

**THE LONDON COUNTY FREEHOLD AND
LEASEHOLD PROPERTIES LIMITED**

Financial Statements 2003

Co. Reg. No. 104007



THE LONDON COUNTY FREEHOLD AND LEASEHOLD PROPERTIES LIMITED**Directors' report**

The directors present their report and financial statements for the year ended 30 September 2003. The result for the year is shown in the attached profit and loss account.

The principal activity of the company is property investment. The directors foresee no material change in the scope or nature of the company's activities.

Directors who have served during the year were:

Mr J M Brady	(Appointed 01.10.03)
Mr S J East	(Resigned 30.09.03)
Mr R A Harrold	(Appointed 30.06.03)
Mr G A Lewis	(Appointed 01.10.03)
Mr S McGarrity	(Resigned 30.06.03)
Mr R T E Ware	(Resigned 30.06.03)
Mr I R Watters	(Resigned 30.06.03)

No director had any interest in the ordinary share or loan capital of any group company as at 30 September 2003.

The Company secretary is MEPC Secretaries Limited.

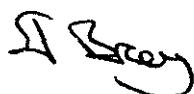
Directors responsibilities in respect of the preparation of financial statements

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss 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 accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 maintaining proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. 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.

By order of the board



J M BRADY
Director

30 June 2004

**Independent auditors' report to the members of
THE LONDON COUNTY FREEHOLD AND LEASEHOLD PROPERTIES LIMITED**

We have audited the financial statements on pages 3 to 7.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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

The directors are responsible for preparing the directors' report and, as described on page 1, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

Basis of audit 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 company's circumstances, are 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 the company's affairs as at 30 September 2003 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



KPMG Audit Plc
Chartered Accountants
Registered Auditor
London

30 June 2004

THE LONDON COUNTY FREEHOLD AND LEASEHOLD PROPERTIES LIMITED

Profit and loss account

For the year ended 30 September 2003

	<u>Notes</u>	<u>2003</u> <u>£'000</u>	<u>2002</u> <u>£'000</u>
Net income from properties	2	(7)	15
Administrative expenses	3	-	-
		<hr/>	<hr/>
Operating (loss)/profit		(7)	15
Loss on fixed asset disposals		-	(10)
		<hr/>	<hr/>
(Loss)/profit on ordinary activities before and after taxation		(7)	5
		<hr/>	<hr/>

There is no difference between the reported results and the results restated on an historic cost basis.

There were no other gains or losses apart from the results shown in the profit and loss account. All income was derived from the United Kingdom continuing operations.

Details of reserve movements are in note 8.

THE LONDON COUNTY FREEHOLD AND LEASEHOLD PROPERTIES LIMITED

Balance sheet

As at 30 September 2003

	<u>Notes</u>	<u>2003</u> £'000	<u>2002</u> £'000
Fixed assets			
Investment in subsidiary undertakings	4	353,209	353,209
Current assets			
Debtors: Amounts falling due within one year	5	-	38
Amounts falling due after more than one year	5	126,425	126,379
		<hr/> 126,425	<hr/> 126,417
		<hr/> 479,634	<hr/> 479,626
Capital and reserves			
Called up share capital	6 & 7	23,940	23,940
Share premium account	7	336,018	336,018
Profit and loss account	7	119,540	119,547
		<hr/> 479,498	<hr/> 479,500
Shareholders' funds			
Creditors: Amounts falling due within one year	8	136	121
		<hr/> 479,634	<hr/> 479,626

Approved by the Board of Directors
on 30 June 2004
and signed on its behalf by:



J M BRADY
Director

THE LONDON COUNTY FREEHOLD AND LEASEHOLD PROPERTIES LIMITED
Notes (forming part of the financial statements)

1 Accounting policies

Basis of accounting

The financial statements have been prepared under the historical cost convention as modified by the revaluation of investment properties and in accordance with section 226 of, and Schedule 4 to, the Companies Act 1985 and applicable accounting standards.

