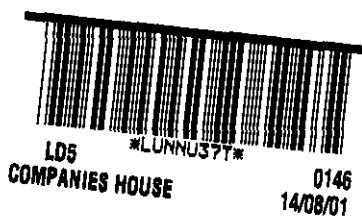


Registered no: 3576158

# **LONDON AND HENLEY (UK) LIMITED**

**Annual report**

**for the period ended 21 December 2000**



# **LONDON AND HENLEY (UK) LIMITED**

## **Annual report For the period ended 21 December 2000**

Registered no. 3576158

	Page
Directors and advisers	1
Directors' report	2
Statement of directors' responsibilities	3
Report of the auditors	4
Profit and loss account	5
Balance sheet	6
Notes to the financial statements	7 - 12

**Directors and advisers**

**Directors**

A R Moore  
L Hamilton  
C Metliss  
C Forshaw

**Secretary and registered office**

A Braine  
10 Cornwall Terrace  
Regent's Park  
London  
NW1 4QP

**Auditors**

PricewaterhouseCoopers  
No 1 London Bridge  
LONDON  
SE1 9QL

**Bankers**

Barclays Bank plc  
50 Pall Mall  
P O Box 15162  
London  
SW1A 1QB

**Directors' report  
period ended 21 December 2000**

The directors present their report and the financial statements for the period ended 21 December 2000. The company has changed its accounting reference date from 31 December to 21 December.

**Principal activity**

The principal activity of the company and its subsidiaries is that of property investment, development or management.

**Results and dividends**

The results for the period are set out in the profit and loss account on page 5. The profit for the period after taxation amounted to £2,996,296 (1999: loss £2,673,155). The directors do not propose payment of a dividend and the loss for the period has been transferred to reserves. During the period the company received a capital contribution of £5,601,023 from London and Henley Sarl (see note 14). A deficit of £931,582 arose on the revaluation reserve following the directors' valuation of investment properties at 21 December 2000. The directors consider this is a temporary deficit.

**Review of business and future developments**

The directors consider that the level of business and the period end financial position were satisfactory, and they also expect that the present level of activity will be sustained for the foreseeable future.

**Directors and their interests**

The directors of the company at 21 December 2000 and 31 December 1999, none of whom had any interest in the shares of the company, are listed below:

A R Moore (appointed 21 December 2000)  
L Hamilton (appointed 21 December 2000)  
C Metliss (appointed 21 December 2000)  
C Forshaw (appointed 21 December 2000)  
A Walker (resigned 21 December 2000)  
J Plummer (resigned 21 December 2000)

The directors' interests in the holding company are shown in that company's financial statements.

**Statement of directors' responsibilities**

Company law requires the directors to prepare financial statements for each financial period that give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. The directors are required to prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

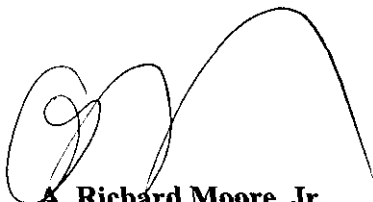
The directors confirm that suitable accounting policies have been used and applied consistently. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the period ended 21 December 2000 and that applicable accounting standards have been followed.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**Auditors**

An elective resolution has been passed in accordance with Sections 379a and 386 of the Companies Act 1985 to dispense with the obligation to reappoint auditors annually.

By order of the board

A handwritten signature in black ink, appearing to be 'A. Richard Moore, Jr.', written over a horizontal line.

**A. Richard Moore, Jr.**  
**Director**

18 JULY 2001

## **Report of the auditors to the members of LONDON AND HENLEY (UK) LIMITED**

We have audited the financial statements on pages 5 to 12.

### **Respective responsibilities of directors and auditors**

The directors are responsible for preparing the Annual Report. As described on page 3, this includes responsibility for preparing the financial statements, in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and 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 United Kingdom 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 is not disclosed.

