

SELECTED LAND AND PROPERTY COMPANY LTD.

DIRECTORS' REPORT AND ACCOUNTS
for the year ended
31st March 1998

Company Number : 228839



SELECTED LAND AND PROPERTY COMPANY LTD.

**REPORT OF THE DIRECTORS
for the year ended 31st March 1998**

The directors submit their report and accounts for the year ended 31st March 1998.

Principal Activity

The principal activity of the Company is that of property dealing.

Review of Business and Prospects

The activities and prospects of this and other group companies are reviewed in the Chairman's Statement and Operating and Financial Review of The British Land Company PLC, the ultimate holding company.

Results and Dividends

The results for the year are set out in the Profit and Loss Account on page 4. No dividend is recommended (1997 - £Nil).

Directors and their Interests in Share and Loan Capital

The directors who served during the year were:

J.H. Ritblat
C. Metliss (Appointed 1 July 1997)
J.H. Weston Smith
D.C. Berry
S.L. Kalman
N.S.J. Ritblat (Appointed 1 July 1997)
R.E. Bowden (Appointed 1 July 1997)
M.I. Gunston

No director held a beneficial interest in the share capital of the Company. Messrs. J.H. Ritblat, C. Metliss, J.H. Weston Smith, D.C. Berry, S.L. Kalman, N.S.J. Ritblat and R.E. Bowden are also directors of The British Land Company PLC and, as such, their interests in the share and loan capital of that company are shown in its remuneration committee's report. The beneficial interest of the other director in the ultimate holding company is as follows:-

| | <u>Options over ordinary shares</u> | | | | | | Rights to 6% Irredeemable Convertible Bonds under Restricted Share Plan (£ nominal) | |
|--------------|-------------------------------------|---------------|-----------------------|---------------|---------------------|---------------|--|---------------|
| | Fully paid ordinary shares | | 1984 Option Scheme | | Sharesave Scheme | | | |
| | <u>31.3.98</u> | <u>1.4.97</u> | <u>31.3.98</u> | <u>1.4.97</u> | <u>31.3.98</u> | <u>1.4.97</u> | <u>31.3.98</u> | <u>1.4.97</u> |
| M.I. Gunston | 46,440 | 37,539 | 105,209 | 105,209 | 3,170 | 11,546 | 40,000 | - |

M.I. Gunston was granted options over 3,170 shares and exercised options in respect of 11,546 shares during the year.

SELECTED LAND AND PROPERTY COMPANY LTD.

**REPORT OF THE DIRECTORS
for the year ended 31st March 1998**

Statement of Directors' Responsibilities

The directors are required to prepare financial statements which comply with the Companies Act 1985, on a going concern basis (unless inappropriate) and 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 results for that period. In preparing these financial statements suitable accounting policies consistently applied and supported by reasonable and prudent judgements and estimates, and applicable accounting standards have been followed.

The directors are also responsible for ensuring that proper and adequate accounting records have been maintained and that reasonable procedures have been followed for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.

Year 2000

The matters relating to the impact of the Year 2000 issue on the reporting systems and operations of the Company are contained in the Directors' Report of The British Land Company PLC, the ultimate holding company.

Annual General Meeting

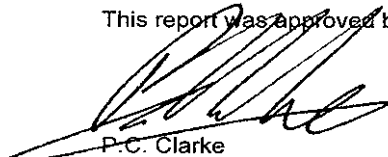
At the Annual General Meeting of the Company held on 10th December 1990 Elective Resolutions were passed to dispense with the following requirements:

- i to lay accounts and reports before a general meeting of the Company.
- ii to appoint auditors annually.
- iii to hold annual general meetings in the future.

Auditors

Binder Hamlyn having become part of the Andersen Worldwide Organisation in 1994, have resigned in order that Arthur Andersen could be appointed.

This report was approved by the Board on 8th June 1998.



