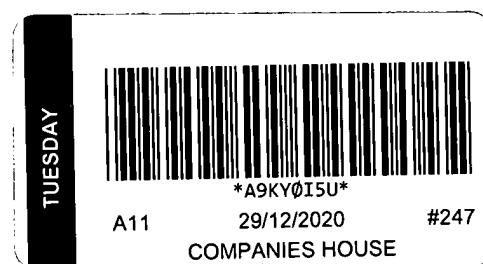


**Metropolitan Properties Co (F.G.C) Limited**

**Directors' report, strategic report and  
financial statements**

**Registered number 00866347**

**For the year ended 31 December 2019**



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## Strategic report

The directors present their strategic report for the year ended 31 December 2019.

In accordance with Section 414A(1) of the Companies Act 2006, we have prepared a strategic report which includes a review of the Company's business and future developments, a description of the principal risks and uncertainties facing the Company and the Company's key performance indicators. The purpose of the strategic report is to inform members of the Company and help them assess how the directors have performed their duty under Section 172 of the Companies Act 2006 (duty to promote the success of the company).

### Principal activities and business model

The principal activity of the Company is property investment in commercial, industrial and residential properties in the UK. From time to time the Company undertakes new developments and also the redevelopment of existing properties. The Company's business model is generally to hold its properties for the long term in order to generate rental income and capital appreciation. However, each of the Company's investment properties is considered to be potentially for sale in the right circumstances.

### Results

The profit for the year of £5.8 million (2018 : £13.6 million) has been transferred to reserves.

### Business review and outlook

The profit for the year before tax was £8.1 million (2018 : £14.1 million), a decrease year on year of £6.0 million, primarily due to a £10.3 million movement in provision against amounts due from fellow subsidiary undertakings from £6.1 million credit in 2018 to £4.2 million deficit in 2019. Rent and service charges receivable were £5.7 million for 2018 & 2019 whilst property outgoings decreased from £3.9 million to £3.8 million.

Profit on disposal of investment properties, principally representing premiums on granting lease extensions, was £0.4 million against £0.8 million last year.

Underlying administrative expenses were £0.5 million against £0.5 million last year.

A professional revaluation of the group's investment portfolio was carried out at 31 December 2019 by Colliers International Property Advisers UK LLP, RICS Registered Valuers. The fair value at the year end totalled £73.9 million (2018: £72.7 million) producing a valuation gain of £1.2 million after accounting for property additions (2018: £2.5 million valuation loss) which has been transferred to the profit and loss account. Of the group's property portfolio at valuation, £51.5 million is residential (2018 : £50.8 million) and £22.4 million is commercial (2018 : £21.9 million).

The UK decision to leave the European Union continues to create uncertainty as we near the end of the transitional period with, as yet, no clear idea of the arrangements for trade which will apply from 1 January 2021. However, the immediate future will be dominated by the fallout from actions taken to stop the spread of the Covid-19 pandemic. Whilst some constraints on the economy have been relaxed, the speed with which activity will return towards previous levels is by no means clear. Indeed doubt remains whether patterns of behaviour adopted during the "lockdown" such as working from home, avoiding public transport, shops, restaurants and other leisure facilities will persist in the long term. A deepening of the UK recession is widely predicted for when the temporary measures taken to sustain the economy are discontinued later this year; opinions differ as to its likely depth and duration.

These issues constitute the environment within which we will have to operate for the coming year. We firmly believe that our tried and tested approach of prudence and risk minimisation together with the careful conservation of financial resources that has served us well in good times and bad will see us safely through.

We remain committed to the pursuit of the long term growth in net asset value created by projects of development and enhancement designed to generate significant increases in rental values. The timing of major projects is driven by general economic conditions, planning and construction timetables and does not necessarily align with the annual reporting cycle.

