

Petchey Industrial Properties (No 2) Limited

Report and Financial Statements

Year Ended

31 December 2016

Company Number 08603421

FRIDAY



A6G0J3R4

A07

29/09/2017

#545

COMPANIES HOUSE

Petchey Industrial Properties (No 2) Limited

**Report and financial statements
for the year ended 31 December 2016**

Contents

Page:

1	Report of the directors
3	Independent auditor's report
5	Statement of comprehensive income
6	Statement of financial position
7	Notes forming part of the financial statements

Directors

S G McClure
J Newland

Secretary and registered office

S McClure, Dockmaster's House, 1 Hertsmere Road, London, E14 8JJ

Company number

08603421

Auditors

BDO LLP, 55 Baker Street, London, W1U 7EU

Petchey Industrial Properties (No 2) Limited

Report of the directors for the year ended 31 December 2016

The directors present their report together with the audited financial statements for the year ended 31 December 2016.

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

Results

The statement of comprehensive income is set out on page 5 and shows the profit for the year.

During the period the company made charitable donations of £850,000 (2015 - £563,000).

Principal activities

The principal activity of the company is that of property investment.

Directors

The directors of the company during the year were:

S G McClure
J Newland

Directors' responsibilities

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 year.

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.

Petchey Industrial Properties (No 2) Limited

Report of the directors for the year ended 31 December 2016 (*continued*)

Auditors

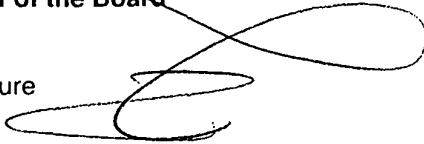
All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware.

BDO LLP have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the annual general meeting.

In preparing this report the directors have taken advantage of the small companies exemptions provided by section 415A of the Companies Act 2006.

On behalf of the Board

S G McClure



Director

Date

21/01/2017

Petchey Industrial Properties (No 2) Limited

Independent auditor's report for the year ended 31 December 2016

To the members of Petchey Industrial Properties (No 2) Limited

We have audited the financial statements of Petchey Industrial Properties (No 2) Limited for the year ended 31 December 2016 which comprise the statement of comprehensive income, the statement of financial position and the related notes. 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 auditors

As explained more fully in the statement of directors' responsibilities, 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 Financial Reporting Council's (FRC'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 FRC's website at 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 December 2016 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 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.

Petchey Industrial Properties (No 2) Limited

Independent auditor's report
for the year ended 31 December 2016 (*continued*)

Matters on which we are required to report by exception

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

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 prepare the financial statements and the directors' report in accordance with the small companies regime and to the exemption from the requirement to prepare a strategic report.

BDO LLP

Christopher Young (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
London
United Kingdom

27/9/17

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Petchey Industrial Properties (No 2) Limited

Statement of comprehensive income for the year ended 31 December 2016

	Note	2016 £	2015 £
Rental income		2,116,870	2,204,736
Other income		142,600	-
Administrative expenses		(1,022,179)	(1,278,440)
Donations		(850,000)	(563,000)
Fair value gain on investment property	6	1,815,167	1,695,508
Operating profit	3	2,202,458	2,058,804
Other interest receivable and similar income	4	192	432
Interest payable		(441,298)	(396,983)
Profit on ordinary activities before taxation		1,761,352	1,662,253
Taxation on loss on ordinary activities	5	-	-
Profit on ordinary activities after taxation and total comprehensive profit for the year		1,761,352	1,662,253

All of the above relate to continuing activities.

The notes on pages 7 to 12 form part of these financial statements.

Petchey Industrial Properties (No 2) Limited

Statement of financial position at 31 December 2016

<i>Company number 08603421</i>	Note	2016 £	2016 £	2015 £	2015 £
Fixed assets					
Tangible assets	6		27,125,000		25,300,000
Derivative financial assets			23,362		123,437
			<u>27,148,362</u>		<u>25,423,437</u>
Current assets					
Debtors	7	600,504		365,433	
Cash at bank and in hand		247,896		284,393	
		<u>848,400</u>		<u>649,826</u>	
Creditors: amounts falling due within one year	8	(13,338,761)		(1,456,073)	
Net current liabilities			(12,490,361)		(806,247)
Creditors: amounts falling due after more than one year	9		(11,250,000)		(22,970,541)
Total assets less current liabilities			<u>3,408,001</u>		<u>1,646,649</u>
Capital and reserves					
Called up share capital	11		100		100
Profit and loss account			3,407,901		1,646,549
Shareholders' funds			<u>3,408,001</u>		<u>1,646,649</u>

These financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime.

