Notes to the accounts

1 Basis of preparation

The financial statements for the year ended 31 March 2006 have been prepared on the historical cost basis, except for the revaluation of certain properties, investments, intangible assets and financial instruments. The financial statements have also been prepared, for the first time, in accordance with International Financial Reporting Standards (IFRSs) as adopted for use in the European Union and therefore comply with Article 4 of the EU IAS Regulation.

The principal impacts of adopting IFRS and the Group's IFRS accounting policies, along with comparatives for the year ended 31 March 2005 contained within this report, are set out in note 26. These accounting policies have been applied consistently in all material respects throughout the year and the comparative figures in respect of 2005 have been restated to reflect IFRS adjustments.

At the date of approval of these financial statements, IFRS 7 – 'Financial instruments: Disclosure; and the related amendment to IAS 1 on capital disclosures' was in issue. IFRS 7 will require additional disclosure on financial instruments when it comes into effect for the year commencing 1 April 2007. There are no other standards or interpretations in issue but not yet effective that are anticipated to have a material impact on the financial statements.

Subsidiaries, joint ventures and associates (including funds)
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, joint ventures or associates 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, including funds, 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
Properties are externally valued on an open market basis at the balance sheet date. Investment and development properties are recorded at valuation; trading properties at the lower of cost and valuation.

Any surplus or deficit arising on revaluing investment properties is recognised in the income statement for the year. Where an investment property is being redeveloped, any movement in valuation is recognised in the income statement.

Valuation surpluses arising on other development properties, those not previously investment properties, are reflected in the revaluation reserve, unless a deficit reduces the value below cost, in which case the deficit is charged to 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.

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 at the commencement of the accounting period plus additions in the period.

In determining whether leases and related properties represent operating or finance leases consideration is given to whether the tenant or landlord bears the risks and rewards of ownership.

Properties acquired in corporate vehicles are generally treated as business not asset acquisitions resulting in any contingent capital gains liabilities assumed being reflected in the acquisition balance sheet rather than recorded as contingencies. In adopting this policy the directors place value on transparency and consistency, even though the liabilities are recorded under IFRS on a full provision basis, significantly above their fair value.

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.

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. Goodwill normally arises as a result of deferred tax being provided on a full provision basis on acquisition of property companies, without regard to the fair value of the tax liabilities absorbed. Goodwill is recognised as an asset and reviewed for impairment annually. Any impairment is recognised immediately in the income statement and is not subsequently reversed.

Financial obligations and cash

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.

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.

Cash equivalents are limited to instruments with a maturity of less than three months.

Net rental income

Rental income is recognised on an accruals basis. A rent adjustment based on open market estimated rental value is recognised from the rent review date in relation to unsettled rent reviews. Where a rent free period is included in a lease, the rental income foregone is allocated evenly over the period from the date of lease commencement to the earliest termination date. 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 such 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.

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, including surrender premiums paid, does not enhance the value of a property, it is amortised on a straight-line basis over the period from the date of lease commencement to the earliest termination date. Upon receipt of a surrender premium for the early determination of a lease, the profit, net of dilapidations and non-recoverable outgoings relating to the lease concerned is immediately reflected in income.

Management and performance fees

Management and performance fees receivable are recognised in the period to which they relate, except for performance fee retentions subject to clawback, which are recognised over the clawback performance period. In assessing the risk of clawback, account is taken of the unpredictability of future relative performance against the benchmark.

1 Basis of preparation (continued)

Taxation

Current tax is based on taxable profit for the year and is calculated using tax rates that have been enacted or substantially enacted. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense, that are never taxable (or tax deductible) or will be taxable at a later date – temporary differences. Temporary differences principally arise from using different balance sheet values for assets and liabilities than their respective tax base values. Deferred tax is provided in respect of all these taxable temporary differences at the balance sheet date on an undiscounted 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.

Current and prior year tax payable and recoverability of tax losses are estimated. The basis of calculating deferred tax depends on whether value is expected to be achieved through sales or retention in the business. As British Land has a proven record of portfolio recycling through sales and a committed strategy to recycle its capital, the deferred tax provision is calculated on the basis that assets will be sold and takes account of available loss relief including indexation, but does not assume any mitigation that could be achieved through tax structuring.

Employee costs

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. Compensation linked to performance fees accrued by the Group is amortised over the vesting period.

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 consolidated statement of changes in equity.

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

2 Performance measures

Earnings per share (diluted)	2006 Earnings £m	2006 Pence per share	2005 Earnings £m	2005 Pence per share
Underlying pre-tax profit – income statement	**228**		181	
Tax charge relating to underlying profit	**(43)**		(42)	
Underlying earnings per share	**185**	**36p**	139	27p
Include: debt refinancings (net of tax)	**(85)**		(126)	
Prior year tax movements	**8**		45	
Other items, including property trading profits	**(1)**		4	
EPRA earnings per share	**107**	**21p**	62	12p
Profit for the year after taxation	**1,249**	**240p**	654	126p

The European Public Real Estate Association (EPRA) measure, published in January 2006, gives guidelines for calculating earnings and net asset value performance measures. The **EPRA earnings measure** excludes gains on property disposals and investment revaluations and their related taxation, intangible asset movements and the capital allowance effects of IAS 12 where applicable, less taxation arising on these items.

Underlying earnings consists of the EPRA earnings measure, with additional company adjustments. Adjustments have been made to reverse the effects of the refinancing charges (note 7) arising in the current (£85m) and prior years (£126m) respectively and prior year tax items.

The weighted average number of shares in issue for the year was: basic: 519m (31 March 2005: 509m); diluted: 521m (31 March 2005: 519m). Basic earnings per share for the year were 241p (2005: 129p).

Net asset value (NAV)	2006 £m	2005 £m
Balance sheet net assets	**6,016**	4,783
Add		
Deferred tax arising on revaluation movements, capital allowances and derivatives	**1,636**	1,013
Mark to market on interest rate swaps	**33**	24
Surplus arising on trading properties	**74**	63
Dilution effect – options	**43**	30
EPRA net assets	**7,802**	5,913
EPRA NAV per share	**1486p**	1128p

The **EPRA NAV per share** includes the external valuation surplus on trading properties but excludes the fair value adjustments for debt and related derivatives and deferred taxation on revaluations and capital allowances, calculated on a fully diluted basis. The prior year deferred tax is net of the goodwill of £73m, arising from recognising deferred tax on the acquisition of the Spirit and Debenhams portfolios.

At 31 March 2006, the number of shares in issue was: basic: 519m (2005: 518m); diluted: 525m (2005: 524m).

Total return per share (excluding refinancing charges) of 34.6% represents the growth per share in EPRA NAV (358p) plus dividends paid of 16p (see note 21), excluding current year refinancing charges of 16p. Total return per share for the year ended 31 March 2005 was 18.8%.

3 Gross and net rental income

	2006 £m	2005 £m
Rent receivable	**571**	509
Spreading of tenant incentives and guaranteed rent increases	**54**	40
Surrender premiums	**10**	8
Service charge income	**55**	47
Gross rental and related income	**690**	604
Service charge expenses	**(57)**	(44)
Property operating expenses	**(44)**	(43)
Net rental and related income	**589**	517

Net rental income for the year ended 31 March 2006 from properties which were subject to a security interest or held by non recourse companies was £388m (2005: £374m).

Property operating expenses relating to investment properties that did not generate any rental income were £7m (2005: £6m).

4 Fees and other income

	2006 £m	2005 £m
Performance and management fees	**29**	2
Dividend received from Songbird Estates PLC	**16**	
Other fees and commission	**5**	6
	50	8

The £29m performance and management fees comprise £20m performance fees and £9m management fees from funds and joint ventures.

The £48m HUT performance fee due to British Land for the year to 31 December 2005 is reduced to £32m after eliminating British Land's share. £18m has been recognised in the current period, the remaining £14m is deferred to later years as it is potentially subject to clawback, depending on performance. If there is no clawback, 50% of the undistributed performance fee is payable in each subsequent year. The £2m HIF performance fee due to British Land for the year to 31 December 2005 is reduced to £1m after eliminating British Land's share, all of which has been recognised in the current year.

5 Other income statement disclosures

(i) Total revenue	Note	2006 £m	2005 £m
Gross rental and related income	3	**690**	604
Fees and other income	4	**50**	8
Interest receivable	7	**11**	13
Proceeds on sale of trading properties		**14**	7
Gains on investment property disposals		**164**	16
Share of net profit of funds and joint ventures after tax	12	**311**	158
Total revenue in the year		**1,240**	806

(ii) Depreciation of property, plant and equipment £1m (2005: £1m).

