

Earnings per share

Diluted earnings per share increased to 470 pence from 227 pence in 2006. Underlying earnings per share have risen 22% to 43 pence, due to both the increase in underlying profits and reduced tax charge.

Cash flows

Cash generated from operations has increased by £24m to £479m. Reduced interest costs and higher levels of cash distributions from Funds and Joint Ventures have increased the net cash flow from operating activities by £100m (96%).

	March 2007 £m	March 2006 £m
Cash generated from operations	479	455
Net cash flow from operating activities	204	104
Net investment cash flows	(39)	986
Financing	(11)	(1,025)
Dividends paid	(91)	(84)

Accounting judgements

The most significant judgements made in preparing these accounts relate to the carrying value of properties and investments which are stated at open market value. The Group uses external professional valuers to determine the relevant amounts.

Significant accounting policy judgements are highlighted in our accounting policy note. The most important judgement affecting comparability with other property companies is the approach to deferred tax, albeit following the introduction of the REIT regime this has become of less significance.

Finance and capital structure

British Land is managed on an integrated basis to produce secure and attractive risk adjusted returns to shareholders. Risk management is a distinctive skill at British Land where the mix of assets, leases, developments and debt are managed together to ensure the most effective result. Overall, the Group's prime assets and their secure long term contracted rental income, primarily with upward only rent review clauses, present lower risks than many other property portfolios, enabling the returns to be enhanced using financial leverage. A 45-55% loan to value ratio is currently targeted, subject to the Board's view of markets, the prospects of and risks within the portfolio and the recurring cash flows of the business. At 31 March 2007, this was 41%, 45% proportionally consolidated (43% and 47% respectively pro forma for payment of REIT conversion charge).

Since we seek to maximise shareholder returns, we prefer to avoid equity issuance, except where the commercial opportunity clearly merits it. We also would expect to return capital to shareholders if over the medium term surplus funds arise over and above that which we believe can be attractively deployed in the business.

Debt is raised from a variety of sources with a spread of maturity dates. Longer term debt is raised principally through securitisations and debentures. Securitisations have a range of benefits, including long maturities at competitive rates with no recourse to other companies or assets in the Group, and without financial covenants by British Land. Debentures benefit from long maturities and bullet repayment.

Unsecured revolving bank facilities provide flexibility of drawing and repayment and are committed for terms of five to ten years. We aim to spread the maturities of the different facilities from a wide range of banks. Other unsecured funding includes US private placements, with terms of up to 20 years.

The Group borrows at fixed and floating rates and uses derivatives to achieve the desired interest rate profile; currently the policy is to maintain around 85% (subject to 5% tolerance) of debt at fixed or capped rates taking into account prospective transactions including development funding. This interest rate profile is closely monitored as part of our management of the overall financial effects of transactions. The year end position of 96% fixed/capped reflects recent disposals (and expenditure due in respect of the development programme).

The Funds and Joint Ventures are separately financed, and have their own interest rate derivatives, all with no recourse to British Land.

Financing statistics	31 March 2007	31 March 2006
Group:		
Net debt	£6,404m	£5,593m
Weighted average debt maturity	14.1 yrs	15.0 yrs
Weighted average interest rate	5.32%	5.71%
% of net debt at fixed/capped interest rates	96%	95%
Interest cover ¹	1.70	1.51
Loan to value ²	41%	42%
Unsecured debt to unencumbered assets	28%	26%
Undrawn committed facilities and cash	£1,855m	£2,415m
Group and share of Funds and Joint Ventures:		
Net debt ³	£7,741m	£6,684m
Weighted average debt maturity	12.7 yrs	13.4 yrs
Weighted average interest rate	5.36%	5.69%
Interest cover ¹	1.69	1.52
Loan to value ²	45%	46%

¹ Underlying profit before interest and tax/net interest excluding refinancing charges

² Debt to property and investments

³ See Table A