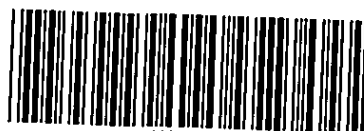


**IVG Development (UK) Limited**  
**Annual Report & Audited Financial Statements**  
**Year ended 31 December 2008**

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**IVG Development (UK) Limited**  
**Annual Report & Audited Financial Statements**  
**Year ended 31 December 2008**

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# IVG Development (UK) Limited

## Directors' Report

The directors present their annual report and the audited financial statements of the company for the year ended 31 December 2008.

### Principal activity, review of the business and future developments

The principal activity of the company during the period was the acquisition and the holding of property in central London for commercial letting. The directors plan to develop the activities of the company taking into account the prevailing economic conditions.

### Results and dividends

The profit for the year after taxation amounted to £4,003,346 (2007: £407,957) which is transferred to reserves. A dividend of £9,000,000 was paid during the year (2007: £nil).

### Directors

The following directors served during the year:

Mr D H Gibson  
Mr A Okunola (resigned 19 December 2008)  
Mr M Mason

### Statement of information provided to auditors

Each of the directors has confirmed that:

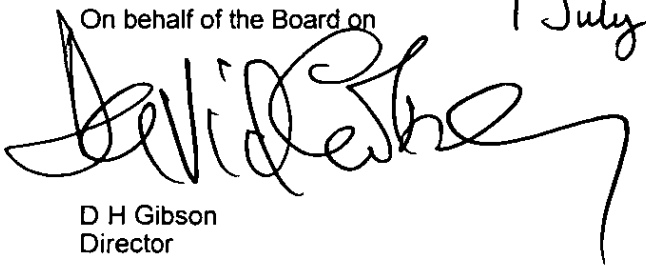
- so far as they are aware, there is no relevant audit information of which the Company's auditors are unaware, and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors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

This report has been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

On behalf of the Board on

1 July

2009.



D H Gibson  
Director

## **IVG Development (UK) Limited**

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

The directors are responsible for preparing the annual 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). The financial statements are required to 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 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 that 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 Act 1985. 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.

## **Independent Auditors' Report to the Members of IVG Development (UK) Limited**

We have audited the financial statements of IVG Development (UK) Limited for the year ended 31 December 2008 which comprise the profit and loss account, the balance sheet, the statement of total recognised gains and losses and the related notes. The financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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**

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom accounting standards ('United Kingdom Generally Accepted Accounting Practice') are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

### **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

**Independent Auditors' Report to the Members of  
IVG Development (UK) Limited  
(continued)**

**Opinion**

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2008 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the directors' report is consistent with the financial statements.

London, UK

3 July

2009

PKF (UK) LLP

**PKF (UK) LLP**  
Registered Auditors

**IVG Development (UK) Limited**  
**Profit and Loss Account**  
**Year ended 31 December 2008**

	Notes	2008 £	2007 £
<b>Turnover</b>	1(c)	<b>2,886,276</b>	2,300,073
Other operating income		<b>290,432</b>	2,048,346
		<b>3,176,708</b>	4,348,419
Operating costs		<b>(619,203)</b>	(1,070,056)
Administrative expenses		<b>(2,614,511)</b>	(2,475,405)
<b>Operating (loss)/profit</b>	2	<b>(55,006)</b>	802,958
Impairment of investments	10	<b>(30,342,796)</b>	-
<b>(Loss)/profit on ordinary activities before interest</b>		<b>(30,397,802)</b>	802,958
Investment income from subsidiary undertaking	5	<b>35,815,373</b>	-
Interest receivable and similar items	6	<b>6,016,668</b>	8,553,873
Interest payable and similar charges	7	<b>(7,430,893)</b>	(8,866,874)
<b>Profit on ordinary activities before taxation</b>		<b>4,003,346</b>	489,957
Taxation	8	-	(82,000)
<b>Profit for the year</b>	16	<b>4,003,346</b>	407,957

All amounts relate to continuing operations.

