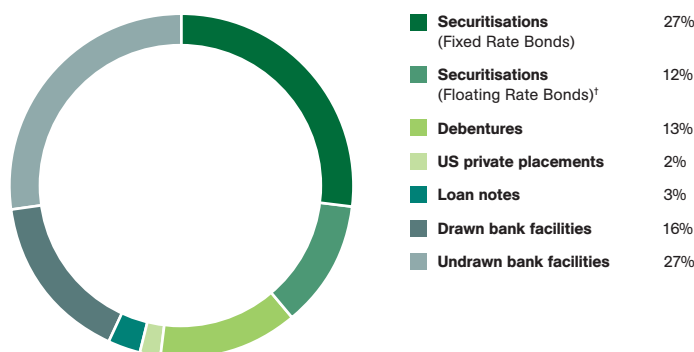


Principal Debt Instruments

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

The benefits of carefully managing refinancing risk are clearly evident during the current period of capital market turbulence. Finance is raised through a mixture of securitisations, public and private debt issues and bank borrowings. At 31 March 2008, including the Group's share of debt in Funds and Joint Ventures, gross borrowings were £6.8 billion (2007: £8.0 billion).

Accessing a flexible pool of finance



[†]Floating Rate Bonds with related fixed rate swaps

Non-recourse

At 31 March 2008 £3.0 billion (2007: £3.8 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 2008 the Group's share of their gross borrowings amounted to £1.5 billion (2007: £1.3 billion).

Securitisations

At 31 March 2008 outstanding debt raised through securitisations amounted to £2.9 billion (2007: £3.6 billion). The reduction in Group securitised debt is due to the transfer of the superstores securitisation group to a newly formed joint venture with J Sainsbury plc on 26 March 2008. British Land's share of the net assets of the joint venture, BL Sainsbury Superstores Limited, is accounted for under the equity method.

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

In 2005 Broadgate Financing PLC, a 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.

On 5 June 2007, the previously charged building at 175 Bishopsgate was sold. In accordance with the substitution provisions contained in the securitisation documents cash collateral was initially provided following the sale which has now been replaced by the newly constructed 'Willis Building' at 51 Lime Street.

Nominal outstanding	£2,041m
Valuation of securitised portfolio	£3,152m
Weighted average interest rate	5.04%
Weighted average debt maturity	17.1 years
Gross Coverage Ratio	175%*

* Average over last four quarters

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

Bond	Principal outstanding	Rating
	£m	S&P/Moody's/Fitch
Class A1 Floating Rate Bonds 2032	225	AAA/Aaa/AAA
Class A2 4.949% Bonds 2031	296	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	130	BBB/Baa2/BBB
Total	2,041	

Meadowhall

In 2006, Meadowhall Finance PLC, a ring-fenced wholly-owned subsidiary of British Land, issued £840m of bonds supported by the cash flow of the Meadowhall shopping centre.

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	£837m
Valuation of securitised portfolio	£1,517m
Weighted average interest rate	4.98%
Weighted average debt maturity	16.1 years
Gross Coverage Ratio	147%*

* Average over last four quarters

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	172	AA/AA
Total	837	

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 2008 the Group's share of their gross borrowings amounted to £1.5 billion (2007: £1.3 billion). Finance has been raised through syndicated bank facilities and securitisations. The bank facilities account for 49% of the debt and are all floating rate. In July 2007 a €220m five year bank facility was arranged to assist with the acquisition jointly by PREF and British Land of Nueva Condomina, the major shopping centre in Murcia, Spain. At 31 March 2008 British Land's share of securitised debt in Funds and Joint Ventures was £747m (2007: £505m). During the year ended 31 March 2008 The Scottish Retail Property Limited Partnership repaid £311m of securitised loans following the sale of the East Kilbride shopping centre, while the new joint venture between the Hercules Unit Trust and The Crown Estate, raised £200m of AAA securitised debt. In March 2008 British Land transferred its superstores securitisation group to a newly formed joint venture with J Sainsbury plc, BL Sainsbury Superstores Limited. At 31 March 2008 the superstores joint venture had £722m of external debt with an average life of 11.9 years, secured against assets with a value of £1,166m. Transaction specific derivatives are employed to achieve the desired interest rate profile when floating rate debt is raised via bank facilities and securitisations.

Recourse

As at 31 March 2008 recourse debt amounted to £2.3 billion (2007: £2.9 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.

The £1.0 billion of debentures issued by the Company are secured against a single combined pool of assets, which was valued at £1.8 billion at 31 March 2008. The single pool of 31 assets provides investors with geographic and sectoral diversification.

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 2008 available bank facilities amounted to £3,218m (2007: £3,082m) of which £2,433m (2007: £1,657m) 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 2008, 34 different financial institutions from 13 countries had provided finance to the Group via bilateral or syndicated facilities. The committed terms of these facilities are generally between five to 10 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. During the year ended 31 March 2008 the Group raised £620m via a seven-year syndicated multi-currency revolving loan facility at 42.5bps over LIBOR and a new £250m bilateral loan and guarantee facility was signed in October 2007.

US private placements

British Land currently has two outstanding US private placements, which comprise £98m 5.50% Senior Notes 2027 and \$154m 6.30% Senior US Dollar Notes 2015. Issuing in this market raises long-term unsecured debt with no amortisation and widens the debt investor base.

Principal features of unsecured debt

British Land operates a 'level playing field', providing unsecured lenders with a standard set of financial covenants:

- 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 2008 these ratios stood at 22% (2007: 28%) and 74% (2007: 74%) respectively.

Ratio	31 March 2004	31 March 2005	31 March 2006	31 March 2007	31 March 2008
Net unsecured borrowings to unencumbered assets ¹	47%	42%	26%	28%	22%
Net borrowings to adjusted capital and reserves ²	102%	106%	73%	74%	74%

Highest during the year to 31 March 2008: 29%¹; 87%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 2008 these assets generated £99m 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 Group net debt currently at a fixed rate in one, five and 10 years' time. The high proportion of net debt fixed in one year's time results from the recent repayment of floating rate debt following sales and the retention of existing interest rate derivatives at favourable rates to hedge future borrowings in respect of the committed development programme.

Projected net debt at fixed interest rates

From 31 March 2008:	Year 1	Year 5	Year 10
	100%	91%	58%