

Registered number 5540505

## **KELSTON PROPERTIES 2 LIMITED**

### **ANNUAL REPORT AND FINANCIAL STATEMENTS**

**For the year ended 31 December 2012**

Kelston Properties 2 Limited is an integral part of a larger UK group. The structure of the group is such that the financial statements of Kelston Properties 2 Limited must be read in conjunction with the group financial statements of PPL WW Holdings Limited to gain a full understanding of the overall group results and the related cash flows, together with the financial position of the group.



<b>Contents</b>	<b>Page</b>
<b>Directors' report</b>	<b>1</b>
<b>Directors' responsibilities statement</b>	<b>3</b>
<b>Independent auditors' report to the members of Kelston Properties 2 Limited</b>	<b>4</b>
<b>Financial statements</b>	
Profit and loss account	6
Balance sheet	7
Notes to the financial statements	8

## **Directors' report**

**For the year ended 31 December 2012**

The directors present their annual report and the audited financial statements of Kelston Properties 2 Limited (the "Company") (Company Registered number 5540505) for the year ended 31 December 2012

### **Principal activity and business review**

The Company's principal activity is that of a property investment company

The Company owns a single property at Cwmbran that is let to a major supermarket group

The open market value of the property at Cwmbran is assessed to have held its value at £20,200,000 at 31 December 2012, the same as at 31 December 2011

The Company will continue to seek to maximise its return from the property asset.

The Company has taken the small company exemption available in s 417 of the Companies Act 2006 and is therefore not required to prepare a business review in accordance with s.415 of the Companies Act 2006

### **Profit and dividends**

The profit for the financial year was £886,000 (2011 £887,000) No dividends were paid in the year (2011 £3,100,000)

### **Directors and their interests**

The directors who served throughout the year and up to the date of signing the financial statements were

D C S Oosthuizen

D A Withers

During and at the end of the financial year, no director was materially interested in any contract of significance in relation to the Company's business Insurance in respect of directors and officers is maintained by the Company's ultimate parent, PPL Corporation The insurance is subject to the conditions set out in the companies acts and remains in force at the date of signing the Directors' report

### **Independent Auditors**

Elective resolutions to dispense with the holding of annual general meetings, the laying of financial statements before the Company and the appointment of auditors annually are currently in force The auditors, Ernst & Young LLP, will therefore be deemed to have been reappointed at the end of 28 days beginning with the day on which copies of this report and financial statements are sent to the member

**Directors' report (continued)**  
**For the year ended 31 December 2012**

**Disclosure of information to the auditors**

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the Company's auditor, each director has taken all the steps that he is obliged to take as a director in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information.

By order of the Board



D C S Oosthuizen  
Director  
18 April 2013

Kelston Properties 2 Limited  
Avonbank  
Feeder Road  
Bristol  
BS2 0TB

## **Directors' responsibilities statement**

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and 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,
- state whether applicable 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 confirm they have complied with the above requirements in preparing the financial statements.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## **Independent auditors' report to the Members of Kelston Properties 2 Limited**

We have audited the financial statements of Kelston Properties 2 Limited for the year ended 31 December 2012 which comprise the Profit and loss account, the Balance sheet and the related notes 1 to 13. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom 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 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 Directors' responsibilities statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

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 Directors' 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 of the state of the Company's affairs as at 31 December 2012 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom 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**

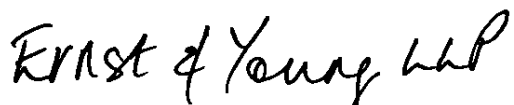
In our opinion the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

## **Independent auditors' report to the Members of Kelston Properties 2 Limited (continued)**

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

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit, or
- the directors were not entitled to take advantage of the small companies' exemption in preparing the directors' report



Christabel Cowling, Senior Statutory Auditor  
for and on behalf of Ernst & Young LLP, Statutory Auditor  
Bristol

