

# **London Mortgage Company Limited**

## **Report and financial statements**

30 November 2007

Registered No: 05673094

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COMPANIES HOUSE

# London Mortgage Company Limited

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Registered No: 05673094

## **Director**

P Chambers

## **Secretary**

Clifford Chance Secretaries Limited  
10 Upper Bank Street  
London  
E14 5JJ

## **Auditors**

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

## **Bankers**

Barclays Bank PLC  
Cheapside Business Centre  
155 Bishopsgate  
London  
EC2M 3XA

## **Solicitors**

Clifford Chance  
10 Upper Bank Street  
London  
E14 5JJ

## **Registered Office**

First Floor  
St. Johns Place  
Easton Street  
High Wycombe  
HP11 1NL

## Director's report

The director presents his report and the audited financial statements for the year ended 30 November 2007.

### Principal activities

The principal activity of the Company, which is a wholly owned subsidiary of Southern Pacific Mortgage Limited, was to provide residential mortgage administration services. The Company ceased to provide such services on 1 December 2006.

### Business review and future developments

The company generated a profit for the year ended 30 November 2007. The results for the year are shown in the profit and loss account on page 7.

On 2 April 2008, Southern Pacific Mortgage Limited announced a suspension of their mortgage lending activities. Given the current economic environment the directors are considering the future of the company.

### Dividend

The director does not recommend the payment of a dividend for the year (2006: £nil).

### Events since the balance sheet date

On 2 April 2008 Southern Pacific Mortgage Limited announced a suspension of their mortgage lending activities.

On 15 September 2008, the ultimate parent company Lehman Brothers Holdings Inc., filed for Chapter 11 bankruptcy protection.

As a result of these events and global market conditions the director does not believe there to be further impairment of the Company's assets that will impact the ability to continue operating as a going concern.

### Going concern

The director continues to prepare the financial statements on a going concern basis as he believes that the Company has sufficient net assets to continue its activities for the foreseeable future.

### Directors

The directors who held office during the year, and after the year end, were as follows:

A Attia	(appointed 17 March 2008 and resigned 12 January 2009)
W C Bilsborough	(resigned 27 March 2008)
P Chambers	(appointed 25 July 2007)
D Gibb	(resigned 25 July 2007)
W S D Hinshelwood	(resigned 17 March 2008)
A Mehr	(appointed 17 March 2008 and resigned 4 November 2008)
C G Rupp	(resigned 17 March 2008)
S Staid	(appointed 17 March 2008 and resigned 5 January 2009)
L J Weir	(appointed 17 March 2008 and resigned 23 October 2008)

## Director's report

### Policy and practice on payment of creditors

The Company does not follow any stated code on payment practice. It is the Company's policy to agree terms of payment with suppliers when agreeing the terms of each transaction and to abide by those terms. Standard terms provide for payment of all invoices within 30 days after the date of the invoice, except where different terms have been agreed with the supplier at the outset. It is the policy of the Company to abide by the agreed terms of payment. There are no creditor days of suppliers' invoices outstanding at the year end (2006: nil).

### Principal risks and uncertainties

#### Financial instrument risks

The Company's financial instruments comprise borrowings, cash and liquid resources, and various items (such as trade debtors and trade creditors) that arise directly from its operations.

It is, and has been throughout the year under review, the Company's policy that no trading in financial instruments shall be undertaken.

The main risk arising from the Company's financial instruments is liquidity risk. The director reviews and agrees policies for managing each of these risks and they are summarised below.

#### Liquidity risks

Liquidity risk is the risk that administration fees payable to the Company will not arise on a timely manner to meet the Company's obligations as they fall due. The ongoing liquidity risk is closely monitored by the director.

### Disclosure of information to the 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 enquiries of fellow directors and the group'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 to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting.

Approved by the board of directors and signed on behalf of the board



Director

Date 01/10/2009

## **Statement of director's responsibilities in respect of the financial statements**

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and United Kingdom Generally Accepted Accounting Practice.

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 these 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 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 which 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.

## **Independent auditors' report**

**to the members of London Mortgage Company Limited**

We have audited the Company's financial statements for the year ended 30 November 2007 which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 15. 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 the director and auditors**

The director's 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 Director's 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 director's 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 director's remuneration and other transactions is not disclosed.

We read the director's 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 director 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 London Mortgage Company 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 30 November 2007 and of its profit 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 director's report is consistent with the financial statements.



