The British Land Company PLC

BUILDING THE BEST REAL ESTATE INVESTMENT TRUST IN EUROPE

Annual Report and Accounts 2011

WE'RE BRITISH LAND

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OUR PERFORMANCE

UNDERLYING PROFIT BEFORE TAX[1]	NET ASSET VALUE PER SHARE[2]
£256m	**567p**
2010: £249m	2010: 504p

UNDERLYING EPS[1]	IFRS NET ASSETS
28.5p	**£4,930m**
2010: 28.4p	2010: £4,208m

IFRS PROFIT BEFORE TAX	PORTFOLIO VALUATION[3]
£830m	**£9,572m**
2010: £1,128m	2010: £8,539m

DIVIDEND PER SHARE	TOTAL (ACCOUNTING) RETURN[1]
26.0p	**17.7%**
2010: 26.0p	2010: 33.5%

1 For definition see glossary of terms.
2 EPRA (European Public Real Estate Association) basis.
3 Proportionally consolidated.

Forward-looking statements

This Report contains certain 'forward-looking' statements reflecting current views on, among other things, our markets, activities and prospects. Such 'forward-looking' statements can be identified by the use of 'forward-looking' terminology, including terms such as 'believes', 'estimates', 'anticipates', 'expects', 'forecasts', 'intends', 'plans', 'projects', 'goal', 'target', 'aim', 'may', 'will', 'would', 'could', 'should' or similar expressions or in each case their negative or variations or comparable terminology.

By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances which may or may not occur and may be beyond our ability to control or predict. Forward-looking statements should be regarded with caution because of the inherent uncertainty in political, economic, market and business factors. Actual outcomes and results may differ materially from any outcomes or results expressed or implied by such forward-looking statements, and information contained in this Report relating to British Land or its share price, or the yield on its shares, should not be relied upon as an indicator of future performance.

Any forward-looking statements made by or on behalf of British Land speak only as of the date they are made and no representation or warranty is given in relation to them, including as to their completeness or accuracy or the basis on which they were prepared. Other than in accordance with our legal and regulatory obligations (including under the Listing Rules and Disclosure and Transparency Rules), British Land does not undertake to update or revise forward-looking statements to reflect any changes in British Land's expectations with regard thereto or any changes in information, events, conditions or circumstances on which any such statement is based.

OUR AIM IS TO BUILD THE BEST REAL ESTATE INVESTMENT TRUST (REIT) IN EUROPE

British Land is one of Europe's largest REITs and our aim is to be Europe's best. We provide investors with direct access to a diverse range of property assets which we manage, finance and develop, delivering security of income as well as capital growth.

We focus on prime retail and office properties, mainly in the UK, which attract high-quality occupiers committed to long leases. Each year over 250 million people visit our properties which house over 1,000 different organisations. Through our property and finance expertise we attract experienced partners to create environments in which businesses and local communities can thrive.

WHAT IS A REIT?

Real Estate Investment Trusts (REITs) are companies which are exempt from corporate taxation on profits from rental income and capital gains on the sale of investment properties. The Government established REIT status in 2007 to remove the tax inequalities between different real estate investors. REITs are required to distribute 90% of their UK property rental profits in the form of property income dividends (PIDs).

For more information on REITs
p13–14 and p183

2011 Property Awards
WINNER
Property Company of the Year 2011

CHAIRMAN'S STATEMENT

"We derive huge benefit from the scale of our operations and pass this benefit on to our partners in terms of knowledge, experience and opportunity."

At British Land, we are facing the future with confidence. Our London office portfolio comprises modern, flexible buildings that meet evolving occupier needs and we own some of the best retail assets in the UK, where consumers want to shop and retailers trade efficiently and profitably.

While, as a nation, we have moved from 'Recession' to the 'Age of Austerity', consumers are still shopping and good businesses are looking to grow. British Land has been well served by the quality, location and sustainability of our portfolio.

Concentrated leasing activity across our portfolio, a decisive and significant commitment to Central London office development, and a series of retail acquisitions, all contributed to a strong performance over an active year as we delivered improvements throughout our business. We continued to see a good recovery in the value of our assets and achieved rental growth with continued demand for space from key retailers and office occupiers. These achievements were recognised at the annual Property Week Awards in April 2011, when we were delighted to be named Property Company of the Year.

We reported very pleasing results for the year to 31 March 2011. Underlying pre-tax profits at £256 million were 9.9% up excluding a credit provision release in 2009. The value of our property portfolio increased by 6.9% to £9.6 billion with NAV per share up by 12.5% to 567 pence. The Board is proposing a fourth quarter dividend of 6.5 pence, bringing the total dividend per share for the full year to 26 pence representing a 91% payout in respect of underlying earnings. For the coming year, it is our intention that the dividend is maintained at 26 pence with quarterly dividends of 6.5 pence.

Our finances remain strong and over the last 18 months we successfully refinanced over £1.1 billion debt and revolving facilities. Finance is clearly available for well positioned UK businesses and the strength and quality of our properties and their rental income, continue to underpin our ability to secure competitive funding successfully.

During the year, we started a number of projects to create what is currently Central London's largest committed office development programme. We recognised, early on, the opportunity provided by a new major office cycle in Central London and will deliver 2.2 million sq ft of high-quality space, between 2012 and 2014, into a constrained market with rising rents and capital values. An investment of £1.6 billion, of which our share totals £1.1 billion, spans six separate sites including a 700,000 sq ft building for UBS at Broadgate, the 610,000 sq ft Leadenhall Building in London's insurance district and the 500,000 sq ft NEQ building, completing our Regent's Place estate.

British Land's economic footprint is large: we derive huge benefit from the scale of our operations and pass this benefit on to our partners in terms of knowledge, experience and opportunity.

