

# Notes to the Financial Statements

## 1 Accounting policies

### Introduction

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. In order to give a true and fair view the goodwill in relation to the consolidation of former joint ventures has been calculated in accordance with FRS 2 (see note 14). Accounting practices of subsidiaries and joint ventures which differ from Group accounting policies are adjusted on consolidation.

Negative goodwill attributable to discounts received in the purchase price of corporate acquisitions for contingencies, such as tax on unrealised gains on revalued property, is shown separately on the balance sheet and released to the profit and loss account when the related property is sold.

### Joint ventures and other investments

Joint ventures are accounted for under the gross equity method, whereby the Group's balance sheet discloses the Group's share of the gross assets and gross liabilities of its 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.

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.

### 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 the 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 the 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.

Trading properties are stated at the lower of cost and net realisable value. Disposals are recognised on completion; profits and losses arising are recognised 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.

### Parent company

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

### 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 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

## 1 Accounting policies (continued)

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 charge recoveries. Rent increases arising from rent reviews are taken into account when such reviews have been settled with tenants. Rental income from fixed and minimum guaranteed rent reviews is recognised on a straight line basis over the shorter of the entire lease term or the period to the first break option. 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.

### Employee costs

Defined benefit pension scheme assets are measured using fair values; pension scheme liabilities are measured using the projected unit method and discounted at the rate of return of a high quality corporate bond of equivalent term to the scheme liabilities. The net surplus or deficit is recognised in full in the consolidated balance sheets.

The current service cost and gains and losses on settlement and curtailments are charged to operating profit. Past service costs are recognised in the profit and loss account if the benefits have vested or, if they have not vested, over the period until vesting occurs. The interest cost and the expected return on assets are included as other finance income or interest payable. Actuarial gains and losses are recognised in the statement of total recognised gains and losses.

Contributions to the Group's defined contribution schemes are expensed on the basis of the contracted annual contribution.

### Share-based incentives

In accordance with FRS 20 the fair value of equity-settled share-based payments to employees is determined at the date of grant and is expensed on a straight-line basis over the vesting period based on the Group's estimate of shares or options that will eventually vest. In the case of options granted, fair value is measured by a Black-Scholes pricing model. Further details are set out in note 8.

## 2 Operating profit

	2005 £m	2004 £m
Gross rental income	546.5	486.7
Service charge receivable	47.1	37.6
Total income	593.6	524.3
Rents payable	(3.1)	(3.7)
Other property outgoings	(86.2)	(70.3)
Net rental income	504.3	450.3
Profit on property trading (see below)	0.6	6.0
Other income	6.2	6.2
Administrative expenses	(48.8)	(40.7)
Operating profit	462.3	421.8

  

<b>Profit on property trading</b>		
Sale proceeds	6.6	11.0
Cost of sales	(6.0)	(5.0)
Profit on property trading	0.6	6.0

### Property derivatives

The surplus of £0.2m arising on the revaluation of property derivatives is included in other income (2004: £nil).

### Turnover

The Group has only one significant class of business. Rental income and profits are derived from the Group's continuing operations, which are predominantly in the United Kingdom. Net rental income for the year from properties which, at the year end, were subject to a security interest or held by non recourse companies was £376.5m (2004: £347.0m).

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

Defined Benefit Pension:			
	Current service cost	2.7	2.1
	Past service cost	0.7	0.3
Amortisation of negative goodwill		(0.6)	(1.5)
Depreciation		0.8	0.6
Auditors' remuneration <sup>§</sup>		0.9	0.9
Auditors' remuneration for other services <sup>†</sup>		2.3	2.4

<sup>§</sup> Auditors' remuneration comprised: Deloitte £0.7m (2004: £0.6m); other auditors £0.2m (2004: £0.3m). Audit fees in relation to the Company were £0.5m (2004: £0.4m).

<sup>†</sup> Payments to Deloitte for further assurance services £0.4m (2004: £0.4m). Payment to Deloitte for taxation services £1.3m (2004: £1.1m). Payments to other auditors: taxation services £0.5m (2004: £0.9m) and further assurance services £0.1m (2004: £nil).

### 3 Pro forma information based on proportional consolidation

The following pro forma information does not form part of the consolidated primary statements or the notes thereto. It shows the results of the Group, with joint ventures consolidated on a proportional basis, with development and trading properties shown at external valuation and lease incentive and rent review debtors reclassified to investment properties, and after adding back the capital allowance effects of FRS 19.

	Note	2005 £m	2004 £m
<b>Profit and loss account</b>			
for the year ended 31 March 2005			
<b>Gross rental income</b>		<b>619.9</b>	565.6
Net rental income		<b>571.8</b>	523.0
Other income		<b>6.2</b>	6.2
Administrative expenses		<b>(51.2)</b>	(43.6)
<b>Earnings before interest and property sales</b>		<b>526.8</b>	485.6
Net interest payable	5	<b>(352.0)</b>	(336.2)
<b>Underlying profit before taxation</b>		<b>174.8</b>	149.4
Profit on property trading		<b>3.2</b>	3.7
Disposal of fixed assets	4	<b>23.8</b>	32.9
Exceptional item	5	<b>(180.0)</b>	
<b>Profit on ordinary activities before taxation</b>		<b>21.8</b>	186.0
Taxation credit (charge)	10	<b>36.9</b>	(14.5)
Adjustment for capital allowance effects of FRS 19	6	<b>17.3</b>	9.1
<b>Profit on ordinary activities after taxation</b>		<b>76.0</b>	180.6
Ordinary dividends	11	<b>(83.9)</b>	(70.8)
<b>Retained (loss) profit for year</b>		<b>(7.9)</b>	109.8

		2005 £m	2004 £m
<b>Balance sheet</b>			
as at 31 March 2005			
<b>Assets</b>			
Total properties at valuation	12	<b>12,506.9</b>	10,639.4
Other investments	15	<b>153.1</b>	17.2
Negative goodwill		<b>(35.2)</b>	(33.3)
		<b>12,624.8</b>	10,623.3
Debtors and prepayments		<b>77.8</b>	49.8
Cash and deposits		<b>207.3</b>	211.7
		<b>285.1</b>	261.5
<b>Creditors due within one year</b>		<b>(877.1)</b>	(909.7)
<b>Total assets less current liabilities</b>		<b>12,032.8</b>	9,975.1
<b>Creditors due after one year</b>		<b>(6,258.5)</b>	(4,952.7)
Convertible bonds			(149.0)
Deferred taxation		<b>(108.3)</b>	(109.1)
Adjustment for capital allowance effects of FRS 19	10	<b>130.2</b>	112.9
Pension (liability) asset	9	<b>(3.0)</b>	0.1
<b>Net assets</b>	21	<b>5,793.2</b>	4,877.3
<b>Equity shareholders' funds</b>		<b>5,793.2</b>	4,877.3

#### 4 Profit on the disposal of fixed assets

	2005 £m	2004 £m
British Land Group	15.7	25.5
Share of joint ventures (note 13)	8.1	7.4
	<b>23.8</b>	<b>32.9</b>

Included in the tax charge is a net charge of £2.2m (2004: £8.7m) attributable to property sales.

#### 5 Net interest payable

	2005 £m	2004 £m
<b>British Land Group</b>		
Payable on:		
Bank loans and overdrafts	76.5	52.2
Other loans	260.6	263.7
	<b>337.1</b>	315.9
Deduct:		
Development cost element	(7.8)	(13.3)
	<b>329.3</b>	302.6
Receivable on:		
Deposits and securities	(9.4)	(6.7)
Loans to joint ventures	(3.2)	(6.6)
Other finance (income) costs:		
Expected return on pension scheme assets	(2.7)	(1.7)
Interest on pension scheme liabilities	2.5	2.0
<b>Total British Land Group</b>	<b>316.5</b>	<b>289.6</b>

Interest on development expenditure is capitalised at a rate of 5.6% (2004: 4.7%).

#### Share of joint ventures

Interest payable on shareholder loans	3.2	6.6
Other interest payable (net)	32.3	40.0
Total share of joint ventures (note 13)	<b>35.5</b>	46.6
<b>Net interest payable</b>	<b>352.0</b>	<b>336.2</b>

#### Exceptional item

On 2 March 2005 the Group incurred an exceptional charge of £180m whilst redeeming the securitised debt of Broadgate (Funding) PLC and 135 Bishopsgate Financing Limited. On the same day Broadgate Financing PLC issued £2,080m of new securitised debt in respect of the Broadgate Estate (see note 17). The pre tax exceptional item of £180m (post tax: £126m, after £54m tax credit), relates mainly to the difference between the redemption value and the carrying value of the redeemed debt.

