

Notes to the Financial Statements

1 Accounting policies

A summary of the principal accounting policies is set out below. The policies have been applied consistently, in all material respects throughout the current and the previous year.

Accounting basis

The accounts 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.

Consolidation

The consolidated accounts include the accounts of the parent and all subsidiaries.

Subsidiaries or joint ventures acquired or disposed of during the year are included from the date of acquisition or to the date of disposal and accounted for under the acquisition or gross equity method. Accounting practices of subsidiaries and joint ventures which differ from Group accounting policies are adjusted on consolidation.

In accordance with Section 230(3) of the Companies Act 1985 a separate profit and loss account for the Parent is not presented.

Joint ventures and other investments

In accordance with FRS 9 joint ventures are included under the gross equity method. As a result the Group's balance sheet discloses the Group's share of the gross assets and gross liabilities of the joint ventures. The Group's share of joint venture operating profit, net interest payable and taxation are included at the relevant point in the Group profit and loss account.

Where the Group participates in a joint arrangement that is not an entity, it accounts for its own assets, liabilities and cash flows, measured according to the terms of the agreement governing the arrangement.

Other 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 the revaluation reserve, unless a deficit is expected to be permanent, in which case it is charged to the profit and loss account.

Current asset investments are stated at the lower of cost and net realisable value. Investments in subsidiaries are stated at cost or directors' valuation.

Properties

i 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.

ii 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.

iii Trading properties are stated at the lower of cost and net realisable value. Disposals are recognised on completion; profits and losses arising are dealt with through the profit and loss account. If properties held for trading are appropriated to investment, they are transferred at book value.

Debt instruments and interest rate derivatives

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.

Amounts payable or receivable under interest rate derivatives are matched with the interest payable on the debt which the derivatives hedge. In the course of the Group's investment and financing activity underlying debt may be retired or redeemed such that an interest rate derivative becomes surplus. In these circumstances the derivative is marked to market or closed out. Any deficit/surplus arising is charged/credited to the profit and loss account and included in net interest payable.

Negative goodwill

Negative goodwill arising on the acquisition of subsidiary undertakings and joint ventures, representing any excess of the fair value of the identifiable assets and liabilities acquired over the fair value of the consideration given, is included in the balance sheet and is credited to the profit and loss account as the acquired non-monetary assets are sold.

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 financial statements 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.

Net rental income

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

Foreign currency

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

The results and balance sheets of overseas operations are translated at the closing rates ruling at the balance sheet dates.

Exchange differences arising on translation of the opening net assets and on foreign currency borrowings, to the extent that they hedge the Group's investment in such operations, are dealt with through reserves. All other exchange differences are included in the profit and loss account.

Pensions

The pension cost charged to the profit and loss account is such as to spread the cost of pensions over the average remaining working lives of employees who are scheme members.

Sharesave schemes

The Group operates an Inland Revenue approved employee share option scheme and has taken advantage of the exemption given in UITF Abstract 17 'Employee share scheme' from recognising a charge in the profit and loss account for the discount on the option.

2 Operating profit

	2003 £m	2002 £m
Gross rental income	449.4	415.3
Rents payable	(2.1)	(3.6)
Other property outgoings	(29.1)	(25.1)
Net rental income	418.2	386.6
Profit on property trading (see below)	0.6	6.8
Other income	4.2	9.5
Administrative expenses	(42.6)	(39.3)
Operating profit	380.4	363.6
Profit on property trading		
Sale proceeds	2.1	16.2
Cost of sales	(1.5)	(9.4)
Profit on property trading	0.6	6.8

Turnover

Rental income and profits are derived from the Group's continuing operations, which are predominantly in the United Kingdom. The Group has only one significant class of business.

In arriving at the operating profit the following items have been included:

Amortisation and depreciation	0.6	1.3
Auditors' remuneration [†]	0.8	0.8
Auditors' remuneration for other services*	2.5	2.5

[†] Auditors' remuneration comprised: Deloitte & Touche £0.6m (2002: £nil); Arthur Andersen £nil (2002: £0.6m); Other auditors £0.2m (2002: £0.2m). Audit fees in relation to the Company were £0.4m (Arthur Andersen 2002: £0.4m).

* Payments to group auditors for further assurance services comprised: Deloitte & Touche £0.2m (2002: £nil); Arthur Andersen £nil (2002: £0.4m). Payment to group auditors for taxation services comprised: Deloitte & Touche £0.8m (2002: £nil) and Arthur Andersen £0.2m (2002: £1.3m). Payments to Arthur Andersen for loan staff were £0.1m (2002: £0.1m). Payments to Other auditors comprised: IT related services £0.3m (2002: £0.2m) and taxation services £0.9m (2002: £0.5m).

3 Net interest payable

	2003 £m	2002 £m
British Land Group		
Payable on: bank loans and overdrafts	35.2	41.4
other loans	254.1	240.8
	289.3	282.2
Deduct: development cost element	(8.1)	(5.9)
	281.2	276.3
Receivable on: deposits and securities	(11.2)	(8.4)
loans to joint ventures	(8.9)	(16.1)
Total British Land Group	261.1	251.8
Share of joint ventures		
Interest payable on shareholder loans	8.9	16.1
Other interest payable (net)	56.4	50.0
Total share of joint ventures (note 12)	65.3	66.1
Net interest payable	326.4	317.9

The £323m 6½% Convertible Bonds 2007 were redeemed and cancelled on 24 June 2002.

4 Ordinary dividends

	2003 pence	2002 pence	2003 £m	2002 £m
Interim	4.1	3.8	20.5	19.7
Proposed final	9.3	8.6	45.4	44.6
Total for year	13.4	12.4	65.9	64.3

The final dividend of 9.3p will be paid on 22 August 2003 to shareholders on the register at the close of business on 25 July 2003. The ex-dividend date is 23 July 2003. The interim dividend was paid on 21 February 2003.

