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# **BLSSP (PHC32) LIMITED**

## **Annual Report and Accounts**

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**Year ended 31 March 2006**

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**Company number: 4104082**

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## **BLSSP (PHC32) LIMITED**

### **REPORT OF THE DIRECTORS for the year ended 31 March 2006**

The directors present their Annual Report and audited Accounts for the year ended 31 March 2006.

#### **Business review and principal activities**

The company is a wholly owned subsidiary of The British Land Company PLC and operates as a constituent of the Group. The company's principal activity is property investment in the United Kingdom. There have not been any significant changes in the current year, nor are any currently planned.

As shown in the company's Profit and loss account on page 5, the company's turnover has not changed and loss before tax was £3,167,422 while the prior year was £Nil. The pre tax loss in the current year is due to the exceptional charge incurred whilst repaying the subordinated loans from BLSSP (Funding) PLC.

The Balance sheet on page 7 of the financial statements shows that the company's financial position at the year end is, in both net assets and cash terms, consistent with the prior year. Details of amounts owed to its fellow group companies are shown in note 11 on page 15.

The company's directors believe that further key performance indicators for the company are not necessary or appropriate for an understanding of the development, performance or position of the business. The performance of the Group comprising The British Land Company PLC and subsidiaries, which includes the company, is discussed in the group's Annual Report which does not form part of this report.

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

#### **Principal risks and uncertainties**

The Group's objective is to achieve attractive long-term returns whilst minimising risks. In order to identify and evaluate risks and design controls to mitigate them, a regular comprehensive assessment is undertaken which has identified certain individual risks affecting the Group and company, most of which arise out of natural market volatility, relating to supply and demand imbalances in the following areas:

- demand for space from occupiers against available space (including new developments);
- differential pricing for previous locations and buildings;
- alternative uses for buildings (including redevelopment);
- demand for returns from investors in property, compared to other asset classes;
- price differentials for capital to finance the business;
- legislative initiatives, including planning consents and taxation;
- economic cycles, including the impact on tenant covenant quality, interest rates and inflation;
- mis-pricing of property assets by the equity markets.

The Group's preference for long-term investments let on long leases to strong tenants with upward only rent reviews provides stable long-term cash flows which enables the Group to ride out much of this natural market volatility.

The company is financed by subordinated loans from BL Superstores (Funding) Limited and BLSSP Property Holdings Limited. The average interest rate charged on the BL Superstores (Funding) Limited loans was 4.96% per annum. The interest charged on the loan from BLSSP Property Holdings Limited is equivalent to the residual taxable profits of the company, capped at an effective interest rate of 24% per annum. No interest is charged if the company makes no taxable profits. The company has no third party debt.

#### **Environment**

Across the Group, The British Land Company PLC recognises the importance of its environmental responsibilities, monitors its impact on the environment, and designs and implements policies to reduce any damage that might be caused by the Group's activities. The company operates in accordance with Group policies, which are described in the Group's Annual Report, which does not form part of this report. Initiatives designed to minimise the company's impact on the environment include safe disposal of manufacturing waste, recycling and reducing energy consumption.

#### **Results and dividends**

The results for the year are set out in the profit and loss account on page 5.

Dividends paid are shown on the face of the Profit and loss account.

**BLSSP (PHC32) LIMITED**

**REPORT OF THE DIRECTORS (continued)  
for the year ended 31 March 2006**

**Directors**

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

Sir John Ritblat  
S A M Hester  
C Metliss (Resigned 14 July 2006)  
J H Weston Smith (Resigned 14 July 2006)  
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 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.

In the case of each of the persons who are directors at the time when the director's report is approved, the following apply:

- so far as each director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- He/she has taken all steps that he/she ought to have taken as a director in order to make him/herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

**BLSSP (PHC32) LIMITED**

**REPORT OF THE DIRECTORS (continued)  
for the year ended 31 March 2006**

**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

**- 8 DEC 2006**

A handwritten signature in dark ink, appearing to read 'R J Scudamore', is written over the printed name and title.

