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**LXB Dev Co Borrower Limited**

Report and Financial Statements

Period Ended

31 December 2007

**BDO**  
BDO Stoy Hayward  
Chartered Accountants

THURSDAY



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**LXB Dev Co Borrower Limited**

**Report and financial statements for the period ended 31 December 2007**

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**Directors**

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

**Secretary and registered office**

B O'Grady, 2nd Floor, Grafton House, 2-3 Golden Square, London, W1F 9HR

**Company number**

6032640

**Auditors**

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

## **LXB Dev Co Borrower Limited**

### **Report of the directors for the period ended 31 December 2007**

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The directors present their report together with the audited financial statements for the period ended 31 December 2007

#### **Results and dividends**

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

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

The principal activity of the company is that of raising finance for fellow group undertakings which carry out property investment activities in the United Kingdom

The directors are satisfied with the performance of the company during the period under review and do not anticipate any significant change in future activities

On 6 March 2007 the company's immediate parent company, LXB Dev Co Holdings Limited, was sold to LXB Developments (Orange) Limited

Details of significant events since the balance sheet date are set out in note 16 to the financial statements

#### **Date of incorporation and change of name**

The company was incorporated on 19 December 2006 as LXB Dev Co Borrower Limited

#### **Directors**

The directors of the company during the period were

T P Walton	(appointed 19 December 2006)
N B T Alford	(appointed 19 December 2006, resigned 6 March 2007)
S J Cassar	(appointed 6 March 2007)
D K Gatelely	(appointed 6 March 2007)
R Margree	(appointed 20 August 2007, resigned 3 October 2007)
J C McMahon	(appointed 6 March 2007)
B O'Grady	(appointed 20 August 2007, resigned 3 October 2007)
G Sigurdsson	(appointed 6 March 2007)

On 8 January 2008, Messrs S J Cassar, D K Gately, J C McMahon and G Sigurdsson resigned as directors of the company and Messrs N B T Alford, R Margree and B O'Grady were appointed as directors of the company

**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 period 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 period. 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 were appointed as auditors during the period and 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.

**By order of the board**



**B O'Grady  
Secretary**

Date *30 September 2008*

**To the shareholders of LXB Dev Co Borrower Limited**

We have audited the financial statements of LXB Dev Co Borrower Limited for the period ended 31 December 2007 on pages 5 to 13. These financial statements have been prepared under the accounting policies set out on pages 7.

*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 is 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.

*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 2007 and of its loss for the period 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

Date 30 September 2008

**LXB Dev Co Borrower Limited**

**Profit and loss account for the period ended 31 December 2007**

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	Note	Period ended 31 December 2007 £
<b>Turnover</b>		-
Administrative expenses		6,568,392
		<hr/>
<b>Operating loss</b>		(6,568,392)
Provision on fixed asset investments		(68,501)
Net cost of financing	5	12,638
		<hr/>
<b>Loss on ordinary activities before and after taxation for the financial period</b>		(6,624,255)
		<hr/>

All amounts relate to continuing activities

All recognised gains and losses in the current period are included in the profit and loss account

The notes on pages 7 to 13 form part of these financial statements

**LXB Dev Co Borrower Limited****Balance sheet at 31 December 2007**

	Note	31 December 2007 £	31 December 2007 £
<b>Current assets</b>			
Debtors	8	40,980,453	
<b>Creditors: amounts falling due within one year</b>	9	17,134,571	
		<u>                    </u>	
<b>Total assets less current liabilities</b>			23,845,882
<b>Creditors: amounts falling due after more than one year</b>	10		30,470,136
			<u>                    </u>
			(6,624,254)
			<u>                    </u>
<b>Capital and reserves</b>			
Called up share capital	12		1
Profit and loss account			(6,624,255)
			<u>                    </u>
<b>Shareholder's deficit</b>	13		(6,624,254)
			<u>                    </u>

The financial statements were approved by the board of directors and authorised for issue on 30 September 2008



T P Walton  
Director

The notes on pages 7 to 13 form part of these financial statements



## **1 Accounting policies**

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards. The financial statements are in compliance with the Companies Act 1985.

The following principal accounting policies have been applied:

### *Basis of non-consolidation*

LXB Dev Co Borrower Limited is exempt from preparing group accounts under section 228 of the Companies Act 1985 as it is itself a subsidiary undertaking and its ultimate parent company prepares consolidated accounts. Accordingly these financial statements represent a true and fair view of LXB Dev Co Borrower Limited only and not that of the group of which it is parent.

### *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 it is a 'small' company under the Companies Act 1985.

### *Fixed asset investments*

Investments held as fixed assets in the company's balance sheet are stated at cost less any provision for impairment.

### *Loan issue and hedging costs*

Costs relating to the raising of bank loan facilities, including costs associated with the purchase of hedging instruments, are amortised over the life of the loan or hedging instrument as appropriate and charged to the profit and loss account as part of the company's financing costs. The bank loans are disclosed net of unamortised loan issue and hedging costs.

### *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:

- deferred tax is not recognised on timing differences arising on revalued properties unless the company has entered into a binding sale agreement, and
- 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.

### *Dividends*

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

## **LXB Dev Co Borrower Limited**

Notes forming part of the financial statements for the period ended 31 December 2007 *(Continued)*

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### **2 Auditors' remuneration**

Fees for the audit of the company were £4,500

The consolidated accounts of LXB Developments (Orange) Limited disclose details of the total non-audit fees paid to the companies auditors by the group

### **3 Employees**

The company employed no staff in the period

### **4 Directors' remuneration**

No director received any emoluments from the company during the current period

### **5 Net cost of financing**

	Period ended 31 December 2007 £
Swap interest receivable	(11,697)
Interest payable on bank borrowings	1,922,253
Non utilisation fees	77,656
Amortisation of hedging and loan issue costs	112,132
Bank and other interest receivable	(47,046)
Recharges receivable on loans to group companies	(2,065,936)
	<hr/>
	(12,638)
	<hr/>

**6 Taxation on loss on ordinary activities**

The tax assessed for the period varies from the standard rate of corporation tax in the UK. A reconciliation is provided below.

