



**Top: Langlands & Bell**

**Opening/Capture, 2003 – Triton Square**

Ben Langlands and Nikki Bell encourage public involvement in their art with this double-spiral stone bench. Its sculptural form both exposes and encloses, its sinuous shape counterbalancing the angularities of its city-square setting.

**Above: Edward Hodges Bailey**

**The Battle of St Vincent, 1797 – Triton Square**

Found to be 'surplus to requirements' for the decoration of the original Marble Arch created in 1826, this marble frieze has now found a home in Regent's Place. Depicting Nelson's victory at Cape St Vincent in 1797, this is the first time it has been displayed for over 170 years, its new home means that it is now secured for the Nation.

**Financial Results**

Gross rental income for the six months to September 2003, including our share of joint ventures, increased by 1.7% to £270.6 million (2002: £266.2 million). Group gross rents increased £13.7 million (6.4%), whereas our share of joint venture gross rents declined by £9.3 million (17.4%) reflecting the active property disposal programme in the joint ventures. Group net rental income for the period rose 4.6% to £209.4 million (2002: £200.1 million) mainly as a result of rent reviews and new lettings.

British Land's share of joint venture operating profits reduced by 14.1% to £39.1 million, again reflecting the disposals of joint venture properties.

Profit before tax increased by £21.8 million to £87.1 million (2002: £65.3 million). Profits on sale of fixed assets in the six months amounted to £15.9 million (2002: £3.1 million) and trading profits £6.0 million (2002: £nil). Underlying profits before tax, excluding these items, increased by 4.8% to £65.2 million (2002: £62.2 million).

The tax charge for the six months is £11.5 million, an effective rate of 13.2% (2002: £12.8 million, 19.6%).

Adjusted diluted earnings per share increased to 15.5 pence (2002: 10.5 pence).

Adjusted diluted net assets per share increased by 5.8% from 30 September 2002 and by 1.2% from 31 March 2003 to 870 pence, from 860 pence.

**Financing and Capital Structure**

Approximately 50% of the Group's property value is financed by borrowings from a variety of sources and with a spread of maturity dates. The Group's financial risk management policy is to maintain approximately 85% of debt at fixed and capped rates with debt taken out under a range of maturities, including long-term facilities in order to match the Group's income profile from its long lease lengths. These policies concentrate economic exposure to the property market and our portfolio's performance, and minimise exposure to short to medium-term interest rate movements. The Group borrows using fixed and floating rate debt and uses interest rate derivatives to produce the desired interest rate profile for the Group's finances.

At 30 September 2003 net debt is £4,344.5 million (31 March 2003: £4,361.4 million). Securitised debt of £2,832.7 million (31 March 2003: £2,878.2 million) is ring-fenced with no recourse to other Group companies or assets.

The Group's mortgage ratio remains unchanged at 49%. The mortgage ratio including the Group's share of joint venture debt is 52% (31 March 2003: 52%).

The Group's weighted average interest cost is 6.26%, of which 83% is at fixed or capped rates of interest, with a weighted average debt maturity of 18.0 years (31 March 2003: 18.0 years). This long-term debt maturity profile balances the Group's average unexpired lease term of 17.0 years.

At 30 September 2003 the market value of net debt and interest rate derivatives was £467.1 million more than their book values. The decrease of £19.6 million from 31 March 2003 largely reflects higher underlying interest rates, offset to some extent by reductions in our credit spreads.

### Banking Finance

The Company took the initiative during the period to update the standard banking covenant package it offers its wide range of bank lenders. The Company has bilateral and syndicated facilities from 60 banks – in aggregate these amount to £1.7 billion, of which £0.8 billion is committed, available and undrawn – and all these facilities continue to be provided on the basis of a similar document incorporating the same financial covenants. The new covenant replaced the provisions limiting secured debt at 50% of adjusted capital and reserves with a new limit of unsecured debt to unencumbered assets of 70%. The overall gearing limit of 175% of adjusted capital and reserves was not changed. The revision was agreed and documented on all bank facilities.

The financial arrangements with our banks provide a sound basis for future funding with all important flexibility to maintain our opportunistic business model.

A five-year syndicated loan facility was successfully completed over the summer incorporating the new covenant package and was oversubscribed raising £285 million. We have since agreed new and renewed bilateral facilities of £155 million.

<b>Financing statistics (Group)</b>	<b>30 September 2003</b>	31 March 2003
Net debt	<b>£4,344.5m</b>	£4,361.4m
Weighted average debt maturity	<b>18.0 years</b>	18.0 years
Weighted average interest rate	<b>6.26%</b>	6.31%
% of net debt at fixed or capped interest rates	<b>83%</b>	83%
% of debt ringfenced with no recourse to other companies or assets in the Group	<b>63%</b>	64%
Interest cover (net rents/net interest)	<b>1.53x</b>	1.60x
Cash and available committed facilities of which drawn	<b>£1,779.1m £907.6m</b>	£1,635.4m £899.0m

### Securitisations

On 14 April 2003 the Group issued a further £50 million of Notes securitising the rental income stream from Meadowhall. This is in addition to the £825 million of Notes issued in December 2001. The weighted average interest rate of the issues is 5.5% and the weighted average maturity is currently 19.9 years.

On 7 July 2003 the Group paid £73.5 million to redeem the outstanding Class D Fixed/Floating Rate Unsecured Notes 2014 issued as part of the Broadgate Securitisation. These Notes, which had a coupon of 7.1107% and a weighted average maturity of less than two years, were redeemed at a premium of £1.7 million.

On 6 October 2003 the Group issued a further £75.5 million of Notes securitising the rental income stream of certain Sainsbury's Supermarkets raising proceeds of £84 million at an effective rate of 5.8%. The weighted average interest rate of the total issue is 6.77%. The current weighted average maturity is 15.1 years.

### US Dollar Private Placement 2015

On 3 October 2003 British Land issued US\$154 million 6.30% Senior Notes due 2015 as a further US private placement to institutional debt investors. A cross-currency swap was simultaneously executed, effectively converting the issue into Sterling at a fixed rate of 5.999% for the term.

### Dividend

The directors declare an interim dividend of 4.43 pence per share payable on 20 February 2004. This represents an increase of 8.0% over the 2002 interim dividend of 04.1 pence per share and is in line with our policy of progressive dividend growth.

### Cash Flow

Profits after interest, tax and working capital movements, generated a positive operating cash flow for the six months of £65.9 million (2002: £20.3 million).

Property and investment disposals by the Group and cash returns from joint ventures realised cash of £137.7 million. Property acquisitions, developments and investment expenditure by the Group amounted to £132.3 million.

**Graham Roberts** Finance Director  
25 November 2003