

**REGISTERED NUMBER: 3413007 (England and Wales)**

**REPORT OF THE DIRECTOR AND  
UNAUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011  
FOR  
I O Ground Rents Limited**



**I.O. Ground Rents Limited (Registered number 3413007)**

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for the Year Ended 30 June 2011**

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**I.O. Ground Rents Limited**

**COMPANY INFORMATION**  
**for the Year Ended 30 June 2011**

<b>DIRECTOR:</b>	F J Kennedy
<b>SECRETARY:</b>	Valad Secretarial Services Limited
<b>REGISTERED OFFICE:</b>	Europa House 20 Esplanade Scarborough North Yorkshire YO11 2AQ
<b>REGISTERED NUMBER:</b>	3413007 (England and Wales)
<b>ACCOUNTANTS:</b>	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors Benson House 33 Wellington Street Leeds West Yorkshire LS1 4JP
<b>BANKERS:</b>	Bank of Scotland New Ubertior House 11 Earl Grey Street Edinburgh EH3 9BN
<b>SOLICITORS:</b>	Shepherd and Wedderburn LLP Condor House 10 St Paul's Churchyard London EC4M 8AL

**I.O. Ground Rents Limited (Registered number. 3413007)**

**REPORT OF THE DIRECTOR  
for the Year Ended 30 June 2011**

The directors present their annual report and the audited financial statements of the company for the year ended 30 June 2011

**PRINCIPAL ACTIVITY**

The principal activity of the company in the year under review was that of a non-trading company

**DIRECTOR**

F J Kennedy held office during the whole of the period from 1 July 2010 to the date of this report

**GOING CONCERN**

Despite the current economic climate we have prepared the financial statements on a going concern basis. The justification for this is disclosed in the accounting policies note under going concern.

**PRINCIPAL RISKS AND UNCERTAINTIES**

The directors of Valad (Europe) plc manage the group's risks at a group level, rather than at an individual business unit level. For this reason, the company's director believes that a discussion of the company's risks would not be appropriate for an understanding of the development, performance or position of the business of I O Ground Rents Limited. The principal risks and uncertainties of the Valad (Europe) plc group, which include those of the company, are discussed in the Report of the Directors and Financial Statements of Valad (Europe) plc which do not form part of this report.

**KEY PERFORMANCE INDICATORS**

The directors of Valad (Europe) plc manage the group's operations on a divisional basis. For this reason, the company's directors believe that analysis using key performance indicators of the company is not necessary or appropriate for an understanding of the development, performance or position of the business of the company. The development, performance and position of the Valad (Europe) plc group, which includes the company, is discussed in the Report of the Directors and Financial Statements of Valad (Europe) plc, which do not form part of this report.

**FINANCIAL RISK MANAGEMENT**

The company's financial risk management is set out in detail in note 12 to the financial statements.

This report has been prepared in accordance with the special provisions of Part 15 of the Companies Act 2006 relating to small companies.

**ON BEHALF OF THE BOARD:**

  
F J Kennedy - Director

Date 28 OCTOBER 2011

**I.O. Ground Rents Limited (Registered number: 3413007)**

**INCOME STATEMENT  
for the Year Ended 30 June 2011**

	Notes	30 6 11 £	30 6 10 £
<b>CONTINUING OPERATIONS</b>			
Revenue		-	-
		<u>          </u>	<u>          </u>
<b>PROFIT BEFORE INCOME TAX</b>	3	-	-
Income tax	4	-	-
		<u>          </u>	<u>          </u>
<b>PROFIT FOR THE YEAR</b>		<u>          </u>	<u>          </u>

The notes form part of these financial statements

**I.O. Ground Rents Limited (Registered number 3413007)**

**STATEMENT OF COMPREHENSIVE INCOME  
for the Year Ended 30 June 2011**

	30 6 11 £	30 6 10 £
<b>PROFIT FOR THE YEAR</b>	-	-
<b>OTHER COMPREHENSIVE INCOME</b>	-	-
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	-	-

