

HERMES CENTRAL LONDON INVESTMENTS LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018



HERMES CENTRAL LONDON INVESTMENTS LIMITED

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HERMES CENTRAL LONDON INVESTMENTS LIMITED

COMPANY INFORMATION

Registered office

Sixth Floor
150 Cheapside
London EC2V 6ET

Directors

D Grose	(Resigned 31 January 2018)
K Wilman	(Resigned 16 February 2018; reappointed 1 December 2018)
M Torode	
S Cunningham	(Appointed 16 February 2018; resigned 1 December 2018)
C Judd	(Appointed 1 December 2018)

Secretary

Hermes Secretariat Limited

Company number

08744591

Auditor

KPMG LLP
Chartered Accountants
15 Canada Square
Canary Wharf
London
E14 5GL

HERMES CENTRAL LONDON INVESTMENTS LIMITED

DIRECTORS' REPORT

Financial statements

The directors present their report and financial statements for the year ended 30 June 2018. The Directors' Report has been prepared in accordance with the special provisions relating to small companies under S415A of the Companies Act 2006 and therefore the Company has taken the exemption from preparing a strategic report.

Principal activity, review of business and future developments

The principal activity of the Company is that of holding property investments.

At the balance sheet date the Company held 57,135 units in Aldgate House Unit Trust. This investment is shown at fair value in the financial statements.

On 13 September 2018, the Company disposed of its investment in Aldgate House Unit Trust.

Results

The results of the Company for the year are set out in the profit and loss account on page 7.

Going concern

The financial statements are not prepared on the basis of going concern. Hermes Central London GP Limited intends to dissolve the Company within the next twelve months following the disposal of the Company's investment in Aldgate House Unit Trust, its only investment.

Directors

The directors who served throughout the year are as stated in Company Information.

Principal risks and uncertainties

In common with other property investment companies, unforeseen changes in property value patterns could potentially have a material impact on the business. The business mitigates these risks through balanced investment strategies under the direction of property specialists with significant industry experience.

Financial risk management

The Company has no significant exposure to credit risk as counterparties are within the Hermes Central London Group. Furthermore the Company has limited exposure to liquidity risk as its liabilities are settled through related parties.

HERMES CENTRAL LONDON INVESTMENTS LIMITED

DIRECTORS' REPORT (Continued)

Disclosure of information to the auditor

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Auditor

KPMG LLP, statutory auditor, have indicated their willingness to remain as auditor until the Company is dissolved and appropriate arrangements have been put in place for them to be deemed appointed as auditor in absence of an Annual General Meeting.

This report was approved by the Board of Directors and signed on its behalf by:



M Torode

Director

18 December 2018

HERMES CENTRAL LONDON INVESTMENTS LIMITED

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 they have elected to prepare the financial statements in accordance with applicable law and Section 1A of FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (UK Generally Accepted Accounting Practice applicable to Smaller Entities).

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; and
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so. As explained in note 1, the directors do not believe that it is appropriate to prepare these financial statements on a going concern basis.

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 responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HERMES CENTRAL LONDON INVESTMENTS LIMITED

Opinion

We have audited the financial statements of Hermes Central London Investments ("the Company") for the year ended 30 June 2018 which comprise the Profit and Loss Account, the Balance Sheet and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 June 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards applicable to smaller entities, including Section 1A of FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements.

Emphasis of matter - non-going concern basis of preparation

We draw attention to the disclosure made in note 1 to the financial statements which explains that the financial statements have not been prepared on the going concern basis for the reasons set out in that note. Our opinion is not modified in respect of this matter.

Directors' report

The directors are responsible for the directors' report. Our opinion on the financial statements does not cover that report and we do not express an audit opinion thereon.

Our responsibility is to read the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the directors' report;
- in our opinion the information given in that report for the financial year is consistent with the financial statements; and
- in our opinion that report has been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required 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, take advantage of the small companies exemption in preparing the directors' report and take advantage of the small companies exemption from the requirement to prepare a strategic report.

We have nothing to report in these respects.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HERMES CENTRAL LONDON INVESTMENTS LIMITED (CONTINUED)

Directors' responsibilities

As explained more fully in their statement set out on page 4, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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.



Bill Holland (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
Canary Wharf
London
E14 5GL
14 December 2018

HERMES CENTRAL LONDON INVESTMENTS LIMITED

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 JUNE 2018**

	Notes	2018 £	2017 £
Turnover	2	3,444	1,816
Administrative expenses		(2,500)	(3,615)
Operating profit/(loss)		<u>944</u>	<u>(1,799)</u>
Unrealised gain/(loss) on the revaluation of investments	7	13,404	(7,416)
Profit/(loss) on ordinary activities before taxation	3	<u>14,348</u>	<u>(9,215)</u>
Taxation	6	(2,179)	1,437
Profit/(loss) on ordinary activities after taxation	11	<u><u>12,169</u></u>	<u><u>(7,778)</u></u>

There were no recognised gains and losses for the year other than those included in the profit and loss account, and as a result no Statement of Other Comprehensive Income has been presented.