Recent research[1] shows that we contributed almost £900 million of Gross Value Added to the UK economy in 2009/10 through our direct operations and supplier expenditure. Our occupiers contributed an additional £10.6 billion through their own business activities at our properties. We estimate consumers spent around £4.7 billion in department stores and superstores on our sites during 2010, and sales across our entire retail estate are clearly significantly greater. Total employment enabled by British Land is estimated to be around 142,000 jobs, including those directly generated by our occupiers and indirectly through their supplier expenditure.

Our size and substance demands a responsible approach to business; a duty we take willingly and seriously. This year we reviewed our corporate responsibility strategy, consulting experts on a range of issues, evaluating best practice and benchmarking our performance.

We believe leadership on issues such as sustainability help drive our performance and are core to our aim of building the best REIT in Europe. It is difficult to measure their precise value but occupiers are increasingly looking for efficiency and want premises that express their own corporate commitments. Ropemaker Place, completed in May 2009, remains one of the City's most sustainable buildings. Despite a challenging occupational market it is now fully let; a testament to its quality and a good example of our approach.

In March, we announced the promotion of Lucinda Bell to the Board to succeed Graham Roberts as Finance Director. We welcome Lucinda and thank Graham for his excellent contribution to the Group over many years and for his strong stewardship and leadership of the finance function. We also appointed two Non-executive Directors in Simon Borrows, Chairman of Greenhill & Co International LLP, and William Jackson, Chief Executive of Bridgepoint. Both have further strengthened our Board following the retirement of Clive Cowdery. Earlier in the year, Robert Swannell retired from the Board after 11 years during which time he served as Audit Committee Chairman and Senior Independent Director. We thank both Robert and Clive for their strong contributions to the Board.

I also thank everyone at British Land and our many business partners whose hard work has helped our business grow over the past 12 months. The business had a strong 2010/11 and is performing well and we remain confident about the prospects for the business.

Chris. Gibson-Smith.

Chris Gibson-Smith
Chairman
22 May 2011

1 British Land Economic Footprinting Study, April 2011, carried out by PricewaterhouseCoopers.

UNDERSTANDING BRITISH LAND

PRIME REAL ESTATE PORTFOLIO WELL POSITIONED FOR CAPITAL GROWTH

British Land is one of Europe's largest REITs. We own or manage over 33 million sq ft of properties focused on sectors well placed to benefit from growing occupier demand.

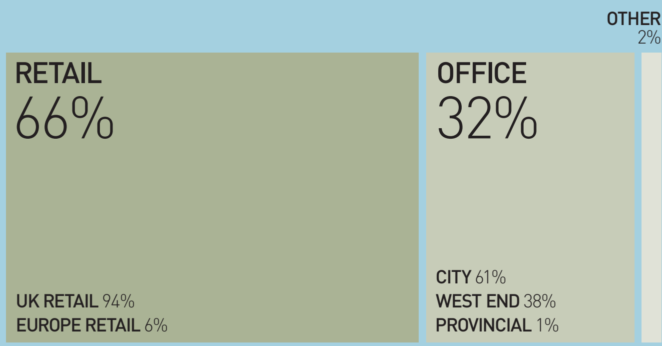
PROPERTIES OWNED OR MANAGED

£14.9bn

BRITISH LAND SHARE

£9.6bn

PORTFOLIO FOCUSED ON RETAIL AND LONDON OFFICES



HIGH-QUALITY INCOME UNDERPINNING OUR DIVIDEND

Our properties attract high-quality occupiers on long-term leases. This gives us one of the strongest income profiles of any major European REIT.

OCCUPANCY RATE[1]

98%

AVERAGE LEASE LENGTH[2]

11.5 years

SECURE INCOME PROFILE

High occupancy and long lease lengths

Income profile	Occupancy rate[1] %	Average lease length[2] Years	Rent expiring in next three years[2] %
Retail	97.9	12.1	9.3
Offices	97.8	9.4	6.4
Total	97.8	11.5	8.4

1 Including space under offer or subject to asset management.
2 Until first break.

STRONG BALANCE SHEET SUPPORTING GROWTH

Our secure, long-term income means we are able to finance our business with debt from a broad range of sources on competitive terms. We maintain substantial credit facilities to support our current and future investment needs without needing to raise project specific financing.

	Group	Proportionally consolidated
IFRS net debt (£bn)	1.7	4.4
Weighted average debt maturity (years)	10.7	10.1
Weighted average interest rate (%)	4.7	4.9
Loan to value (%)	24	45
Interest cover (times)	3.0	2.2
Committed undrawn facilities (£bn)	2.3	2.3

INTEREST COVER[1]

2.2 times

LOAN TO VALUE[1]

45%

AVERAGE DEBT MATURITY[1]

10.1 years

1 Proportionally consolidated.

CREATING INCREMENTAL VALUE

We create incremental value by developing, repositioning assets and exploiting market anomalies.

- 2.2 MILLION SQ FT CENTRAL LONDON OFFICE DEVELOPMENT PIPELINE
- 1.4 MILLION SQ FT OF COMMITTED RETAIL DEVELOPMENTS
- OVER 4 MILLION SQ FT OF PROSPECTIVE DEVELOPMENT OPPORTUNITIES

For more information on developments
p36–37, 48–49, 52–53

PARTNER OF CHOICE MAXIMISING CAPITAL EFFICIENCY

Around half of our property assets are held in joint ventures and funds, allowing us to broaden our access to properties and spread our risk. Our scale and expertise make us a partner of choice for organisations with complementary skills and interests.

