

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

Directors' report and financial statements

31 December 1997

Registered number 866347



Directors' report and financial statements

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Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 1997.

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 under review nor is any envisaged in the immediate future.

Financial statements and dividends

The result of the company for the year ended 31 December 1997 is set out in the attached financial statements.

An interim dividend of £10 million (1996: *£nil*) was paid during the year. The directors do not recommend the payment of a final dividend for the period under review (1996: *£nil*).

Properties

A professional valuation of the company's investment properties was carried out at 31 December 1997 by the group's valuers, Cardales. The resultant figures produced in the above revaluation have been included in the financial statements under review and the surplus of £6,572,000 above previous book value (1996: *surplus of £1,718,000*) has been transferred to revaluation reserve.

Directors and directors' interests

The directors who held office during the year 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.

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 is also interested 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 1997, neither of the directors had any other interest in the share capital of the company, the company's parent undertaking, subsidiaries or any subsidiary of the company's parent undertaking.

Directors' report - (continued)

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.

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


CC Morse
Secretary

15 JUN 1998

Freshwater House
158/162 Shaftesbury Avenue
London WC2H 8HR

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 4 to 17.

Respective responsibilities of directors and auditors

As indicated in the Directors' Report the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion to you.

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 1997 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

KPMG

KPMG
Chartered Accountants
Registered Auditors
London

15 JUN 1998

Profit and loss account

for the year ended 31 December 1997

	Note	1997 £'000	1996 £'000
Rents and charges receivable		5,034	7,082
Property outgoings		(4,434)	(2,916)
		<hr/>	<hr/>
Administrative and other expenses	3	600 (2,398)	4,166 (980)
		<hr/>	<hr/>
Operating (loss)/profit		(1,798)	3,186
Sales of investment properties	6	48,290	740
Cost of sales	6	(47,998)	(441)
		<hr/>	<hr/>
Dividends received from subsidiary undertakings	6	292	299
Interest receivable	4	26,000	-
Interest payable	5	3,103 (4,720)	1,782 (5,484)
		<hr/>	<hr/>
Profit/(loss) on ordinary activities before taxation	6	22,877	(217)
Taxation	7	17	446
		<hr/>	<hr/>
Profit on ordinary activities after taxation		22,894	229
Dividends payable		(10,000)	-
		<hr/>	<hr/>
Retained profit for the financial year	14	12,894	229
		<hr/>	<hr/>

None of the company's operations were discontinued during the year or during the previous year.

The movements on reserves are shown in note 14.

The notes on pages 7 to 17 form part of these financial statements.

Statement of total recognised gains and losses

for the year ended 31 December 1997

	1997 £'000	1996 £'000
Retained profit for the financial year	12,894	229
Unrealised surplus on revaluation of investment properties	6,572	1,718
	<hr/>	<hr/>
Total recognised gains for the year	19,466	1,947
	<hr/> <hr/>	<hr/> <hr/>

Note of historical cost profits and losses

for the year ended 31 December 1997

	1997 £'000	1996 £'000
Reported profit/(loss) on ordinary activities before taxation	22,877	(217)
Realisation of investment property revaluation (deficits)/surpluses of prior years	(2,658)	368
	<hr/>	<hr/>
Historical cost profit on ordinary activities before taxation	20,219	151
	<hr/> <hr/>	<hr/> <hr/>
Historical cost profit for the year retained after taxation	20,236	597
	<hr/> <hr/>	<hr/> <hr/>

Balance sheet

at 31 December 1997

	Note	1997 £000	1996 £000
Fixed assets			
Tangible assets	8	32,548	65,848
Investments	9	6,113	6,113
		<u>38,661</u>	<u>71,961</u>
Current assets			
Debtors	10	18,751	5,556
Cash at bank and in hand		914	4,771
		<u>19,665</u>	<u>10,327</u>
Creditors: amounts falling due within one year	11	<u>(32,517)</u>	<u>(75,928)</u>
Net current liabilities		(12,852)	(65,601)
Total assets less current liabilities		<u>25,809</u>	<u>6,360</u>
Provision for liabilities and charges	12	<u>(274)</u>	<u>(291)</u>
Net assets		<u>25,535</u>	<u>6,069</u>
Capital and reserves			
Called up share capital	13	1	1
Revaluation reserve	14	22,658	13,428
Profit and loss account	14	2,876	(7,360)
		<u>25,535</u>	<u>6,069</u>

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

15 JUN 1998

and were signed


BSE Freshwater
Director


D Davis
Director

The notes on pages 7 to 17 form part of these financial statements.

