MBL

Market Building Limited

Financial Statements

2012

(Registration number 2290816)

TUESDAY

A1IPJTQA
A08 02/10/2012 #281
COMPANIES HOUSE

Market Building Limited

Contents

Market Building Limited

Report of the Directors

The directors present their report, together with the audited financial statements for the year ended 5th April 2012

Principal Activity

The principal activity of the company is the letting of the London Underwriting Centre building to tenants carrying on insurance and/ or reinsurance business in the London Insurance Market, or any other tenant acceptable to the Directors of the company Property management services are provided to tenants by The London Underwriting Centre Limited

Review of the business

The loss for the year amounted to £4,752,000 (2011 loss £4,192,000)

The background to the company's on-going losses has been the property lease obligations that were undertaken in the early 1990s at a level which was historically high and is still, over 20 years later, significantly higher than prevailing market levels

The results for the year show a small deterioration on 2011 This was due to a fall in occupancy during the year as several tenancies had breaks exercised The occupancy rate fell to below 80% during the year, however significant success with new lettings has resulted in an occupancy rate of 98% at the year end

Looking forward, the company's income levels will be influenced primarily by the ability to maintain a high occupancy level, and the state of the property market, which has a bearing on this, is difficult to predict

Risk Management

The company's activities expose it to a number of financial risks including credit risk, liquidity risk and price risk

Credit risk
The company's principal financial assets are bank balances, trade and other debtors

The company's credit risk is primarily attributable to its trade debtors New tenants are checked for covenant strength and rent deposits taken in some cases The amounts presented in the balance sheet are net of allowances for doubtful debtors

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies

Liquidity risk
The company receives funding from its parent, LUC Holdings Limited See note 1a for further comment on this

Price risk
The company's exposure to price risk is limited to market price movements on the vacant space that arises Once space is let it is on the basis of upward only rent reviews, and the risk is then minimal

The financial statements have been prepared on a going concern basis The holding company has agreed to provide such funds as are necessary for the company to continue to trade for the foreseeable future

Market Building Limited

Report of the Directors (continued)

Proposed Dividends

The directors do not recommend the payment of a dividend (2011 £Nil)

Directors

The current directors are listed below All served throughout the year except where indicated

R Lay (Chairman)
I Dowson

Disclosure of information to 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

Pursuant to section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office

Approved by the Board of Directors and signed on behalf of the Board

J R Bracken
Secretary

The London Underwriting Centre
3 Minster Court, Mincing Lane,
London, EC3R 7DD

18th September 2012

Company registered number 2290816

Market Building 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 they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

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 judgments and 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities

KPMG

Independent auditor's report to the members of Market Building Limited

We have audited the financial statements of Market Building Limited for the year ended 5th April 2012 set out on pages 6 to 13 The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK 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 Auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 4, 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 (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 web-site at 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 5th April 2012 and of its loss for the year then ended,

• have been properly prepared in accordance with UK 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, 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

P Holland

P Holland
(Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
Arlington Business Park
Theale
Reading
RG7 4SD
18th September 2012

Market Building Limited

Profit and Loss Account for the year ended 5th April 2012

	Note	2012 £'000	2011 £'000
Turnover	1(b)	6,872	8,223
Cost of sales		(14,060)	(13,842)
Utilisation of provision	11	8,150	7,130
Gross profit before additional provision for onerous contracts		962	1,511
Provision for onerous contracts	11	(4,355)	(4,325)
Gross loss		(3,393)	(2,814)
Administrative expenses		(589)	(377)
Operating loss	2	(3,982)	(3,191)
Other interest receivable and similar income	4	5	9
Unwinding of discount -provision for onerous contracts	11	(775)	(1,010)
Loss on ordinary activities before taxation		**(4,752)**	**(4,192)**
Tax on loss on ordinary activities	5	-	-
Loss for the financial year		**(4,752)**	**(4,192)**

The notes on pages 8 to 13 form part of these financial statements

The result for the year (and prior year) arises out of continuing activities

The company has no recognised gains and losses other than those included in the profit and loss account for the year and prior year, accordingly no statement of recognised gains and losses has been presented

Market Building Limited

Balance Sheet as at 5th April 2012

	Note	2012 £'000	2011 £'000
Fixed Assets			
Tangible assets	6	-	-
		-	-
Current Assets			
Debtors	7	4,508	3,787
Cash at bank and in hand	8	1,625	1,773
		6,133	5,560
Creditors - amounts falling due within one year	9	(2,113)	(2,818)
Net current assets		4,020	2,742
Total assets less current liabilities		4,020	2,742
Creditors - amounts falling due after more than one year			
Subordinated loan stock	10	(4,420)	(4,420)
Provisions for liabilities and charges	11	(35,980)	(39,000)
Net liabilities		(36,380)	(40,678)
Capital and reserves			
Called up share capital	12	240	240
Funding reserve	14	92,715	83,665
Profit and loss account	13	(129,335)	(124,583)
Shareholder's deficit	13	(36,380)	(40,678)

