

Company Number: 5924981

**LXB Properties (Northampton III)  
Limited**

Report and Financial Statements

Year ended

31 December 2008

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**BDO Stoy Hayward**  
Chartered Accountants

# **LXB PROPERTIES (NORTHAMPTON III) LIMITED**

**Annual report and financial statements  
for the year ended 31 December 2008**

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## **Directors**

T P Walton  
N B T Alford  
R Margree  
B O'Grady

## **Secretary and registered office**

D S Whitby, 2<sup>nd</sup> Floor, Grafton House, 2-3 Golden Square, London, W1F 9HR

## **Company number**

5924981

## **Auditors**

BDO Stoy Hayward LLP, Emerald House, East Street, Epsom, Surrey, KT17 1HS

# **LXB PROPERTIES (NORTHAMPTON III) LIMITED**

## **Report of the directors for the year ended 31 December 2008**

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The directors present their report together with the audited financial statements for the year ended 31 December 2008.

### **Results**

The profit and loss account is set out on page 5 and shows the loss for the year.

### **Principal activities, review of the business and future developments**

The principal activity of the company is that of land and property investment in the United Kingdom.

The company is a member of the group headed by LXB<sup>3</sup> Limited Partnership.

The results for the group's first period reflect the continuing deterioration of global economic conditions and the downturn in the economic cycle. These difficult conditions have impacted property yields which in turn are reflected in the group's revaluation deficits. The group's net asset value can rise and fall due to external factors beyond the group's control.

The group's investment properties were valued on an open market value basis by Carl Barrand MRICS, a Chartered Surveyor and a member of LXB<sup>3</sup> Partners LLP, the parent entity of the corporate General Partner of LXB<sup>3</sup> Limited Partnership. The primary source of evidence for valuations should be recent, comparable market transactions on arms length terms. The current economic environment means there have been few transactions for the types of property owned by the group. Consequently, there is a greater degree of uncertainty in respect of the figures reported by the valuer. Until the number and consistency of comparable transactions increases, this situation is likely to remain.

The primary risk to the group in respect of strategic land assets are delays in the granting of planning consent and the sourcing and promotion of quality land assets. These risks are mitigated through the use of strong and knowledgeable planning and technical teams and by good local knowledge and reputation.

Having taken into account the above external factors, to the extent they affect the company, the directors were satisfied with the performance of the company during the period under review.

Except as referred to in note 1, there have been no events since the balance sheet date that materially affect the position of the company.

### **Directors**

The directors of the company during the year were as follows:

T P Walton  
N B T Alford  
R Margree  
B O'Grady

# **LXB PROPERTIES (NORTHAMPTON III) LIMITED**

## **Report of the directors for the year ended 31 December 2008 (Continued)**

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### **Statement of directors' responsibilities**

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

Company law requires the directors to prepare financial statements for each financial year which 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 year. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. 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.

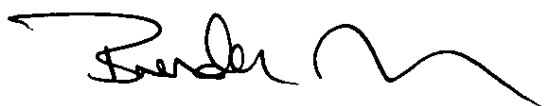
### **Auditors**

All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware.

BDO Stoy Hayward LLP have expressed their willingness to continue in office.

This report has been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

### **On behalf of the Board**



B O'Grady  
Director

Date: 23/1/09

# **LXB PROPERTIES (NORTHAMPTON III) LIMITED**

## **Report of the independent auditors**

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### **To the shareholders of LXB Properties (Northampton III) Limited**

We have audited the financial statements of LXB Properties (Northampton III) Limited for the year ended 31 December 2008 on pages 5 to 13. These financial statements have been prepared under the accounting policies set out on pages 8 and 9.

#### *Respective responsibilities of directors and auditors*

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with the Companies Act 1985 and whether the information given in the Directors' Report is consistent with those financial statements. We also report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions are not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Our report has been prepared pursuant to the requirements of the Companies Act 1985 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the Companies Act 1985 or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

#### *Basis of audit opinion*

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

# LXB PROPERTIES (NORTHAMPTON III) LIMITED


## Report of the independent auditors (*Continued*)

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### *Opinion*

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2008 and of its loss for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

  
**BDO STOY HAYWARD LLP**  
Chartered Accountants  
and Registered Auditors  
Epsom, Surrey

Date: 20 July 2009

# LXB PROPERTIES (NORTHAMPTON III) LIMITED

## Profit and loss account for the year ended 31 December 2008

	Note	Year ended 31 December 2008 £	Year ended 31 December 2007 £
<b>Turnover</b>	1	<b>562,784</b>	563,117
Direct property costs		1,250	1,545
		<hr/>	<hr/>
<b>Gross profit</b>		<b>561,534</b>	561,572
Administrative expenses		173,830	6,000
		<hr/>	<hr/>
<b>Operating profit</b>		<b>387,704</b>	555,572
Net cost of financing	5	(549,294)	(788,448)
		<hr/>	<hr/>
<b>Loss on ordinary activities before and after taxation for the financial year</b>	11	<b>(161,590)</b>	(232,876)
		<hr/>	<hr/>

All amounts relate to continuing activities.

