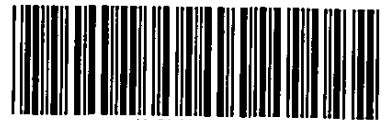


Registered No 4523671

**REPORT AND FINANCIAL STATEMENTS**

**BRIXTON NORTHFIELDS 5 LIMITED  
FOR THE YEAR ENDED 31 DECEMBER 2010**

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COMPANIES HOUSE

**BRIXTON NORTHFIELDS 5 LIMITED**

<b>Directors</b>	D C Bridges (appointed 15 April 2010) G J Osborn S A Carlyon (appointed 7 December 2010) P A Redding V K Simms (appointed 15 April 2010) S Davies (resigned 15 April 2010)
<b>Secretary</b>	<b>E A Blease</b>
<b>Registered Office</b>	Cunard House 15 Regent Street London SW1Y 4LR
<b>Registered No</b>	4523671
<b>Solicitors</b>	Nabarro LLP Lacon House Theobald's Road London WC1X 8RW
<b>Auditor</b>	Deloitte LLP Chartered Accountants London

## **BRIXTON NORTHFIELDS 5 LIMITED**

### **Directors' Report**

The directors submit their annual report together with the audited financial statements of BRIXTON NORTHFIELDS 5 LIMITED ("the Company") the year ended 31 December 2010

### **Business review and principal activities**

The principal activities of the Company are property investment and development, specialising in the provision of modern buildings, mostly industrial, designed to meet the requirements of individual tenants. These developments are let on fully repairing and insuring leases and retained by the Company as investments. The Company has performed in line with expectations and the directors are satisfied with the year end position.

The accounts have been prepared on a going concern basis, as the Directors intend the Company to maintain the same level of activity during the forthcoming year. The Company is in a net current asset and net liabilities position. As explained in note 11, the Company is funded via an inter-company current account provided by the Company's ultimate parent, SEGRO plc, which has confirmed its continuing financial support and therefore the directors consider the Company is in a position to meeting its liabilities as they fall due.

See disclosure of principal risks and uncertainties relevant to the Company below.

The results for the Company show a pre-tax profit of £0.45m (2009: £1.78m loss). Dividends of £nil were paid during the year (2009: £nil). The Company has debt owing from / (owed to) group companies of £(1,167)k (2009: £(1,087)k).

### **Future Outlook**

It is expected that current levels of activity will be maintained during the forthcoming year.

### **Principal risks and uncertainties**

The Company, as a subsidiary of SEGRO plc, is managed on a unified basis as part of the SEGRO plc group. The principal risks faced by the Company reflect those of the SEGRO plc group and the table below outlines the principal risks and uncertainties faced by the SEGRO plc group in delivering its strategic priorities for the forthcoming year.

#### **Strategic risks**

- Changes in the macro-economic environment,
- Accurately evaluate and drive value from opportunities in new and existing territories,
- Recycling assets in a constantly changing economic environment, and
- Ability to innovate and adapt to changing customer demands.

#### **Financial risks**

- Breaching of covenants leading to cancellation of credit facilities,
- Cost and availability of borrowing, and

#### **Operational risks**

- Health and safety incidents,
- Environmental damage or failure to meet sustainability targets,
- Business or IT system disruption,
- Failure to attract, retain and motivate key employees,
- Change or breach of regulatory requirements, and
- Supplier or business partner being unable or unwilling to support the Company.

These risks and uncertainties are described in greater detail together with mitigating factors on pages 44 to 47 of the SEGRO plc Annual Report and Accounts. Further information on financial risks is set in note 11 to these financial statements.

### **Key performance Indicators ("KPIs")**

Given the straightforward nature of the business, the Company's directors are of the opinion that the KPIs relevant to understanding the development, performance and position of the business are profit before tax and debt. The results are disclosed above.