The financial statements were approved by the Board of Directors and authorised for issue on

24th September 2017

S G McClure
Director

The notes on pages 7 to 12 form part of these financial statements.

Petchey Industrial Properties (No 2) Limited

Notes forming part of the financial statements
for the year ended 31 December 2016

1 Accounting policies

Petchey Industrial Properties (No 2) Limited is a company incorporated in England & Wales under the Companies Act. The address of the registered office is given on the contents page and the nature of the company's operations and its principal activities are set out in the directors' report. The financial statements have been prepared in accordance with FRS 102 Section 1A Small Entities, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland.

Basis of measurement

The financial statements have been prepared on a historical cost basis, except for the revaluation of investment property and interest rate derivatives.

The preparation of financial statements in compliance with FRS 102 Section 1A Small Entities requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the accounting policies.

The following principal accounting policies have been applied:

Going concern

The accounts have been prepared on the going concern basis. Petchey Industrial Holdings Limited, which has provided financing to the company, has confirmed that it will not recall any of its loans for a period of 12 months from the date of signing the accounts, unless the company is in a position to repay the loans.

Turnover

Turnover represents rental income receivable from the company's investment properties. Income receivable from operating leases is recognised on a straight line basis over the period of the lease.

Current and deferred taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except that a charge attributable to an item of income or expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

Deferred balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Where timing differences relate to interests in subsidiaries, associates, branches and joint ventures and the group can control their reversal and such reversal is not considered probable in the foreseeable future.

Investment properties

Investment property is carried at fair value determined annually by the directors and derived from the current market rents and investment property yields for comparable real estate, adjusted if necessary for any difference in the nature, location or condition of the specific asset. No depreciation is provided. Changes in fair value are recognised in profit or loss.

Petchey Industrial Properties (No 2) Limited

Notes forming part of the financial statements
for the year ended 31 December 2016 (*continued*)

1 Accounting policies (*continued*)

Financial instruments

The company classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance the substance of the contractual arrangement.

Financial instruments are recognised on the trade date when the company becomes a party to the contractual provisions of the instrument. Financial instruments are recognised initially at fair value plus, in the case of a financial instrument not at fair value through profit and loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

Financial instruments are derecognised on trade date when the company is no longer a party to the contractual provisions of the instrument.

Reserves

The Group and Company's reserves are as follows:

- Called up share capital reserve represents the nominal value of the shares issued.
- Profit and loss account represents cumulative profits or losses, net of dividends paid and other adjustments.

2 Judgements in applying accounting policies and key sources of estimation uncertainty

Assumptions have been made by the directors when calculating the fair value of the investment property in relation to yields and comparable properties.

3 Operating profit

	2016 £	2015 £
This has been arrived at after charging:		
Amounts paid to the company's auditors:		
- Audit of the company's financial statements	9,320	9,300
- Tax compliance	2,100	2,000
	<u>11,420</u>	<u>11,300</u>

4 Finance costs

	2016 £	2015 £
Fair value adjustment on derivative instruments at FVTPL	100,075	108,563
Bank interest payable	341,223	288,420
	<u>441,298</u>	<u>396,983</u>

Petchey Industrial Properties (No 2) Limited

Notes forming part of the financial statements
for the year ended 31 December 2016 (*continued*)

5 Taxation on profit from ordinary activities

	2016 £	2015 £
<i>Current tax</i>		
UK corporation tax at 20.25%	-	-
Tax on profit on ordinary activities	-	-
<i>Factors affecting the tax charge for the year</i>		
Profit/(loss) on ordinary activities before tax	1,761,352	1,662,253
Tax on profit/(loss) on ordinary activities at the standard rate of corporation tax in the UK of 20.00% (2015 - 20.25%)	352,270	336,549
Effects of:		
Expenses not deductible for tax purposes	22,341	20,609
Group relief surrendered	(11,578)	(13,876)
Income not taxable for tax purposes	(363,033)	(343,282)
Other permanent differences	-	-
Chargeable gains	256,287	285,290
Adjust opening/closing deferred tax to average rate	(52,533)	(31,656)
Deferred tax not recognised	(203,754)	(253,634)
Tax charge for the year	-	-

Deferred tax has not been recognised due to capital losses available for offset within the wider group.

