFF COSTS

	2012 £	2011 £
Wages and salaries	-	7,150
Social security costs	-	705
	<u>-</u>	<u>7,855</u>

The average monthly number of employees during the year was as follows:

	2012	2011
Administration	<u>-</u>	<u>3</u>

3. OPERATING PROFIT

The operating profit is stated after charging/(crediting).

	2012 £	2011 £
Operating lease income	(242,714)	(238,860)
Auditors' remuneration	<u>2,780</u>	<u>3,690</u>
	<u>-</u>	<u>7,150</u>

4. INTEREST PAYABLE AND SIMILAR CHARGES

	2012 £	2011 £
Mortgage interest	<u>94,044</u>	<u>94,432</u>

Mountstephen Investments Limited

**Notes to the Financial Statements - continued
for the Year Ended 31 December 2012**

5. TAXATION

Analysis of the tax charge

The tax charge on the profit on ordinary activities for the year was as follows

	2012 £	2011 £
Current tax:		
UK corporation tax	26,090	20,517
Tax on profit on ordinary activities	<u>26,090</u>	<u>20,517</u>

6. TANGIBLE FIXED ASSETS

COST OR VALUATION

At 1 January 2012
and 31 December 2012

Freehold
property
£

4,706,042

NET BOOK VALUE

At 31 December 2012

4,706,042

At 31 December 2011

4,706,042

Investment properties

Investment properties are included in the balance sheet at their open market values. In accordance with SSAP 19, investment properties are revalued annually by the directors and their aggregate surplus or deficit is transferred to a revaluation reserve. No depreciation is provided in respect of freehold properties. The directors consider that this accounting policy results in the financial statements giving a true and fair view.

Cost or valuation at 31 December 2012 is represented by:

	Freehold property £
Valuation in 2004	136,052
Valuation in 2005	319,791
Valuation in 2006	535,628
Valuation in 2007	575,845
Valuation in 2009	(193,089)
Valuation in 2010	(701,897)
Valuation in 2011	(62,819)
Cost	<u>4,096,531</u>
	<u>4,706,042</u>

Mountstephen Investments Limited

Notes to the Financial Statements - continued
for the Year Ended 31 December 2012

6 TANGIBLE FIXED ASSETS - continued

If the freehold properties had not been revalued they would have been included at the following historical cost

	2012 £	2011 £
Cost	4,096,531	4,096,531

Freehold land and buildings were valued on a rental yield basis on 31 December 2012 by the directors of the company.

7. DEBTORS

	2012 £	2011 £
Amounts falling due within one year:		
Trade debtors	-	3,600
Amounts owed by group undertakings	-	712,952
Prepayments	2,009	2,009
	<u>2,009</u>	<u>718,561</u>
Amounts falling due after more than one year		
Amounts owed by group undertakings	<u>671,952</u>	<u>-</u>
Aggregate amounts	<u>673,961</u>	<u>718,561</u>

8. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2012 £	2011 £
Bank loans and overdrafts (see note 10)	112,530	93,785
Tax	26,090	20,517
VAT	13,517	12,168
Other creditors	3,000	3,000
Accruals and deferred income	46,082	48,308
	<u>201,219</u>	<u>177,778</u>

9. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2012 £	2011 £
Bank loans (see note 10)	<u>2,513,551</u>	<u>2,699,709</u>

Mountstephen Investments Limited

**Notes to the Financial Statements - continued
for the Year Ended 31 December 2012**

10 LOANS

An analysis of the maturity of loans is given below:

	2012 £	2011 £
Amounts falling due within one year or on demand.		
Bank loans due within one year or on demand	112,530	93,785
	<u>112,530</u>	<u>93,785</u>
Amounts falling due between one and two years:		
Bank loans - 1-2 years	116,084	113,126
	<u>116,084</u>	<u>113,126</u>
Amounts falling due between two and five years:		
Bank loans - 2-5 years	512,959	510,780
	<u>512,959</u>	<u>510,780</u>
Amounts falling due in more than five years		
Repayable by instalments		
Bank loans due after more than 5 years repayable by instalments	1,884,508	2,075,803
	<u>1,884,508</u>	<u>2,075,803</u>

11. SECURED DEBTS

The following secured debts are included within creditors.

	2012 £	2011 £
Bank loans	2,626,081	2,793,494
	<u>2,626,081</u>	<u>2,793,494</u>

The bank loans are secured by way of first legal charges against the properties to which they relate. In addition there is an unlimited guarantee provided by the holding company Chellbrook Properties plc.

12. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:

Number:	Class	Nominal value. £1	2012 £	2011 £
1,000,000	Ordinary	£1	1,000,000	1,000,000
			<u>1,000,000</u>	<u>1,000,000</u>

Mountstephen Investments Limited

**Notes to the Financial Statements - continued
for the Year Ended 31 December 2012**

13. RESERVES

	Profit and loss account £	Revaluation reserve £	Totals £
At 1 January 2012	1,013,375	609,511	1,622,886
Profit for the year	101,452		101,452
At 31 December 2012	<u>1,114,827</u>	<u>609,511</u>	<u>1,724,338</u>

14. ULTIMATE PARENT COMPANY

The company is a 100% subsidiary of Chellbrook Properties plc, a company registered in England, which is also the ultimate parent company.

15. RELATED PARTY DISCLOSURES

Amounts owed by the parent company were £671,952 (2011: £712,952). The loan is not subject to a fixed repayment date. Interest is payable at 0.25% below the base rate.

Chellbrook Properties plc continues to provide a guarantee to the company which is restricted to £230,000.

The parent company, Chellbrook Properties plc, has provided an unlimited guarantee on behalf of the company to Svenska Handelsbanken and this has been reciprocated by the company in respect of loans taken.

16. ULTIMATE CONTROLLING PARTY

In the opinion of the directors there is no single overall controlling party, as no single shareholder owns more than 50% of the issued share capital of the holding company Chellbrook Properties plc.

17. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2012 £	2011 £
Profit for the financial year	101,452	80,819
Other recognised gains and losses relating to the year (net)	-	(62,819)
Net addition to shareholders' funds	<u>101,452</u>	<u>18,000</u>
Opening shareholders' funds	<u>2,622,886</u>	<u>2,604,886</u>
Closing shareholders' funds	<u>2,724,338</u>	<u>2,622,886</u>

Mountstephen Investments Limited**Profit and Loss Account
for the Year Ended 31 December 2012**

	2012		2011	
	£	£	£	£
Turnover				
Rent receivable	242,714		238,860	
Insurance premiums receivable	5,399		5,232	
		248,113		244,092
Other income				
Management fees	1,620		2,160	
Deposit account interest	4		1,835	
		1,624		3,995
		249,737		248,087
Expenditure				
Directors' salaries	-		7,150	
Directors' social security	-		705	
Rates and water	(999)		15,592	
Insurance	6,308		6,116	
Light and heat	624		1,028	
Telephone	3,200		2,141	
Post and stationery	1,857		805	
Travelling	2,958		887	
Subscriptions	24		460	
Computer costs	2,763		2,859	
Repairs and renewals	2,748		5,336	
Sundry expenses	47		103	
Legal and professional fees	4,154		4,838	
Auditors' remuneration	2,780		3,690	
Entertainment	129		-	
		26,593		51,710
		223,144		196,377
Finance costs				
Bank charges	1,558		609	
Mortgage interest	94,044		94,432	
		95,602		95,041
NET PROFIT		127,542		101,336

This page does not form part of the statutory financial statements