

Upperbright Limited

FINANCIAL STATEMENTS

for the year ended

31 May 2014



Company Registration No. 03817291

Upperbright Limited

COMPANY INFORMATION

DIRECTORS	R Tchenguiz V A Tchenguiz
COMPANY NUMBER	03817291 (England & Wales)
REGISTERED OFFICE	5th Floor Leconfield House Curzon Street London W1J 5JA
AUDITOR	Baker Tilly UK Audit LLP 3rd Floor One London Square Cross Lanes Guildford Surrey GU1 1UN
SOLICITORS	Osborne Clarke One London Wall London EC2Y 5EB

Upperbright Limited

DIRECTORS' REPORT

The directors present their report and the financial statements of Upperbright Limited for the year ended 31 May 2014.

PRINCIPAL ACTIVITIES AND REVIEW OF THE BUSINESS

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

The investment property held at 31 May 2014 was valued as at that date at £5,734,000 (2013: £5,810,000) by the directors. The decrease in value during the year amounted to £76,000 (2013: £137,000) as set out in note 6.

In the opinion of the directors, subject to the matters set out on page 7 regarding going concern and the support given by Rotch Property Group Limited, a fellow group company, the result for the year and the financial position of the company at 31 May 2014 were satisfactory.

DIVIDENDS

The directors do not recommend payment of a dividend.

DIRECTORS

The following directors have held office since 1 June 2013:

R Tchenguiz
V A Tchenguiz

STATEMENT AS TO DISCLOSURE OF INFORMATION TO THE AUDITOR

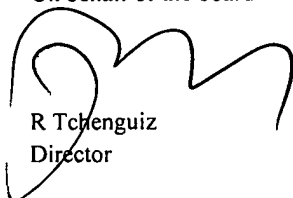
The directors who were in office on the date of approval of these financial statements have confirmed that, as far as they are aware, that there is no relevant audit information of which the auditor is unaware. Each of the directors have confirmed that they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.

AUDITOR

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

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

On behalf of the board



R Tchenguiz
Director

22 December 2014

Upperbright Limited

DIRECTORS' RESPONSIBILITIES IN THE PREPARATION OF FINANCIAL STATEMENTS

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- a. select suitable accounting policies and then apply them consistently;
- b. make judgements and accounting estimates that are reasonable and prudent;
- c. state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- d. prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Upperbright Limited

INDEPENDENT AUDITOR'S REPORT

To The Members Of Upperbright Limited

We have audited the financial statements on pages 4 to 13. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As more fully explained in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at <http://www.frc.org.uk/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 May 2014 and of its result for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Emphasis of matter - Going Concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosures made in the accounting policies on page 7 of the financial statements concerning the company's ability to continue as a going concern. The company is a party to a cross-collateralised group loan funding structure. As a result of breaches to loan covenants by a fellow group company and a member of that cross-collateralised group loan funding structure the company's ability to continue as a going concern may be impacted by the contingent events described on page 7. These contingent events indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern.

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to take advantage of the small companies exemption from the requirement to prepare a strategic report or in preparing the directors' report.

Baker Tilly UK Audit LLP

Christopher Hurren FCA (Senior Statutory Auditor)
For and on behalf of BAKER TILLY UK AUDIT LLP, Statutory Auditor
Chartered Accountants
3rd Floor, One London Square, Cross Lanes
Guildford, Surrey, GU1 1UN
9 January 2015

Upperbright Limited
 PROFIT AND LOSS ACCOUNT
 For the year ended 31 May 2014

	Notes	2014 £	2013 £
RENT RECEIVABLE		558,150	547,205
Other operating expenses	1	(426,992)	(407,717)
OPERATING PROFIT		131,158	139,488
Interest payable and similar charges	2	(500,330)	(501,099)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	3	(369,172)	(361,611)
Taxation	5	-	-
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION	12	(369,172)	(361,611)

All amounts derive from continuing activities.

