Registered No 5291183

Longmartin Properties Limited

Annual Report for the year ended 30 September 2011

Longmartin Properties Limited

Annual Report
For the year ended 30 September 2011

Longmartin Properties Limited

Directors, officers and advisors

Directors
Sir Brian Hill (Chairman)
B Bickell
F C G Hohler
J S Lane
F W Scarborough
T J C Welton

Company Secretary
P R Thomas

Registered office
Pegasus House
37- 43 Sackville Street
London
W1S 3DL

Solicitors
Eversheds LLP

Independent auditors
PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
No1 Embankment Place
London
WC2N 6RH

Bankers
Bank of Scotland

Directors' report

Registered No. 5291183

The Directors present the Annual Report and the audited consolidated financial statements of the Group and Company for the year ended 30 September 2011

Principal activities
The Group is engaged in investment in properties with primarily commercial uses and their improvement through refurbishment and active management

Business review
The results for the year are set out in the Group profit and loss account on page 8

The Group has long leasehold interests in a number of properties which form an island site of almost 1 9 acres, with frontages to Long Acre and Upper St Martin's Lane in Covent Garden, London Its holdings comprise two elements

- St Martin's Courtyard, a redevelopment and regeneration scheme comprising 22 shops (68,000 sq ft), five restaurants (25,000 sq ft), 72,000 sq ft of offices and 34 apartments
- A number of buildings adjacent to the Courtyard project, which have a total of 77,000 sq ft The Group is undertaking a phased programme of refurbishment and improvement

The final phase of Longmartin's St Martin's Courtyard project was completed in April 2011 The scheme, which is fully let other than two small shops, now has a working and residential population of around 850 Other projects in adjacent buildings are now in hand to refurbish 10,000 sq ft of offices, to create a new small shop on Long Acre and to commence a rolling programme of improvements to a block of twelve apartments fronting Shelton Street

Net property revenue for the year amounted to £6,005,000 (2010 £2,403,000) Administrative expenses totalled £834,000 (2010 £787,000) and included fees payable during the year to Shaftesbury PLC in its capacity as the Group's project manager of £545,000 (2010 £732,000)

Profit for the year before taxation amounted to £4,593,000 (2010 £1,332,000) After provision for taxation amounting to £1,198,000 (2010 £442,000), profit after taxation amounted to £3,395,000 (2010 £890,000)

On 21 December 2011, the Company entered into a facility agreement with Aviva Commercial Finance Limited The facility of £120 million, which was fully drawn on completion, is for a term of 15 years, expiring on 21 December 2026, at a fixed rate of interest of 4 43% The facility is secured against the assets of the Group

Principal risks and uncertainties
Operational and financial risks facing the business are monitored through a process of regular assessment by the executive team and reported and discussed at meetings of the Board

The Group's principal risks have remained broadly unchanged over the year and relate to the valuation risk inherent in property investment, the location of its portfolio and certain aspects of its strategy

Property valuations
The valuation of all property assets includes assumptions regarding income expectations and yields that investors would expect to achieve on those assets over time Many external economic and market factors, such as interest rate expectations, bond yields, the availability and cost of finance and the relative attraction of property against other asset classes, could lead to a reappraisal of the assumptions used to arrive at current valuations In adverse conditions this reappraisal can lead to a reduction in property values and a loss in net asset value, amplified by the effect of gearing

The Group has chosen to invest in property assets in a particular location and with uses which have historically demonstrated a much lower degree of valuation volatility than the wider market

Longmartin Properties Limited

Directors' report (continued)

Principal risks and uncertainties (continued)

Location of property assets
The Group's property assets are concentrated in Covent Garden, in the West End of London The prosperity of the West End economy, and therefore the Group's retail and restaurant occupiers is heavily dependent on large numbers of visitors