The notes on pages 8 to 13 form part of these financial statements

These financial statements were approved by the Board of directors and signed on behalf of the Board by

R Lay
Director
18th September 2012

Company registered number 2290816

Market Building Limited

Notes to the financial statements

1 Accounting policies

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

(a) *Basis of preparation*

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards

The financial statements have been prepared on the going concern basis, notwithstanding the net liabilities of £36,380,000 (2011 £40,678,000) which the directors believe appropriate for the following reasons The company is dependent for its working capital on funds provided to it by LUC Holdings Limited, the company's ultimate parent LUC Holdings Limited has indicated that for at least 12 months from the date of approval of these financial statements, and thereafter for the foreseeable future, it will continue to make available such funds as are needed by the company The directors consider that this should enable the company to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for payment As with any company placing reliance on other group entities for financial support, the directors 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 undertaking the directors believe that it remains appropriate to prepare the financial statements on a going concern basis

Under Financial Reporting Standard 1 (revised), the company is exempt from the requirement to prepare a cashflow statement on the grounds that it is a wholly owned subsidiary of a parent company whose financial statements are available to the public and include a consolidated cash flow statement

(b) *Turnover*

Turnover mainly represents rent and service charges received from sub-tenants of the London Underwriting Centre

Rental income is recognised on a straight line basis over the term of the individual tenant leases Service charge revenues are recognised when the costs related to the service charges are incurred by the company

All turnover is derived in the United Kingdom

(c) *Taxation*

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

(d) *Fixed assets and depreciation*

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over the estimated useful economic lives which range from 2 to 22½ years

To the extent that the carrying amount of the leasehold improvement asset exceeds its recoverable amount, the shortfall is recognised in the profit and loss account as an impairment loss

(e) *Operating Leases*

Income and costs arising on operating leases are taken to the profit and loss account on a straight-line basis over the period of the lease In accordance with Accounting Standards Board's (ASB) Urgent Issues Task Force Abstract 28 'Operating Lease Incentives' (UITF 28) the cost of lease incentives are spread evenly over the shorter of the period from the rent commencement date to the date of the next rent review or the lease end date

Market Building Limited

Notes to the financial statements (continued)

1 *Accounting policies (continued)*

(f) *Onerous contracts*

Due to the current level of market rents, in accordance with FRS 12, the operating lease agreement held by the company for the London Underwriting Centre building (see note 11) has been classified as an onerous contract, as the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it The shortfall has been recognised and measured as a provision, the movement in the provision is recognised in the profit and loss account Standard discounting techniques have been applied to the projected income and cost streams

2 *Operating loss is stated after charging*

	2012	2011
	£'000	£'000
Depreciation	-	56
auditor's remuneration in respect of audit of the financial statements	7	7
Rent due under operating lease for land and buildings	13,300	13,300

Fees paid to the company's auditor, KPMG LLP, and its associates for services other than the statutory audit of the company are not disclosed in these financial statements since the consolidated financial statements of the ultimate parent undertaking, LUC Holdings Limited, are required to disclose non-audit fees on a consolidated basis

3 *Director and Employee information*

There were no staff employed by the company other than the directors in either 2012 or 2011 The only staff employed within the group have contracts of employment with The London Underwriting Centre Limited, an associated group company

The directors did not receive any emoluments in respect of their services to the company (2011 £nil)

4 *Other interest receivable and similar income*

	2012	2011
	£'000	£'000
Bank interest	5	9

5 *Taxation*

	2012	2011
	£'000	£'000
Analysis of charge in year		
UK Corporation Tax		
Current tax on income for the year	-	-
Tax on loss on ordinary activities	-	-

Market Building Limited

Notes to the financial statements (continued)

5 Taxation (continued)

Factors affecting the tax charge for the year

The current tax charge for the year is higher (2011 higher) than the standard rate of corporation tax in the UK 26% (2011 28%) The differences are explained below

Current tax reconciliation	2012 £'000	2011 £'000
Loss on ordinary activities before taxation	(4,752)	(4,192)
Tax at 26% (2011 28%)	(1,236)	(1,174)
Effect of.		
Capital allowances for the period in excess of depreciation	(1)	(1)
Addition to tax losses	1,213	1,155
Group relief given for no consideration	24	20
Tax on loss on ordinary activities	-	-

A deferred tax asset of £17,462,000 (2011 £19,067,000) has not been recognised as, on the basis of all available evidence, it is not considered that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted The asset arises from tax losses carried forward of £72,741,000 giving rise to a deferred tax asset of £17,458,000 and a further deferred tax asset of £4,000 arising from accelerated capital allowances/ other timing differences

