175 BISHOPSGATE LIMITED

Annual Report and Accounts

Year ended 31 March 2004

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A10 0497
COMPANIES HOUSE 27/07/04

Company number: 2358667

175 BISHOPSGATE LIMITED

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 that of property investment.

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 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 (2003 - £Nil).

Directors

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

J H Ritblat
C Metliss
J H Weston Smith
N S J Ritblat
R E Bowden
G C Roberts

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.

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REPORT OF THE DIRECTORS
for the year ended 31 March 2004

Annual General Meeting

At the Annual General Meeting of the company held on 18 December 1998 Elective Resolutions were passed to dispense with the following requirements:

- to lay accounts and reports before a general meeting of the company
- *to appoint auditors annually*
- to hold annual general meetings in the future.

Auditors

The auditors, Deloitte & Touche LLP are willing to continue in office.

This report was approved by the Board on 21 JUL 2004

R J Scudamore

R J Scudamore
Secretary

10 Cornwall Terrace
Regent's Park
London
NW1 4QP

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INDEPENDENT AUDITORS' REPORT
for the year ended 31 March 2004

To the members of 175 BISHOPSGATE LIMITED

We have audited the financial statements of 175 Bishopsgate Limited for the year ended 31 March 2004 which comprise the profit and loss account, balance sheet, statement of total recognised gains and losses, note of historical cost profits and losses 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 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

22 July 2004

175 BISHOPSGATE LIMITED

PROFIT AND LOSS ACCOUNT
for the year ended 31 March 2004

	Note	2004 £	2003 £
Turnover			
Rental income		4,022,379	865,886
Fees and commissions			
Other trading income			
Total turnover		4,022,379	865,886
Cost of turnover		(76,181)	22,727
Gross profit (loss)		3,946,198	888,613
Administrative expenses			
Operating profit (loss)		3,946,198	888,613
Profit (loss) on disposal of properties			
Profit (loss) on disposal of investments			
Group transfer of investments			
Write down of subsidiaries			
Dividends receivable			
Interest receivable			
Group			
Associated companies			
External - other		365	
Interest payable			
Group			
External - other			
Profit (loss) on ordinary activities before taxation	2	3,946,563	888,613
Taxation	4	*(1,176,584)*	*(266,583)*
Profit (loss) on ordinary activities after taxation		2,769,979	622,030
Dividends paid and proposed			
Retained profit (loss) for the year	13	2,769,979	622,030

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

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STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
for the year ended 31 March 2004

	2004 £	2003 £
Profit (loss) on ordinary activities after taxation	2,769,979	622,030
Unrealised surplus (deficit) on revaluation of investment properties	4,694,987	15,272,264
Unrealised surplus (deficit) on revaluation of investments		
Unrealised surplus (deficit) on revaluation of subsidiaries		
Exchange movements on net investments		
Taxation on realisation of prior year revaluations		
Total recognised gains and losses relating to the financial year	7,464,966	15,894,294

NOTE OF HISTORICAL COST PROFITS AND LOSSES
for the year ended 31 March 2004

	2004 £	2003 £
Profit (loss) on ordinary activities before taxation	3,946,563	888,613
Realisation of prior year revaluations		
Historical cost profit (loss) on ordinary activities before taxation	3,946,563	888,613
Historical cost profit (loss) for the year retained after taxation	2,769,979	622,030

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BALANCE SHEET
as at 31 March 2004

	Note	2004		2003	
		£	£	£	£
Fixed assets					
Investment properties	5		73,803,701		48,096,105
Plant					
Investments	6				
Loans to group companies	6				
			73,803,701		48,096,105
Current assets					
Debtors	7	164,073,612		180,872,359	
Cash and deposits					
		164,073,612		180,872,359	
Creditors due within one year	8	(2,210,799)		(989,266)	
Net current assets (liabilities)			161,862,813		179,883,093
Total assets less current liabilities			235,666,514		227,979,198
Creditors due after one year	9				
Provision for liabilities and charges	10		(2,631,971)		(2,409,621)
Net assets (liabilities)			233,034,543		225,569,577
Capital and reserves					
Called up share capital	11		137,001,000		137,001,000
Share premium	13				
Revaluation reserve	13		20,088,251		15,393,264
Other unrealised reserve	13				
Profit and loss account	13		75,945,292		73,175,313
Shareholders' funds	13		233,034,543		225,569,577
Shareholders' funds may be analysed as follows:					
Equity interests			1,701		1,646
Non-equity interests			233,032,842		225,567,931
			233,034,543		225,569,577

