

**Crown Court Property London Limited**

**Annual report and financial statements**

**For the year ended 31 December 2009**

**Company registration number 2924226**

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# **Crown Court Property London Limited**

## **Annual report and financial statements**

**for the year ended 31 December 2009**

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# Crown Court Property London Limited

## Directors' report for the year ended 31 December 2009

The directors present their annual report and the audited financial statements for the year ended 31 December 2009

### Legal form and domicile

The company is a private limited company registered and incorporated in England & Wales with the registered number 2924226 Its domicile is England

### Principal activity

The principal activity of the company is the purchase and holding of a commercial property at 1, Crown Court, Cheapside, London EC2V 6LR the majority of which is let to a group undertaking No change in this activity is foreseen

### Results, key performance indicators and dividend

The results and transfer to reserves for the year ended 31 December 2009 are set out in the Income Statement on page 4 The directors consider that the nature of business is straightforward and that no analysis of key performance indicators is necessary for an understanding of the development, performance or position of the business During the year the company paid a final dividend for 2008 of £320,000 and an interim dividend for 2009 of £320,000 (2008 No dividends were paid) The directors recommend the payment of no final dividend for 2009 (2008 £320,000)

### Directors

The directors who held office during the year were as follows

A Muhle (appointed 13 March 2009)

J M Whing

Dr C Burmester (resigned 28 February 2009)

### Financial risk management

Information on the management of financial risk is given in note 12 to the financial statements on pages 12 and 13

### Independent auditors

A resolution to reappoint PricewaterhouseCoopers LLP as auditors to the company will be proposed at the annual general meeting

### Disclosure of information to auditors

Each of the directors in office at the date that the Directors' report is approved confirms that in accordance with the provisions of Section 418 of the Companies Act 2006

- so far as they are aware, there is no relevant audit information of which the company's auditors are unaware, and
- each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information

By order of the board

G M Hunter  
Company Secretary



1 Crown Court  
Cheapside  
London EC2V 6LR  
23 March 2010

# Crown Court Property London Limited

## Statement of 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 International Financial Reporting Standards (IFRSs) as adopted by the European Union. In preparing these financial statements, the directors have also elected to comply with IFRSs, issued by the International Accounting Standards Board (IASB). 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 judgments and accounting 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 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.

# **Crown Court Property London Limited**

## **Independent auditors' report to the shareholders of Crown Court Property London Limited**

We have audited the financial statements of Crown Court Property London Limited for the year ended 31 December 2009 which comprise the Income Statement, the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity, the Statement of Cash Flow and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

### **Respective responsibilities of directors and auditors**

As explained more fully in the Statement of Directors Responsibilities set out on page 2, 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 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.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

### **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.

### **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 2009 and of its profit and cash flows for the year then ended,
- have been properly prepared in accordance with IFRSs as adopted by the European Union, 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 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



Michael Newman (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London

**31** March 2010

# Crown Court Property London Limited

## Income statement

for the year ended 31 December 2009

		Year ended 31 December 2009	Year ended 31 December 2008
	Notes	£	£
Revenue	2	1,518,335	1,518,336
Depreciation	7	(415,538)	(415,538)
Other expenses	3	(11,065)	(7,215)
<b>Operating profit</b>		<b>1,091,732</b>	<b>1,095,583</b>
Finance income	4	3,623	29,262
Finance costs	5	(264,538)	(306,243)
<b>Profit before income tax</b>		<b>830,817</b>	<b>818,602</b>
Income tax expense	6	(348,979)	(351,696)
<b>Profit for the year attributable to Equity holders</b>		<b>481,838</b>	<b>466,906</b>

## Statement of Comprehensive Income

for the year ended 31 December 2009

	Year ended 31 December 2009	Year ended 31 December 2008
	£	£
<b>Profit for the year</b>	<b>481,838</b>	<b>466,906</b>
Other comprehensive income	-	-
<b>Total comprehensive income for the year</b>	<b>481,838</b>	<b>466,906</b>

In addition to the gains and losses reflected in the above statement, a revaluation reserve is maintained to reflect the difference arising on the translation of the Euro share capital at the date of issue and at the balance sheet date. The profit for the year in the above statements is from continuing activities.

