

Metropolitan Properties Co (F.G.C.) Limited

**Directors' report and financial
statements**

Registered number 866347

31 December 2000



Contents

Directors' report	1
Statement of directors' responsibilities	3
Report of the joint auditors, Cohen, Arnold & Co. and KPMG, to the members of Metropolitan Properties Co (F.G.C.) Limited	4
Profit and loss account	5
Statement of total recognised gains and losses	6
Note of historical cost profits and losses	6
Balance sheet	7
Notes	8

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2000.

Principal activity

The principal activity of the company is property investment. There has been no significant change in the nature of the company's business activity during the year nor is any envisaged in the immediate future.

Financial statements and dividends

The result of the company for the year ended 31 December 2000 is set out in the attached financial statements.

The directors do not recommend the payment of a dividend (1999:£nil).

Properties

A professional valuation of the company's investment properties was carried out at 31 December 2000 by the company's valuers, Cardales. The resultant figures produced in the above valuation have been included in the financial statements and the surplus of £3,306,000 above previous book value (1999:£3,673,000) has been transferred to revaluation reserve.

Directors and directors' interests

The directors who held office during the year, and who are still in office, are:

Mr BSE Freshwater
Mr D Davis

The Articles of Association of the company do not require the directors to retire by rotation.

The directors do not have service contracts nor do they receive any emoluments from the company, but Mr BSE Freshwater is in receipt of directors' fees from a subsidiary undertaking.

Day-to-day management of the company's properties is carried out by Highdorn Co. Limited. Mr BSE Freshwater is a director of Highdorn Co. Limited and has a non-beneficial interest in its share capital.

The whole of the issued share capital of the company is owned by Metropolitan Properties Company Limited. Mr BSE Freshwater and Mr D Davis are also directors of Metropolitan Properties Company Limited and Mr BSE Freshwater's interest therein is set out in the directors' report of that company.

Apart from the aforementioned, at 31 December 2000, neither of the directors had any other interest in the share capital of the company, the company's parent undertaking, subsidiary undertakings or any subsidiary of the company's parent undertaking.

Directors' report *(continued)*

Auditors

In accordance with Section 385 of the Companies Act 1985, a resolution for the re-appointment of Cohen, Arnold & Co. and KPMG as joint auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board


BSE Freshwater
Director

Freshwater House
158/162 Shaftesbury Avenue
London WC2H 8HR

30 May 2001

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which 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 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 company will continue in business.

The directors are responsible for ensuring that the company keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and which enable them to ensure that the financial statements comply with the Companies Act 1985. 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.

Report of the joint auditors, Cohen, Arnold & Co. and KPMG, to the members of Metropolitan Properties Co (F.G.C.) Limited

We have audited the financial statements on pages 5 to 18.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 3, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if 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 transactions with the company is not disclosed.

Basis of opinion

We conducted our audit in accordance with Auditing Standards 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 judgements 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.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 2000 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Cohen Arnold & Co

Cohen, Arnold & Co
Chartered Accountants
Registered Auditors
London

30 May 2001

KPMG

KPMG
Chartered Accountants
Registered Auditors
London

30 May 2001

Profit and loss account

for the year ended 31 December 2000

	Note	2000 £000	1999 £000
Rents and charges receivable		5,621	5,332
Property outgoings		(3,916)	(3,732)
		<hr/>	<hr/>
Administrative and other expenses	3	1,705 (2,650)	1,600 (1,346)
		<hr/>	<hr/>
Operating (loss)/profit		(945)	254
Sales of investment properties		6,116	2,262
Cost of sales		(3,700)	(1,820)
		<hr/>	<hr/>
Dividend received from subsidiary undertaking		2,416 -	442 12,000
		<hr/>	<hr/>
Profit on ordinary activities before interest and taxation		1,471	12,696
Interest receivable	4	3,238	3,159
Interest payable	5	(1,710)	(2,756)
		<hr/>	<hr/>
Profit on ordinary activities before taxation	6	2,999	13,099
Taxation	7	(206)	117
		<hr/>	<hr/>
Retained profit for the financial year	14	2,793	13,216

All of the company's activities are continuing.

