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# **VITALCREATE LIMITED**

**Annual Report and Accounts**

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**Period from 15 February 2001 to 31 March 2002**

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**Company number: 4160621**

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## **VITALCREATE LIMITED**

### **REPORT OF THE DIRECTORS for the period ended 31 March 2002**

The directors present their Report and Accounts for the period from incorporation on 15 February 2001 to 31 March 2002.

#### **Principal activity**

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

#### **Review of business and prospects**

This company was incorporated on 15 February 2001.

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 21 of the accounts.

#### **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.

#### **Directors**

The directors who served during the period were:

J H Ritblat	(appointed 27 March 2001)
C Metliss	(appointed 27 March 2001)
J H Weston Smith	(appointed 27 March 2001)
N S J Ritblat	(appointed 27 March 2001)
R E Bowden	(appointed 27 March 2001)
G C Roberts	(appointed 26 February 2002)
Instant Companies Limited	(appointed 15 February 2001, resigned 27 March 2001)

The directors' interests in the share and loan capital of the company are set out in note 13 to the accounts.

#### **Statement of 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;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts; 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.

VITALCREATE LIMITED

REPORT OF THE DIRECTORS  
for the period ended 31 March 2002

**Auditors**

Arthur Andersen were appointed auditors during the period by the directors in accordance with section 385 of the Companies Act 1985. The directors will place a resolution before the Annual General Meeting to appoint Deloitte & Touche as auditors for the ensuing year.

This report was approved by the Board on 30 July 2002

A handwritten signature in black ink, appearing to read 'R J Scudamore', written over a horizontal line.

R J Scudamore  
Secretary

10 Cornwall Terrace  
Regent's Park  
London  
NW1 4QP

**VITALCREATE LIMITED**

**INDEPENDENT AUDITORS REPORT  
for the period ended 31 March 2002**

**To the Shareholders of Vitalcreate Limited**

We have audited the accounts of Vitalcreate Limited for the period ended 31 March 2002 which comprise the Profit and loss account, Balance sheet, Statement of total recognised gains and losses and the related notes numbered 1 to 22. These accounts have been prepared under the accounting policies set out therein.

**Respective responsibilities of directors and auditors**

The directors' responsibilities for preparing the annual report and the accounts in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of directors' responsibilities. Our responsibility is to audit the accounts in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the accounts 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 accounts, 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 within it.

**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 accounts. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the accounts 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 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.

**Opinion**

In our opinion the accounts give a true and fair view of the state of affairs of the company at 31 March 2002 and of the company's profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



**Arthur Andersen  
Chartered Accountants and Registered Auditors**

180 Strand  
London  
WC2R 1BL

30 July 2002

**VITALCREATE LIMITED**  
**PROFIT AND LOSS ACCOUNT**  
**for the period ended 31 March 2002**

	Note	Period ended 31 March 2002 £
<b>Turnover</b>		
Rental income		8,232,809
Fees and commissions		-
<b>Total turnover</b>		<u>8,232,809</u>
Cost of turnover		(71,844)
<b>Gross profit</b>	<b>2</b>	<u>8,160,965</u>
Administrative expenses		-
<b>Operating profit</b>		<u>8,160,965</u>
Interest receivable		
Joint ventures		-
External - unlisted		51
Interest payable		
Group		(5,516,003)
External - other		-
<b>Profit on ordinary activities before taxation</b>	<b>3</b>	<u>2,645,013</u>
Taxation	<b>5</b>	<u>(793,504)</u>
<b>Profit after taxation</b>		<u>1,851,509</u>
<b>Profit for the financial period</b>	<b>14</b>	<u><u>1,851,509</u></u>

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

The accompanying notes form part of these accounts.

VITALCREATE LIMITED

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**  
**for the period ended 31 March 2002**

	Note	Period ended 31 March 2002 £
Retained profit for the period		1,851,509
Revaluation of properties		875,349
Total recognised gains and losses relating to the financial period		2,726,858

**HISTORICAL COST PROFITS AND LOSSES**  
**for the period ended 31 March 2002**

	Period ended 31 March 2002 £
Profit before taxation	2,645,013
Realisation of prior year revaluations	-
Historical cost profit before tax	2,645,013
Retained historical cost profit	1,851,509

The accompanying notes form part of these accounts.

