

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

**FINANCIAL STATEMENTS**

**30 SEPTEMBER 1999**

**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 1999. The result for the year is shown in the attached profit and loss account. The directors propose a final dividend of £46,200,000.

During the year the company was engaged solely in property investment. The directors foresee no material change in the scope or nature of the company's activities.

The company's properties have been valued on the basis of "open market" value as defined in the RICS Appraisal and Valuation Manual issued by The Royal Institution of Chartered Surveyors, Knight Frank as external valuers. The result incorporated in note 8 of the financial statements to 30 September 1999 was a surplus attributable to ordinary shareholders of £884,193.

Directors who have served during the year were:

Mr S J East	(appointed 8 March 1999)
Mr S McGarrity	(appointed 1 August 1999)
Mr K P Monaghan	
Mr C M Moniz	(resigned 1 August 1999)
Mr D B J Price	
Mr N J Thompson	
Mr J L Tuckey	(resigned 31 May 1999)
Mr R T E Ware	
Mr I R Watters	

The company secretary is Mr D B J Price.

Except as outlined below, no director had any interest in the share or loan capital of any group company during the year.

The interests of Mr R T E Ware and Mr I R Watters in the share and loan capital of the parent undertaking, MEPC plc, are set out in the financial statements of that company for the year ended 30 September 1999.

The interests of Mr S J East, Mr S McGarrity, Mr K P Monaghan, Mr D B J Price and Mr N J Thompson in the share and loan capital of the parent undertaking, MEPC plc, together with their right to acquire ordinary shares of that company in accordance with The MEPC plc Share Option Schemes, was as follows:-

	At 30 September 1999			At 1 October 1998 Or subsequent date of appointment		
	30 $\frac{5}{19}$ p Ordinary shares	96p Non- cumulative Preference Shares (B Shares)	Share options	30 $\frac{5}{19}$ p Ordinary shares	96p Non- cumulative Preference Shares (B Shares)	Share options
Mr S J East	1,826	-	130,000	1,826	-	50,000
Mr S Mc Garrity	1,159	-	90,000	1,159	-	90,000
Mr K P Monaghan	7,925	1,750	40,000	4,143	1,750	-
Mr D B J Price	1,525	970	-	801	970	-
Mr N J Thompson	3,454	1,504	100,000	2,229	2,699	50,000

## 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:

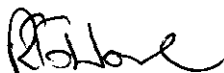
THE LONDON COUNTY FREEHOLD AND LEASEHOLD PROPERTIES LIMITED  
DIRECTORS' REPORT

(continued)

- 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



R T E WARE  
 Director  
 31 January 2000

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

As described on pages 1 and 2 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.

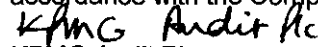
Basis of opinion

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 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 1999 and of its profit 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 2000

THE LONDON COUNTY FREEHOLD AND LEASEHOLD PROPERTIES LIMITEDPROFIT AND LOSS ACCOUNTFor the year ended 30 September 1999

	<u>Notes</u>	<u>1999</u> <u>£'000</u>	<u>1998</u> <u>£'000</u>
Net income from properties	2	4,468	7,057
Administrative and other expenses	3	(15)	(369)
Operating profit		4,453	6,688
Gain on fixed asset disposals	4	482	7,674
Provision against listed securities		-	(143)
Net cost of finance	5	10,492	(1,672)
Profit on ordinary activities before taxation		15,427	12,547
Taxation	6	-	(126)
Profit on ordinary activities after taxation		15,427	12,421
Dividend	7	(46,200)	(40,515)
Retained loss		(30,773)	(28,094)

HISTORICAL COST PROFITS AND LOSSES

Profit on ordinary activities before taxation	15,427	12,547
Realisation of property revaluation gains	8,767	33,101
Historical cost profit on ordinary activities before taxation	24,194	45,648
Historical cost (loss)/profit retained	(22,006)	5,133

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

Profit for the year	15,427	12,547
Surplus on revaluation of properties	884	7,040
	16,311	19,587

Details of reserve movements are in note 12.

THE LONDON COUNTY FREEHOLD AND LEASEHOLD PROPERTIES LIMITEDBALANCE SHEETAs at 30 September 1999

	<u>Notes</u>	<u>1999</u> £'000	<u>1998</u> £'000
<b>FIXED ASSETS</b>			
Tangible assets			
Investment properties	8	50,140	75,475
Investments			
Subsidiary undertakings	9	354,350	354,350
Listed securities	9	-	47
		<hr/> 404,490	<hr/> 429,872
<b>CURRENT ASSETS</b>			
DEBTORS: Amounts falling due within one year	10	13,036	2,744
Amounts falling due after more than one year	10	145,112	134,110
		<hr/> 562,638	<hr/> 566,726
<b>TOTAL ASSETS</b>			
Financed by:			
<b>CAPITAL AND RESERVES</b>			
Called up share capital	11	23,940	23,940
Share premium account	12	336,018	336,018
Revaluation reserve	12	4,058	11,941
Other reserves	12	110,506	101,257
Profit and loss account	12	39,567	70,822
		<hr/> 514,089	<hr/> 543,978
<b>SHAREHOLDERS' FUNDS</b>			
CREDITORS: Amounts falling due within one year	13	48,549	22,748
		<hr/> 562,638	<hr/> 566,726
<b>TOTAL LIABILITIES</b>			