(iii) Payments for audit services comprised: Statutory audit: Deloitte £0.8m (2005: £0.7m); other auditors: £0.2m (2005: £0.2m). Other audit-related regulatory reporting: Deloitte £0.3m (2005: £0.4); other auditors £0.1m (2005: £nil).

Payments to Deloitte for other services comprised £1.4m (2005: £1.3m) for tax services and £0.1m (2005: £nil) for other services.

Payments to other auditors comprised £0.9m (2005: £0.5m) for tax services and £0.2m (2005: £0.1m) for other services.

6 Net revaluation gains on property and investments

	2006 £m	2005 £m
In income statement		
Revaluation of investments (note 11)	**92**	43
Revaluation of properties	**1,203**	550
Gains on property disposals	**167**	17
	1,462	610
In consolidated statement of changes in equity		
Revaluation of properties	**102**	12
	1,564	622

Included above is a property derivative gain of £4m of which £2m is realised and £2m is included in revaluation of properties of £1,203m, increasing the net revaluation of £1,201m (note 11) attributable to properties, which is taken to the income statement.

Included in the tax charge is £16m (2005: £nil) attributable to gains on property disposals.

7 Net financing costs

	2006 £m	2005 £m
Interest payable on:		
Bank loans and overdrafts	**115**	84
Other loans	**274**	261
Loans from joint ventures	**1**	
Obligations under finance leases	**2**	2
	392	347
Development interest capitalised	**(12)**	(8)
	380	339
Interest receivable on:		
Deposits and securities	**(11)**	(10)
Loans to joint ventures		(3)
	(11)	(13)
Other finance (income) costs:		
Expected return on pension scheme assets	**(3)**	(3)
Interest on pension scheme liabilities	**3**	3
Valuation movements on fair value debt	**22**	7
Valuation movements on fair value derivatives	**(22)**	(7)
Valuation movements on translation of foreign currency debt	**14**	(5)
Hedging reserve recycling	**(14)**	5
Net financing expenses	**369**	326
Refinancing charges		
Sainsbury's Superstore securitisation	**99**	
Derivative close-out costs	**23**	
Broadgate securitisation		180
	122	180
Net financing costs	**491**	506
Total financing income	**(50)**	(28)
Total financing expenses	**541**	534
Net financing costs	**491**	506

On 28 February 2006 the Group incurred a pre-tax refinancing charge of £99m whilst redeeming the debt of its securitised Sainsbury's Superstore portfolio, borrowed by BLSSP (Funding) PLC. On the same day BL Superstores Finance PLC issued £753m of new securitised debt (see note 14). In addition, and after significant recent property disposals and the repayment of bank loans, derivatives have been closed out to maintain, in line with Group interest rate policy, an appropriate balance of fixed and floating rate debt resulting in the realisation from equity to the income statement of a £23m charge.

On 2 March 2005 the Group incurred a pre-tax refinancing 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 14).

Interest on development expenditure is capitalised at a rate of 5.6% (2005: 5.6%), with current year tax relief of £4m (2005: £2m).

8 Staff costs

Staff costs (Including directors)	**2006 £m**	2005 £m
Wages and salaries	**39**	23
Social security costs	**4**	3
Pension costs	**12**	4
Equity-settled share-based payments	**10**	8
	65	38

The average number of employees of the Group during the year was 718 (2005: 715) of which some 518 (2005: 540) 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 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 the 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:

Long-Term Incentive Plan: 2006 awards	31 May 2005	5 December 2005
Share price at grant date	877p	994p
Exercise price	877p	994p
Option life in years (maximum 10)	5	7
Risk free rate	4.3%	4.4%
Expected volatility	30%	20%
Expected dividend yield	2.0%	2.0%
Value per option	243p	241p

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.

Movements in shares and options are given in note 20.

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 ranging from 4.3% to 4.4%, expected volatility ranging from 20% to 30% and an expected dividend yield of 2.0%. The values per option for these schemes range from 276 pence to 316 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 which vested on 12 November 2005, 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 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. It is not planned to admit new employees to the scheme. Existing entitlements will be retained by the members, with freedom to transfer to a new Defined Contribution Scheme. Contributions to this scheme are at a flat rate of 15% of salary and paid by the Company. In certain circumstances it may be necessary to pay higher contributions when recruiting senior executives. The Group has five other small pension schemes. The total pension cost charged for the year was £12m (2005: £4m).

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 and to 31 March 2006 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:

	2006 % pa	2005 % pa	2004 % pa	2003 % pa
Discount rate	**4.9**	5.3	5.5	5.5
Salary inflation	**5.2**	5.1	5.1	4.8
Pensions increase	**3.0**	2.9	2.9	2.5
Price inflation	**3.0**	2.9	2.9	2.6

The mortality rates adopted are from the medium cohort projection of the PA92 year-of-birth tables reduced by 25% to reflect the nature of the membership. This means, for example, that members currently aged 60 are expected to draw their pension for 29 years (males) and 32 years (females) whereas members currently aged 45 who retire at age 60 are expected to draw their pension for 30 years (males) and 33 years (females).

Amounts recognised in the income statement within administrative expenses in respect of the defined benefit scheme are:

	2006 £m	2005 £m
Current service cost	**(3)**	(3)
Interest cost	**(3)**	(2)
Expected return on scheme assets	**3**	3
Past service costs	**(9)**	(1)
	(12)	(3)

The actual return on scheme assets was £11m (2005: £5m).

The amount included in the balance sheet arising from the Group's obligations in respect of its defined benefit scheme is as follows:

	2006 £m	2005 £m
Present value of defined scheme obligations	**(78)**	(55)
Fair value of scheme assets	**67**	51
Scheme (deficit) surplus	**(11)**	(4)
Liability recognised in the balance sheet	**(11)**	(4)

Movements in the present value of defined benefit obligations were as follows:

	2006 £m	2005 £m
At 1 April	**(55)**	(43)
Current service cost	**(3)**	(3)
Interest cost	**(3)**	(3)
Actuarial gains and losses	**(9)**	(6)
Benefits paid	**1**	1
Past service cost	**(9)**	(1)
At 31 March	**(78)**	(55)

9 **Pensions** (continued)

Movements in the fair value of the scheme assets were as follows:

	2006 £m	2005 £m
At 1 April	**51**	44
Expected return on scheme assets	**3**	3
Contributions by employer	**6**	3
Actuarial gains and losses	**8**	2
Benefits paid	**(1)**	(1)
At 31 March	**67**	51

Composition of scheme assets	**Expected return 2006/7 %**	**2006 £m**	Expected return 2005/6 %	2005 £m
Equities	**6.8**	**28**	7.0	31
Bonds	**4.3**	**37**	4.5	19
Other assets	**4.3**	**2**	4.5	1
Total scheme assets		**67**		51

History of experience gains and losses

	2006 £m	2005 £m	2004 £m	2003 £m
Difference between expected and actual return on scheme assets				
Amount	**8**	2	4	(4)
Percentage of scheme assets	**12.1%**	4.7%	8.6%	15.5%
Experience gains and losses on scheme liabilities				
Amount	**2**	(1)	1	(2)
Percentage of present value on scheme liabilities	**1.9%**	1.8%	1.9%	4.5%
Changes in assumptions underlying the present value of scheme liabilities	**(11)**	(5)	(5)	(6)
Total actuarial loss recognised in the statement of changes in equity				
Amount*	**(1)**	(4)		(12)
Percentage of present value on scheme liabilities	**1.4%**	7.1%	0.8%	32.4%
Deferred taxation attributable to pension movements		1		4
Pension scheme movement for the year	**(1)**	(3)		(8)

* Cumulative amount recognised in the statement of changes in equity is £17m.

10 Taxation

	2006 £m	2005 £m
Tax charge		
Current tax		
UK corporation tax (30%)	**(3)**	(3)
Foreign tax	**11**	2
	8	(1)
Adjustments in respect of prior years	**(1)**	(45)
Total current tax charge (credit)	**7**	(46)
Deferred tax on income and revaluations	**334**	130
Group total taxation (net)	**341**	84
Tax reconciliation		
Profit on ordinary activities before taxation	**1,590**	738
Less: Profit attributable to funds and joint ventures	**(311)**	(158)
Group profit on ordinary activities before taxation	**1,279**	580
Tax on profit on ordinary activities at UK corporation tax rate of 30% (2005: 30%)	**384**	174
Effects of:		
Indexation relief on investment properties	**(9)**	(48)
Goodwill impairment	**72**	
Capital allowances	**(8)**	(10)
Tax losses and other timing differences	**(84)**	11
Expenses not deductible for tax purposes	**(13)**	2
Adjustments in respect of prior years	**(1)**	(45)
Group total taxation	**341**	84

Tax attributable to underlying profits for the year ended 31 March 2006 is £43m (2005: £42m).

