

Company Registration No. 06444132 (England and Wales)

LDC (VERNON SQUARE) LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009



LDC (VERNON SQUARE) LIMITED

COMPANY INFORMATION

Directors

M P Bennett
J Granger
N Richards
M C Allan
J J Lister
A D Reid

Secretary

A D Reid

Company number

06444132

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 (VERNON SQUARE) LIMITED

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LDC (VERNON SQUARE) LIMITED

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 is property development. The directors do not recommend the payment of a dividend (2008 £nil)

The company's registration number is 06444132

Directors

The following directors have held office since 1 January 2009

M P Bennett
J Granger
N Richards
M C Allan
J J Lister
A D Reid

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 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 (VERNON SQUARE) LIMITED

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 (VERNON SQUARE) LIMITED

We have audited the financial statements of LDC (Vernon Square) Limited for the year ended 31 December 2009 set out on pages 4 to 11. 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 (VERNON SQUARE) LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2009

		Year ended 31 December 2009 £	Year ended 31 December 2008 £
	Notes		
Turnover	2	90,080	-
Impairment of current asset property		(1,081,537)	(826,344)
Operating loss	3	(991,457)	(826,344)
Interest payable and similar charges		(189,491)	-
Loss on ordinary activities before taxation		(1,180,948)	(826,344)
Tax on loss on ordinary activities	4	-	-
Loss for the year	11	(1,180,948)	(826,344)

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 2009

	Notes	2009 £	£	2008 £	£
Current assets					
Stocks	5	21,400,000		16,230,000	
Debtors	6	-		26,482	
		<u>21,400,000</u>		<u>16,256,482</u>	
Creditors: amounts falling due within one year	7	<u>(7,564,376)</u>		<u>(6,776,031)</u>	
Net current assets			13,835,624		9,480,451
Creditors: amounts falling due after more than one year	8		<u>(15,842,915)</u>		<u>(10,306,794)</u>
Net liabilities			<u>(2,007,291)</u>		<u>(826,343)</u>
Capital and reserves					
Called up share capital	10		1		1
Profit and loss account	11		<u>(2,007,292)</u>		<u>(826,344)</u>
Shareholders' funds - net deficit	12		<u>(2,007,291)</u>		<u>(826,343)</u>

Approved by the Board and authorised for issue on 28 June 2010



M P Bennett
Director

LDC (VERNON SQUARE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2009

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 £2,007,291 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 Stock

Properties in stock are properties developed with the intention of resale on completion. 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.

1.4 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. 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.

LDC (VERNON SQUARE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2009

1 Accounting policies

(continued)

1.5 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.

1.6 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.

2 Turnover

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

3 Operating loss

2009

2008

£

£

Operating loss is stated after charging

Impairment of current asset property

1,081,537

826,344

and after crediting

Rental income received under operating leases

(90,080)

-

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.

LDC (VERNON SQUARE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2009

4	Taxation	2009 £	2008 £
	Current tax charge	-	-
	Factors affecting the tax charge for the year		
	Loss on ordinary activities before taxation	(1,180,948)	(826,344)
	Loss on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 28.00% (2008 - 28.50%)	(330,665)	(235,508)
	Effects of		
	Group relief surrendered	-	235,508
	Unrelieved tax losses carried forward	338,214	-
	Other tax adjustments	(7,549)	-
		330,665	235,508
	Current tax charge	-	-
5	Stocks	2009 £	2008 £
	Property	21,400,000	16,230,000
	Property includes bank charges and interest of £1,065,025 (31 December 2008 £648,133)		
6	Debtors	2009 £	2008 £
	Other debtors	-	26,482
	All debtors are due within one year		

LDC (VERNON SQUARE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2009

7 Creditors: amounts falling due within one year	2009 £	2008 £
Amounts owed to group undertakings	6,414,044	6,767,657
Other creditors	1,150,332	8,374
	<u>7,564,376</u>	<u>6,776,031</u>

8 Creditors: amounts falling due after more than one year	2009 £	2008 £
Bank loans	<u>15,842,915</u>	<u>10,306,794</u>

Loan maturity analysis

In more than two years but not more than five years	<u>15,842,915</u>	<u>10,306,794</u>
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The bank loan is secured on the property and is due for repayment on 23 April 2014. Interest is accrued over the term of loan at a rate of 1.15% over LIBOR.

The company manages its interest rate risk by making use of interest rate SWAPs which fix £11,200,000 of the total bank loan balance at 31 December 2009. The fair value of the SWAPS at 31 December 2009 is a liability of £1,180,412 (31 December 2008 liability of £1,557,876). The SWAP maturity date is 28 February 2017.

9 Provisions for liabilities and charges

The deferred tax balance at 31 December 2009 comprised as follows

	Amount not provided £
Deferred tax asset on losses not provided	<u>338,214</u>
Balance at 31 December 2009	<u>338,214</u>

No other provisions were made during the year

LDC (VERNON SQUARE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2009

10 Share capital	2009 £	2008 £
Authorised		
1,000 Ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>
Allotted, called up and fully paid		
1 Ordinary shares of £1 each	<u>1</u>	<u>1</u>

11 Statement of movements on profit and loss account

	Profit and loss account £
Balance at 1 January 2009	(826,344)
Loss for the year	<u>(1,180,948)</u>
Balance at 31 December 2009	<u>(2,007,292)</u>

12 Reconciliation of movements in shareholders' funds	2009 £	2008 £
Loss for the financial year	(1,180,948)	(826,344)
Opening shareholders' funds	<u>(826,343)</u>	<u>1</u>
Closing shareholders' funds	<u>(2,007,291)</u>	<u>(826,343)</u>

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)

LDC (VERNON SQUARE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2009

15 Employees

There were no employees other than the directors during either year

16 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.

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.