Events which discourage visitors, such as threats to security or public safety due to terrorism, health concerns such as an influenza pandemic, or disruption to the public transport network on which the area depends, could reduce visitor numbers Over time, if a fall in visitors was both sustained and significant, this could lead to a reduction in occupier demand and the rental potential and value of the Group's property assets

Such, events which are faced by all high profile locations such as London, are often beyond the Group's control, and are an inherent risk in the Group's geographically-focussed investment strategy

The Group has in place insurance which would meet the cost of physical destruction of its property assets resulting from a terrorist event, and would also provide reimbursement for up to four years' loss of income

All of the Group's properties are located within the jurisdiction of Westminster City Council Changes to their policies, particularly those relating to planning and licensing, could have a significant impact on the Group's ability to maximise the long term potential of its assets

The Group works closely with the local authority to ensure that its properties are operated in a manner which complies with local policies and statutes It makes representations to the local authority regarding proposed policy changes so that its views and practical experiences are considered in framing public policy

Tenant risk
As a result of adverse conditions in the wider economy, a restriction of the availability of credit for consumers and businesses could lead to lower levels of consumer spending, a higher level of business failures and difficulties for new ventures in raising start-up capital This could adversely affect the financial viability of the Group's tenants, potentially leading to higher levels of vacancies and declines in rental values

The wide diversity of visitors to the West End means that overall visitor numbers and spending are less influenced by UK economic conditions than in other domestic retail and leisure locations

The Group reviews the creditworthiness of prospective new commercial tenants Where appropriate new tenants are required to provide a cash deposit as security against default on their rent commitment

Dividends
Dividends paid during the year ended 30 September 2011 are set out in note 7 to the financial statements

An interim dividend of £300,000 in respect of the year ended 30 September 2010 was paid during the year In addition, three interim dividends in respect of the year ended 30 September 2011 totalling £1,850,000 were paid during the year A fourth interim dividend of 9 00p per Ordinary share, amounting to a distribution of £1,400,000 was declared on 9 November 2011 and paid on 22 December 2011

The Directors do not recommend the payment of a final dividend in respect of the year ended 30 September 2011 (2010 £Nil)

Longmartin Properties Limited

Directors' report (continued)

Directors
The Directors who served during the year and up to the signing of the financial statements were as follows

Sir Brian Hill (Chairman)
B Bickell
F C G Hohler
J S Lane
S J Quayle (resigned 11 May 2011)
F W Scarborough
T J C Welton (appointed 28 August 2011)

None of the Directors who served during the year had any interests in the share capital of the Company

Employees
The Group has no employees (2010 None)

Charitable donations
The Group made no charitable donations during the year (2010 £Nil)

Directors' indemnities and Directors' and Officers' liability insurance
The Company had agreed to indemnify each of the Directors against any liability incurred by the Directors in the course of their office to the extent permitted by law

The Company maintains Directors' and Officers' liability Insurance with a level of cover of £5 million

Directors' responsibilities statement
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 prepared 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 Group and Company and of its profit or loss 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 have been followed, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and 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 Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

Independent auditors
PricewaterhouseCoopers LLP have indicated their willingness to continue in office and a resolution to reappoint them as auditors will be proposed at the next Annual General Meeting

Longmartin Properties Limited

Directors' report (continued)

Disclosure of information to auditors
Each of the persons who is a Director of the Company at the time when this report is approved confirms that

a So far as he is aware, there is no relevant audit information of which the Company's auditors are unaware, and
b He has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information

This confirmation is given in accordance with Section 418 of the Companies Act 2006

By order of the Board

P R Thomas
Company Secretary
13 February 2012

Longmartin Properties Limited

Independent auditors' report
To the members of Longmartin Properties Limited

We have audited the group and parent company financial statements (the "financial statements") of Longmartin Properties Limited for the year ended 30 September 2011 which comprise the Group profit and loss account, the Group and Company balance sheets, the Group statement of recognised gains and losses, the Group cash flow statement and the notes to the financial statements 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)

