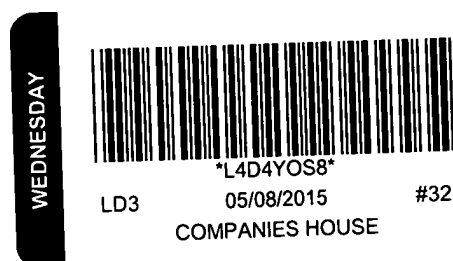


Company number: 00007064

**London Merchant Securities Limited**  
**Directors' report and financial statements**  
**31 December 2014**



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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

**Auditor**

PricewaterhouseCoopers LLP  
7 More London Riverside  
London  
SE1 2RT

# London Merchant Securities Limited

## 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 statement of comprehensive income on page 5. The directors do not recommend payment of a dividend (2013: £210,000,000).

### Going concern

After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. The company therefore continues to adopt the going concern basis in preparing its financial statements.

### Political contributions

There were no political contributions in the year (2013: £nil).

### Directors

The directors who held office during the year and up to the date of signing were as follows:

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

None of the above directors has an interest in the ordinary share capital of the company. The interests of the directors in the share capital of Derwent London plc, the company's parent company, are disclosed in the accounts of that company.

### Disclosure of information to the auditor

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 auditor is 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 auditor is aware of that information.

### Auditor

PricewaterhouseCoopers LLP was appointed as auditor to the Company during 2014 and has expressed its willingness to continue in office. Under the Companies Act 2006 section 487(2) it will be automatically re-appointed as auditor 28 days after these accounts are sent to the members, unless the members exercise their rights under the Companies Act 2006 to prevent its re-appointment.

# London Merchant Securities Limited

## 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, including Financial Reporting Standard 101 "Reduced Disclosure Framework", 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 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;
- state whether applicable UK Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework", 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.

## Small companies' 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.

By order of the board



T J Kite  
Secretary  
25 Savile Row  
London  
W1S 2ER

26 June 2015

# London Merchant Securities Limited

## Independent auditor's report to the members of London Merchant Securities Limited

### Report on the financial statements

#### *Our opinion*

In our opinion, London Merchant Securities Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 December 2014 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.

#### *What we have audited*

London Merchant Securities Limited's financial statements comprise:

- the Balance sheet as at 31 December 2014;
- the Statement of comprehensive income for the year then ended;
- the Statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 "Reduced Disclosure Framework".

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

#### **Opinion on other matter 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.

#### **Other matters on which we are required to report by exception**

##### *Adequacy of accounting records and information and explanations received*

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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.

We have no exceptions to report arising from this responsibility.

##### *Directors' remuneration*

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

##### *Entitlement to exemptions*

Under the Companies Act 2006 we are required to report to you if, in our opinion, the directors were not entitled to take advantage of the small companies' exemption from preparing a strategic report. We have no exceptions to report arising from this responsibility.

#### **Responsibilities for the financial statements and the audit**

##### *Our responsibilities and those of the directors*

As explained more fully in the Statement of directors' responsibilities set out on page 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

# London Merchant Securities Limited

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) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

## *What an audit of financial statements involves*

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Directors' report and financial statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Craig Hughes (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London  
26 June 2015

# London Merchant Securities Limited

## Statement of comprehensive income for the year ended 31 December

	Note	2014 £	2013 £
Other income		-	4,330
Administrative expenses		(10,949)	(12,436)
		<hr/>	<hr/>
Operating loss	4	(10,949)	(8,106)
Interest receivable and similar income	5	18,458,735	18,537,228
Interest payable and similar charges	6	(15,485,145)	(14,343,269)
Dividend receivable		-	160,000,000
		<hr/>	<hr/>
Profit for the year on ordinary activities before and after tax	7	2,962,641	164,185,853
Other comprehensive income:			
Fair value gains on revaluation of investments		263,761,464	2,707,178
		<hr/>	<hr/>
Total comprehensive income for the year		266,724,105	166,893,031
		<hr/> <hr/>	<hr/> <hr/>

The notes on pages 8 to 12 form part of these financial statements.

