

Company Number : 50475

# **British Capital Property Investments Limited**

**ANNUAL REPORT AND AUDITED CONSOLIDATED FINANCIAL STATEMENTS**

**For the year ended 31 March 2011**

# **British Capital Property Investments Limited**

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# British Capital Property Investments Limited

## OFFICERS AND PROFESSIONAL ADVISORS

**Registered Office:**

11 New Street  
St Peter Port  
Guernsey GY1 2PF

**Directors:**

Sean David Mackay  
Martin Paul Tolcher  
Jan Adriaan Van Staden  
Patricia Colette White

**Administrator, Secretary and Registrar:**

Legis Fund Services Limited  
PO Box 91  
11 New Street  
St Peter Port  
Guernsey GY1 3EG

**Manager:**

Cornerstone Asset Managers Limited  
11 New Street  
St Peter Port  
Guernsey GY1 2PF

**Auditor:**

Saffery Champness  
Chartered Accountants  
PO Box 141  
La Tonnelle House  
Les Banques  
St Sampson  
Guernsey GY1 3HS

**Listing Sponsor:**

Appleby Securities (Bermuda) Limited  
Argyle House  
41a Cedar Avenue  
Hamilton  
Bermuda HM12

**Structural Facilitator:**

Investec Capital Markets  
10 Grayston Drive  
Sandown Sandton  
South Africa 2196

**Annual Sponsor:**

First Bermuda Group Limited  
Maxwell R Roberts Building  
1 Church Street  
Hamilton  
Bermuda HM11

**Legal Advisors:**

<b>Guernsey</b>	<b>Bermuda</b>
Mourant Ozannes	Appleby
1 Le Marchant Street	Canon's Court
St Peter Port	22 Victoria Street
Guernsey GY1 4HP	Hamilton
	Bermuda HM12

# **British Capital Property Investments Limited**

## **DIRECTORS' REPORT**

**For the year ended 31 March 2011**

The Directors submit their Annual Report and the audited Consolidated Financial Statements of the Company for the year ended 31 March 2011, which have been prepared properly, in accordance with United Kingdom generally accepted accounting principles, and in accordance with any relevant enactment for the time being in force; and are in agreement with the accounting records, which have been properly kept in accordance with section 244 of The Companies (Guernsey) Law, 2008.

British Capital Property Investments Limited ("the Company") was incorporated on 8 June 2009 as a closed-ended investment company registered in Guernsey pursuant to the Protection of Investors (Bailiwick of Guernsey) Law, 1987, as amended and the Registered Collective Investment Scheme Rules 2008 issued by the Guernsey Financial Services Commission.

The Company's investment objective is to provide an attractive level of income, together with prospects for capital growth from investing in property and listed property shares in the United Kingdom and possibly the European continent. Based on market conditions prevailing at the time of its launch, the Company was targeting total returns for Shareholders of 10% per annum over the period of the Company although such level of return cannot be guaranteed.

### **Statement of Directors' Responsibilities**

The Directors are responsible for preparing the financial statements in accordance with applicable Guernsey Law and generally accepted accounting principles.

The Directors are responsible for preparing financial statements for each financial period which give a true and fair view of the state of affairs of the Company as at the end of the financial period and of the profit or loss of the Company for that period. In preparing those financial statements, the Directors are required to:-

- \* select suitable accounting policies and then apply them consistently;
- \* make judgements and estimates that are reasonable and prudent; and
- \* prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with The Companies (Guernsey) Law, 2008. 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.

### **Activities and Status**

The Company is a closed-ended investment scheme registered in Guernsey on 8 June 2009 pursuant to the Protection of Investors (Bailiwick of Guernsey) Law, 1987 as amended (the "POI Law") and the Registered Collective Investment Scheme Rules 2008.

For commentary on the performance of the Company see the Investment Manager's Report on page 5.

The Company obtained official listing on the Bermuda Exchange on 11 August 2009.

### **Results and Dividends**

The consolidated results of the Company for the year are as stated on page 8.

# British Capital Property Investments Limited

## DIRECTORS' REPORT (continued) For the year ended 31 March 2011

### Directors

The Directors of the Company during the year and to the date of this report are as stated on page 2.