Ernst &amp; Young LLP

Registered Auditor

London

Date: 2 October 2009

## Profit and loss account

for the year ended 30 November 2007

		<i>Year ended</i>	<i>Period ended</i>
		<i>30 November</i>	<i>30 November</i>
		<i>2007</i>	<i>2006</i>
	<i>Notes</i>	<i>£000</i>	<i>£000</i>
Interest receivable and similar income	2	473	106
Interest payable and similar charges	3	(49)	(101)
<b>Net interest income</b>		<u>424</u>	<u>8,367</u>
Fees receivable		—	8,362
Operating expenses		46	(7,631)
<b>Profit on ordinary activities before taxation</b>	4	<u>470</u>	<u>736</u>
Tax on profit on ordinary activities	7	(163)	(251)
<b>Profit on ordinary activities after taxation</b>	11	<u>307</u>	<u>485</u>

The profit for the year was derived from continuing operations.

There were no recognised gains or losses other than the profit for the year, accordingly no statement of recognised gains and losses is given.

The notes on pages 9 to 13 form part of these financial statements.



## Balance sheet

at 30 November 2007


	Notes	2007 £000	2006 £000
<b>Current assets</b>			
Debtors:			
Amounts falling due within one year	8	1,517	1,383
Cash at bank and in hand		5,649	5,110
		<u>7,166</u>	<u>6,493</u>
<b>Creditors: amounts falling due within one year</b>	9	(6,374)	(6,008)
<b>Net current assets</b>		<u>792</u>	<u>485</u>
<b>Net assets</b>		<u>792</u>	<u>485</u>
<b>Capital and reserves</b>			
Called up share capital	10	—	—
Profit and loss account	11	792	485
<b>Shareholder's funds</b>	12	<u>792</u>	<u>485</u>

The notes on pages 9 to 13 form part of these financial statements.

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

Director:

Date:

  
01/10/2009

## Notes to the financial statements

at 30 November 2007

### 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:

#### Basis of accounting

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost convention. The financial statements have been prepared on a going concern basis.

#### Cash flow statement

Under Financial Reporting Standard No. 1 (Revised) the Company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the Company in its own consolidated financial statements, which are publicly available.

#### Expenses

Receipts and payments of expenses and income are accounted for on an accruals basis.

#### Taxation

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

Deferred tax is recognised in respect of all 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, or a right to pay less tax in the future, have occurred at the balance sheet date.

Deferred tax assets are recognised only to the extent that the director considers it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted. Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

#### Interest

Receipts and payments of interest are accounted for on an accruals basis.

#### Turnover

The Company's income and trade are wholly within the UK and within a single market sector and therefore no segmental analysis has been presented.

### 2. Interest receivable and similar income

	<i>Year ended Period ended</i>	
	<i>30 November</i>	<i>30 November</i>
	<i>2007</i>	<i>2006</i>
	<i>£000</i>	<i>£000</i>
Other interest receivable	473	106

## Notes to the financial statements

at 30 November 2007

### 3. Interest payable and similar charges

	<i>Year ended</i> 30 November 2007	<i>Period ended</i> 30 November 2006
	£000	£000
Loan facilities	49	101

### 4. Profit on ordinary activities before taxation

	<i>Year ended</i> 30 November 2007	<i>Period ended</i> 30 November 2006
	£000	£000
Profit on ordinary activities before taxation is stated after charging:		
Audit fee	—	30

Profit on ordinary activities before taxation in the current year is not stated after charging auditors' remuneration as this is borne by the Company's parent undertaking, Southern Pacific Mortgage Limited, and is disclosed in the financial statements of that company.

### 5. Remuneration of director

The Company has no employees (2006: none). The directors received no remuneration from the Company during the year (2006: £nil).

### 6. Staff numbers and costs

The average number of employees, excluding the director, was:

	2007 No.	2006 No.
Sales	—	5
Administration	—	52
	—	57

The aggregate payroll costs of these persons were as follows:

	2007 £000	2006 £000
Wages and salaries	—	2,137
Social security costs	—	225
Other pension costs	—	135
	—	2,497

On 1 December 2006, the Company transferred all staff employment contracts to Capstone Mortgage Services Limited.

