
BROADGATE (FUNDING) PLC

Annual Report and Accounts

Year ended 31 March 2005



Company number: 3724266

BROADGATE (FUNDING) PLC

REPORT OF THE DIRECTORS **for the year ended 31 March 2005**

The directors present their Annual Report and audited Accounts for the year ended 31 March 2005.

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. There are no planned significant changes to the company's activities.

Details of significant events since the balance sheet date are contained in note 18 of the financial statements.

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 (2004 - £Nil).

Directors

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

J H Ritblat

S A M Hester (Appointed 07 January 2005)

J H Weston Smith

N S J Ritblat (Resigned 31 August 2005)

R E Bowden

G C Roberts

A Braine

L M Bell

P C Clarke

The directors' interests in the share and loan capital of the company are set out in note 12 to the financial statements.

Statement of directors' responsibilities

United Kingdom company law requires the directors to prepare financial statements 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 financial statements, 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 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 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 financial statements comply with the Companies Act 1985. They are also responsible for the system of internal control and 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 2005**

Auditors

The auditors, Deloitte & Touche LLP 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 **18 OCT 2005**


R J Scudamore
Secretary

10 Cornwall Terrace
Regent's Park
London
NW1 4QP

BROADGATE (FUNDING) PLC

**INDEPENDENT AUDITORS' REPORT
for the year ended 31 March 2005**

To the members of BROADGATE (FUNDING) PLC

We have audited the financial statements of Broadgate (Funding) PLC for the year ended 31 March 2005 which comprise the profit and loss account, balance sheet and the related notes 1 to 19. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, 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 members 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 members 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 financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the accounts 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 for the above year 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 2005 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



**Deloitte & Touche LLP
Chartered Accountants and Registered Auditors**

London



BROADGATE (FUNDING) PLC**PROFIT AND LOSS ACCOUNT
for the year ended 31 March 2005**

	Note		
Turnover			
Rental income			
Fees and commissions			
Other trading income			
Total turnover			
Cost of turnover			
Gross profit (loss)			
Administrative expenses			
Operating profit (loss)			
Profit (loss) on disposal of properties			
Profit (loss) on disposal of investments			
Group transfer of investments			
Write down of investments in subsidiaries			
Dividends receivable			
Interest receivable			
Group		73,571,318	84,244,709
Associated companies			
External - other		710,231	555,647
Interest payable			
Group		(541,794)	(576,614)
External			
- bank overdrafts and loans		(73,565,285)	(84,215,575)
- other loans			
Profit (loss) on ordinary activities before taxation	2	174,470	8,167
Taxation	4		(2,450)
Profit (loss) on ordinary activities after taxation		174,470	5,717
Dividends paid and proposed			
Retained profit (loss) for the year	13	174,470	5,717

Turnover and results 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 2005**

	Note	2005 £	£	2004 £	£
Fixed assets					
Investment properties	5				
Plant					
Investments	6				
Subordinated loans to group companies	6			1,313,836,150	
				<u>1,313,836,150</u>	
Current assets					
Debtors	7	167,999	19,076,487		
Cash and deposits		15,000,000	15,223,143		
		<u>15,167,999</u>	<u>34,299,630</u>		
Creditors due within one year	8	(14,910,316)	(53,930,637)		
		<u></u>	<u></u>		
Net current assets (liabilities)			257,683		(19,631,007)
Total assets less current liabilities			<u>257,683</u>		<u>1,294,205,143</u>
Creditors due after one year	9				(1,294,121,930)
					<u></u>
Net assets (liabilities)			<u>257,683</u>		<u>83,213</u>
Capital and reserves					
Called up share capital	11	50,000		50,000	
Share premium	13				
Revaluation reserve	13				
Other unrealised reserve	13				
Profit and loss account	13	207,683		33,213	
Equity shareholders' funds	13	<u>257,683</u>		<u>83,213</u>	

These financial statements were approved by the Board of Directors on **1 8 OCT 2005**



G C Roberts
Director

BROADGATE (FUNDING) PLC

Notes to the accounts for the year ended 31 March 2005

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 or some entries in the primary statements or the 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 19).

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, including freehold and long leasehold 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.

Development properties are included in investment properties and stated at cost, except where the open market value falls below cost, when they are revalued to the lower amount. The revaluation deficit is transferred to the revaluation reserve unless it represents a clear consumption of economic benefits, in which case it is charged to the profit and loss account. The cost of properties in course of development includes attributable interest and other outgoings having regard to the development potential of the property. Interest is calculated on the development expenditure by reference to specific borrowings where relevant and otherwise on the average rate applicable to short-term loans. Interest is not capitalised where no development activity is taking place.

A property ceases to be treated as a development on practical completion.

