Metropolitan Properties (Investments) Limited

Directors' report and financial statements

Registered number 3389544

31 December 2007

Directors' report and financial statements

Contents

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2007

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 period under review nor is any envisaged in the immediate future

Results and dividends

The results for the year ended 31 December 2007 are set out in the attached financial statements

The directors do not recommend the payment of a dividend *(2006 £nil)*

Properties

A professional valuation of the company's investment properties was carried out at 31 December 2007 by the company's valuers, Colliers CRE The resultant figures have been included in the financial statements under review and the deficit of £215,000 *(2006 surplus of £4,087,200)* below previous book values 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

Disclosure of information to auditors

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 auditors are 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 auditors are aware of that information

Auditors

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

By order of the board

MRM Jenner
Secretary

Freshwater House
158/162 Shaftesbury Avenue
London WC2H 8HR

16 June 2008

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)

The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period

In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make 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 proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies Act 1985 They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities

Report of the joint independent auditors, Cohen Arnold and KPMG LLP, to the members of Metropolitan Properties (Investments) Limited

We have audited the financial statements of Metropolitan Properties (Investments) Limited for the year ended 31 December 2007 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet and the related notes These financial statements have been prepared under the accounting policies set out therein

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985 Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an 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

The directors' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 2

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland)

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985 We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements It also includes an assessment of the significant estimates and judgments made by the 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

Report of the joint independent auditors, Cohen Arnold and KPMG LLP, to the members of Metropolitan Properties (Investments) Limited *(continued)*

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2007 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements

Cohen Arnold — 16 June 2008
Chartered Accountants
Registered Auditor
London

KPMG LLP — 16 June 2008
Chartered Accountants
Registered Auditor
London

Profit and loss account
for the year ended 31 December 2007

	Note	2007 £	2006 £
Rents and charges receivable		**2,403,783**	2,578.563
Property outgoings		**(1,048,636)**	(1,083,184)
		1,355,147	1,495,379
Administrative expenses		**(7,000)**	(7,000)
Operating profit		**1,348,147**	1,488 379
Interest receivable	*2*	**2,331**	7 034
Interest payable	*3*	**(502,000)**	(530 000)
Profit on ordinary activities before taxation	*4*	**848,478**	965,413
Tax on profit on ordinary activities	*5*	**(219,000)**	(292,000)
Profit for the financial year	*10*	**629,478**	673 413

All of the company's activities are continuing

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

Statement of total recognised gains and losses
for the year ended 31 December 2007

	2007	2006
	£	£
Profit for the financial year	**629,478**	673,413
Unrealised (deficit)/surplus on revaluation of investment properties	**(215,000)**	4,087,200
Total recognised gains for the year	**414,478**	4,760,613

Balance sheet
at 31 December 2007

	Note	2007		2006	
		£	£	£	£
Fixed assets					
Investment properties	6		**26,292,200**		26,507 200
Current assets					
Debtors	7	**1,031,625**		910,867	
Cash at bank		**137,298**		135,292	
		1,168,923		1,046 159	
Creditors: amounts falling due within one year	8	**(9,249,468)**		(9,756,182)	
Net current liabilities			**(8,080,545)**		(8,710,023)
Net assets			**18,211,655**		17,797,177
Capital and reserves					
Called up share capital	9		**2**		2
Revaluation reserve	10		**13,411,981**		13,626 981
Profit and loss account	10		**4,799,672**		4,170,194
Equity shareholders' funds	11		**18,211,655**		17,797,177

These financial statements were approved by the board of directors on 16th June 2008 and were signed on its behalf by

BSE Freshwater
Director

Notes
(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements

Basis of preparation

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

The financial statements have been prepared on the going concern basis, notwithstanding the company's net current 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 immediate parent undertaking 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 and in particular will not seek repayment of the amounts currently made available

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

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 tax is provided in accordance with Financial Reporting Standard No 19 (FRS 19) Under FRS 19 full provision is made in respect of all timing differences that have originated but not reversed by the balance sheet date where an event has occurred that results in an obligation to pay more or less tax in future, except that

i no provision is made in respect of unrealised property revaluation surpluses, and

ii deferred tax assets are recognised to the extent that they are considered recoverable

Deferred tax is measured on a non-discounted basis at the tax rates which apply at the balance sheet date

Investment properties

Investment properties are included in the balance sheet at professional valuation at 31 December 2007, on the basis stated in note 6 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 permanent diminutions in value which are written off through the profit and loss account, and

