

# BRITISH LAND IS MANAGED TO PRODUCE SECURE AND ATTRACTIVE RISK ADJUSTED RETURNS

This has been another busy year for refinancings and raising new finance for the business, in each case reducing future interest costs and increasing distributable income:

- a **£1 billion restructuring of the British Land debentures** was completed in August 2006, creating a debenture security pool valued at £1.8 billion. A pre-tax refinancing charge of £228m, mainly due to the difference between the market and book values of the debentures, reduced EPRA NAV per share by 30 pence; there was virtually no effect on NNNAV (being NAV less the mark to market of debt and deferred taxation). British Land's annual interest costs are reduced by some £10m and the weighted average cost of debt is reduced by some 0.3% per annum. With the simplified uniform structure, improved common covenants and enhanced transparency, the new debentures are already showing benefits of greater liquidity;
- the **refinancing of the Meadowhall Shopping Centre securitisation**, with a new simplified structure provided rating improvements for bondholders and a lower on-going interest cost for the Company of 4.98% per annum. This refinancing incurred a charge of £39m;
- the last of British Land's higher coupon debentures (8.875% 2035 and 9.375% 2028) were refinanced by replacing them with a new amortising 2035 debenture at a rate of 5.0055% per annum, subject to a charge of £38m;
- we issued **£98m 5.50% Senior Notes 2027** to US investors, effectively refinancing a similar amount of maturing notes. The new notes are unsecured and have a term of 20 years with no amortisation, with the same covenants as all other unsecured facilities;
- over **£1 billion of new or renewed bank committed** revolving credit facilities were raised during the year. These included a successful syndicated seven year loan facility of £405m, at lower market pricing to replace more expensive lines with shorter terms.

Over the last two calendar years we have taken advantage of financial market opportunities to refinance all British Land's secured and securitised debt of some £4.9 billion, and have agreed new or renewed bank facilities of over £2.7 billion. The refinancings have contributed to reducing our interest costs going forward; the weighted average interest rate at 31 December 2004 was 6.49% which reduced by 31 March 2007 to 5.36%.

In the Funds and Joint Ventures we have arranged the development finance for the Joint Venture project at Puerto Venecia, Zaragoza, provided in October 2006 by a syndicate of banks in Spain. The Tesco Aqua Limited Partnership was financed on completion in March 2007 by a term loan facility.

## Key performance indicators

Property is a long-term business. Decisions taken to create value over time frequently affect current year's earnings and so the Board measures performance over a range of time periods. Our management judgements over sector views, asset selection, redevelopments, financial structure, corporate and community responsibility all combine to deliver a single set of financial returns and these should be judged against the risk profile adopted.

In measuring and benchmarking performance, a number of key performance indicators are used to indicate the impact of management actions. At the 'total company' level, the three most visible indicators are 'total shareholder return', 'total return' and 'earnings per share growth', reflecting the performance of the whole business. Benchmarking is undertaken against our major quoted peers and the FTSE Real Estate Index.

The key performance indicators demonstrate British Land's strong track record in relative and absolute value creation over the last one, three and five years.

Performance Indicator	One year	Three years	Five years
<b>Total shareholder return<sup>1</sup></b>			
– British Land	24.3%	49.4%	23.7%
– Peer group <sup>2</sup>	21.7%	39.6%	20.8%
– FTSE Real Estate Index	22.3%	45.4%	19.4%
– Ranking in peer group	2	1	1
<b>Total return<sup>3</sup></b>			
– British Land	21.3%	24.3%	18.6%
– Peer group	20.8%	21.2%	14.6%
– Ranking	2	2	1
<b>Earnings per share growth<sup>4</sup></b>			
– British Land	22.0%	7.9%	7.5%
– Peer group <sup>4</sup>	5.2%	5.4%	4.7%
– Ranking	1	1	2

<sup>1</sup> Total shareholder return represents growth in share price plus dividends per share (assuming reinvested)

<sup>2</sup> Average of major peers – Land Securities, Hammerson, Liberty and SEGRO (some differences in year ends)

<sup>3</sup> Total return (pre-exceptional) represents growth in adjusted, diluted net asset value per share plus dividends per share

<sup>4</sup> Adjusted diluted earnings per share (excluding exceptional items, profits on asset disposals and revaluation gains)

**Non financial performance indicators** which are also key to the business and used as measures of progress are, as reported under Portfolio Valuation above:

Year to March 2007	British Land	IPD Benchmark
Like for like rental value growth (ERV)	6.9%	4.3%
Portfolio capital return per IPD (ungeared)	10.9%	10.7%