

BL (SP) Cannon Street Limited
(formerly Stanhope Cannon Street Limited)

Directors' Report and Accounts

For the period ended
31st March 1995

Company Number: 2283030



BL (SP) Cannon Street Limited
(formerly Stanhope Cannon Street Limited)
Report of the directors
for the period ended 31st March 1995

The directors submit their report and accounts for the period ended 31st March 1995.

Principal activity

The principal activity of the company is that of property investment and development.

Change of name and change of accounting reference date

The company changed its name by special resolution dated 25th April 1995 from Stanhope Cannon Street Limited to BL (SP) Cannon Street Limited. The company also changed its accounting reference date from 30th June to 31st March.

Review of the business

On 23rd March 1995 the company became a subsidiary of The British Land Company PLC.

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

The company has planning consent for the redevelopment of its leasehold interest.

Directors and their interests in share capital

The directors who served during the period were:

D.J. Camp	(resigned 7th April 1995)
R.M. Dantzic	(resigned 7th April 1995)

No director held any beneficial interest in the share capital of the company.

At 31st March 1995, no director had notified an interest in the share and loan capital of The British Land Company PLC, the ultimate holding company.

The following were appointed directors after 31st March 1995:

C. Metliss	(appointed 24th May 1995)
D.C. Berry	(appointed 7th April 1995)
N.S.J. Ritblat	(appointed 7th April 1995)
C.M.J. Forshaw	(appointed 12th May 1995)

Messrs. C. Metliss, D.C. Berry and N.S.J. Ritblat are also directors of the ultimate holding company.

Results and dividends

The accounts show the state of the company's financial affairs. The loss for the period of £5,973,411 (1994 Profit - £226,952) has been transferred to reserves. No dividend is recommended.

BL (SP) Cannon Street Limited
(formerly Stanhope Cannon Street Limited)
Report of the directors (*Continued*)
for the period ended 31st March 1995

Directors' responsibilities

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those accounts, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts; and

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

Auditors

A resolution to re-appoint Ernst & Young as auditors will be put to the members at the annual general meeting.

By order of the Board

A. Braine



Secretary

10 Cornwall Terrace
Regent's Park
London NW1 4QP

30th January 1996

Report of the auditors

To the members of BL (SP) Cannon Street Limited (formerly Stanhope Cannon Street Limited)

We have audited the accounts on pages 4 to 9 which have been prepared on the basis of the accounting policies set out on page 6 and 7.

Respective responsibilities of directors and auditors

As described on page 2 the company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts 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 an examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

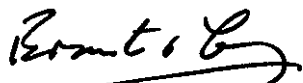
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error.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

Going concern

In forming our opinion, we have considered the adequacy of the disclosures made in note 1 concerning the uncertainty regarding the company's ability to repay £11.8 million of indebtedness. The indebtedness is owed to the immediate parent company whose current intention is not to demand repayment prior to 31st January 1997. We consider that, in the view of the significance of this uncertainty, it should be drawn to your attention, although our opinion is not qualified in this respect.

Opinion

In our opinion the accounts give a true and fair view of the state of the company's affairs as at 31st March 1995 and of its loss for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



ERNST & YOUNG

*Chartered Accountants
and Registered Auditors
London*

Date *31 January 1996*

BL (SP) Cannon Street Limited
(formerly Stanhope Cannon Street Limited)
Profit and loss account
for the period ended 31st March 1995

		Period ended 31st March 1995 Total £	Year ended 30th June 1994 Total £
	Note		
Administrative expenses			(2,174)
Operating Loss	2	<hr/>	<hr/> (2,174)
Provision against amounts due from group companies			39,509
(Increase)/ decrease in provision	5	(5,973,534)	189,617
Interest receivable - unlisted		123	
(Loss) / profit on ordinary activities before and after taxation		<hr/> £ (5,973,411) <hr/>	<hr/> £ 226,952 <hr/>

The company's results derive from continuing operations.
The company had no other recognised gains or losses during the period.

