420575

## Contents

420575

## Introduction

MEPC is an actively managed owner, operator and developer of commercial property, with property assets as at 30 September 2000 of £2.9 billion. Our principal focus is on the provision and operation of high quality UK business parks. We have a leading position in this market.

Following our acquisition by Leconport Estates, a new vehicle jointly owned by GE Capital Real Estate and the BT Pension Scheme (advised by Hermes), MEPC is now a private company. Leconport's offer was declared unconditional on 28 July 2000.

We have had an eventful year. On 15 May, we announced our decision to focus our property strategy on our business space activities and to realise value from our retail and other non-core assets. Since then, we have successfully sold over £2.0 billion of non-core property and mature investment holdings, while at the same time pressing ahead with the management and development of our major business parks.

As at the date of this report we own and operate 15 business parks and 5 other business space properties with an aggregate 1.14 million sq m of space, let to 673 different tenants. 82 per cent of our business space assets are in the south east. Our development programme has a potential end value of £576 million and we are currently investing approximately £28 million per month in building it out.

Looking ahead, our aim is to continue to provide quality property solutions for our customers by developing both the physical and service environment at our properties. Given the scale, quality and inherent potential of our business park holdings, there is great scope to pursue this aim within our existing portfolio.

In parallel, as we release capital from non-core or fully developed properties we will be seeking profitable opportunities to reinvest, especially in locations and projects which complement our business focus and offer potential for active management and development.

## Business Review

Over the past six months, MEPC's asset base has changed very significantly as we have implemented our decision to focus on business space. By 30 September disposals already made had reduced our total property assets from £4.1 billion at 31 March to £2.9 billion. Sales and capital expenditure since the financial year end have had the net effect of further reducing that figure to £2.4 billion by the date of this report. Approximately £1.3 billion (55%) of that is represented by business parks, £0.5 billion (22%) by remaining retail assets (excluding our shopping centre joint venture with Westfield), and £0.6 billion (23%) by remaining office assets. A significant proportion of the remaining retail and office assets is expected to be sold in the near future.

Details of all major properties held at the date of this report are provided on pages 8 to 10. Details of our development programmes – completed, in progress and projected – are on pages 5 to 7.

Highlights of activity over the past year include:

- Total capital expenditure on development programme, principally at business parks and two city offices, £340 million.

- Completion of 25 development projects with aggregate value of £724 million, 98% let; notable examples include Woolgate Exchange, 33,400 sq m City office let to Westdeutsche Landesbank, a 42,000 sq m distribution centre at Axis Park, Langley let to the Post Office, 8,900 sq m office building let to Celltech Chiroscience at Granta Park near Cambridge, and Atlantic Village, a new 9,200 sq m factory outlet development at Bideford.

- Sale of non-core office investment properties totalling £608 million.

## Business Review (continued)

- Establishment of £693 million 50:50 joint venture with Westfield to acquire and operate our six major shopping centres; £462 million financing arranged for the joint venture through a highly successful debt securitisation.

- Sale of other retail assets totalling £299 million.

- New lettings of 446,500 sq m throughout the business parks portfolio, including the 25,300 sq m Lakeshore office complex to Cisco and 22,100 sq m first phase offices at Leavesden Park to BT.

- New planning consents totalling 233,400 sq m throughout the portfolio, including 32,600 sq m at Leavesden Park.

- Agreement with Centric, a provider of broadband telecom facilities, to install infrastructure at our major business parks, to bring broadband access to occupiers.

- Increased commitment to the range and quality of customer service at major business parks; worked with over 550 occupiers at eight of our largest business parks participating in our annual survey of occupier views and requirements.

Having substantially achieved our aim of greater focus on business space, the scale and pace of disposals is likely to be less in 2001 than over the past year, and we will be concentrating on the development and operation of our business parks and other retained assets. Our financial position is strong. Cash released from the disposal programme has been applied to reduce debt and to fund a £500 million dividend paid in October, and we are committed to maintaining a sound financing structure. We are confident that we have the resources to meet our objectives, and to pursue additional attractive opportunities when they arise.

## Financial Review

### Results

Net income from properties grew from £195.5 million to £203.1 million. Taking into account income from joint ventures and gains on sales of fixed assets, PBIT advanced from £195.9 million to £230.9 million, despite a £13.4 million charge in respect of restructuring costs associated with the continued refocusing of the business and the take-over by Leconport Estates.

The cost of finance rose during the year from £85.6 million to £90.4 million reflecting expenditure on the development programme and the timing of receipts from disposals that primarily occurred in the last quarter of the year. Interest cover improved from 2.2 times to 2.3 times although adjusting to exclude capitalised interest the change was from 1.8 times to 1.7 times. The cancellation of historic long term interest swaps referred to below resulted in a one off charge of £125.6 million.

The tax charge in the profit and loss account showed a credit of £17.5 million largely as a result of tax relief on the cost of interest swap cancellations and from utilisation of previously written off Advance Corporation Tax (ACT). Tax of £68.1 million in relation to revaluation gains on properties sold during the year has been charged to other reserves.

No interim dividend was paid in the year because of the offer from Leconport Estates. Following the financial year end, a dividend of £500 million was paid in October.

The overall 6.5% property revaluation surplus produced a 6% increase in NAV per share from 630p to 670p. This NAV increase however was distorted by the charge taken for historic long term interest swaps and by no dividend having been paid in the year.

# Financial Review (continued)

### Financing

Our objective continues to be to use our financial capacity in support of our property strategy to maximise shareholder return within a prudent yet efficient and flexible capital structure.

In September our interest rate profile was reconfigured to suit the needs of the revised business. Having disposed of the very long let and overrented office properties contained in the Oldham portfolio and now concentrating on more actively managed business park assets, it was decided that we should fully fix the interest cost of expected net debt over the 3 years to September 2003, fix the cost of approximately 50% of net debt for the following 2 years and allow the interest cost to float for the period from September 2005. This was achieved using a portfolio of interest rate swaps and necessitated a one off charge of £125.6 million reflecting the cost of buying out old, high cost, long term interest rate swaps. This will reduce interest costs going forward, but the group will still bear above market costs on its long-term borrowings for many years to come. The after tax mark to market liability on our borrowings and associated swaps was £90.9 million at 30 September.

At the year end we had gross debt of £1,022.4 million and deposits of £549.1 million resulting in net debt of £473.3 million and gearing of 20%. Pro forma gearing would have been 53% taking into account the £500 million dividend paid in October.

### Listings

The listings for the company's ordinary and B shares on the London Stock Exchange have now ceased although the group continues to have listed debt instruments in issue and will therefore continue to file the necessary financial information with the London Stock Exchange. The group also files an annual Form 20-F with the Securities and Exchange Commission in the United States in relation to the listing of its Yankee Bond and the Limited Partnership Units (QUIPS).

### Treasury

MEPC has a centralised treasury function that operates under policies set by the board. Its objectives are to meet the financing needs of the business in a proactive and cost effective manner whilst maintaining a prudent and efficient financial structure.

The average cost of our borrowings at 30 September 2000 was 9.2% and their weighted average maturity was 9 years. The group also had undrawn committed bank facilities of £515 million.

MEPC uses interest rate swaps and options to manage existing exposures to movements in interest rates on its underlying net debt. Following the sale of its overseas assets the group has little foreign exchange exposure arising from its operations. Currency swaps are used to remove any currency exposures arising from non-Sterling borrowings.

Counterparty risk that arises from credit exposures to institutions is carefully monitored and controlled by the use of approved credit limits.

### Audit Committee

The Audit Committee meets at least twice a year and is made up wholly of non-executive directors. The committee reviews the application of the company's accounting policies and the integrity of its financial statements. It also reviews the scope and quality, including the independence and objectivity, of internal and external audit, the fees paid to the external auditors and the company's system of internal control. MEPC has complied with the requirements of the Turnbull report in respect of risk management and internal control throughout the financial year ended 30 September 2000.

## Portfolio analysis as at 30 September 2000

### Property values by sector and location

| | Business Space £m | Offices £m | Retail £m | Factory Outlets & Leisure £m | Healthcare £m | Total £m | % |
|---|---|---|---|---|---|---|---|
| London – West End | - | 206.3 | 69.4 | - | - | **275.7** | 10 |
| London – City | - | 585.1 | - | - | - | **585.1** | 20 |
| S & SE England | 1,182.4 | 56.8 | 135.2 | 10.4 | 7.0 | **1,391.8** | 48 |
| Midlands, SW England & Wales | 38.8 | 68.4 | 83.8 | 89.6 | 23.0 | **303.6** | 10 |
| N England, N Ireland & Scotland | 219.7 | 26.6 | 21.5 | 53.9 | 30.5 | **352.2** | 12 |
| | 1,440.9 | 943.2 | 309.9 | 153.9 | 60.5 | **2,908.4** | 100 |
| Percentages | 50 | 32 | 11 | 5 | 2 | **100** | |
| Number of properties | 21 | 17 | 11 | 7 | 39 | **95** | |

Average lot size **£30m** (£30m at 30 September 1999) or **£51m** excluding healthcare properties.