### Disclosure of information to the auditor

The Directors who held office at the date of the approval of the financial statements confirm that, so far as they are each aware:

- \* There is no relevant audit information of which the Company's auditor is 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 auditor is aware of that information.

Full details of the Company and the share classes in issue can be found in the Prospectus, copies of which are available free of charge, from the Manager or the Administrator.

### Auditor

A resolution to re-appoint Saffery Champness as auditor will be proposed at the Annual General Meeting.

Approved by the Board of Directors at a Meeting held on 25 May 2011 and signed on its behalf by:



Director



Director

## British Capital Property Investments Limited

### INVESTMENT MANAGER'S REPORT

For the year ended 31 March 2011

The period under review has been a busy one for British Capital Property Investments Limited (BC). Further to the initial capital raised of just under £8 million in October of 2009, an additional £2.3 million was raised in September 2010 and during this period BC also acquired its first three investment properties.

Following the acquisitions reported in last years report, namely the Salton Distribution Warehouse and the McBride's Warehouse in June of 2010, a third property let to Homebase, in Brecon Enterprise Park (Brecon) was acquired in December 2010 for a purchase price of £5,850,000 (excluding acquisition costs).

Brecon is located in a rural setting in Wales within the Brecon National Park and therefore, planning is exceedingly restricted. As a result the subject store is the only out of town retail offer for the town, and we expect that situation to continue. The town is a market town and popular holiday destination.

Homebase is the second largest DIY retailer in the UK with more than 300 stores located throughout the UK and Ireland. The fully repairing lease with Homebase expires in October 2027.

The Brecon property was partly financed with a loan from Santander Corporate Banking for £3,252,500, at a fixed five year rate of 4.9%.

We believe all three properties meet the prudent investment criteria set at the outset and going forward the assembled portfolio is well placed to deliver on its projected returns.

The consolidated financial statements for the year have been prepared in accordance with UK Generally Accepted Accounting Principles. The company has capitalised £1.86 million of acquisition costs including Stamp Duty, Brokers Fees, Legal Fees, Acquisition Fees etc. This capitalisation increased the cost of the property investments by £1.86 million, resulting in the unrealised loss on revaluation of £1.675 million. The equivalent annual yield for the period the funds were invested in the properties is 4%. The Investment Manager is satisfied with the performance of the properties to date and their ability to meet expectations.

Although the market has been relatively flat since BC first acquired them, the Salton and McBride properties have been independently valued by Colliers International for £150,000 and £30,000 more than their purchase price respectively.

Below is a high level profile of British Capital's portfolio:

Property	Purchase price £	Acquisition cost £	Transfer date	Market value as at 31/03/2011	Annual Rent	Santander Loan as at 31/03/2011 £	5year Swap Rate £	Tenant break Option	Lease expiry
McBride	6,870,000	609,769	30/06/2010	6,900,000	526,795	4,426,000	4.82%	24/03/2024	24/03/2029
Salton	8,350,000	731,281	18/06/2010	8,500,000	665,268	5,364,500	4.81%	None	27/01/2030
Homebase	5,850,000	514,319	13/12/2010	5,850,000	420,800	3,252,500	4.90%	None	07/10/2027
	£21,070,000	£1,855,369		£21,250,000	£1,612,863	£13,043,000			

BC cash reserves as at the end of March were healthy. All of the cash reserves are held in deposit accounts with Investec Bank (Channel Islands) Limited and Santander UK plc and receive interest based on the current bank base rate.

We expect UK property to enjoy a sustained period of positive growth, through to 2015, although there is still a risk of a "double dip" occurring. This could happen if the current cash inflows to institutions cease, interest rates unexpectedly rise or banks swamp the market with secondary assets being offered for sale.

## **British Capital Property Investments Limited**

### **INDEPENDENT AUDITOR'S REPORT**

**For the year ended 31 March 2011**

We have audited the Company's consolidated financial statements on pages 9 to 24. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (Generally Accepted Accounting Principles).

This report is made solely to the Company's members, as a body, in accordance with Section 262 of The Companies (Guernsey) Law, 2008. 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 explained more fully in the Statement of Directors' Responsibilities, 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.

#### **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. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies, we consider the implications for our report.

#### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view;
- are in accordance with Generally Accepted Accounting Principles; and
- comply with The Companies (Guernsey) Law, 2008 and the Protection of Investors (Bailiwick of Guernsey) Law, 1987, as amended.

#### **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where The Companies (Guernsey) Law, 2008 requires us to report to you if, in our opinion:

**British Capital Property Investments Limited**

**INDEPENDENT AUDITOR'S REPORT (continued)**

**For the year ended 31 March 2011**

- proper accounting records have not been kept by the Company; or
- the financial statements are not in agreement with the accounting records; or
- we have failed to obtain all the information and explanations, which, to the best of our knowledge and belief, are necessary for the purposes of our audit.

*Saffery Champness*

Saffery Champness  
Chartered Accountants  
Guernsey

*27 May 2011*

# British Capital Property Investments Limited

## CONSOLIDATED PROFIT AND LOSS STATEMENT

For the year ended 31 March 2011

			For the period from the date of incorporation, 8 June 2009, to 31 March 2010
	Note	31 March 2011	March 2010
		£	£
Unrealised loss on revaluation of investments	4	(1,675,369)	-
Income	8	1,056,115	25,071
Expenses	9	(852,803)	(203,278)
Currency gain		-	2,913
Net loss for the year/period		<u>(1,472,057)</u>	<u>(175,294)</u>
<b>Basic and diluted loss per ordinary share</b>		<b>(143.26)</b>	<b>(22.02)</b>

All of the company's income and expenditure arise from continuing operations

The accompanying notes on pages 13 to 23 form part of these financial statements.

# British Capital Property Investments Limited

## CONSOLIDATED BALANCE SHEET

As at 31 March 2011

ASSETS	Note	2011 £	2010 £
<b>Fixed Assets</b>			
Investment properties	4	21,250,000	-
<b>Current Assets</b>			
Debtors and prepayments	11	85,490	74,868
Cash at bank		1,007,637	7,721,019
		<u>1,093,127</u>	<u>7,795,887</u>
<b>TOTAL ASSETS</b>		<u>22,343,127</u>	<u>7,795,887</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Creditors: Amounts falling due within one year</b>			
Creditors	12	(671,897)	(9,000)
Loans	7	(152,000)	-
		<u>(823,897)</u>	<u>(9,000)</u>
<b>Creditors: Amounts falling due after more than one year</b>			
Management shares	13	(2)	(2)
Loans	7	(12,891,000)	-
Net assets attributable to holders of ordinary shares		(8,628,228)	(7,786,887)
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>(22,343,127)</u>	<u>(7,795,889)</u>
<b>Ordinary Shares in issue</b>	13	<u>10,275,5784</u>	<u>7,962,179</u>
<b>Net asset value per Ordinary Share</b>	14	<u>839.6831</u>	<u>977.9847</u>

The Financial Statements were approved and authorised for issue by the Board of Directors on 25 May 2011 and signed on its behalf by:



Director



Director

The accompanying notes on pages 13 to 23 form part of these financial statements.

## British Capital Property Investments Limited

### CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF ORDINARY SHARES

For the year ended 31 March 2011

	Share Capital	Profit and loss account	Share premium	Total
	£	£	£	£
Balance at 8 June 2009	-	-	-	-
Shares issued during the period	796	-	7,961,383	7,962,179
Loss for the period	-	(175,294)	-	(175,294)
Balance at 31 March 2010	796	(175,294)	7,961,383	7,786,885
Shares issued during the year	232	-	2,313,168	2,313,400
Loss for the year	-	(1,472,057)	-	(1,472,057)
Balance at 31 March 2011	<u>1,028</u>	<u>(1,647,351)</u>	<u>10,274,551</u>	<u>8,628,228</u>

The accompanying notes on pages 13 to 23 form part of these financial statements.

