



## 12 active joint ventures hold £2.7 billion of properties in retail, offices and development.

### Introduction

British Land's net investment in joint ventures is £804 million (2004: £658 million) at 31 March 2005. This investment is principally in 12 (2004: 12) active joint ventures which hold £2.7 billion (2004: £2.4 billion) of properties in retail, offices and development. The joint ventures are financed by £496 million (2004: £530 million) of external debt, without recourse to British Land.

British Land has proven its sustained ability to work constructively with other major companies, and its reputation enables it to continue to attract new ventures.

### Joint venture model

All British Land's joint ventures share a common framework:

- a separate entity formed to own property;
- the joint venture entity is controlled on a 50:50 basis by a board on which each partner is equally represented (with no casting votes);
- established with a specific term, at the expiry of which, unless otherwise agreed, it will terminate in accordance with the terms agreed at the outset (with additional provisions for early termination if the partners reach deadlock); and
- funding is by a varying combination of equity and subordinated loans (which enable income to be received gross) from the two joint venture partners and external debt.

### Joint venture rationale

Joint ventures benefit British Land because:

- they have provided access to desirable properties that were not on the market;
- they enhance relationships and negotiations with tenants across a greater number of locations;

- they are able to raise finance on the strength of their own balance sheets with minimal or no support from either partner, thereby significantly lowering the initial equity investments and enhancing the returns on capital;
- they restrict the risks associated with a specific property investment or development by sharing the project with a partner; and
- British Land earns fees from services provided to joint ventures.

### Joint venture activity

Key activities since April 2004 were:

- the sale in February 2005 of the Bristol store by BL Fraser Limited, significantly above valuation, with £26 million being returned to the shareholders from the proceeds;
- the refinancing in February 2005 of Tesco BL Holdings Limited which resulted in over £100 million being returned to the shareholders;
- the refinancing in April 2005 of The Scottish Retail Property Limited Partnership, joint venture with Land Securities Group PLC, with £430 million raised by way of a seven year securitisation, most of which was returned to the joint venture partners;
- The Public House Company continued with its programme of auction sales, in which 17 public houses were profitably sold in the year, raising £22 million;
- the acquisition by British Land of the outstanding 50% interest in the four BL West joint venture companies for £50 million (and the repayment of these companies' debt) in April 2005.

### Summary of British Land's share in joint ventures

	2005 £m	2004 £m	Change £m
<b>Profit and loss account</b>			
Gross rental income	73.4	78.9	(5.5)
Operating profit	67.7	67.5	0.2
Disposal of fixed assets	8.1	7.4	0.7
Net interest – external	(32.3)	(40.0)	7.7
Net interest – shareholders	(3.2)	(6.6)	3.4
Profit before tax	40.3	28.3	12.0
<b>Balance sheet</b>			
Gross assets	1,444.9	1,299.8	145.1
Gross liabilities	(640.9)	(641.6)	0.7
Net investment	804.0	658.2	145.8
Number of active joint ventures	12	12	

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The Civic Trust believes urban environments should be inspiring places where people want to live, work and relax. It seeks to empower individuals and communities by showing them how they can bring about positive change.

*British Land is delighted that its development at Triton Square in London has been honoured by the Civic Trust. Their Awards – the most prestigious and comprehensive of their kind in Europe – do not simply recognise excellence in architectural design, but also reflect the way buildings relate to their setting and the people they serve.*

The towns whose civic independence flings  
The gauntlet down to Senates, Courts and Kings.  
Thomas Campbell *Theodric*

### Joint ventures with Tesco PLC

British Land has three joint ventures with Tesco PLC, which together own £923 million of retail properties, comprising 13 superstores, four retail parks and four shopping centres, anchored by Tesco stores.

#### BLT Properties

JV Partner	Tesco PLC
Date established	November 1996
Portfolio value	£283m, comprising two retail parks and eight Tesco superstores
Annualised net rent	£15m
Finance	£185m loan provided by a syndicate of banks, without recourse to the joint venture partners
Value of British Land net investment	£58m

One of the first joint ventures, BLT has been active in extending the properties, making capital contributions to the cost of further development and achieving increases in rental income.

During the year, the joint venture completed the funding of a 1,000 sq m (10,800 sq ft) extension at Formby and four other stores within the portfolio are being planned for extension, including mezzanine floor levels, or redevelopment in the next few years.

In November 2003, when the joint venture reached the end of its initial contracted term, it was renewed for a further seven year term and refinanced.

#### Tesco British Land Property Partnership

JV Partner	Tesco PLC
Date established	February 1998
Portfolio value	£149m, being two district shopping centres anchored by Tesco
Annualised net rent	£10m
Finance	£87m loan, with recourse only to the partnership assets
Value of British Land net investment	£26m

The partnership with Tesco was originally established to acquire 12 retail properties from the partners, and in November 1999 it sold nine properties to the newly formed Tesco BL Holdings, retaining three properties, one of which was sold in 2001.

