

Company Registration No. 5152229 (England and Wales)

LDC (KELHAM ISLAND) LTD
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2008

TUESDAY



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28/07/2009
COMPANIES HOUSE

LDC (KELHAM ISLAND) LTD

COMPANY INFORMATION

Directors

M C Allan
M P Bennett
J Granger
S Grant (Appointed 27 March 2008)
A D Reid
N Richards

Secretary

A D Reid

Company number

5152229

Registered office

The Core
40 St Thomas Street
BRISTOL
BS1 6JX

Auditors

KPMG Audit Plc
PO Box 695
8 Salisbury Square
LONDON
EC4Y 8BB

Business address

The Core
40 St Thomas Street
BRISTOL
BS1 6JX

LDC (KELHAM ISLAND) LTD

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LDC (KELHAM ISLAND) LTD

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2008

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

Principal activities

The principal activity of the company was that of property investment. The directors do not recommend the payment of a dividend (31 December 2007: £nil).

Directors

The following directors have held office since 1 January 2008:

M C Allan

M P Bennett

D A McDonald

(Resigned 27 November 2008)

J Granger

S Grant

(Appointed 27 March 2008)

J Hull

(Resigned 11 March 2009)

A D Reid

N Richards

Statement of disclosure to auditors

The directors who held office at the date of approval of this directors' report confirm that so far as they are each aware, there is no relevant audit information of which the Company's auditors are 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 auditors are aware of that information.

Financial instruments

The company holds or issues financial instruments for two main purposes:

- to finance the development and subsequent long term retention of investment properties;
- to manage the interest rate risks arising from its operations and from its sources of finance.

The main risks arising from the company's financial instruments are interest rate risk and market price risk. The company does not trade in financial instruments.

Auditors

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG Audit Plc will therefore continue in office.

LDC (KELHAM ISLAND) LTD

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2008

Statement of directors' responsibilities in respect of the Directors' Report and the financial statements.

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

The financial statements are required by law 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 judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; 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 enable them to ensure that its financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

By order of the board



A D Reid
Secretary

30 June 2009

LDC (KELHAM ISLAND) LTD

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF LDC (KELHAM ISLAND) LTD

We have audited the financial statements of LDC (Kelham Island) Ltd for the year ended 31 December 2008 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet and the related notes. These 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 the directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 2.

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 are 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 judgements 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 which 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.

LDC (KELHAM ISLAND) LTD

INDEPENDENT AUDITORS' REPORT (CONTINUED)

TO THE SHAREHOLDERS OF LDC (KELHAM ISLAND) LTD

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2008 and of its loss 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.

KPMG Audit Plc

30 June 2009

KPMG Audit Plc

Chartered Accountants

Registered Auditor

PO Box 695
8 Salisbury Square
LONDON
EC4Y 8BB

LDC (KELHAM ISLAND) LTD

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2008

	Notes	2008 £	2007 £
Turnover	2	1,246,701	1,230,266
Cost of sales		-	-
Gross profit		1,246,701	1,230,266
Administration costs		-	-
Operating profit	3	1,246,701	1,230,266
Impairment/(reversal of impairment) of fixed asset property		(3,070,190)	742,467
(Loss)/profit on ordinary activities before interest		(1,823,489)	1,972,733
Interest payable and similar charges	4	(1,642,023)	(1,882,143)
(Loss)/profit on ordinary activities before taxation		(3,465,512)	90,590
Tax on (loss)/profit on ordinary activities	5	-	-
(Loss)/profit for the year	11	(3,465,512)	90,590

There are no recognised gains and losses other than those passing through the profit and loss account.

LDC (KELHAM ISLAND) LTD

BALANCE SHEET AS AT 31 DECEMBER 2008

	Notes	2008 £	£	2007 £	£
Fixed assets					
Tangible assets	6	31,360,000		34,630,000	
Creditors: amounts falling due within one year	7	(12,882,595)	(12,677,934)		
Net current liabilities		(12,882,595)		(12,677,934)	
Total assets less current liabilities		18,477,405		21,952,066	
Creditors: amounts falling due after more than one year	8	(22,813,442)		(22,822,591)	
Net liabilities		(4,336,037)		(870,525)	
Capital and reserves					
Called up share capital	10		1		1
Profit and loss account	11	(4,336,038)		(870,526)	
Equity shareholders' deficit	12	(4,336,037)		(870,525)	

The financial statements were approved by the Board on 30 June 2009
and signed on its behalf by



M P Bennett

Director

LDC (KELHAM ISLAND) LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

1 Accounting policies

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

1.1 Basis of preparation

The financial statements are prepared in accordance with applicable accounting standards (UK GAAP) and under the historical cost convention.

