

Company number 00007064

**London Merchant Securities Limited**  
**Directors' report and financial statements**  
**31 December 2011**



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**Directors**

J D Burns  
N Q George  
S P Silver  
D G Silverman  
P M Williams  
D M A Wisniewski

**Secretary and registered office**

T J Kite  
25 Savile Row  
London  
W1S 2ER

**Company number**

7064

**Auditors**

BDO LLP  
55 Baker Street  
London  
W1U 7EU

## **Directors' report**

### **Principal activities and future developments**

The Company is a holding company. The directors foresee no material change in the nature of the Company's activities.

### **Financial review and dividends**

The results for the year are set out in the profit and loss account on page 4. The directors do not recommend payment of a dividend (2010: £nil).

### **Charitable and political contributions**

There were no charitable donations or political contributions in the year (2010: £nil).

### **Directors**

The directors who held office during the year were as follows:

J D Burns  
N Q George  
S P Silver  
D G Silverman  
P M Williams  
D M A Wisniewski

### **Disclosure of information to auditors**

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

### **Business review exemption**

This report has been prepared in accordance with the special provisions for small companies under Part 15 and section 417(1) of the Companies Act 2006.

### **Auditors**

BDO LLP have expressed their willingness to continue in office. Under the Companies Act 2006 section 487(2) they will be automatically re-appointed as auditors 28 days after these accounts are sent to the members, unless the members exercise their rights under the Companies Act 2006 to prevent their re-appointment.

### **Statement of directors' responsibilities in respect of the directors' report and the financial statements**

The directors are responsible for preparing the directors' 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). 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 those 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,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, 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.

By order of the board



T J Kite  
Secretary  
25 Savile Row  
London  
W1S 2ER

30 May 2012

## **Independent auditors' report to the members of London Merchant Securities Limited**

We have audited the financial statements of London Merchant Securities Limited for the year ended 31 December 2011 which comprise the profit and loss account, the balance sheet, the statement of total recognised gains and losses and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company'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 company'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 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 auditors*

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

### *Scope of the audit of the financial statements*

A description of the scope of an audit of financial statements is provided on the APB's website at [www.frc.org.uk/apb/scope/private.cfm](http://www.frc.org.uk/apb/scope/private.cfm).

### *Opinion on financial statements*

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2011 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.


### *Opinion on other matters prescribed by the Companies Act 2006*

In our opinion the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

### *Matters on which we are required to report by exception*

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you 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 directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit, or
- the directors were not entitled to prepare the directors' report in accordance with the small companies' regime.



Richard Kelly (senior statutory auditor)  
For and on behalf of BDO LLP, statutory auditor  
London  
United Kingdom

30 May 2012

**BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127)**

# London Merchant Securities Limited

## Profit and loss account

for the year ended 31 December 2011

	Note	2011 £	2010 £
Administrative expenses		(10,621)	(19,827)
Operating loss		(10,621)	(19,827)
Interest receivable and similar income	4	15,933,533	20,269,046
Interest payable and similar charges	5	(11,634,965)	(15,805,439)
Other income		-	23,198
Profit on ordinary activities before and after taxation	6	4,287,947	4,466,978

All amounts relate to continuing activities

There are no differences between the results presented above and those on a historic cost basis

The notes on pages 7 to 11 form part of these financial statements

# London Merchant Securities Limited

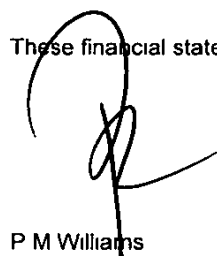
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## Balance sheet

