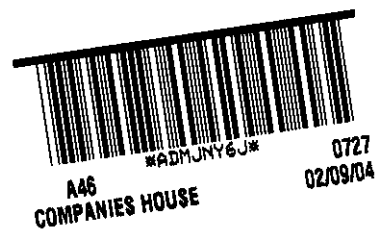

BLSSP (PHC 32) LIMITED

Annual Report and Accounts

Year ended 31 March 2004



Company number: 4104082

BLSSP (PHC 32) 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
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 13 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.

BLSSP (PHC 32) LIMITED

**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 **31 AUG 2004**


L M Bell

Director

10 Cornwall Terrace
Regent's Park
London
NW1 4QP

BLSSP (PHC 32) LIMITED

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

To the members of BLSSP (PHC 32) LIMITED

We have audited the financial statements of BLSSP (PHC 32) 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 result 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

31 August 2004

BLSSP (PHC 32) LIMITED

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

	Note	2004 £	2003 £
Turnover			
Rental income		1,961,008	1,960,825
Cost of turnover		(18,141)	(9,059)
Gross profit (loss)		<u>1,942,867</u>	<u>1,951,766</u>
Administrative expenses			
Operating profit (loss)		<u>1,942,867</u>	<u>1,951,766</u>
Interest receivable			
External - unlisted		2,866	3,100
Interest payable			
Group		(1,917,195)	(1,929,462)
External - unlisted		(28,538)	(25,404)
Profit (loss) on ordinary activities before taxation	2	<u> </u>	<u> </u>
Taxation	4	<u> </u>	<u> </u>
Profit (loss) on ordinary activities after taxation		<u> </u>	<u> </u>
Dividends paid and proposed			
Retained profit (loss) for the year	14	<u> </u>	<u> </u>

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

BLSSP (PHC 32) LIMITED

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

	2004 £	2003 £
Profit (loss) on ordinary activities after taxation		
Unrealised surplus (deficit) on revaluation of investment properties	2,039,999	3,205,988
Taxation on realisation of prior year revaluations		
Total recognised gains and losses relating to the financial year	<u>2,039,999</u>	<u>3,205,988</u>

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

	2004 £	2003 £
Profit (loss) on ordinary activities before taxation		
Realisation of prior year revaluations		
Taxation on realisation of prior year revaluations		
Historical cost profit (loss) on ordinary activities before taxation	<u> </u>	<u> </u>
Historical cost profit (loss) for the year retained after taxation	<u> </u>	<u> </u>

BLSSP (PHC 32) LIMITED**BALANCE SHEET
as at 31 March 2004**

	Note	2004 £	£	2003 £	£
Fixed assets					
Investment properties	5	33,720,000		31,680,000	
Investments	6				
			<u>33,720,000</u>		<u>31,680,000</u>
Current assets					
Debtors	7			3,318	
Cash and deposits		599,964		575,843	
		<u>599,964</u>		<u>579,161</u>	
Creditors due within one year	8	(1,851,947)		(7,735,102)	
Net current assets (liabilities)			(1,251,983)		(7,155,941)
Total assets less current liabilities			<u>32,468,017</u>		<u>24,524,059</u>
Creditors due after one year	9	(23,906,720)		(18,002,761)	
Provision for liabilities and charges	10				
Net assets (liabilities)			<u>8,561,297</u>		<u>6,521,298</u>
Capital and reserves					
Called up share capital	12	218,000		218,000	
Revaluation reserve	14	8,343,297		6,303,298	
Profit and loss account	14				
Equity shareholders' funds	14		<u>8,561,297</u>		<u>6,521,298</u>

These financial statements were approved by the Board of Directors on **31 AUG 2004**


L M Bell


P C Clarke
Directors

BLSSP (PHC 32) LIMITED

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.

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.

BLSSP (PHC 32) LIMITED

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.

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.

Debt instruments

Debt instruments are stated at their net proceeds on issue. Issue costs are amortised to the profit and loss account over the life of the instrument and are included in interest payable.

BLSSP (PHC 32) LIMITED

**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

=====	=====
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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	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).