BL (SP) Cannon Street Limited
(formerly Stanhope Cannon Street Limited)
Balance sheet
at 31st March 1995

	Note	31st March 1995		30th June 1994	
		£	£	£	£
Current assets					
Debtors	3	566,780		609,113	
Cash at bank		6,832			
		<u>573,612</u>		<u>609,113</u>	
Creditors: due within one year	4	(11,816,402)		(10,034,575)	
		<u></u>		<u></u>	
Net current liabilities			(11,242,790)		(9,425,462)
Creditors: due after one year					
Provisions for liabilities and charges	5	(9,156,083)		(5,000,000)	
		<u></u>		<u></u>	
		£ (20,398,873)		£ (14,425,462)	
		<u></u>		<u></u>	
Capital and reserves					
Called up share capital	6		2		2
Profit and loss account	7		(20,398,875)		(14,425,464)
			<u></u>		<u></u>
Shareholders' funds	8		£ (20,398,873)		£ (14,425,462)
			<u></u>		<u></u>

The accounts were approved by the Board on 30th January 1996


D.C. Berry

)

) **Directors**

C.M.J. Forshaw

)



1 Accounting policies and going concern assumptions

(a) Accounting basis

The accounts are prepared under the historical cost convention and in accordance with applicable accounting standards.

(b) Investment properties

Properties in the course of development are stated at cost less provisions for any permanent diminution in value. Interest and other outgoings attributable to the developments are capitalised in the cost of the properties until the latter are effectively completed, substantially let and income producing whereupon they are reclassified as completed investment properties.

(c) Deferred taxation

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 the directors consider that a liability to taxation is unlikely to crystallise in the foreseeable future.

(d) Operating leases

Rentals paid under operating leases are charged to income on a straight line basis, save that no account is taken of possible future changes in rents unless they are pre-determined in the lease, over the shorter of:

- (i) the term of the lease; and
- (ii) a reasonable estimate of the likely period of ownership of the asset.

This note is an extract from note 1 of the accounts of the immediate parent company (BL (SP) Properties PLC (formerly Stanhope Properties Plc)) for the period ended 31st March 1995.

"Acquisition of Company by The British Land Group, Subsequent Events and going concern assumptions

On 6th January 1993 the company obtained a new Revolving Credit Facility ("RCF") of up to £160m under certain conditions from a syndicate of banks ("the Syndicate"). The RCF was available until December 1996 subject to the company complying with a number of specified covenants and subject to extensions, which were required to be agreed, unanimously by members of the Syndicate in December 1994 and December 1995.

On 22nd December 1994, in order to protect the Syndicate's position, the agent for the Syndicate notified the company that the RCF was terminated. Accordingly all sums due thereunder became repayable, although the Syndicate refrained from demanding repayment.

On 19th January 1995, The British Land Group ("British Land") announced that it would make a conditional offer for all the issued share capital of the company other than the 49,625,664 ordinary shares it already owned. In conjunction with this offer, British Land also made a proposal to the Syndicate under which British Land would settle or purchase the amount outstanding under the RCF.

On 16th February 1995, British Land made an offer for the remaining share capital of the company and on 23rd March 1995 British Land declared its offer unconditional in all respects. At that date, British Land owned or had received acceptances for 91.6% of the ordinary shares in the company.

Prior to 31st March 1995 and in conjunction with the British Land offer, the company and its subsidiaries disposed of a number of assets and liabilities and non property investment activities.

BL (SP) Cannon Street Limited
(formerly Stanhope Cannon Street Limited)
Notes to the accounts (continued)
for the period ended 31st March 1995

On 31st March 1995, British Land purchased the entire £150.9m of indebtedness outstanding under the RCF at that time.

On 6th May 1995, the company made an open offer to ordinary shareholders of 71,368,001 Preference Shares of £1 each at par. These shares were issued on 5th June 1995 paid up as to 60 pence per share. A further amount of 40 pence per share may be called upon at any time at the discretion of the company.

