

# Notes to the Company accounts

## (a) Accounting policies

### Accounting basis

The financial statements are prepared in accordance with applicable United Kingdom law and Accounting Standards (UK GAAP) and under the historical cost convention as modified by the revaluation of investment properties and fixed asset investments.

These accounts incorporate the following new UK Accounting Standards: FRS 21 'Events after the balance sheet date', FRS 23 'The effects of changes in foreign exchange rates', FRS 25 'Financial instruments: disclosure presentation', FRS 26 'Financial instruments: measurement' and FRS 28 'Corresponding amounts'.

Except as set out below, the accounting policies applied by the Company are consistent with those applied by the Group, as stated in note 1 of the consolidated financial statements, and have been applied consistently throughout the current and the previous year.

### Financial instruments

Treatment of financial instruments is consistent with the Group for the current year. There has been no prior year restatement as allowed under FRS 26.

In the prior year, amounts payable or receivable under interest rate derivatives are matched with the interest payable on the debt which the derivatives hedge. If a derivative was closed out in the prior year, any surplus/deficit arising was credited/charged to the profit and loss account and included in net interest payable.

### Investments

Investments in joint ventures are stated at cost less provision for impairment. Investments in subsidiaries are stated at cost or directors' valuation less provision for impairment.

### Deferred taxation

Deferred tax is not recognised when fixed assets are revalued unless by the balance sheet date there is a binding agreement to sell the revalued assets and the gain or loss expected to arise on the sale has been recognised in the financial statements.

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 timing differences can be deducted.

### (b) Prior year adjustment

There is a prior year adjustment relating to the implementation of FRS 21 'Events after the balance sheet date'. In accordance with FRS 21, if a final equity dividend is declared after the balance sheet date but before the financial statements are approved by the shareholders, the dividend is not recognised as a liability at the balance sheet date. The adoption of FRS 21 has resulted in an increase in shareholders' funds of £57m at 1 April 2005 due to the write back of the accrued dividend payable at 31 March 2005.

### (c) Company profit for the financial year after tax

The Company has not presented its own profit and loss account as permitted by Section 230 of the Companies Act 1985. The profit after tax for the year was £860m (2005: profit – £147m).

Staff costs, employee numbers and details of share-based schemes are included in the remuneration report and notes 8 and 20 of the consolidated financial statements.

Audit fees in relation to the Parent Company were £0.5m (2005: £0.5m).

## (d) Dividends

	2006 pence	2005 pence	2006 £m	Restated 2005 £m
Final dividend per share paid on 19 August 2005 (20 August 2004)	10.90	10.07	57	49
Interim dividend per share paid on 17 February 2006 (18 February 2005)	5.20	4.80	27	27
<b>Total paid in the year</b>	<b>16.10</b>	<b>14.87</b>	<b>84</b>	<b>76</b>

Details of the proposed dividend are included in note 21 of the consolidated financial statements.

**(e) Investments and loans to subsidiaries**

	Shares in subsidiaries £m	Loans to subsidiaries £m	Investments in joint ventures £m	Other investments £m	Total £m
On 1 April 2005	6,741	6,222	26	11	13,000
Additions	305	1,441			1,746
Exchange fluctuations	2				2
Revaluation	10				10
<b>31 March 2006</b>	<b>7,058</b>	<b>7,663</b>	<b>26</b>	<b>11</b>	<b>14,758</b>

Shares in subsidiaries are included at cost or directors' valuation in 1977, 1995, 1997 and 1999 to 2006 inclusive; their historical cost is £7,227m (2005: £6,920m).

The amount of £26m (2005: £26m) includes £8m (2005: £8m) of loans to joint ventures by the Company. The Company has a 50% interest in The Public House Company Limited, which is registered and operates in England and Wales.

Results of the joint ventures are set out in note 12 of the consolidated financial statements.

The historical cost of other investments is £14m (2005: £14m).

The principal subsidiaries, which are wholly owned, and except where stated are registered and operate in England and Wales are:

**Executive**

The British Land Corporation Limited\*  
British Land Developments Limited  
British Land Financing Limited\*  
British Land Properties Limited\*

**Finance, Investment and Management**

British Land Property Management Limited  
Broadgate Financing PLC  
BL Superstores Finance PLC  
MSC (Funding) PLC  
BLU Nybil Limited  
British Land Property Advisers Limited  
British Land Hercules Limited  
British Land HIF Limited  
BL European Holdings Limited  
BL European Fund Management LLP (70% owned)

**Property**

175 Bishopsgate Holdings Limited  
BLU Property Management Limited  
Broadgate (PHC1) Limited  
Broadgate (PHC11) 2005 Limited  
Broadgate (PHC 14) Limited  
Broadgate (PHC 15a) Limited  
Broadgate (PHC 16) 2005 Limited  
Broadgate (PHC 2) Limited  
Broadgate (PHC 3) Limited  
Broadgate (PHC 4) Limited  
Broadgate (PHC 5) 2005 Limited  
Broadgate (PHC 6) 2005 Limited  
Broadgate (PHC 7) Limited  
Broadgate (PHC 8) Limited  
Broadgate (PHC 9) Limited  
Broadgate Court Investments Limited  
Broadgate Plaza Limited  
Cleola Limited  
Clivara (No 1) Limited  
Conafell Limited  
Derby Investment Holdings Limited\*  
Exchange House Holdings Limited  
Formcash Limited  
Fromba Limited  
Meadowhall Shopping Centre Limited  
Peacocks Centre Limited  
Ropemaker Unit Trust (Jersey)  
Sealhurst Properties Limited  
Tamagon Limited

\* Direct subsidiaries of the Company.

