

Company Registration No: 3266758

**DEVELOPMENT SECURITIES (No 5) LIMITED**

**Report and Financial Statements**

**31 December 2007**

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# **DEVELOPMENT SECURITIES (No 5) LIMITED**

## **REPORT AND FINANCIAL STATEMENTS 2007**

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# **DEVELOPMENT SECURITIES (No 5) LIMITED**

## **REPORT AND FINANCIAL STATEMENTS 2007**

### **OFFICERS AND PROFESSIONAL ADVISORS**

#### **DIRECTORS**

Development Securities Estates PLC  
M S Weiner  
M H Marx

#### **SECRETARY**

S A Lanes

#### **REGISTERED OFFICE**

Portland House  
Bressenden Place  
London SW1E 5DS

#### **BANKERS**

Barclays Bank PLC  
50 Pall Mall  
London SW1A 1QB

#### **SOLICITORS**

Kuit Steinart Levy  
3 St Mary's Parsonage  
Manchester  
M3 2RD

#### **AUDITORS**

Ernst & Young LLP  
1 More London Place  
London SE1 2AF

## **DEVELOPMENT SECURITIES (No 5) LIMITED**

### **DIRECTORS' REPORT**

The directors present their annual report and the audited financial statements for the year ended 31 December 2007.

### **PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS**

The principal activity of the company during the year and for the foreseeable future is property investment. The directors do not foresee any change in the future activities of the company.

### **RESULTS AND DIVIDENDS**

The loss for the year, after taxation was £322,527 (2006: £76,066). The directors are unable to recommend the payment of a dividend (2006: £nil).

### **DIRECTORS**

The directors who held office throughout the year and to date were as follows:

M H Marx  
M S Weiner  
Development Securities Estates PLC

### **DIRECTORS' AND OFFICERS' LIABILITY INSURANCE**

The Company maintains Directors' and officers' liability insurance, which is reviewed annually and is considered to be adequately insured. Such qualifying third party indemnity provisions remain in place at the date of approving the Directors' report.

### **DISCLOSURE OF INFORMATION TO AUDITORS**

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquires of fellow directors and the company's auditor, each director has taken all the steps that he is obliged to take as a director in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information.

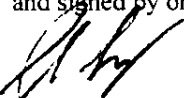
### **AUDITORS**

A resolution concerning the appointment of PricewaterhouseCoopers LLP as auditors is to be proposed at the forthcoming Annual General Meeting.

### **EVENTS AFTER BALANCE SHEET DATE**

The value of investment property at 30 June 2008 was £12,950,000.

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



S A Lanes  
Secretary  
24 November 2008

**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The directors are responsible for preparing the Annual 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). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss for that year. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable United Kingdom 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 proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. 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.

## **DEVELOPMENT SECURITIES (No 5) LIMITED**

### **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF DEVELOPMENT SECURITIES (No 5) LIMITED**

We have audited the financial statements of Development Securities (No 5) Limited for the year ended 31 December 2007 which comprise the Profit and Loss account, the Balance Sheet, the Statement of Total Recognised Gains and Losses and the related notes 1 to 14. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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 auditors' 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**

The Directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

#### **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

## DEVELOPMENT SECURITIES (No 5) LIMITED

### INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF DEVELOPMENT SECURITIES (No 5) LIMITED (continued)

#### Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2007 and of its loss for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the directors' report is consistent with the financial statements.

*Ernst & Young LLP*

Ernst & Young LLP

Registered auditor

London

27 November 2008

# DEVELOPMENT SECURITIES (No 5) LIMITED

## PROFIT AND LOSS ACCOUNT For the year ended 31 December 2007

	Notes	2007 £	2006 £
<b>TURNOVER</b>	2	1,296,205	1,035,580
Direct costs		<u>(453,321)</u>	<u>(288,332)</u>
<b>GROSS PROFIT</b>		842,884	747,248
Operating expenses		<u>(552,818)</u>	<u>(175,332)</u>
<b>OPERATING PROFIT</b>	3	290,066	571,916
Bank interest receivable		2,818	-
Interest payable and similar charges	4	<u>(601,499)</u>	<u>(630,045)</u>
<b>LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		(308,615)	(58,129)
Tax on loss on ordinary activities	5	<u>(13,912)</u>	<u>(17,937)</u>
<b>LOSS ON ORDINARY ACTIVITIES AFTER TAXATION</b>	12	<u>(322,527)</u>	<u>(76,066)</u>

All amounts relate to continuing activities.