Upperbright Limited

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

For the year ended 31 May 2014

	Notes	2014 £	2013 £
Loss for the financial year		(369,172)	(361,611)
Unrealised surplus on revaluation of properties (net)	6	339,000	259,467
Total recognised gains and losses relating to the year		<u>(30,172)</u>	<u>(102,144)</u>

NOTE OF HISTORICAL COST PROFITS AND LOSSES

For the year ended 31 May 2014

	2014 £	2013 £
Reported loss on ordinary activities before taxation	(369,172)	(361,611)
Difference between an historical cost depreciation charge and the actual depreciation charge of the year calculated on the revalued amount	124,680	106,147
Historical cost loss on ordinary activities before taxation	<u>(244,492)</u>	<u>(255,464)</u>
Historical cost loss on ordinary activities after taxation	<u>(244,492)</u>	<u>(255,464)</u>

Upperbright Limited

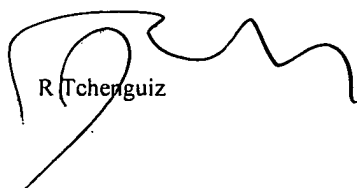
BALANCE SHEET

As at 31 May 2014

Company registration No. 03817291

	Notes	2014 £	2013 £
FIXED ASSETS			
Tangible assets	6	<u>5,734,000</u>	<u>5,810,000</u>
CURRENT ASSETS			
Debtors	7	1,504,928	1,534,685
CREDITORS: Amounts falling due within one year	8	<u>(211,651)</u>	<u>(195,552)</u>
NET CURRENT ASSETS		<u>1,293,277</u>	<u>1,339,133</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>7,027,277</u>	<u>7,149,133</u>
CREDITORS: Amounts falling due after more than one year	9	<u>(8,289,211)</u>	<u>(8,380,895)</u>
NET LIABILITIES		<u><u>(1,261,934)</u></u>	<u><u>(1,231,762)</u></u>
CAPITAL AND RESERVES			
Called up share capital	11	1	1
Revaluation reserve	12	1,959,834	1,745,514
Profit and loss account	12	<u>(3,221,769)</u>	<u>(2,977,277)</u>
SHAREHOLDERS' FUNDS	13	<u><u>(1,261,934)</u></u>	<u><u>(1,231,762)</u></u>

The financial statements on pages 4 to 13 were approved by the board of directors and authorised for issue on 22 December 2014 and are signed on its behalf by:


R Tchenguiz

Director

Upperbright Limited

ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The financial statements have been prepared in accordance with applicable United Kingdom accounting standards.

The financial statements have been prepared under the historical cost convention with the exception of investment properties which are stated at revalued amounts.

The following accounting policies have been used consistently in dealing with items which are considered material in relation to the financial statements.

GOING CONCERN

The property owned by the company is financed by a loan from its parent company which forms part of a cross-collateralised long term funding structure, set up to be principally self-financing. The directors have assessed the operation of the cross-collateralised structure and the continuation and availability of support being provided by Rotch Property Group Limited, a fellow group company (see note 15).

The directors have determined that the company has, or can expect to have, subject to the further matters set out hereafter, sufficient working capital for its needs for at least 12 months from the date of approval of these financial statements. In view of this the directors consider it appropriate for the financial statements to be prepared on a going concern basis.

During the year ended 31 May 2012, following a valuation of the property portfolio securing the borrowings, the valuation covenant was breached on certain of the loans of a fellow group company and member of the cross-collateralised group loan funding structure to which the company is a party. This triggered defaults on all of the bank loans of that company.

As a result of the cross default clauses in the loan agreements, defaults on the wider cross-collateralised group loans were triggered. The bank has reserved its position in respect of the fellow group company's valuation covenant breach. At the year-end, therefore, the fellow group company's bank loans and all the loans within the cross-collateralised structure amounting to £103,937,331 (2013: £104,800,230) were effectively repayable on demand. In addition, the cross-collateralised group also has interest rate swaps that in the event of a break would be added to the liability of the cross-collateralised group and would become immediately repayable. The value of the interest rate swaps as at 31 May 2014 was a liability of £16,426,817 (2013: £20,534,294).

The company, together with its parent company and the other companies that are party to the cross-collateralisation structure, continues in discussion with its bankers to explore the alternatives available to effect a cure of the breach to the loan valuation covenant and to regularise the overall loan position. Heads of Terms have now been agreed with the bank to revise the loan to value covenant which the directors expect the group to pass and thereby cure the default and eliminate the cross-defaults. In addition the repayment term of the loans will also be amended to reduce the loan terms to five years.

The directors acknowledge that to date the bank has been supportive of the group's efforts. As Heads of Terms have now been agreed, the funding structure remains self-financing and the group is meeting all its interest and repayment obligations the directors do not expect a withdrawal of the bank facilities for at least 12 months from the date of approval of these financial statements.

