
Broadgate (Funding) PLC

Annual Report and Accounts

Year ended 31 March 2004



Company number: 3724266

Broadgate (Funding) PLC

REPORT OF THE DIRECTORS for the year ended 31 March 2004

The directors present their Annual Report and audited Accounts for the year ended 31 March 2004.

Principal activity

The principal activity of the company is to provide funding to fellow subsidiaries of The British Land Company PLC.

Review of business and prospects

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

Details of significant events since the balance sheet date are contained in note 16 of the accounts.

Results and dividends

The results for the year are set out in the profit and loss account on page 4.

The directors do not recommend the payment of a dividend (2003 - £Nil).

Directors

The directors who served throughout the year were, except as noted:

J H Ritblat
J H Weston Smith
N S J Ritblat
R E Bowden
G C Roberts
L M Bell
A Braine
P C Clarke

The directors' interests in the share and loan capital of the company are set out in note 11 to the accounts.

Statement of directors' responsibilities

United Kingdom 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;
- state whether applicable accounting standards have been followed; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and 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.

Broadgate (Funding) PLC

**REPORT OF THE DIRECTORS
for the year ended 31 March 2004**

Auditors

On 1 August 2003, Deloitte & Touche, the Company's auditors transferred their business to Deloitte & Touche LLP, a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000. The Company's consent has been given to treating the appointment of Deloitte & Touche as extending to Deloitte & Touche LLP with effect from 1 August 2003 under the provisions of section 26(5) of the Companies Act 1989. A resolution to re-appoint Deloitte & Touche LLP as the Company's auditor will be proposed at the forthcoming Annual General meeting.

This report was approved by the Board on **27 SEP 2004**



L M Bell

Director

10 Cornwall Terrace
Regent's Park
London
NW1 4QP

Broadgate (Funding) PLC

**INDEPENDENT AUDITORS REPORT
for the year ended 31 March 2004**

To the Members of Broadgate (Funding) PLC

We have audited the financial statements of Broadgate (Funding) PLC for the year ended 31 March 2004 which comprise the profit and loss account, balance sheet and the related notes 1 to 17. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's shareholders, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's shareholders those matters we are required to state to them in our auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the statement of directors' responsibilities the company's directors are responsible for the preparation of the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with United Kingdom legal and regulatory requirements and auditing standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the Directors' report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom 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 judgments made by the directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the circumstances of the company, 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 at 31 March 2004 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche LLP

Deloitte & Touche LLP

Chartered Accountants and Registered Auditors

London

27 September 2004

Broadgate (Funding) PLC

**PROFIT AND LOSS ACCOUNT
for the year ended 31 March 2004**

	Note	2004 £	2003 £
Interest receivable			
Group companies		84,244,709	87,997,085
External - unlisted		<u>555,647</u>	<u>591,832</u>
		84,800,356	88,588,917
Interest payable			
Group companies		(576,614)	(591,832)
External - unlisted		<u>(84,215,575)</u>	<u>(87,987,985)</u>
Profit on ordinary activities before taxation	2	<u>8,167</u>	<u>9,100</u>
Taxation	4	(2,450)	43
Profit on ordinary activities after taxation and retained for the year	12	<u><u>5,717</u></u>	<u><u>9,143</u></u>

Turnover and results and Net Assets are derived from continuing operations in the United Kingdom. The company has only one significant class of business.

There were no recognised gains or losses other than those reported above, consequently a Statement of Total Recognised Gains and Losses has not been presented.

All amounts are stated at historical cost.

Broadgate (Funding) PLC**BALANCE SHEET
as at 31 March 2004**

	Note	2004 £	£	2003 £	£
Fixed assets					
Subordinated loans to group companies	5	1,313,836,150		1,412,756,720	
		<u>1,313,836,150</u>		<u>1,412,756,720</u>	
Current assets					
Debtors	6	19,076,487		20,568,179	
Cash at bank		15,223,143		15,142,491	
		<u>34,299,630</u>		<u>35,710,670</u>	
Creditors due within one year	7	(53,930,637)		(79,053,624)	
		<u>(53,930,637)</u>		<u>(79,053,624)</u>	
Net current assets (liabilities)		(19,631,007)		(43,342,954)	
Total assets less current liabilities		<u>1,294,205,143</u>		<u>1,369,413,766</u>	
Creditors due after one year	8	(1,294,121,930)		(1,369,336,270)	
		<u>(1,294,121,930)</u>		<u>(1,369,336,270)</u>	
Net assets (liabilities)		<u>83,213</u>		<u>77,496</u>	
Capital and reserves					
Called up share capital	10	50,000		50,000	
Profit and loss account	12	33,213		27,496	
Equity shareholders' funds	12	<u>83,213</u>		<u>77,496</u>	

These financial statements were approved by the Board of Directors on **27 SEP 2004**


P C Clarke


L M Bell
Directors

Broadgate (Funding) PLC

Notes to the accounts for the year ended 31 March 2004

1. Accounting policies

The principal accounting policies are summarised below. They have been applied consistently throughout the current and the previous year.