# DEVELOPMENT SECURITIES (No 5) LIMITED

## BALANCE SHEET As at 31 December 2007

	Notes	2007 £	2006 £
<b>FIXED ASSETS</b>			
Investment property	6	<u>14,256,473</u>	<u>15,372,660</u>
<b>CURRENT ASSETS</b>			
Debtors	7	559,128	315,069
Cash at bank and in hand		<u>460,783</u>	<u>109,429</u>
		1,019,911	424,498
<b>CREDITORS: amounts falling due within one year</b>	8	<u>(3,028,122)</u>	<u>(11,872,486)</u>
<b>NET CURRENT LIABILITIES</b>		<u>(2,008,211)</u>	<u>(11,447,988)</u>
<b>CREDITORS: amounts falling due after more than one year</b>	9	(9,864,741)	-
<b>PROVISION FOR LIABILITIES</b>	10	<u>(95,278)</u>	<u>(81,366)</u>
<b>NET ASSETS</b>		<u>2,288,243</u>	<u>3,843,306</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	11	2	2
Revaluation reserve	12	3,015,493	4,248,029
Profit and loss account - deficit	12	<u>(727,252)</u>	<u>(404,725)</u>
<b>EQUITY SHAREHOLDERS' FUNDS</b>	12	<u>2,288,243</u>	<u>3,843,306</u>

The financial statements were approved by the Board of Directors on 24 November 2008.

Signed on behalf of the Board of Directors

  
 M H Marx  
 Director

## DEVELOPMENT SECURITIES (No 5) LIMITED

### STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES For the year ended 31 December 2007

	2007 £	2006 £
Loss on ordinary activities after taxation	(322,527)	(76,066)
(Deficit) / surplus on revaluation of investment property	<u>(1,232,536)</u>	<u>2,077,848</u>
Total recognised (losses) /gains for the year	<u>(1,555,063)</u>	<u>2,001,782</u>

# DEVELOPMENT SECURITIES (No 5) LIMITED

## NOTES TO THE ACCOUNTS

Year ended 31 December 2007

### 1 ACCOUNTING POLICY

#### **Basis of preparation**

The financial statements are prepared in accordance with applicable United Kingdom accounting standards under the historical cost convention as modified by the revaluation of investment properties. The true and fair override provisions of the Companies Act 1985 have been invoked, see 'Investment properties' below. The accounting policies adopted are consistent with the prior year.

#### **Going concern**

The Directors have prepared the financial statements on the going concern basis, on the grounds that it is the intention of the Board of the Development Securities PLC, the ultimate Parent Company, to continue to support the Company for a period of at least twelve months from the date of approval of the financial statements so that it can meet its liabilities as and when as they fall due.

#### **Cash flow statement**

The Company has taken advantage of the exemption given in FRS 1 (revised 1996) 'Cash Flow Statements', from preparing a cash flow statement on the basis that it is a wholly owned subsidiary of Development Securities PLC. The consolidated financial statements of Development Securities PLC are publicly available.

#### **Rental income**

Rental income is recognised on an accrued basis. Any incentives for lessees to enter into lease agreements are spread evenly over the periods to the earlier of the lease expiry and the first review date on which rent is adjusted to the market rate.

#### **Investment properties**

The Company holds a property for long-term investment. Investment properties are accounted for in accordance with SSAP 19, as follows:

- investment properties are revalued annually. The surplus or deficit on revaluation is transferred to the revaluation reserve unless a deficit below original cost, or its reversal, on an individual investment property is expected to be permanent, in which case it is recognised in the profit and loss account for the year; and
- no depreciation is provided in respect of leasehold investment properties where the lease has over 20 years to run.

Although the Companies Act would normally require the systematic annual depreciation of leased fixed assets, the Directors believe that the policy of not providing depreciation is necessary in order for the financial statements to give a true and fair view, since the current value of investment properties, and changes to that current value are of prime importance rather than a calculation of systematic annual depreciation. Depreciation is only one of the many factors reflected in the annual valuation, and the amount which might otherwise have been included cannot be separately identified or quantified.

