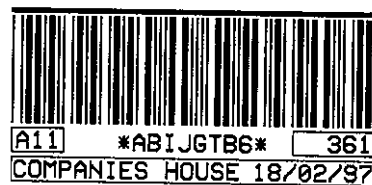


**THE LONDON COUNTY FREEHOLD AND  
LEASEHOLD PROPERTIES LIMITED**

**FINANCIAL STATEMENTS**

**30 SEPTEMBER 1996**

**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 1996. The result for the year is shown in the attached profit and loss account. A first interim dividend of 70 pence per share was paid on 19 April 1996. A second first interim dividend of 70 pence per share was paid on 30 September 1996. The directors recommend that no final dividend be paid.

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 investment properties have been valued for the board as at 31 August 1996 on the basis of "open market" value as defined in the RICS Appraisal and Valuation Manual issued by The Royal Institution of Chartered Surveyors. Properties having a book value at 31 August 1996 in excess of £1,000,000 have been valued jointly by Messrs. Knight Frank and Jones Lang Wootton, as external valuers. Properties having a book value at 31 August 1996 of £1,000,000 or less have been valued by those executive directors of the parent undertaking, MEPC plc, who are Chartered Surveyors. The result incorporated in note 9 of the financial statements to 30 September 1996 was a net surplus attributable to ordinary shareholders of £550,208.

Directors who have served during the year were:

|                  |                         |
|------------------|-------------------------|
| Mr J A Beveridge |                         |
| Mr J P M Lee     |                         |
| Mr K P Monaghan  |                         |
| Mr C M Moniz     | (appointed 6 June 1996) |
| Mr J L Tuckey    |                         |
| Mr I R Watters   |                         |

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 J A Beveridge, Mr J L Tuckey 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 1996.

The interest of Mr J P M Lee, Mr K P Monaghan and Mr C M Moniz 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 1996 |               | At 1 October 1995 or subsequent date of appointment |               |
|-----------------|----------------------|---------------|---|---------------|
|                 | 25p Ordinary Shares  | Share options | 25p Ordinary Shares                                 | Share options |
| Mr J P M Lee    | 4,998                | 45,861        | 5,689   | 45,861        |
| Mr K P Monaghan | 4,784                | 43,756        | 3,798   | 43,756        |
| Mr C M Moniz    | 6,525                | 50,631        | 7,473   | 50,631        |

The company secretary is Mr J P M Lee.

THE LONDON COUNTY FREEHOLD AND LEASEHOLD PROPERTIES LIMITED

DIRECTORS' REPORT (continued)

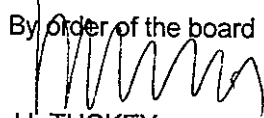
Directors' Responsibilities - in respect of the preparation of financial statements

The directors are required by company law to prepare financial statements, based on applicable accounting standards, 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 the profit or loss for the year.

The directors ensure that, in preparing the financial statements, suitable accounting policies have been used and applied consistently, and reasonable and prudent judgements and estimates, have been made. The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the accounts.

The directors are also responsible for ensuring that adequate systems of internal control are in operation, for maintaining adequate accounting records, for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities.

By order of the board

  
J L TUCKEY

Director

27 November 1996

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

We have audited the financial statements on pages 3 to 10.

Respective responsibilities of directors and auditors

As described on page 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.

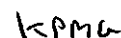
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity 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 1996 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

**31 JAN 1997**

London



KPMG  
Chartered Accountants  
Registered Auditors

THE LONDON COUNTY FREEHOLD AND LEASEHOLD PROPERTIES LIMITEDPROFIT AND LOSS ACCOUNTFor the year ended 30 September 1996

|   | <u>Notes</u> | <u>1996</u><br>£'000 | <u>1995</u><br>£'000 |
|---|--------------|----------------------|----------------------|
| Net income from properties                    | 2            | 2,588                | 6,453                |
| Administrative and other expenses             | 3            | (348)                | (326)                |
| Operating profit                              |              | 2,240                | 6,127                |
| Other income                                  | 4            | 26,942               | 22,778               |
| Gain on disposal of properties                | 5            | 487                  | 2                    |
| Gain on disposal of investments               | 5            | -                    | 4,267                |
| Cost of finance                               | 6            | (16,767)             | (6,770)              |
| Profit on ordinary activities before taxation |              | 12,902               | 26,404               |
| Taxation                                      | 7            | (6,293)              | (7,358)              |
| Profit on ordinary activities after taxation  |              | 6,609                | 19,046               |
| Dividends                                     | 8            | (25,673)             | -                    |
| Retained (loss)/profit                        |              | (19,064)             | 19,046               |