# British Capital Property Investments Limited

## CONSOLIDATED STATEMENT OF CASH FLOWS

For the year to 31 March 2011

	31 March 2011	For the period from the date of incorporation, 8 June 2009, to 31 March 2010
	£	£
<b>Operating activities</b>		
Loss for the year/period	(1,472,057)	(175,294)
Adjusted for:		
Issue costs	-	19,425
Bank deposit interest	(8,846)	(25,071)
Loan interest	407,332	-
Decrease in debtors and prepayments	(10,622)	(74,868)
Increase in creditors	662,899	9,000
<b>Cash used in the operations</b>	<u>(421,294)</u>	<u>(246,808)</u>
<b>Return on investments and servicing of finance</b>		
Loan interest	(407,332)	-
Unrealised loss on revaluation of investments	1,675,369	-
Bank deposit interest	8,846	25,071
	<u>1,276,883</u>	<u>25,071</u>
<b>Capital expenditure and financial investments</b>		
Purchase of investment properties	<u>(22,925,369)</u>	<u>-</u>
	(22,925,369)	-
<b>Financing</b>		
Loan received	13,043,000	-
Proceeds from issue of Ordinary and Management Shares	2,313,400	7,962,179
Issue costs	-	(19,425)
<b>Net cash outflow from financing</b>	<u>15,356,400</u>	<u>7,942,754</u>
<b>Net cash (outflow)/inflow for the year/period</b>	<u>(6,713,380)</u>	<u>7,721,017</u>
<b>Net cash at the beginning of the year/period</b>	<u>7,721,017</u>	<u>-</u>
<b>Net cash at the end of the year/period</b>	<u><u>1,007,637</u></u>	<u><u>7,721,017</u></u>
<b>Represented by</b>		
<b>Cash at the end of the year/period</b>	<u><u>1,007,637</u></u>	<u><u>7,721,017</u></u>

**British Capital Property Investments Limited**

**CONSOLIDATED STATEMENT OF CASH FLOWS**

**For the year to 31 March 2011**

**Reconciliation of net cash flow to movement in net debt (note 3)**

Decrease in cash in the year	(6,713,380)
Loan received	<u>(13,043,000)</u>
	<u>(19,756,380)</u>
Change in net debt	(19,756,380)
Net funds at 1 April 2010	<u>7,721,017</u>
Net debt at 31 March 2011	<u>(12,035,363)</u>

The accompanying notes on pages 13 to 23 form part of these financial statements.

## **British Capital Property Investments Limited**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**For the year ended 31 March 2011**

#### **1. Accounting policies**

##### **Accounting convention**

The Financial Statements have been prepared in accordance with United Kingdom Accounting Standards, The Companies (Guernsey) Law, 2008 and as a Collective Investment Scheme under The Protection of Investors (Bailiwick of Guernsey) Law, 1987, under the historical cost convention except for revaluation of investment properties and give a true and fair view. The specific accounting policies are described below.

##### **a) Foreign currencies**

Foreign currency monetary assets and liabilities are translated into sterling at the exchange rates ruling at the balance sheet date. Transactions in foreign currencies are translated at the rate of exchange ruling at the date of the transaction. Foreign exchange gains and losses are included in the Consolidated Profit and Loss Statement.

##### **b) Establishment costs**

Establishment costs were written off in the first financial period.

##### **c) Investments**

The Company will invest in property assets with a view to profiting from their capital growth. The portfolio of assets will be managed and its performance evaluated on a market value basis, in accordance with the documented investment strategy as detailed in the Prospectus.

Investment property is initially measured at cost, being the value of the consideration given, including related transaction costs. After initial recognition, the investment property is carried at market value. Market value is the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction. The estimation of market value of the properties has been done individually and no account has been taken of any greater or lesser value which may be attributed to the whole portfolio, should it be available in its entirety or in individually selected groups of properties. Losses arising from changes in market values are included in the Consolidated Profit and Loss Statement.

##### **d) Going Concern**

The accounts have been prepared on a going concern basis.

##### **e) Dividend**

The Company may pay dividends. Any dividends paid will be in accordance with the policy of the Bermuda Stock Exchange and The Companies (Guernsey) Law, 2008.

# **British Capital Property Investments Limited**

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**For the year ending 31 March 2011**

### **1. Accounting policies (continued)**

#### **f) Revenue and Expenses**

Bank deposit interest income and expense are recognised on an accruals basis. Performance fees will be recognised on an accruals basis.

Revenue will include rental income, service charges and management charges from properties. Rental income will be received on a quarterly basis in advance with relevant amounts recognised as a prepayment. Any service and management charges relating to properties owned will be paid as and when they occur.

Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the Company and the amount of revenue can be measured reliably.

#### **g) Cash at bank**

Cash comprises current deposits held with Investec Bank (Channel Islands) Limited and Santander UK plc.

#### **h) Basis of consolidation**

Subsidiaries are those entities, including special purpose entities, controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Intra-group balances and any unrealised gains and losses arising from intra-group transactions are eliminated in preparing the consolidated financial statements.

### **2. Fees**

The Investment Manager shall be entitled to receive Management fees as follows.

#### **Acquisition Fee**

Acquisition Fee of 2% (two per cent) of the total purchase price (including, for the avoidance of doubt, the Acquisition Costs) of any immovable Property acquired by the Fund, payable on acquisition.

#### **Management Fees**

Asset Management Fee equivalent to 1.5% (one point five per cent) per annum of the Gross Market Value of the Property Portfolio of the Fund payable monthly in arrears on the 1st (first) Business Day of the following month. For the purposes of calculating the amount payable each month in respect of the Asset Management Fee, the most recently determined Gross Market Value of the Property Portfolio of the Company shall be used.

## **British Capital Property Investments Limited**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**For the year ending 31 March 2011**

#### **2. Fees (continued)**

##### **Performance Fees**

A Performance Fee, payable on the 60th (sixtieth) day following the applicable period, commencing at the end of the 5th (fifth) year after the Initial Closing Date (as such term is defined in the Prospectus) (the "Initial Payment Date") and annually thereafter (each a "Subsequent Payment Date") until the Termination Date such that the first net profit up to 10% (ten per cent) IRR will be applied to the Company's investors after which net profit up to 12% (twelve per cent) IRR will be payable to the Investment Manager. Thereafter the net profits will be split as to 80% (eighty per cent) payable to the Company's investors and 20% (twenty per cent) payable to the Investment Manager. For the purposes of calculating the Performance Fee (if any) on a Subsequent Payment Date, the cumulative IRR for the full period (i.e. since Initial Closing Date) up to that time shall be applied for purposes of calculating the cumulative Performance Fee, and the Performance Fee payable will be net of any Performance Fees paid to date.

##### **Trail fees**

An annual trail fee is payable annually in advance (within 60 (sixty) days of the listing of British Capital) to the Distributors of up to 0.75% (zero point seven five percent) (plus VAT where applicable) of the aggregate subscription proceeds of the Shares subscribed for by Investors, introduced by the relevant Distributor, which have not been redeemed prior to the Redemption Date.

##### **Distribution fee**

An upfront fee of up to 2% (two percent) of the gross amount paid by an Investor (plus value added tax where applicable) will be deductible upfront by the Distributor of the Company for the introduction of investors by a Distributor to the Company. The amount invested after deduction of the upfront Distribution Fee shall determine the number of Shares to be allocated to each Investor.

##### **Redemption fees**

A fee of up to 2% of the redemption amount, in respect of redemptions before the Redemption date, is payable to the Company.

##### **Administration fees**

The Administration fee is fixed at £30,000 per annum and £3,000 per Board meeting for the provision of secretarial services.

##### **Directors' fees**

The Directors receive a fee of £7,500 per annum. Messrs Mackay and Van Staden have waived their rights to receive a Director's fee.

# British Capital Property Investments Limited

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ending 31 March 2011

### 3. Analysis of changes in Net Debt

	1 April 2010 £	Cash Flow £	31 March 2011 £
Cash in hand at Bank	7,721,017	(6,713,380)	1,007,637
Debt due within one year	-	(152,000)	(152,000)
Debt due after one year	-	(12,891,000)	(12,891,000)
	<u>7,721,017</u>	<u>(19,756,380)</u>	<u>(12,035,363)</u>

### 4. Investment

In accordance with the Company's accounting policies, investment property is stated at open market value as at the Consolidated Balance Sheet date. The market value was determined by Colliers International which is registered as a member of the Royal Institution of Chartered Surveyors and has confirmed that it has have undertaken the valuation acting as external valuer and that it is qualified for the purposes of the valuation.