The notes on pages 8 to 13 are an integral part of these financial statements.

# Crown Court Property London Limited

## Balance sheet as at 31 December 2009

	Notes	2009 £	2008 £
<b>Non Current assets</b>			
Investment property	7	17,839,084	18,254,622
		<hr/>	<hr/>
		17,839,084	18,254,622
<b>Current assets</b>			
Trade receivables	8	17,269	17,269
Cash and cash equivalents		<u>306,458</u>	<u>746,920</u>
		323,727	764,189
		<hr/>	<hr/>
<b>Total assets</b>		<b>18,162,811</b>	<b>19,018,811</b>
		<hr/>	<hr/>
<b>Equity</b>			
Share capital	9	14,017,452	15,033,912
Revaluation reserve		(729,116)	(1,745,576)
Profit and loss account		280,600	438,762
		<hr/>	<hr/>
<b>Total equity</b>		<b>13,568,936</b>	<b>13,727,098</b>
		<hr/>	<hr/>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Borrowings	10	3,500,000	4,200,000
<b>Current liabilities</b>			
Trade and other payables	11	219,474	216,098
Current income tax liabilities		174,401	175,615
Borrowings	10	<u>700,000</u>	<u>700,000</u>
		1,093,875	1,091,713
		<hr/>	<hr/>
<b>Total liabilities</b>		<b>4,593,875</b>	<b>5,291,713</b>
		<hr/>	<hr/>
<b>Total equity and liabilities</b>		<b>18,162,811</b>	<b>19,018,811</b>
		<hr/>	<hr/>

The notes on pages 8 to 13 are an integral part of these financial statements

The financial statements on pages 4 to 13 were approved by the board of directors on 23 March 2010

A Muhle  
Director

J M Whing  
Director

# Crown Court Property London Limited

## Statement of changes in equity for the year ended 31 December 2009

	Share capital (see note 9)	Revaluation reserve	Profit & loss account	Total
	£	£	£	£
<b>Balance at 31 December 2007</b>	<b>11,574,951</b>	<b>1,713,385</b>	<b>(28,144)</b>	<b>13,260,192</b>
Currency translation difference	3,458,961	(3,458,961)	-	-
Profit for the year	-	-	466,906	466,906
<b>Balance at 31 December 2008</b>	<b>15,033,912</b>	<b>(1,745,576)</b>	<b>438,762</b>	<b>13,727,098</b>
Final dividend paid for 2008			(320,000)	(320,000)
Interim dividend paid for 2009			(320,000)	(320,000)
Currency translation difference	(1,016,460)	1,016,460	-	-
Profit for the year	-	-	481,838	481,838
<b>Balance at 31 December 2009</b>	<b>14,017,452</b>	<b>(729,116)</b>	<b>280,600</b>	<b>13,568,936</b>

The revaluation reserve reflects the difference arising on translation of the Euro share capital at the date of issue on 28 May 1996 at EUR 1 187782 £ 1 and at the rate prevailing on the balance sheet date

The exchange rate used at 31 December 2009 was EUR 1 = GBP 0 8881 (2008 0 9525)

The notes on pages 8 to 13 are an integral part of these financial statements



# Crown Court Property London Limited

## Statement of cash flows for the year ended 31 December 2009

	Notes	Year ended 31 December 2009 £	Year ended 31 December 2008 £
<b>Cash flows from operating activities</b>			
Profit before income tax		830,817	818,602
Add back Depreciation		415,538	415,538
Less Finance income		(3,623)	(29,262)
Add back Finance costs		264,538	306,243
Operating profit before depreciation and interest		1,507,270	1,511,121
(Increase) in trade receivables		-	(3,641)
Increase/(decrease) in trade and other payables		3,600	(1,819)
Interest paid		(264,762)	(308,256)
Income tax paid		(350,193)	(355,433)
Net cash generated from operations		895,915	841,972
<b>Cash flows from investing activities</b>			
Dividends paid		(640,000)	-
Interest received		3,623	29,262
Net cash generated from investing activities		(636,377)	29,262
<b>Cash flows from financing activities</b>			
Repayment of borrowings	10	(700,000)	(700,000)
Net cash used in financing activities		(700,000)	(700,000)
<b>Net (decrease)/increase in cash</b>		<b>(440,462)</b>	<b>171,234</b>
Cash and cash equivalents at beginning of year		746,920	575,686
Cash and cash equivalents at end of year		306,458	746,920

