

Registered No: SC325113

Credential Investment Holdings Limited

Report and Group Financial Statements

31 March 2012

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COMPANIES HOUSE

Credential Investment Holdings Limited

Registered No: SC325113

Directors

RB Clapham
D Porter
SJ Inglis
JS Cairns
DA Cumine

Secretary

DA Cumine

Registered office

8 Elmbank Gardens
Glasgow
G2 4NQ

Auditors

Baker Tilly UK Audit LLP
Breckenridge House
274 Sauchiehall Street
Glasgow
G2 3EH

Bankers

Bank of Scotland
Gordon Street
Glasgow
G1 3RS

Directors' report

The directors present their report and financial statements for the year ended 31 March 2012.

Results and dividends

The group loss for the year after taxation and minority interests is £1,492,174 (2011 - loss £3,771,631). The directors do not recommend the payment of a dividend and the loss for the year has been deducted from reserves.

Principal activities, review of the business and future developments

The principal activity of the company is that of a holding company and the principal activities of the subsidiary undertakings are commercial property investment and development, residential development and the provision of property management services.

The group incurred a loss before tax of £1,431,666. This is stated after restructuring/merger costs of £246,817 and amortisation of debt issue costs of £935,215.

The residential homes division of the group incurred a loss before tax of £96,228. During the year the division recommenced development activity at its two main residential development sites at Lilybank Terrace, Glasgow and Hermiston, Edinburgh. Residential sales are anticipated to commence from these two developments during 2013.

The group continues to suffer from the depressed property market with values still showing significant reductions at 31 March 2012 which has resulted in a revaluation deficit for the year of £6,210,888. There was one major property disposal during the year for a consideration of £27,860,000. The net proceeds were used to reduce bank debt. There was no major property acquisitions during the year with management time concentrated on managing the group's existing property portfolio.

On 27 May 2011, the 44% Uberior Ventures Limited equity shareholding was purchased back by the company with the shares subsequently cancelled.

The directors are in ongoing discussions with the group's bankers and other potential funders to secure the mid to long term future of the Credential group.

Share capital

On 27 May 2011 the company purchased its 17,204,115 "B" ordinary shares of 25p each in issue for a consideration of £400,000 payable in cash. This represented 44% of the called up share capital in issue and was effected in conjunction with a debt restructure. On the same date, the company cancelled these "B" ordinary shares.

On 27 May 2011, the company issued 250,000 redeemable preference shares of £1 each at par for a total consideration of £250,000. The redeemable preference shares have neither voting rights nor rights to participate in any dividends. They are redeemable at the option of the shareholder at any time after 1 October 2014 at £1 per share.

Directors

The directors of the company during the year were:

RB Clapham

D Porter

SJ Inglis

JS Cairns (appointed 4 November 2011)

DA Cumine

AJN Hewitt (resigned 27 May 2011).

Directors' report

Principal risks and uncertainties

The group through regular management meetings takes steps to evaluate and manage the group's principal risks and uncertainties to ensure that key controllable risks faced by the group are kept to a minimum. The principal risks and uncertainties affecting the group are broadly grouped as market, legislative and financial instrument risk.

Market risk

The group holds investment properties to generate increases in net asset value through profits from rental income and through increases in capital value. The group is exposed to the cyclical nature of the commercial property market with rental rates being determined by the availability of suitable space and the demand thereof. Commercial property values depend upon the characteristics of tenant leases, credit worthiness of tenants, rental growth prospects and interest rates. Management regularly meet to review the group's investment property portfolio in conjunction with a review of current and future market trends to ensure that property returns are optimised.

The group's development projects are exposed to planning consents, cost overruns and failure to achieve anticipated rental returns. These development projects are managed by an in-house team which includes development and project management personnel and letting specialists. They are supported by external professionals to ensure delivery of an appropriate return from each development project. Progress is continually monitored against cost projections and programme timing to ensure that risks are mitigated and where necessary corrective action can be taken.

Legislative risk

The group is exposed to risks from increases to tax rates and changes to VAT, SDLT and the bases of taxation on profits and capital gains. The group is also exposed to changes in planning regulations. Although it is not possible to control these risks management has in place the appropriate procedures to ensure that the group complies with current regulations and legislation.

Financial instrument risk

The main risks arising from the group's financial instruments are interest rate risk, liquidity risk and credit risk. The group has procedures to protect it from exposure arising in the normal course of business.

Interest rate risk is managed by the use of interest rate swaps to substantially eliminate exposure to fluctuations in interest rates.

Liquidity risk is the risk that the group will encounter difficulty in meeting obligations associated with its financial liabilities. The group mitigates exposure by managing cash generation through its operations. The group also manages liquidity risk via medium term debt and bank overdraft facilities.

Credit risk is the risk of financial loss due to debtors failing to discharge their obligations arising principally in connection with property leases. Tenant rent payments are regularly monitored and action taken where necessary to recover monies owed or if necessary to terminate the lease.

Directors' qualifying third party indemnity provisions

The company has granted an indemnity to its directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 2006. Such qualifying third party indemnity provisions remain in force as at the date of approving the directors' report.

Directors' report

Disclosure of information to the auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the group's auditor, each director has taken all the steps that he is obliged to take as a director in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information.

Auditors

Baker Tilly UK Audit LLP, Chartered Accountants, has indicated its willingness to continue to act as auditors to the company.

