

THE CITY OF LONDON REAL PROPERTY COMPANY LIMITED  
REPORT AND FINANCIAL STATEMENTS  
31 MARCH 1997



# THE CITY OF LONDON REAL PROPERTY COMPANY LIMITED

## REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 MARCH 1997

The directors submit their report with the financial statements for the year to 31 March 1997.

### RESULTS FOR THE YEAR AND DIVIDEND

The results are set out in the Profit and Loss Account on page 6.

The directors recommend that £29,835,651 be paid as a dividend.

### PRINCIPAL ACTIVITIES AND PROPERTY PORTFOLIO REVIEW

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

The encouraging increase in the level of occupational enquiries reported last year has continued. The Company completed the letting of its major refurbishment at 110 Cannon Street EC4, where Rabobank took the final 23,000 sq ft (2,140 sq m). At the adjacent Martin House EC4, also comprehensively refurbished, four floors have either been let or are under offer and only one floor remains to be let.

Further progress has also been made with the reletting of Gracechurch House EC3, where all but two floors were occupied or under offer at the year end. Terms have subsequently been agreed for the letting of one of these floors.

A number of lettings have also been achieved in other buildings in the City. Amongst these 109/114 Fenchurch Street EC3 and 16 St Helen's Place EC3 are now almost fully occupied for the first time in several years.

Altogether, during the year or since 31 March, the Company has let or agreed to let 160,000 sq ft (14,860 sq m) of office space in its City portfolio.

The Company has commenced its marketing campaign at Regis House, King William Street EC4. The building, on a very prominent island site, is scheduled for completion to 'shell and core' in June and will provide 87,600 sq ft (8,140 sq m) of air-conditioned offices, a public house and 5,700 sq ft (530 sq m) of retail space.

There has been a notable improvement in demand for City shops and lettings have been achieved in both Moorgate EC2 and London Street EC3 at very satisfactory rents.

THE CITY OF LONDON REAL PROPERTY COMPANY LIMITED

REPORT OF THE DIRECTORS  
FOR THE YEAR ENDED 31 MARCH 1997 (CONTINUED)

DIRECTORS

The following were directors during the year:

Sir Peter Hunt, BSc FRICS (Chairman)  
M R Griffiths, FRICS  
I J Henderson, BSc FRICS  
J I K Murray, MA FCA  
M A Bird, FRICS  
N W Johnson, FRICS

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

Sir Peter Hunt, I J Henderson, M R Griffiths and J I K Murray are directors of Land Securities PLC, the ultimate holding company, and their interests in that company are as shown in its Report and Financial Statements for the year ended 31 March 1997. The ultimate holding company's registers of directors' share and debenture interests, which are open to inspection at its registered office, contain full details of their shareholdings and share options.

The interests of the other directors in the shares of Land Securities PLC and their holdings of options over shares in that company are as set out below and on page 3.

Interest in Ordinary Shares	<u>Beneficial</u>		<u>Non-beneficial</u>	
	31 March 1997	31 March 1996	31 March 1997	31 March 1996
M A Bird	9,357	9,890	-	-
N W Johnson	2,333	5,780	-	-

THE CITY OF LONDON REAL PROPERTY COMPANY LIMITED

REPORT OF THE DIRECTORS  
FOR THE YEAR ENDED 31 MARCH 1997 (CONTINUED)

DIRECTORS (continued)

Options over Ordinary Shares

	Granted during year			Exercised during year			Options at 31 March 1997		
	No. of Options at 1 April 1996	No.	Grant Price (pence)	No.	Exercise Price (pence)	Market Price on exercise (pence)	No.	Exercise Price (pence)	Exercisable Dates
N W Johnson	7,800	-	-	-	-	-	7,800	529.0	1/1994 - 1/2001
	8,750	-	-	-	-	-	8,750	618.6	8/1997 - 8/2004
	<b>4,249</b>	-	-	<b>2,710</b>	<b>415.0</b>	<b>727.0</b>	<b>1,539</b>	<b>485.9 *</b>	<b>8/1998 - 7/2002</b>
M A Bird	13,000	-	-	-	-	-	13,000	429.9	1/1991 - 1/1998
	6,000	-	-	-	-	-	6,000	556.8	1/1992 - 1/1999
	10,900	-	-	-	-	-	10,900	503.7	1/1993 - 1/2000
	8,400	-	-	-	-	-	8,400	529.0	1/1994 - 1/2001
	12,000	-	-	-	-	-	12,000	618.6	8/1997 - 8/2004
	<b>2,638</b>	<b>1,396</b>	<b>494.0</b>	-	-	-	<b>4,034</b>	<b>452.3 *</b>	<b>9/1996 - 7/2001</b>

\* Weighted average exercise price.

