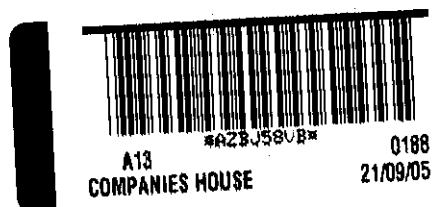

VITALCREATE LIMITED

Annual Report and Accounts

Year ended 31 March 2005

Company number: 4160621



VITALCREATE LIMITED

REPORT OF THE DIRECTORS **for the year ended 31 March 2005**

The directors present their Annual Report and audited Accounts for the year ended 31 March 2005.

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. There are no planned significant changes to the company's activities.

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 (2004 - £Nil).

Directors

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

J H Ritblat
S A M Hester (Appointed 07 January 2005)
C Metliss
J H Weston Smith
N S J Ritblat (Resigned 31 August 2005)
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.

VITALCREATE LIMITED

**REPORT OF THE DIRECTORS
for the year ended 31 March 2005**

Auditors

The auditors, Deloitte & Touche LLP, have resigned and the Directors have appointed BDO Stoy Hayward LLP, who are willing to continue in office.

This report was approved by the Board on **15 SEP 2005**

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

R J Scudamore
Secretary

10 Cornwall Terrace
Regent's Park
London
NW1 4QP

VITALCREATE LIMITED

**INDEPENDENT AUDITORS' REPORT
for the year ended 31 March 2005**

To the members of VITALCREATE LIMITED

We have audited the financial statements of Vitalcreate Limited for the year ended 31 March 2005 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 2005 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



BDO Stoy Hayward LLP
Chartered Accountants and Registered Auditors

8 Baker Street
London
W1U 3LL

15 September 2005

VITALCREATE LIMITED

**PROFIT AND LOSS ACCOUNT
for the year ended 31 March 2005**

	Note	2005 £	2004 £
Turnover			
Rental income			
Fees and commissions			
Other trading income			
Total turnover			
Cost of turnover			
Gross profit (loss)			
Administrative expenses			
Operating profit (loss)			
Profit (loss) on disposal of properties			
Profit (loss) on disposal of investments			
Group transfer of investments			
Write down of investments in subsidiaries			
Dividends receivable			
Interest receivable			
Group			
Associated companies			
External - other			
Interest payable			
Group			
External			
- bank overdrafts and loans			
- other loans			
Profit (loss) on ordinary activities before taxation	2		
Taxation	4	1,654,786	(1,654,786)
Profit (loss) on ordinary activities after taxation		1,654,786	(1,654,786)
Dividends paid and proposed			
Retained profit (loss) for the year	13	<u>1,654,786</u>	<u>(1,654,786)</u>

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

VITALCREATE LIMITED

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
for the year ended 31 March 2005

	2005	2004
	£	£
Profit (loss) on ordinary activities after taxation	1,654,786	(1,654,786)
Unrealised surplus (deficit) on revaluation of investment properties		
Unrealised surplus (deficit) on revaluation of investments		
Unrealised surplus (deficit) on revaluation of subsidiaries		
Exchange movements on foreign currency net investments		
Taxation on realisation of prior year revaluations		
Total recognised gains and losses relating to the financial year	<u>1,654,786</u>	<u>(1,654,786)</u>

NOTE OF HISTORICAL COST PROFITS AND LOSSES
for the year ended 31 March 2005

	2005	2004
	£	£
Profit (loss) on ordinary activities before taxation		
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 and dividends	<u>1,654,786</u>	<u>(1,654,786)</u>

