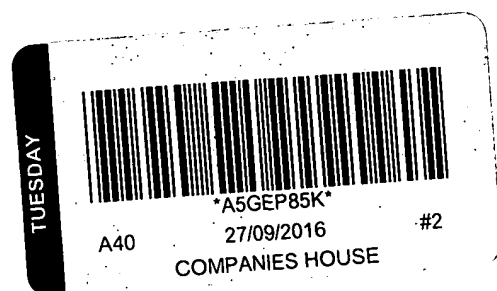


CORNERSTONE PROPERTY ASSETS LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016



CORNERSTONE PROPERTY ASSETS LIMITED

COMPANY INFORMATION

Directors

John McDonough CBE (Chairman)
Sir Rod Aldridge
Robert Barton
Sir David Bell
Timothy Byles CBE
Paul Hackwell
Sara Waller

Company secretary Kirsten Flynn

Registered number 07603410

Registered office

1st Floor Hope House
45 Great Peter Street
London
SW1P 3LT

Trading address

1 Rookdean
Chipstead
Kent
TN13 2RT

CORNERSTONE PROPERTY ASSETS LIMITED

CONTENTS

	Page
Directors' Report	1 - 3
Independent Auditors' Report	4 - 5
Profit and Loss Account	6
Balance Sheet	7
Notes to the Financial Statements	8 - 13

CORNERSTONE PROPERTY ASSETS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2016

The directors present their report and the audited financial statements for the year ended 30 June 2016.

Directors' responsibilities statement

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 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;
- 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.

Principal activities

Cornerstone Property Assets is a social investment company that was set up five years ago. We work with public bodies to help deliver local facilities and services that communities want and need.

Cornerstone specialises in helping the public sector ensure that its assets are put to the best possible use in terms of supporting the services that local communities want and need, be this new homes, new school places, or additional community facilities. Research shows that Local Government has significant surplus assets of around £7bn.

Our strategy for the reporting period was to focus on two main priorities. First, acting as a broker for schools with housing schemes; and second, as a partner within a development consortium for HEARTHuk. We also have a strong advisory practice that assists public authorities maximise benefit from their asset management strategies.

i) Schools with Housing

Our flagship scheme in 2015/16 has been the development of Cheshunt School in Hertfordshire, which has been enabled through the development of a housing scheme for 88 units on surplus school land. Cheshunt paves the way and shows how a school or other public body can take immediate and practical steps to upgrade their facilities, with no direct cost to the public sector. This model is replicable at scale right across the country, helping release the latent value in publicly owned assets to the benefit of the community as a whole.

During the year, Cornerstone has also acted as a broker for the development of an eight form of entry new build school in Broxbourne, to be financed through the build of c.150 new private homes for sale.

2015/16 further saw us begin to engage with Suffolk County Council on an innovative partnership to develop 4 surplus middle school sites that will also enable the development of community space. Planning is due to be submitted in the autumn of 2016, with construction anticipated in 2017.

We have also carried out initial viability tests for projects across the country, including Suffolk and Kent.

CORNERSTONE PROPERTY ASSETS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2016

ii) Social Infrastructure Development (SID) framework

To support our broker and enabling development work, the reporting period has seen us play a pivotal role in the development of an innovative new framework, the Social Infrastructure Development ("SID") framework.

This new framework enables public authorities to contract with suppliers to deliver the development of surplus land and the design, finance and construction of public assets "under one roof". Much needed social infrastructure can be delivered using the development value of surplus assets as part of one coherent deal, across multiple sites and in different locations, therefore negating the need for multiple, time-consuming procurements. Using the SID Framework, Cornerstone is able to provide support to public bodies and charities at risk with no upfront cost to the client. Our return is secured via the developer if the project is successfully delivered. Our commercial approach is one that acts in the interest of the public sector client and recognises the importance of policy outcomes as well as financial ones. This has created a unique mechanism that allows the public sector to access Cornerstone's support as a broker, and deliver development and construction schemes at pace, using one of the five Framework Developers.

