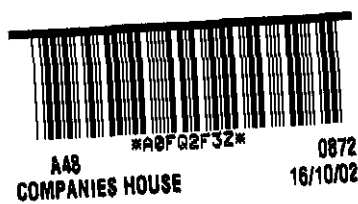

BLSSP (PHC 35) LIMITED
ANNUAL REPORT & ACCOUNTS

Period ended 31 March 2002



Company number 4104102

BLSSP (PHC 35) 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 3 November 2000 to 31 March 2002.

Principal activity

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

Review of business and prospects

The company was incorporated on 3 November 2000.

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 17 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 3 November 2000)
C Metliss	(appointed 3 November 2000)
J H Weston Smith	(appointed 3 November 2000)
N S J Ritblat	(appointed 3 November 2000)
R E Bowden	(appointed 3 November 2000)
G C Roberts	(appointed 26 February 2002)
S Adam	(appointed 3 November 2000, deceased 27 February 2001)
L M Bell	(appointed 1 May 2001)
A Braine	(appointed 2 October 2001)
P C Clarke	(appointed 2 October 2001)

The directors greatly regret to announce the untimely death on 27 February 2001 of Shen Adam FCA, a director of the company.

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 period 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.

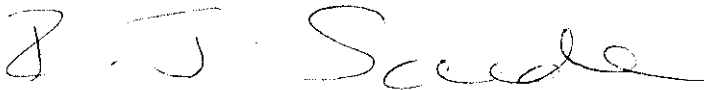
BLSSP (PHC 35) LIMITED

**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. Arthur Andersen resigned as the Company's auditors following the agreement it reached with Deloitte & Touche under which partners and staff from Arthur Andersen joined Deloitte & Touche. The directors used their powers under the Companies Act 1985 to appoint Deloitte & Touche as the Company's auditors to fill the vacancy created by Arthur Andersen's resignation. A resolution to re-appoint Deloitte & Touche as auditors will be put to the Annual General Meeting.

This report was approved by the Board on 4/10/02.

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 (PHC 35) LIMITED
INDEPENDENT AUDITORS REPORT
for the period ended 31 March 2002

To the Shareholders of BLSSP (PHC 35) Limited

We have audited the accounts of BLSSP (PHC 35) Limited for the period from incorporation on 3 November 2000 to 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 18. These financial statements 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 financial statements 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 financial statements in accordance with relevant legal and regulatory requirements and United Kingdom 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 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 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 2002 and of the company's result for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche

Deloitte & Touche
Chartered Accountants and Registered Auditors

London

11 October 2002

BLSSP (PHC 35) LIMITED
PROFIT AND LOSS ACCOUNT
for the period ended 31 March 2002

	Note	3 November 2000 to 31 March 2002 £
Turnover		
Rental income		1,356,158
		<u>1,356,158</u>
Cost of turnover		(6,220)
Gross profit	2	<u>1,349,938</u>
Operating profit		<u>1,349,938</u>
Interest receivable		
External - unlisted		6,050
Interest payable		
Group		(1,338,849)
External - unlisted		(17,139)
Profit on ordinary activities before taxation	3	<u>-</u>
Taxation	5	<u>-</u>
Retained profit for the financial period after taxation	14	<u>-</u>

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

	3 November 2000 to 31 March 2002 £
Profit for the financial period	-
Revaluation of properties	1,760,000
Total recognised gains and losses	<u>1,760,000</u>

All amounts are stated at historical cost.

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

The accompanying notes form part of these accounts.

BLSSP (PHC 35) LIMITED

BALANCE SHEET
As at 31 March 2002

	Note	2002	
		£	£
Fixed assets			
Investment properties	6		21,360,000
Current assets			
Debtors	7	-	
Cash at bank		439,375	
		<u>439,375</u>	
Creditors due within one year	8	<u>(3,853,963)</u>	
Net current liabilities			(3,414,588)
Total assets less current liabilities			<u>17,945,412</u>
Creditors due after one year	9	(15,989,412)	
Provision for liabilities and charges	10	<u>-</u>	
Net assets			<u>(15,989,412)</u> <u>1,956,000</u>
Capital and reserves			
Called up share capital	12		196,000
Revaluation reserve	14		1,760,000
Profit and loss account	14		-
Equity shareholders' funds	14		<u>1,956,000</u>


J H Weston Smith



G C Roberts
Directors

Approved by the board on 4/10/02.

The accompanying notes are an integral part of this Balance Sheet.

BLSSP (PHC 35) 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 fixed asset investments and as a going concern on the basis that the immediate parent 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 (Revised), 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.

Investments

Investments in associated companies are stated at cost or directors' valuation.

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 period 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.

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

BLSSP (PHC 35) LIMITED
NOTES TO THE ACCOUNTS
for the period ended 31 March 2002

1. Accounting policies (continued)

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.

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 3 November 2000.

Finance Costs

Finance costs of debt are recognised in the profit and loss account over the term of such instruments at a constant rate on the carrying amount.

Debt

Debt is initially stated at the amount of the net proceeds after deduction of issue costs. The carrying amount is increased by the finance cost amortised in the period and reduced by payments made in the period.

2. Gross profit

Turnover is wholly attributable to the principal activity of the company and arises solely within the United Kingdom.