#### **Taxation**

Current tax, including UK corporation tax and foreign tax where applicable, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax is not provided on timing differences arising from the revaluation of fixed assets where there is no binding contract to dispose of these assets. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

# DEVELOPMENT SECURITIES (No 5) LIMITED

## NOTES TO THE ACCOUNTS Year ended 31 December 2007

### 1 ACCOUNTING POLICIES (continued)

#### Trade Debtors

Trade debtors are initially accounted for at fair value and subsequently reviewed for evidence of non-recoverability. Any bad debts are provided for when identified.

### 2 TURNOVER

	2007 £	2006 £
Rental income	1,029,635	1,027,556
Licence fee income	1,080	8,024
Other income	<u>265,490</u>	<u>-</u>
	<u>1,296,205</u>	<u>1,035,580</u>

Turnover, which is stated net of Value Added Tax, represents rental income, licence fee income and other income. All turnover is attributable to continuing activities undertaken in the United Kingdom.

### 3 OPERATING PROFIT

None of the directors received any emoluments in respect of qualifying services provided to the company during the year (2006: £nil).

The auditors' remuneration of £2,210 (2006: £2,210), for the current and preceding financial year has been borne by Development Securities PLC, the ultimate parent company.

The company does not have any employees (2006: nil).

### 4 INTEREST PAYABLE AND SIMILAR CHARGES

	2007 £	2006 £
Interest payable on loans from group companies	-	91,976
Interest payable on bank loans	563,861	499,305
Finance fees	<u>37,638</u>	<u>38,764</u>
	<u>601,499</u>	<u>630,045</u>

# DEVELOPMENT SECURITIES (No 5) LIMITED

## NOTES TO THE ACCOUNTS Year ended 31 December 2007

### 5 TAX ON LOSS ON ORDINARY ACTIVITIES

<b>Tax charge</b>	<b>2007</b>	<b>2006</b>
	<b>£</b>	<b>£</b>
<b>Current tax</b>		
UK corporation tax	-	-
<b>Deferred tax</b>		
Origination and reversal of timing differences	18,740	17,937
Effect of decreased tax rate on deferred tax balance	(6,805)	-
Prior year adjustment	<u>1,977</u>	<u>-</u>
<b>Total tax charge</b>	<b><u>13,912</u></b>	<b><u>17,937</u></b>
<b>Factors affecting the current tax charge for the year</b>	<b>2007</b>	<b>2006</b>
	<b>£</b>	<b>£</b>
Loss on ordinary activities before tax	<u>(308,615)</u>	<u>(58,129)</u>
Tax at 30% thereon	(92,585)	(17,439)
<b>Effect of:</b>		
Capital allowances in excess of depreciation	(18,740)	(17,617)
Permanent differences	17,827	15,500
Group relief surrendered for nil consideration	<u>93,498</u>	<u>19,556</u>
<b>Current tax charge for the year</b>	<b><u>-</u></b>	<b><u>-</u></b>

#### Deferred tax

The deferred tax included in the balance sheet is as follows:

	<b>2007</b>	<b>2006</b>
	<b>£</b>	<b>£</b>
Accelerated capital allowances	<u>95,278</u>	<u>81,366</u>
Provision for deferred tax	<u>95,278</u>	<u>81,366</u>

#### Factors affecting future tax charges

The UK corporation tax rate has decreased from 30% to 28% from 1 April 2008. This rate change will affect the amounts of future cash tax payments to be made by the company.

If the investment properties were sold for their revalued amounts there would be a potential liability to corporation tax of £175,283 (2006: £719,526). In accordance with FRS 19, no provision has been made for these amounts.

# DEVELOPMENT SECURITIES (No 5) LIMITED

## NOTES TO THE ACCOUNTS Year ended 31 December 2007

### 6 INVESTMENT PROPERTY

	Freehold £
At valuation at 1 January 2007	15,372,660
Additions	116,349
Deficit on revaluation	<u>(1,232,536)</u>
At valuation 31 December 2007	<u>14,256,473</u>
Amount included in prepayments and accrued income in respect of lease incentives	<u>43,527</u>
Open Market Valuation at 31 December 2007	<u>14,300,000</u>

The historical cost of the investment property is £11,240,980 (2006: £11,124,631).

The freehold investment property has been valued at 31 December 2007 by DTZ Debenham Tie Leung, Chartered Surveyors, on the basis of Open Market Value in accordance with the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors.