**IVG Development (UK) Limited**  
**Statement of Total Recognised Gains and Losses**  
**Year ended 31 December 2008**

	2008 £	2007 £
Profit for the year	4,003,346	407,957
Unrealised (deficit)/surplus on revaluation of investment properties	(9,993,539)	9,270,323
Total recognised (losses)/gains relating to the year	<u>(5,990,193)</u>	<u>9,678,280</u>

**Note of historical cost profits and losses**

	2008 £	2007 £
Reported profit on ordinary activities before taxation	4,003,346	489,957
Realisation of property valuation losses of prior years	<u>-</u>	<u>-</u>
Historical cost profit on ordinary activities before taxation	<u>4,003,346</u>	<u>489,957</u>
Historical cost profit for the year retained after taxation	<u>4,003,346</u>	<u>407,957</u>

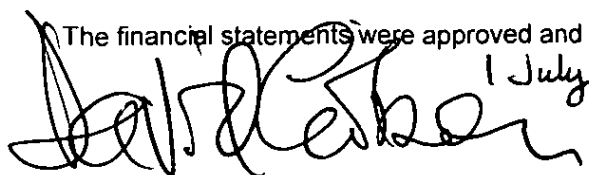
# IVG Development (UK) Limited

Balance Sheet  
31 December 2008

	Notes	£	2008 £	£	2007 £
<b>Fixed assets</b>					
Tangible assets	9		37,920,972		48,060,914
Investments	10		28,001,820		37,644,616
			<u>65,922,792</u>		<u>85,705,530</u>
<b>Current assets</b>					
Debtors	11	106,578,648		162,960,135	
Cash at bank and in hand		1,018,752		979,690	
		<u>107,597,400</u>		<u>163,939,825</u>	
<b>Creditors</b>					
Amounts falling due within one year	12	(67,828,487)		(84,840,364)	
			<u>39,768,913</u>		<u>79,099,461</u>
<b>Net current assets</b>					
			<u>105,691,705</u>		<u>164,804,991</u>
<b>Total assets less current liabilities</b>					
<b>Creditors</b>					
Amounts falling due after more than one year	12		(51,565,852)		(95,688,945)
<b>Provisions</b>					
Deferred taxation	13		(416,000)		(416,000)
			<u>53,709,853</u>		<u>68,700,046</u>
<b>Capital and reserves</b>					
Called up share capital	14		41,475,000		40,000,000
Capital contribution	14		-		1,475,000
Revaluation reserve	15		12,006,461		22,000,000
Profit and loss account	16		228,392		5,225,046
			<u>53,709,853</u>		<u>68,700,046</u>
<b>Shareholder's funds</b>	17				
			<u>53,709,853</u>		<u>68,700,046</u>

This report has been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 1 July 2009.



D H Gibson  
Director

# IVG Development (UK) Limited

## Notes to the Financial Statements

Year ended 31 December 2008

### 1 Accounting policies

#### (a) Basis of accounting

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost convention, as modified by the revaluation of investment property.

#### (b) Consolidated financial statements

Consolidated accounts have not been prepared as permitted by section 228 of the Companies Act 1985. The financial statements present information about the company as an individual undertaking and not about the group.

#### (c) Turnover

Turnover represents rents received from tenants, net of value added tax. All turnover is generated from within the United Kingdom.

#### (d) Investment property

All costs associated with the acquisition and construction of investment property, net of incidental receipts and including interest payable on loans taken out to finance the project, are capitalised. Capitalisation of interest finishes at the date of practical completion, while expenses continue to be capitalised where appropriate after this date. Properties under construction are retained at cost until the date of practical completion and subsequently revalued at the next balance sheet date.

In accordance with Statement of Standard Accounting Practice No. 19 (SSAP 19), investment property is stated in the balance sheet at open market value. Revaluation surpluses and deficits are taken to a revaluation reserve except to the extent that they represent reversals of deficits previously recognised through the profit and loss account.

Also in accordance with SSAP 19 no depreciation is provided in respect of investment property. This is a departure from the requirement of the Companies Act 1985 which requires all assets having a limited useful economic life to be depreciated. The directors consider this treatment necessary in order to show a true and fair view. Depreciation or amortisation is only one of many factors reflected in the annual valuation and the amount which would otherwise have been shown cannot be separately quantified.

#### (e) Investments

Fixed asset investments are shown at cost less provision for impairment.