Approved by the Board of Directors  
on 31 January 2000  
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 property 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 annually and the aggregate surplus or deficit is transferred to a revaluation reserve; and (ii) no amortisation is provided in respect of freehold 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 property is not held for consumption but for investment and the directors consider that systematic annual amortisation would be inappropriate. The accounting policy adopted is therefore necessary for the accounts to give a true and fair view. Amortisation is only one of the many factors reflected in the annual 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 plc 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 LIMITEDNOTES (continued)

## 2 NET INCOME FROM PROPERTIES

	<u>1999</u> £'000	<u>1998</u> £'000
Gross rental income and other charges (UK)	7,628	8,867
Gross rental income	5,070	7,277
<u>Less:</u> Ground rents	16	1
Amortisation of leasehold properties	15	13
Other property outgoings less recoveries from tenants	571	206
	602	220
	<u>4,468</u>	<u>7,057</u>

## 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 plc. Audit fees are paid by MEPC plc and are accounted for on a group basis.

## 4 GAIN ON FIXED ASSET DISPOSALS

	<u>1999</u> £'000	<u>1998</u> £'000
Gain on disposal of properties	482	7,674

The gain on disposal of properties and investments reflects the surplus between book value and net sale proceeds at the date of disposal.

## 5 NET COST OF FINANCE

	<u>1999</u> £'000	<u>1998</u> £'000
Fellow subsidiary undertakings	10,484	10,980
Other interest received	8	16
Interest due to parent undertaking: MEPC plc	-	(1,010)
Loss on waiver of loan stock	-	(8,000)
Loss on disposal of loan notes	-	(4,066)
Transfer to investment property	-	408
	<u>10,492</u>	<u>(1,672)</u>

THE LONDON COUNTY FREEHOLD AND LEASEHOLD PROPERTIES LIMITEDNOTES (continued)

## 6 TAXATION ON PROFIT ON ORDINARY ACTIVITIES

	<u>1999</u> £'000	<u>1998</u> £'000
Taxation attributable to capitalised interest	-	126

## 7 DIVIDENDS

	<u>1999</u> £'000	<u>1998</u> £'000
Ordinary: Interim	-	20,515
Final – proposed	46,200	20,000
	<u>46,200</u>	<u>40,515</u>

## 8 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 1998	39,925	35,400	150	75,475
Additions	3,647	625	25	4,297
Disposals	(26,343)	(4,173)		(30,516)
	<u>17,229</u>	<u>31,852</u>	<u>175</u>	<u>49,256</u>
Surplus/(deficit) on valuation	771	148	(35)	884
30 September 1999	<u>18,000</u>	<u>32,000</u>	<u>140</u>	<u>50,140</u>

The historical cost of investment properties was £46,082,000 (£63,534,000).

## 9 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.

	<u>1999</u> £'000	<u>1998</u> £'000
Subsidiary undertakings	<u>354,350</u>	<u>354,350</u>

The company has the following principal subsidiary undertaking which is wholly owned and is registered in England and Wales:-

English Property Corporation plc



THE LONDON COUNTY FREEHOLD AND LEASEHOLD PROPERTIES LIMITED

NOTES (continued)

9 INVESTMENTS (continued)

	<u>1999</u> £'000	<u>1998</u> £'000
Listed securities	-	47

10 DEBTORS

	<u>1999</u> £'000	<u>1998</u> £'000
Amounts falling due within one year:		
Rent and sundry receivables	758	1,110
Dividend receivable	11,800	-
Other debtors	478	1,634
	<u>13,036</u>	<u>2,744</u>

Amounts falling due after more than one year:

Amounts due from fellow subsidiary undertaking	100,000	100,000
Amounts due from the parent undertaking: MEPC plc	45,112	34,110
	<u>145,112</u>	<u>134,110</u>

11 CALLED UP SHARE CAPITAL

	<u>Authorised</u>		<u>Allotted, issued and fully paid</u>			
	<u>1999</u> £'000	<u>1998</u> £'000	<u>1999</u> No	<u>£'000</u>	<u>1998</u> No	<u>£'000</u>
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)

12 RECONCILIATION OF MOVEMENTS ON SHAREHOLDERS' FUNDS

	£'000	Revaluation Reserve £'000	Other Reserves £'000	Profit & Loss £'000	1999 £'000	1998 £'000
1 October	359,958	11,941	101,257	70,822		205,061
Share capital	23,940				23,940	9,169
Share premium	336,018				336,018	2,789
Opening shareholders funds	359,958	11,941	101,257	70,822	543,978	217,019
Net surplus on revaluation		884			884	7,040
Retained loss				(30,773)	(30,773)	(28,094)
Transfer between reserves		(8,767)	9,249	(482)	-	-
Amortisation					-	13
Shares issued					-	14,771
Premium on allotment					-	333,229
30 September	359,958	4,058	110,506	39,567	514,089	543,978

13 CREDITORS

	1999 £'000	1998 £'000
Amounts falling due within one year:		
Accruals and rent in advance	2,349	2,748
Proposed dividend	46,200	20,000
	48,549	22,748

14 COMMITMENTS

Capital commitments, for which provision has not been made in these financial statements amount to:

	1999 £'000	1998 £'000
Contracted	-	1,098
Authorised but not contracted	-	2,542

In the opinion of the directors, the disclosure requirements of SSAP 21 to show leasing commitments in respect of ground rents are not relevant to a property investment company.

15 ULTIMATE PARENT COMPANY

The ultimate parent company is MEPC plc, a company registered in England and Wales. Copies of the group report and financial statements of MEPC plc are available from the company's registered office at Nations House, 103 Wigmore Street, London W1H 9AB.