We read the other information contained in the Annual Report and 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 company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

### **Opinion**

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 December 2000 and of its profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

  
**PricewaterhouseCoopers**

Chartered Accountants and Registered Auditors

London

Date: 20 July 2001

**Profit and loss account  
for the period ended 21 December 2000**

		<b>Period ended 21 December 2000 £</b>	<b>Year ended 31 December 1999 £</b>
	<b>Note</b>		
Turnover – Continuing operations		<b>424,635</b>	-
Cost of Sales		<b>(38,294)</b>	-
Gross Profit		<b>386,341</b>	-
Administrative expenses	2	<b>49,273</b>	<b>(4,810)</b>
<b>Operating loss – Continuing operations</b>		<b>435,614</b>	<b>(4,810)</b>
Interest receivable	5	<b>2,560,682</b>	2,180,931
Interest payable	6	-	<b>(4,849,276)</b>
<b>Profit / (Loss) on ordinary activities before taxation</b>		<b>2,996,296</b>	<b>(2,673,155)</b>
Taxation on profit / (loss) on ordinary activities	7	-	-
<b>Profit / (Loss) for the financial period</b>	14	<b>2,996,296</b>	<b>(2,673,155)</b>

There is no difference between the profit / (loss) on ordinary activities before taxation and the retained profit / (loss) for the periods stated above and their historical cost equivalents.


**Statement of total recognised gains and losses**

	<b>Period ended 21 December 2000 £</b>	<b>Year ended 31 December 1999 £</b>
Profit/(Loss) for the financial period	<b>2,996,296</b>	<b>(2,673,155)</b>
Unrealised deficit on revaluation of investment properties	<b>(931,582)</b>	-
<b>Total gains and losses since last annual report</b>	<b>2,064,714</b>	<b>(2,673,155)</b>

**Balance sheet  
as at 21 December 2000**

	Note	21 December 2000 £	31 December 1999 £
<b>Fixed assets</b>			
Investment property	8	5,768,319	6,697,500
Investment in subsidiaries	9	48,848,556	48,848,636
		<u>54,616,875</u>	<u>55,546,136</u>
<b>Current assets</b>			
Debtors (including £124,258,659 (1999: £39,689,075) due after one year)	10	124,894,353	42,939,075
Cash at bank and in hand		12,261	5,792
		<u>124,906,614</u>	<u>42,944,867</u>
<b>Creditors: amounts falling due within one year</b>	11	<u>(60,439,607)</u>	<u>(183,503)</u>
<b>Net current assets</b>		<u>64,467,007</u>	<u>42,761,364</u>
<b>Total assets less current liabilities</b>		<u>119,083,882</u>	<u>98,307,500</u>
<b>Creditors: amounts falling due after more than one year</b>	12	<u>(114,500,000)</u>	<u>(101,389,355)</u>
<b>Net assets / (liabilities)</b>		<u>4,583,882</u>	<u>(3,081,855)</u>
<b>Capital and reserves</b>			
Called up share capital	13	1	1
Profit and loss account	14	(85,560)	(3,081,856)
Revaluation reserve	14	(931,582)	-
Other reserve	14	5,601,023	-
<b>Equity shareholder's funds / (deficit)</b>	15	<u>4,583,882</u>	<u>(3,081,855)</u>

The financial statements on pages 5 to 12 were approved by the board of directors on 18 July 2001, and were signed on its behalf by:

  
**A. Richard Moore, Jr.**  
**Director**



**Notes to the financial statements  
For the period ended 21 December 2000****1 Principal accounting policies**

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. A summary of the more important accounting policies, which have been applied consistently, is set out below.

**Basis of accounting**

The financial statements are prepared in accordance with the historical cost convention modified by the revaluation of certain assets.

**Consolidation and cash flows**

The financial statements contain information about London and Henley (UK) Limited as an individual company and do not contain consolidated financial information as the parent of a group.