## **BRIXTON NORTHFIELDS 5 LIMITED**

### **Directors**

The present directors of the Company all of whom served throughout the year, unless otherwise stated, are as shown on page 1

### **Directors' indemnities**

Directors of the Company are entitled to be indemnified by the Company against any liability, loss or expenditure incurred in connection with their duties, powers or office, to the extent permitted by statute

The contracts of employment of the Directors of the Company do not provide for compensation for the loss of office that occurs because of takeover

### **Charitable, political and other donations**

The Company made no charitable donations during the year (2009 £nil)

### **Payment of suppliers**

The payment of suppliers is the responsibility of a fellow subsidiary, SEGRO Administration Limited

### **Auditor**

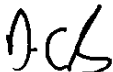
Each of the persons who is a director at the date of approval of this annual report confirms that

- So far as the director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- The director has taken all the steps he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditor is aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006

Deloitte LLP have expressed their willingness to continue in office as auditor and appropriate arrangements have been put in place for them to be deemed reappointed as auditors in the absence of an Annual General Meeting

On behalf of the Board



D C Bridges  
Director

15 June 2011

## **BRIXTON NORTHFIELDS 5 LIMITED**

### **Directors' responsibilities statement**

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 International Financial Reporting Standards (IFRS) as adopted by the European Union. Under company law the directors must not approve the accounts 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

- properly select and apply accounting policies,
- present information, including accounting policies, in the manner that provides relevant, reliable, comparable and understandable information,
- provide additional disclosures when compliance with the specific requirements in IFRS are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance, and
- make an assessment of the company's ability to continue as a going concern

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.

## **BRIXTON NORTHFIELDS 5 LIMITED**

### **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BRIXTON NORTHFIELDS 5 LIMITED**

We have audited the financial statements of BRIXTON NORTHFIELDS 5 LIMITED for the year ended 31<sup>st</sup> December 2010 which comprise the Income Statement, the Balance Sheet, the Cash Flow Statement, the Statement of Changes in Equity and the related notes 1 to 18. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

#### **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<sup>st</sup> December 2010 and of its profit for the year then ended,
- have been properly prepared in accordance with IFRSs as adopted by the European Union, 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.



Mark Beddy (Senior Statutory Auditor)  
for and on behalf of Deloitte LLP  
Chartered Accountants and Statutory Auditor  
London, UK  
15 June 2011

# **BRIXTON NORTHFIELDS 5 LIMITED**

## **Income Statement for the year ended 31 December 2010**

	<b>Note</b>	<b>2010 £'000</b>	<b>2009 £'000</b>
<b>Revenue</b>		<b>33</b>	<b>49</b>
Gross property rental income		33	49
Property operating expenses		(13)	(24)
<b>Net property rental income</b>		<b>20</b>	<b>25</b>
Administration expenses	2	-	(22)
Property gains/(losses)	3	522	(1,714)
<b>Operating profit/(loss)</b>		<b>542</b>	<b>(1,711)</b>
Finance income	4	-	-
Finance costs	5	(91)	(69)
<b>Profit/(loss) before tax</b>		<b>451</b>	<b>(1,780)</b>
Tax	6	-	-
<b>Profit/(loss) for the year</b>		<b>451</b>	<b>(1,780)</b>

All activities during the year are derived from continuing operations

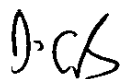
There are no other items of comprehensive income in the current or prior year and therefore no statement of comprehensive income is shown

# **BRIXTON NORTHFIELDS 5 LIMITED**

## **Balance sheet at 31 December 2010**

	<b>Note</b>	<b>2010 £'000</b>	<b>2009 £'000</b>
<b>Non-current assets</b>			
Investment and development properties	7	1,568	1,045
Amounts due from Group undertakings	9	-	-
<b>Total non-current assets</b>		<b>1,568</b>	<b>1,045</b>
<b>Current assets</b>			
Trading properties		-	-
Trade and other receivables	8	10	2
<b>Total current assets</b>		<b>10</b>	<b>2</b>
<b>Total assets</b>		<b>1,578</b>	<b>1,047</b>
<b>Non-current liabilities</b>			
Borrowings	9	1,167	1,087
Preference share capital	10	4,055	4,055
<b>Total non-current liabilities</b>		<b>5,222</b>	<b>5,142</b>
<b>Current liabilities</b>			
Trade and other payables	12	9	9
<b>Total liabilities</b>		<b>5,231</b>	<b>5,151</b>
<b>Net assets/(liabilities)</b>		<b>(3,653)</b>	<b>(4,104)</b>
<b>Equity</b>			
Share capital	13	0	0
Revaluation reserve		(2,899)	(3,422)
Retained earnings		(754)	(682)
<b>Total equity</b>		<b>(3,653)</b>	<b>(4,104)</b>

