

Registration number 04434716

Key Property Investments (Number Five) Limited

Annual report and financial statements

for the year ended 30 November 2008

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Key Property Investments (Number Five) Limited

Directors' report for the year ended 30 November 2008

The directors present their report and the financial statements for the year ended 30 November 2008.

This report is prepared in accordance with the special provisions under section 246(4) of the Companies Act 1985 relating to small companies.

Principal activity and review of the business

The principal activity of the company is that of property investment and development.

The directors consider that the result for the year and the future prospects are satisfactory. No changes are envisaged.

Results and dividends

The results for the year are set out on page 6.

The directors do not recommend payment of a final dividend (2007: nil).

Directors

The directors who served during the year and subsequently were:

G Alnafisi
D K S Bushe
W A Oliver
A Al Usaimi
N Al-Ghanim
T P Haywood
T A Seddon

None of the directors had any interests in the share capital of the company.

Key Property Investments (Number Five) Limited

Directors' report for the year ended 30 November 2008

Statement of directors' responsibilities

The directors are responsible for preparing 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). The financial statements are required by law to 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 apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed; 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.

Going concern

The current economic climate conditions create uncertainty over the level of demand for property and access to liquidity. However, despite this uncertain outlook, the directors believe that the company is well placed to manage its risks by adapting its activities to changing conditions. Such action has included:

- eliminating speculative development activity;
- minimising any other non-funded commitments;
- focusing on cash and asset management in order to maximise the company's rental income; and
- close management of working capital.

The Key Property Investments Limited group has a £200m revolving credit facility which runs until 2012. The group's banking covenant requirements include interest cover and a loan to value ratio. The directors, in their consideration of going concern, have reviewed the group's future cash forecasts and valuation projections, which they believe are based on reasonable assumptions. In making their assessment of going concern the directors have considered, in particular, the group's ability to comply with its bank covenants:

- In the current low interest environment and with minimal overheads the directors expect the interest cover covenant to be met by the group's strong rent roll without the need for profits from property disposals. Should an interest cover covenant breach become likely, we believe that constructive discussions with our banks would enable the terms to be amended, although this is likely to result in an increased cost to the business;

Key Property Investments (Number Five) Limited

Directors' report for the year ended 30 November 2008

Going Concern (continued)

- Whilst ongoing reductions in property values have reduced the group's ability to borrow the full £200m of its revolving credit facility the directors are satisfied that there will remain sufficient available headroom for the group to meet its obligations as they fall due. This is supported by the May 2009 valuation and current forecasts for property values; and
- If the Group were to become liquidity constrained as result of the loan to value covenant the Group has the option of seeking further bank financing or financial support from its joint owners. Confirmation has been received from the joint parent companies that they will provide such ongoing financial support as required for up to one year from the date of signing these financial statements.

The directors therefore have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the directors continue to adopt the going concern basis in preparing the annual report and accounts.

Disclosure of information to the auditors

Each director at the date of approval of this report confirms that:

- so far as they are aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all steps necessary to be aware of any relevant audit information and to establish that the company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of S234ZA of the Companies Act 1985.

Auditors

Deloitte LLP, our Auditors, previously Deloitte & Touche LLP, have conducted the audit for the year ended 30 November 2008 and have expressed a willingness to remain in office. A resolution to reappoint Deloitte LLP will be put forward at the Annual General Meeting.

This report was approved by the Board on 10/09/09 and signed on its behalf by



T P Haywood
Director

**Independent auditors' report to the shareholders of
Key Property Investments (Number Five) Limited**

We have audited the company's financial statements for the year ended 30 November 2008 which comprise the Profit and loss account, the Statement of total recognised gains and losses, the Balance sheet, and the related notes 1 to 14. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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 auditors' 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 the auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable United Kingdom law and 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 are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the directors' report is consistent with the financial statements.

In addition we 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.

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 judgments 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.

**Independent auditors' report to the shareholders of
Key Property Investments (Number Five) Limited - continued**

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 30 November 2008 and of its profit 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.

