

# Report of the Directors

The directors submit their Report and Accounts for the year ended 31 March 2005.

## Results and dividends

The results for the year are set out in the consolidated profit and loss account on page 80.

The directors recommend the payment of a final dividend of 10.9 pence per share payable on 19 August 2005 to ordinary shareholders on the register at the close of business on 22 July 2005.

## Activities

The Group operates in the fields of property investment and development, finance and investment.

## Review of business and prospects

Development of the Group's activities and its prospects are reviewed in the Chairman's Statement, Chief Executive's Statement and Operating and Financial Review on pages 6 to 29.

## Properties

Changes in properties during the year and details of property valuations at 31 March 2005 are shown in note 12 to the financial statements on page 91.

## Purchase of own shares

The Company was granted authority at the Annual General Meeting in 2004 to purchase its own shares up to a total aggregate value of 10% of the issued nominal capital. That authority expires at this year's Annual General Meeting and a resolution will be proposed for its renewal. The Company did not purchase any of its own shares during the year.

## Directors' interests in contracts

Except as stated in note 28 on page 103, no contract existed during the year in relation to the Company's business in which any director was materially interested.

## Directors' and officers' liability insurance

The Company purchases liability insurance covering the directors and officers of the Company and its subsidiaries.

## Charitable donations

£92,487 (2004: £186,717) was donated during the year. No contributions were made for political purposes.

## Reappointment of directors

The directors listed on page 55 constituted the Board during the year, except for Stephen Hester who was appointed a director on 12 November 2004. Following the performance appraisal process described on page 65, the Board has concluded that the retiring directors are effective, committed to their roles, and should continue in office.

Stephen Hester (Chief Executive) and Graham Roberts (Finance Director) offer themselves for re-election in accordance with the Articles.

John Weston Smith (aged 73) is Chief Operating Officer and Chairman of British Land Developments and of Broadgate Estates

and offers himself for re-election until the next following Annual General Meeting.

John Ritblat (Chairman) will be aged 70 later this year, after which age he will require a further re-election in accordance with the Articles. He therefore offers himself for re-election until the following Annual General Meeting.

Michael Cassidy, whose extensive knowledge and experience of property matters have proved invaluable during his nine years as a non-executive director, offers himself for re-election until the next following Annual General Meeting.

Biographies can be found on page 55.

## Share and loan capital

The issued share capital has been increased since 1 April 2004 by fully paid issues as follows:

		No. of ordinary shares of 25p
8 April 2004, 9 July 2004, 5 October 2004 and 17 January 2005	Shares in lieu of directors' fees	6,666
8 June 2004 to 10 December 2004	On exercise of options under the 1984 Share Option Scheme	165,107
25 June 2004 to 30 July 2004	Conversion of 6% Subordinated Irredeemable Convertible Bonds	29,999,800
1 September 2004 to 15 March 2005	On exercise of options under the Sharesave Scheme	135,755

## Substantial interests

As at 24 May 2005 the Company had been notified of the following major interests in its issued ordinary share capital, disclosed to it in accordance with Sections 198 to 208 of the Companies Act 1985:

	No. of shares (m)	% of issued capital
FMR Corp and Fidelity International Limited	36.6	7.1
ABP Investments for Stichting Pensioenfonds ABP	24.3	4.7
Lloyds TSB Bank PLC	19.0	3.7
Legal and General Group PLC	16.2	3.1

## Payments policy

In the absence of dispute, amounts due to trade and other suppliers are settled as expeditiously as possible within their terms of payment. As at 31 March 2005, there were 31 (2004: 28) suppliers' days outstanding.

## Auditors

A resolution to re-appoint Deloitte & Touche LLP as the Company's auditors and a resolution concerning their remuneration will be proposed at the forthcoming Annual General Meeting.

