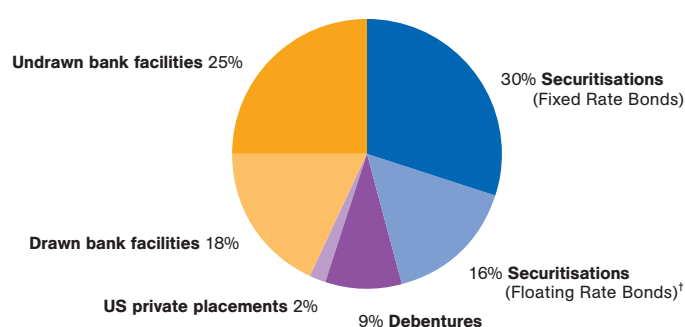


Principal Debt Instruments

British Land uses a number of methods of finance in order to spread maturities, reduce borrowing costs and mitigate refinancing risk.

Finance is raised through a mixture of securitisations, public and private debt issues and bank borrowings. At 31 March 2006, including the Group's share of debt in Funds and Joint Ventures, gross borrowings were £6.9 billion (2005: £6.7 billion).

Accessing a flexible pool of finance



† Floating rate bonds with related fixed rate swaps.

Non-recourse

At 31 March 2006 £4.0 billion (2005: £3.9 billion) of outstanding debt had been issued by ring-fenced, special purpose subsidiaries, with no recourse to other companies or assets in the Group. The securitisations and the BL Universal debentures fall within the non-recourse category. The debt in Funds and Joint Ventures is also non-recourse. At 31 March 2006 the Group's share of their gross borrowings amounted to £1.2 billion (2005: £0.6 billion).

Securitisations

At 31 March 2006 outstanding debt raised through securitisations amounted to £3,682m (2005: £3,565m). British Land's securitisations are used to raise long-term debt at fixed rates of interest from the cash flows generated from specific assets or pools of assets. The strength of these cash flows allows credit rated debt to be raised on a non-recourse basis, thereby lengthening maturities and reducing interest costs. British Land retains the flexibility to actively manage the assets and provide suitable substitute assets if appropriate. This enables returns to be maximised, benefiting both debt and equity investors. Additional flexibility permits British Land to sell or introduce third party capital without repaying the existing debt.

Although a combination of fixed and floating rate debt has been issued via securitisations, all the floating rate instruments have been fully swapped into fixed rate debt, from the date of issue, to provide certainty over future interest cost.

Broadgate

On 2 March 2005 Broadgate Financing PLC, a newly established ring-fenced subsidiary of British Land, issued £2,080m of Bonds supported by the cash flows from the entire built estate at Broadgate in the City of London.

Nominal outstanding	£2,071m
Valuation of securitised portfolio	£3,227m
Weighted average interest rate	5.05%
Weighted average debt maturity	18.9 years
Gross Coverage Ratio	180%*

* Source: 5 April 2006 Debt Service.

Details of the bonds and their ratings are shown in the following table:

Bond	Principal outstanding £m	Rating S&P/Moody's/Fitch
Class A1 Floating Rate Bonds 2032	225	AAA/Aaa/AAA
Class A2 4.949% Bonds 2031	309	AAA/Aaa/AAA
Class A3 4.851% Bonds 2033	175	AAA/Aaa/AAA
Class A4 4.821% Bonds 2036	400	AAA/Aaa/AAA
Class B 4.999% Bonds 2033	365	AA/Aa2/AA
Class C1 Floating Rate Bonds 2022	235	A/A2/A
Class C2 5.098% Bonds 2035	215	A/A2/A
Class D Floating Rate Bonds 2025	147	BBB/Baa2/BBB
Total	2,071	

Superstores

The refinancing of the Superstores portfolio (completed 28 February 2006) involved the issue of £753m secured bonds by BL Superstores Finance PLC, a ring-fenced wholly-owned subsidiary of British Land. This followed the redemption of the existing notes of BLSSP (Funding) PLC.

The existing financing was moved to a simplified CMBS structure and the ratings of the bonds were delinked from the underlying tenant's credit, providing a significant ratings improvement for the existing bondholders. The refinancing reduced the weighted average interest cost from 6.77% to 4.96%.