On behalf of the board



DA Cumine

Director

14 September 2012

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual 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). The financial statements are required by law to give a true and fair view of the state of affairs of the group and the company and of the profit or loss of the group for that year. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and,
- 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 proper accounting records that disclose with reasonable accuracy at any time the financial position of the group and the company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent auditor's report

to the members of Credential Investment Holdings Limited

We have audited the group and parent company financial statements ("the financial statements") on pages 8 to 31. 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 more fully explained in the Directors' 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. 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 APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and parent company's affairs as at 31 March 2012 and of the group's loss 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 note 1 to the financial statements concerning the group's and company's ability to continue as a going concern, principally in respect of the need to renegotiate the terms of the bank funding. This condition indicates the existence of a material uncertainty which may cast significant doubt about the group's and company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company were unable to continue as a going concern.

Opinion on other matters 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.

Independent auditor's report

to the members of Credential Investment Holdings 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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent 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.

Baker Tilly UK Audit LLP

Patrick Norris (Senior Statutory Auditor)
For and on behalf of BAKER TILLY UK AUDIT LLP, Statutory Auditor
Chartered Accountants
Breckenridge House
274 Sauchiehall Street
Glasgow G2 3EH

18th September 2012

Group profit and loss account

for the year ended 31 March 2012

	Notes	2012 £	2011 £
Turnover	2	13,306,535	14,998,907
Cost of sales		(3,083,028)	(3,308,969)
Gross profit		10,223,507	11,689,938
Administrative expenses		(1,322,505)	(1,927,513)
Other operating income		-	712,500
Write down of property stocks		-	(137,862)
Restructuring/merger expenses written off		(246,817)	(585,505)
Group operating profit	5	8,654,185	9,751,558
Gain/(loss) on disposal of tangible fixed assets		10,369	(793,880)
Loss on disposal of fixed asset investments		-	(14,936)
Income from investments		3,556	3,223
Profit on ordinary activities before interest and taxation		8,668,110	8,945,965
Interest receivable		70,698	118,187
Interest payable and similar charges	6	(10,170,474)	(12,820,029)
Loss on ordinary activities before taxation		(1,431,666)	(3,755,877)
Tax on loss on ordinary activities	7	(78,201)	(78,558)
Loss on ordinary activities after taxation		(1,509,867)	(3,834,435)
Minority interests		17,693	62,804
Loss for the financial year attributable to members of the parent company		(1,492,174)	(3,771,631)

All amounts relate to continuing activities.

Note of historical cost profits and losses

for the year ended 31 March 2012

	2012 £	2011 £
Reported loss on ordinary activities before taxation	(1,431,666)	(3,755,877)
Realisation of property valuation movements of previous years	(4,838,996)	(765,177)
Historical cost loss on ordinary activities before taxation	<u>(6,270,662)</u>	<u>(4,521,054)</u>
Historical cost loss for the year retained after taxation and minority interests	<u>(6,331,170)</u>	<u>(4,536,808)</u>

Group statement of total recognised gains and losses

for the year ended 31 March 2012

	2012 £	2011 £
Loss for the year attributable to members of the parent company	(1,492,174)	(3,771,631)
Unrealised deficit on revaluation of investment properties	(6,210,888)	(14,955,698)
Movement on revaluation reserve arising from deferred tax rate change	117,926	117,927
Total recognised gains and losses	<u>(7,585,136)</u>	<u>(18,609,402)</u>

Group balance sheet

at 31 March 2012

	Notes	2012 £	2011 £
Fixed assets			
Intangible assets:			
Negative goodwill	9	(1,880,556)	(1,975,664)
Tangible assets	10(a)	120,042,161	155,766,531
Investment in joint ventures:	11(a)	1	1
		<u>118,161,606</u>	<u>153,790,868</u>
Current assets			
Stocks	12	19,644,563	20,141,223
Debtors – amounts falling due after one year	13	1,082,488	1,032,784
Debtors – amounts falling due within one year	13	6,600,213	11,952,433
Investments	14	101,176	101,176
Cash at bank and in hand		6,886,058	13,365,101
		<u>34,314,498</u>	<u>46,592,717</u>
Creditors: amounts falling due within one year	15	(183,024,607)	(45,343,506)
Net current (liabilities)/assets		<u>(148,710,109)</u>	<u>1,249,211</u>
Total assets less current liabilities		<u>(30,548,503)</u>	<u>155,040,079</u>
Creditors: amounts falling due after more than one year	16	(1,277,172)	(179,009,331)
Provisions for liabilities	18	(2,020,170)	(2,184,224)
		<u>(33,845,845)</u>	<u>(26,153,476)</u>
Capital and reserves			
Called up share capital	19	5,724,036	9,775,065
Revaluation reserve	20	(66,917,049)	(65,557,998)
Capital redemption reserve	20	4,301,029	-
Merger reserve	20	6,167,614	6,167,614
Profit and loss account	20	16,823,757	23,449,842
		<u>(33,900,613)</u>	<u>(26,165,477)</u>
Shareholders' funds	21	<u>54,768</u>	<u>12,001</u>
Minority interests		<u>(33,845,845)</u>	<u>(26,153,476)</u>

The financial statements were approved by the board of directors, authorised for issue on 14 September 2012 and signed on its behalf by:


