

1 Basis of preparation

The financial statements for the year ended 31 March 2007 have been prepared on the historical cost basis, except for the revaluation of properties, investments and derivatives. The financial statements have also been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and therefore comply with Article 4 of the EU IAS Regulation.

These accounting policies have been applied consistently in all material respects, with the exception that following an amendment to IAS 39 – ‘Financial Instruments: Recognition and Measurement’ revaluation of other investments is now taken to equity rather than recognised directly in the consolidated income statement. This change has no impact on the Group’s net assets and the comparative results have been restated on a consistent basis.

At the date of approval of these financial statements, IFRS 7 – ‘Financial Instruments: Disclosures’; 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. The revised standard IAS 23 ‘Borrowing Costs’ was issued in March 2007, effective from 1 January 2009. Upon adoption, the revised standard will have no impact on the financial statements.

The key external business, internal management and process risks are detailed in the Operating and Financial Review.

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. Gains and losses arising from changes in fair value are recognised directly in equity, until the investment is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the income statement for the period. Impairment losses recognised in the income statement are not subsequently reversed through 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.

Any surplus or deficit arising on revaluing investment properties or investment properties being redeveloped is recognised in the income statement.

Valuation surpluses arising on other development properties, those not previously classified as investment properties, are reflected in the statement of recognised income and expense, 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.

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 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 and 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 cash flow hedges are recognised directly in the hedging reserve. 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 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.

Taxation

Current tax is based on taxable profit for the year and is calculated using tax rates that have been enacted or substantively enacted. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are not taxable (or tax deductible). In particular the Group became a REIT on 1 January 2007 and income and gains on qualifying assets are now exempt from taxation. Current and prior year tax payable is estimated.

Deferred tax is provided on items that may become taxable at a later date, on the difference between the balance sheet value and tax base value, on an undiscounted basis. On business combinations, the deferred tax effect of fair value adjustments is incorporated in the consolidated balance sheet.

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 recognised income and expense.

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

2 Performance measures

	2007		2006	
	Earnings £m	Pence per share	Earnings £m	Pence per share
Earnings per share (diluted)				
Underlying pre tax profit – income statement	257		228	
Tax charge relating to underlying profit	(31)		(43)	
Underlying earnings per share	226	43p	185	36p
Refinancing charges	(305)		(122)	
Gain on trading property appropriations and disposals	71		10	
Tax and other items	(13)		34	
EPRA earnings per share	(21)	(4p)	107	21p
Profit for the year after taxation†	2,453	470p	1,184	227p

† Prior year restated as described in note 1.

The European Public Real Estate Association (EPRA) issued Best Practices Policy Recommendations in November 2006, which gives guidelines for performance measures. The **EPRA earnings measure** excludes investment property revaluations and gains on disposals, intangible asset movements and their related taxation and the REIT conversion charge.

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), gains on trading property appropriations and disposals and their related taxation, costs relating to REIT conversion and prior year tax items.

The weighted average number of shares in issue for the year was: basic: 520m (2006: 519m); diluted for the effect of share options: 522m (2006: 521m). Basic earnings per share (undiluted) for the year were 472p (2006: 228p).

	2007 £m	2006 £m
Net asset value (NAV)		
Balance sheet net assets	8,747	6,016
Deferred tax arising on revaluation movements, capital allowances and derivatives	168	1,636
Mark to market on effective cash flow hedges and related debt adjustments	(99)	33
Surplus arising on trading and finance lease properties		74
Dilution effect of share options	46	43
EPRA NAV	8,862	7,802
EPRA NAV per share	1682p	1486p

The **EPRA NAV per share** excludes the mark to market on effective cash flow hedges and related debt adjustments, deferred taxation on revaluations and is calculated on a fully diluted basis.

At 31 March 2007, the number of shares in issue was: basic: 521m (2006: 519m); diluted for the effect of share options: 527m (2006: 525m).

Total return per share (before charges for REIT conversion and refinancings) of 21.3% represents growth per share in EPRA NAV of 196p plus dividends paid of 17p (see note 21), excluding current year refinancing charges of 40p and the REIT conversion costs of 64p. Total return per share (before refinancing charges) for the year ended 31 March 2006 was 34.6%.

3 Gross and net rental income

	2007 £m	2006 £m
Rent receivable	551	571
Spreading of tenant incentives and guaranteed rent increases	37	54
Surrender premiums	9	10
Gross rental income	597	635
Service charge income	52	55
Gross rental and related income	649	690
Service charge expenses	(52)	(57)
Property operating expenses	(36)	(44)
Net rental and related income	561	589

Net rental income for the year ended 31 March 2007 from properties which were subject to a security interest or held by non recourse companies was £409m (2006: £388m). Property operating expenses relating to investment properties that did not generate any rental income were £3m (2006: £1m).

4 Fees and other income

	2007 £m	2006 £m
Performance and management fees	30	29
Dividend received from Songbird Estates PLC	18	16
Other fees and commission	2	5
Underlying	50	50
Capital dividend received from Songbird Estates PLC	33	
	83	50

The £30m (2006: £29m) performance and management fees comprise £17m (2006: £20m) performance fees and £13m (2006: £9m) management fees from funds and joint ventures.

The performance fee receivable from HUT is £27m and £48m for the years ended 31 December 2006 and 31 December 2005 respectively, of which the third party element available to the Group is £17m and £31m. In total, £16m of the net fee has been recognised in the current year, £19m in 2006 and the remaining £13m is deferred to later years as it is subject to potential clawback, depending on performance. If there is no clawback, 50% of the undistributed performance fee is payable in each subsequent year.

The net performance fee receivable from HIF for the year ended 31 December 2006 is £1m (2006: £1m), all of which has been recognised in the current year.

Following the capital restructuring of Songbird Estates PLC a capital dividend of £33m was received in the year.