The notes on pages 8 to 13 form part of these financial statements.

# **LXB PROPERTIES (NORTHAMPTON III) LIMITED**

## **Statement of total recognised gains and losses for the year ended 31 December 2008**

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	<b>Note</b>	<b>Year ended 31 December 2008 £</b>	<b>Year ended 31 December 2007 £</b>
Loss for the financial year		<b>(161,590)</b>	<b>(232,876)</b>
Unrealised deficit on revaluation of investment properties	12	<b>(1,952,650)</b>	<b>(2,903,700)</b>
<b>Total recognised gains and losses for the financial year</b>		<b><u>(2,114,240)</u></b>	<b><u>(3,136,576)</u></b>

The notes on pages 8 to 13 form part of these financial statements.

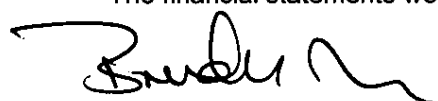


# LXB PROPERTIES (NORTHAMPTON III) LIMITED

Balance sheet at 31 December 2008

	Note	2008 £	2008 £	2007 £	2007 £
<b>Fixed assets</b>					
Investment properties	7		6,250,000		8,200,000
<b>Current assets</b>					
Debtors	8	-		142,690	
<b>Creditors: amounts falling due within one year</b>	9	<b>12,065,442</b>		<b>12,043,892</b>	
<b>Net current liabilities</b>			<b>(12,065,442)</b>		<b>(11,901,202)</b>
<b>Total assets less current liabilities</b>			<b>(5,815,442)</b>		<b>(3,701,202)</b>
<b>Capital and reserves</b>					
Called up share capital	10		1		1
Revaluation reserve	11		(5,366,838)		(3,414,188)
Profit and loss account	11		(448,605)		(287,015)
<b>Shareholder's deficit</b>	12		<b>(5,815,442)</b>		<b>(3,701,202)</b>

The financial statements were approved by the board of directors and authorised for issue on 23/1/09



B O'Grady  
Director

The notes on pages 8 to 13 form part of these financial statements.

# LXB PROPERTIES (NORTHAMPTON III) LIMITED

## Notes forming part of the financial statements for the year ended 31 December 2008

### 1 Basis of preparation and accounting policies

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties and are in accordance with applicable accounting standards. The financial statements are in compliance with the Companies Act 1985 except that, as explained below, investment properties are not depreciated.

#### *Financing and other matters*

The company is a member of the group headed by LXB<sup>3</sup> Limited Partnership. The following are extracts from the disclosures that were included in note 1 to that entity's consolidated financial statements for the year ended 31 December 2008:

"The group's financial statements have been prepared on a going concern basis which assumes that the group will continue to meet its liabilities, including monthly payments in respect of priority profit shares, as they fall due. The group's cash flow forecasts through to 31 December 2010, which the General Partner believes have been prepared using reasonable judgements and estimates, show that it is expected to have adequate resources available to continue in operational existence for the foreseeable future.

In determining the appropriate basis for the preparation of the financial statements the General Partner has taken the following matters into account:

- The group's current bank facility agreement is due to expire on 28 June 2010. However, the General Partner can confirm that the group has already entered into discussions with its lenders with the intention of securing an extension to this facility on suitable terms.
- The General Partner has considered the covenants relating to the group's bank borrowings and notes that the only covenant is interest cover and a breach is considered unlikely based on an assessment of the underlying tenant covenants that give rise to the group's cash inflows and the group's adherence to its stated hedging policies, as referred to in the Report of the General Partner.
- A failure to renew the group's bank facility by June 2010 or the occurrence of a significant tenant default may cast significant doubt on the group's ability to continue as a going concern such that the group could be unable to realise its assets and discharge its liabilities in the normal course of business.
- The group currently has no significant capital expenditure related obligations.
- The financial performance of the group is dependent upon the wider economic environment in which the group operates. The factors that the General Partner considers particularly impact on the performance of the group are explained in the "principal risks and uncertainties" section of the report of the General Partner.

