# Notes to the Accounts

## 1 Basis of preparation

The financial statements for the year ending 31 March 2008 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 EU IAS Regulation.

These accounting policies have been applied consistently in all material respects.

The accounting policies used are consistent with those contained in the Group's last annual report and accounts for the year ended 31 March 2007, with the exception of the adoption of IFRS 7: Financial Instruments: Disclosures; the early adoption of IFRS 8: Operating Segments and the presentation of the Cash Flow Statement under the direct method. These changes have no impact on the Group's net assets or profits before tax and the comparative results have been restated on a consistent basis.

Standards and guidelines relevant to the Group that were in issue at the date of approval of the financial statements but not effective for the current accounting period were: IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction; and amendments to: IAS 1: Presentation of Financial Statements; IAS 27: Consolidated and Separate Financial Statements; IFRS 2: Share-Based Payment; and IFRS 3: Business Combinations. These pronouncements, when applied, are not expected to have a material impact on the financial statements, but will result in changes to presentation or disclosure.

Critical accounting judgements are disclosed in the relevant section of the Annual Report, see page 34. The key source of estimation and uncertainty relates to the valuation of the property portfolio and investments, where an external valuation is obtained. Other less significant assumptions include the actuarial assumptions used in calculating the Group's retirement benefit obligations, the valuation of fixed rate debt and interest rate derivatives, and the share-based payment expense. The potential for management to make judgements or estimates relating to these that would have a significant impact on the financial statements is considered, by the nature of Group business, to be limited.

**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.

**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.

**Intangible assets**
Intangible assets, such as fund management 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 reviewed for impairment on an annual basis.

**Financial assets and liabilities**
Trade receivables and payables are initially recognised at fair value and subsequently measured at amortised cost and discounted as appropriate.

Other investments are shown at fair value and held as available for sale. 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.

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.

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).

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

| Earnings per share (diluted) | 2008 (Loss) earnings £m | 2008 Pence per share | 2007 (Loss) earnings £m | 2007 Pence per share |
|---|---|---|---|---|
| Underlying pre-tax profit – income statement | **284** | | 257 | |
| Tax charge relating to underlying profit | **(8)** | | (31) | |
| **Underlying earnings per share** | **276** | **53p** | 226 | 43p |
| Refinancing charges | | | (305) | |
| Tax and other items | **13** | | 58 | |
| **EPRA earnings (loss) per share** | **289** | **56p** | (21) | (4)p |
| **(Loss) profit for the year after taxation** | **(1,563)** | **(303)p** | 2,453 | 470p |

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 or losses 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, including reversal of refinancing charges, realisation of cash flow hedges and REIT-related transactions, none of which occurred in the current year. The weighted average number of shares in issue for the year was: basic: 512m (2007: 520m); diluted for the effect of share options: 516m (2007: 522m). Basic undiluted (loss) earnings per share for the year was (305p) (2007: 472p).

| Net asset value (NAV) | 2008 £m | 2007 £m |
|---|---|---|
| **Balance sheet net assets** | **6,790** | 8,747 |
| Deferred tax arising on revaluation movements, capital allowances and derivatives | **102** | 168 |
| Mark to market on effective cash flow hedges and related debt adjustments | **(3)** | (99) |
| Dilution effect of share options | **47** | 46 |
| **EPRA NAV** | **6,936** | 8,862 |
| **EPRA NAV per share** | **1344p** | 1682p |

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 2008 the number of shares in issue was: basic: 509m (2007: 521m); diluted for the effect of share options: 516m (2007: 527m).

**Total return per share** of minus 18.1% represents a reduction per share in EPRA NAV per share of 338p net of dividends paid of 32.25p (see note 19).

Total return per share (before charges for REIT conversion and refinancings) for the year ended 31 March 2007 was 21.3%.

## 3 Gross and net rental income

| | 2008 £m | 2007 £m |
|---|---|---|
| Rent receivable | **547** | 551 |
| Spreading of tenant incentives and guaranteed rent increases | **46** | 37 |
| Surrender premiums | **3** | 9 |
| **Gross rental income** | **596** | 597 |
| Service charge income | **49** | 52 |
| **Gross rental and related income** | **645** | 649 |
| Service charge expenses | **(49)** | (52) |
| Property operating expenses | **(35)** | (36) |
| **Net rental and related income** | **561** | 561 |

Net rental income for the year ended 31 March 2008 from properties which were subject to a security interest or held by non-recourse companies was £409m (2007: £409m). Property operating expenses relating to investment properties that did not generate any rental income were £1m (2007: £3m).

## 4 Fees and other income

| | 2008 £m | 2007 £m |
|---|---|---|
| Performance and management fees (from funds and joint ventures) | **21** | 30 |
| Dividend received from Songbird Estates plc | **16** | 18 |
| Other fees and commission | **3** | 2 |
| Underlying | **40** | 50 |
| Capital dividend received from Songbird Estates plc | **30** | 33 |
| | **70** | 83 |

The £21m (2007: £30m) performance and management fees comprise £9m (2007: £17m) performance fees and £12m (2007: £13m) management fees from funds and joint ventures.

The performance fee receivable from HUT for the year ended 31 December 2007 is £nil. In the year ended 31 December 2006 the fee was £27m, of which the third-party element available to the Group was £17m. 50% of the undistributed performance fee is payable each year provided there is no clawback. In the current year fees of £7m (2007:£16m) have been recognised and £6m (2007: £13m) is deferred to later years. The net performance fee receivable from HIF for the year ended 31 December 2007 is £nil (2006: £1m).

Following the capital restructuring of Songbird Estates plc a capital dividend of £30m (2007: £33m) was received in the year, in addition to a dividend treated as underlying of £16m (2007: £18m).

## 5 Other income statement disclosures

| (i) Total revenue | Note | 2008 £m | 2007 £m |
|---|---|---|---|
| Gross rental and related income | 3 | **645** | 649 |
| Fees and other income | 4 | **70** | 83 |
| Property trading* | | | 94 |
| **Total revenue in the year** | | **715** | 826 |

*Property trading profits are not included in underlying profits

| (ii) Auditors' remuneration – Deloitte & Touche LLP | 2008 £m | 2007 £m |
|---|---|---|
| Fees payable to the Company's auditors for the audit of the Company's annual accounts | **0.4** | 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 |
| | **0.8** | 0.9 |
| Other services pursuant to legislation | **0.2** | 0.2 |
| Tax services | **0.5** | 1.4 |
| All other services | **0.1** | 0.4 |
| | **1.6** | 2.9 |

(iii) Exchange losses recognised in the profit and loss account total £2m (2007: £nil).

## 6 Net revaluation (losses) gains on property and investments

| | 2008 £m | 2007 £m |
|---|---|---|
| **Consolidated income statement** | | |
| Revaluation of properties | **(1,588)** | 1,053 |
| Gains on property disposals | **26** | 115 |
| Other revaluations and gains (losses) | | (1) |
| | **(1,562)** | 1,167 |
| Share of (losses) gains of funds and joint ventures (note 12) | **(354)** | 257 |
| | **(1,916)** | 1,424 |
| **Consolidated statement of recognised income and expense** | | |
| Revaluation of development properties | **57** | 184 |
| Revaluation of owner-occupied property | **3** | |
| Revaluation of investments | **(70)** | 22 |
| | **(1,926)** | 1,630 |

## 7 Net financing costs

| | 2008 £m | 2007 £m |
|---|---|---|
| **Interest payable on:** | | |
| Bank loans and overdrafts | **71** | 75 |
| Other loans | **280** | 284 |
| Loans from joint ventures | **1** | |
| Obligations under finance leases | **2** | 2 |
| | **354** | 361 |
| Development interest capitalised | **(43)** | (37) |
| | **311** | 324 |
| **Interest receivable on:** | | |
| Deposits and securities | **(20)** | (11) |
| **Other finance (income) costs:** | | |
| Expected return on pension scheme assets | **(5)** | (4) |
| Interest on pension scheme liabilities | **4** | 4 |
| Valuation movements on fair value debt | | (5) |
| Valuation movements on fair value hedges | | 5 |
| Valuation movements on translation of foreign currency debt | **(1)** | (21) |
| Hedging reserve recycling | **1** | 21 |
| Net financing expenses | **290** | 313 |
| **Refinancing charges** | | |
| Debenture refinancings | | 266 |
| Meadowhall shopping centre securitisation | | 39 |
| | | 305 |
| **Net financing costs** | **290** | 618 |
| Total financing income | **(26)** | (41) |
| Total financing expenses | **316** | 659 |
| **Net financing costs** | **290** | 618 |

Interest on development expenditure is capitalised at a rate of 6.0% (2007: 5.5%), with current year tax relief of £nil (2007: £8m).

In the prior year 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 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.

