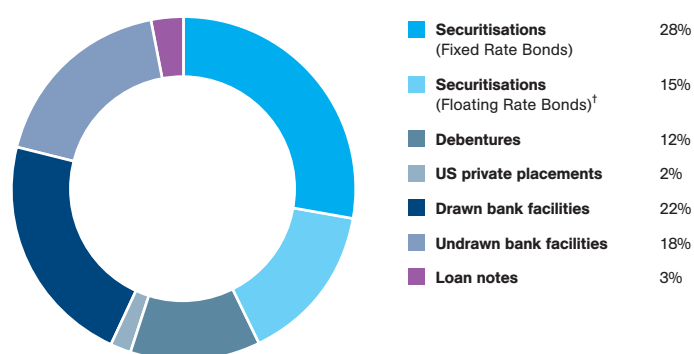


PRINCIPAL DEBT INSTRUMENTS

British Land uses a range of methods of finance in order to spread maturities, reduce borrowing costs and mitigate refinancing risk.

Finance is raised through a mixture of securitisations, public and private debt issues and bank borrowings. At 31 March 2007, including the Group's share of debt in Funds and Joint Ventures, gross borrowings were £8.0 billion (2006: £6.9 billion).

Accessing a flexible range of finance



[†] Floating rate bonds with related fixed rate swaps.

Non-recourse

At 31 March 2007 £3.8 billion (2006: £4.0 billion) of outstanding debt had been issued by ring-fenced, special purpose subsidiaries, with no recourse to other companies or assets in the Group. The securitisations and the BLD Property Holdings Limited debentures fall within the non-recourse category.

The debt in Funds and Joint Ventures is also non-recourse. At 31 March 2007 the Group's share of their gross borrowings amounted to £1.3 billion (2006: £1.2 billion).

Securitisations

At 31 March 2007 outstanding debt raised through securitisations amounted to £3,644m (2006: £3,682m). British Land's securitisations are used to raise long-term debt at fixed rates of interest from the cash flows generated from specific assets or pools of assets. The strength of these cash flows allows credit rated debt to be raised on a non-recourse basis, thereby lengthening maturities and reducing interest costs. British Land retains the flexibility to manage the assets actively and provide suitable substitute assets if appropriate. This enables returns to be maximised, benefiting both debt and equity investors. Additional flexibility permits British Land to introduce third party capital without repaying the existing debt.

Although a combination of fixed and floating rate debt has been issued via securitisations, all the floating rate instruments have been fully swapped into fixed rate debt, from the date of issue, to provide certainty of future interest cost.

British Land's securitisations feature quarterly principal repayments with the balance outstanding reducing to approximately 20-30% of the original amount raised by expected final maturity.

Broadgate

On 2 March 2005 Broadgate Financing PLC, a newly established ring-fenced wholly-owned subsidiary of British Land, issued £2,080m of bonds supported by the cash flows from the entire built estate at Broadgate in the City of London.

Nominal outstanding	£2,062m
Valuation of securitised portfolio	£3,569m
Weighted average interest rate	5.05%
Weighted average debt maturity	18.0 years
Gross Coverage Ratio	223%*

* Source: 5 April 2007 Debt Service

Details of the bonds and their ratings are shown in the following table:

Bond	Principal outstanding		Rating S&P/Moody's/Fitch
	£m		
Class A1 Floating Rate Bonds 2032	225		AAA/Aaa/AAA
Class A2 4.949% Bonds 2031	303		AAA/Aaa/AAA
Class A3 4.851% Bonds 2033	175		AAA/Aaa/AAA
Class A4 4.821% Bonds 2036	400		AAA/Aaa/AAA
Class B 4.999% Bonds 2033	365		AA/Aa2/AA
Class C1 Floating Rate Bonds 2022	235		A/A2/A
Class C2 5.098% Bonds 2035	215		A/A2/A
Class D Floating Rate Bonds 2025	144		BBB/Baa2/BBB
Total	2,062		

Meadowhall

On 19 December 2006 Meadowhall Finance PLC, a ring-fenced wholly-owned subsidiary of British Land, issued £840m of bonds to refinance the Meadowhall shopping centre. This followed the redemption of the existing notes of MSC (Funding) PLC.