These financial statements are 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.

Accounting basis

The financial statements are prepared in accordance with applicable United Kingdom Accounting Standards and under the historical cost convention as modified by the revaluation of investment properties and fixed asset investments.

Cash flow statement

In accordance with FRS 1, 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 as part of its consolidated financial statements, which are publicly available (see note 17).

Interest receivable

Interest receivable is due from property holding companies within the Broadgate Property Holdings Group on the Loan Notes issued by the company on 14 May 1999.

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

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 revaluation reserve, unless a deficit is expected to be permanent, in which case it is charged to profit and loss account.

Investments in associated companies are stated at cost or directors' valuation.

Broadgate (Funding) PLC

Notes to the accounts for the year ended 31 March 2004

1. Accounting policies (continued)

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 profit in the year 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.

Deferred tax assets and liabilities arise from timing differences between the recognition of gains and losses in the accounts and their recognition in a tax computation.

Deferred tax is provided in respect of all timing differences that have originated, but not reversed, at the balance sheet date that may give rise to an obligation to pay more or less tax in the future. Deferred tax is not recognised when fixed assets are revalued unless by the balance sheet date there is a binding agreement to sell the revalued assets and the gain or loss expected to arise on sale has been recognised in the financial statements.

Deferred tax is measured on a non-discounted basis. A deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Debt instruments

Debt instruments are recorded at their gross proceeds on issue, as the issue costs were incurred by fellow group companies and are being amortised over the life of the instruments in the profit and loss accounts of these companies.

2. Profit (loss) on ordinary activities before taxation

	2004 £	2003 £
Profit (loss) on ordinary activities before taxation is stated after charging (crediting):		
Amortisation and depreciation		
Auditors' remuneration		
Auditors' remuneration for other services		
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Amounts payable to Deloitte & Touche LLP in respect of audit and non-audit services are paid at group level by The British Land Company PLC.

Broadgate (Funding) PLC

**Notes to the accounts
for the year ended 31 March 2004**

3. Staff costs

	2004 £	2003 £
Wages and salaries		
Social security costs		
Pension costs		

No director received any remuneration for services to the company in either year.

Average number of employees, including directors, of the company during the year was Nil (2003 - Nil).

4. Taxation

	2004 £	2003 £
Current tax		
UK corporation tax	2,450	2,650
Adjustments in respect of prior years		(2,693)
Total current tax	2,450	(43)
Deferred tax		
Total taxation (effective tax rate – 30.0%; 2003 – (0.5)%)	2,450	(43)

Tax reconciliation

Profit on ordinary activities before taxation	8,167	9,100
Tax on profit on ordinary activities at UK corporation tax rate of 30% (2003 - 30%)	2,450	2,730
Effects of:		
Capital allowances		
Tax losses and other timing differences		
Expenses not deductible for tax purposes		(80)
Adjustments in respect of prior years		(2,693)
Current tax charge	2,450	(43)

Where the company currently owns properties, further taxation that might become payable if the properties were sold at open market value is estimated at £Nil (2003 - £Nil). This unprovided taxation is stated after taking account of the FRS19 capital allowance deferred tax provision of £Nil (2003 - £Nil) recorded in the balance sheet which, as described in note 10, would be expected to be released on sale.

This unprovided taxation could be reduced by tax losses, the amount and availability of which is currently uncertain.

Broadgate (Funding) PLC

**Notes to the accounts
for the year ended 31 March 2004**

5. Subordinated loans to group companies

	2004 £	2003 £
1 April 03	1,412,756,720	1,449,255,800
Additions		
Repayments	(98,920,570)	(36,499,080)
31 March 04	<u>1,313,836,150</u>	<u>1,412,756,720</u>

6. Debtors

	2004 £	2003 £
Amounts owed by group companies		
Prepayments and accrued income	19,076,487	20,501,920
Other debtors		66,259
	<u>19,076,487</u>	<u>20,568,179</u>

7. Creditors due within one year

	2004 £	2003 £
Loan notes (see note 9)	19,714,220	43,420,450
Trade creditors		
Amounts owed to group companies - current accounts	15,296,690	15,261,900
Corporation tax	5,100	5,330
Accruals and deferred income	18,914,627	20,365,944
	<u>53,930,637</u>	<u>79,053,624</u>

8. Creditors due after one year

	2004 £	2003 £
Loan notes (see note 9)	1,294,121,930	1,369,336,270
	<u>1,294,121,930</u>	<u>1,369,336,270</u>

