

Company Registration No. 06444132 (England and Wales)

LDC (VERNON SQUARE) LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

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LDC (VERNON SQUARE) LIMITED

COMPANY INFORMATION

Directors	N Richards M C Allan J J Lister C R Szpojnarowicz (Appointed 21 March 2013)
Secretary	C R Szpojnarowicz
Company number	06444132
Registered office	The Core 40 St Thomas Street BRISTOL BS1 6JX
Auditor	KPMG Audit Plc 15 Canada Square LONDON E14 5GL
Business address	The Core 40 St Thomas Street BRISTOL BS1 6JX

LDC (VERNON SQUARE) LIMITED

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LDC (VERNON SQUARE) LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2012

The directors present their report and financial statements for the year ended 31 December 2012

Principal activities

The principal activity of the company is property development. The development property was appropriated from trading stock to fixed assets at a cost of £21,800,635 in December 2012. The directors do not recommend the payment of a dividend (2011: £nil).

The company's registration number is 06444132.

Directors

The following directors have held office since 1 January 2012:

N Richards

M C Allan

J J Lister

C R Szpojnarowicz

(Appointed 21 March 2013)

A D Reid

(Resigned 21 March 2013)

Financial instruments

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

- to finance the development and subsequent long term retention of 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.

Statement of disclosure to auditor

So far as the directors are aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

LDC (VERNON SQUARE) LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2012

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)

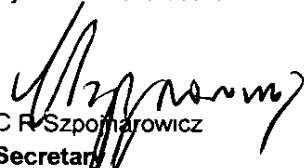
Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required 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



C R Szpoinarowicz
Secretary

24 June 2013

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF LDC (VERNON SQUARE) LIMITED

We have audited the financial statements of LDC (Vernon Square) Limited for the year ended 31 December 2012 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 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 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, 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

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's web-site at www.frc.org.uk/auditscopeukprivate.

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 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

William Meredith (Senior Statutory Auditor)
for and on behalf of KPMG Audit Plc, Statutory Auditor
Chartered Accountants
15 Canada Square
LONDON
E14 5GL

24 June 2013

LDC (VERNON SQUARE) LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2012

		2012	2011
	Notes	£	£
Turnover	2	1,304,179	1,040,888
(Impairment)/reversal of impairment of property		(1,000,635)	580,542
Administrative expenses		(3,532)	(1,000)
Operating profit	3	300,012	1,620,430
Interest payable and similar charges	4	(626,388)	(635,755)
(Loss)/profit on ordinary activities before taxation		(326,376)	984,675
Tax on (loss)/profit on ordinary activities	5	-	-
(Loss)/profit for the year	12	(326,376)	984,675

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

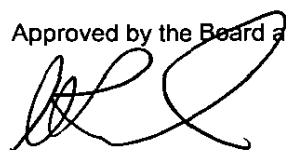
LDC (VERNON SQUARE) LIMITED

BALANCE SHEET

AS AT 31 DECEMBER 2012

	Notes	2012 £	£	2011 £	£
Fixed assets					
Tangible assets	6	20,800,000			-
Current assets					
Stocks	7	-	21,800,000		
Creditors: amounts falling due within one year	8	(6,681,099)	(7,354,723)		
Net current (liabilities)/assets		(6,681,099)		14,445,277	
Net current assets		14,118,901		14,445,277	
Creditors: amounts falling due after more than one year	9	(15,842,915)		(15,842,915)	
Net liabilities		(1,724,014)		(1,397,638)	
Capital and reserves					
Called up share capital	11	1		1	
Profit and loss account	12	(1,724,015)		(1,397,639)	
Shareholders' deficit	13	(1,724,014)		(1,397,638)	

Approved by the Board and authorised for issue on 24 June 2013



N Richards
Director

LDC (VERNON SQUARE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

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 Accounting convention

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 £1,724,014 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.

The company has a bank loan facility of £15,842,915 due for repayment on 23 April 2014. The company is in discussion with its lenders about the renewal of the facility, but terms have yet to be agreed. The directors believe that they will be able to secure an extension of the existing loan, or make available headroom on other existing facilities within The UNITE Group plc to enable the company to continue to operate.

1.3 Stock

Properties in stock are properties developed with the intention of resale. These properties are shown at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and selling expenses. Cost is all costs directly associated with the purchase and construction of the property including directly attributable borrowing costs.

LDC (VERNON SQUARE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2012

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.

1.5 Deferred taxation

The charge for taxation is based on the result 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.

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.

