Metropolitan Properties (City) Limited

Directors' report and financial statements

Registered number 3245983

For the year ended 31 December 2013

Contents

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2013.

Business review

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

Results and dividends

The results for the year ended 31 December 2013 are set out in the attached financial statements.

The directors do not recommend the payment of a dividend *(2012: £nil)*.

Properties

A professional valuation of the company's investment properties was carried out at 31 December 2013 by the company's valuers, Colliers International. The resultant figures produced in the above valuation have been included in the financial statements and the revaluation gain of £2,120,412 *(2012: £812,958 deficit)* has been transferred to revaluation reserve.

Directors

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.

Neither director has a service contract nor receives any emoluments from the company.

Strategic report exemption

The directors' report has been prepared in accordance with the provisions applicable to companies entitled to the small company exemption. Accordingly no strategic report has to be prepared.

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 each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditors

During the year Cohen Arnold resigned as joint auditors of the company on 22nd August 2013. KPMG LLP, who were previously joint auditors, have continued in office as sole auditors.

By order of the board

MRM Jenner
Secretary

Registered office
Freshwater House
158-162 Shaftesbury Avenue
London WC2H 8HR

22 September 2014

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).

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 judgments 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping 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 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 independent auditor, KPMG LLP, to the members of Metropolitan Properties (City) Limited

We have audited the financial statements of Metropolitan Properties (City) Limited for the year ended 31 December 2013 set out on pages 5 to 13. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

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.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2013 and of its loss for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Report of the independent auditor, KPMG LLP, to the members of Metropolitan Properties (City) Limited *(continued)*

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us 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; or
- the directors were not entitled to take advantage of the small companies exemption from the requirement to prepare a strategic report.

Andrew Marshall (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London E14 5GL
22 September 2014

Profit and loss account
for the year ended 31 December 2013

	Note	2013 £	2012 £
Rents and service charges receivable		**4,364,543**	3,357,486
Property outgoings		**(871,086)**	(1,166,936)
		3,493,457	2,190,550
Sundry income		**-**	136,367
Administrative expenses		**(21,000)**	(20,000)
Profit on sale of properties		**47,307**	-
Operating profit		**3,519,764**	2,306,917
Interest receivable		**523**	-
Interest payable	*2*	**(3,318,000)**	(2,864,000)
Profit/(loss) on ordinary activities before taxation	*3*	**202,287**	(557,083)
Tax charge on loss on ordinary activities	*4*	**(706,000)**	(618,000)
Profit/(loss) for the financial year	*9*	**(503,713)**	(1,175,083)

There is no difference between the results as stated and the results on a historic cost basis in either the current or previous year.

All of the company's activities are continuing.

The notes on pages 8 to 13 form part of these financial statements.

Statement of total recognised gains and losses
for the year ended 31 December 2013

	Note	**2013**	2012
		£	£
Loss for the financial year		**(503,713)**	(1,175,083)
Revaluation surplus/(unrealised deficit) on revaluation of investment properties		**2,120,412**	(812,958)
Total recognised gains/(losses) for the year		**1,616,699**	(1,988,041)

Balance sheet
At 31 December 2013

	Note	2013		2012	
		£	£	£	£
Fixed assets					
Investment properties	*5*		**33,307,454**		38,787,042
Current assets					
Debtors	*6*	**12,012,640**		1,598,951	
Creditors: amounts falling due within one year	*7*	**(55,420,044)**		(52,102,642)	
Net current liabilities			**(43,407,404)**		(50,503,691)
Net liabilities			**(10,099,950)**		(11,716,649)
Capital and reserves					
Called up share capital	*8*		**1,000**		1,000
Revaluation reserve	*9*		**(13,692,546)**		(14,062,958)
Profit and loss account	*9*		**3,591,596**		2,345,309
Equity shareholders' deficit	*10*		**(10,099,950)**		(11,716,649)

The notes on pages 8 to 13 form part of these financial statements.

These financial statements were approved by the board of directors on 22 September 2014 and were signed on its behalf by:

BSE Freshwater
Director

Company Registered Number: 3245983

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 financial statements have been prepared on the going concern basis, notwithstanding the company's net liabilities, which the directors believe to be appropriate for the following reasons. The company is dependent for its working capital on funds provided to it by Metropolitan Properties Company Limited, the company's parent undertaking. The Metropolitan Properties Company Group has considerable financial resources together with a large property portfolio and access to credit facilities. Metropolitan Properties Company Limited has provided the company with an undertaking that, for at least 12 months from the date of approval of these financial statements, it will continue to make available such funds as are needed by the company.

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. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

Taxation

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

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by Financial Reporting Standard 19 *Deferred Tax* (FRS 19).

Notes *(continued)*

1 Accounting policies *(continued)*

Investment properties

Investment properties are included in the balance sheet at professional valuation at 31 December 2013, on the basis stated in note 5 to 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, with the exception of any permanent diminution in value below cost which is written off through the profit and loss account; 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 Under Financial Reporting Standards 1 *Cash Flow Statements* (FRS 1) the company is exempt from the requirement to prepare a cash flow statement on the grounds that it is a wholly owned subsidiary undertaking of an immediate 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 per Financial Reporting Standard 8 *Related Party Disclosures* (FRS 8) in order to dispense with the requirement to disclose transactions with other wholly owned Metropolitan Properties Company Limited group companies.

