

Company Registration No. 08419375 (England and Wales)

LDC (PORTFOLIO) LIMITED
ANNUAL REPORT AND UNAUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

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LDC (PORTFOLIO) LIMITED

COMPANY INFORMATION

Directors C R Szpojnarowicz
J Lister
D Faulkner
N Hayes

Secretary C R Szpojnarowicz

Company number 08419375

Registered office South Quay
Temple Back
Bristol
United Kingdom
BS1 6FL

Business address South Quay
Temple Back
Bristol
BS1 6FL
United Kingdom

LDC (PORTFOLIO) LIMITED

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LDC (PORTFOLIO) LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2018

The directors present the strategic report for the year ended 31 December 2018

Business review

LDC (Portfolio) Limited holds a number of investment properties in the United Kingdom for the purposes of student accommodation. As the Company's investment properties are managed by The Unite Group plc, the Company's key risks and performance review are reported in the Strategic Report on pages 1 to 51 in the Group's annual report and financial statements. Profit before taxation was £76,982,736 compared to £14,561,277 in 2017, which is due to the addition of investment properties into the portfolio which are still under development and have received large revaluation gains during the year.

Key performance indicators

As a property holding Company of student accommodation for investment purposes the key performance indicators are based on maximising the revenue generated by the property held within the Company. Turnover rent received from property management companies is passed up to the ultimate parent, The Unite Group plc.

Future developments

The Directors expect the level of activity in 2018 to remain consistent in the forthcoming financial year. This is a result of the expectation that there will be no significant changes to the Company's portfolio of investment properties together with the associated underlying operational performance.

Our approach to risk

The Directors consider that the principal risks of the Company are the valuation of purpose built student accommodation and the level of demand for student accommodation. These risks are in part mitigated by an ongoing programme of maintenance and refurbishment which preserves the value of the Company's assets. The Company's investment properties are managed by The Unite Group plc and the results of the Company are proportionately consolidated into that Group. The Group's key risks and performance review are reported in the Strategic Report on pages 1 to 51 in the Group's annual report and financial statements

On behalf of the board



D Fuller

Director

23 September 2019

LDC (PORTFOLIO) LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2018

The directors present their annual report and unaudited financial statements for the year ended 31 December 2018

Principal activities

The principal activity of the Company continued to be that of property investment. The directors expect to continue to carry out these activities in the future.

The company registration number is 08419375

Directors

The directors who held office during the year and subsequently, unless otherwise stated, were as follows:

C R Szpojnarowicz

J Lister

D Faulkner

J L Watts

(Resigned 11 April 2018)

N Hayes

(Appointed 9 January 2018)

Results and dividends

The results for the year are set out on page 4.

No ordinary dividends were paid (2017: £nil). The directors do not recommend payment of a final dividend

Financial risk management

Credit risk

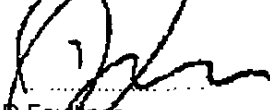
Debtors are monitored on an ongoing basis and provision is made for doubtful debts where necessary.

Going concern

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis in preparing the annual financial statements.

Further details regarding the adoption of the going concern basis can be found in the accounting policies in the financial statements.

On behalf of the board



D Faulkner
Director
23 September 2019

LDC (PORTFOLIO) LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2018

The directors are responsible for preparing the annual 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 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 judgements and accounting 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;
- 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 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.

LDC (PORTFOLIO) LIMITED

STATEMENT OF TOTAL COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	2018 £	2017 £
Turnover	3	17,816,995	15,374,029
Cost of sales		(434,136)	(353,660)
Gross profit		17,382,859	15,020,369
Administrative expenses		-	(6,200)
Other operating income		3,199	-
Operating profit		17,386,058	15,014,169
Interest receivable and similar income	6	9,339	-
Interest payable and similar expenses	7	-	(8,126,616)
Fair value gains on investment properties	9	64,430,699	7,673,724
Loss on disposal of investment properties		(4,843,360)	-
Profit before taxation	4	76,982,736	14,561,277
Taxation	8	-	-
Profit for the financial year attributable to the equity shareholders of the company		76,982,736	14,561,277
Total comprehensive income for the year		76,982,736	14,561,277