## 8 Taxation

| | 2008 £m | 2007 £m |
|---|---|---|
| **Tax (income) expense** | | |
| **Current tax** | | |
| UK corporation tax (30%) | **3** | (8) |
| Foreign tax | **1** | 3 |
| | **4** | (5) |
| Adjustments in respect of prior years | **(4)** | 4 |
| **Total current tax (income) expense** | | (1) |
| REIT conversion charge | | 277 |
| Deferred tax on income and revaluations | **(46)** | (1,289) |
| **Group total taxation (net)** | **(46)** | (1,013) |

| | 2008 £m | 2007 £m |
|---|---|---|
| **Tax reconciliation** | | |
| (Loss) profit on ordinary activities before taxation | **(1,609)** | 1,440 |
| Less: loss (profit) attributable to funds and joint ventures | **306** | (459) |
| **Group (loss) profit on ordinary activities before taxation** | **(1,303)** | 981 |
| Tax on (loss) profit on ordinary activities at UK corporation tax rate of 30% (2007: 30%) | **(391)** | 294 |
| Effects of: | | |
| REIT conversion charge | | 277 |
| REIT conversion on investment gains | | (1,458) |
| REIT conversion on capital allowance provisions | | (134) |
| REIT exempt income and gains | **390** | (10) |
| Goodwill impairment and amortisation of intangibles | **4** | 31 |
| Tax losses and other timing differences | **(45)** | 19 |
| Expenses not deductible for tax purposes | | (36) |
| Adjustments in respect of prior years | **(4)** | 4 |
| **Group total taxation** | **(46)** | (1,013) |

Tax attributable to underlying profits for the year ended 31 March 2008 is £8m (2007: £31m). The UK corporation tax rate will change to 28% as from 1 April 2008. This is not anticipated to have a material effect. Corporation tax payable at 31 March 2008 was £25m (2007: £283m) as shown in note 15.

## 9 Staff costs

| **Staff costs** (including directors) | 2008 £m | 2007 £m |
|---|---|---|
| Wages and salaries | **36** | 38 |
| Social security costs | **4** | 4 |
| Pension costs | **4** | |
| Equity-settled share-based payments | **10** | 21 |
| | **54** | 63 |

The average monthly number of employees of the Company during the year was 177 (2007: 199). The average monthly number of Group employees, including those employed directly at the Group's properties and their costs recharged to tenants, was 732 (2007: 804).

The Executive Directors are the key management personnel and their remuneration is disclosed in the Remuneration Report on pages 69 to 77.

**Staff costs**
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 Share Incentive Plan (SIP), various Sharesave Plans and a recruitment scheme relating to the Chief Executive, the Co-Investment Share Plan (CISP).

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.

**Long-Term Incentive Plan (LTIP)**
Under the LTIP 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. For both LTIP components the Company estimates the number of shares or options likely to vest and expenses that value over the relevant 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, see table opposite. 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.

| **Long-Term Incentive Plan: 2008 awards** | 27June 2007 | 20 December 2007 |
|---|---|---|
| Share price at grant date | 1327p | 883p |
| Exercise price | 1327p | 883p |
| Option life in years | 7 | 7 |
| Risk free rate | 5.4% | 4.6% |
| Expected volatility | 21% | 24% |
| Expected dividend yield | 2% | 3% |
| Value per option | 367p | 210p |

**Matching Share Plan (MSP)**
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 the estimated number of shares likely to vest over the three-year period based on the market price at the date of grant.

**Performance Plan (PP)**
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.

**Other Share Plans**
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.

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.

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.

### 10 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 £4m (2007: £nil), of which £1m (2007: £nil) relates to defined contribution plans.

A full actuarial valuation of the scheme was carried out at 31 March 2006 and updated since then annually for accounting purposes by consulting actuaries, Hewitt Bacon & Woodrow. The employer's contributions will be paid in the future at the rate recommended by the actuary of 48.9% pa of basic salaries. The best estimate of employer contributions expected to be paid during the year to 31 March 2009 is £4m. The major assumptions used for the actuarial valuation were:

| | **2008** | 2007 | 2006 | 2005 | 2004 |
|---|---|---|---|---|---|
| | **% pa** | % pa | % pa | % pa | % pa |
| Discount rate | **6.0** | 5.4 | 4.9 | 5.3 | 5.5 |
| Salary inflation | **3.4** | 5.4 | 5.2 | 5.1 | 5.1 |
| Pensions increase | **3.4** | 3.2 | 3.0 | 2.9 | 2.9 |
| Price inflation | **5.6** | 3.2 | 3.0 | 2.9 | 2.9 |

The mortality assumptions are based on standard mortality tables which allow for future mortality improvements. The assumptions are that a member currently aged 60 will live on average for a further 29 years if they are male and for a further 32 years if they are female. For a member who retires in 2023 at age 60 the assumptions are that they will live on average for a further 30 years after retirement if they are male and for a further 33 years after retirement if they are female.

| **Composition of scheme assets** | **Expected return 2008/9** | **2008** | Expected return 2007/8 | 2007 |
|---|---|---|---|---|
| | **%** | **£m** | % | £m |
| Equities | **7.0** | **46** | 7.0 | 49 |
| Bonds | **5.0** | **32** | 5.0 | 29 |
| Other assets | **5.1** | **2** | 5.2 | 1 |
| **Total scheme assets** | | **80** | | 79 |

British Land Group of companies employs a building block approach in determining the long-term rate of return on pension plan assets. Historical markets are studied and assets with higher volatility are assumed to generate higher returns consistent with widely accepted capital market principles. The assumed long-term rate of return on each asset class is set out within this note. The overall expected rate of return on assets is then derived by aggregating the expected return for each asset class over the actual asset allocation for the Scheme at 31 March 2008.

| **History of experience gains and losses** | **2008** | 2007 | 2006 | 2005 | 2004 |
|---|---|---|---|---|---|
| | **£m** | £m | £m | £m | £m |
| Difference between expected and actual return on scheme assets | | | | | |
| Amount | **(5)** | | 8 | 2 | 4 |
| Percentage of scheme assets | **6.2%** | 0.4% | 12.1% | 4.7% | 8.6% |
| Experience gains and losses on scheme liabilities | | | | | |
| Amount | **(1)** | 4 | 2 | (1) | 1 |
| Percentage of present value on scheme liabilities | **1.2%** | 6.1% | 1.9% | 1.8% | 1.9% |
| Changes in assumptions underlying the present value of scheme liabilities | **(4)** | 6 | (11) | (5) | (5) |
| Total actuarial (loss) gain recognised in the statement of recognised income and expense | | | | | |
| Amount* | **(10)** | 10 | (1) | (4) | |
| Percentage of present value on scheme liabilities | **6.2%** | 14.4% | 1.4% | 7.1% | 0.8% |
| Deferred taxation attributable to pension movements | | (2) | | 1 | |
| **Pension scheme movement for the year** | **(10)** | 8 | (1) | (3) | |

*Cumulative loss recognised in the statement of recognised income and expense is £17m.

Amounts recognised in the income statement in respect of the defined benefit scheme are:

| | | **2008** | 2007 |
|---|---|---|---|
| | | **£m** | £m |
| Administrative expenses: | Current service cost | **(3)** | (5) |
| | Past service cost | | 5 |
| Net financing cost: | Expected return on scheme assets | **5** | 4 |
| | Interest cost | **(4)** | (4) |
| | | **(2)** | |

The actual return on scheme assets was £nil (2007: £4m).

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

| | **2008** | 2007 |
|---|---|---|
| | **£m** | £m |
| At 1 April | **(70)** | (78) |
| Current service cost | **(3)** | (5) |
| Interest cost | **(4)** | (4) |
| Actuarial (losses) gains | **(5)** | 10 |
| Benefits paid | **2** | 2 |
| Past service cost | | 5 |
| At 31 March | **(80)** | (70) |

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

| | **2008** | 2007 |
|---|---|---|
| | **£m** | £m |
| Present value of defined scheme obligations | **(80)** | (70) |
| Fair value of scheme assets | **80** | 79 |
| Asset recognised in the balance sheet | | 9 |

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

| | **2008** | 2007 |
|---|---|---|
| | **£m** | £m |
| At 1 April | **79** | 67 |
| Expected return on scheme assets | **5** | 4 |
| Contributions by employer | **3** | 10 |
| Actuarial losses | **(5)** | |
| Benefits paid | **(2)** | (2) |
| At 31 March | **80** | 79 |

## 11 Property

| | | Investment £m | Development £m | Owner-occupied £m | Total £m |
|---|---|---|---|---|---|
| **Carrying value at 1 April 2007** | | **12,891** | **1,106** | **50** | **14,047** |
| **Additions** | – property purchases | **115** | | | **115** |
| | – other capital expenditure | **253** | **292** | | **545** |
| | | **368** | **292** | | **660** |
| Disposals | | **(2,694)** | **(24)** | | **(2,718)** |
| Reclassifications | | **360** | **(360)** | | |
| Revaluations: | | | | | |
| in income statement | | **(1,569)** | **(19)** | | **(1,588)** |
| in statement of recognised income and expense | | | **57** | **3** | **60** |
| Increase in tenant incentives and guaranteed rent uplift balances | | **33** | **10** | | **43** |
| **Carrying value at 31 March 2008** | | **9,389** | **1,062** | **53** | **10,504** |
| Head lease liabilities (note 16) | | | | | **(35)** |
| **Total Group property portfolio valuation 31 March 2008** | | | | | **10,469** |

At 31 March 2008, the Group book value of properties of £10,469m (2007: £14,047m) comprises freeholds of £9,357m (2007: £13,118m); virtual freeholds of £303m (2007: £106m); long leaseholds of £802m (2007: £820m) and short leaseholds of £7m (2007: £3m). The historical cost of properties was £7,315m (2007: £8,879m).