JOINT VENTURE PARTNERS

Blackstone Group	Sainsbury's
London & Stamford	Tesco
Oxford Properties	Universities Superannuation Scheme

For more information on our joint ventures and funds
p89–90

PRIME PROPERTIES WITH ENDURING OCCUPIER APPEAL

Top 10 properties (by British Land share of value)	British Land share	Sq ft '000	Occupancy rate[1]	Lease length[2]
1 Broadgate	50%	4,436	96.5%	8.2
2 Regent's Place	100%	1,210	98.3%	9.2
3 Meadowhall	50%	1,376	98.2%	10.5
4 Ropemaker Place	100%	594	99.3%	15.6
5 Drake Circus	100%	560	98.5%	7.7
6 Teesside Shopping Park	100%	460	100.0%	9.7
7 Debenhams, Oxford Street	100%	367	100.0%	28.0
8 York House	100%	132	100.0%	6.5
9 Forster Square, Bradford	100%	246	100.0%	10.1
10 St Stephen's, Hull	100%	410	98.4%	9.6

1 Including space under offer or subject to asset management.
2 Until first break.

HIGH-QUALITY OCCUPIERS

RETAIL Top 10 customers	Share of rent
1 Tesco	7.4%
2 Sainsbury's	6.4%
3 Debenhams	4.3%
4 Homebase	2.3%
5 B&Q	2.2%
6 Next	2.0%
7 Boots	1.3%
8 Asda	1.1%
9 Currys	1.1%
10 Marks and Spencer	1.1%

OFFICE Top 10 customers	Share of rent
1 UBS	3.8%
2 HM Government	2.2%
3 Bank of Tokyo-Mitsubishi	1.7%
4 Macquarie Group	1.6%
5 Herbert Smith	1.5%
6 RBS	1.3%
7 Aegis Group	0.9%
8 JP Morgan	0.9%
9 Reed Smith	0.9%
10 Gazprom	0.8%

RESPONSIBLE BUSINESS

Taking a responsible approach to business and making sure we achieve high levels of efficiency and sustainability in our buildings and developments is central to the way we run British Land and of increasing importance to current and potential occupiers.

A FEW OF THE HIGHLIGHTS ACHIEVED OVER THE PAST YEAR:

- REAL ESTATE LEADER – OEKOM CR REVIEW 2010
- USED 15% LESS ENERGY AND 14% LESS WATER ACROSS OUR LIKE-FOR-LIKE PORTFOLIO THAN TWO YEARS AGO, SAVING OCCUPIERS ALMOST £1 MILLION
- BREEAM EXCELLENT SUSTAINABILITY RATINGS AT ALL OFFICE DEVELOPMENTS
- NET IMPROVEMENT IN SITE BIODIVERSITY AT 90% OF OUR MAJOR DEVELOPMENTS
- 80% GOOD OR EXCELLENT CUSTOMER RATING SIGNIFICANTLY OUTPERFORMING INDUSTRY AVERAGES

For more information on our approach to corporate responsibility
p63–70 and visit britishland.com/crreport2011

OUR MARKETS
OVERVIEW

- THE UK HAS A BROAD AND LIQUID PROPERTY MARKET
- A LIMITED SUPPLY OF LAND COMBINED WITH A GROWING POPULATION
- INCOME RETURN UNDERPINNED BY STRONG LEASE STRUCTURE
- ATTRACTS A RANGE OF DOMESTIC AND INTERNATIONAL INVESTORS

In 2007, The Investment Property Forum estimated that the commercial property investment market in the UK was worth around £760 billion. Retail, offices, and industrial property account for the majority of this, with other smaller sectors including leisure, residential, student accommodation and healthcare properties making up most of the balance.

The investment market is broadly owned, principally by: listed property companies, including REITs (which account for around 15% of the total); pension funds; private companies; and an increasing number of international investors who see the UK as an attractive and stable place to invest. In 2010, London had the highest turnover of investment properties by value of any city worldwide.

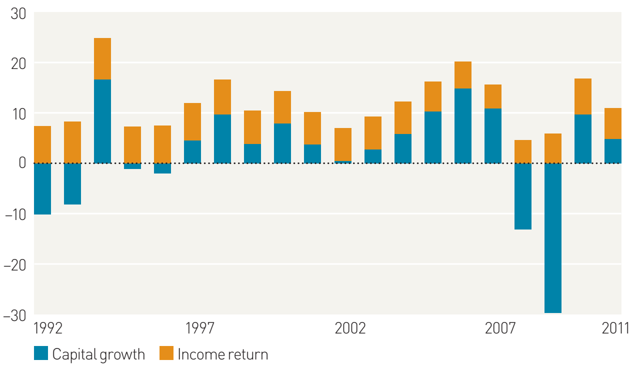
Rental income is a more important component of investors' returns in property than in many other sectors outside bonds and cash. Over the last 20 years, rental income has accounted for 81% of the total returns generated by the UK property sector according to the Investment Property Databank (IPD), a widely used provider of real estate performance analysis. The absolute level of income generated returns has been relatively stable through the economic cycle while the returns from movements in capital values have been much more volatile as shown in the graph below. After a decade of good total returns, the UK property sector was severely impacted by the financial crisis in 2007/08 with capital values falling by around 40%. Values have recovered significantly over the last two years.

An important benchmark in property for investors is the income yield (rental income divided by the value of the property) relative to the yield both on other properties and alternative investments.

Retail and London offices have been the most vibrant sectors of the investment property market over the last ten years, reflecting strong growth in the consumer, financial and business services sectors. The retail sector has produced more stable returns both in terms of rental income and capital value with rental income correlated quite closely with nominal GDP growth over the period. Office performance has tended to be more volatile, reflecting the twin impacts of development and economic cycles.

Within the overall property market, the best quality assets, commonly called prime, have tended to outperform. The chart below shows the sharp differential between rental growth in prime and secondary properties over the last ten years. This has been particularly the case in retail and London offices, which as outlined on the following pages, has been driven by long-term changes in occupier demand. British Land's portfolio is focused on prime properties in these two sectors.