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.

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 calculated on a straight line basis estimated to write these off over their anticipated useful lives.

Notes (continued)

1 Accounting policies (continued)

Investment properties

Investment properties are included in the balance sheet at professional valuation at 31 December 1997, 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.

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.

2 Staff numbers and costs

The average number of persons employed by the company during the year was 26 (1996:24 persons).

The aggregate payroll costs of these persons were as follows:

	1997 £000	1996 £000
Wages and salaries	253	200
Social security costs	21	16
	<hr/> 274	<hr/> 216
	<hr/> <hr/>	<hr/> <hr/>

Notes (continued)

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 £1,301,000 (1996:£602,000).

4 Interest receivable

	1997 £000	1996 £000
Group finance charges receivable	2,883	1,638
External interest receivable	220	144
	<hr/> 3,103	<hr/> 1,782
	<hr/> <hr/>	<hr/> <hr/>

5 Interest payable

	1997 £000	1996 £000
Bank loans and overdrafts	6	6
Group finance charges payable	4,714	5,468
Interest on overdue tax	-	10
	<hr/> 4,720	<hr/> 5,484
	<hr/> <hr/>	<hr/> <hr/>

6 Profit/(loss) on ordinary activities before taxation

	1997 £000	1996 £000
<i>Profit/(loss) on ordinary activities before taxation is stated after charging</i>		
Depreciation	461	134
Auditors' remuneration for audit services	50	50
	<hr/> <hr/>	<hr/> <hr/>

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

Sales of investment property and profit include amounts aggregating to £47,603,000 and £nil respectively relating to disposals of freehold investment property to other group undertakings (see note 8).

Notes (continued)

7 Taxation

	1997 £000	1996 £000
Consideration receivable for group relief	-	731
Deferred taxation (note 12)	17	(285)
	<u>17</u>	<u>446</u>

8 Tangible fixed assets

<i>Investment properties:</i>	Freehold £000	Long leasehold £000	Short leasehold £000	Total £000
Valuation				
Land and buildings:				
At 1 January 1997	58,260	3,924	3,260	65,444
Disposals (see below)	(47,933)	-	(37)	(47,970)
Additions (see below)	7,250	-	-	7,250
	<u>17,577</u>	<u>3,924</u>	<u>3,223</u>	<u>24,724</u>
Surplus on revaluation (note 14)	1,856	4,591	125	6,572
	<u>19,433</u>	<u>8,515</u>	<u>3,348</u>	<u>31,296</u>
At 31 December 1997	<u>19,433</u>	<u>8,515</u>	<u>3,348</u>	<u>31,296</u>

The additions to freehold investment properties comprise a property acquired from the immediate parent undertaking, Metropolitan Properties Company Limited, during the year at the prior year's professional valuation.

The disposals of freehold investment property include amounts aggregating £47,603,000 relating to the transfer of three properties to the aforementioned immediate parent undertaking and two fellow subsidiary undertakings, Metropolitan Properties (City) Limited and Metropolitan (Finwell Freehold) Limited. All disposals were made at the prior year's professional valuation.

Notes (continued)

8 Tangible fixed assets (continued)

	1997
	£000
Furniture and fittings:	
Cost at 1 January 1997	538
Additions in the year	1,309
	<hr/>
Cost at 31 December 1997	1,847
	<hr/>
Accumulated depreciation	
At 1 January 1997	(134)
Charge for the year	(461)
	<hr/>
At 31 December 1997	(595)
	<hr/>
Net book value at	
31 December 1997	1,252
	<hr/>
At 31 December 1997	32,548
	<hr/>
At 31 December 1996	65,848
	<hr/>

A professional valuation of the company's investment properties was carried out at 31 December 1997 by the group'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	Long leasehold	Short leasehold	Total
	£000	£000	£000	£000
<i>Cost:</i>				
At 31 December 1997	8,203	93	342	8,638
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 1996	51,578	93	345	52,016
	<hr/>	<hr/>	<hr/>	<hr/>

Notes (continued)

9 Fixed asset investments

	Shares in subsidiary undertakings £000
At cost at 1 January and 31 December 1997 (note 17)	6,113

10 Debtors

	1997 £000	1996 £000
Rents and service charges due and accrued	1,119	1,366
Interest receivable from subsidiary undertaking	111	111
Amounts owed by immediate parent and fellow subsidiary undertakings	14,098	602
Amounts owed by subsidiary undertakings (note 3)	2,386	2,440
Consideration receivable for group relief (note 7)	731	731
Other debtors	208	200
Prepayments	98	106
	<u>18,751</u>	<u>5,556</u>