At 31 March 2008, the book value of owner-occupied property is £53m (2007: £50m) after charging £nil (2007: £nil) depreciation to the income statement for the year.

The property valuation does not include any investment properties held under operating leases (2007: nil).

Properties valued at £7,162m (2007: £9,194m) were subject to a security interest and other properties of non-recourse companies amounted to £2m (2007: £128m).

Cumulative interest capitalised in investment and development properties amounts to £33m and £84m (2007: £28m and £46m) respectively.

The prior year movement is shown below:

| | | Investment £m | Development £m | Owner-occupied £m | Trading £m | Total £m |
|---|---|---|---|---|---|---|
| Prior year | | | | | | |
| 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 | | 58 | 8 | 50 | (48) | 68 |
| Revaluations: | | | | | | |
| in income statement | | 1,049 | 4 | | | 1,053 |
| 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 16) | | | | | | (30) |
| Total Group property portfolio valuation 31 March 2007 | | | | | | 14,017 |

The Group's total property portfolio was valued by external valuers on the basis of Market Value, by reference to recent market evidence of transactions for similar properties, in accordance with the Royal Institution of Chartered Surveyors Valuation Standards, sixth edition. A breakdown of valuations split between the Group and its share of joint ventures and funds is shown below:

| | **2008** | | | 2007 | | |
|---|---|---|---|---|---|---|
| | **Group £m** | **JV/Funds £m** | **Total £m** | Group £m | JV/Funds £m | Total £m |
| Knight Frank LLP | **10,466** | **1,067** | **11,533** | 14,015 | 723 | 14,738 |
| CBRE | **3** | **1,935** | **1,938** | 1 | 2,085 | 2,086 |
| Savills | | | | 1 | | 1 |
| Directors' valuations | | | | | 77 | 77 |
| | **10,469** | **3,002** | **13,471** | 14,017 | 2,885 | 16,902 |

## 12 Funds and Joint Ventures

A detailed breakdown of the 100% results of specific funds and joint ventures is set out on the two facing pages, below and across. The total column represents the Group's share of all funds and joint ventures. All disclosures have been restated to British Land accounting policies under IFRS eliminating performance and management fees due to the Group.

| **Joint ventures' summary financial statements** | BL Sainsbury Superstores Ltd | BLT Properties Ltd | The Tesco British Land Property Partnership | Tesco BL Holdings Ltd | The Tesco Aqua Limited Partnership | BL Fraser Ltd | The Scottish Retail Property Limited Partnership |
|---|---|---|---|---|---|---|---|
| Percentage interest in joint ventures – 2008 | 50% | 50% | 50% | 50% | 50% | 50% | 50% |
| – 2007 | | 50% | 50% | 50% | 50% | 50% | 50% |
| Partners | J Sainsbury plc | Tesco plc | Tesco plc | Tesco plc | Tesco plc | House of Fraser plc | Land Securities Group PLC |
| Date established | March 2008 | November 1996 | February 1998 | November 1999 | March 2007 | July 1999 | March 2004 |
| Accounting period | 5 days ended 31 March 2008 | Year ended 31 March 2008 | Year ended 31 March 2008 | Year ended 31 March 2008 | Year ended 31 March 2008 | Year ended 31 March 2008 | Year ended 31 March 2008 |
| **Summarised income statements** | £m | £m | £m | £m | £m | £m | £m |
| Gross rental and related income | 1 | 16 | 5 | 30 | 29 | 14 | 30 |
| Net rental and related income | 1 | 16 | 5 | 30 | 29 | 14 | 19 |
| Other income and expenditure | | | | | | (1) | (2) |
| Net interest – External | (1) | (11) | (3) | (15) | (27) | (8) | (11) |
| – Shareholders | | 1 | | | | | |
| Net interest payable | (1) | (10) | (3) | (15) | (27) | (8) | (11) |
| Underlying profit before taxation | | 6 | 2 | 15 | 2 | 5 | 6 |
| (Deficit) surplus on revaluation | | (49) | (12) | (104) | (58) | (35) | (57) |
| Disposal of fixed assets | | | | | | | (15) |
| Goodwill impairment | | | | | | | |
| Non-recurring items[1] | | | | | | | 15 |
| (Loss) profit on ordinary activities before taxation | | (43) | (10) | (89) | (56) | (30) | (51) |
| REIT conversion charge | | | | | | | |
| Current tax | | 7 | | (1) | | (1) | |
| Deferred tax | | | | | | | |
| **(Loss) Profit on ordinary activities after taxation** | | **(36)** | **(10)** | **(90)** | **(56)** | **(31)** | **(51)** |
| **Summarised balance sheets** | | | | | | | |
| Investment properties | 1,190 | 316 | 112 | 601 | 594 | 263 | 263 |
| Development properties | | | | | | | |
| Total properties | 1,190 | 316 | 112 | 601 | 594 | 263 | 263 |
| Current assets | 5 | 7 | 10 | 11 | | | 5 |
| Upstream loans to joint venture shareholders | | 17 | | | | | |
| Cash and deposits | 47 | 7 | 2 | 13 | 13 | 5 | 16 |
| Gross assets | 1,242 | 347 | 124 | 625 | 607 | 268 | 284 |
| Current liabilities | (58) | (5) | (34) | (21) | (26) | (8) | (14) |
| Bank debt falling due within one year | | | | | | (4) | |
| Bank debt falling due after one year | | (185) | (45) | (315) | (485) | (122) | |
| Securitised debt | (719) | | | | | | (119) |
| Obligations under finance leases | | | | | | | (11) |
| Deferred tax | | | | | | | |
| Gross liabilities | (777) | (190) | (79) | (336) | (511) | (134) | (144) |
| **Net external assets** | **465** | **157** | **45** | **289** | **96** | **134** | **140** |
| Represented by: | | | | | | | |
| Shareholder loans | 24 | | 2 | | 52 | 1 | 14 |
| Ordinary shareholders' funds/Partners' capital | 441 | 157 | 43 | 289 | 44 | 133 | 126 |
| **Total investment** | **465** | **157** | **45** | **289** | **96** | **134** | **140** |
| Capital commitments | | 10 | | 5 | | | |

**Notes to the Funds and Joint Ventures tables**

All joint ventures are incorporated in the United Kingdom. HUT and HIF are domiciled in Jersey, and PREF in Luxembourg.

1 Non-recurring items relate to the surplus arising on closing out interest rate derivatives following redemption of the related debt out of the proceeds of property sales.

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

3 Included in the column headed 'Group's share of other joint ventures and funds' are contributions from the following: Fareham Property Partnership, the BL Goodman Limited Partnership, the Public House Company Limited, EFI Zaragoza, the City of London Office Unit Trust (CLOUT), Auchinlea Partnership, Delavan Spain S.L. and Group adjustments. Amounts are shown at the relevant percentage for Group Share.

These financial statements include the results and financial position of the Group's interest in the Tesco British Land Property Partnership, the Tesco Aqua Limited Partnership, the Scottish Retail Property Limited Partnership, the Fareham Property Partnership, the BL Goodman Limited Partnership, Auchinlea Partnership and the BL Residential Limited Partnership. Accordingly, advantage has been taken of the exemptions provided by Regulation 7 of the Partnerships and Unlimited Companies (Accounts) Regulations 1993, not to attach the partnership accounts to these financial statements.

At 31 March 2008, the investment in Joint Ventures included within the total investment in Funds and Joint Ventures was £833m (2007: £780m). Distributions in the year include the receipt of £43m (£38m capital) from The Scottish Retail Property Limited Partnership; £34m (£17m capital) from Tesco Joint Ventures; £28m from HUT and £12m (capital) from CLOUT. At 31 March 2008 the Group's share of funds and joint ventures properties is £3,002m (2007: £2,886m) of which £nil (2007: £153m) is carried at directors' valuation; external net debt is £1,378m (2007: £1,238m) and the mark to market adjustment for external debt is £74m asset (2007: £8m asset).

