

**Company Registration No: 3266758**

**DEVELOPMENT SECURITIES (No 5) LIMITED**

**Annual Report and Financial Statements**

**For the year ended 31 December 2008**

**SATURDAY**



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

## **ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008**

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

## **ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008**

### **OFFICERS AND PROFESSIONAL ADVISORS**

#### **DIRECTORS**

Development Securities Estates PLC  
M S Weiner  
M H Marx

#### **COMPANY 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

#### **INDEPENDENT AUDITORS**

PricewaterhouseCoopers LLP  
1 Embankment Place  
London WC2N 6RH

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

## **DIRECTORS' REPORT**

**For the year ended 31 December 2008**

The directors present their report and the audited financial statements for the year ended 31 December 2008.

The directors' report has been prepared in accordance with the special provisions of Part VII of the companies Act 1985 relating to small companies.

### **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 £416,606 (2007: £322,527). The directors do not recommend the payment of a dividend (2007: £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.

### **PRINCIPAL RISKS AND UNCERTAINTIES**

The management of the business and the execution of the Company's strategy are subject to a number of risks. The Company is a member of the Development Securities PLC group of companies. Further discussion of the risks and uncertainties, in the context of the group as a whole, is provided in the group's annual report which does not form part of this report.

### **KEY PERFORMANCE INDICATORS ("KPIs")**

The directors of the Development Securities PLC manage the group's operations on a group basis. For this reason, the Company's directors believe that an analysis using KPIs for the Company is not necessary or appropriate for an understanding of the development, performance or position of the business of the Company. The development, performance and position of the group is discussed in the group's annual report which does not form part of this report.

## DEVELOPMENT SECURITIES (No 5) LIMITED

### DIRECTORS' REPORT (continued)

For the year ended 31 December 2008

#### STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ANNUAL REPORT AND THE FINANCIAL STATEMENTS

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 of the company for that period.

In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and 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, in which case there should be supporting assumptions or qualifications as necessary.

The directors confirm that they have complied with the above requirements in preparing the financial statements.

The directors are responsible for keeping proper accounting records that 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 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.

#### DISCLOSURE OF INFORMATION TO AUDITORS

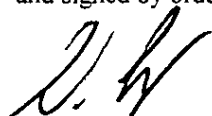
In the case of each director in office at the date the directors' report is approved, the following applies:

- (a) so far as the director 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.

#### AUDITORS

The auditors, PricewaterhouseCoopers LLP, were appointed in the year and have indicated their willingness to continue in office and a resolution concerning their re-appointment will be proposed at the Annual General Meeting.

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



S A Lanes  
Secretary  
16 October 2009

## **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 2008 which comprise the Profit and Loss account, the Balance Sheet, the Statement of Total Recognised Gains and Losses and the related notes. These financial statements have been prepared under the accounting policies set out therein.

### **Respective responsibilities of directors and auditors**

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom 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). This report, including the opinion, has been prepared for and only for the company's members, as a body, in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, 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.

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 also 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 other information contained in the Annual report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' Report and the list of officers and professional advisors and all of the information listed on the contents page. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

### **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.

**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 2008 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.



PricewaterhouseCoopers LLP  
Chartered Accountants and Registered Auditors  
London  
16<sup>th</sup> October 2009

# DEVELOPMENT SECURITIES (No 5) LIMITED

## PROFIT AND LOSS ACCOUNT For the year ended 31 December 2008

	Notes	2008 £	2007 £
<b>TURNOVER</b>	2	1,146,800	1,296,205
Direct costs		<u>(384,630)</u>	<u>(453,321)</u>
<b>GROSS PROFIT</b>		762,170	842,884
Operating expenses		<u>(469,413)</u>	<u>(552,818)</u>
<b>OPERATING PROFIT</b>	3	292,757	290,066
Interest receivable and similar income	4	17,454	2,818
Interest payable and similar charges	5	<u>(726,817)</u>	<u>(601,499)</u>
<b>LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		(416,606)	(308,615)
Tax on loss on ordinary activities	6	<u>-</u>	<u>(13,912)</u>
<b>LOSS FOR THE FINANCIAL YEAR</b>	13	<u>(416,606)</u>	<u>(322,527)</u>

All amounts relate to continuing activities.