## Strategic report (continued)

### Key performance indicators (KPIs)

The board monitors the Company's progress against its strategic objectives and the financial performance of its operations on a regular basis. Performance is assessed against the strategy and expectations using financial and non-financial measures. The most significant KPIs used by the Company are as follows :

	2019	2018
Investment property at fair value	<b>£73.9 million</b>	£72.7 million
Profit before tax	<b>£8.1 million</b>	£14.1 million
Revaluation gain /(loss)	<b>£1.2 million</b>	£(2.5) million
Rent and service charges receivable less property outgoings	<b>£1.9 million</b>	£1.8 million

### Principal risks and uncertainties

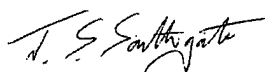
The principal risks to which the company is exposed are :

- Tenant defaults
- Damage to properties from flood, fire or terrorist action
- Reduced demand for office space if the current trend for home working becomes permanent and for retail premises if consumers' preference for making purchases online increases still further
- Changes in regulation on building standards, environmental or health and safety rules
- Increases in the cost of borrowing
- Inappropriate acquisitions
- Planning, construction and letting risk in relation to redevelopment activity
- The economic cycle generally

The Company seeks to manage or mitigate such risks wherever possible through such measures as insurance, tenant screening and monitoring, fixed rate borrowing, rigorous review of acquisition and development opportunities, external expert advice and regular monitoring of the economic outlook.

Overall, in spite of the risks, the group's prudent long term approach to property investment and development gives the directors confidence for the future.

By order of the board



**James S Southgate**  
Secretary

Freshwater House  
158/162 Shaftesbury Avenue  
London WC2H 8HR  
15 December 2020

## Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2019.

The Company's registered number is 00866347.

### Principal activities and business review

The principal activity of the Company is property investment in commercial, industrial and residential properties in the UK. From time to time the Company undertakes new developments and also the redevelopment of existing properties. The Company's business model is generally to hold its properties for the long term in order to generate rental income and capital appreciation. However, each of the Company's investment properties is considered to be potentially for sale in the right circumstances. There has been no significant change in the nature of the company's business activities during the year, nor is any envisaged in the immediate future. A detailed business review is included in the strategic report on pages 1 and 2.

### Results and dividends

The results for the year are set out in the attached profit and loss account and other comprehensive income and explanatory notes. The financial position of the company at the end of the year is set out in the attached balance sheet and explanatory notes.

The Company did not pay a dividend in the year (2018: £nil). The directors do not propose a final dividend for the year (2018: £nil).

### Directors and directors' interests

The directors who held office during the year were as follows:

BSE Freshwater (Chairman)  
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.

The majority of the day-to-day management of the Company's properties and its operations are carried out by Highdorn Co. Limited. Mr BSE Freshwater is a director of, but has no beneficial interest in the share capital of, Highdorn Co. Limited.

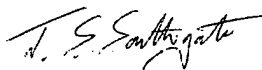
### Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are aware there is no relevant audit information of which the Company's auditor is unaware, and each director has taken all the relevant steps they ought to have taken as a director to make themselves 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.

By order of the board



James S Southgate  
Secretary

Registered Office  
Freshwater House  
158-162 Shaftesbury Avenue  
London WC2H 8H  
15 December 2020

## 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), including FRS102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.


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 judgements 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;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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 are responsible for such internal control as they determine is necessary to enable to preparation of financial statements that are free from material misstatement, whether due to fraud or error, and 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.

The directors are responsible for the maintenance and integrity of the corporate and financial information. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

By order of the board



**James S Southgate**

*Secretary*

Registered Office  
Freshwater House  
158-162 Shaftesbury Avenue  
London WC2H 8HR  
15 December 2020

## **Independent auditor's report to the members of Metropolitan Properties Co (F.G.C) Limited**

### **Opinion**

We have audited the financial statements of Metropolitan Properties (F.G.C) Limited ("the Company") for the year ended 31 December 2019 which comprise the profit and loss account and other comprehensive income, the balance sheet, the statement of changes in equity, and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

### **Going concern**

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or to cease its operations, and as they have concluded that the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

## **Independent auditor's report to the members of Metropolitan Properties Co (F.G.C) Limited *(continued)***

### **Strategic report and directors' report**

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

### **Matters on which we are required to report by exception**

Under the Companies Act 2006 we are required 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.

We have nothing to report in these respects.

### **Directors' responsibilities**

As explained more fully in their directors' responsibility statement 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; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

### **Auditor's responsibilities**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).



**Independent auditor's report to the members of Metropolitan Properties Co (F.G.C) Limited** *(continued)*

**The purpose of our audit work and to whom we owe our responsibilities**

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.