Nominal outstanding	£753m
Valuation of securitised portfolio	£1,239m
Weighted average interest rate	4.96%
Weighted average debt maturity	13.4 years
Coverage Ratio*	122%

* Estimate of average ratio of Rental Income to Debt Service for 2006/7 financial year.

Details of the bonds and their ratings are shown in the following table:

Bond	Principal outstanding £m	Rating S&P/Fitch
Class A2 4.482% Bonds 2030	258	AAA/AAA
Class M1 Floating Rate Bonds 2030	83	AA/AA
Class B2 5.270% Bonds 2030	240	A/A
Class B3 5.578% Bonds 2030	49	A/A
Class C1 Floating Rate Bonds 2030	70	BBB/BBB
Class D1 Floating Rate Bonds 2030	53	BBB/BBB
Total	753	

Meadowhall

On 5 December 2001 Meadowhall CMR Finance PLC, a special purpose vehicle, issued £825m of Bonds supported by the cash flows of the Meadowhall Shopping Centre, Sheffield. The proceeds of the issue were on-lent to a ring-fenced wholly-owned British Land subsidiary, MSC (Funding) PLC, in exchange for one tranche of secured and four tranches of unsecured notes, which are the obligations of the Group. The former are secured on the Meadowhall Shopping Centre and the latter are guaranteed by Meadowhall Shopping Centre Limited, the ring-fenced British Land subsidiary that owns the centre.

Following the successful realisation of additional income through rent reviews and new lettings at Meadowhall a £50m reserve tranche of bonds was issued on 14 April 2003.

Nominal outstanding	£858m
Valuation of securitised portfolio	£1,562m
Weighted average interest rate	5.53%
Weighted average debt maturity	17.7 years
Gross Coverage Ratio	133%*

* Source: 12 April 2006 Debt Service.

Details of the bonds and their ratings are shown in the following table:

Bond	Principal outstanding £m	Rating S&P/Fitch
Class A1 5.260% Bonds 2035	580	AAA/AAA
Class A2 Floating Rate Bonds 2013	35	AAA/AAA
Class B 5.793% Bonds 2035	158	A/A
Class C Floating Rate Bonds 2035	85	BBB/BBB
Total	858	

BL Universal PLC 6.75% First Mortgage Debenture Bonds

The 6.75% First Mortgage Debenture Bonds were originally issued by BL Universal PLC in March 1998. There are £100m of Bonds due 2011, and £200m of Bonds due 2020 outstanding.

The Group acquired the remaining 50% interest in BL Universal from its joint venture partner, GUS plc, in November 2003. This Company is now a ring-fenced subsidiary with no recourse to other companies or assets in the Group.

The secured properties are located in a wide number of locations throughout the UK. A full list of these properties is provided in the Investors section of the British Land website (www.britishland.com).

Funds and Joint Ventures

These are financed to meet the requirements of their individual business plans on a non-recourse basis. At 31 March 2006 the Group's share of their gross borrowings amounted to £1.2 billion (2005: £0.6 billion). Finance has been raised through syndicated secured bank facilities, securitisations and debentures. The secured bank facilities account for 49% of the debt and are all floating rate. The Scottish Retail Property Limited Partnership and Hercules Unit Trust have raised £430 million and £1 billion, respectively, via seven year floating rate securitisations. Over 90% of this debt is rated AAA. Transaction specific derivatives are employed to achieve the desired interest rate profile when floating rate debt is raised via bank facilities or securitisations. BL Davidson has £111 million of fixed rate debentures outstanding with maturities of between five and 15 years.

Recourse

As at 31 March 2006 recourse debt amounted to £1.7 billion (2005: £2.3 billion). Of this, £483m was raised through debentures with the balance from unsecured lenders. These lenders have recourse for repayment of these borrowings to the Group, including equity interests in non-recourse companies.

Debentures

The Group's debentures are secured against specific assets.

Debentures provide very long-term finance with no amortisation, with the right to substitute properties from time to time, subject to meeting current income and capital tests. Mortgaged properties can be withdrawn from the security pools provided that tests relating to loan to value and interest cover are met. The Group is required to provide additional security if the loan to value and interest cover fall below certain levels.