Respective responsibilities of directors and auditors
As explained more fully in the Directors' Responsibilities Statement set out on page 5, 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 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 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

Scope of the audit of the financial statements
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 group's and parent 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 In addition, we read all the financial and non-financial information in the Directors' report to identify material inconsistencies with the audited financial statements If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

Opinion on financial statements
In our opinion the financial statements

- give a true and fair view of the state of the group's and the parent company's affairs as at 30 September 2011 and of the Group's profit and cash flows 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 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

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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent company 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

Andrew Paynter (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors, London, 13 February 2012

Longmartin Properties Limited

Group profit and loss account
For the year ended 30 September 2011

	Note	2011	2010
		£'000	£'000
Turnover	2	**8,741**	4,155
Rents payable		**(530)**	(517)
Other property charges	3	**(2,206)**	(1,235)
Net property revenue		**6,005**	2,403
Administrative expenses	4	**(834)**	(787)
Operating profit		**5,171**	1,616
Net interest payable	5	**(578)**	(284)
Profit on ordinary activities before taxation		**4,593**	1,332
Tax on profit on ordinary activities	6	**(1,198)**	(442)
Profit for the financial year	16	**3,395**	890

The above results relate to the continuing operations of the Group

There is no difference between the profit on ordinary activities before taxation and retained profit for the years stated above and their historical cost equivalents

Group statement of total recognised gains and losses
For the year ended 30 September 2011

	2011	2010
	£'000	£'000
Profit for the financial year	**3,395**	890
Unrealised surplus on revaluation of investment properties	**10,099**	58,275
Total recognised gains for the year	**13,494**	59,165

The notes on pages 11 to 19 form an integral part of this Group financial information

Longmartin Properties Limited

Balance sheets
As at 30 September 2011

Registered No 5291183

	Note	Group 2011 £'000	Group 2010 £'000	Company 2011 £'000	Company 2010 £'000
Fixed assets					
Investment property	8	**236,265**	211,713	**236,265**	211,713
Lease incentives	9	**3,361**	1,403	**3,361**	1,403
		239,626	213,116	**239,626**	213,116
Current assets					
Debtors	10	**2,220**	1,195	**2,257**	1,195
Cash at bank	11	**3,506**	3,744	**3,452**	3,744
		5,726	4,939	**5,709**	4,939
Creditors: amounts falling due within one year	12	**(44,778)**	(29,158)	**(44,766)**	(29,163)
Net current liabilities		**(39,052)**	(24,219)	**(39,057)**	(24,224)
Total assets less current liabilities		**200,574**	188,897	**200,569**	188,892
Deferred taxation	13	**(923)**	(590)	**(923)**	(590)
Net assets		**199,651**	188,307	**199,646**	188,302
Capital and reserves					
Called up share capital	15	**15,564**	15,564	**15,564**	15,564
Share premium account	16	**143,396**	143,396	**143,396**	143,396
Revaluation reserve	16	**38,911**	28,812	**38,911**	28,812
Profit and loss account	16	**1,780**	535	**1,775**	530
Shareholders' funds	17	**199,651**	188,307	**199,646**	188,302

The notes on pages 11 to 19 form an integral part of this Group financial information

On behalf of the Board who approved the financial statements on pages 8 to 19 on 13 February 2012

Sir Brian Hill
Director

Jonathan S. Lane
Director

Longmartin Properties Limited

Group cash flow statement
For the year ended 30 September 2011

	Note	2011	2010
		£'000	£'000
Net cash inflow from operating activities	18	**3,403**	997
Returns on investments and servicing of finance			
Interest paid		**(578)**	(284)
Taxation			
Corporation tax paid		**(244)**	(106)
Capital expenditure and financial investment			
Expenditure on investment properties		**(6,869)**	(27,966)
Equity dividends paid to shareholders		**(2,150)**	(650)
Cash outflow before use of financing and cash resources		**(6,438)**	(28,009)
Financing			
Shareholders' loans		**6,200**	26,000
Decrease in cash	19	**(238)**	(2,009)
Reconciliation of net (debt)/funds			
Net (debt)/funds at 1 October		**(22,256)**	5,753
Decrease in cash in the year		**(238)**	(2,009)
Increase in shareholder funding		**(6,200)**	(26,000)
Closing net debt at 30 September		**(28,694)**	(22,256)