**R J Scudamore**  
Secretary

10 Cornwall Terrace  
Regent's Park  
London NW1 4QP

**BLSSP (PHC32) LIMITED**

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF**

**BLSSP (PHC32) LIMITED**

**for the year ended 31 March 2006**

We have audited the financial statements of BLSSP (PHC 32) Limited for the year ended 31 March 2006 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 law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with United Kingdom legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view, in accordance with the relevant financial reporting framework, and are properly prepared in accordance with the Companies Act 1985. We report to you whether in our opinion the information given in the directors' report is consistent with the financial statements. We also report to you if, in our opinion, 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 other transactions 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 International Standards on Auditing (UK and Ireland) 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 March 2006 and of its loss for the year then ended; and
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the directors' report is consistent with the financial statements.

*Deloitte & Touche LLP*

Deloitte & Touche LLP

Chartered Accountants and Registered Auditors

London

*19 December 2006*

**BLSSP (PHC32) LIMITED****PROFIT AND LOSS ACCOUNT**  
**for the year ended 31 March 2006**

	Note	2006 £	2005 £
<b>Turnover</b>			
Rental income	1	1,961,008	1,961,008
Cost of turnover		(20,351)	(14,977)
<b>Gross profit (loss)</b>		<u>1,940,657</u>	<u>1,946,031</u>
Administrative expenses		(80,006)	(65,558)
<b>Operating profit (loss)</b>		<u>1,860,651</u>	<u>1,880,473</u>
Interest receivable			
Group			
External      - unlisted		3,445	3,082
Interest payable			
Group		(1,656,638)	(1,851,917)
External      - bank overdrafts and loans		(30,474)	(31,638)
- other loans			
- exceptional Item	11	(3,344,406)	
<b>Profit (loss) on ordinary activities before taxation</b>	2	<u>(3,167,422)</u>	<u>-</u>
Taxation	4		
<b>Profit (loss) on ordinary activities after taxation</b>		<u>(3,167,422)</u>	<u>-</u>
<b>Dividends paid</b>			
<b>Retained profit (loss) for the year</b>	14	<u><u>(3,167,422)</u></u>	<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 (PHC32) LIMITED**

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**  
**for the year ended 31 March 2006**

	<b>2006</b>	<b>2005</b>
	<b>£</b>	<b>£</b>
<b>Profit (loss) on ordinary activities after taxation</b>	<b>(3,167,422)</b>	
Unrealised surplus (deficit) on revaluation of investment properties	4,260,001	620,000
Taxation on realisation of prior year revaluations		
<b>Total recognised gains and losses relating to the financial year</b>	<b><u>1,092,579</u></b>	<b><u>620,000</u></b>

**NOTE OF HISTORICAL COST PROFITS AND LOSSES**  
**for the year ended 31 March 2006**

	<b>2006</b>	<b>2005</b>
	<b>£</b>	<b>£</b>
<b>Profit (loss) on ordinary activities before taxation</b>	<b>(3,167,422)</b>	
Realisation of prior year revaluations		
<b>Historical cost profit (loss) on ordinary activities before taxation</b>	<b><u>(3,167,422)</u></b>	<b><u>-</u></b>
<b>Historical cost profit (loss) for the year retained after taxation</b>	<b><u>(3,167,422)</u></b>	<b><u>-</u></b>

**BLSSP (PHC32) LIMITED****BALANCE SHEET  
as at 31 March 2006**

	Note	2006 £	2005 £
<b>Fixed assets</b>			
Investment properties	5	38,600,001	34,340,000
Investments	6		
		<u>38,600,001</u>	<u>34,340,000</u>
<b>Current assets</b>			
Debtors	7		
Cash and deposits		576,114	575,705
		<u>576,114</u>	<u>575,705</u>
<b>Creditors due within one year</b>	8	(2,039,401)	(2,173,071)
		<u></u>	<u></u>
<b>Net current assets (liabilities)</b>		(1,463,287)	(1,597,366)
<b>Total assets less current liabilities</b>		<u>37,136,714</u>	<u>32,742,634</u>
<b>Creditors due after one year</b>	9	(26,862,838)	(23,561,337)
<b>Provision for liabilities</b>	10		
		<u></u>	<u></u>
<b>Net assets (liabilities)</b>		<u>10,273,876</u>	<u>9,181,297</u>
<b>Capital and reserves</b>			
Called up share capital	12	218,000	218,000
Revaluation reserve	14	13,223,298	8,963,297
Profit and loss account	14	(3,167,422)	
		<u></u>	<u></u>
<b>Shareholders' funds</b>	14	<u>10,273,876</u>	<u>9,181,297</u>

These financial statements were approved by the Board of Directors on

- 8 DEC 2006



**G C Roberts**  
Director



## **BLSSP (PHC32) LIMITED**

### **Notes to the accounts** **for the year ended 31 March 2006**

#### **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 law and Accounting Standards and under the historical cost convention as modified by the revaluation of investment properties and fixed asset investments.

