LDC (Nairn Street) Limited Partnership

Partner's report and financial statements

Registered number LP014385

For the year ended 31 December 2017

Contents

Report of the General Partners

LDC (Nairn Street) GP 1 Limited and LDC (Nairn Street) GP 2 Limited ('the General Partners') present the Report of the General Partners and the audited financial statements for LDC (Nairn Street) Limited Partnership ('the Partnership') for the year ended 31 December 2017.

Principal activity, results and income distributions

The principal activity of the Partnership during the year was the management and holding of student accommodation for investment purposes. The results for the year are shown on page 7. Income distributions of £1,734,000 were made during the year (2016: £1,650,000). The General Partners expect to continue to carry out these activities in the future.

The Partnership

The Partnership was established on 1 April 2011 and was registered as a Limited Partnership under the Limited Partnership Act 2008 on 6 April 2011.

Designated partners

The designated partners during the year and at the date of the audit report were as follows:

LDC (Nairn Street) GP 1 Limited (General Partner)
LDC (Nairn Street) GP 2 Limited (General Partner)
LDC (Nairn Street) Unit Trust (Limited Partner)

Partner's capital and profit shares

The partners interests in the Partnership and their profit sharing arrangement at the end of the year was as follows:

	Partnership interest	*Profit sharing arrangement*
LDC (Nairn Street) GP 1 Limited	0.00%	0.00%
LDC (Nairn Street) GP 2 Limited	0.00%	0.00%
LDC (Nairn Street) Unit Trust	100.00%	100.00%

Going concern

The partners have a reasonable expectation that the Partnership has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis in preparing the annual financial statements.

Further details regarding the adoption of the going concern basis can be found in the accounting policies in the notes to the financial statements.

Financial risk management

The Partnership's activities expose it to a number of financial risks including credit risk and liquidity risk.

Credit risk

The Partnership's principal financial assets are amounts due from group undertakings.

Liquidity risk

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the Partnership uses borrowings from group undertakings. The UNITE UK Student Accommodation Fund has provided the Partnership 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 Partnership, and in particular, will not seek repayment of the amounts currently made available.

Further details regarding liquidity risk can be found in the accounting policies in the financial statements.

Report of the General Partners *(continued)*

Statement of disclosure to auditor

The General Partners, who held office at the date of approval of this Report of the General Partners, confirms that:

- So far as they are aware, there is no relevant audit information of which the Partnership's auditor is unaware; and
- The General Partners have taken all the steps that they ought to have taken as General Partners to make themselves aware of any relevant audit information and to establish that the Partnership's auditor is aware of that information.

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

Deloitte have expressed their willingness to continue in office as auditor and in accordance with section 487 of the Companies Act 2006, have been deemed reappointed.

Remuneration and distribution policy

The distribution policy is set out on page 12.

Approved by

D Faulkner

Director - for and on behalf of LDC (Nairn Street) GP 1 Limited and LDC (Nairn Street) GP 2 Limited

27th April **2018**

Statement of General Partner's responsibilities in respect of the General Partners Report and the financial statements

The Partnerships (Accounts) Regulations 2008 require the General Partners to prepare Partnership financial statements for each financial year in accordance with Part 15 and Chapter 1 of Part 16 of the Companies Act 2006. Under that law the General Partner has 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 General Partners 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 Partnership and of the profit or loss of the Partnership for that period. In preparing these financial statements, the General Partners are required to:

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

The General Partners have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Partnership and to prevent and detect fraud and other irregularities

Independent auditor's report to the members of LDC (Nairn Street) Limited Partnership

Report on the audit of the financial statements

Opinion

In our opinion the financial statements:

- give a true and fair view of the state of the qualifying partnership's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006 as applied to qualifying partnerships.

We have audited the financial statements of LDC (Nairn Street) Limited Partnership (the 'qualifying partnership') which comprise:

- the statement of total comprehensive income;
- the balance sheet;
- the statement of changes in Partner's accounts; and
- the related notes 1 to 13.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs(UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the qualifying partnership in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the member's use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the members have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the qualifying partnership's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

Other information

The Members are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

Responsibilities of Members
As explained more fully in the Statement of General Partner's Responsibilities, the Members are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Members determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Members are responsible for assessing the qualifying partnership's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Members either intend to liquidate the qualifying partnership or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report
This report is made solely to the qualifying partnership's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the qualifying partnership's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the qualifying partnership and the qualifying partnership's members as a body, for our audit work, for this report, or for the opinions we have formed.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of the audit:

- the information given in the report of the general partners for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the report of the general partners have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the qualifying partnership and its environment obtained in the course of the audit, we have not identified any material misstatements in the report of the general partners.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Partner's remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; and
- the general partner was not entitled to take advantage of the small companies exemption in not preparing a strategic report.

