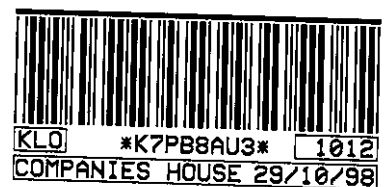


FINSBURY AVENUE ESTATES PLC

DIRECTORS' REPORT AND ACCOUNTS
for the year ended
31st March 1998

Company Number : 1526447



FINSBURY AVENUE ESTATES PLC

REPORT OF THE DIRECTORS **for the year ended 31st March 1998**

The directors submit their report and accounts for the year ended 31st March 1998.

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.

Results and Dividends

The results for the year are set out in the Profit and Loss Account on page 4. No dividend is recommended (1997 - £4,873,224).

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
N.S.J. Ritblat
R.E. Bowden (Appointed 1st July 1997)
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, D.C. Berry, 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 committee's report. The beneficial interests of the other director in the ultimate holding company are as follows:-

							Rights to 6% Irredeemable Convertible Bonds under Restricted Share Plan (£ nominal)	
Fully paid ordinary shares		<u>Options over ordinary shares</u>						
		1984 Option Scheme		Sharesave Scheme				
<u>31.3.98</u> <u>1.4.97</u>		<u>31.3.98</u>	<u>1.4.97</u>	<u>31.3.98</u>	<u>1.4.97</u>	<u>31.3.98</u>	<u>1.4.97</u>	
A. Braine	5,809 4,398	42,382	53,860	1,792	11,546	34,000	-	

A. Braine was granted options over 1,792 shares and exercised options in respect of 23,024 shares during the year.

FINSBURY AVENUE ESTATES PLC

REPORT OF THE DIRECTORS for the year ended 31st March 1998

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 as at the end of the financial year and of the results for that period. In preparing these financial statements suitable accounting policies consistently applied and supported by reasonable and prudent judgements and estimates, and applicable accounting standards have been followed.

The directors are also 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.

Payments Policy

In the absence of dispute, amounts due to trade and other suppliers are settled as expeditiously as possible within their terms of payment. As at 31st March 1998, there were 31 (1997 – 11) suppliers' days outstanding.

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

Binder Hamlyn having become part of the Andersen Worldwide Organisation in 1994, have resigned since the last Annual General Meeting in order that Arthur Andersen could be appointed. Resolutions concerning Arthur Andersen's reappointment and remuneration will be proposed at the Annual General Meeting.

This report was approved by the Board on 8th June 1998.

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 1998 and of the profit for the 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
8th June 1998

FINSBURY AVENUE ESTATES PLC

**PROFIT AND LOSS ACCOUNT
for the year ended 31st March 1998**

	<u>Note</u>	<u>Revenue</u> <u>£</u>	<u>1998</u> <u>Capital</u> <u>£</u>	<u>Total</u> <u>£</u>	<u>Revenue</u> <u>£</u>	<u>1997</u> <u>Capital</u> <u>£</u>	<u>Total</u> <u>£</u>
Turnover							
Rental income		11,579,246	-	11,579,246	11,531,088	-	11,531,088
Total turnover		<u>11,579,246</u>	<u>-</u>	<u>11,579,246</u>	<u>11,531,088</u>	<u>-</u>	<u>11,531,088</u>
Cost of turnover		(62,788)	-	(62,788)	(315,963)	-	(315,963)
Gross profit (loss)	2	<u>11,516,458</u>	<u>-</u>	<u>11,516,458</u>	<u>11,215,125</u>	<u>-</u>	<u>11,215,125</u>
Operating profit (loss)	3	<u>11,516,458</u>	<u>-</u>	<u>11,516,458</u>	<u>11,215,125</u>	<u>-</u>	<u>11,215,125</u>
<u>Interest receivable</u> External - Unlisted		473	-	473	5,348	-	5,348
<u>Interest payable</u> Group		(9,950,462)	-	(9,950,462)	(4,788,762)	-	(4,788,762)
Profit (loss) on ordinary activities before taxation		<u>1,566,469</u>	<u>-</u>	<u>1,566,469</u>	<u>6,431,711</u>	<u>-</u>	<u>6,431,711</u>
Taxation	5	<u>(485,605)</u>	<u>-</u>	<u>(485,605)</u>	<u>(1,097,367)</u>	<u>-</u>	<u>(1,097,367)</u>
Profit (loss) after taxation		<u>1,080,864</u>	<u>-</u>	<u>1,080,864</u>	<u>5,334,344</u>	<u>-</u>	<u>5,334,344</u>
<u>Dividends payable</u> Interim - inter-company - paid		-	-	-	(4,873,224)	-	(4,873,224)
Retained profit (loss) transferred to (from) reserves	12	<u>1,080,864</u>	<u>-</u>	<u>1,080,864</u>	<u>461,120</u>	<u>-</u>	<u>461,120</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 1998