### Gross rental income and other charges by sector and location in year to 30 September 2000

| | Business Space £m | Offices £m | Retail £m | Factory Outlets & Leisure £m | Healthcare £m | Total £m | % |
|---|---|---|---|---|---|---|---|
| London – West End | - | 46.7 | 10.5 | - | - | **57.2** | 20 |
| London – City | - | 38.0 | - | - | - | **38.0** | 13 |
| S & SE England | 56.4 | 6.9 | 22.1 | 2.7 | 0.8 | **88.9** | 30 |
| Midlands, SW England & Wales | 4.0 | 10.1 | 27.4 | 6.0 | 2.6 | **50.1** | 17 |
| N England, N Ireland & Scotland | 16.8 | 4.1 | 27.7 | 5.9 | 3.5 | **58.0** | 20 |
| | 77.2 | 105.8 | 87.7 | 14.6 | 6.9 | **292.2** | 100 |
| Percentages | 27 | 36 | 30 | 5 | 2 | **100.0** | |

### Underlying valuation increase in year to 30 September 2000

| | **Total %** |
|---|---|
| Business Space | **12.3** |
| Offices | **5.6** |
| Other | **(2.0)** |
| **Total** | **6.5** |

### Other key statistics

| | | Business Space | Offices | Retail | Factory Outlets & Leisure | Healthcare | ***30.9.00* Total Portfolio** | *30.9.99* Total Portfolio |
|---|---|---|---|---|---|---|---|---|
| Estimated Rental Value (ERV) | £m | 86 | 74 | 19 | 12 | 7 | **198** | 262 |
| Rent roll - gross | £m | 83 | 68 | 18 | 12 | 7 | **188** | 245 |
| Rent roll - net of ground rents | £m | 82 | 62 | 18 | 12 | 7 | **181** | 232 |
| Net reversionary potential (note 1) | % | 4.1 | 9.0 | 3.4 | - | - | **5.0** | 3.6 |
| Rent roll subject to breaks and expiries within 5 years (note 2) | £m | 30 | 18 | 5 | 8 | - | **61** | 72 |
| Number of tenancies | No. | 653 | 179 | 241 | 251 | 39 | **1,363** | 2,552 |
| Average lease length (note 3) | Yrs | 9.1 | 8.2 | 13.0 | 4.2 | 22.8 | **9.5** | 12.7 |
| Occupancy rate (note 4) | % | 94 | 100 | 97 | 93 | 100 | **96** | 97 |
| Running yield (note 5) | % | 7.2 | 6.8 | 6.4 | 7.9 | 11.6 | **7.1** | 7.4 |

1 Excess of ERV over rent roll for occupied space
2 Includes all rent subject to a break at the tenant's option and all turnover rents.
3 Lease length is measured only to the first break at the tenant's option where applicable
4 Calculated as rent roll/ (rent roll + ERV of unoccupied space)
5 Rent roll net of ground rents/book value of investment properties only

# 2000 Development programme as at 30 November 2000

## Authorised development programme

The authorised development programme comprises those projects that are in progress or where authority has been given to proceed. Where development is phased, only those phases authorised to proceed are included.

- **31** separate projects
- Estimated value of programme on completion circa **£576m**
- Total anticipated rental income from programme **£42.7m**, of which **58%** is covered by agreements for letting.

| Project | Description | Estimated completion | Lettings agreed |
|---|---|---|---|
| **Axis Park,** Sutton Lane, Langley, Nr Heathrow | 11,800 sq m speculative office and industrial units. | Summer 2001 | 0% |
| **Babcock Park**, Glasgow | 10,400 sq m technology centre let to Mitsui Babcock. | Summer 2001 | 100% |
| **Birchwood Park,** Warrington | 4,200 sq m offices let to Vodafone. | Summer 2001 | 100% |
| **Boulevard Industry Park**, Liverpool (2 projects) | 6,900 sq m and 5,000 sq m industrial units let to Visteon and Stadco respectively | Autumn 2000 – Spring 2001 | 100% |
| **Bute Square**, Cardiff | 13,000 sq m speculative office building. | Spring 2002 | 0% |
| **Chineham Park**, Basingstoke (2 projects) | 8,000 sq m offices let to Ericsson and 4,000 sq m speculative office building. | Winter 2000- Spring 2001 | 67% |
| **Granta Park**, Abington, Nr Cambridge (6 projects) | 14,300 sq m in four buildings including 8,100 sq m let to Cambridge Antibody Technology and 1,700 sq m let to NeXstar. 1,550 sq m amenity facilities. | Winter 2000 – Winter 2001 | 65% |
| **Hillington Park**, Glasgow (3 projects) | Total of 11,500 sq m let to Hays 2,300 sq m, Scottish Enterprise Council 3,600 sq m and 5,600 sq m speculative. | Winter 2000 | 63% |
| **Leavesden Park**, Watford (3 projects) | Total of 32,600 sq m offices including 22,100 sq m let to BT. | Spring 2002- Spring 2003 | 68% |
| **Manston Park,** Thanet, Kent | 28,300 sq m industrial and hangar development. | Spring 2002 | 100% |
| **Milton Park**, Abingdon, Nr Oxford | Park Square 8,400 sq m in 3 office buildings. | Winter 2001 | 0% |
| **South Marston Park,** Nr Swindon (2 projects) | 1,900 sq m offices let to Windriver and 8,500 sq m speculative industrial units. | Autumn 2001 | 33% |
| **Uxbridge Park**, Uxbridge (2 projects) | Speculative 3,900 sq m offices and 6,800 sq m industrial | Summer 2001 | 0% |
| **125 Colmore Row**, Birmingham | 13,900 sq m offices forward sold to USS and let to Lloyds TSB. | Winter 2000 | 86% |
| **Northgate House**, Moorgate, London EC2 | 14,000 sq m offices let to Cazenove. | Autumn 2001 | 100% |
| **Two Rivers Retail Park**, Staines | Phase 3 – 12,500 sq m leisure and retail scheme. | Winter 2001 | 57% |
| **Clarks Village**, Street | 1,900 sq m extension | Autumn 2000 | 45% |
| **Royal Quays Outlet Centre**, North Shields | 400 sq m additional space being created in remodelling of the property. | Summer 2001 | 0% |

# 2000 Development programme (continued)
# as at 30 November 2000

## Developments completed and transferred to the investment portfolio since October 1999

Since October 1999 the following projects were transferred to the investment portfolio at an aggregate investment value of **£724m.**

| Project | Description | Lettings agreed |
|---|---|---|
| **Axis Park**, Sutton Lane, Langley, Nr Heathrow (3 projects) | Distribution buildings of 42,000 sq m let to the Post Office and 5,900 sq m let to Allport Installations and 9,500 sq m mixed use units let to Bridgestone, Colo.com and Surridge Dawson. **All now sold.** | 100% |
| **Birchwood Park**, Warrington (2 projects) | 4,600 sq m industrial buildings and 3,300 sq m office buildings. | 75% |
| **Boulevard Industry Park and Estuary Commerce Park**, Liverpool (5 projects) | Industrial buildings of 15,000 sq m (let to Conix), 5,700 sq m (Celltech Chiroscience), 6,600 sq m (Lear). Distribution building of 1,800 sq m let to DHL and 2,600 sq m Industrial building let to Powder Systems Limited. | 100% |
| **Granta Park**, Abington, Nr Cambridge (2 projects) | 11,800 sq m in two buildings including 8,900 sq m let to Celltech Chiroscience. | 75% |
| **Hillington Park**, Glasgow | 1,700 sq m let to Next. | 100% |
| **Midpoint**, Middlewich | 37,000 sq m office and industrial building let to ERF. **Now sold.** | 100% |
| **Milton Park**, Abingdon, Nr Oxford (3 projects) | 3,500 sq m let to RM plc, 700 sq m children's nursery for employees at the park and 6,700 sq m Park Gate offices. | 100% |
| **New Square Park**, Heathrow | 'Lakeshore' – 3 office buildings totalling 25,300 sq m forward purchased by MEPC and let to Cisco Systems | 100% |
| **Uxbridge Park**, Uxbridge | 6,000 sq m let to Xerox. | 100% |
| **Heathrow Approach**, Langley, Nr Heathrow | 7,500 sq m offices forward purchased by MEPC, let to Honda. **Now sold.** | 100% |
| **Woolgate Exchange**, Basinghall St, London EC2 | 33,400 sq m offices let to Westdeutsche Landesbank. | 100% |
| **Kensington Shopping Arcade**, London | 150 sq m café development let to Aroma. | 100% |
| **Two Rivers Retail Park**, Staines | Phases 1&2 – 17,500 sq m retail park. | 100% |
| **Atlantic Village**, Bideford, Devon | 9,200 sq m factory outlet. | 96% |
| **HollyWood Green**, Wood Green, London N22 | 5,700 sq m leisure. | 100% |

## Major refurbishments completed since October 1999

| | | |
|---|---|---|
| **Eagle Shopping Centre**, Derby | 3,800 sq m shopping centre remodelling & refurbishment. **Now sold.** | 78% |
| **Millgate Shopping Centre**, Bury | 1,900 sq m shopping centre extension. **Now sold.** | 60% |

## 2000 Development programme (continued)
## as at 30 November 2000
### Sites held for future development

The following are sites that the Group already owns and upon which we have or expect to obtain planning permission. The aggregate end value of these sites when fully developed is over **£850m**.

| Site | Developable Area Ha. | Lettable Area Sq. m. |
|---|---|---|
| **Babcock Park,** Glasgow | 12 | 48,800 |
| **Birchwood Park**, Warrington | 24 | 69,400 |
| **Boulevard Industry Park & Estuary Commerce Park,** Liverpool | 22 | 67,800 |
| **Bute Square,** Cardiff | 3 | 29,700 |
| **Chineham Park**, Basingstoke | 9 | 40,000 |
| **Granta Park**, Abington, Nr Cambridge | 3 | 10,400 |
| **Hillington Park**, Glasgow | 26 | 84,800 |
| **Leavesden Park,** Nr Watford | 14 | 79,000 |
| **Milton Park,** Abingdon, Nr Oxford | 7 | 25,400 |
| **South Marston Park**, Swindon | 26 | 87,900 |
| **Wellesbourne Park**, Nr Stratford, Warwickshire | 5 | 14,800 |
| **Xerox Technical Centre,** Welwyn Garden City | 1 | 3,700 |
| **Total** | 152 | 561,700 |

