

Notes to the Financial Statements

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1 Basis of preparation

The financial information contained in this report does not constitute statutory accounts within the meaning of section 240 of the Companies Act 1985. The full accounts for the year ended 31 March 2005, which were prepared under UK GAAP and which received an unqualified report from the auditors, and did not contain a statement under s 237(2) or (3) of the Companies Act 1985, have been filed with the Registrar of Companies. The unaudited financial information contained in this report has been prepared on the basis of accounting policies set out below. Comparatives for the year ended 31 March 2005 contained within this report were published in a press release on 14 July 2005, which are unaudited, and further details and reconciliations explaining the transition to IFRS are available on the Group's website, www.britishland.com

The interim report was approved by the Board on 23 November 2005.

The financial information presented in this document is unaudited and has been prepared in accordance with International Financial Reporting Standards and International Accounting Standards ('IFRS' or as applicable 'IAS') and interpretations adopted by the International Accounting Standards Board (the 'IASB').

On 19 November 2004, the European Commission endorsed an amended version of IAS 39, "Financial Instruments: Recognition and Measurement" rather than the full version as previously published by the IASB. In accordance with guidance issued by the UK Accounting Standards Board, the full version of IAS 39, as issued by the IASB, has been adopted in the preparation of this financial information.

The financial information has been prepared under the historical cost convention, except for the revaluation of investment and development properties, fixed asset investments, certain financial instruments and deferred tax thereon. The principal accounting policies adopted are set out below.

Consolidation of subsidiaries, joint ventures and associates

The consolidated accounts include the accounts of The British Land Company PLC and all subsidiaries (entities controlled by British Land). Control is assumed where British Land has the

power to govern the financial and operating policies of an investee entity so as to gain benefits from its activities.

The results of subsidiaries, joint ventures or associates acquired or disposed of during the year are included from the effective date of acquisition or to the effective date of disposal. Accounting practices of subsidiaries or associates and joint ventures, which differ from Group accounting policies are adjusted on consolidation.

Business combinations are accounted for under the acquisition method. Any excess of the purchase price of business combinations over the fair value of the assets, liabilities and contingent liabilities acquired and resulting deferred tax thereon is recognised as goodwill. Any discount received is credited to the income statement in the period of acquisition. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Joint ventures and associates are accounted for under the equity method, whereby the consolidated Balance Sheet incorporates the Group's share of the net assets of its joint ventures and associates. The consolidated income statement incorporates the Group's share of joint venture and associate profits after tax. Their profits include revaluation movements on investment properties.

Other investments

Other investments are shown at fair value. Any surplus or deficit arising on revaluation is recognised directly in the income statement.

Properties

Investment 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 recognised in the income statement for the period.

Development properties

Development properties which were not previously investment properties are independently valued each year on an open market basis. A valuation in excess of a property's historic cost is credited directly to equity within the revaluation reserve. Where the

value of a property falls below its historic cost, the surplus or deficit on valuation is recognised in the income statement.

Where an investment property is being redeveloped the property is accounted for as if it were an investment property and any movement in valuation is recognised in the income statement.

The cost of properties in the course of development includes attributable interest and other associated outgoings. 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 property on practical completion.

Trading properties

Trading properties are stated at the lower of cost and net realisable value.

Property disposals and transfers

Disposals are recognised on completion: profits and losses arising are recognised through the income statement, the profit on disposal is determined as the difference between the sales proceeds and the carrying amount of the asset.

Intangible assets

Intangible assets, such as customer contracts, acquired through business combinations, are measured initially at fair value and are amortised on a straight-line basis over their estimated useful lives, and are subject to regular reviews for impairment.

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of the subsidiary, associate or jointly controlled entity at the time of acquisition. In particular, goodwill arises as a result of deferred tax provisions within the acquired entities' accounts and on fair value adjustments. Goodwill is recognised as an asset and reviewed for impairment at least annually. Any impairment is recognised immediately in the income statement and is not subsequently reversed.

Head leases

Where an investment property is held under a head lease it is initially recognised as an asset as the sum of the premium paid on acquisition and the present value of minimum ground rent payments. The corresponding rent liability to the head leaseholder is included in the Balance Sheet as a finance lease obligation.

Financial instruments**Trade debtors and creditors**

Trade debtors and creditors are stated at their nominal value. Trade debtors are reduced by appropriate allowances for estimated irrecoverable amounts.

Financial obligations

Debt instruments are stated at their net proceeds on issue. Finance charges including premiums payable on settlement or redemption and direct issue costs are spread over the period to redemption, using the effective interest method.

