

**Metropolitan Properties (Investments) Limited**

**Directors' report and financial  
statements**

**Registered number 3389544**

**31 December 2008**

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## **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 2008.

### 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 2008 are set out in the attached financial statements.

The directors do not recommend the payment of a dividend (2007: £nil).

### Properties

A professional valuation of the company's investment properties was carried out at 31 December 2008 by the company's valuers, Colliers CRE. The resultant figures have been included in the financial statements under review and the deficit of £5,180,000 (2007: £215,000) 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.

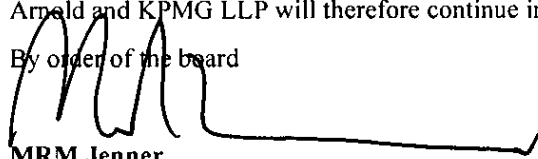
### Disclosure of information to auditors

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

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and Cohen Arnold and KPMG LLP will therefore continue in office as joint auditors of the company.

By order of the board

  
MRM Jenner  
Secretary

Freshwater House  
158/162 Shaftesbury Avenue  
London WC2H 8HR

29 June 2009

## **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 2008 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.

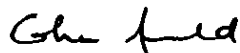
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity 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 2008 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**  
*Chartered Accountants*  
*Registered Auditor*  
*London*

29 June 2009



**KPMG LLP**  
*Chartered Accountants*  
*Registered Auditor*  
*London*

29 June 2009

**Profit and loss account**  
*for the year ended 31 December 2008*

	<i>Note</i>	<b>2008</b> £	<b>2007</b> £
Rents and charges receivable		<b>2,521,132</b>	2,403,783
Property outgoings		<b>(1,519,740)</b>	(1,048,636)
		<hr/>	<hr/>
Administrative expenses		<b>1,001,392</b> <b>(7,000)</b>	1,355,147 (7,000)
		<hr/>	<hr/>
<b>Operating profit</b>		<b>994,392</b>	1,348,147
Other income	2	<b>2,465,353</b>	-
		<hr/>	<hr/>
<b>Profit before interest and taxation</b>		<b>3,459,745</b>	1,348,147
Interest receivable	3	<b>9,993</b>	2,331
Interest payable	4	<b>(469,000)</b>	(502,000)
		<hr/>	<hr/>
<b>Profit on ordinary activities before taxation</b>	5	<b>3,000,738</b>	848,478
Tax on profit on ordinary activities	6	<b>(671,000)</b>	(219,000)
		<hr/>	<hr/>
<b>Profit for the financial year</b>	11	<b>2,329,738</b>	629,478
		<hr/>	<hr/>

All of the company's activities are continuing.

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

**Statement of total recognised gains and losses**  
*for the year ended 31 December 2008*

	2008 £	2007 £
Profit for the financial year	2,329,738	629,478
Unrealised deficit on revaluation of investment properties	(5,180,000)	(215,000)
	<hr/>	<hr/>
<b>Total recognised (losses)/gains for the year</b>	<b>(2,850,262)</b>	<b>414,478</b>
	<hr/>	<hr/>



**Balance sheet**  
*at 31 December 2008*

	<i>Note</i>	<b>2008</b>	<b>2007</b>
		£	£
<b>Fixed assets</b>			
Investment properties	7	21,112,200	26,292,200
<b>Current assets</b>			
Debtors	8	2,858,361	1,031,625
Cash at bank		143,704	137,298
		<u>3,002,065</u>	<u>1,168,923</u>
<b>Creditors: amounts falling due within one year</b>	9	<u>(8,752,872)</u>	<u>(9,249,468)</u>
<b>Net current liabilities</b>		<b>(5,750,807)</b>	<b>(8,080,545)</b>
<b>Net assets</b>		<b>15,361,393</b>	<b>18,211,655</b>
<b>Capital and reserves</b>			
Called up share capital	10	2	2
Revaluation reserve	11	8,231,981	13,411,981
Profit and loss account	11	7,129,410	4,799,672
<b>Equity shareholders' funds</b>	12	<b>15,361,393</b>	<b>18,211,655</b>

These financial statements were approved by the board of directors on 29 June 2009 and were signed on its behalf by:

  
**BSE Freshwater**  
 Director

## Notes

*(forming part of the financial statements)*

### **I 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 2008, on the basis stated in note 7 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 Other income

Other income represents compensation received for rights of light.

