

Metropolitan Properties (Investments) Limited

**Directors' report and financial
statements**

Registered number 3389544

For the year ended 31 December 2009

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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 2009

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 2009 are set out in the attached financial statements.

The directors do not recommend the payment of a dividend (2008: £nil).

Properties

A professional valuation of the company's investment properties was carried out at 31 December 2009 by the company's valuers, Colliers CRE. The resultant figures have been included in the financial statements under review and the deficit of £379,000 (2008: £5,180,000) 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.

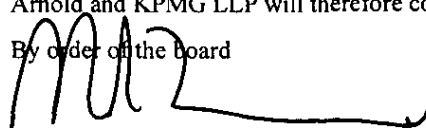
Disclosure of information to auditors

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

21 July 2010

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 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, 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 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 2009 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet and the related notes. 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 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 APB's web-site at www.frc.org.uk/apb/scope/UKNP.

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 2009 and of its profit 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

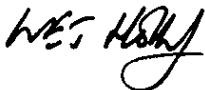
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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



WEJ Holland (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

8 Salisbury Square
London
EC4Y 8BB
United Kingdom

21 July 2010



Joshua Neumann (Senior Statutory Auditor)

for and on behalf of Cohen Arnold, Statutory Auditor

Chartered Accountants

New Burlington House
1075 Finchley Road
London NW11 0PU

21 July 2010

Profit and loss account
for the year ended 31 December 2009

	<i>Note</i>	2009 £	2008 £
Rents and charges receivable		2,698,919	2,521,132
Property outgoings		(1,616,941)	(1,519,740)
		<hr/>	<hr/>
Administrative expenses		1,081,978 (7,000)	1,001,392 (7,000)
		<hr/>	<hr/>
Operating profit		1,074,978	994,392
Other income	2	-	2,465,353
		<hr/>	<hr/>
Profit before interest and taxation		1,074,978	3,459,745
Interest receivable	3	6,315	9,993
Interest payable	4	(302,000)	(469,000)
		<hr/>	<hr/>
Profit on ordinary activities before Taxation	5	779,293	3,000,738
Tax on profit on ordinary activities	6	(408,000)	(671,000)
		<hr/>	<hr/>
Profit for the financial year	12	371,293	2,329,738
		<hr/> <hr/>	<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 2009

	2009 £	2008 £
Profit for the financial year	371,293	2,329,738
Unrealised deficit on revaluation of investment properties	(379,000)	(5,180,000)
	<hr/>	<hr/>
Total recognised losses for the year	(7,707)	(2,850,262)
	<hr/>	<hr/>

Balance sheet
at 31 December 2009

	<i>Note</i>	2009	2008
		£	£
Fixed assets			
Investment properties	7	20,733,200	21,112,200
Current assets			
Debtors	8	1,224,094	2,858,361
Cash at bank		143,846	143,704
		<u>1,367,940</u>	<u>3,002,065</u>
Creditors amounts falling due within one year	9	(6,519,454)	(8,752,872)
Net current liabilities		<u>(5,151,514)</u>	<u>(5,750,807)</u>
Total assets less current liabilities		<u>15,581,686</u>	<u>15,361,393</u>
Provisions for liabilities and charges	10	(228,000)	-
Net assets		<u>15,353,686</u>	<u>15,361,393</u>
Capital and reserves			
Called up share capital	11	2	2
Revaluation reserve	12	7,852,981	8,231,981
Profit and loss account	12	7,500,703	7,129,410
Equity shareholders' funds	13	<u>15,353,686</u>	<u>15,361,393</u>

These financial statements were approved by the board of directors on 21 July 2010 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 2009, 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)

- 11 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 during the previous year.

3 Interest receivable

	2009 £	2008 £
External interest receivable	6,315	9,993

4 Interest payable

	2009 £	2008 £
Group finance charges payable	302,000	469,000

5 Profit on ordinary activities before taxation

	2009 £	2008 £
<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>	2009 £	2008 £
Consideration payable for group relief		
Current year	166,000	785,000
Prior year adjustment	14,000	(114,000)
	<hr/>	<hr/>
Current tax charge	180,000	671,000
Deferred tax		
Current year	228,000	-
	<hr/>	<hr/>
Tax on profit on ordinary activities	408,000	671,000
	<hr/>	<hr/>
<i>b) Factors affecting the tax charge for the year</i>		
Profit on ordinary activities before taxation	779,293	3,000,738
	<hr/>	<hr/>
Profit on ordinary activities at the standard rate of 28% (2008 28.5%)	218,202	855,210
Excess capital allowances over depreciation	(52,047)	(70,231)
Prior year adjustment	14,000	(114,000)
Sundry differences	(155)	21
	<hr/>	<hr/>
Current tax charge (see above)	180,000	671,000
	<hr/>	<hr/>