#### 6 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:

		2005		2004	
		Weighted average number of shares m	Profit after taxation £m	Weighted average number of shares m	Profit after taxation £m
<b>Earnings per share</b>	– Basic	509.2	58.7	488.1	171.5
	– Diluted	519.2	58.7	519.0	179.3
<b>Adjusted earnings per share</b>	– Basic	509.2	202.0	488.1	180.6
	– Diluted	519.2	202.0	519.0	188.4
<b>Underlying earnings per share</b>	– Basic	509.2	178.0	488.1	154.3
	– Diluted	519.2	178.0	519.0	162.1

The basic weighted average number of shares has changed as a result of the conversion on or before 30 July 2004 of the 6% Irredeemable Convertible Bonds.

Adjusted earnings per share are calculated by excluding the post tax profit adjustment of £17.3m (2004: £9.1m) which is the capital allowance effect of FRS 19 which is not expected to arise, as described in note 22, in addition to the post tax effect of £126m of the exceptional item described in note 5.

Underlying earnings per share is calculated by taking the underlying profit before taxation (disclosed in note 3) and adjusting for related taxation (2005: credit £3.2m; 2004: credit £4.9m).

## 7 Parent company's results

Profit on ordinary activities after taxation attributable to parent was £146.6m (2004: £275.8m).

## 8 Staff costs

<b>Staff costs (including directors)</b>	<b>2005 £m</b>	<b>2004 £m</b>
Wages and salaries	<b>23.0</b>	23.0
Social security costs	<b>3.2</b>	2.4
Pension costs	<b>3.7</b>	2.9
Equity-settled share-based payments – Incentive schemes (RSP, SIP, LTIP, RAA, CISP)	<b>8.4</b>	7.0
– Sharesave schemes (SAYE)	<b>0.1</b>	0.1
	<b>38.4</b>	35.4

The average number of employees of the Group during the year was 715 (2004: 713) of which some 540 (2004: 546) were employed directly at the Group's properties and their costs recharged to tenants.

The Group's equity-settled share-based payments comprise the Restricted Share Plan (RSP), the Long Term Incentive Plan (LTIP), the Share Incentive Plan (SIP), various Sharesave Plans and two recruitment schemes relating to the new Chief Executive, the Recruitment Award Agreement (RAA) and the Co-Investment Share Plan (CISP).

The RSP was used for the last time in June 2003. The Company expenses an estimate of how many shares are likely to vest based on the market price at the date of grant, taking account of expected performance against the net asset value per share growth target and the three year service period. Under the SIP the Company gives eligible employees free shares of up to £3,000 a year. They can also purchase partnership shares for up to £1,500 a year that are matched 2 for 1 by the Company. The free and matching shares are purchased at fair value in the market and expensed at time of allocation.

At the 2003 AGM the shareholders approved the LTIP whereby the Company may award employees a combination of performance shares and options. Both components have the same performance targets based on net asset value per share growth and a three year service period. Performance shares are valued at the market value at the date of the award. The options are valued using a Black-Scholes model adjusted for dividends according to the table below:

<b>Long-Term Incentive Plan: 2004 awards</b>	<b>28 May</b>	<b>29 November</b>
Share price at grant date	663p	796p
Exercise price	663p	796p
Option life in years (maximum 10)	7	5
Risk free rate	5.10%	4.50%
Expected volatility	30%	30%
Expected dividend yield	3.00%	2.00%
Value per option	194p	223p

For both LTIP components the Company estimates the number of shares or options likely to vest and expenses that value over the relevant period. Volatility has been estimated by taking the historical volatility in the Company's share price over a four year period and adjusting where there are known factors that may affect future volatility. Vesting estimates take account of the Company's high staff retention rate.

Under the Sharesave Plans eligible employees can save up to £250 a month over a three or five year period and use the savings to exercise an option granted at the outset at a 20% discount to the then prevailing share price. The fair value of the various options is expensed over the service period, based on a Black-Scholes model, assuming, for the grants during the current year, a risk-free rate of 4.50%, expected volatility of 30% and an expected dividend yield of 2.00%. The values per option for these schemes range from 259 pence to 294 pence. There are no performance measures. An estimated 5% of the three year options and 7% of the five year options are assumed to lapse as employees leave the Company prior to the minimum service period.

Awards under the RAA and CISP are valued at the fair value of the shares at the date of grant and expensed over one year for the RAA, three years for the CISP.

## 9 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 Group has five other small pension schemes. The total pension cost charged for the year was £3.7m (2004: £2.9m).

A full actuarial valuation of the scheme was carried out at 31 March 2003 and updated to 31 March 2004 and to 31 March 2005 by consulting actuaries, Hewitt Bacon & Woodrow. The employer's contributions will be paid in the future at the rate recommended by the actuary of 38.5% pa of basic salaries. The major assumptions used for the actuarial valuation were:

	2005 % pa	2004 % pa	2003 % pa
Discount rate	5.30	5.50	5.50
Salary inflation	5.10	5.10	4.80
Pensions increase	2.90	2.90	2.50
Price inflation	2.90	2.90	2.60

The assets and liabilities of the scheme at 31 March 2005 and the expected return on assets over the following year were as follows:

	Expected return 2005/6 %	£m	Expected return 2004/5 %	£m	Expected return 2003/4 %	£m
Bonds	4.5	19.1	4.5	17.0	4.5	9.9
Equities	7.0	31.4	7.0	26.8	7.0	15.3
Other	4.5	0.4	4.0	0.6	4.0	3.0
Total assets		50.9		44.4		28.2
Liabilities		(55.2)		(44.3)		(36.8)
(Deficit) surplus in scheme		(4.3)		0.1		(8.6)
Related deferred tax asset		1.3				2.6
<b>Net pension (liability) asset</b>		<b>(3.0)</b>		<b>0.1</b>		<b>(6.0)</b>

The movement in the surplus (deficit) during the year is analysed below:

	2005 £m	2004 £m
Opening surplus (deficit) in the scheme	0.1	(8.6)
Current service cost	(2.7)	(2.1)
Past service cost	(0.7)	(0.3)
Employer contributions	2.7	11.7
Other finance income (cost)	0.2	(0.3)
Actuarial loss	(3.9)	(0.3)
<b>Closing (deficit) surplus in the scheme</b>	<b>(4.3)</b>	<b>0.1</b>

### History of experience gains and losses

	2005 £m	2004 £m	2003 £m
Difference between the expected and actual return on scheme assets:			
Amount	2.4	3.8	(4.4)
Percentage of scheme assets	4.7%	8.6%	15.5%
Experience gain and losses on scheme liabilities:			
Amount	(1.0)	0.8	(1.7)
Percentage of the present value of scheme liabilities	1.8%	1.9%	4.5%
Changes in assumptions underlying the present value of the scheme liabilities	(5.3)	(4.9)	(5.8)
Total actuarial loss recognised in the statement of total recognised gains and losses:			
Amount	(3.9)	(0.3)	(11.9)
Percentage of the present value of scheme liabilities	7.1%	0.8%	32.4%
Deferred taxation attributable to pension movements	1.2	0.1	3.6
<b>Pension scheme movement for the year</b>	<b>(2.7)</b>	<b>(0.2)</b>	<b>(8.3)</b>

<b>10 Taxation</b>	2005 £m	2004 £m
<b>Current tax</b>		
UK corporation tax (30%)	(2.5)	13.4
Foreign tax	2.1	4.1
	(0.4)	17.5
Adjustments in respect of prior years	(45.1)	(17.9)
Total current tax credit	(45.5)	(0.4)
<b>Deferred tax</b>		
Origination and reversal of timing differences	0.2	3.0
Tax associated with pension movements	(0.2)	2.7
Total deferred tax charge		5.7
<b>Group total taxation</b>	<b>(45.5)</b>	5.3
<b>Attributable to joint ventures</b>	<b>8.6</b>	9.2
<b>Total taxation – effective tax rate: –169.3% (pre-exceptional: 8.5%) (2004: 7.8%)</b>	<b>(36.9)</b>	14.5
Pre-exceptional tax charge	17.1	14.5
Exceptional tax credit (note 5)	(54.0)	
Total tax credit	(36.9)	14.5
<b>Tax reconciliation</b>		
Profit on ordinary activities before taxation	21.8	186.0
Less – Share of profit of joint ventures	(40.3)	(28.3)
Group (loss) profit on ordinary activities before taxation	(18.5)	157.7
Tax on Group profit on ordinary activities at UK corporation tax rate of 30% (2004: 30%)	(5.6)	47.3
Effects of:		
Capital allowances	(9.3)	(6.8)
Tax losses and other timing differences	11.0	(29.3)
Expenses not deductible for tax purposes	3.5	6.3
Adjustments in respect of prior years	(45.1)	(17.9)
<b>Group current tax credit</b>	<b>(45.5)</b>	(0.4)

#### Factors affecting future tax rate

Capital allowances and losses which are available will reduce the current tax charge below 30%. Capital allowances are claimed on eligible investment assets. Where a deferred tax asset is recognised for losses carried forward there will be a deferred tax charge when those losses are used. Chargeable gains arising when investment assets are sold may be reduced by available capital losses. Deferred tax provisions for capital allowances are expected to be released on sale.

