

THE LONDON COUNTY FREEHOLD AND
LEASEHOLD PROPERTIES LIMITED

FINANCIAL STATEMENTS

30 SEPTEMBER 2000

Co. Reg. No. 104007



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THE LONDON COUNTY FREEHOLD AND LEASEHOLD PROPERTIES LIMITED

DIRECTORS' REPORT

The directors present their report and financial statements for the year ended 30 September 2000. 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.

The company's properties, which with the exception of one were sold during the course of the year, were valued by Chartered Surveyors Knight Frank as external valuers, on the basis of "open market" value as defined in the RICS Appraisal and Valuation Manual issued by The Royal Institution of Chartered Surveyors. The result incorporated in note 7 of the financial statements to 30 September 2000 was a surplus attributable to ordinary shareholders of £151,021. The company's remaining property has now been sold.

Directors who have served during the year were:

Mr S J East	
Mr S McGarrity	
Mr K P Monaghan	(resigned 30 November 2000)
Mr D B J Price	
Mr N J Thompson	(resigned 31 December 2000)
Mr R T E Ware	
Mr I R Watters	

On 1 June 2000 a recommended cash offer was made by Lazard on behalf of Leconport Estates for the entire issued and to be issued ordinary share capital of the ultimate holding company MEPC plc. By 28 September 2000 all such shares had been acquired by Leconport Estates, including those over which the directors had options. Except as outlined below no director had any interest in the ordinary share or loan capital of any group company as at 30 September 2000.

	At 30 September 2000		At 1 October 1999		
	96p Non-cumulative Preference Shares (B Shares)	Leconport Estates Loan Notes of £1 each	30 $\frac{5}{8}$ p Ordinary shares	96p Non-cumulative Preference Shares (B Shares)	Share options
Mr S J East	-	3,938	1,826	-	130,000
Mr S McGarrity	-	8,772	1,159	-	90,000
Mr K P Monaghan	829	13,117	7,925	1,750	40,000
Mr D B J Price	452	7,523	1,525	970	-
Mr N J Thompson	731	16,477	3,454	1,504	100,000
Mr R T E Ware	-	-	12,139	-	247,500
Mr I R Watters	1,560	77,659	27,483	3,403	141,011

The company secretary is Mr D B J Price.

On 30 October 2000 MEPC plc was re-registered as a private company and was renamed MEPC Limited.

Statement of 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 LONDON COUNTY FREEHOLD AND LEASEHOLD PROPERTIES LIMITEDDIRECTORS' REPORT (Continued)

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



R T E WARE

Director

31 January 2001

AUDITORS' REPORT TO THE MEMBERS OF
THE LONDON COUNTY FREEHOLD AND LEASEHOLD PROPERTIES LIMITED

We have audited the financial statements on pages 3 to 9.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on pages 1 and 2, 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. 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 2000 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

31 January 2001

THE LONDON COUNTY FREEHOLD AND LEASEHOLD PROPERTIES LIMITEDPROFIT AND LOSS ACCOUNTFor the year ended 30 September 2000

	<u>Notes</u>	<u>2000</u> £'000	<u>1999</u> £'000
Net income from properties	2	4,505	4,468
Administrative and other expenses	3	(16)	(15)
Operating profit		4,489	4,453
Provision against investment in subsidiary		(1,141)	-
(Loss)/gain on fixed asset disposals	4	(38)	482
Net cost of finance	5	10,335	10,492
Profit on ordinary activities before and after taxation		13,645	15,427
Dividend	6	(60,000)	(46,200)
Retained loss		(46,355)	(30,773)

HISTORICAL COST PROFITS AND LOSSES

Profit on ordinary activities before taxation	13,645	15,427
Realisation of property revaluation gains	4,521	8,767
Historical cost profit on ordinary activities before taxation	18,166	24,194
Historical cost loss retained	(41,834)	(22,006)

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

Profit for the year	13,645	15,427
Surplus on revaluation of properties	168	884
	13,813	16,311

Details of reserve movements are in note 11.

THE LONDON COUNTY FREEHOLD AND LEASEHOLD PROPERTIES LIMITEDBALANCE SHEETAs at 30 September 2000

	<u>Notes</u>	<u>2000</u> £'000	<u>1999</u> £'000
FIXED ASSETS			
Tangible assets			
Investment properties	7	32,000	50,140
Investments			
Subsidiary undertakings	8	353,209	354,350
		<hr/>	<hr/>
		385,209	404,490
CURRENT ASSETS			
DEBTORS: Amounts falling due within one year	9	1,037	13,036
Amounts falling due after more than one year	9	100,000	145,112
		<hr/>	<hr/>
TOTAL ASSETS		486,246	562,638
		<hr/>	<hr/>
Financed by:			
CAPITAL AND RESERVES			
Called up share capital	10	23,940	23,940
Share premium account	11	336,018	336,018
Revaluation reserve	11	(295)	4,058
Other reserves	11	113,848	110,506
Profit and loss account	11	(5,609)	39,567
		<hr/>	<hr/>
SHAREHOLDERS' FUNDS		467,902	514,089
CREDITORS: Amounts falling due within one year	12	1,654	48,549
Amount falling due after more than one year	12	16,690	-
		<hr/>	<hr/>
TOTAL LIABILITIES		486,246	562,638
		<hr/>	<hr/>

Approved by the Board of Directors
on 31 January 2001
and signed on its behalf by:



R T E WARE
Director

THE LONDON COUNTY FREEHOLD AND LEASEHOLD PROPERTIES LIMITEDNOTES(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.