#### (f) Tangible fixed assets

Other tangible fixed assets are depreciated by equal annual instalments over their estimated useful lives as follows:

Fixtures, fittings and equipment - 25%

# IVG Development (UK) Limited

## Notes to the Financial Statements

Year ended 31 December 2008

### 1 Accounting policies (continued)

#### (g) Deferred taxation

As required by Financial Reporting Standard 19 "Deferred Tax", 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, except for those timing differences in respect of which FRS 19 specifies that deferred tax should not be recognised.

Deferred 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.

#### (h) Foreign currency translation

Assets and liabilities denominated in foreign currencies are translated to sterling at the rate prevailing at the balance sheet date. Transactions in foreign currencies are converted at the rate prevailing at the date of the transaction. All exchange gains and losses are taken to the profit and loss account.

#### (i) Operating leases

Leasing charges in respect of operating leases are recognised in the profit and loss account over the lives of the lease agreement as incurred.

#### (j) Pension contributions

The company makes contributions into personal pension plans, which are charged to the profit and loss account as they arise.

#### (k) Operating lease incentives

In accordance with UITF 28 rent receivable in the period, from lease commencement to the earlier of the first rent review to the prevailing market rate and the lease end date, is spread evenly over that period. The cost of other incentives is spread on a straight-line basis over a similar period. Unamortised amounts are included in debtors and prepayments.

UITF 28 also requires that the carrying value of investment properties reported in the balance sheet should not include any amount that is reported as a separate asset. Any amounts reported as a separate asset are excluded from the carrying value of investment properties.

#### (l) Related party transactions

The company has taken advantage of the exemptions in FRS 8 'Related Party Disclosures' not to disclose transactions or balances with other group undertakings.

### 2 Operating (loss)/profit

	2008 £	2007 £
The operating (loss)/profit is stated after charging:		
Auditors' remuneration	20,000	20,000
Depreciation	162,241	80,130
Operating lease rentals in respect of land and buildings	125,295	125,295

**IVG Development (UK) Limited**  
**Notes to the Financial Statements**  
**Year ended 31 December 2008**

**3 Staff costs and numbers**

	2008 £	2007 £
Staff costs, including directors were:		
Wages and salaries	1,048,448	845,896
Social security costs	119,084	111,142
Pension contributions	40,225	44,437
	<u>1,207,757</u>	<u>1,001,475</u>
	Number	Number
Average monthly number of persons employed during the year		
Administration	<u>8</u>	<u>9</u>

**4 Directors' remuneration**

	2008 £	2007 £
Emoluments	715,835	628,513
Contributions to personal pension scheme	9,800	23,216
	<u>725,635</u>	<u>651,729</u>
Emoluments of highest paid director:		
Total emoluments	333,884	341,640
Contributions to personal pension scheme	8,050	8,050
	<u>341,934</u>	<u>349,690</u>

In addition to the above, payments totalling £125,400 were paid to a former director, including £600 contribution to a personal pension scheme, in respect of a termination agreement.

Contributions were made into personal pension schemes for 1 director (2007: 2).

**5 Investment income from subsidiary undertakings**

	2008 £	2007 £
Dividends received	<u>35,815,373</u>	<u>-</u>

During the year dividends of £34,815,373 and £1,000,000 were received from IVG Asticus (Caxton) Limited and IVG Developments (Broadway) Limited respectively, both of which are wholly owned subsidiaries.

**IVG Development (UK) Limited**  
**Notes to the Financial Statements**  
**Year ended 31 December 2008**

**6 Interest receivable and similar items**

	2008 £	2007 £
Group interest	5,896,735	8,415,847
Bank interest	119,933	138,026
	<u>6,016,668</u>	<u>8,553,873</u>

**7 Interest payable and similar charges**

	2008 £	2007 £
Group interest	7,430,559	8,446,845
Other interest	334	420,029
	<u>7,430,893</u>	<u>8,866,874</u>

**8 Taxation**

	2008 £	2007 £
<b>(a) Analysis of tax charge for year</b>		
Current tax:		
Corporation tax	-	-
	<u>-</u>	<u>-</u>
Total current tax (note 8(b))	-	-
Deferred taxation:		
Origination and reversal of timing differences	-	82,000
	<u>-</u>	<u>82,000</u>
Tax on profit on ordinary activities	-	82,000
	<u>-</u>	<u>82,000</u>

**(b) Reconciliation of current year tax charge**

The tax assessed for the year is lower than the standard rate of corporation tax in the UK. The differences are explained below:

