

FINSBURY AVENUE ESTATES PLC

DIRECTORS' REPORT AND ACCOUNTS
for the year ended
31st March 1999

Company Number : 1526447



FINSBURY AVENUE ESTATES PLC

REPORT OF THE DIRECTORS
for the year ended 31st March 1999

The directors submit their report and accounts for the year ended 31st March 1999.

Results and Dividends

The results for the year are set out in the profit and loss account on page 4. The directors do not recommend the payment of a dividend (1998 - £Nil).

Principal Activity

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

Review of Business and Prospects

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

Directors and their Interests in Share and Loan Capital

The directors who served during the year were:

J.H. Ritblat
C. Metliss
J.H. Weston Smith
D.C. Berry (resigned 17th July 1998)
N.S.J. Ritblat
R.E. Bowden
A. Braine

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

	Fully paid		Options over ordinary shares				Rights to	
	Ordinary shares		1984 Option		Sharesave		6% Irredeemable	
	31.3.99	1.4.98	31.3.99	1.4.98	31.3.99	1.4.98	Convertible Bonds	under Restricted
							Share Plan	
							(£ nominal)	
	31.3.99	1.4.98	31.3.99	1.4.98	31.3.99	1.4.98	31.3.99	1.4.98
A. Braine	6,212	5,809	42,382	42,382	2,728	1,792	68,000	34,000

A. Braine was granted options over 2,728, and options over 1,792 shares lapsed during the period.

FINSBURY AVENUE ESTATES PLC

**REPORT OF THE DIRECTORS
for the year ended 31st March 1999**

Statement of Directors' Responsibilities

The directors are required to prepare financial statements which comply with the Companies Act 1985 on a going concern basis (unless inappropriate) and which give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

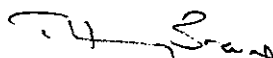
Year 2000

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

Auditors

Resolutions concerning Arthur Andersen's reappointment and remuneration will be proposed at the Annual General Meeting.

This report was approved by the Board on 4th June, 1999.



A. Braine
Secretary

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

FINSBURY AVENUE ESTATES PLC

**REPORT OF THE AUDITORS TO THE SHAREHOLDERS OF
FINSBURY AVENUE ESTATES PLC**

We have audited the financial statements on pages 4 to 15 which have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on page 7.

Respective Responsibilities of Directors and Auditors

As described on page 2, the Company's directors are responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of Opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company as at 31st March 1999 and of the result for year then ended and have been properly prepared in accordance with the Companies Act 1985.



Arthur Andersen,
Chartered Accountants
Registered Auditors
1 Surrey Street, London, WC2R 2PS
4th June 1999

FINSBURY AVENUE ESTATES PLC

**PROFIT AND LOSS ACCOUNT
for the year ended 31st March 1999**

	<u>Note</u>	<u>Revenue</u> <u>£</u>	<u>1999</u> <u>Capital</u> <u>£</u>	<u>Total</u> <u>£</u>	<u>Revenue</u> <u>£</u>	<u>1998</u> <u>Capital</u> <u>£</u>	<u>Total</u> <u>£</u>
Turnover							
Rental income		10,659,069	-	10,659,069	11,579,246	-	11,579,246
Total turnover		<u>10,659,069</u>	<u>-</u>	<u>10,659,069</u>	<u>11,579,246</u>	<u>-</u>	<u>11,579,246</u>
Cost of turnover		386,959	-	386,959	(62,788)	-	(62,788)
Gross profit (loss)	2	<u>11,046,028</u>	<u>-</u>	<u>11,046,028</u>	<u>11,516,458</u>	<u>-</u>	<u>11,516,458</u>
Operating profit (loss)	3	<u>11,046,028</u>	<u>-</u>	<u>11,046,028</u>	<u>11,516,458</u>	<u>-</u>	<u>11,516,458</u>
Disposal of properties		-	(31,072,290)	(31,072,290)	-	-	-
Interest receivable							
External - Unlisted		45	-	45	473	-	473
Interest payable							
Group		(9,510,815)	-	(9,510,815)	(9,950,462)	-	(9,950,462)
Profit (loss) on ordinary activities before taxation		<u>1,535,258</u>	<u>(31,072,290)</u>	<u>(29,537,032)</u>	<u>1,566,469</u>	<u>-</u>	<u>1,566,469</u>
Taxation	5	(400,785)	-	(400,785)	(485,605)	-	(485,605)
Profit (loss) after taxation		<u>1,134,473</u>	<u>(31,072,290)</u>	<u>(29,937,817)</u>	<u>1,080,864</u>	<u>-</u>	<u>1,080,864</u>
Retained profit (loss) transferred to (from) reserves	12	<u>1,134,473</u>	<u>(31,072,290)</u>	<u>(29,937,817)</u>	<u>1,080,864</u>	<u>-</u>	<u>1,080,864</u>

