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London Industrial is a specialised property investment company devoted to the provision of small unit light industrial, studio and office workspace for new and emerging businesses in the Greater London area. It aims to help entrepreneurs start in business by creating affordable accommodation for rent on flexible and friendly terms.

London Industrial, a part of the wider urban regeneration movement, is an example of successful cooperation between the private and public sectors, meeting both the financial targets of the insurance companies and pension funds who are its shareholders, and the economic and social needs of the community.

Joseph Koumbas of Upfront Signs; Belgravia Workshops.

London Industrial PLC was established in 1987 on the initiative of Inner City Enterprises PLC ("ICE"), a Company established by City financial institutions to promote and undertake urban regeneration property projects. In 1986, ICE became concerned that the forthcoming dispersal by the London Residuary Body of the former GLC property portfolio would lead, inter alia, to the loss of much small unit workspace through redevelopment.

ICE accordingly negotiated and financed the acquisition of the greater part of the GLC industrial property portfolio, placing part of the portfolio with joint venture partners and retaining the remainder – 18 small-unit industrial estates. These estates were transferred to London Industrial, the new company formed for that purpose by ICE, on 10 July 1987. London Industrial was refinanced by a group of 12 institutions who subscribed £16.7 million in debenture stock, covertible loan stock and equity.

The transfer of estates from the LRB to the Company was accomplished smoothly and involved 585 lettable units with 428 sitting tenants. Early months were taken up with the task of getting the estates under good management and letting the many vacant units. That accomplished, the Company in 1989 raised £7 million of additional loan capital and embarked on a policy of steady expansion. To date, one small estate has been purchased, one of the Company's existing estates has been extended and four developments have been undertaken, three in joint venture with English Estates and one with the London Borough of Waltham Forest. The Company has also purchased the freehold interest in its Acton Business Centre, previously leasehold.

Principal Shareholders are:
ICE Investments Limited
Norwich Union Life Insurance Society
Prudential Assurance Company Limited
British Aerospace Pension Funds
Scottish Life Assurance Company
Equity & Law Life Assurance Society PLC
Kleinwort Benson Trustees
Hill Samuel Trustees
London Borough of Lewisham Superannuation Fund
London Borough of Southwark Superannuation Fund

Financial Highlights

	1991	1990	1989
	£'000	£'000	£'000
Rent receivable	4,376.3	4,010.9	2,955.9
Service charges and other income	1,012.4	1,092.9	970.6
Turnover	5,388.7	5,103.8	3,926.5
Profit before taxation	1,464.7	1,624.4	543.2
Profit after taxation	1,068.9	1,134.2	578.4
Dividend	480.0	840.0	280.0
Earnings per Ordinary Share after taxation †	314.4p	405.1p	206.1p
Fully diluted earnings per Ordinary Share after taxation *	260.7p	320.5p	185.6p
Properties at valuation or cost	48,522.3	48,617.9	39,802.2
Other net assets/(liabilities)	(2,169.1)	3,193.3	(147.8)
Less: indebtedness	(20,900.0)	(21,300.0)	(14,302.0)
Net assets	25,453.2	30,511.2	25,352.4
Net assets per Ordinary Share †	£74.86	£108.97	£90.54
Fully diluted net assets per Ordinary Share *	£62.60	£79.33	£66.55

† The 1991 figures are calculated by reference to the weighted average number of Ordinary Shares – 340,000 – in issue during the year. If the number of issued shares at 31st March 1991 – 400,000 – is substituted earnings per Ordinary Share become 267.2p, and net assets per Ordinary Share become £63.63.

* Assuming exercise of outstanding share options and, in respect of 1990 and earlier years, full conversion of Loan Stock.

I have pleasure in presenting this fourth Report and Accounts to the Shareholders of London Industrial PLC.

Financial Results

In my statement a year ago, I warned that due to a deteriorating letting market and the completion of a number of development projects, the 1991 results were unlikely to match those of 1990. This prediction has been fulfilled, with net profits before tax amounting to £1,464,000, a fall of £160,000 or 10% on 1990. Within this outturn, a serious shortfall of budgeted rental income has largely been masked by a higher than expected contribution from interest receivable, a higher level of capitalisation of interest on property developments, and by operating economies. In terms of pure trading therefore, the result was worse than predicted.

On the assets side, the Company has been affected by the general decline in occupancy levels and rise in valuation yields. The investment portfolio has been valued by the Directors at 31 March 1991 at £40.31 million, which after adjusting for acquisitions and capital improvements shows a decline of £7.4 million or 16% on the comparable figure for 1990. Developments in progress have been shown at cost at £8.2 million. Fully diluted net assets per share have fallen to £63, compared with £79 in 1990 and £67 in 1989.

Since the year-end, fierce competition has forced the rental market for office, business and light industrial space in London downwards, a movement which undoubtedly will have affected short-term valuation considerations. Shareholders should understand that the net asset values attributed to their shares are susceptible to quite significant fluctuations in today's volatile property market, and that values may deteriorate before they improve.

Proposed Dividend

The dividend of £3 net per share paid last year for 1989-90 was in part a special distribution in recognition of the Company's obligation under its prospectus to initial ordinary shareholders prior to conversion of the Company's £1.8 million of convertible loan stock. All holders of loan stock duly converted into ordinary shares at the end of September and the Company's issued ordinary shares rose in number by 120,000 to 400,000. In normal circumstances, the Board would have wished to maintain a dividend of around £2 net per share, but the deterioration in current trading and consequential effect on cash flow reported below make this impracticable. Accordingly, your Directors have recommended the payment of a dividend on the ordinary shares of £1.20 net in respect of the year 1990-91, the minimum figure which will ensure that those who converted from loan stock into ordinary shares will not suffer a reduction in their gross income.

Prospects for 1991-92 and beyond

Your Company, like many others, is passing through a severe recession. The Company's estates lie in and around inner London with a bias towards the East End and with many tenants either engaged in the garment trade or providing secondary services – such as printing or computer maintenance – to the City. In the boom years of the late 80s these businesses thrived: they were able to prosper and expand and were able to compete for business space forcing rental levels constantly upwards. With the onset of recession in 1990, many of these small businesses found their turnover and profitability collapsing and their bankers unable or unwilling to support them. As I write this, I have in front of me a bulletin from Dun & Bradstreet reporting 24,000 small business failures in 1990 and predicting 40,000 closures in 1991. London Industrial saw the occupancy level of its estates decline from 94% (just below peak) in March 1990 to 81% in March 1991. Over the 12 months, a substantial number of tenants vacated their accommodation, the majority because of business failure. Severe competition began to be felt from other landlords as developers unable to develop old buildings or to sell new ones offered their accommodation for letting at loss-leader rental levels.