LONG-TERM UK PROPERTY RETURNS %
All property year-on-year



PRIME vs SECONDARY RENTAL GROWTH

Source: IPD

OUR MARKETS
RECENT PERFORMANCE

- 2010/11 VALUATIONS UP 4.9%; TOTAL RETURNS 11.3%
- MARKED DIFFERENCE IN PERFORMANCE BETWEEN SECTORS AND BETWEEN PRIME AND SECONDARY
- PRIME LONDON OFFICE RENTS CONTINUED TO BENEFIT FROM SUPPLY SHORTAGE
- EARLY SIGNS OF RENTAL GROWTH IN BEST RETAIL LOCATIONS
- INVESTOR DEMAND STRONG FOR PRIME ASSETS, PARTICULARLY IN LONDON

After a spectacular recovery in 2009/10 following the near 40% falls in 2007/08, the UK property market grew at a more steady pace with capital values up by 4.9% in the 12 months to March 2011.

As in 2009/10, there was a marked variation in performance between the various property subsectors – London offices was again the standout performer – and between the different grades of property asset – the best quality or prime assets outperformed secondary.

KEY TRENDS
OCCUPATIONAL MARKET

- Further growth in Central London office rents, particularly in prime where space remains in short supply.
- Demand and rental growth generally weak outside London reflecting subdued economic growth and concern about the impact of Government spending cuts.
- But early signs of rental growth on the best retail schemes as retailers exit poorly performing stores and look to expand on the stronger locations.
- Key London office development projects announced; but supply still significantly below long-term average, given shortage of development finance.

INVESTMENT MARKET

- Strong demand for quality assets with high income security.
- International investor flows into the Central London office market remained high, accounting for two thirds of all deals in the last 12 months.
- Increase in assets coming to market, particularly from the banks.

OUTLOOK

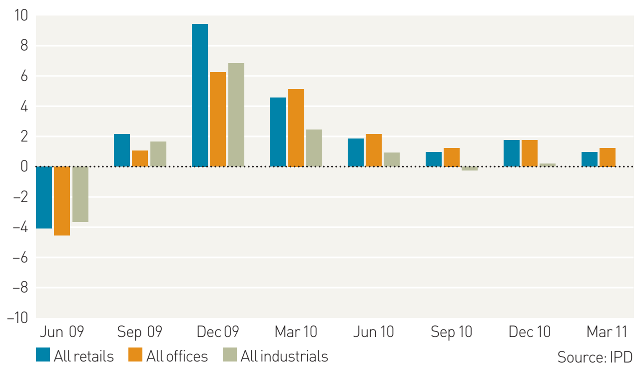
Looking forward, we expect the outlook for the UK property market to be broadly positive but with performance continuing to be uneven from both a sector and regional perspective.

In retail, polarisation is creating a two tier market with a widening gulf between prime and secondary, in both rental value terms and investor demand. We see a small but definite inflection point for prime retail rents but are not clear where rents for secondary property will eventually stabilise.

For offices, it's also a case of widely divergent trends and we expect Central London to forge ahead, with many regions, with some exceptions, stagnating at best.

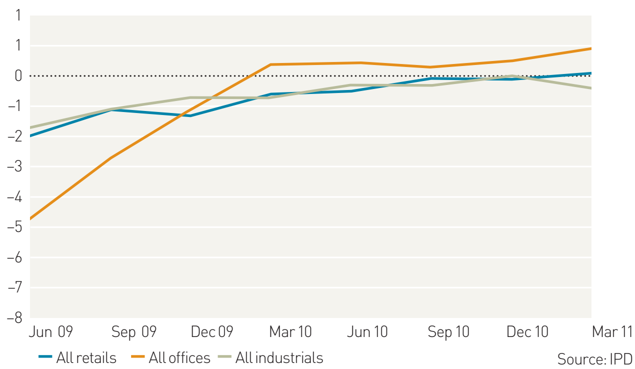
We expect the investment market to be more active in the coming year particularly as banks work their way through their stockpile of assets. However, speculative finance will remain scarce and the appetite for secondary, limited, creating conditions ideally suited to increased opportunistic activity.

UK COMMERCIAL PROPERTY RETURNS (QUARTERLY) %
Capital return quarter-on-quarter



Source: IPD

UK COMMERCIAL PROPERTY RENTAL GROWTH (QUARTERLY) %



Source: IPD

OUR MARKETS
UK RETAIL

→ SIGNIFICANT CHANGES IN RETAILER AND CONSUMER BEHAVIOUR
→ SALES POLARISING TO FEWER, MORE DOMINANT LOCATIONS
→ LACK OF NEW SUPPLY INCREASING DEMAND FOR ESTABLISHED, PROFITABLE LOCATIONS
→ EARLY SIGNS OF RENTAL GROWTH IN BEST LOCATIONS DESPITE CONSUMER SQUEEZE

The retail market continues to undergo significant change. Sales have consolidated into the hands of a smaller number of stronger retailers, including the national grocery chains who today account for the vast proportion of food sales and nearly 15% of non-food sales.

Increasing car ownership and convenience has significantly enhanced the attractiveness of out-of-town shopping. Retailers have focused on fewer stores in locations which provide them with accommodation which is much more flexible and easily accessible to shoppers. According to CBRE data, half of all retail goods were sold through 200 locations in 1971; by 2008 this had fallen to 90.

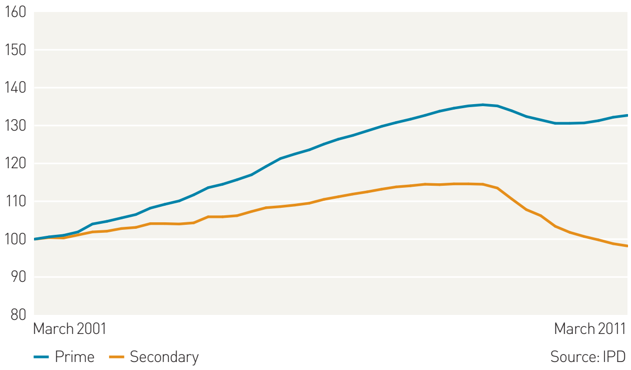
The retail occupational market has been highly polarised as a result. Retail parks and the better shopping centres have outperformed high street shops, once considered the best prime retail. We expect this trend to continue. Grocery and fashion chains have expanded their out-of-town space most aggressively in recent years taking advantage of the comparatively low rents available on retail parks. It has been those out-of-town retail properties (retail parks) with planning consents allowing the sale of fashion and food which have performed the best, seeing strong growth in rents and values.