VITALCREATE LIMITED

**BALANCE SHEET
as at 31 March 2005**

	Note	2005 £	£	2004 £	£
Fixed assets					
Investment properties	5				
Plant					
Investments	6				
Loans to group companies	6				
Current assets					
Debtors	7	8,318,041		6,663,255	
Cash and deposits					
		<u>8,318,041</u>		<u>6,663,255</u>	
Creditors due within one year	8				
Net current assets (liabilities)			8,318,041		6,663,255
Total assets less current liabilities			<u>8,318,041</u>		<u>6,663,255</u>
Creditors due after one year	9				
Provision for liabilities and charges	10				
Net assets (liabilities)			<u>8,318,041</u>		<u>6,663,255</u>
Capital and reserves					
Called up share capital	11	2,000,000		2,000,000	
Share premium	13				
Revaluation reserve	13				
Other unrealised reserve	13				
Profit and loss account	13	6,318,041		4,663,255	
Equity shareholders' funds	13		<u>8,318,041</u>		<u>6,663,255</u>

Non-equity interests are stated in note 17.

These financial statements were approved by the Board of Directors on **15 SEP 2005**



G C Roberts
Director

VITALCREATE LIMITED

Notes to the accounts for the year ended 31 March 2005

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 or some entries in the primary statements or the 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, 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.

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.

VITALCREATE LIMITED

Notes to the accounts for the year ended 31 March 2005

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 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.

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.

VITALCREATE LIMITED

**Notes to the accounts
for the year ended 31 March 2005**

2. Profit (loss) on ordinary activities before taxation

2005

2004

£

£

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

Amortisation

Depreciation

Auditors' remuneration

Auditors' remuneration for other services

=====

=====

Amounts payable to BDO Stoy Haward LLP in respect of audit and non-audit services are paid at group level by The British Land Company PLC.

3. Staff costs

2005

2004

£

£

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 (2004 - Nil).

VITALCREATE LIMITED

Notes to the accounts for the year ended 31 March 2005

4. Taxation	2005	2004
	£	£
Current tax		
UK corporation tax		
Adjustments in respect of prior years	(1,654,786)	1,654,786
Total current tax charge (credit)	<u>(1,654,786)</u>	<u>1,654,786</u>
Deferred tax		
Origination and reversal of timing differences		
Prior year items		
Total deferred tax charge (credit)	<u> </u>	<u> </u>
Total taxation (effective tax rate – Nil; 2004 – Nil)	<u><u>(1,654,786)</u></u>	<u><u>1,654,786</u></u>
Tax reconciliation		
Profit on ordinary activities before taxation	<u> </u>	<u> </u>
Tax on profit on ordinary activities at UK corporation tax rate of 30% (2004 - 30%)		
Effects of:		
Capital allowances		
Tax losses and other timing differences		
Expenses not deductible for tax purposes	(130,484)	
Transfer pricing adjustments	130,484	
Adjustments in respect of prior years	(1,654,786)	1,654,786
Current tax charge (credit)	<u><u>(1,654,786)</u></u>	<u><u>1,654,786</u></u>

Included in the tax charge is a net charge of £Nil (2004 - £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 £Nil (2004 - £Nil).

This unprovided taxation is stated after taking account of the FRS19 capital allowance deferred tax provision of £Nil (2004 - £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 accounts of the FRS 19 provision is in the region of £Nil (2004 - £Nil).

VITALCREATE LIMITED

Notes to the accounts for the year ended 31 March 2005

5. Investment and development properties

	Development £	Freehold £	Long leasehold £	Total £
Cost and valuation				
1 April 2004				
Additions				
Disposals				
Group transfers				
Revaluation surplus (deficit)				
31 March 2005	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Analysis of cost and valuation				
31 March 2005				
Cost				
Revaluation				
Net book value	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
1 April 2004				
Cost				
Revaluation				
Net book value	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Properties were externally valued at 31 March 2005 by Atisreal, 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 (2004 - £Nil) were charged to secure borrowings of the ultimate holding company.