The notes on pages 9 to 14 form part of these financial statements.

HERMES CENTRAL LONDON INVESTMENTS LIMITED

BALANCE SHEET AS AT 30 JUNE 2018

Notes	Notes	2018 £	2017 £
Fixed assets			
Investments	7	-	85,648
Current assets			
Investments	7	99,052	
Debtors	8	18,121	14,677
Total assets		117,173	100,325
Creditors: amounts falling due within one year	9	(85,700)	(81,021)
Net current assets/(liabilities)		31,473	(66,344)
Net assets		31,473	19,304
Capital and reserves			
Called up share capital	10	1	1
Profit and loss account	11	31,472	19,303
Shareholders' funds		31,473	19,304

Company number: 08744591

The notes on pages 9 to 14 form part of these financial statements.

The financial statements were approved by the Board on 18 December 2018 and signed on their behalf by:



M Torode
Director

HERMES CENTRAL LONDON INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

1 ACCOUNTING POLICIES

The principal accounting policies are summarised below. They have all been applied consistently throughout the current and prior year.

Basis of accounting

The financial statements have been prepared under the historical cost convention, modified by the revaluation of investments to fair value, and in accordance with Section 1A of Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

These financial statements include the Company's interest in the results and financial position of Aldgate House Unit Trust.

The functional and presentational currency of Aldgate House Unit Trust is considered to be pounds sterling as this is the currency of the primary economic environment in which the Partnership operates.

The address of the registered office is given on page 1. The nature of the Company's operations and its principal activities are set out in the Directors' Report on pages 2 to 3.

Going concern

The financial statements are not prepared on the basis of going concern. Hermes Central London GP Limited intends to dissolve the Company within the next twelve months following the disposal of the Company's investment in Aldgate House Unit Trust, its only investment.

Turnover

Turnover represents the net profit share in respect of the Company's investment in Aldgate House Unit Trust. All income derives from the United Kingdom. Revenue is recognised on an accruals basis.

Investments

Investments represent the Company's interest in the Aldgate House Unit Trust. Investments are stated at fair value, with any surplus or deficit being taken to the profit and loss account.

Taxation

Current tax, including UK corporation tax, is provided at amounts expected to be paid using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax at a future date, at rates expected to apply when they crystallise based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in years different from those in which they are included in financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

HERMES CENTRAL LONDON INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 30 JUNE 2018

1 ACCOUNTING POLICIES (continued)

Trade and other receivables

Trade and other receivables are recognised initially at transaction value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

Trade and other payables

Trade and other payables are recognised initially at transaction value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Cash flow statement

The Company has taken advantage of exemptions available under FRS 102 not to present a cash flow statement as it meets the definition of a small entity as set out in FRS 102.

Critical accounting judgements and key sources of estimation uncertainty

In the application of the Partnership's accounting policies, which are described in note 1, the General Partner is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources.

The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Valuation of investments

The fair value of the Company's unit trust investment is determined through its share of the net assets of the underlying investment. Investment property in the underlying unit trust is determined by market values in accordance with valuations carried out by independent valuers. Valuations are based on a number of key assumptions including an estimate of future rental income and an appropriate discount rate.

2 TURNOVER

This represents the Net Profit share in the investment in Aldgate House UT.

2018	2017
£	£
<u>3,444</u>	<u>1,816</u>

3 PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION

This has been arrived at after charging:

2018	2017
£	£
Auditor's remuneration for audit services	
<u>2,500</u>	<u>2,500</u>

4 EMPLOYEES

The Company had no employees during the year (2017: nil).

HERMES CENTRAL LONDON INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 30 JUNE 2018

5 DIRECTORS' EMOLUMENTS

None of the directors received any emoluments in respect of their services to the Company during the year (2017: £nil).

6 TAXATION ON ORDINARY ACTIVITIES

a) Analysis of tax charge/(credit) for the year

	2018 £	2017 £
<i>Current tax</i>		
UK corporation tax	-	-
Adjustments in respect of prior periods	-	9
Total current tax charge	-	9
<i>Deferred tax</i>		
Origination and reversal of timing differences	2,179	(1,165)
Effect of tax rate change on opening balance	-	(281)
Total deferred tax charge/(credit)	2,179	(1,446)
 Tax on profit/(loss) on ordinary activities	 2,179	 (1,437)

Provision for deferred tax

	Provided 2018 £	Unprovided 2018 £	Provided 2017 £	Unprovided 2017 £
Tax losses carried forward and other deductions	(4)	-	(248)	-
Capital gains	5,791	-	3,856	-
	5,787		3,608	
Net liability at 1 July	3,608		5,054	
Amounts charged/(credited) in the profit and loss account for the year	2,179		(1,446)	
Net liability at 30 June	5,787		3,608	

HERMES CENTRAL LONDON INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2018

6 TAXATION ON ORDINARY ACTIVITIES (continued)

b) Factors affecting current taxation charge in the year

	2018 £	2017 £
Profit/(loss) on ordinary activities before tax	14,348	(9,215)
Tax on profit/(loss) on ordinary activities at standard CT rate of 19% (PY: 19.75%)	2,726	(1,820)
Effects of:		
Expenses not deductible for tax purposes	-	1,464
Income not taxable for tax purposes	(3,201)	(359)
Adjustments to brought forward values	748	435
Chargeable losses/(gains)	2,163	(1,065)
Adjust closing deferred tax to average rate of 19% (PY: 17%)	(681)	(584)
Adjust opening deferred tax to average rate of 19% (PY: 17%)	424	492
Tax charge/(credit) for the year	2,179	(1,437)

The normal rate of corporation tax is 19% for the year beginning 1 April 2018. This rate will fall to 17% for the year beginning 1 April 2020.