#### **Cash flow statement**

The company is exempt from preparing a cash flow statement in accordance with FRS 1. 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*, 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.*

#### **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.

#### **Events after the balance sheet date**

FRS 21 (IAS 10) "Events after the balance sheet date" is applicable for accounting periods beginning on or after 1 January 2005. The main impact of FRS 21 is that dividends declared to holders of equity instruments after the balance sheet date, are not recognised as a liability at the balance sheet date. As this constitutes a change in accounting policy, the comparative amounts in the financial statements are required to be restated in accordance with FRS 3 "Reporting Financial Performance". There has been no impact on the financial statements of the company for the current or previous period.

## **BLSSP (PHC32) LIMITED**

### **Notes to the accounts** **for the year ended 31 March 2006**

#### **1. Accounting policies (continued)**

##### **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.*

##### **Net rental income**

Rental income is recognised on an accruals basis, exclusive of service charges receivable. 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. Service charges and other recoveries are credited directly against relevant expenditure.

##### **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 (PHC32) LIMITED**

**Notes to the accounts  
for the year ended 31 March 2006**

<b>2. Profit (loss) on ordinary activities before taxation</b>	<b>2006</b>	<b>2005</b>
	<b>£</b>	<b>£</b>

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.

<b>3. Staff costs</b>	<b>2006</b>	<b>2005</b>
	<b>£</b>	<b>£</b>

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 (2005 - Nil).

**BLSSP (PHC32) LIMITED****Notes to the accounts  
for the year ended 31 March 2006****4. Taxation**

	2006 £	2005 £
<b>Current tax</b>		
UK corporation tax		
Adjustments in respect of prior years		
Total current tax charge (credit)		
<b>Deferred tax</b>		
Origination and reversal of timing differences		
Prior year items		
Total deferred tax charge (credit)		
<b>Total taxation (effective tax rate – Nil; 2005 – Nil)</b>	-	-
<b>Tax reconciliation</b>		
Profit (loss) on ordinary activities before taxation	(3,167,422)	
Tax on profit (loss) on ordinary activities at UK corporation tax rate of 30% (2005 - 30%)	(950,227)	
Effects of:		
Capital allowances		
Tax losses and other timing differences		
Non taxable income	950,227	
Transfer pricing adjustments		
Adjustments in respect of prior years		
<b>Current tax charge (credit)</b>	-	-

Included in the tax charge is a net charge of £Nil (2005 - £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 £6.0m (2005 - £4.8m).

This unprovided taxation is stated after taking account of the FRS19 capital allowance deferred tax provision of £Nil (2005 - £Nil) recorded in the balance sheet which, as described in note 10, would be expected to be released on sale. The unprovided tax without taking account of the FRS 19 provision is in the region of £6.0m (2005 - £4.8m).

**BLSSP (PHC32) LIMITED****Notes to the accounts  
for the year ended 31 March 2006****5. Investment properties**

	Freehold £	Long leasehold £	Total £
<b>Cost and valuation</b>			
1 April 2005	34,340,000		34,340,000
Additions			
Disposals			
Group transfers			
Revaluation surplus (deficit)	4,260,001		4,260,001
<b>31 March 2006</b>	<b>38,600,001</b>	<b>-</b>	<b>38,600,001</b>
<b>Analysis of cost and valuation</b>			
<b>31 March 2006</b>			
Cost	25,376,703		25,376,703
Revaluation	13,223,298		13,223,298
Net book value	<b>38,600,001</b>	<b>-</b>	<b>38,600,001</b>
<b>1 April 2005</b>			
Cost	25,376,703		25,376,703
Revaluation	8,963,297		8,963,297
Net book value	<b>34,340,000</b>	<b>-</b>	<b>34,340,000</b>

Properties were externally valued at 31 March 2006 by Knight Frank, 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 £38.6m (2005 - £34.3m) were charged to secure borrowings of the intermediate holding company.

