

**FINITUM TWO LIMITED**

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 MARCH 2014**

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## **FINITUM TWO LIMITED**

### **COMPANY INFORMATION**

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<b>Directors</b>	T S Cole S R Collins M N Steinberg
<b>Company secretary</b>	R J De Barr
<b>Registered number</b>	05216713
<b>Registered office</b>	26 Red Lion Square London WC1R 4AG
<b>Independent auditors</b>	haysmacintyre 26 Red Lion Square London WC1R 4AG

**FINITUM TWO LIMITED**

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## **FINITUM TWO LIMITED**

### **DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2014**

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The directors present their report and the financial statements for the year ended 31 March 2014

#### **Principal activities**

The principal activity of the company during the year was the provision of finance for property investment

#### **Directors**

The directors who served during the year were

T S Cole  
S R Collins  
M N Steinberg

#### **Directors' responsibilities statement**

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 the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 accounting estimates that are reasonable and prudent,
- 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 are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**FINITUM TWO LIMITED**

**DIRECTORS' REPORT  
FOR THE YEAR ENDED 31 MARCH 2014**

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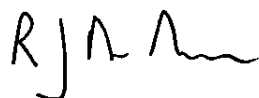
**Disclosure of information to auditors**

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that

- so far as that director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company's auditors are aware of that information

In preparing this report, the directors have taken advantage of the small companies exemptions provided by section 415A of the Companies Act 2006

This report was approved by the board on *22 December 2014* and signed on its behalf



**R J De Barr**  
Secretary

26 Red Lion Square  
London  
WC1R 4AG

## **FINITUM TWO LIMITED**

### **INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF FINITUM TWO LIMITED**

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We have audited the financial statements of Finitum Two Limited for the year ended 31 March 2014, set out on pages 5 to 10. The financial reporting framework that has been applied in their preparation is applicable law and the Financial Reporting Standard for Smaller Entities (effective April 2008) (United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities).

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 Auditors' 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, 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 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](http://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 March 2014 and of its loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### **Emphasis of matter**

We draw attention to Note 1.2 to the financial statements which describes the uncertainty regarding the going concern status of the company pending the result of a further appeal in the HMRC litigation. Our opinion is not qualified in respect of this matter.

#### **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.

**FINITUM TWO LIMITED**

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF FINITUM TWO LIMITED**

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**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 prepare the financial statements in accordance with the small companies regime and to take advantage of the small companies' exemption from the requirement to prepare a Strategic Report or in preparing the Directors' Report



David Riley (Senior Statutory Auditor)

for and on behalf of  
**haysmacintyre**

Statutory Auditors

26 Red Lion Square  
London  
WC1R 4AG

Date 22/12/14

**FINITUM TWO LIMITED**

**PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 31 MARCH 2014**

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	Note	2014 £	2013 £
Interest payable and similar charges	2	<u>(16,664)</u>	<u>(212,366)</u>
<b>LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		<b>(16,664)</b>	<b>(212,366)</b>
Tax on loss on ordinary activities	3	<u>3,833</u>	<u>(504,484)</u>
<b>LOSS FOR THE FINANCIAL YEAR</b>	8	<u><b>(12,831)</b></u>	<u><b>(716,850)</b></u>

The notes on pages 7 to 10 form part of these financial statements



**FINITUM TWO LIMITED**  
**REGISTERED NUMBER. 05216713**


**BALANCE SHEET**  
**AS AT 31 MARCH 2014**

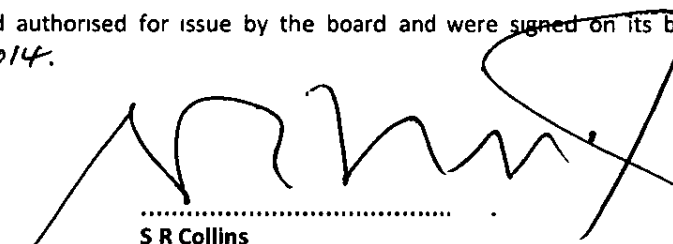
	Note	2014 £	2013 £
<b>FIXED ASSETS</b>			
Investments	4	12,217	12,217
<b>CURRENT ASSETS</b>			
Debtors	5	54,801	50,968
<b>CREDITORS. amounts falling due within one year</b>	6	(784,482)	(767,818)
<b>NET CURRENT LIABILITIES</b>		(729,681)	(716,850)
<b>NET LIABILITIES</b>		(717,464)	(704,633)
<b>CAPITAL AND RESERVES</b>			
Called up share capital	7	72,522,067	72,522,067
Share premium account	8	1,851,506	1,851,506
Profit and loss account	8	(75,091,037)	(75,078,206)
<b>SHAREHOLDERS' DEFICIT</b>	9	(717,464)	(704,633)

The financial statements have been prepared in accordance with the provisions applicable to small companies within Part 15 of the Companies Act 2006 and in accordance with the Financial Reporting Standard for Smaller Entities (effective April 2008)

The financial statements were approved and authorised for issue by the board and were signed on its behalf on

22 December 2014.

  
 .....  
**M N Steinberg**  
 Director

  
 .....  
**S R Collins**  
 Director

The notes on pages 7 to 10 form part of these financial statements

## FINITUM TWO LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014

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#### 1. ACCOUNTING POLICIES

##### 1.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with the Financial Reporting Standard for Smaller Entities (effective April 2008)

The company is the parent undertaking of a small group and as such is not required by the Companies Act 2006 to prepare group accounts. These financial statements therefore present information about the company as an individual undertaking and not about its group.