# Property list
# as at 30 November 2000

| Property | Net lettable area (sq m) | Net area in development (sq m) | Tenure | Description | Number of tenancies | Vacancy % |
|---|---|---|---|---|---|---|
| **BUSINESS SPACE** | | | | | | |
| **Axis Park**<br>Sutton Lane, Langley, Nr Heathrow | - | 11,800 | Freehold | Industrial Park | - | - |
| **Babcock Park**<br>Glasgow | 146,800 | 10,400 | Freehold | Industrial Park | 24 | 34.1 |
| **Birchwood Park**<br>Warrington | 92,200 | 4,200 | Freehold | Mixed use | 92 | 11.0 |
| **Boulevard Industry Park and Estuary Commerce Park**<br>Liverpool | 44,900 | 11,900 | Leasehold | Industrial Park | 6 | - |
| **Bute Square**<br>Cardiff | - | 13,000 | Freehold | Office Park | - | - |
| **Chineham Park**<br>Crockford Lane, Basingstoke | 48,000 | 12,000 | Freehold | Office Park | 51 | 1.6 |
| **Drakes Way**<br>Swindon | 17,300 | - | Freehold | Industrial Park | 1 | - |
| **Granta Park**<br>Abington, Nr Cambridge | 14,500 | 14,300 | Freehold | Science Park | 6 | 20.0 |
| **Hillington Park**<br>Glasgow | 171,700 | 11,500 | Freehold | Industrial Park | 198 | 14.0 |
| **Leavesden Park**<br>Leavesden, Nr Watford | 15,900 | 32,600 | Freehold | Office Park | 2 | 0.1 |
| **Manston Park**<br>Kent | - | 28,300 | Freehold | Industrial Park | - | - |
| **Milton Park**<br>Abingdon, Nr Oxford | 365,900 | 8,400 | Freehold | Mixed use | 193 | 8.1 |
| **New Horizons Court**<br>Brentford | 16,100 | - | Freehold | Office Park | 10 | - |
| **New Square Park**<br>Bedfont Lakes, Heathrow | 57,200 | - | Freehold | Office Park | 13 | - |
| **Norreys Drive**<br>Maidenhead | 12,400 | - | Freehold | Industrial Park | 6 | - |
| **Patriot Drive**<br>Milton Keynes | 18,300 | - | Freehold | Industrial Park | 1 | - |
| **South Marston Park**<br>Swindon | 8,900 | 10,400 | Freehold | Industrial Park | 25 | 24.5 |
| **Uxbridge Park**<br>Uxbridge | 23,500 | 10,700 | Freehold | Mixed use | 13 | - |
| **Wellesbourne Park**<br>Nr Stratford, Warwickshire | 61,800 | - | Freehold | Industrial Park | 24 | 0.8 |
| **Xerox Technical Centre**<br>Welwyn Garden City | 20,900 | - | Freehold | Office Park | 8 | - |
| **SUB TOTAL – BUSINESS SPACE** | **1,136,300** | **179,500** | | | **673** | |

# Property list as at 30 November 2000 (continued)

| Property | Net lettable area (sq m) | Net area in development (sq m) | Tenure | Description | Number of tenancies | Vacancy % |
|---|---|---|---|---|---|---|
| **OFFICES** | | | | | | |
| **10-15 Lombard St**<br>EC3 | 1,500 | - | Freehold | 9 Floor block | 6 | - |
| **1-3 Dorset Rise**<br>EC4 | 13,800 | - | Leasehold, 98.7% | A 7 Floor block, a 9 Floor block and a 10 Floor block | 3 | - |
| **Northgate House**<br>20-28 Moorgate, EC2 | - | 14,000 | Leasehold 86% | 10 Floor block | - | - |
| **Woolgate Exchange**<br>Basinghall Street, EC2 | 33,400 | - | Freehold | 10 Floor block | 1 | - |
| **SUB-TOTAL – OFFICES** | **48,700** | **14,000** | | | **10** | |
| **RETAIL** | | | | | | |
| **Coast Road Retail Park**<br>North Shields | 7,100 | - | Freehold | Retail warehouse | 6 | - |
| **Clough Road**<br>Hull | 6,500 | - | Freehold | Retail warehouse | 4 | - |
| **Kensington Shopping Arcade & Penguin House**<br>Kensington High Street, W8 | 16,400 | - | Part Leasehold 81% | Shopping Centre and offices | 27 | 0.1 |
| **Kingsditch Retail Park**<br>Cheltenham | 8,200 | - | Freehold | Retail warehouse | 7 | 1.0 |
| **London Road**<br>Crawley | 7,200 | - | Freehold | Retail warehouse | 3 | - |
| **London Road**<br>Maidstone | 7,000 | - | Freehold | Retail warehouse | 4 | - |
| **Lottbridge Drove**<br>Eastbourne | 4,600 | - | Freehold | Retail warehouse | 2 | 33.6 |
| **Plough Lane**<br>Wimbledon | 4,100 | - | Freehold | Retail warehouse | 3 | - |
| **Two Rivers Retail Park**<br>Staines | 20,000 | 12,500 | Freehold | Retail warehouse, other retail and leisure | 26 | - |
| **Yate Town Shopping Centre**<br>Yate | 34,200 | - | Freehold | Shopping Centre | 165 | 0.6 |
| **SUB TOTAL – RETAIL** | **115,300** | **12,500** | | | **247** | |

# Property list
# as at 30 November 2000
# (continued)

| Property | Net lettable area (sq m) | Net area in development (sq m) | Tenure | Description | Number of tenancies | Vacancy % |
|---|---|---|---|---|---|---|
| **FACTORY OUTLETS & LEISURE** | | | | | | |
| **Atlantic Village**<br>Bideford | 9,200 | - | Freehold | Outlet Centre | 29 | 4.0 |
| **Clarks Village**<br>Street | 13,800 | 1,900 | Leasehold 99.9% | Outlet Centre | 83 | 6.1 |
| **K Village**<br>Kendal | 2,500 | - | Freehold | Outlet Centre | 14 | 7.8 |
| **Loch Lomond Factory Outlet**<br>Loch Lomond | 5,000 | - | Freehold | Outlet Centre | 26 | 4.3 |
| **Royal Quays Outlet Centre**<br>North Shields | 13,100 | 400 | Freehold | Outlet Centre | 46 | 7.4 |
| **The Yorkshire Outlet**<br>Doncaster | 12,100 | - | Freehold | Outlet Centre | 48 | - |
| **HollyWood Green**<br>Wood Green, N22 | 5,900 | - | Freehold | Leisure | 5 | - |
| **SUB TOTAL – FACTORY OUTLETS** | **61,600** | **2,300** | | | **251** | |
| **OTHER** | | | | | | |
| **Healthcare Properties**<br>United Kingdom | | | Freehold | 39 Nursing Home Properties | 39 | - |
| **GRAND TOTAL** | **1,361,900** | **208,300** | | | **1,220** | |

## 2000 Group profit & loss account

**For the year ended 30 September**

| | Note | 2000 | 1999 restated* |
|---|---|---|---|
| | | £m | £m |
| **Group turnover** | | | |
| Gross rental income and other charges | | **306.0** | 286.7 |
| Relative to joint ventures | | **(13.8)** | (4.7) |
| | 2 | **292.2** | 282.0 |
| Net income from properties | 3 | **203.1** | 195.5 |
| Administrative expenses | 4 | **(9.9)** | (6.9) |
| Reorganisation costs | 6 | **(13.4)** | - |
| **Operating profit** | | **179.8** | 188.6 |
| Share of operating profit in joint ventures | | **10.4** | 2.9 |
| Other income | 7 | **1.9** | 0.8 |
| Net gains on fixed asset disposals | 8 | **38.8** | 3.6 |
| **Profit on ordinary activities before finance and taxation** | | **230.9** | 195.9 |
| Cost of finance (net) | 9 | **(90.4)** | (85.6) |
| Exceptional finance costs | 9 | **(125.6)** | - |
| | | **(216.0)** | (85.6) |
| **Profit on ordinary activities before taxation** | | **14.9** | 110.3 |
| Taxation credit (charge) on profit on ordinary activities | 10 | **17.5** | (21.3) |
| **Profit on ordinary activities after taxation** | | **32.4** | 89.0 |
| Minority interests | 24 | | |
| Equity | | **(0.4)** | (0.9) |
| Non-equity | | **(12.9)** | (12.0) |
| | | **(13.3)** | (12.9) |
| **Profit for the financial year** | | **19.1** | 76.1 |
| Dividends on preference shares | 11 | **(0.1)** | (0.2) |
| Profit attributable to ordinary shareholders | | **19.0** | 75.9 |
| Dividends on ordinary shares | 11 | **-** | (43.7) |
| **Retained profit for the financial year** | 26 | **19.0** | 32.2 |
| Earnings per ordinary share – basic and diluted | 12 | **5.5p** | 21.9p |
| Dividends per ordinary share (net) | 11 | **-** | 12.6p |

The results in the above profit and loss account relate entirely to continuing operations.

*see note 1

## 2000 Balance sheets
**As at 30 September**

| | Note | GROUP 2000 | GROUP 1999 restated | MEPC 2000 | MEPC 1999 |
|---|---|---|---|---|---|
| | | £m | £m | £m | £m |
| **Fixed assets** | | | | | |
| Tangible assets | | | | | |
| Investment and development properties | 13 | **2,908.4** | 3,670.5 | **551.3** | 136.2 |
| Properties held for sale to joint venture | 14 | **-** | 196.0 | **-** | - |
| Other fixed assets | 15 | **6.0** | 8.2 | **6.0** | 8.2 |
| | | **2,914.4** | 3,874.7 | **557.3** | 144.4 |
| Investments | | | | | |
| Subsidiary undertakings | 16 | **-** | - | **2,956.9** | 2,953.7 |
| Joint ventures | 17 | | | | |
| Share of gross assets | | **543.4** | 46.7 | **-** | - |
| Share of gross liabilities | | **(364.2)** | (14.4) | **-** | - |
| | | **179.2** | 32.3 | **-** | - |
| Other investments | 18 | **9.2** | 12.7 | **39.5** | - |
| | | **3,102.8** | 3,919.7 | **3,553.7** | 3,098.1 |
| **Current assets** | | | | | |
| Trading properties | | **-** | 1.7 | **-** | - |
| Debtors due after more than one year | 19 | **0.6** | 6.7 | **1,581.8** | 2,403.7 |
| Debtors due within one year | 19 | **61.0** | 116.5 | **23.0** | 30.0 |
| Investments | 20 | **-** | 15.2 | **-** | 15.2 |
| Cash and short term deposits | 21 | **549.1** | 5.9 | **544.3** | 1.1 |
| | | **610.7** | 146.0 | **2,149.1** | 2,450.0 |
| **Creditors falling due within one year** | | | | | |
| Loan capital and bank overdrafts | 23 | **(210.7)** | (229.4) | **(191.0)** | (215.4) |
| Other | 22 | **(212.2)** | (239.8) | **(44.0)** | (75.9) |
| **Net current assets / (liabilities)** | | **187.8** | (323.2) | **1,914.1** | 2,158.7 |
| **Total assets less current liabilities** | | **3,290.6** | 3,596.5 | **5,467.8** | 5,256.8 |
| **Creditors falling due after more than one year** | | | | | |
| Loan capital | 23 | **(811.7)** | (1,232.7) | **(621.2)** | (1,011.9) |
| Other | 22 | **(0.8)** | (25.8) | **(3,315.4)** | (2,705.6) |
| **Minority interests** | 24 | | | | |
| Equity | | **(4.0)** | (21.9) | | |
| Non-equity | | **(127.5)** | (127.0) | | |
| | | **(131.5)** | (148.9) | | |
| | | **2,346.6** | 2,189.1 | **1,531.2** | 1,539.3 |
| **Capital and reserves** | | | | | |
| Equity shareholders' funds | | | | | |
| Ordinary share capital | 25 | **105.8** | 105.0 | **105.8** | 105.0 |
| Share premium account | 26 | **78.1** | 79.1 | **78.1** | 79.1 |
| Revaluation reserve | 26 | **427.5** | 634.4 | **37.9** | 27.1 |
| Capital redemption reserve | 26 | **403.0** | 402.3 | **403.0** | 402.3 |
| Other reserves | 26 | **1,216.4** | 850.0 | **469.9** | 521.9 |
| Profit and loss account | 26 | **113.6** | 115.4 | **434.3** | 401.0 |
| Total equity shareholders' funds | | **2,344.4** | 2,186.2 | **1,529.0** | 1,536.4 |
| Non-equity share capital | 25 | **2.2** | 2.9 | **2.2** | 2.9 |
| | | **2,346.6** | 2,189.1 | **1,531.2** | 1,539.3 |
| **Net asset value per ordinary share (diluted)** | 27 | **670p** | 630p | | |

