

Annual Report & Accounts 2005



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Historic Royal Palaces, a Royal Charter Body with charitable status, is responsible for the care, conservation and presentation to the public of the unoccupied royal palaces: HM Tower of London; Hampton Court Palace; Kensington Palace State Apartments; the Banqueting House at Whitehall; and Kew Palace with Queen Charlotte's Cottage.

Front cover | Hammering the competition *The best architects always insist on high-quality materials, and for generations this small Dorset quarry has been the main source of the fine Purbeck marble used to restore many of Britain's most distinguished buildings.*

Foreword

As Britain's largest property investment company, we are aware that the pace of development can be remarkably swift. The built environment, on the other hand, evolves far more slowly and we are mindful of the need to preserve its integrity for future generations.

British Land liaises closely with many organisations which are equally concerned with securing its future: heritage groups, preservation societies, architectural and environmental bodies. Among the many foundations with which we work are English Heritage, The Civic Trust, Department for Culture, Media and Sport, Historic Churches Preservation Trust, CABI, The National Trust and The Scottish National Trust.

Each group has a different remit but all are united by the belief that the country's architectural inheritance and green spaces should be actively managed to yield the greatest long-term benefit. Our Annual Report looks at the ways in which hands-on conservation helps ensure that the legacy of the past is never forgotten. British Land is delighted to celebrate the work of colleagues and friends who, like ourselves, have a responsibility for shaping the fabric of the world we live in.

Our most distinctive features

Largest UK property portfolio

continuous
asset selection

Focused business

92% of portfolio
positioned in retail and
central London offices

Growing earnings

built in and
further potential

Secure risk profile

consistent, integrated
business model

Superior total returns

over long term

Quality assets

best property in
prime locations

Long leases

sustainable, assured
cash flows

Actively adding value

intense pursuit of
asset management
and development
gains

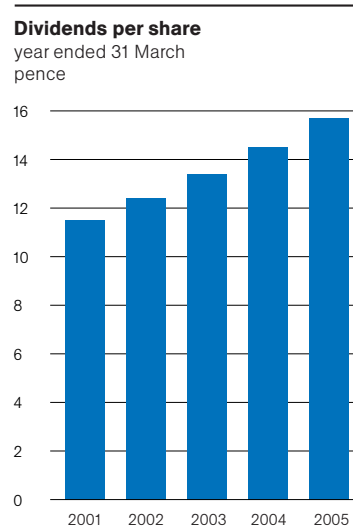
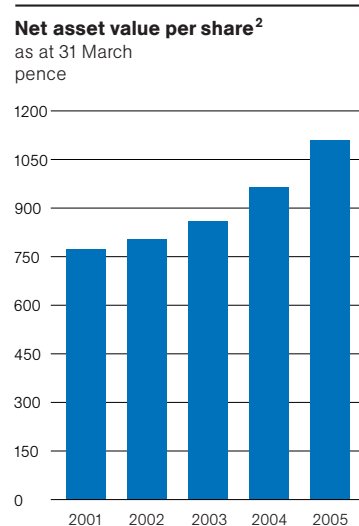
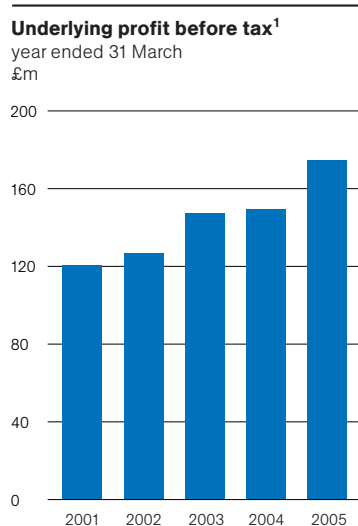
Financial acumen

efficient capital
structure

Able management

a key to all
we do

Highlights



	March 2005	March 2004	% Increase
Net rental income ⁵	£571.8m	£523.0m	9.3
Underlying profit before tax ¹	£174.8m	£149.4m	17.0
Underlying EPS ^{1,2}	34.3p	31.2p	9.9
Dividends per share	15.7p	14.5p	8.3
Net Asset Value per share ²	1111p	966p	15.0
Total return ³	16.6%	14.1%	
Pre-exceptional total return ^{3,4}	22.4%	14.1%	

¹ Excludes £180m exceptional charge relating to the refinance of Broadgate, net of tax where relevant (Note 3, 5 to the Financial Statements (FS)) and profits on asset disposals

² Adjusted, diluted (Note 6, 21 FS)

³ Growth in adjusted, diluted net asset value per share plus dividends per share

⁴ Excludes exceptional charge (Note 5 FS) and the removal of Stamp Duty exemption for disadvantaged areas (£166m)

⁵ (Note 3 FS)

Corporate Strategy

British Land seeks to achieve long-term growth in shareholder value by:

- focusing on prime assets in the office and retail sectors;
- creating exceptional long-term investments with strong covenants, long lease profiles and growth potential;
- enhancing property returns through active management and development; and
- maximising risk-adjusted returns through optimal financing and partnership with others.