**Richard Long (Senior Statutory Auditor)**  
**for and on behalf of KPMG LLP, Statutory Auditor**  
Chartered Accountants  
15 Canada Square  
London E14 5GL  
23 December 2020

**Profit and loss account and other comprehensive income**  
*for the year ended 31 December 2019*

	<i>Note</i>	<b>2019</b> £	2018 £
<b>Turnover</b>	2	<b>5,702,458</b>	5,652,623
Property outgoings		<b>(3,773,338)</b>	(3,864,799)
<b>Rents and service charges receivable less property outgoings</b>		<b>1,929,120</b>	1,787,824
Profit on disposal of investment property		<b>439,119</b>	845,753
Net valuation gains/(losses) on investment property	7	<b>1,220,174</b>	(2,462,523)
Administrative expenses		<b>(532,993)</b>	(532,898)
Release provision against amounts due from fellow subsidiary companies		<b>50,692</b>	10,620,088
<b>Operating profit</b>	3	<b>3,106,112</b>	10,258,244
Net interest receivable	4	<b>5,022,171</b>	3,821,348
<b>Profit before taxation</b>		<b>8,128,283</b>	14,079,592
Tax on profit	6	<b>(2,329,696)</b>	(451,810)
<b>Profit and total comprehensive income for the financial year</b>		<b>5,798,587</b>	13,627,782

The notes on pages 11 to 21 form part of these financial statements.

All of the company's activities are continuing.

**Statement of changes in equity**  
*for the year ended 31 December 2019*

	<b>Called up share capital</b>	<b>Profit and loss account</b>	<b>Total equity</b>
	<b>£</b>	<b>£</b>	<b>£</b>
Balance at 1 January 2018	1,000	125,207,604	125,208,604
Profit and total comprehensive income for the financial year	-	13,627,782	13,627,782
<b>Balance at 31 December 2018</b>	<b>1,000</b>	<b>138,835,386</b>	<b>138,836,386</b>
Profit and total comprehensive income for the financial year	-	5,798,587	5,798,587
<b>Balance at 31 December 2019</b>	<b>1,000</b>	<b>144,633,973</b>	<b>144,634,973</b>

The notes on pages 11 to 21 form part of these financial statements.

**Balance sheet**  
*at 31 December 2019*

	Note	2019	2018
		£	£
<b>Fixed assets</b>			
Investment property	7	73,916,184	72,672,285
Investment in subsidiaries	8	23,613,156	23,613,156
		<u>97,529,340</u>	<u>96,285,441</u>
<b>Current assets</b>			
Debtors	9	144,881,360	140,355,037
Cash at bank and in hand		7,025,687	4,523,072
		<u>151,907,047</u>	<u>144,878,109</u>
<b>Creditors: amounts falling due within one year</b>	10	(95,794,940)	(93,568,575)
		<u>56,112,107</u>	<u>51,309,534</u>
<b>Net current assets</b>			
		<u>56,112,107</u>	<u>51,309,534</u>
<b>Total assets less current liabilities</b>		<b>153,641,447</b>	<b>147,594,975</b>
Provisions for liabilities and charges	11	(8,982,907)	(8,758,589)
Lease obligations payable		(23,567)	-
<b>Net assets</b>		<b>144,634,973</b>	<b>138,836,386</b>
<b>Capital and reserves</b>			
Called up share capital	12	1,000	1,000
Profit and loss account		144,633,973	138,835,386
<b>Equity shareholders' funds</b>		<b>144,634,973</b>	<b>138,836,386</b>

The notes on pages 11 to 21 form part of these financial statements.

These financial statements were approved by the board of directors on 15 December 2020 and were signed on its behalf by:



**BSE Freshwater**  
Director

Company registered number: 00866347

## Notes

*(forming part of the financial statements)*

### 1 Accounting policies

Metropolitan Properties Co (F.G.C) Limited (the "Company") is a company limited by shares and incorporated in the UK. The Company's Registered Office is Freshwater House, 158-162 Shaftesbury Avenue, London, WC2H 8HR.