| **Funds' summary financial statements** | Hercules Unit Trust | Hercules Income Fund | Pillar Retail Europark Fund | Group's share of other joint ventures and funds[3] | **Group share 2008** | Group share 2007 |
|---|---|---|---|---|---|---|
| Percentage interest in funds – 2008 | 36.27% | 26.12% | 30.26%[2] | | | |
| – 2007 | 36.27% | 26.12% | 22.35% | | | |
| Date established | September 2000 | September 2004 | March 2004 | | | |
| Accounting period | Year ended 31 March 2008 | Year ended 31 March 2008 | Year ended 31 March 2008 | | | |
| **Summarised income statements** | £m | £m | £m | £m | **£m** | £m |
| Gross rental and related income | 107 | 7 | 34 | 4 | 117 | 115 |
| Net rental and related income | 99 | 6 | 29 | 3 | **106** | 100 |
| Other income and expenditure | (4) | | (11) | | **(6)** | (6) |
| Net interest – External | (47) | (1) | (12) | (2) | **(61)** | (59) |
| – Shareholders | | | | | **1** | 2 |
| Net interest payable | (47) | (1) | (12) | (2) | **(60)** | (57) |
| Underlying profit before taxation | 48 | 5 | 6 | 1 | **40** | 37 |
| (Deficit) surplus on revaluation | (514) | (31) | 17 | (20) | **(367)** | 224 |
| Disposal of fixed assets | 4 | | | 19 | **13** | 33 |
| Goodwill impairment | | | | (3) | **(3)** | (5) |
| Non-recurring items[1] | | | | 2 | **9** | |
| (Loss) profit on ordinary activities before taxation | (462) | (26) | 23 | (1) | **(308)** | 289 |
| REIT conversion charge | | | | | | (48) |
| Current tax | | | | (1) | **1** | (19) |
| Deferred tax | 7 | | (6) | | **1** | 237 |
| **(Loss) Profit on ordinary activities after taxation** | **(455)** | **(26)** | **17** | **(2)** | **(306)** | 459 |
| **Summarised balance sheets** | | | | | | |
| Investment properties | 2,601 | 125 | 456 | 105 | **2,889** | 2,815 |
| Development properties | | | | 119 | **119** | 77 |
| Total properties | 2,601 | 125 | 456 | 224 | **3,008** | 2,892 |
| Current assets | 18 | 3 | 26 | 23 | **57** | 113 |
| Upstream loans to partners/shareholders | | | | 15 | **23** | 28 |
| Cash and deposits | 28 | 1 | 50 | 25 | **102** | 80 |
| Gross assets | 2,647 | 129 | 532 | 287 | **3,190** | 3,113 |
| Current liabilities | (49) | (4) | (40) | (52) | **(166)** | (158) |
| Bank debt falling due within one year | | | | | **(2)** | (29) |
| Bank debt falling due after one year | (21) | (10) | (207) | (63) | **(712)** | (721) |
| Securitised debt | (948) | | | | **(763)** | (581) |
| Obligations under finance leases | | | | (1) | **(6)** | (6) |
| Deferred tax | | | (29) | | **(9)** | (8) |
| Gross liabilities | (1,018) | (14) | (276) | (116) | **(1,658)** | (1,503) |
| **Net external assets** | **1,629** | **115** | **256** | **171** | **1,532** | 1,610 |
| Represented by: | | | | | | |
| Shareholder loans | | | | 14 | **60** | 50 |
| Investors' capital/Partners' capital/Ordinary shareholders' funds | 1,629 | 115 | 256 | 157 | **1,472** | 1,560 |
| **Total investment** | **1,629** | **115** | **256** | **171** | **1,532** | 1,610 |
| Capital commitments | 40 | | 156 | 10 | **79** | 132 |

**Summary movement for the year of the investments in Funds and Joint Ventures**

| | Joint ventures £m | Funds £m | **Total £m** | Equity £m | Loans £m | **Total £m** |
|---|---|---|---|---|---|---|
| At 1 April 2007 | 770 | 840 | **1,610** | 1,560 | 50 | **1,610** |
| Additions | 296 | 75 | **371** | 360 | 11 | **371** |
| Disposals | (29) | | **(29)** | (8) | (21) | **(29)** |
| Share of loss after taxation | (150) | (156) | **(306)** | (306) | | **(306)** |
| Distributions and dividends: capital | (55) | (12) | **(67)** | (67) | | **(67)** |
| revenue | (21) | (34) | **(55)** | (55) | | **(55)** |
| Hedging movements | (2) | 10 | **8** | 8 | | **8** |
| **At 31 March 2008** | **809** | **723** | **1,532** | **1,492** | **40** | **1,532** |

## 13 Other non-current assets

| | 2008 | | | 2007 | | |
|---|---|---|---|---|---|---|
| | **Other investments £m** | **Intangible assets £m** | **Goodwill £m** | Other investments £m | Intangible assets £m | Goodwill £m |
| At 1 April 2007 | **267** | **50** | | 248 | 65 | |
| Additions | | **4** | | 7 | | |
| Disposals | **(1)** | | | (10) | | |
| On corporate acquisitions | | | | | | 106 |
| Revaluation | **(70)** | | | 22 | | |
| Amortisation | | **(15)** | | | (15) | |
| Impairment | | | | | | (106) |
| **At 31 March 2008** | **196** | **39** | | 267 | 50 | |

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 £185m as at 31 March 2008 (2007: £255m). The investment represents 17.8% of the share capital of Songbird Estates plc which in turn owns 60.8% of Canary Wharf Group plc. 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, which ranged from six to 10 years at acquisition. The original fair value was £79m (2007: £75m) with accumulated amortisation at 31 March 2008 being £40m (2007: £25m).

## 14 Debtors

| | **2008 £m** | 2007 £m |
|---|---|---|
| Trade and other debtors | **101** | 95 |
| Prepayments and accrued income | **15** | 16 |
| Defined benefit pension scheme asset (non-current) | | 9 |
| Interest rate derivatives* | **17** | 88 |
| | **133** | 208 |

## 15 Creditors

| | **2008 £m** | 2007 £m |
|---|---|---|
| Trade creditors | **90** | 85 |
| Amounts owed to joint ventures | **29** | 32 |
| Corporation tax | **25** | 283 |
| Other taxation and social security | **13** | 15 |
| Accruals and deferred income | **262** | 312 |
| Interest rate derivatives* | **31** | 19 |
| | **450** | 746 |

*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 £9m (2007: £5m). The charge to the income statement was £4m (2007: £2m). The increase in the trade debtor impairment charge reflects the application of the Group's provisioning policy in respect of bad and doubtful debts.

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. As at 31 March, trade and other debtors outside their payment terms yet not provided for are as follows:

| | | | **Outside credit terms but not impaired** | | |
|---|---|---|---|---|---|
| | **Total £m** | **Within credit terms £m** | **0-1 month £m** | **1-2 months £m** | **More than 2 months £m** |
| **2008** | **101** | **73** | **19** | **4** | **5** |
| 2007 | 95 | 73 | 16 | 1 | 5 |

## 16 Other non-current liabilities

| | **2008 £m** | 2007 £m |
|---|---|---|
| Obligations under finance leases | **35** | 30 |
| Minority interest | **3** | 7 |
| | **38** | 37 |

## 17 Deferred taxation

Deferred tax is calculated on temporary differences under the liability method using a tax rate of 28% (2007: 30%) as described in note 8.
The movement on deferred tax is as shown below:

| | **1 April 2007 £m** | **Acquisition £m** | **(Credited) expensed to income £m** | **(Credited) expensed to reserves £m** | **31 March 2008 £m** |
|---|---|---|---|---|---|
| **Property and investment revaluations** | **160** | | **(42)** | **(25)** | **93** |
| **Other timing differences** | **4** | | | | **4** |
| **Intangible assets** | **15** | | **(4)** | | **11** |
| | **179** | | **(46)** | **(25)** | **108** |

| | 1 April 2006 £m | Acquisition £m | (Credited) expensed to income £m | (Credited) expensed 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 2008 the value of properties under development is £1,806m (2007: £1,220m) and if these properties were to be sold and tax exemption was not available the tax arising would be £75m (2007: £100m). No provision is made for this amount as the Group has no current plans to sell these properties.

## 18 Net debt

| | Footnote | 2008 £m | 2007 £m |
|---|---|---|---|
| **Secured on the assets of the Group** | | | |
| Class A1 4.986% Bonds 2037 | 1.1 | **602** | 602 |
| Class A2 Floating Rate Bonds 2037 | 1.1 | **60** | 60 |
| Class B 4.988% Bonds 2037 | 1.1 | **171** | 174 |
| Class A4 4.821% Bonds 2036 | 1.2 | **396** | 396 |
| 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** | 174 |
| Class A1 Floating Rate Bonds 2032 | 1.2 | **224** | 224 |
| Class A2 4.949% Bonds 2031 | 1.2 | **295** | 302 |
| Class A2 4.482% Bonds 2030 | 1.3 | | 257 |
| Class M1 Floating Rate Bonds 2030 | 1.3 | | 82 |
| Class B2 5.270% Bonds 2030 | 1.3 | | 239 |
| Class B3 5.578% Bonds 2030 | 1.3 | | 49 |
| Class C1 Floating Rate Bonds 2030 | 1.3 | | 70 |
| Class D1 Floating Rate Bonds 2030 | 1.3 | | 43 |
| Class D Floating Rate Bonds 2025 | 1.2 | **130** | 144 |
| Class C1 Floating Rate Bonds 2022 | 1.2 | **235** | 234 |
| 5.264% First Mortgage Debenture Bonds 2035 | | **327** | 327 |
| 5.0055% First Mortgage Amortising Debentures 2035 | | **105** | 106 |
| 5.357% First Mortgage Debenture Bonds 2028 | | **307** | 307 |
| 9.125% First Mortgage Debenture Stock 2020 | 1.4 | **40** | 40 |
| 6.75% First Mortgage Debenture Bonds 2020 | | **204** | 205 |
| 6.125% First Mortgage Debenture Stock 2014 | 1.4 | **45** | 45 |
| 10.3125% First Mortgage Debenture Stock 2011 | 1.4 | **44** | 45 |
| 6.75% First Mortgage Debenture Bonds 2011 | | **100** | 100 |
| Floating Rate Secured Loan Notes 2035 | | **256** | 256 |
| Loan notes | | **5** | 5 |
| | | **4,302** | 5,068 |
| **Unsecured** | | | |
| 5.50% Senior Notes 2027 | | **98** | 98 |
| 6.30% Senior US Dollar Notes 2015 | 3 | **77** | 78 |
| 10.25% Bonds 2012 | | | 2 |
| Bank loans and overdrafts | | **785** | 1,425 |
| | | **960** | 1,603 |
| Gross debt | 4 | **5,262** | 6,671 |
| Interest rate derivatives: liabilities | | **31** | 19 |
| Interest rate derivatives: assets | | **(17)** | (88) |
| | | **5,276** | 6,602 |
| Cash and short-term deposits | 5 | **(244)** | (198) |
| **Net debt** | | **5,032** | 6,404 |

