

**THE METROPOLITAN RAILWAY SURPLUS LANDS  
COMPANY LIMITED**

**Financial Statements 2003**

Co. Reg. No. 277350



**THE METROPOLITAN RAILWAY SURPLUS LANDS COMPANY 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.

Properties with a value of less than £1m were valued by those directors of MEPC Limited who are Chartered Surveyors. Properties with a value in excess of £1m 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 10 of the financial statements to 30 September 2003 was a deficit attributable to ordinary shareholders of £982,316.

Directors who have served during the year were:

Mr P A Batchelor	(Resigned 30.09.03)
Mr J M Brady	(Appointed 30.06.03)
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 A J Scrivener	(Appointed 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 METROPOLITAN RAILWAY SURPLUS LANDS COMPANY LIMITED**

We have audited the financial statements on pages 3 to 8.

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 profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*KPMG Audit plc*

KPMG Audit plc  
Chartered Accountants  
Registered Auditor  
London

*30 June 2004*

# THE METROPOLITAN RAILWAY SURPLUS LANDS COMPANY LIMITED

## Profit and loss account

For the year ended 30 September 2003

	Notes	<u>2003</u> £	<u>2002</u> £
Net expenditure from properties	2	(11,838)	(300,323)
Administrative expenses	3	(140)	-
Operating (loss)		(11,978)	(300,323)
Cost of finance (net)	4	497,204	69
Gain on disposal of fixed assets	5	76,132	9,296
<b>Profit/(loss) on ordinary activities before and after taxation</b>		<b>561,358</b>	<b>(290,958)</b>
Equity dividends paid		50,000,000	-
<b>Retained loss for the financial period</b>		<b>(49,438,642)</b>	<b>(290,958)</b>

All income was derived from the United Kingdom continuing operations.

## Note of historical cost profit and losses

Profit/(loss) on ordinary activities before taxation	561,358	(290,958)
Realisation of property revaluation gains	-	159,729
Historical cost profit/(loss) on ordinary activities before taxation	561,358	(131,229)
Historical cost loss retained	<b>(49,438,642)</b>	<b>(131,229)</b>

## Statement of total recognised gains and losses

Profit/(loss) for the year	561,358	(290,958)
Net (deficit)/surplus on revaluation of properties	(982,316)	(192,023)
Total recognised gains and losses for the year	<b>(420,958)</b>	<b>(482,981)</b>

Details of reserve movements are in note 10.

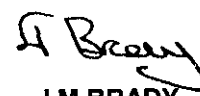
## THE METROPOLITAN RAILWAY SURPLUS LANDS COMPANY LIMITED

## Balance sheet

As at 30 September 2003

	Notes	<u>2003</u> £	<u>2002</u> £
<b>Fixed assets</b>			
Investment properties	6	21,365,000	22,295,000
Investments	7	143,092,604	143,092,604
		<u>164,457,604</u>	<u>165,387,604</u>
<b>Current assets</b>			
Debtors: Amounts falling due within one year	8	97,276	31,653
Amount falling due after more than one year	8	356,722,314	406,418,298
		<u>356,819,590</u>	<u>406,449,951</u>
		<u>521,277,194</u>	<u>571,837,555</u>
<b>Capital and reserves</b>			
Called up share capital	9 & 10	26,615,000	26,615,000
Share premium account	10	432,804,606	432,804,606
Revaluation reserve	10	8,281,846	9,264,162
Profit and loss account	10	53,451,305	102,889,947
		<u>521,152,757</u>	<u>571,573,715</u>
<b>Shareholders' funds</b>			
Creditors: Amounts falling due within one year	11	124,437	263,840
		<u>521,277,194</u>	<u>571,837,555</u>

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

  
J M BRADY  
Director

**THE METROPOLITAN RAILWAY SURPLUS LANDS COMPANY 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 in accordance with 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.

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

Depreciation

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 is provided in respect of freehold investment properties. 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 depreciation would be inappropriate. The accounting policy adopted is therefore necessary for the accounts to give a true and fair view. Depreciation 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

Under FRS 1 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.

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.

**THE METROPOLITAN RAILWAY SURPLUS LANDS COMPANY LIMITED**  
**Notes (continued)**

**2 Net expenditure from properties**

	<u>2003</u> £	<u>2002</u> £
Gross rental income and other charges (UK)	186,469	83,732
Gross rental income	5,050	19,366
<u>Less: Other outgoings less recoveries from tenants</u>	(16,888)	319,689
	(16,888)	319,689
	(11,838)	(300,323)

**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.

**4 Cost of finance (net)**

	<u>2003</u> £	<u>2002</u> £
Other interest receivable	497,204	69

**5 Gain on disposal of fixed assets**

	<u>2003</u> £	<u>2002</u> £
Gain on sale of investment properties	76,132	9,296

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

**6 Investment properties**

	<u>Freehold</u> £
1 October	
At external valuation	22,294,970
At internal valuation	30
	22,295,000
Additions	52,316
Net deficit on revaluation	(982,316)
	21,365,000
30 September	
At external valuation	21,364,970
At internal valuation	30

The historical cost of properties was £13,083,154 (2002: £13,030,838).

**THE METROPOLITAN RAILWAY SURPLUS LANDS COMPANY LIMITED**  
**Notes (continued)**

**7 Investments**

	Shares in subsidiary undertakings £
1 October and 30 September	143,092,604

Group accounts incorporating 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 investments are held at cost. In the opinion of the directors the value of the investments in subsidiary undertakings is not less than the amount stated in the balance sheet.

The principal subsidiary undertakings are:

Incorporated in England and Wales	% holding of ordinary share capital
MEPC Mayfair Properties Limited	100
FOC Holdings Limited	100
Goodaston Limited	100
Monument Investment Trust Limited	100
MEPC Wellesbourne Park Limited	100

**8 Debtors**

	<u>2002</u> £	<u>2001</u> £
Amounts falling due within one year:		
Other debtors	97,276	31,653
Amount falling due after more than one year:		
Amount due from intermediate holding company MEPC Limited	356,672,814	406,368,798
Amounts due from fellow subsidiary undertakings	49,500	49,500
	<u>356,722,314</u>	<u>406,418,298</u>

**9 Called up share capital**

	Authorised		Allotted, issued and fully paid			
	<u>2003</u>	<u>2002</u>	<u>No</u>	<u>2003</u> £	<u>No</u>	<u>2002</u> £
Ordinary shares of 50p each	£27,500,000	£27,500,000	53,230,000	£26,615,000	53,230,000	£26,615,000



**THE METROPOLITAN RAILWAY SURPLUS LANDS COMPANY LIMITED****Notes (continued)****10 Capital and reserves**

	Share Capital £	Share Premium £	Revaluation Reserve £	Profit & Loss £	<u>2003</u> £	<u>2002</u> £
1 October	26,615,000	432,804,606	9,264,162	102,889,947	571,573,715	572,056,696
Net (deficit) on revaluation			(982,316)		(982,316)	(192,023)
Retained loss				(49,438,642)	(49,438,642)	(290,958)
30 September	<u>26,615,000</u>	<u>432,804,606</u>	<u>8,281,846</u>	<u>53,451,305</u>	<u>521,152,757</u>	<u>571,573,715</u>

**11 Creditors**

	<u>2003</u> £	<u>2002</u> £
Amounts falling due within one year:		
Accruals and rent in advance	<u>124,437</u>	<u>263,840</u>

**12 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 4<sup>th</sup> Floor, Lloyds Chambers, Portsoken Street, London, E1 8LW.