

**BROADGATE CITY PLC**

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

**Company Number : 1769078**



## **BROADGATE CITY 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 the holding of investments, its subsidiary companies are principally engaged in property investment and development.

#### **Review of Business and Prospects**

The Company is a subsidiary of Broadgate Properties Plc. The activities of the Broadgate Properties Plc group are reviewed in the Directors' Report of that company.

As reported last year, the Company has entered into agreements for the redevelopment of the Great Eastern Hotel, which adjoins Broadgate. Following completion of the redevelopment, which is expected in the financial year ending 31st March 2000, the hotel will have approximately 265 rooms together with extensive restaurant and conference facilities. The Company will be granted a long lease over premises by the freeholder, Railtrack Plc. A new company jointly owned by Arcadian International Plc and Conran Holdings Limited will undertake the redevelopment and operate the hotel and restaurants as a tenant of Broadgate City Plc.

During the year, the investment property at 6 Broadgate was transferred to the Company from a subsidiary 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 - £Nil).

#### **Directors and their Interests in Share and Loan Capital**

The directors who served during the year were:

J.H. Ritblat  
J.H. Weston Smith  
D.C. Berry  
S.L. Kalman  
N.S.J. Ritblat  
S. Adam

No director held a beneficial interest in the share capital of the Company. The above directors 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.

**BROADGATE CITY 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.

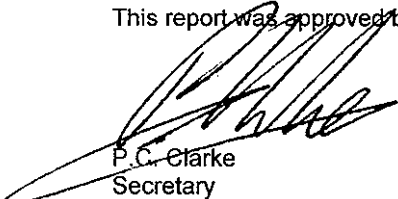
**Year 2000**

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.



P.C. Clarke  
Secretary

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

**BROADGATE CITY PLC**

**REPORT OF THE AUDITORS' TO THE SHAREHOLDERS OF  
BROADGATE CITY 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

**BROADGATE CITY 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>
<b>Turnover</b>							
Rental income		9,880,352	-	9,880,352	588,044	-	588,044
<b>Total turnover</b>		<u>9,880,352</u>	<u>-</u>	<u>9,880,352</u>	<u>588,044</u>	<u>-</u>	<u>588,044</u>
<b>Cost of turnover</b>		(101,478)	-	(101,478)	(1,446,093)	-	(1,446,093)
<b>Gross profit (loss)</b>	2	<u>9,778,874</u>	<u>-</u>	<u>9,778,874</u>	<u>(858,049)</u>	<u>-</u>	<u>(858,049)</u>
Administrative expenses		-	-	-	(27,243)	-	(27,243)
<b>Operating profit (loss)</b>	3	<u>9,778,874</u>	<u>-</u>	<u>9,778,874</u>	<u>(885,292)</u>	<u>-</u>	<u>(885,292)</u>
<u>Interest receivable</u>							
External - Unlisted		4,604	-	4,604	277	-	277
<u>Interest payable</u>							
Group		(8,632,746)	-	(8,632,746)	-	-	-
External - other		-	-	-	(4,803,080)	-	(4,803,080)
<b>Profit (loss) on ordinary activities before taxation</b>		<u>1,150,732</u>	<u>-</u>	<u>1,150,732</u>	<u>(5,688,095)</u>	<u>-</u>	<u>(5,688,095)</u>
Taxation	5	(194,481)	-	(194,481)	1,587,242	-	1,587,242
<b>Profit (loss) after taxation</b>		<u>956,251</u>	<u>-</u>	<u>956,251</u>	<u>(4,100,853)</u>	<u>-</u>	<u>(4,100,853)</u>
<b>Retained profit (loss) transferred to (from) reserves</b>	12	<u>956,251</u>	<u>-</u>	<u>956,251</u>	<u>(4,100,853)</u>	<u>-</u>	<u>(4,100,853)</u>

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

**BROADGATE CITY PLC**

**TOTAL RECOGNISED GAINS AND LOSSES**  
**for the year ended 31st March 1998**

	<u>Revenue</u>	<u>1998</u>	<u>Total</u>	<u>Revenue</u>	<u>1997</u>	<u>Total</u>
	<u>£</u>	<u>Capital</u>	<u>£</u>	<u>£</u>	<u>Capital</u>	<u>£</u>
Profit (loss) for the year	956,251	-	956,251	(4,100,853)	-	(4,100,853)
Revaluation of properties	-	17,000,000	17,000,000	-	-	-
Total recognised gains and losses	<u>956,251</u>	<u>17,000,000</u>	<u>17,956,251</u>	<u>(4,100,853)</u>	<u>-</u>	<u>(4,100,853)</u>