The fellow subsidiary company which is owed £150.9 million of indebtedness purchased from the Syndicate, has indicated that its current intention is not to demand repayment prior to 30th October 1996. In the event that repayment of the loan is sought it is uncertain how the repayment or refinancing of this loan would be funded. If the loan cannot be repaid or refinanced the going concern basis would be inappropriate, in which case adjustments might have to be made to reduce the value of assets to their realisable amount, to provide for any further liabilities which might arise and to reclassify fixed assets and long term liabilities as current assets and liabilities.

On this basis the directors believe that there is a reasonable prospect that the company can continue to operate as a going concern for the next twelve months and accordingly have prepared the accounts on a going concern basis".

A proportion of the proceeds of the open offer to ordinary shareholders referred to above will be used to fund the capital activities in redeveloping Watling House, which is owned by BL (SP) Cannon Street Limited. The immediate parent company which is owed £11.8 million has indicated that its current intention is not to demand repayment prior to 31st January 1997. In the event that repayment of the loan is sought it is uncertain how the repayment or refinancing of this loan would be funded. If the loan cannot be repaid or refinanced the going concern basis would be inappropriate, in which case adjustments might have to be made to reduce the value of assets to their realisable amount, and to provide for any further liabilities which might arise.

On this basis the directors believe that there is a reasonable prospect that the company can continue to operate as a going concern for the next twelve months and accordingly have prepared the accounts on a going concern basis.

2 Operating loss

	Period ended 31st March 1995 £	Year ended 30th June 1994 £
This is stated after charging:		
Auditors' remuneration		2,702
Operating lease rentals	1,680,000	2,240,000

No director received any remuneration for services to the company during the period.

All net operating expenditure incurred in the period was charged against the provision shown in note 5.

BL (SP) Cannon Street Limited
(formerly Stanhope Cannon Street Limited)
Notes to the accounts (Continued)
for the period ended 31st March 1995

3 Debtors

	31st March 1995	30th June 1994
	£	£
Trade debtors	6,255	6,603
Amount owed by group companies		
- current accounts		39,803
Prepayments	560,525	562,707
	<u>£ 566,780</u>	<u>£ 609,113</u>

4 Creditors: due within one year

	1995	1994
	£	£
Trade creditors	2,203	31,901
Amounts owed to group companies		
- current accounts	11,796,022	9,943,463
Accruals and deferred income	18,177	59,211
	<u>£ 11,816,402</u>	<u>£ 10,034,575</u>

5 Provisions for liabilities and charges

Provision for future liabilities arising in respect of leasehold interest:

	1995	1994
	£	£
At 1st July 1994	5,000,000	7,372,594
Movement during the period	5,973,534	(189,617)
Utilised in the period	(1,817,451)	(2,182,977)
31st March 1995	<u>£ 9,156,083</u>	<u>£ 5,000,000</u>

6 Share capital

	Authorised		Allotted and fully paid	
	1995	1994	1995	1994
	£	£	£	£
Ordinary shares of £1 each	100	100	2	2
	<u>100</u>	<u>100</u>	<u>2</u>	<u>2</u>

BL (SP) Cannon Street Limited
(formerly Stanhope Cannon Street Limited)
Notes to the accounts (Continued)
for the period ended 31st March 1995

7 Profit and loss account

	£
1st July 1994	(14,425,464)
Loss for the period	(5,973,411)
31st March 1995	£ (20,398,875)

8 Reconciliation of movements in shareholders' funds

	Period ended 31st March 1995 £	Year ended 30th June 1994 £
(Loss)/profit for the period	(5,973,411)	226,952
Opening shareholders' funds	(14,425,462)	(14,652,414)
Closing shareholders' funds	£ (20,398,873)	£ (14,425,462)

9 Other financial commitments

The company has a commitment under the terms of a lease expiring in 25th December 2003 of £2,240,000 per annum.

10 Ultimate holding company

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