#### Contingent tax

The unprovided tax, in relation to equity shareholders' funds of £5,579.3m, which would arise on the disposal of British Land Group properties, investments in joint ventures and other investments, at valuation, after available loss relief, but without recourse to tax structuring is in the region of £780m (2004: £570m).

Adjusted net assets are £5,793.2m and are stated after adding back the FRS 19 provisions of £130.2m (2004: £112.9m) and the surplus on development and trading properties of £83.7m. The unprovided tax, in relation to adjusted net assets, which would arise on the disposal of British Land Group properties, other investments, and share of properties held in joint ventures, at valuation, after available loss relief, but without recourse to tax structuring is in the region of £920m (2004: £680m).

#### 11 Ordinary dividends

	2005 pence	2004 pence	2005 £m	2004 £m
Interim	4.80	4.43	27.4	21.6
Proposed final	10.90	10.07	56.5	49.2
<b>Total for year</b>	<b>15.70</b>	14.50	<b>83.9</b>	70.8

The final dividend of 10.90 pence will be paid on 19 August 2005 to shareholders on the register at the close of business on 22 July 2005. The ex-dividend date is 20 July 2005. The interim dividend was paid on 18 February 2005.

## 12 Investment, development and trading properties

	Freehold £m	Long leasehold £m	Short leasehold £m	Total £m
<b>Investment and development properties</b>				
Valuation and cost 1 April 2004	8,857.0	386.5	7.7	<b>9,251.2</b>
Additions – purchases and capital expenditure	1,059.1	152.5		<b>1,211.6</b>
Disposals	(69.0)		0.1	<b>(68.9)</b>
Reallocation	(21.7)	21.8	(0.1)	
Exchange fluctuations	1.0			<b>1.0</b>
Revaluations	565.7	20.1	1.1	<b>586.9</b>
<b>Valuation and cost 31 March 2005</b>	<b>10,392.1</b>	<b>580.9</b>	<b>8.8</b>	<b>10,981.8</b>
<b>Trading properties</b>				
At lower of cost and net realisable value 31 March 2005	27.2	8.4	0.3	<b>35.9</b>
<b>External valuation surplus on development and trading properties</b>				<b>81.3</b>
Adjustment for lease incentive and minimum guaranteed rent review debtors				<b>54.9</b>
<b>Total investment, development and trading properties</b>				<b>11,153.9</b>

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.

On an open market basis – external valuations:

	£m
United Kingdom: Atisreal	<b>10,801.7</b>
FPD Savills	<b>282.6</b>
Republic of Ireland: Jones Lang LaSalle	<b>68.6</b>
Netherlands: CB Richard Ellis B.V.	<b>1.0</b>
<b>Total investment, development and trading properties</b>	<b>11,153.9</b>

	£m
<b>Total external valuation surplus on development and trading properties</b>	
British Land Group	<b>81.3</b>
Share of joint ventures	<b>2.4</b>
	<b>83.7</b>

Properties valued at £7,051.9m (2004: £6,672.8m) were subject to a security interest and other properties of non-recourse companies amounted to £41.9m (2004: £84.3m). Cumulative interest capitalised in investment and trading properties amounts to £41.3m and £nil (2004: £36.2m and £nil) respectively. Included in the leasehold properties is an amount of £32.6m (2004: £13.7m) in respect of property occupied by the Group. The historical cost of properties was £8,148.8m (2004: £6,995.3m).

	2005 £m	2004 £m
<b>Total property valuations including share of joint ventures</b>		
British Land Group:		
Investment and development properties	<b>10,981.8</b>	9,251.2
Trading properties	<b>35.9</b>	41.6
External valuation surplus on development and trading properties	<b>81.3</b>	92.7
Lease incentive and minimum guaranteed rent review debtors	<b>54.9</b>	27.6
	<b>11,153.9</b>	9,413.1
Share of joint ventures:		
Properties	<b>1,347.8</b>	1,221.8
External valuation surplus on development and trading properties	<b>2.4</b>	2.3
Lease incentive and minimum guaranteed rent review debtors	<b>2.8</b>	2.2
	<b>1,353.0</b>	1,226.3
<b>Total property portfolio valuation</b>	<b>12,506.9</b>	10,639.4

The valuation of the BL Davidson portfolio included within joint ventures has been agreed by the directors of the joint venture at 31 December 2004, and is derived from an open market valuation by FPD Savills at 30 June 2004, with adjustments made to reflect movements on property valuation to the year end date.

### 13 Joint ventures' summary financial statements

	BL Fraser Ltd	BLT Properties Ltd	The Tesco British Land Property Partnership	Tesco BL Holdings Ltd
All joint ventures are held equally on a 50:50 basis				
Partners	House of Fraser plc	Tesco plc	Tesco plc	Tesco plc
Date established	July 1999	November 1996	February 1998	November 1999
Accounting year end	29 January	31 December	31 December	31 December

<b>Summarised profit and loss accounts</b>	£m	£m	£m	£m
Gross rental income	14.3	15.3	10.1	26.6
Net rental income	14.0	14.7	9.7	25.2
Other expenditure	(0.4)	(0.4)	(0.3)	(0.4)
Profit (loss) on property trading				
Operating profit	13.6	14.3	9.4	24.8
Disposal of fixed assets				
Net interest – External	(9.0)	(10.9)	(3.6)	(13.7)
– Shareholders	(1.5)	0.8		(6.0)
Net interest (payable) receivable	(10.5)	(10.1)	(3.6)	(19.7)
Profit (loss) before tax	3.1	4.2	5.8	5.1
Taxation	(0.5)	(1.3)	(2.1)	(0.9)
<b>Profit (loss) after tax</b>	<b>2.6</b>	<b>2.9</b>	<b>3.7</b>	<b>4.2</b>

#### Summarised statements of total recognised gains and losses

Profit (loss) retained for the year	2.6	2.9	3.7	4.2
Unrealised surplus on revaluation	29.9	26.1	18.7	74.8
<b>Total recognised gains and losses relating to the financial year</b>	<b>32.5</b>	<b>29.0</b>	<b>22.4</b>	<b>79.0</b>

#### Summarised balance sheets

Investment properties at valuation	285.6	282.5	148.0	490.6
Development and trading properties at cost				
Total properties	285.6	282.5	148.0	490.6
Current assets	0.9	0.9	2.0	4.0
Upstream loans to joint venture shareholders		17.1		
Cash and deposits	5.9	9.3	11.8	17.9
Gross assets	292.4	309.8	161.8	512.5
Current liabilities	(5.0)	(7.4)	(21.6)	(12.1)
Bank debt falling due within one year	(4.0)			
Bank debt falling due after one year	(133.7)	(184.6)	(86.8)	(314.0)
Debentures				
Deferred tax	(5.0)	(1.0)	(1.2)	(3.0)
Gross liabilities	(147.7)	(193.0)	(109.6)	(329.1)
Net external assets	144.7	116.8	52.2	183.4
Represented by:				
Shareholder loans	27.1			
Ordinary shareholders' funds/Partners' capital	117.6	116.8	52.2	183.4
<b>Total investment</b>	<b>144.7</b>	<b>116.8</b>	<b>52.2</b>	<b>183.4</b>
Capital commitments		24.1	2.5	2.6
Contingent tax	24.9	30.4	8.0	40.6