DA Cumine
Director

14 September 2012

Company balance sheet

at 31 March 2012

	Notes	2012 £	2011 £
Fixed assets			
Tangible assets	10(b)	63,194	102,699
Investments	11(b)	40,331,683	13,007,094
		<u>40,394,877</u>	<u>13,109,793</u>
Current assets			
Debtors – amounts falling due after one year	13	3,291,237	22,926,053
Debtors – amounts falling due within one year	13	74,200,754	98,078,373
Investments	14	101,176	101,176
Cash at bank and in hand		4,250,819	8,761,402
		<u>81,843,986</u>	<u>129,867,004</u>
Creditors: amounts falling due within one year	15	(95,631,515)	(6,535,502)
Net current (liabilities)/assets		<u>(13,787,529)</u>	<u>123,331,502</u>
Total assets less current liabilities		<u>(26,607,348)</u>	<u>136,441,295</u>
Creditors: amounts falling due after more than one year	16	-	(91,124,666)
Net assets		<u>26,607,348</u>	<u>45,316,629</u>
Capital and reserves			
Called up share capital	19	5,724,036	9,775,065
Capital redemption reserve	20	4,301,029	-
Profit and loss account	20	16,582,283	35,541,564
Shareholders' funds		<u>26,607,348</u>	<u>45,316,629</u>

The financial statements were approved by the board of directors, authorised for issue on 14 September 2012 and signed on its behalf by:


DA Cumine
Director

14 September 2012

Group cash flow statement

for the year ended 31 March 2012

	Notes	2012 £	2011 £
Net cash inflow from operating activities	26	4,150,692	18,445,598
Returns on investments and servicing of finance			
Interest received		70,698	118,187
Interest paid		(6,559,503)	(11,384,915)
Dividends received		3,556	3,223
		(6,485,249)	(11,263,505)
Taxation			
Taxation recovered		-	-
Capital expenditure and financial investment			
Additions to tangible fixed assets		(1,131,100)	(732,124)
Receipts from sale of tangible fixed assets		30,500,261	3,606,120
Payments for restructuring/merger expenses		(634,505)	(137,357)
		28,734,656	2,736,639
Acquisitions and disposals			
Acquisition of minority interest		-	(2)
Cash disposed of with subsidiary undertakings		-	(10)
		-	(12)
Net cash inflow before use of liquid resources and financing		26,400,099	9,918,720
Financing			
Issue of new shares		250,000	-
Purchase of own shares		(400,000)	-
New loans		15,495,174	1,176,176
Repayment of loans		(48,224,316)	(685,122)
		(32,879,142)	491,054
(Decrease)/increase in cash	27	(6,479,043)	10,409,774

Notes to the financial statements

for the year ended 31 March 2012

1. Accounting policies

Basis of preparation

The financial statements are prepared in accordance with applicable United Kingdom accounting standards under the historical cost convention as modified to include the revaluation of investment properties.

Going concern

The group has, along with most other property investment companies, experienced a significant reduction in the market value of its portfolio. This has primarily been caused by the lack of available debt funding in the market creating both uncertainty as to future value and a flight to quality leaving secondary properties in limbo.

The continuing fall in values has prompted debate between the group and its funders, which has led the directors to explore options in respect of the potential replacement of its funders. The directors are therefore in discussion with a variety of parties and are confident that a deal can be struck in the near future to replace its bankers and secure the mid to long term future of the group.

In light of the circumstances noted above, the existing bank facility is deemed to be repayable on demand. Whilst these discussions are taking place the directors have depicted bank debt as a current liability, i.e. repayable in less than 12 months.

Going concern is dependent upon successful completion of these discussions. It is the directors' belief that a satisfactory conclusion will be achieved and have therefore prepared the financial statements on a going concern basis. This belief is bolstered by the current trading position of the group where debt continues to be serviced without stress, income levels remain constant (despite the economic conditions) and occupancy levels remain consistent with previous years.

Basis of consolidation

The group financial statements consolidate the financial statements of Credential Investment Holdings Limited and its subsidiary undertakings made up to 31 March 2012.

The results of companies acquired during a financial year are dealt with from the date of acquisition using the principles of acquisition accounting.

Under Section 408 of the Companies Act 2006, the company is exempt from the requirement to present its own profit and loss account.

Associated undertakings and joint ventures

An associated undertaking is one in which the group has a long-term investment of not less than 20% of the equity and voting share capital and over which it exercises a significant influence. An entity is treated as a joint venture where the group holds a long term interest and shares control under a contractual agreement.

The group's share of the profits less losses of associated undertakings is included in the group profit and loss account and its interest in their net assets is included in investments in the group balance sheet under the equity method of accounting.

In the group financial statements, interests in joint ventures are accounted for using the gross equity method of accounting. The consolidated profit and loss account includes the group's share of the operating results, interest, and attributable taxation of such undertakings.

Notes to the financial statements

for the year ended 31 March 2012

1. Accounting policies (continued)

Turnover

Turnover represents property rental income and property development sales receivable during the year.

Property rental income is recognised evenly over the term of the lease to which it relates. Surrender premiums received from outgoing tenants prior to the expiry of their leases are included in property rental income.

Turnover from the sale of trading properties arises where legal contracts have been completed during the period. No turnover is included in the financial statements in connection with trading property sales unless a legally binding contract for sale has been entered into and completion has taken place before or shortly after the period end.

Tenant Incentives

Lease incentives which enhance the property are added to the cost of the property. Where a lease incentive does not enhance the property, it is amortised over the period to the earlier of the first rent review, the first break option, or the end of the lease term. On new leases with rent-free periods, rental income is allocated evenly over the period from the date of the lease commencement to the date of the first rent review.