The notes on pages 8 to 13 are an integral part of these financial statements

# Crown Court Property London Limited

## Notes to the financial statements for the year ended 31 December 2009

### 1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements

#### *Basis of preparation*

The Company has adopted International Financial Reporting Standards ("IFRS"), as adopted by the EU, and the Companies Act 2006 for the preparation of the financial statements. These financial statements are prepared on the going concern basis, under the historical cost convention, and on the basis of the principal accounting policies set out below

#### *New and amended standards adopted by the company*

In preparing these financial statements, the amendments to two standards, effective from 1 January 2009, are relevant and have been adopted by the Company

- IFRS 7 ("Financial instruments – Disclosures")
- IAS 1 (revised) ("Presentation of financial statements")

#### *Critical accounting estimates and judgements*

The useful economic life of the investment property and the valuation of the investment property are the only critical accounting estimates and judgements in these financial statements

#### *Investment property*

The investment property is stated at amortised cost, including transaction costs on initial measurement. Depreciation is provided to write off the cost over the estimated useful economic life from date of purchase, which is considered to be 50 years for the buildings element. No depreciation is provided on the cost of land. The fair value of the investment property is disclosed in note 7. The fair value is assessed using an internationally-accepted valuation method by applying a yield measure to the rental income, and is reassessed annually. The property is partly occupied by the parent company and partly sublet to third party tenants. There are no restrictions over the title and use of the property.

#### *Net rental income*

Net rental income derives from operating leases and is recognised in the income statement on a straight-line basis over the lease terms.

#### *Foreign currencies*

Transactions in foreign currencies are translated into sterling at exchange rates approximating to the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to sterling at the exchange rate ruling at that date, and differences arising on translation are recognised in the income statement.

#### *Taxation*

Tax on the profit for the year comprises both current and deferred tax as well as adjustments in respect of prior periods. Tax is charged or credited to the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted, or substantially enacted by the balance sheet date.

Deferred tax is recognised in respect of all temporary differences between the carrying value of assets and liabilities for reporting purposes and the amounts charged or credited for tax purposes. Deferred tax is calculated at the rate of tax expected to apply when the liability is settled or the asset is realised. A deferred tax asset is only recognised to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax liabilities are offset against deferred tax assets within the same taxable entity or qualifying local tax group where there is both the legal right and the intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

# Crown Court Property London Limited

## Notes to the financial statements for the year ended 31 December 2009

### 1 Accounting policies (continued)

#### *Financial instruments*

Fair value is the amount at which an asset or liability could be exchanged in an arm's length transaction between informed and willing parties, other than in a forced or liquidation sale. The fair value of all financial instruments held at 31 December 2009 approximates to the amounts at which these instruments are reflected in the balance sheet.

#### *Cash and cash equivalents*

Cash equivalents includes all investments readily convertible to a known amount of cash and subject to an insignificant risk of changes in value, having a maturity of three months or less from the date of acquisition.

#### *Share capital and dividends*

Ordinary and non-mandatory redeemable preference shares are classified as equity. Dividends are recognised as deductions from retained earnings in the period in which they are declared.