The notes on pages 11 to 19 form an integral part of this Group financial information

Notes to the financial statements

1. Accounting policies

Basis of accounting
The financial statements have been prepared on the going concern basis and in accordance with applicable United Kingdom Accounting Standards The historical cost basis of accounting has been used with the exception of investment properties which are stated at revalued amounts in accordance with SSAP 19 "Accounting for Investment Properties" and which requires a departure from the requirements of the Companies Act 2006 relating to depreciation and amortisation as explained below

Accounting policies have been applied consistently in all periods presented in these financial statements

Basis of consolidation
The consolidated financial statements incorporate the audited financial statements of the Company and its subsidiaries made up to the balance sheet date As permitted by Section 408 of the Companies Act 2006, no profit and loss account is presented for the Company

Investment properties
Investment properties are revalued annually by external professional valuers on an open market basis The Market Value as determined by the valuers is reduced for any unamortised lease incentives held at the balance sheet date

Any surplus or temporary deficit arising on the revaluation of investment properties is transferred to or from the revaluation reserve Permanent diminutions in value below cost arising in the year are charged in the profit and loss account for that year Cumulative revaluation deficits which are considered to be permanent are written off against profit and loss account reserves

Additions to properties include costs of a capital nature only All other property expenditure is written off in the profit and loss account as incurred No finance costs are capitalised

Where refurbishment projects are in progress at the balance sheet date, the contractually committed costs to be incurred in completing such projects are taken account of in the valuation

Amounts received by way of dilapidations from tenants vacating properties are credited against the cost of reinstatement works Where the Company has no intention of carrying out such works, the amounts received are credited to the profit and loss account

In the case of leasehold interests, amounts payable under operating leases are charged to the profit and loss account in the year in which they are incurred

Purchases and sales of investment properties
Purchases and sales of investment properties are recognised in the financial statements on the date at which there is a legally binding and unconditional contract On the disposal of an investment property the surplus or deficit is calculated by reference to the book value at the date of sale and included in the profit and loss account Accumulated revaluation surpluses are released to the profit and loss account on disposal

Depreciation and amortisation of properties
In accordance with SSAP 19, no provision is made for depreciation of freehold properties or amortisation of leasehold properties with over 20 years unexpired The Companies Act 2006 requires all properties to be depreciated which conflicts with the generally accepted accounting principle, set out in SSAP 19 The Directors consider that, as these properties are held for long term investment and are revalued annually, to depreciate them would not give a true and fair view and it is necessary to adopt SSAP 19 in order to give a true and fair view It is not practicable to quantify the depreciation or amortisation which might otherwise have been charged

Investment in group undertakings
Shares in group undertakings are included in the Company's balance sheet at cost

Longmartin Properties Limited

Notes to the financial statements (continued)

1. Accounting policies (continued)

Share capital
Ordinary shares are classified as equity when there is no obligation to transfer cash or other assets Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from retained earnings

Turnover
Revenue comprises rents receivable from tenants under operating leases recognised on an accruals basis, lease incentives and recoverable expenses incurred on behalf of tenants Value added tax is excluded from all amounts Income arising as a result of rent reviews is recognised when agreement of new terms is reasonably certain

The cost of any incentives given to lessees to enter into leases is spread on a straight-line basis over the period from the lease commencement date to the earlier of the date of the lease expiry, the first rent review or the date of the first break option Lease incentives are usually in the form of rent free periods

Trade and other receivables
Trades and other receivables are recognised at cost and subsequently measured at cost less impairment where it is established there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivable The provision is recorded in the profit and loss account