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

FINSBURY AVENUE ESTATES PLC

TOTAL RECOGNISED GAINS AND LOSSES
for the year ended 31st March 1999

	<u>Revenue</u>	<u>1999</u>	<u>Total</u>	<u>Revenue</u>	<u>1998</u>	<u>Total</u>
	<u>£</u>	<u>Capital</u>	<u>£</u>	<u>£</u>	<u>Capital</u>	<u>£</u>
		<u>£</u>			<u>£</u>	
Profit (loss) for the year	1,134,473	(31,072,290)	(29,937,817)	1,080,864	-	1,080,864
Revaluation of properties	-	-	-	-	25,968,680	25,968,680
Total recognised gains and losses	<u>1,134,473</u>	<u>(31,072,290)</u>	<u>(29,937,817)</u>	<u>1,080,864</u>	<u>25,968,680</u>	<u>27,049,544</u>

HISTORICAL COST PROFITS AND LOSSES
for the year ended 31st March 1999

Profit (loss) before taxation	1,535,258	(31,072,290)	(29,537,032)	1,566,469	-	1,566,469
Realisation of prior year revaluations	-	174,444,068	174,444,068	-	-	-
Historical cost profit (loss) before tax	<u>1,535,258</u>	<u>143,371,778</u>	<u>144,907,036</u>	<u>1,566,469</u>	<u>-</u>	<u>1,566,469</u>
Retained historical cost profit (loss)	<u>1,134,473</u>	<u>143,371,778</u>	<u>144,506,251</u>	<u>1,080,864</u>	<u>-</u>	<u>1,080,864</u>

FINSBURY AVENUE ESTATES PLC

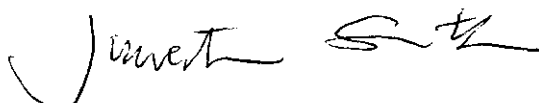
**BALANCE SHEET
as at 31st March 1999**

	<u>Note</u>	<u>£</u>	<u>1999</u>	<u>£</u>	<u>£</u>	<u>1998</u>	<u>£</u>
Fixed Assets							
Tangible assets							
Investment properties	6		10,000			216,000,000	
Investments	7		91,000,100			91,000,100	
Loans to group companies	7		-			-	
			<u>91,010,100</u>			<u>307,000,100</u>	
Current Assets							
Debtors	8	71,958,551		1,021,665			
		<u>71,958,551</u>		<u>1,021,665</u>			
Creditors due within one year	9	<u>909,598</u>		<u>116,024,895</u>			
Net current assets (liabilities)			<u>71,048,953</u>			<u>(115,003,230)</u>	
Total assets less current liabilities			<u>162,059,053</u>			<u>191,996,870</u>	
Creditors due after one year							
Provisions for liabilities and charges	10	-		-		-	
Net Assets (Liabilities)			<u>162,059,053</u>			<u>191,996,870</u>	
Capital and Reserves							
Called up share capital	11		1,015,145			1,015,145	
Share premium	12		-			-	
Capital reserves							
- Realised	12		136,737,378			(6,634,400)	
- Revaluation	12		-			174,444,068	
- Other - unrealised	12		-			-	
Profit and loss account	12		<u>24,306,530</u>			<u>23,172,057</u>	
Shareholders' Funds	12		<u>162,059,053</u>			<u>191,996,870</u>	

Non equity interests are stated in note 17.



C. Metliss



J. H. Weston Smith
Directors

Approved by the Board on 4th June 1999

FINSBURY AVENUE ESTATES PLC

NOTES TO THE ACCOUNTS **for the year ended 31st March 1999**

1. Accounting policies

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

Basis of preparation

The accounts have been prepared using a computer system. This is designed to cover a wide variety of companies and circumstances. As a result some notes may not be relevant for this company and so may be intentionally left blank.

Accounting basis

The accounts are prepared in accordance with applicable Accounting Standards and under the historical cost convention as modified by the revaluation of investment properties.