	Period ended 31 December 2007 £
Loss on ordinary activities before tax	(6,624,255)
	<hr/>
Loss on ordinary activities at the standard rate of corporation tax in the UK of 30%	(1,987,277)
Effect of	
Expenses not deductible for tax purposes	1,988,355
Group relief claimed	(1,078)
	<hr/>
Current tax charge for period	-
	<hr/>

**7 Fixed asset investments**

	<b>Investments in subsidiary undertakings £</b>
<i>Cost</i>	
Additions and at 31 December 2007	<b>68,501</b>
	<hr/>
<i>Provisions</i>	
Provided for the period and at 31 December 2007	<b>68,501</b>
	<hr/>
<i>Net book value</i>	
At 18 December 2006 and 31 December 2007	<b>-</b>
	<hr/>

The provisions reflect the underlying financial position of the subsidiary undertaking at 31 December 2007

*Subsidiary undertakings*

Details of the principal subsidiary undertakings at the period end, which are all wholly owned, are as follows

	<b>Class of share capital held</b>	<b>Nature of business</b>
LXB Properties (Cheltenham) Limited	Ordinary	Property investment

The subsidiary undertaking is incorporated and operates in England and Wales

**8 Debtors**

	<b>31 December 2007 £</b>
Amounts owed by group undertakings	<b>40,980,453</b>
	<hr/>

All amounts shown under debtors fall due for payment within one year

Amounts of £40,980,453 owed by group undertakings are shown net of provisions amounting to £6,559,346. The provisions reflect the underlying financial position of certain fellow group entities at 31 December 2007

**9 Creditors: amounts falling due within one year**

	<b>31 December 2007 £</b>
Bank loans and overdrafts (see note 10)	54,730
Trade creditors	639,955
Amounts owed to group undertakings	15,973,769
Taxation and social security	20,360
Other creditors	77,312
Accruals and deferred income	368,445
	<hr/>
	<b>17,134,571</b>
	<hr/>

**10 Creditors: amounts falling due after more than one year**

	<b>31 December 2007 £</b>
Bank loans	30,470,136
	<hr/>
Analysis of debt	
	<b>Bank loans and overdrafts 31 December 2007 £</b>
In one year or less, or on demand	54,730
	<hr/>
Secured bank loan	30,782,500
Unamortised loan issue and hedging costs	(312,364)
	<hr/>
	<b>30,470,136</b>
	<hr/>

The bank loan is repayable on 6 March 2012

The bank loan is secured by charges over certain investment and trading properties held by fellow group undertakings and charges over shares in the subsidiary companies

The company's strategy in respect of the use of financial instruments is to hedge future interest rate risk for the term of the loan to ensure that expected loan balances are fully hedged

The bank loan bears interest at 3 month LIBOR plus a lender's blended margin of 0.8%. On 30 April 2007 the group entered into a swap facility which gave an effective rate of interest of 6.6% on the company's debt during the period under review

**11 Financial Instruments**

The following financial instruments were in place at 31 December 2007

Currency	Protected rate %	Expiry	Market value gain/(loss) pre tax 2007 £
£15 million swap	5.73	5 March 2012	(365,870)

The market values of hedging products change with interest rate fluctuations, but the exposure of the group to movements in interest rates is protected by way of the hedging products listed above. In accordance with accounting standards, the valuations are struck using a mid-market interest rate. The valuation therefore does not reflect the cost or gain to the group of cancelling its interest rate protection at 31 December 2007, which is generally a marginally higher cost (or smaller gain) than a market valuation.

**12 Share capital**

	Authorised 31 December 2007 £	Allotted, called up and fully paid 31 December 2007 £
Ordinary shares of £1 each	1,000	1

On incorporation the company issued 1 ordinary share of £1 at par for cash

**13 Reconciliation of movements in shareholder's deficit**

	Period ended 31 December 2007 £
Loss for the period	(6,624,255)
Other net recognised gains and losses relating to the period	
New share capital subscribed	1
Net deductions from, and closing shareholder's deficit	(6,624,254)

**14 Related party transactions**

The company has taken advantage of the exemption available to wholly owned subsidiary undertakings under Financial Reporting Standard 8, "Related Party Transactions", not to disclose details of all of its related party transactions with other group companies in the period

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

**15 Parent entity information**

At 31 December 2007, the company's ultimate parent company was LXB Developments (Orange) Limited, which is incorporated in England and is the parent undertaking of the largest group of which the company is a member. Copies of the consolidated financial statements of LXB Developments (Orange) Limited are available from Companies House

At 31 December 2007, the company's immediate parent company was LXB Dev Co Holdings Limited

On 8 January 2008 the company's ultimate parent company, LXB Developments (Orange) Limited, was acquired by the LXB<sup>3</sup> Limited Partnership Fund. The General Partner of LXB<sup>3</sup> Limited Partnership is a subsidiary of LXB<sup>3</sup> Partners LLP. LXB<sup>3</sup> Partners LLP is not controlled by any one individual or entity

**16 Post balance sheet events**

On 31 March 2008 the company cancelled its bank facility. No break costs were incurred. The assets previously financed by this facility were refinanced by another existing group bank facility

On 31 March 2008 the company unwound its swap facility. The market valuation on that date was a deficit of £408,462