11 Creditors: amounts falling due within one year

	1997 £000	1996 £000
Bank loans and overdrafts	101	-
Rents and service charges charged and paid in advance	638	1,490
Amount owed to immediate and intermediate parent and fellow subsidiary undertakings	1,313	24,299
Amounts owed to subsidiary undertakings	29,742	49,710
Creditors and accruals	723	429
	<u>32,517</u>	<u>75,928</u>

Notes (continued)

12 Provision for liabilities and charges

	Deferred taxation provision £000
Balance at 1 January 1997	291
Decrease in provision (note 7)	(17)
	<hr/>
Balance at 31 December 1997	274
	<hr/> <hr/>

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

	1997		1996	
	Provided £000	Unprovided £000	Provided £000	Unprovided £000
Losses available	-	(2,000)	-	(1,615)
Capital allowances	7	299	7	206
Interest accrued	267	-	284	-
Unrealised surpluses on revaluation of property	-	6,100	-	7,000
	<hr/>	<hr/>	<hr/>	<hr/>
	274	4,399	291	5,591
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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

	1997 £000	1996 £000
<i>Authorised, allotted, called up and fully paid</i>		
1,000 Ordinary shares of £1 each	1	1
	<hr/> <hr/>	<hr/> <hr/>

Notes (continued)

14 Reserves

	Profit and loss account £000	Revaluation reserve £000
At 1 January 1997	(7,360)	13,428
Transfer to profit and loss account of deficits on prior years revaluation of investment properties now realised	(2,658)	2,658
Surplus on revaluation of tangible assets (note 8)	-	6,572
Retained profit for the financial year	12,894	-
	<hr/>	<hr/>
At 31 December 1997	2,876	22,658
	<hr/> <hr/>	<hr/> <hr/>

Total reserves and retained earnings at 31 December 1997 were £25,534,000 (1996: £6,068,000).

15 Reconciliation of movements in shareholders' funds

	1997 £000	1996 £000
Retained profit for the financial year	12,894	229
Unrealised surplus on revaluation of investment properties	6,572	1,718
	<hr/>	<hr/>
Net increase in shareholders' funds	19,466	1,947
Opening shareholders' funds	6,069	4,122
	<hr/>	<hr/>
Closing shareholders' funds	25,535	6,069
	<hr/> <hr/>	<hr/> <hr/>

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 1997 the aggregate indebtedness under these facilities amounted to £62,803,000 (1996:£115,737,000).

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 1997 of £2,510,000 (1996:£50,025,000) in respect of the aforementioned facilities.

Properties with book values at 31 December 1997 of £6,725,000(1996: £11,328,000) were charged as part security for loans from third parties to the aforementioned parent undertaking.

The charges are in support of an unlimited guarantee given in respect of certain of the aforementioned facilities. As at 31 December 1997 the relevant aggregate indebtedness amounted to £8,587,000 (1996:£11,284,000).

In addition, the company's liability in respect of the charges on certain of its 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 a third party. At 31 December 1997 the aggregate liability under these facilities amounted to £33,000 (1996:£3,000).

During the year the company charged certain of its properties with a book value of £12,146,000 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.

The company had previously charged certain of the aforementioned properties with a book value at 31 December 1996 of £3,795,000 as part security for loan facilities granted to its immediate parent undertaking, Metropolitan Properties Company Limited, the indebtedness of which is included in the aggregate figure of £11,284,000 referred to above.

The company has also given an unlimited guarantee in respect of bank loan facilities granted to its immediate parent undertaking, the amount drawn down under which at 31 December 1997 was £638,000 (1996:£560,000).

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

All the above companies are wholly owned and incorporated in Great Britain and registered in England and Wales and all operate in Great Britain.

The financial statements present information about the company as an individual undertaking and not about its group.

No group financial statements as at 31 December 1997 have been prepared as the company is a wholly owned subsidiary of another United Kingdom body corporate.

The share capital together with the revenue and capital reserves of the subsidiaries at 31 December 1997 was £16,040,295 (1996:£39,485,549). The aggregate loss of the subsidiaries for the year ended 31 December 1997 was £23,894,671 (1996:profit £2,488,512).

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 is also interested in the share capital of that company.

During the year £177,000 (1996:£184,000), 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.