To meet this challenge, and to let some 200 new units of accommodation coming on stream from developments the Company has substantially increased its marketing efforts. An even more flexible approach to matching prospective tenants' needs and aspirations has been adopted and as a result activity has been maintained at a high level. These tactics appear (in July) to have stemmed the outflow and there are some small, as yet weak, signs of stabilisation and recovery.

The downturn will have cost the Company perhaps £1 million in anticipated income and cash flow by the autumn of 1991. In addition, the sharp fall in property values and poorer occupancy levels temporarily precludes avenues of refinancing which earlier would have been considered normal and simple. On the other side of the coin, there are in this depressed market unusually good opportunities for expansion. The Company is keen to expand its joint venture work with local authorities in London and in particular to examine ways and means of achieving a better utilisation and economic return from local authority industrial estates. Elsewhere, there are investment properties to be purchased at attractive prices, competitors to be

Rufus Clarke and Cecil Willer, carpenters; Long Street Workshops.

considered for merger, and the joint venture with English Estates to be completed – all potential demands for new capital.

Recent informal discussions with Shareholders have indicated a very substantial degree of support for the Company and the Board. It is likely that the Board will, during the current year, consider it desirable to ask shareholders to participate in a rights issue, or further issue of convertible loan stock, in order to provide additional working capital and funds for specific expansion projects.

In the meantime, the financial results for 1991-92 are bound to be poor and I would not at this stage expect the Company to return more than a small profit before tax. The amount of any dividend will be determined largely by the state of the letting market in a year's time and by cash flow considerations.

In the longer term, I am confident that London Industrial, which is in the business of providing starter homes for new enterprises – more akin to a hotel operation than to a conventional property investment company – will benefit from the economic upturn when it comes. There will always be a good future for such a core business, which is almost as basic and fundamental to the economy as the provision of water, telecommunications and food retailing.

One final word, about personnel. At the end of January, we said goodbye to Martyn Calder who resigned to pursue his career elsewhere. Martyn was managing director from the inception of the Company in July 1987 and was responsible for the achievement of establishing a staff, office and organisation from scratch in a remarkably short space of time. I and my colleagues on the Board would like to record our appreciation of Martyn Calder's services to the Company. On Mr Calder's departure, I took over as Chief Executive heading an executive board of senior staff. Since the year-end, the Board has been joined by Harry Platt as Director and General Manager, who effectively takes Mr Calder's place. I record my thanks to all our loyal staff who have seen us through a difficult year.

Alan Porter
July 1991

The year ended 31st March 1991 has been marked by the onset of a severe recession

among the small business community in London, which in turn has had a substantial impact on the Company's own fortunes. The management team, schooled in the upswing, has had to come to terms with the downswing. In this year, attention has been focussed on marketing and estate management in the face of a declining and competitive letting market, and on the completion of the Company's initial improvement and development programme.

Marketing and Management

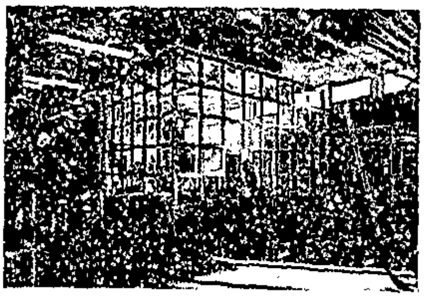
At 31st March 1991 the Company's investment portfolio comprised 19 estates totalling some 720,000 square feet. Occupancy was at approximately 81%, having fallen from the high level of 94% at the start of April 1990. The rent roll on this "core" portfolio was by April 1991 some £4.14 million, compared with £4.3 million the previous year. In addition, at the close of the year the rent roll of the Company's development portfolio of 5 estates, where initial letting had just commenced, was some £0.29m.

There are two broad observations to be made about the reduction in "core" occupancy:

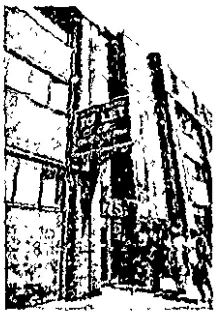
- Many existing tenants have ceased trading finding the current economic climate too difficult to continue. Some of these tenants had only been at the margins of viability. Others, although basically sound, were hit by the combined squeeze of high interest rates and reduced turnover. Few tenants were lost because of moves to other comparable accommodation, though some moves did occur to larger space, or to outright purchase.
- Although lettings have held up reasonably well – at an average rate of 12 a month for the total portfolio – throughout the year, this was not enough to compensate for the number of vacations. Furthermore, whilst enquiries continued to be high throughout the year (averaging 150 per month between January and March 1991) the amount of effort needed to convert such interest into lettings increased as potential tenants have increasingly taken more time to reach decisions. This is a trend which was noted in last year's report.

At this time last year, experience suggested that the small unit sector was holding up better than the rest of the property sector. Unfortunately this trend was not sustained. Over the course of the financial year some 163 tenants vacated accommodation, whilst set against this there were 136 new tenancy occupations. A detailed examination of all tenancy vacations since January shows that 44% have ceased to trade, 19% moved to work from home or cheaper premises,

Pictured above: Harry Platt.



Reception area; Cannon Wharf Business Centre.



Staircase enclosure, Whitechapel Business Centre.

12% transferred within the portfolio and 15% bought their own premises or consolidated into existing alternative accommodation. Clearly, as the depth and length of the recession has continued, an increasing number of tenants have been forced to cease trading and a lack of confidence in the market place has deterred many potential new start ups. The movement of the Company's tenant base has been considerable and, despite the letting rate, overall occupancy has deteriorated.