HISTORICAL COST PROFITS AND LOSSES

|  |          |        |
|--|----------|--------|
| Profit on ordinary activities before taxation                              | 12,902   | 26,404 |
| Realisation of property revaluation gains in prior years                   | 4,423    | 76     |
| Amortisation charge (difference between historic cost and revalued amount) | -        | 27     |
| Historical cost profit on ordinary activities before taxation              | 17,325   | 26,507 |
| Historical cost (loss)/profit retained                                     | (14,641) | 19,149 |

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

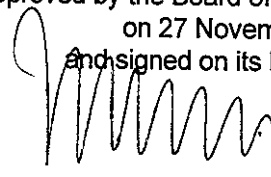
|  |       |         |
|--|-------|---------|
| Profit for the year                            | 6,609 | 19,046  |
| Amortisation released                          | 157   | 160     |
| Surplus/(deficit) on revaluation of properties | 550   | (5,009) |
| Taxation allowances                            | 11    | 24      |
|  | 7,327 | 14,221  |

Details of reserve movements are in note 13.

THE LONDON COUNTY FREEHOLD AND LEASEHOLD PROPERTIES LIMITEDBALANCE SHEETAs at 30 September 1996

|  | <u>Notes</u> | <u>1996</u><br>£'000 | <u>1995</u><br>£'000 |
|--|--------------|----------------------|----------------------|
| <b>FIXED ASSETS</b>                            |              |                      |                      |
| Tangible assets                                |              |                      |                      |
| Investment properties                          | 9            | 31,955               | 43,535               |
| Investments                                    | 10           | 8,323                | 15,323               |
|  |              | <hr/> 40,278         | <hr/> 58,858         |
| <b>CURRENT ASSETS</b>                          |              |                      |                      |
| DEBTORS: Amounts falling due within one year   | 11           | 1,161                | 2,305                |
| Amounts falling due after more than one year   | 11           | 256,879              | 257,147              |
|  |              | <hr/> 298,318        | <hr/> 318,310        |
| <b>TOTAL ASSETS</b>                            |              |                      |                      |
| Financed by:                                   |              |                      |                      |
| <b>CAPITAL AND RESERVES</b>                    |              |                      |                      |
| Called up share capital                        | 12           | 9,169                | 9,169                |
| Share premium account                          | 13           | 2,789                | 2,789                |
| Revaluation reserve                            | 13           | 24,295               | 28,011               |
| Other reserves                                 | 13           | 70,354               | 65,433               |
| Profit and loss account                        | 13           | 84,028               | 103,579              |
|  |              | <hr/> 190,635        | <hr/> 208,981        |
| <b>SHAREHOLDERS' FUNDS</b>                     |              |                      |                      |
| CREDITORS: Amounts falling due within one year | 14           | 8,059                | 9,733                |
| Amounts falling due after more than one year   | 14           | 99,624               | 99,596               |
|  |              | <hr/> 298,318        | <hr/> 318,310        |
| <b>TOTAL LIABILITIES</b>                       |              |                      |                      |

Approved by the Board of Directors  
on 27 November 1996  
and signed on its behalf by:



J L TUCKEY 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.

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 depreciation or amortisation is provided in respect of freehold investment properties and 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, these properties are not held for consumption but for investment and the directors consider that systematic annual depreciation 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 annual valuation and the amount which might otherwise have been shown cannot be separately identified or quantified.

In relation to note 9, leasehold property where the lease has less than 50 years to expiry, is classified as short leasehold.

Amortisation has been provided on the book value of leasehold properties having less than 20 years to expiry.

Taxation

Capital allowances and industrial building allowances are taken to other reserves, when agreed.

2 NET INCOME FROM PROPERTIES

|   | <u>1996</u><br>£'000 | <u>1995</u><br>£'000 |
|---|----------------------|----------------------|
| Gross rental income and other charges (UK)            | 6,828                | 11,804               |
| Gross rental income                                   | 7,131                | 10,351               |
| <u>Less:</u> Ground rents                             | 2,433                | 3,293                |
| Amortisation of leasehold properties                  | 157                  | 160                  |
| Other property outgoings less recoveries from tenants | 1,953                | 445                  |
|   | 4,543                | 3,898                |
|   | 2,588                | 6,453                |

THE LONDON COUNTY FREEHOLD AND LEASEHOLD PROPERTIES LIMITED

NOTES (continued)