Properties

Investment properties are included at valuation.

All surpluses and deficits against book value arising on the valuation are transferred to the revaluation reserve except for those deficits expected to be permanent, which are included in the profit and loss account and then transferred to other reserves.

Net gains or losses on disposal of properties are calculated by reference to book value at date of disposal.

Depreciation and amortisation

In accordance with Statement of Standard Accounting Practice No 19, (i) investment properties are revalued and the aggregate surplus or deficit is transferred to a revaluation reserve; and (ii) no depreciation or amortisation is provided in respect of freehold investment properties or leasehold investment properties with over 20 years to expiry. This treatment may be a departure from the requirements of the Companies Act concerning depreciation of fixed assets. However, the properties are not held for consumption but for investment and the directors consider that systematic depreciation or amortisation would be inappropriate. The accounting policy adopted is therefore necessary for the accounts to give a true and fair view. Depreciation or amortisation is only one of the many factors reflected in the valuation and the amount which might otherwise have been shown cannot be separately identified or quantified.

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 Statement

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.

THE LONDON COUNTY FREEHOLD AND LEASEHOLD PROPERTIES LIMITED

NOTES (continued)

2 NET INCOME FROM PROPERTIES

	<u>2000</u> £'000	<u>1999</u> £'000
Gross rental income and other charges (UK)	6,343	7,628
Gross rental income	4,707	5,070
<u>Less:</u> Ground rents	437	16
Amortisation of leasehold properties	17	15
Other property outgoings less recoveries from tenants	(252)	571
	202	602
	4,505	4,468

3 ADMINISTRATIVE AND OTHER 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.

4 (LOSS)/GAIN ON FIXED ASSET DISPOSALS

<u>2000</u> £'000	<u>1999</u> £'000
(38)	482

The (loss)/gain reflects the difference between the net sale proceeds and the book value at the date of disposal.

5 NET COST OF FINANCE

	<u>2000</u> £'000	<u>1999</u> £'000
Fellow subsidiary undertakings	10,334	10,484
Other interest received	1	8
	10,335	10,492

6 DIVIDENDS

	<u>2000</u> £'000	<u>1999</u> £'000
Ordinary:	60,000	46,200

THE LONDON COUNTY FREEHOLD AND LEASEHOLD PROPERTIES LIMITED

NOTES (continued)

7 INVESTMENT PROPERTIES

At external valuation

	<u>Freehold</u> £'000	<u>Long</u> <u>Leasehold</u> £'000	<u>Short</u> <u>Leasehold</u> £'000	<u>Total</u> £'000
1 October	18,000	32,000	140	50,140
Additions	1	5,320	-	5,321
Disposals	(18,001)	(5,611)	-	(23,612)
	-	31,709	140	31,849
Surplus/(deficit) on valuation	-	291	(140)	151
30 September	-	32,000	-	32,000

The historical cost of investment properties was £32,295,000 (1999 £46,065,000).

8 INVESTMENTS

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.

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. Any such provision is ultimately charged to other reserves.

The principal subsidiary undertaking is English Property Corporation Limited a company registered in England and Wales.

	<u>2000</u> £'000	<u>1999</u> £'000
Subsidiary undertakings	353,209	354,350

9 DEBTORS

	<u>2000</u> £'000	<u>1999</u> £'000
Amounts falling due within one year:		
Rent and sundry receivables	645	758
Dividend receivable	-	11,800
Other debtors	392	478
	1,037	13,036
Amounts falling due after more than one year:		
Amount due from fellow subsidiary undertaking	100,000	100,000
Amount due from intermediate holding company: MEPC Limited	-	45,112
	100,000	145,112

THE LONDON COUNTY FREEHOLD AND LEASEHOLD PROPERTIES LIMITED

NOTES (continued)

10 CALLED UP SHARE CAPITAL

	Authorised		Allotted, issued and fully paid			
	2000	1999	2000		1999	
	£'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>

11 RECONCILIATION OF MOVEMENTS ON SHAREHOLDERS' FUNDS

	£'000	Revaluation Reserve £'000	Other Reserves £'000	Profit & Loss £'000	<u>2000</u> £'000	<u>1999</u> £'000
Share capital	23,940					
Share premium	336,018					
1 October	359,958	4,058	110,506	39,567	514,089	543,978
Net surplus on revaluation		151			151	884
Amortisation released		17			17	-
Retained loss				(46,355)	(46,355)	(30,773)
Transfer between reserves		(4,521)	3,342	1,179	-	-
30 September	<u>359,958</u>	<u>(295)</u>	<u>113,848</u>	<u>(5,609)</u>	<u>467,902</u>	<u>514,089</u>

12 CREDITORS

	<u>2000</u> £'000	<u>1999</u> £'000
Amounts falling due within one year:		
Accruals and rent in advance	1,654	2,349
Proposed dividend	-	46,200
	<u>1,654</u>	<u>48,549</u>
Amount falling due after more than one year:		
Amount due to intermediate holding company MEPC Limited	<u>16,690</u>	<u>-</u>

THE LONDON COUNTY FREEHOLD AND LEASEHOLD PROPERTIES LIMITED

NOTES (continued)

13 ULTIMATE PARENT COMPANY

The ultimate parent company Leconport Estates, which is an unlimited liability company registered in England and Wales, is a joint venture company formed by GE Capital Real Estate and BT Pension Scheme through Hermes.