**(f) Debtors**

	2006 £m	2005 £m
Trade and other debtors	4	
Amounts owed by subsidiaries	208	126
Amounts owed by joint ventures		1
Corporation tax	16	24
Prepayments and accrued income		1
Interest rate derivative assets*	24	
	<b>252</b>	<b>152</b>

**(g) Creditors**

	2006 £m	Restated 2005 £m
Trade creditors	1	1
Amounts due to joint ventures	26	26
Other taxation and social security	6	3
Accruals and deferred income	25	27
Interest rate derivative liabilities*	37	
	<b>95</b>	<b>57</b>

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

**(h) Net debt**

	2006 £m	2005 £m
<b>Secured on the assets of the Company</b>		
8% First Mortgage Debenture Bonds 2035	247	247
9% First Mortgage Debenture Stock 2028	197	197
10½% First Mortgage Debenture Stock 2019/24	13	13
11¾% First Mortgage Debenture Stock 2019/24	20	20
	<b>477</b>	<b>477</b>
<b>Unsecured</b>		
6.30% Senior US Dollar Notes 2015 <sup>1</sup>	88	97
10¼% Bonds 2012	2	2
7.35% Senior US Dollar Notes 2007 <sup>1</sup>	92	98
Bank loans and overdrafts	1,049	1,618
	<b>1,231</b>	<b>1,815</b>
Gross debt	<b>1,708</b>	<b>2,292</b>
Interest rate derivatives: liabilities	37	
Interest rate derivatives: assets	(24)	
	<b>1,721</b>	<b>2,292</b>
Cash and short-term deposits	(13)	(21)
<b>Net debt</b>	<b>1,708</b>	<b>2,271</b>

<sup>1</sup> Principal and interest on these borrowings were fully hedged into Sterling at the time of issue.

**(h) Net debt** (continued)

<b>Maturity analysis of net debt</b>		2006 £m	2005 £m
Repayable:	within one year and on demand	102	380
between:	one and two years	10	242
	two and five years	1,003	1,093
	five and ten years	114	1
	ten and fifteen years		97
	fifteen and twenty years	32	32
	twenty and twenty five years	198	198
	twenty five and thirty years	249	
	thirty and thirty five years		249
		<b>1,606</b>	<b>1,912</b>
Gross debt		<b>1,708</b>	<b>2,292</b>
Interest rate derivatives		13	
Cash and short-term deposits		(13)	(21)
<b>Net debt</b>		<b>1,708</b>	<b>2,271</b>

**(i) Provision for liabilities and charges**

	Deferred tax 2006 £m	2005 £m
At 1 April 2005	2	
Charged to the profit and loss account	1	2
<b>At 31 March 2006</b>	<b>3</b>	<b>2</b>
Deferred tax is provided as follows		
Temporary differences	3	2
	<b>3</b>	<b>2</b>

**(j) Pension**

The Company's pension scheme is the principal pension scheme of the Group and details are set out in note 9 of the consolidated financial statements.

**(k) Share capital**

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.

	£m	Ordinary shares of 25p each
<b>Issued, called and fully paid</b>		
At 1 April 2005	130	518,307,020
Issues		878,269
<b>At 31 March 2006</b>	<b>130</b>	<b>519,185,289</b>

Details of outstanding share options, restricted and performance shares awarded to employees including executive directors are given in notes 8 and 20 of the consolidated financial statements.

**(l) Share capital and reserves**

	Share capital £m	Share premium £m	Other reserves £m	Revaluation reserve £m	Profit and loss account £m	Total £m
At 31 March 2005 – as previously reported	130	1,252	3	133	698	<b>2,216</b>
Prior year adjustment – dividends paid post year end					57	<b>57</b>
At 31 March 2005 – as restated	130	1,252	3	133	755	<b>2,273</b>
Change in accounting policy on 1 April 2005*			(19)		(2)	<b>(21)</b>
Share issues		4				<b>4</b>
Dividends paid					(84)	<b>(84)</b>
Purchase of ESOP shares					(10)	<b>(10)</b>
Adjustment for share and share option awards					8	<b>8</b>
Pension scheme movements					(1)	<b>(1)</b>
Retained profit for year					860	<b>860</b>
Current year revaluation				10		<b>10</b>
Derivatives valuation movement			3			<b>3</b>
Exchange movements on net investments			5		(5)	
<b>At 31 March 2006</b>	<b>130</b>	<b>1,256</b>	<b>(8)</b>	<b>143</b>	<b>1,521</b>	<b>3,042</b>

\* The Company adopted FRS 26 on 1 April 2005 and accordingly an adjustment has been made for the fair value of derivatives at that date.

**(m) Contingent liabilities, capital commitments, related party transactions and post balance sheet events**

At 31 March 2006, the Company had no contingent liabilities for guarantees to third parties (2005: £nil). The Company also had no capital commitments (2005: £nil).

The Company has used the exemption under FRS 8 where disclosure is not required of transactions with fellow subsidiary undertakings 90% or more of whose voting rights are controlled within the Group.

Related party transactions are the same for the Company as for the Group. For details refer to note 25 of the consolidated financial statements.