The investment property portfolio comprises the following properties:

#### Investment Properties

	Costs £	Acquisition Costs £	Revaluation £	2011 Market Value £
Homebase Limited Brecon Enterprise Park, Brecon	5,850,000	514,319	(514,319)	5,850,000
Russell Hobbs, Heath Mill Road, Wombourne	8,350,000	731,281	(581,281)	8,500,000
McBride's Eurolink, Lea Green, St Helens	6,870,000	609,769	(579,769)	6,900,000
	<u>21,070,000</u>	<u>1,855,369</u>	<u>(1,675,369)</u>	<u>21,250,000</u>

	2011 £
Additions - including capitalised acquisition costs	22,925,369
Unrealised loss on revaluation of investment properties	(1,675,369)
	<u>21,250,000</u>

### 5. Subsidiaries

The Company holds and operates its investment property portfolio through subsidiary companies. The financial statements consolidate the results of the Company and its subsidiaries drawn up to 31 March each year. The Consolidated Profit and Loss Statement and Consolidated Statement of Cash Flows include the results of the subsidiaries and the Consolidated Balance Sheet and the Consolidated Statement of Change in Net Assets Attributable to Holders of Ordinary Shares includes the position of the subsidiaries as at 31 March 2011.

Company	Country of Incorporation	Share Capital	Percentage of shares held
British Capital Property Limited	Guernsey	1	100%
British Capital Finance Limited	Guernsey	1	100%

# British Capital Property Investments Limited

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ending 31 March 2011

### 6. Taxation

The Company resides for taxation purposes in Guernsey where it pays an annual tax exemption fee of £600 subject to the provisions of the Income Tax (Exempt Bodies) (Guernsey) Ordinance 1989. The Company will continue to be exempt under the Income Tax (Zero-10) (Guernsey) (No 2) Law 2007, which came into force on 1 January 2008.

The Company is liable to UK Income Tax arising on rental income generated in the United Kingdom. The Company is registered under the Non-Resident Landlord Scheme to receive rental income with no tax deducted and submits an annual return. During the year the Company paid no tax on its United Kingdom rental income.

### 7. Loans payable

	Amounts due in 1 year	Amounts due in 2-5 years	Total 2011
	£	£	£
Loan from Santander Corporate Banking - Wombourne - repayable on 18 June 2015	84,000	5,280,500	5,364,500
Loan from Santander Corporate Banking - Lea Green - repayable on 6 July 2015	68,000	4,358,000	4,426,000
Loan from Santander Corporate Banking - Brecon - repayable on 1 December 2015	-	3,252,500	3,252,500
	<u>152,000</u>	<u>12,891,000</u>	<u>13,043,000</u>

The loans are with Santander UK plc ("Lender"). The Lender has provided the Company with a schedule detailing the quarterly repayments. This schedule comprises of the margin, plus LIBOR, plus the Mandatory cost as well as the principal repayment amounts. On the final repayment dates, listed above, the Company will make a lump sum payment of the remaining principal amount.

All of the properties owned by the Company are secured against the Santander loan.

### 8. Income

	2011 £	For the period from the date of incorporation, 8 June 2009, to 31 March 2010 £
Rental income	1,047,269	-
Bank deposit interest	8,846	25,071
	<u>1,056,115</u>	<u>25,071</u>

## British Capital Property Investments Limited

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ending 31 March 2011

#### 9. Expenses

	2011	For the period from the date of incorporation, 8 June 2009, to 31 March 2010
	£	£
Loan interest	407,332	-
Management fees	201,119	-
Formation and set up fees	-	88,855
Legal and professional fees	34,177	-
Listing expenses	6,919	32,078
Trail fees	69,630	19,425
Administration fees	54,847	17,378
Organisational expenses	8,526	-
Marketing expenses	5,884	-
Structuring fees	3,859	15,736
Directors' fees	15,000	10,819
Consultancy fees	6,000	-
Audit fee	18,000	9,000
Charitable Trust fees	2,500	5,333
Listing and sponsorship fees	1,686	1,355
Directors' and Officers' insurance	8,632	1,249
Regulatory fees	6,260	740
Sundry expenses	1,832	710
Tax exempt fee	600	600
<b>Total expenses</b>	<u>852,803</u>	<u>203,278</u>

#### 10. Currency gain

	2011	For the period from the date of incorporation, 8 June 2009, to 31 March 2010
	£	£
Currency gain	-	2,913
	<u>-</u>	<u>2,913</u>