Faced with these difficulties, management has taken a number of measures including the sensitive management ("intensive care") of its existing tenant base and the aggressive marketing of vacant space, ensuring that its products continue to be fully competitive in a market place where tenants can increasingly dictate their terms. In doing this, the Company has:

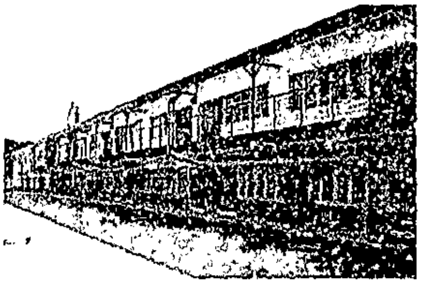
- reconsidered its rent review programme, deferring renewals where only minimal uplift could be expected.
- attended to temporary problems facing individual tenants.
- launched "Superdeal" which provides the most competitive rental and lease terms for small businesses in the Capital, and "Kickstart" which aims to encourage the formation of new businesses.

One piece of good news is that, with tight credit control and a close understanding of its tenants' circumstances, the Company continues to experience minimal bad debts.

Development Activities

During the year, the Company continued its programme of in-house development for the purpose of creating permanent investments for its portfolio. Major activity has been focussed on three schemes under the auspices of the Company's joint venture agreement with the English Industrial Estates Corporation. Under this joint venture the Company and English Estates have aimed to create a number of small unit managed workspace projects located in Task Force and other Urban Programme areas of London. Each party contributes half the cost of the project, whilst London Industrial receives an enhanced return for acting as developer, identifying and completing each scheme, and ultimately holding and managing the completed development as a joint investment.

In August 1990, Cannon Wharf Business Centre was completed and officially opened by Peter Lilley, Secretary of State for Trade and Industry. This scheme involved the refurbishment and conversion of the former 1970s Guy's Hospital Laundry at Evelyn Street, Deptford, SE8, into 44 units of workspace

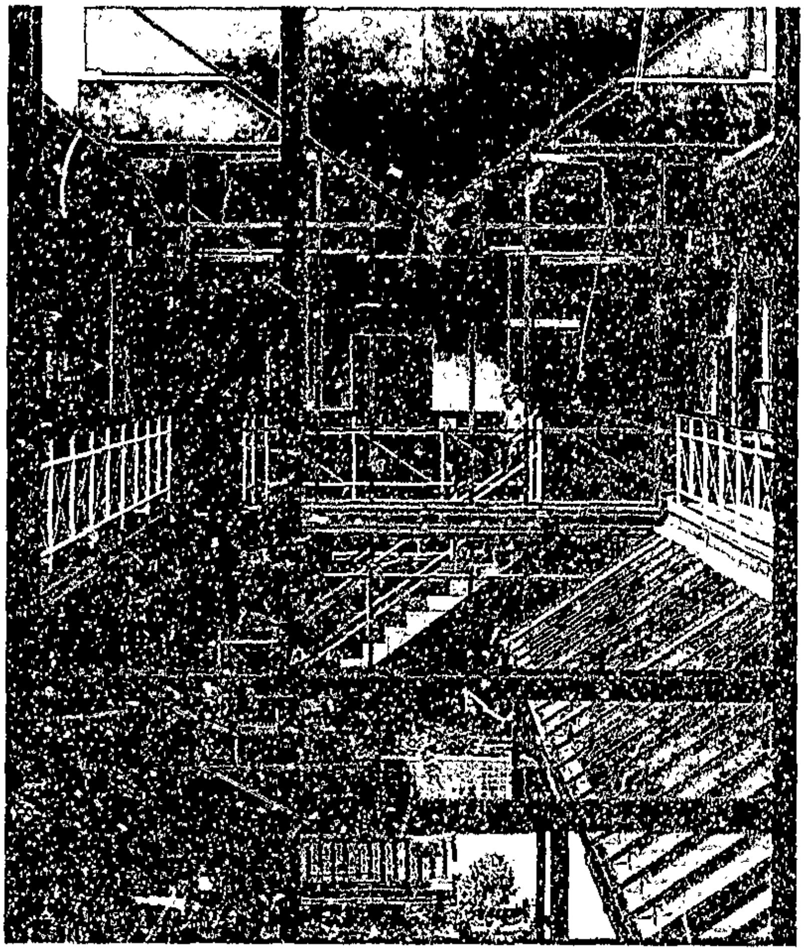


Brockley Cross Business Centre.

Pall Mall Deposit – a North Kensington landmark since 1911.

ranging in size between 284 and 4,815 sq ft and providing in total some 35,111 sq ft of space plus basement storage of 20,000 sq ft. Later in the financial year, in February 1991, the new-build project known as Brockley Cross Business Centre, SE4, was completed. This provides some 40,275 sq ft of lettable space in 55 units ranging in size from 265 to 2,293 sq ft.

In December 1990, the Company acquired an Edwardian depository building, Pall Mall Deposit in Barlby Road, North Kensington, W10, as its third scheme under the joint venture. This attractive building is being refurbished to provide 64 lettable units between 240 and 2,325 sq ft, totalling some 52,310 sq ft. Refurbishment work is scheduled for completion in August 1991. A high number of advance enquiries for units has been received and the Company is confident of the



Courtyard, Alpha Business Centre – a 1960s building transformed.

Alpha Business Centre – entrance.

scheme's ultimate success.

Apart from the English Estates projects the only major new development involving capital expenditure by the Company has been the completion of Magenta House, 85 Whitechapel Road, E1, in August 1990. This has been built on a small part of the car park of the Whitechapel Business Centre and provides 9 lettable units totalling 12,000 sq ft. The Company itself now occupies 3 of the units, whilst 3 further units were also tenanted at the year-end.

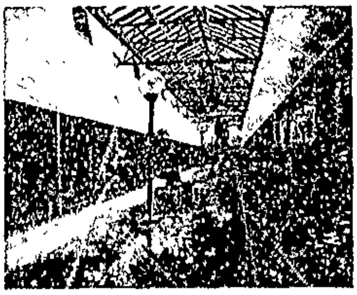
In total these four development projects will have involved a capital investment of some £16 million, including some £9 million from the Company itself. In a "normal" market the Company would expect these developments to show a surplus over cost when initially valued as investments, but in the present market the goalposts have shifted and, in aggregate, a break-even result on capital account is anticipated. The completed schemes have, or will, become available at a difficult time, and inevitably letting progress will be slower than originally envisaged. Nevertheless, as the economy picks up, the Company is confident that new, "clean" space such as this will be attractive to new and small businesses. Indeed, recent marketing experience shows that there is a greater interest for this kind of space than for some of the older workspace in the original investment portfolio. Experience also shows that it is the smallest units which generate the greatest interest. To meet the demand in the market place therefore, the Company is, in some cases, sub-dividing units, and in this way remains flexible and responsive to market demand.