Hedging instruments

As defined by IAS 39, cash flow hedges are carried at fair value in the Balance Sheet. Changes in the fair value of derivatives that are designated and qualify as effective cash flow hedges are recognised directly in the hedging reserve and any ineffective portion is recognised in the income statement.

Fair value hedges are carried at fair value in the Balance Sheet. Changes in the fair value of derivatives that are designated and qualify as effective fair value hedges, are recorded in the income statement, along with any changes in the fair value of the hedged item that is attributable to the hedged risk. Any ineffective portion is also recognised in the income statement.

The Group's use of financial derivatives is governed by the Group's financing policies, details of which are included in the Financing Policy and Risk Management section of the Annual Report and Accounts.

Net rental income

Rental income is recognised on an accruals basis, exclusive of service charge recoveries. 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 rental income is recognised ahead of the related cash flow, an adjustment is made to ensure the carrying value of the related property including the accrued rent does not exceed the external valuation.

A rent adjustment based on open market estimated rental value is recognised from the rent review date in relation to unsettled rent reviews.

Initial direct costs incurred in negotiating and arranging a new lease are amortised on a straight-line basis over the period from the date of lease commencement to the earliest termination date.

Where a lease incentive payment does not enhance the property, it is amortised on a straight-line basis over the period from the date of lease commencement to the earliest termination date. Where a rent free period is included in a lease, the rental income forgone is allocated evenly over the period from the date of lease commencement to the earliest termination date.

Service charges and other recoveries are credited directly against relevant expenditure.

Taxation

The tax expense represents the sum of the tax currently arising and deferred tax for the period.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years, most notably revaluation movements, and it further excludes items that are never taxable or deductible. The liability is calculated using tax rates that have been enacted or substantially enacted by the balance sheet date.

Deferred tax assets and liabilities arise from differences between the carrying amounts of assets and liabilities in the balance sheet and their tax bases (known as 'temporary differences'), principally due to revaluation movements on properties held for the long term. Deferred tax is provided in respect of all taxable temporary differences at the balance sheet date that may give rise to an obligation to pay more or less tax in the future. 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 temporary differences can be deducted.

On business combinations, the deferred tax effect of fair value adjustments is incorporated in the consolidated balance sheet.

Employee costs

Defined benefit pension scheme assets are measured using fair values; pension scheme liabilities are measured using the projected

unit credit 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 sheet. Any asset resulting from the calculation is limited to past service costs plus the present value of available refunds and reductions in future contributions to the plan.

The current service cost and gains and losses on settlement and curtailments are charged to operating profit. Past service costs are recognised in the income statement if the benefits have vested or, if they have not vested, are amortised on a straight-line basis over the period until vesting occurs. Actuarial gains and losses are recognised in full in the period in which they occur and are presented in the statement of recognised income and expense.

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

Share-based incentives

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.

IFRS transitional arrangements

When preparing the Group's IFRS balance sheet at 1 April 2004, the date of transition, the following material optional exemptions from full retrospective application of IFRS accounting policies have been adopted:

- i Business combinations – the provisions of IFRS 3 'Business combinations' have been applied prospectively from 1 April 2004. The Group has chosen to not restate business combinations that took place before the date of transition; and
- ii Employee benefits – the accumulated actuarial gains and losses in respect of employee defined benefit plans have been recognised in full through reserves.

Financial Instruments – the Group has applied IAS 32 'Financial Instruments: Disclosure and Presentation' and IAS 39 'Financial Instruments: Recognition and Measurement' for all periods presented and has therefore not taken advantage of the option that would enable the Group to only apply these standards from 1 April 2005.

2 Underlying results

Underlying pre-tax profit

Underlying profits are profits adjusted in line with the industry proposed earnings measure and adjusted for the exceptional refinancing of Broadgate. The industry proposed adjusted earnings measure excludes gains on property or investment revaluations and disposals and related taxation, intangible asset movements and the capital allowance effects of IAS 12 where applicable.

Capital and JV tax

Capital and joint venture tax includes intangible asset movements, valuation and disposal gains and, where applicable, tax arising in funds and joint ventures.