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



# DEVELOPMENT SECURITIES (No 5) LIMITED

## BALANCE SHEET As at 31 December 2008

	Notes	2008 £	2007 £
<b>FIXED ASSETS</b>			
Investment property	7	<u>11,147,414</u>	<u>14,256,473</u>
<b>CURRENT ASSETS</b>			
Debtors: amounts falling due within one year	8	530,608	559,128
Cash at bank and in hand		<u>459,741</u>	<u>460,783</u>
		990,349	1,019,911
<b>CREDITORS: amounts falling due within one year</b>	9	<u>(5,066,111)</u>	<u>(3,028,122)</u>
<b>NET CURRENT LIABILITIES</b>		<u>(4,075,762)</u>	<u>(2,008,211)</u>
<b>NET ASSETS LESS CURRENT LIABILITIES</b>		7,071,652	12,248,262
<b>CREDITORS: amounts falling due after more than one year</b>	10	(8,234,140)	(9,864,741)
<b>PROVISION FOR LIABILITIES AND CHARGES</b>	11	<u>(120,215)</u>	<u>(95,278)</u>
<b>NET (LIABILITIES) / ASSETS</b>		<u>(1,282,703)</u>	<u>2,288,243</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	12	2	2
Revaluation reserve	13	(138,847)	3,015,493
Profit and loss account	13	<u>(1,143,858)</u>	<u>(727,252)</u>
<b>TOTAL SHAREHOLDERS' (DEFICIT) / FUNDS</b>		<u>(1,282,703)</u>	<u>2,288,243</u>

The financial statements on pages 6 to 14 were approved by the Board of Directors on 16 October 2009.

Signed on behalf of the Board of Directors



M S Weiner  
Director

## DEVELOPMENT SECURITIES (No 5) LIMITED

### STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

For the year ended 31 December 2008

	2008 £	2007 £
Loss on ordinary activities after taxation	(416,606)	(322,527)
Deficit on revaluation of investment property	<u>(3,154,340)</u>	<u>(1,232,536)</u>
Total recognised losses for the year	<u>(3,570,946)</u>	<u>(1,555,063)</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

1 ACCOUNTING POLICY

**Basis of preparation**

The financial statements are prepared in accordance with the Companies Act 1985, and 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 and not to call in amounts due to it, 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 FINANCIAL STATEMENTS For the year ended 31 December 2008 (continued)

### 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

	2008 £	2007 £
Rental income	1,130,584	1,029,635
Licence fee income	187	1,080
Other income	<u>16,029</u>	<u>265,490</u>
	<u>1,146,800</u>	<u>1,296,205</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 (2007: £nil).

The auditors' remuneration of £2,210 (2007: £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 (2007: none).

### 4 INTEREST RECEIVABLE AND SIMILAR INCOME

	2008 £	2007 £
Bank interest	<u>17,454</u>	<u>2,818</u>

### 5 INTEREST PAYABLE AND SIMILAR CHARGES

	2008 £	2007 £
Bank loan interest	696,440	563,861
Finance fees	<u>30,377</u>	<u>37,638</u>
	<u>726,817</u>	<u>601,499</u>

# DEVELOPMENT SECURITIES (No 5) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2008 (continued)

### 6 TAX ON LOSS ON ORDINARY ACTIVITIES

	2008 £	2007 £
<b>Current tax</b>		
UK corporation tax	-	-
<b>Deferred tax</b>		
Origination and reversal of timing differences	-	18,740
Effect of decreased tax rate on deferred tax balance	-	(6,805)
Prior year adjustment	<u>-</u>	<u>1,977</u>
<b>Total tax charge</b>	<u>-</u>	<u>13,912</u>

The tax assessed for the year is lower than (2007: same as) than the standard rate of corporation tax in the UK (28.5%). The differences are explained below:

#### Factors affecting the current tax charge for the year

	2008 £	2007 £
<b>Loss on ordinary activities before tax</b>	<u>(416,606)</u>	<u>(308,615)</u>
Loss on ordinary activities multiplied by the standard Rate in the UK: 28.5% (2007: 30%)	(118,733)	(92,585)
Effect of:		
Capital allowances in excess of depreciation	-	(18,740)
Permanent differences	-	17,827
Group relief surrendered for nil consideration	<u>118,733</u>	<u>93,498</u>
<b>Current tax charge for the year</b>	<u>-</u>	<u>-</u>

#### Factors affecting the 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 cash tax payments to be made by the company.