23 April 2013

## **Profit and loss account**

For the year ended 31 December 2012

	Note	2012 £'000	2011 £'000
<b>Turnover</b>	1	<b>1,084</b>	1,081
Operating costs	2	(22)	(21)
<b>Operating profit</b>	2	<b>1,062</b>	1,060
Interest receivable	4	112	147
<b>Profit on ordinary activities before tax</b>		<b>1,174</b>	1,207
Tax on profit on ordinary activities	5	(288)	(320)
<b>Profit for the financial year</b>	10	<b>886</b>	887

All operations are continuing

There is no material difference between the profit on ordinary activities before tax and the profit for the financial years stated above, and their historical cost equivalents

The accompanying notes are an integral part of these financial statements

There are no recognised gains or losses other than the results shown above and therefore no separate statement of total recognised gains and losses has been prepared



**Balance sheet**

31 December 2012

	Note	2012 £'000	2011 £'000
<b>Fixed assets</b>			
Investment property	6	20,200	20,200
		<b>20,200</b>	20,200
<b>Current assets</b>			
Debtors amounts falling due within one year	7	5,219	4,052
<b>Creditors: amounts falling due within one year</b>	8	<b>(2,525)</b>	<b>(2,244)</b>
<b>Net current assets</b>		<b>2,694</b>	1,808
<b>Net assets</b>		<b>22,894</b>	22,008
<b>Capital and Reserves</b>			
Called up share capital	9	17,000	17,000
Profit and loss account	10	2,694	1,808
Revaluation reserve	10	3,200	3,200
<b>Total shareholder's funds</b>	11	<b>22,894</b>	22,008

The accompanying notes are an integral part of these financial statements

The financial statements on pages 6 to 12 were approved by the Board of Directors on 18 April 2013 and were signed on its behalf by:



D C S Oosthuizen  
Director

## **Notes to the financial statements**

For the year ended 31 December 2012

### **1. Accounting policies**

The principal accounting policies are summarised below

#### **Basis of preparation**

The financial statements have been prepared on the going concern basis under the historical cost convention and in accordance with the Companies Act 2006 and applicable accounting standards. They are prepared under United Kingdom Generally Accepted Accounting Practice ("UK GAAP"). They have been applied consistently throughout the year and the preceding year except where changes have been made to previous policies on adoption of new accounting standards.

#### **Changes in accounting policy**

There were no new accounting standards or policies which had an impact on the Company during the year.

#### **Going concern**

The directors have prepared the financial statements on the going concern basis as they have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future due to the strength of its balance sheet.

#### **Turnover**

Turnover, which excludes value added tax, represents the value of rents receivable for the property owned. The Company's property is located in the United Kingdom.

#### **Investment properties**

The sole property of the Company is classified as an investment property as it is rented to a third party outside the PPL WW Holdings Limited group (the "Group") and is thus included in the balance sheet at its open market value. The property is revalued annually, with surpluses or deficits on the property transferred to an investment revaluation reserve, with the exception of a deficit (or its reversal) which is expected to be permanent, in which case it is charged (or credited) to the profit and loss account.

In accordance with Statement of Standard Accounting Practice No 19 Accounting for Investment Properties, no depreciation is provided in respect of this freehold investment property. This is a departure from the Companies Act 2006, which requires all properties to be depreciated. The property is not held for use by the Group but for investment, and directors consider that to depreciate the property would not give a true and fair view. The impact of not depreciating the property is set out in Note 6. The directors consider that this accounting policy is necessary to provide a true and fair view.

#### **Tax**

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in years different from those in which they are recognised in the financial statements.

#### **Cash flow statement**

There is no statement of cash flows as the Company is an indirect, wholly-owned subsidiary of PPL WW Holdings Limited, which is registered in England and Wales and which includes a consolidated cash flow statement in its financial statements. This treatment is permitted by Financial Reporting Standard 1 (Revised 1996).

## Notes to the financial statements (continued)

For the year ended 31 December 2012

### 2. Operating profit

The operating costs consist of insurance premiums and a management charge from an affiliate. This includes an audit fee of £1,689 (2011: £1,572).

### 3. Directors and employees

The directors did not receive remuneration in either the current or prior year for their services as directors of the Company as they are incidental to their roles elsewhere in the Group. The Company receives management charges of £9,433 which include directors' emoluments. It is deemed impractical to identify the portion of directors' emoluments allocated to the Company as part of these management fees. The Company did not employ any staff during either year.