3 Gross rental and related income

Year ended 31 March 2005 £m		2005 £m	2004 £m
509	Rent receivable	293	241
40	Spreading of tenant incentives/guaranteed increases	27	11
8	Surrender premiums	7	5
47	Service charge income	13	21
604	Gross rental and related income	340	278
(44)	Service charge expense	(9)	(19)
(43)	Property operating expenses	(26)	(22)
517	Net rent and related income	305	237

In anticipation of quarterly reporting from 31 December 2005, the basis of recognising rent receivable in the period has been adjusted to ensure that rent is spread evenly over the year. Previously, a method based on the actual number of days in each billing period led to higher second half profits compared to the first half, due to the varying lengths of English rent quarters. The effect in the current period is £6 million. As described in note 1, increases arising on rent review are recognised from the rent review date. This has led to additional rent of £2 million being accrued in the period, but prior periods have not been restated as the effect is not considered material.

Net rental income for the half year to 30 September 2005 from properties which were subject to a security interest or held by non recourse companies was £198 million (year ended 31 March 2005: £374 million).

4 Net financing costs

Year ended 31 March 2005 £m		2005 £m	2004 £m
	Interest payable on		
84	Bank loans and overdrafts	59	35
261	Other loans	137	130
	Loans to joint ventures	1	
2	Obligations under finance leases	1	1
347		198	166
(8)	Deduct: development cost element	(4)	(2)
339		194	164
	Interest receivable on		
(10)	Deposits and securities	(4)	(3)
(3)	Loans to joint ventures		
(13)		(4)	(3)
	Other finance (income) costs		
	Pension scheme		
(3)	Expected return on pension scheme assets	2	(1)
3	Interest on pension scheme liabilities	(2)	1
	Fair value hedges		
7	Valuation movements on fair value debt	17	
(7)	Valuation movements on fair value derivatives	(17)	
	Foreign currency hedges		
(5)	Valuation movements on translation of foreign currency debt	12	3
5	Hedging reserve recycling	(12)	(3)
180	Exceptional item – Broadgate securitisation		
506	Net financing costs	190	161
(28)	Total financing income	(35)	(7)
534	Total financing expenses	225	168
506	Net financing costs	190	161

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

5 Net revaluation gains on property and investments

Year ended 31 March 2005 £m		2005 £m	2004 £m
43	Revaluation of investments (note 13)	18	
550	Revaluation of properties (note 9)	544	304
17	Gains on property disposals	34	2
610		596	306

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6 Taxation

Year ended 31 March 2005 £m		2005 £m	2004 £m
	Tax charge		
	Current tax		
(3)	UK corporation tax (30%)	3	10
2	Foreign tax	9	1
(1)		12	11
(45)	Adjustments in respect of prior years	(1)	(5)
(46)	Total current tax charge (credit)	11	6
130	Deferred tax on income and revaluations	135	68
84	Group total taxation (net)	146	74
42	Attributable to joint ventures	16	22
126	Total taxation	162	96
	Tax reconciliation		
738	Profit on ordinary activities before taxation	761	446
(158)	Less: share of profits of funds and joint ventures	(80)	(82)
580	Group profit on ordinary activities before taxation	681	364
174	Tax on Group profit on ordinary activities at UK corporation tax rate of 30% (2004 – 30%)	204	109
	Effects of:		
(178)	Valuation gains on investment properties	(170)	(91)
(10)	Capital allowances	(4)	(3)
11	Tax losses and other timing differences	(16)	(5)
2	Expenses not deductible for tax purposes	(2)	1
(45)	Adjustments in respect of prior years	(1)	(5)
(46)	Group current tax charge (credit)	11	6

7 Interim dividend

The proposed interim dividend of 5.2 pence per share (30 September 2004: 4.8 pence per share) was approved by the Board on 23 November 2005 and is payable on 17 February 2006 to shareholders on the register at the close of business on 20 January 2006.

As required by IFRS, the dividend has not been included as a liability as at 30 September 2005 as it has not yet been paid. Following approval, the dividend will be recognised as a liability and will be reflected in the Reconciliation of Movements in Shareholders' Funds, which currently shows the 2005 final dividend of £57 million, representing 10.9 pence per share, that was paid on 19 August 2005.

8 Basic and diluted earnings per share

Basic and diluted earnings per share are calculated on the profit for the period after taxation and on the weighted average number of shares in issue during the period as shown below:

Year ended 31 March 2005				2005		2004	
Weighted average number of shares m	Profit after taxation £m			Weighted average number of shares m	Profit after taxation £m	Weighted average number of shares m	Profit after taxation £m
509	654	Earnings per share	Basic	518	615	500	372
519	654		Diluted	520	615	519	372
509	139	Underlying earnings per share	Basic	518	80	500	54
519	139		Diluted	520	80	519	54

Underlying profits are profits adjusted in line with the industry proposed earnings measure and for the year ended 31 March 2005 adjusted for the exceptional charge incurred from the Broadgate refinancing. The industry proposed adjusted earnings measure excludes gains on property or investment revaluations and disposals and related taxation and the capital allowance effects of IAS 12 where applicable.