Statement of total recognised gains and losses

for the year ended 31 December 2000

	2000 £000	1999 £000
Retained profit for the financial year	2,793	13,216
Unrealised surplus on revaluation of investment properties (note 14)	3,306	3,673
Tax on realisation of revalued properties	(205)	-
Total recognised gains for the year	5,894	16,889

Note of historical cost profits and losses

for the year ended 31 December 2000

	2000 £000	1999 £000
Reported profit on ordinary activities before taxation	2,999	13,099
Realisation of investment property revaluation surpluses of prior years	145	287
Historical cost profit on ordinary activities before taxation	3,144	13,386
Historical cost profit for the year retained after taxation	2,733	13,503

Balance sheet

at 31 December 2000

	Note	2000 £000	1999 £000
Fixed assets			
Investment properties	8(a)	39,330	37,889
Other tangible assets	8(b)	63	642
Investments	9	6,113	6,113
		<u>45,506</u>	<u>44,644</u>
Current assets			
Debtors	10	21,218	19,921
Cash at bank and in hand		16,483	8,021
		<u>37,701</u>	<u>27,942</u>
Creditors: amounts falling due within one year	11	<u>(33,942)</u>	<u>(29,215)</u>
Net current assets/(liabilities)		<u>3,759</u>	<u>(1,273)</u>
Total assets less current liabilities		<u>49,265</u>	<u>43,371</u>
Provisions for liabilities and charges	12	<u>(266)</u>	<u>(266)</u>
Net assets		<u>48,999</u>	<u>43,105</u>
Capital and reserves			
Called up share capital	13	1	1
Revaluation reserve	14	30,686	27,525
Profit and loss account	14	18,312	15,579
Equity shareholders' funds	15	<u>48,999</u>	<u>43,105</u>

These financial statements were approved by the board of directors on 30 May 2001 and were signed on its behalf by:


BSE Freshwater
 Director

 
D Davis
 Director

Notes

(forming part of 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.

Basis of preparation

The financial statements have been prepared under the historical cost convention, as adjusted by the policy of accounting for investment properties referred to below, and in accordance with applicable Accounting Standards.

The company is exempt by virtue of s228 of the Companies Act 1985 from the requirement to prepare group accounts. These financial statements present information about the company as an individual undertaking and not about its group.

Taxation

Current

Provision is made for consideration payable to or receivable from other group undertakings for the surrender of losses under group relief provisions.

Deferred

Deferred taxation is provided, using the liability method, in respect of timing differences only to the extent that it is probable that, in the opinion of the directors, an actual liability will crystallise.

Disposal of properties

Disposals are considered to have taken place at the date of the legal completion.

Depreciation

Furniture and fittings are depreciated by an annual percentage of 25% calculated on a straight line basis estimated to write these off over their anticipated useful lives.

Investment properties

Investment properties are included in the balance sheet at professional valuation at 31 December 2000, on the basis stated in note 8 on the financial statements.

In accordance with Statement of Standard Accounting Practice No 19:

- i investment properties are revalued annually and the aggregate surplus or deficit is transferred to a revaluation reserve; and
- ii no depreciation or amortisation is provided in respect of freehold investment properties and leasehold investment properties with over 20 years to run.

This treatment, as regards the company's investment properties, may be a departure from the requirements of the Companies Act concerning depreciation of fixed assets. However, these properties are not held for consumption but for investment and the directors consider that systematic annual depreciation would be inappropriate. The accounting policy adopted is therefore necessary for the financial statements to give a true and fair view. Depreciation and amortisation is only one of the many factors reflected in the annual valuation and the amount which might otherwise have been shown cannot be separately identified or quantified.

Notes (continued)

1 Accounting policies (continued)

Cash flow statement

The company is exempt from the requirement to prepare a cash flow statement (in accordance with Financial Reporting Standard No.1) on the grounds that it is a wholly owned subsidiary undertaking of an intermediary holding company registered in England and Wales which prepares consolidated financial statements that include a consolidated cash flow statement.

Related party transactions

The company has taken advantage of the exemption in FRS 8 Related Party Disclosures in order to dispense with the requirement to disclose transactions with other Metropolitan Properties Company Limited group companies.

2 Staff numbers and costs

The average number of persons employed by the company during the year was 22 (1999: 25 persons).

The aggregate payroll costs of these persons were as follows:

	2000 £000	1999 £000
Wages and salaries	306	294
Social security costs	26	24
	<hr/> 332	<hr/> 318

3 Administrative and other expenses

Included within administrative and other expenses is an amount relating to an increase in provision against amounts due from subsidiary undertakings of £1,780,000 (1999: £500,000).

4 Interest receivable

	2000 £000	1999 £000
Group finance charges receivable	2,480	2,870
External interest receivable	758	289
	<hr/> 3,238	<hr/> 3,159

Notes (continued)

5 Interest payable

	2000 £000	1999 £000
Bank loans and overdrafts	5	9
Group finance charges payable	1,705	2,747
	<u>1,710</u>	<u>2,756</u>

6 Profit on ordinary activities before taxation

	2000 £000	1999 £000
<i>Profit on ordinary activities before taxation is stated after charging</i>		
Depreciation	625	613
Auditors' remuneration for audit services	50	50
	<u>675</u>	<u>663</u>

The directors of the company received no emoluments from the company during the year or in the previous year.