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 2005

1. Accounting policies (continued)

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 subsidiaries are stated at cost or directors' valuation less provision for impairment.

Taxation

Corporation tax payable is provided on taxable profits at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

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.

BROADGATE (FUNDING) PLC

**Notes to the accounts
for the year ended 31 March 2005**

2. Profit (loss) on ordinary activities before taxation

2005
£

2004
£

Profit (loss) on ordinary activities before taxation is stated after charging (crediting):

Amortisation

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.

3. Staff costs

2005
£

2004
£

Wages and salaries

Social security costs

Pension costs

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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 (2004 - Nil).

BROADGATE (FUNDING) PLC**Notes to the accounts
for the year ended 31 March 2005**

4. Taxation	2005	2004
	£	£
Current tax		
UK corporation tax		2,450
Adjustments in respect of prior years		
Total current tax charge (credit)		2,450
Deferred tax		
Origination and reversal of timing differences		
Prior year items		
Total deferred tax charge (credit)		
Total taxation (effective tax rate – 0.0%; 2004 – 30.0%)	-	2,450
Tax reconciliation		
Profit on ordinary activities before taxation	174,470	8,167
Tax on profit on ordinary activities at UK corporation tax rate of 30% (2004 - 30%)	52,341	2,450
Effects of:		
Capital allowances		
Tax losses and other timing differences		
Expenses not deductible for tax purposes	91,059	
Transfer pricing adjustments	(143,400)	
Adjustments in respect of prior years		
Current tax charge (credit)	-	2,450

Included in the tax charge is a net charge of £Nil (2004 - £Nil) attributable to property sales.

The unprovided tax which would arise on the disposal of properties at valuation after available loss relief but without recourse to tax structuring is in the region of £Nil (2004 - £Nil).

This unprovided taxation is stated after taking account of the FRS19 capital allowance deferred tax provision of £Nil (2004 - £Nil) recorded in the balance sheet which would be expected to be released on sale. The unprovided tax without taking accounts of the FRS 19 provision is in the region of £Nil (2004 - £Nil).

BROADGATE (FUNDING) PLC**Notes to the accounts
for the year ended 31 March 2005****5. Investment and development properties**

	Development £	Freehold £	Long leasehold £	Total £
Cost and valuation				
1 April 2004				
Additions				
Disposals				
Group transfers				
Revaluation surplus (deficit)				
31 March 2005	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Analysis of cost and valuation				
31 March 2005				
Cost				
Revaluation				
Net book value	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
1 April 2004				
Cost				
Revaluation				
Net book value	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Properties were externally valued at 31 March 2005 by Atisreal, Chartered Surveyors, on the basis of Market Value in accordance with the Appraisal and Valuation Manual published by The Royal Institution of Chartered Surveyors.

Properties valued at £Nil (2004 - £Nil) were charged to secure borrowings of the ultimate holding company.

BROADGATE (FUNDING) PLC

**Notes to the accounts
for the year ended 31 March 2005**

6. Subordinated loans to group companies

	2005	2004
	£	£
1 April 04	1,313,836,150	1,412,756,720
Additions		
Repayments	(1,313,836,150)	(98,920,570)
31 March 2005	<u><u>-</u></u>	<u><u>1,313,836,150</u></u>

On 2 March 2005 the subordinated loans to group companies were repaid as part of the Broadgate refinancing.

BROADGATE (FUNDING) PLC**Notes to the accounts
for the year ended 31 March 2005**

7. Debtors	2005	2004
	£	£
Trade debtors		
Amounts owed by group companies - current accounts		
Corporation tax		
Other debtors		
Prepayments and accrued income	167,999	19,076,487
	<u>167,999</u>	<u>19,076,487</u>

Included in prepayments and accrued income is an amount of £Nil (2004 - £Nil), relating to lease incentives which are amortised over the period to the next rent review.

8. Creditors due within one year	2005	2004
	£	£
Loan notes (see note 10)		19,714,220
Trade creditors		
Amounts owed to group companies - current accounts	14,907,866	15,296,690
Corporation tax	2,450	5,100
Other taxation and social security		
Other creditors		
Accruals and deferred income		18,914,627
	<u>14,910,316</u>	<u>53,930,637</u>

9. Creditors due after one year	2005	2004
	£	£
Loan notes (see note 10)		1,294,121,930
	<u>-</u>	<u>1,294,121,930</u>

BROADGATE (FUNDING) PLC

Notes to the accounts for the year ended 31 March 2005

10. Borrowings

	2005 £	2004 £
Creditors due within one year - note 8		19,714,220
Creditors due after one year - note 9		1,294,121,930
	<u>-</u>	<u>1,313,836,150</u>
Repayments due:		
Within one year		19,714,220
1-2 years		20,025,190
2-5 years		86,756,830
		<u>126,496,240</u>
After 5 years		1,187,339,910
Total	<u>-</u>	<u>1,313,836,150</u>