The statement of total comprehensive income has been prepared on the basis that all operations are continuing operations

LDC (PORTFOLIO) LIMITED

BALANCE SHEET

AS AT 31 DECEMBER 2018

	Notes	2018 £	£	2017 £	£
Fixed assets					
Investment properties	9	553,130,958		284,040,000	
Current assets					
Debtors	10	50,127,438		32,243,509	
Creditors: amounts falling due within one year	11	(460,515,289)		(250,523,138)	
Net current liabilities		(410,387,851)		(218,279,629)	
Total assets less current liabilities		142,743,107		65,760,371	
Capital and reserves					
Called up share capital	12		1		1
Profit and loss reserves		142,743,106		65,760,370	
Total equity		142,743,107		65,760,371	

For the year ended 31 December 2018 the company was entitled to exemption under section 479a of the Companies Act 2006.

No members have required the company to obtain an audit of its accounts for the year in question in accordance with section 476 of the Companies Act 2006

The directors acknowledge their responsibility for complying with the requirements of the Act with respect to accounting records and for the preparation of accounts.

The financial statements were approved by the board of directors and authorised for issue on 23 September 2019 and are signed on its behalf by:


D Faulkner
Director

Company Registration No. 08419375

LDC (PORTFOLIO) LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	Called up share capital £	Profit and loss reserves £	Total £
Balance at 1 January 2017		1	51,199,093	51,199,094
<hr/>				
Year ended 31 December 2017:				
Profit and total comprehensive income for the financial year		-	14,561,277	14,561,277
<hr/>				
Balance at 31 December 2017		1	65,760,370	65,760,371
<hr/>				
Year ended 31 December 2018:				
Profit and total comprehensive income for the financial year		-	76,982,736	76,982,736
<hr/>				
Balance at 31 December 2018		1	142,743,106	142,743,107

LDC (PORTFOLIO) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

1 Accounting policies

Company information

LDC (Portfolio) Limited is a private company limited by shares incorporated in the United Kingdom under the Companies Act 2006 and registered in England and Wales. The registered office is South Quay, Temple Back, Bristol, United Kingdom, BS1 6FL

1.1 Accounting convention

The principal accounting policies are summarised below. They have been applied consistently throughout the year and to the preceding year.

The nature of the company's operations and its principal activities are set out in the Directors' Report on page 2.

The financial statements have been prepared under the historical cost convention, modified to include certain items at fair value, and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

The functional currency of LDC (Portfolio) Limited is considered to be pounds sterling because that is the currency of the primary economic environment in which the Company operates.

LDC (Portfolio) Limited meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its separate financial statements. LDC (Portfolio) Limited is consolidated in the financial statements of its ultimate parent, The Unite Group plc, which may be obtained at South Quay, Temple Back, Bristol, United Kingdom, BS1 6FL. Exemptions have been taken in these separate Company financial statements in relation to presentation of a cash flow statement, financial instruments, intra-group transactions and remuneration of key management personnel.

1.2 Going concern

The financial statements have been prepared on the going concern basis, notwithstanding net current liabilities of £410,387,851 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 entity 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 consists of Turnover Rent received from the tenant under a property and asset management agreement. Turnover Rent is comprised of all rents, licence fees, and other income received by the tenant, less operating and maintenance costs incurred. Turnover is recognised monthly in arrears. All turnover relates to one class of business.

LDC (PORTFOLIO) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

1 Accounting policies

(Continued)

1.4 Financial instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities

i. Financial assets and liabilities

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and liabilities are only offset in the balance sheet when, and only when there exists a legally enforceable right to set off the recognised amounts and the Company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Debt instruments which meet the following conditions are subsequently measured at amortised cost using the effective interest method:

