Company Registration No. 08895830 (England and Wales)

LDC (ST LEONARDS) LIMITED

ANNUAL REPORT AND UNAUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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LDC (ST LEONARDS) LIMITED

COMPANY INFORMATION

Directors	J J Lister C R Szpojnarowicz N W Hayes M Burt
Secretary	C R Szpojnarowicz
Company number	08895830
Registered office	South Quay Temple Back Bristol United Kingdom BS1 6FL
Business address	South Quay Temple Back Bristol United Kingdom BS1 6FL

LDC (ST LEONARDS) LIMITED

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LDC (ST LEONARDS) LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2021

The Directors present their annual report and unaudited financial statements for the year ended 31 December 2021.

The Directors Report has been prepared in accordance with the provisions applicable to companies entitled to the small companies' exemption. The Directors have also elected to take advantage of the exemption from preparing a Strategic Report in accordance with section 414B.

Principal activities and future developments

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

The company registration number is 08895830.

Directors

The Directors who held office during the year and up to the date of this report, unless otherwise stated, were as follows:

J J Lister	
C R Szpojnarowicz	
N W Hayes	
D Faulkner	(Resigned 20 September 2022)
M Burt	(Appointed 20 September 2022)

Results and dividends

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

No ordinary dividends were paid (2020: £nil). The Directors do not recommend payment of a final dividend.

Financial risk management

Credit risk

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

Going concern
The Company is part of The Unite Group plc ('Unite') from which it receives working capital funding. Unite has provided the Company with an undertaking that for at least 12 months from the date of approval of these financial statements, it will continue to make available such funds as are needed by the Company, and in particular, will not seek repayment of the amounts currently made available. In determining the Company's Going Concern assessment the Directors have, therefore, considered the wider Unite Group's future performance.

The Directors have considered a range of scenarios for future performance through the remainder of the 2021/22 and 2022/23 academic years, with a focus on forecast liquidity and ICR covenant performance. This included a base case assuming cash collection and performance for the 2021/22 academic year remains in line with current trends and a return to 97% occupancy for the 2022/23 academic year; and a reasonable worst case scenario where income for the 2022/23 academic year was impacted by reduced sales broadly equivalent to the 2020/21 academic year where occupancy was 88%. Under each of these scenarios, the Directors are satisfied that the Group has sufficient liquidity and will maintain covenant compliance over the next 12 months.

To further support the Directors going concern assessment, a 'Reverse Stress Test' was performed to determine the level of performance at which adopting the going concern basis of preparation may not be appropriate. This involved assessing the minimum amount of income required to ensure financial covenants would not be breached. Within the tightest covenant, occupancy could fall to approximately 60% before there would be a breach.

As at the date of this report, whilst the global outlook as a result of Covid-19 is improving, it continues to be uncertain and the range of potential outcomes is significant. In particular, should the impact on trading conditions be more prolonged or severe than currently forecast by the Directors, namely if there is a further sustained national lockdown that results in Universities not opening physically and students either not arriving at University or returning home, the Group's going concern status may be dependent on its ability to seek interest cover covenant waivers from its lenders. The Directors are satisfied that the possibility of such an outcome is sufficiently remote that adopting the going concern basis of preparation is appropriate.

Accordingly, after making enquiries and having considered forecasts and appropriate sensitivities, the Directors have formed a judgement, at the time of approving the financial statements, that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, being at least 12 months from the date of authorisation of these financial statements.

Prior period correction
The prior period balance sheet has been restated due to an error in the classification of the intercompany loan balances for 2020. See Note 1 to these financial statements for more details.

On behalf of the board

J J Lister
Director
24 November 2022

LDC (ST LEONARDS) LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2021

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent; 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 adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

LDC (ST LEONARDS) LIMITED

STATEMENT OF TOTAL COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021 £	2020 £
Turnover	3	2,793,936	2,273,297
Gross profit		2,793,936	2,273,297
Administrative expenses		(289,883)	-
Operating profit		2,504,053	2,273,297
Gain on revaluation of investment property	7	8,387,499	1,005,593
Profit before taxation		10,891,552	3,278,890
Taxation	5	-	-
Profit for the financial year attributable to the equity shareholders of the company		10,891,552	3,278,890
Total comprehensive income for the year		10,891,552	3,278,890