5 Basic and diluted earnings per share

Basic and diluted earnings per share are calculated on the profit on ordinary activities after taxation and on the weighted average number of shares in issue during the year as shown below:

		2003		2002	
		Weighted average number of shares m	Profit after taxation £m	Weighted average number of shares m	Profit after taxation £m
Earnings per share	– Basic	512.5	139.3	518.3	159.4
	– Diluted	554.0	149.0	596.4	180.4
Adjusted earnings per share	– Basic	512.5	140.4	518.3	166.6
	– Diluted	554.0	150.1	596.4	187.6

The weighted average number of shares has changed as a result of the redemption on 24 June 2002 of the 6½% Convertible Bonds 2007 and from the impact of shares purchased and cancelled during the year. The weighted average number of shares used for calculating diluted earnings per share includes the dilutive effect of convertible bonds and share options, and totals 41.5m (2002: 78.1m). Diluted earnings per share reflects the £9.7m (2002: £21.0m) post tax profit adjustment arising from assuming the conversion of convertible bonds.

Adjusted earnings per share are calculated by excluding the post tax profit adjustment of £1.1m (2002: £7.2m) which is the capital allowance effect of FRS 19 which is not expected to arise, as described in note 17.

6 Parent Company's results

Profit on ordinary activities after taxation attributable to parent was £116.1m (2002: £262.3m).

7 Profit on the disposal of fixed assets

	2003 £m	2002 £m
British Land Group	5.7	39.5
Share of joint ventures (note 12)	20.4	(2.5)
Total for year	26.1	37.0

The profit for the year ended 31 March 2002 includes £25.6m arising on the disposal of shares held in Haslemere N.V.

8 Taxation

	2003 £m	2002 £m
Current tax		
UK corporation tax (30%)	10.8	5.6
Foreign tax	1.6	1.8
	12.4	7.4
Adjustments in respect of prior years	7.0	(13.5)
Total current tax charge (credit)	19.4	(6.1)
Deferred tax		
Origination and reversal of timing differences	3.1	22.0
Prior year items		(10.3)
Total deferred tax charge	3.1	11.7
Group total taxation	22.5	5.6
Attributable to joint ventures	10.6	6.3
Total taxation – effective tax rate – 19.2% (2002: 6.9%)	33.1	11.9
Tax reconciliation		
Profit on ordinary activities before taxation	172.4	171.3
Less – Share of profit of joint ventures	(47.4)	(20.0)
Group profit on ordinary activities before taxation	125.0	151.3
Tax on group profit on ordinary activities at UK corporation tax rate of 30% (2002: 30%)	37.5	45.4
Effects of:		
Capital allowances	(6.0)	(6.3)
Tax losses and other timing differences	(22.4)	(31.9)
Expenses not deductible for tax purposes	3.3	0.2
Adjustments in respect of prior years	7.0	(13.5)
Group current tax charge (credit)	19.4	(6.1)

Factors affecting future tax rate

The level of capital allowances and losses reduce the current tax charge below 30%. Capital allowances are claimed on eligible investment assets and calculated on the reducing balance. The availability of further capital allowances will depend, *inter alia*, on the timing of the Group's development programme. In addition where assets are sold out of the British Land Group the gain arising will initially be set off against capital losses and so such sales may reduce the tax rate.

Contingent tax

The tax which would arise on the disposal of properties and investments at the amount at which they are carried in the balance sheet, and including trading and development surpluses, is estimated at £470m (2002: £510m) after taking account of available losses and provisions. Tax losses, which have not been recognised in the Balance Sheet, have reduced the contingent tax by approximately £100m (2002: £100m). This unprovided taxation is stated after taking account of the FRS 19 capital allowance deferred tax provision of £86m (2002: £83m) recorded in the Balance Sheet which, as described in note 17, would be expected to be released on sale.

9 Staff costs

Staff costs (including Directors)	2003 £m	2002 £m
Wages and salaries	24.2	19.7
Social security costs	2.2	1.9
Pension contributions	3.5	3.4
	29.9	25.0

Average number of employees of the Group during the year was 697 (2002: 638) of which some 537 (2002: 487) were employed directly at the Group's properties and their costs recharged to tenants.

Details of directors' remuneration are shown in the audited section of the Remuneration Report on pages 44 to 46.

10 Acquisitions of subsidiary undertakings

On 19 July 2002 the Group acquired the remaining 50% interest in Broadgate Phase 12 Ltd, owner of 201 Bishopsgate, London EC2. On 11 October 2002 the Group acquired 100% of the issued share capital of FRP Group Plc. On 19 December 2002 the Group acquired the remaining 50% interest in London & Henley Holdings Limited. The net assets acquired and their fair value to the Group are as follows:

	Total book value		Book value acquired		Fair Value adjustment £m	Fair Value to Group £m
	Broadgate Phase 12 Ltd £m	London & Henley Holdings Ltd £m	Combined remaining 50% Interest £m	FRP Group Plc £m		
Properties	55.2	159.4	107.3	21.0	12.9•	141.2
Other assets				0.2		0.2
Cash	0.6	5.4	3.0	0.1		3.1
Creditors	(1.0)	(3.2)	(2.1)	(0.7)	(0.4)*	(3.2)
Shareholder loans	(54.6)	(22.4)	(38.5)			(38.5)
Bank loans		(86.4)	(43.2)	(4.5)	(2.4)†	(50.1)
	0.2	52.8	26.5	16.1	10.1	52.7
Negative Goodwill						(9.2)
						43.5

Satisfied by:

Issue of Guaranteed Floating Rate Unsecured Loan Notes 2005			0.8		0.8
Cash paid	13.0	16.4		13.3	42.7
Total consideration	13.0	16.4		14.1	43.5
Repayment of shareholder loans	27.3	11.2			38.5
Total cash payable	40.3	27.6		14.1	82.0

The fair value adjustments arise because:

- As a development property, 201 Bishopsgate was carried in the accounts of Broadgate Phase 12 Ltd at historical cost.
- * An adjustment is required to recognise additional liabilities for London & Henley Holdings Ltd.
- † An adjustment is required to show London & Henley's bank loans and related derivatives at fair value.