Corporation tax receivable at 31 March 2006 was £8m (2005: £22m) as shown in note 15. Deferred tax is set out below:

	2006 £m	2005 £m
Deferred tax		
Capital allowances	**124**	123
Other timing differences	**(29)**	(29)
Intangible assets	**20**	
Property and investment revaluations	**1,216**	851
	1,331	945

Deferred tax is calculated on temporary differences under the liability method using a tax rate of 30% (2005: 30%). The movement on the deferred tax account is as shown below:

	2006 £m	2005 £m
At 1 April	**945**	746
Acquisition	**23**	75
Profit or loss charge	**334**	130
Taken to equity	**29**	(6)
At 31 March	**1,331**	945

Deferred tax assets have been recognised in respect of tax losses and other timing differences because it is probable that these assets will be recovered.

10 Taxation (continued)

The movements in deferred tax assets and liabilities are shown below.

	Liability 2005 £m	Charged (credited) to income 2005 £m	Charged (credited) to reserves 2005 £m
Capital allowances	123	18	
Other timing differences	(29)	(28)	
Property and investment revaluations	851	140	(6)
	945	130	(6)

	Liability 2006 £m	**Charged (credited) to income 2006 £m**	**Charged (credited) to reserves 2006 £m**
Capital allowances	**124**	**1**	
Other timing differences	**(29)**	**5**	
Property and investment revaluations	**1,236**	**328**	**29**
	1,331	**334**	**29**

11 Investment, development and trading properties

Prior year	Investment £m	Development £m	Trading £m	Total £m
Carrying value at 1 April 2004	9,182	156	42	9,380
Additions: – corporate acquisitions	708			708
– property purchases	373			373
– other capital expenditure	90	46		136
	1,171	46		1,217
Disposals	(69)		(6)	(75)
Property transfer	2	(2)		
Exchange fluctuations	1			1
Revaluations:				
included in income statement	550			550
included in consolidated statement of changes in equity		12		12
Increase in tenant incentives and guaranteed rent uplift balances	40			40
Carrying value of properties on balance sheet 31 March 2005	10,877	212	36	11,125
External valuation surplus on trading properties				57
Head lease liabilities (note 18)				(28)
Total Group property portfolio valuation 31 March 2005				11,154

11 Investment, development and trading properties (continued)

Current year	Investment £m	Development £m	Trading £m	Total £m
Carrying value at 1 April 2005	**10,877**	**212**	**36**	**11,125**
Additions: – corporate acquisitions	**495**			**495**
– property purchases	**34**	**134**		**168**
– other capital expenditure	**196**	**114**		**310**
	725	**248**		**973**
Disposals	**(1,722)**			**(1,722)**
Property transfer	**7**	**(7)**		
Exchange fluctuations	**1**			**1**
Revaluations:				
included in income statement	**1,159**	**42**		**1,201**
included in consolidated statement of changes in equity		**102**		**102**
Increase in tenant incentives and guaranteed rent uplift balances	**34**			**34**
Carrying value of properties on balance sheet 31 March 2006	**11,081**	**597**	**36**	**11,714**
External valuation surplus on trading properties				**67**
Head lease liabilities (note 18)				**(28)**
Total Group property portfolio valuation 31 March 2006				**11,753**

At 31 March 2006, the Group book value of properties of £11,714m (2005: £11,125m) comprises freeholds of £11,017m (2005: £10,402m), virtual freeholds of £109m (2005: £96m); long leaseholds of £577m (2005: £618m) and short leaseholds of £11m (2005: £9m).

Investment, development and trading properties were valued by external valuers other than where stated on the basis of open market value in accordance with the Appraisal and Valuation Manual published by The Royal Institution of Chartered Surveyors:

	2006 £m	2005 £m
Knight Frank	**11,750**	
Atisreal Weatheralls		10,802
FPD Savills	**2**	282
Jones Lang LaSalle (Republic of Ireland)		69
CB Richard Ellis B.V. (Netherlands)	**1**	1
Total Group property portfolio valuation	**11,753**	11,154

Properties valued at £7,709m (2005: £7,052m) were subject to a security interest and other properties of non-recourse companies amounted to £196m (2005: £42m).

Cumulative interest capitalised in investment and development properties amounts to £40m and £13m (2005: £37m and £4m) respectively. Included in leasehold properties is an amount of £32m (2005: £33m) in respect of property occupied by the Group. The historical cost of properties was £7,698m (2005: £8,149m).

12 Funds and joint ventures

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

	2006 £m	2005 £m
Gross rental income	**123**	73
Net rental income	**112**	68
Other income and expenditure	**(6)**	(3)
Net financing costs	**(67)**	(34)
Net underlying profit before tax	**39**	31
Net valuation gains on property and investments	**378**	169
Profit on ordinary activities before taxation	**417**	200
Current tax	**(9)**	(10)
Deferred tax	**(97)**	(32)
Profit on ordinary activities after taxation	**311**	158

Summary movement for the year of the investments in funds and joint ventures

	Equity £m	Loans £m	Total £m
At 1 April 2005	660	40	**700**
Acquired with Pillar Property PLC	594	5	**599**
Additions	1	11	**12**
Disposals	(50)	(38)	**(88)**
Share of profit after taxation	311		**311**
Distributions and dividends: capital	(277)		**(277)**
revenue	(25)		**(25)**
Hedging movements	2		**2**
At 31 March 2006	**1,216**	**18**	**1,234**

At 31 March 2006, the total investment in funds and joint ventures of £1,234m comprises £599m of investment in funds being Hercules Unit Trust (HUT), Hercules Income Fund (HIF) and Pillar Retail Europark Fund (PREF) and £635m investment in joint ventures, being the total of £589m and City of London Office Unit Trust (CLOUT) of £46m. At 31 March 2005, there were no investments in funds.
Distributions in the year include £65m (£59m capital) received from HUT; £31m (£28m capital) received from CLOUT and £190m received from The Scottish Retail Property Limited Partnership.

With regard to funds and joint ventures, at 31 March 2006 the Group's share of:
(i) their properties, including finance and trading lease surpluses is £2,661m (2005: £1,353m).
(ii) their external net debt is £1,124m (2005: £502m).
(iii) the market value of their debt was £2m more than the Group's share of the book value (2005: £4m).

All fund and joint venture results have been shown for the period ended 31 March 2006. In the case of some joint ventures this period exceeds 12 months as the Group has aligned all period ends as a consequence of moving to quarterly reporting. The effect is not considered material to the current and prior year financial statements.

12 Funds and joint ventures (continued)

Funds' summary financial statements

All disclosures have been restated to British Land accounting policies under IFRS including deferred tax and excluding performance and management fees due to the Group.	Hercules Unit Trust	Hercules Income Fund	Pillar Retail Europark Fund	City of London Office Unit Trust	**British Land Share**
Percentage interest	34.64%	26.12%	34.16%	35.94%	
Date established	22 September 2000	16 September 2004	17 March 2004	6 November 2000	
Accounting period	8 months ended 31 March 2006	8 months ended 31 March 2006	5 months ended 31 December 2005	8 months ended 31 March 2006	
Summarised profit and loss accounts	£m	£m	£m	£m	**£m**
Gross rental income	70	6	6	20	**35**
Net rent and related income	68	5	5	19	**34**
Other income and expenditure	(3)		(1)	(1)	**(2)**
Operating profit	65	5	4	18	**32**
Surplus (deficit) on revaluation	445	22	8	15	**169**
Disposal of fixed assets	2	1		13	**6**
Net external interest payable	(42)		(2)	(12)	**(20)**
Profit (loss) before tax	470	28	10	34	**187**
Current tax	(7)	(1)	(1)	(1)	**(4)**
Deferred tax	(89)	(5)	(8)	(6)	**(37)**
Profit (loss) after tax	374	22	1	27	**146**
Summarised balance sheets					
Investment properties at valuation	3,113	157	202	102	**1,225**
Total properties	3,113	157	202	102	**1,225**
Current assets	33	6	14	123	**71**
Cash and deposits	32	3	6	12	**20**
Gross assets	3,178	166	222	237	**1,316**
Current liabilities	(44)	(5)	(10)	(71)	**(54)**
Bank debt falling due within one year		(25)			**(7)**
Bank debt falling due after one year	(298)		(117)	(38)	**(156)**
Securitised debt	(957)				**(332)**
Deferred tax	(337)	(5)	(15)		**(122)**
Gross liabilities	(1,636)	(35)	(142)	(109)	**(671)**
Net external assets	1,542	131	80	128	**645**
Represented by:					
Investors' capital	1,542	131	80	128	**645**
Total investment	1,542	131	80	128	**645**
Capital commitments			42		**14**