### 3 Interest receivable

	2008 £	2007 £
External interest receivable	9,993	2,331

### 4 Interest payable

	2008 £	2007 £
Group finance charges payable	469,000	502,000

### 5 Profit on ordinary activities before taxation

	2008 £	2007 £
<i>Profit on ordinary activities before taxation is stated after charging:</i>		
Auditors' remuneration for audit services	7,000	7,000

## Notes (continued)

### 6 Tax on profit on ordinary activities

<i>a) Analysis of charge for the year</i>	2008 £	2007 £
Consideration payable for group relief:		
Current year	785,000	253,000
Prior year adjustment	(114,000)	-
Consideration payable for consortium relief	-	(34,000)
	<u>671,000</u>	<u>219,000</u>
<i>b) Factors affecting the tax charge for the year</i>		
Profit on ordinary activities before taxation	3,000,738	848,478
Profit on ordinary activities at the standard rate of 28.5% (2007: 30%)	855,210	254,543
Excess capital allowances over depreciation	(70,231)	(1,063)
Prior year adjustment	(114,000)	(34,000)
Sundry differences	21	(480)
	<u>671,000</u>	<u>219,000</u>
Current tax charge (see above)	<u>671,000</u>	<u>219,000</u>

### *c) Factors affecting the tax charge for future years*

The potential deferred taxation liability, at 31 December 2008, in respect of the surpluses on revaluation of investment properties, for which no provision has been made, is estimated at £1,040,000 (2007: £2,714,000).

### 7 Investment properties

	Freehold £	Leasehold £	Total £
<i>Land and buildings</i>			
At 31 December 2007 - at valuation	23,252,200	3,040,000	26,292,200
Deficit on revaluation (note 11)	(4,300,000)	(880,000)	(5,180,000)
	<u>18,952,200</u>	<u>2,160,000</u>	<u>21,112,200</u>

A professional valuation of the company's investment properties was carried out at 31 December 2008 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:

	£
<i>Cost</i>	
At 31 December 2008 and 31 December 2007	<u>12,880,219</u>

**Notes (continued)**

**8 Debtors**

	2008 £	2007 £
Rents and service charges due and accrued	779,100	878,780
Amount owed by fellow subsidiary undertaking	1,996,353	-
Other debtors and prepayments	82,908	152,845
	<u>2,858,361</u>	<u>1,031,625</u>

**9 Creditors: amounts falling due within one year**

	2008 £	2007 £
Rents and service charges charged and paid in advance	468,717	527,827
Consideration payable for group relief (note 6)	924,000	545,000
Amounts due to immediate parent undertaking	7,037,491	7,312,936
Amount due to fellow subsidiary undertaking	-	502,000
Tenant deposits	143,704	137,298
Other creditors and accruals	178,960	224,407
	<u>8,752,872</u>	<u>9,249,468</u>

**10 Called up share capital**

	2008 £	2007 £
<i>Authorised</i>		
1,000 ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>
<i>Allotted, called up and fully paid</i>		
2 ordinary shares of £1 each	<u>2</u>	<u>2</u>

## Notes (continued)

### 11 Reserves

	£	£
<b>Revaluation reserve:</b>		
At 1 January 2008	13,411,981	
Deficit on revaluation of investment properties (note 7)	(5,180,000)	
	<hr/>	
<b>At 31 December 2008</b>		8,231,981
<b>Profit and loss account:</b>		
At 1 January 2008	4,799,672	
Profit for the financial year	2,329,738	
	<hr/>	
<b>At 31 December 2008</b>		7,129,410
<b>Total reserves at 31 December 2008</b>		<hr/> <b>15,361,391</b> <hr/>

### 12 Reconciliation of movements in shareholders' funds

	2008 £	2007 £
Profit for the financial year	2,329,738	629,478
Unrealised deficit on revaluation of investment properties	(5,180,000)	(215,000)
	<hr/>	<hr/>
Net (reduction)/addition to shareholders' funds	(2,850,262)	414,478
Opening shareholders' funds	18,211,655	17,797,177
	<hr/>	<hr/>
<b>Closing shareholders' funds</b>	<b>15,361,393</b>	<b>18,211,655</b>
	<hr/>	<hr/>

### 13 Charges on assets and guarantees

The company has charged certain of its freehold and leasehold investment properties with an aggregate book value of £13,229,200 (2007: £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 2008 the aggregate indebtedness amounted to £30,425,000 (2007: £30,425,000).

During the year, the company charged by way of first legal charge certain of its properties with a book value of £7,883,000 in support of an unlimited guarantee given in respect of loan facilities granted to Metropolitan Properties Company Limited, an intermediate parent undertaking. At 31 December 2008 the aggregate indebtedness under these facilities amounted to £20,218,457.

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

### **14 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 £82,613 (2007: £81,251), 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.

### **15 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 WC2H8HR.

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 2008*

	2008	2007
	£	£
<b>Rents and charges receivable</b>	<b>2,521,132</b>	<b>2,403,783</b>
<b>Property outgoings</b>		
Ground rent	30,898	40,964
General and water rates	146,876	97,795
Insurances	96,278	(152,816)
Repairs and maintenance	575,938	344,316
Lighting and heating	199,093	198,232
Porterage and cleaning	329,906	296,462
Legal and professional charges	58,138	142,432
Letting commission	21,624	16,719
Management commission	60,989	64,532
	<b>(1,519,740)</b>	<b>(1,048,636)</b>
<b>Net property revenue</b>	<b>1,001,392</b>	<b>1,355,147</b>

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