Improvements, Acquisitions, and Other Initiatives

During the course of the year, the Company made a significant investment of £700,000 in facelift and improvement schemes on a number of properties including Long Street Workshops, Belgravia Workshops, and the Whitechapel Business Centre where a major upgrade has resulted from enclosing the previously open and unattractive stair towers. This expenditure will maintain and enhance the relative value of these estates.

In January 1991, the Company acquired from Equity & Law Life Assurance Society the freehold of Acton Business Centre for £1.55 million. The terms of the Company's original headlease on this site had made it very difficult to undertake active management or plan future redevelopment. Now that full control has been secured, the Company is in a better position to consider all of its options, from further management and investment initiatives to outright sale.

Shortly after the close of the



Cannon Wharf Business Centre – interior mall.

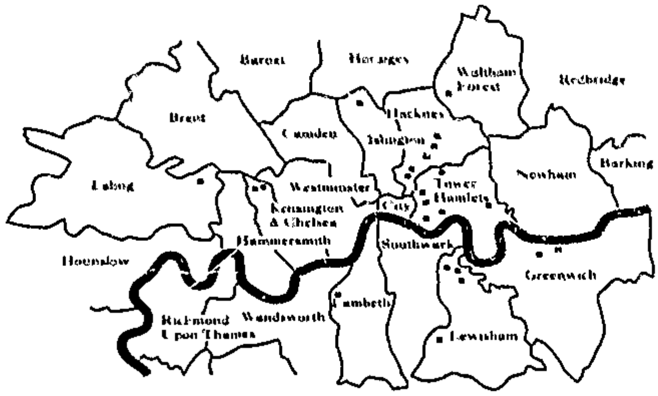
financial year, in April 1991, the Alpha Business Centre in the London Borough of Waltham Forest was opened. This is a joint venture between the Company and the Council to provide 47 starter workshops and studios. Under the joint venture, the Council has provided the premises and the finance for refurbishment whilst London Industrial has managed the development project and taken an over-riding lease of the completed scheme which it operates on a profit-share basis with the Borough. The Company believes that management initiatives such as this with local Councils is a key way forward for its future growth and development.

Portfolio Valuation

It is the Company's practice to commission an external valuation of its investment portfolio by Richard Ellis every three years or otherwise as required to support a major financing. The next such

Bernie Rosa and Adrian Hollis, picture framers at Belgravia Workshops, represent the type of small business that London Industrial attracts.

Magenta House, Whitechapel; the Company's headquarters.



Location of the Company's estates and business centres.

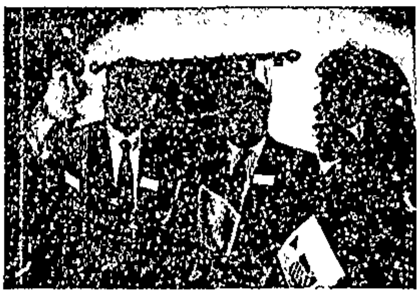
independent valuation will be carried out at 31st March 1992.

In intermediate years, valuations are carried out by the Directors, subject to consultation with Richard Ellis. The Directors have carried out a valuation of investment properties at 31st March 1991 and this has produced an aggregate valuation of £40.31 million. Adjusting for capital expenditure, the valuation shows a decline of £7.4 million or 16% compared with March 1990, a result comparable with that of other property investment companies.

Under the accounting policies adopted by the Company development properties move from development to investment status at the earlier of 75% occupancy or 12 months after completion. At the time of transfer of each property to investment status, an independent open market valuation will be made by Richard Ellis and the results in terms of development surpluses or deficits disclosed in the accounts. No developments had achieved investment status by 31st March 1991. Development properties are shown at cost of £8.2 million in the 1991 accounts, the Directors being of the view that the likely open market value of the properties, assuming normal letting, will not in aggregate be significantly different from their final cost.

Finance

During the year, development and improvement expenditure was financed largely from cash flow plus the balance of the proceeds of debenture stock issued in April 1989. The unexpected opportunity to buy the freehold interest at Acton was taken with the help of the Company's bankers, Barclays Bank PLC, who made available a term loan of £1.6 million repayable in instalments by January 1994. The variable rate of interest on this loan has been converted into a fixed rate of 13% by means of a "swap" arrangement. The Company also took advantage of a short-term loan of £2.8 million from English Estates (repaid in July 1991) to part-finance the purchase of the site of Pall Mall Deposit.



Tessa Sanderson with the London Industrial team after opening the Alpha Business Centre.

The Directors present their report and the consolidated audited accounts for the year ended 31st March 1991.

Principal Activities

The Company is engaged in property investment in the form of letting small units of industrial and business accommodation located in Greater London and intended primarily for new and small businesses. The Company has one active subsidiary, L I Property Services Limited, whose business is to earn fees and commissions by the management of property and by the provision of professional services, and one dormant subsidiary, London Business Centres Limited.

Operations Review

A review of the Group's operations is set out on pages 7 to 12 of this Report.

Profit and Dividends

The Group Profit after tax for the year attributable to shareholders amounted to £1,068,900 (1990 - £1,134,200). The Directors recommend the payment of a dividend of £480,000.

Fixed Assets

The Group's fixed assets consist of investment properties £40,310,000, (1990 – £45,400,000), development properties £8,212,300 (1990 – £3,172,900) and other assets £237,300 (1990 – £169,100). The directors having taken appropriate professional advice have valued the Company's investment properties at 31st March 1991 at open market value. The shortfall on revaluation has been offset against revaluation reserve.

Directors

Mr A R Porter, Mr C R Brocklehurst, Mr D K Evans and Mr W A Lovell served the Company as Directors throughout the year. Mr M R Calder resigned on 31st January 1991. Mr H Platt joined the Company on 15th April 1991.