6 Fixed Assets

	Leasehold Improvements £'000
Cost	
At 6th April 2011	7,938
Additions	-
At 5th April 2012	7,938
Accumulated depreciation	
At 6th April 2011	7,938
Charge for the year	-
At 5th April 2012	7,938
Net book value 5th April 2012	-
Net book value 5th April 2011	-

Notes to the financial statements (continued)

7 *Debtors*

	2012 £'000	2011 £'000
Trade debtors	109	148
Other debtors	1,468	708
Prepayments and accrued income	2,931	2,931
	4,508	3,787

8 *Cash at bank and in hand*

The cash at bank and in hand includes restricted cash amounting to £787,000 (2011 £202,000) in relation to refundable tenant deposits

9 *Creditors: amounts falling due within one year*

	2012 £'000	2011 £'000
Other creditors	802	395
Accruals and deferred income	1,311	1,984
Amounts owed to group undertaking	-	439
	2,113	2,818

10 *Subordinated unsecured loan stock*

The subordinated unsecured loan stock , amounting to £4,420,000 (2011 £4,420,000), bears no interest and is repayable in full in March 2016

The subordinated loan stock is all held by shareholders of the parent company LUC Holdings Limited

11 *Provisions for liabilities and charges*

Provisions associated with property leases

	Estimated Income £'000	Estimated Costs £'000	Net Provision £'000
Balance at 6th April 2011	(33,390)	72,390	39,000
Provision used during the year	5,150	(13,300)	(8,150)
Increase in provision made during the year	2,540	1,815	4,355
Unwinding of discounted amount	(705)	1,480	775
Balance at 5th April 2012	(26,405)	62,385	35,980

The provision arises because adverse market conditions are expected to result in income achieved in the years to lease expiry in 2016 being less than the cost of meeting the unavoidable costs associated with the lease The level of provision is sensitive to changes in market conditions

The above provision for property leases relates to unavoidable costs associated with the lease of the London Underwriting Centre These costs consist of the shortfalls in rental incomes from sub leases when compared to amounts payable under the headlease and other expected costs associated with the headlease

<u>*Notes to the financial statements (continued)*</u>

12 *Called up share capital*

	2012	2011
Ordinary shares of £1 each	£'000	£'000
Issued and fully paid	240	240

13 *Shareholder's deficit*

	Share Capital £'000	Funding Reserve £'000	Profit and Loss account £'000	Total Shareholders' Deficit £'000
At 6th April 2011	240	83,665	(124,583)	(40,678)
Loss for the financial year	-	-	(4,752)	(4,752)
Capital contribution from parent	-	9,050	-	9,050
At 5th April 2012	240	92,715	(129,335)	(36,380)

14 *Funding Reserve*

The Funding reserve balance brought forward includes capital contributions made by the shareholders in the period up to July 1996 Additional capital contributions were received from the parent company, LUC Holdings Limited, since that date, and in the current year, through a formal waiver of the intercompany loan

15 *Operating Lease Commitment*

The company has an operating lease relating to the London Underwriting Centre, expiring in 2016, with annual rents currently of £13 3m These are reviewed every five years The last remaining review date, March 2011, has now passed, and while no change has been advised, none is expected

16 *Capital commitments*

The company had capital commitments amounting to £nil (2011 £nil) at the end of the year

17 *Holding company*

The immediate and ultimate holding company is LUC Holdings Limited, a company registered in England and Wales

A copy of the consolidated financial statements of LUC Holdings Limited, in which the company's results are included, can be obtained from LUC Holdings Limited, The London Underwriting Centre, 3 Minster Court, Mincing Lane, London EC3R 7DD

Notes to the financial statements (continued)

18 Related Party Transactions

Market Building Limited holds the lease of the London Underwriting Centre and sublets the space

Certain shareholders of the ultimate holding company (LUC Holdings Limited), owning a 5% share each, occupy or have occupied suites within the London Underwriting Centre during the year

Turnover includes the following amounts relating to transactions with the shareholders of the ultimate parent company

- £3,509,000 (2011 3,948,000) of income arising under the terms of standard Underleases The terms of these are established by market conditions prevailing at the commencement of the tenancy

As a result of the above transactions the following balances with shareholders of the ultimate parent company are included in the balance sheet at the year end

- £Nil (2011 £33,000) is included within trade debtors in respect of invoiced charges outstanding
- £740,000 (2011 £768,000) is included within accruals and deferred income in respect of income received in advance arising under tenant underleases

The subordinated loan stock (note 10) of £4,420,000 (2011 £4,420,000) is all held by shareholders of the parent company LUC Holdings Limited, and is non-interest bearing and is repayable in full in March 2016

The company is a wholly owned subsidiary of LUC Holdings Limited and as a result has taken advantage of the exemption contained within FRS8 and has therefore not disclosed transactions or balances with entities which form part of the group