5 Other income statement disclosures

	Note	2007 £m	2006 £m
(i) Total revenue			
Gross rental and related income	3	649	690
Fees and other income	4	83	50
Proceeds on sale of trading properties (including appropriations)		94	14
Total revenue in the year		826	754
(ii) Auditors' remuneration – Deloitte & Touche LLP		2007 £m	2006 £m
Fees payable to the Company's auditors for the audit of the Company's annual accounts		0.5	0.5
Fees payable to the Company's auditors and its associates for other services:			
Audit of the Company's subsidiaries pursuant to legislation		0.4	0.4
Other services pursuant to legislation		0.2	0.1
		1.1	1.0
Tax services		1.4	1.4
All other services		0.4	0.2
		2.9	2.6

(iii) Depreciation of property, plant and equipment £1m (2006: £1m).

6 Net revaluation gains on property and investments

	2007 £m	2006 £m
In consolidated income statement		
Revaluation of properties	1,053	1,201
Gains on property disposals (including trading property appropriations)	115	165
Other revaluations and gains	(1)	4
	<u>1,167</u>	<u>1,370</u>
Share of gains of funds and joint ventures (note 11)	257	378
	<u>1,424</u>	<u>1,748</u>
In consolidated statement of recognised income and expense		
Revaluation of development properties	184	102
Revaluation of investments	22	92
	<u>1,630</u>	<u>1,942</u>

Included in the tax charge is £nil (2006: £nil) attributable to gains on property disposals.

7 Net financing costs

	2007 £m	2006 £m
Interest payable on:		
Bank loans and overdrafts	75	115
Other loans	284	274
Loans from joint ventures		1
Obligations under finance leases	2	2
	<u>361</u>	<u>392</u>
Development interest capitalised	(37)	(12)
	<u>324</u>	<u>380</u>
Interest receivable on:		
Deposits and securities	(11)	(11)
Other finance (income) costs:		
Expected return on pension scheme assets	(4)	(3)
Interest on pension scheme liabilities	4	3
Valuation movements on fair value debt	(5)	22
Valuation movements on fair value hedges	5	(22)
Valuation movements on translation of foreign currency debt	(21)	14
Hedging reserve recycling	21	(14)
	<u>313</u>	<u>369</u>
Net financing expenses		
	<u>313</u>	<u>369</u>
Refinancing charges		
Debenture refinancings	266	
Meadowhall Shopping Centre securitisation	39	
Sainsbury's Superstore securitisation		99
Derivative close-out costs		23
	<u>305</u>	<u>122</u>
Net financing costs	<u>618</u>	<u>491</u>
Total financing income	(41)	(50)
Total financing expenses	659	541
Net financing costs	<u>618</u>	<u>491</u>

Interest on development expenditure is capitalised at a rate of 5.5% (2006: 5.6%), with current year tax relief of £8m (2006: £4m).

On 29 August 2006 and 20 December 2006 the Group incurred pre tax refinancing charges of £266m whilst restructuring the existing debentures of the Company and its subsidiary, BL Universal. The Group also refinanced its Meadowhall Shopping Centre on 19 December 2006 by way of a simplified securitisation, incurring a pre tax refinancing charge of £39m. These charges were mainly due to the difference between the market and book values of the existing debt.

In the previous year the Group incurred a pre tax refinancing charge of £99m in respect of its securitised Sainsbury's Superstore portfolio and recycled from equity to the income statement a charge of £23m on closing out derivatives following significant property disposals and consequent debt repayments.

8 Staff costs

Staff costs (Including directors)	2007 £m	2006 £m
Wages and salaries	38	39
Social security costs	4	4
Pension costs		12
Equity-settled share-based payments	21	10
	63	65

The average number of employees of the Group during the year was 804 (2006: 718) of which some 605 (2006: 518) were employed directly at the Group's properties and their costs recharged to tenants.

The Executive Directors are the key management personnel and their remuneration is disclosed in the Remuneration Report.

The Group's equity-settled share-based payments comprise the Long-Term Incentive Plan (LTIP), the Matching Share Plan (MSP), the Performance Plan (PP), the Restricted Share Plan (RSP), the Share Incentive Plan (SIP), various Sharesave Plans and a recruitment scheme relating to the Chief Executive, 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: 2007 awards	30 May 2006	14 July 2006	29 November 2006
Share price at grant date	1252p	1316p	1545p
Exercise price	1252p	1316p	1545p
Option life in years (maximum 10)	7	7	7
Risk free rate	4.6%	4.6%	4.6%
Expected volatility	23%	23%	22%
Expected dividend yield	2%	2%	2%
Value per option	339p	357p	407p

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.

At the 2006 AGM the shareholders approved the MSP and PP. The MSP allows eligible employees to receive one third of their annual bonus in shares, held in trust, which following performance targets based on total shareholder return and earnings per share being achieved over a three year period will be matched 2 for 1 by the Company. The Company expenses this over the three year period based on the market price at the date of grant.

Under the PP the Company may award employees a combination of cash (20% of the award) and shares based on a maximum of 30% of the annual performance fee earned by the Unit Trusts. The cash is awarded following the performance year under review with the shares awarded over the following three years subject to clawback of the performance fee and continued employment. The Company expenses an estimate of the fair value of the award over the performance and subsequent period to full vesting.

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 4.7% to 4.9%, expected volatility ranging from 22% to 23% and an expected dividend yield of 2.0%. The values per option for these schemes range from 366 pence to 505 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 CISP are valued at the fair value of the shares at the date of grant and expensed over three years.

Movements in shares and options are given in note 20.

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 net pension cost charged for the year was £nil (2006: £12m).

9 Pensions (continued)

A full actuarial valuation of the scheme was carried out at 31 March 2003 and updated since then annually for accounting purposes by consulting actuaries, Hewitt Bacon & Woodrow. A full actuarial valuation of the scheme commenced for 31 March 2006 will be completed in June 2007. 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:

	2007 % pa	2006 % pa	2005 % pa	2004 % pa	2003 % pa
Discount rate	5.4	4.9	5.3	5.5	5.5
Salary inflation	5.4	5.2	5.1	5.1	4.8
Pensions increase	3.2	3.0	2.9	2.9	2.5
Price inflation	3.2	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:

	2007 £m	2006 £m
Current service cost	(5)	(3)
Interest cost	(4)	(3)
Expected return on scheme assets	4	3
Past service costs	5	(9)
		(12)

The actual return on scheme assets was £4m (2006: £11m).