Properties

INVESTMENT PROPERTIES are independently valued each year on an open market basis. Any surplus or deficit arising is transferred to revaluation reserve, unless a deficit is expected to be permanent, in which case it is charged to the profit and loss account. The profit on disposal is based on book value.

In accordance with Statement of Standard Accounting Practice 19 no amortisation or depreciation is provided in respect of freehold or long leasehold properties. The directors consider that this accounting policy, which represents a departure from the statutory accounting rules, is necessary to provide a true and fair view. The financial effect of the departure from these rules cannot reasonably be quantified as depreciation or amortisation 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. Where properties held for investment are appropriated to trading stock, they are transferred at market value.

Investments

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

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

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

Taxation

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

On disposal of an investment property the element of tax relating to the Capital profit is charged to the profit and loss account and the element relating to earlier revaluation surpluses is included in the Statement of Total Recognised Gains and Losses.

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

Cash flow statement

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

FINSBURY AVENUE ESTATES PLC

NOTES TO THE ACCOUNTS
for the year ended 31st March 1999

	<u>1999</u> <u>£</u>	<u>1998</u> <u>£</u>
2. Gross profit (loss)		
Net rental income	11,046,028	11,516,458
Fees and commissions	-	-
Other trading income	-	-
	<u>11,046,028</u>	<u>11,516,458</u>
3. Operating profit (loss)		
Operating profit (loss) is stated after charging:		
Amortisation and depreciation	-	-
Directors remuneration	-	-
Auditors remuneration	-	-
Operating lease rentals	-	-
	<u>-</u>	<u>-</u>
4. Staff costs		
Wages and salaries	-	-
Social security costs	-	-
	<u>-</u>	<u>-</u>
Average number of employees of the Company during the year was Nil (1998 - Nil).		
5. Taxation		
UK corporation tax at 31% (1998 - 31%)	400,785	485,605
Prior years adjustment	-	-
Tax on franked investment income	-	-
Deferred tax	-	-
	<u>400,785</u>	<u>485,605</u>

FINSBURY AVENUE ESTATES PLC

**NOTES TO THE ACCOUNTS
for the year ended 31st March 1999**

6. Investment properties

	<u>Freehold</u> <u>£</u>	<u>Long</u> <u>leasehold</u> <u>£</u>	<u>Short</u> <u>leasehold</u> <u>£</u>	<u>Total</u> <u>£</u>
Cost and Valuation				
1st April 1998	216,000,000	-	-	216,000,000
Additions	12,582,290	-	-	12,582,290
Group transfers	(228,572,290)	-	-	(228,572,290)
31st March 1999	<u>10,000</u>	<u>-</u>	<u>-</u>	<u>10,000</u>
Amortisation & Depreciation				
1st April 1998	-	-	-	-
External disposals	-	-	-	-
Group transfers	-	-	-	-
Charge to revenue	-	-	-	-
31st March 1999	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net book value				
31st March 1999	<u>10,000</u>	<u>-</u>	<u>-</u>	<u>10,000</u>
1st April 1998	<u>216,000,000</u>	<u>-</u>	<u>-</u>	<u>216,000,000</u>
Analysis of Cost and Valuation				
31st March 1999				
Cost	10,000	-	-	10,000
Revaluation	-	-	-	-
Net book value	<u>10,000</u>	<u>-</u>	<u>-</u>	<u>10,000</u>
1st April 1998				
Cost	41,555,932	-	-	41,555,932
Revaluation	174,444,068	-	-	174,444,068
Net book value	<u>216,000,000</u>	<u>-</u>	<u>-</u>	<u>216,000,000</u>

Properties were valued by Weatherall Green & Smith, Chartered Surveyors, on the basis of open market value in accordance with the Appraisal and Valuation Manual published by The Royal Institution of Chartered Surveyors. Information on properties charged to secure borrowings of the ultimate holding company is stated in note 13. Information on interest capitalised is stated in note 14.