In accordance with the Articles of Association, Mr C R Brocklehurst retires by rotation and, being eligible, he offers himself for re-election. Mr H Platt, appointed since the last annual general meeting, also retires and, being eligible, offers himself for re-election.

Directors' Interests

Mr A R Porter and Mr C R Brocklehurst are each beneficial owners of 3,000 Ordinary Shares in the Company. Mr M R Calder is a holder of an option to purchase a total of 8,000 Ordinary Shares (1990 – 8,000) in the Company exercisable at a price of £15 per share between 31st March 1991 and 30th April 1992 in accordance with the rules of the Company's senior employee share option scheme. No other Director had any interest in any of the Company's shares at 31st March 1991.

No Director had, during the year, any beneficial interest in any contract significant to the Company's business.

Share Capital

During the year, 120,000 Ordinary Shares were issued following the exercise by all the holders of the Company's 10% Convertible Unsecured Loan Stock of their option to convert at a rate of £15 of stock for each Ordinary Share.

Substantial Interests in the Share Capital of the Company

The Directors have been notified of the following shareholdings, amounting to 3% or more of the ordinary share capital of the Company.

Issued Shares at 25th July 1991

Holder	Number
ICE Investments Limited	114,000
Norwich Union Life Insurance Society	64,000
Prudential Assurance Company Limited	60,000
British Aerospace Pension Funds Trustees Limited	40,000
Kleinwort Benson Trustees Limited	29,334
Equity & Law Life Assurance Society PLC	20,000
Scottish Life Assurance Company	20,000
Hill Samuel Investment Management Limited	16,667
London Borough of Lewisham Superannuation Fund	16,666
London Borough of Southwark Superannuation Fund	13,333

Taxation Status

So far as the Directors are aware, the Company is not a close Company within the meaning of the Income and Corporation Taxes Act 1970.

Donations

The Company has made no political or charitable donations.

Auditors

A resolution to re-appoint the auditors, Price Waterhouse, and authorising the Directors to fix the remuneration, will be proposed at the Annual General Meeting.

By order of the Board

R W Lawson
Secretary
25th July 1991

To the members of London Industrial Plc

We have audited the financial statements set out on pages 16 to 27 in accordance with Auditing Standards.
In our opinion, the financial statements give a true and fair view of the state of affairs of the Company and the Group at 31st March 1991 and of the profit and source and application of funds of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Price Waterhouse

Price Waterhouse
Chartered Accountants
Southwark Towers,
32 London Bridge Street,
London SE1 9SY

25th July 1991

Consolidated Profit and Loss Account

[illegible]

Revenue	Notes	1991 £'000	1990 £'000
Rental income, service charges, and other recoveries	1	5,388.7	5,103.8
Rent payable and direct costs	1	(1,768.3)	(1,491.8)
Gross profit		3,620.4	3,612.0
Administrative expenses		(961.8)	(801.6)
Operating profit		2,658.6	2,810.4
Interest receivable	2	426.3	982.3
Interest payable	3	(1,620.2)	(2,168.3)
Profit on ordinary activities before taxation	4	1,464.7	1,624.4
Taxation on profit on ordinary activities	7	(395.8)	490.2
Profit on ordinary activities after taxation		1,068.9	1,134.2
Profit attributable to shareholders		1,068.9	1,134.2
Dividends		(480.0)	(840.0)
Retained for the year	17	588.9	294.2
Earnings per share	8	314.4p	405.1p
Fully diluted earnings per share	8	260.7p	320.5p
Capital		£'000	£'000
Profit on disposal of investment property		—	18.3
Taxation		—	(6.4)
Set aside to reserve		—	11.9

The notes on pages 20 to 27 form part of these financial statements.

Balance Sheets

at 31st March 1991

	Notes	Group 1991 £'000	Group 1990 £'000	Company 1991 £'000	Company 1990 £'000
Fixed assets					
Tangible assets					
Investment properties	9	40,310.0	45,445.0	40,310.0	45,445.0
Development properties	9	8,212.3	3,172.9	8,212.3	3,172.9
Other fixed assets	10	237.3	169.1	235.6	165.0
Investment in subsidiary		—	—	23.5	23.5
		48,759.6	48,787.0	48,781.4	48,806.4
Current assets					
Debtors	11	2,621.3	2,602.1	2,618.4	2,578.4
Investments	12	3,262.5	5,488.7	3,262.5	5,488.7
Cash at bank and in hand		1.9	9.9	0.6	0.1
		5,885.7	8,100.7	5,881.5	8,067.2
Creditors: amounts falling due within one year	13	(8,292.1)	(4,952.2)	(8,329.2)	(4,936.7)
Net current (liabilities) assets		(2,406.4)	3,148.5	(2,447.7)	3,130.5
Total assets less current liabilities		46,353.2	51,935.5	46,333.7	51,936.9
Creditors: amounts falling due after more than one year	14	(20,900.0)	(21,300.0)	(20,900.0)	(21,300.0)
Provisions for liabilities and charges	15	—	(124.3)	—	(124.3)
		25,453.2	30,511.2	25,433.7	30,512.6
Capital and reserves					
Called up share capital	16	400.0	280.0	400.0	280.0
Share premium account	17	3,501.5	1,821.5	3,501.5	1,821.5
Revaluation reserve	17	20,361.5	27,808.4	20,361.5	27,808.4
Capital reserve	17	11.9	11.9	11.9	11.9
Profit and loss account	17	1,178.3	589.4	1,158.8	590.8
Shareholders' funds		25,453.2	30,511.2	25,433.7	30,512.6
Net asset value per share	8	£74.86	£108.97		
Fully diluted net asset value per share	8	£62.60	£79.33		

The notes on pages 20 to 27 form part of these financial statements

These accounts and notes were approved by the Board of Directors on 25th July 1991