The range of the closing middle market prices for Land Securities shares during the year was 608p to 798p.

No options lapsed during the year.

The share options are held under the 1984 Executive Share Option Scheme, except for those shown in bold which are held under the 1983 and 1993 Savings Related Share Option Schemes. The executive share option scheme expired on 24 April 1995.

Options granted under the savings related schemes are exercisable at prices between 415p and 504p per share after five or seven years from date of grant.

# THE CITY OF LONDON REAL PROPERTY COMPANY LIMITED

## REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 MARCH 1997 (CONTINUED)

### DIRECTORS' RESPONSIBILITIES

The directors are required by company law to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company as at the end of the financial year and of its profit or loss for that period and comply with the Companies Act 1985.

The directors are responsible for ensuring that applicable accounting standards have been followed and that suitable accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, have been used in the preparation of the financial statements.

It is also the responsibility of the directors to 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 also responsible for maintaining proper accounting records so as to enable them to comply with company law. The directors have general responsibilities for safeguarding the assets of the Company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

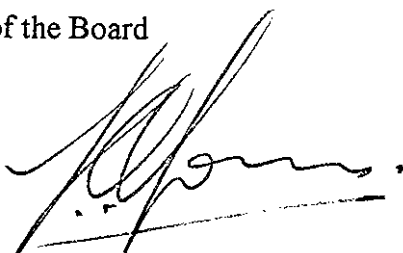
### AUDITORS

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

Registered Office  
5 Strand  
London WC2N 5AF

By Order of the Board

L A Jones  
Secretary



21 May 1997

Registered in England and Wales  
Company No. 1160C

## **AUDITORS' REPORT TO THE MEMBERS OF THE CITY OF LONDON REAL PROPERTY COMPANY LIMITED**

We have audited the financial statements on pages 6 to 15 which have been prepared under the historical cost convention as modified by the revaluation of properties and the accounting policies set out on pages 9 and 10.

### **Respective responsibilities of directors and auditors**

As described on page 4 the Company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

### **Basis of opinion**

We conducted our audit in accordance with Auditing Standards 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 judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the Company, 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.

### **Opinion**

In our opinion the financial statements give a true and fair view of the state of affairs of the Company at 31 March 1997 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*Price Waterhouse*

Price Waterhouse  
Chartered Accountants  
and Registered Auditors  
Southwark Towers  
32 London Bridge Street  
London  
SE1 9SY

21 May 1997

THE CITY OF LONDON REAL PROPERTY COMPANY LIMITED

PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 31 MARCH 1997

	Notes	1997 £'000	1996 £'000
GROSS PROPERTY INCOME	2	90,996	88,026
NET RENTAL INCOME	2	75,356	74,694
Property management and administration expenses	3	(4,881)	(5,740)
OPERATING PROFIT		70,475	68,954
Loss on sales/transfer of properties		(12)	-
PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST AND TAXATION		70,463	68,954
Interest receivable and similar income	4	34	31
Interest payable and similar charges	4	(30,435)	(27,220)
Revenue profit		40,074	41,765
Loss on sales/transfer of properties		(12)	-
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		40,062	41,765
Taxation on:			
Revenue profit		(10,226)	(10,453)
Sales/transfer of properties		-	-
Taxation	5	(10,226)	(10,453)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		29,836	31,312
Dividend		(29,836)	(31,312)
RETAINED PROFIT FOR THE FINANCIAL YEAR		-	-
BALANCE BROUGHT FORWARD		2,308	2,308
BALANCE CARRIED FORWARD		2,308	2,308

All income was derived from the United Kingdom from continuing operations. No operations were discontinued during the year.