Notes *(continued)*

1 Accounting policies *(continued)*

Investment properties (continued)

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 revised 1996)) 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 in FRS 8 Related Party Disclosures in order to dispense with the requirement to disclose transactions with other Metropolitan Properties Company Limited group companies

2 Interest receivable

	2007 £	2006 £
External interest receivable	**2,331**	7 034

3 Interest payable

	2007 £	2006 £
Group finance charges payable	**502,000**	530,000

4 Profit on ordinary activities before taxation

	2007 £	2006 £
Profit on ordinary activities before taxation is stated after charging:		
Auditors remuneration for audit services	**7,000**	7,000

Notes *(continued)*

5 Tax on profit on ordinary activities

a) Analysis of charge for the year	2007	2006
	£	£
Consideration payable for group relief		
Current year	**253,000**	292,000
Consideration payable for consortium relief		
Prior year adjustment	**(34,000)**	-
	219,000	292,000

b) Factors affecting the tax charge for the year

	2007	2006
Profit on ordinary activities before taxation	**848,478**	965,413
Profit on ordinary activities at the standard rate of 30% *(2006 30%)*	**254,543**	289,624
Disallowed expenses	**-**	5 518
Excess capital allowances over depreciation	**(1,063)**	(1,417)
Prior year adjustment	**(34,000)**	-
Sundry differences	**(480)**	(1,725)
Current tax charge (see above)	**219,000**	292,000

c) Factors affecting the tax charge for future years

The potential deferred taxation liability, at 31 December 2007, in respect of the surpluses on revaluation of investment properties, for which no provision has been made, is estimated at £2,714,000 *(2006 £2,967,515)*

6 Investment properties

	Freehold	Leasehold	Total
	£	£	£
Land and buildings			
At 31 December 2006 - at valuation	23,407,200	3,100,000	26,507,200
Deficit on revaluation (note 10)	(155,000)	(60,000)	(215,000)
At 31 December 2007 - at valuation	**23,252,200**	**3,040,000**	**26,292,200**

A professional valuation of the company's investment properties was carried out at 31 December 2007 by the company's valuers, Colliers CRE 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

	£
Cost	
At 31 December 2007 and 31 December 2006	**12,880,219**

Notes *(continued)*

7 Debtors

	2007 £	2006 £
Rents and service charges due and accrued	**878,780**	848 826
Other debtors and prepayments	**152,845**	62,041
	1,031,625	910 867

8 Creditors: amounts falling due within one year

	2007 £	2006 £
Rents and service charges charged and paid in advance	**527,827**	540,652
Consideration payable for group relief (note 5)	**545,000**	555,000
Amounts due to immediate parent undertaking	**7,312,936**	7,844,478
Amount due to fellow subsidiary undertaking	**502,000**	530,000
Tenant deposits	**137,298**	135,292
Other creditors and accruals	**224,407**	116,760
	9,249,468	9 756 182

9 Called up share capital

	2007 £	2006 £
Authorised		
1 000 ordinary shares of £1 each	**1,000**	1,000
Allotted, called up and fully paid		
2 ordinary shares of £1 each	**2**	2

Notes *(continued)*

10 Reserves

	£	£
Revaluation reserve:		
At 1 January 2007	13,626,981	
Surplus on revaluation of investment properties (note 6)	(215,000)	
At 31 December 2007		13,411 981
Profit and loss account		
At 1 January 2007	4,170 194	
Profit for the financial year	629 478	
At 31 December 2007		4,799,672
Total reserves at 31 December 2007		**18,211,653**

11 Reconciliation of movements in shareholders' funds

	2007 £	2006 £
Profit for the financial year	**629,478**	673 413
Unrealised (deficit)/surplus on revaluation of investment properties	**(215,000)**	4,087 200
Net addition to shareholders' funds	**414,478**	4,760,613
Opening shareholders' funds	**17,797,177**	13,036 564
Closing shareholders' funds	**18,211,655**	17,797,177

12 Contingent liabilities

The company has charged certain of its freehold and leasehold investment properties with an aggregate book value of £26,000,000 *(2006 £26,000,000)* 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 undertaking of the company At 31 December 2007 the aggregate indebtedness amounted to £30,425,000 *(2006 £30,425,000)*

Notes *(continued)*

13 Directors' interests in contracts

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

During the year £81,251 *(2006 £64,216)*, 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

14 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