

BRITISH GAS LAND INVESTMENTS LIMITED

DIRECTORS' REPORT AND ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 1995



REGISTRATION NUMBER: 2394159

BRITISH GAS LAND INVESTMENTS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 1995

PRINCIPAL ACTIVITIES

The principal activities of the Company are to own and develop property for the purposes of receiving rental income, as well as investing in the equity of property investment and development companies.

BUSINESS REVIEW

The Company completed the development and letting of certain properties and further developments will be undertaken during the next financial year.

After making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the accounts which are shown on pages 6 to 14.

RESULTS AND DIVIDEND

The Company's profit after taxation for the year ended 31 December 1995 was £1,309,000 (31 December 1994: £1,078,000). No dividend has been proposed (31 December 1994: £Nil), and the profit for the year has been transferred to reserves.

THE DIRECTORS

The following served as Directors during the year:

R L Ellis	
P A Ash	(resigned 15 May 1996)
R Herbert	(resigned 5 April 1995)
Miss D J Vesty, MBE	(resigned 1 May 1995)
T M Melvin	
G D B Jones	(appointed 10 May 1996)

DIRECTORS' INTERESTS

At no time during the year did any Director still holding office on 31 December 1995 have any beneficial interest in the shares of the Company or any other company within the British Gas Group except for the interests in the shares of the ultimate parent company, British Gas plc, as stated below:

BRITISH GAS LAND INVESTMENTS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 1995

DIRECTORS' INTERESTS (CONTINUED)

	<u>Beneficial Holdings</u>		<u>Savings Related Share Options</u>		<u>Long-Term Incentive Scheme</u>	
	<u>31 Dec 1995</u>	<u>1 Jan 1995</u>	<u>31 Dec 1995</u>	<u>1 Jan 1995</u>	<u>31 Dec 1995</u>	<u>1 Jan 1995</u>
R L Ellis	4,712	3,880	4,083	4,083	11,159	-
P A Ash	535	-	1,358	1,358	7,756	-
T M Melvin	4,126	3,165	9,469	9,469	13,726	-

The Long-Term Incentive Scheme is an allocation of notional shares made on 13 October 1995. Figures given represent the maximum award possible if performance criteria are met at the end of the performance and retention period (5 or 6 years).

The following Directors have been granted options over shares in the parent company's Executive Share Option Scheme:-

	<u>1 Jan 1995</u>	<u>Granted in period</u>	<u>Exercised in period</u>	<u>31 Dec 1995</u>
R L Ellis	84,201	-	-	84,201
P A Ash	18,971	-	-	18,971
T M Melvin	128,433	-	-	128,433

All options were granted under the terms of the ultimate parent company's Savings Related Share Option Scheme and Executive Share Option Scheme, details of which are given in that company's annual report and accounts.

DIRECTORS' INSURANCE

The ultimate parent company has maintained insurance to cover all Directors and other Officers against liabilities in relation to the Company.

FIXED ASSETS

Changes in fixed assets during the year are shown in notes 6 and 7 to the accounts.

BRITISH GAS LAND INVESTMENTS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 1995

AUDITORS

The Company resolved on 17 October 1996 to dispense with the obligation to appoint auditors annually in accordance with Section 386 of the Companies Act 1985 and Price Waterhouse have indicated their willingness to continue as the Company's auditors.

By order of the Board:

B S Macaulay Date 17 October 1996
BARBARA SCOTT MACAULAY
Secretary

Registered Office:
Rivermill House
152 Grosvenor Road
London
SW1V 3JL

BRITISH GAS LAND INVESTMENTS LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

The Directors are required by the Companies Act 1985 to prepare financial statements for each financial year 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 profit or loss for the financial year.

The Directors consider that in preparing the financial statements on pages 6 to 14, the Company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates and that all accounting standards which they consider to be applicable have been followed.

The Directors have responsibility for ensuring that the Company keeps accounting records which disclose with reasonable accuracy the financial position of the Company and which enable them to ensure that the financial statements comply with the Companies Act 1985.

The Directors have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

The Directors, having prepared the financial statements, have requested the auditors to take whatever steps and undertake whatever inspections they consider to be appropriate for the purpose of enabling them to give their audit report.

BRITISH GAS LAND INVESTMENTS LIMITED

AUDITORS' REPORT

To the members of the British Gas Land Investments Limited

We have audited the financial statements on pages 6 to 14 which have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and in accordance with the accounting policies set out on pages 9 and 10.