P.C. Clarke
Secretary

10 Cornwall Terrace,
Regent's Park,
London NW1 4QP

SELECTED LAND AND PROPERTY COMPANY LTD.

**REPORT OF THE AUDITORS' TO THE SHAREHOLDERS OF
SELECTED LAND AND PROPERTY COMPANY LIMITED**

We have audited the financial statements on pages 4 to 15 which have been prepared under the historical cost convention and the accounting policies set out on page 7.

Respective Responsibilities of Directors and Auditors

As described on page 2, the Company's directors are responsible for the preparation of the 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, 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 as at 31st March 1998 and of the profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Arthur Andersen,
Chartered Accountants
Registered Auditors
1 Surrey Street, London, WC2R 2PS
8th June 1998

SELECTED LAND AND PROPERTY COMPANY LTD.

**PROFIT AND LOSS ACCOUNT
for the year ended 31st March 1998**

| | <u>Note</u> | <u>1998</u> <u>Total</u> <u>£</u> | <u>1997</u> <u>Total</u> <u>£</u> |
|--|--------------------|--|--|
| Turnover | | | |
| Rental income | | 3,777,844 | 5,619,389 |
| Property sales | | 42,925,000 | 605,000 |
| Total turnover | | <u>46,702,844</u> | <u>6,224,389</u> |
| Cost of turnover | | (26,432,671) | (1,382,466) |
| Gross profit (loss) | 2 | <u>20,270,173</u> | <u>4,841,923</u> |
| Operating profit (loss) | 3 | <u>20,270,173</u> | <u>4,841,923</u> |
| <u>Interest receivable</u> | | | |
| External - Unlisted | | 2,225 | 204 |
| <u>Interest payable</u> | | | |
| Group | | (921,665) | (3,157,188) |
| External - other | | (74) | - |
| Profit (loss) on ordinary activities before taxation | | <u>19,350,659</u> | <u>1,684,939</u> |
| Taxation | 5 | (6,157,198) | 1,120,122 |
| Profit (loss) after taxation | | <u>13,193,461</u> | <u>2,805,061</u> |
| Retained profit (loss) transferred to (from) reserves | 12 | <u>13,193,461</u> | <u>2,805,061</u> |

Turnover and results are derived from continuing operations in the United Kingdom.

SELECTED LAND AND PROPERTY COMPANY LTD.

**TOTAL RECOGNISED GAINS AND LOSSES
for the year ended 31st March 1998**

| | <u>1998</u> <u>£</u> | <u>1997</u> <u>£</u> |
|-----------------------------------|---------------------------------------|---------------------------------------|
| Profit (loss) for the year | 13,193,461 | 2,805,061 |
| Total recognised gains and losses | <u>13,193,461</u> | <u>2,805,061</u> |

**HISTORICAL COST PROFITS AND LOSSES
for the year ended 31st March 1998**

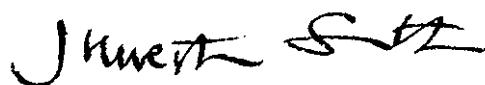
| | | |
|--|-------------------|------------------|
| Profit (loss) before taxation | 19,350,659 | 1,684,939 |
| Historical cost profit (loss) before tax | <u>19,350,659</u> | <u>1,684,939</u> |
| Retained historical cost profit (loss) | <u>13,193,461</u> | <u>2,805,061</u> |

SELECTED LAND AND PROPERTY COMPANY LTD.