	<u>Revenue</u> <u>£</u>	<u>1998</u> <u>Capital</u> <u>£</u>	<u>Total</u> <u>£</u>	<u>Revenue</u> <u>£</u>	<u>1997</u> <u>Capital</u> <u>£</u>	<u>Total</u> <u>£</u>
Profit (loss) for the year	1,080,864	-	1,080,864	5,334,344	-	5,334,344
Revaluation of properties	-	25,968,680	25,968,680	-	1,696,122	1,696,122
Total recognised gains and losses	<u>1,080,864</u>	<u>25,968,680</u>	<u>27,049,544</u>	<u>5,334,344</u>	<u>1,696,122</u>	<u>7,030,466</u>

HISTORICAL COST PROFITS AND LOSSES
for the year ended 31st March 1998

Profit (loss) before taxation	1,566,469	-	1,566,469	6,431,711	-	6,431,711
Historical cost profit (loss) before tax	<u>1,566,469</u>	<u>-</u>	<u>1,566,469</u>	<u>6,431,711</u>	<u>-</u>	<u>6,431,711</u>
Retained historical cost profit (loss)	<u>1,080,864</u>	<u>-</u>	<u>1,080,864</u>	<u>461,120</u>	<u>-</u>	<u>461,120</u>

FINSBURY AVENUE ESTATES PLC

**BALANCE SHEET
as at 31st March 1998**

	<u>Note</u>	<u>£</u>	<u>1998</u>	<u>£</u>	<u>£</u>	<u>1997</u>	<u>£</u>
Fixed Assets							
Tangible assets							
Investment properties	6		216,000,000			190,000,000	
Investments	7		91,000,100			91,000,100	
Loans to group companies	7		-			-	
			<u>307,000,100</u>			<u>281,000,100</u>	
Current Assets							
Debtors	8	1,021,665			1,209,285		
		<u>1,021,665</u>			<u>1,209,285</u>		
Creditors due within one year	9	116,024,895			117,262,059		
Net current assets (liabilities)			(115,003,230)			(116,052,774)	
Total assets less current liabilities			191,996,870			164,947,326	
Creditors due after one year							
Provisions for liabilities and charges	10	-			-		
Net Assets (Liabilities)			<u>191,996,870</u>			<u>164,947,326</u>	
Capital and Reserves							
Called up share capital	11		1,015,145			1,015,145	
Share premium	12		-			-	
Capital reserves							
- Realised	12		(6,634,400)			(6,634,400)	
- Revaluation	12		174,444,068			148,475,388	
- Other - unrealised	12		-			-	
Profit and loss account	12		23,172,057			22,091,193	
Shareholders' Funds	12		<u>191,996,870</u>			<u>164,947,326</u>	

Non equity interests are stated in note 17.

C. Metliss




J. H. Weston Smith
Directors

Approved by the Board on 8th June 1998

FINSBURY AVENUE ESTATES PLC

NOTES TO THE ACCOUNTS **for the year ended 31st March 1998**

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 and 1997 comparatives

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. In addition the 1997 comparatives have also been sourced from the computer system and in some cases the classification of 1997 amounts will be different from that presented last year. These differences are not material.

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.

Investment 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.

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.

Foreign currencies

Assets and liabilities denominated in foreign currencies are translated at the exchange rate at the balance sheet date or the rate where hedged. Transactions in foreign currencies are translated at the rate ruling at those dates or the contracted rate where hedged.