These financial statements were approved by the Board of Directors on 21 JUL 2004

C Metliss C Metliss

G C Roberts
Directors

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 19).

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.

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.

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 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.

Net rental income

Rental income is recognised on an accruals basis. Rent increases arising from rent reviews are taken into account when such reviews have been settled with tenants. Where a lease incentive does not enhance the property, it is amortised on a straight-line basis over the period from the date of lease commencement to the earlier of the first rent review to the prevailing market rent, the first break option, or the end of the lease term. On new leases with rent free periods, rental income is allocated evenly over the period from the date of lease commencement to the earlier of the first rent review to the prevailing market rate and the lease end date.

Foreign currency

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction or, if hedged, at the forward contract rate. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date or, if appropriate, at the forward contract rate. All exchange differences are included in the profit and loss account.

Pensions

The amount charged to the profit and loss account in respect of pensions costs and other post-retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Notes to the accounts
for the year ended 31 March 2004

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		

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	**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	780,933	(29,883)
Adjustments in respect of prior years	173,301	
Total current tax charge (credit)	954,234	(29,883)
Deferred tax		
Origination and reversal of timing differences	222,350	296,466
Prior year items		
Total deferred tax charge (credit)	222,350	296,466
Total taxation (effective tax rate – 29.8%; 2003 – 30.0%)	1,176,584	266,583

Tax reconciliation

	2004	2003
Profit on ordinary activities before taxation	3,946,563	888,613
Tax on profit on ordinary activities at UK corporation tax rate of 30% (2003 - 30%)	1,183,969	266,584
Effects of:		
Capital allowances	(222,350)	(296,467)
Tax losses and other timing differences	(180,686)	
Expenses not deductible for tax purposes		
Adjustments in respect of prior years	173,301	
Current tax charge (credit)	954,234	(29,883)

Included in the tax charge is a net charge of £Nil (2003 - £Nil) attributable to property sales.

Where the company currently owns properties, further taxation that might become payable if the properties were sold at open market value is estimated at £3.1m (2003 - £2.1m). This unprovided taxation is stated after taking account of the FRS19 capital allowance deferred tax provision of £2.6m (2003 - £2.4m) 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.

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Notes to the accounts
for the year ended 31 March 2004

5. Investment and development properties

	Development £	Freehold £	Long leasehold £	Total £
Cost and valuation				
1 April 2003		48,086,105	10,000	48,096,105
Additions		21,012,709		21,012,709
Disposals		(100)		(100)
Group transfers				
Revaluation surplus (deficit)		4,694,987		4,694,987
31 March 2004		73,793,701	10,000	73,803,701
Analysis of cost and valuation				
31 March 2004				
Cost		53,705,450	10,000	53,715,450
Revaluation		20,088,251		20,088,251
Net book value		73,793,701	10,000	73,803,701
1 April 2003				
Cost		32,692,841	10,000	32,702,841
Revaluation		15,393,264		15,393,264
Net book value		48,086,105	10,000	48,096,105

Properties were externally valued at 31 March 2004 by ATIS REAL Weatheralls, 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 (2003 - £Nil) were charged to secure borrowings of the ultimate holding company.