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

	2007 £m	2006 £m
At 1 April	(78)	(55)
Current service cost	(5)	(3)
Interest cost	(4)	(3)
Actuarial gains (losses)	10	(9)
Benefits paid	2	1
Past service cost	5	(9)
At 31 March	(70)	(78)

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

	2007 £m	2006 £m
Present value of defined scheme obligations	(70)	(78)
Fair value of scheme assets	79	67
Asset (liability) recognised in the balance sheet	9	(11)

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

	2007 £m	2006 £m
At 1 April	67	51
Expected return on scheme assets	4	3
Contributions by employer	10	6
Actuarial gains		8
Benefits paid	(2)	(1)
At 31 March	79	67

Composition of scheme assets

	Expected return 2007/8 %	2007 £m	Expected return 2006/7 %	2006 £m
Equities	7.0	49	6.8	28
Bonds	5.0	29	4.3	37
Other assets	5.25	1	4.3	2
Total scheme assets		79		67

History of experience gains and losses

	2007 £m	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	0.4%	12.1%	4.7%	8.6%	15.5%
Experience gains and losses on scheme liabilities					
Amount	4	2	(1)	1	(2)
Percentage of present value on scheme liabilities	6.1%	1.9%	1.8%	1.9%	4.5%
Changes in assumptions underlying the present value of scheme liabilities	6	(11)	(5)	(5)	(6)
Total actuarial gain (loss) recognised in the statement of recognised income and expense					
Amount*	10	(1)	(4)		(12)
Percentage of present value on scheme liabilities	14.4%	1.4%	7.1%	0.8%	32.4%
Deferred taxation attributable to pension movements	(2)		1		4
Pension scheme movement for the year	8	(1)	(3)		(8)

* Cumulative amount recognised in the statement of recognised income and expense is £7m.

10 Property

	Investment £m	Development £m	Owner- occupied £m	Trading £m	Total £m
Carrying value at 1 April 2006	11,081	597		36	11,714
Additions:					
– corporate acquisitions	912	25		13	950
– property purchases	267	58			325
– other capital expenditure	145	230			375
	1,324	313		13	1,650
Disposals	(666)			(1)	(667)
Reclassifications/appropriations	58	8	50	(48)	68
Revaluations:					
included in income statement	1,049	4			1,053
included in statement of recognised income and expense		184			184
Increase in tenant incentives and guaranteed rent uplift balances	45				45
Carrying value at 31 March 2007	12,891	1,106	50		14,047
Head lease liabilities (note 18)					(30)
Total Group property portfolio valuation 31 March 2007					14,017

At 31 March 2007, the book value of owner-occupied property is £50m (2006: £nil) after charging £nil (2006: £nil) depreciation to the income statement for the year.

At 31 March 2007, the Group book value of properties of £14,047m (2006: £11,714m) comprises freeholds of £13,118m (2006: £11,017m); virtual freeholds of £106m (2006: £109m); long leaseholds of £820m (2006: £577m) and short leaseholds of £3m (2006: £11m). The historical cost of properties was £8,879m (2006: £7,698m).

The Group's total property portfolio was valued by external valuers on the basis of Market Value in accordance with the Appraisal and Valuation Standards published by The Royal Institution of Chartered Surveyors. Knight Frank LLP valued properties to an aggregate value of £14,015m (2006: £11,750m); other valuers £2m (2006: £3m).

During the year trading properties were appropriated to investment properties at market value, resulting in £68m being recognised in the income statement.

Properties valued at £9,194m (2006: £7,709m) were subject to a security interest and other properties of non-recourse companies amounted to £128m (2006: £196m).

Cumulative interest capitalised in investment and development properties amounts to £28m and £46m (2006: £40m and £13m) respectively.

	Investment £m	Development £m	Owner- occupied £m	Trading £m	Total £m
Prior year					
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)
Reclassifications	7	(7)			
Exchange fluctuations	1				1
Revaluations:					
included in income statement	1,159	42			1,201
included in statement of recognised income and expense		102			102
Increase in tenant incentives and guaranteed rent uplift balances	34				34
Carrying value at 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

11 Funds and joint ventures

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

	2007 £m	2006 £m
Gross rental income	109	116
Service charge income	6	7
Gross rental and related income	115	123
Net rental and related income	100	112
Other income and expenditure	(6)	(6)
Net financing costs	(57)	(67)
Underlying profit before taxation	37	39
Net valuation gains (including profits on disposals)	257	378
Goodwill impairment	(5)	
Profit on ordinary activities before taxation	289	417
REIT conversion charge	(48)	
Current tax	(19)	(9)
Deferred tax	237	(97)
Profit on ordinary activities after taxation	459	311

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

	Equity £m	Loans £m	Total £m
At 1 April 2006	1,216	18	1,234
Additions	170	38	208
Disposals	(191)	(6)	(197)
Share of profit after taxation	459		459
Distributions and dividends: capital	(80)		(80)
revenue	(32)		(32)
Hedging movements	18		18
At 31 March 2007	1,560	50	1,610

At 31 March 2007, the total investment in funds and joint ventures of £1,610m (2006: £1,234m) comprises £830m (2006: £599m) of investment in funds being Hercules Unit Trust (HUT), Hercules Income Fund (HIF) and Pillar Retail Europark Fund (PREF) after taking the conversion charge into account and £780m (2006: £635m) investment in joint ventures, being the total of £770m (2006: £589m) and City of London Office Unit Trust (CLOUT) of £10m (2006: £46m).

Distributions in the year include the receipt of £43m (£42m capital) from CLOUT; £38m (capital) from Tesco BL Property Partnership; £25m from HUT and £2m each from BL Davidson, HIF and PREF.

At 31 March 2007 the Group's share of funds and joint ventures properties is £2,886m (2006: £2,661m) of which £153m (2006: £69m) is carried at directors' valuation; external net debt is £1,238m (2006: £1,124m) and the mark to market adjustment for external debt is £8m asset (2006: £2m liability).