The financial statements on pages 6 to 20 (registered number 4523671) were approved by the Board of directors and authorised for issue on 15 June 2011 and signed on its behalf by



D C Bridges  
Director

**BRIXTON NORTHFIELDS 5 LIMITED**

**Statement of changes in equity for the year ended 31 December 2010**

	1 January £000's	Profit / (loss) for year £000's	Dividends paid £000's	Share capital Issued £000's	Transfers £000's	31 December £000's
<b>2010</b>						
Share capital	0	-	-	-	-	0
Revaluation reserve	(3,422)	-	-	-	523	(2,899)
Retained earnings	(682)	451	-	-	(523)	(754)
<b>Total equity attributable to equity shareholders</b>	<b>(4,104)</b>	<b>451</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(3,653)</b>
<b>2009</b>						
Share capital	0	-	-	-	-	0
Revaluation reserve	(1,708)	-	-	-	(1,714)	(3,422)
Retained earnings	(616)	(1,780)	-	-	1,714	(682)
<b>Total equity attributable to equity shareholders</b>	<b>(2,324)</b>	<b>(1,780)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(4,104)</b>

# **BRIXTON NORTHFIELDS 5 LIMITED**

## **Cash flow statement for the year ended 31 December 2010**

	<b>Note</b>	<b>2010 £'000</b>	<b>2009 £'000</b>
<b>Cash inflow/(outflow) generated from operations</b>	<b>14</b>	<b>11</b>	<b>(13)</b>
Interest received		-	-
Interest paid		(91)	(69)
<b>Net cash received from/(used in) operating activities</b>		<b>(80)</b>	<b>(82)</b>
<b>Cash flows from investing activities</b>			
Proceeds on sale of investment and development properties	3	-	-
Purchase and development of investment and development properties	7	-	-
Purchase of trading properties		-	-
<b>Net cash received from/(used in) investing activities</b>		<b>-</b>	<b>-</b>
<b>Cash flows from financing activities</b>			
Dividends paid		-	-
Net movement in borrowings		80	82
<b>Net cash received from/(used in) financing activities</b>		<b>80</b>	<b>82</b>
<b>Net movement in cash and cash equivalents</b>		<b>-</b>	<b>-</b>
Cash and cash equivalents at the beginning of the year		-	-
<b>Cash and cash equivalents at the end of the year</b>		<b>-</b>	<b>-</b>

## **BRIXTON NORTHFIELDS 5 LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2010**

#### **1 Accounting Policies**

##### **General**

BRIXTON NORTHFIELDS 5 LIMITED is a limited company incorporated in Great Britain. The Company's ultimate holding company is SEGRO plc ("the Group") which is also incorporated in Great Britain.

These financial statements are presented in thousands and in sterling since that is the currency in which the majority of the Company's transactions are denominated. The financial statements have been prepared in accordance with EU Endorsed International Financial Reporting Standards, IFRIC interpretations and the Companies Act 2006 applicable to companies reporting under IFRS. This is the first time the Company has adopted IFRS. Further details of this are provided in note 18. The financial statements have been prepared under the historical cost convention as modified by the revaluation of properties.

If the Company holds investments in subsidiaries, these are held at cost or provided against where the recoverable amount falls below this balance. The Company has taken advantage of the exemption under S400 Companies Act 2006 not to produce consolidated accounts.

The financial statements have been prepared on a going concern basis. This is discussed further in the Directors' Report on pages 2 and 3.

The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the report year. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results may ultimately differ from those estimates.

The key estimates and assumptions relate to the property valuations applied by the Group's property valuers.