Approved by a duly appointed and authorised committee of the board of directors on 5 December 2000 and signed on its behalf by:

**Jamie Dundas**, Chief Executive Jamie Dundas    **Stephen East**, Finance Director S J East

# 2000 Other primary statements

**For the year ended 30 September**

## Statement of total recognised gains and losses

| | 2000 | 1999 restated |
|---|---|---|
| | £m | £m |
| Profit for the financial year as reported | **19.1** | 69.8 |
| Prior year adjustment | **-** | 6.3 |
| | **19.1** | 76.1 |
| Net surplus on revaluation after adjustments for minorities: | | |
| Properties | **198.5** | 247.5 |
| Joint ventures | **(1.2)** | 2.0 |
| Currency translation movements | **(0.1)** | 3.4 |
| Taxation (see note 10) | **(68.1)** | (2.7) |
| Other items | **(1.0)** | (0.6) |
| Total recognised gains and losses relating to the financial year | **147.2** | 325.7 |

## Note of historical profits and losses

| | 2000 | 1999 restated |
|---|---|---|
| | £m | £m |
| Profit on ordinary activities before taxation | **14.9** | 110.3 |
| Realisation of property revaluation surpluses and deficits | **404.1** | 21.0 |
| Amortisation charge (difference between historic cost and revalued amount) | **0.3** | 0.3 |
| Historical cost profit on ordinary activities before taxation | **419.3** | 131.6 |
| Historical cost profit retained after tax, minorities and dividends | **423.4** | 53.5 |

## Reconciliation of movements in shareholders' funds

| | 2000 | 1999 restated |
|---|---|---|
| | £m | £m |
| Opening shareholders' funds | **2,189.1** | 1,910.2 |
| New share capital subscribed | **0.3** | 0.2 |
| Adjustment for issue of shares in lieu of dividend | **10.3** | - |
| Capital repayment and related costs | **(0.2)** | (3.4) |
| Property revaluation adjustments | **197.3** | 249.5 |
| Currency translation movements | **(0.1)** | 3.4 |
| Profit attributable to ordinary shareholders | **19.0** | 75.9 |
| Dividends to ordinary shareholders | **-** | (43.7) |
| Taxation | **(68.1)** | (2.7) |
| Other movements (net) | **(1.0)** | (0.3) |
| Movements in shareholders' funds | **157.5** | 278.9 |
| **Closing shareholders' funds** | **2,346.6** | 2,189.1 |

## 2000 Group cash flow statement

**For the year ended 30 September**

| | Note | 2000 £m | 1999 £m |
|---|---|---|---|
| **Net cash inflow from operating activities** | 28 (1) | **189.2** | 182.0 |
| Dividends from joint ventures | | **1.1** | 0.7 |
| **Returns on investments and servicing of finance** | | | |
| Interest and dividends received | | **5.8** | 7.9 |
| Interest paid* | | **(285.3)** | (110.8) |
| Parent preference and minority dividends | | **(12.4)** | (12.4) |
| Net cash outflow from returns on investments and servicing of finance | | **(291.9)** | (115.3) |
| **Taxation** | | | |
| United Kingdom Corporation tax | | **(12.1)** | (26.6) |
| Overseas taxes | | **(1.2)** | (9.7) |
| Taxation paid | | **(13.3)** | (36.3) |
| | | **(114.9)** | 31.1 |
| **Capital expenditure** | | | |
| Payments for: | | | |
| Acquisition and development of properties | | **(653.0)** | (703.0) |
| Acquisition of other fixed assets and investments | | **(169.9)** | (20.4) |
| Receipts from disposals of: | | | |
| Properties | | **1,415.3** | 279.4 |
| Other fixed assets and investments | | **0.9** | 0.7 |
| Net cash inflow / (outflow) on capital expenditure | | **593.3** | (443.3) |
| **Acquisitions and disposals** | | | |
| Disposal of subsidiary undertakings | 28(2) | **494.9** | - |
| | | **973.3** | (412.2) |
| **Dividends** | | | |
| Dividends paid on ordinary shares | | **(5.6)** | (55.6) |
| Net cash inflow / (outflow) before liquid resources and financing | | **967.7** | (467.8) |
| **Management of liquid resources** | | | |
| Investment in term deposits | | **(523.9)** | 77.7 |
| **Financing** | | | |
| Issue of ordinary share capital | | **-** | 0.2 |
| Redemption of parent preference shares | | **(0.7)** | (3.4) |
| Loan capital | | **(440.5)** | 392.4 |
| Cash (outflow)/inflow from financing | | **(441.2)** | 389.2 |
| **Increase / (decrease) in cash** | | **2.6** | (0.9) |

* Includes cost of termination of interest rate swap agreements

## 2000 Group cash flow statement (continued)

**For the year ended 30 September**

## Reconciliation of increase / (decrease) in cash to movement in net debt

| | 2000 £m | 1999 £m |
|---|---|---|
| Increase / (decrease) in cash | **2.6** | (0.9) |
| Decrease / (increase) in loan capital | **440.5** | (392.4) |
| Increase / (decrease) in liquid resources | **523.9** | (77.7) |
| Change in net debt from cash flows | **967.0** | (471.0) |
| Other non-cash items | **0.7** | 0.9 |
| Currency translation | **-** | (2.5) |
| Movement in net debt for the year | **967.7** | (472.6) |
| Opening net debt | **(1,441.0)** | (968.4) |
| Closing net debt | **(473.3)** | (1,441.0) |

# Notes to the accounts

## 1. Accounting policies

### Basis of consolidation and presentation of financial information

The Group accounts include the audited statements of the Company and its subsidiary undertakings and the appropriate share of the results of joint ventures. The joint ventures included in the consolidated accounts have a non coterminous year end.

The financial statements have been prepared under the historical cost convention as modified by the revaluation of investment and development properties, and in accordance with sections 226 and 227 of, and Schedule 4 to 4A to, the Companies Act 1985 and applicable accounting standards.

Financial Reporting Standards (FRS) 15 (Tangible Fixed Assets) and 16 (Current Taxation) have been adopted during the year as described under the headings 'Properties' and 'Taxation' below. The impact of applying FRS 15 and 16 has been to increase profits attributable to ordinary shareholders by **£64.7 m**. (1999 £6.3 m).

The results of subsidiary undertakings acquired during the year have been consolidated using the acquisition method of accounting from their respective dates of acquisition.

In accordance with section 230 of the Companies Act 1985 a separate profit and loss account of MEPC Limited is not presented.

The presentation of the Group profit and loss account has been selected to reflect the special nature of property investment companies, in particular, the desire to distinguish between revenue and capital items. Items of a generally capital nature are separately included on the face of the profit and loss account under the caption 'net gains on fixed asset disposals'. These items, net of attributable taxation, are included as part of the year's attributable profit in the profit and loss account and then transferred to other reserves.

### Properties

The Group's properties are valued semi-annually for the board. The bases of valuation of investment and development properties are described in note 13.

Investment and development properties, which are classified as fixed assets, are included at valuation. Trading properties, which are classified as current assets, are included at the lower of cost and net realisable value.

All surpluses and deficits arising on the valuation of properties classified as fixed assets 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. Deficits on trading properties are charged to the profit and loss account.

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

Following the application of FRS 15, finance costs and other direct costs attributable to properties in the course of development are capitalised to those properties without deduction of tax relief. A property ceases to be treated as being in course of development when it has reached completion and is available for occupation. Attributable finance costs are arrived at by reference to the rate on borrowings specifically for development purposes or, if the development cost is financed out of general funds, to the average rate paid on funding the assets employed by the Group. The application of FRS 15 has not resulted in any adjustments to previous periods with respect to the gross amounts capitalised, but has resulted in a reduction in the previously reported tax charge in the profit and loss account to the extent that such amounts are now capitalised before deduction of attributable tax relief.

In relation to note 13 leasehold properties where the lease has more than 150 years to expiry are classified as freehold, and where the lease has less than 50 years to expiry, as short leasehold.

### Depreciation and amortisation

In accordance with Statement of Standard Accounting Practice No 19 investment properties are revalued semi-annually and the aggregate surplus or deficit is transferred to revaluation reserve except deficits expected to be permanent which are charged to the profit and loss account. 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 Companies Act concerning the depreciation of 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 many factors reflected in the valuation and the amount which might otherwise have been shown cannot be separately identified or quantified.