The notes on pages 9 to 15 form an integral part of these financial statements.

THE CITY OF LONDON REAL PROPERTY COMPANY LIMITED

BALANCE SHEET - 31 MARCH 1997

	<u>Notes</u>	<u>1997</u>	<u>1996</u>
		£'000	£'000
<b>FIXED ASSETS</b>			
Tangible assets			
Properties	6	<u>900,110</u>	<u>872,165</u>
<b>CURRENT ASSETS</b>			
Debtors falling due within one year	7	7,157	6,707
CREDITORS falling due within one year	8	<u>(360,675)</u>	<u>(353,268)</u>
NET CURRENT LIABILITIES		<u>(353,518)</u>	<u>(346,561)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		546,592	525,604
CREDITORS falling due after more than one year	9	<u>(5,005)</u>	<u>(5,792)</u>
		<u>541,587</u>	<u>519,812</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	10	19,637	19,637
Share premium account		2,930	2,930
Revaluation reserve	11	264,295	245,667
Other reserves	12	252,417	249,270
Profit and loss account		<u>2,308</u>	<u>2,308</u>
EQUITY SHAREHOLDERS' FUNDS		<u>541,587</u>	<u>519,812</u>

DIRECTORS

Sir Peter Hunt

M R Griffiths

The financial statements on pages 6 to 15 were approved by the Directors on 21 May 1997.



# THE CITY OF LONDON REAL PROPERTY COMPANY LIMITED

## OTHER PRIMARY STATEMENTS FOR THE YEAR ENDED 31 MARCH 1997

### STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	Notes	1997	1996
		£'000	£'000
Profit on ordinary activities after taxation (page 6)		29,836	31,312
Unrealised surplus/(deficit) on valuation of properties	11	21,775	(37,772)
Total gains and losses recognised since last financial statements		<u>51,611</u>	<u>(6,460)</u>

### NOTE OF HISTORICAL PROFITS AND LOSSES

		1997	1996
		£'000	£'000
Profit on ordinary activities before taxation (page 6)		40,062	41,765
Valuation surplus of previous years realised on sale/transfer of properties	11	3,147	-
Historical cost profit on ordinary activities before taxation		43,209	41,765
Taxation	5	(10,226)	(10,453)
Historical cost profit on ordinary activities after taxation		32,983	31,312
Dividend (page 6)		(29,836)	(31,312)
Retained historical cost profit for the year		<u>3,147</u>	<u>-</u>

### RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS

		1997	1996
		£'000	£'000
Profit on ordinary activities after taxation (page 6)		29,836	31,312
Dividend (page 6)		(29,836)	(31,312)
Retained profit for the financial year (page 6)		-	-
Surplus/(deficit) on valuation of properties	11	21,775	(37,772)
		21,775	(37,772)
Opening equity shareholders' funds		519,812	557,584
Closing equity shareholders' funds		<u>541,587</u>	<u>519,812</u>

# THE CITY OF LONDON REAL PROPERTY COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 1997

### 1. ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention modified by the revaluation of properties and in accordance with applicable accounting standards. Compliance with SSAP 19 "Accounting for Investment Properties" requires departure from the requirements of the Companies Act 1985 relating to depreciation and amortisation. An explanation of this departure is given in (d) below.

The significant accounting policies adopted by the Company are set out below.

#### a) Profit and loss account and other primary statements

The profit on ordinary activities before taxation is arrived at after taking into account income and outgoings on all properties, including those under development and, in accordance with FRS3 "Reporting Financial Performance", profits and losses on sales of properties calculated by comparing net sales proceeds with book values.

Realised surpluses and deficits relating to previous years on properties sold during the year are taken to other reserves.

Unrealised capital surpluses and deficits arising on valuation of properties are taken to revaluation reserve.

#### b) Taxation

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

No provision is made for taxation which would become payable under present legislation in the event of future sales of the properties at the amounts at which they are stated in the financial statements. However an estimate of the potential liability is shown in Note 5.

Deferred taxation is accounted for in respect of timing differences between profit as computed for taxation purposes and profit as stated in the financial statements to the extent that liabilities or assets are expected to be payable or receivable in the foreseeable future.