##### **Summary of significant accounting policies**

##### **Investment properties**

These properties comprise freehold and leasehold properties and are first measured at cost (including transaction costs), then revalued to market value at each reporting date by professional valuers. Leasehold properties are shown gross of the leasehold payables (which are accounted for as finance lease obligations). Valuation gains and losses in a period are taken to the income statement. As the Company uses the fair value model as per IAS 40, no depreciation is provided.

##### **Development properties**

These comprise properties acquired to be developed for future use as investment properties and are initially measured at cost including capitalised interest where applicable. Development properties are held at fair value on the same basis as investment properties with revaluation movements being booked in the income statement.

##### **Property sales and purchases**

Property purchases and sales are recognised on the date of the unconditional exchange, or, where exchange is conditional, on the date that the conditions have been satisfied.

##### **Leases**

Leases where substantially all the risks and rewards of ownership are transferred to the lessee, are classified as finance leases. All others are deemed operating leases. The Company has no finance leases. Under operating leases, properties leased to tenants are accounted for as investment properties. In cases where only the buildings part of a property lease qualifies as a finance lease, the land is shown as an investment property.

## **BRIXTON NORTHFIELDS 5 LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2010**

#### **1 Accounting Policies**

##### **Impairment**

The Company's assets, excluding investment properties, are reviewed at each reporting date to assess impairment. Where indication of impairment exists, the asset's recoverable amount is estimated, and if found to be lower than its carrying value, it is written down to the recoverable amount. The impairment loss is taken to the income statement. The recoverable amount is the higher of an asset's net selling price and its value-in-use (i.e. the net present value of its future cash flows, discounted at a pre-tax interest rate that reflects the borrowing costs and risks for the asset).

An impairment loss is reversed if estimates for the recoverable amount change, but only to the extent that its carrying amount after reversal does not exceed the net asset value that would arise had there been no impairment loss.

##### **Revenue**

Revenue includes rental income, service charges and other recoveries from tenants of the Company's investment properties.

##### **Rental income**

This includes net income from managed operations. Rentals from properties let as operating leases are recognised on a straight-line basis over the lease term. Lease incentives and the initial costs to arrange leases are amortised on a straight-line basis. For properties let as finance leases, 'minimum lease receipts' are apportioned between finance income and principal repayment, but receipts that were not fixed at lease inception (e.g. rent reviews), are booked to income when earned. Surrender premiums received in the period are included in rental income.

##### **Service charges and other recoveries from tenants**

These include income in relation to service charges, directly recoverable expenditure and management fees. Revenue from services is recognised by reference to the stage of completion of the relevant services provided at reporting date.

##### **Borrowings**

Borrowings, other than bank overdrafts, are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, borrowings are stated at amortised cost with any difference between the amount initially recognised and the redemption value being recognised in the income statement over the period of the borrowings, using the effective interest method.

Gross borrowing costs relating to direct expenditure on properties under development or undergoing major refurbishment are capitalised. The interest capitalised is calculated using the weighted average cost of the borrowing. Interest is capitalised as from the commencement of the development work until the practical day of completion. The capitalisation of finance costs is suspended if there are prolonged periods when development activity is interrupted.

##### **Trade and other receivables and payables**

Trade and other receivables are booked at fair value. An impairment provision is created where there is objective evidence that the Company will not collect in full. Trade and other payables are stated at cost, since cost is a reasonable approximation of fair value.

##### **Provisions**

A provision is recognised where there is an obligation from past events requiring settlement by an outflow of economic benefits. Where material, expected outflows are discounted at rates reflecting prevailing interest rates and risks. A provision for an onerous contract is recognised where the unavoidable cost of meeting contractual obligations exceeds its benefits. Dilapidations are provided for if an obligation exists at the reporting date which can be reliably estimated.

## **BRIXTON NORTHFIELDS 5 LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2010**

#### **1 Accounting Policies**

##### **Tax**

##### **Current tax**

The current tax charge is based on results for the year, adjusted for items that are non-assessable or disallowable. It is calculated using the rates that are enacted (or substantively enacted) by the balance sheet date.