Respective responsibilities of directors and auditors

As described on page 4 the Company's Directors are responsible for the preparation of 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 the Company's affairs as at 31 December 1995 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Price Waterhouse
Chartered Accountants
and Registered Auditors
Southwark Towers
32 London Bridge Street
London SE1 9SY

Price Waterhouse

Date.....*17 October* 1996

BRITISH GAS LAND INVESTMENTS LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 1995

	Notes	1995	1994
		£000	£000
Turnover	3	4,542	4,001
Cost of sales : provision against the permanent diminution in value of tangible fixed assets		(1,654)	(1,598)
Administrative expenses		<u>(436)</u>	<u>(433)</u>
Operating profit	4	2,452	1,970
Interest receivable		<u>2</u>	<u>-</u>
Profit on ordinary activities before taxation		2,454	1,970
Tax on profit on ordinary activities	5	<u>(1,145)</u>	<u>(892)</u>
Profit for the financial year	12	<u>1,309</u>	<u>1,078</u>

All gains and losses have been recognised in the profit and loss account for the financial year.

BRITISH GAS LAND INVESTMENTS LIMITED

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR
ENDED 31 DECEMBER 1995**

	1995	1994
	£000	£000
Profit for the year	1,309	1,078
Unrealised surplus on revaluation of properties	<u>11,113</u>	<u>2,477</u>
Total recognised gains in the year	<u>12,422</u>	<u>3,555</u>

NOTE OF HISTORICAL COST PROFIT

There is no difference between the result as disclosed in the profit and loss account and the result on an unmodified historical cost basis.

BRITISH GAS LAND INVESTMENTS LIMITED

BALANCE SHEET AS AT 31 DECEMBER 1995

	Notes	31 December 1995	31 December 1994
		£000	£000
FIXED ASSETS			
Tangible assets	6	76,464	56,321
Investments	7	1	1
		<u>76,465</u>	<u>56,322</u>
CURRENT ASSETS AND LIABILITIES			
Debtors	8	1,602	236
Creditors (amounts falling due within one year)	9	(48,541)	(39,454)
NET CURRENT LIABILITIES		<u>(46,939)</u>	<u>(39,218)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>29,526</u>	<u>17,104</u>
CAPITAL AND RESERVES			
Called up share capital	10	-	-
Profit and loss account	12	5,340	4,031
Revaluation reserve	11	24,186	13,073
TOTAL SHAREHOLDERS' FUNDS		<u>29,526</u>	<u>17,104</u>

The accounts on pages 6 to 14 were approved by the Board of Directors on

17 October 1996 and signed on its behalf by:

R L Ellis

Director

The accompanying notes on pages 9 to 14 form part of these accounts.

BRITISH GAS LAND INVESTMENTS LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1995

(1) PRINCIPAL ACCOUNTING POLICIES

The accounts have been prepared in accordance with applicable accounting standards. Compliance with SSAP 19 "Accounting for Investment Properties" requires departure from the requirements of the Companies Act 1985 relating to depreciation and amortisation and an explanation of the departure is given below.

Tangible Assets

Development properties are valued and treated as investment properties when they are completed and substantially let.

Properties held for or in the course of development are included in the balance sheet at cost less provision for any anticipated reduction in value prior to completion of the development. Cost includes construction costs and development expenses including professional fees.

A professional valuation of investment properties, determined on the basis of open market value, is made each year either by the ultimate parent company's internal valuers, who are members of the Royal Institution of Chartered Surveyors, or by external valuers.

Depreciation

No depreciation is charged on development properties in the course of construction or on freehold investment properties.

In accordance with SSAP19, investment properties are revalued annually and no provision is made for depreciation of freehold properties. This departure from the requirements of the Companies Act 1985, which requires all properties to be depreciated is, in the opinion of the directors, necessary for the accounts to show a true and fair view in accordance with applicable accounting standards.

The depreciation (which would, had the provision of the Act been followed, have reduced profit for the year) is only one of the factors reflected in the annual valuation and the amount attributable to this factor cannot reasonably be separately identified or quantified.

Contributions

Contributions including grants received towards the cost of developing a property are treated as a deferred creditor until the property is transferred to the investment portfolio, at which point the contributions are taken into account in determining the surplus or deficit on revaluation.

BRITISH GAS LAND INVESTMENTS LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1995

(1) PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Taxation

Deferred taxation is provided only to the extent that it is probable that a liability or asset will crystallise in the foreseeable future. No provision is made for any liability in respect of taxation which would arise if the properties held at valuation were sold at the values at which they are stated in the accounts.

(2) GROUP ACCOUNTS

As the Company is a wholly owned indirect subsidiary undertaking of British Gas plc, neither Mainstream Forty-Seven Limited nor Assethall Limited (see note 7) have been consolidated with these accounts.

(3) TURNOVER

Turnover consisting of rental income is stated net of VAT and is derived from properties situated within the United Kingdom.

(4) OPERATING PROFIT

The operating profit is stated after charging auditors' fees of £4,500 (1994 - £4,000).

The Company has no employees. All of the Directors are employees of British Gas plc. All emoluments paid to the Directors are borne by British Gas plc for their services to the group as a whole.

