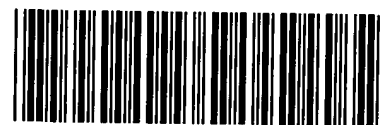


CORNERSTONE PROPERTY ASSETS LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

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CORNERSTONE PROPERTY ASSETS LIMITED

COMPANY INFORMATION

Directors John McDonough CBE (Chairman)
Michael Aldridge
Sir Rod Aldridge
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

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CORNERSTONE PROPERTY ASSETS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2015

The directors present their report and the financial statements for the year ended 30 June 2015.

Principal activities

Cornerstone Property Assets was set up as a social investment company in June 2011. We work with public bodies to help deliver local facilities and services that communities want and need.

Local authorities continue to be under severe pressure to expand key public services whilst at the same time dealing with the reality of unprecedented nationwide budget cuts and the associated difficult decisions and choices. On the one hand, Local Government has significant surplus assets (valued at circa £7bn) whilst on the other, councils typically have neither the capital to develop them, nor the revenue to maintain them.

Cornerstone specialises in helping square the circle: helping put these assets to better use to the benefit of local communities.

Our core approach is to purchase a surplus asset from a local or public authority, or enter into a Joint Venture to oversee the development of the asset. Cornerstone develops the proposition to deliver the new facilities that the local authority needs - for example, housing. Under agreement, Cornerstone then sells the site either post planning, or post construction. In either approach, the local authority shares in the upside of the deal, which can then be used to support the provision of additional school places or other local service needs. This upside will typically deliver a far greater return to the authority than if they had carried out a traditional disposal.

Having established the organization in November 2011, Cornerstone was quickly able to generate a healthy pipeline of interest in development schemes across the country. Now in our fourth year of operation, the past 12 months have focused on consolidation and on converting the existing pipeline of projects. Our priority areas during the year have been:

i) Social Infrastructure Development (SID) framework

Working in partnership with NPS Property Consultants (a wholly owned subsidiary of Norfolk County Council), Cornerstone was instrumental to the creation of a brand new public procurement framework. Launched in April 2015, SID will be used to deliver projects that span the public sector, from schools and housing through to police stations and care homes.

Led by NPS Property Consultants, SID provides a direct response to the joint challenge of increased pressure across public services and the growth in surplus assets. SID will be used to design, finance and construct social infrastructure projects funded through the development of land to be transferred to the Framework Members - Bouygues, CCG, Morgan Sindall, Wates and Willmott Dixon.

Public or charitable bodies wishing to use the SID Framework will identify land for transfer and shape an outline scheme and development brief prior to engaging a Framework Panel Member through a mini competition process. The Framework Panel Member will be offered an option or conditional sale agreement on a site and will then create value by developing and delivering a scheme which incorporates, for example, new build housing, but which also may include delivery of additional public asset/s on other sites remaining in the client's ownership. This may, for example, include the provision of new school buildings wholly funded by the housing development, or the delivery of wider public benefits, as part of the deal. The Framework Member and the public or charitable sector organisation will also share any additional value created.

Expected to deliver up to £3bn of social investment over the next four years, there is already a growing pipeline of 16 schemes worth around £300m lining up to use the framework. We anticipate SID becoming the procurement route of choice for both public authorities and charitable bodies looking to develop both assets and services to reflect the needs of their community.

Cornerstone is currently the only approved broker to the SID framework and is therefore well placed to assist the growing pipeline of projects through providing support to local authorities, charities, and schools as they develop their projects for delivery through the framework.

CORNERSTONE PROPERTY ASSETS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2015

ii) HearthUK

Alongside the work to develop the SID framework, 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. HearthUK is a pioneering new concept that will transform the housing market, opening up access to home ownership and enabling brand new communities to emerge and put down lasting roots.

Hearth UK is a Joint Venture between NPS and Cornerstone. Over the past year, the team has been focused on developing the HearthUK proposition and bringing our flagship scheme – the Monkerton Estate in Exeter – to market. This will see 300 new homes, and is itself a JV between HearthUK and contractors, Kier. This scheme will provide a platform to launch the HearthUK concept nationally over the coming year.

iii) Advisory

Cornerstone's advice and consultancy support has been much sought after by both the public and private sector during the reporting period. Cornerstone has continued to work with the Property and Infrastructure Support department of Kent County Council (KCC) to explore the possibility of 'spinning out' their property function into an externalised body. This will go live in April 2016. Support has also been given for a number of contracts to build new schools with external providers.

Appetite for working with Cornerstone continues to be substantial, in particular, working with Cornerstone as a broker for the SID framework. There is a clear recognition amongst the public sector that new and innovative approaches need to be adopted to address the pressing challenge of increased demand in public services.