at 31 December 2011

	Note	2011 £	2010 £
Non-current assets			
Investment in group undertakings	7	521,301,793	429,109,880
		<u>521,301,793</u>	<u>429,109,880</u>
Current assets			
Debtors falling due within one year	8	345,071,340	342,800,816
		<u>345,071,340</u>	<u>342,800,816</u>
Current liabilities			
Creditors falling due within one year	9	(7,526,684)	(9,604,213)
		<u>337,544,656</u>	<u>333,196,603</u>
Net current assets			
Non-current liabilities			
Creditors falling due after more than one year	9	(173,565,957)	(173,505,851)
		<u>685,280,492</u>	<u>588,800,632</u>
Net assets			
Capital and reserves			
Called up share capital	10	82,562,722	82,562,722
Share premium account	11	22,200,069	22,200,069
Revaluation reserve	11	457,767,102	365,575,189
Other reserves	11	10,892,043	10,892,043
Profit and loss account	11	111,858,556	107,570,609
		<u>685,280,492</u>	<u>588,800,632</u>
Equity shareholders' funds			
		<u>685,280,492</u>	<u>588,800,632</u>

These financial statements were approved by the board of directors on 30 May 2012 and were signed on its behalf by



P M Williams

The notes on pages 7 to 11 form part of these financial statements

## London Merchant Securities Limited

### Statement of total recognised gains and losses for the year ended 31 December 2011

	2011 £	2010 £
Profit for the financial year	4,287,947	4,466,978
Unrealised surplus on subsidiary undertakings	92,191,913	129,057,283
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Total recognised gains and losses relating to the financial year	96,479,860	133,524,261
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The notes on pages 7 to 11 form part of these financial statements



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# London Merchant Securities Limited

## Notes to the financial statements

### 1 Basis of Preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules, as modified by the revaluation of certain properties and in accordance with the Companies Act 2006

Under FRS 1 the Company is exempt from the requirement to prepare a cash flow statement on the grounds that its ultimate parent undertaking includes the Company in its own published consolidated financial statements

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements

### 2 Accounting Policies

#### Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19

#### Subsidiary undertakings valuation

The Company's investments in the shares of Group undertakings are stated at directors' valuation on a basis which takes account of the net assets of the undertakings at 31 December 2011 which will include the professional valuation of properties. Surpluses and temporary deficits arising from the directors' valuation are taken to revaluation reserve in the Company balance sheet. Permanent diminutions in value are taken to the Company profit and loss account.

#### Finance Costs

Finance costs are charged to profit over the term of the debt so that the amount charged is at a constant rate on the carrying amount. Finance costs include issue costs, which are initially recognised as a reduction in the proceeds of the associated financial instrument.

#### Financial liability

Financial liabilities are classified according to the substance of the financial instrument's contractual obligations, rather than the financial instrument's legal form.

### 3. Operating loss

Audit fees are paid by Derwent London plc

The Company does not have any employees (2010 £nil) and there were no directors' emoluments (2010 £nil)

### 4 Interest receivable and similar income

	2011 £	2010 £
Intercompany interest	15,933,533	20,269,046
	<u>15,933,533</u>	<u>20,269,046</u>

### 5 Interest payable and similar charges

	2011 £	2010 £
Amortisation of loan arrangement costs	65,496	61,455
Interest on bond	11,375,000	11,375,000
Intercompany interest	194,469	4,368,984
	<u>11,634,965</u>	<u>15,805,439</u>

### 6. Tax on profit on ordinary activities

There is no tax charge for the year (2010 £nil)

#### Factors affecting the tax for the year

The current tax charge for the period is lower (2010 lower) than the standard rate of corporation tax in the UK. The differences are explained below

	2011 £	2010 £
Current tax reconciliation		
Profit on ordinary activities before taxation	4,287,947	4,466,978
	<u>1,136,306</u>	<u>1,250,754</u>
Current tax at 26.5% (2010 28%)		
Effects of		
Differences between expenses and deductions for tax purposes	-	5,316
Group relief claimed not paid	(1,136,306)	(1,256,070)
	<u>-</u>	<u>-</u>
Current tax charge for the year	-	-

## 7 Investment in subsidiary undertakings

	2011 £	2010 £
At 1 January	429,109,880	300,052,597
Revaluation of investment in subsidiary undertakings	92,191,913	129,057,283
<b>At 31 December</b>	<b>521,301,793</b>	<b>429,109,880</b>
<b>Historical cost of revalued shares</b>	<b>63,534,691</b>	<b>63,534,691</b>