# British Capital Property Investments Limited

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ending 31 March 2011

### 11. Debtors and prepayments

	2011	For the period from the date of incorporation, 8 June 2009, to 31 March 2010
	£	£
Trail fee	42,589	39,170
Structuring fee	23,923	23,813
Rent receivable	8,416	-
Prepaid Directors and Officers insurance	4,666	6,751
Prepaid regulatory fees	4,200	4,639
Other prepayments	1,696	495
	<u>85,490</u>	<u>74,868</u>

### 12. Creditors - Amounts falling due within one year

	2011	For the period from the date of incorporation, 8 June 2009, to 31 March 2010
	£	£
Management fee	25,265	-
Bank loan interest	147,509	-
Property acquisition fee	145,134	-
VAT payable	54,377	-
Service fees	1,000	-
Accounting fees	2,465	-
Audit Fee	18,000	9,000
	<u>393,750</u>	<u>9,000</u>
Rent received in advance	278,147	-
	<u>671,897</u>	<u>9,000</u>

# British Capital Property Investments Limited

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ending 31 March 2011

### 13. Share Capital

Authorised		2011	
	No. of shares		£
Management shares of £1 each	10		10
Ordinary Shares of £0.10 each	1,000,000		1,000,000
	<u>1,000,010</u>		<u>1,000,000</u>

  

Issued	No. of shares	Share Capital	Share Premium	Total
		£	£	£
<b>Management shares of £1 each</b>				
Issued	2	2	-	-
	<u>2</u>	<u>2</u>	<u>-</u>	<u>-</u>
<b>Ordinary Shares of £0.10 each</b>				
Opening balance	7,962	796	7,961,383	7,962,179
Issued during the year	2,313	232	2,313,168	2,313,400
Closing balance	<u>10,275</u>	<u>1,028</u>	<u>10,274,551</u>	<u>10,275,579</u>

Holders of ordinary shares are entitled to receive, and participate in, any distributions that are resolved to be distributed in respect of any financial year or other income or right to participate therein. Each investor who is present at the general meeting of the Company shall have one vote.

The holders of management shares shall have the right to receive notice, attend and vote at any general meeting of the Company and have 100 votes in respect of each share. The management shares are non redeemable with a par value of £1 each and are owned by the British Capital Charitable Trust.

### 14. Net Asset Value per share

	2011	2010
	£	£
Net asset value attributable to Ordinary Shares per financial statements	8,628,228	7,786,885
Adjustments relating to fees	<u>101,768</u>	<u>(25,182)</u>
<b>Net asset value per valuation report</b>	<u>8,729,996</u>	<u>7,761,705</u>
Shares in issue	<u>10,275,5784</u>	<u>7,962,1790</u>
Reported Net Assets per share	849.5868	974.8217
Audited Net Assets per share	839.6830	977.9842

## British Capital Property Investments Limited

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ending 31 March 2011

#### 15. Financial Risk Management

The Company's activities expose it to a variety of financial risks: interest rate risk, credit/counterparty risk, currency risk and liquidity risk. The financial risks relate to the following financial instruments: debtors and prepayments, cash and bank balances and creditors.

The Company's overall risk management programme focuses on the unpredictability of the markets in which it operates and seeks to minimise potential adverse effects on the Company's financial performance.

##### a) Interest rate risk

The Company is exposed to risk associated with the effects of fluctuations in the prevailing levels of market interest rates on its cash positions. Management review market interest rates and cash and bank balances on a regular basis to take advantage of the best rates offered at any time.

The interest rate profile of the financial assets and liabilities as at the Consolidate Balance Sheet date is as

	Non-interest bearing financial assets	Financial assets	Loans	Total
	£	£	£	£
At 31 March 2011	2,500	1,005,137	(13,043,000)	(12,035,363)
	£	£	£	£
At 31 March 2010	212,404	7,508,613	-	7,721,017

The above analysis excludes short-term receivables and payables. The financial assets comprise bank balances, which receive interest based on Investec Bank (Channel Islands) Limited and Santander UK plc base rates. Liabilities are loans with Santander UK plc, the interest based on base rate, margin plus LIBOR.