A R Porter

H Platt

Directors

H. Platt.

Statement of Source and Application of Funds

for the year ended 31st March 1991

	1991		1990	
	£'000	£'000	£'000	£'000
Source of funds				
Profit on ordinary activities before taxation		1,464.7		1,624.4
Profit on sale of investment property		—		18.3
Adjustment for items not involving the movement of funds:				
Depreciation		88.3		69.1
Profit on sale of fixed assets		(5.7)		(15.6)
Total generated from operations		1,547.3		1,696.2
Funds from other sources:				
Proceeds from issue of 11.625% First Mortgage Debenture Stock 2007	—		6,859.4	
Proceeds from sale of fixed assets	29.6		103.7	
Mortgage on freehold property	1,400.0		—	
		1,429.6		6,963.1
		2,976.9		8,659.3
Application of funds				
Dividends paid	840.0		280.0	
Tax paid	280.0		93.4	
Additions to investment properties	2,299.9		1,242.6	
Cost of development properties	5,322.8		2,715.0	
Purchase of other fixed assets	192.5		101.3	
Purchase of goodwill on acquisition of subsidiary	—		3.9	
		8,935.2		4,436.2
		(5,958.3)		4,223.1
Increase/(decrease) in working capital				
Increase in debtors	102.8		2,054.5	
Increase in creditors	(3,826.9)		(1,213.0)	
Movement in net liquid funds:				
Cash balances	(8.0)		6.9	
Short term investments	(2,226.2)		3,374.7	
		(5,958.3)		4,223.1

The notes on pages 20 to 27 form part of these financial statements

(a) Basis of Consolidation and Accounting

The Group financial statements include the accounts of the Company and its subsidiary to 31st March 1991. Except for investment properties, which are stated at revalued amounts under the alternative rules, the financial statements have been prepared under the historical cost accounting convention and in accordance with applicable Accounting Standards.

(b) Valuation of Properties

An independent professional valuation of investment properties is carried out at intervals of not more than three years and during the intervening years a Directors' valuation is made at the balance sheet date. An independent professional valuation was carried out by Richard Ellis, Chartered Surveyors, on 31st March 1989. The Directors' valuation at 31st March 1991 is set out on page 22.

The valuations are incorporated in the accounts and the valuation surpluses and deficits are transferred to revaluation reserve.

Current developments are valued and treated as investment properties when the development is 75% let or twelve months after practical completion, whichever is earlier. Properties held for, or in the course of, development are included in the balance sheet at cost, which includes attributable overheads and interest charges on external borrowings. At the time of transfer of each property to investment status an independent valuation will be obtained. Properties previously held as investments are transferred to development properties at valuation on the date when redevelopment is commenced.

(c) Depreciation and Amortisation

No provision is made for depreciation of freehold investment properties or for amortisation of leasehold investment properties, all of which are subject to annual valuation. In the opinion of the Directors, this accounting policy is necessary for the accounts to show a true and fair view. It would neither be practicable nor of real value to determine the depreciation or amortisation taken into account in arriving at the open market value.

Depreciation is provided on equipment, fittings and motor vehicles on a straight line basis over their useful lives at a rate of 25% p.a.

(d) Taxation

No provision is made for the amount of taxation which would become payable under present legislation if the properties held as investments were sold at the values at which they are stated in the financial statements.

Provision is made for any liability to taxation on timing differences between the treatment of certain items for taxation and accounting purposes, to the extent that it is reasonably probable that such taxation will be payable in the foreseeable future.

(e) Pensions

The cost of providing retirement pensions and related benefits is charged to the profit and loss account over the period benefiting from the employees' services.

1. Income and Contribution Analysis

	1991			1990		
	Income	Costs	Contribution	Income	Costs	Contribution
	£'000	£'000	£'000	£'000	£'000	£'000
Rental income	4,376.3	336.7	4,039.6	4,010.9	381.7	3,629.2
Service charges and other recoveries	941.2	1,431.6	(490.4)	1,027.1	1,110.1	(83.0)
Fees, commissions and sundry income	71.2	—	71.2	65.8	—	65.8
	5,388.7	1,768.3	3,620.4	5,103.8	1,491.8	3,612.0

2. Interest Receivable

The following amounts were earned during the year:

	1991	1990
	£'000	£'000
Short term deposits	415.2	971.1
Others	11.1	11.2
	426.3	982.3

3. Interest Payable

The following amounts were payable during the year:

	1991	1990
10% Convertible Loan Stock 2007 (converted September 1990)	85.5	180.0
11.125% First Mortgage Debenture Stock 2007	1,390.6	1,390.6
11.625% First Mortgage Debenture Stock 2007	813.8	780.0
Mortgage interest	157.7	—
Hire purchase interest	—	0.2
Bank and other interest on amounts wholly repayable within five years	6.2	1.2
	2,453.8	2,352.0
Less: interest capitalised	(833.6)	(183.7)
Charged to profit and loss account	1,620.2	2,168.3

4. Profit on Ordinary Activities Before Taxation

The profit for the year is stated after charging:

	1991	1990
	£'000	£'000
Head rents payable	336.7	381.7
Auditors' remuneration	21.0	17.6
Depreciation	88.3	69.1
Salaries	584.6	480.4
Social security costs	74.7	62.3
Other pensions costs	26.3	29.3

5. Employees

The average number of persons employed during the year was 38 (1990 – 32).

6. Directors' Emoluments

Directors' emoluments comprised:	1991 £'000	1990 £'000
Fees as directors	35.0	35.0
Salaries including pension contributions and benefits	175.1	109.5
	210.1	144.5

Directors' remuneration includes £66,953 (1990 – nil) in respect of compensation for loss of office, of which £5,619 represents the commuted value of pension contributions included with the compensation settlement. Directors' fees include £7,000 paid to a third party for making available the services of one of the non-executive directors of the Company.

The emoluments of the directors excluding pension contributions:		
The Chairman	64.6	49.9
The highest paid director (1991 includes compensation for loss of office)	109.8	64.0
The emoluments of the other directors fell within the following bands:		
£5,001 – £10,000	3	3

7. Taxation	1991 £'000	1990 £'000
Corporation tax at 34% (1990 – 35%)	283.4	76.2
ACT written off	236.7	289.7
Deferred taxation	(124.3)	124.3
	395.8	490.2

The tax charge for the year has been reduced by £369,000 (1990 – £230,000) as a result of relief due in respect of expenditure included in investment properties and by £nil (1990 – £170,000) in respect of losses brought forward.

8. Earnings per Share and Net Assets per Share

Earnings per share are calculated on the amount of attributable profit of £1,068,900 (1990 – £1,134,200) on 340,000 shares (1990 – 280,000) being the weighted average number of shares in issue during the year. Assuming full exercise of outstanding share options, fully diluted earnings per share are calculated on the amount of £1,068,900 (1990 – £1,134,200) on 410,000 shares (1990 – 410,000).