# London Merchant Securities Limited

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## Balance sheet as at 31 December

	Note	2014 £	2013 £	2012 £
Non-current assets				
Investment in group undertakings	9	852,278,393	588,516,929	585,809,751
		<u>852,278,393</u>	<u>588,516,929</u>	<u>585,809,751</u>
Current assets				
Debtors falling due within one year	10	399,061,541	380,603,409	362,065,578
		<u>399,061,541</u>	<u>380,603,409</u>	<u>362,065,578</u>
Current liabilities				
Creditors falling due within one year	11	(93,311,181)	(77,886,478)	(13,601,531)
		<u>(93,311,181)</u>	<u>(77,886,478)</u>	<u>(13,601,531)</u>
Net current assets		305,750,360	302,716,931	348,464,047
Non-current liabilities				
Creditors falling due after more than one year	11	(173,767,251)	(173,696,463)	(173,629,432)
		<u>(173,767,251)</u>	<u>(173,696,463)</u>	<u>(173,629,432)</u>
Net assets		<u>984,261,502</u>	<u>717,537,397</u>	<u>760,644,366</u>
Capital and reserves				
Called up share capital	12	82,562,722	82,562,722	82,562,722
Share premium account		22,200,069	22,200,069	22,200,069
Revaluation reserve		791,422,144	527,660,680	524,953,502
Other reserves		10,892,043	10,892,043	10,892,043
Retained earnings		77,184,524	74,221,883	120,036,030
		<u>984,261,502</u>	<u>717,537,397</u>	<u>760,644,366</u>
Equity shareholders' funds		<u>984,261,502</u>	<u>717,537,397</u>	<u>760,644,366</u>

These financial statements were approved by the board of directors on 26 June 2015 and were signed on its behalf by:

N Q George



The notes on pages 8 to 12 form part of these financial statements.

# London Merchant Securities Limited

## Statement of changes in equity for the year ended 31 December

	Share capital £	Share premium £	Revaluation reserve £	Other reserves £	Retained earnings £	Total equity £
At 1 January 2014	82,562,722	22,200,069	527,660,68	10,892,043	74,221,883	717,537,397
Total comprehensive income for the year	-	-	263,761,464	-	2,962,641	266,724,105
<b>At 31 December 2014</b>	<b>82,562,722</b>	<b>22,200,069</b>	<b>791,422,144</b>	<b>10,892,043</b>	<b>77,184,524</b>	<b>984,261,502</b>
At 1 January 2013	82,562,722	22,200,069	524,953,502	10,892,043	120,036,030	760,644,366
Total comprehensive income for the year	-	-	2,707,178	-	164,185,853	166,893,031
Dividends paid	-	-	-	-	(210,000,000)	(210,000,000)
<b>At 31 December 2013</b>	<b>82,562,722</b>	<b>22,200,069</b>	<b>527,660,680</b>	<b>10,892,043</b>	<b>74,221,883</b>	<b>717,537,397</b>

The notes on pages 8 to 12 form part of these financial statements.

# London Merchant Securities Limited

## Notes to the financial statements

### 1. Basis of preparation

These financial statements have been prepared under the historical cost convention and in accordance with the Companies Act 2006 (the Act) and United Kingdom Accounting Standards. Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) has been adopted early by the Company and sets out a reduced disclosure framework for a 'qualifying entity' as defined in the standard. This addresses the financial reporting requirements and disclosure exemptions in the individual financial statements of qualifying entities that otherwise apply the recognition, measurement and disclosure requirements of EU-adopted IFRS.

The Company is a qualifying entity for the purposes of FRS 101. Note 14 gives details of the Company's ultimate parent company and from where its consolidated financial statements prepared in accordance with IFRS may be obtained.

These are the first financial statements of the Company prepared in accordance with FRS 101. The Company's date of transition to FRS 101 is 1 January 2013. FRS 101 sets out amendments to EU-adopted IFRS that are necessary to achieve compliance with the Act and related Regulations. The disclosure exemptions adopted by the Company in accordance with FRS 101 are as follows:

- the requirements of paragraphs 91 to 99 of IFRS 13 Fair Value Measurement;
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- the requirements of IFRS 7 Financial Instruments: Disclosures;
- the requirements of IAS 7 Statement of Cash Flows; and
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group.

The Company has notified its shareholders in writing about, and they do not object to, the use of the disclosure exemptions used by the Company in these financial statements.

Note 15 explains that there are no differences in shareholders' equity determined in accordance with FRS 101 and previous UK GAAP as at 1 January 2013 and 31 December 2013 and no differences in profit or loss determined in accordance with previous UK GAAP and FRS 101 for the year ended 31 December 2013.

The preparation of financial statements in accordance with FRS 101 requires the use of certain critical accounting estimates and judgements. It also requires management to exercise judgement in the process of applying the Company's accounting policies. The Company's significant accounting policies are stated in note 2. Not all of these accounting policies require management to make difficult, subjective or complex judgements or estimates. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results may differ from those estimates.

## 2. Accounting policies

### Going concern

After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. The company therefore continues to adopt the going concern basis in preparing its financial statements.

### 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 2014 which will include the professional valuation of properties. Surpluses or deficits resulting from changes in the directors' valuation are reported in the statement of comprehensive income in the year in which they arise.