The key to high returns is flexibility, in terms of business organisation, deals and financing, to take advantage of shifts in the property market.



From industrial premises to city squares and seaside piers, the **Georgian Group** protects a unique group of structures from demolition and unsympathetic alterations. Each year it advises local authorities on around 6,000 planning applications that may compromise the architectural integrity of Georgian buildings.

Forging ahead *At his smithy in Dorset, Duncan Meads works on a set of wrought-iron railings – outwardly indistinguishable from ones made 200 years ago – that will be used to restore a period property to its original condition.*



Sponsorship

British Land is strongly committed to investing in the future through education, the arts and sport. Particular emphasis is given to helping young people improve their prospects and the quality of life.

- This year over 71,000 schoolchildren from more than 2,000 schools are taking part in The British Land UK Chess Challenge. The tournament is designed for all standards of play and all ages from 18 down to 6 years old. Schools build their reputations, while children benefit from constructive enjoyment as they develop qualities of concentration, forward planning, resilience and flexibility.
- British Land has sponsored Barnardo's National Chess Week, which encourages children and others throughout the country to play chess in National Chess Week, raising £1 for Barnardo's for each game played.
- British Land is the sole sponsor of Degas, Sickert and Toulouse Lautrec: London and Paris 1870–1910 at Tate Britain from October 2005 to January 2006 and then at the Phillips Collection, Washington D.C. in February to May 2006. The exhibition features more than 100 works and explores the influences of these three masterful artists.
- British Land is sponsor of Capital Kids Cricket which encourages and enables children, within inner city London, to participate.
- British Land was sole sponsor of Boucher: Seductive Visions at the Wallace Collection which displayed an unrivalled range of paintings by François Boucher alongside related eighteenth century French pictures.
- British Land encourages its management teams to be sensitive to local issues in communities in which we operate and to sponsor causes which help regeneration of the local community. British Land has sponsored The Source Centre for Learning and Development at Meadowhall. It offers a broad range of training with the emphasis on retailing and IT. In 2004, nearly 60 learners from 13 retail organisations at Meadowhall enrolled on work-based learning courses and over 10,000 people accessed the Service's e-learning facilities.
- Partners in Leadership is a highly successful project organised by Business in the Community. Over 600 business partners are matched to head teachers throughout the country, providing a valuable sounding board as well as a link between the school and the business community. British Land sponsors the Partners in Leadership Newsletter and encourages and supports its own employees' involvement as business partners.
- British Land supports staff, working through the Education Business Partnership in Camden, to provide reading support to primary school children.
- The West Euston Partnership involves Camden Council, the Health Authority, the police, community associations, tenants, the church, the Crown Estate, British Land and other groups with a brief to unite the diverse Camden community. British Land contributes to the Partnership's work and supports community regeneration in the area, including financial support each year for the West Euston Community Festival and providing premises for a community one-stop shop.

- British Land is working with the University of East London and other businesses in the City on the "Enterprise Express" initiative, to encourage enterprise in 16 to 18 year olds at school in the inner-city boroughs. This initiative is designed to encourage enterprising thinking as well as to provide local teenagers with the basic tools to create a business themselves. Each secondary school will submit a business idea. The competition will culminate in a winner being selected from within all of the participating boroughs and being offered further support to develop the business.

British Land was 37th in the Guardian FTSE 100 Giving List 2004.

The Company's commitment to the future also includes being a corporate partner of the London Business School and publishing an award-winning series of Educational Broadsheets for schools. British Land supports the Investment Property Forum's Educational Trust, Barnardo's, the British Red Cross, Mencap and the NSPCC.

The British Museum, The Royal Ballet School, the Royal Opera House, the Royal Academy of Music, the English National Opera, the National Theatre, The Royal Shakespeare Company, The National Gallery of Scotland, Wigmore Hall, Sadlers Wells and the Regent's Park Open Air Theatre have also received support.

The Company is a founding exhibition patron of the Royal Academy of Arts. British Land has sponsored The Royal Parks new corporate membership scheme. British Land supported the Lord Mayor of London's 'New City Architecture' exhibition held at Broadgate.

British Land has been sole sponsor of The British Land National Ski Championships for 27 consecutive years and also sponsors The British Land Alpine Ski Team. British Land has supported the London Olympic Bid 2012. The Company was presenting sponsor of the 2005 Super Series Squash Finals at Broadgate. The British Land British Open and Amateur Championships for Real Tennis are now in their twelfth year.