### 4. Interest receivable

	2012 £'000	2011 £'000
Interest receivable on loans to other Group undertakings	112	147

### 5. Tax on profit on ordinary activities

a) Analysis of charge in the year	2012 £'000	2011 £'000
Current tax		
UK corporation tax on profits for the year	288	320
Tax on profit on ordinary activities	288	320

#### b) Factors affecting the current tax charge for the year

The tax assessed for each year is equal to the standard rate of corporation tax in the UK of 24.5% (2011: 26.5%).

No provision has been made for deferred tax on gains recognised on revaluing property to its market value. Such tax would become payable only if the property was sold. After taking into account indexation allowances accrued from the date of acquisition to the balance sheet date, the total amount unprovided for at 23% is £1,050,000.

#### c) Factors which will affect future tax charges

The standard rate of corporation tax is 23% with effect from 1 April 2013 as enacted by the Finance Act 2012. The additional 2% rate reduction effective from 1 April 2014 and the further 1% rate reduction effective from 1 April 2015 announced by the Chancellor were not substantively enacted at the balance sheet date and therefore are not included in these financial statements.

## Notes to the financial statements (continued)

For the year ended 31 December 2012

### 6. Investment property

£'000

#### Cost or valuation

At 1 January 2012 and 31 December 2012

20,200

The property was valued on an open market, existing use basis at both 31 December 2012 and 2011. The valuations were performed by BNP Paribas Real Estate. The property is not depreciated. The depreciation which would have otherwise been charged in the year amounts to £199,000 (2011: £199,000).

If the investment property held at 31 December had not been classified as an investment property, it would have been included at the following amounts:

	2012 £'000	2011 £'000
Cost	17,000	17,000
Cumulative depreciation	(1,430)	(1,231)
	15,570	15,769

### 7. Debtors - amounts falling due within one year

	2012 £'000	2011 £'000
Amounts owed by Group undertakings	5,219	4,052

### 8. Creditors - amounts falling due within one year

	2012 £'000	2011 £'000
UK corporation tax - group relief	2,237	1,950
Accruals and deferred income	247	249
Other creditors	41	45
	2,525	2,244

## Notes to the financial statements (continued)

For the year ended 31 December 2012

### 9. Called up share capital

	2012 £'000	2011 £'000
<b>Allotted, called up and fully paid</b>		
17,000,000 ordinary shares of £1 each	17,000	17,000

### 10. Reserves

	Investment property revaluation reserve £'000	Profit and loss account £'000	Total £'000
<b>At 1 January 2012</b>	3,200	1,808	5,008
Profit for the financial year	-	886	886
<b>At 31 December 2012</b>	3,200	2,694	5,894

### 11. Reconciliation of movements in equity shareholder's funds

	2012 £'000	2011 £'000
Profit for the financial year	886	887
Internal dividends paid	-	(3,100)
Net increase/(decrease) in shareholder's funds	886	(2,213)
Opening shareholder's funds	22,008	24,221
Closing shareholder's funds	22,894	22,008

## **Notes to the financial statements (continued)**

For the year ended 31 December 2012

### **12. Related party disclosures**

The Company, a wholly owned subsidiary undertaking, has taken the exemption available from related party transaction disclosure requirements of Financial Reporting Standard 8 as the financial statements of the parent Company are available to the public (Note 13)

### **13. Ultimate parent undertaking**

The immediate parent undertaking of Kelston Properties 2 Limited is Kelston Properties Limited

The ultimate parent undertaking is PPL Corporation, which is registered in the United States of America. Copies of their accounts may be obtained from Two North Ninth Street, Allentown, Pennsylvania PA 18101-1179, USA

The smallest group in which the results of Kelston Properties 2 Limited are consolidated is that headed by PPL WW Holdings Limited, which is registered in England and Wales. Copies of their financial statements may be obtained from Companies House or from Avonbank, Feeder Road, Bristol BS2 0TB. The largest group in which the results of Kelston Properties 2 Limited are consolidated is headed by PPL Corporation, the details of which are set out above

#### **Registered office**

Kelston Properties 2 Limited  
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