The company is exempt under section 228 of the Companies Act 1985 from the requirement to prepare consolidated financial statements as the results of it and its subsidiary undertaking are included in the consolidated financial statements of Security Capital European Realty, the ultimate parent company until 21 December 2000. Security Capital European Realty is incorporated in Luxembourg as a Societe d'Investissement a Capital Fixe and its accounts are available at 25b Boulevard Royal, 4<sup>th</sup> Floor, Luxembourg, L2449.

On the same grounds the company has taken advantage of exemptions not to prepare a cash flow statement and under FRS8 not to disclose any transactions with entities that are part of the group and qualifying as related parties.

**Turnover**

Turnover comprises the value of rents receivable from the letting of properties in the United Kingdom.

**Investment property**

In accordance with SSAP19, the investment property portfolio is revalued annually on an open market value basis. The valuation at 21 December 2000 was carried out by the directors. Revaluation surpluses are transferred to the revaluation reserve. Revaluation deficits covered by previous revaluation surpluses, and temporary deficits in excess of previous revaluation surpluses are transferred to the revaluation reserve. Permanent deficits in excess of previous revaluations are taken to the profit and loss account.

Although the Companies Act 1985 would normally require the systematic depreciation of fixed assets, no depreciation is provided on the initial cost and refurbishment of those freehold properties and leasehold properties where the leases have over 20 years to run. The directors believe that this accounting policy is necessary for the accounts to give a true and fair view, since the current value of the investment properties, and changes in that value, are of more importance than a calculation of depreciation. Depreciation is only one of the many factors reflected in the annual valuation, and the amount which might otherwise have been shown cannot be separately identified or quantified.

## Fixed asset investments

Fixed asset investments are stated at cost, less provision for any permanent diminution in value.

## Deferred taxation

Deferred taxation is provided on the full liability method on material timing differences except for those which are not expected to reverse in the foreseeable future.

## 2 Profit/(loss) on ordinary activities before taxation

	Period ended 21 December 2000 £	Year ended 31 December 1999 £
Profit/(loss) on ordinary activities before taxation is stated after charging/(crediting):		
Auditors' remuneration	5,000	4,500

## 3 Directors' emoluments

The directors did not receive any emoluments during the period.

## 4 Staff costs

There were no employees during the period.

## 5 Interest receivable

	Period ended 21 December 2000 £	Year ended 31 December 1999 £
Bank interest receivable	1,650	41,711
Interest receivable from group undertakings	2,559,032	2,139,220
	<u>2,560,682</u>	<u>2,180,931</u>

## 6 Interest payable

	Period ended 21 December 2000 £	Year ended 31 December 1999 £
Bank interest payable	-	90
Interest payable on loans to group companies	-	4,849,186
	<u>-</u>	<u>4,849,276</u>

Interest payable to group companies was waived for the period ended 21 December 2000.

## 7 Taxation

There is no tax charge for the period, due to the utilisation of group losses.

## 8 Investment property

	Leasehold £	Freehold £	Total £
<b>Valuation</b>			
At 1 January 2000	1,082,500	5,615,000	6,697,500
Additions	801	1,600	2,401
Deficit on revaluation	(158,349)	(773,233)	(931,582)
<b>At 21 December 2000</b>	<u><b>924,952</b></u>	<u><b>4,843,367</b></u>	<u><b>5,768,319</b></u>

The investment properties have been revalued by the Directors on the basis of open market value at 21 December 2000. The Directors consider the revaluation deficit is temporary.

## 9 Fixed asset investments

	21 December 2000 £	31 December 1999 £
<b>Subsidiaries at cost</b>		
At 1 January 2000	48,848,636	36,620,458
Additions	(80)	12,228,178
<b>At 21 December 2000</b>	<u><b>48,848,556</b></u>	<u><b>48,848,636</b></u>

London and Henley (UK) Limited owns the whole of the issued share capital of London and Henley Limited, Cavendish Geared Limited and Cavendish Geared II Limited.

The principal activity of all subsidiaries is that of property investment and development.