The financial statements have been prepared on the going concern basis which assumes that the bank will not withdraw its loan facilities to the cross-collateralised group. The principal direct and indirect effects of the withdrawal by the lender of its funding are that:

i. the cross collateralised borrowings as at the year-end, totalling £103,937,331 (2013: £104,800,230), as set out in note 9, would be demanded for immediate repayment. Further costs could arise in respect of the interest rate arrangements that fix the interest rates on those loans, the level of which would depend on the market rates of interest prevailing at the time of such a termination. As at 31 May 2014 these costs were £16,426,817 (2013: £20,534,294);

ii. if not repaid when due, the bank could exercise its security over the properties and may seek to sell or dispose of assets separately or together at a time of its own choosing. This process may not represent an orderly realisation in the normal course of business. In these circumstances the properties may be realised at values significantly less than their carrying values. The consequence of this is that the company's property may be realised at less than its carrying value in these financial statements.

Upperbright Limited

ACCOUNTING POLICIES (CONTINUED)

INVESTMENT PROPERTIES

In accordance with Statement of Standard Accounting Practice No.19, investment properties are revalued annually on an open market basis and the aggregate surplus or deficit is transferred to a revaluation reserve. Depreciation is provided as follows:

Short leasehold investment properties

Over the remaining lease term

DEFERRED TAXATION

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements.

No provision is made for deferred tax on unrealised gains recognised on revaluing property to its market value.

Deferred tax is measured at the tax rates that are expected to apply in the periods in which timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. An asset is not recognised to the extent that the transfer of economic benefits in future is uncertain. Deferred tax is measured on a non-discounted basis.

CASH FLOW STATEMENT

The company is exempt from the requirement to prepare a cash flow statement, as more than 90% of the voting rights are controlled within the group and consolidated financial statements in which the company is included are publicly available.

RENT RECEIVABLE

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

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

Upperbright Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 May 2014

1	OTHER OPERATING EXPENSES	2014 £	2013 £
	Administrative expenses	<u>426,992</u>	<u>407,717</u>
2	INTEREST PAYABLE AND SIMILAR CHARGES	2014 £	2013 £
	Loan interest payable to group undertakings	487,662	488,431
	Amortisation of finance costs	<u>12,668</u>	<u>12,668</u>
		<u>500,330</u>	<u>501,099</u>
3	LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	2014 £	2013 £
	Loss is stated after charging:		
	Depreciation of tangible assets	415,000	396,467
	Auditor's remuneration	<u>3,000</u>	<u>3,000</u>
4	EMPLOYEES		
	There were no employees during the year apart from the directors, who received no emoluments.		
5	TAXATION	2014 £	2013 £
	UK Corporation tax		
	Current tax charge	<u>-</u>	<u>-</u>
	Factors affecting the tax charge for the year		
	Loss on ordinary activities before taxation	<u>(369,172)</u>	<u>(361,611)</u>
	Loss on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 21.00% (2013 - 23.00%)	<u>(77,526)</u>	<u>(83,171)</u>
	Effects of:		
	Group relief	(13,820)	(12,669)
	Depreciation	87,150	91,188
	UK transfer pricing	<u>4,196</u>	<u>4,652</u>
		<u>77,526</u>	<u>83,171</u>
	Current tax charge	<u>-</u>	<u>-</u>

Upperbright Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 May 2014

6 TANGIBLE FIXED ASSETS

	Investment properties £
VALUATION	
At 1 June 2013	5,810,000
Revaluation	(76,000)
At 31 May 2014	5,734,000
DEPRECIATION	
At 1 June 2013	-
Charge for the year	415,000
Revaluation	(415,000)
At 31 May 2014	-
NET BOOK VALUE	
At 31 May 2014	5,734,000
At 31 May 2013	5,810,000

The property was valued as at 31 May 2014 at £5,734,000 (2013: £5,810,000) by the directors based on reports provided to them by Chartered Surveyors employed by the group's in house management company.

Investment property at net book value comprises:	2014 £	2013 £
Short Leasehold	5,734,000	5,810,000

On an historical cost basis the investment property would have been included at:

	2014 £	2013 £
Cost		
At 1 June 2013 & at 31 May 2014	5,516,086	5,516,086
Depreciation based on cost		
At 1 June 2013	1,451,600	1,161,280
Charge for the year	290,320	290,320
At 31 May 2014	1,741,920	1,451,600
Net book value		
At 31 May 2014	3,774,166	4,064,486
At 31 May 2013	4,064,486	4,354,806