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

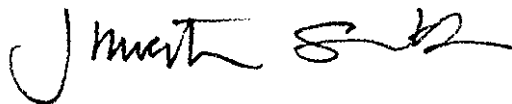
Profit (loss) before taxation	1,150,732	-	1,150,732	(5,688,095)	-	(5,688,095)
Historical cost profit (loss) before tax	<u>1,150,732</u>	<u>-</u>	<u>1,150,732</u>	<u>(5,688,095)</u>	<u>-</u>	<u>(5,688,095)</u>
Retained historical cost profit (loss)	<u>956,251</u>	<u>-</u>	<u>956,251</u>	<u>(4,100,853)</u>	<u>-</u>	<u>(4,100,853)</u>

**BROADGATE CITY 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>
<b>Fixed Assets</b>							
Tangible assets							
Investment properties	6		189,311,609			-	
Investments	7		1,125,100			1,125,100	
Loans to group companies	7		-			-	
			<u>190,436,709</u>			<u>1,125,100</u>	
<b>Current Assets</b>							
Debtors	8	6,818,252			66,763,938		
		<u>6,818,252</u>			<u>66,763,938</u>		
<b>Creditors due within one year</b>	9	<u>111,679,342</u>			<u>269,670</u>		
<b>Net current assets (liabilities)</b>			<u>(104,861,090)</u>			<u>66,494,268</u>	
<b>Total assets less current liabilities</b>			<u>85,575,619</u>			<u>67,619,368</u>	
<b>Creditors due after one year</b>							
Provisions for liabilities and charges	10	<u>-</u>			<u>-</u>		
<b>Net Assets (Liabilities)</b>			<u>85,575,619</u>			<u>67,619,368</u>	
<b>Capital and Reserves</b>							
Called up share capital	11		1,000,000			1,000,000	
Share premium	12		-			-	
Capital reserves							
- Realised	12		-			-	
- Revaluation	12		17,000,000			-	
- Other - unrealised	12		-			-	
Profit and loss account	12		<u>67,575,619</u>			<u>66,619,368</u>	
<b>Shareholders' Funds</b>	12		<u>85,575,619</u>			<u>67,619,368</u>	

Non equity interests are stated in note 17.



J.H. Weston Smith



S. Adam

Directors

Approved by the Board on 8th June 1998

## **BROADGATE CITY 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.



**BROADGATE CITY PLC**

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

	<u>1998</u> <u>£</u>	<u>1997</u> <u>£</u>
<b>2. Gross profit (loss)</b>		
Net rental income	9,778,874	(858,049)
Fees and commissions	-	-
Other trading income	-	-
	<u>9,778,874</u>	<u>(858,049)</u>
<b>3. Operating profit (loss)</b>		
Operating profit (loss) is stated after charging:		
Amortisation and depreciation	-	-
Directors remuneration	-	-
Auditors remuneration	-	-
Operating lease rentals	-	-
	<u>-</u>	<u>-</u>
<b>4. Staff costs</b>		
Wages and salaries	-	-
Social security costs	-	-
	<u>-</u>	<u>-</u>
Average number of employees of the Company during the year was Nil (1997 - Nil).		
<b>5. Taxation</b>		
UK corporation tax at 31% (1997 - 33%)	194,481	(1,587,242)
Prior years adjustment	-	-
Tax on franked investment income	-	-
Deferred tax	-	-
	<u>194,481</u>	<u>(1,587,242)</u>

**BROADGATE CITY 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>
<b>Cost and Valuation</b>				
Additions	-	311,609	-	311,609
Group transfers	172,000,000	-	-	172,000,000
Revaluation	17,000,000	-	-	17,000,000
<b>31st March 1998</b>	<u>189,000,000</u>	<u>311,609</u>	<u>-</u>	<u>189,311,609</u>
<b>Amortisation &amp; Depreciation</b>				
1st April 1997	-	-	-	-
External disposals	-	-	-	-
Group transfers	-	-	-	-
Charge to revenue	-	-	-	-
<b>31st March 1998</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net book value</b>				
<b>31st March 1998</b>	<u>189,000,000</u>	<u>311,609</u>	<u>-</u>	<u>189,311,609</u>
<b>1st April 1997</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Analysis of Cost and Valuation</b>				
<b>31st March 1998</b>				
Cost	172,000,000	311,609	-	172,311,609
Revaluation	17,000,000	-	-	17,000,000
<b>Net book value</b>	<u>189,000,000</u>	<u>311,609</u>	<u>-</u>	<u>189,311,609</u>
<b>1st April 1997</b>				
Cost	-	-	-	-
Revaluation	-	-	-	-
<b>Net book value</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</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.