The notes form part of these financial statements

**I.O. Ground Rents Limited (Registered number: 3413007)**

**STATEMENT OF FINANCIAL POSITION**  
**30 June 2011**

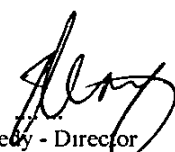
	Notes	30 6 11 £	30 6 10 £
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Investments	5	<u>2</u>	<u>2</u>
<b>TOTAL ASSETS</b>		<u><u>2</u></u>	<u><u>2</u></u>
<b>EQUITY</b>			
<b>SHAREHOLDERS' EQUITY</b>			
Called up share capital	6	2	2
Retained earnings	7	<u>(22,535)</u>	<u>(22,535)</u>
<b>TOTAL EQUITY</b>		<u><u>(22,533)</u></u>	<u><u>(22,533)</u></u>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Payables	8	<u>22,535</u>	<u>22,535</u>
<b>TOTAL LIABILITIES</b>		<u><u>22,535</u></u>	<u><u>22,535</u></u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><u>2</u></u>	<u><u>2</u></u>

For the year ended 30 June 2011 the company was entitled to exemption from audit under section 480 of the Companies Act 2006 relating to dormant companies

**Directors' responsibilities**

- The members have not required the company to obtain an audit in accordance with section 476 of the Companies Act 2006
- The directors acknowledge their responsibilities for complying with the requirements of the Act with respect to accounting periods and the preparation of the accounts

The financial statements on pages 3 to 15 were approved by the director on 28 OCTOBER 2011 and were signed by

  
F J Kennedy - Director

The notes form part of these financial statements

**I.O. Ground Rents Limited (Registered number: 3413007)**

**STATEMENT OF CHANGES IN EQUITY  
for the Year Ended 30 June 2011**

	<b>Called up share capital £</b>	<b>Profit and loss account £</b>	<b>Total equity £</b>
<b>Balance at 1 July 2009</b>	2	(22,535)	(22,533)
<b>Changes in equity</b>			
<b>Balance at 30 June 2010</b>	<u>2</u>	<u>(22,535)</u>	<u>(22,533)</u>
<b>Changes in equity</b>			
<b>Balance at 30 June 2011</b>	<u>2</u>	<u>(22,535)</u>	<u>(22,533)</u>

The notes form part of these financial statements



**I O Ground Rents Limited (Registered number: 3413007)**

**STATEMENT OF CASH FLOWS**  
**for the Year Ended 30 June 2011**

		30 6 11 £	30 6 10 £
<b>Cash flows from operating activities</b>			
Cash generated from operations	1	-	-
<b>Increase in cash and cash equivalents</b>		-	-
<b>Cash and cash equivalents at beginning of year</b>		-	-
<b>Cash and cash equivalents at end of year</b>		-	-

The notes form part of these financial statements

**I.O. Ground Rents Limited (Registered number: 3413007)**

**NOTES TO THE STATEMENT OF CASH FLOWS**  
**for the Year Ended 30 June 2011**

**1 RECONCILIATION OF PROFIT BEFORE INCOME TAX TO CASH GENERATED FROM OPERATIONS**

	30 6 11	30 6 10
	£	£
Profit before income tax	-	-
Cash generated from operations	-	-

The notes form part of these financial statements

**NOTES TO THE FINANCIAL STATEMENTS  
for the Year Ended 30 June 2011**

**1 ACCOUNTING POLICIES**

**Basis of preparation**

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

These financial statements have been prepared in accordance with European Union ("EU") Endorsed International Financial Reporting Standards ("IFRSs"), IFRIC interpretations and those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties in accordance with IAS 40 'Investment Property'.

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed on page 12.

**Exemption from preparing consolidated financial statements**

The company is exempt under section 401 of the Companies Act 2006 from preparing consolidated financial statements on the grounds that the results of the company and its subsidiaries are incorporated in the consolidated financial statements of Valad Property Group, which is the parent company of the smallest and largest group for which consolidated financial statements are drawn up of which the company is a member.

**New and amended standards adopted by the company**

There have been no new standards or amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2010 that have impacted the company.

**New interpretations and amendments not currently relevant to the company**

The following new interpretations are mandatory for the first time for the financial year beginning 1 July 2010, but are not currently relevant to the company:

- IFRS 1 (Amendment) for additional exemptions - effective 1 January 2010. These amendments exempt entities using the full cost method from retrospective application of IFRSs for oil and gas assets and exempt entities with existing leasing contracts from reassessing the classification of those contracts in accordance with IFRIC 4. The amendment is not currently relevant to the company's financial statements.

- IFRS 2 (Amendment), 'Share based payments - Group cash-settled share-based payment transactions' - effective 1 January 2010. These amendments provide a clear basis to determine the classification of share based payment awards in both consolidated and separate financial statements. The amendments incorporate IFRIC 8 and IFRIC 11 into the standard, expand on the guidance given in IFRIC 11 to address plans that were not considered in the interpretation and provides some useful tidying up to the definitions section of IFRS 2. The amendment is not currently relevant to the company's financial statements.