We have nothing to report in respect of these matters.

Andrew Woodhead

Andrew Woodhead (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Bristol, UK
[Date]
30 April 2018

Statement of Total Comprehensive Income
for the year ended 31 December 2017

	Note	31 December 2017 £000	31 December 2016 £000
Turnover	*4*	**1,801**	**1,796**
Other operating charges		**(55)**	**(47)**
Gross profit		**1,746**	**1,749**
Gain/(Loss) on revaluation of investment property	*7*	**941**	**(747)**
Profit for the financial year	*3*	**2,687**	**1,002**
Total comprehensive income available for distribution amongst partners		**2,687**	**1,002**

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

Balance sheet
As at 31 December 2017

	Note	31 December 2017		31 December 2016	
		£000	£000	£000	£000
Fixed assets					
Investment property	7		38,600		37,430
Current assets					
Debtors due in one year	8	14,583		11,564	
Cash		1		-	
Creditors: amounts falling due within one year	9	(43,463)		(40,226)	
Net current liabilities			(28,879)		(28,662)
Total assets less current liabilities			9,721		8,768
Net assets attributable to partners			9,721		8,768
Represented by:					
Loans and other debts due to partners					
Partner's income accounts			6,943		5,990
Partner's loan accounts			2,778		2,778
Loans and other debts due to partners			9,721		8,768

These financial statements were approved by the partners and authorised for issue on 27th April 2018 ~~2017~~ and were signed on their behalf by:

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D Faulkner: on behalf of the General Partners **- LDC (Nairn Street) GP 1 Limited**

- LDC (Nairn Street) GP 2 Limited

Limited Partnership registration number LP014385

Statement of changes in Partner's accounts
for the year ended 31 December 2017

	Partner's Income accounts £000	Partner's Loan accounts £000	Total £000
At 1 January 2016	**6,638**	**2,778**	**9,416**
Profit for the financial year	**1,002**	**-**	**1,002**
Total comprehensive income for the year	**1,002**	**-**	**1,002**
Distributions paid	**(1,650)**	**-**	**(1,650)**
Balance as at 31 December 2016	**5,990**	**2,778**	**8,768**
Profit for the financial year	**2,687**	**-**	**2,687**
Total comprehensive income for the year	**2,687**	**-**	**2,687**
Distributions paid	**(1,734)**	**-**	**(1,734)**
Balance as at 31 December 2017	**6,943**	**2,778**	**9,721**

Notes to the financial statements

1 Accounting policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and to the preceding year.

General information and basis of preparation

LDC (Nairn Street) Limited Partnership is a limited Partnership formed in the United Kingdom under the Partnerships (Accounts) Regulations 2008 and is registered in England and Wales. The address of the registered office is South Quay House, Temple Back, Bristol, BS1 6FL. The nature of the Partnership's operations and its principal activities are set out in the Report of the General Partners 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 (Nairn Street) Limited Partnership is considered to be pounds sterling because that is the currency of the primary economic environment in which the Partnership operates.

LDC (Nairn Street) Limited Partnership 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 (Nairn Street) Limited Partnership is consolidated in the financial statements of its ultimate parent, The UNITE UK Student Accommodation Fund, which may be obtained at 13 Castle Street, St Helier, Jersey, JE4 5UT. Exemptions have been taken in these separate Partnership financial statements in relation to presentation of a cash flow statement, related party transactions, financial instruments disclosures and remuneration of key management personnel.

Going concern

The financial statements have been prepared on the going concern basis, notwithstanding net current liabilities of £28,879,000 which the partners believe to be appropriate for the following reasons. The Partnership is dependent for its working capital on funds provided to it by The UNITE UK Student Accommodation Fund. The UNITE UK Student Accommodation Fund has provided the Partnership 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 Partnership, and in particular, will not seek repayment of the amounts currently made available. This should enable the Partnership to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for payment. As with any entity placing reliance on other group entities for financial support, the partners 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 partners believe that it remains appropriate to prepare the financial statements on a going concern basis. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

Turnover

Turnover consists of Turnover Rent received from the tenant under a property and asset management agreement. Turnover Rent is comprised of all rents, licence fees, and other income received by the tenant, less operating and maintenance costs incurred. Turnover is recognised monthly in arrears. All turnover relates to one class of business.