FINSBURY AVENUE ESTATES PLC

NOTES TO THE ACCOUNTS for the year ended 31st March 1999

7. Investments and loans to group companies

	<u>Shares in subsidiaries</u> <u>£</u>	<u>Other investments</u> <u>Listed</u> <u>£</u>	<u>Total</u> <u>£</u>	<u>Loans to Group companies</u> <u>£</u>
At cost or directors' valuation				
1st April 1998	91,000,100	-	91,000,100	-
Additions	-	-	-	-
Disposals	-	-	-	-
Revaluation	-	-	-	-
31st March 1999	91,000,100	-	91,000,100	-
At cost				
31st March 1999	91,000,100	-	91,000,100	-
1st April 1998	91,000,100	-	91,000,100	-

The subsidiary companies are:

<u>Subsidiary company</u>	<u>Activity</u>
Finsbury Avenue (Phase 2) PLC	Property Investment
Finsbury Avenue (Phase 3) PLC	Property Investment
Finsbury Avenue (Phase 4) Limited	Property Investment

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

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

FINSBURY AVENUE ESTATES PLC

NOTES TO THE ACCOUNTS
for the year ended 31st March 1999

	<u>1999</u> <u>£</u>	<u>1998</u> <u>£</u>
8. Debtors		
Trade debtors	-	5,979
Other debtors	6,776	33,385
Amounts owed by group companies		
- Current accounts	71,951,775	-
Corporation tax	-	852,825
Prepayments and accrued income	-	129,476
	<u>71,958,551</u>	<u>1,021,665</u>

9. Creditors due within one year

Trade creditors	23,208	180,513
Amounts owed to group companies		
- Current accounts	-	111,091,589
Corporation tax	886,390	1,582,972
Accruals and deferred income	-	3,169,821
	<u>909,598</u>	<u>116,024,895</u>

FINSBURY AVENUE ESTATES PLC

NOTES TO THE ACCOUNTS
for the year ended 31st March 1999

10. Provision for liabilities and charges

	<u>Sinking funds</u> <u>£</u>
1st April 1998	-
Additions	-
31st March 1999	-

FINSBURY AVENUE ESTATES PLC

NOTES TO THE ACCOUNTS
for the year ended 31st March 1999

11. Share capital

	<u>1999</u> <u>£</u>	<u>1998</u> <u>£</u>
Authorised		
1,003,878 9.1% cumulative preference shares of £1 each	1,003,878	1,003,878
11,267 ordinary shares of £1 each	11,267	11,267
	1,015,145	1,015,145
Allotted and fully paid		
1,003,878 9.1% cumulative preference shares of £1 each (non equity)	1,003,878	1,003,878
11,267 ordinary shares of £1 each	11,267	11,267
	1,015,145	1,015,145

The preference shares are entitled to a fixed cumulative dividend of 9.1%. They have no right to surplus profit on a winding up of the Company and are not entitled to be present at or vote at general meetings of the Company.

FINSBURY AVENUE ESTATES PLC

**NOTES TO THE ACCOUNTS
for the year ended 31st March 1999**

12. Reconciliation of movements in shareholders' funds

	<u>Share Capital</u> £	<u>Share Premium</u> £	<u>Capital Reserve - realised</u> £	<u>Capital Reserve - revaluation</u> £	<u>Capital Reserve - other unrealised</u> £	<u>Profit and Loss account</u> £	<u>Total</u> £
Opening shareholders' funds	1,015,145	-	(6,634,400)	174,444,068	-	23,172,057	191,996,870
Retained profit (loss)	-	-	(31,072,290)	-	-	1,134,473	(29,937,817)
Realisation of prior year revaluation	-	-	174,444,068	(174,444,068)	-	-	-
Closing shareholders' funds	<u>1,015,145</u>	<u>-</u>	<u>136,737,378</u>	<u>-</u>	<u>-</u>	<u>24,306,530</u>	<u>162,059,053</u>

FINSBURY AVENUE ESTATES PLC

NOTES TO THE ACCOUNTS for the year ended 31st March 1999

13. Secured properties

Properties valued at £Nil (1998 - £Nil) were charged to secure borrowings of the ultimate holding company.

14. Capitalised interest

The cumulative interest capitalised on the development of properties is £Nil (1998 - £Nil).

15. Capital commitments

The Company had capital commitments contracted at 31st March 1999 of £Nil (1998 - £12.7m).

16. Contingent liabilities

In the event of the realisation of properties at book value the liability for tax, after available reliefs at 31st March 1999 is estimated at £2,000 (1998 - £5,000).

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

17. Non equity interests

Shareholders' funds includes non equity interests of £1,003,878 (1998 - £1,003,878).

18. 9.1% cumulative preference shares

The intermediate holding company has formally waived its rights to a dividend amounting to £91,000 on the preference shares for the year ended 31st March 1999.

At 31st March 1999 there were no outstanding cumulative arrears.

19. Related parties

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

20. Ultimate holding company

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