11 Investment, development and trading properties

	Freehold £m	Long Leasehold £m	Short Leasehold £m	Total £m
Investment and development properties				
Valuation and cost 1 April 2002	7,239.5	288.8		7,528.3
Additions	568.7	38.0		606.7
Disposals	(70.6)			(70.6)
Reallocation	14.2	(14.2)		
Exchange fluctuations	8.2			8.2
Revaluations	(22.6)	35.2		12.6
Valuation and cost 31 March 2003	7,737.4	347.8		8,085.2
Trading properties				
At lower of cost and net realisable value				
31 March 2003	36.8	8.4	1.0	46.2
External valuation surplus on development and trading properties				87.9
Total investment, development and trading properties				8,219.3

Investment, development and trading properties were valued by external valuers on the basis of open market value in accordance with the Appraisal and Valuation Manual published by The Royal Institution of Chartered Surveyors:

		£m
United Kingdom:	ATIS REAL Weatheralls	8,005.4
	FPD Savills	154.5
Republic of Ireland:	Jones Lang LaSalle	74.6
Netherlands:	CB Richard Ellis B.V.	1.1
		8,235.6
Adjustment for UITF 28 – lease incentive debtors		(16.3)
Total investment, development and trading properties		8,219.3

	£m
Total external valuation surplus on development and trading properties	
British Land Group	87.9
Share of joint ventures	1.4
	89.3

Properties valued at £5,788.2m (2002: £5,738.2m) were charged to secure Group borrowings. Of the total secured debt of £662.4m (note 19) only £476.8m has recourse to the Group. Cumulative interest capitalised in investment and trading properties amounts to £22.9m and £nil (2002: £14.8m and £nil) respectively. Included in the leasehold properties is an amount of £13.7m in respect of property occupied by the Group. The historical cost of properties was £6,153.4m (2002: £5,591.4m).

	2003 £m	2002 £m
Total property valuations including share of joint ventures		
British Land Group:		
Investment and development properties	8,085.2	7,528.3
Trading properties	46.2	47.0
External valuation surplus on development and trading properties	87.9	108.6
Adjustment for UITF 28 – lease incentive debtors	16.3	7.7
	8,235.6	7,691.6
Share of joint ventures:		
Properties	1,404.8	1,601.3
External valuation surplus on development and trading properties	1.4	5.5
Adjustment for UITF 28 – lease incentive debtors	3.8	1.9
	1,410.0	1,608.7
Total property portfolio valuation	9,645.6	9,300.3

12 Joint ventures' summary financial statements

All joint ventures are held equally on a 50:50 basis	The Public House Company Ltd	BL Universal PLC	BL Fraser Ltd	BLT Properties Ltd
Partners	Scottish & Newcastle plc	GUS plc	House of Fraser plc	Tesco plc
Date established	April 1995	February 1997	July 1999	November 1996
Accounting year end	31 March	31 March	25 January	31 December

Summarised profit and loss accounts

	£m	£m	£m	£m
Gross rental income	11.1	58.6	14.4	16.2
Net rental income	11.0	51.9	14.2	16.2
Other expenditure	(0.9)	(1.2)	(0.3)	(0.4)
Operating profit	10.1	50.7	13.9	15.8
Disposal of fixed assets	13.2	1.2	2.8	0.2
Net interest – external	(8.3)	(23.2)	(9.1)	(8.2)
– shareholders		(13.7)	(2.9)	(1.2)
Net interest (payable) receivable	(8.3)	(36.9)	(12.0)	(9.4)
Profit (loss) before tax	15.0	15.0	4.7	6.6
Tax	4.7	(5.3)	(1.0)	(1.9)
Profit (loss) after tax	19.7	9.7	3.7	4.7

Summarised statements of total recognised gains and losses

Profit (loss) retained for the year	19.7	9.7	3.7	4.7
Unrealised surplus (deficit) on revaluation	2.8	29.6	31.5	31.4
Total recognised gains and losses	22.5	39.3	35.2	36.1

Summarised balance sheets

Investment properties at valuation	53.2	794.9	230.2	238.9
Development and trading properties at cost				
Total properties	53.2	794.9	230.2	238.9
Current assets	0.3	5.0	0.9	1.0
Cash and deposits	6.0	0.6	17.1	14.9
Gross assets	59.5	800.5	248.2	254.8
Current liabilities	(0.6)	(30.5)	(4.6)	(6.9)
Bank debt falling due within one year				(111.0)
Bank debt falling due after one year		(45.0)	(139.1)	
Debentures		(295.9)		
Deferred tax	(1.3)	(4.8)	(5.4)	(0.5)
Gross liabilities	(1.9)	(376.2)	(149.1)	(118.4)
Net external assets	57.6	424.3	99.1	136.4
Represented by:				
Shareholder loans		164.9	53.1	18.2
Ordinary shareholders' funds/Partners' capital	57.6	259.4	46.0	118.2
Total Investment	57.6	424.3	99.1	136.4
Capital commitments		2.6		
Contingent tax	2.4	43.6	9.3	24.5

12 Joint ventures' summary financial statements (continued)

All joint ventures are held equally on a 50:50 basis	Tesco BL Holdings Ltd	BL West companies	Cherrywood Properties Ltd (Rep of Ireland)	BL Davidson Group*
Partners	Tesco plc	West LB, WestImmo, and Provinzial	Dunloe Ewart plc	Manny Davidson, his family & family trusts
Date established	November 1999	September 2000	April 1999	September 2001
Accounting year end	31 December	31 December	31 December	31 December
Summarised profit and loss accounts				
	£m	£m	£m	£m
Gross rental income	22.9	24.6	1.2	29.6
Net rental income	22.4	23.6	1.2	27.4
Other expenditure	(0.4)	(0.4)	(1.7)	2.3
Operating profit	22.0	23.2	(0.5)	29.7
Disposal of fixed assets				4.0
Net interest – external	(14.7)	(18.8)	0.1	(16.3)
– shareholders				(0.6)
Net interest (payable) receivable	(14.7)	(18.8)	0.1	(16.9)
Profit (loss) before tax	7.3	4.4	(0.4)	16.8
Tax	(2.2)	(1.3)	(0.4)	(5.9)
Profit (loss) after tax	5.1	3.1	(0.8)	10.9
Summarised statements of total recognised gains and losses				
Profit (loss) retained for the year	5.1	3.1	(0.8)	10.9
Unrealised surplus (deficit) on revaluation	23.2	(31.9)		23.4
Total recognised gains and losses	28.3	(28.8)	(0.8)	34.3
Summarised balance sheets				
Investment properties at valuation	368.7	333.3		437.2
Development and trading properties at cost			89.9	17.4
Total properties	368.7	333.3	89.9	454.6
Current assets	1.9	2.6	3.1	10.5
Cash and deposits	6.1	8.9	0.1	33.9
Gross assets	376.7	344.8	93.1	499.0
Current liabilities	(10.9)	(12.3)	(14.9)	(58.8)
Bank debt falling due within one year				(14.2)
Bank debt falling due after one year	(209.6)	(256.2)		(113.5)
Debentures				(124.5)
Deferred tax	(0.5)	(1.4)		(4.6)
Gross liabilities	(221.0)	(269.9)	(14.9)	(315.6)
Net external assets	155.7	74.9	78.2	183.4
Represented by:				
Shareholder loans	83.5		46.0	10.0
Ordinary shareholders' funds/Partners' capital	72.2	74.9	32.2	173.4
Total Investment	155.7	74.9	78.2	183.4
Capital commitments	2.7			22.5
Contingent tax	11.7	1.6		47.9