Financial instruments

Financial assets and financial liabilities are recognised when the Partnership 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 Partnership 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.

Notes to the financial statements *(continued)*

1 Accounting policies *(continued)*

Financial assets and liabilities are only offset in the statement of financial position when, and only when there exists a legally enforceable right to set off the recognised amounts and the Partnership 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.

(i) Financial assets and liabilities (continued)

(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).

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 Partnership transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the Partnership, 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.

Investment properties

Investment property, which is property held to earn rentals and/or for capital appreciation, is measured using the fair value model and stated at its fair value as the reporting end date. The surplus or deficit on revaluation is recognised in the profit and loss account.

Taxation

The taxation payable on the profits of the Partnership is the personal liability of the partners during the year and consequently neither taxation nor related deferred taxation is accounted for in the financial statements.

Notes to the financial statements *(continued)*

1 Accounting policies *(continued)*

Distribution Policy

Income produced by the Partnership is distributed to the Limited Partner to the extent that Partnership income exceeds expenses, excluding capital items. Capital distributions arising from capital receipts including refinancing gains are applied firstly in repayment of the Limited Partner's loans, thereafter repaying Limited Partner's capital.

2 Critical accounting judgements and key sources of estimation uncertainty

In the application of the Partnership's accounting policies, which are described in note 1, the Partners are required to make judgements, estimates and assumptions about the carrying amounts 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 if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

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.

3 Profit for the financial year

	2017 £000	2016 £000
Profit for the financial year is stated after crediting/(charging):		
Rental income received under operating leases	1,801	1,796
Gain/(Loss) on revaluation of investment property	941	(747)

4 Turnover

Turnover of the Partnership for the year has been derived from its principal activity undertaken wholly in the United Kingdom.

5 Auditor's remuneration

Auditor's remuneration of £1,496 (2016: £886) was borne by another group entity. There were no fees for services other than statutory audit of the Partnership paid to the Partnership's auditor, Deloitte LLP and its associates.

6 Employees

There were no employees in either year.

Notes to the financial statements *(continued)*

7 Investment property

	Investment property 2017 £000
Fair value	
At beginning of year	**37,430**
Additions	**229**
Revaluation gain	**941**
At end of year	**38,600**

Investment property, which is freehold, was revalued to fair value at 31 December 2017, based on a valuation undertaken by CBRE, 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 £141
- Estimated future rent increase of 3.1%
- Discount rate (yield) of 5.8%

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 £1,479,473. £1,338,381 due within one year, £141,092 due in 2 to 5 years and nil over 5 years (31 December 2016: £4,706,102, within one year £4,524,032 and within two to five year £182,070, nil over 5 years). The total interest and bank costs included in the cost of the properties at 31 December 2017 were £666,000 (2016: £666,000).

The historical cost of the investment properties at 31 December 2017 was £32,456,000 (2016: £32,227,000).

8 Debtors due in one year

	2017 £000	2016 £000
Amounts due from group undertakings	14,583	11,564
	14,583	11,564

Amounts due from group undertakings are interest free and repayable on demand.

9 Creditors: amounts falling due within one year

	2017 £000	2016 £000
Amounts due to group undertakings	30,040	26,761
Amounts due to related undertakings	13	43
Intragroup loans	13,390	13,390
Accruals and deferred income	20	32
	43,463	40,226

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

Notes to the financial statements *(continued)*

10 Capital commitments

The Partnership had no capital commitments at 31 December 2017 (2016: £nil).

11 Contingent liabilities

The Partnership had no contingent liabilities at 31 December 2017 (2016: £nil).

12 Related party transactions

The Partnership had the following disclosable transactions with related parties in accordance with Section 33 of FRS 102:

The Unite Group plc and subsidiary companies:

Property and cash management fees paid to The Unite Group plc and subsidiary companies £28,000 (2016: £28,000).

Amounts due to the Unite Group plc: £13,000 (2016: £43,000).

13 Controlling party

The Partnership is jointly controlled by LDC (Nairn Street) GP1 Limited and LDC (Nairn Street) GP2 Limited as general partners.

The Partnership's ultimate parent undertaking is The UNITE UK Student Accommodation Fund.

The largest and smallest group in which the results of the Partnership are consolidated is that headed by The UNITE UK Student Accommodation Fund. The consolidated financial statements of the company are available to the public and can be obtained from the registered office 13 Castle Street, St Helier, Jersey, JE4 5UT.