#### Statement of compliance

The financial statements have been prepared in accordance with Financial Reporting Standard 102: *The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102")*. The presentation currency of these financial statements is sterling.

#### Basis of preparation

The Company is a member of the Metropolitan Properties Company Limited group ("The Group"). As at 31 December 2019 the Company has net current assets of £56,112,107. However, the Company is reliant on other members of the Group to perform certain operational and administrative functions on behalf of the Company and, included within the net current assets, the Company has receivables from other Group companies as disclosed in note 9.

Therefore, in making their assessment of going concern the Directors have considered the ability of the Group to continue as a going concern. The Group has undertaken detailed and robust assessment of its projected future financial position, which included the Company's position as well, and included assessing what the Board of the Group considers a plausible worst-case downside scenario which incorporated the expected potential impact on the Group of the Covid-19 pandemic. The Board considered the potential impact to UK property prices, demand for UK property and the associated impact on rents and yields. Particular attention was given to the potential impact of an unfavourable or no Brexit agreement and the possible economic and social consequences of the current Covid-19 pandemic.

The plausible worst-case downside scenario included assuming quarterly rent cash collected for the following four quarters is the same as has been collected from June 2020 to August 2020 with administration and operating costs remaining the same in real terms. Development costs were included at the current expected level, although as discretionary costs the Board have the scope to delay or cancel these if necessary.

The Directors are satisfied that even in the plausible worst-case scenario, the Group will have sufficient resources to be able to continue to operate and there are no breaches of any of its loan covenants. Consequently, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for at least twelve months from the date of approving these financial statements.

It is possible that in plausible worse-case scenarios the Company would require further funding from the Group. Metropolitan Properties Company Limited has notified the Company of their intention to continue to make available such funds as are needed by the Company for at least twelve months from the date of approval of these financial statements. 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.

#### Disclosure exemptions

The Company's parent undertaking, Metropolitan Properties Company Limited includes the Company in its consolidated financial statements. The consolidated financial statements of Metropolitan Properties Company Limited are prepared in accordance with FRS 102 and are available to the public and may be obtained from Freshwater House, 158-162 Shaftesbury Avenue, London WC2H 8HR. In these financial statements, the company is considered to be a qualifying entity (for the purposes of FRS 102) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Reconciliation of the number of shares outstanding from the beginning to end of the period;
- Cash flow statement and related notes;
- Key management personnel compensation; and
- Basic and other financial instruments.

## **Notes** *(continued)*

### **1 Accounting policies** *(continued)*

#### **Turnover**

Turnover comprises rents and service charges receivable. Rental income from investment property leased out under operating leases is recognised in profit and loss on a straight line basis over the period to the first break clause. Lease incentives granted to tenants are recognised on a straight line basis over the period to the first break clause. Service charge income is recognised as the services are provided.

#### **Property outgoings**

The costs of repairs are recognised in profit and loss in the year in which they are incurred.

Lease payments under operating leases are recognised in profit and loss on a straight line basis over the term of the lease.

#### **Expenses**

##### *Interest receivable and Interest payable*

Interest income and interest payable are recognised in profit and loss as they accrue. Borrowing costs that are directly attributable to the acquisition, construction or redevelopment of an asset that takes a substantial time to be prepared for use are expensed as incurred.

Interest receivable and similar income include interest receivable on inter-company loans and late payment charges.

#### **Taxation**

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in profit and loss except to the extent that it relates to items recognised directly in the equity or comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is expected tax payable or receivable on the taxable income or loss for the year, using rates enacted or substantively enacted at the balance sheet date, and any adjustments to tax payable in respect of previous years.

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

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met. Deferred tax is not recognised on permanent differences arising because certain types of income or expenses are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is provided in respect of the additional tax that will be paid or avoided on differences between the amount at which an asset (other than goodwill) or liability is recognised in a business combination and the corresponding amount that can be deducted or assessed for tax.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. For investment property that is measured at fair value, deferred tax is provided at the rate and allowances applicable to the sale of the property.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

#### **Investment property**

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Investment properties are recognised initially at cost.