### 7 DEBTORS

	2007 £	2006 £
Trade debtors	426,516	214,547
Prepayments and accrued income	74,810	94,820
Other debtors	<u>57,802</u>	<u>5,702</u>
	<u>559,128</u>	<u>315,069</u>

### 8 CREDITORS: amounts falling due within one year

	2007 £	2006 £
Bank loan	-	9,310,000
Trade creditors	15,398	4,574
Amounts owed to ultimate parent undertaking	2,545,361	2,081,592
Other taxation and social security	48,569	61,888
Other creditors	8,880	4,448
Accruals and deferred income	<u>409,914</u>	<u>409,984</u>
	<u>3,028,122</u>	<u>11,872,486</u>

There is neither a set date nor terms for repayment of the amounts owed to ultimate parent undertaking.

The bank loan of £9,310,000 outstanding at 31 December 2006 was repaid during the year.

# DEVELOPMENT SECURITIES (No 5) LIMITED

## NOTES TO THE ACCOUNTS Year ended 31 December 2007

### 9 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2007 £	2006 £
Bank loans	<u>9,864,741</u>	<u>-</u>

The loan is secured by way of charges on assets owned by the company and bears a fixed rate of interest of 7.08% per annum. The loan is repayable in full at the end of the seven year term.

Analysis of loan repayments:

		2007 Maturity			
	Total £	Less than one year £	One to two years £	Two to five years £	More than five years £
Bank loan	10,000,000	-	-	-	10,000,000
Unamortised arrangement fees	<u>(135,259)</u>	<u>(19,323)</u>	<u>(19,323)</u>	<u>(57,969)</u>	<u>(38,644)</u>
	<u>9,864,741</u>	<u>(19,323)</u>	<u>(19,323)</u>	<u>(57,969)</u>	<u>9,961,356</u>

### 10 PROVISION FOR LIABILITIES

	2007 £	2006 £
Deferred taxation	<u>95,278</u>	<u>81,366</u>
	<u>95,278</u>	<u>81,366</u>

A deferred tax liability has been recognised in respect of timing differences relating to accelerated capital allowances.

### 11 SHARE CAPITAL

	2007 £	2006 £
<b>Authorised:</b>		
100 Ordinary shares of £1 each	<u>100</u>	<u>100</u>
<b>Allotted, called up and fully paid:</b>		
2 Ordinary shares of £1 each	<u>2</u>	<u>2</u>

## DEVELOPMENT SECURITIES (No 5) LIMITED

### NOTES TO THE ACCOUNTS Year ended 31 December 2007

#### 12 RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENT ON RESERVES

	Share capital	Profit and Loss Account	Revaluation Reserve	Total Shareholders' Funds
	£	£	£	£
At 1 January 2006	2	(328,659)	2,170,181	1,841,524
Loss for the year	-	(76,066)	-	(76,066)
Surplus on revaluation of investment property	-	-	<u>2,077,848</u>	<u>2,077,848</u>
At 31 December 2006	2	(404,725)	4,248,029	3,843,306
Loss for the year	-	(322,527)	-	(322,527)
Deficit on revaluation of investment property	-	-	<u>(1,232,536)</u>	<u>(1,232,536)</u>
At 31 December 2007	<u>2</u>	<u>(727,252)</u>	<u>3,015,493</u>	<u>2,288,243</u>

#### 13 RELATED PARTY DISCLOSURE

The company is a wholly owned subsidiary undertaking and, in accordance with the exemption provided by Financial Reporting Standard No. 8, "Related Party Disclosures," transactions with other undertakings within the Development Securities PLC group have not been disclosed within these financial statements.

#### 14 ULTIMATE AND IMMEDIATE CONTROLLING PARTIES

The ultimate parent and controlling company of the largest group of which Development Securities (No 5) Limited is a member and for which consolidated accounts are produced is Development Securities PLC.

The immediate parent and parent company of the smallest group of which Development Securities (No 5) Limited is a member and for which consolidated accounts are produced is Development Securities (Investments) PLC. Both companies are registered in England and Wales and incorporated in Great Britain.

Copies of the Annual Report and Financial Statements of Development Securities PLC and Development Securities (Investments) PLC can be obtained from Portland House, Bressenden Place, London SW1E 5DS.