BALANCE SHEET
as at 31st March 1998

| | <u>Note</u> | <u>£</u> | <u>1998</u> | <u>£</u> | <u>£</u> | <u>1997</u> | <u>£</u> |
|--|-------------|-------------------|-------------|-------------------|-------------------|-------------|-------------------|
| Fixed Assets | | | | | | | |
| Tangible assets | | | | | | | |
| Investments | 6 | | | 1,459,997 | | | 2,034,269 |
| Loans to group companies | 6 | | | - | | | - |
| | | | | <u>1,459,997</u> | | | <u>2,034,269</u> |
| Current Assets | | | | | | | |
| Trading properties | 7 | 36,128,616 | | | 51,613,648 | | |
| Debtors | 8 | 1,151,835 | | | 1,472,551 | | |
| | | <u>37,280,451</u> | | | <u>53,086,199</u> | | |
| Creditors due within one year | 9 | <u>12,823,516</u> | | | <u>41,570,761</u> | | |
| Net current assets (liabilities) | | | | <u>24,456,935</u> | | | <u>11,515,438</u> |
| Total assets less current liabilities | | | | <u>25,916,932</u> | | | <u>13,549,707</u> |
| Creditors due after one year | | | | | | | |
| Provisions for liabilities and charges | 10 | - | | | 826,236 | | |
| | | | | | <u>826,236</u> | | <u>826,236</u> |
| Net Assets (Liabilities) | | | | <u>25,916,932</u> | | | <u>12,723,471</u> |
| Capital and Reserves | | | | | | | |
| Called up share capital | 11 | | | 109,504 | | | 109,504 |
| Share premium | 12 | | | 23,338 | | | 23,338 |
| Capital reserves | | | | | | | |
| - Realised | 12 | | | 3,809,294 | | | 3,809,294 |
| - Revaluation | 12 | | | - | | | - |
| - Other - unrealised | 12 | | | - | | | - |
| Profit and loss account | 12 | | | 21,974,796 | | | 8,781,335 |
| Shareholders' Funds | 12 | | | <u>25,916,932</u> | | | <u>12,723,471</u> |

Non equity interests are stated in note 17.



J.H. Weston Smith



S.L. Kaiman

Directors

Approved by the Board on 8th June 1998

SELECTED LAND AND PROPERTY COMPANY LTD.

**NOTES TO THE ACCOUNTS
for the year ended 31st March 1998**

1. Accounting policies

A summary of the principal accounting policies is set out below. The policies have been applied consistently, in all material respects, throughout the current and the previous year.

Basis of preparation and 1997 comparatives

The accounts have been prepared using a computer system. This is designed to cover a wide variety of companies and circumstances. As a result some notes may not be relevant for this company and so may be intentionally left blank. In addition the 1997 comparatives have also been sourced from the computer system and in some cases the classification of 1997 amounts will be different from that presented last year. These differences are not material.

Accounting basis

The accounts are prepared in accordance with applicable Accounting Standards and under the historical cost convention.

Trading properties

Trading properties are stated at the lower of cost and net realisable value. Disposals are recognised on completion: profits and losses arising are dealt with through the profit and loss account.

Investments

Fixed asset investments are stated at market value when listed and at directors' valuation when unlisted. Any surplus or deficit arising on revaluation is taken to the revaluation reserve, unless a deficit is expected to be permanent, in which case it is charged to the profit and loss account.

Current asset investments are stated at the lower of cost and net realisable value.

Investments in subsidiaries are stated at cost or directors' valuation.

Taxation

Corporation tax payable is provided on taxable profits at the current rate.

Provision is made for deferred taxation using the liability method to take account of timing differences between the incidence of income and expenditure for taxation and accounting purposes except to the extent that directors consider that a liability to taxation is unlikely to crystallise in the foreseeable future.

Foreign currencies

Assets and liabilities denominated in foreign currencies are translated at the exchange rate at the balance sheet date or the rate where hedged. Transactions in foreign currencies are translated at the rate ruling at those dates or the contracted rate where hedged.

Cashflow statement

In accordance with Financial Reporting Standard 1 (Revised 1996), the company is exempt from preparing a cashflow statement. The company's cashflow is included in the group cashflow statement prepared by The British Land Company PLC.

SELECTED LAND AND PROPERTY COMPANY LTD.