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 £753m secured notes due 2030, issued by BL Superstores Finance PLC.

**BLSSP (PHC32) LIMITED**

**Notes to the accounts  
for the year ended 31 March 2006**

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

	<b>Shares in subsidiaries</b>	<b>Other investments</b>	<b>Total</b>	<b>Loans to Group companies</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
At cost or directors' valuation				
1 April 2005				
Additions				
Disposals				
Provision for write-down				
Revaluation				
<b>31 March 2006</b>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>
At cost				
<b>31 March 2006</b>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>
1 April 2005	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>

**BLSSP (PHC32) LIMITED****Notes to the accounts  
for the year ended 31 March 2006**

<b>7. Debtors</b>	<b>2006</b>	<b>2005</b>
	<b>£</b>	<b>£</b>
Trade debtors		
Corporation tax		
Amounts owed by group companies		
- current account with BLSSP (Lending) Limited		
Other debtors		
Prepayments and accrued income		
	<u>-</u>	<u>-</u>

Included in prepayments and accrued income is an amount of £Nil (2005 - £Nil), relating to lease incentives which are amortised over the period to the next rent review.

<b>8. Creditors due within one year</b>	<b>2006</b>	<b>2005</b>
	<b>£</b>	<b>£</b>
Trade creditors		1,500
Amounts owed to group companies		
- subordinated loans from BLSSP Funding PLC - note 11		405,685
- subordinated loans from BL Superstores (Funding) Ltd - note 11	341,565	
- current account from BLSSP (Lending) Ltd		
- accrued interest	1,052,820	886,265
Corporation tax		
Other taxation and social security	83,541	73,534
Other creditors		
Accruals and deferred income	561,475	806,087
	<u>2,039,401</u>	<u>2,173,071</u>

<b>9. Creditors due after one year</b>	<b>2006</b>	<b>2005</b>
	<b>£</b>	<b>£</b>
Amount owed to group company		
- subordinated loans from BLSSP Funding PLC - note 11		21,192,370
- subordinated loans from BL Superstores (Funding) Ltd - note 11	25,446,007	
- subordinated loans from BLSSP Property Holdings Ltd - note 11	1,416,831	2,368,967
	<u>26,862,838</u>	<u>23,561,337</u>

**BLSSP (PHC32) LIMITED****Notes to the accounts  
for the year ended 31 March 2006****10. Provision for liabilities**

		Deferred tax £
1 April 2005		
Charged (credited) to the profit and loss account		
Released		
Utilised in year		
<b>31 March 2006</b>		<u>-</u>
Deferred tax is provided as follows	<b>2006</b>	<b>2005</b>
	£	£
Accelerated capital allowances		
Other timing differences		
	<u>-</u>	<u>-</u>

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. Borrowings**

		<b>2006</b>	<b>2005</b>
		£	£
Borrowings are repayable as follows:			
Creditors due within one year	- subordinated loans from BLSSP (Funding) PLC		405,685
	- subordinated loans from BL Superstores (Funding) Ltd	341,565	
Creditors due after one year	- subordinated loans from BLSSP Property Holdings Ltd	1,416,831	2,368,967
	- subordinated loans from BLSSP (Funding) PLC		21,192,370
	- subordinated loans from BL Superstores (Funding) Ltd	25,446,007	
		<u>27,204,403</u>	<u>23,967,022</u>
Repayments due:			
Within one year		341,565	405,685
1-2 years		719,972	435,052
2-5 years		2,206,821	1,502,743
		<u>3,268,357</u>	<u>2,343,480</u>
After 5 years		23,936,046	21,623,542
Total		<u>27,204,403</u>	<u>23,967,022</u>

This amount is stated net of issue costs.

The subordinated loan from BLSSP Property Holdings Limited, which is subject to a variable rate of interest, is deeply subordinated and ranks behind subordinated loans from BL Superstores (Funding) Limited. The interest charged on the loan from BLSSP Property Holdings Limited is equivalent to the residual taxable profits of the company, capped at an effective interest rate of 24% per annum. No interest is charged if the company does not make taxable profits. The subordinated loans from BL Superstores (Funding) Limited are being repaid from October 2006 to October 2025, with the average interest rate of these subordinated loans being 4.96% per annum.

