

THE CITY OF LONDON REAL PROPERTY COMPANY LIMITED

REPORT AND ACCOUNTS

31 MARCH 1989

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THE CITY OF LONDON REAL PROPERTY COMPANY LIMITED

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 MARCH 1989

The directors present their report and the audited financial statements of the Company for the year ended 31 March 1989.

RESULTS AND DIVIDENDS

The results for the year and the state of the Company's affairs are as shown in the financial statements. The profit available for distribution for the year amounted to £20,429,785. The directors recommend that this amount be paid as a dividend.

PRINCIPAL ACTIVITIES AND PROPERTY PORTFOLIO REVIEW

During the year the Company has continued its business of property development and investment in offices and shops in the City of London.

The portfolio value at 31 March 1989 shows an increase of £195,835,000 over that at the previous year-end. Between the dates, expenditure on properties totalled £99,914,532 and the aggregate book value of properties transferred to a group company was £20,151,545. Taking these factors into account, the surplus on revaluation was £116,072,013, an increase of 8.4% compared with the increase of 34.4% for the year ended 31 March 1988.

Excellent progress has been made on building work at 158/170 Aldersgate Street EC1 which is due for completion at the end of this year. The 190,000 sq ft net of air conditioned offices have been pre-let to McKenna & Co, a leading firm of solicitors in the City. The project also includes 20 flats and parking for 670 cars.

Salisbury Square House EC4 (114,000 sq ft net of air conditioned offices) is scheduled for completion this November and has been pre-let to the international accounting partnership, Peat Marwick McLintock.

The new air conditioned office buildings at Moorgate Hall, Moorgate EC2 (66,000 sq ft net) and Leith House, Gresham Street EC2 (77,000 sq ft net) should be completed in March and September 1990 respectively. These schemes will include over 21,000 sq ft of retail and restaurant space. On the island site bounded by Milton Court, Milton Street, Chiswell Street and Moor Lane EC2 the Company is constructing a new air conditioned office building known as Milton Gate (160,000 sq ft net), due for completion by Spring 1990.

The refurbishment at 24/26 Minories EC3 (26,000 sq ft net) has been completed and the building let to two first class tenants at substantially increased rents.

THE CITY OF LONDON REAL PROPERTY COMPANY LIMITED

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 MARCH 1989 (CONTINUED)

PRINCIPAL ACTIVITIES AND PROPERTY PORTFOLIO REVIEW (Continued)

During the year the Company purchased the long leasehold interest in 25 New Street Square EC4, an office building close to a number of other holdings in its ownership. The Company also acquired 55/58 Gracechurch Street EC3, which is adjacent to an existing holding thus enabling it to plan a single freehold redevelopment.

In addition, the Company is planning the redevelopment of well located freehold buildings in Finsbury Pavement EC2, King William Street EC4, Gough Square EC4 and High Holborn WC1, which together will provide some 270,000 sq ft net of offices, shops and ancillary accommodation. Planning consent has been granted in three cases.

The Company hopes to start the redevelopment of these buildings during the next few years, as and when vacant possession can be obtained.

The leasehold tenure from The City Corporation of 158/170 Aldersgate Street EC1 has been extended to 125 years.

DIRECTORS

The directors of the Company are:

P J Hunt, BSc FRICS (Chairman)
J M Moar, FRICS (Managing Director)
W Mathieson, FRICS
I J Henderson, BSc FRICS
D F Hubbard, FRICS
M R Griffiths, FRICS
J I K Murray, MA, FCA
C R F Gillespie, CA
M A Bird, FRICS
P H Day, CEng, FCIBSE, MIMechE
N W Johnson, FRICS (appointed 1 May 1988)

The interests of the directors in the shares of the Company were nil throughout the year.

P J Hunt, J M Moar, W Mathieson and I J Henderson are directors of Land Securities PLC, the ultimate holding company, and their interests are shown in the directors' report of that company.