Underlying earnings per share is calculated by taking the underlying profit before taxation of £102 million (31 March 2005: £181 million; 30 September 2004: £72 million) and adjusting for related taxation of £22 million (31 March 2005: £42 million; 30 September 2004: £18 million). Tax items related to prior periods are excluded. This is a change in methodology from the reported figure in our provisional restated IFRS comparatives published in July 2005 where prior year items were included.

9 Investment, development and trading properties

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:

31 March 2005 £m			2005 £m	2004 £m
10,802	United Kingdom:	Knight Frank	11,615	
282		ATIS REAL Weatheralls		9,547
		FPD Savills	294	247
		Directors' valuation*	167	
69	Republic of Ireland:	Jones Lang LaSalle		50
1	Netherlands:	CB Richard Ellis B.V.	1	1
11,154	Total Group property portfolio valuation		12,077	9,845
	Represented by			
10,877	Investment properties		11,694	9,579
212	Development properties		304	196
36	Trading properties at lower of cost or valuation		44	36
11,125	Carrying value of properties on balance sheet		12,042	9,811
57	External valuation surplus on trading properties		62	56
(28)	Head lease liabilities		(27)	(22)
11,154	Total Group property portfolio valuation		12,077	9,845

* These properties are under contract for sale.

Properties valued at £7,363 million (31 March 2005: £7,052 million; 30 September 2004: £6,513 million) were subject to a security interest and other properties of non-recourse companies amounted to £61 million (31 March 2005: £42 million; 30 September 2004: £40 million).

9 Investment, development and trading properties (continued)

31 March 2005 £m		2005 £m	2004 £m
Total property valuations including share of funds and joint ventures			
11,154	British Land Group	12,077	9,845
Share of funds and joint ventures			
1,321	Investment properties	2,535	1,192
4	Development properties		
25	Trading properties at cost	31	26
8	Finance lease properties	8	8
2	External valuation surplus on trading properties	7	3
4	External valuation surplus on finance lease properties	4	3
(11)	Head lease liabilities	(11)	(11)
1,353		2,574	1,221
12,507	Total property portfolio valuation	14,651	11,066

	Freehold £m	Long leasehold* £m	Total £m
Investment properties (including investment properties being redeveloped)			
Carrying value at 1 April 2005	10,259	618	10,877
Additions – corporate acquisitions	495		495
– other additions	75	8	83
Disposals	(300)	(11)	(311)
Exchange fluctuations	1		1
Revaluations	471	51	522
Lease incentive and minimum guaranteed rent review debtor movement	27		27
Investment properties – carrying value 30 September 2005	11,028	666	11,694
Development properties			
Valuation 1 April 2005	212		212
Additions	53		53
Revaluations – included in income statement	22		22
Revaluations – included in statement of recognised income and expense	17		17
Valuation 30 September 2005	304		304
Trading properties			
At lower of cost and net realisable value			
30 September 2005	36	8	44
			12,042
External valuation surplus on trading properties			62
Head lease liabilities			(27)
Total Group property portfolio valuation			12,077

* Includes short leasehold properties (1 April 2005: £9 million; 30 September 2005: £11 million).

10 Funds and joint ventures**British Land's summary share of profits of funds and joint ventures**

Year ended 31 March 2005 £m		2005 £m	2004 £m
73	Gross rental income	48	36
68	Net rental income	46	33
(4)	Other expenditure	(4)	(2)
1	Other income		1
(34)	Net financing costs	(28)	(17)
31	Net underlying profit before tax	14	15
169	Net valuation gains on property and investments	82	90
200	Profit on ordinary activities before taxation	96	105
(42)	Taxation (current and deferred)	(16)	(22)
158	Profit on ordinary activities after taxation	80	83

Summary movement for the period	Equity £m	Loans £m	Total £m
At 1 April 2005	660	40	700
Acquired with Pillar Property PLC	675	5	680
Additions		3	3
Disposals including repayment of capital and loans	(240)	(26)	(266)
Share of profit after taxation	80		80
Distributions and dividends	(5)		(5)
Hedging movements	(7)		(7)
At 30 September 2005	1,163	22	1,185

The Group's share of fund and joint venture external net debt is £1,234 million (31 March 2005: £502 million; 30 September 2004: £438 million).

The Group's share of the market value of fund and joint venture debt as at 30 September 2005 was £5 million more than the Group's share of the book value (31 March 2005: £4 million; 30 September 2004: £4 million).