2 Interest payable

	2013	2012
	£	£
Group finance charges payable	**3,318,000**	2,864,000

3 Loss on ordinary activities before taxation

	2013	2012
	£	£
Loss on ordinary activities before taxation is stated after charging:		
Audit fees	**15,500**	15,000
Other Services	**-**	-

Notes *(continued)*

4 Tax (credit)/charge on loss on ordinary activities

	2013 £	2012 £
a) Analysis of tax (credit)/ charge for the year		
Consideration receivable for group relief:		
Current year	**4,000**	(128,000)
Adjustment in respect of prior year	**702,000**	746,000
Total current tax charge/(credit) (see below)	**706,000**	618,000
b) Factors affecting the tax charge/(credit) for the year		
Profit/(loss) on ordinary activities before taxation	**202,287**	(557,083)
Loss on ordinary activities at the standard rate of 23.25% *(2012: 24.5%)*	**47,032**	(136,485)
Disallowed expenses	**6,035**	8,480
Land redemption relief	**(1,744)**	-
Difference between chargeable gains and profit on sale of investment property	**(47,603)**	-
Adjustment in respect of prior year	**702,000**	746,000
Sundry differences	**280**	5
Current tax (credit)/charge (see above)	**706,000**	618,000

c) Factors affecting the tax charge in future years

The 2013 Budget announced on 20 March 2013 that the UK Corporation tax rate will reduce to 20% by 2015. A reduction in the rate from 24% to 23% (effective from 1 April 2013) was substantively enacted on 3 July 2012 and further reductions to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. This will reduce the company's future current tax charge.

The deferred tax liability at 31 December 2013 has been calculated based on the rate of 20% substantively enacted at the balance sheet date.

The potential deferred taxation liability at 31 December 2013 in respect of the revaluation of investment property, for which no provision has been made, is estimated at Nil (2012: Nil).

Notes *(continued)*

5 Investment properties

Valuation	£
Land and buildings (freehold properties):	
At 31 December 2012	38,787,042
Disposals	(7,600,000)
Revaluation	2,120,412
At 31 December 2013	**33,307,454**

A professional valuation of the company's investment properties was carried out at 31 December 2013 by the company's valuers, Colliers International. 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 based upon group transfer value included in the financial statements at valuation are as follows:

Cost:	£
At 31 December 2013	**32,000,000**

6 Debtors

	2013	2012
	£	£
Rents and service charges due and accrued	**810,532**	1,030,665
Amount due from fellow subsidiary undertaking	**10,032,229**	45,543
Consideration receivable for group relief	**128,000**	128,000
Other debtors and prepayments	**1,041,879**	394,743
	12,012,640	1,598,951

7 Creditors: amounts falling due within one year

	2013	2012
	£	£
Rents charged and paid in advance	**740,294**	508,627
Amount due to immediate parent undertaking	**53,633,356**	51,173,149
Consideration payable for group relief	**706,000**	121,000
Other creditors and accruals	**340,394**	299,866
	55,420,044	52,102,642

Notes *(continued)*

8 Called up share capital

	2013	2012
	£	£
Authorised, allotted, called up and fully paid		
1,000 ordinary shares of £1 each	**1,000**	1,000

9 Reserves

	Revaluation reserve	Profit and loss account	Total
	£	£	£
At 1 January 2013	(14,062,958)	2,345,309	(11,717,649)
Loss for the year after taxation	-	(503,713)	(503,713)
Revaluation	2,120,412	-	2,120,412
Realised revaluation gain	(1,750,000)	1,750,000	-
At 31 December 2013	**(13,692,546)**	**3,591,596**	**10,100,950**

10 Reconciliation of movements in shareholders' funds

	2013	2012
	£	£
Loss for the financial year	**(503,713)**	(1,175,083)
Unrealised gain/(deficit) on revaluation of investment properties	**2,120,412**	(812,958)
Net decrease in shareholders' funds	**1,616,699**	(1,988,041)
Opening deficit in shareholders' funds	**(11,716,649)**	(9,728,608)
Closing deficit in shareholders' funds	**(10,099,950)**	(11,716,649)

11 Charges on assets and guarantees

The company has charged its freehold investment properties with a book value at 31 December 2013 of £33,307,454 *(2012: £38,787,042)* as part security for loan facilities granted to Metropolitan Properties (Commercial) Limited, a subsidiary of an intermediate parent undertaking and also executed a floating charge over all the assets and undertaking of the company. At 31 December 2013, the aggregate indebtedness amounted to £16,056,804 *(2012: £17,840,894)*.

Notes *(continued)*

12 Directors' interest 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 connected. 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 £71,608 *(2012: £111,709)*, excluding VAT, was payable to Highdorn Co. Limited for the full range of management and administrative services which were charged for at normal commercial rates.

13 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.

Property revenue account
for the year ended 31 December 2013

	2013		2012	
	£	£	£	£
Rents and charges receivable		**4,364,543**		3,357,486
Property outgoings:				
General and water rates	**99,657**		55,705	
Insurance	**7,211**		10,508	
Repairs and maintenance	**181,167**		204,171	
Legal and professional charges	**86,032**		86,644	
Letting commission	**(5,150)**		175,460	
Management commission	**77,513**		129,810	
Light and heat	**197,792**		231,129	
Porterage and cleaning	**226,864**		273,509	
		871,086		(1,166,936)
Net property revenue		**3,493,457**		2,190,550

This schedule is provided for information purposes only and does not form part of the audited financial statements.