

These figures show a significant change from the year before, when (on the IFRS basis) net assets of £8.7 billion comprised £14.0 billion of Group properties and £1.6 billion of net investment in Funds and Joint Ventures, less net debt of £6.4 billion and £0.5 billion of other net liabilities. The principal changes from these to the current year figures have arisen from the valuation write-down combined with the high level of property sales, resulting in a reduction of the amount of properties and the amount of Group debt. As a result, our Group **loan to value** ratio (debt as a proportion of property and investments) has remained steady at 41%.

## Cash flows

The consolidated cash flow statement shows a net repayment of borrowings of £734m as compared with £68m in the previous year.

	March 2008	March 2007*
	£m	£m
Rental income and fees less expenses	477	494
Interest paid less interest and distributions received	(295)	(275)
Net cash flow from operating activities	182	219
Sales and other income less purchases, development and other expenditure	1,148	(54)
REIT conversion charge	(291)	-
Net purchase of shares	(144)	(6)
Dividends paid	(161)	(91)
Net repayment of borrowings	734	68

\* Re-presented under the direct method

As set out in the table above, cash generated from operations (rental income and fees less expenses) has reduced by £17m to £477m, and net cash flow from operating activities by £37m to £182m. The most significant movement in the cash flow statement giving rise to the repayment of borrowings has been the cash inflow from investing activities (sales and other income less purchases, development and other expenditure), a net disinvestment of £1,148m, compared with a net outflow of £54m in the previous year.

## Dividends

In November 2006 we announced a move to a quarterly dividend cycle, which mirrors rental cash inflows, as rents are typically settled quarterly. The proposed dividend for the fourth quarter is 8.75 pence per share, totalling £45m, and will be payable on 15 August 2008 to shareholders on the register at the close of business on 18 July 2008. The dividend consists of a property income distribution (PID) of 8.75 pence as explained in note 19 on page 96.

Together with the proposed fourth quarter dividend, our total dividend for the year will amount to £179m, 35 pence per share, an increase of 72% on the previous year.

Dividends (pence)	2008	2007
November	8.75	
February	8.75	5.60
May	8.75	6.50
August	8.75	8.25
<b>Total per share</b>	<b>35.00</b>	<b>20.35</b>

## Total return

Due to the fall in property values the Group's total return for the year was a negative 18.1%, and compares with a positive 21.3% in the previous year. Over five years, our annualised total return has been 12.8% (pre-exceptional charges).

	March 2008	March 2007	% increase/ (decrease)
NAV per share <sup>1</sup>	1344p	1682p	(20)
Underlying earnings per share <sup>2</sup>	53p	43p	23
Dividends payable per share	35p	20.35p	72
Total return per share <sup>1,3</sup>	(18.1)%	21.3%	

<sup>1</sup> EPRA basis – note 2 on page 85

<sup>2</sup> Note 2 on page 85

<sup>3</sup> Before charges for REIT conversion and refinancings

## 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.

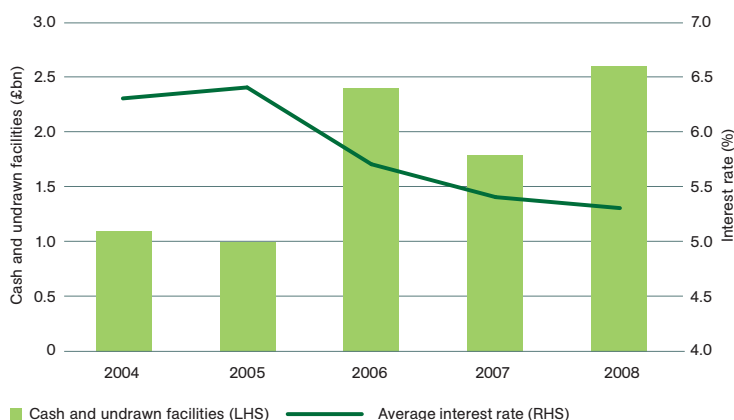
Significant accounting policy judgements are highlighted in note 1 (Basis of preparation) on page 84.

## Financing 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 over the medium-term using financial leverage. A 45-55% loan to value ratio (LTV) is 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. Earlier in this year we considered the markets fully valued and brought gearing down through sales such that, despite the mark-downs in the valuation of the portfolio over the year, at 31 March 2008 LTV was 41%, 47% proportionally consolidated (2007: 43% and 47% respectively, pro forma for payment of REIT conversion charge).

In seeking 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. We spent £139m on share buy-backs during the year to take advantage of share prices below net asset value and to highlight management's view that buy-backs remain an option to be considered alongside other competing uses of capital.

Cash and undrawn facilities / Average interest rate



**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 10 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 costs to be funded by further drawings under committed facilities. This interest rate profile is closely monitored as part of our management of the overall financial effects of transactions. The year end position of debt being 100% at fixed rate results from the repayment of floating rate debt following sales and our retention of existing interest rate derivatives at favourable rates which will hedge the increased debt arising from borrowing to fund expenditure in respect of the development programme; accordingly, we are not exposed to rising interest rates in this respect.

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

This has been another good year for refinancings and **raising new finance** for the business, in each case **reducing future interest costs** and increasing distributable income. In spite of the uncertainties emerging in the financial markets, we arranged:

- in early August 2007 a £620m seven-year syndicated multi-currency revolving loan facility at 42.5bps over LIBOR;
- in October 2007 a £250m bilateral loan and guarantee facility;
- a further £85m of new and extended bilaterals during the year; and
- in July 2007 a €220m bank facility to assist with the acquisition jointly by PREF and British Land of Nueva Condomina, the major shopping centre in Murcia, Spain.

Over the last three 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 overall of £3.5 billion. These refinancings have replaced more expensive shorter-term facilities with lower margin longer-dated lines, reducing our interest costs going forward. The average margin over LIBOR applicable to our bank facilities is now 48 bps per annum.

The combination of these transactions and the interest rate derivatives to fix the applicable LIBOR has (despite recent rising market rates) reduced our weighted average interest rate from 6.49% at 31 December 2004 to **5.29% at 31 March 2008**.

British Land has current total committed bank facilities of £3.2 billion, of which some £2.4 billion is undrawn. Only £190m of these facilities expire in the next two years and £1.8 billion are for a term of more than five years.

Financing statistics	31 March 2008	31 March 2007
<b>Group:</b>		
Net debt	<b>£5,032m</b>	£6,404m
Weighted average debt maturity	<b>14.6yrs</b>	14.1yrs
Weighted average interest rate	<b>5.27%</b>	5.32%
% of net debt at fixed/capped interest rates	<b>100%</b>	96%
Interest cover <sup>1</sup>	<b>1.8x</b>	1.7x
Loan to value <sup>2</sup>	<b>41%</b>	41% <sup>4</sup>
Unsecured debt to unencumbered assets	<b>22%</b>	28%
Undrawn committed facilities	<b>£2,433m</b>	£1,657m
<b>Group and share of Funds and Joint Ventures:</b>		
Net debt <sup>3</sup>	<b>£6,413m</b>	£7,741m
Weighted average debt maturity	<b>12.9 yrs</b>	12.7yrs
Weighted average interest rate	<b>5.29%</b>	5.36%
Interest cover <sup>1</sup>	<b>1.8x</b>	1.7x
Loan to value <sup>2</sup>	<b>47%</b>	45% <sup>4</sup>

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

<sup>2</sup> Debt to property and investments

<sup>3</sup> See Table A on page 100

<sup>4</sup> Proforma for payment of REIT conversion charge (made July 2007) 43% Group and 47% including share of Funds and Joint Ventures