### 2 Revenue

	2009 £	2008 £
Income from tenants of property		
Group undertaking	873,477	879,012
Other	644,858	639,324
	<hr/>	<hr/>
	1,518,335	1,518,336
	<hr/>	<hr/>

All of the Company's revenue derives from one investment property located in England, so no segmental reporting is required. The future aggregate minimum rentals receivable under non-cancellable operating leases are as follows:

	2009 £	2008 £
Future minimum lease payments receivable		
Up to one year	1,518,336	1,518,336
More than one year, up to five years	6,073,342	6,073,342
More than five years	781,885	2,300,220
	<hr/>	<hr/>
	8,373,563	9,891,898
	<hr/>	<hr/>

### 3 Other expenses

	2009 £	2008 £
Auditors' remuneration – audit fees	11,050	7,200
Other expenses	15	15
	<hr/>	<hr/>
	11,065	7,215
	<hr/>	<hr/>

No directors' emoluments were paid during the year (2008: nil) and there were no employees (2008: none).

# Crown Court Property London Limited

## Notes to the financial statements for the year ended 31 December 2009

<b>4</b>	<b>Interest income</b>	<b>2009</b>	<b>2008</b>
		<b>£</b>	<b>£</b>
	Interest on short term deposits with group undertaking	3,729	28,367
	Other interest receivable	(106)	895
		<hr/>	<hr/>
		3,623	29,262
		<hr/>	<hr/>
<b>5</b>	<b>Finance costs</b>	<b>2009</b>	<b>2008</b>
		<b>£</b>	<b>£</b>
	Interest payable on loan from group undertaking	264,538	306,243
		<hr/>	<hr/>
		264,538	306,243
		<hr/>	<hr/>
<b>6</b>	<b>Income tax expense</b>	<b>2009</b>	<b>2008</b>
		<b>£</b>	<b>£</b>
	UK Corporation Tax on profits for the period	348,979	351,696
		<hr/>	<hr/>
	The effective tax rate for the period of 42.00% (2008: 42.96%) is higher than the standard rate of Corporation Tax in the UK for the year ended 31 December 2009 of 28% (2008: 28.5%). The differences are explained below:		
	Corporation tax at the standard rate on the Profit before taxation	232,629	233,279
	Add: Non-deductible depreciation	116,350	118,417
		<hr/>	<hr/>
		348,979	351,696
		<hr/>	<hr/>

The standard rate of Corporation Tax in the UK changed from 30% to 28% with effect from 1 April 2008. Accordingly, the company's profits for that accounting period were taxed at an effective rate of 28.5% in 2008 and at 28% in 2009.

# Crown Court Property London Limited

## Notes to the financial statements for the year ended 31 December 2009

<b>7</b>	<b>Investment property</b>			
		<b>Land £</b>	<b>Buildings £</b>	<b>Total £</b>
	<i>Cost</i>			
	At 1 January 2009	3,500,000	20,776,889	24,276,889
	At 31 December 2009	3,500,000	20,776,889	24,276,889
	<i>Accumulated depreciation</i>			
	At 1 January 2009	-	6,022,267	6,022,267
	Charge for the year	-	415,538	415,538
	At 31 December 2009	-	6,437,805	6,437,805
	<i>Net book value</i>			
	At 31 December 2009	3,500,000	14,339,084	17,839,084
	At 31 December 2008	3,500,000	14,754,622	18,254,622

The fair value of the investment property has been assessed, using the rental yield method, as GBP 21,000,000 (2008 – GBP 20,000,000)

<b>8</b>	<b>Trade receivables</b>		
		<b>2009 £</b>	<b>2008 £</b>
	Rent receivable	17,269	17,269
		<b>17,269</b>	<b>17,269</b>

All amounts are due within three months and are denominated in sterling. No amounts are past due or impaired.

<b>9</b>	<b>Share capital</b>		
		<b>2009 £</b>	<b>2008 £</b>
	<i>Authorised</i>		
	100 ordinary shares of £1 each	100	100
	350,000 ordinary shares of EUR 51 129188 each	15,892,741	17,045,193
	<i>Allotted, called up and fully paid</i>		
	100 ordinary shares of £1 each	100	100
	308,699 ordinary shares of EUR 51 129188 each	14,017,352	15,033,812
		<b>14,017,452</b>	<b>15,033,912</b>

There are no restrictions on distributions of dividends and repayment of capital.