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REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 MARCH 1989 (CONTINUED)

DIRECTORS (Continued)

The interests of the other directors in the shares of Land Securities PLC, were as follows:

	<u>Beneficial interests</u>		<u>Non-beneficial interests</u>	
	<u>31 March 1989</u>	<u>31 March 1988</u>	<u>31 March 1989</u>	<u>31 March 1988</u>
Ordinary Shares				
D F Hubbard	3,757	3,459	-	-
C R F Gillespie	5,109	2,938	-	-
M R Griffiths	3,500	3,146	-	-
J I K Murray	2,385	2,031	-	-
M A Bird	2,490	2,284	-	-
P H Day	2,774	2,554	-	-
N W Johnson	1,307	1,304	-	-

Eight directors hold options over Ordinary Shares of Land Securities PLC, granted both under the Land Securities 1983 Savings Related Share Option Scheme and under the Land Securities 1984 Executive Share Option Scheme, as set out below:

	<u>1983 Savings Related Share Option Scheme</u>		<u>1984 Executive Share Option Scheme</u>	
	<u>31 March 1989</u>	<u>31 March 1988</u>	<u>31 March 1989</u>	<u>31 March 1988</u>
M R Griffiths	5,027	4,226	81,500	72,000
D F Hubbard	2,337	963	56,000	48,500
J I K Murray	3,543	3,543	78,500	67,000
C R F Gillespie	-	1,955	31,500	20,000
M A Bird	617	617	39,000	33,000
P H Day	2,474	2,474	38,500	30,000
N W Johnson	2,546	2,546	52,000	46,000

The options granted under the 1983 Savings Related Share Option Scheme are exercisable at prices of 199p, 255p, 242p, 299p, 499p or 524p per share after 5 or 7 years from the date of the option being granted.

The options granted under the 1984 Executive Share Option Scheme are exercisable at 292.7p, 315.1p, 429.9p and 556.8p per share in financial years ending 1990 to 1999.

THE CITY OF LONDON REAL PROPERTY COMPANY LIMITED

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 MARCH 1989 (CONTINUED)

AUDITORS

In accordance with Section 384(1) of the Companies Act 1985, a resolution will be put to the members at the Annual General Meeting to re-appoint the auditors, Price Waterhouse, Chartered Accountants.

By Order of the Board

Landsec House
21 New Fetter Lane
London EC4P 4PY

L A Jones
Secretary

24 May 1989

24 May 1989

THE CITY OF LONDON REAL PROPERTY COMPANY LIMITED

PROFIT AND LOSS ACCOUNT FOR THE
YEAR ENDED 31 MARCH 1989

	Notes	<u>1989</u>	<u>1988</u>
		<u>£'000</u>	<u>£'000</u>
TOTAL INCOME	2	<u>68,512</u> =====	<u>59,376</u> =====
Net rents and interest receivable	2	54,790	47,090
Interest payable	2	<u>26,934</u>	<u>18,213</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	2	27,856	28,877
Taxation	4	<u>7,426</u>	<u>5,646</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		20,430	23,231
Proposed ordinary dividend		<u>20,430</u>	<u>23,231</u>
RETAINED PROFIT FOR THE YEAR		-	-
BALANCE BROUGHT FORWARD		<u>2,308</u>	<u>2,308</u>
BALANCE CARRIED FORWARD		<u>2,308</u> =====	<u>2,308</u> =====
RESERVE MOVEMENTS			<u>1989</u>
			£'000
REVALUATION RESERVE			
Surplus on valuation of properties	6		116,072
Realised on transfers of properties to a group company	5		<u>(8,524)</u>
	11		<u>107,548</u> =====
			<u>1989</u>
			£'000
OTHER RESERVES			
Realised on transfers of properties to a group company	5		<u>8,524</u> <u>(18)</u>
Other items	12		<u>8,506</u> =====

THE CITY OF LONDON REAL PROPERTY COMPANY LIMITED

BALANCE SHEET - 31 MARCH 1989

	Notes	<u>1989</u>	<u>1988</u>
		£'000	£'000
FIXED ASSETS			
Tangible assets:			
Properties	6	<u>1,495,390</u>	<u>1,299,555</u>
CURRENT ASSETS			
Debtors	7	7,468	10,134
CREDITORS: amounts falling due within one year	8	<u>(331,918)</u>	<u>(253,757)</u>
Net current liabilities		<u>(324,450)</u>	<u>(243,623)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		1,170,940	1,055,932
CREDITORS: amounts falling due after more than one year	9	<u>(2,049)</u>	<u>(3,095)</u>
		<u>1,168,891</u>	<u>1,052,837</u>
CAPITAL AND RESERVES			
Called up share capital	10	19,637	19,637
Share premium account		2,930	2,930
Revaluation reserve	11	703,079	595,531
Other reserves	12	440,937	432,431
Profit and loss account		<u>2,308</u>	<u>2,308</u>
		<u>1,168,891</u>	<u>1,052,837</u>

DIRECTORS

P J Hunt

J M Mear

Approved by the Board on 24 May 1989

THE CITY OF LONDON REAL PROPERTY COMPANY LIMITED

NOTES TO THE ACCOUNTS - 31 MARCH 1989

1. ACCOUNTING POLICIES

(a) Accounting convention

The financial statements have been prepared under the historic cost convention modified by the revaluation of properties.