12 Funds and joint ventures (continued)

Joint ventures' summary financial statements

All disclosures have been restated to British Land accounting policies under IFRS	The Scottish Retail Property Limited Partnership	BL Davidson 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	Land Securities Group PLC	Manny Davidson, his family and trusts	Tesco PLC	Tesco PLC	Tesco PLC
Date established	March 2004	September 2001	November 1996	February 1998	November 1999
Accounting period	Year ended 31 March 2006	15 months ended 31 March 2006	15 months ended 31 March 2006	15 months ended 31 March 2006	15 months ended 31 March 2006
Summarised profit and loss accounts	£m	£m	£m	£m	£m
Gross rent and related income	50	41	19	12	34
Net rent and related income	34	39	18	11	33
Other income and expenditure	(2)	(3)		(1)	(1)
Profit (loss) on property trading		1			
Operating profit	32	37	18	10	32
Surplus (deficit) on revaluation	41	99	61	28	128
Disposal of fixed assets		(1)			
Net interest – External	(22)	(20)	(13)	(5)	(22)
– Shareholders			1		
Net interest (payable) receivable	(22)	(20)	(12)	(5)	(22)
Profit (loss) before tax	51	115	67	33	138
Current tax	(3)	(5)	(1)	13	(3)
Deferred tax	(29)	(28)	(18)	(8)	(36)
Profit (loss) after tax	19	82	48	38	99
Summarised balance sheets					
Investment properties at valuation	665	698	344	181	630
Development and trading properties at cost		8			
Assets held under finance leases					
Total properties	665	706	344	181	630
Current assets	31	18	3	6	20
Upstream loans to joint venture shareholders			17		
Cash and deposits	16	16	12	5	18
Gross assets	712	740	376	192	668
Current liabilities	(41)	(31)	(11)	(18)	(33)
Bank debt falling due within one year		(30)			
Bank debt falling due after one year		(83)	(185)	(87)	(315)
Securitised debt	(427)				
Debentures		(114)			
Other non-current liabilities	(10)	(4)			
Deferred tax	(69)	(115)	(48)	(17)	(80)
Gross liabilities	(547)	(377)	(244)	(122)	(428)
Net external assets	165	363	132	70	240
Represented by:					
Shareholder loans					
Ordinary shareholders' funds/Partners' capital	165	363	132	70	240
Total investment	165	363	132	70	240
Capital commitments	32		17		1

12 Funds and joint ventures (continued)

Joint ventures' summary financial statements

All disclosures have been restated to British Land accounting policies under IFRS	BL Fraser Ltd	Other Joint Ventures	**British Land Share**	British Land Share 2005 Comparative
All joint ventures are held equally on a 50:50 basis				
Partners	House of Fraser plc			
Date established	July 1999			
Accounting period	14 months ended 31 March 2006			
Summarised profit and loss accounts	£m	£m	**£m**	£m
Gross rent and related income	16	3	**88**	73
Net rent and related income	16	5	**78**	68
Other income and expenditure	(1)		**(4)**	(3)
Profit (loss) on property trading		17	**9**	3
Operating profit	15	22	**83**	68
Surplus (deficit) on revaluation	26	5	**194**	160
Disposal of fixed assets	1			6
Net interest – External	(10)	(4)	**(48)**	(31)
– Shareholders		1	**1**	(3)
Net interest (payable) receivable	(10)	(3)	**(47)**	(34)
Profit (loss) before tax	32	24	**230**	200
Current tax	(4)	(7)	**(5)**	(10)
Deferred tax		(1)	**(60)**	(32)
Profit (loss) after tax	28	16	**165**	158
Summarised balance sheets				
Investment properties at valuation	286	32	**1,418**	1,325
Development and trading properties at cost			**4**	25
Assets held under finance leases		14	**7**	8
Total properties	286	46	**1,429**	1,358
Current assets	3	49	**65**	12
Upstream loans to joint venture shareholders		31	**24**	26
Cash and deposits	7	20	**47**	56
Gross assets	296	146	**1,565**	1,452
Current liabilities	(11)	(52)	**(98)**	(73)
Bank debt falling due within one year	(4)		**(17)**	(81)
Bank debt falling due after one year	(130)	(2)	**(401)**	(412)
Securitised debt			**(214)**	
Debentures			**(57)**	(57)
Other non-current liabilities	(2)		**(8)**	(11)
Deferred tax	(29)	(4)	**(181)**	(118)
Gross liabilities	(176)	(58)	**(976)**	(752)
Net external assets	120	88	**589**	700
Represented by:				
Shareholder loans	1	35	**18**	40
Ordinary shareholders' funds/Partners' capital	119	53	**571**	660
Total investment	120	88	**589**	700
Capital commitments		16	**33**	33

13 Other non-current assets

	Other investments £m	Intangible assets £m	Goodwill £m
At 1 April 2004	17		
Additions	98		73
Disposals/depreciation/impairment	(5)		
Revaluations	43		
At 31 March 2005	153		73
At 1 April 2005	153		73
Additions	3		
On corporate acquisition (see below)		75	167
Revaluation	92		
Amortisation		(10)	
Impaired in the year			(240)
At 31 March 2006	**248**	**65**	

Other investments include British Land's investment in Songbird Estates PLC which was acquired for £98m in June 2004 and valued by a major independent firm of Chartered Accountants on the basis of open market value at £233m as at 31 March 2006 (2005: £140m).

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

Goodwill at 31 March 2005 related to the Spirit aquisition of £28m and the Debenhams acquisition of £45m. Goodwill in 2006 arose on the acquisitions set out below.

On 18 April 2005 the Group purchased the remaining 50% of the issued share capital of the BL West companies. The fair value of the consideration was £50m and there was no goodwill arising on acquisition.

On 28 July 2005 the Group acquired 100% of the issued share capital of Pillar Property PLC; the fair value of the consideration was £816m.

	Book value acquired				
	BL West Group of companies £m	Pillar Property PLC £m	Accounting policy adjustment £m	Fair value adjustment £m	**Fair value to Group £m**
Properties	92	311			**403**
Investment in unit trusts		682	3		**685**
Intangible assets – fund management contracts				75	**75**
Other net current assets (liabilities)	12	(11)	(7)		**(6)**
Borrowings	(54)	(283)			**(337)**
Loan notes		(12)			**(12)**
	50	687	(4)	75	**808**
Deferred taxation (on units and intangible assets)		(86)		(23)	**(109)**
Goodwill					**167**
					866
Satisfied by:					
Cash paid (total consideration)					**866**
Repayment of: borrowings					**391**
loan notes					**7**
Total amounts payable					**1,264**

Acquisition accounting has been finalised for all recent acquisitions. Adjustments to increase the deferred tax liability of £50m, and to recognise other liabilities of £10m have been made to the provisional amounts previously disclosed for the Pillar acquisition.

The Group's revenue for the year ended 31 March 2006 would have been £1,277m if Pillar Property PLC and the BL West group of companies had been acquired on1 April 2005; its profit after taxation would have been £1,220m.

The Group's profit after tax of £1,249m for the year ended 31 March 2006 includes post acquisition profits of £176m for Pillar Property PLC, and £37m for the BL West group.

Goodwill has been tested for impairment by comparing the carrying value of the cash generating unit including goodwill to its recoverable amount. For the purpose of impairment testing, the Spirit portfolio, Debenhams portfolio and the investment in HUT, are each regarded as cash-generating units. The recoverable amount of each cash-generating unit is based on the fair value less costs to sell, with fair value being determined in the light of external property values. As a result of these impairment tests, a non-cash impairment charge of £240 million has been recognised to write off goodwill in full.