**NOTES TO THE ACCOUNTS
for the year ended 31st March 1998**

| | <u>1998</u> <u>£</u> | <u>1997</u> <u>£</u> |
|--|-------------------------|-------------------------|
| 2. Gross profit (loss) | | |
| Net rental income | 3,173,588 | 5,022,340 |
| Property sales | 17,096,585 | (180,417) |
| Fees and commissions | - | - |
| Other trading income | - | - |
| | <u>20,270,173</u> | <u>4,841,923</u> |
| 3. Operating profit (loss) | | |
| Operating profit (loss) is stated after charging: | | |
| Amortisation and depreciation | - | - |
| Directors remuneration | - | - |
| Auditors remuneration | - | - |
| Operating lease rentals | - | - |
| 4. Staff costs | | |
| Wages and salaries | 20,903 | 26,782 |
| Social security costs | 1,711 | 1,869 |
| | <u>22,614</u> | <u>28,651</u> |
| Average number of employees of the Company during the year was 2 (1997 - 3). | | |
| 5. Taxation | | |
| UK corporation tax at 31% (1997 - 33%) | 6,774,867 | (1,005,096) |
| Prior years adjustment | 208,567 | (115,026) |
| Tax on franked investment income | - | - |
| Deferred tax | (826,236) | - |
| | <u>6,157,198</u> | <u>(1,120,122)</u> |

SELECTED LAND AND PROPERTY COMPANY LTD.

**NOTES TO THE ACCOUNTS
for the year ended 31st March 1998**

6. Investments and loans to group companies

| | <u>Shares in Subsidiaries</u> <u>£</u> | <u>Other investments Listed</u> <u>£</u> | <u>Total</u> <u>£</u> | <u>Loans to group companies</u> <u>£</u> |
|-----------------|---|---|--|---|
| 1st April 1997 | 2,034,269 | - | 2,034,269 | - |
| Additions | - | - | - | - |
| Disposals | (574,272) | - | (574,272) | - |
| Revaluation | - | - | - | - |
| 31st March 1998 | <u>1,459,997</u> | <u>-</u> | <u>1,459,997</u> | <u>-</u> |
| Cost | | | | |
| 31st March 1998 | <u>1,459,997</u> | <u>-</u> | <u>1,459,997</u> | <u>-</u> |
| 1st April 1997 | <u>2,034,269</u> | <u>-</u> | <u>2,034,269</u> | <u>-</u> |

The subsidiary companies are:

| <u>Subsidiary company</u> | <u>Activity</u> |
|--|------------------------|
| The Liverpool Exchange Company Limited | Property Investment |
| Euston Centre Investments Limited | In Liquidation |

These companies are wholly owned and are registered and operate in England and Wales.

In accordance with Section 228 of the Companies Act 1985 group accounts are not required as this Company is itself a wholly owned subsidiary of another company. These accounts present information about the Company as an individual company.

SELECTED LAND AND PROPERTY COMPANY LTD.

**NOTES TO THE ACCOUNTS
for the year ended 31st March 1998**

7. Trading properties

| | <u>1998</u> <u>£</u> | <u>1997</u> <u>£</u> |
|-----------------|---------------------------------------|---------------------------------------|
| Freehold | 33,378,616 | 49,013,648 |
| Long leasehold | 2,750,000 | 2,600,000 |
| Short leasehold | - | - |
| | <u>36,128,616</u> | <u>51,613,648</u> |

Information on properties charged to secure borrowings of the ultimate holding company is stated in note 13.
Information on interest capitalised is stated in note 14.

SELECTED LAND AND PROPERTY COMPANY LTD.