### Financial assets

- (i) Cash and cash equivalents – Cash comprises cash in hand and on-demand deposits less overdrafts. Cash equivalents comprise short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.
- (ii) Trade receivables – Trade receivables are recognised and carried at the original transaction value. A provision for impairment is established where there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables concerned.

### Financial liabilities

- (i) Trade payables – Trade payables are recognised and carried at the original transaction value.

### Taxation

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

### Dividends

Dividends payable on the ordinary share capital are recognised in the year in which they are declared.

## 3. Administrative expenses

### 4. Operating loss

Audit fees of £2,500 (2013: £2,500) have been incurred by Derwent London plc on behalf of the Company.

The Company does not have any employees (2013: nil) and there were no directors' emoluments (2013: £nil).

## 5. Interest receivable and similar income

	2014 £	2013 £
Intercompany interest	18,458,735	18,537,228

## 6. Interest payable and similar charges

	2014 £	2013 £
Amortisation of loan arrangement costs	70,788	67,031
Interest on bond	11,375,000	11,375,000
Intercompany interest	4,034,034	2,895,919
Other	5,323	5,319
	15,485,145	14,343,269

## 7. Tax on profit on ordinary activities

There is no tax charge for the year (2013: £nil).

### Factors affecting the tax for the year

The effective rate of tax for the year is lower (2013: lower) than the standard rate of corporation tax in the UK. The differences are explained below.

	2014 £	2013 £
Profit before tax	2,962,641	164,185,853
Current tax at 21.5% (2013: 23.25%)	636,968	38,173,211
Effects of:		
Group relief claimed not paid	(1,047,302)	(1,385,170)
Difference in interest rate on intercompany loans for tax purposes	410,334	411,959
Group dividends	-	(37,200,000)
Tax charge for the year	-	-

The expected tax rate for 2014 has been changed in line with the 2014 Finance Act.

## 8. Dividend

	2014 £	2013 £
Dividend paid - £nil (2013: 63.59p per share)	-	210,000,000

## 9. Investment in subsidiary undertakings

	2014 £	2013 £
At 1 January	588,516,929	585,809,751
Revaluation of investment in subsidiary undertakings	263,761,464	2,707,178
At 31 December	852,278,393	588,516,929
Historical cost of revalued shares	60,856,249	60,856,249

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

The company is exempt by virtue of section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements 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.

#### 10. Debtors

	2014 £	2013 £
Falling due within one year:		
Amounts due from group undertakings	399,051,202	380,592,467
Other debtors	154	154
Taxation and social security	10,185	10,788
	<hr/>	<hr/>
	399,061,541	380,603,409
	<hr/>	<hr/>

Amounts owed by group undertakings are unsecured, have no fixed date of repayment and are repayable on demand. Interest is charged at the Group's average weighted cost of borrowings.

#### 11. Creditors

	2014 £	2013 £
Falling due within one year:		
Bank overdraft - unsecured	-	30
Amounts owed to group undertakings	90,033,529	74,608,795
Trade creditors	391	392
Accruals and deferred income	3,277,261	3,277,261
	<hr/>	<hr/>
	93,311,181	77,886,478
	<hr/>	<hr/>

Amounts owed to group undertakings are unsecured, have no fixed date of repayment and are repayable on demand. Interest is charged at the Group's average weighted cost of borrowings.

	2014 £	2013 £
Falling due after more than one year:		
6.5% Secured Bond 2026	175,000,000	175,000,000
Unamortised issue costs	(1,232,749)	(1,303,537)
	<u>173,767,251</u>	<u>173,696,463</u>

The fair value of the secured bond at 31 December 2014 was £227.4 million (2013: £199.0 million) which was determined by the ask price of £129.94 per £100 (2013: £113.72 per £100). It is secured on all the assets of the Company. The maturity profile of the Company's borrowing is shown below:

	2014 £	2013 £
<b>Borrowings:</b>		
Repayable after more than five years	173,767,251	173,696,463

## 12. Called up share capital

	2014 £	2013 £
<b>Allotted, called up and fully paid</b>		
330,250,888 ordinary shares of £0.25 each	82,562,722	82,562,722

## 13. Charges

There is a floating charge over the assets of some of the Company's subsidiary undertakings to secure the £175,000,000 Bond.

## 14. Parent company

The Company's immediate and 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.

## 15. Explanation of transition to FRS 101 from previous UK GAAP

As stated in note 1, these are the Company's first financial statements prepared in accordance with FRS 101.

The accounting policies set out in note 2 have been applied in preparing the financial statements for the year ended 31 December 2014 and the comparative information presented in these financial statements for the year ended 31 December 2013.

There are no differences between FRS 101 and previous UK GAAP for any of the comparative periods.