

# Financing Policy

British Land's financing policy is to enhance equity returns through strategic leverage while maintaining a risk-averse debt structure.

**A 'loan to value ratio' across the entire business in the range of 45-55% is currently targeted, subject to the Board's view of the market, the prospects of the portfolio and its recurring cash flows.**

The principal objectives under this policy are to:

- minimise the cost of capital through a mix of debt and equity finance;
- raise debt from a variety of sources and maintain a spread of maturities, including longer-term financing supported by committed income under long leases;
- maintain significant committed undrawn loan facilities, to support current and future business requirements; and
- actively manage financial risks, including interest rate, foreign exchange, liquidity and counterparty risks.

The Funds and Joint Ventures are financed separately, without recourse to the Group (see pages 37 to 39), as required by their individual business plans and based on similar risk management policies.

## Liability management

Liability management is not a profit centre – no speculative transactions are undertaken. The Group's debt and derivative positions are continuously reviewed to meet current and expected debt requirements.

The Group maintains a balance between longer-term and shorter-term financings. Short-term financing is principally raised through bilateral and syndicated revolving bank facilities, which can be repaid at will without penalty and redrawn again when the need arises. All bank facilities are unsecured and on standard covenant terms to maintain operational flexibility. Medium to longer-term financing comprises public and private bond issues, including private placements and securitisations. Financing risk is spread by using a variety of types of debt. The maturity profile is managed by spreading the repayment dates and extending facilities.

## Interest rate management

To manage exposure to interest rate fluctuations the Board determines a range for the proportion of projected debt to be maintained at fixed or capped rates of interest. At present the target is 85% (subject to a 5% tolerance either side) over a rolling three to five year time horizon. With financing raised at both fixed and variable rates, derivatives (primarily interest rate swaps) are used to achieve the desired interest rate profile. The use of derivatives is managed by the Board of British Land Financing Limited and its Derivative Sub-Committee. The Group's exposure to each derivative counterparty is monitored on a regular basis, as are their external credit ratings.

## Foreign currency management

The Group's policy is to have no material unhedged net assets or liabilities denominated in foreign currencies. The currency risk on overseas investments is hedged via foreign currency denominated borrowings and derivatives.

When attractive terms are available to do so, the Group borrows in freely available currencies other than Sterling. The Group fully hedges its foreign currency risk on such borrowings through derivatives.

## Liquidity and cash management

The Group maintains undrawn revolving bank facilities to provide financial liquidity. These can be drawn/repaid at short notice without additional expense, reducing the need to hold liquid resources in cash and deposits. This minimises costs arising from the difference between borrowing and deposit rates, while reducing credit exposure. Deposits are placed as necessary to optimise the rate of return, subject to the creditworthiness of the counterparty.

## Profit and loss account and balance sheet management

The Group monitors its current and projected financial position using several key internally generated reports: cash flow, borrowing, debt maturity and derivatives schedules. The Group also undertakes sensitivity analysis to assess the impact of proposed transactions and movements in interest rates on the key balance sheet, liquidity and profitability ratios.