3 ADMINISTRATIVE AND OTHER EXPENSES

|                               | <u>1996</u><br>£'000 | <u>1995</u><br>£'000 |
|-------------------------------|----------------------|----------------------|
| Intra-group fees              | 334                  | 312                  |
| Other administrative expenses | 14                   | 14                   |
|                               | <hr/> 348            | <hr/> 326            |

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 OTHER INCOME

|                                | <u>1996</u><br>£'000 | <u>1995</u><br>£'000 |
|--------------------------------|----------------------|----------------------|
| Interest from group companies: |                      |                      |
| Parent undertaking: MEPC plc   | 15,679               | 14,874               |
| Fellow subsidiary undertakings | 11,255               | 7,901                |
| Other interest                 | 8                    | 3                    |
|                                | <hr/> 26,942         | <hr/> 22,778         |

5 GAIN ON DISPOSAL OF INVESTMENTS AND GAIN ON REDEMPTION OF LOAN STOCK

|                                | <u>1996</u><br>£'000 | <u>1995</u><br>£'000 |
|--------------------------------|----------------------|----------------------|
| Gain on disposal of properties | 487                  | 2                    |
| Gain on disposal of investment | -                    | 4,267                |
|                                | <hr/> 487            | <hr/> 4,269          |

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

6 COST OF FINANCE

|                                 | <u>1996</u><br>£'000 | <u>1995</u><br>£'000 |
|---------------------------------|----------------------|----------------------|
| Interest due on loan stock 2010 | 10,217               | 6,770                |
| Loss on waiver of loan stock    | 6,550                | -                    |
|                                 | <hr/> 16,767         | <hr/> 6,770          |

THE LONDON COUNTY FREEHOLD AND LEASEHOLD PROPERTIES LIMITED

NOTES (continued)

7 TAXATION ON PROFIT ON ORDINARY ACTIVITIES

|   | <u>1996</u><br>£'000 | <u>1995</u><br>£'000 |
|---|----------------------|----------------------|
| Amounts payable for losses to be surrendered<br>under group relief provisions at 33% (1995 - 33%) | 6,293                | 7,358                |

8 DIVIDENDS

|  | <u>1996</u><br>£'000 | <u>1995</u><br>£'000 |
|--|----------------------|----------------------|
| Ordinary: 1st interim (paid)                         | 12,836               | -                    |
| 2nd interim (paid)                                   | 12,837               | -                    |
| Total appropriation from the profit and loss account | 25,673               | -                    |

9 INVESTMENT PROPERTIES

|                             | <u>Freehold</u><br>£'000 | <u>Long</u><br><u>Leasehold</u><br>£'000 | <u>Short</u><br><u>Leasehold</u><br>£'000 | <u>Total</u><br>£'000 |
|-----------------------------|--------------------------|--|---|-----------------------|
| 1 October 1995 at valuation | 30,550                   | 11,250                                   | 1,735                                     | 43,535                |
| Additions                   | 27                       | -  | 138                                       | 165                   |
| Disposals                   | (1,035)                  | (11,250)                                 | (10)                                      | (12,295)              |
| Net surplus on revaluation  | 863                      |  | (313)                                     | 550                   |
| 30 September 1996           | 30,405                   | -  | 1,550                                     | 31,955                |
| External valuation          | 29,170                   | -  | 1,550                                     | 30,720                |
| Internal valuation          | 1,235                    | -  | -   | 1,235                 |
| 30 September 1996           | 30,405                   | -  | 1,550                                     | 31,955                |

The 1996 valuation of the investment properties was on the basis of "open market value" at 31 August 1996. Further information with regard to the valuation is given in the directors' report.

A long leasehold property valued at £5,750,000 (1995 - £6,100,000), where the lease has more than 150 years to expiry, has been classified as freehold.

The historical cost of investment properties was £9,372,098 (1995 - £ 17,079,570).



THE LONDON COUNTY FREEHOLD AND LEASEHOLD PROPERTIES LIMITED

NOTES (continued)

10 INVESTMENTS

These comprise loan stocks to fellow subsidiary undertakings and securities which are listed on the Toronto Stock Exchange. The listed securities are held at a cost of £323,000 (the current market value is £1,387,679).

The loan stocks to fellow subsidiary undertakings mature as follows:

|                | <u>1996</u><br>£'000 | <u>1995</u><br>£'000 |
|----------------|----------------------|----------------------|
| Repayable 1998 | 8,000                | 15,000               |

During the year £449,976 of the loan stock due 1998 was repaid and £6,550,024 repayment due on the loan stock (1998) from a fellow subsidiary undertaking was waived.

