Company Registration No 5152229 (England and Wales)

LDC (KELHAM ISLAND) LTD

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2009

LDC (KELHAM ISLAND) LTD

COMPANY INFORMATION

Directors	M C Allan M P Bennett J Granger 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 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 2009

The directors present their report and financial statements for the year ended 31 December 2009

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 2008 £nil)

The company's registration number is 5152229

Directors
The following directors have held office since 1 January 2009

M C Allan
M P Bennett
J Granger
S Grant (Resigned 26 April 2010)
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

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 2009

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)

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 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 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 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

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

By order of the Board

A D Reid
Secretary
28 June 2010

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF LDC (KELHAM ISLAND) LTD

We have audited the financial statements of LDC (Kelham Island) Ltd for the year ended 31 December 2009 set out on pages 4 to 12 The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice)

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 set out on page 2, 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 (APB'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 APB's web-site at www frc org uk/apb/scope/UKNP

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 31 December 2009 and of its loss for the year then ended
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, 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

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

Stephen Bligh (Senior Statutory Auditor)
for and on behalf of KPMG Audit Plc, Statutory Auditor 28 June 2010
Chartered Accountants

8 Salisbury Square
LONDON
EC4Y 8BB

LDC (KELHAM ISLAND) LTD

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2009

	Notes	2009 £	2008 £
Turnover	2	1,610,838	1,246,701
Cost of sales		-	-
Gross profit		1,610,838	1,246,701
Impairment of investment property		(1,824,791)	(3,070,190)
Operating loss	3	(213,953)	(1,823,489)
Interest payable and similar charges	4	(1,117,890)	(1,642,023)
Loss on ordinary activities before taxation		(1,331,843)	(3,465,512)
Tax on loss on ordinary activities	5	-	-
Loss for the year	11	(1,331,843)	(3,465,512)

The profit and loss account has been prepared on the basis that all operations are continuing operations

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

There is no difference between the loss for the year as stated above and its historical cost equivalent

LDC (KELHAM ISLAND) LTD

BALANCE SHEET
AS AT 31 DECEMBER 2009

	Notes	2009 £	2009 £	2008 £	2008 £
Fixed assets					
Tangible assets	6		29,560,000		31,360,000
Current assets		-		-	
Creditors amounts falling due within one year	7	(12,410,046)		(12,882,595)	
Net current liabilities			(12,410,046)		(12,882,595)
Total assets less current liabilities			17,149,954		18,477,405
Creditors amounts falling due after more than one year	8		(22,817,834)		(22,813,442)
Net liabilities			(5,667,880)		(4,336,037)
Capital and reserves					
Called up share capital	10		1		1
Profit and loss account	11		(5,667,881)		(4,336,038)
Shareholders' deficit	12		(5,667,880)		(4,336,037)

The financial statements were approved by the Board on 28 June 2010
and signed on its behalf by

M P Bennett
Director

1 Accounting policies

1 1 Basis of preparation

The financial statements are prepared in accordance with applicable accounting standards (UK GAAP) and under the historical cost convention modified to include the revaluation of investment properties

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, not withstanding net liabilities of £5,667,880 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

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 term of the borrowings at a constant rate on the carrying amount

2 Turnover

Turnover arises in the UK and is generated from the company's principal activity

3 Operating loss

	2009	2008
	£	£
Operating loss is stated after charging		
Impairment of investment property	1,824,791	3,070,190
and after crediting		
Rental income received under operating leases	(1,610,838)	(1,246,701)

Auditors remuneration of £650 (2008 £650) 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 and similar charges

	2009	2008
	£	£
Bank loan interest	1,117,890	1,642,023

LDC (KELHAM ISLAND) LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2009

5 Taxation	2009 £	2008 £
Current tax charge	-	-
Factors affecting the tax charge for the year		
Loss on ordinary activities before taxation	(1,331,843)	(3,465,512)
Loss on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 28 00% (2008 28 50%)	(372,916)	(987,671)
Effects of		
Non deductible expenses	510,941	875,004
Accelerated capital allowances	(145,853)	(197,871)
Group relief surrendered	-	388,731
Losses carried forward	74,276	-
Other tax adjustments	(66,448)	(78,193)
	372,916	987,671
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 2009

6 Tangible fixed assets

	Investment property £
Valuation	
At 1 January 2009	31,360,000
Additions	24,791
Impairment	(1,824,791)
At 31 December 2009	29,560,000

The investment property was valued as at 31 December 2009, on the basis of 'market value' as defined in the RICS Appraisal and Valuation Manual issued by the Royal Institution of Chartered Surveyors by Messrs King Sturge, Chartered Surveyors, as external valuers

The total interest and bank costs included in the cost of the property at 31 December 2009 was £1,682,080 (31 December 2008 £1,682,080)

The historical cost of the property at 31 December 2009 was £34,499,859 (31 December 2008 £34,475,068)

The property is freehold

7 Creditors amounts falling due within one year

	2009 £	2008 £
Amounts owed to group undertakings	12,386,337	12,710,738
Other creditors	23,709	171,857
	12,410,046	12,882,595

8 Creditors amounts falling due after more than one year

	2009 £	2008 £
Bank loans	22,817,834	22,813,442
Analysis of loans		
Wholly repayable within five years	22,817,834	22,813,442

The bank loan, which totals £22,822,591, is disclosed net of refinance costs of £4,757 (31 December 2008 £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 Interest rate swaps were used during the year to mitigate changes in rates but expired in December 2009

9 Provisions for liabilities and charges

The deferred tax balance at 31 December 2009 comprised as follows

	Amount not provided £
Accelerated capital allowances	1,037,307
Capitalised interest	470,982
Losses available in company	(74,276)
Group losses available	(1,434,013)
Balance at 31 December 2009	-

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

10 Share capital

	2009 £	2008 £
Authorised		
1,000 Ordinary shares of £1 each	1,000	1,000
Allotted, called up and fully paid		
1 Ordinary share of £1	1	1

11 Statement of movements on reserves

	Profit and loss account £
Balance at 1 January 2009	(4,336,038)
Loss for the year	(1,331,843)
Balance at 31 December 2009	(5,667,881)

12 Reconciliation of movements in shareholders' funds

	2009 £	2008 £
Loss for the financial year	(1,331,843)	(3,465,512)
Opening shareholders' deficit	(4,336,037)	(870,525)
Closing shareholders' deficit	(5,667,880)	(4,336,037)

13 Contingent liabilities

The company had no contingent liabilities at 31 December 2009 (31 December 2008 £nil)

14 Capital commitments

The company had no capital commitments at 31 December 2009 (31 December 2008 £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 the company is a wholly owned subsidiary of 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