Taking all the above matters into account, the General Partner has formed a judgement at the time of approving the financial statements, that there is a reasonable expectation that the group and the Limited Partnership have adequate resources to continue in operational existence for the foreseeable future. Accordingly, the General Partner continues to adopt a going concern basis in preparing the financial statements of the group and the Limited Partnership."

The company is a member of the charging group in relation to the bank facilities referred to in the above note.

LXB English General Partner Limited, in its capacity as the General Partner of LXB<sup>3</sup> Limited Partnership, has confirmed that the Partnership will provide financial support sufficient for the company to continue as a going concern for at least twelve months from the date of approval of these financial statements.

# **LXB PROPERTIES (NORTHAMPTON III) LIMITED**

**Notes forming part of the financial statements  
for the year ended 31 December 2008 (Continued)**

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## **1 Basis of preparation and accounting policies (Continued)**

Having taken all these matters into consideration, the directors consider it appropriate to continue to adopt a going concern basis in preparing the financial statements of the company.

The following principal accounting policies have been applied:

### *Cash flow statement*

The company has taken advantage of the exemption conferred by Financial Reporting Standard 1, "Cash Flow Statements (Revised 1996)", not to prepare a cash flow statement on the grounds that at least 90% of the voting rights in the company are controlled within the group headed by LXB<sup>3</sup> Limited Partnership and the company is included in consolidated financial statements.

### *Turnover*

Turnover arises wholly within the United Kingdom and represents rents receivable from the leasing of investment properties, excluding value added tax.

### *Investment properties*

In accordance with SSAP19, "Accounting for investment properties", completed freehold investment properties are revalued annually to open market value and no depreciation is provided.

The directors consider that this accounting policy results in the financial statements giving a true and fair view. The effect of this departure from the Companies Act 1985 has not been quantified because it is impracticable and, in the opinion of the directors, would be misleading.

Additions to investment properties include only costs of a capital nature.

The aggregate surplus or deficit arising on revaluation is transferred to the revaluation reserve except where a deficit is deemed to represent a permanent diminution in value, in which case it is charged to the profit and loss account.

When an investment property is bought or sold, the transaction is recognised in the financial statements on unconditional exchange of contract.

### *Deferred taxation*

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except that the recognition of deferred tax assets is limited to the extent that the company anticipates making sufficient taxable profits in the future to absorb the reversal of the underlying timing differences.

Deferred tax balances are not discounted.

# LXB PROPERTIES (NORTHAMPTON III) LIMITED

Notes forming part of the financial statements  
for the year ended 31 December 2008 (Continued)

## 2 Auditors' remuneration

Fees for the audit of the company were £5,000 (2007: £3,000).

The consolidated accounts of LXB<sup>3</sup> Limited Partnership disclose details of any non-audit fees paid to the company's auditors by the group.

## 3 Employees

The company employed no staff in the year (2007: nil).

## 4 Directors' remuneration

No director received any emoluments from the company during the year (2007: £nil).

## 5 Net cost of financing

	Year ended 31 December 2008 £	Year ended 31 December 2007 £
Interest payable on loans from group companies	544,294	786,692
Other interest payable	5,000	3,000
Bank and other interest receivable	-	(1,244)
	<hr/>	<hr/>
Net cost of financing	549,294	788,448
	<hr/>	<hr/>

## 6 Taxation

The tax assessed for the year varies from the standard rate of corporation tax in the United Kingdom.  
A reconciliation is provided below:

	Year ended 31 December 2008 £	Year ended 31 December 2007 £
Loss on ordinary activities before tax	(161,590)	(232,876)
	<hr/>	<hr/>
Loss on ordinary activities at the standard average rate of corporation tax in the UK for the year of 28.5% (2007: 30%)	(46,053)	(69,863)
Effects of:		
Group relief claimed	-	-
Disallowed non-trade loan relationship debits	-	59,883
Net movement in losses available to carry forward	-	-
- deferred tax asset not recognised	46,053	9,980
	<hr/>	<hr/>
Current tax charge for the year	-	-
	<hr/>	<hr/>

# LXB PROPERTIES (NORTHAMPTON III) LIMITED

Notes forming part of the financial statements  
for the year ended 31 December 2008 (Continued)

## 6 Taxation (Continued)

*Factors that may affect future tax charges*

Deferred tax arises on the difference between the carrying value of investment properties and their tax base cost. The total unprovided deferred tax asset at 31 December 2008 is £1,502,714 (2007: £955,973) calculated at a rate of 28%.