# **BROADGATE CITY PLC**

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

### **7. Investments and loans to group companies**

	<u>Shares in Subsidiaries</u> £	<u>Other investments Listed</u> £	<u>Total</u> £	<u>Loans to group companies</u> £
1st April 1997	1,125,100	-	1,125,100	-
Additions	-	-	-	-
Disposals	-	-	-	-
Revaluation	-	-	-	-
31st March 1998	1,125,100	-	1,125,100	-
Cost				
31st March 1998	1,125,100	-	1,125,100	-
1st April 1997	1,125,100	-	1,125,100	-

The principal subsidiary companies at 31st March 1998 were as follows:

	Percentage shareholding held though Company	Subsidiary Company
135 Bishopsgate Limited		100%
Broadgate Business Centre Limited		100%
Broadgate Court Investments Limited		100%
Broadgate Estates Limited (building and estate management)		100%
Broadgate Phase 12 Limited		100%
Broadgate Square Limited	100%	
Exchange House Holdings Limited		100%
Four Broadgate Limited	100%	
Six Broadgate Limited	100%	
The Broadgate Club Plc (health club operator)		100%
Whiteapple Development Limited		100%

All the above companies are engaged in property investment and development in the United Kingdom, except where otherwise stated.

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.

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

	<u>1998</u> <u>£</u>	<u>1997</u> <u>£</u>
<b>8. Debtors</b>		
Trade debtors	3,463	-
Other debtors	37,087	(1)
Amounts owed by group companies		
- Current accounts	5,133,692	64,931,815
Corporation tax	1,587,242	1,587,242
Prepayments and accrued income	56,768	244,882
	<u>6,818,252</u>	<u>66,763,938</u>
 <b>9. Creditors due within one year</b>		
Other creditors	283,549	-
Amounts owed to group companies		
- Current accounts	108,632,746	15,107
Corporation tax	194,481	-
Accruals and deferred income	2,568,566	254,563
	<u>111,679,342</u>	<u>269,670</u>

BROADGATE CITY PLC

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

10. Provision for liabilities and charges

Sinking  
funds  
£

1st April 1997  
Additions  
31st March 1998

-  
-  
-

**BROADGATE CITY PLC**

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

**11. Share capital**

	<b><u>1998</u></b> <b><u>£</u></b>	<b><u>1997</u></b> <b><u>£</u></b>
<b>Authorised</b>		
5,000,000 ordinary shares of £1 each	5,000,000	5,000,000
	<u>5,000,000</u>	<u>5,000,000</u>
<b>Allotted and fully paid</b>		
1,000,000 ordinary shares of £1 each	1,000,000	1,000,000
	<u>1,000,000</u>	<u>1,000,000</u>

**BROADGATE CITY PLC****NOTES TO THE ACCOUNTS**  
**for the year ended 31st March 1998****12. Reconciliation of movements in shareholders' funds**

	<u>Share Capital</u> <u>£</u>	<u>Share Premium</u> <u>£</u>	<u>Capital Reserve - realised</u> <u>£</u>	<u>Capital Reserve - revaluation</u> <u>£</u>	<u>Capital Reserve - other unrealised</u> <u>£</u>	<u>Profit and loss account</u> <u>£</u>	<u>Total</u> <u>£</u>
Opening shareholders' funds	1,000,000	-	-	-	-	66,619,368	67,619,368
Retained profit (loss)	-	-	-	-	-	956,251	956,251
Revaluation of properties	-	-	-	17,000,000	-	-	17,000,000
Closing shareholders' funds	<u>1,000,000</u>	<u>-</u>	<u>-</u>	<u>17,000,000</u>	<u>-</u>	<u>67,575,619</u>	<u>85,575,619</u>

**BROADGATE CITY 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 £8,346,000 (1997 - £Nil).

**15. Capital commitments**

The Company had capital commitments contracted at 31st March 1998 of £30,229,000 (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 £8,671,000 (1997 - £Nil).

The Company is jointly and severally liable with Broadgate Properties Plc and fellow subsidiaries for all monies falling due under the group VAT registration.

**17. Non equity interests**

Shareholders' funds includes non equity interests of £Nil (1997 - £Nil).

**18. 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.

**19. Holding Company**

The Company is a subsidiary of Broadgate Properties Plc.

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