11 Funds and joint ventures (continued)

Funds' summary financial statements

All disclosures have been restated to British Land accounting policies under IFRS 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	Other	Group Share 2007	Group Share 2006
Percentage interest – 2007	36.27%	26.12%	22.35%*	35.94%			
– 2006	34.64%	26.12%	34.16%	35.94%			
Date established	22 September 2000	16 September 2004	17 March 2004	6 November 2000			
Accounting period	Year ended 31 March 2007	Year ended 31 March 2007	Year ended 31 December 2006	Year ended 31 March 2007			
Summarised income statements	£m	£m	£m	£m	£m	£m	£m
Gross rental and related income	116	7	20	3		49	35
Net rental and related income	107	7	16	3		45	34
Other income and expenditure	(5)	(1)	(6)	(1)		(4)	(2)
Net external interest payable	(63)	(1)	(7)	1		(24)	(20)
Underlying profit before taxation	39	5	3	3		17	12
Surplus on revaluation	321	14	29			126	169
Disposal of fixed assets	10	2	(2)	18		9	6
Goodwill impairment	(2)					(2)	
Profit on ordinary activities before taxation	368	21	30	21		150	187
REIT conversion charge					(25)	(25)	
Current tax	(9)	(1)	(2)	(1)		(4)	(4)
Deferred tax	315	5	3			116	(37)
Profit on ordinary activities after taxation	674	25	31	20	(25)	237	146
Summarised balance sheets							
Investment properties	3,408	153	340			1,352	1,225
Current assets	28	1	24	120		59	71
Cash and deposits	29	3	8	12		17	20
Gross assets	3,465	157	372	132		1,428	1,316
Current liabilities	(52)	(3)	(18)	(36)	(25)	(61)	(54)
Bank debt falling due within one year		(6)		(69)		(26)	(7)
Bank debt falling due after one year	(224)		(198)			(126)	(156)
Securitised debt	(1,013)					(367)	(332)
Deferred tax	(7)		(24)			(8)	(122)
Gross liabilities	(1,296)	(9)	(240)	(105)	(25)	(588)	(671)
Net external assets	2,169	148	132	27	(25)	840	645
Represented by:							
Investors' capital	2,169	148	132	27	(25)	840	645
Total investment	2,169	148	132	27	(25)	840	645
Capital commitments	65	5	154			59	14

* When the fund is fully invested, this will reach approximately 40%.

11 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	BLT Properties Ltd	The Tesco British Land Property Partnership	Tesco BL Holdings Ltd	The Tesco Aqua Limited Partnership
All joint ventures are held equally on a 50:50 basis					
Partners	Land Securities Group PLC	Tesco PLC	Tesco PLC	Tesco PLC	Tesco PLC
Date established	March 2004	November 1996	February 1998	November 1999	March 2007
Accounting period	Year ended 31 March 2007	Year ended 31 March 2007	Year ended 31 March 2007	Year ended 31 March 2007	1 month ended 31 March 2007
Summarised income statements	£m	£m	£m	£m	£m
Gross rental and related income	49	17	8	27	1
Net rental and related income	29	16	7	26	1
Other income and expenditure	(1)			(1)	
Net interest – External	(22)	(10)	(3)	(17)	(1)
– Shareholders		1			
Net interest (payable) receivable	(22)	(9)	(3)	(17)	(1)
Underlying profit before taxation	6	7	4	8	
Surplus on revaluation	13	53	23	69	
Disposal of fixed assets		5	30		
Profit on property trading					
Goodwill impairment					(5)
Profit (loss) on ordinary activities before taxation	19	65	57	77	(5)
REIT conversion charge					
Current tax	7	(12)	(15)	(2)	
Deferred tax	(11)	(3)	2	(15)	
Profit on ordinary activities after taxation	15	50	44	60	(5)
Summarised balance sheets					
Investment properties	714	363	109	705	652
Development properties					
Total properties	714	363	109	705	652
Current assets	6	20	9	20	5
Upstream loans to joint venture shareholders		17			
Cash and deposits	13	40	3	22	8
Gross assets	733	440	121	747	665
Current liabilities	(7)	(18)	(22)	(29)	(10)
Bank debt falling due within one year					
Bank debt falling due after one year		(185)	(45)	(314)	(487)
Securitised debt	(427)				
Debentures					
Obligations under finance leases	(11)				
Deferred tax	(74)	(52)	(14)	(96)	
Gross liabilities	(519)	(255)	(81)	(439)	(497)
Net external assets	214	185	40	308	168
Represented by:					
Shareholder loans					52
Ordinary shareholders' funds/Partners' capital	214	185	40	308	116
Total investment	214	185	40	308	168
Capital commitments		17			

11 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	BL Davidson Ltd*	Other [†]	Group Share 2007	Group Share 2006
All joint ventures are held equally on a 50:50 basis					
Partners	House of Fraser plc	Manny Davidson, his family and trusts			
Date established	July 1999	September 2001			
Accounting period	Year ended 31 March 2007	5 months ended 31 August 2006			
Summarised income statements	£m	£m	£m	£m	£m
Gross rental and related income	14	15	1	66	88
Net rental and related income	13	14	2	55	78
Other income and expenditure		(1)	(1)	(2)	(4)
Net interest – External	(9)	(6)	(1)	(35)	(48)
– Shareholders			2	2	1
Net interest (payable) receivable	(9)	(6)	1	(33)	(47)
Underlying profit before taxation	4	7	2	20	27
Surplus on revaluation	10	23	2	98	194
Disposal of fixed assets			4	21	
Profit on property trading			3	3	9
Goodwill impairment				(3)	
Profit (loss) on ordinary activities before taxation	14	30	11	139	230
REIT conversion charge			(23)	(23)	
Current tax	(1)	(2)	(3)	(15)	(5)
Deferred tax	4	(5)	135	121	(60)
Profit on ordinary activities after taxation	17	23	120	222	165
Summarised balance sheets					
Investment properties	298		42	1,463	1,425
Development properties			77	77	4
Total properties	298		119	1,540	1,429
Current assets	1		24	54	65
Upstream loans to joint venture shareholders			20	28	24
Cash and deposits	5		17	63	47
Gross assets	304		180	1,685	1,565
Current liabilities	(7)		(50)	(97)	(98)
Bank debt falling due within one year	(4)		(1)	(3)	(17)
Bank debt falling due after one year	(126)		(17)	(595)	(401)
Securitised debt				(214)	(214)
Debentures					(57)
Obligations under finance leases	(2)			(6)	(8)
Deferred tax	(26)		131		(181)
Gross liabilities	(165)		63	(915)	(976)
Net external assets	139		243	770	589
Represented by:					
Shareholder loans	1		23	50	18
Ordinary shareholders' funds/Partners' capital	138		220	720	571
Total investment	139		243	770	589
Capital commitments			64	73	33

* Became a subsidiary with effect from 31 August 2006.