Depreciation

Depreciation is provided to write off the cost or valuation, less estimated residual values, of all tangible fixed assets, except for investment properties and land and buildings under development, over their expected useful lives. It is calculated at the following rates:

Vehicles and office equipment - between 3 and 10 years on a straight line basis

Goodwill

Goodwill arising on an acquisition of a subsidiary undertaking is the difference between the fair value of the consideration paid and the fair value of the assets acquired.

Positive purchased goodwill is capitalised and amortised through the profit and loss account in equal instalments over its estimated useful economic life. The estimated useful economic life of positive goodwill is 20 years. Goodwill is reviewed for impairment following the first full year following the acquisition and in other periods if events or changes in circumstances indicate that the carrying values may not be recoverable.

Negative goodwill, classified as a negative asset on the balance sheet, is recognised in the profit and loss account in the period in which the acquired non-monetary assets are recovered whether through write-down or sale.

Investments

Investments in subsidiary undertakings are stated at cost less provision for impairment. Other investments are stated at cost less provision for diminution in value.

Stock of properties

Trading and development properties are stated at the lower of cost and net realisable value. Cost includes all fees related to the purchase of the property, development expenditure and, where appropriate, capitalised interest. Net realisable value is based on estimated sales price less costs estimated to be incurred up to the date of disposal.

For trading properties in the course of development, interest is capitalised in stocks up until the date of practical completion. From that date, interest is charged to the profit and loss account.

Notes to the financial statements

for the year ended 31 March 2012

1. Accounting policies (continued)

Pensions

Pension costs, all of which relate to defined contribution schemes, are charged to the profit and loss account in the year in which they accrue.

Loan arrangement costs

Costs relating to the raising of loan facilities are amortised over the life of the related loan and charged to the profit and loss account as part of interest expense. Bank loans are disclosed net of unamortised loan issue costs.

Interest rate swaps

The group's criteria for interest rate swaps are:

- the instrument must be related to an asset or a liability; and
- it must change the character of the interest rate by converting a variable rate to a fixed rate or vice versa.

Interest differentials are recognised by accruing with net interest payable. Interest rate swaps are not revalued to fair value or shown on the group balance sheet at the year end. If they are terminated early, the gain/loss is spread over the remaining maturity of the original instrument.

Deferred taxation

Deferred tax is provided in accordance with FRS 19 on all timing differences which have originated but not reversed at the balance sheet date, except that:

- deferred tax is not recognised on revaluation gains arising on investment properties unless by the balance sheet date the group has entered into a binding sale agreement and is not proposing to take advantage of rollover relief; and
- the recognition of deferred tax assets is limited to the extent that the group anticipates making sufficient taxable profits in the future to absorb the reversal of the underlying timing differences.

Deferred tax on fair value uplifts applied to trading properties on acquisition is accounted for as a timing difference.

Deferred tax balances arising from underlying timing differences in respect of tax allowances on industrial buildings are reversed if and when all conditions for retaining those allowances have been met.

Deferred tax balances are not discounted.

Leased assets

Where assets are financed by leasing agreements that give rights approximating to ownership ('finance leases'), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable during the lease term. The corresponding leasing commitments are shown as amounts payable to the lessor. Depreciation on the relevant assets is charged to the profit and loss account over 3-4 years on a straight-line basis.

Lease payments are analysed between capital and interest components so that the interest element of the payment is charged to the profit and loss account over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding. The capital part reduces the amounts payable to the lessor.

Rentals paid under other leases (operating leases) are charged against income on a straight line basis over the lease term.

Notes to the financial statements

for the year ended 31 March 2012

2. Turnover

Turnover is wholly attributable to the principal activity of the group and arises solely within the United Kingdom.

An analysis of turnover attributable to each activity is as follows:

	2012	2011
	£	£
<i>Class of business:</i>		
Residential property sales	1,061,000	1,628,622
Property rental income	11,950,777	13,106,638
Management fees	294,758	263,647
	<u>13,306,535</u>	<u>14,998,907</u>

3. Employees

Staff costs consist of:

	2012	2011
	£	£
Wages and salaries	858,662	1,411,582
Social security costs	105,670	162,772
Other pension costs	47,556	46,788
	<u>1,011,888</u>	<u>1,621,142</u>

Other pension costs represent amounts payable in respect of the group's defined contribution scheme.

The average monthly number of employees (including directors) during the year is analysed as follows:

	2012	2011
	No.	No.
Property management and development	9	12
Management and administration	8	9
	<u>17</u>	<u>21</u>

Notes to the financial statements

for the year ended 31 March 2012

4. Directors' remuneration

Directors' emoluments and pension contributions consist of:

	2012 £	2011 £
Emoluments	407,124	912,507
Fees paid to third party for services of director	-	50,000
Compensation paid to former director for loss of office	-	87,500
Pension contributions towards defined contribution schemes	25,394	25,394

Two (2011 – two) directors were members of the company's defined contribution pension scheme.

The emoluments of the highest paid director were £163,198 (2011 - £384,033). Pension contributions in respect of the highest paid director were £16,995 (2011 - £nil).