	2008 £	2007 £
Profit on ordinary activities before tax	4,003,346	489,957
	<u>4,003,346</u>	<u>489,957</u>
Profit on ordinary activities at standard rate of corporation tax in the UK of 28.5% (2007: 30%)	1,140,954	146,987
Effects of:		
Expenses not deductible for tax purposes	8,710,193	-
Capital allowances in excess of depreciation	46,239	(112,000)
Losses in other group companies utilised	309,996	(34,987)
Dividends received	(10,207,382)	-
	<u>-</u>	<u>-</u>
Current tax charge for the year (note 8(a))	-	-
	<u>-</u>	<u>-</u>

# IVG Development (UK) Limited

Notes to the Financial Statements  
Year ended 31 December 2008

## 9 Tangible fixed assets

	Freehold and long leasehold investment properties £	Fixtures, fittings and equipment £	Total £
<b>Cost or valuation</b>			
At 1 January 2008	47,500,000	641,044	48,141,044
Additions	-	15,838	15,838
Revaluations	(9,993,539)	-	(9,993,539)
	<hr/>	<hr/>	<hr/>
At 31 December 2008	37,506,461	656,882	38,163,343
	<hr/>	<hr/>	<hr/>
<b>Depreciation</b>			
At 1 January 2008	-	80,130	80,130
Charge for the year	-	162,241	162,241
	<hr/>	<hr/>	<hr/>
At 31 December 2008	-	242,371	242,371
	<hr/>	<hr/>	<hr/>
<b>Net book amounts</b>			
At 31 December 2008	<b>37,506,461</b>	<b>414,511</b>	<b>37,920,972</b>
	<hr/>	<hr/>	<hr/>
At 31 December 2007	47,500,000	560,914	48,060,914
	<hr/>	<hr/>	<hr/>

At 31 December 2008 the freehold property is stated at a valuation following a professional open market valuation obtained from FPD Savills International Property Consultants. The valuation was carried out in accordance with the Practice Statements of the Royal Institution of Chartered Surveyors Appraisal and Valuation Manual, and were undertaken by external valuers as defined in Practice Statement 5.

The historical cost of the property was £25,500,000 (2007: £25,500,000).

## 10 Investments

	Investments in subsidiaries £	Loans to subsidiaries £	Total £
At 1 January 2008	37,644,616	96,920,350	134,564,966
Additions	20,700,000	7,761,899	28,461,899
Impairments	(30,342,796)	-	(30,342,796)
	<hr/>	<hr/>	<hr/>
At 31 December 2008	<b>28,001,820</b>	<b>104,682,249</b>	<b>132,684,069</b>
	<hr/>	<hr/>	<hr/>

# IVG Development (UK) Limited

Notes to the Financial Statements  
Year ended 31 December 2008

## 10 Investments (continued)

At 31 December 2008 the company owned directly, or indirectly, the entire share capital of the following subsidiaries, all of which are registered in England and Wales:

	Proportion and class of shares held	Profit/(loss) for the year ended 31 December 2008	Capital and reserves at 31 December 2008 £
Brooksavie Limited - dormant	100% of ordinary shares	-	2
IVG Asticus (Caxton) Limited - property investment	100% of ordinary shares	2,334,628	11,904,446
IVG Developments (Broadway) Limited - property development	100% of ordinary shares	(868,406)	17,763,818
IVG Developments (Euston) Limited - property development	100% of ordinary shares	(14,239,956)	(1,804,383)
IVG Developments (Melton St) Limited - property development	100% of ordinary shares	(15,849,442)	(7,471,417)
		<hr/>	<hr/>

During the year the company acquired additional redeemable preference shares in IVG Developments (Euston) Limited and IVG Developments (Melton) for £12,400,000 and £8,300,000 respectively. Due to each of these subsidiary companies having net liabilities at 31 December 2008, the investments have been subsequently impaired to £nil.

The investments in IVG Developments (Broadway) Limited and IVG Asticus (Caxton) Limited have been impaired by £2,536,182 and £7,104,612 respectively, to reflect the net asset positions of these investments at 31 December 2008.