During the reporting period, Cornerstone was also appointed to the 'Land Solve' land delivery framework, enjoying a unique position as the only company to be appointed to both lots to provider broker and advisory services. We anticipate this framework to play a significant role in the year to come, enabling Cornerstone to secure a development return from SID schemes, without clients having to run a separate OJEU procurement to appoint us.

iii) Affordable Housing

During 2015/16, we have continued to build on our collaboration with NPS Group to develop the HearthUK model, a new type of housing development that will enable young professionals to get their first foot on the property ladder. We have been in negotiation for the first scheme on land owned by Devon County Council at Monkerton in Exeter. However, at the same time the affordable housing market has been disrupted by a number of factors including the cut to social housing grant funding; rent caps; and the reduction of S106 affordable supply caused by developers pausing their programmes following the Brexit referendum in June 2016. We hope to continue with the Exeter scheme into 2016/17 but will also be reviewing our approach given the fluid nature of the affordable housing market.

iv) Advisory Practice

There has been significant demand for Cornerstone's advisory practice throughout 2015/16. In addition to our work on schools with housing schemes, we have focused on projects that involve wider public assets, for example, housing for older people in Central Bedfordshire Council, Staffordshire and in the London Boroughs of Hounslow and Barnet.

In addition, we are supporting a number of charitable organisations to develop their education, financial, funding and property strategies to establish new schools through the free schools process.

During the year we sold our interest in CornerstoneZed Plymouth Ltd.

Whilst the year has undoubtedly had its challenges, it is clear that there continues to be considerable interest in working with Cornerstone. With a solid base of schemes under way and in prospect in England, we will continue to engage with the devolved regions to explore schemes which lend themselves to our unique offer. Work on this front began in earnest during the year in Scotland, and the forthcoming year will see us engaging further with the Welsh administration.

Partnership working is in our DNA, and in the coming year we will build on the partnerships already established as well as seeking new, enduring relationships. We will continue to capitalise on the strengths on our model, and of our team: unparalleled public sector understanding; innovative delivery solutions; ability to broker genuine public-private relationships; and an established track record of delivery.

CORNERSTONE PROPERTY ASSETS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2016

Directors

The directors who served during the year were:

John McDonough CBE (Chairman)
Michael Aldridge (resigned 22 October 2015)
Sir Rod Aldridge
Robert Barton (appointed 7 June 2016)
Sir David Bell
Timothy Byles CBE
Paul Hackwell
Sara Weller

Disclosure of information to auditors

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

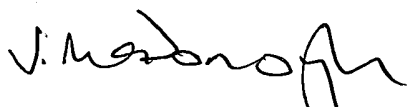
- so far as that director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Auditors

The auditors, haysmacintyre, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report has been prepared in accordance with the provisions applicable to companies subject to the small companies regime.

This report was approved by the board on 21 September 2016 and signed on its behalf.



John McDonough CBE (Chairman)
Director

CORNERSTONE PROPERTY ASSETS LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF CORNERSTONE PROPERTY ASSETS LIMITED

We have audited the financial statements of Cornerstone Property Assets Limited for the year ended 30 June 2016, set out on pages 6 to 13. The financial reporting framework that has been applied in their preparation is applicable law and the Financial Reporting Standard for Smaller Entities (effective January 2015) (United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities).

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 Auditors' Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the 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 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 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 30 June 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities; 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.

CORNERSTONE PROPERTY ASSETS LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF CORNERSTONE PROPERTY ASSETS LIMITED

Matters on which we are required to report by exception

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

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



David Cox (Senior Statutory Auditor)

for and on behalf of
haysmacintyre

Statutory Auditors

26 Red Lion Square
London
WC1R 4AG

21 September 2016

CORNERSTONE PROPERTY ASSETS LIMITED**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 JUNE 2016**

	Note	2016 £	2015 £
TURNOVER	1	1,034,486	1,642,655
Cost of sales		(191,409)	(576,481)
GROSS PROFIT		843,077	1,066,174
Administrative expenses		(651,658)	(871,833)
Other income		8,226	-
OPERATING PROFIT	2	199,645	194,341
Interest receivable and similar income		838	85
Interest payable and similar charges		(91,705)	(98,811)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		108,778	95,615
Tax on profit on ordinary activities	4	248	(624)
PROFIT FOR THE FINANCIAL YEAR	11	109,026	94,991

The notes on pages 8 to 13 form part of these financial statements.