## Notes to the accounts (continued)

### Translation of overseas currencies into sterling

The financial statements of overseas subsidiary undertakings and other currency assets and liabilities are translated using the rates of exchange ruling at the balance sheet date. Exchange differences arising on revenue items are reflected in the profit and loss account, together with any translation differences arising on other currency borrowings which are not covered by translation differences arising on investments in other currency assets. All other translation differences are reflected in reserves.

| | | £ 1 equivalent at 30 September | |
|---|---|---|---|
| | | **2000** | 1999 |
| American dollar | US$ | **1.48** | 1.65 |
| Australian dollar | A$ | **2.73** | 2.52 |
| Deutsche mark | Dm | **3.28** | 3.02 |

### Taxation

Following the application of FRS 16, all current taxation, including advance corporation tax (ACT) previously written off but now recoverable, is recognised in the profit and loss account except to the extent that it relates to an item which is in or has been recognised in the statement of total recognised gains and losses in which case it is taken to reserves. Previously all capital allowances and other items of a capital nature were transferred to reserves, including ACT to the extent that cumulative capital allowances limited the Group's ability to recover it. In addition, attributable tax relief previously netted off non-equity minority interests in the profit and loss account is now accounted for in the tax charge.

Deferred taxation is provided by the liability method on short term timing differences only to the extent that a liability to pay tax is foreseen. No deferred taxation is provided on capital allowances attributable to assets which are not subject to depreciation. The estimated contingent taxation which might become payable on the disposal of the Group's investment and development properties is quantified in note 10 to the accounts.

### Pensions

Pension costs for Group pension schemes are charged to the profit and loss account so as to spread the cost of pensions at a substantially level percentage of payroll costs over the normal expected service lives of employees.

## Notes to the accounts (continued)

### 2. *Gross rental income and other charges*

| | **2000** | 1999 |
|---|---|---|
| | **£m** | £m |
| Gross rental income | **246.4** | 233.9 |
| Other property income (note) | **6.5** | 4.6 |
| Recoveries from tenants | **39.3** | 43.5 |
| Gross rental income and other charges | **292.2** | 282.0 |
| *United Kingdom* | **292.2** | 280.1 |
| Australia | **-** | 1.9 |
| | **292.2** | 282.0 |

Note: Other property income comprises car park and other income not derived from contractual leases.

| **Joint ventures and associates** | | |
|---|---|---|
| United Kingdom | **9.6** | 1.1 |
| Australia | **4.2** | 3.6 |
| | **13.8** | 4.7 |

### 3. Net income from properties

| | **2000** | 1999 |
|---|---|---|
| | **£m** | £m |
| Gross rental income and other charges | **292.2** | 282.0 |
| Ground rents (note) | **(12.2)** | (12.9) |
| Leasehold amortisation | **(0.3)** | (0.7) |
| Other property outgoings | **(76.6)** | (72.9) |
| Net income from properties | **203.1** | 195.5 |
| United Kingdom | **203.1** | 194.5 |
| Australia | **-** | 1.0 |
| | **203.1** | 195.5 |

Note: Approximately **92%** (85%) of the ground rents payable at 30 September 2000 vary with occupational rents.

### 4. Administrative expenses

Administrative expenses are stated after charging:

| | **2000** | 1999 |
|---|---|---|
| | **£m** | £m |
| Depreciation of office furniture, equipment and computers | **2.8** | 2.6 |
| Auditors remuneration | | |
| -Audit | **0.3** | 0.3 |
| -Other services (principally taxation advice) | **0.4** | 0.4 |

Note: Administrative expenses exclude costs attributable to the management of the Group's properties which are included in other property outgoings in note 3.

# Notes to the accounts (continued)

## 5. Employee information

### Employee numbers

At 30 September 2000 the total number of persons employed by the Group was **169** (192) which included **31** (17) part-time employees.

The average number of persons employed by the Group during the year, including part-time employees, was **195** (205) as analysed below.

| | 2000 | 1999 |
|---|---|---|
| | **No** | No |
| On-site management | **47** | 46 |
| Property management | **76** | 80 |
| Administration | **72** | 79 |
| Total | **195** | 205 |
| Part time | **18** | 20 |
| Full time | **177** | 185 |

### Staff costs

The aggregate remuneration and associated costs of the Group, including directors' emoluments, were as follows:

| | 2000 | 1999 |
|---|---|---|
| | **£m** | £m |
| Wages and salaries | **16.6** | 11.2 |
| Social security costs | **1.8** | 1.0 |
| Pension contributions | **1.0** | 1.0 |
| | **19.4** | 13.2 |

Staff costs include amounts reported within reorganisation costs.

### Directors' emoluments

| | 2000 | 1999 |
|---|---|---|
| | **£m** | £m |
| Directors' emoluments | **2.1** | 2.2 |
| Amount receivable under long term incentive schemes | **2.0** | - |
| Gains on exercise of options | **0.4** | - |
| | **4.5** | 2.2 |
| Compensation for loss of office | - | 0.7 |
| Company contributions to defined contribution and defined benefit pension schemes | **0.2** | 0.2 |
| | **4.7** | 3.1 |

The aggregate of emoluments, amounts receivable under long term incentive schemes and gains on exercise of options of the highest paid director was **£1.3m** (1999: £0.5m), and company pension contributions of **£0.1m** (1999: £0.1m) were made to defined contribution pension schemes on his behalf. During the year, the highest paid director exercised share options and received shares under a long term incentive scheme. Retirement benefits are accruing to **3** (1999: 3) directors under defined contribution schemes and **2** (1999: 3) directors under defined benefit schemes. The number of directors who exercised share options during the year was **5** (1999: nil).

Under the terms of the acquisition of the Company's shares by Leconport Estates, the Company has established a participation and supplementary bonus plan under which approximately 15 members of MEPC management, including the Executive Directors, will be provided with bonuses. The amount of the bonus pool will depend upon profits and internal rate of return hurdles achieved over the three years following acquisition; at a 15% internal rate of return the bonus pool will be nil rising to £65 million for an internal rate of return of over 28%. No provisions have been made in these financial statements in respect of such bonuses.

## Notes to the accounts (continued)

### Pensions

The MEPC Group operates a number of schemes. The two principal schemes are, the MEPC Pension & Assurance Scheme (the MEPC Scheme), which is of the defined benefit type, and the MEPC (Defined Contribution) Pension Scheme, which is of the defined contribution type. With effect from 1 August 1998, all new employees who have joined the Group have (subject to eligibility) been offered membership of the MEPC (Defined Contribution) Pension Scheme. The assets of all the schemes are held in separate Trustee administered funds. The total pension cost for the Group was **£1.0m** (1999: £1m). The pension cost is assessed in accordance with the advice of qualified actuaries.

An actuarial valuation of the MEPC Scheme was carried out as at 30 September 1998. The Projected Unit method was used and the principal assumptions adopted were investment returns of 6% per annum, earnings increases of 4.5% per annum and Retail Prices Index increases of 2.5% per annum. As at 30 September 1998, the market value of the MEPC Scheme's assets was £56.2m and this was sufficient to cover 106% of the benefits that had accrued to the members, after allowing for expected future increases in earnings. The funding policy is to run off the surplus, through an appropriate reduction to the employer contribution rate over approximately nine years from 30 September 1998. This period represents the average remaining service lifetime of employees in the MEPC Scheme at that date. The next actuarial valuation of the Scheme is due to be carried out as at 31 December 2000.

### 6. Reorganisation Costs

The charge mainly comprises costs incurred in relation to the cash offer by Leconport Estates for the issued share capital of the company together with costs consequent to the continuing review and reorganisation of the business.

### 7. Other income

| | 2000 | 1999 |
|---|---|---|
| | £m | £m |
| *Trading profits:* | | |
| Property | **0.4** | (0.3) |
| Income from listed securities | **0.1** | - |
| Sundry income | **1.4** | 1.1 |
| | **1.9** | 0.8 |

Property trading turnover was **£2.1m** (£0.8m)

### 8. Net gains on fixed asset disposals

Net gains arose as follows:

| | 2000 | 1999 |
|---|---|---|
| | £m | £m |
| Disposal of properties & subsidiaries | **30.2** | 3.4 |
| Disposal of other fixed assets | **(2.4)** | 0.2 |
| | **27.8** | 3.6 |
| Share of joint ventures' net gains on fixed asset disposals | **11.0** | - |
| | **38.8** | 3.6 |
| United Kingdom | **38.8** | 2.4 |
| USA & Australia | **-** | 1.2 |
| ***Total*** | **38.8** | 3.6 |

## Notes to the accounts (continued)

### 9. Cost of finance (net) / Exceptional finance costs

#### Cost of finance (net)

| | 2000 | 1999 restated |
|---|---|---|
| | £m | £m |
| On loans not wholly repayable within 5 years | **58.8** | 65.7 |
| On loans repayable wholly within 5 years | **62.2** | 42.5 |
| On bank overdrafts | **0.2** | 0.2 |
| | **121.2** | 108.4 |
| Transfer to cost of properties | **(33.5)** | (18.5) |
| | **87.7** | 89.9 |
| Interest income | **(5.6)** | (5.0) |
| | **82.1** | 84.9 |
| Share of joint ventures' finance costs | **8.3** | 0.7 |
| Cost of finance (net) | **90.4** | 85.6 |

#### Exceptional finance costs

The charge comprises:

(a) **£110.1m** in relation to cancellation and inception of interest rate swaps pursuant to a reconfiguration of the Group's interest rate profile as explained in the Financial review on page 2

(b) **£15.5m** in relation to the cancellation of a put option matching the Group's call option on the QUIPS issue (note 24)

Both figures are stated net of related interest accruals.

### 10. Taxation credit (charge)

| | 2000 | 1999 restated |
|---|---|---|
| | £m | £m |
| United Kingdom corporation tax at **30.0%** (30.5%) | **(22.1)** | (19.9) |
| ACT recoverable | **50.8** | - |
| Overseas taxation | **(7.1)** | (1.3) |
| | **21.6** | (21.2) |
| Share of joint ventures' taxation | **(4.1)** | (0.1) |
| | **17.5** | (21.3) |

Of the total charge **£9.0m** relates to taxation on fixed asset disposals (1999 £1.1 m).

Unprovided taxation, which might become payable if the investment and development properties were sold at the net amount at which they are stated in the financial statements is estimated, net of relief for losses, at a maximum of **£108m** (1999 £139m).

The **£68.1m** in other reserves relates mainly to the taxation charge on revaluation net gains realised in respect of properties disposed of during the year.

### 11. Dividends

| | 2000 | 1999 |
|---|---|---|
| | £m | £m |
| Preference (note) | **0.1** | 0.2 |
| Ordinary | | |
| Interim | - | 27.7 |
| Final | - | 16.0 |
| | - | 43.7 |
| **Total** | **0.1** | 43.9 |

Note: Preference dividends relate to amounts paid to B shareholders.