The Group's share of fund and joint venture properties as at 30 September 2005 was £2,574 million (31 March 2005: £1,353 million; 30 September 2004: £1,221 million).

10 Funds and joint ventures (continued)

	British Land interest	Net rental income £m	Underlying profit £m	Profit for the period £m	Gross assets £m	Gross liabilities £m	Net investment £m
Summary of British Land's share of investments							
Funds (for the two month period ended 30 September 2005)							
City of London Office Unit Trust (CLOUT)	35.9%	2			263	(200)	63
Hercules Unit Trust (HUT)	34.6%	7	2	23	958	(382)	576
Pillar Retail Europark Fund (PREF)	36.4%				67	(40)	27
Hercules Income Fund (HIF)	26.1%			2	40	(4)	36
Others					12	(10)	2
		9	2	25	1,340	(636)	704
Joint ventures							
BL Fraser Limited	50.0%	3	1	8	139	(86)	53
Tesco BL Holdings Limited	50.0%	7	2	17	282	(197)	85
BLT Properties Limited	50.0%	4	1	9	168	(118)	50
The Tesco British Land Property Partnership	50.0%	2	1	8	88	(62)	26
BL Davidson Limited	50.0%	11	4	6	317	(171)	146
The Scottish Retail Property Limited Partnership	50.0%	8	3	3	343	(269)	74
BL Rosemound	50.0%	3	(1)	2	35	(30)	5
BL West (remaining 50% acquired in period)		2	1	2			
Other joint ventures					47	(5)	42
		40	12	55	1,419	(938)	481
Total share of funds and joint ventures		49	14	80	2,759	(1,574)	1,185

The total investment in joint ventures is £544 million, comprising £63 million being CLOUT and its associated ventures (Basinghall Street Unit Trust and Austral House Unit Trust) and £481 million for other joint ventures.

HUT, PREF and HIF are treated as associates.

11 Pillar Balance sheet on acquisition

On 28 July 2005 the Group acquired 100% of the issued share capital of Pillar Property PLC. The fair values of the assets and liabilities acquired are detailed below and have been determined on a provisional basis as the Group is currently in the process of finalising the balance sheet as at the date of acquisition.

	£m
Properties	311
Investment in funds	680
Fund management contracts – intangible asset	75
Other assets and liabilities	(23)
Net debt	(271)
	772
Deferred tax liabilities	(62)
Goodwill	107
Total consideration	817

12 Intangible assets

	£m
At 1 April 2005	
Additions	75
Amortisation	(3)
At 30 September 2005	72

Intangible assets relates to fund management contracts which are amortised over the expected remaining life of each contract.

13 Other investments

	£m
At 1 April 2005	153
Revaluations	18
At 30 September 2005	171

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14 Trade and other debtors

31 March 2005 £m		2005 £m	2004 £m
39	Trade debtors	52	41
5	Prepayments and accrued income	12	5
22	Corporation tax		
10	Interest rate derivatives*	17	9
76		81	55

* Includes the fair value adjustments of amounts due with a maturity greater than one year

15 Trade and other creditors

31 March 2005 £m		2005 £m	2004 £m
38	Trade creditors	44	53
28	Amounts owed to joint ventures	29	39
	Corporation tax	10	36
13	Other taxation and social security	9	6
212	Accruals and deferred income	283	200
60	Interest rate derivatives*	92	49
351		467	383

* Includes the fair value adjustments of amounts due with a maturity greater than one year

16 Other non-current liabilities

31 March 2005 £m		2005 £m	2004 £m
28	Obligations under finance leases	27	22
5	Minority interest	5	
4	Retirement benefit obligations	5	
37		37	22