Loan notes:

Secured 6.5055% Notes due 2038	100,000,000
Class A1 Unsecured Fixed Rate Notes 2024	325,000,000
Class A2 Unsecured 5.67% Notes due 2029	289,357,100
Class A3 Unsecured 5.7125% Notes due 2031	150,000,000
Class B Unsecured 6.0875% Notes due 2031	225,000,000
Class C1 Unsecured 6.7446% Notes due 2014	149,479,050
Class C2 Unsecured 6.4515% Notes due 2032	75,000,000
	<u>-</u>
	<u>1,313,836,150</u>

On 2 March 2005 all the outstanding notes were redeemed as part of the Broadgate refinancing.

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

11. Share capital

	2005 £	2004 £
Authorised		
50,000 ordinary shares of £1 each	50,000	50,000
	<u>50,000</u>	<u>50,000</u>
Allotted, 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 2005

12. Directors' interests in share and loan capital

No director held a beneficial interest in the share capital of the company. Messrs. J H Ritblat, S A M Hester, 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 2005	1 April 2004	31 March 2005	1 April 2004
A Braine	17,838	13,979		
L M Bell	12,295	10,955		
P C Clarke	7,587	6,247		

	Options over ordinary shares 1984 Option Scheme		Sharesave Scheme	
	31 March 2005	1 April 2004	31 March 2005	1 April 2004
A Braine			1,462	2,519
L M Bell		2,925	1,462	2,527
P C Clarke			2,632	2,623

	Rights under Restricted Share Plan Ordinary shares		Rights under Long Term Incentive Plan			
	31 March 2005	1 April 2004	Ordinary shares		Options over Ordinary shares	
			31 March 2005	1 April 2004	31 March 2005	1 April 2004
A Braine	35,000	60,000	23,994	10,000	71,984	30,000
L M Bell	32,500	60,000	25,394	10,000	76,182	30,000
P C Clarke	35,000	70,000	23,684	10,000	71,052	30,000

Granting, exercising and lapsing of options

A Braine was granted options over 41,984 shares, 22,907 had an option price of 663p per share, and 19,077 had an option price of 796p per share, all under British Land's Long Term Incentive Plan. He exercised options over 2,519 shares at an option price of 377p per share and the middle market quotation on the date of exercise was 868.5p per share and he was granted options over 1,462 shares at an option price of 648p per share. Both this exercise and grant occurred under British Land's Share Save Scheme.

L M Bell exercised options over 2,925 shares, under British Land's 1984 Share Option Scheme at an option price of 394 p per share. The middle market quotation on the date of disposal of these 2,925 shares was 736.5p per share. She was granted options over 46,182 shares, 25,197 had an option price of 663 p per share, and 20,985 had an option price of 796p per share, all under British Land's Long Term Incentive Plan. She exercised options over 2,427 shares at an option price of 399p per share and the middle market quotation on the date of exercise of these shares was 736.5p per share and she was granted options over 1,462 shares at an option price of 648p per share. Both this exercise and grant occurred under British Land's Share Save Scheme.

P Clarke was granted options over 41,052 shares, 22,398 had an option price of 663p per share, and 18,654 had an option price of 796p per share, all under British Land's Long Term Incentive Plan.

BROADGATE (FUNDING) PLC**Notes to the accounts
for the year ended 31 March 2005****13. Reconciliation of movements in shareholders' funds and reserves**

	Share capital £	Share premium £	Revaluation reserve £	Other unrealised reserve £	Profit and loss account £	Total £
Opening shareholders' funds	50,000				33,213	83,213
Retained profit (loss) for the year					174,470	174,470
Share issues in the year						
Unrealised surplus (deficit) on revaluation of investment properties						
Unrealised surplus (deficit) on revaluation of investments						
Unrealised surplus (deficit) on revaluation of subsidiaries						
Realisation of prior year revaluations						
Taxation on the realisation of prior year						
Exchange movements on net investments						
Closing shareholders' funds	50,000	-	-	-	207,683	257,683

BROADGATE (FUNDING) PLC

Notes to the accounts for the year ended 31 March 2005

14. Capital commitments

The company had capital commitments contracted at 31 March 2005 of £Nil (2004 - £Nil).

15. Contingent liabilities

The company is jointly and severally liable with the ultimate holding company and fellow subsidiaries for all monies falling due under the group VAT registration.

16. 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.

17. Non-equity interests

Shareholders' funds includes non-equity interests of £Nil (2004 – £Nil).

18. Subsequent events

There have been no significant events since the year end.

19. Immediate parent and ultimate holding company

The immediate parent company is The British Land Company PLC.

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.