Taxation

With effect from 1 October 1997, the taxation charges or credits attributable to the results of all wholly owned UK subsidiaries of MEPC Limited are charged or credited in a single subsidiary company, MEPC UK Holdings as part of a group arrangement. No deferred taxation is provided in these accounts since any future corporation tax liability or asset that might crystallise will be reflected in the accounts of MEPC UK Holdings in accordance with the arrangement referred to above. Provision for deferred taxation has been made in the accounts of MEPC UK Holdings, having regard to the group deferred taxation position.

Cash flow

Under FRS1 Cash Flow Statement (revised 1996), the company is exempt from the requirement to prepare a cash flow statement on the grounds that it is a wholly-owned subsidiary undertaking.

Investment in subsidiary undertakings

Investment in subsidiary undertakings is held at cost and provision by the parent undertaking against its investment is only made where the underlying value of the subsidiary is less than the book value in the parent undertaking and the deficit is considered to be permanent.

Investments

Investments in unlisted securities are held at cost less provision for impairment

Related party transactions

Under FRS 8 the company is exempt from the requirement to disclose related party transactions with MEPC Limited and its associated undertakings on the grounds that it is a wholly owned subsidiary undertaking.

2 Net income from properties

	<u>2003</u> £'000	<u>2002</u> £'000
Gross rental income and other charges (UK)	-	-
Gross rental income	-	-
<u>Less:</u> Other property outgoings less recoveries from tenants	7	(15)
	7	15
	(7)	15

3 Administrative expenses

The directors of the company received no remuneration during the year. The company did not employ any other persons as it is administered by employees of MEPC Limited. Audit fees are paid by MEPC Limited and are accounted for on a group basis.

THE LONDON COUNTY FREEHOLD AND LEASEHOLD PROPERTIES LIMITED
Notes (continued)

4 Investment in subsidiary undertakings

Group accounts incorporating the financial statements of subsidiary undertakings are not prepared as the company is a wholly owned subsidiary undertaking of a company registered in England and Wales.

The principal subsidiary undertaking is English Property Corporation Limited a company registered in England and Wales, in which the company holds 100% of the ordinary share capital.

5 Debtors

	<u>2003</u> £'000	<u>2002</u> £'000
Amounts falling due within one year:		
Other debtors	-	38
Amounts falling due after more than one year:		
Amount due by intermediate holding company MEPC Limited	126,425	126,379

6 Called up share capital

	Authorised		Allotted, issued and fully paid			
	2003	2002	2003		2002	
	£'000	£'000	No	£'000	No	£'000
Ordinary shares of 50p each	23,940	23,940	47,879,346	23,940	47,879,346	23,940
5.5% Cumulative preference shares of £1 each	821	821	-	-	-	-
Unclassified shares of 50p each	2,010	2,010	-	-	-	-
	<u>26,771</u>	<u>26,771</u>	<u>47,879,346</u>	<u>23,940</u>	<u>47,879,346</u>	<u>23,940</u>

THE LONDON COUNTY FREEHOLD AND LEASEHOLD PROPERTIES LIMITED
Notes (continued)

7 Capital and reserves

	Share Capital £'000	Share Premium £'000	Profit & Loss £'000	<u>2003</u> £'000	<u>2002</u> £'000
1 October	23,940	336,018	119,547	479,505	479,500
Retained (loss)/profit	-	-	(7)	(7)	5
30 September	23,940	336,018	119,540	479,498	479,505

8 Creditors

	<u>2003</u> £'000	<u>2002</u> £'000
Amounts falling due within one year:		
Accruals and rent in advance	136	121

9 Ultimate parent company and intermediate holding company

The ultimate parent company and largest group in which the results of the company are consolidated is that headed by BT Pension Scheme. The consolidated accounts of this group are available from Lloyds Chambers, Portsoken Street, London, E1 8HZ.

The intermediate holding company and smallest group in which the results of the company are consolidated is that headed by MEPC Limited. The consolidated accounts of this group are available from 4th Floor, Lloyds Chambers, Portsoken Street, London, E1 8LW.