5. Group operating profit

	2012 £	2011 £
<i>This is arrived at after charging:</i>		
Depreciation - owned assets	59,582	61,289
Auditors' remuneration - audit fees	58,900	58,850
- tax advisory services	32,240	31,200
Operating lease rentals - other	3,609	3,510
- land and buildings	23,500	25,889
Compensation for loss of office	5,500	112,500

Included in audit fees is £9,000 (2011 - £9,600) relating to the company. Auditors' remuneration for tax advisory services in respect of the company was £32,240 (2011 - £31,200).

6. Interest payable and similar charges

	2012 £	2011 £
On loans and overdrafts	9,225,834	11,649,514
Other interest	9,425	-
Amortisation of debt issue costs	935,215	1,170,515
	10,170,474	12,820,029

Notes to the financial statements

for the year ended 31 March 2012

7. Tax

(a) Tax on loss on ordinary activities:

	2012 £	2011 £
<i>Current tax:</i>		
UK corporation tax	-	-
Adjustments in respect of previous periods	124,329	-
	<u>124,329</u>	<u>-</u>
<i>Deferred tax:</i>		
Origination and reversal of timing differences	(42,939)	13,385
Effect of decreased rate on opening liability	(54,000)	(49,085)
Adjustments in respect of previous periods	50,811	114,258
	<u>78,201</u>	<u>78,558</u>
Tax on loss on ordinary activities		

(b) Factors affecting the current tax charge

The tax assessed on the loss on ordinary activities for the year is higher (2011 – higher) than the standard rate of corporation tax in the UK of 26% (2011 - 28%). The differences are reconciled below:

	2012 £	2011 £
Loss on ordinary activities before tax	(1,431,666)	(3,755,877)
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 26% (2011 - 28%)	<u>(372,233)</u>	<u>(1,051,645)</u>
<i>Effect of:</i>		
Expenses not deductible for tax purposes	245,178	190,086
Other timing differences	(63)	478
Depreciation in excess of capital allowances	202,785	-
Capital allowances in excess of depreciation	-	(158,108)
Unrelieved tax losses/(losses brought forward utilised)	(1,200,811)	797,805
Chargeable gains	1,273,375	-
Unrelieved capital tax losses	-	222,286
Income not subject to taxation	(148,231)	(902)
Adjustment in respect of prior years	124,329	-
Current tax charge for the year	<u>124,329</u>	<u>-</u>

Notes to the financial statements

for the year ended 31 March 2012

7. Tax (continued)

(c) Factors that may affect future tax charges

No provision has been made for deferred tax on gains recognised on revaluations of investment properties. Such tax would become payable only if the properties were sold and it was not possible to claim rollover relief. After taking into account indexation allowances, the total amount unprovided for is £736,326 (2011 - £5,455,969).

The group has tax losses arising in the UK of £3,353,626 (2011 - £10,455,044) that are available indefinitely for offset against future taxable profits of those companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they may not be used to offset taxable profits elsewhere in the group, and they have arisen in subsidiaries where future taxable profits are uncertain.

8. Loss attributable to the members of the parent company

The loss dealt with in the financial statements of the parent company is £18,559,281 (2011: loss - £1,434,340).

9. Intangible fixed assets

Group

	<i>Negative goodwill £</i>
<i>Cost:</i>	
At 1 April 2011	(1,975,664)
Release on disposal	95,108
At 31 March 2012	(1,880,556)

Negative goodwill arising on acquisitions is released to the profit and loss account as the underlying non-monetary assets acquired are disposed of or written down.

Notes to the financial statements

for the year ended 31 March 2012

10. Tangible fixed assets

(a) Group

	<i>Investment properties</i>	<i>Vehicles & office equipment</i>	<i>Total</i>
	£	£	£
<i>Cost or valuation:</i>			
At 1 April 2011	155,576,500	407,037	155,983,537
Additions	1,114,388	16,712	1,131,100
Disposals	(30,585,000)	-	(30,585,000)
Revaluation deficit	(6,210,888)	-	(6,210,888)
At 31 March 2012	119,895,000	423,749	120,318,749
<i>Depreciation:</i>			
At 1 April 2011	-	217,006	217,006
Charge for year	-	59,582	59,582
At 31 March 2012	-	276,588	276,588
<i>Net book value:</i>			
At 31 March 2012	119,895,000	147,161	120,042,161
At 31 March 2011	155,576,500	190,031	155,766,531

The group's investment properties were revalued as at 31 March 2012 by the directors, based on independent valuations by Chartered Surveyors, at open market value.

The deficit on revaluation of £6,210,888 has been debited to the revaluation reserve.

Vehicles and office equipment are stated at historical cost less aggregate depreciation.

Notes to the financial statements

for the year ended 31 March 2012

10. Tangible fixed assets (continued)

(a) Group (continued)

The historical cost of investment properties are:

	<i>Investment properties</i>	
	<i>2012</i>	<i>2011</i>
	£	£
At 31 March	190,420,618	224,730,226

Investment properties at valuation are analysed:

	<i>2012</i>	<i>2011</i>
	£	£
Long leasehold	41,025,000	66,210,000
Owned	78,870,000	89,366,500
	<u>119,895,000</u>	<u>155,576,500</u>

(b) Company

	<i>Vehicles and office equipment</i>
	£
<i>Cost:</i>	
At 1 April 2011	311,293
Additions	16,712
At 31 March 2012	<u>328,005</u>
<i>Depreciation:</i>	
At 1 April 2011	208,594
Charge for the year	56,217
At 31 March 2012	<u>264,811</u>
<i>Net book value:</i>	
At 31 March 2012	<u>63,194</u>
At 31 March 2011	<u>102,699</u>