Deloitte LLP

Deloitte LLP
Chartered Accountants and Registered Auditors
Birmingham, United Kingdom
Date: 11/09/09

Key Property Investments (Number Five) Limited

Profit and loss account for the year ended 30 November 2008

		2008	2007
	Notes	£	£
Turnover	2	3,605,211	3,993,240
Cost of sales		(1,032,239)	(1,775,881)
Gross and operating profit	3	<u>2,572,972</u>	<u>2,217,359</u>
Interest receivable and similar income		238	3,877
Interest payable and similar charges		(539)	-
Profit on ordinary activities before taxation		<u>2,572,671</u>	<u>2,221,236</u>
Tax on profit on ordinary activities	4	<u>(749,266)</u>	<u>(666,763)</u>
Profit on ordinary activities after taxation	10	<u><u>1,823,405</u></u>	<u><u>1,554,473</u></u>

All amounts derive from continuing activities

Statement of total recognised gains and losses for the year ended 30 November 2008

Profit on ordinary activities after taxation	1,823,405	1,554,473
Unrealised (deficit)/surplus on revaluation of investment properties	(6,183,204)	1,414,865
Total recognised gains and losses relating to the year	<u><u>(4,359,799)</u></u>	<u><u>2,969,338</u></u>

The notes on pages 8 to 15 form an integral part of these financial statements.

Key Property Investments (Number Five) Limited

Balance sheet as at 30 November 2008

	Notes	2008		2007	
		£	£	£	£
Fixed assets					
Tangible assets	5		47,701,000		53,615,000
Current assets					
Debtors	6	984,662		981,911	
Creditors: amounts falling due within one year	7	(27,802,967)		(29,364,217)	
Net current liabilities			(26,818,305)		(28,382,306)
Total assets less current liabilities			20,882,695		25,232,694
Provisions for liabilities	8		(141,403)		(131,603)
Net assets			20,741,292		25,101,091
Capital and reserves					
Called up share capital	9		1		1
Revaluation reserve	10		14,701,301		20,884,505
Profit and loss account	10		6,039,990		4,216,585
Shareholders' funds	11		20,741,292		25,101,091

The financial statements were approved by the Board on 10/09/09 and signed on its behalf by



T P Haywood
Director

The notes on pages 8 to 15 form an integral part of these financial statements.

Key Property Investments (Number Five) Limited

Notes to the financial statements for the year ended 30 November 2008

1. Accounting policies

1.1 Accounting convention

The financial statements are prepared under the historical cost convention modified to include the revaluation of certain fixed assets in accordance with applicable United Kingdom company law and accounting standards.

Compliance with SSAP 19 "Accounting for investment properties" requires departure from the Companies Act 1985 relating to depreciation and an explanation of the departure is given below.

The accounting policies have been applied consistently throughout the year and the preceding year. The directors have prepared the financial statements on a going concern basis for the reasons set out in the paragraph headed going concern in the directors' report.

1.2 Turnover and profit recognition

Turnover represents rental income recognised on a straight line basis to the first break point in the lease, and other recoveries. Turnover and profit on development properties is recognised on legal completion of sale.

1.3 Tangible fixed assets and depreciation

Depreciation is not provided on investment properties which are subject to annual revaluations.

1.4 Investment properties

In accordance with SSAP 19, investment properties are revalued annually and the aggregate surplus or temporary deficit is transferred to the revaluation reserve. No depreciation is provided in respect of investment properties.

The Companies Act 1985 requires all properties to be depreciated. However, this requirement conflicts with the generally accepted accounting principal set out in SSAP 19. The directors consider that, because these properties are not held for consumption but for their investment potential, to depreciate them would not give a true and fair view, and that it is necessary to adopt SSAP 19 in order to give a true and fair view.

If this departure from the Act had not been made, the profit for the financial year would have been reduced by depreciation. However, the amount of depreciation cannot reasonably be quantified because depreciation is only one of the many factors reflected in the annual valuation and the amount which might otherwise have been shown cannot be separately identified or quantified.