Broadgate (Funding) PLC

Notes to the accounts for the year ended 31 March 2004

9. Borrowings

	2004	2003
	£	£
Creditors due within one year - note 7	19,714,220	43,420,450
Creditors due after one year - note 8	1,294,121,930	1,369,336,270
	<u>1,313,836,150</u>	<u>1,412,756,720</u>
Repayments due:		
Within one year	19,714,220	43,420,450
1-2 years	20,025,190	44,714,420
2-5 years	86,756,830	96,508,900
	<u>126,496,240</u>	<u>184,643,770</u>
After 5 years	1,187,339,910	1,228,112,950
Total	<u>1,313,836,150</u>	<u>1,412,756,720</u>

Loan notes:

Secured 6.5055% Notes due 2038	100,000,000	100,000,000
Class A1 Unsecured Fixed Rate Notes 2024	325,000,000	325,000,000
Class A2 Unsecured 5.67% Notes due 2029	289,357,100	294,194,340
Class A3 Unsecured 5.7125% Notes due 2031	150,000,000	150,000,000
Class B Unsecured 6.0875% Notes due 2031	225,000,000	225,000,000
Class C1 Unsecured 6.7446% Notes due 2014	149,479,050	164,062,500
Class C2 Unsecured 6.4515% Notes due 2032	75,000,000	75,000,000
Class D Unsecured Fixed/Floating Rate Notes due 2014		79,499,880
	<u>1,313,836,150</u>	<u>1,412,756,720</u>

Only the £100 million Secured Loan Notes due 2038 were secured on the assets of property companies within the Broadgate Property Holdings Group.

10. Share capital

	2004	2003
	£	£
Authorised		
50,000 ordinary shares of £1 each	50,000	50,000
	<u>50,000</u>	<u>50,000</u>
Issued, called up and fully paid		
50,000 ordinary shares of £1 each	50,000	50,000
	<u>50,000</u>	<u>50,000</u>

Broadgate (Funding) PLC

Notes to the accounts for the year ended 31 March 2004

11. Directors' interests in share and loan capital

No director held a beneficial interest in the share capital of the company. Messrs. J H Ritblat, J H Weston Smith, N S J Ritblat, R E Bowden and G C Roberts are also directors of The British Land Company PLC and, as such, their interests in the share and loan capital, including share options, of that company are shown in the accounts of the ultimate holding company. The beneficial interests of the other directors in the ultimate holding company are as follows:-

	Fully paid Ordinary shares		6% Irredeemable Convertible Bonds (£ nominal)	
	31 March 2004	1 April 2003	31 March 2004	1 April 2003
A Braine	13,979	12,992		
L M Bell	10,955	9,968		
P C Clarke	6,247	19,976		

	Options over ordinary shares 1984 Option Scheme		Sharesave Scheme	
	31 March 2004	1 April 2003	31 March 2004	1 April 2003
A Braine			2,519	2,519
L M Bell	2,925	17,925	2,427	2,427
P C Clarke			2,632	2,632

	Rights under Restricted Share Plan Ordinary shares		Rights under Long Term Incentive Plan Ordinary shares		Options over Ordinary shares	
	31 March 2004	1 April 2003	31 March 2004	1 April 2003	31 March 2004	1 April 2003
A Braine	60,000	57,500	10,000		30,000	
L M Bell	60,000	55,000	10,000		30,000	
P C Clarke	70,000	67,500	10,000		30,000	

Granting and lapsing of options

A Braine was granted options over 30,000 shares, at an option price of 552p per share, under British Land's Long Term Incentive Plan.

L M Bell exercised options over 15,000 shares, under British Land's 1984 Share Option Scheme. 13,888 had an option price of 394p per share and 1,112 had an option price of 322p per share. The middle market quotation on the date of disposal of these 15,000 shares was 550p per share. She was granted options over 30,000 shares, at an option price of 552 p per share, under British Land's Long Term Incentive Plan.

P C Clarke was granted options over 30,000 shares, at an option price of 552p per share, under British Land's Long Term Incentive Plan.

Broadgate (Funding) PLC

**Notes to the accounts
for the year ended 31 March 2004**

12. Reconciliation of movements in shareholders' funds and reserves

	Share capital £	Profit and loss account £	Total £
Opening shareholders' funds	50,000	27,496	77,496
Retained profit (loss) for the year		5,717	5,717
Share issues in the year			
Closing shareholders' funds	<u>50,000</u>	<u>33,213</u>	<u>83,213</u>

13. Capital commitments

The company had capital commitments contracted at 31 March 2004 of £Nil (2003 - £Nil).

14. Contingent liabilities

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.

15. 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.

16. Subsequent events

There have been no significant events since the year end.

17. Immediate parent and ultimate holding company

The immediate parent company is Broadgate Property Holdings Limited.

The British Land Company PLC is the smallest and largest group for which group accounts are available and which include the company. The ultimate holding company and controlling party is The British Land Company PLC, which is incorporated in Great Britain. Group accounts for this company are available on request from 10 Cornwall Terrace, Regent's Park, London NW1 4QP.