## **Notes** *(continued)*

### **1 Accounting policies** *(continued)*

#### **Investment property** *(continued)*

Subsequent to initial recognition:

- a) Investment properties are held at fair value. Any gains or losses arising from changes in the fair value are recognised in profit and loss in the period that they arise; and
- b) No depreciation is provided in respect of investment properties applying the fair value model.

Investment property fair value is based on a valuation by an external, independent valuer, having an appropriate recognised professional qualification and recent experience in the location and class of property being valued.

The company's interests in some of its investment properties are in the form of long and short leases as opposed to freehold ownership. The company recognises as liabilities amounts payable under head leases and a corresponding leased asset, which is included in investment property. In determining the present value, the Group uses the interest rates implicit in each lease and when this cannot not be determined, uses the group's estimated incremental borrowing rate at the inception of each lease. Further details and analysis of the amount recognised is shown in Note 7.

#### **Sales of investment properties**

The Company generally holds its properties for the long term in order to generate rental income and capital appreciation although in the right circumstances any property could be available for sale. When an outright sale does occur the resulting surplus based on the excess of sales proceeds over valuation is included within the Company's profit, and taxation applicable thereto is shown as part of the taxation charge. Disposals are recognised on the date the significant risks and rewards of ownership have been transferred and when it is probable that the economic benefits will flow to the company. In addition the company also 'sells' leasehold extensions when requested by leaseholders. The proceeds of these leasehold extension sales, less directly applicable costs, are also included in profit on disposal of investment properties.

#### **Investments in subsidiary undertakings**

Investments in subsidiary undertakings and other investments are stated at cost less provisions for impairment.

#### **Financial instruments**

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all its financial liabilities.

##### ***Basic financial instruments***

###### ***Cash and cash equivalents***

Cash and cash equivalents comprise cash balances and call deposits.

###### ***Trade and other debtors***

Trade and other debtors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate for a similar debt instrument.

###### ***Trade and other creditors***

Trade and other creditors are recognised initially at transaction price less attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate for a similar debt instrument.

#### **Related party transactions**

The company has taken advantage of the exemptions in FRS 102 in order to dispense with the requirements to disclose transactions with other companies in the Metropolitan Properties Company Limited Group.

## Notes (continued)

### 2 Turnover

Turnover arises from:

	2019 £	2018 £
Rent receivable	4,434,906	4,314,702
Service charges receivable	1,267,552	1,337,921
	<u>5,702,458</u>	<u>5,652,623</u>

The whole of the turnover is attributable to the principal activity of the Company, wholly undertaken in the United Kingdom.

### 3 Operating profit

	2019 £	2018 £
Operating profit is stated after charging/(crediting):		
Fees payable for the audit of these financial statements	74,400	73,800
Movement on provision for bad debts	158,615	55,805
Net decrease in provisions against amounts due from subsidiary and fellow undertakings	(50,692)	(10,620,088)
	<u></u>	<u></u>

### 4 Net interest receivable

	2019 £	2018 £
Group finance charges receivable	12,975,000	11,852,000
External interest receivable	9,799	38,081
Provision against group finance charges receivable	(4,204,000)	(4,519,000)
	<u>8,780,799</u>	<u>7,371,081</u>
Group finance charges payable	(3,757,000)	(3,548,000)
Bank interest payable	(1,628)	(1,733)
	<u>5,022,171</u>	<u>3,821,348</u>



## Notes (continued)

### 5 Staff numbers and costs

The Company does not have any employees (2018: none). The directors of the company did not receive any emoluments from the company during the year or in the previous year.

The staff provided by the property and administrative management company, Highdorn Co. Limited, are engaged under joint employment contracts with a fellow subsidiary of the Company and their costs subsequently recharged to the Company at a level appropriate to the activity of the Company. These recharges, which amounted to £421,993 during the year (2018: £425,459) and which represented an average of 8 staff (2018: 8), are included within administrative expenses.