- a. The contractual return to the holder is (i) a fixed amount; (ii) a positive fixed rate or a positive variable rate; or (iii) a combination of a positive or a negative fixed rate and a positive variable rate
- b. The contract may provide for repayments of the principal or the return to the holder (but not both) to be linked to a single relevant observable index of general price inflation of the currency in which the debt instrument is denominated, provided such links are not leveraged.
- c. The contract may provide for a determinable variation of the return to the holder during the life of the instrument, provided that (i) the new rate satisfies condition (a) and the variation is not contingent on future events other than (1) a change of a contractual variable rate; (2) to protect the holder against credit deterioration of the issuer, (3) changes in levies applied by a central bank or arising from changes in relevant taxation or law; or (ii) the new rate is a market rate of interest and satisfies condition (a).
- d. There is no contractual provision that could, by its terms, result in the holder losing the principal amount or any interest attributable to the current period or prior periods
- e. Contractual provisions that permit the issuer to prepay a debt instrument or permit the holder to put it back to the issuer before maturity are not contingent on future events, other than to protect the holder against the credit deterioration of the issuer or a change in control of the issuer, or to protect the holder or issuer against changes in levies applied by a central bank or arising from changes in relevant taxation or law
- f. Contractual provisions may permit the extension of the term of the debt instrument, provided that the return to the holder and any other contractual provisions applicable during the extended term satisfy the conditions of paragraphs (a) to (c)

Debt instruments that are classified as payable or receivable within one year on initial recognition and which meet the above conditions are measured at the undiscounted amount of the cash or other consideration expected to be paid or received, net of impairment.

With the exception of some hedging instruments, other debt instruments not meeting these conditions are measured at fair value through profit or loss

Commitments to make and receive loans which meet the conditions mentioned above are measured at cost (which may be nil) less impairment.

LDC (PORTFOLIO) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

1 Accounting policies

(Continued)

Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the Company transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the Company, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

ii. Equity instruments

Equity instruments issued by the company are recorded at the fair value of cash or other resources received or receivable, net of direct issue costs

iii. Fair value measurement

The best evidence of fair value is a quoted price for an identical asset in an active market. When quoted prices are unavailable, the price of a recent transaction for an identical asset provides evidence of fair value as long as there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place. If the market is not active and recent transactions of an identical asset on their own are not a good estimate of fair value, the fair value is estimated by using a valuation technique.

1.5 Investment property

Investment property, which is property held to earn rentals and/or for capital appreciation, is measured using the fair value model and stated at its fair value as at the reporting end date. The surplus or deficit on revaluation is recognised in the profit and loss account.

1.6 Dividends

Dividends unpaid at the balance sheet date are only recognised as a liability at that date to the extent that they are appropriately authorised and are no longer at the discretion of the company. Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements.

1.7 Reserves

The Company's reserves are as follows:

- Called up share capital reserve contains the nominal value of the shares issued
- Profit and loss reserves represents cumulative profits or losses, net of dividends paid and other adjustments

LDC (PORTFOLIO) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

2 Critical accounting judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

Valuation of investment property

The valuation of investment property involves significant judgement and changes to the core assumptions, market conditions, rental income, levels of occupancy and property management costs could have a significant impact on the carrying value of these assets.

3 Turnover

An analysis of the company's turnover is as follows:

	2018 £	2017 £
Turnover		
Investment property leased under operating leases	17,816,995	15,374,029

Turnover analysed by geographical market

	2018 £	2017 £
United Kingdom	17,816,995	15,374,029

4 Profit for the financial year

	2018 £	2017 £
Profit for the financial year is stated after (crediting)/charging:		
Rental income received under operating leases	(17,816,995)	(15,374,029)
Gains on fair value of investment property	(64,430,699)	(7,673,724)
Loss on disposal of investment properties	4,843,360	-

5 Employees

There were no employees during either year.

Directors' remuneration was borne by another group company in both years. Directors have not performed any qualifying services for this company in either year.

LDC (PORTFOLIO) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

6	Interest receivable and similar income	2018	2017
		£	£
	Interest income		
	Interest receivable from group companies	9,339	-
		<u> </u>	<u> </u>
7	Interest payable and similar expenses	2018	2017
		£	£
	Interest payable to group undertakings	-	8,126,616
		<u> </u>	<u> </u>
8	Taxation	2018	2017
		£	£
	Current tax on profit on ordinary activities		
	UK Corporation tax	-	-
		<u> </u>	<u> </u>
	Total tax	<u> </u>	<u> </u>

The taxation charge that would arise at the standard rate of UK corporation tax is reconciled to the actual tax charge below. The reconciliation below has been calculated at the main rate of corporation tax of 19% (2017: 19.25%).