CORNERSTONE PROPERTY ASSETS LIMITED
REGISTERED NUMBER: 07603410

BALANCE SHEET
AS AT 30 JUNE 2016

	Note	2016 £	2015 £
FIXED ASSETS			
Tangible assets	5	1,669	2,205
Investments	6	-	160,000
		<u>1,669</u>	<u>162,205</u>
CURRENT ASSETS			
Debtors	7	614,679	1,136,392
Cash at bank		45,360	35,314
		<u>660,039</u>	<u>1,171,706</u>
CREDITORS: amounts falling due within one year	8	<u>(211,065)</u>	<u>(1,004,639)</u>
NET CURRENT ASSETS		448,974	167,067
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>450,643</u>	<u>329,272</u>
CREDITORS: amounts falling due after more than one year	9	<u>(1,169,711)</u>	<u>(1,169,711)</u>
NET LIABILITIES		<u>(719,068)</u>	<u>(840,439)</u>
CAPITAL AND RESERVES			
Called up share capital	10	234,555	222,210
Share premium account	11	857,840	857,840
Profit and loss account	11	<u>(1,811,463)</u>	<u>(1,920,489)</u>
SHAREHOLDERS' DEFICIT	12	<u>(719,068)</u>	<u>(840,439)</u>

The financial statements have been prepared in accordance with the special provisions applicable to small companies within Part 15 of the Companies Act 2006 and in accordance with the Financial Reporting Standard for Smaller Entities (effective January 2015).

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 21 September 2016.



John McDonough CBE (Chairman)
 Director

The notes on pages 8 to 13 form part of these financial statements.

CORNERSTONE PROPERTY ASSETS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

1. ACCOUNTING POLICIES

1.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with the Financial Reporting Standard for Smaller Entities (effective January 2015).

The company is the parent undertaking of a small group and as such is not required by the Companies Act 2006 to prepare group accounts. These financial statements therefore present information about the company as an individual undertaking and not about its group.

1.2 Going concern

The directors believe that the company is a going concern based on the continuing support of the investors. Having assessed the cash flow requirements of the business 12 months from the date of sign off these financial statements, the directors consider the company to be able to meet its ongoing commitments for the foreseeable future. This is based on management judgement of the future prospects of the company and its current sales pipeline. Therefore, these accounts have been prepared on a going concern basis and include no adjustments in respect of this.

1.3 Turnover

Turnover comprises revenue recognised by the company in respect of goods and services supplied during the year, exclusive of Value Added Tax and trade discounts.

Revenue from sales of development properties is recognised upon transfer of control and significant risks and rewards of ownership of the property to the buyer.

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract.

The directors have changed the estimation technique used to recognise the income of one contract. Previously the income was recognised as a retainer when invoiced, however the substance of the income is deferred commission earned in the previous year. Therefore the directors consider it is more appropriate to recognise the income when the commission is earned. As a result of the change, turnover has increased by £50,000 in the 2015-16 financial statements.

1.4 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Office equipment	- 50% straight line
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1.5 Investments

Investments held as fixed assets are shown at cost less provision for impairment.

CORNERSTONE PROPERTY ASSETS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

1. ACCOUNTING POLICIES (continued)

1.6 Leasing and hire purchase

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible fixed assets. Assets acquired by finance lease are depreciated over the shorter of the lease term and their useful lives. Assets acquired by hire purchase are depreciated over their useful lives. Finance leases are those where substantially all of the benefits and risks of ownership are assumed by the company. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the Profit and Loss Account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

1.7 Operating leases

Rentals under operating leases are charged to the Profit and Loss Account on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the period until the date the rent is expected to be adjusted to the prevailing market rate.

1.8 Deferred taxation

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation.

A net deferred tax asset is recognised only if it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse.

Deferred tax assets and liabilities are not discounted.

1.9 Government grants

Government grants relating to tangible fixed assets are treated as deferred income and released to the Profit and Loss Account over the expected useful lives of the assets concerned. Other grants are credited to the Profit and Loss Account as the related expenditure is incurred.

1.10 Long-term contracts

Profit on long-term contracts is taken as the work is carried out if the final outcome can be assessed with reasonable certainty. The profit included is calculated on a prudent basis to reflect the proportion of the work carried out at the year end, by recording turnover and related costs as contract activity progresses. Turnover is calculated as that proportion of total contract value which costs incurred to date bear to total expected costs for that contract. Revenues derived from variations on contracts are recognised only when they have been accepted by the customer. Full provision is made for losses on all contracts in the year in which they are first foreseen.