BLSSP (PHC 32) LIMITED**Notes to the accounts
for the year ended 31 March 2004**

4. Taxation	2004	2003
	£	£
Current tax		
UK corporation tax		
Adjustments in respect of prior years		
Total current tax charge (credit)		
Deferred tax		
Origination and reversal of timing differences		
Prior year items		
Total deferred tax charge (credit)		
Total taxation (effective tax rate – Nil; 2003 – Nil)		
Tax reconciliation		
Profit on ordinary activities before taxation		
Tax on profit on ordinary activities at UK corporation tax rate of 30% (2003 - 30%)		
Effects of:		
Capital allowances		
Tax losses and other timing differences		
Expenses not deductible for tax purposes		
Adjustments in respect of prior years		
Current tax charge (credit)		

Where the company currently owns properties, further taxation that might become payable if the properties were sold at open market value is estimated at £4.8m (2003 - £4.3m). 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.

BLSSP (PHC 32) LIMITED**Notes to the accounts
for the year ended 31 March 2004****5. Investment properties**

	Freehold £	Long leasehold £	Total £
Cost and valuation			
1 April 2003	31,680,000		31,680,000
Additions	1		1
Disposals			
Group transfers			
Revaluation surplus (deficit)	2,039,999		2,039,999
31 March 2004	33,720,000		33,720,000
Analysis of cost and valuation			
31 March 2004			
Cost	25,376,703		25,376,703
Revaluation	8,343,297		8,343,297
Net book value	33,720,000		33,720,000
1 April 2003			
Cost	25,376,702		25,376,702
Revaluation	6,303,298		6,303,298
Net book value	31,680,000		31,680,000

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.

Security has been granted over the above properties, along with the other properties held by fellow subsidiaries of the BLSSP Property Holding Group to secure the £20 million 7.743% secured notes due 2025, issued by BLSSP (Funding) PLC.

BLSSP (PHC 32) LIMITED

**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				

BLSSP (PHC 32) LIMITED**Notes to the accounts
for the year ended 31 March 2004**

7. Debtors	2004	2003
	£	£
Trade debtors		3,318
Corporation tax		
Amounts owed by group companies		
- current account with BLSSP (Lending) Limited		
Other debtors		
Prepayments and accrued income		
		<u>3,318</u>
8. Creditors due within one year	2004	2003
	£	£
Trade creditors	1,500	1,500
Amounts owed to group companies		
- subordinated loans from BLSSP (Funding) PLC - note 11	376,162	265,440
- subordinated loans from BLSSP Property Holdings Limited - note 11		6,275,753
- current account from BLSSP (Lending) Limited		
- accrued interest	579,772	348,255
Corporation tax		
Other taxation and social security	83,645	85,501
Other creditors		
Accruals and deferred income	810,868	758,653
	<u>1,851,947</u>	<u>7,735,102</u>
9. Creditors due after one year	2004	2003
	£	£
Amount owed to group company		
- subordinated loans from BLSSP (Funding) PLC - note 11	21,603,365	18,002,761
- subordinated loans from BLSSP Property Holdings Limited - note 11	2,303,355	
	<u>23,906,720</u>	<u>18,002,761</u>

The subordinated loan, which is subject to a variable rate of interest, from BLSSP Property Holdings Limited is deeply subordinated and ranks behind subordinated loans from BLSSP (Funding) PLC.

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

	Deferred tax
	£
1 April 2003	
Charged (credited) to the profit and loss account	
31 March 2004	

BLSSP (PHC 32) LIMITED

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

13. 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
C Metliss	118,905	113,332		
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
C Metliss			1,954	4,753
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
C Metliss						
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

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.

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

BLSSP (PHC 32) LIMITED

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

14. Reconciliation of movements in shareholders' funds and reserves

	Share capital £	Revaluation reserve £	Profit and loss account £	Total £
Opening shareholders' funds	218,000	6,303,298		6,521,298
Retained profit (loss) for the year				
Unrealised surplus (deficit) on revaluation of investment properties		2,039,999		2,039,999
Closing shareholders' funds	<u>218,000</u>	<u>8,343,297</u>		<u>8,561,297</u>

BLSSP (PHC 32) LIMITED

Notes to the accounts
for the year ended 31 March 2004

15. Capital commitments

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

16. Contingent liabilities

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

The company is a guarantor and is jointly and severally liable with its fellow property holding subsidiaries for the obligations of BLSSP (Funding) PLC.

17. 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.

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 BLSSP 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.