The financial information of the subsidiaries from the audited financial statements at 21 December 2000 is as follows:

	Aggregate share capital and reserves £	Profit/(loss) for the period £
London and Henley Ltd	19,960,175	(1,043,368)
Cavendish Geared Ltd	15,805,000	96,000
Cavendish Geared II Ltd	<u>15,926,958</u>	<u>(68,574)</u>

## 10 Debtors

	21 December 2000 £	31 December 1999 £
<b>Amounts falling due in less than one year</b>		
Trade debtors	27,694	-
Prepayments	608,000	-
Amounts due from group undertakings	-	3,250,000
	<u>635,694</u>	<u>3,250,000</u>
<b>Amounts falling due after more than one year</b>		
Amounts due from group undertakings	124,258,659	39,689,075
	<u>124,894,353</u>	<u>42,939,075</u>

The amount owed by group undertakings is lent under the terms of a 7 year banking facility granted to London and Henley (UK) Limited. It is secured by fixed charges over the investment properties and floating charges over the undertaking granted to Abbey National Treasury Services Limited and by guarantees to the parent undertaking.

## 11 Creditors: amounts falling due within one year

	21 December 2000 £	31 December 1999 £
Amounts owed to group undertakings	46,187,666	114,699
Amounts owed to associated undertakings	14,232,941	-
Accruals	7,129	68,804
Other creditors	11,871	-
	<u>60,439,607</u>	<u>183,503</u>

**12 Creditors: amounts falling due after more than one year**

	21 December 2000 £	31 December 1999 £
Amounts owed to group undertakings repayable within one and two years	-	101,389,355
Bank loan (secured)	114,500,000	-
	<u>114,500,000</u>	<u>101,389,355</u>

The bank loan is secured by fixed charges over the investment properties owned by the subsidiary companies and floating charges over the other assets of all the group companies granted to Abbey National Treasury Services Limited and by guarantees to the company.

**13 Share capital**

	2000 £	1999 £
<b>Authorised</b>		
100 Ordinary shares of £1 each	<u>100</u>	<u>100</u>
<b>Allotted, issued and fully paid</b>		
1 Ordinary shares of £1 each	<u>1</u>	<u>1</u>

**14 Profit and loss account and other reserves**

	Revaluation reserve £	Other reserve £	Profit & loss account £
At 1 January 2000	-	-	(3,081,856)
Retained profit for the period	-	-	2,996,296
Temporary revaluation deficit	(931,582)		
Capital contribution	-	5,601,023	-
<b>At 21 December 2000</b>	<u>(931,582)</u>	<u>5,601,023</u>	<u>(85,560)</u>

As at 31 December 1999 interest accrued but not paid to London and Henley Sarl, the parent company at that time, amounted to £5,601,023. During the period ended 21 December 2000 this interest was irrevocably waived by London and Henley Sarl, and the credit has been disclosed as a capital contribution.

**15 Reconciliation of movement in shareholder's funds**

	Period ended 21 December 2000 £	Year ended 31 December 1999 £
Opening shareholder's deficit	(3,081,855)	(408,700)
Profit / (Loss) for the period	2,996,296	(2,673,155)
Temporary revaluation deficit	(931,582)	-
Capital contribution (see note 15)	5,601,023	-
Closing shareholder's funds / (deficit)	<u>4,583,882</u>	<u>(3,081,855)</u>

**16 Contingent liability**

The company has guaranteed certain borrowings of its parent company and certain fellow subsidiaries which are secured by way of a fixed and floating charge to the Abbey National Treasury Services Limited.

**17 Ultimate parent company and controlling party**

The ultimate parent company and controlling party prior to 21 December 2000 was Security Capital European Realty (incorporated in Luxembourg as a Societe d'Investissement a Capital Fixe) whose accounts are available at 25b Boulevard Royal, 4th Floor, Luxembourg, L2449.

With effect from 21 December 2000, the ultimate parent company is London and Henley Holdings Limited, a company incorporated in the UK. London and Henley Holdings Limited is a joint venture between British Land Plc and Security Capital European Realty.

The immediate parent company is London and Henley Holdings Limited.