The Company uses interest rate swap contracts to mitigate exposure to change in interest rates. Interest differentials under these swaps are recognised by adjusting interest payable over the contract. The fair value of these contracts are not accounted for. No fair value exists on these swaps as they are an integral part of the loan and cannot be differentiated from the loan. They are held to mitigate the risk of change in interest rates as disclosed in note 7.

The sensitivity analyses below are based on a change in an assumption while holding all other assumptions consistent. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated - for example, change in interest rate and change in market values. The Company mitigates any risk by placing funds with institutions with a Moody's rating of BBB or above.

	Change in basis points	Interest bearing	Impact on profit and loss statement
		£	£
Fixed rate financial assets	50	1,005,137	503
Loans	50	(13,043,000)	(6,522)

## British Capital Property Investments Limited

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ending 31 March 2011

#### 15. Financial Risk Management (continued)

##### b) Credit/Counterparty Risk

Credit risk arises when a failure by counterparties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the Consolidate Balance Sheet date. The Company's credit risk principally arises from cash and cash balances.

The Directors mitigate this risk by ensuring that the cash and cash balances are held with reputable institutions with long term credit ratings of BBB or above. At the Consolidated Balance Sheet date the Company had cash and cash balances held with Investec Bank (Channel Islands) Limited a wholly owned subsidiary of Investec Bank plc which has a Moody's long term credit rating of Baa3 and Santander UK plc which has a long term credit rating with Moody's of Aa3.

At 31 March 2011 the Company's exposure to credit/counterparty risk was £1,007,637 (2010: £7,721,017).

##### c) Liquidity Risk

Liquidity risk is the risk that arises when the maturity of assets and liabilities does not match. An unmatched position potentially enhances profitability, but can also increase the risk of losses. The Directors review this status on a quarterly basis, with the object of minimising such losses by maintaining sufficient cash and other highly liquid current assets.

The table below sets out the carrying amount by maturity of the Company's liabilities.

	Less than 1 year	1 to 5 years	Total
	£	£	£
Accruals (note 12)	393,750	-	393,750
Rent received in advance	278,147	-	278,147
Repayments of loan capital	152,000	12,891,000	13,043,000
	<u>823,897</u>	<u>12,891,000</u>	<u>13,714,897</u>

The Directors mitigate liquidity risk by monitoring cash balances on a regular basis and ensuring they maintain significant cash balances to meet liabilities as they fall due.

##### d) Currency Risk

The Company's assets may be acquired in currencies other than the base currency of the Company. Investments may be acquired in a wide range of currencies, some of which may be affected by currency movements. The Net Asset Value of the Company may rise or fall due to exchange rate fluctuations.

All of the Company's material transactions and balances at the year end are in sterling and the directors consider that there is no significant currency exposure as at the Consolidated Balance Sheet date.

## **British Capital Property Investments Limited**

### **NOTES TO THE FINANCIAL STATEMENTS**

**For the year ending 31 March 2011**

#### **16. Related parties and related party transactions**

Mr Tolcher and Ms White, who are Directors of the Company, are also Directors of the Company's Investment Manager, Cornerstone Asset Managers Limited.

As Directors, Mr Tolcher and Ms White each received a Director's fee of £7,500 (2010: £5,409), the annual fee being £7,500 per annum.

Mr Tolcher and Ms White are also directors of Legis Fund Services Limited, the Company's Administrator, which received £48,537 (2010: £17,378) in respect of administration services during the year.

British Capital Charitable Trust holds 2 management shares in the Company. The Charitable Trust incurred fees of £2,500 (2010: £5,333) for the period which the Company paid on its behalf.

Mr Sean MacKay a Director of the Company is also a Director of CornerstoneBlue Property International (Proprietary) Limited ("CornerstoneBlue"). Jan van Staden, a Director of the Company is also a Director of Barnard Jacobs Mellet Private Client Services (Proprietary) Limited ("BJMPCS"). The Company has been founded as a joint venture between CornerstoneBlue and BJMPCS. The Company paid trail fees of £69,630 (2010: £19,425) to BJMPCS during the year. £42,589 (2010: £39,170) has been treated as a prepayment.

There is no immediate and ultimate controlling party as no shareholder has a controlling interest.