17 Net debt

31 March 2005 £m		Note (page 29)	2005 £m	2004 £m
Secured on the assets of the Group				
396	Class A4 4.821% Bonds 2036	1.1, 2	396	
	6.5055% Secured Notes 2038	1.2, 3		97
59	5.920% Secured Notes 2035	1.3	62	58
215	Class C2 5.098% Bonds 2035	1.1, 2	217	
365	Class B 4.999% Bonds 2033	1.1, 2	365	
174	Class A3 4.851% Bonds 2033	1.1, 2	174	
224	Class A1 Floating Rate Bonds 2032	1.1, 2	224	
314	Class A2 4.949% Bonds 2031	1.1, 2	311	
149	Class D Floating Rate Bonds 2025	1.1, 2	148	
20	7.743% Secured Notes 2025	1.4	20	20
234	Class C1 Floating Rate Bonds 2022	1.1, 2	234	
	5.66% 135 Bishopsgate Securitisation 2018	1.5, 3		2
	8.49% 135 Bishopsgate Securitisation 2018	1.5, 3		7
247	8.875% First Mortgage Debenture Bonds 2035		247	247
197	9.375% First Mortgage Debenture Stock 2028		197	197
13	10.5% First Mortgage Debenture Stock 2019/24		13	13
20	11.375% First Mortgage Debenture Stock 2019/24		20	20
206	6.75% First Mortgage Debenture Bonds 2020	1.6	206	206
103	6.75% First Mortgage Debenture Bonds 2011	1.6	103	103
45	Bank loan	1.7	44	45
	Loan notes		12	
2,981			2,993	1,015
Unsecured				
572	Class A1 5.260% Unsecured Notes 2035	1.3	584	568
99	Class B 5.793% Unsecured Notes 2035	1.3	98	99
84	Class C Fixed Rate Unsecured Notes 2035	1.3	86	83
	Class C2 6.4515% Unsecured Notes 2032	1.2, 3		74
	Class B 6.0875% Unsecured Notes 2031	1.2, 3		220
	Class A3 5.7125% Unsecured Notes 2031	1.2, 3		147
	Class A2 5.67% Unsecured Notes 2029	1.2, 3		281
212	Class A2 (C) 6.457% Unsecured Notes 2025	1.4	212	212
206	Class B2 6.998% Unsecured Notes 2025	1.4	206	206
21	Class B3 7.243% Unsecured Notes 2025	1.4	21	21
	Class A1 Fixed Rate Unsecured Notes 2024	1.2, 3		321
	5.66% 135 Bishopsgate Securitisation 2018	1.5, 3		22
	8.49% 135 Bishopsgate Securitisation 2018	1.5, 3		87
80	Class A1 6.389% Unsecured Notes 2016	1.4	78	82
80	Class B1 7.017% Unsecured Notes 2016	1.4	76	83
	Class C1 6.7446% Unsecured Notes 2014	1.2, 3		140
40	Class A2 5.555% Unsecured Notes 2013	1.3	37	42
1,394			1,398	2,688
81	6.30% Senior US Dollar Notes 2015	4	87	85
2	10.25% Bonds 2012		2	2
85	7.35% Senior US Dollar Notes 2007	4	90	88
1,619	Bank loans and overdrafts		2,369	1,156
3,181			3,946	4,019
6,162	Gross debt	5	6,939	5,034
60	Interest rate derivatives (liabilities)		92	49
(10)	Interest rate derivatives (assets)		(17)	(9)
6,212			7,014	5,074
(151)	Cash and short-term deposits	6	(144)	(128)
6,061	Net debt		6,870	4,946

17 Net debt (continued)

1 These borrowings are obligations of ring-fenced, special purpose companies, with no recourse to other companies or assets in the Group.

31 March 2005 £m			2005 £m	2004 £m
2,071	1.1	Broadgate Financing PLC	2,069	
	1.2	Broadgate (Funding) PLC		1,280
854	1.3	MSC (Funding) PLC	867	850
619	1.4	BLSSP (Funding) PLC	613	624
	1.5	135 Bishopsgate Financing Ltd		118
309	1.6	BL Universal PLC	309	309
45	1.7	BLU Nybil Ltd	44	45

2 A total of £2,080 million 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 Principal and interest on these borrowings were fully hedged into Sterling at the time of issue.

5 The principal amount of gross debt at 30 September 2005 was £6,957 million (31 March 2005: £6,209 million; 30 September 2004: £5,096 million). Included in this, the principal amount of secured borrowings and other borrowings of non-recourse companies was £4,391 million (31 March 2005: £4,393 million; 30 September 2004: £3,742 million).

6 Cash and deposits not subject to a security interest amount to £38 million (31 March 2005: £54 million; 30 September 2004: £42 million).

Maturity analysis of net debt

31 March 2005 £m			2005 £m	2004 £m
408	Repayable:	within one year and on demand	282	153
259	between:	one and two years	332	382
1,328		two and five years	2,147	1,023
533		five and ten years	564	539
795		ten and fifteen years	806	546
580		fifteen and twenty years	597	753
948		twenty and twenty five years	976	752
1,001		twenty five and thirty years	1,235	579
310		thirty and thirty five years		307
5,754			6,657	4,881
6,162	Gross debt		6,939	5,034
50	Interest rate derivatives		75	40
(151)	Cash and short-term deposits		(144)	(128)
6,061	Net debt		6,870	4,946