8.875% First Mortgage Debenture Bonds 2035

The 8.875% First Mortgage Debenture Bonds 2035 were originally issued by the Company in September 1995. There are £250m of Bonds outstanding. The following properties are charged to secure the Bonds:

- Tollgate Centre, Colchester
- St. James Retail Park, Northampton
- Botley Road Retail Park, Oxford
- Eastgate Shopping Centre, Basildon
- Euston Tower, Regent's Place, London NW1
- Scottish and Newcastle Depot, Oldfield Lane, Greenford

Principal Debt Instruments

9.375% First Mortgage Debenture Stock 2028

The 9.375% First Mortgage Debenture Stock 2028 was originally issued by the Company in April 1993. There is £200m of Stock outstanding.

The following properties are charged to secure the Stock:

- Portcullis House, Glasgow
- Primark Store, Kingston-upon-Hull
- 2 Moorfields, Liverpool
- 51 Eastcheap, London EC3
- Triton Square, Regent's Place, London, NW1
- Teesside Retail Park, Stockton-on-Tees
- Eldon House, London EC2
- Homebase, Willesden
- Homebase, Wrexham

During the year ended 31 March 2006, Auldhouse Retail Park, Glasgow was released from charge and sold by the Group.

Unsecured debt

Bank facilities

At 31 March 2006 available bank facilities amounted to £3,331m (2005: £2,481m) of which £2,282m (2005: £818m) was undrawn. All of these facilities are revolving and can be drawn/repaid at short notice, providing the Group with valuable operational flexibility. British Land maintains relationships with a large and diverse group of banks, reducing reliance on any particular lender. At 31 March 2006, 49 different financial institutions from 21 countries had provided finance to the Group via bilateral or syndicated facilities. Most facilities are for a term of five years, although a significant number can be extended if the lender consents. The Group has recently raised £225m seven-year bilateral finance. All the facilities are floating rate and British Land uses interest rate derivatives, which mainly take the form of interest rate swaps, to achieve the desired fixed versus floating interest rate profile.

6.30% Senior US Dollar Notes 2015 and

7.35% Senior US Dollar Notes 2007

British Land has \$314m of US denominated unsecured notes. Both principal and interest have been swapped into Sterling. These notes, which had a term of 12 and 10 years at the date of issue, broaden the finance pool by providing access to US investors.

Principal features of unsecured debt

British Land operates a 'level playing field', providing unsecured lenders with a standard set of borrowing conditions. The financial covenants are:

- a) a 70% maximum ratio for net unsecured borrowings to unencumbered assets.

For this purpose net unsecured borrowings exclude all secured and non-recourse debt, and unencumbered assets exclude assets subject to a security interest and other assets of non-recourse companies. Investments in joint ventures are also excluded; and

- b) a 175% maximum ratio for net borrowings to adjusted capital and reserves.

In this case net borrowings include all Group borrowings, even where they are non-recourse.

As at 31 March 2006 these ratios stood at 26% (2005: 42%) and 73% (2005: 106%) respectively.

Ratio	31 March 2002	31 March 2003	31 March 2004	31 March 2005	31 March 2006
Net unsecured borrowings to unencumbered assets ¹	23%	45%	47%	42%	26%
Net borrowings to adjusted capital and reserves ²	91%	103%	102%	106%	73%

Highest during the year to 31 March 2006: 51%¹; 123%²

Although secured assets and other assets of non-recourse companies are excluded from unencumbered assets for the covenant calculations, unsecured lenders benefit from the surplus value of these assets above the related debt and from the free cash flow from these assets. During the year ended 31 March 2006 these assets generated £80m of surplus cash after payment of interest and debt amortisation. Based on current passing rents, a similar amount of such surplus cash is expected during the financial year to March 2007. Surplus cash is passed up to the Group on a quarterly basis.

In addition, while investments in joint ventures do not form part of unencumbered assets, profits generated by these ventures are regularly passed up to the Group. Refinancing of joint ventures, following increases in property valuations, provides an additional source of cash flow for the Group.

Long leases with upward only rent reviews create a strong income profile. The benefit to unsecured lenders is enhanced by the Group's interest rate risk management strategy. The following table shows the percentage of current net debt fixed in 1, 5 and 10 years' time. The relatively high proportion of fixed rate debt means a movement up or down of 1% (100 basis points) in market rates of interest results in an increase or reduction of the Group's annual interest charge of just £4m (0.7% of net rental income).

Net debt at 31 March 2006 – Profile of fixed and protected interest rates

	Year 1	Year 5	Year 10
	95%	95%	57%