BLSSP (PHC 35) LIMITED
NOTES TO THE ACCOUNTS
for the period ended 31 March 2002

**3 November 2000
to 31 March 2002**
£

3. Profit (loss) on ordinary activities before taxation

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 or Arthur Andersen in respect of audit and non-audit services are paid at group level by The British Land Company PLC.

4. Staff costs

**3 November 2000
to 31 March 2002**
£

Wages and salaries -
Social security costs -
Pension costs -

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.

5. Taxation

**3 November 2000
to 31 March 2002**
£

UK corporation tax -

Total current tax -

Deferred tax -

Total taxation (effective tax rate – 0.0%)

Tax reconciliation

Profit on ordinary activities -

Tax on profit on ordinary activities at UK corporation tax rate (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

BLSSP (PHC 35) LIMITED
NOTES TO THE ACCOUNTS
for the period ended 31 March 2002

6. Investment properties

	Long Leasehold £
Cost and valuation	
Transfer from group company	19,600,000
Revaluation	1,760,000
31 March 2002	<u>21,360,000</u>
Analysis of cost and valuation	
31 March 2002	
Cost	19,600,000
Revaluation	1,760,000
Net book value	<u>21,360,000</u>

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.

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.

7. Debtors	2002 £
Trade debtors	<u>-</u>

8. Creditors due within one year	2002 £
Amounts due to group companies	
- subordinated loans from BLSSP Property Holdings Limited	2,958,379
- subordinated loans from BLSSP (Funding) PLC (see note 11)	218,473
Other taxation and social security	64,004
Accruals and deferred income	613,107
	<u>3,853,963</u>

The subordinated loan from BLSSP Property Holdings Limited is deeply subordinated and ranks behind subordinated loans from BLSSP (Funding) PLC.

9. Creditors due after one year	2002 £
Amount due to group company	
Subordinated loans from BLSSP (Funding) PLC (see note 11)	15,989,412
	<u>15,989,412</u>

BLSSP (PHC 35) LIMITED
NOTES TO THE ACCOUNTS
for the period ended 31 March 2002

10. Provision for liabilities and charges

	£
3 November 2000	-
Charged to profit and loss account	-
31 March 2002	-

Deferred tax is provided as follows

	2002 £
Capital allowances	-
Other timing differences	-
	-

11. Borrowings

	2002 £
Creditors due within one year	218,473
Creditors due after one year	15,989,412
	16,207,885
Repayments due:	
Within one year	218,473
1-2 years	233,742
2-5 years	843,487
	1,295,702
After 5 years	14,912,183
Total	16,207,885

This amount is stated net of issue costs.

On 20 June 2001, BLSSP (Funding) PLC issued £575 million subordinated loan notes to the property holding companies within the BLSSP Property Holdings Group. The £20 million secured Loan Notes, due 2025, are secured on the properties owned by various property companies within the BLSSP Property Holdings Group.

The subordinated loans are being repaid from October 2001 to October 2025, with the weighted average interest rate of the subordinated loan being 6.8%.

12. Share capital

	£
Authorised	
Additions: 196,000 ordinary shares of £1 each	196,000
31 March 2002	196,000
Issued and fully paid	
Additions: 196,000 ordinary shares of £1 each	196,000
31 March 2002	196,000

BLSSP (PHC 35) 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. Messrs. J H Ritblat, C Metliss, 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)		Options over ordinary shares 1984 Option Scheme		Sharesave Scheme	
	<u>Date appointed</u>	<u>31 March 2002</u>	<u>Date appointed</u>	<u>31 March 2002</u>	<u>Date appointed</u>	<u>31 March 2002</u>	<u>Date appointed</u>	<u>31 March 2002</u>
L M Bell	6,745	8,412	-	-	52,925	52,925	-	2,427
A Braine	11,436	11,436	-	-	42,382	42,382	2,728	2,519
P C Clarke	6,925	6,925	-	-	30,968	30,968	2,791	2,791

	Rights under Restricted Share Plan			
	Ordinary shares		6% Irredeemable Convertible Bonds (£ nominal)	
	<u>Date appointed</u>	<u>31 March 2002</u>	<u>Date appointed</u>	<u>31 March 2002</u>
L M Bell	19,270	46,770	25,000	-
A Braine	34,270	44,270	-	-
P C Clarke	37,171	57,171	-	-

L M Bell was granted options over 2,427 shares at an option price of 399p per share.

A Braine exercised options over 2,728 shares at an option price of 355p per share; the middle market quotation on the date of disposal of these 2,728 shares was 517.5p. He was granted options over 2,519 shares at an option price of 377p per share.

No share options lapsed during the period.

BLSSP (PHC 35) LIMITED
NOTES TO THE ACCOUNTS
for the period ended 31 March 2002

14. Reconciliation of movements in shareholders' funds

	Share capital £	Revaluation reserve £	Profit and loss account £	Total £
Share capital issues	196,000	-	-	196,000
Retained profit for the period	-	-	-	-
Revaluation of property	-	1,760,000	-	1,760,000
At 31 March 2002	<u>196,000</u>	<u>1,760,000</u>	<u>-</u>	<u>1,956,000</u>

15. 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 £2.9m.

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.

16. Related parties

The company has taken advantage of the exemption granted to 90% subsidiaries not to disclose transactions with group companies under the provisions of Financial Reporting Standard 8.

17. Subsequent events

There have been no significant events since the period end.

18. Ultimate holding company

The immediate parent company is BLSSP Property Holdings Limited.

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.