The company has taken advantage of the exemption in Financial Reporting Standard No 1 (Revised 1996) from the requirement to produce a cash flow statement on the grounds that it is a subsidiary undertaking where 90 percent or more of the voting rights are controlled within the group.

1.2 Going concern

The financial statements have been prepared on the going concern basis, notwithstanding net liabilities of £4,336,037 which the directors believe to be appropriate for the following reasons. The company is dependent for its working capital on funds provided to it by The UNITE Group plc. The UNITE Group plc has provided the company with an undertaking that for at least 12 months from the date of approval of these financial statements, it will continue to make available such funds as are needed by the company, and in particular, will not seek repayment of the amounts currently made available. This should enable the company to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for payment. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue, although, at the date of approval of these financial statements, they have no reason to believe that it will not do so. Based on this understanding the directors believe that it remains appropriate to prepare the financial statements on a going concern basis. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

1.3 Turnover

Turnover from investment property leased out under operating leases is recognised in the profit and loss account on a straight line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income and are spread over the shorter of the lease term or the date when it is expected rent will revert to the prevailing market rate.

LDC (KELHAM ISLAND) LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2008

1 Accounting policies

(continued)

1.4 Tangible fixed assets and depreciation

In accordance with SSAP19 Accounting for Investment Properties:

- investment properties are revalued every six months at market value (determined in accordance with the Guidance Notes on the valuation of assets issued by the Royal Institution of Chartered Surveyors). Surpluses and deficits arising are transferred to the revaluation reserve except that any permanent impairment in the value of an investment property is taken to the profit and loss account for the year where it cannot be demonstrated that the recoverable amount of the asset is greater than the revalued amount; and
- no depreciation or amortisation is provided in respect of freehold investment properties or leasehold investment properties with over 20 years to run.

This treatment, as regards the company's investment properties, may be a departure from the requirements of the Companies Act concerning the depreciation of fixed assets. However, these properties are not held for consumption but for investment and the directors consider that systematic annual depreciation would be inappropriate. The accounting policy adopted is therefore necessary for the accounts to give a true and fair view. Depreciation or amortisation is only one of the many factors reflected in the annual valuation and the amount which might otherwise have been shown cannot be separately identified or quantified.

Net gains or losses on disposal of investment properties are calculated by reference to book value at the date of disposal and any revaluation surpluses of earlier years are transferred from revaluation reserve to the profit and loss account as a reserve movement. Investment properties under construction are revalued every six months at market value. They are not subject to depreciation, since the directors consider that the useful economic life of the assets does not begin until the properties are completed.

The cost of investment properties and properties under construction includes amounts relating to interest and attributable overheads, in addition to direct costs. For this purpose, the interest rate applied to funds provided for properties under construction is arrived at by reference, where appropriate, to the actual rate payable for development purposes.

1.5 Deferred taxation

The charge for taxation is based on the profit for the year and takes account of taxation deferred because of timing differences between the treatment of certain items for taxation and treatment under the company's accounting policies.

Deferred tax assets and liabilities arise from timing differences between the recognition of gains and losses in the financial statements and their recognition in a tax computation.

In accordance with FRS19, deferred tax is provided in respect of all timing differences that have originated but not reversed at the balance sheet date that may give rise to an obligation to pay more or less tax in the future except as otherwise provided by FRS19. Deferred tax is not recognised when fixed assets are revalued unless by the balance sheet date there is a binding agreement to sell the revalued assets and the gain or loss expected to arise on the sale has been recognised in the financial statements. Deferred tax is measured on a non-discounted basis.

1.6 Borrowings

Interest bearing borrowings are recognised initially at cost, less attributable transaction costs. Subsequent to initial recognition, interest bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the profit and loss account over the period of the borrowings on an effective interest basis.

LDC (KELHAM ISLAND) LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2008

2 Turnover

All turnover arises in the UK and is generated from the company's principal activity.

3 Operating profit

Auditors remuneration of £650 (2007: £620) was borne by another group company.

Fees paid to the company's auditors, KPMG Audit Plc and its associates for services other than statutory audit of the company are not disclosed in the company's accounts since the consolidated accounts of the company's parent, The UNITE Group plc are required to disclose non audit fees on a consolidated basis.

Directors' remuneration was borne by another group company in respect of both years.