(5) TAXATION

	31 December 1995	31 December 1994
	£000	£000
UK Corporation Tax at 33%	1,156	941
Overprovision from previous years	(11)	(49)
	<hr/> 1,145	<hr/> 892

The tax charge has been reduced by £200,000 (31 December 1994: £285,000) as a result of relief due in respect of expenditure included in investment properties.

BRITISH GAS LAND INVESTMENTS LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1995

(6) TANGIBLE FIXED ASSETS

	<u>Freehold Development Properties</u>	<u>Freehold Investment Properties</u>	<u>Total</u>
	£000	£000	£000
Cost or Valuation at 1 January 1995	7,431	48,890	56,321
Additions	363	5,894	6,257
Transfers from group undertaking	4,427	-	4,427
Transfer of completed development properties	(5,984)	5,984	-
Surplus on valuation in year	-	11,113	11,113
Provision for permanent diminution in value	(1,654)	-	(1,654)
Cost or Valuation at 31 December 1995	<u>4,583</u>	<u>71,881</u>	<u>76,464</u>
Historical cost at 31 December 1995	<u>4,583</u>	<u>47,696</u>	<u>52,279</u>

(7) INVESTMENTS

	£
Shares in group undertakings	
Cost at 1 January 1995 and 31 December 1995	25,501
Provision against diminution in value at 1 January 1995 and 31 December 1995	<u>(24,999)</u>
Valuation at 1 January 1995 and 31 December 1995	<u>502</u>

BRITISH GAS LAND INVESTMENTS LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1995

(7) INVESTMENTS (CONTINUED)

The Company owns a 100% holding in Mainstream Forty-Seven Limited and a 99.99% holding in Assethall Limited. Both undertakings are registered in England and Wales.

The principal activity of Mainstream Forty-Seven Limited is property development and that of Assethall Limited is property investment.

(8) DEBTORS

	31 December 1995	31 December 1994
AMOUNTS FALLING DUE WITHIN ONE YEAR	£000	£000
Other debtors and prepayments	<u>1,602</u>	<u>236</u>

(9) CREDITORS

	31 December 1995	31 December 1994
AMOUNTS FALLING DUE WITHIN ONE YEAR	£000	£000
Bank overdraft*	77	538
Amounts owed to group undertakings	45,064	35,866
Taxation	1,156	941
Accruals and deferred income	<u>2,244</u>	<u>2,109</u>
	<u>48,541</u>	<u>39,454</u>

*The ultimate parent company bears the interest payable on bank overdrafts of the Company.

(10) SHARE CAPITAL

	31 December 1995	31 December 1994
Authorised:		
1,000,000 ordinary shares of £1 each	<u>£1,000,000</u>	<u>£1,000,000</u>
Issued, allotted and fully paid:		
101 ordinary shares of £1 each	<u>£101</u>	<u>£101</u>

BRITISH GAS LAND INVESTMENTS LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1995

(11) REVALUATION RESERVE

	31 December 1995	31 December 1994
	£000	£000
Balance at 1 January	13,073	10,596
Surplus on valuation in year	<u>11,113</u>	<u>2,477</u>
Balance at 31 December	<u>24,186</u>	<u>13,073</u>

(12) STATEMENT OF MOVEMENT ON RESERVES

	31 December 1995	31 December 1994
	£000	£000
Balance at 1 January	4,031	2,953
Profit retained for the year	<u>1,309</u>	<u>1,078</u>
Balance at 31 December	<u>5,340</u>	<u>4,031</u>

(13) RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	31 December 1995	31 December 1994
	£000	£000
Profit for the year	1,309	1,078
Other recognised gains relating to the year	<u>11,113</u>	<u>2,477</u>
Addition to shareholders' funds	12,422	3,555
Opening shareholders' funds	<u>17,104</u>	<u>13,549</u>
Closing shareholders' funds	<u>29,526</u>	<u>17,104</u>

BRITISH GAS LAND INVESTMENTS LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1995

(14) COMMITMENTS AND CONTINGENCIES

	31 December 1995	31 December 1994
	£000	£000
In respect of contracts placed	-	3,550
Authorised but not yet contracted	<u>-</u>	<u>9,200</u>

No provision has been made for the amount of taxation which would become payable under present legislation if properties held as investments were disposed of at the values at which they are stated in the accounts, because no significant disposals are planned.

A legal claim of £5,000,000 has been made against the Company which is being vigorously contested.

The ultimate parent company will bear any costs of cleaning contaminated land required under statutory obligations.

(15) ULTIMATE PARENT COMPANY

The Company is a wholly owned indirect subsidiary undertaking of British Gas plc which is registered in England and Wales. Copies of the group accounts may be obtained from British Gas plc, 152 Grosvenor Road, London SW1V 3JL.