Upperbright Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 May 2014

7	DEBTORS	2014 £	2013 £
	Amounts owed by group undertakings	1,323,522	1,340,611
	Prepayments and accrued income	181,406	194,074
		<u>1,504,928</u>	<u>1,534,685</u>
	Amounts falling due after more than one year and included in the debtors above are:		
		2014 £	2013 £
	Prepayments	<u>168,738</u>	<u>181,406</u>
8	CREDITORS: amounts falling due within one year	2014 £	2013 £
	Loan from group undertaking (note 9)	91,684	75,826
	Accruals and deferred income	119,967	119,726
		<u>211,651</u>	<u>195,552</u>
9	CREDITORS: amounts falling due after more than one year	2014 £	2013 £
	Loan from group undertakings	<u>8,289,211</u>	<u>8,380,895</u>
	Loan maturity analysis		
	In more than one year but not more than two years	107,409	91,684
	In more than two years but not more than five years	440,614	380,683
	In more than five years	7,741,188	7,908,528
		<u>8,289,211</u>	<u>8,380,895</u>

The group undertaking loan is repayable by instalments by 2028 when one bullet payment of £4,908,000 will be made. It is financed by a loan from a third party to that group undertaking and has been provided to the company on the same interest and repayment terms. The loan is secured by a fixed and floating charge over the company's investment property. The loan bears interest at 5.73% per annum.

The loan is subject to cross guarantees and cross-collateralisation of the underlying properties used as security with other group loans. The total value of the group loans subject to this cross collateralisation, as at 31 May 2014, including the company's loan, is £103,937,331 (2013: £104,800,230), and the fair value of the financial instruments also subject to the cross-collateralisation is £(16,426,817) (2013: £(20,534,294)).

Upperbright Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 May 2014

10 DEFERRED TAXATION

No provision for deferred taxation has been made in respect of the property held as an investment which is included in these financial statements at a valuation of £5,734,000 (2013: £5,810,000). It is estimated that if this property were to be sold at that valuation the tax liability would amount to £nil (2013: £nil).

11 SHARE CAPITAL

	2014	2013
	£	£
Allotted, issued and fully paid		
Equity		
1 Ordinary share of £1	1	1

12 RESERVES

	Revaluation reserve	Profit and loss account
	£	£
Balance at 1 June 2013	1,745,514	(2,977,277)
Loss for the year	-	(369,172)
Transfer from revaluation reserve to profit and loss account	(124,680)	124,680
Revaluation during the year	339,000	-
Balance at 31 May 2014	1,959,834	(3,221,769)

13 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2014	2013
	£	£
Loss for the financial year	(369,172)	(361,611)
Other recognised gains and losses	339,000	259,467
Net depletion in shareholders' funds	(30,172)	(102,144)
Opening shareholders' funds	(1,231,762)	(1,129,618)
Closing shareholders' funds	(1,261,934)	(1,231,762)

Upperbright Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 May 2014

14 CONTROL

The company's immediate holding company is Zenmouth Limited.

The parent undertaking of the smallest and largest group for which group accounts are prepared and of which the company is a member, is Restmead Limited, the company's ultimate UK holding company, which is registered in England. Copies of the group accounts are available from Companies House, Crown Way, Maindy, Cardiff, CF14 3UZ.

The directors regard the ultimate holding company to be Sunnymist Limited, a company incorporated in the British Virgin Islands.

The ultimate controlling party is the Tchenguiz Family Trust.

15 RELATED PARTY TRANSACTIONS

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

Rotch Property Group Limited, one such company, provides management services to the company. At the balance sheet date, and included within amounts owed by group undertakings, £1,323,522 (2013: £1,340,611) was due from that company. No interest accrues on this balance. Management fees payable for the year amounted to £4,800 (2013: £4,800).

Rotch Property Group Limited has agreed to provide limited support to assist the company in meeting its operational costs as they arise should this be necessary.

As set out in note 9, the company is party to a cross-collateralisation arrangement in respect of loan facilities as at the year end totalling £103,937,331 (2013: £104,800,230). Of this amount, £27,605,178 (2013: £28,282,271) relates to loan facilities with Uni Lease No 1 Limited, a fellow subsidiary of Sunnymist Limited. The fair value of the financial instruments also subject to this cross-collateralisation arrangement is £(16,426,817) (2013: £(20,534,294)) of which £(1,650,984) (2013: £(2,034,673)) relates to Uni Lease No 1 Limited.

The company has taken advantage of the exemptions provided by Financial Reporting Standard Number 8 'Related Party Disclosures' and has not disclosed transactions entered into between two or more members of a group, provided that any subsidiary undertaking which is party to the transaction is wholly owned by a member of that group.