Trade and other payables
Trade and other payable are stated at cost

Current and deferred corporation tax
The tax expense or credit in a given year comprises current and deferred tax

Current tax is the corporation tax payable on taxable income for the current year adjusted for prior years' under or over-provisions

Deferred tax is recognised in respect of 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 Deferred tax is not provided when investment properties are revalued unless, by the balance sheet date, there is a binding agreement to sell the revalued assets and the gain or loss expected to arise on the sale has been recognised in the financial statements

A net deferred tax asset is recognised as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of 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 an non-discounted basis

Dividends
Dividends are recognised in the year in which they are paid or received

Longmartin Properties Limited

Notes to the financial statements (continued)

2. Turnover

	2011	2010
	£'000	£'000
Rents invoiced	**5,298**	2,693
Recognition of lease incentives	**2,748**	1,382
Rents receivable	**8,046**	4,075
Recoverable property expenses	**695**	80
	8,741	4,155

3. Other property charges

	2011	2010
	£'000	£'000
Property outgoings	**1,511**	1,155
Recoverable property expenses	**695**	80
	2,206	1,235

4. Administrative expenses

Audit fees for the year ended 30 September 2011 totalled £17,000 (2010 £16,000)

The seven directors (2010 six) who served during the year received no remuneration (2010 £Nil)

The Group had no employees (2010 None)

5 Net interest payable

	2011	2010
Interest receivable and similar income		
	£'000	£'000
Interest receivable	**13**	5
Interest payable and similar costs		
Other interest payable	**(11)**	-
Interest payable on loans to shareholders	**(580)**	(289)
Net interest payable	**(578)**	(284)

Longmartin Properties Limited

Notes to the financial statements (continued)

6. Tax on profit on ordinary activities

	2011	2010
	£'000	£'000
Current tax:		
United Kingdom corporation tax at 27% (2010 28%)	**920**	50
Adjustment in respect of prior years	**(55)**	-
Total current tax	**865**	50
Deferred tax:		
Current year	**333**	392
Total deferred tax (note 14)	**333**	392
Tax on profit on ordinary activities	**1,198**	442

Factors affecting the current and future tax charges

	2011	2010
	£'000	£'000
Profit on ordinary activities before taxation	**4,593**	1,332
Profit on ordinary activities at standard rate of corporation tax in the United Kingdom at 27% (2010 28%)	**1,240**	373
Capital allowances claimed	**(333)**	(440)
Expenses and provisions not deductible for corporation tax and other permanent timing differences	**13**	117
Adjustment in respect of prior years	**(55)**	-
Total current tax	**865**	50

During 2011, the UK Government further extended the changes made to the UK corporation tax system previously announced in the June 2010 Budget Statement, where the UK Government proposed reducing the main rate of corporation tax by 1% per year to 24% by 1 April 2014 As published in the March 2011 Budget Statement, from 1 April 2011 the main UK corporation tax rate has been reduced from 28% to 26% (it was previously intended to reduce to 27%) and accordingly the Group has applied an average tax rate of 27% to reflect the change in the rate of tax to be applied to its profits

The main rate of corporation tax will reduce to 25% from 1 April 2012 and thereafter by 1% per annum to a minimum rate of 23% The reduction to 25% was substantively enacted in July 2011 and therefore the Group has applied this rate to the deferred tax liabilities held as at the balance sheet date as it is anticipated these will be realised or settled on after 1 April 2012

The proposed further decreases to 23% are not expected to be substantively enacted until future Finance Bills are approved and therefore the Group has not at present taken such rates into account when calculating deferred tax assets and liabilities

Longmartin Properties Limited

Notes to the financial statements (continued)

7. Dividends

	2011	2010
	£'000	£'000
Interim dividends in respect of the year ended 30 September 2010.		
Third interim at 1 93p per Ordinary share	300	200
Interim dividends in respect of the year ended 30 September 2011.		
First interim at 3 86p per Ordinary share	600	150
Second interim at 2 25p per Ordinary share	350	300
Third interim at 6 10p per Ordinary share	900	-
	2,150	650