**Maturity analysis of net debt**

| | | 2008 £m | 2007 £m |
|---|---|---|---|
| Repayable | within one year and on demand | **111** | 54 |
| between: | one and two years | **51** | 122 |
| | two and five years | **712** | 1,422 |
| | five and ten years | **1,117** | 1,212 |
| | ten and fifteen years | **613** | 797 |
| | fifteen and twenty years | **943** | 906 |
| | twenty and twenty-five years | **912** | 1,244 |
| | twenty-five and thirty years | **803** | 914 |
| | | **5,151** | 6,617 |
| Gross debt | | **5,262** | 6,671 |
| Interest rate derivatives | | **14** | (69) |
| Cash and short-term deposits | | **(244)** | (198) |
| **Net debt** | | **5,032** | 6,404 |

Total borrowings where any instalments are due after five years is £3,084m (2007: £3,260m).

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

| | 2008 £m | 2007 £m |
|---|---|---|
| 1.1 Meadowhall Finance PLC | **833** | 836 |
| 1.2 Broadgate Financing PLC | **2,036** | 2,056 |
| 1.3 BL Superstores Finance PLC (footnote 2) | | 740 |
| 1.4 BLD Property Holdings Ltd | **129** | 130 |

2 On 26 March 2008 the BL Superstores Finance PLC securitisation group was transferred to BL Sainsbury Superstores Limited, a joint venture with J Sainsbury plc.

3 Principal and interest on this borrowing was fully hedged into Sterling at the time of issue.

4 The principal amount of gross debt at 31 March 2008 was £5,275m (2007: £6,684m). Included in this, the principal amount of secured borrowings and other borrowings of non-recourse companies was £4,294m (2007: £5,061m).

5 Cash and deposits not subject to a security interest amount to £78m (2007: £27m).

### Capital risk management

The Group's objectives, policies and processes for managing capital are set out in the Financing Policy on page 56. The capital structure of the Group consists of net debt and equity attributable to the equity holders of The British Land Company PLC, comprising issued capital, reserves and retained earnings.

### Loan to value ratio

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. During the year ended 31 March 2008 the Board considered the markets fully valued and brought gearing down through sales such that, despite the mark downs in the valuation of the portfolio, LTV was 41% at year end (2007: 41%).

### Categories of financial instruments

| | 2008 Book value £m | 2007 Book value £m |
|---|---|---|
| **Financial assets** | | |
| **Derivatives in designated hedge accounting relationships** | **17** | 88 |
| **Loans and receivables** | | |
| Trade and other debtors | **101** | 95 |
| Cash and short-term deposits | **244** | 198 |
| **Available for sale financial assets** | | |
| Other investments | **196** | 267 |
| | **558** | 648 |
| **Financial liabilities** | | |
| **Fair value through income statement** | | |
| Held for trading – derivatives | **(2)** | (2) |
| **Derivatives in designated hedge accounting relationships** | **(29)** | (17) |
| **Amortised cost** | | |
| Gross debt | **(5,262)** | (6,671) |
| Finance lease payable | **(35)** | (30) |
| **Trade creditors** | **(90)** | (85) |
| **Amounts owed to joint ventures** | **(29)** | (32) |
| | **(5,447)** | (6,837) |
| **Total** | **(4,889)** | (6,189) |

Gains and losses on financial instruments, as classed above, are disclosed in note 7 (net financing costs), note 14 (debtors) and the consolidated statement of recognised income and expense.

### Interest rate risk management

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 2008 the market value of these derivatives, which have been designated as cash flow hedges under IAS 39, is a net asset of £3m (2007: £88m). The valuation movement reflects the reduction in Sterling interest rates since 31 March 2007.

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 £15m (2007: £17m).

The ineffectiveness recognised in the income statement on cash flow hedges in the year ended 31 March 2008 was £nil (2007: £nil).

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 2008.

### Cash flow hedged debt

| | | 2008 £m | 2007 £m |
|---|---|---|---|
| Outstanding: | after one year | **2,189** | 2,712 |
| | after two years | **2,751** | 3,265 |
| | after five years | **2,439** | 2,737 |
| | after ten years | **519** | 330 |

**Interest rate profile** – including effect of derivatives

| | 2008 £m | 2007 £m |
|---|---|---|
| Fixed rate | **5,248** | 6,061 |
| Capped rate | | 100 |
| Variable rate (net of cash) | **(216)** | 243 |
| Net debt | **5,032** | 6,404 |

All the debt is effectively Sterling denominated except for £181m (2007: £111m) of Euro debt, of which £179m (2007: £102m) is fixed and the balance floating. At 31 March 2008 the weighted average interest rate of the Sterling fixed rate debt is 5.23% (2007: 5.20%). The weighted average period for which the rate is fixed is 16.0 years (2007: 15.1 years). The weighted average interest rate for the Euro fixed rate debt is 4.50% (2007: 4.50%) and the weighted average period for which the rate is fixed is 8.2 years (2007: 8.9 years). The floating rate debt is set for periods of the Company's choosing at the relevant LIBOR (or similar) rate.

Property sales and the related repayment of floating rate debt increased the proportion of gross debt at fixed or capped rates of interest to nearly 100% at 31 March 2008 (2007: 92%). This proportion is expected to reduce as floating rate debt is redrawn to fund committed development expenditure. Based on the Group's interest rate profile at the balance sheet date a 276 basis point increase in interest rates would increase annual profits by £6m (2007: £8m reduction). Similarly, a 276 basis point reduction would reduce profits by £6m (2007: £9m increase). The change in interest rates used for this sensitivity analysis is based on the largest annual change in three month Sterling LIBOR over the last 10 years.

Upward movements in medium and long-term interest rates, associated with higher interest rate expectations, increase the value of the Group's interest rate swaps that provide protection against such moves. The converse is true for downward movements in the yield curve. The Group's interest rate swaps qualify as effective hedges under IAS 39, therefore movements in their fair value are recognised directly in equity rather than the income statement. At 31 March 2008 a 195 basis point parallel upward shift in swap rates would increase the value of the Group's interest rate swaps by £291m (2007: £319m). A 195 basis point downward shift in swap rates would reduce the value of the interest rate swap portfolio by £366m (2007: £378m). Because the interest rate swaps are matched by floating rate debt, the overall effect on Group cash flows of such movements is minimal. A 195 basis point shift represents the largest annual change in the seven year Sterling swap rate over the last 10 years.

### Foreign currency risk management

Group 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. The Group has adopted net investment hedging in accordance with IAS 39 and therefore the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in equity. The ineffective portion of the gain or loss on the hedging instrument is recognised immediately in the income statement.

The table below shows the carrying amounts of the Group's foreign currency denominated assets and liabilities. Provided contingent tax on overseas investments is not expected to occur it will be ignored for hedging purposes, this explains the excess of Euro denominated liabilities over assets. Based on the 31 March 2008 position a 17% appreciation (largest annual change since 1999) in the Euro relative to Sterling would result in a £2m reduction (2007: £2m reduction) in reported profits.

| | Assets | | Liabilities | |
|---|---|---|---|---|
| | 2008 £m | 2007 £m | 2008 £m | 2007 £m |
| Euro denominated | **172** | 98 | **181** | 111 |

### Credit risk management

The carrying amount of financial assets recorded in the financial statements represents the Group's maximum exposure to credit risk without taking account of the value of any collateral obtained.

Cash and short-term deposits at 31 March 2008 amounted to £244m (2007: £198m). Deposits were placed with financial institutions with AA or better credit ratings.

At 31 March 2008 the fair value of all interest rate derivatives which had a positive value was £17m (2007: £88m). All of the counterparties have investment grade credit ratings.

At 31 March 2008, prior to taking into account any offset arrangements, the largest combined credit exposure to a single counterparty arising from money market deposits and interest rate swaps was £217m (2007: £150m). This represents less than 2% (2007: 1%) of gross assets.