#### c) Properties

Properties are included in the financial statements at open market values based on the latest professional valuation. At 31 March 1997 a valuation was carried out by Knight Frank. The valuation included all properties for which there were unconditional contracts to purchase but excluded those for which there were unconditional contracts for sale.

# THE CITY OF LONDON REAL PROPERTY COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 1997 (CONTINUED)

### 1. ACCOUNTING POLICIES (continued)

#### (c) Properties (continued)

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

#### d) Depreciation and amortisation

In accordance with SSAP 19, no depreciation or amortisation is provided in respect of freehold or leasehold properties held on leases having more than 20 years unexpired. This departure from the requirements of the Companies Act 1985, for all properties to be depreciated, is, in the opinion of the directors, necessary for the financial statements to give a true and fair view in accordance with applicable accounting standards, as properties are included in the financial statements at their open market value.

The effect of depreciation and amortisation on value is already reflected annually in the valuation of properties and the amount attributed to this factor by the valuers cannot reasonably be separately identified or quantified. Had the provisions of the Act been followed, net assets would not have been affected but revenue profits would have been reduced for this and earlier years.

2. NET RENTAL INCOME	<u>1997</u>	<u>1996</u>
	£'000	£'000
Rental income	83,944	82,138
Service charges and other recoveries	<u>7,052</u>	<u>5,888</u>
Gross property income	90,996	88,026
Ground rents payable	(6,480)	(6,044)
Other property outgoings	<u>(9,160)</u>	<u>(7,288)</u>
	<u>(15,640)</u>	<u>(13,332)</u>
	<u>75,356</u>	<u>74,694</u>

Other property outgoings are costs incurred in the direct maintenance and upkeep of investment properties. Void costs, which include those relating to empty properties pending redevelopment and refurbishment, costs of investigating potential development schemes which are not proceeded with, and costs in respect of housekeepers and outside staff directly responsible for property services, are also included.

# THE CITY OF LONDON REAL PROPERTY COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 1997 (CONTINUED)

### 3. PROPERTY MANAGEMENT AND ADMINISTRATION EXPENSES

Property management and administration expenses consist of all costs of managing the portfolio, together with costs of rent reviews and renewals, relettings of properties and management services as explained in Note (a) below. No staff costs or overheads are capitalised.

#### a) Management services

The Company had no employees during the year. Management services were provided to the Company throughout the period by Land Securities Properties Limited, which is a group undertaking.

#### b) Directors' emoluments

The directors of the Company receive emoluments from Land Securities Properties Limited for their services to the Group. These emoluments consist of a basic salary, profit related pay, and a bonus of 6% of salary payable under the annual bonus scheme, pension contribution, car and medical benefits and the value of shares allocated under the 1989 Land Securities Profit Sharing Scheme. The proportion of their emoluments which relates to the management of the affairs of the Company amounts to approximately £382,000 (1996: £376,000). Taking this amount into account, the total emoluments of the highest paid director, excluding pension contributions, amounted to £122,000 (1996: £118,000). The accrued pension as at 31 March 1997 for the highest paid director was £50,469.

#### c) Auditors' remuneration

Administration expenses include auditors' remuneration of £23,625 (1996: £22,900).

No fees were paid to the auditors during the year in respect of non-audit work (1996: £Nil)

### 4. INTEREST

	1997	1996
	£'000	£'000
RECEIVABLE:		
Sundry	34	31
PAYABLE:		
On amount owed to a group undertaking	29,096	27,177
Amount paid to a group undertaking	1,281	-
Other	58	43
	30,435	27,220

# THE CITY OF LONDON REAL PROPERTY COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 1997 (CONTINUED)

### 5. TAXATION

	1997	1996
	£'000	£'000
The charge is made up as follows:		
Revenue profit at the Corporation Tax rate of 33% (1996: 33%)	13,225	13,782
Tax allowances on expenditure relating to properties	(2,795)	(3,877)
Other adjustments	39	679
	10,469	10,584
Adjustments relating to previous years	(243)	(131)
Taxation on revenue profit	10,226	10,453
Taxation arising on sales/transfers of properties	-	-
	<u>10,226</u>	<u>10,453</u>

No capital gains tax (1996: £Nil) would become payable in the event of sales of the properties at the amounts at which they are stated in Note 6.