* British Land's share of negative goodwill is included current liabilities and amounts in total to £19.6m (2002: £23.3m)

12 Joint ventures' summary financial statements (continued)

All joint ventures are held equally on a 50:50 basis	BVP Group	Other Joint Ventures	British Land Share	2002 Comparative
Partners	ProLogis Developments Ltd			
Date established	June 1999			
Accounting year end	31 March			

Summarised profit and loss accounts

	£m	£m	£m	£m
Gross rental income	4.9	20.9	102.2	98.5
Net rental income	4.6	17.7	95.1	90.3
Other expenditure	(0.1)	(2.5)	(2.8)	(1.7)
Operating profit	4.5	15.2	92.3	88.6
Disposal of fixed assets		19.4	20.4	(2.5)
Net interest – external	(3.1)	(11.2)	(56.4)	(50.0)
– shareholders		0.6	(8.9)	(16.1)
Net interest (payable) receivable	(3.1)	(10.6)	(65.3)	(66.1)
Profit (loss) before tax	1.4	24.0	47.4	20.0
Tax	(0.7)	(7.2)	(10.6)	(6.3)
Profit (loss) after tax	0.7	16.8	36.8	13.7

Summarised statements of total recognised gains and losses

Profit (loss) retained for the year	0.7	16.8	36.8	13.7
Unrealised surplus (deficit) on revaluation	1.5	15.3	63.4	41.7
Total recognised gains and losses	2.2	32.1	100.2	55.4

Summarised balance sheets

Investment properties at valuation	83.5	132.5	1,336.2	1,510.2
Development and trading properties at cost	19.7	10.2	68.6	91.1
Total properties	103.2	142.7	1,404.8	1,601.3
Current assets	3.8	3.3	16.2	34.0
Cash and deposits	2.1	8.9	49.3	54.3
Gross assets	109.1	154.9	1,470.3	1,689.6
Current liabilities	(12.7)	(11.0)	(81.6)	(104.1)
Bank debt falling due within one year	(1.4)		(63.3)	(4.9)
Bank debt falling due after one year	(47.0)		(405.2)	(627.3)
Debentures			(210.2)	(213.7)
Deferred tax	(1.1)		(9.8)	(12.4)
Gross liabilities	(62.2)	(11.0)	(770.1)	(962.4)
Net external assets	46.9	143.9	700.2	727.2
Represented by:				
Shareholder loans	12.4	29.9	209.0	293.9
Ordinary shareholders' funds/Partners' capital	34.5	114.0	491.2	433.3
Total Investment	46.9	143.9	700.2	727.2
Capital commitments	5.8	1.4	17.5	56.2
Contingent tax	11.1	1.7	76.9	73.8

12 Joint ventures' summary financial statements (continued)

The movement for the year:

	Group			Parent
	Equity £m	Loans £m	Total £m	£m
At 1 April 2002	433.3	293.9	727.2	224.0
Additions	5.4	19.8	25.2	7.3
Purchase of remaining interest in London & Henley	(24.1)	(11.2)	(35.3)	
Repayment of loans		(93.5)	(93.5)	(65.1)
Share of profit attributable to joint ventures	36.8		36.8	
Dividends received from joint ventures	(22.6)		(22.6)	
Disposals	(1.0)		(1.0)	(18.8)
Revaluation	63.4		63.4	
At 31 March 2003	491.2	209.0	700.2	147.4

The Group's share of the market value of joint venture debt and derivatives as at 31 March 2003 was £40.6m more than the Group's share of the book value (2002: £16.8m). The Group's share of joint venture external net debt is £632.0m (2002: £791.6m). The amount guaranteed by British Land is £12.0m (2002: £33.0m).

The historical cost of joint ventures is £484.0m (2002: £556.2m). The amount of £147.4m includes £130.1m of loans to joint ventures by the parent. Outline details of the joint ventures are set out on pages 35 to 40 of the Property Review.

The Group's share of joint venture properties as at 31 March 2003 was £1,404.8m (2002: £1,601.3m).

All companies are property investment companies registered in England and Wales unless otherwise stated.

13 Other investments

	Group £m	Parent £m
At 1 April 2002	12.4	5.9
Additions	15.3	13.2
Disposals	(1.0)	(0.5)
Revaluations	(0.1)	
At 31 March 2003	26.6	18.6
Investment in subsidiaries (see below)		9,086.0
Total other investments	26.6	9,104.6

For the year ended 31 March 2003 dividends and interest from other investments amounted to £0.3m (2002: £5.1m). The historical cost of other Group investments is £28.1m (2002: £13.7m). Shares in subsidiaries are included at cost or Directors' valuation in 1977, 1995, 1997, 1999, 2000, 2001, 2002 and 2003 to take account of their underlying net asset value; their historical cost is £5,122.6m (2002: £3,890.4m).