The retail property market has had a tough few years: overall capital values are still 20% below their peak despite a 23% recovery in the last 18 months and rental values across the market continue to fall, down a further 0.6% in 2010/11.

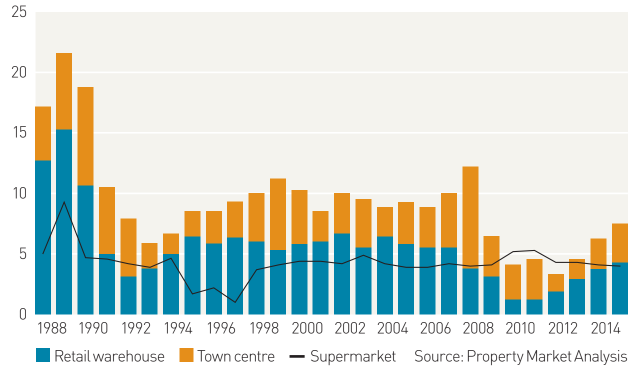
The polarisation in trading performance continued during the year. Better retailers sought to protect sales and margins by closing poorly performing, often smaller in-town stores and expanding in the best locations. In prime locations vacancy rates are low at 2.3% and falling with rental values increasing by 1.7%. There are early signs of rental value increases in certain areas as retailers look through to 2012/13 when consumer spending is expected to start improving. By contrast vacancy rates in secondary retail space remain high at 12.2% with rental values down by 3.6% in 2010/11.

Looking forward, demand for the best space is expected to continue to grow, with further pressure on consumer spending anticipated to accelerate the restructuring of retailers' store portfolios. In addition, the growth in online sales (now representing 8% of total UK retail spend) is expected to further focus the demand for physical retail space which is larger, flexible and easily accessible. This reflects our definition of prime being retail assets in the best locations at affordable rents and dominating their local catchment. At the same time, supply of quality space is forecast to remain at historically low levels reflecting the limited amount of committed retail development and the continued lack of development finance.

IPD PRIME AND SECONDARY RETAIL RENTAL VALUE GROWTH
December 2000 = 100



UK RETAIL DEVELOPMENT PIPELINE



OUR MARKETS
LONDON OFFICES

- LONDON IS A MAJOR GLOBAL CENTRE FOR FINANCIAL AND BUSINESS SERVICES
- LONDON OFFICE MARKET IS CURRENTLY THE BIGGEST PROPERTY INVESTMENT MARKET FOR INTERNATIONAL INVESTORS
- OCCUPIERS HAVE STRONG PREFERENCE FOR MODERN BUILDINGS
- SHORTAGE OF NEW SPACE IS DRIVING CYCLICAL RECOVERY IN RENTS AND VALUES FOR THE BEST SPACE

As a financial and business services centre of global importance and major contributor to the UK economy, London enjoys a special position as one of a small number of global cities. Its attractions include a skilled and diverse labour force; political and economic stability; and a transparent legal system.

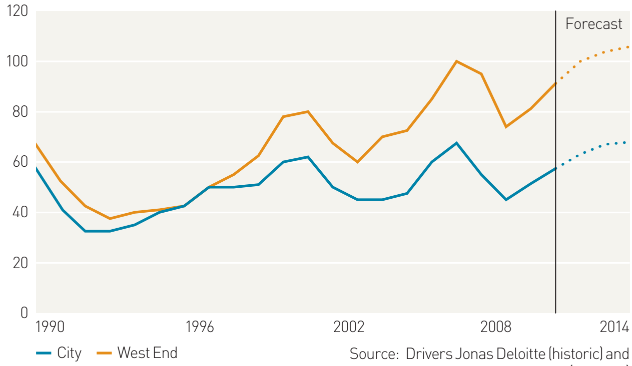
The London office market is an international and liquid real estate market attracting a broad range of investors from around the world. It has, however, been more cyclical than retail, with a more significant influence of development booms and economic downturns. The cycles have been more marked in the City than the West End: reflecting the development of Canary Wharf in the 1990s which attracted City occupiers to its large, low cost and efficient financial factories. The competition from Canary Wharf encouraged the City authorities to relax their planning regime, enabling the development of larger, taller buildings, including the Swiss Re Tower (known as the Gherkin). The West End, by contrast, has seen less severe cycles reflecting a more restrictive planning environment combined with a more tightly held ownership structure.

Looking through the cycles, the demand for high-quality office space has grown significantly. Quality of building, location and more recently sustainability credentials, are the determining factors in an organisation's decision to commit to a new lease. And as technological advances have been made and occupier requirements change, older buildings have tended to become less attractive.

The London office market has performed well over the last two years with capital values ahead by 26.8%. Rents have started to grow with ERVs up by 6.7% over the last 12 months. Although economic growth remains sluggish, this upturn in performance has been due to a growing supply demand imbalance. At a time when a significant number of occupiers are facing long-term lease expiries, and are expected to look for new space, there is a limited supply of high-quality offices.

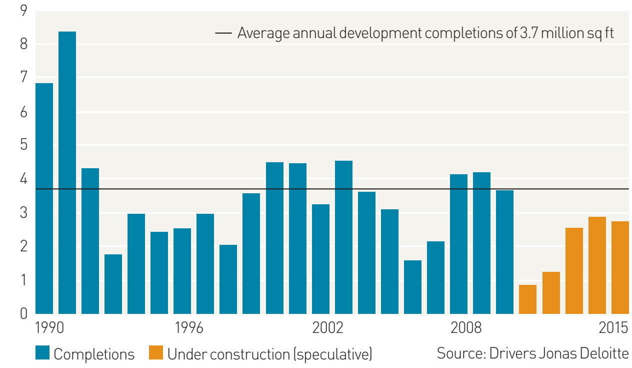
Looking forward, although development activity is picking up, the limited availability of development finance, means supply is expected to remain at low levels, with speculative development significantly below the long-term average.