The Group's exposure to credit risk in respect of its trade receivables is analysed in note 14.

## 18 Net Debt (continued)

**Liquidity risk management**

The table below presents a maturity profile of the contracted undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal flows. Where the interest payable is not fixed, the amount disclosed has been determined by reference to the projected interest rates implied by yield curves at the reporting date. For derivative financial instruments that settle on a net basis (e.g. interest rate swaps) the undiscounted net cash flows are shown and for derivatives that require gross settlement (e.g. cross currency swaps) the undiscounted gross cash flows are presented. Where payment obligations are in foreign currencies, the spot exchange rate ruling at the balance sheet date is used. Trade creditors and amounts owed to joint ventures, which are repayable within one year, have been excluded from the analysis.

| | | **2008** | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | **Debt £m** | **Interest on debt £m** | **Derivative payments £m** | **Finance lease payments £m** | **Total payments £m** | **Derivative receipts £m** | **Net £m** |
| Repayable: | within one year | **103** | **288** | **6** | **2** | **399** | **(19)** | **380** |
| between: | one and two years | **49** | **263** | **18** | **2** | **332** | **(6)** | **326** |
| | two and five years | **707** | **745** | **26** | **8** | **1,486** | **(21)** | **1,465** |
| | over five years | **4,396** | **2,731** | **134** | **220** | **7,481** | **(103)** | **7,378** |
| | | **5,255** | **4,027** | **184** | **232** | **9,698** | **(149)** | **9,549** |
| Unamortised issue costs | | **(21)** | | | | | | |
| Fair value adjustments arising on acquisitions | | **28** | | | | | | |
| Gross debt | | **5,262** | | | | | | |

| | | 2007 | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | Debt £m | Interest on debt £m | Derivative payments £m | Finance lease payments £m | Total payments £m | Derivative receipts £m | Net £m |
| Repayable: | within one year | 53 | 371 | 7 | 2 | 433 | (24) | 409 |
| between: | one and two years | 120 | 364 | 6 | 2 | 492 | (26) | 466 |
| | two and five years | 1,415 | 1,010 | 19 | 7 | 2,451 | (63) | 2,388 |
| | over five years | 5,077 | 3,238 | 130 | 217 | 8,662 | (116) | 8,546 |
| | | 6,665 | 4,983 | 162 | 228 | 12,038 | (229) | 11,809 |
| Unamortised issue costs | | (25) | | | | | | |
| Fair value adjustments arising on acquisitions | | 31 | | | | | | |
| Gross debt | | 6,671 | | | | | | |

Upward only rent reviews, long leases and high occupancy rates generate a secure income profile. The Group expects to meet its financial liabilities from this secure income profile, undrawn committed borrowing facilities and in the longer-term debt refinancings or property sales. The Group's approach to liquidity risk management is discussed on pages 56 to 59. The maturity profile of committed undrawn borrowing facilities is shown below.

**Maturity of committed undrawn borrowing facilities**

| | | **2008 £m** | 2007 £m |
|---|---|---|---|
| Expiring: | within one year | **77** | 50 |
| between: | one and two years | **80** | 40 |
| | two and three years | **221** | 130 |
| | three and four years | **709** | 707 |
| | four and five years | **80** | 322 |
| | over five years | **1,266** | 408 |
| Total | | **2,433** | 1,657 |

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

**Comparison of market values and book values**

| | **2008** | | | 2007 | | |
|---|---|---|---|---|---|---|
| | **Market value £m** | **Book value £m** | **Difference £m** | Market value £m | Book value £m | Difference £m |
| Securitisations | **2,495** | **2,869** | **(374)** | 3,552 | 3,632 | (80) |
| Debentures and unsecured bonds | **1,213** | **1,347** | **(134)** | 1,366 | 1,353 | 13 |
| Bank debt and other floating rate debt | **1,046** | **1,046** | | 1,686 | 1,686 | |
| Cash and short-term deposits | **(244)** | **(244)** | | (198) | (198) | |
| | **4,510** | **5,018** | **(508)** | 6,406 | 6,473 | (67) |
| Other financial (assets) liabilities | | | | | | |
| – interest rate derivative assets | **(17)** | **(17)** | | (88) | (88) | |
| – interest rate derivative liabilities | **31** | **31** | | 19 | 19 | |
| | **14** | **14** | | (69) | (69) | |
| **Total** | **4,524** | **5,032** | **(508)** | 6,337 | 6,404 | (67) |

The carrying values of trade debtors, other investments, trade creditors, finance leases and amounts owed to joint ventures represent their fair values at the balance sheet date. These financial instruments are excluded from the above analysis.

The fair values of securitised debt and debentures have been established by obtaining quoted market prices from brokers. The bank debt and loan notes have been valued assuming they could be renegotiated at contracted margins. The derivatives have been valued by calculating the present value of future cash flows, using appropriate market discount rates, by an independent treasury advisor.

### 19 Dividend

The proposed final dividend of 8.75 pence per share, totalling £45m (2007: 8.25 pence per share, totalling £43m) was approved by the Board on 19 May 2008 and is payable on 15 August 2008 to shareholders on the register at the close of business on 18 July 2008. The final dividend is 100% property income distribution (PID).

The PID element of the dividend may vary over time and is paid, as required by REIT legislation, after deduction of withholding tax at the basic rate (22% for 2007/8 and 20% for 2008/9). However, certain classes of shareholder may be able to claim exemption from deduction of withholding tax. Please refer to our website (www.britishland.com) for details. The non-PID element will be treated as a normal dividend.

| Payment date | Dividend | Pence per share PID | Pence per share Non-PID | Total | **2008 £m** | 2007 £m |
|---|---|---|---|---|---|---|
| **Current year dividends** | | | | | | |
| 15.08.2008 | 2008 Final | 8.75 | | 8.75 | | |
| 15.05.2008 | 2008 3rd interim | 4.25 | 4.50 | 8.75 | | |
| 15.02.2008 | 2008 2nd interim | 4.25 | 4.50 | 8.75 | **44** | |
| 16.11.2007 | 2008 1st interim | 4.25 | 4.50 | 8.75 | **45** | |
| | | 21.50 | 13.50 | 35.00 | | |
| **Prior year dividends** | | | | | | |
| 17.08.2007 | 2007 Final | | 8.25 | 8.25 | **43** | |
| 18.05.2007 | 2007 2nd interim | | 6.50 | 6.50 | **34** | |
| 16.02.2007 | 2007 1st interim | | 5.60 | 5.60 | | 30 |
| | | | 20.35 | 20.35 | | |
| 18.08.2006 | 2006 Final | | 11.80 | 11.80 | | 61 |
| Dividends in Reconciliation of Movement in Shareholders' Funds (2008: 32.25 pence per share; 2007: 17.40 pence) | | | | | **166** | 91 |
| Withholding tax paid after 31 March 2008 | | | | | **(5)** | |
| Dividends in Cash Flow Statement | | | | | **161** | 91 |

### 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 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** |
| At 1 April 2007 | 521,298,357 | 130 | 1,263 | 532 | 6,822 | **8,747** |
| Total recognised income and expense for the year | | | | (197) | (1,461) | **(1,658)** |
| Shares issued | 891,723 | 1 | 6 | | | **7** |
| Purchase of own shares | | | | | (151) | **(151)** |
| Adjustment for share and share option awards | | | | | 11 | **11** |
| Dividends paid in the year | | | | | (166) | **(166)** |
| **Issued, called up and fully paid 31 March 2008** | **522,190,080** | **131** | **1,269** | **335** | **5,055** | **6,790** |

The authorised share capital is 800,000,000 25p ordinary shares (2007: 800,000,000).

At 31 March 2008, of the issued 25p ordinary shares, 2,307,730 were held in the ESOP trust (2007: 2,509,897), 11,266,245 shares were held as treasury shares (2007: nil) and 508,616,105 shares were in free issue (2007: 518,788,460). No treasury shares were acquired by the ESOP during the year. All issued shares are fully paid.