As a member of a UK REIT, the company is exempt from UK corporation tax on the profits from its property rental business. Accordingly, the element of the company's profit before tax relating to its property rental business has been separately identified in the reconciliation below.

Although the company does not pay UK corporation tax on the profits from its property rental business, the Group is required to distribute 90% of the profits from its property rental business after accounting for tax adjustments as a Property Income Distribution ("PID"). PIDs are charged to tax in the same way as property income in the hands of the recipient.

The UK corporation tax rate will reduce from 19% to 17% with effect from 1 April 2020. This will reduce the company's future current tax charge accordingly. The deferred tax liability at 31 December 2018 has been calculated based on the rate at which it is expected to reverse.

There is no expiry date in respect of timing differences, unused tax losses or tax credits.

LDC (PORTFOLIO) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

8 Taxation

(Continued)

	2018 £	2017 £
Profit before taxation	76,982,736	14,561,277
Expected tax charge based on a blended effective corporation tax rate of 19% (2017: 19.25%)	14,626,720	2,803,046
Property rental business profits exempt from tax in the REIT Group	(2,384,887)	(1,325,854)
Property revaluations not subject to tax	(12,241,833)	(1,477,192)
Total tax (credit)/expense for the year	-	-

9 Investment property

	2018 £
Fair value	
At 1 January 2018	284,040,000
Additions	245,242,304
Disposals	(40,582,045)
Revaluation gain	64,430,699
At 31 December 2018	553,130,958

Investment properties, which are all freehold/long leasehold, were revalued to fair value at 31 December 2018, based on a valuation undertaken by Jones Lang Lasalle or Knight Frank, Chartered Surveyors, an independent valuer with recent experience in the location and class of the investment property being valued. The method of determining fair value was the discounted cash flows method and significant assumptions applied were as follows:

- Net rental income (per week) of £199 - £355
- Estimated future rent increase of 0.6% - 6.6%
- Discount rate (yield) of 4.4% - 6.1%

There are no restrictions on the realisability of investment property. There are no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.

No contingent rents have been recognised in the current or prior year and the future minimum lease payments that the company will receive is £66,897,853 (2017: £53,697,889) with £22,509,891 (2017: £13,892,100) due within one year and £20,619,706 (2017: £12,510,424) due in two to five years and £23,768,256 (2017: £27,295,365) due after five years.

If investment properties were stated on an historical cost basis rather than a fair value basis, the amounts would have been included as £444,892,584 (2017: £240,232,325).

LDC (PORTFOLIO) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

10 Debtors

	2018 £	2017 £
Amounts falling due within one year:		
Amounts due from group undertakings	45,379,990	32,243,509
Other debtors	4,747,448	-
	<u>50,127,438</u>	<u>32,243,509</u>

Amounts due from group undertakings are interest free and repayable on demand.

11 Creditors: amounts falling due within one year

	2018 £	2017 £
Amounts due to group undertakings	459,494,846	249,780,070
Accruals and deferred income	1,020,443	743,068
	<u>460,515,289</u>	<u>250,523,138</u>

Amounts due to group undertakings are interest free and repayable on demand

12 Called up share capital

	2018 £	2017 £
Ordinary called up share capital		
Issued and fully paid		
1 Ordinary Share of £1	1	1
	<u>1</u>	<u>1</u>

13 Contingent liabilities

The Company had no contingent liabilities at 31 December 2018 (2017: £nil).

14 Capital commitments

The Company had no capital commitments at 31 December 2018 (2017: £nil).

15 Related party transactions

No guarantees have been given or received

LDC (PORTFOLIO) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

16 Controlling party

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

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 and the company's parent company are available to the public and can be obtained from the registered office South Quay House, Temple Back, Bristol, BS1 6FL.