Cashflow statement

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

FINSBURY AVENUE ESTATES PLC

**NOTES TO THE ACCOUNTS
for the year ended 31st March 1998**

	<u>1998</u> <u>£</u>	<u>1997</u> <u>£</u>
2. Gross profit (loss)		
Net rental income	11,516,458	11,215,125
Fees and commissions	-	-
Other trading income	-	-
	<u>11,516,458</u>	<u>11,215,125</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 (1997 - Nil).		
5. Taxation		
UK corporation tax at 31% (1997 - 33%)	485,605	1,097,367
Prior years adjustment	-	-
Tax on franked investment income	-	-
Deferred tax	-	-
	<u>485,605</u>	<u>1,097,367</u>

FINSBURY AVENUE ESTATES PLC

**NOTES TO THE ACCOUNTS
for the year ended 31st March 1998**

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 1997	190,000,000	-	-	190,000,000
Additions	31,320	-	-	31,320
Revaluation	25,968,680	-	-	25,968,680
31st March 1998	<u>216,000,000</u>	<u>-</u>	<u>-</u>	<u>216,000,000</u>
Amortisation & Depreciation				
1st April 1997	-	-	-	-
External disposals	-	-	-	-
Group transfers	-	-	-	-
Charge to revenue	-	-	-	-
31st March 1998	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net book value				
31st March 1998	<u>216,000,000</u>	<u>-</u>	<u>-</u>	<u>216,000,000</u>
1st April 1997	<u>190,000,000</u>	<u>-</u>	<u>-</u>	<u>190,000,000</u>
Analysis of Cost and Valuation				
31st March 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>
1st April 1997				
Cost	41,524,612	-	-	41,524,612
Revaluation	148,475,388	-	-	148,475,388
Net book value	<u>190,000,000</u>	<u>-</u>	<u>-</u>	<u>190,000,000</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 1998

7. Investments and loans to group companies

	<u>Shares in</u> <u>Subsidiaries</u> <u>£</u>	<u>Other</u> <u>investments</u> <u>Listed</u> <u>£</u>	<u>Total</u> <u>£</u>	<u>Loans to</u> <u>group</u> <u>companies</u> <u>£</u>
1st April 1997	91,000,100	-	91,000,100	-
Additions	-	-	-	-
Disposals	-	-	-	-
Revaluation	-	-	-	-
31st March 1998	91,000,100	-	91,000,100	-
Cost				
31st March 1998	91,000,100	-	91,000,100	-
1st April 1997	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 1998

	<u>1998</u> <u>£</u>	<u>1997</u> <u>£</u>
8. Debtors		
Trade debtors	5,979	274,337
Other debtors	33,385	-
Corporation tax	852,825	852,825
Prepayments and accrued income	129,476	82,123
	<u>1,021,665</u>	<u>1,209,285</u>
 9. Creditors due within one year		
Trade creditors	180,513	49,082
Other creditors	-	5,000
Amounts owed to group companies		
- Current accounts	111,091,589	108,895,729
Corporation tax	1,582,972	4,879,780
Other taxation and social security	-	16,223
Accruals and deferred income	3,169,821	3,416,245
	<u>116,024,895</u>	<u>117,262,059</u>

FINSBURY AVENUE ESTATES PLC

**NOTES TO THE ACCOUNTS
for the year ended 31st March 1998**

10. Provision for liabilities and charges

	<u>Sinking funds</u> <u>£</u>
1st April 1997	-
Additions	-
31st March 1998	-

FINSBURY AVENUE ESTATES PLC

NOTES TO THE ACCOUNTS
for the year ended 31st March 1998

11. Share capital

	<u>1998</u> <u>£</u>	<u>1997</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
	<u>1,015,145</u>	<u>1,015,145</u>
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
	<u>1,015,145</u>	<u>1,015,145</u>

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 1998**

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)	148,475,388	-	22,091,193	164,947,326
Retained profit (loss)	-	-	-	-	-	1,080,864	1,080,864
Revaluation of properties	-	-	-	25,968,680	-	-	25,968,680
Closing shareholders' funds	<u>1,015,145</u>	<u>-</u>	<u>(6,634,400)</u>	<u>174,444,068</u>	<u>-</u>	<u>23,172,057</u>	<u>191,996,870</u>

FINSBURY AVENUE ESTATES PLC

NOTES TO THE ACCOUNTS
for the year ended 31st March 1998

13. Secured properties

Properties valued at £Nil (1997 - £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 (1997 - £Nil).

15. Capital commitments

The Company had capital commitments contracted at 31st March 1998 of £12,686,180 (1997 - £Nil).

16. Contingent liabilities

In the event of the realisation of properties at book value the liability for tax, after available reliefs at 31st March 1998 is estimated at £47.4m (1997 - £45.1m).

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 (1997 - £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 1998.

At 31st March 1998 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.