A fourth interim dividend of 9 00p per Ordinary share, amounting to a distribution of £1,400,000, was declared on 9 November 2011 and paid on 22 December 2011

8 Investment property

Group and Company	
Leasehold property – over 50 years unexpired	**£'000**
At 1 October 2010	**211,713**
Refurbishment and other expenditure	**14,453**
Surplus on revaluation	**10,099**
At 30 September 2011 – book value	**236,265**
Lease incentives recognised	**4,735**
At 30 September 2011 – Market Value	**241,000**
Historic cost of property at valuation	197,354

Investment properties were subject to external valuation as at 30 September 2011 by qualified professional valuers, being members of the Royal Institution of Chartered Surveyors, working for Knight Frank LLP, Chartered Surveyors, acting in the capacity of External Valuers All such properties were valued on the basis of Market Value in accordance with the RICS Valuation Standards

Capital commitments

	2011	2010
	£'000	£'000
Authorised and contracted	-	8,000
Authorised but not contracted	1,200	550

Notes to the financial statements (continued)

9. Lease incentives

	2011	2010
	£'000	£'000
Lease incentives recognised to date	**4,735**	1,983
Less included in trade and other receivables (note 11)	**(1,374)**	(580)
	3,361	1,403

The unamortised amount of lease incentives is allocated between amounts to be charged against rental income within one year of the balance sheet date and amounts which will be charged against rental income in subsequent periods

Previously, the unamortised balance of lease incentives was included within trade and other receivables The amounts disclosed in previous years have been reclassified as described above The reclassification has not affected the Company's previously reported net assets or profits

10. Debtors

	Group		Company	
	2011	2010	**2011**	2010
	£'000	£'000	**£'000**	£'000
Amounts due from tenants	**694**	220	**731**	220
Lease incentives recognised	**1,374**	580	**1,374**	580
Corporation tax recoverable	**-**	76	**-**	76
Other debtors and prepayments	**152**	319	**152**	319
	2,220	1,195	**2,257**	1,195

11. Cash at bank

Group and Company cash balances at 30 September 2011 included an amount of £2,366,000 (2010 £2,366,000), being a deposit made in respect of payment obligations under a building contract The deposit will be released in full on satisfactory completion of the building contract

12. Creditors: amounts falling due within one year

	Group		Company	
	2011	2010	**2011**	2010
	£'000	£'000	**£'000**	£'000
Rents invoiced in advance	**1,207**	637	**1,198**	637
Amount owed to shareholders (see note 21)	**32,200**	26,000	**32,200**	26,000
Capital expenditure accruals	**2,398**	1,814	**2,398**	1,814
Other creditors and accruals	**8,973**	707	**8,970**	712
	44,778	29,158	**44,766**	29,163

Notes to the financial statements (continued)

13. Deferred taxation – Group and Company

	2011 £'000	2010 £'000
At 1 October	**590**	198
Provided in year	**333**	392
At 30 September	**923**	590
Comprising		
Provision in respect of accelerated capital allowances	**923**	590

No provision has been made in respect of the liability to corporation tax which would arise in the event of realisation of properties at the values stated in the financial statements At 30 September 2011, the estimated contingent corporation tax liability amounted to £23,332,000 (2010 £19,653,000)

Shareholders have undertaken to reimburse the Company in respect of the corporation tax on any chargeable gain which would arise in the event of sale of the Company's properties to a maximum amount of approximately £14,440,000 (2010 £16,200,000), which would be contributed by way of additional share capital

14. Investment in group undertakings

At 30 September 2011 the Company owned the entire issued Ordinary share capital of

	Ordinary shares of £1 each held	Principal activity
Longmartin Investments Limited	100	Property investment
St Martin's Courtyard Limited	100	Dormant