VITALCREATE LIMITED

**BALANCE SHEET**  
**as at 31 March 2002**

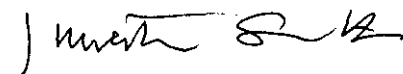
	Note	31 March 2002	£
<b>Fixed assets</b>			
Investment properties	6	138,985,000	
Plant	6	-	
Investments	7	-	
Loans to group companies	7	-	
		<u>138,985,000</u>	
<b>Current assets</b>			
Debtors	8	13,693	
Cash at bank		-	
		<u>13,693</u>	
<b>Creditors due within one year</b>	9	(134,271,835)	
		<u>(134,271,835)</u>	
<b>Net current liabilities</b>			(134,258,142)
<b>Total assets less current liabilities</b>			4,726,858
<b>Creditors due after one year</b>	10	-	
<b>Provision for liabilities and charges</b>	11	-	
		<u>-</u>	
<b>Net assets</b>			<u>4,726,858</u>
<b>Capital and reserves</b>			
Called up share capital	12	2,000,000	
Share premium	14	-	
Capital reserves			
- Realised	14	-	
- Revaluation	14	875,349	
- Other – unrealised	14	-	
Profit and loss account	14	<u>1,851,509</u>	
<b>Equity shareholders' funds</b>	14		<u>4,726,858</u>

Non-equity interests are stated in note 20.

C Metliss



J H Weston Smith  
Directors



Approved by the Board on 30 July 2002

The accompanying notes form part of this Balance Sheet.

## VITALCREATE LIMITED

### NOTES TO THE ACCOUNTS for the period ended 31 March 2002

#### 1. Accounting policies

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

These accounts 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 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.

#### 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.

#### Turnover

Turnover represents rental income receivable, net of VAT.

#### 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.

#### 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 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. Previously, the Group's accounting policy was only to provide for deferred tax to the extent that liabilities or assets were expected to be payable or receivable in the foreseeable future.

In accordance with FRS19, deferred tax is now 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 accounts. Deferred tax is measured on a non-discounted basis.



**VITALCREATE LIMITED**  
**NOTES TO THE ACCOUNTS**  
**for the period ended 31 March 2002**

**Operating lease incentives**

Operating lease incentives include rent free periods and other incentives (such as contributions towards fitting out costs) given to lessees on entering into lease agreements. Previously, the Group's accounting policy was to recognise income as the rent fell due and to capitalise appropriate incentives.

In accordance with UITF28 rent receivable in the period from lease commencement to the earlier of the first rent review to the prevailing market rate and the lease end date, is now spread evenly over the period. The cost of other incentives is spread on a straight-line basis over a similar period.

This has been applied to all lease incentives for leases commencing on or after 15 February 2001.

	<b>Period ended 31 March 2002 £</b>
<b>2. Gross profit</b>	
Net rental income	8,160,965
Fees and commissions	-
Other trading income	-
	<u>8,160,965</u>

**3. Profit on ordinary activities before taxation**

**Period ended  
31 March 2002  
£**

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

Amortisation and depreciation	-
Auditors' remuneration	-
Auditors' remuneration for other services	-
	<u>-</u>

Amounts payable to Arthur Andersen and their associates in respect of audit and non-audit services are paid at group level by The British Land Company PLC.

**4. Staff costs**

**Period ended  
31 March 2002  
£**

Wages and salaries	-
Social security costs	-
Pension costs	-
	<u>-</u>

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

Average number of employees, including directors, of the company during the period was Nil.

**VITALCREATE LIMITED**  
**NOTES TO THE ACCOUNTS**  
**for the period ended 31 March 2002**

**5. Taxation**

**Period ended  
31 March 2002  
£**

UK corporation tax	793,504
Adjustments in respect of prior years	-

Total current tax	793,504
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Deferred tax	-
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<b>Total taxation (effective tax rate – 30.0%)</b>	<b>793,504</b>
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**Tax reconciliation**

Profit on ordinary activities	2,645,013
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Tax on profit on ordinary activities at UK corporation tax rate (30%)	793,504
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Effects of:

Capital allowances	-
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Tax losses and other timing differences	-
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Expenses not deductible for tax purposes	-
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Adjustments in respect of prior years	-
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<b>Current tax charge</b>	<b>793,504</b>
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**VITALCREATE LIMITED**  
**NOTES TO THE ACCOUNTS**  
**for the period ended 31 March 2002**

**6. Investment and development properties**

	Development £	Freehold £	Long leasehold £	Total £
<b>Cost and valuation</b>				
15 February 2001	-	-	-	-
Adjustment for UITF28	-	-	-	-
Additions	-	138,109,651	-	138,109,651
Disposals	-	-	-	-
Group transfers	-	-	-	-
Revaluation surplus	-	875,349	-	875,349
<b>31 March 2002</b>	-	138,985,000	-	138,985,000
<b>Amortisation and depreciation</b>				
15 February 2001	-	-	-	-
External disposals	-	-	-	-
Group transfers	-	-	-	-
Charge to revenue	-	-	-	-
<b>31 March 2002</b>	-	-	-	-
<b>Net book value</b>				
<b>31 March 2002</b>	-	138,985,000	-	138,985,000
15 February 2001	-	-	-	-
<b>Analysis of cost and valuation</b>				
<b>31 March 2002</b>				
Cost	-	138,109,651	-	138,109,651
Revaluation	-	875,349	-	875,349
<b>Net book value</b>	-	138,985,000	-	138,985,000
15 February 2001	-	-	-	-
Cost	-	-	-	-
Revaluation	-	-	-	-
<b>Net book value</b>	-	-	-	-

Freehold and leasehold properties were externally valued at 31 March 2002 by Atis Real Weatheralls, 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.