The company has estimated revenue related losses available to carry forward of £194,858 (2007: £33,628).

## 7 Investment properties

	Completed freehold properties at valuation 2008 £
At 1 January 2008	8,200,000
Additions in the year at cost	2,650
Deficit on revaluation	(1,952,650)
	<hr/>
At 31 December 2008	<b>6,250,000</b>
	<hr/>

At 31 December 2008 the company's investment properties were valued at £6,250,000 on an open market value basis by Carl Barrand MRICS, a Chartered Surveyor and a member of LXB<sup>3</sup> Partners LLP, the parent entity of the corporate General Partner of LXB<sup>3</sup> Limited Partnership. The primary source of evidence for valuations should be recent, comparable market transactions on arms length terms. The current economic environment means there have been few transactions for the types of property owned by the company. Consequently, there is a greater degree of uncertainty in respect of the figures reported by the valuer. Until the number and consistency of comparable transactions increases, this situation is likely to remain.

The historical cost of the properties is £11,616,838 (2007: £11,614,188). At 31 December 2008 the investment properties were held as security by a fixed charge in respect of bank borrowings provided to a fellow group undertaking.

## 8 Debtors

	2008 £	2007 £
Trade debtors	-	142,689
Amounts owed from group undertakings	-	1
	<hr/>	<hr/>
	-	142,690
	<hr/>	<hr/>

All amounts shown under debtors fall due for repayment within one year.

# LXB PROPERTIES (NORTHAMPTON III) LIMITED

Notes forming part of the financial statements  
for the year ended 31 December 2008 (Continued)

## 9 Creditors: amounts falling due within one year

	2008 £	2007 £
Amounts owed to group undertakings	11,927,077	11,833,492
Accruals and deferred income	138,365	210,400
	<u>12,065,442</u>	<u>12,043,892</u>

## 10 Share capital

	Authorised 2008 Number	Authorised 2007 Number	Allotted, called up and fully paid 2008 £	Allotted, called up and fully paid 2007 £
Ordinary shares of £1 each	100	100	1	1

## 11 Reserves

	Revaluation reserve £	Profit and loss account £
At 1 January 2008	(3,414,188)	(287,015)
Loss for the financial year	-	(161,590)
Unrealised deficit on revaluation of investment properties	(1,952,650)	-
	<u>(5,368,838)</u>	<u>(448,605)</u>
At 31 December 2008	(5,368,838)	(448,605)

## 12 Reconciliation of movements in shareholder's deficit

	2008 £	2007 £
Loss for the year	(161,590)	(232,876)
Other net recognised gains and losses relating to the year:		
- Unrealised deficit on revaluation of investment properties	(1,952,650)	(2,903,700)
	<u>(2,114,240)</u>	<u>(3,136,576)</u>
Net movement in shareholder's deficit	(2,114,240)	(3,136,576)
Opening shareholder's deficit	(3,701,202)	(564,626)
	<u>(5,815,442)</u>	<u>(3,701,202)</u>
Closing shareholder's deficit	(5,815,442)	(3,701,202)

# **LXB PROPERTIES (NORTHAMPTON III) LIMITED**

**Notes forming part of the financial statements  
for the year ended 31 December 2008 (Continued)**

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## **13 Related party transactions and balances**

The company has taken advantage of the exemption conferred by Financial Reporting Standard 8 "Related party disclosures" not to disclose details of any transactions with members of the group headed by LXB<sup>3</sup> Limited Partnership on the grounds that the voting rights in the company are wholly controlled within the group and the company is included in consolidated financial statements.

In the opinion of the directors there are no other related party transactions to be disclosed.

## **14 Controlling party information**

At 31 December 2008, LXB<sup>3</sup> Limited Partnership is the parent of the largest group of which the company is a member and for which consolidated accounts are prepared.

Copies of the consolidated financial statements of LXB<sup>3</sup> Limited Partnership are filed at Companies House attached to the financial statements of its General Partner, LXB English General Partner Limited.

The company's ultimate controlling entity (and parent of the General Partner) is LXB<sup>3</sup> Partners LLP which is not controlled by any one individual or entity.

The immediate controlling entity of the company is LXB Newco Borrower Holdings Limited.