These financial statements include on a consolidated basis the results and financial position of the Group's 100% interest in the Peacock Centre Partnership and the Group's 50% interest in the Tesco British Land Property Partnership. Accordingly, advantage has been taken of the exemptions provided by Regulation 7 of the Partnerships and Unlimited Companies (Accounts) Regulations 1993.

	Parent only		Total £m
	Shares in subsidiaries £m	Loans to subsidiaries £m	
At 1 April 2002	3,944.8	4,128.2	8,073.0
Additions (repayments)	1,222.1	(6.6)	1,215.5
Exchange fluctuations	10.0		10.0
Writedown of investment in subsidiaries	(157.6)	(58.7)	(216.3)
Revaluation	3.8		3.8
At 31 March 2003	5,023.1	4,062.9	9,086.0

13 Other investments (continued)

Principal operating subsidiaries:

Executive

The British Land Corporation Limited*
British Land Developments Limited
British Land Financing Limited*
British Land Properties Limited*

Finance, Investment and Management

British Land Property Management Limited
Broadgate (Funding) PLC
BLSSP (Funding) PLC
MSC (Funding) PLC

Property

135 Bishopsgate Financing Limited*
Adamant Investment Corporation Limited
Broadgate (PHC 1) Limited
Broadgate (PHC 11) Limited
Broadgate (PHC 14) Limited
Broadgate (PHC 15a) Limited
Broadgate (PHC 2) Limited
Broadgate (PHC 3) Limited
Broadgate (PHC 4) Limited
Broadgate (PHC 7) Limited
Broadgate (PHC 8) Limited
Broadgate (PHC 9) Limited
Broadgate City Limited
Broadgate Court Investment Ltd
Derby Investment Holdings Limited*
Exchange House Holdings Limited
London & Henley Limited
Meadowhall Shopping Centre Limited
Peacocks Centre Limited
Sealhurst Properties Limited
Union Property Holdings (Investments) Limited
Union Property Corporation Limited

Overseas Property Companies

British Land Investments Netherlands B.V. (Netherlands)
Firmount Limited* (Republic of Ireland)

These companies are wholly owned and except where otherwise stated are registered and operate in England and Wales.

* Directly held by parent.

14 Debtors

	Group		Parent	
	2003 £m	2002 £m	2003 £m	2002 £m
Trade debtors	36.1	25.5		
Corporation tax			10.1	6.1
Amounts owed by group companies			40.5	49.3
Amounts owed by joint ventures	0.9	8.6	0.9	8.6
Prepayments and accrued income	18.6	11.5	0.4	2.3
	55.6	45.6	51.9	66.3

15 Other creditors due within one year

	Group		Parent	
	2003 £m	2002 £m	2003 £m	2002 £m
Debentures and loans*	57.8	45.4		
Overdrafts*	8.4	4.3	8.4	4.3
Bank loans*	168.5	74.2	168.5	74.2
Trade creditors	58.6	45.7	0.1	0.2
Amounts owed to group companies			5,859.9	5,385.7
Corporation tax	33.7	33.4		
Other taxation and social security	13.9	12.0	1.4	0.5
Accruals and deferred income	169.6	186.9	20.7	34.1
Proposed final dividend	45.4	44.6	45.4	44.6
	555.9	446.5	6,104.4	5,543.6

* See maturity analysis of net debt (note 19).

16 Creditors due after one year

	Group		Parent	
	2003 £m	2002 £m	2003 £m	2002 £m
Debentures and loans*	3,397.5	3,451.8	576.3	576.3
Bank loans*	722.1	161.9	722.1	161.9
	4,119.6	3,613.7	1,298.4	738.2

* See maturity analysis of net debt (note 19).

17 Provision for liabilities and charges

	Group		Parent	
	2003 £m	2002 £m	2003 £m	2002 £m
At 1 April 2002	89.6	77.9	0.2	
Charged to profit and loss account	3.1	11.7	1.9	0.2
At 31 March 2003	92.7	89.6	2.1	0.2
Deferred tax is provided as follows:				
Capital allowances	90.1	86.4		
Other timing differences	2.6	3.2	2.1	0.2
	92.7	89.6	2.1	0.2

The deferred tax liability 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.

18 Net Asset Value per share

	31 March 2003 Adjusted Net Assets £m	31 March 2003 Net Assets £m	Shares m	31 March 2002 Adjusted Net Assets £m	31 March 2002 Net Assets £m
Net Asset Value (undiluted)					
Shareholders' funds as shown on balance sheet	488.6	4,129.3	488.6	4,107.9	4,107.9
FRS 19 capital allowance effects:					
British Land Group	90.1			86.4	
share of joint ventures	9.8			12.4	
	99.9			98.8	
Total external valuation surplus on development and trading properties (note 11)	89.3	89.3		114.1	114.1
Net assets attributable to ordinary shares	4,318.5	4,218.6		4,320.8	4,222.0
Net Asset Value per share (undiluted)	884p	863p		833p	814p
Fully diluted Net Asset Value					
Net assets attributable to ordinary shares	488.6	4,318.5	488.6	4,320.8	4,222.0
Dilutive effect of share options and conversion of Convertible Bonds	31.5	152.7	31.5	469.7	469.7
Net assets attributable to fully diluted ordinary shares	520.1	4,471.2	520.1	4,790.5	4,691.7
Fully diluted Net Asset Value per share	860p	840p		803p	787p

The adjusted NAV includes the surplus of the external valuation over the book value of both development and trading properties after adding back the FRS 19 deferred tax capital allowance provision (as described in note 17) which is not expected to arise.