7 Taxation

	2000 £000	1999 £000
Consideration payable for group relief		
Current year	206	-
Prior year adjustment	-	(109)
Deferred taxation (note 12)	-	(8)
	<u>206</u>	<u>(117)</u>

In addition to the above charge, £205,000 arose in the year (1999: £nil) as a result of the realisation of gains on sale of investment properties previously recognised in revaluation reserves.

Notes (continued)

8 8(a) Investment properties

	Freehold £000	Long leasehold £000	Short leasehold £000	Total £000
Valuation				
Land and buildings:				
At 1 January 2000	21,870	10,794	5,225	37,889
Additions (see below)	1,750	40	-	1,790
Disposals (see below)	(1,853)	-	(1,802)	(3,655)
	<hr/>	<hr/>	<hr/>	<hr/>
Surplus on revaluation (note 14)	21,767	10,834	3,423	36,024
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2000	23,941	11,758	3,631	39,330
	<hr/>	<hr/>	<hr/>	<hr/>

The additions to freehold properties comprise a property acquired from Parkside Estates Limited, a subsidiary of an intermediate parent undertaking. Subsequently, the property was sold to an external party.

The disposals of short leasehold properties include a property acquired last year from the immediate parent undertaking, Metropolitan Properties Company Limited.

A professional valuation of the company's investment properties was carried out at 31 December 2000 by the company's valuers, Cardales. The valuation figures are based on open market value assessed in accordance with the RICS Statement of Asset Valuation Practice and Guidance Notes.

The relevant amounts determined under the historical cost convention of land and buildings included in the financial statements at valuation are as follows:

	Freehold £000	Long leasehold £000	Short leasehold £000	Total £000
Cost:				
At 31 December 2000	8,246	98	300	8,644
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 1999	8,252	61	2,051	10,364
	<hr/>	<hr/>	<hr/>	<hr/>

Notes *(continued)*

8(b) Other tangible fixed assets

	£000
Furniture and fittings:	
Cost at 1 January 2000	2,453
Additions in the year	46
	<hr/>
At 31 December 2000	2,499
	<hr/>
Accumulated depreciation	
At 1 January 2000	1,811
Charge for the year	625
	<hr/>
At 31 December 2000	2,436
	<hr/>
Net book value	
At 31 December 2000	63
	<hr/>
At 31 December 1999	642
	<hr/>

Notes (continued)

9 Fixed asset investments

	Shares in subsidiary undertakings £000
At cost at 1 January and 31 December 2000 (note 17)	6,113

10 Debtors

	2000 £000	1999 £000
Rents and service charges due and accrued	1,107	926
Interest receivable from subsidiary undertaking	111	111
Amounts owed by fellow subsidiary undertakings	17,131	15,156
Amounts owed by subsidiary undertakings (note 3)	2,378	3,398
Other debtors and prepayments	491	330
	21,218	19,921

11 Creditors: amounts falling due within one year

	2000 £000	1999 £000
Rents and service charges charged and paid in advance	646	558
Amount owed to immediate and intermediate parent and fellow subsidiary undertakings	7,540	5,546
Amounts owed to subsidiary undertakings	24,658	22,572
Consideration payable for group relief (note 7)	411	-
Creditors and accruals	687	539
	33,942	29,215

Notes (continued)

12 Provisions for liabilities and charges

	Deferred taxation provision £000
Balance at 1 January and 31 December 2000	266

The amounts provided and unprovided for deferred taxation are set out below:

	2000		1999	
	Provided £000	Unprovided £000	Provided £000	Unprovided £000
Losses available	-	-	-	(950)
Capital allowances	7	687	7	612
Interest accrued	259	-	259	-
Unrealised surpluses on revaluation of property	-	7,000	-	7,200
	<u>266</u>	<u>7,687</u>	<u>266</u>	<u>6,862</u>

No provision has been made for corporation tax on the eventual disposal of certain assets on which capital allowances have been claimed as, in the opinion of the directors there is no reasonable probability that a taxation liability will arise in the foreseeable future.

No provision has been made for any liability that may arise in respect of taxation relating to surpluses on revaluation of investment properties as, in the opinion of the directors, these properties are held for long-term investment purposes and consequently any liability will be recognised when disposals take place.

13 Called up share capital

	2000 £000	1999 £000
<i>Authorised, allotted, called up and fully paid</i>		
1,000 Ordinary shares of £1 each	<u>1</u>	<u>1</u>

Notes (continued)

14 Reserves

	Profit and loss account £000	Revaluation reserve £000
At 1 January 2000	15,579	27,525
Transfer to profit and loss account of surpluses on prior years revaluation of investment properties now realised	145	(145)
Surplus on revaluation of investment properties (note 8(a))	-	3,306
Retained profit for the financial year	2,793	-
Tax on realisation of revalued properties	(205)	-
At 31 December 2000	18,312	30,686

Total reserves and retained earnings at 31 December 2000 were £48,998,000 (1999: £43,104,000).