Both subsidiary undertakings are incorporated in Great Britain and registered in England and Wales

15 Called up share capital – Group and Company

	2011 £'000	2010 £'000
Issued, called up and fully paid		
7,782,100 A Ordinary shares of £1 each	**7,782**	7,782
7,782,100 B Ordinary shares of £1 each	**7,782**	7,782
	15,564	15,564

Each class of Ordinary shares has equal voting rights, rights to dividends and rights on winding up of the Company

Notes to the financial statements (continued)

16. Reserves

Group	Share premium account £'000	Revaluation reserve £'000	Profit and loss account £'000	Total £'000
At 1 October 2010	143,396	28,812	535	172,743
Profit for the year	-	-	3,395	3,395
Dividends paid	-	-	(2,150)	(2,150)
Surplus on revaluation of investment properties	-	10,099	-	10,099
At 30 September 2011	143,396	38,911	1,780	184,087
Company				
At 1 October 2010	143,396	28,812	530	172,738
Profit for the year	-	-	3,395	3,395
Dividends paid	-	-	(2,150)	(2,150)
Surplus on revaluation of investment properties	-	10,099	-	10,099
At 30 September 2011	143,396	38,911	1,775	184,082

17. Reconciliation of movements in shareholders' funds

	Group 2011 £'000	2010 £'000	Company 2011 £'000	2010 £'000
Profit on ordinary activities after taxation	3,395	890	3,395	890
Dividends paid	(2,150)	(650)	(2,150)	(650)
	1,245	240	1,245	240
Surplus on revaluation of investment properties	10,099	58,275	10,099	58,275
Increase in shareholders' funds during the year	11,344	58,515	11,344	58,515
Opening shareholders' funds	188,307	129,792	188,302	129,787
Closing shareholders' funds	199,651	188,307	199,646	188,302

18 Cash flows from operating activities

	2011 £'000	2010 £'000
Operating profit	5,171	1,616
Adjustment for non-cash items		
Recognition of lease incentives	(2,748)	(1,382)
(Increase)/decrease in debtors	(307)	576
Increase in creditors	1,287	187
	3,403	997

Notes to the financial statements (continued)

19. Analysis of changes in net debt

	At 1.10.2010 £'000	Cash flows £'000	At 30.9.2011 £'000
Cash at bank	3,744	(238)	3,506
Indebtedness: Shareholder loans	(26,000)	(6,200)	(32,200)
Net debt	**(22,256)**	**(6,438)**	**(28,694)**

20. Leasing commitments

Minimum annual commitments under non-cancellable property leases

	2011 £'000	2010 £'000
Group and Company:		
Expiring after more than five years	**724**	517

21. Ultimate parent undertaking and related party transactions

The Company is jointly owned by Shaftesbury PLC and The Wardens and Commonalty of the Mystery of the Mercers of the City of London ("The Mercers' Company") During the year ended 30 September 2011

- the Company paid management fees totalling £545,000 (2010 £732,000) to Shaftesbury PLC,
- the Company paid head rents totalling £530,000 (2010 £517,000) to The Mercers' Company
- interest payable on loans from Shaftesbury PLC totalled £290,000 (2010 £145,000) and on loans from The Mercers' Company totalled £290,000 (2010 £145,000) Interest on loans from and to shareholders is calculated at Base Rate plus a margin, settled on a quarterly basis

The amount due to each shareholder at 30 September 2011, which under the terms of the respective loan agreements is repayable on demand, was £16,100,000 (2010 £13,000,000)

Shareholders have undertaken to provide the Company with the funds it requires to enable it to meet its financial obligations for the foreseeable future, by way of interest bearing shareholder loans

22. Post balance sheet event

On 21 December 2011, the Company entered into a facility agreement with Aviva Commercial Finance Limited The facility of £120 million, which was fully drawn on completion, is for a term of 15 years, expiring on 21 December 2026, at a fixed rate of interest of 4 43% The facility is secured against the assets of the Group