CITY AND WEST END OFFICE RENTAL PERFORMANCE
£ per sq ft



Source: Drivers Jonas Deloitte (historic) and Average Agents' Consensus (forecast)

CITY AND WEST END OFFICE DEVELOPMENT COMPLETIONS
Million sq ft



Source: Drivers Jonas Deloitte

STRATEGY

WE AIM TO DELIVER SUPERIOR TOTAL RETURNS FOR OUR SHAREHOLDERS

13 Our strategy
15 Strategy in action

OUR STRATEGY
BY CHRIS GRIGG

ESTABLISHED IN 2007, REITS ARE NOW COMING OF AGE. BRITISH LAND'S BUSINESS, WITH PRIME PROPERTIES GENERATING RENTAL INCOME SECURED BY HIGH-QUALITY OCCUPIERS ON LONG LEASES, IS WELL SUITED TO OUR REIT STATUS.

Our portfolio is well balanced and focused on sectors with good long-term potential growth in income and value.

Chris Grigg
Chief Executive

OUR STRATEGY
AN OVERVIEW

"Our view is that the REIT structure means we need to be more focused on ensuring that our investors can rely on a secure and growing dividend underpinned by sustainable property rental income flows."

British Land has been a Real Estate Investment Trust, or REIT, since 2007. The REIT sector is well established in a number of countries around the world, notably in the US and Australia. But in the UK, it is still relatively new, born into the extraordinarily difficult and volatile property and credit markets of 2007. In many ways it is only now really coming of age.

The REIT structure aims to provide a balanced, tax efficient and low cost way for institutions and private individuals to invest in property and access the rental income streams arising from owning and managing property. Compared to direct property ownership, REITs provide investors with access to a more diverse range of assets which are actively managed by property experts who are able to access a broad range of lower cost finance. And because they are listed, the investments are able to be more readily bought and sold.

If you look back over the last 20 years, rental income has accounted for 80% of total direct property returns in the UK. Our view is that the REIT structure with its requirement to distribute 90% of tax exempt profits from property rental income as dividends, means we need to be more focused on ensuring that our investors can rely on a secure, and growing dividend underpinned by sustainable property rental income flows. Capital growth remains critical not only as the natural consequence of high-quality, growing rental streams but also as a way of creating new capital to invest in growth and generating outperformance. But this increased focus on security of income distribution as dividends requires a more balanced approach to risk and short-term capital value movements than has generally been the case in the listed UK property sector in the recent past.

British Land's business – focused on rental income flows secured by high-quality occupiers with long leases on prime properties – was already well suited to REIT status. On conversion we significantly increased our dividend payout, with dividends ahead by 106% between 2006 and 2008. The resilience of our income flows meant that we were able to maintain this high level of dividends despite the 40% fall in UK commercial property values during 2007/08.

Where we have made changes to our business to adapt to REIT status, it has been to intensify our focus on income generation and reduce the potential volatility in the value of our capital. The disposal of 50% of our holdings in Meadowhall and Broadgate in 2009 reduced the risk in our portfolio both by cutting our exposure to single large assets and lowering the proportion of the business financed through debt. Letting activity and acquisitions over the last 18 months have more than compensated for the net income we gave up through these two strategic disposals. You can read more on our approach to asset allocation on pages 26 and 27 and financing on pages 59 to 61.

Our ambition is to be recognised as the best REIT in Europe – through the strength of our leadership skills; the quality of our property and financing expertise; the quality and sustainability of the environments we create for our occupiers; our ability to attract high-quality partners; and the returns we deliver to our shareholders.

Our objective is to deliver superior total returns for our shareholders. Over the following pages, we explain how we aim to achieve this objective by:

1. **Creating sustainable and growing property rental income;**
2. **Investing in assets which protect and grow the capital value over the medium to long term;**
3. **Creating incremental value through developing, repositioning assets and exploiting market anomalies;**
4. **Controlling our costs to maximise profit generation;**
5. **Exploiting our scale and financial strength.**

We also believe that leadership on issues such as sustainability help drive our performance and we aim to be the best at the sustainability issues that matter most to us and our stakeholders.

STRATEGY IN ACTION

The British Land Company PLC

OUR VISION:
To build the best Real Estate Investment Trust in Europe

OUR OBJECTIVE:
To deliver superior total returns for our shareholders

OUR STRATEGIC PRIORITIES:

1. Creating sustainable and growing property rental income

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2. Investing in assets which protect and grow the capital value over the medium to long term