[†] Comprises smaller joint ventures including Eurofund Investments Zaragoza SL, a development joint venture, and Group adjustments. Amounts are shown at the relevant percentage for Group Share.

12 Other non-current assets

	2007			2006		
	Other investments £m	Intangible assets £m	Goodwill £m	Other investments £m	Intangible assets £m	Goodwill £m
At 1 April 2006	248	65		153		73
Additions	7			3		
Disposals	(10)					
On corporate acquisitions			106		75	167
Revaluation	22			92		
Amortisation		(15)			(10)	
Impairment			(106)			(240)
At 31 March 2007	267	50		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 market value at £255m as at 31 March 2007 (2006: £233m). The investment represents 17.8% of the share capital of Songbird Estates PLC which in turn owns 60.8% of Canary Wharf Group. In view of the control rights of other shareholders, the investment is not equity accounted.

Intangible assets relate to fund management contracts which are amortised over the expected remaining life of each contract. The original fair value was £75m with accumulated amortisation at 31 March 2007 being £25m (2006: £10m).

On 13 July 2006 the Group acquired 100% of the issued share capital of Project Sunrise Limited, which owns seven B&Q stores, for £199m. On 31 August 2006 the Group acquired the outstanding 50% ownership of the BL Davidson joint venture for £258m and on 22 December 2006 the Group acquired 100% of the issued share capital of 103 Colmore Row B.V., which owns a development site in Birmingham, for £25m.

	Book value acquired			Fair value adjustment £m	Fair value to Group £m
	BL Davidson £m	B&Q portfolio £m	Colmore Row £m		
Properties	362	198	25	3	588
Investment in joint ventures	1				1
Cash	3				3
Borrowings	(106)	(197)	(9)	(9)	(321)
Other net current liabilities	(9)	(1)			(10)
	251		16	(6)	261
Deferred tax	(61)	(29)		(1)	(91)
Goodwill	75	31			106
					276
Satisfied by:					
Cash paid					20
Issue of loan notes					256
Total consideration					276
Repayment of loans					206
Total amounts payable					482

Acquisition accounting has been finalised for all acquisitions made in the year.

The Group's revenue for the year ended 31 March 2007 would have been £607m if BL Davidson Limited, Project Sunrise Limited and the 103 Colmore Row B.V. groups of companies had been acquired on 1 April 2006; its profit after taxation would have been £2,461m.

The Group's profit after tax of £2,453m for the year ended 31 March 2007 includes post acquisition profits of £62m for BL Davidson Limited, £nil for Project Sunrise Limited and £nil for 103 Colmore Row B.V.

The goodwill generated from the above transactions is a result primarily of the deferred tax held on balance sheet as required by IFRS. Following the conversion by the Group to a REIT this deferred tax is not expected to crystallise and has been eliminated and as a consequence the associated goodwill has been fully impaired.

13 Net debt

	Footnote	2007 £m	2006 £m
Secured on the assets of the Group			
Class A1 4.986% Bonds 2037	1.1,2	602	
Class A2 Floating Rate Bonds 2037	1.1,2	60	
Class B 4.988% Bonds 2037	1.1,2	174	
Class A4 4.821% Bonds 2036	1.2	396	396
5.920% Secured Notes 2035	1.3,3		62
Class C2 5.098% Bonds 2035	1.2	217	217
Class B 4.999% Bonds 2033	1.2	365	365
Class A3 4.851% Bonds 2033	1.2	174	175
Class A1 Floating Rate Bonds 2032	1.2	224	224
Class A2 4.949% Bonds 2031	1.2	302	308
Class A2 4.482% Bonds 2030	1.4	257	257
Class M1 Floating Rate Bonds 2030	1.4	82	83
Class B2 5.270% Bonds 2030	1.4	239	239
Class B3 5.578% Bonds 2030	1.4	49	49
Class C1 Floating Rate Bonds 2030	1.4	70	69
Class D1 Floating Rate Bonds 2030	1.4	43	53
Class D Floating Rate Bonds 2025	1.2	144	147
Class C1 Floating Rate Bonds 2022	1.2	234	234
5.264% First Mortgage Debenture Bonds 2035	4	327	
5.0055% First Mortgage Amortising Debentures 2035	4	106	
8.875% First Mortgage Debenture Bonds 2035	4		247
5.357% First Mortgage Debenture Bonds 2028	4	307	
9.375% First Mortgage Debenture Stock 2028	4		197
10.50% First Mortgage Debenture Stock 2019/24	4		13
11.375% First Mortgage Debenture Stock 2019/24	4		20
9.125% First Mortgage Debenture Stock 2020	1.5	40	
6.75% First Mortgage Debenture Bonds 2020	1.6,4	205	205
6.125% First Mortgage Debenture Stock 2014	1.5	45	
10.3125% First Mortgage Debenture Stock 2011	1.5	45	
6.75% First Mortgage Debenture Bonds 2011	1.6,4	100	103
Floating Rate Secured Loan Notes 2035	5	256	
Loan notes		5	5
		5,068	3,668
Unsecured			
Class A1 5.260% Unsecured Notes 2035	1.3,3		586
Class B 5.793% Unsecured Notes 2035	1.3,3		97
Class C Fixed Rate Unsecured Notes 2035	1.3,3		87
Class A2 5.555% Unsecured Notes 2013	1.3,3		35
			805
5.50% Senior Notes 2027	6	98	
6.30% Senior US Dollar Notes 2015	7	78	88
10.25% Bonds 2012		2	2
7.35% Senior US Dollar Notes 2007	7		92
Bank loans and overdrafts		1,425	1,049
		1,603	2,036
Gross debt	8	6,671	5,704
Interest rate derivatives: liabilities		19	48
Interest rate derivatives: assets		(88)	(26)
		6,602	5,726
Cash and short-term deposits	9	(198)	(133)
Net debt		6,404	5,593

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

	2007 £m	2006 £m
1.1 Meadowhall Finance PLC	836	
1.2 Broadgate Financing PLC	2,056	2,066
1.3 MSC (Funding) PLC		867
1.4 BL Superstores Finance PLC	740	750
1.5 BLD Property Holdings Ltd	130	
1.6 BL Universal PLC		308

2 A total of £840m Bonds were issued by Meadowhall Finance PLC on 19 December 2006.

3 All the outstanding Notes of MSC (Funding) PLC were redeemed on 19 December 2006.

4 During 2006 the Group's existing Debentures were restructured to form a single £1 billion Debenture pool secured on £1.8 billion of assets.