11 DEBTORS

|   | <u>1996</u><br>£'000 | <u>1995</u><br>£'000 |
|---|----------------------|----------------------|
| Amounts falling due within one year:              |                      |                      |
| Rent and sundry receivables                       | 982                  | 1,407                |
| Other debtors                                     | 179                  | 898                  |
|   | <u>1,161</u>         | <u>2,305</u>         |
| Amounts falling due after more than one year:     |                      |                      |
| Loan to fellow subsidiary undertaking             | 100,000              | 100,000              |
| Amounts due from the parent undertaking: MEPC plc | 156,879              | 157,147              |
|   | <u>256,879</u>       | <u>257,147</u>       |

12 CALLED UP SHARE CAPITAL

|   | <u>Authorised</u>    |                      | <u>Allotted, issued and fully paid</u> |              |                   |              |
|---|----------------------|----------------------|--|--------------|-------------------|--------------|
|   | <u>1996</u><br>£'000 | <u>1995</u><br>£'000 | <u>1996</u><br>No                      | <u>£'000</u> | <u>1995</u><br>No | <u>£'000</u> |
| Ordinary shares of 50p each                   | 9,169                | 9,169                | 18,337,750                             | 9,169        | 18,337,750        | 9,169        |
| 3.85% Cumulative preference shares of £1 each | 821                  | 821                  | -                                      | -            | -                 | -            |
| Unclassified shares of 50p each               | 2,010                | 2,010                | -                                      | -            | -                 | -            |
|   | <u>12,000</u>        | <u>12,000</u>        | <u>18,337,750</u>                      | <u>9,169</u> | <u>18,337,750</u> | <u>9,169</u> |

THE LONDON COUNTY FREEHOLD AND LEASEHOLD PROPERTIES LIMITEDNOTES (continued)

## 13 RECONCILIATION OF MOVEMENTS ON SHAREHOLDERS' FUNDS

|                                      | £'000  | Revaluation<br>Reserve<br>£'000 | Other<br>Reserves<br>£'000 | Profit &<br>Loss<br>£'000 | 1996<br>£'000 | 1995<br>£'000 |
|--------------------------------------|--------|---------------------------------|----------------------------|---------------------------|---------------|---------------|
| 1 October 1995                       |        | 28,011                          | 65,433                     | 103,579                   | 197,023       | 182,802       |
| Share capital                        | 9,169  |                                 |                            |                           | 9,169         | 9,169         |
| Share premium                        | 2,789  |                                 |                            |                           | 2,789         | 2,789         |
| Opening shareholders funds           | 11,958 | 28,011                          | 65,433                     | 103,579                   | 208,981       | 194,760       |
| Net surplus/(deficit) on revaluation |        | 550                             |                            |                           | 550           | (5,009)       |
| Retained (loss)/profit               |        |                                 |                            | (19,064)                  | (19,064)      | 19,046        |
| Transfer between reserves            |        | (4,423)                         | 4,910                      | (487)                     |               | -             |
| Taxation allowances                  |        |                                 | 11                         |                           | 11            | 24            |
| Amortisation                         |        | 157                             |                            |                           | 157           | 160           |
| 30 September 1996                    | 11,958 | 24,295                          | 70,354                     | 84,028                    | 190,635       | 208,981       |

## 14 CREDITORS

|   | <u>1996</u><br>£'000 | <u>1995</u><br>£'000 |
|---|----------------------|----------------------|
| Amounts falling due within one year:                                      |                      |                      |
| Accruals and rent in advance  | 1,689                | 5,316                |
| Amounts payable for losses to be surrendered under group relief provision | 6,370                | 4,417                |
|   | <u>8,059</u>         | <u>9,733</u>         |
| Amounts falling due after more than one year                              |                      |                      |
| 10.161% Loan note 2010  | <u>99,624</u>        | <u>99,596</u>        |

On 1 August 1996 the 10.161% loan note 2010 became due to the parent undertaking: MEPC plc.

## 15 COMMITMENTS

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

|            | <u>1996</u><br>£'000 | <u>1995</u><br>£'000 |
|------------|----------------------|----------------------|
| Contracted | <u>-</u>             | <u>30</u>            |

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.

THE LONDON COUNTY FREEHOLD AND LEASEHOLD PROPERTIES LIMITED

NOTES (continued)

16 CONTINGENT LIABILITIES

No provision has been made for taxation which might become payable if the properties were sold at the net amount at which they stand in the financial statements. The directors estimate that if the properties were disposed of there would be no taxation liability.

It should be noted that the properties are held as long term investments and there is no intention of effecting such a disposal.

17 PARENT UNDERTAKING AND ULTIMATE PARENT COMPANY

The parent undertaking and 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 12 St James's Square, London SW1Y 4LB.