

Broadgate (PHC 4) Limited

**Directors' Report and Accounts
for the period ended
31 March 1999**

Company number : 3707215



Broadgate (PHC 4) Limited
Report of the Directors
for the period ended 31 March 1999

The directors submit their Report and Accounts for the period ended 31 March 1999.

Incorporation

The company was incorporated on 28 January 1999.

Principal activity

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

Results and dividends

The results for the period are set out in the profit and loss account on page 4. The directors do not recommend the payment of a dividend.

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 period were:

J H Ritblat	(appointed 5 February 1999)
J H Weston Smith	(appointed 28 January 1999)
S L Kalman	(appointed 5 February 1999)
N S J Ritblat	(appointed 28 January 1999)
R E Bowden	(appointed 5 February 1999)
S Adam	(appointed 5 February 1999)

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 report.

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 period 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.

Broadgate (PHC 4) Limited
Report of the Directors
for the period ended 31 March 1999

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

The auditors, Arthur Andersen, who were appointed during the period, are willing to continue in office, and a resolution to reappoint them will be proposed at the Annual General Meeting.

This report was approved by the Board on 26 January 2000

A handwritten signature in black ink, appearing to be 'P C Clarke', written in a cursive style.

P C Clarke
Secretary

10 Cornwall Terrace
Regent's Park
London NW1 4QP

Broadgate (PHC 4) Limited
Report of the Auditors to the Shareholders of
Broadgate (PHC 4) Limited

We have audited the financial statements on pages 4 to 9 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 6.

Respective responsibilities of directors and auditors

As described on page 1, 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.

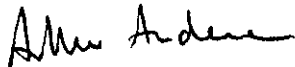
Basis of opinion

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 31 March 1999 and of the result for period 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
26 January 2000

Broadgate (PHC 4) Limited
Profit and Loss Account and Other Primary Statements
for the period ended 31 March 1999

Profit and Loss Account

	Note	Revenue £	1999 Capital £	Total £
Turnover				
Rental income		1,267,223	-	1,267,223
Total turnover		1,267,223	-	1,267,223
Cost of turnover		(869)		(869)
Gross profit	2	1,266,354	-	1,266,354
Operating profit	3	1,266,354	-	1,266,354
Interest payable – group		(1,266,354)	-	(1,266,354)
Profit on ordinary activities before and after taxation		-	-	-
Retained profit transferred to reserves		-	-	-

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

Total Recognised Gains and Losses

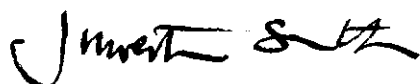
	Revenue £	1999 Capital £	Total £
Profit for the year	-	-	-
Revaluation of properties	-	-	-
Total recognised gains and losses	-	-	-

Historical Cost Profits and Losses

Profit before taxation	-	-	-
Realisation of prior year revaluations	-	-	-
Historical cost profit before tax	-	-	-
Retained historical cost profit	-	-	-

Broadgate (PHC 4) Limited**Balance Sheet
as at 31 March 1999**

	Note	1999	
		£	£
Fixed assets			
Investment property	6		179,000,000
Investments	7		2,795
			<u>179,002,795</u>
Current assets			
Debtors	8	29,655	
		<u>29,655</u>	
Creditors due within one year	9	<u>179,032,448</u>	
Net current liabilities			<u>(179,002,793)</u>
Net assets			<u>2</u>
Capital and reserves			
Called up share capital	10		2
Capital reserves			
- revaluation	11		-
Profit and loss account	11		<u>-</u>
Equity shareholders' funds	11		<u>2</u>

**J H Weston Smith****N S J Ritblat**
Directors

Approved by the Board on 26 January 2000

Broadgate (PHC 4) Limited
Notes to the Financial Statements
for the period ended 31 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 period.

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 and as a going concern on the basis that the ultimate holding company will not demand repayment of amounts owed to it within twelve months of the date of signing these accounts.

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

Investments in associated companies 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.

2. Gross profit

	1999
	£
Net rental income	1,266,354
Fees and commissions	-
Other trading income	-
	<u>1,266,354</u>

Broadgate (PHC 4) Limited
Notes to the Financial Statements
for the period ended 31 March 1999

	1999 £
3. Operating profit	
Operating profit is stated after charging:	
Amortisation and depreciation	-
Directors remuneration	-
Auditors remuneration	-
Operating lease rentals	-
4. Staff costs	
Wages and salaries	-
Social security costs	-
	-
Average number of employees of the company during the period was Nil.	
5. Taxation	
UK corporation tax at 31%	-
Prior years adjustment	-
Deferred tax	-
	-
6. Investment properties	
	Freehold Long Short Total £ Leasehold Leasehold £ £ £ £
Cost and valuation	
Group transfers	- 179,000,000 - 179,000,000
Revaluation	- - - -
31 March 1999	- 179,000,000 - 179,000,000
Amortisation & depreciation	
28 January 1999	- - - -
Charge to revenue	- - - -
	- - - -
31 March 1999	- - - -
Net book value	
31 March 1999	- 179,000,000 - 179,000,000
Analysis of cost and valuation	
31 March 1999	
Cost	- 179,000,000 - 179,000,000
Revaluation	- - - -
Net book value	- 179,000,000 - 179,000,000

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.

Broadgate (PHC 4) Limited
Notes to the Financial Statements
for the period ended 31 March 1999

1999
£

7. Investments

Investment in associated company

Transferred from group companies 2,795

At 31 March 1999, the company held 11,180 shares of £1 each, 25 pence paid, being 22.4% of the issued share capital in Broadgate Circle Management Limited, a company engaged in estate management and the provision of property services in the United Kingdom. The cost at 31 March 1999 is £2,795.

Other group companies own a further 38,820 shares of £1 each, 25 pence paid, in Broadgate Circle Management Limited, being 77.6% of the issued share capital.

8. Debtors

Trade debtors	29,655
Other debtors	-
	29,655

9. Creditors due within one year

Trade creditors	-
Amount due to ultimate holding company	176,552,129
Accruals and deferred income	2,480,319
	179,032,448

10. Share capital

Authorised

100 ordinary shares of £1 each	100
	100

Allotted and fully paid

2 ordinary shares of £1 each issued at par during the period	2
	2

11. Capital and reserves

	Share capital £	Capital reserve -revaluation £	Total £
Opening shareholders' funds	-	-	-
Issues	2	-	2
Revaluation of properties	-	-	-
Closing shareholders' funds	2	-	2

Broadgate (PHC 4) Limited
Notes to the Financial Statements
for the period ended 31 March 1999

12. Contingent liabilities

In the event of the realisation of properties at book value the liability for tax, after available reliefs at 31 March 1999 is estimated at £4.3m.

The company is jointly and severally liable with Broadgate Estate Management Limited, a wholly owned subsidiary of the ultimate holding company, and fellow subsidiaries for all monies falling due under the group VAT registration.

13. Post balance sheet event

Since the year end, the company has issued 8,949,998 ordinary shares of £1 each at par to its immediate parent company.

On 14 May 1999 Broadgate (Funding) PLC, a wholly owned subsidiary of Broadgate Property Holdings Limited issued £1,540 million of Loan Notes. The company received loans from Broadgate (Funding) PLC and Broadgate Property Holdings Limited in order to refinance the loan from The British Land Company PLC.

The company has granted security over its assets to secure the £100 million 6.5055% Secured Notes due 2038, issued by Broadgate (Funding) PLC which is also a wholly owned subsidiary of The British Land Company PLC.

14. 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.

15. Ultimate holding company

The immediate parent company is Broadgate Property Holdings Limited.

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.