During the year the partnership settled both of the main Tesco store rent reviews at Weston Favell, Northampton and Beaumont Leys, Leicester. The partnership has developed and let a new unit to Wilkinson of 2,800 sq m (30,000 sq ft) and has recently agreed terms with Next PLC who will take a 930 sq m (10,000 sq ft) store in a prominent position at Beaumont Leys.

#### Tesco BL Holdings

JV Partner	Tesco PLC
Date established	November 1999
Portfolio value	£491m, comprising two retail parks and two shopping centres each anchored by Tesco, and five Tesco supermarkets
Annualised net rent	£26m
Finance	£315m loan provided by a syndicate of banks, without recourse to the joint venture partners
Value of British Land net investment	£92m

This joint venture was established to acquire nine properties from The Tesco British Land Property Partnership in November 1999.

During the year the joint venture has successfully negotiated the surrender of the Focus unit at The Kingston Centre, Milton Keynes, which has been pre-let to Marks and Spencer. These transactions have increased the income to the joint venture and raised the overall rental value of the property. Next PLC has also signed an agreement to lease to move into The Kingston Centre, which will enhance the Centre's retail offer.

The rent review of the Tesco store at the Serpentine Green Centre, Peterborough has been settled at a level of £23 per sq ft, representing one of the highest superstore rents achieved to date.

In February 2005 the joint venture was refinanced with a new £315 million loan, provided by a syndicate of banks led by WestLB and without recourse to the joint venture shareholders. This loan repaid the £200 million outstanding loan and returned over £100 million to the shareholders.

#### The Scottish Retail Property Limited Partnership

JV Partner	Land Securities Group PLC
Date established	March 2004
Portfolio value	£605m, comprising shopping centres in Aberdeen and East Kilbride
Annualised net rent	£33m
Finance	£430m raised in April 2005, without recourse to the joint venture parties
Value of British Land net investment	£301m

The joint venture properties comprise over 130,060 sq m (1.4 million sq ft) of retail space in major shopping centres: The St Nicholas and Bon Accord Centre, Aberdeen and the East Kilbride shopping centre.

The Partnership provides benefits of scale and enables the partners to maximise the long-term value of the centres. During the year the Partnership has acquired further strategic interests at East Kilbride such that the six principal malls are now managed and operated as an integrated shopping destination, providing almost all of the retail for the town centre of East Kilbride.

Following the year end, the joint venture raised £430 million through a seven year securitisation.

### BL Fraser

JV Partner	House of Fraser PLC
Date established	July 1999
Portfolio value	£286m, comprising 13 department stores
Annualised net rent	£14m
Finance	£138m loan provided by a syndicate of banks, without recourse to the joint venture partners
Value of British Land net investment	£72m

This joint venture was established to acquire and leaseback 15 House of Fraser freehold and long leasehold department stores, mostly in major provincial towns and cities. The joint venture has purchased a further store in Bristol from Bentalls, funded a significant redevelopment of the Guildford store and profitably sold the stores in Doncaster, Perth and Darlington.

In February 2005, the store in Bristol was sold at well above valuation, with funds totalling £26 million returned to the shareholders.

All properties are let on 40 year full repairing and insuring leases to House of Fraser with minimum guaranteed uplifts for each of the first two 5 yearly rent reviews, based on the higher of 3% per annum uplift (since 1999) or open market value.

### BL Davidson

JV Partner	Manny Davidson, his family and family trusts
Date established	September 2001
Portfolio value	£616m, comprising circa 70 properties, principally retail warehouses
Annualised net rent	£33m
Finance	£114m loan facilities provided by Royal Bank of Scotland, without recourse to the joint venture partners. The joint venture subsidiaries also have debentures of £115m, and other smaller bank loans.
Value of British Land net investment	£166m

This joint venture was established to acquire Asda Property Holdings plc, which owned a portfolio of properties, principally retail warehousing and Central London offices.

During the year, BL Davidson purchased Harris Ventures' half share of the Retail Warehouse Company joint venture, containing four high quality retail parks and a new industrial and warehouse development, together valued at £122 million.



House of Fraser, Guildford

### BL West companies

JV Partners	WestLB, WestImmo and Provinzial (together 50%)
Date established	September 2000
Portfolio value	£181 m, comprising two City office buildings
Annualised net rent	£13m
Finance	£108m bank loan provided by a syndicate, without recourse to the joint venture partners
Value of British Land net investment	£49m

In April 2005, British Land obtained 100% ownership by acquiring the shares of its joint venture partners for £50 million and repaying the related debts.

### Other joint ventures

We also have joint ventures with:

- Rosemound Developments to develop distribution warehouse accommodation at the Daventry International Rail Freight Terminal;
- Gazeley Properties to develop primarily distribution warehouses at Enfield (now all complete and sold), Redditch and Thatcham;
- Scottish & Newcastle (Public House Company) for the small remaining pubs investment;
- Conran Holdings and Wyndham International (GEH Properties) in respect of the long leasehold interest in the Great Eastern Hotel;
- Solihull Metropolitan Borough Council to provide the Blythe Valley Innovation Centre for start up, technology based businesses;
- The Royal Bank of Scotland plc, established in April 2005, for new residential investments.