- IAS 32 (Amendment) Financial instruments: Presentation on classification of rights issues - effective 1 February 2010. The amendment addresses the accounting for rights issues (rights, options or warrants) that are denominated in a currency other than the functional currency of the issuer. Prior to the amendment, such rights issues were accounted for as derivative liabilities. The amendment states that, if such rights are issued pro rata to an entity's existing shareholders for a fixed amount of any currency, they should be classified as equity, regardless of the currency in which the exercise price is denominated. The amendment is not currently relevant to the company's financial statements.

- IFRS 1 (Amendment) First time adoption on financial instrument disclosures - effective 1 July 2010. This amendment provides first-time adopters with the same transition provisions as included in the amendment to IFRS 7 regarding comparative information for the new three level classification disclosures. The amendment is not currently relevant to the company's financial statements.

**I.O. Ground Rents Limited (Registered number: 3413007)**

**NOTES TO THE FINANCIAL STATEMENTS - continued  
for the Year Ended 30 June 2011**

- IFRIC 15, 'Arrangements for construction of real estates' - effective 1 January 2009 but EU endorsed for 1 January 2010. This interpretation clarifies which standard (IAS 18, Revenue, or IAS 11, 'Construction contracts') should be applied to particular transactions and is likely to mean that IAS 18 will be applied to a wider range of transactions. The interpretation is not currently relevant to the company's financial statements.

- IFRIC 19, 'Extinguishing financial liabilities with equity instruments' (effective 1 July 2010). This interpretation clarifies the accounting when an entity renegotiates the terms of its debt with the result that the liability is extinguished through the debtor issuing its own equity instruments to the creditor. The interpretation is not currently relevant to the company's financial statements.

**New and amended standards not effective for current financial year**

The following new standards and amendments have been issued but are not effective for the financial year beginning 1 July 2010 and have not been adopted early.

- IAS 24 (Amendment) - related party disclosures - effective for periods commencing on or after 1 January 2011. The company will apply IAS 24 (Amendment) from 1 July 2011. It is not expected to have a material impact on the company's financial statements.

- IFRIC 14 (Amendment) - pre-payments of a Minimum Funding Requirement - effective for periods commencing on or after 1 January 2011. The company will apply IFRIC 14 (Amendment) from 1 July 2011. It is not expected to have a material impact on the company's financial statements.

- IAS 19 (Amendment) - Employee benefits - significant change to the recognition, measurement and presentation of defined benefit pension expense - effective for periods beginning on or after 1 January 2013. The company will apply IAS 19 (Amendment) from 1 July 2013.

- IFRS 9 (Amendment) - to include guidance on financial liabilities and de-recognition of financial instruments - effective for periods beginning on or after 1 January 2013. The company will apply IFRS 9 (Amendment) from 1 July 2013.

- IFRS 10 - Consolidated financial statements - guidance for preparation and presentation. Effective for periods beginning on or after 1 January 2013. The company will apply IFRS 10 (Amendment) from 1 July 2013, but it is not expected to have a material impact on the company's financial statements.

- IFRS 11 - Joint arrangements - principles for financial reporting for parties of a joint arrangement - effective for periods beginning on or after 1 January 2013. The company will apply IFRS 11 (Amendment) from 1 July 2013, but it is not expected to have a material impact on the company's financial statements.

- IFRS 12 - Disclosure of interests in other entities (subsidiaries, joint arrangements, associates) - effective for periods beginning on or after 1 January 2013. The company will apply IFRS 12 (Amendment) from 1 July 2013, but it is not expected to have a material impact on the company's financial statements.

- IFRS 13 - Fair value measurement - definition, measurement and disclosure. Effective for periods beginning on or after 1 January 2013. The company will apply IFRS 13 (Amendment) from 1 July 2013, but it is not expected to have a material impact on the company's financial statements.

**General information**

The company is a limited liability company incorporated and domiciled in England and Wales. The address of its registered office is Europa House, 20 Esplanade, Scarborough, North Yorkshire, YO11 2AQ.

**NOTES TO THE FINANCIAL STATEMENTS - continued  
for the Year Ended 30 June 2011**

**1 ACCOUNTING POLICIES - continued**

**Financial instruments**

The company recognises financial instruments when it becomes party to the contractual provisions of the instrument. Financial assets are derecognised when the contractual right to receive the cash flows expires or it has transferred the financial asset and the economic benefit of the cash flows. Financial liabilities are derecognised when the obligation specified in the contract is discharged, cancelled or expires.