## Notes to the accounts (continued)

### 12. Earnings per ordinary share

The calculation of basic and diluted earnings per share of **5.5p** (21.9p) is based on the profit attributable to ordinary shareholders of **£19.0m** (£75.9m) and the average number of ordinary shares in issue, weighted on a time basis during the year ended September 2000 of **348.7m** (346.8m). The calculation for 1999 took into account employee share options and potential purchases of shares to satisfy conditional awards under long term incentive plans.

### 13. Investment and development properties

| | GROUP | | | | MEPC | | | |
|---|---|---|---|---|---|---|---|---|
| | Freehold | Long leasehold | Short leasehold | Total | Freehold | Long leasehold | Short leasehold | Total |
| | £m | £m | £m | £m | £m | £m | £m | £m |
| 1 October 1999 | 2,832.9 | 828.8 | 8.8 | 3,670.5 | 98.9 | 35.7 | 1.6 | 136.2 |
| Changes in tenure | 46.4 | (56.2) | 9.8 | - | - | - | - | - |
| Additions | 621.0 | 93.4 | 0.2 | 714.6 | 307.8 | 150.0 | - | 457.8 |
| Disposals | (1,187.7) | (479.9) | (11.4) | (1,679.0) | (31.4) | (31.7) | (1.7) | (64.8) |
| | 2,312.6 | 386.1 | 7.4 | 2,706.1 | 375.3 | 154.0 | (0.1) | 529.2 |
| Net surplus on revaluation | 190.2 | 11.6 | 0.5 | 202.3 | 12.5 | 9.5 | 0.1 | 22.1 |
| ***30 September 2000*** | ***2,502.8*** | ***397.7*** | ***7.9*** | ***2,908.4*** | ***387.8*** | ***163.5*** | **-** | ***551.3*** |

Investment and development properties (with the exceptions noted below) were valued at 30 September 2000, on the basis of "open market value" as defined in the RICS Appraisal and Valuation Manual issued by the Royal Institution of Chartered Surveyors, by Messrs Knight Frank as external valuers. The external valuation was **£2,281.7m**.

Properties aggregating **£620.1m** have been included at their contracted net selling price.

Those executive directors of MEPC plc who are Chartered Surveyors have valued the following properties:

- Properties aggregating **£0.3m** purchased during the last quarter of the financial year at cost plus subsequent additions which reflects current market value.
- Properties with a book value of £1m or less at an aggregate of **£6.3m** on the basis of "open market value".

Long leasehold properties where the lease has more than 150 years to expiry, which are classified as freehold properties, amounted to: Group **£33.2m** (£91.2m), MEPC **£nil** (£12.6m).

The historical cost of properties at 30 September 2000 was: Group **£2,602.9m** (£3,163.2m), MEPC **£518.4m** (£114.1m).

Development properties at 30 September 2000 amount to **£427.1m** (£575m).

The total interest included in development properties at 30 September 2000 was **£13.9m** (£16.6m).

Security for secured borrowings is provided by charges on certain Group properties.

### 14. Properties held for sale to joint venture

These properties were included at net selling price in the 30 September 1999 balance sheet. On 15 October 1999 the Group completed the disposal by selling 50% of the share capital of Metropolitan & Capital Properties Limited ("MCPL"). The Group's retained 50% interest in MCPL is held as a joint venture (note 17). No such properties existed at 30 September 2000, although details of various sales of properties since the year end are included in note 31.

### 15. Other fixed assets

Other fixed assets comprise office furniture, equipment and computer hardware and software held at a cost of: Group **£13.5m** (£13.4m), MEPC **£13.4m** (£12.6m) and a depreciated net book value of: Group **£6.0m** (£8.2m), MEPC **£6.0m** (£8.2m).

## Notes to the accounts (continued)

### 16. Investments in subsidiary undertakings

| | Shares at cost less Provisions | Loan stocks at cost | Net |
|---|---|---|---|
| | £m | £m | £m |
| 1 October 1999 | 2,811.3 | 142.4 | 2,953.7 |
| Additions | 3.2 | - | 3.2 |
| Reallocations | 72.4 | (72.4) | - |
| **30 September 2000** | **2,886.9** | **70.0** | **2,956.9** |

Principal subsidiary undertakings at 30 September 2000 are listed in note 32.

### 17. Investments in joint ventures

| | £m |
|---|---|
| 1 October 1999 | 32.3 |
| Currency Translations | (1.4) |
| Additions | 152.7 |
| Disposals | (11.4) |
| Share of profits | 9.3 |
| Share of deficit on revaluation | (1.2) |
| Dividends received | (1.1) |
| **30 September 2000** | **179.2** |

At 30 September 2000 the Group's investment in joint ventures comprised:

| Name | Participation | Share of borrowings |
|---|---|---|
| Australia Fair Shopping Centre Trust | 50% | £13.0m |
| City Link (Cardiff) Limited | 50% | £21.9m |
| Metropolitan & Capital Properties Limited | 50% | £25.3m |
| Prestbury Capital Ventures Limited | 50% | £62.8m |
| Stonemartin Corporate Centres Limited | 44% | - |
| Westfield JV* | 50% | £230.6m |

* This joint venture takes the form of a series of investments in individual partnerships

All the joint ventures are engaged in property investment, development and related services. All the external borrowings of the joint ventures have been undertaken without recourse to the Group. The Group's share of properties held by joint ventures created during the period aggregating **£478m** have not been valued at 30 September 2000 but are based on cost or value as at the date of transfer into the joint venture.

The Group's investments in joint ventures comprise £509.0m in fixed assets, £34.4m in current assets, £10.6m in liabilities due within one year and £353.6m in liabilities due after one year.

During the year the Group sold properties with a book value of £847m to joint ventures in which it retains a 50% interest.

At 30 September 2000 there were no trading balances between the Group and any joint venture.

## Notes to the accounts (continued)

### 18. Other fixed asset investments

| | GROUP | | | MEPC |
|---|---|---|---|---|
| | Listed securities | Mortgages and other | Total | |
| | £m | £m | £m | £m |
| 1 October 1999 | 11.8 | 0.9 | 12.7 | - |
| Additions | - | - | - | 39.5 |
| Disposals and provisions | (2.6) | (0.9) | (3.5) | - |
| **30 September 2000** | **9.2** | **-** | **9.2** | **39.5** |

Listed securities at 30 September 2000, which had a market value of **£8.6m** (£10.1m), are held at cost less provisions and are quoted on The London Stock Exchange and exchanges in Canada.

MEPC's fixed asset investments relate to its investments in joint ventures and are held at cost.

### 19. Debtors

| | GROUP | | MEPC | |
|---|---|---|---|---|
| | **2000** | 1999 | **2000** | 1999 |
| | **£m** | £m | **£m** | £m |
| **Amounts falling due after more than one year** | | | | |
| Other debtors | **0.6** | 6.7 | **0.6** | 1.0 |
| *Amounts due from subsidiary undertakings:* | | | | |
| Inter-company balances | **-** | - | **1,581.2** | 2,402.7 |
| | **0.6** | 6.7 | **1,581.8** | 2,403.7 |
| ***Amounts falling due within one year*** | | | | |
| Rents and sundry receivables | **19.2** | 35.7 | **1.2** | 0.4 |
| Funds held by trustees | **0.5** | - | **-** | - |
| Outstanding disposal proceeds | **-** | 0.2 | **-** | - |
| Other debtors | **41.3** | 80.6 | **21.8** | 29.6 |
| | **61.0** | 116.5 | **23.0** | 30.0 |
| **Total** | **61.6** | 123.2 | **1,604.8** | 2,433.7 |

### 20. Current asset investments

This comprised an investment in US$25m interest bearing promissory notes.

### 21. Cash and short term deposits

| | GROUP | | MEPC | |
|---|---|---|---|---|
| | **2000** | 1999 | **2000** | 1999 |
| | **£m** | £m | **£m** | £m |
| Short term deposits | **545.2** | 4.6 | **544.3** | 1.1 |
| Bank and cash balances | **3.9** | 1.3 | **-** | - |
| | **549.1** | 5.9 | **544.3** | 1.1 |
| Sterling | **548.7** | 0.6 | **544.3** | - |
| Other currencies | **0.4** | 5.3 | **-** | 1.1 |
| | **549.1** | 5.9 | **544.3** | 1.1 |

# Notes to the accounts (continued)

## 22. Other creditors

| | GROUP 2000 | GROUP 1999 | MEPC 2000 | MEPC 1999 |
|---|---|---|---|---|
| | £m | £m | £m | £m |
| **Amounts falling due within one year** | | | | |
| Taxation | **43.1** | 12.8 | **0.3** | - |
| Accruals and deferred income | **169.1** | 211.0 | **43.7** | 59.9 |
| Dividends payable | **-** | 16.0 | **-** | 16.0 |
| | **212.2** | 239.8 | **44.0** | 75.9 |
| **Amounts falling due after more than one year** | | | | |
| Amounts due to subsidiary undertakings: | | | | |
| Inter-company balances | **-** | - | **3,314.6** | 2,680.4 |
| Accruals and deferred income | **0.8** | 25.8 | **0.8** | 25.2 |
| | **0.8** | 25.8 | **3,315.4** | 2,705.6 |

## 23. Loan capital and net debt

### Movements in loan capital and borrowings

| | £m |
|---|---|
| 1 October 1999 | **1,462.1** |
| Loans drawn down | **171.2** |
| Repayments | **(610.9)** |
| **30 September 2000** | **1,022.4** |