##### **Deferred tax**

This is the tax expected to be paid or recovered on differences between the reported value of assets and liabilities and their tax base. The Company uses the balance sheet liability method, under which tax liabilities are usually recognised for all taxable temporary differences, but tax assets are recognised only to the extent taxable profits are expected to be available against which to utilise temporary differences.

The carrying amount of tax assets is reviewed each reporting date and reduced if full recoverability is not expected. Tax is calculated at rates expected to apply in the period the liability settles or the asset is realised, and is booked to income statement. Where it relates to items accounted for in equity, however, the tax is also dealt with in equity. Tax assets and liabilities are offset when they are levied by the same tax authority and the Company is entitled to settle net. Indexation relief on land is allowed as a reduction on the deferred tax liability, but not on buildings, unless the properties are in the process of being sold.

##### **New accounting policies**

In the current year, the following new and revised standards and Interpretations have been adopted by the Company, none of which had a material impact on the current or prior year reported results:

- IFRS 1 (amended)/IAS 27 (amended), Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate,
- IFRS 2 (amended), Share-based Payment – Vesting Conditions and Cancellations,
- IFRS 2, Share-based Payment – Group Cash-settled Share-based Payment Transactions,
- IFRS 3 (revised 2008), Business Combinations,
- IAS 27 (revised 2008), Consolidated and Separate Financial Statements,
- IAS 28 (revised 2008), Investments in Associates,
- IAS 39 (amended), Financial Instruments: Recognition and Measurement: Eligible Hedged Items,
- IFRIC 12, Service Concession Arrangements,
- IFRIC 17, Distributions of Non-cash Assets to Owners,
- IFRIC 18, Transfer of Assets from Customers, and
- Improvements to IFRSs (April 2009)

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective (and in some cases had not yet been adopted by the EU):

- IFRS 9, Financial Instruments,
- IAS 24 (amended), Related Party Disclosures,
- IAS 32 (amended), Classification of Rights Issues,
- IFRIC 19, Extinguishing Financial Liabilities with Equity Instruments,
- IFRIC 14 (amended), Repayments of a Minimum Funding Requirement, and
- Improvements to IFRSs (May 2010)

## **BRIXTON NORTHFIELDS 5 LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2010**

#### **1 Accounting Policies**

IFRS 9 is expected to replace IAS 39 Financial Instruments Recognition and Measurement applicable from 1 January 2013, subject to EU adoption IFRS 9 in issue at the date of this report concerns classification and measurement of financial assets and liabilities. It is expected that, during 2011, new requirements for the derecognition of financial instruments, impairment and hedge accounting will be added. The Directors do not expect that the adoption of other standards listed above will have a material impact on the financial statements of the Company in future periods.

#### **2 Administration expenses**

##### **Employees**

There were no employees directly employed by the Company.

##### **Audit fees**

A notional charge of £2,000 (2009 £2,500) per company is deemed payable to Deloitte LLP in respect of the audit of the financial statements. The actual amounts payable to Deloitte LLP are paid at group level by SEGRO plc.

##### **Directors' remuneration**

The directors received no remuneration in respect of their services to the company during the year (2009 £nil). Some of the directors are also directors of SEGRO plc, the company's ultimate holding company, and the remuneration of these directors is disclosed in the financial statements of that company.

#### **3 Property gains/(losses)**

	2010	2009
	£'000	£'000
Valuation surplus/(deficit) on investment and development properties	522	(1,714)
Profit/(loss) on disposal of investment and development properties	-	-
<b>Total property gains/(losses)</b>	<b>522</b>	<b>(1,714)</b>

Profits/(losses) on disposal of property assets were as follows

	Proceeds	Book value	Profit/(loss)
	£'000	£'000	£'000
<b>2010</b>			
Investment and development properties	-	-	-
<b>2009</b>			
Investment and development properties	-	-	-

# **BRIXTON NORTHFIELDS 5 LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2010**

### **4 Finance income**

	<b>2010</b>	<b>2009</b>
	<b>£'000</b>	<b>£'000</b>
Interest receivable from Group undertakings	-	-
Third party interest receivable	-	-
	<u>-</u>	<u>-</u>