5 A total of £256m Loan Notes were issued on 31 August 2006 to finance the acquisition of the remaining 50% in BL Davidson.

6 On 30 January 2007 £98m 5.50% Senior Notes 2027 were issued by the Company.

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

8 The principal amount of gross debt at 31 March 2007 was £6,684m (2006: £5,716m). Included in this, the principal amount of secured borrowings and other borrowings of non-recourse companies was £5,061m (2006: £4,470m).

9 Cash and deposits not subject to a security interest amount to £27m (2006: £36m).

13 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 2007 the market value of these derivatives, which have been designated as cash flow hedges under IAS 39, is an asset of £88m (2006: £21m – liability). The favourable valuation movement reflects the increase in Sterling interest rates since 31 March 2006.

The cross currency swap, which fully hedges the foreign exchange exposure on the US Private Placement, has been designated as a cash flow hedge. The market value of this is a liability of £17m (2006: £13m).

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 2007.

Cash flow hedged debt		2007 £m	2006 £m
Outstanding:	after one year	2,712	1,913
	after two years	3,265	2,262
	after five years	2,737	2,235
	after ten years	330	320

On 31 October 2006 the Group closed out all the interest rate swaps which had previously been designated as hedges of the exposure to changes in fair value on long dated fixed rate debt. This resulted in an increase in the proportion of long term debt at fixed interest rates of approximately 5%.

Details of the financing policy and risk management are set out on pages 74 to 77.

Interest rate profile – including effect of derivatives

	2007 £m	2006 £m
Fixed rate	6,061	5,203
Capped rate	100	100
Variable rate (net of cash)	243	290
Net debt	6,404	5,593

All the above debt is effectively Sterling based except for £111m (2006: £32m) of Euro debt of which £102m (2006: £nil) is fixed and the balance floating. At 31 March 2007 the weighted average interest rate of the Sterling fixed rate debt is 5.20% (2006: 5.81%). The weighted average period for which the rate is fixed is 15.1 years (2006: 16.0 years). The weighted average interest rate for the Euro fixed rate debt is 4.50% and the weighted average period for which the rate is fixed is 8.9 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

		2007 £m	2006 £m
Repayable:	within one year and on demand	54	129
between:	one and two years	122	64
	two and five years	1,422	1,348
	five and ten years	1,212	576
	ten and fifteen years	797	746
	fifteen and twenty years	906	835
	twenty and twenty five years	1,244	854
	twenty five and thirty years	914	1,152
		6,617	5,575
Gross debt		6,671	5,704
Interest rate derivatives		(69)	22
Cash and short-term deposits		(198)	(133)
Net debt		6,404	5,593

Total borrowings where any instalments are due after five years is £3,260m (2006: £3,120m).

13 Net debt (continued)

Maturity of committed undrawn borrowing facilities

	2007 £m	2006 £m
Expiring: within one year	50	822
between: one and two years	40	25
two and three years	130	554
three and four years	707	118
four and five years	322	763
over five years	408	
Total	1,657	2,282

The above facilities are those freely available to be drawn for Group purposes. There are additional undrawn 364 day revolving liquidity facilities of £185m, £115m and £75m which are only available for requirements of the Broadgate, BL Superstores and Meadowhall securitisations, respectively.

Comparison of market values and book values

	2007			2006		
	Market value £m	Book value £m	Difference £m	Market value £m	Book value £m	Difference £m
Securitisations	3,552	3,632	(80)	3,765	3,683	82
Debentures and unsecured bonds	1,366	1,353	13	1,269	967	302
Bank debt and other floating rate debt	1,686	1,686		1,054	1,054	
Cash and short-term deposits	(198)	(198)		(133)	(133)	
	6,406	6,473	(67)	5,955	5,571	384
Other financial (assets) liabilities						
– interest rate derivative assets	(88)	(88)		(26)	(26)	
– interest rate derivative liabilities	19	19		48	48	
	(69)	(69)		22	22	
Total	6,337	6,404	(67)	5,977	5,593	384

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 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.

14 Debtors

	2007 £m	2006 £m
Trade and other debtors	95	72
Prepayments and accrued income	16	12
Corporation tax		8
Defined benefit pension scheme asset (non-current)	9	
Interest rate derivatives*	88	26
	208	118

15 Creditors

	2007 £m	2006 £m
Trade creditors	85	67
Amounts owed to joint ventures	32	26
Corporation tax	283	
Other taxation and social security	15	7
Accruals and deferred income	312	269
Interest rate derivatives*	19	48
	746	417

* 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 £5m (2006: £11m). The charge to the income statement was £2m (2006: £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, who are paying their rental in advance.

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.

16 Taxation

	2007 £m	2006 [†] £m
Tax (income) charge		
Current tax		
UK corporation tax (30%)	(8)	(3)
Foreign tax	3	11
	(5)	8
Adjustments in respect of prior years	4	(1)
Total current tax (credit) charge	(1)	7
REIT conversion charge	277	
Deferred tax on income and revaluations	(1,289)	307
Group total taxation (net)	(1,013)	314
Tax reconciliation		
Profit on ordinary activities before taxation	1,440	1,498
Less: Profit attributable to funds and joint ventures	(459)	(311)
Group profit on ordinary activities before taxation	981	1,187
Tax on profit on ordinary activities at UK corporation tax rate of 30% (2006: 30%)	294	356
Effects of:		
REIT conversion charge	277	
REIT conversion on investment gains	(1,458)	(8)
REIT conversion on capital allowance provisions	(134)	(8)
REIT exempt income and gains	(10)	
Goodwill impairment	31	72
Tax losses and other timing differences	19	(84)
Expenses not deductible for tax purposes	(36)	(13)
Adjustments in respect of prior years	4	(1)
Group total taxation	(1,013)	314

[†] Restated as described in note 1.