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

LDC (ST LEONARDS) LIMITED

BALANCE SHEET

AS AT 31 DECEMBER 2021

	Notes	2021 £	2021 £	2020 as restated £	2020 as restated £
Fixed assets					
Amounts due from group undertakings (as restated)	6		10,745,633		7,951,697
Investment properties	7		87,950,000		78,000,000
			98,695,633		85,951,697
Creditors: amounts falling due within one year	8	(42,380,091)		(42,029,513)	
Net current liabilities			(42,380,091)		(42,029,513)
Total assets less current liabilities			56,315,542		43,922,184
Provisions	9		(1,501,806)		-
Net assets			54,813,736		43,922,184
Capital and reserves					
Called up share capital	10		1		1
Profit and loss account			54,813,735		43,922,183
Total equity			54,813,736		43,922,184

For the year ended 31 December 2021 the company was entitled to exemption under section 479a of the Companies Act 2006.

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

The member has not required the company to obtain an audit of its financial statements for the year in question in accordance with section 476.

The financial statements were approved by the board of directors and authorised for issue on 24 November 2022 and are signed on its behalf by:

J J Lister
Director

Company Registration No. 08895830

LDC (ST LEONARDS) LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2021

	Called up share capital £	Profit and loss account £	Total £
Balance at 1 January 2020	1	40,643,293	40,643,294
Year ended 31 December 2020:			
Profit and total comprehensive income for the year	-	3,278,890	3,278,890
Balance at 31 December 2020	1	43,922,183	43,922,184
Year ended 31 December 2021:			
Profit and total comprehensive income for the year	-	10,891,552	10,891,552
Balance at 31 December 2021	1	54,813,735	54,813,736

1 Accounting policies

Company information

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

1.1 Accounting convention

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

The nature of the company's operations and its principal activities are set out in the Directors' Report on page 1.

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

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

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

1.2 Going concern

The financial statements have been prepared on the going concern basis, not withstanding net current liabilities of £42,380,091, which the directors believe to be appropriate for the following reasons.

The Company is dependent for its working capital on funds provided to it by The Unite Group plc ('Unite'). Unite has provided the Company with an undertaking that for at least 12 months from the date of approval of these financial statements, it will continue to make available such funds as are needed by the Company, and in particular, will not seek repayment of the amounts currently made available. As with any entity placing reliance on other group entities for financial support, the Company acknowledge that there can be no certainty that this support will continue, although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Based on this understanding the directors therefore have a reasonable expectation that the Company has adequate resources to continue in operational existence; thus they continue to adopt the going concern basis in preparing the financial statements.

Further details can be found on page 2 of the Directors' Report.

1.3 Turnover

Turnover from investment property leased out under operating leases is recognised in the profit and loss account on a straight line basis over the term of the lease. Lease incentives granted are spread over the term of the lease on a straight line basis unless another systematic basis is more representative.

1 Accounting policies **(Continued)**

1.4 Investment properties

Investment property, which is property held to earn rentals and/or for capital appreciation, is initially recognised at cost, which includes the purchase cost and any directly attributable expenditure. Subsequently it is measured at fair value at the reporting end date. Changes in fair value are recognised in profit or loss.

1.5 Financial instruments or financial assets and liabilities

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

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

i. Financial assets and liabilities

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

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

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

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

1 Accounting policies **(Continued)**

1.5 Financial instruments or financial assets and liabilities (continued)

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

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

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

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

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

ii. Equity instruments

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

iii. Fair value measurement

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

1.6 Taxation

As a member of a UK REIT, the company is exempt from UK corporation tax on the profits from its property rental business. No current tax or deferred tax arises.

1.7 Provisions

Provisions are recognised when the Company has a present obligation as a result of past events, it is probable that the company will be required to settle that obligation, and a reliable estimate can be made of the amount of that obligation.

Provisions are measured at the management's best estimate of the expenditure required to settle the obligation and are discounted to present value where the effect is material.

1.8 Reserves

The Company's reserves are as follows:

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

1 Accounting policies **(Continued)**

1.9 Prior period correction

The prior period balance sheet has been restated due to an error in the classification of intercompany loan balances between fixed and current assets.

In the previous period intercompany amounts totalling £7,951,697 were classified as current assets when they are fixed assets, since they are intended for use on a continuing basis.

The resulting impact of the restatement has been to increase loans to group undertakings in fixed assets by £7,951,697, decrease debtors in current assets by £7,951,697 and to decrease net current liabilities by £7,951,697. There has been no change in the 2020 profit or net assets.

2 Critical accounting judgements and key sources of estimation uncertainty

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

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

Critical judgements

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

Valuation of investment property

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

Provisions

The recognition of provisions requires significant judgement as to whether an obligation has arisen. The carrying value of provisions requires management to make estimations of the future expected expenditure of these obligations. The estimates are based on historical experience and other factors that are considered to be relevant and are reviewed on an ongoing basis.