### 6. PROPERTIES

	Freehold	Over 50 years to run	Leasehold Under 50 years to run	Total
	£'000	£'000	£'000	£'000
At 1 April 1996: at valuation	609,050	239,255	23,860	872,165
Additions	12,667	10	443	13,120
Sales	(13,731)	-	-	(13,731)
Transfers from group undertakings	9,831	-	-	9,831
Transfer to a group undertaking	(3,050)	-	-	(3,050)
	<u>614,767</u>	<u>239,265</u>	<u>24,303</u>	<u>878,335</u>
Surplus on valuation	19,698	2,045	32	21,775
At 31 March 1997: at valuation	<u>634,465</u>	<u>241,310</u>	<u>24,335</u>	<u>900,110</u>

THE CITY OF LONDON REAL PROPERTY COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 1997 (CONTINUED)

7. DEBTORS falling due within one year	1997	1996
	£'000	£'000
Trade debtors	3,528	3,439
Other debtors	1,696	1,453
Prepayments and accrued income	1,933	1,815
	<u>7,157</u>	<u>6,707</u>

8. CREDITORS falling due within one year	1997	1996
	£'000	£'000
Amount owed to a group undertaking	294,081	284,085
Taxation	10,414	10,064
Proposed dividend	29,836	31,312
Capital creditors	3,105	4,237
Other creditors	1,645	1,553
Accruals	21,594	22,017
	<u>360,675</u>	<u>353,268</u>

The amount owed to a group undertaking has no fixed repayment date.

9. CREDITORS falling due after more than one year	1997	1996
	£'000	£'000
Capital creditors	-	906
Other creditors	5,005	4,886
	<u>5,005</u>	<u>5,792</u>

10. CALLED UP SHARE CAPITAL	1997	1996
	£'000	£'000
Authorised: 30,000,000 Ordinary Shares of £1 each	<u>30,000</u>	<u>30,000</u>
Allotted and fully paid: 19,636,808 Ordinary Shares of £1 each	<u>19,637</u>	<u>19,637</u>

THE CITY OF LONDON REAL PROPERTY COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 1997 (CONTINUED)

11. REVALUATION RESERVE	£'000
At 1 April 1996	245,667
Surplus on valuation of properties (Note 6)	21,775
Realised on sales/transfer of properties (Note 12)	<u>(3,147)</u>
At 31 March 1997	<u>264,295</u>

12. OTHER RESERVES	£'000
At 1 April 1996	249,270
Valuation surplus of previous years realised on sales/transfer of properties (Note 11)	<u>3,147</u>
At 31 March 1997	<u>252,417</u>

13. COMMITMENTS FOR FUTURE CAPITAL EXPENDITURE		
	<u>1997</u>	<u>1996</u>
	£'000	£'000
Under contract	7,002	21,101
Board authorisation not contracted	<u>23,239</u>	<u>806</u>
	<u>30,241</u>	<u>21,907</u>

14. CONTINGENT LIABILITIES

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

15. CASH FLOW STATEMENT EXEMPTION

The Company is a wholly owned subsidiary of Land Securities PLC which prepares a consolidated cash flow statement. The Company has therefore elected to make use of the exemption provided in Financial Reporting Standard 1 (revised 1996) "Cash Flow Statements" not to produce its own cash flow statement.

THE CITY OF LONDON REAL PROPERTY COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 1997 (CONTINUED)

16. RELATED PARTY TRANSACTIONS

The Company is a wholly owned subsidiary of Land Securities PLC and has taken advantage of the exemption provided in paragraph 3(c) of Financial Reporting Standard 8 "Related Party Disclosures" not to make disclosure of transactions with other entities that are part of the group.

17. PARENT COMPANY

Land Securities PLC, which is registered in England and Wales, is the ultimate parent company and is the largest and smallest parent company of the group to consolidate these financial statements.

Consolidated financial statements for the year ended 31 March 1997 for Land Securities PLC can be obtained from the Secretary, 5 Strand, London WC2N 5AF.