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Notes to the accounts
for the year ended 31 March 2004

6. Investments and loans to group companies

	Shares in *subsidiaries* £	Other *investments* £	*Total* £	Loans to Group companies £
At cost or directors' valuation				
1 April 2003				
Additions				
Disposals				
Provision for write-down				
Revaluation				
31 March 2004				
At cost				
31 March 2004				
1 April 2003				

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Notes to the accounts
for the year ended 31 March 2004

7. Debtors	2004	2003
	£	£
Trade debtors	25,801	5,940
Amounts owed by group companies - current accounts	163,716,051	180,416,902
Corporation tax	29,883	367,639
Other debtors	4	4
Prepayments and accrued income	301,873	81,874
	164,073,612	180,872,359

8. Creditors due within one year	2004	2003
	£	£
Trade creditors	68,687	10,450
Amounts owed to group companies - current accounts		
Corporation tax	780,933	
Other taxation and social security	167,980	229,288
Other creditors		
Accruals and deferred income	1,193,199	749,528
	2,210,799	989,266

9. Creditors due after one year	2004	2003
	£	£
Debentures and loans		

Notes to the accounts
for the year ended 31 March 2004

10. Provision for liabilities and charges

	Sinking fund	Deferred tax	Total
	£	£	£
1 April 2003		2,409,621	2,409,621
Charged (credited) to the profit and loss account		222,350	222,350
31 March 2004		2,631,971	2,631,971

Deferred tax is provided as follows	2004	2003
	£	£
Accelerated capital allowances	2,631,971	2,409,621
Other timing differences		
	2,631,971	2,409,621

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. The entire amount of the capital allowance provision would be expected to be released on sale.

11. Share capital

	2004	2003
	£	£
Authorised		
137,001,000 ordinary shares of £1 each	137,001,000	137,001,000
137,000,000 redeemable ordinary shares of £1 each (non-equity)	137,000,000	137,000,000
	274,001,000	274,001,000
Allotted, called up and fully paid		
1,000 ordinary shares of £1 each	1,000	1,000
137,000,000 redeemable ordinary shares of £1 each (non-equity)	137,000,000	137,000,000
	137,001,000	137,001,000

The redeemable ordinary shares may be redeemed at any time by the holders. The amount payable on redemption shall be the aggregate of the amount paid up and an amount equal to such share after taking into account advance corporation tax payable on the redemption monies.

In all other respects the shares rank pari passu.

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, 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 director in the ultimate holding company is as follows:-

	Fully paid Ordinary shares		6% Irredeemable Convertible Bonds (£ nominal)	
	31 March 2004	1 April 2003	**31 March 2004**	1 April 2003
C Metliss	118,905	113,332		

	Options over ordinary shares			
	1984 Option Scheme		Sharesave Scheme	
	31 March 2004	1 April 2003	**31 March 2004**	1 April 2003
C Metliss			1,954	4,753

	Rights under Restricted Share Plan Ordinary shares		Rights under Long Term Incentive Plan Ordinary shares		Rights under Long Term Incentive Plan Options over Ordinary shares	
	31 March 2004	1 April 2003	**31 March 2004**	1 April 2003	**31 March 2004**	1 April 2003
C Metliss						

Granting and lapsing of options

C Metliss exercised options over 4,753 shares at an option price of 355 p per share and the middle market quotation on the date of exercise of these shares was 658p per share. He was granted options over 1,954 shares at an option price of 472p per share. Both this exercise and grant occurred under British Land's Sharesave Scheme.

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Notes to the accounts
for the year ended 31 March 2004

13. Reconciliation of movements in shareholders' funds and reserves

	Share capital £	Share premium £	Capital reserve - revaluation £	Other unrealised reserve £	Profit and loss account £	Total £
Opening shareholders' funds	137,001,000		15,393,264		73,175,313	225,569,577
Retained profit (loss) for the year					2,769,979	2,769,979
Share issues in the year						
Unrealised surplus (deficit) on revaluation of investment properties			4,694,987			4,694,987
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 revaluations						
Exchange movements on net investments						
Closing shareholders' funds	137,001,000		20,088,251		75,945,292	233,034,543

14. Capital commitments

The company had capital commitments contracted at 31 March 2004 of £0.0m (2003 - £22.1m).

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.

Mr John Ritblat has an effective 4.65% equity interest and is non-executive chairman of Fitzhardinge 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.

17. Non-equity interests

Details of non-equity interests are disclosed on the face of the Balance sheet.

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 175 Bishopsgate 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.