# Crown Court Property London Limited

## Notes to the financial statements for the year ended 31 December 2009

### 10 Borrowings

	2009 £	2008 £
Loan from group undertaking		
Falling due within one year	700,000	700,000
Falling due after more than one year	3,500,000	4,200,000
	<hr/>	<hr/>
	4,200,000	4,900,000
	<hr/>	<hr/>

The company agreed a loan facility from Landesbank Berlin AG of £9,800,000 for a period of ten years from 25 June 2001, maturing on 27 June 2011 and repaying £700,000 annually. The loan bears a fixed interest rate of 5.83% per annum.

### 11 Trade and other payables

	2009 £	2008 £
Accruals and deferred income	218,133	214,533
Amounts owed to group undertaking	1,341	1,565
	<hr/>	<hr/>
	219,474	216,098
	<hr/>	<hr/>

All amounts are due within three months and are denominated in sterling.

### 12 Financial risk management

#### *Financial risk factors*

The Company's activities expose it to a variety of financial risks, including funding risk, investment risk, credit risk and liquidity risk. The company is not exposed to currency risk since all of its operating activities are denominated in sterling.

#### *Capital management*

The Company has been capitalised so as to finance a substantial proportion of the property investment from a permanent non-interest-bearing source. The directors do not foresee any need to change the Company's capital structure or gearing.

#### *Funding risk*

The Company's primary source of income is rental income from its investment property, the cost of which is partially funded by borrowings. This rental income is fixed except to the extent that the leases provide for periodic upward rent reviews. The Company could be exposed to the risk that the interest cost of its borrowings exceeded its rental income from the investment property. This risk is managed partly by funding the larger proportion of the cost of the property by non-interest-bearing equity, rather than by borrowings, and partly by arranging the borrowings for a fixed term at a fixed rate of interest. The company uses its positive cash flow to reduce its borrowings annually.

#### *Investment risk*

The company is exposed to the risk that the value of its investment property could fall, thereby possibly exposing it to the risk that it has insufficient assets to repay its borrowings. As noted above, this risk is mitigated by the larger proportion of the cost of the property funded by equity rather than borrowings.

# Crown Court Property London Limited

## Notes to the financial statements

for the year ended 31 December 2009

### 12 Financial risk management (continued)

#### *Credit risk*

The Company is exposed to the risk that rental income due from tenants could remain unpaid, resulting in a shortfall of cash flow and income. This risk is mitigated by careful assessment of the quality of the tenants (the largest tenant being a group undertaking), supported by rental deposits held by the company's property management agents, and by other forms of rental guarantee. These factors provide for rental payments to be maintained while appropriate action is taken to resolve any potential interruption to the future flow of rental income.

#### *Liquidity risk*

The Company is exposed to the risk of cash flow difficulties arising from any adverse mismatch between the timing of the payment of outgoings (primarily interest expense) and the receipt of income (primarily rents). This risk is mitigated by arranging the due dates of interest payments (in arrears) to fall when rental receipts are due (in advance), and by maintaining an adequate cash balance on deposit with a group undertaking.

### 13 Related party transactions

The Company has undertaken the following transactions with related parties:

- Rental income paid by a group undertaking from a lease on part of the investment property (see note 2)
- Borrowings from and interest paid to a group undertaking (see notes 10 and 11)
- Cash placed with and interest received from a group undertaking (see note 4)

### 14 Ultimate parent undertaking

The directors regard Erwerbsgesellschaft der S-Finanzgruppe mbH & Co KG, a company incorporated in Germany, as the ultimate parent company and LBB Grundstücks-Gesellschaft mbH der Landesbank Berlin AG, also incorporated in Germany, as the immediate holding company. The largest and smallest groups to consolidate the Company's financial statements are Erwerbsgesellschaft der S-Finanzgruppe mbH & Co KG and Landesbank Berlin Holding AG, which is considered to be the controlling party. Copies of the parents' consolidated financial statements may be obtained from Landesbank Berlin Holding AG, Alexanderplatz 2, 10838 Berlin, Germany.