Properties charged to secure borrowings of the ultimate holding company are stated in note 15.

Capitalised interest is stated in note 16.

**VITALCREATE LIMITED**  
**NOTES TO THE ACCOUNTS**  
**for the period ended 31 March 2002**

**7. Investments and loans to group companies**

	Shares in subsidiaries £	Other Investments £	Total £	Loans to Group companies £
At cost or directors' valuation				
15 February 2001	-	-	-	-
Additions	-	-	-	-
Disposals	-	-	-	-
Revaluation	-	-	-	-
<b>31 March 2002</b>	-	-	-	-
At cost				
<b>31 March 2002</b>	-	-	-	-
15 February 2001	-	-	-	-

**VITALCREATE LIMITED**  
**NOTES TO THE ACCOUNTS**  
**for the period ended 31 March 2002**

**8. Debtors**

**2002**

**£**

Trade debtors	-
Other debtors	2
Amounts owed by group companies	-
- current accounts	-
Prepayments and accrued income	13,691
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	13,693
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**9. Creditors due within one year**

**2002**

**£**

Trade creditors	18,186
Other creditors	-
Amounts owed to group companies	-
- current accounts	130,871,462
Corporation tax	793,504
Other taxation and social security	405,349
Accruals and deferred income	2,183,334
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	134,271,835
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**10. Creditors due after one year**

**2002**

**£**

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**VITALCREATE LIMITED**  
**NOTES TO THE ACCOUNTS**  
**for the period ended 31 March 2002**

**11. Provision for liabilities and charges**

	<b>2002 £</b>
15 February 2001	-
Charged to profit and loss account	-
<b>31 March 2002</b>	<b>-</b>

Deferred tax is provided as follows

	<b>2002 £</b>
Capital allowances	-
Other timing differences	-
	-

The deferred tax provision relates primarily to capital allowances claimed on plant and machinery within investment properties. When a property is sold and the agreed disposal value for this plant and machinery is less than original cost there is a release of the surplus part of the provision.

**12. Share capital**

	<b>2002 £</b>
<b>Authorised</b>	
2,000,000 ordinary shares of £1.00 each	2,000,000
	<u>2,000,000</u>
<b>Allotted and fully paid</b>	
2,000,000 ordinary shares of £1.00 each	2,000,000
	<u>2,000,000</u>

During the period the company allotted 2,000,000 ordinary shares with a nominal value of £2,000,000 for cash consideration of £2,000,000.

**VITALCREATE LIMITED**

**NOTES TO THE ACCOUNTS**  
**for the period ended 31 March 2002**

**13. Directors' interests in share and loan capital**

No director held a beneficial interest in the share capital of the company. The directors set out on page 1 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.

VITALCREATE LIMITED

**NOTES TO THE ACCOUNTS**  
**for the period ended 31 March 2002**

**14. Reconciliation of movements in shareholders' funds**

	Share capital £	Share premium £	Capital reserve -realised £	Capital reserve -revaluation £	Capital reserve -other unrealised £	Profit and loss account £	Total £
Opening shareholder's funds	-	-	-	-	-	-	-
Shares issued	2,000,000	-	-	-	-	-	2,000,000
Retained profit	-	-	-	-	-	1,851,509	1,851,509
Revaluation of properties	-	-	-	875,349	-	-	875,349
<b>Closing shareholder's funds</b>	<b>2,000,000</b>	<b>-</b>	<b>-</b>	<b>875,349</b>	<b>-</b>	<b>1,851,509</b>	<b>4,726,858</b>



**VITALCREATE LIMITED**  
**NOTES TO THE ACCOUNTS**  
**for the period ended 31 March 2002**

**15. Secured properties**

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

**16. Capitalised interest**

The cumulative interest capitalised on the development of properties is £Nil.

**17. Capital commitments**

The company had capital commitments contracted at 31 March 2002 of £Nil.

**18. Contingent liabilities**

In the event of the realisation of properties at book value the liability for tax, after available reliefs at 31 March 2002 is estimated at £0.2m.

The deferred tax provision (see note 11) relating to capital allowances on investment properties which would be released on such realisation, assuming no balancing charge would be incurred, is £Nil.

The company is jointly and severally liable with The British Land Company PLC, the ultimate holding company, for all monies falling due under the group VAT registration.

**19. 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.

John Ritblat, Chairman of the ultimate holding company, has a 5.226% interest in Delancey Estates Plc which is the holding company of Colliers Conrad Ritblat Erdman who are the company's managing agents and as such receive fees for their services.

**20. Non-equity interests**

Shareholders' funds includes non-equity interests of £Nil.

**21. Subsequent events**

There have been no significant events since the period end.

**22. Ultimate holding company**

The immediate parent company is The British Land Company PLC.

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.