## Share Incentive Plan

All full-time and part-time directors and employees with more than 18 months' continuous service are eligible to participate in The British Land Share Incentive Plan ('SIP'), which is approved by the Inland Revenue under the terms of the Income Tax (Earnings and Pensions)

Act 2003. Under this Plan participants receive an annual grant of ordinary shares of 25p each ('Free Shares'), and are also able to participate in a monthly purchase of ordinary shares ('Partnership Shares'), which British Land matches on a 2:1 basis ('Matching Shares'). Dividends on these shares are re-invested as 'Dividend Shares'. Shares under this Plan are generally released to the individual after five years. 2,080 'Free Shares' were allocated to the executive directors in August 2004. The executive directors have also purchased 1,485 'Partnership Shares' and been awarded 2,970 'Matching Shares' and 165 'Dividend Shares' in the year to 31 March 2005. All these shares are included in the total number of shares in which the executive directors have a beneficial interest shown on page 60.

The SIP began in August 2003 and replaced The British Land Employee Share Scheme, which last allocated shares in August 2002. 131,416 ordinary shares are held by 161 participants under this scheme. 7,780 of these shares are held by the executive directors, and are included in the total number of shares in which the executive directors have a beneficial interest shown on page 60.

#### Sharesave Scheme

Under The British Land Sharesave Scheme, executive directors and employees who have served the Company for at least 18 months may be offered options to purchase shares, tied to a savings contract, over a three or five year period. Options are held by 209 employees and executive directors to purchase a total of 310,650 fully paid ordinary shares at prices of 359p, 377p, 383p, 399p, 443p, 472p and 648p per share, and normally exercisable during certain six month periods between 1 September 2005 and 31 August 2010. The options held by directors under this scheme are shown on page 61.

#### Long-Term Incentive Plan

The Long-Term Incentive Plan was approved by shareholders at the Annual General Meeting in 2003. Under the plan the Company awards either market value options and/or performance shares (which are similar to restricted shares) to executives and executive directors. These awards are subject to a prescribed performance condition (as detailed on page 59 in the Remuneration Report) on which the exercise of options and the vesting of performance shares is contingent.

Ninety-eight executives and executive directors have rights over 1,376,064 performance shares, which vest after three years (subject to performance conditions); they also hold options to purchase 4,128,238 ordinary shares at prices of 502p, 552p, 663p and 796p per share which are exercisable between 25 September 2006 and 28 November 2014. These options are exercisable not less than three years and not more than ten years after the date of grant. The interests of executive directors under this scheme are shown on page 62.

#### Share Option Scheme

Options are held by six executives and executive directors pursuant to The British Land Company PLC 1984 Share Option Scheme, which is approved under the terms of the Finance Act 1984, to purchase a total of 667,543 fully paid ordinary shares at a price of 394p per share and exercisable between 23 January 1999 and 22 January 2006. These options are exercisable not less than three years (five years in certain cases) and not more than ten years after the date of grant. As at 24 May

2005, options over 3,814,543 shares had been exercised by the above mentioned employees and executive directors. No further awards will be made under this scheme following the adoption of the new Long-Term Incentive Plan at the 2003 AGM. The options held by executive directors under this scheme are shown on page 61.

#### Restricted Share Plan

The Company's Restricted Share Plan, which was approved by shareholders at the Annual General Meeting in 1997, provides interests in the shares of the Company to executives and executive directors.

80 executives and executive directors of the Company have rights over 1,228,619 ordinary shares of the Company. The shares vest not earlier than three years after grant and only on attainment of a performance target, settled on advice from Hewitt Bacon & Woodrow, consulting actuaries, following consultation with the National Association of Pension Funds and the Association of British Insurers. Participants are entitled to receive dividends on their shares from the date of grant until vesting. No further awards will be made under this plan. The interests of directors under this scheme are shown on page 62.

#### Employment policy

The Group places emphasis on employee involvement and keeps employees informed through formal and informal briefings. The Company has well established all-employee share schemes which are described above.

There were no major changes in the Group's pension schemes during the year. In the United Kingdom separate pension fund reports are made available to members.

The Company maintains a policy of employing the best candidates available in every position, regardless of gender, ethnic group or background.

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicants concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Group continues and that appropriate training is arranged. It is the policy of the Group that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

#### Health and safety

The Board is committed to achieving the highest standards of care in its attention to health, safety and fire prevention. The Board requires safe working practices to ensure that employees, tenants and the general public are not harmed by the Company's activities.

This report was approved by the Board on 24 May 2005.

**Anthony Braine**  
Secretary