### 13 Joint ventures' summary financial statements (continued)

	BL Davidson Ltd*	BL West† Companies	The Scottish Retail Property Limited Partnership	BL Rosemound Limited Partnership
All joint ventures are held equally on a 50:50 basis				
Partners	Manny Davidson, his family & trusts	West LB, Westlimmo, and Provinzial	Land Securities Group PLC	Rosemound Developments Limited
Date established	September 2001	September 2000	March 2004	March 2004
Accounting year end	31 December	31 December	31 March	31 March
<b>Summarised profit and loss accounts</b>	£m	£m	£m	£m
Gross rental income	28.1	17.1	33.1	
Net rental income	25.0	16.1	28.4	
Other expenditure	(1.5)	(0.3)	(1.3)	
Profit (loss) on property trading	4.7			0.4
Operating profit	28.2	15.8	27.1	0.4
Disposal of fixed assets	15.7	(1.4)		
Net interest – External	(15.0)	(11.2)	0.3	(1.2)
– Shareholders	(0.2)			
Net interest (payable) receivable	(15.2)	(11.2)	0.3	(1.2)
Profit (loss) before tax	28.7	3.2	27.4	(0.8)
Taxation	(4.6)	0.2	(8.2)	0.2
<b>Profit (loss) after tax</b>	24.1	3.4	19.2	(0.6)
<b>Summarised statements of total recognised gains and losses</b>				
Profit (loss) retained for the year	24.1	3.4	19.2	(0.6)
Unrealised surplus on revaluation	109.0	18.0	39.5	
<b>Total recognised gains and losses relating to the financial year</b>	133.1	21.4	58.7	(0.6)
<b>Summarised balance sheets</b>				
Investment properties at valuation	589.4	181.0	604.5	
Development and trading properties at cost	19.2			36.6
Total properties	608.6	181.0	604.5	36.6
Current assets	10.8	0.2	5.6	1.1
Upstream loans to joint venture shareholders				
Cash and deposits	18.6	30.5	15.4	0.5
Gross assets	638.0	211.7	625.5	38.2
Current liabilities	(52.9)	(6.3)	(23.1)	(2.6)
Bank debt falling due within one year	(41.5)	(108.0)		(10.8)
Bank debt falling due after one year	(93.8)			(10.0)
Debentures	(114.8)			
Deferred tax	(3.7)			
Gross liabilities	(306.7)	(114.3)	(23.1)	(23.4)
Net external assets	331.3	97.4	602.4	14.8
Represented by:				
Shareholder loans			39.8	16.6
Ordinary shareholders' funds/Partners' capital	331.3	97.4	562.6	(1.8)
<b>Total investment</b>	331.3	97.4	602.4	14.8
Capital commitments		0.4	0.5	32.6
Contingent tax	84.5		33.2	

\* British Land's share of negative goodwill is included in Current liabilities and amounts in total to £17.1m (2004: £19.2m).

† See note 29, Post balance sheet events

### 13 Joint ventures' summary financial statements (continued)

	Other joint ventures	British Land share	2004 Comparative
All joint ventures are held equally on a 50:50 basis			
Partners			
Date established			
Accounting year end			
<b>Summarised profit and loss accounts</b>	£m	£m	£m
Gross rental income	2.2	<b>73.4</b>	78.9
Net rental income	1.9	<b>67.5</b>	72.7
Other expenditure	(0.2)	<b>(2.4)</b>	(2.9)
Profit (loss) on property trading	0.1	<b>2.6</b>	(2.3)
Operating profit	1.8	<b>67.7</b>	67.5
Disposal of fixed assets	1.9	<b>8.1</b>	7.4
Net interest – External	(0.3)	<b>(32.3)</b>	(40.0)
– Shareholders	0.5	<b>(3.2)</b>	(6.6)
Net interest (payable) receivable	0.2	<b>(35.5)</b>	(46.6)
Profit (loss) before tax	3.9	<b>40.3</b>	28.3
Taxation		<b>(8.6)</b>	(9.2)
<b>Profit (loss) after tax</b>	3.9	<b>31.7</b>	19.1
<b>Summarised statements of total recognised gains and losses</b>			
Profit (loss) retained for the year	3.9	<b>31.7</b>	19.1
Unrealised surplus on revaluation	7.0	<b>161.5</b>	65.3
<b>Total recognised gains and losses relating to the financial year</b>	10.9	<b>193.2</b>	84.4
<b>Summarised balance sheets</b>			
Investment properties at valuation	51.8	<b>1,316.7</b>	1,190.3
Development and trading properties at cost	6.4	<b>31.1</b>	31.5
Total properties	58.2	<b>1,347.8</b>	1,221.8
Current assets	2.9	<b>14.2</b>	11.8
Upstream loans to joint venture shareholders	35.8	<b>26.5</b>	28.2
Cash and deposits	2.9	<b>56.4</b>	38.0
Gross assets	99.8	<b>1,444.9</b>	1,299.8
Current liabilities	(32.7)	<b>(81.9)</b>	(65.8)
Bank debt falling due within one year	(0.1)	<b>(82.2)</b>	(21.4)
Bank debt falling due after one year	(1.9)	<b>(412.4)</b>	(484.4)
Debentures		<b>(57.4)</b>	(62.0)
Deferred tax	(0.1)	<b>(7.0)</b>	(8.0)
Gross liabilities	(34.8)	<b>(640.9)</b>	(641.6)
Net external assets	65.0	<b>804.0</b>	658.2
Represented by:			
Shareholder loans	(3.1)	<b>40.2</b>	71.6
Ordinary shareholders' funds/Partners' capital	68.1	<b>763.8</b>	586.6
<b>Total investment</b>	65.0	<b>804.0</b>	658.2
Capital commitments	2.5	<b>32.6</b>	12.9
Contingent tax	4.0	<b>112.8</b>	81.5

### 13 Joint ventures' summary financial statements (continued)

The movement for the year:

	Consolidated			Parent
	Equity £m	Loans £m	Total £m	£m
At 1 April 2004	586.6	71.6	<b>658.2</b>	80.4
Additions	(0.2)	23.4	<b>23.2</b>	
Repayment of loans		(54.8)	<b>(54.8)</b>	(54.8)
Share of profit attributable to joint ventures	31.7		<b>31.7</b>	
Dividends from joint ventures	(15.8)		<b>(15.8)</b>	
Revaluation	161.5		<b>161.5</b>	
<b>At 31 March 2005</b>	<b>763.8</b>	<b>40.2</b>	<b>804.0</b>	<b>25.6</b>

The Group's share of joint venture external net debt as at 31 March 2005 was £495.6m (2004: £529.8m). The Group's share of the market value of joint venture debt and derivatives as at 31 March 2005 was £8.5m more than the Group's share of the book value (2004: £14.9m).

The historical cost of joint ventures is £453.4m (2004: £376.8m). The amount of £25.6m (2004: £80.4m) includes £8.2m (2004: £63.0m) of loans to joint ventures by the parent. Outline details of the joint ventures are set out in the Joint Ventures section on pages 47 to 49 of the report.

The Group's share of joint venture properties as at 31 March 2005 was £1,347.8m (2004: £1,221.8m).

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

### 14 Acquisition of subsidiary undertakings

On 15 October 2004, the Group acquired 100% of the issued share capital of Spirit Wisley Limited which owned 65 public houses; the fair value of the consideration was £14.5m. On 22 February 2005 the Group subscribed for 100% of the 'B' ordinary shares in BF Properties (No. 4) Ltd and gained control over the Company and its subsidiaries, which owned 23 Debenhams department stores; the fair value of the consideration was £1.8m. On 22 February 2005 the Group subscribed for 100% of the issued share capital of the Tweed Premier Group of companies, which owned a residential property portfolio, the fair value of the consideration was £32.3m.