Name	Percentage holding	Country of registration	Activity
LMS Outlets Limited	100	England and Wales	Property investment
L M S Properties Limited	100	England and Wales	Property investment
L M S Services Limited	100	England and Wales	Management services
Merchant Nominees Limited	100	England and Wales	Management services
LMS Leisure Investments Limited	100	England and Wales	Property investment
LMS Finance Limited	100	England and Wales	Short-term financing
Merchant Overseas Holdings Limited	100	England and Wales	Investment holding
Urbanfirst Limited	100	England and Wales	Property investment
L M S Industrial Finance Limited	100	England and Wales	Short-term financing and investment holding
London Merchant Securities Inc	53	United States	Property investment

London Merchant Securities Incorporated (LMS Inc ) a US subsidiary was liquidated on 30 March 2012

Group accounts are not prepared because the Company is a wholly owned subsidiary of Derwent London plc, which is incorporated in England and Wales and prepares consolidated accounts which are publicly available

## 8 Debtors

	2011 £	2010 £
Falling due within one year		
Amounts due from group undertakings	345,061,812	342,784,559
Trade debtors	-	154
Other debtors	-	6,575
Taxation and social security	9,528	9,528
	<b>345,071,340</b>	<b>342,800,816</b>

## 9 Creditors

	2011 £	2010 £
Falling due within one year		
Bank overdraft - unsecured	4,418	88
Amounts owed to group undertakings	4,245,005	6,326,865
Accruals and deferred income	3,277,261	3,277,260
	<u>7,526,684</u>	<u>9,604,213</u>
	2011 £	2010 £
Falling due after more than one year		
6.5% Secured Bond 2026	175,000,000	175,000,000
Unamortised issue costs	(1,434,043)	(1,494,149)
	<u>173,565,957</u>	<u>173,505,851</u>

The fair value of the Bond is £109 per £100 (2010: £109 per £100). The Secured Bond of £175 million is secured on all the assets of the Company. The maturity profile of the Company's borrowing is shown below.

	2011 £	2010 £
<b>Borrowings</b>		
Repayable after more than five years	173,565,957	173,505,851

## 10 Called up share capital

	2011 £	2010 £
<b>Allotted, called up and fully paid</b>		
330,250,888 ordinary shares of £0.25 each	82,562,722	82,562,722

## 11 Reserves

	Share premium account £	Profit and loss account £	Other reserve £	Revaluation reserve £
At 1 January 2011	22,200,069	107,570,609	10,892,043	365,575,189
Profit for the financial year	-	4,287,947	-	-
Revaluation of subsidiary investments	-	-	-	92,191,913
<b>At 31 December 2011</b>	<u>22,200,069</u>	<u>111,858,556</u>	<u>10,892,043</u>	<u>457,767,102</u>

## 12 Reconciliation of movements in equity shareholders' funds

	2011 £	2010 £
Profit for the financial year	4,287,947	4,466,978
Other recognised gains and losses relating to the year	92,191,913	129,057,283
	<hr/>	<hr/>
Net movement in shareholders' funds	96,479,860	133,524,261
Opening shareholders' funds	588,800,632	455,276,371
	<hr/>	<hr/>
Closing shareholders' funds	685,280,492	588,800,632
	<hr/>	<hr/>

## 13 Contingent liabilities

No provision has been made for any taxes which might become payable in the event of future sales or deemed disposals of investments at their book values. In the opinion of the directors any such contingent liability would be £121,308,282 (2010 £102,361,053)

## 14 Charges

There is a floating charge over the assets of subsidiary undertakings to secure the £175,000,000 Bond

## 15 Related party transactions

As a wholly owned subsidiary of Derwent London plc the Company has taken advantage of the exemption contained in FRS 8 "Related party disclosures" and has therefore not disclosed transactions or balances with entities which form part of the group

## 16 Parent company

The Company's ultimate parent company is Derwent London plc, a company incorporated in England and Wales, whose registered office is at 25 Savile Row, London, W1S 2ER. Copies of the consolidated group accounts can be obtained from this address