Notes to the financial statements

for the year ended 31 March 2012

11. Fixed asset investments

(a) Group

Group summary:

	2012	2011
	£	£
Interests in joint ventures	1	1

Group interests in joint ventures:

	Shares	Share of reserves	Total
	£	£	£
Cost:			
At 1 April 2011 and 31 March 2012	501	(500)	1

At 31 March 2012, the group has interests in the allotted share capital of the following joint ventures, which are all registered in Scotland:

Name	Proportion of voting rights and ordinary share capital held	Nature of business
The Ayrshire Golf Company Limited	50%	Property development
Innov8 Contracts Limited	50%	Non-trading

In July 2012, application was made to Companies House to strike off Innov8 Contracts Limited from the Register.

Notes to the financial statements

for the year ended 31 March 2012

11. Fixed asset investments (continued)

(b) Company

	Shares in subsidiary undertakings £	Shares in joint ventures £	Total £
<i>Cost:</i>			
At 1 April 2011	13,574,384	1	13,574,385
Additions	34,013,791	-	34,013,791
Disposals	(3)	-	(3)
At 31 March 2012	47,588,172	1	47,588,173
<i>Provision for diminution in value:</i>			
At 1 April 2011	567,291	-	567,291
Provision for year	6,689,199	-	6,689,199
At 31 March 2012	7,256,490	-	7,256,490
<i>Net book value:</i>			
At 31 March 2012	40,331,682	1	40,331,683
At 31 March 2011	13,007,093	1	13,007,094

The company (or subsidiary undertaking where indicated *) has interests in the allotted share capital of the following principal subsidiary undertakings, which are all registered in Scotland, except where noted:

Name	Proportion of voting rights and ordinary equity share capital held	Nature of business
Squeeze Newco 2 Limited	100%	Intermediate parent company
* Credential Tay House Limited	100%	Intermediate parent company
* Tay Properties Limited (registered in Jersey)	100%	Property investment
* The Legal Services Centre Limited	100%	Property investment
* Dumbarton Road Limited	100%	Property investment
* Old Rutherglen Road Limited	100%	Property investment
* Credential (Peterborough) Limited	100%	Property investment
Hamiltonhill Estates Limited	100%	Property development
Douglas Shelf Seven Limited	100%	Property investment
Credential Charing Cross Limited	100%	Property investment

Notes to the financial statements

for the year ended 31 March 2012

11. Fixed asset investment (continued)

(b) Company (continued)

<i>Name</i>	<i>Proportion of voting rights and ordinary equity share capital held</i>	<i>Nature of business</i>
Credential Bath Street Limited	100%	Property investment
Credential Muirhouse Limited	100%	Property investment
Credential Estates Limited	100%	Property investment
Old Mill Studios Limited	100%	Property investment and trading
Credential SHOP Limited	100%	Property investment
Credential (Cambuslang) Limited	100%	Property investment
Credential (Greenock) Limited	100%	Property investment
Credential (Paisley) Limited	100%	Property investment
Credential (Baillieston) Limited	100%	Property investment
Credential (Wardpark North) Limited	100%	Property investment
Credential (Wardpark South) Limited	100%	Property investment
Squeeze Newco (Elmbank) Limited	100%	Property investment
Caststop Limited	100%	Intermediate parent company
* Stock Residential Lettings Limited	100%	Property trading
Credential Residential Finance Limited	80%	Intermediate parent company
* Lilybank Terrace Limited	80%	Property trading
* Lilybank Church Limited	80%	Property development
* Credential (Hermiston) Limited	80%	Property development
* Credential Residential (Hamiltonhill) Limited	80%	Non-trading
* Bell Grant (Auchterarder) Limited	80%	Non-trading
* Credential (Belhaven Terrace) Limited	80%	Non-trading
* Credential Dunbar Limited	80%	Non-trading
Credential Jersey Limited	100%	Intermediate parent company
* Rocket Unit Trust (established in Jersey)	100%	Property investment
* Credential (Rochdale)	100%	Non-trading
* Credential (Milton Keynes)	100%	Non-trading
London & Scottish Property Management Limited	100%	Property management
Credential Logistics (KL) Limited	100%	Non-trading

Notes to the financial statements

for the year ended 31 March 2012

12. Stocks

	<i>Group</i>		<i>Company</i>	
	<i>2012</i>	<i>2011</i>	<i>2012</i>	<i>2011</i>
	£	£	£	£
Property held for sale	336,014	901,014	-	-
Property held for development	13,005,190	12,959,742	-	-
Property under development	6,303,359	6,280,467	-	-
	<u>19,644,563</u>	<u>20,141,223</u>	<u>-</u>	<u>-</u>

Included in trading property stocks of the group is interest of £907,252 (2011 - £801,617).