### **5 Finance costs**

	<b>2010</b>	<b>2009</b>
	<b>£'000</b>	<b>£'000</b>
Preference dividend paid	17	47
Interest payable to Group undertakings	74	22
Interest capitalised	-	-
	<u>91</u>	<u>69</u>

The interest capitalised rate for 2010 was 6.25 per cent (2009 6.25 per cent) Interest is capitalised gross of tax relief

### **6 Tax**

	<b>2010</b>	<b>2009</b>
	<b>£'000</b>	<b>£'000</b>
<b>Current tax</b>		
Corporation tax at 28%	-	-
Adjustment in respect of prior periods	-	-
<b>Total tax on ordinary activities</b>	<u>-</u>	<u>-</u>

#### **Factors affecting tax for the period**

The tax charge differs from the standard rate of corporation tax in the UK. The differences are explained below

	<b>2010</b>	<b>2009</b>
	<b>£'000</b>	<b>£'000</b>
Profit/(loss) on ordinary activities before tax	451	(1,780)
Less revaluation movement not taxable	(522)	1,714
Adjusted profit/(loss) on ordinary activities before tax	<u>(71)</u>	<u>(66)</u>
Adjusted profit/(loss) on ordinary activities before tax multiplied by the standard rate of corporation tax in the UK of 28 per cent (2009 28 per cent)	(20)	(18)
Effect of		
REIT tax exemption	20	18
Corporation tax – prior year	-	-
<b>Total tax on ordinary activities</b>	<u>-</u>	<u>-</u>

## BRIXTON NORTHFIELDS 5 LIMITED

### NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2010

#### 6 Tax (continued)

##### Factors that may affect future tax charges

SEGRO plc elected during 2007 to become a Real Estate Investment Trust (REIT) for UK tax purposes with effect from 1 January 2007. As a result, no UK corporation tax should be due on future income or capital gains in respect of investment properties within the REIT group, of which BRIXTON NORTHFIELDS 5 LIMITED is a member.

The standard rate of UK corporation tax is due to fall in stages to 23 per cent by 2014. This is unlikely to impact the Company's tax charge significantly.

#### 7 Investment and development properties

Investment and development properties consist of land and buildings held for rental income and capital growth, and land and properties held for or in the course of redevelopment. All properties are freehold or long leasehold.

	2010	2009
	£'000	£'000
<b>At 1 January</b>	<b>1,045</b>	<b>2,759</b>
Additions	-	-
Disposals	-	-
Transfers (to)/from Group undertakings	-	-
Revaluation surplus/(deficit)	523	(1,714)
<b>At 31 December</b>	<b>1,568</b>	<b>1,045</b>
Add tenant lease incentives, letting fees and rental guarantees	-	-
	<b>1,568</b>	<b>1,045</b>
Completed properties	-	0
Properties for or under redevelopment	1,568	1,045
	<b>1,568</b>	<b>1,045</b>
Properties held at valuation	- cost	4,467
	- valuation surplus/(deficit)	(2,899)
	<b>1,568</b>	<b>1,045</b>

##### Valuation

The Company's properties were externally valued as at 31 December 2010 by DTZ Debenham Tie Leung. The valuation basis is market value, conforms to International Valuation Standards and was arrived at by reference to market evidence of the transaction prices paid for similar properties. The valuer above is a qualified independent valuer who holds a recognised and relevant professional qualification and has recent experience in the relevant location and the category of properties being valued. The valuer has adopted a policy for the regular rotation of the responsible valuer.

# **BRIXTON NORTHFIELDS 5 LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2010**

### **8 Trade and other receivables**

	<b>2010</b>	<b>2009</b>
	<b>£'000</b>	<b>£'000</b>
<b>Current assets</b>		
Trade receivables	<b>10</b>	-
VAT recoverable	-	-
Other receivables	<b>(0)</b>	<b>(0)</b>
Prepayments and accrued income	-	2
	<b>10</b>	<b>2</b>

Trade and other receivables are stated after provisions against bad debts of £-k (2009 £(2)k)