c) Factors affecting the tax charge for future years

The potential deferred taxation liability, at 31 December 2009, in respect of the surpluses on revaluation of investment properties, for which no provision has been made, is estimated at £814,000 (2008 £1,040,000)

7 Investment properties

	Freehold £	Leasehold £	Total £
<i>Land and buildings</i>			
At 31 December 2008 - at valuation	18,952,200	2,160,000	21,112,200
Deficit on revaluation (note 12)	(229,000)	(150,000)	(379,000)
	<hr/>	<hr/>	<hr/>
At 31 December 2009 - at valuation	18,723,200	2,010,000	20,733,200
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A professional valuation of the company's investment properties was carried out at 31 December 2009 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 2009 and 31 December 2008	12,880,219
	<hr/>

Notes (continued)

8 Debtors

	2009 £	2008 £
Rents and service charges due and accrued	1,141,894	779,100
Amount owed by fellow subsidiary undertaking	-	1,996,353
Other debtors and prepayments	82,200	82,908
	<u>1,224,094</u>	<u>2,858,361</u>

9 Creditors: amounts falling due within one year

	2009 £	2008 £
Rents and service charges charged and paid in advance	486,838	468,717
Consideration payable for group relief (note 6)	965,000	924,000
Amounts due to immediate parent undertaking	4,299,647	7,037,491
Amount due to fellow subsidiary undertaking	302,000	-
Tenant deposits	143,846	143,704
Other creditors and accruals	322,123	178,960
	<u>6,519,454</u>	<u>8,752,872</u>

10 Provisions for liabilities and charges

The company's deferred taxation liability is as follows

	Accelerated capital allowances £
At 31 December 2008	-
Charged to profit and loss account (see note 6)	228,000
At 31 December 2009	<u>228,000</u>

Notes (continued)

11 Called up share capital

	2009 £	2008 £
<i>Allotted, called up and fully paid</i>		
2 ordinary shares of £1 each	2	2

12 Reserves

	£	£
<i>Revaluation reserve:</i>		
At 1 January 2009	8,231,981	
Deficit on revaluation of investment properties (note 7)	(379,000)	
At 31 December 2009		7,852,981
<i>Profit and loss account:</i>		
At 1 January 2009	7,129,410	
Profit for the financial year	371,293	
At 31 December 2009		7,500,703
Total reserves at 31 December 2009		15,353,684

13 Reconciliation of movements in shareholders' funds

	2009 £	2008 £
Profit for the financial year	371,293	2,329,738
Unrealised deficit on revaluation of investment properties	(379,000)	(5,180,000)
Net reduction in shareholders' funds	(7,707)	(2,850,262)
Opening shareholders' funds	15,361,393	18,211,655
Closing shareholders' funds	15,353,686	15,361,393

Notes (continued)

14 Charges on assets and guarantees

The company has charged certain of its freehold and leasehold investment properties with an aggregate book value of £12,860,200 (2008 £13,229,200) 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 2009 the aggregate indebtedness amounted to £30,425,000 (2008 £30,425,000).

During the year, the company charged by way of first legal charge certain of its properties with a book value of £6,748,000 (2008 £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 2009 the aggregate indebtedness under these facilities amounted to £20,045,630 (2008 £20,218,457).

15 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 £75,105 (2008 £82,613), 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.

16 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 2009

	2009		2008	
	£	£	£	£
Rents and charges receivable		2,698,919		2,521,132
Property outgoings				
Ground rent	50,959		30,898	
General and water rates	256,294		146,876	
Insurances	476,557		96,278	
Repairs and maintenance	317,790		575,938	
Lighting and heating	168,040		199,093	
Porterage and cleaning	229,395		329,906	
Legal and professional charges	42,801		58,138	
Letting commission	17,167		21,624	
Management commission	57,938		60,989	
		(1,616,941)		(1,519,740)
Net property revenue		1,081,978		1,001,392

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