13. Debtors

	<i>Group</i>		<i>Company</i>	
	<i>2012</i>	<i>2011</i>	<i>2012</i>	<i>2011</i>
	£	£	£	£
Trade debtors	1,775,487	4,009,879	15,019	42,146
Amounts owed by group undertakings	-	-	72,393,001	113,143,748
Amounts owed by joint ventures	129,542	164,550	129,542	164,550
Other debtors	3,104,538	5,353,287	2,200,611	4,927,986
Prepayments and accrued income	2,673,134	3,457,501	2,753,818	2,725,996
	<u>7,682,701</u>	<u>12,985,217</u>	<u>77,491,991</u>	<u>121,004,426</u>

Amounts falling due after more than one year included above are:

	<i>Group</i>		<i>Company</i>	
	<i>2012</i>	<i>2011</i>	<i>2012</i>	<i>2011</i>
	£	£	£	£
Amounts owed by group undertakings	-	-	581,227	20,216,043
Prepayments and accrued income	1,082,488	1,032,784	2,710,010	2,710,010
	<u>1,082,488</u>	<u>1,032,784</u>	<u>3,291,237</u>	<u>22,926,053</u>

Notes to the financial statements

for the year ended 31 March 2012

14. Current asset investments

	2012	Group 2011	2012	Company 2011
	£	£	£	£
Other investments (listed)	101,176	101,176	101,176	101,176

The market value of listed investments at 31 March 2012 is £85,003 (2011 - £78,356).

15. Creditors: amounts falling due within one year

	2012	Group 2011	2012	Company 2011
	£	£	£	£
Bank loans (note 17)	174,309,602	29,085,570	90,218,125	-
Trade creditors	929,654	1,852,562	113,780	149,988
Amounts owed to group undertakings	-	-	1,951,323	2,328,872
Corporation tax	173,952	13,264	-	-
Taxation and social security	597,470	1,311,832	520,938	801,575
Other creditors	615,627	3,951,238	155,340	2,613,428
Accruals and deferred income	6,398,302	9,129,040	2,672,009	641,639
	183,024,607	45,343,506	95,631,515	6,535,502

Other creditors of the group and company include outstanding amounts in respect of defined contributions pension schemes totalling £4,731 (2011 - £5,170).

16. Creditors: amounts falling due after more than one year

	2012	Group 2011	2012	Company 2011
	£	£	£	£
Bank loans (note 17)	399,784	178,131,943	-	91,124,666
Other creditors	350,000	350,000	-	-
Accruals and deferred income	527,388	527,388	-	-
	1,277,172	179,009,331	-	91,124,666

Notes to the financial statements

for the year ended 31 March 2012

17. Analysis of borrowings

Borrowings defined as bank loans are payable as follows:

	<i>Group</i>		<i>Company</i>	
	2012	2011	2012	2011
	£	£	£	£
<i>Repayable:</i>				
- between 1 and 2 years	399,784	178,131,943	-	91,124,666
- within 1 year	174,309,602	29,085,570	90,218,125	-
	<u>174,709,386</u>	<u>207,217,513</u>	<u>90,218,125</u>	<u>91,124,666</u>

All bank loans are secured by standard securities over the group's investment properties and development properties, by floating charges over the group's assets and by an assignment of all property rental income in favour of the bank. Bank loans are disclosed net of unamortised debt issue costs of £132,937 (2011 - £353,952) of the group and £104,664 (2011 - £209,479) of the company.

The bank holds as security for the company's bank borrowings a bond and floating charge over the assets of the company. With reference to Note 1 to the financial statements, the group's and company's principal bank loans have been stated as falling due within one year.

18. Provisions for liabilities

Deferred taxation:

	<i>Group</i>		<i>Company</i>	
	2012	2011	2012	2011
	£	£	£	£
At 1 April 2011	2,184,224	2,223,593	-	-
(Credit)/charge to profit and loss account	(46,128)	78,558	-	-
Effect of change in tax rate	(117,926)	(117,927)	-	-
At 31 March 2012	<u>2,020,170</u>	<u>2,184,224</u>	<u>-</u>	<u>-</u>

Analysed:

	<i>Group</i>		<i>Company</i>	
	2012	2011	2012	2011
	£	£	£	£
Accelerated capital allowances	605,051	651,179	-	-
Fair value adjustments arising on acquisition	1,415,119	1,533,045	-	-
	<u>2,020,170</u>	<u>2,184,224</u>	<u>-</u>	<u>-</u>

Notes to the financial statements

for the year ended 31 March 2012

19. Called up share capital

	2012		2011	
	No.	£	No.	£
<i>Allotted, called up and fully paid:</i>				
"A" ordinary shares of 25p each	21,896,145	5,474,036	21,896,145	5,474,036
"B" ordinary shares of 25p each	-	-	17,204,115	4,301,029
	<u>21,896,145</u>	<u>5,474,036</u>	<u>39,100,260</u>	<u>9,775,065</u>
Redeemable preference shares of £1 each	250,000	250,000	-	-
	<u>250,000</u>	<u>250,000</u>	<u>-</u>	<u>-</u>

On 27 May 2011 the company purchased its 17,204,115 "B" ordinary shares of 25p each in issue from the "B" ordinary shareholder for a consideration of £400,000 payable in cash. This represented 44% of the called up share capital in issue. On the same date, the company cancelled these "B" ordinary shares.

On 27 May 2011, the company issued 250,000 redeemable preference shares of £1 each at par for a total consideration of £250,000. The redeemable preference shares have neither voting rights nor rights to participate in any dividends. They are redeemable at the option of the shareholder at any time after 1 October 2014 at £1 per share.