The Board's in principle decision to become a REIT will result in the derecognition of deferred tax provisions in the foreseeable future. Further, there has been a substantial rise in the values of the acquired assets. These two factors have given rise to the goodwill impairment.

14 Net debt

	Footnote	2006 £m	2005 £m
Secured on the assets of the Group			
Class A4 4.821% Bonds 2036	1.1	**396**	396
5.920% Secured Notes 2035	1.2	**62**	59
Class C2 5.098% Bonds 2035	1.1	**217**	215
Class B 4.999% Bonds 2033	1.1	**365**	365
Class A3 4.851% Bonds 2033	1.1	**175**	174
Class A1 Floating Rate Bonds 2032	1.1	**224**	224
Class A2 4.949% Bonds 2031	1.1	**308**	314
Class A2 4.482% Bonds 2030	1.3, 2	**257**	
Class M1 Floating Rate Bonds 2030	1.3, 2	**83**	
Class B2 5.270% Bonds 2030	1.3, 2	**239**	
Class B3 5.578% Bonds 2030	1.3, 2	**49**	
Class C1 Floating Rate Bonds 2030	1.3, 2	**69**	
Class D1 Floating Rate Bonds 2030	1.3, 2	**53**	
Class D Floating Rate Bonds 2025	1.1	**147**	149
7.743% Secured Notes 2025	1.4, 3		20
Class C1 Floating Rate Bonds 2022	1.1	**234**	234
8⅞% First Mortgage Debenture Bonds 2035		**247**	247
9⅜% First Mortgage Debenture Stock 2028		**197**	197
10½% First Mortgage Debenture Stock 2019/24		**13**	13
11⅜% First Mortgage Debenture Stock 2019/24		**20**	20
6¾% First Mortgage Debenture Bonds 2020	1.5	**205**	206
6¾% First Mortgage Debenture Bonds 2011	1.5	**103**	103
Bank loan	1.6, 4		45
Loan notes		**5**	
		3,668	2,981
Unsecured			
Class A1 5.260% Unsecured Notes 2035	1.2	**586**	572
Class B 5.793% Unsecured Notes 2035	1.2	**97**	99
Class C Fixed Rate Unsecured Notes 2035	1.2	**87**	84
Class A2 (C) 6.457% Unsecured Notes 2025	1.4, 3		212
Class B2 6.998% Unsecured Notes 2025	1.4, 3		206
Class B3 7.243% Unsecured Notes 2025	1.4, 3		21
Class A1 6.389% Unsecured Notes 2016	1.4, 3		80
Class B1 7.017% Unsecured Notes 2016	1.4, 3		80
Class A2 5.555% Unsecured Notes 2013	1.2	**35**	40
		805	1,394
6.30% Senior US Dollar Notes 2015	5	**88**	81
10¼% Bonds 2012		**2**	2
7.35% Senior US Dollar Notes 2007	5	**92**	85
Bank loans and overdrafts		**1,049**	1,619
		2,036	3,181
Gross debt	6	**5,704**	6,162
Interest rate derivatives: liabilities		**48**	60
Interest rate derivatives: assets		**(26)**	(10)
		5,726	6,212
Cash and short-term deposits	7	**(133)**	(151)
Net debt		**5,593**	6,061

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

	2006 £m	2005 £m
1.1 Broadgate Financing PLC	**2,066**	2,071
1.2 MSC (Funding) PLC	**867**	854
1.3 BL Superstores Finance PLC	**750**	
1.4 BLSSP (Funding) PLC		619
1.5 BL Universal PLC	**308**	309
1.6 BLU Nybil Ltd		45

2 A total of £753m Bonds were issued by BL Superstores Finance PLC on 28 February 2006.

3 All the outstanding Notes of BLSSP (Funding) PLC were redeemed on 28 February 2006.

4 The outstanding balance drawn under the BLU Nybil Ltd Term Loan was repaid on 31 March 2006.

5 Principal and interest on these borrowings were fully hedged into Sterling at the time of issue.

6 The principal amount of gross debt at 31 March 2006 was £5,716m (2005: £6,209m). Included in this, the principal amount of secured borrowings and other borrowings of non-recourse companies was £4,470m (2005: £4,393m).

7 Cash and deposits not subject to a security interest amount to £36m (2005: £54m).

14 Net debt (continued)

Hedge accounting

The Group uses interest rate swaps to hedge exposure to the variability in cash flows on floating rate debt, such as revolving bank facilities and floating rate bonds, caused by movements in market rates of interest. At 31 March 2006 the market value of these derivatives, which have been designated as cash flow hedges under IAS 39, is a liability of £21m (2005: £16m – liability).

The cross currency swaps, which fully hedge the foreign exchange exposure on the US Private Placements, have been designated as cash flow hedges. The market value of these is a liability of £20m (2005: £31m – liability).

The cash flows occur and enter into the determination of profit and loss until the maturity of the hedged debt. The table below summarises foreign currency denominated and variable rate debt hedged at 31 March 2006.

Cash flow hedged debt		2006 £m	2005 £m
Outstanding:	after one year	**1,913**	1,998
	after two years	**2,262**	2,103
	after five years	**2,235**	2,042
	after ten years	**320**	427

The Group also uses interest rate swaps as a hedge of the exposure to changes in fair value on long dated fixed rate debt caused by movements in market rates of interest. The market value of interest rate swaps designated as fair value interest rate hedges of fixed rate debt is an asset of £20m (2005: £1m – liability).

Details of the financing policy and risk management are set out on pages 50 to 53.

Interest rate profile – including effect of derivatives

	2006 £m	2005 £m
Fixed rate	**5,203**	5,360
Capped rate	**100**	100
Variable rate (net of cash)	**290**	601
Net debt	**5,593**	6,061

All the above debt is effectively Sterling based except for £32m (2005: £84m) of Euro debt of which £nil (2005: £46m) is fixed and the balance floating. At 31 March 2006 the weighted average interest rate of the Sterling fixed rate debt is 5.81% (2005: 6.08%). The weighted average period for which the rate is fixed is 16.0 years (2005: 16.1 years). The floating rate debt is set for periods of the Company's choosing at the relevant LIBOR (or similar) rate.

Maturity analysis of net debt

		2006 £m	2005 £m
Repayable:	within one year and on demand	**129**	408
between:	one and two years	**64**	259
	two and five years	**1,348**	1,328
	five and ten years	**576**	533
	ten and fifteen years	**746**	795
	fifteen and twenty years	**835**	580
	twenty and twenty five years	**854**	948
	twenty five and thirty years	**1,152**	1,001
	thirty and thirty five years		310
		5,575	5,754
Gross debt		**5,704**	6,162
Interest rate derivatives		**22**	50
Cash and short-term deposits		**(133)**	(151)
Net debt		**5,593**	6,061

Total borrowings where any instalments are due after five years is £3,120m (2005: £3,064m).

14 Net debt (continued)

Maturity of committed undrawn borrowing facilities

		2006 £m	2005 £m
Expiring:	within one year	**822**	114
between:	one and two years	**25**	95
	two and three years	**554**	10
	three and four years	**118**	442
	four and five years	**763**	132
	over five years		25
Total		**2,282**	818

The above facilities are those freely available to be drawn for Group purposes. There are additional undrawn 364 day revolving liquidity facilities of £185m and £115m which are only available for requirements of the Broadgate and Superstore securitisations, respectively.

Comparison of market values and book values

	2006			2005		
	Market value £m	**Book value £m**	**Difference £m**	Market value £m	Book value £m	Difference £m
Securitisations	**3,765**	**3,683**	**82**	3,581	3,544	37
Debentures and unsecured bonds	**1,269**	**967**	**302**	1,191	954	237
Bank debt and other floating rate debt	**1,054**	**1,054**		1,664	1,664	
Cash and short-term deposits	**(133)**	**(133)**		(151)	(151)	
	5,955	**5,571**	**384**	6,285	6,011	274
Other financial (assets) liabilities						
– interest rate derivative assets	**(26)**	**(26)**		(10)	(10)	
– interest rate derivative liabilities	**48**	**48**		60	60	
	22	**22**		50	50	
Total	**5,977**	**5,593**	**384**	6,335	6,061	274

The differences are shown before any tax relief. Short-term debtors and creditors have been excluded from the disclosures.

The fair values of fixed rate debt have been established by obtaining quoted market prices from brokers. Where market prices are not available discounted cash flow calculations have been carried out on behalf of the Group by UBS and Barclays Capital. The bank debt has been valued assuming it could be renegotiated at contracted margins. The derivatives have been valued using market data by the independent treasury adviser, Record Currency Management.