In addition to the above, the company's property outgoings includes the following employment costs relating to portering staff:

	2019 £	2018
Wages and salaries	125,317	119,691
Social security costs	9,054	8,655
Other pension costs	2,515	1,206
	<u>136,886</u>	<u>129,552</u>

### 6 Tax on profit

#### a) Analysis of charge for the year

	2019 £	2018 £
<b>Current tax</b>		
Consideration payable for group relief:		
Current year	2,106,682	1,999,509
Prior year adjustment	(1,304)	(1,143,330)
	<u>2,105,378</u>	<u>856,179</u>
<b>Total current tax charge</b>		
	<u>2,105,378</u>	<u>856,179</u>
<b>Deferred tax</b>		
Origination and reversal of timing differences	224,318	(404,369)
Impact of change in tax rate	-	-
	<u>(224,318)</u>	<u>(404,369)</u>
<b>Total deferred tax</b>		
	<u>(224,318)</u>	<u>(404,369)</u>
<b>Tax charge on profit</b>	<u>2,329,696</u>	<u>451,810</u>

## Notes (continued)

### 6 Tax on profit (continued)

b) Factors affecting tax charge for the year	2019 £	2018 £
Profit before tax	8,128,283	14,079,592
Profit multiplied by the standard rate of corporation tax in the UK of 19% (2018: 19%)	1,544,374	2,675,122
<i>Effects of:</i>		
Disallowable provision	798,128	(1,140,536)
Timing differences on unrealised gains	(7,515)	63,510
Excess capital allowance over depreciation	(3,861)	(2,434)
Land remediation relief	(126)	(522)
Prior year adjustment	(1,304)	(1,143,330)
<b>Total tax charge (see above)</b>	<b>2,329,696</b>	<b>451,810</b>

### c) Factors affecting future tax charges

A reduction in the UK corporation tax rate to 17% (effective from 1 April 2020) was substantively enacted on 15 September 2016 and in accordance with our accounting policy the deferred tax liability at 31 December 2019 has been calculated on the rate of 17% (2018: 17%). Subsequent to the year end, in March 2020 the reduction was cancelled and will now remain at 19%. As a consequence our deferred tax liability will be calculated in next year's accounts to reflect this newly enacted rate.

### 7 Investment property

	Freehold land and buildings £	Long leasehold land and buildings £	Short leasehold land and buildings £	Total £
At 1 January 2019	59,446,392	6,449,725	6,776,168	72,672,285
Gross up of head lease liability	-	23,725	-	23,725
Adjusted opening balance	59,446,392	6,473,450	6,776,168	72,696,010
Additions	-	-	-	-
Revaluation	1,246,952	138,500	(165,278)	1,220,174
<b>At 31 December 2019</b>	<b>60,693,344</b>	<b>6,611,950</b>	<b>6,610,890</b>	<b>73,916,184</b>

The historical cost of investment properties included in the above valuation is £22,398,504 (2018: £22,398,504).

## Notes (continued)

### 7 Investment property (continued)

An independent professional revaluation of all of the Company's freehold and leasehold property was carried out on 31 December 2019 by Colliers International Property Advisers UK LLP, RICS Registered Valuers. The revaluation figures are based on open market value assessed in accordance with the RICS Valuation – Current Global Standards (incorporating the International Valuation Standards).

The aggregate professional valuations included in the above table have been reduced by an amount of £17,902 (2018: £18,106) relating to lease incentives included in other debtors and increased by £23,725 (2018: £Nil) relating to lease obligations.

#### Valuation techniques and key inputs

The company's residential houses and apartments (£51.5 million (2018: £50.8 million)) were valued using a sales valuation approach, derived from recent comparable transactions in the market, adjusted by applying discounts to reflect status of occupation and condition. The largest discounts were applied to those properties subject to registered tenancies, reflecting the relative difference in security of tenure, whilst the smallest discounts were applied to those properties subject to assured shorthold tenancies. Sales value assumptions were in the range £258 to £1,310 per square foot (2018: £232 to £1,346 per square foot).

The company's commercial units (£22.4 million (2018: £21.9 million)) were valued using the income capitalisation method, requiring the application of an appropriate market based yield to net operating income. Adjustments are made to allow for voids when less than five years are left under the current tenancy and to reflect market rent at the point of lease expiry or rent review. Equivalent yields used fell in the range 6.87% to 11.99% (2018: 6.56% to 12.77%) with an average of 8.33% (2018: 8.07%) and estimated rental values used fell in the range £5.22 to £127.57 per square foot (2018: £5.29 to £120.37 per square foot), with an average of £25.49 per square foot (2018: £24.44 per square foot).