Net assets per share are calculated on net assets of £25,453,200 (1990 – £30,511,200) on 340,000 shares (1990 – 280,000) being the weighted average number of shares in issue during the year. Fully diluted net assets per share are calculated on net assets of £25,665,600 (1990 – £32,524,400) on 410,000 shares (1990 – 410,000).

9. (a) Investment Properties

Group and Company

	Freehold £'000	Mainly freehold £'000	Long leasehold £'000	Short leasehold £'000	Total £'000
Balance at 1st April 1990	38,855.0	4,720.0	1,870.0	—	45,445.0
Reclassified	—	12.1	—	—	12.1
Additions during the year	1,726.0	567.7	—	6.2	2,299.9
(Shortfall)/surplus on revaluation	(6,381.0)	(919.8)	(390.0)	243.8	(7,447.0)
31st March 1991	34,200.0	4,380.0	1,480.0	250.0	40,310.0
31st March 1990	38,855.0	4,720.0	1,870.0	—	45,445.0

The "mainly freehold" property includes a small site held under the terms of six leases. Four of these leases expire in 2084 and two in 2085. The leases date back from the 16th and 17th centuries and the present freeholders are not identified in any documentation and the annual ground rent of 30 pence is not demanded. Under the terms of an indemnity insurance policy held by the Company, compensation of up to £2 million will be provided in the event of a successful claim on title.

The group's investment properties were valued by the directors at 31st March 1991 and reviewed by Richard Ellis, Chartered Surveyors, on the basis of open market value and in accordance with the guidance notes issued by the Royal Institution of Chartered Surveyors.

9. (b) Freehold Development Properties

	Group 1991 £'000	Group 1990 £'000	Company 1991 £'000	Company 1990 £'000
Balance at 1st April 1990	3,172.9	122.2	3,172.9	122.2
Reclassified	—	400.0	—	400.0
Additions during the year	7,054.6	4,378.4	7,054.6	4,378.4
	10,277.5	4,900.6	10,277.5	4,900.6
Less contribution to development expenditure	(2,015.2)	(1,727.7)	(2,015.2)	(1,727.7)
Balance at 31st March 1991	8,212.3	3,172.9	8,212.3	3,172.9

At previous valuation	400.0	400.0
At cost, including interest net of tax relief at 34% of £671,800 (31st March 1990 – £121,600)	7,812.3	2,772.9
	8,212.3	3,172.9

10. Other Fixed Assets

(a) Group

	Motor vehicles £'000	Equipment and Fixtures £'000	Total £'000
Cost			
Balance at 1st April 1990	117.9	182.6	300.5
Reclassified	—	(21.5)	(21.5)
Additions during the year	105.2	87.3	192.5
Disposal during the year	(67.4)	—	(67.4)
31st March 1991	155.7	248.4	404.1
Depreciation			
Balance at 1st April 1990	47.2	84.2	131.4
Reclassified	—	(9.4)	(9.4)
Charged during the year	38.0	50.3	88.3
Disposal during the year	(43.5)	—	(43.5)
Balance at 31st March 1991	41.7	125.1	166.8
Net book value 31st March 1991	114.0	123.3	237.3
Net book value 31st March 1990	70.7	98.4	169.1

(b) Company

	Motor vehicles £'000	Equipment and Fixtures £'000	Total £'000
Cost			
Balance at 1st April 1990	117.9	173.3	291.2
Reclassified	—	(21.5)	(21.5)
Additions during the year	105.2	87.3	192.5
Disposal during the year	(67.4)	—	(67.4)
31st March 1991	155.7	239.1	394.8
Depreciation			
Balance at 1st April 1990	47.2	79.0	126.2
Reclassified	—	(9.4)	(9.4)
Charged during the year	38.0	47.9	85.9
Disposal during the year	(43.5)	—	(43.5)
Balance at 31st March 1991	41.7	117.5	159.2
Net book value 31st March 1991	114.0	121.6	235.6
Net book value 31st March 1990	70.7	94.3	165.0

11. Debtors

	Group 1991 £'000	Group 1990 £'000	Company 1991 £'000	Company 1990 £'000
Amounts falling due within one year				
Trade debtors	426.6	302.3	426.6	302.3
Amounts owed by subsidiary undertaking	—	—	—	5.1
Prepayments and accrued income	179.5	488.5	176.6	459.7
Amounts owing in respect of contribution to development expenditure	2,015.2	1,727.7	2,015.2	1,727.7
Amounts falling due after more than one year				
ACT recoverable	—	83.6	—	83.6
	2,621.3	2,602.1	2,618.4	2,578.4

12. Investments

Investments comprise short term deposits of £2,977,524 (1990 – £5,053,720) held in the name of the Company and an amount of £285,000 (1990 – £435,000) held in an account at the Company's bankers in the name of Trustees of the Company's 11.125% First Mortgage Debenture Stock. Interest on these funds is available to the Company.

13. Creditors: Amounts falling due within one year

	Group 1991 £'000	Group 1990 £'000	Company 1991 £'000	Company 1990 £'000
Mortgage on freehold properties and accrued interest thereon	3,157.7	—	3,157.7	—
Bank overdraft (secured)	1,050.3	938.0	1,050.3	938.0
Trade creditors	610.8	376.4	610.7	372.7
Amounts owed to subsidiary undertaking	—	—	37.7	—
Taxation and social security	252.6	360.5	252.6	357.6
Accruals and deferred income	2,729.5	2,419.1	2,729.0	2,417.2
Corporation tax	11.2	18.2	11.2	11.2
Dividends	480.0	840.0	480.0	840.0
	8,292.1	4,952.2	8,329.2	4,936.7

The Bank overdraft is secured by a charge on the Company's investment properties.