	Book value acquired			Accounting policy alignment £m	Fair value adjustment £m	Fair value to Group £m
	Spirit Wisley Limited £m	BF Properties (No.4) Limited £m	Tweed Premier Group of companies £m			
Properties	174.0	493.3	28.0	0.8	6.1	<b>702.2</b>
Other assets		0.1	6.8			<b>6.9</b>
Cash		4.9				<b>4.9</b>
Creditors	(2.1)	(4.0)	(1.1)			<b>(7.2)</b>
Shareholder loans		(125.1)				<b>(125.1)</b>
Bank loans	(158.1)	(365.4)				<b>(523.5)</b>
Minority interest		(5.0)				<b>(5.0)</b>
	13.8	(1.2)	33.7	0.8	6.1	<b>53.2</b>
Negative goodwill						<b>(4.6)</b>
						<b>48.6</b>
<b>Satisfied by:</b>						
Cash payable	14.5	1.8	26.5			<b>42.8</b>
Non cash consideration			5.8			<b>5.8</b>
<b>Total consideration</b>	<b>14.5</b>	<b>1.8</b>	<b>32.3</b>			<b>48.6</b>
Repayment of shareholder loans		125.1				<b>125.1</b>
Repayment of bank loans	158.1	365.4				<b>523.5</b>
<b>Total amounts payable</b>	<b>172.6</b>	<b>492.3</b>	<b>32.3</b>			<b>697.2</b>

The accounting policy alignment reverses the depreciation previously charged in BF Properties (No. 4) Limited. The fair value adjustment is required to show the properties at fair value BF Properties (No. 4) Limited: £0.9m; Tweed Premier Group: £5.2m.

The BF Properties (No. 4) Limited group earned a profit after taxation of £4.7m for the period from incorporation on 26 October 2004 to 21 February 2005.

The fair values of the assets and liabilities acquired have been determined on a provisional basis as the Group is currently in the process of finalising the balance sheets as at the acquisition date.

## 15 Other investments

	Consolidated			Parent			
	Listed investments £m	Unlisted and other investments £m	Total £m	Shares in subsidiaries £m	Loans to subsidiaries £m	Other investments £m	Total £m
At 1 April 2004	13.6	3.6	<b>17.2</b>	5,027.8	4,438.9	11.1	<b>9,477.8</b>
Additions	5.6	92.3	<b>97.9</b>	1,826.1	1,783.2	0.3	<b>3,609.6</b>
Release on sales				(28.5)			<b>(28.5)</b>
Disposals/depreciation/ write down in value	(3.7)	(1.4)	<b>(5.1)</b>	(112.4)		(0.6)	<b>(113.0)</b>
Exchange fluctuations				2.6			<b>2.6</b>
Revaluations	2.8	40.3	<b>43.1</b>	25.7		0.2	<b>25.9</b>
<b>At 31 March 2005</b>	<b>18.3</b>	<b>134.8</b>	<b>153.1</b>	<b>6,741.3</b>	<b>6,222.1</b>	<b>11.0</b>	<b>12,974.4</b>

Listed investments are held at market value. British Land's investment in Songbird Estates PLC was valued by a major, independent firm of Chartered Accountants on the basis of open market value at £140m as at 31 March 2005. For the year ended 31 March 2005 dividends and interest from other investments amounted to £0.7m (2004: £1.1m). The historical cost of other Group investments is £113.4m (2004: £18.3m). Shares in subsidiaries are included at cost or directors' valuation in 1977, 1995, 1997 and 1999 to 2005 inclusive to take account of their underlying net asset value; their historical cost is £6,919.9m (2004: £5,119.7m).

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, the Scottish Retail Property Limited Partnership and BL Rosemound Limited Partnership. Accordingly, advantage has been taken of the exemptions provided by Regulation 7 of the Partnerships and Unlimited Companies (Accounts) Regulations 1993.

The head offices of the following partnerships are the same as that for The British Land Company PLC as shown on the inside back cover (except as shown): The Peacock Centre Partnership, The Tesco British Land Property Partnership, BL Rosemound Limited Partnership, The Scottish Retail Property Limited Partnership, 22 Grenville Street, St. Helier JE4 8PX.

Principal operating subsidiaries:

### Executive

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

### Property

175 Bishopsgate Holdings Limited  
Adamant Investment Corporation Limited  
BLU Property Management Limited  
Broadgate (PHC 1) Limited  
Broadgate (PHC 11) 2005 Limited  
Broadgate (PHC 15a) Limited  
Broadgate (PHC 2) Limited  
Broadgate (PHC 3) Limited  
Broadgate (PHC 4) Limited  
Broadgate (PHC 5) 2005 Limited  
Broadgate (PHC 6) 2005 Limited  
Broadgate (PHC 7) Limited  
Broadgate (PHC 8) Limited  
Broadgate (PHC 9) Limited  
Broadgate Court Investments Limited  
Clivara (No 1) Limited  
Derby Investment Holdings Limited  
Exchange House Holdings Limited  
Meadowhall Shopping Centre Limited  
Peacocks Centre Limited  
Sealhurst Properties Limited  
Tamagon Limited  
Union Property Corporation Limited  
Union Property Holdings (Investments) Limited

### Finance, Investment and Management

British Land Property Management Limited  
Broadgate Financing PLC  
BLSSP (Funding) PLC  
MSC (Funding) PLC  
BLU Nybil 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.

## 16 Negative goodwill

	£m
At 1 April 2004	(14.1)
Additions (note 14)	(4.6)
Release on sales	0.6
<b>At 31 March 2005</b>	<b>(18.1)</b>

Negative goodwill arises on purchases of corporate entities with contingent tax liabilities. Any discount received is recognised as negative goodwill, which is released on subsequent sale of the related properties.

## 17 Net debt

	Footnote	Consolidated		Parent	
		2005 £m	2004 £m	2005 £m	2004 £m
<b>Secured on the assets of the Group</b>					
Class A4 4.821% Bonds 2036	1.1, 2	<b>395.9</b>			
6.5055% Secured Notes 2038	1.2, 3		97.8		
5.920% Secured Notes 2035	1.3	<b>59.2</b>	59.2		
Class C2 5.098% Bonds 2035	1.1, 2	<b>214.3</b>			
Class B 4.999% Bonds 2033	1.1, 2	<b>364.6</b>			
Class A3 4.851% Bonds 2033	1.1, 2	<b>174.4</b>			
Class A1 Floating Rate Bonds 2032	1.1, 2	<b>224.3</b>			
Class A2 4.949% Bonds 2031	1.1, 2	<b>314.0</b>			
Class D Floating Rate Bonds 2025	1.1, 2	<b>149.5</b>			
7.743% Secured Notes 2025	1.4	<b>19.7</b>	19.7		
Class C1 Floating Rate Bonds 2022	1.1, 2	<b>234.2</b>			
5.66% 135 Bishopsgate Securitisation 2018	1.5, 3		1.9		
8.49% 135 Bishopsgate Securitisation 2018	1.5, 3		7.1		
8 <sup>7</sup> / <sub>8</sub> % First Mortgage Debenture Bonds 2035		<b>246.7</b>	246.7	<b>246.7</b>	246.7
9 <sup>3</sup> / <sub>8</sub> % First Mortgage Debenture Stock 2028		<b>197.3</b>	197.3	<b>197.3</b>	197.3
10 <sup>1</sup> / <sub>2</sub> % First Mortgage Debenture Stock 2019/24		<b>12.6</b>	12.6	<b>12.6</b>	12.6
11 <sup>3</sup> / <sub>8</sub> % First Mortgage Debenture Stock 2019/24		<b>20.4</b>	20.4	<b>20.4</b>	20.4
6 <sup>3</sup> / <sub>4</sub> % First Mortgage Debenture Bonds 2020	1.6	<b>205.6</b>	206.0		
6 <sup>3</sup> / <sub>4</sub> % First Mortgage Debenture Bonds 2011	1.6	<b>103.0</b>	103.5		
Bank Loan	1.7	<b>44.7</b>	45.0		
		<b>2,980.4</b>	1,017.2	<b>477.0</b>	477.0
<b>Unsecured</b>					
Class A1 5.260% Unsecured Notes 2035	1.3	<b>573.7</b>	573.4		
Class B 5.793% Unsecured Notes 2035	1.3	<b>99.2</b>	99.1		
Class C Fixed Rate Unsecured Notes 2035	1.3	<b>84.3</b>	83.8		
Class C2 6.4515% Unsecured Notes 2032	1.2, 3		73.4		
Class B 6.0875% Unsecured Notes 2031	1.2, 3		220.2		
Class A3 5.7125% Unsecured Notes 2031	1.2, 3		146.8		
Class A2 5.67% Unsecured Notes 2029	1.2, 3		283.4		
Class A2 (C) 6.457% Unsecured Notes 2025	1.4	<b>212.2</b>	212.3		
Class B2 6.998% Unsecured Notes 2025	1.4	<b>206.0</b>	205.8		
Class B3 7.243% Unsecured Notes 2025	1.4	<b>20.6</b>	20.5		
Class A1 Fixed Rate Unsecured Notes 2024	1.2, 3		319.1		
5.66% 135 Bishopsgate Securitisation 2018	1.5, 3		22.3		
8.49% 135 Bishopsgate Securitisation 2018	1.5, 3		88.4		
Class A1 6.389% Unsecured Notes 2016	1.4	<b>79.8</b>	84.3		
Class B1 7.017% Unsecured Notes 2016	1.4	<b>79.6</b>	85.9		
Class C1 6.7446% Unsecured Notes 2014	1.2, 3		147.4		
Class A2 5.555% Unsecured Notes 2013	1.3	<b>39.7</b>	44.6		
		<b>1,395.1</b>	2,710.7		
6.30% Senior US Dollar Notes 2015	4	<b>97.4</b>	97.4	<b>97.4</b>	97.4
10 <sup>1</sup> / <sub>4</sub> % Bonds 2012		<b>1.7</b>	1.7	<b>1.7</b>	1.7
7.35% Senior US Dollar Notes 2007	4	<b>97.8</b>	97.8	<b>97.8</b>	97.8
Guaranteed Floating Rate Unsecured Loan Notes 2005		<b>0.3</b>	0.7		
Bank loans and overdrafts		<b>1,618.7</b>	966.0	<b>1,618.4</b>	966.0
		<b>3,211.0</b>	3,874.3	<b>1,815.3</b>	1,162.9
6% Subordinated Irredeemable Convertible Bonds	5		149.0		149.0
Gross debt		<b>6,191.4</b>	5,040.5	<b>2,292.3</b>	1,788.9
Cash and deposits	6	<b>(150.8)</b>	(173.7)	<b>(21.2)</b>	(59.4)
<b>Net debt</b>		<b>6,040.6</b>	4,866.8	<b>2,271.1</b>	1,729.5