Financial instruments are used to support the company's operations. Interest is charged to the income statement as incurred or earned. Issue costs for instruments subsequently recorded at amortised cost are netted against the fair value of the related debt instruments on initial recognition and are charged to the income statement over the term of the relevant facility.

Financial instruments are recorded initially at fair value. Subsequent measurement depends on the designation of the instrument, as follows:

- a) Financial assets/liabilities held for short term gain, including derivatives other than hedging instruments, are measured at fair value and movements in fair value are credited/charged to the income statement in the year.
- b) Loans and receivables/payables and non-derivative financial assets/liabilities with fixed or determinable payments that are not quoted in an active market are measured at amortised cost. These are included in current assets/liabilities except for instruments that mature after more than 12 months which are included in non current assets/liabilities.

**Taxation**

**Current Tax**

The expense or credit for current tax is based on the results for the year adjusted for items that are either not subject to taxation or for expenditure which cannot be deducted in computing the tax expense or credit. The tax expense or credit is calculated using taxation rates that have been enacted or substantively enacted at the balance sheet date.

**Deferred Tax**

Deferred tax is recognised using the balance sheet liability method on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit. Deferred tax is recognised in respect of all taxable temporary differences, with certain limited exceptions:

- deferred tax is not provided on the initial recognition of an asset or liability in a transaction that does not affect accounting profit or taxable profit and is not a business combination, and
- deferred tax assets are only recognised if it is probable that there will be sufficient profits from which the future reversal of the temporary differences can be deducted. In deciding whether future reversal is probable, the directors review the company's forecasts and make an estimate of the aggregate deferred tax asset that should be recognised. This aggregate deferred tax asset is then allocated into the different categories of deferred tax.

Deferred tax is calculated at the tax rates that are expected to apply in the periods in which temporary differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited to the income statement, except where it applies to items credited or charged to equity, in which case the deferred tax is also dealt with in equity.

**NOTES TO THE FINANCIAL STATEMENTS - continued  
for the Year Ended 30 June 2011**

**1 ACCOUNTING POLICIES - continued**

**Foreign currency translation**

**Functional and presentation currency**

Transactions in foreign currencies are initially recorded in the functional currency by applying the spot exchange rate ruling at the date of the transaction

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency') The financial statements are presented in British Pounds Sterling, which is the company's functional and presentation currency

**Transactions and balances**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement

**Going Concern**

**Payables**

Payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method

**Cash and cash equivalents**

In the preparation of the company's Statement of Cash Flows, cash and cash equivalents represent short term liquid investments which are readily realisable Cash which is subject to restrictions, being held to match certain liabilities, is included in cash and cash equivalents in the Statement of Financial Position

**Ordinary shares**

Ordinary shares are classified as equity Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds

**Dividend distribution**

Dividend distribution to the company's shareholders is recognised in the financial statements in the year in which the dividends are paid (in the case of interim dividends) or approved by the company's shareholders (in the case of final dividends)

**Critical judgements in applying accounting policies and key sources of estimation uncertainty**

Many of the amounts included in the financial statements involve the use of judgement and/or estimation These judgements and estimates are based on management's best knowledge of the relevant facts and circumstances, having regard to previous experience, but actual results may differ from the amounts included in the financial statements Information about such judgements and estimation is contained in the accounting policies and/or the notes to the financial statements

**2 EMPLOYEES AND DIRECTORS**

The company had no employees during the current or prior year

**Directors' emoluments**

The directors' have not been remunerated for services to the company in the current or prior period

**3 PROFIT BEFORE INCOME TAX**

**Auditors' remuneration**

Auditors' remuneration for the prior year has been absorbed in full by Valad Management Services Limited, a fellow group company

**I.O. Ground Rents Limited (Registered number: 3413007)**

**NOTES TO THE FINANCIAL STATEMENTS - continued  
for the Year Ended 30 June 2011**

**4 INCOME TAX**

**Analysis of the tax charge**

No liability to UK corporation tax arose on ordinary activities for the year ended 30 June 2011 nor for the year ended 30 June 2010

The tax assessed for the year is the same as (2010 the same as) the standard rate of corporation tax in the UK of 27.5% (2010 28%)

The main rate of UK corporation tax was reduced from 28% to 26% with effect from 1 April 2011. On 5 July 2011 legislation was substantively enacted to reduce the main rate to 25% with effect from 1 April 2012. Further reductions are proposed to reduce the main rate by 1% per annum to 23% by 1 April 2014.