19 Net debt

	Group		Parent	
	2003 £m	2002 £m	2003 £m	2002 £m
Secured on the assets of the Group				
† 6.5055% Secured Notes 2038	97.7	97.7		
† 5.920% Secured Notes 2035	59.2	59.2		
8 ⁷ / ₈ % First Mortgage Debenture Bonds 2035	246.6	246.6	246.6	246.6
9 ³ / ₈ % First Mortgage Debenture Stock 2028	197.2	197.2	197.2	197.2
† 7.743% Secured Notes 2025	19.7	19.6		
10 ¹ / ₂ % First Mortgage Debenture Stock 2019/24	12.6	12.6	12.6	12.6
11 ³ / ₈ % First Mortgage Debenture Stock 2019/24	20.4	20.4	20.4	20.4
† 5.66% 135 Bishopsgate Securitisation 2018	1.9	1.9		
† 8.49% 135 Bishopsgate Securitisation 2018	7.1	7.1		
	662.4	662.3	476.8	476.8
Unsecured				
† Class A1 5.260% Unsecured Notes 2035	543.0	542.8		
† Class B 5.793% Unsecured Notes 2035	88.9	88.9		
† Class C Fixed Rate Unsecured Notes 2035	74.0	74.0		
† Class C2 6.4515% Unsecured Notes 2032	73.4	73.3		
† Class B 6.0875% Unsecured Notes 2031	220.0	219.8		
† Class A3 5.7125% Unsecured Notes 2031	146.6	146.5		
† Class A2 5.67% Unsecured Notes 2029	287.8	291.9		
† Class A2(C) 6.457% Unsecured Notes 2025	157.0	157.0		
† Class B2 6.998% Unsecured Notes 2025	205.6	205.5		
† Class B3 7.243% Unsecured Notes 2025	20.5	20.6		
† Class A1 Fixed Rate Unsecured Notes 2024	318.6	317.5		
† 5.66% 135 Bishopsgate Securitisation 2018	23.3	24.3		
† 8.49% 135 Bishopsgate Securitisation 2018	91.6	94.5		
† Class A1 6.389% Unsecured Notes 2016	60.9	63.3		
† Class B1 7.017% Unsecured Notes 2016	91.6	97.0		
† Class C1 6.7446% Unsecured Notes 2014	161.6	171.0		
† Class D Fixed/Floating Rate Unsecured Notes 2014	78.7	98.2		
† Class A2 5.555% Unsecured Notes 2013	49.5	49.3		
10 ¹ / ₄ % Bonds 2012	1.7	1.7	1.7	1.7
* 7.35% Senior US Dollar Notes 2007	97.8	97.8	97.8	97.8
Guaranteed Floating Rate Unsecured Loan Notes 2005	0.8			
Bank loans and overdrafts	899.0	240.4	899.0	240.4
	3,691.9	3,075.3	998.5	339.9
Convertible Bonds				
6% Subordinated Irredeemable Convertible Bonds	146.8	146.7	146.8	146.7
** 6 ¹ / ₂ % Convertible Bonds 2007		323.0		323.0
	146.8	469.7	146.8	469.7
Gross debt	4,501.1	4,207.3	1,622.1	1,286.4
Cash and deposits	(139.7)	(366.9)	(28.7)	(237.6)
Net debt	4,361.4	3,840.4	1,593.4	1,048.8

† These borrowings are obligations of ringfenced, default remote, special purpose companies, with no recourse to other companies or assets in the Group.

* These borrowings have been hedged into Sterling since the date of issue.

** These bonds were redeemed and cancelled on 24 June 2002.

19 Net debt (continued)**Interest rate profile** – including effect of derivatives

	Group	
	2003 £m	2002 £m
Fixed rate	3,543.8	3,541.2
Capped rate	100.0	100.0
Variable rate (net of cash)	717.6	199.2
Net debt	4,361.4	3,840.4

All the above debt is effectively Sterling except for £120.7m (2002: £101.0m) of Euro debt of which £57.4m (2002: £72.7m) is fixed and the balance floating. At 31 March 2003 the weighted average interest rate of the Sterling fixed rate debt is 6.78% (2002: 6.84%). The weighted average period for which the rate is fixed is 19.3 years (2002: 21.6 years). The Irredeemable Convertible Bond is treated as having a life of 100 years for this calculation. The weighted average interest rate for the Euro fixed rate debt is 4.00% (2002: 3.85%) and the weighted average period for which the rate is fixed is 1.9 years (2002: 2.3 years). The floating rate debt is set for periods of the Company's choosing at the relevant LIBOR (or similar) rate.

Total borrowings where any instalments are due after five years is £2,866.3m (2002: £2,915.0m).

Details of the financing, treasury policy and financial risk management are set out on page 58.

Maturity analysis of net debt

	Group		Parent	
	2003 £m	2002 £m	2003 £m	2002 £m
Repayable: within one year and on demand	234.7	446.9	176.9	401.5
between: one and two years	459.6	151.1	399.1	93.0
two and five years	543.6	324.9	379.5	154.4
five and ten years	431.1	365.0	43.1	14.0
ten and fifteen years	430.8	418.3		
fifteen and twenty years	469.9	459.9		
twenty and twenty five years	789.0	630.7	230.1	32.9
twenty five and thirty years	666.8	845.8		197.2
thirty and thirty five years	328.8	418.0	246.6	246.7
Irredeemable	146.8	146.7	146.8	146.7
Gross debt	4,501.1	4,207.3	1,622.1	1,286.4
Cash	(50.3)	(20.4)	(20.3)	(3.6)
Term deposits	(89.4)	(346.5)	(8.4)	(234.0)
Total cash and deposits	(139.7)	(366.9)	(28.7)	(237.6)
Net debt	4,361.4	3,840.4	1,593.4	1,048.8

Maturity of committed undrawn borrowing facilities

	Group	
	2003 £m	2002 £m
Expiring: within one year	133.1	437.1
between: one and two years	30.0	161.8
two and three years	255.0	402.5
three and four years	170.0	425.0
four and five years		215.0
over five years	8.6	37.7
Total	596.7	1,679.1

19 Net debt (continued)

Comparison of market values and book values

	2003			2002		
	Market value £m	Book value £m	Difference £m	Market value £m	Book value £m	Difference £m
Fixed rate debt:						
Securitisations	3,153.6	2,878.2	275.4	3,009.2	2,920.9	88.3
Debentures and unsecured bonds	756.9	576.3	180.6	729.1	576.3	152.8
Convertible Bonds	154.0	146.8	7.2	492.8	469.7	23.1
Bank debt	899.8	899.8		240.4	240.4	
Cash and deposits	(139.7)	(139.7)		(366.9)	(366.9)	
	4,824.6	4,361.4	463.2	4,104.6	3,840.4	264.2
Derivatives:						
unrecognised gains	(17.5)		(17.5)	(4.4)		(4.4)
unrecognised losses	41.0		41.0	44.1		44.1
	23.5		23.5	39.7		39.7
Total	4,848.1	4,361.4	486.7	4,144.3	3,840.4	303.9

The market value and difference are shown before any tax relief. The difference between book value and market value on the convertibles arises principally from the British Land share price.