1 These borrowings are obligations of ringfenced, special purpose companies, with no recourse to other companies or assets in the Group:

	2005 £m	2004 £m
1.1 Broadgate Financing PLC	<b>2,071.2</b>	
1.2 Broadgate (Funding) PLC		1,288.1
1.3 MSC (Funding) PLC	<b>856.1</b>	860.1
1.4 BLSSP (Funding) PLC	<b>617.9</b>	628.5
1.5 135 Bishopsgate Financing Limited		119.7
1.6 BL Universal PLC	<b>308.6</b>	309.5
1.7 BLU Nybil Limited	<b>44.7</b>	45.0

2 A total of £2,080m Bonds were issued by Broadgate Financing PLC on 2 March 2005.

3 All the outstanding Notes of Broadgate (Funding) PLC and external loans of 135 Bishopsgate Financing Ltd were redeemed on 2 March 2005.

4 These borrowings have been hedged into Sterling from the date of issue.

5 All the outstanding 6% Subordinated Irredeemable Convertible Bonds were converted into ordinary shares on or before 30 July 2004.

6 Cash and deposits not subject to a security interest amount to £54.4m (2004: £82.5m). Following the April Interest Payment Date total cash and deposits held within the securitisation structures were reduced to some £22m (2004: £23m).

## 17 Net debt (continued)

### Interest rate profile – including effect of derivatives

	Consolidated	
	2005 £m	2004 £m
Fixed rate	5,339.8	3,985.7
Capped rate	100.0	100.0
Variable rate (net of cash)	600.8	781.1
<b>Net debt</b>	<b>6,040.6</b>	<b>4,866.8</b>

All the above debt is effectively Sterling based except for £84.2m (2004: £64.6m) of Euro debt of which £46.0m (2004: £31.8m) is fixed and the balance floating. At 31 March 2005 the weighted average interest rate of the Sterling fixed rate debt is 6.08% (2004: 6.72%). The weighted average period for which the rate is fixed is 16.1 years (2004: 17.9 years), the reduction is primarily due to the conversion of the Irredeemable Convertible Bond which was treated as having a life of 100 years for this calculation. The weighted average interest rate for the Euro fixed rate debt is 3.87% (2004: 4.25%) and the weighted average period for which the rate is fixed is 5.0 years (2004: 1.4 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 £3,064.0m (2004: £3,266.6m).

Details of the financing policy and risk management are set out on page 68.

### Maturity analysis of net debt

	Consolidated		Parent	
	2005 £m	2004 £m	2005 £m	2004 £m
Repayable: within one year and on demand	407.7	485.2	379.7	446.4
between: one and two years	272.0	345.1	242.6	301.7
two and five years	1,327.6	488.6	1,093.2	315.7
five and ten years	532.6	572.6	0.7	1.5
ten and fifteen years	811.5	556.6	96.8	97.7
fifteen and twenty years	580.5	710.5	31.6	
twenty and twenty five years	948.8	791.2	198.5	230.2
twenty five and thirty years	1,000.7	635.0		
thirty and thirty five years	310.0	306.7	249.2	246.7
Irredeemable		149.0		149.0
Gross debt	6,191.4	5,040.5	2,292.3	1,788.9
Cash	(54.7)	(96.2)	(21.2)	(59.4)
Term deposits	(96.1)	(77.5)		
Total cash and deposits	(150.8)	(173.7)	(21.2)	(59.4)
<b>Net debt</b>	<b>6,040.6</b>	<b>4,866.8</b>	<b>2,271.1</b>	<b>1,729.5</b>

### Maturity of committed undrawn borrowing facilities

	Consolidated	
	2005 £m	2004 £m
Expiring: within one year	114.0	45.0
between: one and two years	95.0	150.0
two and three years	10.0	165.0
three and four years	441.9	
four and five years	132.1	604.9
over five years	25.0	
<b>Total</b>	<b>818.0</b>	<b>964.9</b>

The above facilities are those freely available to be drawn for Group purposes. There is an additional undrawn 364 day revolving liquidity facility totalling £185m which is only available for requirements of the Broadgate securitisation.

## 17 Net debt (continued)

### Comparison of market values and book values

	2005			2004		
	Market value £m	Book value £m	Difference £m	Market value £m	Book value £m	Difference £m
Securitisations	<b>3,581.1</b>	<b>3,545.2</b>	<b>35.9</b>	3,122.8	2,896.4	226.4
Debentures and unsecured bonds	<b>1,190.5</b>	<b>982.5</b>	<b>208.0</b>	1,160.3	983.4	176.9
Convertible Bonds				195.2	149.0	46.2
Bank debt and other floating rate debt	<b>1,663.7</b>	<b>1,663.7</b>		1,011.7	1,011.7	
Cash and deposits	<b>(150.8)</b>	<b>(150.8)</b>		(173.7)	(173.7)	
	<b>6,284.5</b>	<b>6,040.6</b>	<b>243.9</b>	5,316.3	4,866.8	449.5
Derivatives:						
Unrecognised gains	<b>(10.0)</b>		<b>(10.0)</b>	(12.3)		(12.3)
Unrecognised losses	<b>60.0</b>		<b>60.0</b>	47.1		47.1
	<b>50.0</b>		<b>50.0</b>	34.8		34.8
<b>Total</b>	<b>6,334.5</b>	<b>6,040.6</b>	<b>293.9</b>	5,351.1	4,866.8	484.3

The Differences are shown before any tax relief.

In accordance with Accounting Standards the book value of debt is par value net of unamortised issue costs, except for debt assumed on corporate acquisitions where the book value is the fair value of the debt at the date of acquisition. Short term debtors and creditors have been excluded from the disclosures (other than the currency disclosures). The valuations of the Broadgate Bonds (see footnote 1.1 on page 97) and Meadowhall Notes (see footnote 1.3 on page 97) have been undertaken by Morgan Stanley. The valuation of the 6.30% Senior US Dollar Notes 2015 has been undertaken by Barclays Capital. The valuations of other fixed rate debt and convertible debt have been undertaken by UBS. 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. Of the unrecognised amount at 31 March 2005, £nil gains and £0.2m losses are expected to be realised in the next financial year (2004: £0.2m gains; £1.8m losses) and the balance in subsequent years. Net costs of £0.7m (2004 costs: £5.7m) were recognised in the current year, comprising receipts of £16.5m (2004: £10.1m) and costs of £17.2m (2004: £15.8m).