15 Debtors

	2006 £m	2005 £m
Trade and other debtors	**72**	39
Prepayments and accrued income	**12**	5
Corporation tax	**8**	22
Interest rate derivatives*	**26**	10
	118	76

* Includes contracted cash flow with a maturity greater than one year at fair value.

Trade and other debtors are shown after deducting a provision for bad and doubtful debts of £11m (2005: £9m). The charge to the income statement was £3m (2005: £3m).

The directors consider that the carrying amount of trade and other debtors approximates their fair value. There is no concentration of credit risk with respect to trade debtors as the Group has a large number of customers.

16 Creditors

	2006 £m	2005 £m
Trade creditors	**67**	38
Amounts owed to joint ventures	**26**	28
Other taxation and social security	**7**	13
Accruals and deferred income	**269**	212
Interest rate derivatives*	**48**	60
	417	351

* Includes contracted cash flow with a maturity greater than one year at fair value.

Trade payables are interest free and have settlement dates within one year. The directors consider that the carrying amount of trade and other payables approximates their fair value.

17 Other non-current liabilities

	2006 £m	2005 £m
Obligations under finance leases	**28**	28
Minority interest	**5**	5
Retirement benefit obligations (net)	**11**	4
	44	37

18 Leasing

Operating leases with tenants

The Group leases out all of its investment properties under operating leases for average lease terms of 16 years to expiry. The future aggregate minimum rentals receivable under non-cancellable operating leases are as follows:

	2006 £m	2005 £m
Less than one year	**488**	507
Between two and five years	**2,031**	2,215
Between six and ten years	**2,332**	2,601
Between 11 and 15 years	**1,856**	2,166
Between 16 and 20 years	**1,062**	1,332
After 20 years	**1,112**	1,331
	8,881	10,152

Contingent rents of £2m (2005: £1m) were recognised in the year.

Obligations under finance leases

The Group's leasehold investment properties are typically under non-renewable leases without significant restrictions.

Finance lease liabilities are payable as follows, no contingent rents are payable in either period:

	2006			2005		
	Minimum lease payments £m	Interest £m	Principal £m	Minimum lease payments £m	Interest £m	Principal £m
British Land Group						
Less than one year	**2**	**2**		2	2	
Between one and five years	**9**	**8**	**1**	9	8	1
More than five years	**200**	**173**	**27**	203	176	27
	211	**183**	**28**	214	186	28

19 Notes to the cash flow statement

Reconciliation of profit on ordinary activities before tax to cash generated from operations

	2006 £m	2005 £m
Profit on ordinary activities before tax	**1,590**	738
Non-cash movements		
Net valuation gains on investment properties and investments		
Revaluation of properties	**(1,203)**	(550)
Revaluation of investments	**(92)**	(43)
Gains on investment property disposals and property derivatives	**(166)**	(16)
	(1,461)	(609)
Share of profits after tax of funds and joint ventures	**(311)**	(158)
Spreading of tenant incentives, guaranteed rent uplifts and letting fees	**(55)**	(38)
Impairment of goodwill	**240**	
Negative goodwill		(2)
Depreciation and amortisation	**11**	1
Share options, share awards and pension funding	**20**	8
	(1,556)	(798)
Changes to working capital and other cash movements		
Net financing costs	**369**	326
Refinancing charges (as described in note 7)	**122**	180
Dividends received	**(16)**	
Share options, share awards and pension funding	**(6)**	
Decrease in trading properties		6
(Increase) decrease in debtors	**(9)**	1
(Decrease) increase in creditors	**(39)**	11
	421	524
Cash generated from operations	**455**	464

20 Share capital and reserves

	Number of shares	Ordinary shares £m	Share premium £m	**Total £m**
Issued, called up and fully paid 1 April 2004	487,999,692	122	1,109	1,231
Shares issued	30,307,328	8	140	148
Issued, called up and fully paid 31 March 2005	**518,307,020**	**130**	**1,249**	**1,379**
Issued, called up and fully paid 1 April 2005	518,307,020	130	1,249	1,379
Shares issued	878,269		4	4
Issued, called up and fully paid 31 March 2006	**519,185,289**	**130**	**1,253**	**1,383**

The authorised share capital, being 25p ordinary shares, increased from 799,200,000 at 1 April 2005 to 800,000,000 at 31 March 2006.

Other reserves

Other reserves at 31 March 2006 were £79m (2005: £12m) which 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.

(iv) Equity reserve – represented the equity component of the irredeemable convertible bonds, which were converted during the year ended 31 March 2005, net of the related deferred tax asset.

20 Share capital and reserves (continued)

At 31 March 2006, options over 6,330,749 ordinary shares were outstanding under Employees 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 1 April 2005	Granted	Exercised/ vested	Forfeits	At 31 March 2006	Exercise/ share price at grant date pence	Exercise dates From	To
Share options								
1984 Share Option Scheme								
23.01.96	353,700		(353,700)			394	23.01.99	22.01.06
23.01.96	313,843		(313,843)			394	23.01.01	22.01.06
	667,543		(667,543)					
Sharesave Scheme								
01.02.01	20,398		(19,968)	(430)		359	01.02.06	31.07.06
01.09.01	6,425				6,425	399	01.09.06	28.02.07
01.03.02	12,198		(4,764)	(2,258)	5,176	377	01.03.07	31.08.07
01.09.02	9,897		(9,440)	(457)		443	01.09.05	28.02.06
01.09.02	3,211				3,211	443	01.09.07	29.02.08
01.03.03	31,044		(27,563)	(218)	3,263	359	01.03.06	31.08.06
01.03.03	22,233		(740)	(3,835)	17,658	359	01.03.08	31.08.08
01.09.03	16,467		(796)	(942)	14,729	383	01.09.06	28.02.07
01.09.03	3,990		(745)	(1,250)	1,995	383	01.09.08	28.02.09
01.03.04	47,851		(820)	(2,226)	44,805	472	01.03.07	31.08.07
01.03.04	32,569			(671)	31,898	472	01.03.09	31.08.09
01.03.05	53,010		(532)	(2,739)	49,739	648	01.03.08	31.08.08
01.03.05	51,357		(682)	(6,203)	44,472	648	01.03.10	31.08.10
23.06.05		20,200		(864)	19,336	701	01.09.08	28.02.09
23.06.05		4,334			4,334	701	01.09.10	28.02.11
22.12.05		24,861		(2,928)	21,933	804	01.03.09	31.08.09
22.12.05		13,170		(160)	13,010	804	01.03.11	31.08.11
	310,650	62,565	(66,050)	(25,181)	281,984			
Long-Term Incentive Plan								
25.09.03	868,397		(84,166)	(46,560)	737,671	502	25.09.06	24.09.13
12.12.03	802,500		(9,702)	(9,048)	783,750	552	12.12.06	11.12.13
28.05.04	1,557,062		(39,877)	(122,365)	1,394,820	663	28.05.07	27.05.14
29.11.04	900,279		(4,671)	(27,561)	868,047	796	29.11.07	28.11.14
31.05.05		1,019,871		(116,449)	903,422	877	31.05.08	30.05.15
05.12.05		550,741			550,741	994	05.12.08	04.12.15
	4,128,238	1,570,612	(138,416)	(321,983)	5,238,451			
Options granted under MIP								
17.08.05		810,314			810,314	387	28.07.06	23.08.08
Total	**5,106,431**	**2,443,491**	**(872,009)**	**(347,164)**	**6,330,749**			
Weighted average exercise price of options								
	596p	738p	420p	712p	669p			
						pence		Vesting date
Performance shares								
Restricted Share Plan*								
23.07.02	566,119	283,059	(849,178)			530		23.07.05
20.12.02	264,250	131,041	(395,291)			440		20.12.05
12.06.03	398,250	712	(7,212)		391,750	510		12.06.06
	1,228,619	414,812	(1,251,681)		391,750			
Long-Term Incentive Plan*								
25.09.03	289,464		(28,055)	(15,520)	245,889	502		25.09.06
12.12.03	267,500		(3,234)	(3,016)	261,250	552		12.12.06
28.05.04	519,007		(13,292)	(40,788)	464,927	663		28.05.07
29.11.04	300,093		(1,557)	(9,187)	289,349	796		29.11.07
31.05.05		428,140		(38,818)	389,322	877		31.05.08
05.12.05		221,709			221,709	994		05.12.08
	1,376,064	649,849	(46,138)	(107,329)	1,872,446			
Recruitment Award Agreement*								
29.11.04	36,671		(36,671)			818		12.11.05
Co-investment Share Plan*								
29.11.04	61,957				61,957	807		29.11.07
Total	**2,703,311**	**1,064,661**	**(1,334,490)**	**(107,329)**	**2,326,153**			
Weighted average price of performance shares								
	583p	755p	512p	725p	695p			

* At 31 March 2006 the British Land Share Ownership Plan, a discretionary trust established to facilitate the operation of the incentive schemes, held 2,520,546 ordinary shares, with a market value of £31,279,976, in respect of RSP restricted, LTIP performance and Co-investment Share Plan shares (2005: 2,714,576, £21,825,191). The amount of shares which eventually vests 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 Co-investment Share Plan depends on a three year service period and is conditional on the prior acquisition by Stephen Hester of a matching number of shares which must be retained for a three year period.