VITALCREATE LIMITED

**Notes to the accounts
for the year ended 31 March 2005**

6. Investments and loans to group companies

	Shares in subsidiaries £	Other investments £	Total £	Loans to Group companies £
At cost or directors' valuation				
1 April 2004				
Additions				
Disposals				
Provision for write-down				
Revaluation				
31 March 2005	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Provision for write-down				
1 April 2004				
Provision for write-down				
Disposals				
31 March 2005	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
At cost				
31 March 2005	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
1 April 2004	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

VITALCREATE LIMITED

**Notes to the accounts
for the year ended 31 March 2005**

7. Debtors	2005 £	2004 £
Trade debtors		
Amounts owed by group companies - current accounts	8,318,037	6,488,044
Corporation tax		175,207
Other debtors	4	4
Prepayments and accrued income		
	<u>8,318,041</u>	<u>6,663,255</u>

Included in prepayments and accrued income is an amount of £Nil (2004 - £Nil), relating to lease incentives which are amortised over the period to the next rent review.

8. Creditors due within one year	2005 £	2004 £
Trade creditors		
Amounts owed to group companies - current accounts		
Corporation tax		
Other taxation and social security		
Other creditors		
Accruals and deferred income		
	<u>-</u>	<u>-</u>

9. Creditors due after one year	2005 £	2004 £
Debentures and loans		
due 1 to 2 years		
due 2 to 5 years		
due after 5 years		
	<u>-</u>	<u>-</u>

VITALCREATE LIMITED

Notes to the accounts for the year ended 31 March 2005

10. Provision for liabilities and charges

	Sinking fund	Deferred tax	Total
	£	£	£
1 April 2004			
Charged (credited) to the profit and loss account			
Released			
Utilised in year			
31 March 2005	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>

Deferred tax is provided as follows

	2005	2004
	£	£
Accelerated capital allowances		
Other timing differences	<u><u>-</u></u>	<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. Share capital

	2005	2004
	£	£
Authorised		
2,000,000 ordinary shares at £1 each	<u>2,000,000</u>	<u>2,000,000</u>
	<u><u>2,000,000</u></u>	<u><u>2,000,000</u></u>
Allotted, called up and fully paid		
2,000,000 ordinary shares at £1 each	<u>2,000,000</u>	<u>2,000,000</u>
	<u><u>2,000,000</u></u>	<u><u>2,000,000</u></u>

VITALCREATE LIMITED

Notes to the accounts for the year ended 31 March 2005

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, S A M Hester, 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 2005	1 April 2004	31 March 2005	1 April 2004
C Metliss	120,245	118,905		

	Options over ordinary shares 1984 Option Scheme		Sharesave Scheme	
	31 March 2005	1 April 2004	31 March 2005	1 April 2004
C Metliss			1,954	1,954

	Rights under Restricted Share Plan Ordinary shares		Rights under Long Term Incentive Plan Ordinary shares		Options over Ordinary shares	
	31 March 2005	1 April 2004	31 March 2005	1 April 2004	31 March 2005	1 April 2004
C Metliss						

Granting, exercising and lapsing of options

There were no transactions arising during the year.

VITALCREATE LIMITED

**Notes to the accounts
for the year ended 31 March 2005**

13. Reconciliation of movements in shareholders' funds and reserves

	Share capital £	Share premium £	Revaluation reserve £	Other unrealised reserve £	Profit and loss account £	Total £
Opening shareholders' funds	2,000,000				4,663,255	6,663,255
Retained profit (loss) for the year					1,654,786	1,654,786
Share issues in the year						
Unrealised surplus (deficit) on revaluation of investment properties						
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						
Exchange movements on net investments						
Closing shareholders' funds	<u>2,000,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,318,041</u>	<u>8,318,041</u>

VITALCREATE LIMITED

Notes to the accounts
for the year ended 31 March 2005

14. Capital commitments

The company had capital commitments contracted at 31 March 2005 of £Nil (2004 - £Nil).

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.

17. Non-equity interests

Shareholders' funds includes non-equity interests of £Nil (2004 – £Nil).

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 The British Land Company PLC.

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.