### Balance sheet adjustments

In accordance with Financial Reporting Standard 4 'Capital Instruments', debt issue costs, less premiums received, have been deducted from the principal amount of debt in arriving at balance sheet values, as detailed below:

	2005 £m	2004 £m
Securitised debt	<b>19.6</b>	37.8
Debentures	<b>9.5</b>	9.8
US Dollar Notes	<b>0.4</b>	0.5
Convertible Bonds		1.0
	<b>29.5</b>	49.1

In accordance with Financial Reporting Standard 7 'Fair Values In Acquisition Accounting', on a corporate acquisition, debt is recorded in the balance sheet at fair value. At 31 March 2005 the balance of the fair value adjustment arising on the Group's acquisition of the remaining 50% interest in BL Universal PLC was £12.1m (2004: £13.3m). This has the effect of increasing the carrying value of the Group's secured debt in the balance sheet.

## 18 Debtors

	Consolidated		Parent	
	2005 £m	2004 £m	2005 £m	2004 £m
Trade debtors	<b>38.6</b>	37.3		
Amounts owed by Group companies			<b>125.6</b>	61.4
Amounts owed by joint ventures	<b>0.8</b>	0.3	<b>0.8</b>	0.3
Corporation tax	<b>22.3</b>		<b>24.5</b>	12.0
Prepayments and accrued income	<b>59.7</b>	30.2	<b>0.6</b>	1.1
	<b>121.4</b>	67.8	<b>151.5</b>	74.8

Included in prepayments and accrued income is an amount of £54.9m (2004: £27.6m), relating to lease incentives which are amortised over the period to the next open market rent review, as well as fixed and minimum guaranteed rent reviews which are spread over the lease term.

## 19 Creditors due within one year

	Consolidated		Parent	
	2005 £m	2004 £m	2005 £m	2004 £m
Debentures and loans*	27.3	38.5		
Overdrafts*	3.7	7.3	3.4	7.3
Bank loans*	376.7	439.4	376.3	439.1
Trade creditors	38.3	65.2	0.5	1.2
Amounts owed to joint ventures	27.9	28.2	26.5	19.5
Amounts owed to Group companies			8,546.1	5,824.5
Corporation tax		36.7		
Other taxation and social security	13.5	7.7	2.9	1.0
Accruals and deferred income	212.7	197.7	26.6	24.0
Proposed final dividend	56.5	49.2	56.5	49.2
	<b>756.6</b>	<b>869.9</b>	<b>9,038.8</b>	<b>6,365.8</b>

\* See maturity analysis of net debt (note 17).

## 20 Creditors due after one year

	Consolidated		Parent	
	2005 £m	2004 £m	2005 £m	2004 £m
Debentures and loans*	4,500.7	3,842.0	673.9	673.9
Bank loans*	1,283.0	564.3	1,238.7	519.6
Minority interest (note 14)	5.0			
	<b>5,788.7</b>	<b>4,406.3</b>	<b>1,912.6</b>	<b>1,193.5</b>

\* See maturity analysis of net debt (note 17)

## 21 Net Asset Value per share

	31 March 2005			31 March 2004		
	Shares m	Adjusted Net Assets £m	Net Assets £m	Shares m	Adjusted Net Assets £m	Net Assets £m
<b>Net Asset Value (undiluted)</b>						
Shareholders' funds as shown on balance sheet	518.3	5,579.3	5,579.3	488.0	4,669.4	4,669.4
FRS 19 capital allowance effects:						
British Land Group		123.2			104.9	
Share of joint ventures		7.0			8.0	
		<b>130.2</b>			<b>112.9</b>	
Total external valuation surplus on development and trading properties (note 12)		83.7	83.7		95.0	95.0
Net assets attributable to ordinary shares		<b>5,793.2</b>	<b>5,663.0</b>		4,877.3	4,764.4
<b>Net Asset Value per share (undiluted)</b>		<b>1118p</b>	<b>1093p</b>		999p	976p
<b>Fully diluted Net Asset Value</b>						
Net assets attributable to ordinary shares	518.3	5,793.2	5,663.0	488.0	4,877.3	4,764.4
Adjust to fully diluted on conversion of:						
6% Subordinated Irredeemable Convertible Bonds				30.0	149.0	149.0
Share options and share awards	5.7	30.4	30.4	3.3	9.1	9.1
Dilutive effect of share options and conversion of Convertible Bonds	5.7	30.4	30.4	33.3	158.1	158.1
Net assets attributable to fully diluted ordinary shares	524.0	5,823.6	5,693.4	521.3	5,035.4	4,922.5
<b>Fully diluted Net Asset Value per share</b>		<b>1111p</b>	<b>1087p</b>		966p	944p

The adjusted NAV includes the surplus before tax of the external valuation over the book value of both development and trading properties and after adding back the FRS 19 deferred tax capital allowance provision (as described in note 22) which is not expected to arise.

## 22 Provision for liabilities and charges

	Consolidated		Parent	
	2005 £m	2004 £m	2005 £m	2004 £m
At 1 April 2004	101.1	92.7	0.4	2.1
Liabilities assumed on consolidation of former joint ventures		5.4		
Charged to profit and loss account	0.2	3.0	2.0	(1.7)
<b>At 31 March 2005</b>	<b>101.3</b>	<b>101.1</b>	<b>2.4</b>	<b>0.4</b>
Deferred tax is provided as follows:				
Capital allowances	123.2	104.9		
Other timing differences	(21.9)	(3.8)	2.4	0.4
	<b>101.3</b>	<b>101.1</b>	<b>2.4</b>	<b>0.4</b>

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.

## 23 Notes to the cash flow statement

### Reconciliation of operating profit to net cash inflow from operating activities

	2005 £m	2004 Restated £m
Operating profit	462.3	421.8
Dividends received		(0.2)
Depreciation and release of negative goodwill	0.3	(0.9)
Adjustment for share options, share awards and pension funding	8.0	(3.3)
Decrease in trading properties	5.7	4.6
(Increase) decrease in debtors	(25.3)	15.1
Increase (decrease) in creditors	11.2	(55.7)
<b>Net cash inflow from operating activities</b>	<b>462.2</b>	<b>381.4</b>

### Analysis of Group net debt

	1 April 2004 £m	Exceptional item <sup>†</sup> £m	Acquisitions* £m	Cash flow £m	Non cash movements £m	31 March 2005 £m
Cash at bank	(96.2)			41.5		(54.7)
Overdraft	7.3			(3.6)		3.7
Net cash per cash flow statement	(88.9)			37.9		(51.0)
Term debt	4,884.2	158.2	648.6	468.3	28.4 <sup>†</sup>	6,187.7
Convertible Bonds	149.0				(149.0)	
Term deposits	(77.5)			(18.6)		(96.1)
<b>Group net debt</b>	<b>4,866.8</b>	<b>158.2</b>	<b>648.6</b>	<b>487.6</b>	<b>(120.6)</b>	<b>6,040.6</b>

<sup>†</sup> The cash impact of the exceptional item, described in note 5, was £158.2m. The remaining £21.8m is in respect of unamortised issue costs written off and is included in non cash movements.

\* Excluding cash and overdrafts.

### Reconciliation of net cash flow to movement in Group net debt

	2005 £m	2004 £m
Brought forward	4,866.8	4,361.4
Decrease (increase) in cash	37.9	(47.0)
Cash inflow from movement in debt	468.3	134.6
Cash (outflow) inflow from term deposits	(18.6)	11.9
Changes resulting from cash flows	487.6	99.5
Other non cash movements including acquisitions	528.0	405.9
Exceptional item:	158.2	
Movement in net debt in the year	1,173.8	505.4
<b>Carried forward</b>	<b>6,040.6</b>	<b>4,866.8</b>

## 24 Share capital

	£m	Ordinary shares of 25p each
<b>Authorised</b> 1 April 2004 and 31 March 2005		799,200,000
<b>Issued, called up and fully paid</b> 1 April 2004	122.0	487,999,692
Issues (see Directors' Report, pages 76 to 77)	7.6	30,307,328
<b>Issued, called up and fully paid 31 March 2005</b>	<b>129.6</b>	<b>518,307,020</b>

£200,000 6% Cumulative redeemable convertible preference shares of £1 each are also authorised.

At 31 March 2005, options over 5,106,431 ordinary shares were outstanding under Employee Share Option Plans.