**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 2008, options over 5,177,427 ordinary shares were outstanding under employees share option plans. These options had a weighted average life of seven years and two months. Details of outstanding share options and shares awarded to employees including executive directors are set out below:

| Date of grant | At 1 April 2007 | Granted | Vested but not exercised | Exercised/ vested | Forfeits/lapses | At 31 March 2008 | Exercise/ share price at grant date pence | Exercise dates From | Exercise dates To |
|---|---|---|---|---|---|---|---|---|---|
| **Share options** | | | | | | | | | |
| **Sharesave Scheme** | | | | | | | | | |
| 01.09.02 | 3,211 | | | (3,211) | | | 443 | 01.09.07 | 29.02.08 |
| 01.03.03 | 16,743 | | | (15,847) | (439) | 457 | 359 | 01.03.08 | 31.08.08 |
| 01.09.03 | 1,995 | | | | | 1,995 | 383 | 01.09.08 | 28.02.09 |
| 01.03.04 | 1,718 | | | (1,718) | | | 472 | 01.03.07 | 31.08.07 |
| 01.03.04 | 28,540 | | | (3,668) | (1,369) | 23,503 | 472 | 01.03.09 | 31.08.09 |
| 01.03.05 | 40,121 | | | (33,759) | (1,159) | 5,203 | 648 | 01.03.08 | 31.08.08 |
| 01.03.05 | 44,166 | | | (3,079) | (4,061) | 37,026 | 648 | 01.03.10 | 31.08.10 |
| 23.06.05 | 18,013 | | | (453) | (2,923) | 14,637 | 701 | 01.09.08 | 28.02.09 |
| 23.06.05 | 4,334 | | | | (1,508) | 2,826 | 701 | 01.09.10 | 28.02.11 |
| 22.12.05 | 19,935 | | | (1,350) | (3,622) | 14,963 | 804 | 01.03.09 | 31.08.09 |
| 22.12.05 | 12,610 | | | | (2,162) | 10,448 | 804 | 01.03.11 | 31.08.11 |
| 03.07.06 | 18,285 | | | (130) | (2,318) | 15,837 | 1,007 | 01.09.09 | 28.02.10 |
| 03.07.06 | 7,251 | | | | (2,556) | 4,695 | 1,007 | 01.09.11 | 28.08.12 |
| 22.12.06 | 18,636 | | | (64) | (6,700) | 11,872 | 1,236 | 01.03.10 | 31.08.10 |
| 22.12.06 | 6,060 | | | | (1,986) | 4,074 | 1,236 | 01.03.12 | 31.08.12 |
| 02.07.07 | | 18,520 | | | (6,042) | 12,478 | 1,122 | 01.09.10 | 28.02.11 |
| 02.07.07 | | 6,475 | | | (729) | 5,746 | 1,122 | 01.09.12 | 28.02.13 |
| | 241,618 | 24,995 | | (63,279) | (37,574) | 165,760 | | | |
| **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 | | | (100,881) | | 138,761 | 552 | 12.12.06 | 11.12.13 |
| 28.05.04 | 14,495 | | 942,109 | (410,147) | | 546,457 | 663 | 28.05.07 | 27.05.14 |
| 29.11.04 | 9,409 | | 804,149 | (99,825) | | 713,733 | 796 | 29.11.07 | 28.11.14 |
| 31.05.05 | 4,779 | | 121,121 | (41,403) | | 84,497 | 877 | 12.10.07 | 28.07.08 |
| 05.12.05 | 2,198 | | 29,842 | (11,551) | (11,007) | 9,482 | 994 | 05.06.07 | 28.07.08 |
| 30.05.06 | | | 47,287 | | (14,443) | 32,844 | 1252 | 05.06.07 | 28.07.08 |
| 14.07.06 | | | 14,440 | | (4,333) | 10,107 | 1316 | 05.06.07 | 28.07.08 |
| 29.11.06 | | | 5,421 | | (2,728) | 2,693 | 1545 | 05.06.07 | 28.07.08 |
| | 492,757 | | 1,964,369 | (663,807) | (32,511) | 1,760,808 | | | |
| **Long-Term Incentive Plan – unvested options** | | | | | | | | | |
| 28.05.04 | 950,359 | | (942,109) | | (8,250) | | 663 | 28.05.07 | 27.05.14 |
| 29.11.04 | 818,919 | | (804,149) | | (14,770) | | 796 | 29.11.07 | 28.11.14 |
| 31.05.05 | 862,840 | | (121,121) | | (175,038) | 566,681 | 877 | 31.05.08 | 30.05.15 |
| 05.12.05 | 413,317 | | (29,842) | | (101,408) | 282,067 | 994 | 05.12.08 | 04.12.15 |
| 30.05.06 | 821,300 | | (47,287) | | (173,300) | 600,713 | 1,252 | 30.05.09 | 29.05.16 |
| 14.07.06 | 273,730 | | (14,440) | | (59,083) | 200,207 | 1,316 | 14.07.09 | 13.07.16 |
| 29.11.06 | 184,581 | | (5,421) | | (44,715) | 134,445 | 1,545 | 29.11.09 | 28.11.16 |
| 27.06.07 | | 655,475 | | | (51,429) | 604,046 | 1,327 | 27.06.10 | 26.06.17 |
| 20.12.07 | | 803,118 | | | | 803,118 | 883 | 20.12.10 | 19.12.17 |
| | 4,325,046 | 1,458,593 | (1,964,369) | | (627,993) | 3,191,277 | | | |
| **Rollover Options** | | | | | | | | | |
| 17.08.05 | 214,495 | | | (154,913) | | 59,582 | 387 | 28.07.06 | 23.08.08 |
| **Total** | **5,273,916** | **1,483,588** | | **(881,999)** | **(698,078)** | **5,177,427** | | | |
| **Weighted average exercise price of options (p)** | | | | | | | | | |
| | **881** | **1,083** | | **624** | **1,114** | **952** | | | |
| **Shares** | | | | | | | | | |
| **Long-Term Incentive Plan*** | | | | | | | | | |
| 28.05.04 | 316,775 | | | (314,025) | (2,750) | | 663 | | 28.05.07 |
| 29.11.04 | 272,973 | | | (268,050) | (4,923) | | 796 | | 29.11.07 |
| 31.05.05 | 371,271 | | | (70,753) | (70,696) | 229,822 | 877 | | 31.05.08 |
| 05.12.05 | 181,740 | | | (14,154) | (44,121) | 123,465 | 994 | | 05.12.08 |
| 30.05.06 | 306,004 | | | (26,456) | (63,654) | 215,894 | 1,252 | | 30.05.09 |
| 29.11.06 | 187,401 | | | (4,805) | (42,644) | 139,952 | 1,545 | | 29.11.09 |
| 27.06.07 | | 352,316 | | | (42,883) | 309,433 | 1,327 | | 27.06.10 |
| 20.12.07 | | 175,360 | | | | 175,360 | 883 | | 20.12.10 |
| | 1,636,164 | 527,676 | | (698,243) | (271,671) | 1,193,926 | | | |
| **Fund Managers Performance Plan*** | | | | | | | | | |
| 14.07.06 | 235,490 | | | (235,490) | | | 1,322 | | 14.07.07 |
| 14.07.06 | 235,490 | | | (15,636) | (1,008) | 218,846 | 1,322 | | 14.07.08 |
| 14.07.06 | 235,514 | | | (15,638) | (1,010) | 218,866 | 1,322 | | 14.07.09 |
| 30.05.07 | | 118,100 | | (908) | (484) | 116,708 | 1,427 | | 30.05.08 |
| 30.05.07 | | 118,100 | | (908) | (484) | 116,708 | 1,427 | | 30.05.09 |
| 30.05.07 | | 118,117 | | (909) | (485) | 116,723 | 1,427 | | 30.05.10 |
| | 706,494 | 354,317 | | (269,489) | (3,471) | 787,851 | | | |
| **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 |
| 22.05.07 | | 128,360 | | | (14,144) | 114,216 | 1,461 | | 22.05.10 |
| | 70,956 | 128,360 | | | (14,144) | 185,172 | | | |
| **Total** | **2,475,571** | **1,010,353** | | **(1,029,689)** | **(289,286)** | **2,166,949** | | | |
| **Weighted average price of performance shares (p)** | | | | | | | | | |
| | **1,082** | **1,302** | | **917** | **1,174** | **1,250** | | | |

* At 31 March 2008 the ESOP trust, a discretionary trust established to facilitate the operation of the incentive schemes, held 2,307,730 ordinary shares, with a market value of £21,173,423 in respect of the LTIP, Fund Managers Performance Plan and Matching Share Plan Shares (2007: 2,530,034, £38,658,920). The amount of shares which could potentially vest are detailed in the Remuneration Report on pages 69 to 77.

## 21 Leasing

**Operating leases with tenants**
The Group leases out all of its investment properties under operating leases for average lease terms of 15 years to expiry. The future aggregate minimum rentals receivable under non-cancellable operating leases are as follows:

| | 2008 £m | 2007 £m |
|---|---|---|
| Less than one year | **538** | 553 |
| Between two and five years | **2,092** | 2,232 |
| Between six and ten years | **2,199** | 2,523 |
| Between eleven and fifteen years | **1,629** | 1,916 |
| Between sixteen and twenty years | **788** | 969 |
| After twenty years | **1,140** | 1,140 |
| | **8,386** | 9,333 |

Contingent rents of £1m (2007: £1m) 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:

| | 2008 | | | 2007 | | |
|---|---|---|---|---|---|---|
| | **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 | **10** | **9** | **1** | 9 | 9 | |
| More than five years | **220** | **186** | **34** | 217 | 187 | 30 |
| | **232** | **197** | **35** | 228 | 198 | 30 |

## 22 Segment information

**Operating segments**
The Group allocates resources to investment and asset management according to the sectors it expects to perform over the medium term. Its two principal sectors are currently offices and retail and the relevant revenue, net rental income, assets and capital expenditure are set out below:

| | Offices | | Retail | | Other | | Total | |
|---|---|---|---|---|---|---|---|---|
| | **2008 £m** | 2007 £m | **2008 £m** | 2007 £m | **2008 £m** | 2007 £m | **2008 £m** | 2007 £m |
| Revenue | **317** | 327 | **366** | 464 | **32** | 35 | **715** | 826 |
| Net rental income | **230** | 228 | **314** | 306 | **17** | 27 | **561** | 561 |
| Segment assets | **5,506** | 6,184 | **6,235** | 8,946 | **907** | 1,250 | **12,648** | 16,380 |
| Capital expenditure | **537** | 487 | **105** | 1,016 | **17** | 147 | **659** | 1,650 |

Revenue is derived from the rental of buildings, fund management and performance fees and investments. Corporate costs, including administrative and interest expenses, are not allocated to the segments shown, therefore a sectoral profit or loss is not disclosed. Segment assets include the Group's investment in Funds and Joint Ventures. No customer exceeds 10% of the Group's revenues.