20. Reserves

Group

	Revaluation reserve	Capital redemption reserve	Merger reserve	Profit and loss account
	£	£	£	£
At 1 April 2011	(65,557,998)	-	6,167,614	23,449,842
Loss for the year	-	-	-	(1,492,174)
Deficit on revaluation of investment properties	(6,210,888)	-	-	-
Released on disposal	4,838,996	-	-	(4,838,996)
Transfer on acquisition of minority interest	(105,085)	-	-	105,085
Movement arising from tax rate change	117,926	-	-	-
Payment for purchase of "B" shares	-	-	-	(400,000)
Cancellation of "B" shares	-	4,301,029	-	-
At 31 March 2012	<u>(66,917,049)</u>	<u>4,301,029</u>	<u>6,167,614</u>	<u>16,823,757</u>

Notes to the financial statements

for the year ended 31 March 2012

20. Reserves (continued)

Company

	<i>Capital redemption reserve</i>	<i>Profit and loss account</i>
	£	£
At 1 April 2011	-	35,541,564
Loss for the year	-	(18,559,281)
Payment for purchase of "B" shares	-	(400,000)
Cancellation of "B" shares	4,301,029	-
At 31 March 2012	4,301,029	16,582,283

21. Reconciliation of movements in group shareholders' funds

	2012	2011
	£	£
Loss for the year	(1,492,174)	(3,771,631)
Other recognised gains and losses relating to the year	(6,092,962)	(14,837,771)
Allotment of share capital in year	250,000	100
Payment for purchase of own shares	(400,000)	-
Total recognised gains and losses	(7,735,136)	(18,609,302)
Shareholders' funds at 31 March 2011	(26,165,477)	(7,556,175)
Shareholders' funds at 31 March 2012	(33,900,613)	(26,165,477)

22. Obligations under leases and hire purchase contracts

The group and company have the following annual commitments in respect of non-cancellable operating leases:

	<i>Group</i>		<i>Company</i>	
	2012	2011	2012	2011
	£	£	£	£
<i>Land and buildings:</i>				
Operating leases which expire:				
After five years	30,250	30,250	-	-
<i>Other:</i>				
Operating leases which expire:				
Between two and five years	3,491	3,491	-	3,491

Notes to the financial statements

for the year ended 31 March 2012

23. Capital commitments

Amounts contracted for but not provided in the financial statements at 31 March 2012 amounted to £320,486 (2011 - £97,616) for the group and £nil (2011 - £nil) for the company.

24. Derivatives

The group entered into interest rate swaps to manage interest rate risk volatility. The fair value of the derivatives at 31 March 2012, determined by reference to market values is:

	<i>Group</i>		<i>Company</i>	
	<i>2012</i>	<i>2011</i>	<i>2012</i>	<i>2011</i>
	£	£	£	£
Interest rate swaps	(8,278,324)	(8,675,218)	(8,278,324)	(3,548,255)

25. Contingent liabilities

Company

The company is party to a cross-guarantee arrangement with the Bank of Scotland in respect of borrowings by certain subsidiary undertakings.

26. Reconciliation of operating profit to net cash inflow from operating activities

	<i>2012</i>	<i>2011</i>
	£	£
Operating profit	8,654,185	9,751,558
Restructuring/merger expenses written off	246,817	585,505
Depreciation	59,582	61,289
Decrease in stocks	496,660	1,506,909
Decrease in debtors	4,588,315	4,837,449
(Decrease)/increase in creditors	(9,894,867)	1,702,888
Net cash inflow from operating activities	4,150,692	18,445,598

27. Reconciliation of net cash flow to movement in net debt

	<i>2012</i>	<i>2011</i>
	£	£
(Decrease)/increase in cash in the year	(6,479,043)	10,409,774
Cash flow from change in debt	32,729,142	(491,054)
Change in net debt	26,250,099	9,918,720
Opening net debt	(194,206,364)	(204,125,084)
Closing net debt	(167,956,265)	(194,206,364)

Notes to the financial statements

for the year ended 31 March 2012

28. Analysis of changes in net debt

	<i>At 1 April 2011 £</i>	<i>Cash flows £</i>	<i>Other changes £</i>	<i>At 31 March 2012 £</i>
Cash at bank and in hand	13,365,101	(6,479,043)	-	6,886,058
Debt due within one year	(29,113,570)	4,088,786	(149,417,755)	(174,442,539)
Debt due after one year	(178,457,895)	28,640,356	149,417,755	(399,784)
Total	(194,206,364)	26,250,099	-	(167,956,265)

29. Ultimate controlling party and related party transactions

The company was under the control of RB Clapham, a director, throughout the year.

The company is exempt from disclosing transactions with group companies that are consolidated within these financial statements.

During the year the group and company entered into the following transactions with related parties which require disclosure as identified below:

	<i>2012 £</i>	<i>Group 2011 £</i>
Fees payable by Credential (Dowanhill) Limited	36,000	9,000

RB Clapham is the principal shareholder and a director of Credential (Dowanhill) Limited.

At 31 March 2012, the group and company had the undernoted balances outstanding with companies owned and controlled by RB Clapham:

	<i>2012 £</i>	<i>Group 2011 £</i>	<i>2012 £</i>	<i>Company 2011 £</i>
Amounts receivable within one year	2,191,743	4,800,000	2,191,743	4,800,000
Amounts payable within one year	-	(2,608,257)	-	(2,608,257)

On 27 May 2011, the company issued 250,000 redeemable preference shares of £1 each at par to RB Clapham.

During the year the group and company paid professional fees totalling £181,465 to IH Property Asset Management Limited, of which SJ Inglis is a director and shareholder.