21 Dividend

The proposed final dividend of 11.8 pence per share, totalling £61m (2005: 10.9 pence per share, totalling £57m) was approved by the Board on 22 May 2006 and is payable on 18 August 2006 to shareholders on the register at the close of business on 21 July 2006.

The consolidated statement of changes in equity shows total dividends paid per share of 16.1 pence comprising the 2006 interim dividend of £27m, representing 5.2 pence per share, that was paid on 17 February 2006, as well as the 2005 final dividend, that was paid on 19 August 2005.

22 Segment information

Primary and secondary segments

Since the UK is the predominant location of the Group's property portfolio, these financial statements and related notes represent the results and financial position of the Group's primary business segment. The secondary reporting format by property use is shown below:

	Offices		Retail		Other		Total	
	2006 £m	2005 £m	**2006 £m**	2005 £m	**2006 £m**	2005 £m	**2006 £m**	2005 £m
Net rental income: Group only	**238**	236	**318**	255	**33**	26	**589**	517
Segment assets	**5,189**	4,795	**7,400**	6,333	**923**	1,150	**13,512**	12,278
Capital expenditure	**491**	114	**506**	851	**45**	251	**1,042**	1,216

Segment assets include the Group's share of Funds and Joint Ventures.

23 Capital commitments

	2006 £m	2005 £m
British Land	**1,077**	536
Share of funds (note 12)	**14**	
Share of joint ventures (note 12)	**33**	32
	1,124	568

24 Contingent liabilities

There were no contingent liabilities of the parent for guarantees to third parties at 31 March 2006 (2005: £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 £44m (2005: £44m) and recourse is only to the partnership assets.

25 Related party transactions

Sir John Ritblat has an effective 1.24% 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.

Sir Derek Higgs is a non-executive director of Jones Lang LaSalle who are amongst the Group's managing agents and as such receive fees for their services.

Details of transactions with joint ventures and unit trusts including debt guarantees by the Company are given in notes 4 and 24. During the year the Group recognised performance and management fees receivable from unit trusts of £26m (2005: £nil) and joint venture management fees of £3m (2005: £1m).

26 First time adoption of International Financial Reporting Standards (IFRS)

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.

Reconciliations and explanatory notes on how the transition to IFRS has affected profit and net assets previously reported under UK Generally Accepted Accounting Principles are given below.

Profit and loss account reconciliation for the year ended 31 March 2005

	UK GAAP results in IFRS format £m	Income taxes IAS 12 £m	Property, plant and equipment IAS 16 £m	Leases IAS 17 £m	Investment property IAS 40 £m	Operating leases – incentives SIC 15 £m	Financial instruments IAS 32/39 £m	Other £m	IFRS £m
Net rental and related income	504			2		11			517
Administrative expenses	(49)								(49)
Other income	6							2	8
Share of net profit of joint ventures	32	(33)			160		1	(2)	158
Refinancing of Broadgate	(180)								(180)
Net financing costs	(317)			(2)			(7)		(326)
Net valuation gains (includes profits on disposals)	16				605	(11)			610
Profit on ordinary activities before tax	12	(33)			765		(6)		738
Taxation credit (expense)	46	(130)							(84)
Profit for the year	58	(163)			765		(6)		654

Balance sheet reconciliation at 31 March 2005

	UK GAAP balances in IFRS format £m	Opening balance sheet adjustment £m	Income taxes IAS 12 £m	Properties, plant and equipment IAS 16 £m	Leases IAS 17 £m	Financial instruments IAS 32/39 £m	Investment property IAS 40 £m	Business combi-nations IFRS 3 £m	Other* £m	IFRS £m
Assets										
Non-current assets										
Investment properties	11,037	(96)		(53)	6		(17)			10,877
Development properties		156		56						212
	11,037	60		3	6		(17)			11,089
Other non-current assets										
Investments in joint ventures	804	(71)	(34)		(1)	4		(2)		700
Other investments	153									153
Goodwill	(18)	14						77		73
	11,976	3	(34)	3	5	4	(17)	75		12,015
Current assets										
Trading properties	36									36
Debtors	67					9				76
Cash and short-term deposits	151									151
	254					9				263
Total assets	12,230	3	(34)	3	5	13	(17)	75		12,278
Liabilities										
Current liabilities										
Short-term borrowings and overdrafts	(408)									(408)
Creditors	(349)	50				(59)			7	(351)
	(757)	50				(59)			7	(759)
Non-current liabilities										
Debentures and loans	(5,784)	(3)				33				(5,754)
Convertible bonds		69							(69)	
Other non-current liabilities	(8)	(22)			(6)				(1)	(37)
Deferred tax liabilities	(101)	(666)	(105)					(75)	2	(945)
	(5,893)	(622)	(105)		(6)	33		(75)	(68)	(6,736)
Total liabilities	(6,650)	(572)	(105)		(6)	(26)		(75)	(61)	(7,495)
Net assets	5,580	(569)	(139)	3	(1)	(13)	(17)		(61)	4,783
Equity										
Share capital	130									130
Share premium account	1,252								(3)	1,249
Other reserves	3,395	(2,568)	24	3	(1)	(5)	(769)	(2)	(65)	12
Retained earnings	803	1,999	(163)			(8)	752	2	7	3,392
Total equity shareholders' funds	5,580	(569)	(139)	3	(1)	(13)	(17)		(61)	4,783

* Other includes the incremental adjustment for dividends not recognised until approved.

26 First time adoption of International Financial Reporting Standards (IFRS) (continued)

Balance sheet reconciliation at 1 April 2004

	UK GAAP balances in IFRS format £m	Property, plant and equipment IAS 16 £m	Investment property IAS 40 £m	Business combi-nations IFRS 3 £m	Leases IAS 17 £m	Events after the balance sheet date IAS 10 £m	Financial instruments IAS 32/39 £m	Income taxes IAS 12 £m	Other £m	IFRS £m
Assets										
Non-current assets										
Investment properties	9,279	(138)	20		22					9,183
Development properties		156								156
	9,279	18	20		22					9,339
Other non-current assets										
Investments in joint ventures	658			19			(12)	(76)	(2)	587
Other investments	3			14						17
	9,940	18	20	33	22		(12)	(76)	(2)	9,943
Current assets										
Trading properties	42									42
Debtors	40									40
Cash and short-term deposits	174									174
	256									256
Total assets	10,196	18	20	33	22		(12)	(76)	(2)	10,199
Liabilities										
Current liabilities										
Short-term borrowings and overdrafts	(485)									(485)
Creditors	(385)					49	1			(335)
	(870)					49	1			(820)
Non-current liabilities										
Debentures and loans	(4,406)						(3)			(4,409)
Convertible bonds	(149)						69			(80)
Other non-current liabilities					(22)					(22)
Deferred tax liabilities	(101)							(666)		(767)
	(4,656)				(22)		66	(666)		(5,278)
Total liabilities	(5,526)				(22)	49	67	(666)		(6,098)
Net assets	4,670	18	20	33		49	55	(742)	(2)	4,101
Equity										
Share capital	122									122
Share premium account	1,109									1,109
Other reserves	2,617	71	(2,668)				49	(20)		49
Retained earnings	822	(53)	2,688	33		49	6	(722)	(2)	2,821
Total equity shareholders' funds	4,670	18	20	33		49	55	(742)	(2)	4,101

Explanations of the adjustments made to the UK GAAP income statement and balance sheets are as follows:

Income taxes IAS 12

IFRS requires that deferred tax is recognised where assets are held at values greater than their tax base cost (usually historical cost). This deferred tax provision is reversed for the industry proposed performance measures of Adjusted Net Asset Value and underlying earnings per share.