Maturity of committed undrawn borrowing facilities

31 March 2005 £m			2005 £m	2004 £m
114	Expiring:	within one year	472	32
95	between:	one and two years	20	21
10		two and three years	110	25
442		three and four years	190	286
132		four and five years	279	672
25		over five years		
818	Total		1,071	1,036

17 Net debt (continued)**Interest rate profile** – including effect of derivatives

31 March 2005 £m		2005 £m	2004 £m
5,360	Fixed rate	5,938	4,054
100	Capped rate	100	100
601	Variable rate (net of cash)	832	792
6,061	Net debt	6,870	4,946

Comparison of market values and book values at 30 September 2005

	Market value £m	Book value £m	Difference £m
Securitisations	3,689	3,549	140
Debentures and unsecured bonds	1,248	965	283
Bank debt and other floating rate debt	2,425	2,425	
Cash and short-term deposits	(144)	(144)	
	7,218	6,795	423
Other financial (assets) liabilities			
– interest rate derivative assets	(17)	(17)	
– interest rate derivative liabilities	92	92	
	75	75	
Total	7,293	6,870	423

The differences are shown before any tax relief.

18 Deferred tax liabilities

31 March 2005 £m		2005 £m	2004 £m
123	Capital allowances	125	106
(29)	Other timing differences	(34)	
	Intangible assets	21	
851	Property and investment revaluations	1,021	710
945		1,133	816
	Deferred tax movements		
746	Opening position	945	746
130	Charge to income statement	135	68
(6)	(Credit) charge to statement of recognised income and expense	(5)	2
75	Acquisitions	58	
945	Closing position	1,133	816

19 Net Asset Value per share

	Shares m	Adjusted net assets £m	Net assets £m
Net Asset Value (undiluted)			
Shareholders' funds as shown on balance sheet	519	5,299	5,299
IAS 12 capital allowance effects			
British Land Group		125	
Share of funds and joint ventures		7	
		<u>132</u>	
Contingent taxes on revaluation gains			
British Land Group – see note 18		1,042	
Share of funds and joint ventures		128	
		<u>1,170</u>	
Goodwill		(180)	
Fair value adjustments for debt and related derivatives, net of deferred tax			
British Land Group		51	
Share of funds and joint ventures		12	
		<u>63</u>	
Total external valuation surplus on trading & finance lease properties		73	73
Deferred taxation on external surplus on trading & finance lease properties			(20)
Net assets attributable to ordinary shares		6,557	5,352
At 30 September 2005		1,263p	1,031p
At 31 March 2005		1,135p	932p
At 30 September 2004		1,065p	882p
Fully diluted Net Asset Value			
Net assets attributable to ordinary shares	519	6,557	5,352
Adjust to fully diluted on exercise of share options	6	38	38
Net assets attributable to fully diluted ordinary shares	525	6,595	5,390
At 30 September 2005		1,256p	1,027p
At 31 March 2005		1,128p	927p
At 30 September 2004		1,060p	878p

The adjusted NAV includes the external valuation surplus on trading and finance lease properties but excludes goodwill, the fair value adjustments for debt and related derivatives and deferred taxation on revaluations and capital allowances. This is the proposed industry standard, which in this case has been adjusted for all goodwill.

Reconciliation of adjusted diluted net assets	£m	Pence per share
At 31 March 2005	5,913	1,128
Revaluation surpluses	668	127
Underlying profit after tax	80	15
Gains on asset disposals	37	7
Dividends paid	(57)	(11)
Goodwill on acquisition of Pillar (net of deferred tax)	(45)	(9)
Other	(1)	(1)
At 30 September 2005	6,595	1,256

20 Notes to the cash flow statement**Reconciliation of profit on ordinary activities before tax to cash generated from operations**

Year ended 31 March 2005 £m		2005 £m	2004 £m
738	Profit on ordinary activities before tax	761	446
1	Depreciation and amortisation	3	1
(2)	Negative goodwill		
(609)	Net valuation gains on investment properties and investments	(596)	(306)
	Increase in lease incentive and minimum rent guarantee debtor	(27)	
(158)	Share of profits after tax of funds and joint ventures	(80)	(83)
16	Dividends received from funds and joint ventures	5	7
8	Share options, share awards and pension funding	5	4
326	Net financing costs	190	161
180	Exceptional item (as described in note 4)		
6	(Increase) decrease in trading properties	(7)	6
(37)	Decrease (increase) in debtors	27	(12)
11	(Decrease) increase in creditors	(39)	6
(258)		(519)	(216)
480	Cash generated from operations	242	230