The present value of future minimum lease payments in relation to leasehold investment properties is £23,725 at 31 December 2019. In determining the present value, the Group used the interest rates implicit in each lease and when this could not be determined, used the group's estimated incremental borrowing rate at the inception of each lease. The group has not recognised this in previous years on the grounds of immateriality. Prior year figures have not been adjusted

#### Reconciliation between the total of future minimum lease payments and their present capital values

	Minimum lease payments £	Interest on lease payments £	Present value of lease liabilities £
Due within one year	2,692	(2,534)	158
Due within two to five years	10,766	(9,994)	772
Due after more than five years	1,341,727	(1,318,932)	22,795
	<u>1,355,185</u>	<u>(1,331,460)</u>	<u>23,725</u>

## Notes (continued)

### 8 Investments in subsidiaries

	Shares in subsidiary undertakings £
<i>At cost</i>	
At 31 December 2018 and 31 December 2019	23,613,156

The company's subsidiary undertakings, which are property investment companies and investment companies whose registered offices are Freshwater House, 158-162 Shaftesbury Avenue, London WC2H 8HR, are as follows:

**Property investment companies:**

Calabar Developments Limited*	Deritend Investments (Crumpsall) Limited*	Metropolitan Properties Co. (Regis) Limited
Calabar Estates Limited*	Deritend Investments (Tyseley) Limited*	Metropolitan (Roebuck) Limited
Calabar (Flats) Limited*	Derno Estates Limited*	Norman Sinclair (Manchester) Limited
Calabar Properties Limited*	Ediscum Limited*	Philcol Properties Limited*
Calabar (Wellingborough) Limited*	Firville Investments Limited	Philedor Estates Limited*
Calabar (Woolwich) Limited*	Gultree Limited	Ralprims Investments Limited*
Carntress Limited	Henry Davies Developments Limited	Rathrap Limited
Chonzie Limited	K.S. Investments Limited	Retia Phoenix Homes Limited*
Colguy Properties Limited*	Lonfor Securities Limited	Savile Estates limited
Davidbury Investments Limited	Metropolitan Properties Co. (Colman)	Westhampton Properties Limited*
Deritend Investments (Birkdale) Limited*	Limited*	
Deritend Investments (Cheetham) Limited*	Metropolitan Property Realizations Limited	

**Investment companies:**

Beechworth Management Limited*	E. Alec Colman Investments Limited	Retia Phoenix Limited*
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**\*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.

### 9 Debtors

	2019 £	2018 £
Rents and service charges due and accrued	1,630,746	1,494,716
Amount owed by immediate parent undertakings and fellow subsidiary undertakings	130,887,623	125,238,740
Amounts owed by subsidiary undertakings	11,847,698	13,164,960
Other debtors and prepayments	515,293	456,621
	<u>144,881,360</u>	<u>140,355,037</u>

All debtors are payable within one year or are payable on demand.

All inter-company loans are sterling loans repayable on demand with interest paid at the rate of 6.44% (2018: 6.33%). Inter-company loans shown above are net of provisions against impairment of recoverability.

## Notes (continued)

### 10 Creditors: amounts falling due within one year

	2019 £	2018 £
Rents and service charges charged and paid in advance	1,725,822	1,381,738
Amounts owed to fellow subsidiary undertakings	-	100,667
Amounts owed to subsidiary undertakings	90,494,154	88,761,956
Consideration payable for group relief (see note 6)	2,106,682	1,999,509
Other creditors and accruals	1,468,282	1,324,705
	<u>95,794,940</u>	<u>93,568,575</u>

All inter-company loans are sterling loans repayable on demand with interest paid at the rate of 6.44% (2018: 6.33%) except for an amount of £27,646,870 due to a dormant subsidiary company on which interest is not paid or accrued.