Tax attributable to underlying profits for the year ended 31 March 2007 is £31m (2006: £43m).

Corporation tax payable at 31 March 2007 was £283m (2006: £8m asset) as shown in note 15. Deferred tax is calculated on temporary differences under the liability method using a tax rate of 30% (2006: 30%). The movement on deferred tax is as shown below:

Deferred taxation

	1 April 2005 £m	Acquisition £m	Charged (credited) to income £m	Charged (credited) to reserves £m	31 March 2006 £m
Property and investment revaluations	851	8	301	56	1,216
Capital allowances	123		1		124
Other timing differences	(29)	(5)	5		(29)
Intangible assets		20			20
	945	23	307	56	1,331
	1 April 2006 £m	Acquisition £m	Charged (credited) to income £m	Charged (credited) to reserves £m	31 March 2007 £m
Property and investment revaluations	1,216	151	(1,181)	(26)	160
Capital allowances	124	2	(126)		
Other timing differences	(29)		23	10	4
Intangible assets	20		(5)		15
	1,331	153	(1,289)	(16)	179

Under the REIT regime development properties which are sold within three years of completion do not benefit from tax exemption. At 31 March 2007 the value of properties under development is £1,220m and if these properties were to be sold and tax exemption was not available the tax arising would be £100m. No provision is made for this amount as the Group has no current plans to sell these properties. No comparatives are shown as prior to REIT status deferred tax on potential disposals was provided in full.

17 Other non-current liabilities

	2007 £m	2006 £m
Obligations under finance leases	30	28
Minority interest	7	5
Defined benefit pension scheme liability		11
	37	44

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:

	2007 £m	2006 £m
Less than one year	553	488
Between two and five years	2,232	2,031
Between six and ten years	2,523	2,332
Between 11 and 15 years	1,916	1,856
Between 16 and 20 years	969	1,062
After 20 years	1,140	1,112
	9,333	8,881

Contingent rents of £1m (2006: £2m) 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:

	2007			2006		
	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	9		9	8	1
More than five years	217	187	30	200	173	27
	228	198	30	211	183	28

19 Notes to the cash flow statement

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

	2007 £m	2006 [†] £m
Profit on ordinary activities before tax	1,440	1,498
Non-cash movements		
Net valuation gains on investment properties		
Revaluation of properties	(1,053)	(1,201)
Gains on property disposals (including trading property appropriations)	(115)	(164)
Other revaluations and gains	1	(4)
	(1,167)	(1,369)
Share of profits after tax of funds and joint ventures	(459)	(311)
Spreading of tenant incentives, guaranteed rent uplifts and letting fees	(36)	(55)
Goodwill impairment	106	240
Depreciation and amortisation	15	11
Share options, share awards and pension funding	20	20
	(1,521)	(1,464)
Changes to working capital and other cash movements		
Net financing costs	313	369
Refinancing charges (as described in note 7)	305	122
Dividends received	(51)	(16)
Pension funding	(10)	(6)
Increase in debtors	(29)	(9)
Increase (decrease) in creditors	32	(39)
	560	421
Cash generated from operations	479	455

[†] Restated as described in note 1.

20 Share capital and reserves

	Number of ordinary shares	Share capital £m	Share premium £m	Other reserves £m	Retained earnings £m	Total £m
Issued, called up and fully paid 1 April 2005	518,307,020	130	1,249	12	3,392	4,783
Restatement (note 1)				32	(32)	
Restated position at 1 April 2005	518,307,020	130	1,249	44	3,360	4,783
Total recognised income and expense for the year				132	1,183	1,315
Shares issued	878,269		4			4
Purchase of ESOP shares					(10)	(10)
Adjustment for share and share option awards					8	8
Dividends paid in the year					(84)	(84)
Issued, called up and fully paid 31 March 2006	519,185,289	130	1,253	176	4,457	6,016
Issued, called up and fully paid 1 April 2006	519,185,289	130	1,253	176	4,457	6,016
Total recognised income and expense for the year				356	2,454	2,810
Shares issued	2,113,068		10			10
Purchase of ESOP shares					(16)	(16)
Adjustment for share and share option awards					18	18
Dividends paid in the year					(91)	(91)
Issued, called up and fully paid 31 March 2007	521,298,357	130	1,263	532	6,822	8,747

The authorised share capital is 800,000,000 25p ordinary shares (2006: 800,000,000).

Other reserves

Other reserves comprise 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.