### **9 Amounts owing to and from Group undertakings**

Intercompany loans have no fixed repayment terms and are interest bearing at the Group UK weighted average cost of funds plus a margin of 0.5%, amounting to 6.75% (2009 6.75%) SEGRO plc has agreed that it will not demand repayment of intercompany loans owing to it within the next twelve months

### **10 Preference share liability**

	<b>Shares</b>	<b>£'000</b>
	<b>'000</b>	
<b>Preference shares of £1 each</b>		
<b>Authorised</b>		
At 1 January 2010 and 31 December 2010	<b>4,999</b>	<b>4,999</b>
<b>Allotted, called up and fully paid</b>		
At 1 January 2010 and 31 December 2010	<b>4,055</b>	<b>4,055</b>

### **11 Financial Instruments and fair value**

#### **Financial assets and liabilities**

Financial assets in the Company comprise trade and other receivables, which are categorised as loans and receivables. Financial liabilities comprise inter-company debt, which is categorised as financial liabilities and measured at amortised cost, and trade and other payables and tax balances, which are categorised as other financial liabilities. The carrying values of these financial assets and liabilities approximate their fair value.

The Company is funded via an inter-company current account ultimately provided by the Group's parent entity SEGRO plc, at the Group's average cost of sterling borrowings plus 0.5%. This advance has no set maturity date although the parent entity has undertaken to give 12 months notice of any demand for repayment of the balance. To date no such notice has been issued. The parent entity has also indicated its intention to provide the support necessary to ensure the Company remains a going concern.

The Company has no bank debt, is not party to any derivative instruments and has no foreign currency exposures as 100% of its business is UK based.

## **BRIXTON NORTHFIELDS 5 LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2010**

#### **11 Financial Instruments and fair value (continued)**

##### **Capital risk management**

The capital structure of the Company is managed by Group Treasury as part of the overall Group position, which is monitored on an ongoing basis by the Treasury Risk Committee and reported quarterly to the Group Board. The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns and as such it aims to maintain a prudent mix between debt and equity financing. The current capital structure of the Group is considered appropriate.

The Company gearing ratio at the end of the year was

	2010	2009
	£'000	£'000
Debt (intercompany)	1,167	1,087
Equity	(3,653)	(4,104)
<b>Debt to equity ratio</b>	<b>-32%</b>	<b>-26%</b>

The Company is not subject to externally imposed capital requirements.

##### **Financial risk management objectives**

The Group's Treasury function procures all external funding required for the Group's UK operations. It aggregates the total requirement and funds this from the capital markets or banks as and when necessary. Where necessary, it finances all UK subsidiary companies, including the Company, on inter-company current account and manages net financial exposures on an aggregated basis.

##### **Foreign currency risk management**

The Company does not have any foreign currency exposures or financial instruments denominated in a foreign currency.

##### **Interest rate risk management**

The Group's aggregate interest rate risk is managed by Group Treasury. The Company is charged interest at 0.5% above the Group's weighted average cost of sterling, most of which is held at long term fixed interest, as the Group's policy states that around 60 to 100 per cent of borrowings should be at fixed interest rates. Short term interest rate movements thus have little or no effect on the Company's profits.

##### **Interest rate swap contracts**

The Company has no interest rate swap contracts.

##### **Credit risk management**

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company and the Group. Potential customers are evaluated for creditworthiness and where necessary collateral is secured, which might be in the form of a cash rental security deposit, parent company guarantee or a bank rental guarantee.

At Group level, there is no concentration of credit risk within the lease portfolio as the Group has a well spread diverse customer base. The directors are of the opinion that the quantum of outstanding debtors compared to the net assets and operating profit of the Group is small and hence credit risk associated with unpaid rent is low. Generally, 95% of rent due is collected within 21 days of the due date.

##### **Liquidity risk management**

Liquidity risk is managed on an aggregate basis for all UK Group operations (including the Company) by Group Treasury. The Company relies on the provision of credit through inter-company funding from its parent, SEGRO plc.

# **BRIXTON NORTHFIELDS 5 LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS** for the year ended 31 December 2010

### **11 Financial instruments and fair value (continued)**

#### **Liquidity and interest risk tables**

The following tables detail the Company's remaining contractual maturity profile for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay. The tables include both interest and principal cash flows.