### Analysis of loan capital and borrowings

| | Secured | Unsecured | **Total 2000** | Total 1999 |
|---|---|---|---|---|
| | £m | £m | **£m** | £m |
| **Sterling** | | | | |
| Debenture stock | 83.4 | - | **83.4** | 83.3 |
| Mortgages | - | - | **-** | 5.9 |
| Eurobonds | - | 372.5 | **372.5** | 372.0 |
| Unsecured loan stock | - | 151.2 | **151.2** | 170.2 |
| Medium term notes | - | 49.0 | **49.0** | 75.0 |
| Bank loans | 35.6 | - | **35.6** | 406.6 |
| Bank overdrafts | - | 3.5 | **3.5** | 6.3 |
| | 119.0 | 576.2 | **695.2** | 1,119.3 |
| **Other currencies (swapped into sterling)** | | | | |
| US$225m bond | - | 135.6 | **135.6** | 135.5 |
| Luxembourg Franc 2bn bonds | - | 39.0 | **39.0** | 39.0 |
| Yen 3bn loan notes | - | - | **-** | 13.3 |
| Medium term notes | - | 152.6 | **152.6** | 155.0 |
| | - | 327.2 | **327.2** | 342.8 |
| **Total loan capital** | | | **1,022.4** | 1,462.1 |
| Current asset investments (note 19) | | | **-** | (15.2) |
| Cash and short term deposits (note 20) | | | **(549.1)** | (5.9) |
| **Net Debt** | | | **473.3** | 1,441.0 |

## Notes to the accounts (continued)

### **Analysis of loan capital and borrowings** (continued)

| | GROUP | | MEPC | |
|---|---|---|---|---|
| | **2000** | 1999 | **2000** | 1999 |
| | **£m** | £m | **£m** | £m |
| **Balance sheet classification** | | | | |
| Falling due within one year | **210.7** | 229.4 | **191.0** | 215.4 |
| Falling due after one year | **811.7** | 1,232.7 | **621.2** | 1,011.9 |
| | **1,022.4** | 1,462.1 | **812.2** | 1,227.3 |
| ***Repayment analysis*** | | | | |
| Less than one year or on demand | **210.7** | 229.4 | **191.0** | 215.4 |
| In more than one year but less than two years | **54.9** | 75.9 | **-** | 56.2 |
| In more than two years but less than five years | **261.3** | 636.1 | **125.7** | 445.8 |
| *In more than five years* | **495.5** | 520.7 | **495.5** | 509.9 |
| | **1,022.4** | 1,462.1 | **812.2** | 1,227.3 |
| **Security analysis** | | | | |
| Secured | **119.0** | 130.3 | **83.4** | 83.3 |
| Unsecured | **903.4** | 1,331.8 | **728.8** | 1,144.0 |
| | **1,022.4** | 1,462.1 | **812.2** | 1,227.3 |
| **Currency analysis (note 1)** | | | | |
| Sterling | **1,022.4** | 1,462.1 | **812.2** | 1,227.3 |
| **Interest rate profile (note 1)** | | | | |
| Up to 6% | **25.0** | 128.7 | | |
| 6% to 10% | **948.0** | (1.4) | | |
| 10% to 12.5% | **(5.2)** | 642.8 | | |
| At variable rates of interest | **54.6** | 692.0 | | |
| | **1,022.4** | 1,462.1 | | |

Notes:
(1) *These analyses reflect the effect of currency and interest rate derivatives in place at 30 September 2000 as described below.*
(2) At 30 September 2000, the weighted average time for which fixed rate borrowings were fixed was **3 years** (1999: 16 years).

### Cost of borrowings

*The weighted average rate of interest on Group borrowings at 30 September 2000 was as follows:*

| | ***2000*** | *1999* |
|---|---|---|
| On fixed rate borrowings | **9.2%** | 9.6% |
| On all borrowings | **9.2%** | 8.0% |

Variable rate borrowings bear interest at rates fixed in advance for periods ranging from one day to six months by reference to LIBOR.

## Available facilities

At 30 September 2000 the Group had undrawn committed facilities totalling **£515m** (1999: £285m) of which **£25m** (1999: £30m) expire within one year.

## Currency contracts

The Group uses currency swap contracts to ensure there are no foreign exchange exposures arising from the issue of non Sterling debt. The Sterling equivalent of the currency contracts outstanding at 30 September 2000 are reflected in the analysis of loan capital and borrowings above under other currencies, and the maturity of these contracts match the maturity of the respective debt outstanding.

## Interest rate contracts

As noted in the Financial Review on page 3, in September 2000 the Group's interest rate profile and related interest rate contracts were reconfigured at a net cost of £110.1m (see note 9).

At 30 September 2000 the Group had net fixed interest rate payable swaps on a notional amount of £975m at a weighted average interest rate of 6.4% and for a weighted average period of 3 years. The Group also had net fixed interest receivable swaps on a notional amount of £744m to translate the sterling debt from fixed interest rates to floating interest rates. The weighted average interest rate on the fixed receivable swaps was 10% with a weighted average maturity of 12 years.

## Fair values of financial assets and liabilities

| | 2000 | | | 1999 | | |
|---|---|---|---|---|---|---|
| | Book value | Fair value | Fair value adjustment | Book value | Fair value | Fair value adjustment |
| | £m | £m | £m | £m | £m | £m |
| **Net Debt** | | | | | | |
| Loan capital and borrowings | **1,041.5** | **1,199.3** | **157.8** | 1,470.0 | 1,644.1 | 174.1 |
| Currency swaps | **(19.1)** | **(17.1)** | **2.0** | (7.9) | (7.7) | 0.2 |
| Interest rate swaps | **-** | **(29.9)** | **(29.9)** | - | 80.6 | 80.6 |
| Current asset investments and cash | **(549.1)** | **(549.1)** | **-** | (21.1) | (21.1) | - |
| Total net debt | **473.3** | **603.2** | **129.9** | 1,441.0 | 1,695.9 | 254.9 |
| Fair value adjustment after tax | | | **90.9** | | | 178.4 |
| **Non-equity minority interests** | | | | | | |
| QUIPS including currency swaps | **127.5** | **112.7** | **(14.8)** | 127.0 | 118.9 | (8.1) |
| Associated put option | **-** | **-** | **-** | - | 16.6 | 16.6 |
| Total QUIPS | **127.5** | **112.7** | **(14.8)** | 127.0 | 135.5 | 8.5 |
| Fair value adjustment after tax | | | **(14.8)** | | | 4.2 |
| **Total fair value adjustment after tax** | | | **76.1** | | | 182.6 |

Fair value has been calculated independently and is based on market values of the respective investments at 30 September 2000.

Debtors and creditors falling due after more than one year not reflected in the above analysis are not financial assets or liabilities. The market value of other fixed asset investments in comparison to book value is disclosed in note 18.

## Notes to the accounts (continued)

### 24. Minority interests

### Equity

Equity minority interests at 30 September 2000 represent the share capital and proportionate share of reserves of Granta Park Limited (20%), Intercity JIS Limited (24%) and Star Properties (Wood Green) Limited (45%) not owned by the MEPC Group.

### Non-equity

Non-equity minority interests at 30 September 2000 represent the outstanding capital, net of unamortised costs, of the QUIPS preference shares issued in September 1995 through MEPC International Capital, L.P, a special purpose limited partnership which is non-credit supported. The QUIPS have been structured to provide a guarantee by MEPC Limited such that the holders are effectively in the same position as holders of preference shares with respect to payment of dividends and amounts payable upon liquidation, dissolution and winding-up. The capital outstanding and the dividends payable are, therefore, classified as non-equity minority interests on both the balance sheet and the profit and loss account.

During the year a put option matching the terms of the Group's call option on the QUIPS exercisable in September 2005, was cancelled at a net cost of £15.5m (see note 9).

Details of the fair value of the QUIPS and currency derivatives hedging the issue are disclosed in note 23.

### 25. Called up share capital

| | *Authorised* | | *Allotted, issued and fully paid* | |
|---|---|---|---|---|
| | **2000** | 1999 | **2000** | 1999 |
| | **£m** | £m | **£m** | £m |
| Equity: | | | | |
| Ordinary shares of $30^5/_{19}$p each | **140.0** | 140.0 | **105.8** | 105.0 |
| Non-equity: | | | | |
| 4.75% non-cumulative redeemable preference shares of 96p each (B shares) | **5.8** | 5.8 | **2.2** | 2.9 |
| | **145.8** | 145.8 | **108.0** | 107.9 |

During the year 60,226 ordinary shares were allotted and issued under the employee share option schemes and 2,845,077 ordinary shares under the enhanced scrip dividend alternative.

At 30 September 2000 there were 349,794,991 ordinary shares and 2,253,177 B shares in issue. As noted in the Directors' Report, the entire issued ordinary share capital of the Company was acquired by Leconport Estates under the terms of a recommended cash offer announced on 1 June 2000.

All share options were either cancelled in return for a cash payment or exercised and subsequently acquired by Leconport Estates under the terms of the recommended cash offer, prior to the year end.

### 26. Reserves

| | Share premium | Revaluation reserve | Other reserves | Capital redemption reserve | Profit and loss | Total |
|---|---|---|---|---|---|---|
| | £m | £m | £m | £m | £m | £m |
| **Group** | | | | | | |
| 1 October 1999: | | | | | | |
| As previously reported | 79.1 | 639.8 | 850.9 | 402.3 | 109.1 | 2,081.2 |
| Restatement for FRS 15 and 16 | | (5.4) | (0.9) | | 6.3 | - |
| Restated | 79.1 | 634.4 | 850.0 | 402.3 | 115.4 | 2,081.2 |
| Currency translation | | (0.1) | 1.3 | | (1.3) | (0.1) |
| Issue of shares | 0.2 | | | | | 0.2 |
| Capital issue expenses | (0.2) | | | | | (0.2) |
| Net surplus on revaluation, adjusted by minority interests: | | | | | | |
| Properties | | 198.5 | | | | 198.5 |
| Joint ventures | | (1.2) | | | | (1.2) |
| Taxation (see note 10) | | | (68.1) | | | (68.1) |
| Retained profit | | | | | 19.0 | 19.0 |
| Other items | (0.8) | - | (0.2) | | 10.3 | 9.3 |
| Transfers between reserves | (0.2) | (404.1) | 433.4 | 0.7 | (29.8) | - |
| **30 September 2000** | **78.1** | **427.5** | **1,216.4** | **403.0** | **113.6** | **2,238.6** |
| **MEPC** | | | | | | |
| 1 October 1999 | 79.1 | 27.1 | 521.9 | 402.3 | 401.0 | 1,431.4 |
| Currency translation | | | (3.0) | | | (3.0) |
| Issue of shares | 0.2 | | | | | 0.2 |
| Capital issue expenses | (0.2) | | | | | (0.2) |
| Net surplus on revaluation: | | | | | | |
| Properties | | 22.1 | | | | 22.1 |
| Retained loss | | | | | (36.6) | (36.6) |
| Other items | (0.8) | | (0.2) | | 10.3 | 9.3 |
| Transfers between reserves | (0.2) | (11.3) | (48.8) | 0.7 | 59.6 | - |
| **30 September 2000** | **78.1** | **37.9** | **469.9** | **403.0** | **434.3** | **1,423.2** |

MEPC had a loss of **£36.6m** attributable to ordinary shareholders (1999: profit £47.2m) for the financial year.