p18–19

3. Creating incremental value through developing, repositioning assets and exploiting market anomalies

p20–21

4. Controlling our costs to maximise profit generation

p22

5. Exploiting our scale and financial strength

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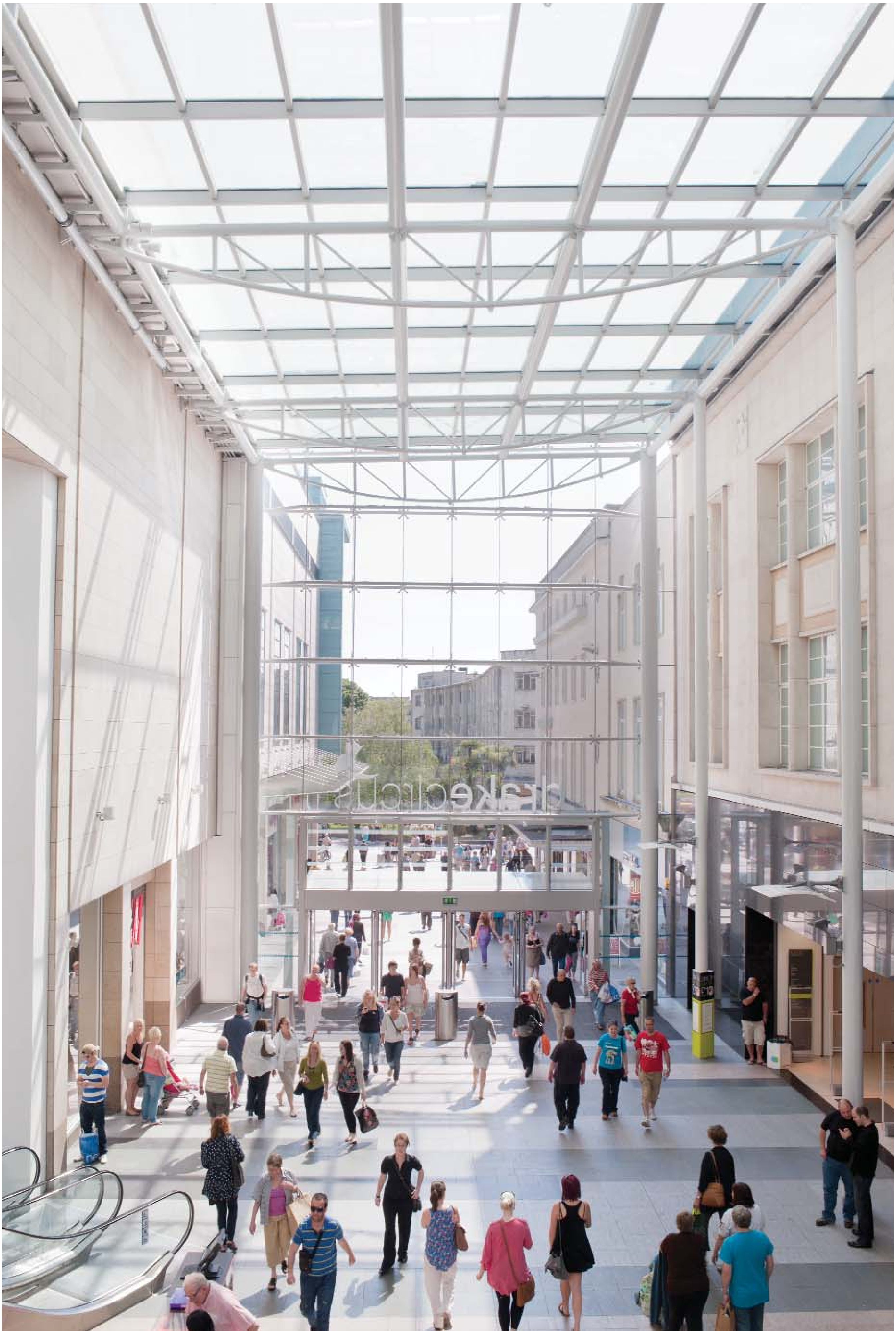
CORPORATE RESPONSIBILITY:
Being the best at sustainability issues that matter most to us and our stakeholders

p63–70



1. CREATING SUSTAINABLE AND GROWING PROPERTY RENTAL INCOME

Our core business consists of high-quality assets capable of generating secure and growing income streams. Our long-term investment strategy is focused on those sectors of the property market where we expect demand from occupiers will be the strongest over the medium to longer term: well located prime retail in the UK and Europe and Central London offices. Assets in these sectors will provide the core rental cash flows enabling us to pay a high and growing dividend and fund the business and its growth through competitively priced equity and debt finance.

CASE STUDY
DRAKE CIRCUS SHOPPING CENTRE, PLYMOUTH

Our assets are well located and designed to attract a broad range of high-quality occupiers. The quality of our income stream is underpinned by our high occupancy rates, long leases and low levels of contracted rent subject to expiry (see statistics below), all of which are above the IPD industry benchmark.

Acquisitions during the year included £363 million of existing retail assets, adding £23 million to our annual rental income streams. All the schemes have strong local positions where retailers trade well. Our largest purchase was Drake Circus Shopping Centre in Plymouth, which was bought for £240 million, a net initial yield of 6%.

As one of the West Country's most popular shopping destinations, Drake Circus has an extensive catchment area covering both Devon and Cornwall, and an annual footfall of nearly 19 million people.

The 560,000 sq ft Shopping Centre, opened in 2006, is well configured and an attractive environment for people to shop in. The rents are affordable and with limited competition locally, there is potential for rental growth. The Centre has 70 units in modern retail formats and is anchored by Primark, Marks and Spencer and Next with other key occupiers including established retailers such as Topshop, Boots and H&M as well as newer fast growing retail brands such as Cult/Superdry and Republic.

To learn more about this development
www.drakecircus.com

OCCUPANCY RATE[1]
97.8%

AVERAGE LEASE LENGTH[2]
11.5 years

RENT EXPIRING IN NEXT THREE YEARS[2]
8.4%

1 Including space under offer or subject to asset management.
2 To first break.

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Our portfolio Pages 25–57
Financing strategy Pages 59–61
Corporate responsibility Pages 63–70

2. INVESTING IN ASSETS WHICH PROTECT AND GROW THE CAPITAL VALUE OVER THE MEDIUM TO LONG TERM

As well as investing in strong rental income streams, we need to ensure we both protect and grow the value of the underlying assets. We need to continually renew and upgrade our portfolio to retain its quality, the security of our income and its attraction to investors. Our portfolio is focused on well located retail units where consumers and retailers increasingly want to be. Our office buildings are modern work environments that provide the quality and flexibility occupiers now want and which meet their increasing technology and sustainability needs.

CASE STUDY
TRANSFORMING REGENT'S PLACE, LONDON

Over the past 25 years, British Land has developed buildings and improved the working environment at Regent's Place, transforming this 13-acre West End estate.

During our ownership, the estate has evolved through asset management, refurbishment and development to provide high-quality, flexible accommodation on floor plates that are rarely available in the West End. Today, it is a vibrant multi use estate, home to a broad range of high-quality occupiers and over 98% occupied. As a result, the estate has performed well, consistently outperforming the IPD West End benchmark on rental growth and capital returns over the past five years.