## 11 Debtors

	2008 £	2007 £
<b>Amounts falling due within one year:</b>		
Trade debtors	778,978	2,687,017
Amounts due from group undertakings	104,682,249	96,920,450
Amounts due from associated undertakings	101	59,054,917
Other debtors	1,052,562	2,859,319
Prepayments and accrued income	64,758	1,176,445
	<hr/>	<hr/>
	106,578,648	162,698,148
<b>Amounts falling due after more than one year:</b>		
Prepayments and accrued income	-	261,987
	<hr/>	<hr/>
	106,578,648	162,960,135
	<hr/>	<hr/>

# IVG Developments (UK) Limited

Notes to the Financial Statements  
Year ended 31 December 2008

12 Creditors	2008 £	2007 £
<b>Amounts falling due within one year:</b>		
Trade creditors	271,816	-
Amounts due to parent undertaking	29,004,055	19,601,735
Amounts due to group undertakings	-	3,039,910
Amounts due to subsidiary undertaking	37,078,709	53,141,861
Amounts due to associated undertakings	-	7,069,831
Other creditors	506,818	700,743
Accruals and deferred income	941,189	1,286,284
Other taxes and social security	25,900	-
	<u>67,828,487</u>	<u>84,840,364</u>
<b>Amounts falling due after more than one year:</b>		
Amount due to ultimate parent company	<u>51,565,852</u>	<u>95,688,945</u>

13 Deferred taxation	2008 £	2007 £
At 1 January 2008	416,000	334,000
Charge for the year	-	82,000
	<u>416,000</u>	<u>416,000</u>
At 31 December 2008	<u>416,000</u>	<u>416,000</u>

The deferred tax balance comprises the following, provided at 28% (2007: 28%) where appropriate:

Accelerated capital allowances	<u>416,000</u>	<u>416,000</u>
--------------------------------	----------------	----------------

14 Called up share capital	2008 £	2006 £
<b>Authorised</b>		
45,000,000 ordinary shares of £1 each	<u>45,000,000</u>	<u>45,000,000</u>
<b>Allotted, issued and fully paid</b>		
41,475,000 (2007: 40,000,000) ordinary shares of £1 each	<u>41,475,000</u>	<u>40,000,000</u>

A capital contribution of £1,475,000 was received in 1998 which was not repayable and bore no interest. This has been converted by Ordinary Resolution of the Directors during the year to 1,475,000 ordinary shares of £1 nominal value in the year, ranking pari passu in all respects with the existing ordinary shares of the company.

**IVG Development (UK) Limited**  
**Notes to the Financial Statements**  
**Year ended 31 December 2008**

**15 Revaluation reserve**

	2008 £	2007 £
At 1 January 2008	22,000,000	12,729,677
Revaluations	(9,993,539)	9,270,323
	<hr/>	<hr/>
At 31 December 2008	12,006,461	22,000,000
	<hr/>	<hr/>

**16 Profit and loss account**

	2008 £	2007 £
At 1 January 2008	5,225,046	4,817,089
Profit for the year	4,003,346	407,957
Dividends paid	(9,000,000)	-
	<hr/>	<hr/>
At 31 December 2008	228,392	5,225,046
	<hr/>	<hr/>

During the year a dividend of £9,000,000 (2007: £nil) was declared and paid to the parent company, IVG Developments (London and UK) Limited.

**17 Reconciliation of movements in shareholder's funds**

	2008 £	2007 £
At 1 January 2008	68,700,046	59,021,766
Profit for the year	4,003,346	407,957
Revaluations	(9,993,539)	9,270,323
Dividends paid	(9,000,000)	-
	<hr/>	<hr/>
At 31 December 2008	53,709,853	68,700,046
	<hr/>	<hr/>

# IVG Development (UK) Limited

## Notes to the Financial Statements

Year ended 31 December 2008

### 18 Lease commitments

	Land and buildings	
	2008	2007
	£	£
Annual commitments in respect of operating leases expiring:		
Between two and five years	125,295	125,295

### 19 Ultimate parent company and controlling party

The company's immediate parent undertaking is IVG Developments (London & UK) Limited, a company incorporated in England and Wales. IVG Immobilien AG, incorporated in Germany, is regarded by the directors as the ultimate parent company and is the parent undertaking of the largest and smallest group for which group accounts are prepared. Group accounts of IVG Immobilien AG are available to the public from Zanderstr. 5, D-53177 Bonn, Germany.