15 Reconciliation of movements in shareholders' funds

	2000 £000	1999 £000
Retained profit for the financial year	2,793	13,216
Unrealised surplus on revaluation of investment properties	3,306	3,673
Tax on realisation of revalued properties	(205)	-
Net increase in shareholders' funds	5,894	16,889
Opening shareholders' funds	43,105	26,216
Closing shareholders' funds	48,999	43,105

Notes (continued)

16 Charges on assets and guarantees

In March 1989 the company executed a debenture creating a floating charge over all its property and other assets in support of an unlimited guarantee given in respect of certain bank facilities granted to Metropolitan Properties Company Limited, its immediate parent undertaking. At 31 December 2000 the aggregate indebtedness under these facilities amounted to £38,053,000 (1999:£42,796,000).

In July 1991 the company executed a further debenture supported by a guarantee limited to £2,814,000 and charges over certain of its investment properties with a book value at 31 December 2000 of £4,465,000 (1999:£4,205,000) in respect of the aforementioned facilities.

Properties with book values at 31 December 2000 of £18,610,000 (1999:£17,185,000) were charged as part security for other bank facilities granted to the aforementioned parent undertaking.

The charges are in support of an unlimited guarantee given in respect of the aforementioned facilities. As at 31 December 2000 the relevant aggregate indebtedness amounted to £31,491,000 (1999:£32,721,000).

In addition, the company's liability in respect of the charges on certain of the aforementioned properties has been extended to include the unlimited guarantee liabilities of the aforementioned parent undertaking to one of its bankers with regard to facilities granted to certain of its subsidiary undertakings; to a company connected with one of the directors and to third parties. At 31 December 2000 the aggregate liability under these facilities amounted to £nil (1999:£24,081).

The company has charged certain of its properties with a book value of £14,780,000 (1999:£13,360,000) as part security for loan facilities granted to Centremanor (E.S.) Limited, a subsidiary of an intermediate parent undertaking and also executed a floating charge over all the assets and undertakings of the company. At 31 December 2000 the aggregate indebtedness under these facilities amounted to £30,425,000 (1999:£30,425,000).

The company has charged one of its properties with a book value of £390,000 (1999:£370,000) in support of an unlimited guarantee in respect of bank loan facilities granted to its immediate parent undertaking, the amount drawn down under which at 31 December 2000 was £3,374,000 (1999:£4,266,000).

Notes (continued)

17 Subsidiary undertakings

The subsidiary undertakings which principally affected the results or assets of the group are shown below:

Property investment companies:

Calabar Properties Limited*
Calabar (Wellingborough) Limited*
Deritend Investment (Cheetham) Limited*
K.S. Investments Limited*
Metropolitan Properties Co. (Colman) Limited*
Savile Estates Limited
Westhampton Properties Limited*

Property trading companies:

Calabar Estates Limited*
Calabar (Flats) Limited*
Deritend Investments (Crumpsall) Limited*
Derno Estates Limited*
Ediscum Limited*
Firville Investments Limited
Henry Davies Developments Limited
Metropolitan Property Realizations Limited
Metropolitan Properties Co. (Regis) Limited

Investment companies:

E. Alec Colman Investments Limited
Retia Phoenix Limited*

* Indirectly owned

The company owns either directly or indirectly, 100% of the ordinary equity share capital of the above companies which are incorporated in Great Britain and registered in England and Wales and all operate in Great Britain.

In the opinion of the directors the aggregate investment in subsidiary undertakings is worth not less than the amount at which it is stated in the balance sheet.

Notes (continued)

18 Directors' interests in contracts

Day-to-day management of the company's properties is carried out by Highdorn Co. Limited, one of the Freshwater Group of Companies, with which this company is closely associated. Mr BSE Freshwater is a director of Highdorn Co. Limited and has a non-beneficial interest in the share capital of that company.

During the year £267,000 (1999:£276,000), including VAT, was paid to Highdorn Co. Limited for the full range of management and administrative services which were charged for at normal commercial rates.

19 Ultimate parent undertaking

The parent undertaking of the largest group of undertakings for which group financial statements are drawn up is Centremanor Limited, a company registered in England and Wales.

The parent undertaking of the smallest group of undertakings for which group financial statements are drawn up is Metropolitan Properties Company Limited, a company registered in England and Wales.

Copies of these financial statements can be obtained from the following address: Freshwater House, 158/162 Shaftesbury Avenue, London WC2H 8HR.

The ultimate parent undertaking is Linnet Limited, a company incorporated in the Isle of Man and controlled by trusts.