The basis of calculating this provision varies depending on whether value is expected to be achieved through sales or retention in the business. As British Land has a proven record of portfolio recycling through sales and a committed strategy to recycle its capital the deferred tax provision is calculated on the basis that assets will be sold and takes account of available loss relief including indexation, but does not assume any mitigation that could be achieved through tax structuring.

Business combinations IFRS 3

Under IFRS corporate acquisitions are treated as either business combinations or asset acquisitions.

Under business combinations the purchase consideration is compared to the fair value of the assets and liabilities of the company acquired and any excess is recognised as goodwill. In property acquisitions it is from time to time common for less than a full deduction to be made in the purchase price for contingent CGT, in recognition that contingent CGT may not be crystallised for some time, if at all. IFRS prohibits any revision of the deferred tax to its fair value and therefore goodwill may arise on acquisition accounting, equal to the amount of deferred tax provided and not discounted in the purchase price.

Asset acquisitions arise when an asset, or a group of assets, that does not constitute a business is acquired. Under the asset acquisition method the assets and liabilities are treated as though acquired individually even if acquired in a corporate entity. There is no deferred tax relating to revaluations as the assets are treated as acquired at cost. Under this method there is no goodwill.

All corporate acquisitions in prior years and in the year to 31 March 2005 have been treated as business combinations.

Properties and leases IAS 16, IAS 40 and IAS 17

Under IFRS, we are required to distinguish between properties let under operating leases and those let under finance leases. This distinction is made at the inception of the lease and is not reassessed over the life of the lease unless the lease terms are varied significantly. Operating leases continue to be shown as a property interest in the balance sheet, but where a finance lease has been identified, IFRS requires the value of the cash flows related to the buildings to be shown as a debtor and the land as a property interest. Income is shown on the building element on a financial rather than a rental basis.

British Land has worked closely with the British Property Federation (BPF) on guidance notes for the application of IFRS in a UK context (see www.bpf.org.uk/files/resdoc110494339418914-1.pdf). A comprehensive review of the terms of each of our leases has been undertaken using the approach recommeded by the BPF, this review has identified only one material finance lease within one joint venture.

Financial instruments IAS 32 and IAS 39

British Land uses derivatives to manage its interest rate risk. Under IFRS all derivatives, including hedges, are held on the balance sheet at fair value. The default treatment under this standard is for movements in the fair value to be recognised in the income statement, where they will impact reported profits. However, if an entity can demonstrate that its derivatives are effective hedges of specific risks it can choose to adopt hedge accounting. The Group has chosen to adopt hedge accounting.

Under the transitional rules for IFRS, companies may elect to commence application of IAS 39 with effect from 1 April 2005. British Land has chosen to apply IAS 39 in full retrospectively and not use this election.

Derivatives which hedge the Group's floating rate bank debt are classified as cash flow hedges and movements in their fair value are recognised in the hedging reserve, which is part of equity reserves.

The mark-to-market adjustment on financial instruments and related taxation effects are reversed in calculating Adjusted Net Asset Value.

Cash flow

The only changes to the cash flow statement are presentational. The UK GAAP decrease in cash of £38m for the year ended 31 March 2005 has been restated as a decrease in cash and cash equivalents of £19m following the reclassification of term deposits as cash and cash equivalents which increased by £19m in the year ended 31 March 2005.

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 presents the results of the Group, with funds and joint ventures consolidated on a line by line, i.e. proportional basis. The underlying profit before tax (£228m) and total profit after tax (£1,249m) are the same as presented in the financial statements.

	Year ended 31 March 2006 £m	Year ended 31 March 2005 £m
Gross rental income	**751**	630
Net rental income	**701**	585
Fees and other income	**51**	9
Administrative expenses	**(88)**	(53)
Net interest costs	**(436)**	(360)
Underlying profit before tax	**228**	181
Debt refinancing costs	**(122)**	(180)
Revaluation of properties and investments	**1,658**	753
Gains on property disposals	**182**	26
Amortisation of intangible asset	**(10)**	
Impairment of goodwill	**(240)**	
Profit on ordinary activities before tax	**1,696**	780
Tax charge relating to underlying profit	**(43)**	(42)
Deferred tax arising on revaluation movements	**(404)**	(84)
	(447)	(126)
Profit for the year after taxation	**1,249**	654
Underlying earnings per share – diluted basis	**36p**	27p

The underlying earnings per share is calculated on pre-tax profit of £228m (2005: £181m), tax attributable to underlying profits of £43m (2005: £42m) and fully diluted shares numbering 521m (2005: 519m). Gross rental income excludes service charge receivable.

Pro-forma summary balance sheets based on proportional consolidation

The following pro forma information does not form part of the consolidated primary statements or the notes thereto. It presents the composition of the EPRA net assets of the Group, with share of funds and joint venture assets and liabilities included on a line by line, i.e. proportional basis and assuming full dilution.

	2006 £m	2005 £m
Retail properties	**8,775**	6,879
Office properties	**5,200**	4,849
Other properties	**439**	779
Total properties	**14,414**	12,507
Other investments	**250**	153
Intangible assets	**65**	
Other net liabilities	**(243)**	(209)
Net debt	**(6,684)**	(6,538)
EPRA net assets	**7,802**	5,913
EPRA NAV per share	**1486p**	1128p

Table A (continued)

Calculation of EPRA NNNAV per share	2006 £m	2005 £m
EPRA net assets	**7,802**	5,913
Less:		
Deferred tax arising on revaluation movements	**(1,530)**	(963)
Mark-to-market on interest rate swaps	**(33)**	(24)
Mark-to-market on debt	**(386)**	(278)
Tax relief arising thereon	**125**	90
EPRA triple net asset value	**5,978**	4,738
EPRA NNNAV per share	**1139p**	904p

Total property valuations including share of funds and joint ventures	2006 £m	2005 £m
British Land Group	**11,753**	11,154
Share of funds and joint ventures		
Investment properties	**2,651**	1,321
Development properties		4
Trading properties at cost	**4**	25
Finance lease properties	**7**	8
External valuation surplus on trading properties	**3**	2
External valuation surplus on finance lease properties	**4**	4
Head lease liabilities	**(8)**	(11)
	2,661	1,353
Total property portfolio valuation	**14,414**	12,507

Pro-forma summary balance sheets based on proportional consolidation and assuming full dilution

	Group £m	Share of funds £m	Share of joint ventures £m	Deferred tax £m	Mark-to-market of interest rate swaps £m	Surplus on trading properties £m	Dilution effect of options £m	Head lease £m	**EPRA Net assets 2006 £m**	EPRA Net assets 2005 £m
Total properties	11,714	1,225	1,429			74		(28)	**14,414**	12,507
Investment in funds and jvs	1,234	(645)	(589)							
Other investments	248								**248**	153
Intangible assets	65								**65**	
Other net liabilities	(1,652)	(105)	(191)	1,636			43	28	**(241)**	(209)
Net debt	(5,593)	(475)	(649)		33				**(6,684)**	(6,538)
Net assets	**6,016**			**1,636**	**33**	**74**	**43**		**7,802**	5,913
EPRA NAV per share									**1486p**	1128p

Segment information

Primary and secondary segments

Since the UK is the predominant location of the Group's property portfolio, these financial statements and related notes represent the results and financial position of the Group's primary business segment. The secondary reporting format by property use is shown below:

	Offices		Retail		Other		Total	
	2006 £m	2005 £m	**2006 £m**	2005 £m	**2006 £m**	2005 £m	**2006 £m**	2005 £m
Net rental income								
British Land Group	**238**	236	**318**	255	**33**	26	**589**	517
Share of funds and joint ventures	**12**	10	**98**	56	**2**	2	**112**	68
Total	**250**	246	**416**	311	**35**	28	**701**	585
Segment assets								
British Land Group	**5,105**	4,712	**6,307**	5,771	**866**	1,095	**12,278**	11,578
Share of funds and joint ventures	**153**	157	**2,546**	1,136	**182**	159	**2,881**	1,452
Total	**5,258**	4,869	**8,853**	6,907	**1,048**	1,254	**15,159**	13,030
Capital expenditure								
British Land Group	**491**	114	**506**	851	**45**	251	**1,042**	1,216
Share of funds and joint ventures	**210**	1	**1,071**	72	**6**	10	**1,287**	83
Total	**701**	115	**1,577**	923	**51**	261	**2,329**	1,299