Key Property Investments (Number Five) Limited

Notes to the financial statements for the year ended 30 November 2008

1.5 Taxation

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

1.6 Interest

Interest incurred on properties in the course of development, whether for sale or retention as investments, is charged to the profit and loss account on an accruals basis.

1.7 Cash flow statement

The company is a 100% subsidiary of Key Property Investments Limited. Its cash flows are included in that company's consolidated cash flow statement. Consequently, the company is exempt from the requirement of Financial Reporting Standard 1 (Revised) to prepare a cash flow statement.

2 Turnover

The total turnover of the company for the year has been derived wholly in the UK.

	2008	2007
	£	£
Class of business		
Rental income	3,443,718	3,121,027
Management fees	161,493	171,177
Other income	-	701,036
	<u>3,605,211</u>	<u>3,993,240</u>

Key Property Investments (Number Five) Limited

Notes to the financial statements for the year ended 30 November 2008

3. Operating profit

3.1 Audit fees

Auditors' remuneration was borne by a fellow subsidiary undertaking, Key Property Investments (Number One) Limited. The amounts borne were as follows:

	2008	2007
	£	£
Fees payable to the company's auditors for the audit of the company's annual accounts	2,200	2,000
Fees payable to the company's auditors for other services to the company – Tax services	1,100	1,000
	<u>3,300</u>	<u>3,000</u>

3.2 Information regarding directors and employees

None of the directors received any remuneration during the year (2007: £Nil). The remuneration of the directors is paid by other group undertakings for both the current financial year and the prior financial year and no part of their remuneration is specifically attributable to their services to this company.

The company has no employees (2007: nil) and is operated on a day to day basis by Redman Heenan Properties Ltd, a subsidiary of St. Modwen Properties PLC. Redman Heenan Properties Limited receives 2% of income received for managing the property portfolio.

Key Property Investments (Number Five) Limited

Notes to the financial statements for the year ended 30 November 2008

4. Tax on profit on ordinary activities

Analysis of charge in year	2008 £	2007 £
Current tax		
UK corporation tax at 28.67% (2007: 30%)	728,000	652,000
Adjustments in respect of previous periods	11,466	7,533
Total current tax charge	<u>739,466</u>	<u>659,533</u>
Deferred tax		
Timing differences, origination and reversal	9,800	13,052
Prior period adjustments	-	2,646
Effect of change in tax rate on opening liability	-	(8,468)
Total deferred tax	<u>9,800</u>	<u>7,230</u>
Tax on profit on ordinary activities	<u>749,266</u>	<u>666,763</u>

Factors affecting tax charge for year

The tax assessed for the year is lower than the standard rate of corporation tax in the UK of 28.67% (2007: 30%). The differences are explained below:

	2008 £	2007 £
Profit on ordinary activities before taxation	<u>2,572,671</u>	<u>2,221,236</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK at 28.67% (2007: 30%)	737,585	666,370
Effects of:		
Capital allowances for period in excess of depreciation	(10,000)	(14,000)
Adjustments to tax charge in respect of previous periods	11,466	7,533
Other items	415	(370)
Current tax charge for period	<u>739,466</u>	<u>659,533</u>

With effect from 1 April 2008, the standard rate of corporation tax changed from 30% to 28%. Hence, the standard rate of corporation tax for the year ended 30 November 2008 is 28.67%.

Key Property Investments (Number Five) Limited

Notes to the financial statements for the year ended 30 November 2008

4. Tax on profit on ordinary activities (continued)

Factors that may affect future tax charges

Based on current capital investment plans, the company expects to continue to be able to claim capital allowances in excess of depreciation in future years.

The UK Government announced that they would reduce the corporation tax rate for large companies to 28% with effect from 1st April 2008. Accordingly, deferred tax adjustments were restated to 28% at 30 November 2007 as this is the rate at which they are expected to reverse.