Details of outstanding share options, restricted and performance shares awarded to employees including executive directors are set out below:

Date of grant	At		Exercised/ vested	Forfeits	At		Exercise	
	1 April 2004	Granted			31 March 2005	share price	From	To
<b>Share Option</b>								
<b>1984 Share Option Scheme</b>								
06.07.94	5,814		(5,814)			322	06.07.99	05.07.04
23.01.96	490,865		(137,165)		353,700*	394	23.01.99	22.01.06
23.01.96	335,971		(22,128)		313,843*	394	23.01.01	22.01.06
	832,650		(165,107)		667,543			
<b>Sharesave Scheme</b>								
01.10.99	3,389		(3,389)			438	01.10.04	31.03.05
01.02.00	85,390		(79,749)	(5,641)		347	01.02.05	31.07.05
01.02.01	431			(431)		359	01.02.04	31.07.04
01.02.01	20,398				20,398	359	01.02.06	31.07.06
01.09.01	21,693		(20,868)	(825)		399	01.09.04	28.02.05
01.09.01	6,425				6,425	399	01.09.06	28.02.07
01.03.02	31,880		(31,125)	(755)		377	01.03.05	31.08.05
01.03.02	12,636			(438)	12,198	377	01.03.07	31.08.07
01.09.02	10,754			(857)	9,897	443	01.09.05	28.02.06
01.09.02	3,211				3,211	443	01.09.07	29.02.08
01.03.03	32,832		(624)	(1,164)	31,044	359	01.03.06	31.08.06
01.03.03	25,893			(3,660)	22,233	359	01.03.08	31.08.08
01.09.03	17,432			(965)	16,467	383	01.09.06	28.02.07
01.09.03	3,990				3,990	383	01.09.08	28.02.09
01.03.04	49,920			(2,069)	47,851	472	01.03.07	31.08.07
01.03.04	35,927			(3,358)	32,569	472	01.03.09	31.08.09
22.12.04		53,303		(293)	53,010	648	01.03.08	31.08.09
22.12.04		51,357			51,357	648	01.03.10	31.08.10
	362,201	104,660	(135,755)	(20,456)	310,650			
<b>Long-Term Incentive Plan</b>								
25.09.03	868,397				868,397	502	25.09.06	24.09.13
12.12.03	810,000			(7,500)	802,500	552	12.12.06	11.12.13
28.05.04		1,564,562		(7,500)	1,557,062	663	28.05.07	27.05.14
29.11.04		903,399		(3,120)	900,279	796	29.11.07	28.11.14
	1,678,397	2,467,961	(18,120)	(38,576)	4,128,238			
<b>Total</b>	<b>2,873,248</b>	<b>2,572,621</b>	<b>(300,862)</b>	<b>(38,576)</b>	<b>5,106,431</b>			
<b>Weighted average exercise price of options</b>								
	471p	709p	379p	511p	596p			
<b>Performance shares</b>								
						pence	Vesting date	
<b>Restricted Share Plan</b>								
22.06.01	815,106	407,553	(1,222,659)			499	22.06.04	
09.01.02	433,850	214,812	(647,662)	(1,000)		460	09.01.05	
23.07.02	569,119		(2,910)	(90)	566,119	530	23.07.05	
20.12.02	269,750		(2,671)	(2,829)	264,250	440	20.12.05	
12.06.03	405,000		(2,110)	(4,640)	398,250	510	12.06.06	
	2,492,825	622,365	(1,878,012)	(8,559)	1,228,619			
<b>Long-Term Incentive Plan*</b>								
25.09.03	289,464				289,464	502	25.09.06	
12.12.03	270,000			(2,500)	267,500	552	12.12.06	
28.05.04		521,507		(2,500)	519,007	663	28.05.07	
29.11.04		301,133		(1,040)	300,093	796	29.11.07	
	559,464	822,640	(6,040)		1,376,064			
<b>Recruitment Award Agreement*</b>								
29.11.04		36,671			36,671	818	12.11.05	
<b>Co-investment Share Plan*</b>								
29.11.04		61,957			61,957	807	29.11.07	
<b>Total</b>	<b>3,052,289</b>	<b>1,543,633</b>	<b>(1,878,012)</b>	<b>(14,599)</b>	<b>2,703,311</b>			
<b>Weighted average price of performance shares</b>								
	500p	627p	486p	547p	583p			

\* 667,543 share options with a weighted average exercise price of 394p were exercisable at 31 March 2005 (2004: 833,081 at 393p).

\* At 31 March 2005 the British Land Share Ownership Plan, a discretionary trust established to facilitate the operation of the incentive schemes, held 2,714,576 ordinary shares, with a market value of £21,825,191, in respect of RSP restricted, LTIP performance, Recruitment Award Agreement and Co-investment Share Plan shares (2004: 3,076,894, £20,076,733). The amount of shares which eventually vest for the RSP restricted and LTIP performance shares depends on actual performance against net asset value per share targets and a three year service period. The amount of shares which eventually vest for the Recruitment Award Agreement and Co-investment Share Plan shares depends on a one year and a three year service period respectively and for the Co-investment Plan is conditional on the prior acquisition by Mr Hester of a matching number of shares which must be retained for a three year period.

## 25 Reserves

Group	Share premium £m	Capital redemption reserve £m	Other reserves £m	Revaluation reserve £m	Profit and loss account £m	Total £m
At 1 April 2004	1,109.3	8.1	(6.1)	2,615.2	820.9	<b>4,547.4</b>
Share issues	142.6					<b>142.6</b>
Purchase of ESOP shares					(10.9)	<b>(10.9)</b>
Adjustment for share and share option awards					7.3	<b>7.3</b>
Pension scheme movements					(2.7)	<b>(2.7)</b>
Retained loss for the year					(25.2)	<b>(25.2)</b>
Realisation of prior year revaluations				(11.5)	11.5	
Current year revaluation				791.5		<b>791.5</b>
Exchange movements on net investments			(1.9)		1.6	<b>(0.3)</b>
<b>At 31 March 2005</b>	<b>1,251.9</b>	<b>8.1</b>	<b>(8.0)</b>	<b>3,395.2</b>	<b>802.5</b>	<b>5,449.7</b>
<b>Parent</b>						
At 1 April 2004	1,109.3	8.1	(3.3)	106.9	640.8	<b>1,861.8</b>
Share issues	142.6					<b>142.6</b>
Purchase of ESOP shares					(10.9)	<b>(10.9)</b>
Adjustment for share and share option awards					7.3	<b>7.3</b>
Pension scheme movements					(2.7)	<b>(2.7)</b>
Retained profit for the year					62.6	<b>62.6</b>
Current year revaluation				25.9		<b>25.9</b>
Exchange movements on net investments			(1.8)		1.5	<b>(0.3)</b>
<b>At 31 March 2005</b>	<b>1,251.9</b>	<b>8.1</b>	<b>(5.1)</b>	<b>132.8</b>	<b>698.6</b>	<b>2,086.3</b>

The cumulative amount of goodwill written off against other reserves of the Group is £14.6m (2004: £14.6m). The cumulative pension deficit included in the profit and loss account of the parent and the Group is £3.0m (2004: surplus £0.1m).

## 26 Capital commitments

	2005 £m	2004 £m
British Land	<b>535.7</b>	309.9
Share of joint ventures (note 13)	<b>32.6</b>	12.9
	<b>568.3</b>	322.8

## 27 Contingent and other liabilities

At 31 March 2005 the Parent had no contingent liabilities for guarantees to third parties (2004: £nil).

TPP Investments Limited, a wholly owned ringfenced special purpose subsidiary, is a partner in The Tesco British Land Property Partnership and, in that capacity, has entered into a secured bank loan under which its liability is limited to £43.6m (2004: £43.6m) and recourse is only to the partnership assets. Details of this Partnership are set out in the Joint Venture Review.

## 28 Disclosures of interests and related parties

Mr John Ritblat has an effective 1.26% equity interest and is non executive chairman of Colliers CRE PLC, who are amongst the Group's managing agents and as such receive fees for their services. During the year, fees of £nil (2004: £5,000) were paid to Olswang, fees of £nil (2004: £72,656) were paid to Hammonds and fees of £nil (2004: £27,088) 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 13 and 27. During the year the Group received management fees of £1.2m (2004: £0.9m) from joint ventures.

## 29 Post balance sheet events

On 18 April 2005 the Group obtained 100% ownership of the BL West joint venture companies by buying for £50m the equity owned by the other joint shareholders. Immediately following the acquisition, the £108m debt was repaid.

On 22 April 2005 the Scottish Retail Property Limited Partnership joint venture raised £430m by way of a seven year securitisation. The majority of the funds raised were returned to the joint venture partners.

On 23 May 2005 the Group and Pillar Property PLC announced the terms of recommended proposals under which the Group would acquire the entire issued and to be issued ordinary share capital of Pillar Property at a valuation of approximately £811m.