3 Turnover and other revenue

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

	2021	2020
	£	£
Turnover analysed by class of business		
Income from property leased under operating leases	2,793,936	2,273,297

3 Turnover and other revenue (Continued)

	2021	2020
	£	£
Turnover analysed by geographical market		
United Kingdom	2,793,936	2,273,297

4 Employees

There were no employees during either year.

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

5 Taxation

The taxation charge that would arise at the standard rate of UK corporation tax is reconciled to the actual tax charge below. The reconciliation below has been calculated at the main rate of corporation tax of 19% (2020: 19%).

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

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

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

	2021	2020
	£	£
Profit before taxation	10,891,552	3,278,890
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2020: 19.00%)	2,069,395	622,989
Property rental business profits exempt from tax in the REIT Group	(475,770)	(431,926)
Property revaluation not subject to tax	(1,593,625)	(191,063)
Taxation charge for the year	-	-

6 Amounts due from group undertakings (as restated)

	2021	2020 as restated
	£	£
Amounts due from group undertakings (as restated)	10,745,633	7,951,697

Amounts due from group undertakings are interest free and repayable on demand, but are intended for use on a continuing basis.

7 Investment property

	2021
	£
Fair value	
At 1 January	78,000,000
Additions	1,562,501
Revaluation	8,387,499
At 31 December	87,950,000

Investment properties, which are all freehold/long leasehold, were revalued to fair value at 31 December 2021, based on a valuation undertaken by Jones Lang LaSalle, Chartered Surveyors, an independent valuer with recent experience in the location and class of the investment property being valued. The method of determining fair value was the discounted cash flows method and significant assumptions applied were as follows:

- Net rental income (per week) of £144 to £235
- Estimated future rent increase of 1% to 4%
- Discount rate (yield) of 4.25%

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

No contingent rents have been recognised in the current or prior year and the future minimum lease payments that the company will receive is £34,428,634 (2020: £40,681,151), with £3,775,641 (2020: £3,600,920) due within one year; £14,483,656 (2020: £14,184,148) due within two to five years; and £16,169,338 (2020: £22,896,083) due after five years.

The total interest and bank costs included in the cost of the properties at 31 December 2021 was £nil (2020: £nil).

The historical cost of the property is £44,355,841 (2020: £42,793,939).

8 Creditors: amounts falling due within one year

	2021	2020
	£	£
Amounts due to group undertakings	42,380,091	42,029,513

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

9 Provisions for liabilities

	2021	2020
	£	£
	1,501,806	-

Movements on provisions:

	£
Additional provisions in the year	1,501,806

During 2021, and in accordance with the Government's Building Safety Advice of 20 January 2021, a review was undertaken of the use of High-Pressure Laminate (HPL) cladding on our properties with a number identified as needing the HPL Cladding replaced. Work is currently ongoing with activity prioritized according to our risk assessment and started with those over 18 meters in height. The total overall cost of replacing the cladding was expected to be £3.6m. The overall timetable for these works is uncertain, with it anticipated to occur over 3 years in total.

The Government has proposed a Building Safety Bill, covering building standards, which is likely to result in more stringent fire safety regulations. We will ensure we remain aligned to fire safety regulations as they evolve and will continue to make any required investment to ensure our buildings remain safe to occupy. We have provided for the costs of remedial work where we have a legal obligation to do so. The amounts provided reflect the current best estimate of the extent and future cost of the remedial works required and are based on known costs and quotations where possible, and reflect the most likely outcome. However, these estimates may be updated as work progresses or if Government legislation and regulation changes. We have not recognised any assets in respect of future claims.

10 Called up share capital

	2021	2020
	£	£
Ordinary share capital		
Authorised, issued and fully paid		
1 Ordinary share of £1	1	1

Shares carry rights to vote and rights to income distributions.

11 Contingent liabilities

The Company had no contingent liabilities at 31 December 2021 (2020: £nil).

12 Capital commitments

The Company had no capital commitments at 31 December 2021 (2020: £nil).

13 Related party transactions

No guarantees have been given or received.

14 Ultimate controlling party

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

The company's ultimate parent undertaking is The Unite Group plc.

The largest and smallest group in which the results of the company are consolidated is that headed by The Unite Group plc. The consolidated financial statements of this company and its parent are available to the public and can be obtained from South Quay, Temple Back, Bristol, BS1 6FL.