5. Tangible fixed assets

	Freehold investment properties £
Cost or valuation	
At 1 December 2007	53,615,000
Additions	269,204
Revaluation	(6,183,204)
At 30 November 2008	<u>47,701,000</u>
Net book values	
At 30 November 2008	<u>47,701,000</u>
At 30 November 2007	<u>53,615,000</u>

Freehold investment properties were revalued as at 30 November 2008 by King Sturge & Co., Chartered Surveyors in accordance with the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors, on the basis of market value.

Tangible fixed assets included at a valuation would have been included on a historical cost basis at:

	2008 £	2007 £
Freehold investment properties	<u>32,999,699</u>	<u>32,730,495</u>

Key Property Investments (Number Five) Limited

Notes to the financial statements for the year ended 30 November 2008

6. Debtors	2008	2007
	£	£
Trade debtors	600,091	650,001
Prepayments and accrued income	384,571	331,910
	<u>984,662</u>	<u>981,911</u>
7. Creditors: amounts falling due within one year	2008	2007
	£	£
Trade creditors	403,856	141,805
Amounts owed to parent undertaking	25,904,802	27,478,430
Corporation tax	728,000	657,700
Other taxes and social security costs	152,816	117,346
Accruals and deferred income	613,493	968,936
	<u>27,802,967</u>	<u>29,364,217</u>
8. Provision for deferred taxation	2008	2007
	£	£
Accelerated capital allowances	141,403	131,603
	<u>141,403</u>	<u>131,603</u>
Provision at 1 December 2007	131,603	
Deferred tax charge in profit and loss account (note 4)	9,800	
Provision at 30 November 2008	<u>141,403</u>	
No provision has been made for deferred tax on gains recognised on revaluing investment properties to market value. Such tax would become payable only if the properties were sold. The total amount unprovided is £2,096,000. (2007: £4,370,239).		
9. Share capital	2008	2007
	£	£
Authorised equity		
1 Ordinary shares of £1 each	1	1
Allotted, called up and fully paid equity		
1 Ordinary share of £1	1	1

Key Property Investments (Number Five) Limited

Notes to the financial statements for the year ended 30 November 2008

10. Reserves	Revaluation reserve £	Profit and loss account £	Total £
At 1 December 2007	20,884,505	4,216,585	25,101,090
Deficit on revaluation of property	(6,183,204)	-	(6,183,204)
Retained profit for the year	-	1,823,405	1,823,405
At 30 November 2008	<u>14,701,301</u>	<u>6,039,990</u>	<u>20,741,291</u>

11. Reconciliation of movements in shareholders' funds	2008 £	2007 £
Profit for the year	1,823,405	1,554,473
Other recognised gains or losses	(6,183,204)	1,414,865
Net addition to shareholders' funds	<u>(4,359,799)</u>	<u>2,969,338</u>
Opening shareholders' funds	25,101,091	22,131,753
Closing shareholders' funds	<u>20,741,292</u>	<u>25,101,091</u>

Key Property Investments (Number Five) Limited

Notes to the financial statements for the year ended 30 November 2008

12. Related party transactions

As the company is wholly owned by the Key Property Investments Limited group, it has taken advantage of the exemption under FRS 8 "Related Party Disclosures" not to disclose transactions with other companies in the group. During the year, management fees of £130,997 (2007: £72,822) were paid to Redman Heenan Properties Limited, a subsidiary of St. Modwen Properties PLC. £33,181 (2007: £2,000) of the fees were included in accruals at the year end.

13. Ultimate parent undertaking

The company's immediate parent undertaking is Key Property Investments (Number Two) Limited, a company incorporated in the United Kingdom and registered in England and Wales. The smallest group in which the company is included within the group financial statements is that of Key Property Investments Limited, copies of which are available from its registered office: 7 Ridgeway, Quinton Business Park, Birmingham, B32 1AF.

The company's ultimate controlling parties are St. Modwen Properties PLC, a company incorporated in the United Kingdom and registered in England and Wales; and Salhia Real Estate Company k.s.c., a company registered in Kuwait.

14. Post balance sheet event

On 8 June 2009 St. Modwen Properties PLC completed a placing and open offer of new shares raising £102m of net proceeds which has significantly strengthened the financial position of the St Modwen group.