21 Share capital

31 March 2005 m		2005 m	2004 m
	Actual shares in issue		
488	Opening balance	518	488
30	Conversion of convertible bonds		30
	Other issues	1	
518	Closing balance	519	518
	Adjustment for fully diluted (NAV basis)		
	Dilution for		
6	Share options	6	5
524	Fully diluted shares	525	523
509	Weighted average number of shares in issue for the period	518	500
	Dilution for		
9	Convertible bonds to date of conversion		18
1	Share options	2	1
519	Fully diluted shares	520	519

22 Reserves

	Other reserves £m	Retained earnings £m	Total £m
At 1 April 2005	12	3,392	3,404
Total recognised income and expense	(40)	615	575
Adjustment for share and share option awards		4	4
Purchase of ESOP shares		(9)	(9)
Dividends paid		(57)	(57)
At 30 September 2005	(28)	3,945	3,917

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Retained earnings

Retained earnings includes revaluation surpluses in the current and prior periods that are recognised as income under IFRS.

Other reserves

Other reserves comprises the following reserve accounts:

i Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow and foreign currency hedging instruments.

ii Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations as well as the translation of the liabilities that hedge the Company's net investment in a foreign subsidiary.

iii Revaluation reserve

The revaluation reserve relates to development properties and other investments.

23 Contingent liabilities

Contingent liabilities of the Parent for guarantees to third parties amounted to £Nil (31 March 2005: £Nil; 30 September 2004: £Nil).

TPP Investments Limited, a wholly owned ring-fenced 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 £44 million (31 March 2005: £44 million; 30 September 2004: £44 million) and recourse is only to the partnership assets.

Table A: Summary income statement 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 funds and joint ventures consolidated on a proportional basis.

Income statement for the six months ended 30 September 2005

Year ended† 31 March 2005 £m		2005 Unaudited £m	2004 Unaudited £m
630	Gross rental and related income	375	293
585	Net rental and related income	351	270
9	Fees and other income	9	4
(53)	Administrative expenses	(40)	(24)
(360)	Net financing costs	(218)	(178)
181	Underlying profit before tax	102	72
779	Net valuation gains	678	396
	Amortisation of intangible asset	(3)	
(180)	Exceptional item		
780	Profit on ordinary activities before tax	777	468
(42)	Tax credit (charge) relating to underlying profit	(22)	(18)
(84)	Deferred tax arising on revaluation movements	(140)	(78)
(126)		(162)	(96)
654	Profit for the period after taxation	615	372
128.5p	Earnings per share – Basic	118.7p	74.4p
126.0p	– Diluted	118.3p	71.7p
27.3p	Underlying earnings per share – Basic	15.4p	10.8p
26.8p	– Diluted	15.4p	10.4p

† Unaudited, restated under IFRS

Table B: Summary balance sheet 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 funds and joint ventures consolidated on a proportional basis with trading and finance lease properties shown at valuation.

31 March† 2005 £m	Balance sheet as at 30 September 2005	2005 Unaudited £m	2004 Unaudited £m
	Assets		
	Non-current assets		
12,159	Investment properties	14,191	10,738
216	Development properties	304	196
12,375		14,495	10,934
	Other non-current assets		
	Intangible assets		
153	Other investments	179	114
	Intangible assets	72	
73	Goodwill	180	
12,601		14,926	11,048
	Current assets		
132	Trading and finance lease properties at valuation	156	132
114	Trade and other debtors	191	108
207	Cash and short-term deposits	217	182
453		564	422
13,054	Total assets	15,490	11,470
	Liabilities		
	Current liabilities		
(489)	Short-term borrowings and overdrafts	(327)	(168)
(424)	Trade and other creditors	(614)	(440)
(913)		(941)	(608)
	Non-current liabilities		
(6,223)	Debentures and loans	(7,902)	(5,355)
(9)	Other non-current liabilities	(11)	
(1,063)	Deferred tax liabilities	(1,264)	(921)
(7,295)		(9,177)	(6,276)
(8,208)	Total liabilities	(10,118)	(6,884)
4,846	Net assets	5,372	4,586
4,846	Total equity attributable to shareholders of the Company	5,372	4,586
1,135p	Adjusted NAV per share – Basic	1,263p	1,065p
1,128p	– Fully diluted	1,256p	1,060p

† Unaudited, restated under IFRS

The adjusted NAV includes the external valuation surplus on trading and finance lease properties but excludes goodwill, the fair value adjustments for debt and related derivatives and deferred taxation on revaluations and capital allowances. This is the proposed industry standard, which in this case has been adjusted for all goodwill.