### 11 Provisions for liabilities and charges

	2019 £	2018 £
Balance at beginning of the year	8,758,589	9,162,958
Profit and loss	224,318	(404,369)
	<u>8,982,907</u>	<u>8,758,589</u>

Represented by:

	2019 £	2018 £
Deferred tax on:		
Investment property revaluation	8,965,907	8,744,589
Accelerated capital allowances	17,000	14,000
	<u>8,982,907</u>	<u>8,758,589</u>

### 12 Called up share capital

	2019 £	2018 £
<i>Allotted, called up and fully paid</i>		
1,000 ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>

## Notes (continued)

### 13 Charges on assets and guarantees

The company has charged certain of its properties with a book value of £21,826,900 (2018: £21,008,100) 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 2019 the aggregate indebtedness under these facilities amounted to £30,425,000 (2018: £30,425,000).

The company has charged certain of its properties with a book value of £13,055,825 (2018: £13,007,175), as part security for loan facilities granted to Metropolitan Properties Company Limited, its immediate parent undertaking. At 31 December 2019 the aggregate indebtedness under these facilities amounted to £20,000,000 (2018: £20,000,000).

The company has charged certain of its properties with a book value of £17,693,501 (2018: £16,852,634), as part security for loan facilities granted to Metropolitan Properties Company Limited, its immediate parent undertaking. At 31 December 2019 the aggregate indebtedness under these facilities amounted to £Nil (2018: £Nil).

### 14 Related parties and directors' interests in contracts

The majority of the day-to-day management of the Company's properties and its operations are carried out by Highdorn Co. Limited. Mr BSE Freshwater is a director of, but has no beneficial interest in the share capital of, Highdorn Co. Limited. In their capacity as property managing agents, Highdorn collects rents and incur direct property expenses on behalf of the company. During the year £342,654 (2018: £364,648) was charged by Highdorn Co. Limited for the provision of a full range of management services, which were charged for at normal commercial rates. The credit balance outstanding at 31 December 2019 is £228,207 (2018: £217,676) included in other creditors.

### 15 Operating lease agreements

The company earns rental income by leasing its investment properties to tenants under operating leases which vary in terms of provisions between type of property and type of tenure. Leases providing for contingent rents are rare within the company's property portfolio and no amounts for contingent rents are included in rental income for the year (2018: £Nil).

At the balance sheet date, future minimum lease payments receivable by the company under operating leases were as follows:

	2019 £	2018 £
Due within one year	2,090,009	2,286,911
Due within one to two years	1,607,093	1,495,174
Due within two to five years	3,591,022	3,682,820
Due after more than five years	4,434,974	5,951,356
	<u>11,723,098</u>	<u>13,416,261</u>

Many of the Company's residential properties are let under assured shorthold tenancies which typically are for initial terms of 12 months or less, whereafter they are cancellable at short notice. The Group's experience is that a significant proportion of such tenancies are held over after the expiry of their initial term.

### 16 Events after the end of the reporting period

On 11 March 2020, the World Health Organization declared Covid-19 a pandemic. The Covid-19 pandemic has severely affected the wider macro economy and the specific market the company and group operates in. It is expected that subsequent to the year end, property valuations will have declined and the current values are likely to be lower than those stated in the financial statements. The full financial effects on the valuation of the investments property cannot currently be quantified.

## **Notes** *(continued)*

### **17 Parent company and ultimate parent company**

The Company is controlled by its immediate parent company, Metropolitan Properties Company Limited, which is incorporated in Great Britain and 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 largest group in which the results of the Company are consolidated is that headed by Centremanor Limited. The ultimate controlling party is Linnet Limited, a company incorporated in the Isle of Man and controlled by trusts.

The smallest Group in which the results of the Company are consolidated is headed by Metropolitan Properties Company Limited.

### **18 Accounting estimates and judgements**

#### **i. Property valuations**

The valuation of the company's property portfolio is inherently subjective, depending on many factors, including the individual nature of each property, its location and expected future net rental values, market yields and comparable market transactions (as set out in Note 7). Therefore, the valuations are subject to a degree of uncertainty and are made on the basis of assumptions which may not prove to be accurate, particularly in periods of difficult market or economic conditions. As noted in Note 1 above, all the Company's properties are valued by external valuers with appropriate qualifications and experience.

#### **ii. Trade debtors**

Management uses details of the age of trade debtors and the status of any disputes together with external evidence of the credit status of the counterparty in making judgements concerning any need to impair the carrying values.