## Notes to the financial statements

at 30 November 2007

### 7. Taxation

(a) Analysis of tax charge in the year

	<i>Year ended Period ended</i>	
	<i>30 November</i>	<i>30 November</i>
	<i>2007</i>	<i>2006</i>
	<i>£000</i>	<i>£000</i>
Current tax:		
UK corporation tax on profits of the year	115	134
Deferred tax:		
Adjustments in respect of prior periods	48	—
Total current tax (note 7 (b))	163	134

(b) Factors affecting the tax charge in the year

The tax assessed for the year is higher than the standard rate for current corporation tax in the UK of 30% (period ended 30 November 2006: 30%). The differences are explained below:

	<i>Year ended Period ended</i>	
	<i>30 November</i>	<i>30 November</i>
	<i>2007</i>	<i>2006</i>
	<i>£000</i>	<i>£000</i>
Profit on ordinary activities before tax	470	736
Profit on ordinary activities multiplied by the standard rate of corporation tax of 30% (period ended 30 November 2006: 30%)	141	220
Effects of:		
Adjustments in respect of prior period	48	—
Capital allowances for period in excess of depreciation	(7)	—
Movement in short term timing differences	(5)	—
Additional income/(expenses) for tax purposes	(14)	—
Expenses not deductible for tax purposes	—	31
	163	251

There is a deferred tax asset of £19,602 (2006: £nil) arising from capital allowances in excess of depreciation. From 1 April 2008 the standard rate of corporation tax in the UK is now 28%. The impact of this would be for the deferred tax to decrease by £1,307 to £18,295. Due to the uncertainty of when this asset will reverse, this asset has not been recognised.

### 8. Debtors: amounts falling due within one year

	<i>2007</i>	<i>2006</i>
	<i>£000</i>	<i>£000</i>
Amounts owed by group undertakings	1,452	1,371
Prepayments and accrued income	65	12
	1,517	1,383

## Notes to the financial statements

at 30 November 2007

### 9. Creditors: amounts falling due within one year

	2007	2006
	£000	£000
Corporation tax	414	251
Amounts owed to group undertakings	5,950	2,511
Other creditors	—	21
Accruals and deferred income	10	3,225
	<u>6,374</u>	<u>6,008</u>

### 10. Called up share capital

	2007	2006
	£000	£000
Authorised:		
100 Ordinary shares of £1 each	100	100
	<u>100</u>	<u>100</u>
Allotted, called up and fully paid:		
1 Ordinary share of £1 each	1	1
	<u>1</u>	<u>1</u>

### 11. Profit and loss account

	Year ended 30 November 2007	Period ended 30 November 2006
	£000	£000
Retained profit brought forward	485	—
Profit for the year	307	485
	<u>792</u>	<u>485</u>
Retained profit carried forward	792	485

### 12. Reconciliation of movements in shareholder's funds

	2007	2006
	£000	£000
Profit for the year	307	485
	<u>307</u>	<u>485</u>
Net increase in shareholder's funds	307	485
Opening shareholder's funds	485	—
	<u>792</u>	<u>485</u>
Closing shareholder's funds	792	485

### 13. Pension scheme

A Group money purchase pension plan was operated with Company contribution rates of between 3% and 15% of basic salary depending on the level of seniority. Some staff are permitted to have contributions paid directly to their own personal pension schemes. At the year end the pension contributions creditor amounted to £nil (2006: £18,309).

## Notes to the financial statements

at 30 November 2007

### 14. Post balance sheet events

On 2 April 2008 Southern Pacific Mortgage Limited announced a suspension of their mortgage lending activities.

On 15 September 2008, the ultimate parent company Lehman Brothers Holdings Inc., filed for Chapter 11 bankruptcy protection.

As a result of these events and global market conditions the director does not believe there to be further impairment of the Company's assets that will impact the ability to continue operating as a going concern.

### 15. Ultimate parent company

The company is controlled by its parent undertaking Southern Pacific Mortgage Limited which is registered and operates in the United Kingdom.

The ultimate parent company of London Mortgage Company Limited is Lehman Brothers Holding Inc., which is incorporated in the State of Delaware in the United States of America.

The Company has taken advantage of the exemption in paragraph 3(c) of Financial Reporting Standard 8 from disclosing transactions with related parties that are part of Lehman Brothers Holdings Inc.

The largest Group in which the results of the Company are consolidated is that headed by Lehman Brothers Holdings Inc., incorporated in the United States of America. The smallest group in which they are consolidated is that headed by Lehman Brothers Bancorp UK Holdings Limited, registered in England and Wales. The consolidated financial statements of these groups are available from 745 Seventh Avenue, New York, USA and First Floor, No. 6 Broadgate, London EC2M 2QS, respectively.