The directors consider that this will not have a material impact on future tax charges in the Company.

Under FRS 102 the investment into Aldgate House Unit Trust is treated as tax transparent as regards to income, but opaque as regards to capital. In that context distributions paid by the Unit Trust are ignored with the underlying sources of income, namely the rental income from the unit trust's investment, brought into charge.

HERMES CENTRAL LONDON INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 30 JUNE 2018

7 INVESTMENTS

	2018	2017
	£	£
Balance at 1 July 2018 and 1 July 2017	85,648	93,064
Gain/(loss) on revaluation during the year	13,404	(7,416)
Carried forward at 30 June 2018 and 30 June 2017	<u>99,052</u>	<u>85,648</u>

Investments comprise the Company's interest in the Aldgate House Unit Trust:

	Country of registration	Principal activity	Holding*
		Investment holding unit trust	
Aldgate House Unit Trust	Jersey		0.07%

The registered address of the Aldgate House Unit Trust is 13 Castle Street, St. Helier, Jersey, JE4 5UT.

* Hermes Central London Investments Limited holds 57,135 units of the 87,873,343 units in issue, equating to a 0.07% holding in the unit trust. The fair value of the Company's unit trust investment is determined through its share of the net assets of the underlying investment. Investment property in the underlying unit trust is held at market value in accordance with valuations carried out by independent valuers. Valuations are based on a number of key assumptions including an estimate of future rental income and an appropriate discount rate.

The historic cost of the investment held in Aldgate House Unit Trust as at 30 June 2018 is £64,989 (2017: £64,989).

On 13 September 2018, the Company disposed of its investment in Aldgate House Unit Trust.

8 DEBTORS

	2018	2017
	£	£
Amounts owed by related parties (note 12)	<u>18,121</u>	<u>14,677</u>

Debtors are initially recognised at transaction value and the carrying value is considered to be the same as fair value.

Amounts owed by group undertakings are non-interest bearing and repayable on demand.

9 CREDITORS

	2018	2017
	£	£
Amounts owed to related parties (note 12)	77,413	74,913
Deferred tax creditor	5,787	3,608
Accruals	<u>2,500</u>	<u>2,500</u>
	<u>85,700</u>	<u>81,021</u>

Creditors are initially recognised at transaction value and the carrying value is considered to be the same as fair value.

Amounts owed to group undertakings are non-interest bearing and repayable on demand.

HERMES CENTRAL LONDON INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 30 JUNE 2018

10 CALLED UP SHARE CAPITAL

	2018 £	2017 £
Allotted and called up:		
1 ordinary share of £1	<u>1</u>	<u>1</u>

11 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS FUNDS

	Called up share capital £	Profit and loss account £	Shareholders' funds £
As at 1 July 2017	1	19,303	19,304
Profit for the year	-	12,169	12,169
As at 30 June 2018	<u>1</u>	<u>31,472</u>	<u>31,473</u>

12 RELATED PARTY TRANSACTIONS

	2018 £	2017 £
Amounts due to Hermes Central London Limited Partnership	(77,413)	(74,913)
Amounts due from Aldgate House Unit Trust	<u>18,121</u>	<u>14,677</u>
	<u>(59,292)</u>	<u>(60,236)</u>

Amounts due from Aldgate House Unit Trust reflect accrued distributions. In the year £3,444 of distributions (2017: £1,816) have been accrued.

Amounts due to Hermes Central London Limited Partnership relate to the investment into Aldgate House Unit Trust paid for by the LP on the Company's behalf at a cost of £64,989 (2017: £64,989).

Further, Hermes Central London Limited Partnership paid audit fees of £2,500 (2017: £3,620) and corporation tax of £nil (2017: £176) on behalf of the Company.

13 ULTIMATE PARENT COMPANY

The directors regard Hermes Central London GP Limited as the Company's immediate parent and BT Pension Scheme (a UK pension scheme with scheme registration number 100850030) and Canada Pension Plan Investment Board (a Canadian crown corporation) as the ultimate joint controlling entities.

Copies of BT Pension Scheme accounts are available from Sixth Floor, 150 Cheapside, London, EC2V 6ET. The address of Canada Pension Plan Investment Board is One Queen Street East, Suite 2500, Toronto, ON, M5C 2W5, Canada where copies of Canada Pension Plan Investment Board's accounts are available.