In accordance with Accounting Standards the book value of debt is par value net of unamortised issue costs. Short term debtors and creditors have been excluded from the disclosures (other than the currency disclosures). The valuations of the Broadgate and Meadowhall Notes have been undertaken by Morgan Stanley. The valuations of 135 Bishopsgate Securitisations 2018 have been undertaken by The Royal Bank of Scotland. The valuations of other fixed rate debt and convertible debt have been undertaken by UBS Warburg. The bank debt has been valued assuming it could be renegotiated at contracted margins. The derivatives have been valued by the independent treasury advisor Record Currency Management.

The Group uses interest rate swaps to manage its interest rate profile. Changes in the fair value of instruments used as hedges are not recognised in the financial statements until the hedged position matures.

Net losses of £6.5m (2002 gains: £4.8m) were recognised in the current year, comprising gains of £7.0m (2002: £17.7m) and losses of £13.5m (2002: £12.9m).

Of the unrecognised amount at 31 March 2003, £nil gains and £nil losses are expected to be realised in the next financial year (2002: £nil gains; £1.2m losses) and the balance in subsequent years.

6% Subordinated Irredeemable Convertible Bonds

The £150m 6% Subordinated Irredeemable Convertible Bonds carry a Bondholder conversion right exercisable at any time into Ordinary Shares of the Company at 500p (2002: 500p) per share. The Company has the right to redeem, at its discretion, the Bonds at par if after 9 April 2001 the average ordinary share price attains 130% of the conversion price for a 30 day period and after 9 April 2008 without conditions. The Company has the right to redeem the remaining Bonds where 75% of the Bonds have been converted or purchased or cancelled. If the Company elects to redeem the Bonds, Bondholders have the right to convert into the underlying Ordinary Shares. The Company has an option to exchange the Bonds for 6% Convertible Preference Shares with the same conversion terms. The Company has a further option to exchange the preference shares back to Convertible Bonds after these preference shares have been in issue for six months. On conversion of the entire issue into Ordinary Shares of the Company 30.0 million Ordinary Shares would be issued.

Debt issue costs

Total unamortised issue costs reducing the principal amount of debt in arriving at the Balance Sheet values amount to £57.5m (2002: £63.7m), of which £3.4m (2002: £3.5m) relates to the secured tranches of Securitisations, £44.7m (2002: £50.7m) to the unsecured tranches of Securitisations, £6.2m (2002: £6.2m) to Debentures and £3.2m (2002: £3.3m) to Convertible Bonds.

20 Notes to the cash flow statement

Reconciliation of operating profit to net cash inflow from operating activities

	2003 £m	2002 £m
Operating profit	380.4	363.6
Dividends received	(0.3)	(5.1)
Depreciation and amortisation	0.6	1.3
Decrease in trading properties	1.3	6.3
(Increase) decrease in debtors	(17.2)	4.9
Increase in creditors	8.8	11.4
Net cash inflow from operating activities	373.6	382.4

Analysis of Group net debt

	1 April 2002 £m	Acquisitions* £m	Cash flow £m	Non cash movement £m	31 March 2003 £m
Cash at bank	(20.4)		(29.9)		(50.3)
Overdraft	4.3		4.1		8.4
Net cash per cash flow statement	(16.1)		(25.8)		(41.9)
Term debt	3,733.3	130.2	463.2	19.2	4,345.9
Convertible Bonds	469.7		(322.7)	(0.2)	146.8
Term deposits	(346.5)		254.8	2.3	(89.4)
Group net debt	3,840.4	130.2	369.5	21.3	4,361.4

* Excluding cash and overdrafts.

Reconciliation of net cash flow to movement in Group net debt

	2003 £m	2002 £m
Brought forward	3,840.4	3,716.8
Movement in net debt in the year:		
(Increase) decrease in cash	(25.8)	7.1
Cash inflow from movement in debt	463.2	388.1
Cash outflow to repurchase Convertible Bonds	(322.7)	
Cash inflow (outflow) from term deposits	254.8	(281.5)
Changes resulting from cash flows	369.5	113.7
Non cash movements including acquisitions	151.5	9.9
	521.0	123.6
Carried forward	4,361.4	3,840.4

21 Share Capital

Ordinary Shares
of 25p each

Authorised 1 April 2002 and 31 March 2003

799,200,000

	£m	
Issued, called up and fully paid 1 April 2002	129.6	518,479,465
Issues	0.1	392,644
Purchase and cancellation of own shares	(7.6)	(30,320,954)
Issued, called up and fully paid 31 March 2003	122.1	488,551,155

Further details of share issues are included in the Directors' Report. £200,000 6% Cumulative redeemable convertible preference shares of £1 each are also authorised. At 31 March 2003, 1,544,785 ordinary shares were outstanding under the Share Option and Sharesave Schemes as detailed below.

Purchase of Own Shares

During the year the company purchased 30,320,954 shares, with a nominal value of £7,580,238. The aggregate consideration for these purchases was £130,112,824.26. These shares, representing 5.8% of the total share capital at the start of the year have subsequently been cancelled, except for 900,000 which were cancelled shortly after the year end.

1984 Share Option Scheme

Date of grant	Price	Shares outstanding	Exercise dates	
			From	To
06.07.94	3.80	48,194*	06.07.97	05.07.04
06.07.94	3.22	48,194	06.07.99	05.07.04
06.07.94	3.80	77,654	06.07.97	05.07.04
23.01.96	3.94	570,442	23.01.99	22.01.06
23.01.96	3.94	421,229	23.01.01	22.01.06
		1,117,519		

* This option is linked to a corresponding grant of options. Accordingly the exercise of this linked option over a number of shares automatically causes its counterpart to lapse in respect of the same number of shares; therefore this option does not increase the total number of shares under option. The total in the table reflects the number of shares under option.