## 23 Capital commitments

The aggregate capital commitments to purchase, construct or develop investment property or for repairs, maintenance or enhancements which are contracted for but not provided are set out below:

| | 2008 £m | 2007 £m |
|---|---|---|
| British Land | **661** | 753 |
| Share of funds (note 12) | **62** | 59 |
| Share of joint ventures (note 12) | **17** | 73 |
| | **740** | 885 |

## 24 Contingent liabilities

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 (2007: £23m) and recourse is only to the partnership assets.

## 25 Related party transactions

Details of transactions with funds and joint ventures including debt guarantees by the Group are given in notes 4 and 24. During the year the Group recognised performance and management fees receivable from funds of £18m (2007: £27m) and joint venture management fees of £3m (2007: £3m).

## Table A

### Summary income statement based on proportional consolidation

The following pro forma information is unaudited and does not form part of the consolidated primary statements or the notes thereto. It presents the results of the Group, with funds and joint ventures consolidated on a line by line, i.e. proportional basis. The underlying profit before tax and total (loss) profit after tax are the same as presented in the consolidated income statement.

| | Q4 | Q3 | Q2 | Q1 | | |
|---|---|---|---|---|---|---|
| | 3 months ended | | | | **Year ended** | Year ended |
| | 31 March 2008 £m | 31 Dec 2007 £m | 30 Sep 2007 £m | 30 June 2007 £m | **31 March 2008 £m** | 31 March 2007 £m |
| **Gross rental income** | 180 | 174 | 175 | 180 | **709** | 706 |
| Net rental income | 166 | 167 | 167 | 167 | **667** | 661 |
| Fees and other income | 4 | 7 | 7 | 22 | **40** | 51 |
| Administrative expenses | (15) | (17) | (19) | (22) | **(73)** | (85) |
| Net interest costs | (86) | (85) | (88) | (91) | **(350)** | (370) |
| **Underlying profit before taxation** | 69 | 72 | 67 | 76 | **284** | 257 |
| Debt refinancing | | | | 9 | **9** | (305) |
| Net valuation movement and gains on disposal | (318) | (1,391) | (365) | 158 | **(1,916)** | 1,424 |
| Amortisation of intangible asset | (7) | (3) | (1) | (4) | **(15)** | (15) |
| Songbird Estates plc dividend (capital) | | | | 30 | **30** | 33 |
| Goodwill impairment | (1) | | | (2) | **(3)** | (111) |
| REIT conversion costs | | | | | | (13) |
| **(Loss) Profit on ordinary activities before taxation** | (257) | (1,322) | (299) | 267 | **(1,611)** | 1,270 |
| Tax charge relating to underlying profit | | (2) | (3) | (3) | **(8)** | (31) |
| REIT conversion charge | | | | | | (325) |
| Deferred tax benefit | 8 | 5 | 24 | 10 | **47** | 1,673 |
| Other taxation | 6 | 1 | 1 | 1 | **9** | (134) |
| **(Loss) Profit for the period after taxation** | (243) | (1,318) | (277) | 275 | **(1,563)** | 2,453 |
| **Underlying earnings per share – diluted basis** | 13p | 14p | 12p | 14p | **53p** | 43p |

The underlying earnings per share is calculated on underlying pre-tax profit of £284m (2007: £257m), tax attributable to underlying profits of £8m (2007: £31m) and fully diluted shares numbering 516m (2007: 522m). Gross rental income excludes service charge receivable.

### Summary balance sheet based on proportional consolidation

The following pro forma information is unaudited and does not form part of the consolidated primary statements or the notes thereto. It presents the composition of the EPRA net assets of the Group, with share of funds and joint venture assets and liabilities included on a line by line, i.e. proportional basis and assuming full dilution.

| | Group £m | Share of funds £m | Share of joint ventures £m | Deferred tax £m | Mark-to-market of interest rate swaps £m | Dilution effect of options £m | Head lease* £m | **EPRA Net assets 2008 £m** | EPRA Net assets 2007 £m |
|---|---|---|---|---|---|---|---|---|---|
| Retail properties | 4,722 | 1,163 | 1,810 | | | | (34) | **7,661** | 10,173 |
| Office properties | 5,499 | | 13 | | | | (7) | **5,505** | 6,165 |
| Other properties | 283 | | 22 | | | | | **305** | 565 |
| Total properties | 10,504 | 1,163 | 1,845 | | | | (41) | **13,471** | 16,903 |
| Investment in funds and joint ventures | 1,532 | (723) | (809) | | | | | | |
| Other investments | 196 | 1 | | | | | | **197** | 267 |
| Intangible assets | 39 | | | | | | | **39** | 50 |
| Other net liabilities | (449) | (28) | (71) | 102 | | 47 | 41 | **(358)** | (617) |
| Net debt | (5,032) | (413) | (965) | | (3) | | | **(6,413)** | (7,741) |
| **Net assets** | 6,790 | | | 102 | (3) | 47 | | **6,936** | 8,862 |
| **EPRA NAV per share** (note 2) | | | | | | | | **1344p** | 1682p |

* Head lease liabilities include £35m relating to Group properties and £6m relating to joint venture properties.

**Table A** (continued)

| Calculation of EPRA NNNAV per share | 2008 £m | 2007 £m |
|---|---|---|
| EPRA NAV | **6,936** | 8,862 |
| Deferred tax arising on revaluation movements, capital allowances and derivatives | **(102)** | (168) |
| Mark to market on effective cash flow hedges and related debt adjustments | **3** | 99 |
| Mark to market on debt | **582** | 75 |
| **EPRA NNNAV** | **7,419** | 8,868 |
| | | |
| EPRA NNNAV per share | **1438p** | 1683p |

**EPRA NNNAV** is the EPRA NAV adjusted to reflect the fair value of debt and derivatives and to include deferred taxation on revaluations.

**Total property valuations including share of funds and joint ventures**

| | 2008 £m | 2007 £m |
|---|---|---|
| **British Land Group** | **10,469** | 14,017 |
| **Share of funds and joint ventures** | | |
| Investment properties | **2,889** | 2,815 |
| Development properties | **119** | 77 |
| Head lease liabilities | **(6)** | (6) |
| | **3,002** | 2,886 |
| **Total property portfolio valuation** | **13,471** | 16,903 |

**Segment information**

**Operating segments**

The Group allocates resources to investment and asset management according to the sectors it expects to perform over the medium term. Its two principal sectors are currently offices and retail and the relevant revenue, net rental income, assets and capital expenditure are set out below:

| | Offices | | Retail | | Other | | Total | |
|---|---|---|---|---|---|---|---|---|
| | 2008 £m | 2007 £m | 2008 £m | 2007 £m | 2008 £m | 2007 £m | 2008 £m | 2007 £m |
| **Revenue** | | | | | | | | |
| British Land Group | **317** | 327 | **366** | 464 | **32** | 35 | **715** | 826 |
| Share of funds and joint ventures | | 1 | **115** | 114 | **2** | | **117** | 115 |
| **Total** | **317** | 328 | **481** | 578 | **34** | 35 | **832** | 941 |
| **Net rental income** | | | | | | | | |
| British Land Group | **230** | 228 | **314** | 306 | **17** | 27 | **561** | 561 |
| Share of funds and joint ventures | | 2 | **104** | 96 | **2** | 2 | **106** | 100 |
| **Total** | **230** | 230 | **418** | 402 | **19** | 29 | **667** | 661 |
| **Segment assets** | | | | | | | | |
| British Land Group | **5,499** | 6,171 | **4,761** | 7,401 | **856** | 1,198 | **11,116** | 14,770 |
| Share of funds and joint ventures | **10** | 51 | **3,017** | 2,887 | **163** | 175 | **3,190** | 3,113 |
| **Total** | **5,509** | 6,222 | **7,778** | 10,288 | **1,019** | 1,373 | **14,306** | 17,883 |
| **Capital expenditure** | | | | | | | | |
| British Land Group | **537** | 487 | **105** | 1,016 | **17** | 147 | **659** | 1,650 |
| Share of funds and joint ventures | | | **311** | 539 | **13** | 15 | **324** | 554 |
| **Total** | **537** | 487 | **416** | 1,555 | **30** | 162 | **983** | 2,204 |