	Under 1 year £'000	1-2 years £'000	2-5 years £'000	Over 5 years £'000	Total £'000
<b>2010</b>					
<b>Non-interest bearing</b>					
Trade and other payables	9	-	-	-	9
Intercompany debt (variable rate)	-	1,167	-	-	1,167
Preference shares at 12 month average LIBOR less 1%	-	-	-	4,055	4,055
<b>Total</b>	<b>9</b>	<b>1,167</b>	<b>-</b>	<b>4,055</b>	<b>5,231</b>

#### **2009**

##### **Non-interest bearing**

Trade and other payables	9	-	-	-	9
Intercompany debt (variable rate)	-	1,087	-	-	1,087
Preference shares at 12 month average LIBOR less 1%	-	-	-	4,055	4,055
<b>Total</b>	<b>9</b>	<b>1,087</b>	<b>-</b>	<b>4,055</b>	<b>5,151</b>

#### **Derivative financial instruments**

The Company is not party to any derivative financial instruments.

### **12 Trade and other payables**

	2010 £'000	2009 £'000
<b>Due within one year</b>		
Trade payables	-	-
Rents in advance	(0)	(0)
VAT payable	1	1
Other payables	-	-
Accruals and deferred income	8	8
	<b>9</b>	<b>9</b>

# **BRIXTON NORTHFIELDS 5 LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2010**

### **13 Share capital**

	Shares	£
<b>Ordinary shares of £1 each</b>		
<b>Authorised</b>		
At 1 January 2010 and 31 December 2010	1,000	1,000
<b>Allotted, called up and fully paid</b>		
At 1 January 2010	1	1
Issued in year	-	-
At 31 December 2010	1	1

### **14 Reconciliation of cash generated from operations**

	2010 £'000	2009 £'000
Operating profit/(loss)	542	(1,711)
Adjustments for		
Revaluation (surplus)/deficit on investment and development properties	(523)	1,714
Loss/(gain) on disposal of investment and development properties	-	-
	19	3
<b>Changes in working capital:</b>		
Movement in debtors	(8)	(2)
Movement in creditors	(0)	(14)
<b>Net cash inflow/(outflow) generated from operations</b>	11	(13)

### **15 Related party transactions**

Transactions between the Company and SEGRO plc group companies are shown below

	2010 £'000	2009 £'000
<b>Nature of transaction</b>		
Dividends paid	-	-
Interest paid	(91)	(69)

Significant balances outstanding between the Company and SEGRO plc group companies are shown below

Amounts receivable / (payable)	
2010	2009
£'000	£'000
(1,167)	(1,087)

The above balance is not secured. All of the above transactions are made on terms equivalent to those that prevail in arm's length transactions.

## **BRIXTON NORTHFIELDS 5 LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2010**

#### **15 Related party transactions (continued)**

The parent company and ultimate holding company is SEGRO plc. SEGRO plc is also the smallest and largest group of which the Company is a member to prepare group accounts. Copies of the consolidated accounts of SEGRO plc can be obtained from Cunard House, 15 Regent Street, London, SW1Y 4LR, England.

#### **16 Capital commitments**

Contractual obligations to purchase, construct, develop, repair, maintain or enhance as at 31 December 2010 were £- (2009 £-)

#### **17 Operating leases**

##### **The company as lessor**

The future aggregate minimum rentals receivable under non-cancellable operating leases are as follows

	2010	2009
	£'000	£'000
Not later than one year	32	34
Later than one year but not later than five years	-	35
Later than five years	-	-
	<b>32</b>	<b>69</b>

#### **18 First time adoption of IFRS**

The Company adopted IFRS from 1 January 2009. The new accounting policies, as stated in Note 1, have been applied from this date. The adoption of IFRS has meant that the movement in the fair value of investment and development properties has been recorded on the face of the Income Statement rather than directly in equity as was the case under UK GAAP. Other than that, the adoption of IFRS has had no material impact on the financial position and the results of the company. On this basis, no reconciliations or opening balance sheet as required by IAS 1 have been presented in the financial statements.