14. Creditors: Amounts falling due after more than one year

	Group 1991 £'000	Group 1990 £'000	Company 1991 £'000	Company 1990 £'000
Loans:				
Between two years and three years	1,200.0	—	1,200.0	—
Between one year and two years	200.0	—	200.0	—
In five years and more	19,500.0	21,300.0	19,500.0	21,300.0
	20,900.0	21,300.0	20,900.0	21,300.0

14. Creditors: Amounts falling due after more than one year continued

Amounts falling due in five years or more consist of:	Group 1991 £'000	Group 1990 £'000	Company 1991 £'000	Company 1990 £'000
Unsecured:				
10% Convertible Unsecured Loan Stock 2007	—	1,800.0	—	1,800.0
Secured:				
11.125% First Mortgage Debenture Stock 2007	12,500.0	12,500.0	12,500.0	12,500.0
11.625% First Mortgage Debenture Stock 2007	7,000.0	7,000.0	7,000.0	7,000.0
	19,500.0	21,300.0	19,500.0	21,300.0

Both the 11.125% and 11.625% First Mortgage Debenture Stock 2007 are secured on certain investment properties. The interest is payable on 31st March and 30th September each year.

15. Provisions for Liabilities and Charges

	Group 1991 £'000	Group 1990 £'000	Company 1991 £'000	Company 1990 £'000
Deferred taxation on:				
Accelerated capital allowances	—	12.5	—	12.5
Other short term timing differences	—	111.8	—	111.8
	—	124.3	—	124.3

16. Share Capital

	1991	1990
Authorised:		
Ordinary Shares of £1 each	500,000	500,000
Issued:		
Fully paid Ordinary Shares of £1 each	400,000	280,000

At various dates during September 1990 the holders of all of the Company's 10% Convertible Unsecured Loan Stock exercised their option to convert their stock into Ordinary Shares in the Company at the rate of £15 of stock for each Ordinary Share. Conversion involved the issue of 120,000 Ordinary Shares, fully paid.

At 31st March there were 10,000 (1990 – 10,000) share options exercisable on the Company's Ordinary Share Capital. The Directors' share options are disclosed in the Report of the Directors. A further 2,000 share options are exercisable by employees who are not Directors at a price of £46.20 between 9th October 1992 and 8th October 1999 in accordance with the rules of the Company's Employee Share Option Scheme.

17. Other Reserves

	1991 £'000	1990 £'000
(a) Share premium account	3,501.5	1,821.5

A premium of £1,680,000 arising from the conversion of the £1,800,000 10% Convertible Unsecured Loan Stock into 120,000 Ordinary Shares, fully paid, has been credited to share premium account.

(b) Revaluation reserve	Freehold £'000	Mainly Freehold £'000	Long Leasehold £'000	Short Leasehold £'000	Total £'000
Property valuation surplus:					
Balance at 1st April 1990	23,948.3	3,069.4	790.7	—	27,808.4
Year end revaluation adjustments	(6,381.0)	(919.8)	(390.0)	243.8	(7,447.0)
At 31st March 1991	17,567.3	2,149.6	400.7	243.8	20,361.4

(c) Capital reserve	1991 £'000	1990 £'000
Balance at 1st April 1990	11.9	—
Profit on disposal of investment property	—	14.7
Valuation surplus realised	—	3.6
Realised capital profit before taxation	—	18.3
Less taxation thereon	—	(6.4)
	11.9	11.9

(d) Profit and loss account	1991 £'000	1990 £'000
Balance at 1st April	589.4	299.1
Undistributed revenue profit for the year	588.9	294.2
Goodwill written off	—	(3.9)
	1,178.3	589.4

London Industrial Plc has not presented its own Profit and Loss Account as permitted by Section 230 of the Companies Act 1985. The consolidated profit attributable to the shareholders dealt with in the accounts of the holding company was £1,048,000 (1990 – £1.127,900).

18. Capital Commitment

The estimated commitment for future capital expenditure was:

	Group 1991 £'000	Group 1990 £'000	Company 1991 £'000	Company 1990 £'000
Under contract	1,356.1	4,260.8	1,356.1	4,260.8
Board authorised but not contracted	—	2,479.4	—	2,479.4

19. Pension Commitments

The Company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charge for the year represents contributions payable by the Company to the fund.

The Company's commitment with regard to pension contributions is equivalent to 10% of an employee's salary provided the employee contributes a minimum of 5%. The pension scheme is open to every employee after six months' qualifying service.

20. Subsidiary Undertaking

At 31st March 1991 the Company owned 100% (1990 – 100%) of the issued Share Capital of L I Property Services Limited, consisting of ordinary shares of £1 each. L I Property Services Limited is registered in England and traded in England during the year as property managers and consultants. At the same date, the Company also owned 100% (1990 – nil) of the issued share capital of London Business Centres Limited, consisting of ordinary shares of £1 each; this company, which was acquired during the year, has not traded.

21. Contingent Liabilities

No provision has been made for the amount of taxation which would become payable under present legislation if the properties held as investments were sold at the values at which they are stated in the financial statements. It is estimated that if these properties were now sold at valuation the tax liability would not exceed £7.0 million.

NOTICE IS HEREBY GIVEN that the Fifth Annual General Meeting of London Industrial Plc will be held at Magenta House, 85 Whitechapel Road, London E1 1DU, on Thursday, 26th September 1991 at 12.00 noon for the following purposes:

1. To receive and adopt the Company's Accounts for the financial year ended 31st March 1991 and the Reports of the Directors and the Auditors thereon.

2. To declare a dividend on the Ordinary Shares of £480,000 (£1.20 per share, net) in respect of the year ended 31st March 1991, payable on 30th September 1991 to shareholders on the register on 23rd September 1991.

3. To re-elect as a Director Mr C R Brocklehurst, who retires by rotation in accordance with Article 98 of the Company's Articles of Association. To re-elect as a Director Mr H Platt who, having been appointed since the last annual general meeting, retires and being eligible offers himself for re-election.

4. To re-appoint Price Waterhouse as Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration.

5. To transact any other ordinary business of the Company.

By Order of the Board

R W Lawson
Secretary
3rd September 1991
Registered Office:
Magenta House,
85 Whitechapel Road,
London E1 1DU

NOTES

1. A member of the Company entitled to attend and vote at the above meeting may appoint one or more proxies to attend and, on a poll, vote instead of him. A proxy need not be a Member of the Company.

2. The instrument appointing a proxy and the authority under which it is executed must be deposited at the registered office of the Company at least 48 hours before the time appointed for the holding of the meeting.

3. The appointment of a proxy will not preclude a member from attending and voting in person.