6 Tangible assets

	Investment properties £
<i>Cost or valuation</i>	
At 1 January 2016	25,300,000
Additions	9,833
Revaluation	1,815,167
At 31 December 2016	27,125,000
<i>Net book value</i>	
At 31 December 2016	27,125,000
At 31 December 2015	25,300,000

The historical cost of the freehold land and buildings as at 31 December 2016 £23,614,325 (2015 - £23,604,492).

No deferred tax has been recognised in valuation to the uplift as a result of capital losses in other group companies available to be utilised indefinitely.

Petchey Industrial Properties (No 2) Limited

Notes forming part of the financial statements
for the year ended 31 December 2016 (*continued*)

7 Debtors

	2016 £	2015 £
Trade debtors	131,181	154,337
Other debtors	391,446	211,096
Taxation, social security and VAT	73,373	-
Prepayment	4,504	-
	<u>600,504</u>	<u>365,433</u>

All amounts shown under debtors fall due for payment within one year.

8 Creditors: amounts falling due within one year

	2016 £	2015 £
Trade creditors	16,829	25,883
Tenant deposits	107,687	87,907
Accruals and deferred income	399,561	1,152,579
Other creditors	93,367	100,006
Other taxation, social security and VAT	-	89,698
Amounts owed to group undertakings	12,721,317	-
	<u>13,338,761</u>	<u>1,456,073</u>

9 Creditors: amounts falling due after more than one year

	2016 £	2015 £
Amounts owed to group undertakings	-	11,720,541
Bank loan (secured)	11,250,000	11,250,000
	<u>11,250,000</u>	<u>22,970,541</u>

The bank loan has an interest rate of 2.5% plus a margin. The loan has a redemption date of 2 March 2020 and is secured against the company's investment property.

Maturity of debt:	2016 £	2015 £
In one year or less	-	-
In more than one year but not more than two years	-	-
In more than two years but not more than five years	11,250,000	11,250,000
	<u>11,250,000</u>	<u>11,250,000</u>

Petchey Industrial Properties (No 2) Limited

Notes forming part of the financial statements
for the year ended 31 December 2016 (*continued*)

10 Financial instruments

The Company's financial instruments may be analysed as follows:

	2016 £	2015 £
Financial assets		
Financial assets measured at amortised cost	770,523	649,826
Financial assets at FVTPL	23,362	123,437
	<u>793,885</u>	<u>773,263</u>
Financial liabilities		
Financial liabilities measured at amortised cost	35,912,719	24,058,102
	<u>35,912,719</u>	<u>24,058,102</u>

11 Share capital

	2016 Number	2015 Number	2016 £	2015 £
Ordinary shares of £1 each	100	100	100	100
	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>

12 Leasing agreements

Future total minimum lease receivables under non-cancellable operating leases on the company are as follows:

	2016 £	2015 £
Less than a year	2,006,207	1,856,276
Between one and five years	3,425,823	6,119,447
More than five years	2,106,452	1,152,293
	<u>7,538,482</u>	<u>9,128,016</u>

Petchey Industrial Properties (No 2) Limited

**Notes forming part of the financial statements
for the year ended 31 December 2016 (*continued*)**

13 Related party transactions

At 31 December 2016 the company owed £11,634,738 (2015 - £11,720,541) to Petchey Industrial Holdings Limited, a fellow subsidiary company of Petchey Industrial Investments Limited and Incorporated Holdings Limited.

At 31 December 2016 the company owed £1,086,578 (2015 - £Nil) to Petchey Holdings Limited, a fellow subsidiary company of Incorporated Holdings Limited.

14 Control

The company is a wholly owned subsidiary of Incorporated Holdings Limited, a company incorporated in the Isle of Man, which is itself owned by the Bulgham Charitable Trust, an Isle of Man discretionary trust, exclusively for the benefit of charitable beneficiaries.

The trustees of Bulgham Charitable Trust are Mr D J Morgan, Mrs A L Slee and St Jame's Trustees Limited.