Working in concert with partners, such as NPS Group, Cornerstone will continue to capitalise on the strengths of the model and of its team: strong public sector understanding; creative delivery solutions; ability to broker public-private relationships; existing relationships and a growing track record of delivery.

The market within which Cornerstone is operating is tough across sectors for both new and established players. The challenge for this business year will be both to maintain sustainable growth in the sales and provide a platform for growth in the business.

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.

CORNERSTONE PROPERTY ASSETS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2015

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.

Directors

The directors who served during the year were:

John McDonough CBE (Chairman)
Michael Aldridge
Sir Rod Aldridge
Sir David Bell
Timothy Byles CBE
John Frankiewicz (resigned 31 December 2014)
Paul Hackwell
John Morgan (resigned 16 April 2015)
Ian Ruddock (resigned 4 July 2014)
Lisa Scenna (appointed 14 July 2014, resigned 16 April 2015)
Madani Sow (resigned 16 April 2015)
Richard Willmott (resigned 16 April 2015)
Sally Wilson (resigned 31 March 2015)
Nicholas Alexandre Pierre Guerin (resigned 16 April 2015)
Nigel Paul Badham (resigned 14 July 2015)
Sara Waller (appointed 2 April 2015)

Disclosure of information to auditors

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

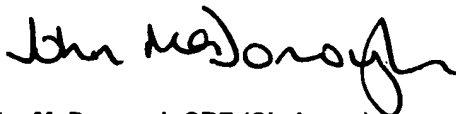
- so far as that director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company's auditors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

Auditors

Under section 487(2) of the Companies Act 2006, haysmacintyre will be deemed to have been reappointed as auditors 28 days after these financial statements were sent to members or 28 days after the latest date prescribed for filing the accounts with the registrar, whichever is earlier.

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

This report was approved by the board on 22 October 2015 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 2015, set out on pages 6 to 14. The financial reporting framework that has been applied in their preparation is applicable law and the Financial Reporting Standard for Smaller Entities (effective April 2008) (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 2015 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

22 October 2015

CORNERSTONE PROPERTY ASSETS LIMITED**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 JUNE 2015**

	Note	2015 £	2014 £
TURNOVER	1	1,642,655	505,920
Cost of sales		(576,481)	(47,649)
GROSS PROFIT		1,066,174	458,271
Administrative expenses		(871,833)	(1,125,204)
OPERATING PROFIT/(LOSS)	2	194,341	(666,933)
Interest receivable and similar income		85	1,237
Interest payable and similar charges		(98,811)	(72,000)
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		95,615	(737,696)
Tax on profit/(loss) on ordinary activities	4	(624)	(5)
PROFIT/(LOSS) FOR THE FINANCIAL YEAR	11	94,991	(737,701)

The notes on pages 8 to 14 form part of these financial statements.

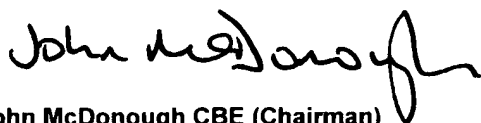
CORNERSTONE PROPERTY ASSETS LIMITED
REGISTERED NUMBER: 07603410

BALANCE SHEET
AS AT 30 JUNE 2015

	Note	2015 £	2014 £
FIXED ASSETS			
Tangible assets	5	2,205	1,380
Investments	6	160,000	160,000
		<u>162,205</u>	<u>161,380</u>
CURRENT ASSETS			
Debtors	7	1,136,392	236,282
Cash at bank		35,314	86,512
		<u>1,171,706</u>	<u>322,794</u>
CREDITORS: amounts falling due within one year	8	<u>(1,004,639)</u>	<u>(327,604)</u>
NET CURRENT ASSETS/(LIABILITIES)		<u>167,067</u>	<u>(4,810)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>329,272</u>	<u>156,570</u>
CREDITORS: amounts falling due after more than one year	9	<u>(1,169,711)</u>	<u>(1,092,000)</u>
NET LIABILITIES		<u>(840,439)</u>	<u>(935,430)</u>
CAPITAL AND RESERVES			
Called up share capital	10	222,210	222,210
Share premium account	11	857,840	857,840
Profit and loss account	11	<u>(1,920,489)</u>	<u>(2,015,480)</u>
SHAREHOLDERS' DEFICIT		<u>(840,439)</u>	<u>(935,430)</u>

The financial statements have been prepared in accordance with the 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 April 2008).

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 22 October 2015.



John McDonough CBE (Chairman)
 Director

The notes on pages 8 to 14 form part of these financial statements.

CORNERSTONE PROPERTY ASSETS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

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 April 2008).

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.

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% SL
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1.5 Investments

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

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.

CORNERSTONE PROPERTY ASSETS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

1. ACCOUNTING POLICIES (continued)

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 Stocks

Stocks are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow-moving stocks. Cost includes all direct costs and an appropriate proportion of fixed and variable overheads.

1.9 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.