**5 INVESTMENTS**

	Shares in group undertakings £
<b>COST</b>	
At 1 July 2010	
and 30 June 2011	<u>2</u>
<b>NET BOOK VALUE</b>	
At 30 June 2011	<u>2</u>
At 30 June 2010	<u>2</u>

Subsidiary undertakings	Country of incorporation	Principal activity	Holding %
iO Ground Rents (Ship) Limited	England	Dormant	2 £1 ordinary shares 100

**6 CALLED UP SHARE CAPITAL**

Allotted, issued and fully paid Number	Class	Nominal value	30.6.11 £	30.6.10 £
2	Ordinary	£1.00	<u>2</u>	<u>2</u>

**7 RESERVES**

	Retained earnings £
At 1 July 2010	(22,535)
Profit for the year	<u>-</u>
At 30 June 2011	<u>(22,535)</u>

**8 PAYABLES**

	30.6.11 £	30.6.10 £
Current		
Amounts owed to group undertakings	<u>22,535</u>	<u>22,535</u>

**I.O Ground Rents Limited (Registered number: 3413007)**

**NOTES TO THE FINANCIAL STATEMENTS - continued  
for the Year Ended 30 June 2011**

**8 PAYABLES - continued**

All amounts owed to group undertakings are interest free, carry no security and are repayable on demand

**9 FINANCIAL INSTRUMENTS**

The company's principal financial instruments include payables

Other financial assets and liabilities	30 6 11		30 6 10	
	Book value £	Fair value £	Book value £	Fair value £
<b>Liabilities</b>				
Payables	22,535	22,535	22,535	22,535

In accordance with IAS 39, the company classifies the liabilities in the analysis above as 'other financial liabilities'. At the 2011 and 2010 year ends, the company did not have any 'held to maturity' or 'available for sale' financial assets or 'held for trading' financial assets and liabilities as defined by IAS 39

For other financial assets and liabilities, which are all short-term in nature, the carrying value approximates to fair value

**10 ULTIMATE PARENT COMPANY**

The company's immediate parent company is Property Fund Management Limited. The ultimate parent company at 30 June 2011 was Valad Property Group. Following the acquisition of Valad Property Group by Blackstone Real Estate Partners VI LP on 26 August 2011, the company's ultimate controlling entity is now Blackstone Real Estate Partners VI LP

Valad Property Group, an Australian listed company, is the parent of the smallest and largest group for which consolidated financial statements are drawn up of which the Company is a member

Copies of Valad Property Group's consolidated financial statements may be obtained from [www.valad.com.au](http://www.valad.com.au)

**11 RELATED PARTY DISCLOSURES**

**Amounts owed to group undertakings**

The funding of Valad (Europe) plc and its subsidiaries ('the group') is controlled centrally. Resources are allocated to different entities within the group according to their needs, which constantly vary due to differing trading patterns, seasonality and other factors

Amounts owed to group companies at the reporting date are as follows

Company	2011 £	2010 £
Valad (Europe) plc	<u>(22,535)</u>	<u>(22,535)</u>



**I.O. Ground Rents Limited (Registered number: 3413007)**

**NOTES TO THE FINANCIAL STATEMENTS - continued  
for the Year Ended 30 June 2011**

**12 FINANCIAL RISK MANAGEMENT**

The company's activities expose it to a variety of financial risks including liquidity risk. The company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the company's financial performance. The company's financial instruments principally comprise receivables and payables that arise directly from its operations. The company has not entered into any derivative transactions during the year.

Risk management is carried out by a central treasury function on a group-wide basis for Valad Property Group, the ultimate parent company, under policies approved by the Board of Directors of Valad Property Group. The central treasury function identifies, evaluates and hedges financial risks for the group as a whole. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments and investment of excess liquidity.

**Liquidity risk**

The company is subject to the risk that it will not have sufficient borrowing facilities to fund its existing business and its future plan for growth. The company manages its liquidity requirements with the use of both short and long-term cash flow forecasts.

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed credit facilities.

**Capital risk management**

The company's objectives when managing capital are to safeguard the company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the company may adjust the amount of dividends paid to shareholders, return capital to its parent, issue new shares or sell assets to reduce debt.