### 27. Net asset value per ordinary share (diluted)

The computation is based on ordinary shareholders funds of **£2,344m** (£2,187m) and the number of ordinary shares of **349.8m** (347m). For the purposes of the computation, both ordinary shareholders funds and the number of ordinary shares have been diluted for the impact of employee share options and long term incentive plans.

## 28. Notes to Group cash flow statement

| | 2000 | 1999 |
|---|---|---|
| | £m | £m |
| **1) Reconciliation of operating profit to net cash inflow from operating activities** | | |
| **Operating Profit** | **179.8** | 188.6 |
| Non-cash movements | **2.0** | 4.8 |
| Sundry income | **1.4** | 1.1 |
| Other movements arising from operations: | | |
| Trading properties | **2.1** | 2.1 |
| Debtors | **35.7** | (18.9) |
| Creditors | **(31.8)** | 4.3 |
| Net cash inflow from operating activities | **189.2** | 182.0 |

**2) Disposal of subsidiary undertakings**

On 28 June 2000 the Oldham Estates Group was disposed of for cash proceeds totalling £494.9m resulting in a net profit of £2.4m. The net assets disposed comprised investment and development properties £483.2m, joint ventures £11.4m and other net liabilities £2.1m.

## 29. Commitments

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

| | GROUP | | MEPC | |
|---|---|---|---|---|
| | 2000 | 1999 | 2000 | 1999 |
| | £m | £m | £m | £m |
| Contracted | **240.3** | 311.5 | - | 54.0 |
| Authorised but not contracted | **59.3** | 296.3 | - | 1.0 |
| | **299.6** | 607.8 | - | 55.0 |

Of the total capital commitments **£259.9m** (£341.3m) relates to development projects, **£39.7m** (£265.5m) to investment properties and **£nil** (£1.0m) to non-property related commitments. All commitments relate to continuing operations.

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.

## 30. Contingent liabilities

| | GROUP | | MEPC | |
|---|---|---|---|---|
| | 2000 | 1999 | 2000 | 1999 |
| | £m | £m | £m | £m |
| Guarantees | - | - | **347.3** | 331.0 |
| Other | - | - | **0.3** | 0.3 |
| | - | - | **347.6** | 331.3 |

Guarantees given by MEPC plc are in respect of loan capital of other group companies and the guarantee on the QUIPS (see note 24).

The Company has given normal warranties in relation to the disposal of its Australian and United States operations in 1998. The directors believe that such warranties will not have any material effect on the Group's overall financial position. The company has also given various guarantees in respect of the obligations of subsidiaries in the ordinary course of business.

# Notes to the accounts (continued)

## 31. Post balance sheet events

Subsequent to the balance sheet date the following non-adjusting events occurred:

1. On 13 October 2000 the Company's shares were de-listed from the UK Listing Authority and the London Stock Exchange and on 30 October 2000 MEPC plc re-registered as a private limited company and was renamed MEPC Limited.

2. On 26 October 2000 MEPC plc paid an interim dividend for the year ended 30 September 2001 of £500m to its parent Leconport Estates.

3. On 28 November 2000 a loan facility between MEPC Limited and Leconport Estates was signed whereby a maximum of £1 billion may be lent by MEPC Limited to Leconport Estates.

4. Properties with a value of £584.2m at 30 September 2000 have been sold or unconditionally exchanged since the balance sheet date and the sale proceeds achieved were not materially different from the values at 30 September. These properties comprise offices £480.5m, retail £1.5m and business space £102.2m.

## 32. Principal subsidiary undertakings at 30 September 2000

### Country of incorporation

Name of company

### England, Scotland and Wales

Bedfont Property Investments Limited
Birchwood Park Estates Limited
Caledonian Land Properties Limited
Carlton Healthcare Properties Limited
English Property Company Limited
FOC Holdings Limited
The London County Freehold and Leasehold Properties Limited
Lakeshore Investments Limited
MEPC Bedfont Lakes (Two) Limited
MEPC Brentford Limited
MEPC Cambridge Circus Limited
MEPC Developments Limited
*MEPC Holdings Limited
MEPC Investments Limited
MEPC Leavesden Limited
MEPC Projects Limited
*MEPC UK Holdings
*MEPC UK Limited
The Metropolitan Railway Surplus Lands Company
MEPC Milton Park Limited
PSIT Ltd
Threadneedle Property Company Limited

### The Netherlands

*Metropolitan Estate and Property International NV

### United States

MEPC Finance Inc.
*MEPC International Capital, L.P.
*MEPC US Holdings Inc.

*Ordinary capital directly held in whole by MEPC Limited.

The principal activities of the Group companies are property investment, development and trading, together with the management of the Group's properties.

## Notes to the accounts (continued)

### 33. 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.

Copies of the accounts of Leconport Estates are available from Leconfield House, Curzon Street, London W1Y 7FB.

## Report of the auditors to the members of MEPC Limited

We have audited the financial statements on pages 11 to 32.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 36, 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 group is not disclosed.

We read the other information accompanying the financial statements and consider whether it is consistent with those statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

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 group'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 affairs of the company and the group as at 30 September 2000 and of the profit of the group 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
5 December 2000

## Report of the directors

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

### Profit and dividends

Details of the Group profit and loss account are on page 11. Profit on ordinary activities of the Group for the year amounted to £14.9 million before taxation.

### Approval of financial statements

The board approved the financial statements on pages 11 to 32 on 5 December 2000.

### Activities

The principal business of the Group is property investment, development and trading, together with the management of its properties.

### Acquisition by Leconport Estates

On 1 June 2000 Lazard on behalf of Leconport Estates made a recommended cash offer for the entire issued ordinary share capital of MEPC plc. On 28 July 2000 Leconport Estates announced that the recommended offer had been declared unconditional in all respects. On 16 August 2000 statutory notices under Section 429 of the *Companies Act 1985* were posted to those ordinary shareholders of the Company who had not accepted the offer stating that it was Leconport's intention to compulsorily acquire their shares. On 13 October 2000 the Company's shares were de-listed from the UK Listing Authority and the London Stock Exchange and on 30 October 2000 MEPC plc re-registered as a private limited company.

### Properties

Details of the Group's properties and the bases of valuation thereof are given in notes 13 and 14 on page 22.

### Share Capital

Details of the share capital issued during the year are given in note 25 on page 28.

### Directors and their interests

The directors who served during the year were as follows:

| | |
|---|---|
| Mr C E Alexander | (appointed 28 July 2000) |
| Sir Tim Chessells | (appointed 28 July 2000) |
| Mr G A Davidson | |
| Mr J F T Dundas | |
| Mr S J East | |
| Sir John Egan | (resigned 3 August 2000) |
| Mr R A Harrold | (appointed 28 July 2000) |
| Mr D B Henry | (appointed 28 July 2000) |
| Mr J A Malehorn | (appointed 28 July 2000) |
| Mr P V S Manduca | (resigned 3 August 2000) |
| Mr T Moross | (resigned 3 August 2000) |
| Mr M E Pralle | (appointed 5 September 2000) |
| Mr R Pressman | (appointed 28 July 2000 – resigned 5 September 2000) |
| Mr O H J Stocken | (resigned 3 August 2000) |
| Mr A Ross Goobey | (appointed 28 July 2000) |
| Mr J F Taylor | (resigned 7 August 2000) |
| Mr R T E Ware | |
| Mr A Watson | (appointed 28 July 2000) |
| Mr I R Watters | |

# Report of the directors (continued)

## Directors and their interests (continued)

Except as outlined below no director had any interest in the Ordinary shares 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 | $30\frac{5}{19}$p Ordinary shares | 96p Non-cumulative Preference Shares (B Shares) | Share options* |
| Mr G A Davidson | 712 | 12,732 | 8,646 | 1,519 | 101,288 |
| Mr J F T Dundas | - | 77,142 | 7,306 | - | 270,500 |
| Mr S J East | - | 3,938 | 1,826 | - | 130,000 |
| Mr R T E Ware | - | - | 12,139 | - | 247,500 |
| Mr I R Watters | 1,560 | 77,659 | 27,483 | 3,403 | 141,011 |

* All directors' share options were either cancelled in return for a cash payment or exercised and subsequently acquired by Leconport Estates under the terms of the recommended cash offer, prior to the year end. Awards of shares made to the directors under the Long Term Incentive Plan were transferred to them, in accordance with the Plan rules, when the offer was declared unconditional, and were also acquired by Leconport Estates before the year end.

### Close company
The Company is not a close company for the purposes of the Income and Corporation Taxes Act 1988.

### Payment of suppliers
The Group has for many years maintained a policy of agreeing appropriate terms and conditions in advance with its suppliers and of making prompt payment in accordance with those terms and conditions, provided the supplier has complied with them. The Company subscribes to the Confederation of British Industry's prompt payers code of good practice. The Group's trade creditors figure as at 30 September 2000 was equivalent to 16 days based on average daily amounts invoiced by suppliers during the year.

### Going concern
After making due enquiry, the directors consider that the Company and the Group have adequate resources to continue its operations for the foreseeable future, and that it is appropriate to adopt the going concern basis in the preparation of the financial statements.

### Environment
In our commercial activities we seek to reduce, wherever possible, any adverse environmental impacts. We are committed to effective environmental management, regarding regulatory compliance as a minimum threshold and seeking continuous improvement in our environmental performance. This will be achieved through identifying appropriate environmental objectives and targets, against which progress will be regularly monitored and reviewed.

## Report of the directors (continued)

### Charitable and political donations

Charitable donations during the year totalled £177,012 (1999 £329,822). There were no political donations.

### Auditors

A resolution proposing the re-appointment of KPMG Audit Plc as auditors and the fixing of their remuneration will be submitted to the Annual General Meeting.

### *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 Group 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 Group 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 Group and to prevent and detect fraud and other irregularities.

By order of the board

**D B J Price** Secretary

5 December 2000