**Exceptional Item**

On 28 February 2006 the company incurred an exceptional charge of £3,344,406 whilst repaying the subordinated loans from BLSSP (Funding) PLC. On the same day the company borrowed, net of issue costs, £25,787,572 from BL Superstores (Funding) Ltd as part of the securitisation of the Sainsbury properties. The exceptional item of £3,344,406 related mainly to the difference between the redemption value and the carrying value of the redeemed debt.



**BLSSP (PHC32) LIMITED**

**Notes to the accounts  
for the year ended 31 March 2006**

**12. Share capital**

	2006 £	2005 £
<b>Authorised</b>		
218,000 ordinary shares of £1 each	<u>218,000</u>	<u>218,000</u>
	<u>218,000</u>	<u>218,000</u>
<b>Allotted, called up and fully paid</b>		
218,000 ordinary shares of £1 each	<u>218,000</u>	<u>218,000</u>
	<u>218,000</u>	<u>218,000</u>

**BLSSP (PHC32) LIMITED****Notes to the accounts  
for the year ended 31 March 2006****13. Directors' interests in share and loan capital**

No director held a beneficial interest in the share capital of the company. Sir John Ritblat and Messrs. S A M Hester, J H Weston Smith, 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:-

	<b>Fully paid Ordinary shares</b>		<b>Options over ordinary shares</b>			
	<b>31 March 2006</b>	<b>1 April 2005</b>	<b>1984 Option Scheme</b>		<b>Sharesave Scheme</b>	
	<b>31 March 2006</b>	<b>1 April 2005</b>	<b>31 March 2006</b>	<b>1 April 2005</b>	<b>31 March 2006</b>	<b>1 April 2005</b>
C Metliss	111,115	120,245			1,954	1,954
A Braine	18,708	17,838			1,462	1,462
L M Bell	13,165	12,295			1,462	1,462
P C Clarke	11,089	7,587			1,162	2,632

  

	<b>Rights under Restricted Share Plan</b>		<b>Rights under Long Term Incentive Plan</b>			
	<b>Ordinary shares</b>		<b>Ordinary shares</b>		<b>Options over Ordinary shares</b>	
	<b>31 March 2006</b>	<b>1 April 2005</b>	<b>31 March 2006</b>	<b>1 April 2005</b>	<b>31 March 2006</b>	<b>1 April 2005</b>
C Metliss						
A Braine	15,000	35,000	39,929	23,994	95,887	71,984
L M Bell	17,500	32,500	43,067	25,394	102,691	76,182
P C Clarke	15,000	35,000	40,317	23,684	96,002	71,052

**Granting, exercising and lapsing of options**

A Braine was granted options over 23,903 shares, 12,699 had an option price of 877p per share, and 11,204 had an option price of 994p per share, all under British Land's Long Term Incentive Plan.

L M Bell was granted options over 26,509 shares, 14,538 had an option price of 877p per share, and 11,971 had an option price of 994p per share, all under British Land's Long Term Incentive Plan.

P C Clarke was granted options over 24,950 shares, 13,255 had an option price of 877p per share, and 11,695 had an option price of 994p per share, all under British Land's Long Term Incentive Plan. He exercised options over 2,632 shares at an option price of 359p per share and the middle market quotation on the date of exercise was 1239.5p per share and he was granted options over 1,162 shares at an option price of 804p per share. Both this exercise and grant occurred under British Land's Share Save Scheme.

**BLSSP (PHC32) LIMITED**

**Notes to the accounts  
for the year ended 31 March 2006**

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

	Share capital £	Revaluation reserve £	Profit and loss account £	Total £
Opening shareholders' funds	218,000	8,963,297		9,181,297
Retained profit (loss) for the year			(3,167,422)	(3,167,422)
Unrealised surplus (deficit) on revaluation of investment properties		4,260,001		4,260,001
Closing shareholders' funds	<u>218,000</u>	<u>13,223,298</u>	<u>(3,167,422)</u>	<u>10,273,876</u>

**BLSSP (PHC32) LIMITED**

**Notes to the accounts**  
**for the year ended 31 March 2006**

**15. Capital commitments**

The company had capital commitments contracted at 31 March 2006 of £4.4m (2005 - £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 BL Superstores Finance 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.