**NOTES TO THE ACCOUNTS
for the year ended 31st March 1998**

| | <u>1998</u> <u>£</u> | <u>1997</u> <u>£</u> |
|---|---------------------------------------|---------------------------------------|
| 8. Debtors | | |
| Trade debtors | 111,915 | 334,956 |
| Other debtors | 7,169 | 78,567 |
| Corporation tax | 1,005,096 | 1,005,096 |
| Prepayments and accrued income | 27,655 | 53,932 |
| | <u>1,151,835</u> | <u>1,472,551</u> |
| 9. Creditors due within one year | | |
| Trade creditors | 680,963 | 47,218 |
| Other creditors | - | 20,245 |
| Amounts owed to group companies | | |
| - Current accounts | 4,636,286 | 36,751,050 |
| Corporation tax | 6,774,867 | 3,201,348 |
| Other taxation and social security | 91,739 | 193,735 |
| Accruals and deferred income | 639,661 | 1,357,165 |
| | <u>12,823,516</u> | <u>41,570,761</u> |

SELECTED LAND AND PROPERTY COMPANY LTD.

**NOTES TO THE ACCOUNTS
for the year ended 31st March 1998**

10. Provision for liabilities and charges

| | <u>Deferred tax</u> |
|-----------------|----------------------------|
| | <u>£</u> |
| 1st April 1997 | 826,236 |
| Disposals | (826,236) |
| 31st March 1998 | <u>-</u> |

SELECTED LAND AND PROPERTY COMPANY LTD.

**NOTES TO THE ACCOUNTS
for the year ended 31st March 1998**

11. Share capital

| | <u>1998</u> <u>£</u> | <u>1997</u> <u>£</u> |
|-------------------------------------|---------------------------------------|---------------------------------------|
| Authorised | | |
| 400,000 ordinary shares of 50p each | 200,000 | 200,000 |
| | <u>200,000</u> | <u>200,000</u> |
| Allotted and fully paid | | |
| 219,008 ordinary shares of 50p each | 109,504 | 109,504 |
| | <u>109,504</u> | <u>109,504</u> |

SELECTED LAND AND PROPERTY COMPANY LTD.

**NOTES TO THE ACCOUNTS
for the year ended 31st March 1998**

12. Reconciliation of movements in shareholder's funds

| | <u>Share Capital £</u> | <u>Share Premium £</u> | <u>Capital Reserve - realised £</u> | <u>Capital Reserve - revaluation £</u> | <u>Capital Reserve - other unrealised £</u> | <u>Profit and loss account £</u> | <u>Total £</u> |
|-----------------------------|--------------------------------|--------------------------------|---|--|---|--|--------------------|
| Opening shareholders' funds | 109,504 | 23,338 | 3,809,294 | - | - | 8,781,335 | 12,723,471 |
| Retained profit (loss) | - | - | - | - | - | 13,193,461 | 13,193,461 |
| Closing shareholders' funds | <u>109,504</u> | <u>23,338</u> | <u>3,809,294</u> | <u>-</u> | <u>-</u> | <u>21,974,796</u> | <u>25,916,932</u> |

SELECTED LAND AND PROPERTY COMPANY LTD.

NOTES TO THE ACCOUNTS
for the year ended 31st March 1998

13. Secured properties

Properties valued at £Nil (1997 - £Nil) were charged to secure borrowings of the ultimate holding company.

14. Capitalised interest

The cumulative interest capitalised on the development of properties is £Nil (1997 - £Nil).

15. Capital commitments

The Company had capital commitments contracted at 31st March 1998 of £9m (1997 - £Nil).

16. Contingent liabilities

The Company is jointly and severally liable with the ultimate holding company and fellow subsidiaries for all monies falling due under the group VAT registration.

17. Non equity interests

Shareholders' funds includes non equity interests of £Nil (1997 - £Nil).

18. Related parties

The Company has taken advantage of the exemption granted to 90% subsidiaries not to disclose transactions with group companies under the provisions of Financial Reporting Standard 8.

19. Ultimate holding company

The ultimate holding company is The British Land Company PLC, which is registered in England and Wales. Group accounts for this company are available on request from 10 Cornwall Terrace, Regent's Park, London NW1 4QP.