1.7 Turnover

Turnover from 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 (VERNON SQUARE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2012

2 Turnover

Turnover of the company for the year has been derived from its principal activity wholly undertaken in the United Kingdom

3 Operating profit

2012

2011

£

£

Operating profit is stated after (crediting)/charging

Impairment/(reversal of impairment) of property

1,000,635

(580,542)

Rental income received under operating leases

(1,304,179)

(1,040,888)

Auditor's remuneration of £550 (2011 £550) was borne by another group company

Fees paid to the company's auditor, KPMG Audit Plc and it's 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

2012

2011

£

£

Bank loan interest

626,388

635,755

LDC (VERNON SQUARE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2012

5	Taxation	2012 £	2011 £
	Current tax charge	-	-
	Factors affecting the tax charge for the year		
	(Loss)/profit on ordinary activities before taxation	(326,376)	984,675
	(Loss)/profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 24.50% (2011 - 26.49%)	(79,962)	260,840
	Effects of		
	Group relief surrendered/(claimed)	190,663	(198,594)
	Capital allowances	(42,336)	-
	Other tax adjustments	(68,365)	(62,246)
		79,962	(260,840)
	Current tax charge	-	-

6	Tangible fixed assets	Investment property £
	Cost	
	At 1 January 2012	-
	Appropriation of trading stock to fixed assets	21,800,635
	Impairment	(1,000,635)
	At 31 December 2012	20,800,000

In December 2012, the directors decided to transfer the property held as a current asset to investment property based on a change of use. This property is being leased to customers and the directors have now concluded that this asset is no longer likely to be sold in the near term but will be held for rental income and capital growth.

The investment property was valued as at 31 December 2012, on the basis of 'market value' as defined in the RICS Appraisal and Valuation Manual issued by the Royal Institution of Chartered Surveyors by Jones Lang LaSalle Limited, Chartered Surveyors, as external valuers. The historical cost of the property at 31 December 2012 was £21,800,635. The property is freehold.

LDC (VERNON SQUARE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2012

7	Stocks	2012	2011
		£	£
	Property	-	21,800,000
8	Creditors: amounts falling due within one year	2012	2011
		£	£
	Amounts owed to group undertakings	5,983,117	6,502,834
	Other creditors	697,982	851,889
		6,681,099	7,354,723
9	Creditors: amounts falling due after more than one year	2012	2011
		£	£
	Bank loans	15,842,915	15,842,915
	Loan maturity analysis		
	In more than one year but not more than two years	15,842,915	-
	In more than two years but not more than five years	-	15,842,915

The bank loan, which is secured over the property, is repayable in full on 23 April 2014. Interest is charged at a fixed rate of 5.12%.

The company manages its interest risk by making use of interest rate swaps covering £11,200,000 of the total loan balance at 31 December 2012 (31 December 2011: £11,200,000). The swap matures on 28 February 2017. The fair value of the swap at 31 December 2012 is a liability of £2,085,217 (31 December 2011: £2,201,533).

LDC (VERNON SQUARE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2012

10 Provisions for liabilities and charges

The deferred tax balance at 31 December 2012 comprised as follows

	Amount provided £
Advanced capital allowances	39,744
Group losses available for offset	(39,744)
Balance at 31 December 2012	-

No other provisions were made during the year

Deferred tax assets and liabilities on all timing differences have been calculated at 23%, being the rate of UK corporation tax that was substantively enacted at the balance sheet date, which is applicable from 1 April 2013. In March 2013, the UK government has announced that the UK corporation tax rate will be reduced to 21% on 1 April 2014. It is expected that the corporation tax rate will reduce to 20% over the following two years. This has not been reflected in the figures above as it occurred after the balance sheet date. There are no other factors that may significantly affect future tax charges.

11 Share capital

	2012 £	2011 £
Allotted, called up and fully paid		
1 Ordinary shares of £1 each	1	1

12 Statement of movements on profit and loss account

	Profit and loss account £
Balance at 1 January 2012	(1,397,639)
Loss for the year	(326,376)
Balance at 31 December 2012	(1,724,015)

LDC (VERNON SQUARE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2012

13 Reconciliation of movements in shareholders' funds	2012	2011
	£	£
(Loss)/profit for the financial year	(326,376)	984,675
Opening shareholders' deficit	(1,397,638)	(2,382,313)
	<u> </u>	<u> </u>
Closing shareholders' deficit	(1,724,014)	(1,397,638)
	<u> </u>	<u> </u>

14 Contingent liabilities

The company had no contingent liabilities at 31 December 2012 (31 December 2011 £nil)

15 Capital commitments

The company had no capital commitments at 31 December 2012 (31 December 2011 £nil)

16 Employees

There were no employees in either year

17 Control

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.

18 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.