1.10 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.

1.11 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 2015**

2. OPERATING PROFIT/(LOSS)

The operating profit/(loss) is stated after charging:

	2015 £	2014 £
Depreciation of tangible fixed assets: - owned by the company	1,217	1,916
Auditors' remuneration	5,650	5,255
Pension costs	2,262	(93,403)
	<u> </u>	<u> </u>

3. DIRECTORS' REMUNERATION

	2015 £	2014 £
Aggregate remuneration	261,410	435,941
	<u> </u>	<u> </u>

During the year retirement benefits were accruing to 1 director (2014 - NIL) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £187,500 (2014 - £171,825).

4. TAXATION

	2015 £	2014 £
UK corporation tax charge on profit/loss for the year	624	5
	<u> </u>	<u> </u>

CORNERSTONE PROPERTY ASSETS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

5. TANGIBLE FIXED ASSETS

	Office equipment £
Cost	
At 1 July 2014	6,500
Additions	2,030
At 30 June 2015	8,530
Depreciation	
At 1 July 2014	5,120
Charge for the year	1,205
At 30 June 2015	6,325
Net book value	
At 30 June 2015	2,205
At 30 June 2014	1,380

6. FIXED ASSET INVESTMENTS

	Investment in joint ventures £
Cost or valuation	
At 1 July 2014 and 30 June 2015	160,000
Net book value	
At 30 June 2015	160,000
At 30 June 2014	160,000

Joint ventures

Name	Country of incorporation	Class of shares	Holding	Principal activity
CornerstoneZed Plymouth Limited	UK	Ordinary	80%	Property development

Joint ventures

Name	Aggregate of share capital and reserves £	Profit/(loss) £
CornerstoneZed Plymouth Limited	(161,678)	(39,230)

CORNERSTONE PROPERTY ASSETS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

7. DEBTORS

	2015 £	2014 £
Trade debtors	52,983	94,351
Amount due from joint venture	153,172	127,925
Other debtors	930,237	14,006
	<u>1,136,392</u>	<u>236,282</u>

8. CREDITORS: Amounts falling due within one year

	2015 £	2014 £
Other loans	150,000	100,000
Trade creditors	215,427	36,352
Other taxation and social security	22,771	50,003
Other creditors	616,441	141,249
	<u>1,004,639</u>	<u>327,604</u>

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

	2015 £	2014 £
Other loans	1,169,711	-
Accrued preference dividend	-	192,000
Share capital treated as debt (Note10)	-	900,000
	<u>1,169,711</u>	<u>1,092,000</u>

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

	2015 £	2014 £
Non-redeemable preference shares	-	900,000
Long-term loan facility	1,169,711	-
	<u>1,169,711</u>	<u>900,000</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.

CORNERSTONE PROPERTY ASSETS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

10. SHARE CAPITAL

	2015 £	2014 £
Shares classified as capital		
Allotted, called up and fully paid		
222,210 Ordinary shares of £1 each	222,210	222,210
Shares classified as debt		
Allotted, called up and fully paid		
900,000 Preference shares of £1 each	-	900,000

On 16 April the company redeemed 900,000 Preference shares for nil consideration in return for a loan facility of £1,169,711.

11. RESERVES

	Share premium account £	Profit and loss account £
At 1 July 2014	857,840	(2,015,480)
Profit for the financial year		94,991
At 30 June 2015	857,840	(1,920,489)

12. PENSION COMMITMENTS

The company contributes towards personal pension schemes, which are owned by the employees. As at 30 June 2015 the company had no outstanding liability.

CORNERSTONE PROPERTY ASSETS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

13. RELATED PARTY TRANSACTIONS

Included in other debtors are amounts due from CornerstoneZed Plymouth Limited, a joint venture company, of £153,172 (2014: £127,925). These relate to expenses paid by the company on behalf of CornerstoneZed Plymouth Limited.

Included in accruals are amounts totalling £260,417 (2014: £98,800) relating to deferred payroll costs of director Timothy Byles.

Rental charges of £18,242 (2014: £NIL) have been incurred with Orbis Associates, a company controlled by Tim Byles. At the balance sheet date £20,916 was due to Orbis Associates.

Directors' fees totalling £48,120 (2014: £44,090) have been charged by Share Ideas Limited, a company controlled by Paul Hackwell. At the balance sheet date £14,400 (2014: £3,840) was due to Share Ideas Limited.

Included in other loans are amounts totalling £130,000, due to various directors as follows: John McDonough £55,000, Orbis Associates Limited (controlled by Timothy Byles) £31,250, Ian Ruddock £6,250, Paul Hackwell £5,000, Sara Waller £2,500, and Rod Aldridge £30,000. There are no interest or fixed repayment terms in place on other loans, except for 12% interest charged on a £25,000 loan from John McDonough.

14. CONTROLLING PARTY

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