The financing was moved to a simplified CMBS structure, the weighted average interest rate reduced from 5.53% to 4.98% and the ratings of the Class B bonds improved three notches from A to AA. An additional £175m of bonds were issued at closing and held as Reserve Tranches, these can be resold by the issuer subject to the satisfaction of certain conditions.

Nominal outstanding	£839m
Valuation of securitised portfolio	£1,652m
Weighted average interest rate	4.98%
Weighted average debt maturity	17.0 years
Gross Coverage Ratio	147%*

* Source: 12 April 2007 Debt Service

Details of the bonds and their ratings are shown in the following table:

Bond	Principal outstanding	Rating
	£m	S&P/Fitch
Class A1 4.986% Bonds 2037	605	AAA/AAA
Class A2 Floating Rate Bonds 2037	60	AAA/AAA
Class B 4.988% Bonds 2037	174	AA/AA
Total	839	

Superstores

On 28 February 2006 BL Superstores Finance PLC, a wholly-owned ring-fenced subsidiary of British Land, issued £753m of bonds. These are secured on the cash flows from a portfolio of 36 superstores owned by British Land and leased primarily to Sainsbury's Supermarkets Ltd.

The superstores are mainly in edge-of-town and out-of-town locations throughout England and Wales.

Nominal outstanding	£743m
Valuation of securitised portfolio	£1,385m
Weighted average interest rate	4.96%
Weighted average debt maturity	12.6 years
Coverage Ratio	103%*

* Source: 4 April 2007 Debt Service

Details of the bonds and their ratings are shown in the following table:

Bond	Principal outstanding	Rating
	£m	S&P/Fitch
Class A2 4.482% Bonds 2030	258	AAA/AAA
Class M1 Floating Rate Bonds 2030	83	AA/AA
Class B2 5.270% Bonds 2030	240	A/A
Class B3 5.578% Bonds 2030	49	A/A
Class C1 Floating Rate Bonds 2030	70	BBB/BBB
Class D1 Floating Rate Bonds 2030	43	BBB/BBB
Total	743	

BLD Property Holdings First Mortgage Debenture Stock

BLD Property Holdings Limited (formerly Asda Property Holdings Limited) issued a total of £126m debentures between March 1986 and May 1999.

- 10.3125% First Mortgage Debenture Stock 2011
- 6.125% First Mortgage Debenture Stock 2014
- 9.125% First Mortgage Debenture Stock 2020

This company became a ring-fenced wholly-owned subsidiary of British Land following the Group's acquisition of the remaining 50% interest in BL Davidson in August 2006 from the Davidson family.

Funds and Joint Ventures

These are financed to meet the requirements of their individual business plans on a non-recourse basis. At 31 March 2007 the Group's share of their gross borrowings amounted to £1.3 billion (2006: £1.2 billion). Finance has been raised through syndicated bank facilities and securitisations. The bank facilities account for 56% of the debt and are all floating rate. They include the £488m 10 year loan raised in March 2007 for The Tesco Aqua Limited Partnership. The Scottish Retail Property Limited Partnership and Hercules Unit Trust are financed by seven year floating rate securitisations of £430m and £1 billion, respectively. Over 90% of the securitised debt is rated AAA. Transaction specific derivatives are employed to achieve the desired interest rate profile when floating rate debt is raised via bank facilities or securitisations.

Recourse

As at 31 March 2007 recourse debt amounted to £2.9 billion (2006: £1.7 billion). Of this, £1.3 billion is from debentures and loan notes with the balance from unsecured lenders. These lenders have recourse for repayment of these borrowings to the Group, including equity interests in non-recourse companies.

Debentures

The Group's debentures are secured against specific assets.

Debentures provide very long-term finance with no amortisation, with the right to substitute properties from time to time, subject to meeting current income and capital tests. Mortgaged properties can be withdrawn from the security pools provided that tests relating to loan to value and interest cover are met. The Group is required to provide additional security if the loan to value and interest cover fall below certain levels.

