

# Report of the Directors

The directors submit their Report and Accounts for the year ended 31 March 2006.

## Results and dividends

The results for the year are set out in the consolidated income statement on page 78.

The directors recommend the payment of a final dividend of 11.8 pence per share payable on 18 August 2006 to ordinary shareholders on the register at the close of business on 21 July 2006.

## Activities

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

## Business review

The information that fulfils the requirements of Section 234ZZB of the Companies Act 1985 can be found in the Operating and Financial Review on pages 11 to 29 and in the Corporate Responsibility disclosures on pages 30 to 31, which are incorporated in this report by reference.

## Properties

Changes in properties during the year and details of property valuations at 31 March 2006 are shown in note 11 to the financial statements on page 92.

## Purchase of own shares

The Company was granted authority at the Annual General Meeting in 2005 to purchase its own shares up to a total aggregate value of 10% of the issued nominal capital. That authority expires at this year's Annual General Meeting and a resolution will be proposed for its renewal. The Company did not purchase any of its own shares during the year.

## Directors' interests in contracts

Except as stated in note 25 on page 105, no contract existed during the year in relation to the Company's business in which any director was materially interested.

## Directors' liability insurance and indemnity

The Company has arranged insurance cover in respect of legal action against its directors. To the extent permitted by UK law, the Company also indemnifies the directors.

## Charitable donations

£67,640 (2005: £92,487) was donated during the year. No contributions were made for political purposes.

## Reappointment of directors

The directors listed on pages 54 and 55 constituted the Board during the year, except for Nicholas Ritblat who retired from the Board on 31 August 2005, Lord Burns who retired from the Board on 30 September 2005 and Patrick Vaughan who was appointed as a director on 28 July 2005. Kate Swann and Lord Turnbull were appointed as directors on 1 April 2006. Sir Derek Higgs, John Weston Smith and Patrick Vaughan will be retiring from the Board at the close of this year's Annual General Meeting.

Robert Swannell, Dr Christopher Gibson-Smith, David Michels, Lord Turnbull and Kate Swann offer themselves for re-election in accordance with the Articles.

Sir John Ritblat (Chairman) aged 70 offers himself for re-election until the following Annual General Meeting.

Michael Cassidy offers himself for re-election until the following Annual General Meeting.

Following the performance appraisal process described on page 68, the Board has concluded that the directors who offer themselves for reappointment are effective, committed to their roles, and should continue in office.

Andrew Jones and Tim Roberts will be recommended for election as directors at this year's Annual General Meeting.

Biographies can be found on pages 54 and 55.

## Share and loan capital

The issued share capital has been increased since 1 April 2005 by fully paid issues as follows:

		No. of ordinary shares of 25p
11 April 2005, 12 July 2005, 10 October 2005 and 9 January 2006	Shares in lieu of directors' fees	6,260
25 July 2005 to 16 December 2005	On exercise of options under the 1984 Share Option Scheme	667,543
30 September 2005 to 21 February 2006	On exercise of options under the Long-Term Incentive Plan	138,416
4 April 2005 to 16 March 2006	On exercise of options under the Sharesave Scheme	66,050

## Substantial interests

As at 22 May 2005 the Company had been notified of the following major interests in its issued ordinary share capital, disclosed to it in accordance with Sections 198 to 208 of the Companies Act 1985:

	No. of shares (m)	% of issued capital
FMR Corp and Fidelity International Limited	36.4	7.0
ABP Investments for Stichting Pensioenfonds ABP	24.3	4.7
Barclays PLC	16.1	3.1
Legal and General Group PLC	16.2	3.1

**Payments policy**

In the absence of dispute, amounts due to trade and other suppliers are settled as expeditiously as possible within their terms of payment. As at 31 March 2006, there were 33 (2005: 31) suppliers' days outstanding.

**Financial instruments**

Details of the use by the Company and its subsidiaries of financial instruments can be found in the Financing Policy and Principal Debt Instruments section on pages 50 to 53.

**Auditors**

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

**Disclosure of information to Auditors**

Each of the persons who is a director at the date of approval of this report confirms that:

- (1) so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- (2) the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985.

**Share Incentive Plan**

All full-time and part-time employees, including executive directors, with more than 18 months' continuous service are eligible to participate in The British Land Share Incentive Plan ('SIP'), which is approved by the Inland Revenue under the terms of the Income Tax (Earnings and Pensions) Act 2003. Under this Plan participants receive an annual grant of ordinary shares of 25p each ('Free Shares'), and are also able to participate in a monthly purchase of ordinary shares ('Partnership Shares'), which British Land matches on a 2:1 basis ('Matching Shares'). Dividends on these shares are re-invested as 'Dividend Shares'. Shares under this Plan are generally released to the individual after five years. 1,735 'Free Shares' were allocated to the executive directors in August 2005. The executive directors have also purchased 709 'Partnership Shares' and been awarded 1,418 'Matching Shares' and 216 'Dividend Shares' in the year to 31 March 2006. All these shares are included in the total number of shares in which the executive directors have a beneficial interest shown on page 62.

The SIP began in August 2003 and replaced The British Land Employee Share Scheme ('ESS'). In the year the remaining shares held in the ESS were released, 7,780 of which were released to executive directors. Shares were last awarded under the scheme in August 2002 and no more awards will be made.

**Sharesave Scheme**

Under The British Land Sharesave Scheme, executive directors and employees who have served the Company for at least 18 months may be offered options to purchase shares, tied to a savings contract, over a three or five year period. Options are held by 203 employees and executive directors to purchase a total of 281,984 fully paid ordinary shares at prices of 359p, 377p, 383p, 399p, 443p, 472p, 648p, 701p and 804p per share, and normally exercisable during certain six month periods between 1 March 2006 and 31 August 2011. The options held by directors under this scheme are shown on page 63.

**Performance Share Schemes**

Details of the current Performance Share Plan in operation (Long-Term Incentive Plan) and the schemes it replaced (Restricted Share Plan and 1984 Executive Share Option Scheme), can be found in the Remuneration Report on pages 59 and 60.

**Employment policy**

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

During the year it was decided to close the British Land defined benefit pension scheme to new members and a new defined contribution scheme was introduced. In the United Kingdom separate pension fund reports are made available to members.

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

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

**Health and safety**

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

This report was approved by the Board on 1 June 2006.

**Anthony Braine**  
Secretary