If the investment properties were sold for their revalued amounts there would be a potential deferred tax asset of £82,318 (2007: liability of £175,283). In accordance with FRS 19, no provision has been made for these amounts.

#### Deferred tax

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

	2008 £	2007 £
Accelerated capital allowances	<u>95,278</u>	<u>95,278</u>
Provision for deferred tax	<u>95,278</u>	<u>95,278</u>

# DEVELOPMENT SECURITIES (No 5) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2008 (continued)

### 7 INVESTMENT PROPERTY

	Freehold £
At valuation at 1 January 2008	14,256,473
Additions	45,281
Deficit on revaluation	<u>(3,154,340)</u>
At valuation 31 December 2008	<u>11,147,414</u>
Amount included in prepayments and accrued income in respect of lease incentives	<u>52,586</u>
Open Market Valuation at 31 December 2008	<u>11,200,000</u>

The historical cost of the investment property is £11,286,261 (2007: £11,240,980).

The freehold investment property has been valued at 31 December 2008 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.

### 8 DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2008 £	2007 £
Trade debtors	381,071	426,516
Other debtors	57,628	57,802
Prepayments and accrued income	<u>91,909</u>	<u>74,810</u>
	<u>530,608</u>	<u>559,128</u>

### 9 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2008 £	2007 £
Trade creditors	32,985	15,398
Amounts owed to ultimate parent undertaking	4,510,696	2,545,361
Other taxation and social security	49,246	48,569
Other creditors	28,505	8,880
Accruals and deferred income	<u>444,679</u>	<u>409,914</u>
	<u>5,066,111</u>	<u>3,028,122</u>

The amounts owed to ultimate parent undertaking are unsecured, do not bear interest and there are no fixed terms for the repayment of these amounts.

# DEVELOPMENT SECURITIES (No 5) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2008 (continued)

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

	2008 £	2007 £
Bank loans	<u>8,234,140</u>	<u>9,864,741</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:

	Total £	Less than one year £	One to two years £	Two to five years £	2008 Maturity More than five years £
Bank loan	8,400,000	-	-	-	8,400,000
Unamortised arrangement fees	<u>(165,860)</u>	<u>(29,378)</u>	<u>(29,378)</u>	<u>(88,132)</u>	<u>(18,972)</u>
	<u>8,234,140</u>	<u>(29,378)</u>	<u>(29,378)</u>	<u>(88,132)</u>	<u>8,381,028</u>

### 11 PROVISION FOR LIABILITIES AND CHARGES

	2008 £	2007 £
Deferred taxation	95,278	95,278
Property provisions	<u>24,937</u>	<u>-</u>
	<u>120,215</u>	<u>95,278</u>

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

### 12 SHARE CAPITAL

	2008 £	2007 £
<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 FINANCIAL STATEMENTS For the year ended 31 December 2008 (continued)

#### 13 RECONCILIATION OF SHAREHOLDERS' DEFICIT AND MOVEMENT ON RESERVES

	Share capital	Profit and loss account	Revaluation reserve	Total shareholders' deficit
	£	£	£	£
At 1 January 2007	2	(404,725)	4,248,029	3,843,306
Loss for the year	-	(322,527)	-	(322,527)
Deficit on revaluation of investment property	-	-	(1,232,536)	(1,232,536)
At 31 December 2007	2	(727,252)	3,015,493	2,288,243
Loss for the year	-	(416,606)	-	(416,606)
Deficit on revaluation of investment property	-	-	(3,154,340)	(3,154,340)
At 31 December 2008	<u>2</u>	<u>(1,143,858)</u>	<u>(138,847)</u>	<u>(1,282,703)</u>

#### 14 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.

#### 15 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.