Sharesave Scheme

Scheme start date	Price	Shares outstanding	Exercise dates	
			From	To
01.03.98	5.44	2,853	01.03.03	31.08.03
01.09.98	4.81	1,434	01.09.03	28.02.04
01.03.99	3.55	99,905	01.03.04	31.08.04
01.10.99	4.38	3,389	01.10.04	31.03.05
01.02.00	3.47	837	01.02.03	31.07.03
01.02.00	3.47	85,584	01.02.05	31.07.05
01.02.01	3.59	59,640	01.02.04	31.07.04
01.02.01	3.59	20,586	01.02.06	31.07.06
01.09.01	3.99	21,887	01.09.04	28.02.05
01.09.01	3.99	9,807	01.09.06	28.02.07
01.03.02	3.77	32,383	01.03.05	31.08.05
01.03.02	3.77	13,513	01.03.07	31.08.07
01.09.02	4.43	12,039	01.09.05	28.02.06
01.09.02	4.43	3,211	01.09.07	28.02.08
01.03.03	3.59	34,305	01.03.06	31.08.06
01.03.03	3.59	25,893	01.03.08	31.08.08
		427,266		

22 Reserves

	Group					Total £m
	Share premium £m	Capital redemption reserve £m	Other reserves £m	Revaluation reserves £m	Profit and loss account £m	
At 1 April 2002	1,106.2	0.3	(5.7)	2,165.0	712.5	3,978.3
Issues	1.5					1.5
Purchase and cancellation of own shares		7.6			(130.1)	(122.5)
Retained profit for the year					73.4	73.4
Realisation of prior year revaluations				(17.7)	17.7	
Current year revaluation				75.9		75.9
Exchange movements on net investments			(2.3)	2.7	0.2	0.6
At 31 March 2003	1,107.7	7.9	(8.0)	2,225.9	673.7	4,007.2

	Parent					Total £m
	Share premium £m	Capital redemption reserve £m	Other reserves £m	Revaluation reserves £m	Profit and loss account £m	
At 1 April 2002	1,106.2	0.3	(4.6)	95.4	528.2	1,725.5
Issues	1.5					1.5
Purchase and cancellation of own shares		7.6			(130.1)	(122.5)
Retained profit for the year					50.2	50.2
Current year revaluation				3.8		3.8
Exchange movements on net investments			0.1		0.2	0.3
At 31 March 2003	1,107.7	7.9	(4.5)	99.2	448.5	1,658.8

The cumulative amount of goodwill written off against other reserves of the Group is £14.6m (2002: £14.6m).

23 Capital commitments

	2003 £m	2002 £m
British Land	279.2	419.7
Share of joint ventures (note 12)	17.5	56.2
	296.7	475.9

24 Contingent liabilities

In addition to contingent tax, as described in note 8, contingent liabilities of the Parent for guarantees to third parties amounted to £12.0m (2002: £33.0m).

25 Disclosures of interests and related parties

Mr John Ritblat has an effective 4.65% equity interest and is non executive chairman of Fitzhardinge PLC, which is the holding company of Colliers CRE who are amongst the Group's managing agents and as such receive fees for their services. During the year, fees of £79,602 (2002: £190,000) were paid to Maxwell Batley, and fees of £63,809 were paid to D J Freeman, firms in which Michael Cassidy was a partner during the year, for legal advice on property transactions.

Details of transactions with joint ventures including debt guarantees by the Company are given in notes 12 and 24. During the year the Group received management fees of £1.3m (2002: £1.4m) from joint ventures.

26 Pensions

The British Land Group of Companies Pension Scheme ("the Scheme") is the principal pension scheme in the Group. It is a defined benefit scheme which is externally funded and which is not contracted out of SERPS. The assets of the scheme are held in a trustee administered fund and kept separate from those of the company.

The pension cost relating to the Scheme has been determined in accordance with SSAP 24 by consulting actuaries Hewitt Bacon & Woodrow using the results of calculations as at 31 March 2000 based on the attained age method. The most significant actuarial assumptions are shown below. The financial assumptions are all lower than those used for the previous valuation reflecting the anticipation of lower rates of price inflation. At the 31 March 2000 valuation the market value of the Scheme's assets was £31.5m and on the assumptions used to calculate the pension cost, the actuarial value of the assets at that date represented 121% of the value of members' accrued benefits creating a surplus of £5.7m. Accrued benefits include all benefits for pensioners and other former members as well as benefits, based on service completed to date, for active members allowing for future salary rises.

The 31 March 2000 valuation does not take into account any impact of changes in general stock market values since that date.

Any such impact will be reflected in the next actuarial valuation as at 31 March 2003, which is currently being prepared and the effects of which are not expected to be material to the Group. Subsequent pension costs will be determined on the basis of the 31 March 2003 valuation until the adoption of FRS 17 or its equivalent under International Accounting Standards.

The Company's contributions in respect of the Scheme for the year ended 31 March 2003 were £3.0m (2002: £2.9m). The Company's contributions over the year were based on the results of the valuation of the Scheme at 31 March 2000, and allow for the amortisation of the surplus revealed at that valuation over a period within the average remaining service life of members. The Scheme pension cost recognised in these Group Accounts is equal to the Company's contributions.

The Group has five other small pension schemes.

The total pension cost charged for the year was £3.5m (2002: £3.4m).

Additional disclosures regarding the Group's defined benefit pension scheme are required under the second year transitional provisions of FRS 17 Retirement benefits and these are set out below.

SSAP 24 disclosures

The assumptions used in the valuation were as follows:

Discount rate: pre-retirement	5.80% pa
Post-retirement	4.80% pa
Salary inflation	5.05% pa
Pensions increase	2.70% pa
Price inflation	2.80% pa

The employer's contributions have been paid at the rate recommended by the actuary of 26.8% pa of basic salaries.

FRS 17 disclosures

The valuation has been updated to 31 March 2003 in accordance with FRS17 by the actuary. The major assumptions adopted for this purpose were:

	2003 % pa	2002 % pa
Discount rate	5.50	6.00
Salary inflation	4.80	4.75
Pensions increase	2.50	2.50
Price inflation	2.60	2.50