##### 1.2 Going concern

As referred to in Note 12 the financing arrangements of the company have been the subject of enquiries by HM Revenue & Customs, with a potential liability of £784,482 payable.

Since the year end the Court of Appeal has dismissed an appeal by a company that had adopted similar financing arrangements.

Until there is a successful appeal to the Supreme Court the liability remains and there is a material uncertainty that casts a significant doubt on the company's ability to remain a going concern. The directors, however, having received further advice, are hopeful that an appeal to the Supreme Court will be successful, and it is on this basis that it is deemed appropriate to prepare these financial statements on a going concern basis.

The financial statements do not include any adjustments that would be necessary should this basis not be appropriate.

##### 1.3 Cash flow

The company, being a subsidiary undertaking where 90% or more of the voting rights are controlled within the group whose consolidated financial statements are publicly available, is exempt from the requirement to draw up a cash flow statement in accordance with FRS 1.

##### 1.4 Investments

Investments held as fixed assets are shown at cost less provision for impairment.

#### 2. INTEREST PAYABLE

	2014 £	2013 £
Other interest payable	16,664	212,366

#### 3. TAXATION

	2014 £	2013 £
UK corporation tax (credit)/charge on loss for the year/period	(3,833)	504,484

# **FINITUM TWO LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014**

### **3. TAXATION (continued)**

#### **Factors affecting tax charge for the year/period**

The tax assessed for the year/period is the same as (2013 - higher than) the standard rate of corporation tax in the UK of 23% (2013 - 24%) The differences are explained below

	2014 £	2013 £
Loss on ordinary activities before tax	(16,664)	(212,366)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 23% (2013 - 24%)	(3,833)	(50,968)
<b>Effects of.</b>		
Adjustments to tax charge in respect of prior periods	-	555,452
<b>Current tax (credit)/charge for the year/period (see note above)</b>	<b>(3,833)</b>	<b>504,484</b>

### **4 FIXED ASSET INVESTMENTS**

	Investments in subsidiary companies £
<b>Valuation</b>	
At 1 April 2013 and 31 March 2014	12,217
<b>Net book value</b>	
At 31 March 2014	12,217
At 31 March 2013	12,217

#### **Subsidiary undertakings**

The following was a subsidiary undertaking of the company

Name	Class of shares	Holding
Finitum Three Limited	Ordinary £1 shares	100 %

### **5. DEBTORS**

	2014 £	2013 £
Amounts owed by group undertakings	54,801	50,968

# **FINITUM TWO LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014**

### **6. CREDITORS:**

**Amounts falling due within one year**

	2014 £	2013 £
Corporation tax	784,482	767,818

### **7. SHARE CAPITAL**

	2014 £	2013 £
<b>Allotted, called up and fully paid</b>		
72,522,067 Ordinary shares of £1 each	72,522,067	72,522,067

### **8. RESERVES**

	Share premium account £	Profit and loss account £
At 1 April 2013	1,851,506	(75,078,206)
Loss for the financial year		(12,831)
At 31 March 2014	1,851,506	(75,091,037)

### **9. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' DEFICIT**

	2014 £	2013 £
Opening shareholders' (deficit)/funds	(704,633)	12,217
Loss for the financial year/period	(12,831)	(716,850)
Closing shareholders' deficit	(717,464)	(704,633)

### **10. CONTINGENT LIABILITIES**

There are cross guarantees in respect of bank borrowings of the ultimate parent undertaking, City & General Securities Limited. The borrowings are secured by a fixed and floating charge over the property and assets of Finitum Two Limited. At 31 March 2014 those borrowings amounted to £17,592,676 (2013 £16,376,445).

## **FINITUM TWO LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014**

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#### **11. RELATED PARTY TRANSACTIONS**

The company has taken advantage of the exemption under Section 3c of Financial Reporting Standard No 8 'Related Party Disclosures' (FRS 8) and has not disclosed any intra group related party transactions

#### **12 POST BALANCE SHEET EVENTS**

The financing arrangements adopted by the company have been the subject of enquiries by HM Revenue & Customs ('HMRC'). On completion of these enquiries the company was assessed on previously untaxed credits for the period ended 31 March 2005. HMRC contend that as a result of these financing arrangements the company has an additional corporation tax liability of £555,452 on which there is an interest liability of over £229,000 up to 31 March 2014.

The company joined with others that had adopted similar arrangements in appealing to the First Tier Tribunal ('FTT'). The decision by the FTT on the lead case for the appeal found in favour of HMRC on the primary issue. The decision was then unsuccessfully appealed to the Upper Tribunal and then again to the Court of Appeal but on the 30 October 2014 the Court dismissed the appeal.

While the appeal was dismissed the directors, having received further advice, are hopeful that a further appeal to the Supreme Court may be successful, although they consider that the degree of uncertainty is such that it is appropriate to continue to provide for the possible tax and late payment interest liability within these financial statements.

#### **13 ULTIMATE CONTROLLING PARTIES**

The largest and smallest group into which the company is consolidated is City & General Securities Limited which is registered in England and Wales. The company is ultimately controlled by the directors.