20 Share capital and reserves (continued)

At 31 March 2007, options over 5,273,916 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 2006	Granted	Vested but not exercised	Exercised/ vested	Forfeits	At 31 March 2007	Exercise/ share price at grant date pence	Exercise dates From	To
Share options									
Sharesave Scheme									
01.09.01	6,425			(6,425)			399	01.09.06	28.02.07
01.03.02	5,176			(5,176)			377	01.03.07	31.08.07
01.09.02	3,211					3,211	443	01.09.07	29.02.08
01.03.03	3,263			(3,263)			359	01.03.06	31.08.06
01.03.03	17,658				(915)	16,743	359	01.03.08	31.08.08
01.09.03	14,729			(14,246)	(483)		383	01.09.06	28.02.07
01.09.03	1,995					1,995	383	01.09.08	28.02.09
01.03.04	44,805			(42,456)	(631)		472	01.03.07	31.08.07
01.03.04	31,898			(1,663)	(1,695)	28,540	472	01.03.09	31.08.09
01.03.05	49,739			(2,006)	(7,612)	40,121	648	01.03.08	31.08.08
01.03.05	44,472				(306)	44,166	648	01.03.10	31.08.10
23.06.05	19,336				(1,323)	18,013	701	01.09.08	28.02.09
23.06.05	4,334					4,334	701	01.09.10	28.02.11
22.12.05	21,933			(24)	(1,974)	19,935	804	01.03.09	31.08.09
22.12.05	13,010				(400)	12,610	804	01.03.11	31.08.11
03.07.06		7,251				7,251	1,007	01.09.11	28.02.12
03.07.06		18,285				18,285	1,007	01.09.09	28.02.10
22.12.06		18,636				18,636	1,236	01.03.10	31.08.10
22.12.06		6,060				6,060	1,236	01.03.12	31.08.12
	281,984	50,232		(75,259)	(15,339)	241,618			
Long-Term Incentive Plan – Options Vested, Not Exercised									
25.09.03			222,234			222,234	502	25.09.06	24.09.13
12.12.03			239,642			239,642	552	12.12.06	11.12.13
28.05.04			14,495			14,495	663	01.03.07	31.08.07
29.11.04			9,409			9,409	796	01.03.07	31.08.07
31.05.05			4,779			4,779	877	01.03.07	31.08.07
05.12.05			2,198			2,198	994	01.03.07	31.08.07
			492,757			492,757			
Long-Term Incentive Plan – Unvested Options									
25.09.03	737,671		(222,234)	(515,437)			502	25.09.06	24.09.13
12.12.03	783,750		(239,642)	(539,019)	(5,089)		552	12.12.06	11.12.13
28.05.04	1,394,820		(14,495)	(368,763)	(61,203)	950,359	663	28.05.07	27.05.14
29.11.04	868,047		(9,409)	(7,531)	(32,188)	818,919	796	29.11.07	28.11.14
31.05.05	903,422		(4,779)	(6,908)	(28,895)	862,840	877	31.05.08	30.05.15
05.12.05	550,741		(2,198)	(2,169)	(133,057)	413,317	994	05.12.08	04.12.15
30.05.06		835,502			(14,202)	821,300	1,252	30.05.09	29.05.16
14.07.06		278,462			(4,732)	273,730	1,316	14.07.09	13.07.16
29.11.06		187,250			(2,669)	184,581	1,545	29.11.09	28.11.16
	5,238,451	1,301,214	(492,757)	(1,439,827)	(282,035)	4,325,046			
Options granted under MIP									
17.08.05	810,314			(595,819)		214,495	387	28.07.06	23.08.08
Total	6,330,749	1,351,446		(2,110,905)	(297,374)	5,273,916			
Weighted average exercise price of options									
	669p	1,301p		511p	889p	881p			
Performance shares									
							pence	Vesting date	
Restricted Share Plan*									
12.06.03	391,750	195,875		(587,625)			510		12.06.06
	391,750	195,875		(587,625)					
Long-Term Incentive Plan*									
25.09.03	245,889			(245,889)			502		25.09.06
12.12.03	261,250			(259,554)	(1,696)		552		12.12.06
28.05.04	464,927			(127,752)	(20,400)	316,775	663		28.05.07
29.11.04	289,349			(5,646)	(10,730)	272,973	796		29.11.07
31.05.05	389,322			(5,004)	(13,047)	371,271	877		31.05.08
05.12.05	221,709			(1,972)	(37,997)	181,740	994		05.12.08
30.05.06		313,564			(7,560)	306,004	1,252		30.05.09
29.11.06		191,183			(3,782)	187,401	1,545		29.11.09
	1,872,446	504,747		(645,817)	(95,212)	1,636,164			
Performance Plan*									
14.07.06		235,490				235,490	1,322		14.07.07
14.07.06		235,490				235,490	1,322		14.07.08
14.07.06		235,514				235,514	1,322		14.07.09
		706,494				706,494			
Co-investment Share Plan*									
29.11.04	61,957					61,957	807		29.11.07
Matching Share Plan*									
14.07.06		70,956				70,956	1,241		14.07.09
Total	2,326,153	1,478,072		(1,233,442)	(95,212)	2,475,571			
Weighted average price of performance shares									
	695p	1,224p		537p	919p	1,082p			

* At 31 March 2007 the British Land Share Ownership Plan, a discretionary trust established to facilitate the operation of the incentive schemes, held 2,530,034 ordinary shares, with a market value of £38,658,920 in respect of LTIP performance, Co-investment Share Plan, Performance Plan and Matching Share Plan shares (2006: 2,520,546, £31,279,976). The amount of shares which could potentially vest are detailed on pages 65 to 73 of the Remuneration Report.

21 Dividend

The proposed final dividend of 8.25 pence per share, totalling £43m (2006: 11.8 pence per share, totalling £61m) was approved by the Board on 21 May 2007 and is payable on 17 August 2007 to shareholders on the register at the close of business on 20 July 2007. The first quarterly dividend of 6.5 pence per share, totalling £34m, was paid on 18 May 2007.

The reconciliation of movements in shareholders' funds shows total dividends paid in the year of £91m (17.4 pence per share) comprising the 2007 interim dividend of £30m (5.6 pence per share) paid on 16 February 2007, and the 2006 final dividend of £61m (11.8 pence per share) paid on 18 August 2006.

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	
	2007 £m	2006 £m	2007 £m	2006 £m	2007 £m	2006 £m	2007 £m	2006 £m
Net rental income: Group only	228	238	306	318	27	33	561	589
Segment assets	6,184	5,189	8,940	7,400	1,256	923	16,380	13,512
Capital expenditure	487	491	1,016	506	147	45	1,650	1,042

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

23 Capital commitments

	2007 £m	2006 £m
British Land	753	1,077
Share of funds (note 11)	59	14
Share of joint ventures (note 11)	73	33
	885	1,124

24 Contingent liabilities

There were no contingent liabilities of the Parent for guarantees to third parties at 31 March 2007 (2006: £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 £23m (2006: £44m) and recourse is only to the partnership assets.

25 Related party transactions

Sir John Ritblat, Chairman of the Group until the end of 2006, held an effective 1% equity interest in, and is a non-executive Chairman of, Colliers CRE PLC who are amongst the Group's managing agents and as such received fees for their services.

Sir Derek Higgs, Deputy Chairman of the Group until 14 July 2006, is a non-executive director of Jones Lang LaSalle who are amongst the Group's managing agents and as such received fees for their services.

Details of transactions with funds and joint ventures 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 £27m (2006: £26m) and joint venture management fees of £3m (2006: £3m).