CORNERSTONE PROPERTY ASSETS LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016**

2. OPERATING PROFIT

The operating profit is stated after charging:

	2016 £	2015 £
Depreciation of tangible fixed assets:		
- owned by the company	721	1,217
Auditors' remuneration	5,850	5,650
Pension costs	45,481	2,262
	<u> </u>	<u> </u>

3. DIRECTORS' REMUNERATION

	2016 £	2015 £
Aggregate remuneration	342,520	261,410
	<u> </u>	<u> </u>

During the year retirement benefits were accruing to 1 director (2015 - 1) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £187,500 (2015 - £187,500).

4. TAXATION

	2016 £	2015 £
UK corporation tax (credit)/charge on profit for the year	(248)	624
	<u> </u>	<u> </u>

5. TANGIBLE FIXED ASSETS

	Office equipment £
Cost	
At 1 July 2015 and 30 June 2016	8,530
Depreciation	
At 1 July 2015	6,325
Charge for the year	536
At 30 June 2016	6,861
Net book value	
At 30 June 2016	1,669
At 30 June 2015	2,205

CORNERSTONE PROPERTY ASSETS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016**

6. FIXED ASSET INVESTMENTS

	Investment in joint venture £
Cost or valuation	
At 1 July 2015	160,000
Disposals	(160,000)
At 30 June 2016	-
Net book value	
At 30 June 2016	-
At 30 June 2015	160,000

7. DEBTORS

	2016 £	2015 £
Trade debtors	111,235	52,983
Amount due from joint venture	-	153,172
Other debtors	503,444	930,237
	<u>614,679</u>	<u>1,136,392</u>

**8. CREDITORS:
Amounts falling due within one year**

	2016 £	2015 £
Other loans	-	150,000
Trade creditors	47,064	215,427
Other taxation and social security	47,732	22,771
Other creditors	116,269	616,441
	<u>211,065</u>	<u>1,004,639</u>

**9. CREDITORS:
Amounts falling due after more than one year**

	2016 £	2015 £
Other loans	<u>1,169,711</u>	<u>1,169,711</u>

CORNERSTONE PROPERTY ASSETS LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016**

9. CREDITORS:**Amounts falling due after more than one year (continued)**

Creditors include amounts not wholly repayable within 5 years as follows:

	2016 £	2015 £
Long-term loan facility	<u>1,169,711</u>	<u>1,169,711</u>

On 16 April 2015 the company and its preference shareholders agreed to convert the preference shares and accrued interest into a long-term loan facility, which is non-redeemable. Interest is payable at 8% annually three months after the year-end.

10. SHARE CAPITAL

	2016 £	2015 £
Allotted, called up and fully paid		
234,555 (2015 - 222,210) Ordinary shares of £1 each	<u>234,555</u>	<u>222,210</u>

In May 2016, 12,345 ordinary shares of £1 each were issued at a price per share of £1.

11. RESERVES

	Share premium account £	Profit and loss account £
At 1 July 2015	857,840	(1,920,489)
Profit for the financial year		109,026
At 30 June 2016	<u>857,840</u>	<u>(1,811,463)</u>

12. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' DEFICIT

	2016 £	2015 £
Opening shareholders' deficit	(840,439)	(935,430)
Profit for the financial year	109,026	94,991
Shares issued during the year	12,345	-
Closing shareholders' deficit	<u>(719,068)</u>	<u>(840,439)</u>

CORNERSTONE PROPERTY ASSETS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016**

13. PENSION COMMITMENTS

The company contributes towards personal pension schemes, which are owned by the employees. As at 30 June 2015 the company owed £11,068 (2015: £1,488) in respect of pension contributions.

14. RELATED PARTY TRANSACTIONS

Rental charges of £76,650 (2015: £18,242) have been incurred with and consultancy fees of £60,000 (£NIL) have been charged to Orbis Associates, a company controlled by Tim Byles. At the balance sheet date £60,000 was due from Orbis Associates.

Directors' fees totalling £57,460 (2015: £48,120) have been charged by Share Ideas Limited, a company controlled by Paul Hackwell. At the balance sheet date £4,800 (2015: £14,400) was due to Share Ideas Limited.

15. CONTROLLING PARTY

The directors have concluded that the ultimate controlling party is Timothy Byles.