(b) Profit for the year available for distribution

The profit for the year available for distribution is arrived at after taking into account income and outgoings on all properties, including those under development.

Unrealised capital surpluses and deficits, including those arising on valuation of properties, are taken to revaluation reserve. Realised capital surpluses and deficits are taken to other reserves.

(c) Taxation

The benefit of taxation relief arising from 100% first year allowances on plant forming part of properties is taken to profit and loss account evenly over five years and for appropriate shorter periods where relief is at a lower rate. This policy is referred to as tax spreading.

Tax on capital gains arising on sales of properties is charged against the surpluses realised.

No provision is made for the amount of taxation which would become payable under present legislation in the event of future sales of properties at the amounts at which they are stated in the financial statements. However, an estimate of the potential liability is shown in Note 6.

(d) Properties

Properties are included in the financial statements at the latest professional valuation. At 31 March 1989 a valuation was carried out by Knight Frank & Rutley, who reported that the valuation was made at open market values at that date.

Additions to properties include costs of a capital nature only. Other costs, including interest, in respect of developments and refurbishments are treated as revenue expenditure and written off as incurred.

(e) Depreciation and amortisation

No depreciation or amortisation is provided in respect of freehold or leasehold properties. The directors consider that because properties are included at their open market values this accounting policy is necessary for the financial statements to give a true and fair view. It would not be practicable nor of real value to determine the depreciation or amortisation taken into account when arriving at the open market values.

THE CITY OF LONDON REAL PROPERTY COMPANY LIMITED

NOTES TO THE ACCOUNTS - 31 MARCH 1989 (CONTINUED)

2. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	<u>1989</u>		<u>1988</u>	
	£'000	£'000	£'000	£'000
Rental income		65,416		55,700
Service charges and other recoveries		3,091		3,604
Interest receivable		<u>5</u>		<u>72</u>
Total income		68,512		59,376
<u>Less:</u>				
Ground rents payable	5,305		4,663	
Other property outgoings	3,392		3,868	
Administration expenses (Note 3)	<u>5,025</u>		<u>3,755</u>	
		<u>13,722</u>		<u>12,286</u>
Net rents and interest receivable		54,790		47,090
<u>Less: Interest payable:</u>				
Amount owing to a group company		<u>26,934</u>		<u>18,213</u>
Profit on ordinary activities before taxation		<u>27,856</u>		<u>28,877</u>
		=====		=====

All income was derived from within the United Kingdom.

3. ADMINISTRATION EXPENSES

(a) Management services

The Company does not employ staff. Management services were provided to the Company throughout the period by Land Securities Properties Limited, which is a group company.

(b) Directors' emoluments

The directors received no emoluments in respect of their services to the Company and no part of the fee for management services is identified as relating to those services.

(c) Auditors' remuneration

Administration expenses include auditors remuneration of £17,000 (1988: £16,500).

THE CITY OF LONDON REAL PROPERTY COMPANY LIMITED

NOTES TO THE ACCOUNTS - 31 MARCH 1989 (CONTINUED)

4. TAXATION

	<u>1989</u>	<u>1988</u>
	£'000	£'000
The charge for taxation is made up as follows:		
Corporation tax at 35% on the profit before taxation	9,750	10,107
Deduct:		
Tax allowances on expenditure included in additions to properties	(1,999)	(2,896)
Other adjustments	<u>(325)</u>	<u>(369)</u>
	7,426	6,842
Adjustments relating to previous years	<u>-</u>	<u>(1,196)</u>
	<u>7,426</u>	<u>5,646</u>

Tax spreading benefit of £1,643,137 (1988: £3,241,840) has been carried forward in accordance with the accounting policy explained in Note 1(c).