4 Interest payable	2008 £	2007 £
Loan interest paid	1,642,023	1,882,143

5 Taxation	2008 £	2007 £
Current tax charge	-	-
Factors affecting the tax charge for the year		
(Loss)/profit on ordinary activities before taxation	(3,465,512)	90,590
(Loss)/profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 28.50% (2007: 30.00%)	(987,671)	27,177
Effects of:		
Non deductible expenses	875,004	-
Accelerated capital allowances	(197,871)	(320,654)
Group relief surrendered	388,731	516,217
Non taxable income	(78,193)	(222,740)
	987,671	(27,177)
Current tax charge	-	-

Factors that may affect future tax charges

Deferred taxation balances arising in the company are set out in detail in note 9.

LDC (KELHAM ISLAND) LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2008

6 Tangible fixed assets

	Investment property £
Cost	
At 1 January 2008	34,630,000
Additions	(199,810)
Impairment	(3,070,190)
	<u> </u>
At 31 December 2008	<u>31,360,000</u>

The investment property was valued as at 31 December 2007, on the basis of 'market value' as defined in the RICS Appraisal and Valuation Manual issued by the Royal Institution of Chartered Surveyors by CB Richard Ellis and Messrs King Sturge, Chartered Surveyors, as external valuers.

The total interest and bank costs included in the cost of the property at 31 December 2008 was £1,682,080 (31 December 2007: £1,682,080)

The historical cost of the property at 31 December 2008 was £34,475,068 (31 December 2007: £34,674,878).

The property is freehold.

7 Creditors: amounts falling due within one year

	2008 £	2007 £
Amounts owed to group undertakings	12,710,738	12,155,689
Other creditors	171,857	522,245
	<u> </u>	<u> </u>
	12,882,595	12,677,934
	<u> </u>	<u> </u>

8 Creditors: amounts falling due after more than one year

	2008 £	2007 £
Bank loans	22,813,442	22,822,591
	<u> </u>	<u> </u>
Analysis of loans		
Wholly repayable within five years	22,813,442	22,822,591
	<u> </u>	<u> </u>

The bank loan, which totals £22,822,591, is disclosed net of refinance costs of £9,149. The loan is secured on the investment property and is repayable in full on 31 October 2012. Interest is accrued over the term of loan at a rate of 1.65% over bank base rate.

LDC (KELHAM ISLAND) LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2008

9 Provisions for liabilities and charges

The deferred tax balance at 31 December 2008 comprised as follows:

	Amount not provided £
Accelerated capital allowances	891,454
Capitalised interest	470,982
Covered by group losses	(1,362,436)
	<u> </u>
Balance at 31 December 2008	-
	<u> </u>

There were no provisions at the start of the year and no provisions were made during the year.

10 Share capital	2008 £	2007 £
Authorised		
1,000 Ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>
 Allotted, called up and fully paid		
1 Ordinary share of £1	<u>1</u>	<u>1</u>

11 Statement of movements on reserves

	Profit and loss account £
Balance at 1 January 2008	(870,526)
Loss for the year	(3,465,512)
	<u> </u>
Balance at 31 December 2008	(4,336,038)
	<u> </u>

12 Reconciliation of movements in shareholders' funds

	2008 £	2007 £
(Loss)/Profit for the financial year	(3,465,512)	90,590
Opening shareholders' deficit	<u>(870,525)</u>	<u>(961,115)</u>
Closing shareholders' deficit	<u>(4,336,037)</u>	<u>(870,525)</u>

LDC (KELHAM ISLAND) LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2008

13 Contingent liabilities

The company had no contingent liabilities at 31 December 2008 (31 December 2007: £nil).

14 Capital commitments

The company had no capital commitments at 31 December 2008 (31 December 2007: £nil).

15 Employees

There were no employees during either year except for the directors.

16 Parent undertaking

The company's immediate parent undertaking is LDC (Holdings) plc.

The company's ultimate parent undertaking is The UNITE Group plc. The largest and smallest group in which the results of the company are consolidated is that headed by The UNITE Group plc. The consolidated accounts of this company are available to the public and can be obtained from The Core, 40 St Thomas Street, BRISTOL, BS1 6JX.

17 Related party transactions

As more than 90% of the company's voting rights are controlled within the group headed by The UNITE Group plc, the company has taken advantage of the exemption in Financial Reporting Standard 8 from the requirements to disclose transactions with group companies on the grounds that consolidated financial statements are prepared by the ultimate parent undertaking.