During 2006 the existing debentures issued by the Company and its ring-fenced subsidiary, BL Universal, were refinanced to form a single debenture pool with £1.8 billion of assets. The refinancing changed the obligor for the 6.75% First Mortgage Debenture Bonds 2011/2020 from BL Universal to British Land, aligned the financial covenants on all the debentures and reduced the coupon on the existing British Land debentures to current market rates with a compensating cash payment to investors (funded by the issue of additional debentures).

Combining the four individual security pools (to form the UK's largest single pool) resulted in a significant increase in geographical and sector diversification. Investors also benefit from a new information covenant and a change of control clause.

A full list of properties, details of sector and geographic diversification and the rental income from the top 10 tenants across the security pool is provided in the Investors section of the British Land website.

	Principal outstanding
Debenture	£m
6.75% First Mortgage Debenture Bonds 2011	98
6.75% First Mortgage Debenture Bonds 2020	200
5.357% First Mortgage Debenture Bonds 2028	310
5.264% First Mortgage Debenture Bonds 2035	330
5.0055% First Mortgage Amortising Debenture Bonds 2035	108
Total	1,046

Unsecured debt

Bank facilities

At 31 March 2007 available bank facilities amounted to £3,082m (2006: £3,331m) of which £1,657m (2006: £2,282m) was undrawn. All of these facilities are revolving and can be drawn/repaid at short notice, providing the Group with valuable operational flexibility. British Land maintains relationships with a large and diverse group of banks, reducing reliance on any particular lender. At 31 March 2007, 44 different financial institutions from 17 countries had provided finance to the Group via bilateral or syndicated facilities. The committed terms of these facilities are between five to ten years, with a significant number capable of extension if the lender agrees. All the facilities are floating rate and British Land uses interest rate derivatives, which mainly take the form of interest rate swaps, to achieve the desired fixed versus floating interest rate profile.

5.50% Senior Notes 2027 and

6.30% Senior US Dollar Notes 2015

On 30 January 2007 British Land issued £98m 5.50% Senior Notes 2027 to US investors replacing \$160m of maturing 7.35% Senior US Dollar Notes 2007. This long-term finance with no amortisation has been raised on an unsecured basis complementing the 6.30% Senior US Dollar Notes 2015.

Principal features of unsecured debt

British Land operates a 'level playing field', providing unsecured lenders with a standard set of borrowing conditions. The financial covenants are:

- a) a 70% maximum ratio for net unsecured borrowings to unencumbered assets.

For this purpose net unsecured borrowings exclude all secured and non-recourse debt, and unencumbered assets exclude assets subject to a security interest and other assets of non-recourse companies. Investments in joint ventures are also excluded; and

b) a 175% maximum ratio for net borrowings to adjusted capital and reserves.

In this case net borrowings include all Group borrowings, even where they are non-recourse.

As at 31 March 2007 these ratios stood at 28% (2006: 26%) and 74% (2006: 73%) respectively.

Ratio	31 March 2003	31 March 2004	31 March 2005	31 March 2006	31 March 2007
Net unsecured borrowings to unencumbered assets ¹	45%	47%	42%	26%	28%
Net borrowings to adjusted capital and reserves ²	103%	102%	106%	73%	74%

Highest during the year to 31 March 2007: 30%¹; 79%²

Although secured assets and other assets of non-recourse companies are excluded from unencumbered assets for the covenant calculations, unsecured lenders benefit from the surplus value of these assets above the related debt and from the free cash flow from these assets. During the year ended 31 March 2007 these assets generated £100m of surplus cash after payment of interest and debt amortisation. Surplus cash is passed up to the Group on a quarterly basis.

In addition, while investments in joint ventures do not form part of unencumbered assets, profits generated by these ventures are regularly passed up to the Group. Refinancing of joint ventures, when appropriate, following increases in property valuations provides an additional source of cash flow for the Group.

Long leases with upward only rent reviews create a strong income profile. The benefit to unsecured lenders is enhanced by the Group's interest rate risk management strategy. The following table shows the percentage of projected net debt at a fixed rate in 1, 5 and 10 years' time. The relatively high proportion of fixed rate debt means a movement up or down of 1% (100 basis points) in market rates of interest results in an increase or reduction of the Group's annual interest charge of just £3m (0.5% of net rental income).

Projected net debt at fixed and protected interest rates			
From 31 March 2007:	Year 1	Year 5	Year 10
	95%	84%	52%