5. SURPLUS ON TRANSFERS/SALES OF PROPERTIES

	<u>1989</u>	<u>1988</u>
	£'000	£'000
Surplus over book value	-	4,202
Valuation surplus of previous years on properties transferred to a group company/sold (page 6)	8,524	6,643
Tax on capital gains	<u>-</u>	<u>(4,856)</u>
	8,524	5,989
Overprovision of tax relating to previous year	<u>-</u>	<u>95</u>
	<u>8,524</u>	<u>6,084</u>

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NOTES TO THE ACCOUNTS - 31 MARCH 1989 (CONTINUED)

6. PROPERTIES

	<u>Freeholds</u>	<u>Leaseholds</u>		<u>Total</u>
		<u>Over 50 years to run</u>	<u>Under 50 years to run</u>	
	£'000	£'000	£'000	£'000
At 1 April 1988: at valuation	973,310	228,685	97,560	1,299,555
Additions	59,421	30,496	9,998	99,915
Transfers to a group company	<u>(20,152)</u>	<u>-</u>	<u>-</u>	<u>(20,152)</u>
	1,012,579	259,181	107,558	1,379,318
Surplus on valuation	<u>95,331</u>	<u>19,804</u>	<u>937</u>	<u>116,072</u>
At 31 March 1989: at valuation	<u>1,107,910</u> =====	<u>278,985</u> =====	<u>108,495</u> =====	<u>1,495,390</u> =====

Leaseholds under 50 years to run include £12,605,000 (1988: £11,740,000) in respect of leaseholds where the unexpired term of the interest is 20 years or less.

The amount of tax on capital gains which would become payable under present legislation in the event of sales of the properties at the amounts at which they are stated is in the region of £175,000,000 (1988: £260,000,000).

7. DEBTORS

	<u>1989</u>	<u>1988</u>
	£'000	£'000
Amounts falling due within one year:		
Trade debtors	3,070	1,776
Capital debtors	200	2,879
Other debtors	603	629
Prepayments and accrued income	<u>3,595</u>	<u>4,850</u>
	7,468	10,134
	=====	=====

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NOTES TO THE ACCOUNTS - 31 MARCH 1989 (CONTINUED)

8. CREDITORS: amounts falling due within one year

	<u>1989</u>	<u>1988</u>
	£'000	£'000
Amount owing to a group company	271,198	189,040
Proposed ordinary dividend	20,430	23,231
Taxation	8,401	13,460
Capital creditors	13,986	12,280
Accruals and tax spreading	17,307	15,157
Other creditors	<u>596</u>	<u>589</u>
	331,918	253,757
	=====	=====

The amount owing to a group company has no fixed repayment date.

9. CREDITORS: amounts falling due after more than one year

	<u>1989</u>	<u>1988</u>
	£'000	£'000
Accruals and tax spreading	459	1,643
Other creditors	<u>1,590</u>	<u>1,452</u>
	2,049	3,095
	=====	=====

10. CALLED UP SHARE CAPITAL

	<u>1989</u>	<u>1988</u>
	£'000	£'000
Authorised:		
30,000,000 Ordinary Shares of £1 each	30,000	30,000
	=====	=====
Allotted and fully paid:		
19,636,808 Ordinary Shares of £1 each	19,637	19,637
	=====	=====

THE CITY OF LONDON REAL PROPERTY COMPANY LIMITED

NOTES TO THE ACCOUNTS - 31 MARCH 1989 (CONTINUED)

11. REVALUATION RESERVE

	<u>1989</u>
	£'000
At 1 April 1988	595,531
Surplus arising in year (page 6)	<u>107,548</u>
At 31 March 1989	<u>703,079</u>
	=====

12. OTHER RESERVES

	<u>1989</u>
	£'000
At 1 April 1988	432,431
Surplus arising in year (page 6)	<u>8,506</u>
At 31 March 1989	<u>440,937</u>
	=====

13. COMMITMENTS FOR FUTURE CAPITAL EXPENDITURE

	<u>1989</u>	<u>1988</u>
	£'000	£'000
Under contracts	104,611	69,135
Board authorisations not contracted	<u>3,280</u>	<u>92,798</u>
	<u>107,891</u>	<u>161,933</u>
	=====	=====

THE CITY OF LONDON REAL PROPERTY COMPANY LIMITED

NOTES TO THE ACCOUNTS - 31 MARCH 1989 (CONTINUED)

14. CONTINGENT LIABILITIES

A substantial number of the Company's properties are charged as security for debenture stocks and other borrowings of the ultimate holding company and group companies.

15. HOLDING COMPANY

The ultimate holding company is Land Securities PLC which is registered in England.