

From: Emma Terry [Emma.Terry@britishland.com] on behalf of Lucinda Bell [Lucinda.Bell@britishland.com]
Sent: 30 October 2009 11:54
To: Complexity
Subject: FRC Initiative - Feedback

Dear Ms Kerr

We are writing with our thoughts on the welcome FRC initiative to make corporate reports less complex and more relevant.

British Land is a FTSE100 company. Our business is investing in commercial real estate, principally in the UK. We create value by actively managing, financing and developing prime retail and office space to provide the environment in which modern business can thrive. Major holdings are in Broadgate Estate in the City of London, Meadowhall Shopping Centre in Sheffield and a portfolio of Tesco and Sainsbury supermarkets.

In the year so far the Group has produced its annual results and 3 circulars – one for a Rights Issue, one for the introduction of an Enhanced Scrip Dividend and one for a substantial disposal. In addition, as real estate is one of the sectors subject to FRC current focus our advisors have been particularly mindful of the resulting scrutiny.

Our general comments

- We support the thrust of these proposals and note that often a company's investor presentation provides more accessible information than documents subject to more onerous regulatory requirements.
- There is an imbalance between disclosure and non disclosure which fosters an approach of excessive disclosure. Thus failure to disclose can have serious consequences but there is no equivalent for unnecessary or excessive disclosure. This needs to be rebalanced.
- A possible approach would be for disclosure which a company considers to be of no significance to be filed at Companies House and available on the company's website in a separate document but not mandatory for a company to include in its Annual Report. This would enable companies to produce more meaningful and approachable information.
- In our experience advisors are very concerned by disclosures and, however immaterial a disclosure can be argued to be, their view would almost always be that it is better to disclose than not.
- As a sector subject to FRC focus we have made some additional disclosures which have ensured compliance yet in our view these have not improved the understanding of our business and its risks.
- We are attracted to principles rather than rules based approach if it can be made workable. In our view it is advisors' (accountants' and lawyers) concern re potential liability that drives extensive disclosure.

On the specific questions

- Cashflow. At British Land, we have chosen to present the cashflow statement under the direct method. Few companies do this – yet it provides clear, easy to understand information. We consider that a reconciliation of net debt to cashflow is a vital connection between key statements. This reconciliation should be mandatory.
- Subsidiary accounts. We support this approach. The preparation of detailed

subsidiary company specific disclosures is a particularly time consuming and costly exercise. It would be useful if wholly owned subsidiaries that had some form of parent company "guarantee" were allowed to file simplified summary financial statements - possibly in line with the FRSSE.

- Cut clutter. This is a key point. Empowering or even compelling auditors to require reduced disclosure could be an important step forward. In our experience, the concern of a potential FRRP review is often used as a reason to encourage more disclosure. In some respects checking the completeness of disclosures has become a box ticking exercise. Requirements to exercise discretion needs to be introduced and emphasised.
- Any changes to the regulatory framework should be presented, as this FRC document is, in a clear easy to digest form which can be understood and commented on by non specialists. We wonder whether additional initiatives, which would clearly need consensus from a large range of organisations, would be:
 - Similar to the Government cut red tape initiative, run a disclosure reduction project to remove unnecessary or obsolete disclosures, possibly with a targeted reduction e.g. 100 disclosures reduced per annum for 5 years.
 - As noted above, enable non critical disclosures to be made in a separate but still publicly available form so that these do not detract from an accessible document.

If you would like to discuss any of our views please do not hesitate to contact me.

Yours faithfully

Lucinda Bell

Tax Director

The British Land Company PLC

York House, 45 Seymour Street, London, W1H 7LX

Registered in England

Registered number 621920

www.britishland.com

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