The transformation started in the 1990s but it is more recently that the most significant changes have been made. Working in partnership with the architect Sir Terry Farrell and local communities we have developed a visionary masterplan for the estate placing significant emphasis on the design of the communal spaces with £8 million invested in public realm improvements.

In 2009, we completed two buildings at 10 and 20 Triton Street and a residential development at One Osnaburgh Street, comprising both social and high-end apartments. Despite the challenging market conditions, all the residential units were pre-sold ahead of our expectations with the offices 96% let within nine months of completion. On completion of our final phase of NEQ, in 2013, the estate will have doubled in size over the last four years to 2 million sq ft where 14,000 people will work or live.

In recognition of our partnership with the local community and commitment to regeneration, we were awarded the Royal Town Planning Institute's Award for Sustainable Communities in February 2011.

To learn more about this development
www.regentsplace.com

SIZE UPON COMPLETION OF NEQ 2013
2 million sq ft

OCCUPANCY RATE[1]
98%

1 Including space under offer and subject to asset management.

3. CREATING INCREMENTAL VALUE THROUGH DEVELOPING, REPOSITIONING ASSETS AND EXPLOITING MARKET ANOMALIES

Where we see the right opportunity, we will invest a proportion of our capital in assets with the objective of creating incremental value. A good recent example is the office market in Central London where a shortage of high-quality space coupled with a lack of development debt finance is expected to underpin strong development returns. Over the last year, we have committed £1.6 billion (British Land share: £1.1 billion) to Central London's largest office development programme. This will deliver 2.2 million sq ft of prime office space to the market between 2012 and 2014 against a backdrop of constrained supply, rising rents and capital values. During 2011, we expect to put more capital behind investments where we believe we can reposition assets and exploit market anomalies.

CASE STUDY
LEADENHALL

Based in the heart of the City of London insurance district, the Leadenhall Building is one of our largest current development sites.

In December 2010, we completed our joint venture agreement with Oxford Properties, the property investment business of OMERS, a major Canadian pension fund, to develop the building, bringing together two world-class property companies with proven development and asset management expertise.

At 736ft (224m), and providing 610,000 sq ft of the highest quality office space, the 47-storey building is set to become one of the tallest and most iconic buildings in the City. The spectacular scale of the public space at the base of the building, with mature trees and a range of retail and amenity provision covering nearly half an acre, will be unprecedented in Central London.

The development's tapering shape delivers varied sizes of floor plates, all with spectacular views over London. Locating the core to the rear of the building allows for adaptable, clear floors at each level. Ranging from 21,000 sq ft at the base of the building to 6,000 sq ft at the top of the tower they are already generating interest from a broad range of occupiers from across the insurance, financial, professional and corporate business sectors.

In early 2011, we started piling and basement works and are on schedule to start construction mid-year. Practical completion to shell and core is expected in the third quarter of 2014.

In May 2011, we announced we had agreed non-binding heads of terms with Aon Limited for a 191,000 sq ft pre-let at the building (levels 4–13) with options to take up to a further 85,000 sq ft (levels 14–18).

OVERALL SIZE
610,000 sq ft

INDIVIDUAL FLOOR PLATES
6,000–21,000 sq ft

4. CONTROLLING OUR COSTS TO MAXIMISE PROFIT GENERATION

Controlling our operating costs so that we maximise the amount of profit we generate will continue to be a key focus of our business. Based on the percentage of net operating costs relative to our gross property rental income – currently 13.5% – we are one of the most efficient listed property companies in the UK. We are able to keep operating costs low through a combination of having a small and efficient Head Office, maintaining high levels of occupancy across our portfolio and owning efficient modern properties.

CASE STUDY
MANAGING COSTS FOR OCCUPIERS

Controlling costs is a discipline we pass on to our partners. We actively manage occupancy costs, while ensuring we deliver the right environment for the occupier, by effective management, smart procurement and creative thinking.

Not only does our scale mean we are able to negotiate competitive rates on behalf of 1,000 occupiers (in 2010 we achieved property insurance rates more than 10% lower on average than in 2008) it also means that many small initiatives add up to big savings.

We focus on modern high-quality buildings with efficiency built in but also believe there is always more you can do. It is our approach to getting the best efficiencies from our existing portfolio that really marks us out from the crowd.

Last year we carried out our fourth independent customer service survey. 80% of our retail occupiers rated us good or excellent with satisfaction with value for money at nearly 60% versus a national average of 3%. Over 80% of office occupiers rate us good or excellent with satisfaction for value for money at 65% versus a national average of 14%.

Following a pilot at our York House Head Office building where we installed a new energy metering system and optimisation process helping to cut British Land influenced energy use by nearly 40%, we are now rolling out this system across our office and retail portfolios so that more businesses can recoup the benefits and savings. This collaborative approach, sharing information, providing support and funding energy reviews to highlight how savings can be made, has been recognised by prestigious industry awards.

Elsewhere we have switched to local suppliers, reduced waste to landfill and subsequent taxes, increased recycling, and a long-term approach to planned preventative maintenance, easing out peaks and troughs in cost cycles all contribute to cutting and controlling costs.

3 Platinum awards

AND SIX GOLD AWARDS AT PROPERTIES INDEPENDENTLY AUDITED AGAINST THE SERVICE CHARGE CODE IN 2010/11

5. EXPLOITING OUR SCALE AND FINANCIAL STRENGTH

Our scale, knowledge and expertise in UK property makes us a natural partner of choice for major investors. We have an established track record of working with major institutions with complementary expertise and interests to our own, including Blackstone Group, London & Stamford, Oxford Properties, Sainsbury's, Tesco and Universities Superannuation Scheme.

The scale and security of our rental income streams enables us to finance our business on competitive terms and maintain substantial credit facilities to support current and future investment needs. Over the last few years, when the availability of banking finance has become highly constrained, our access to finance has made us one of a relatively few number of companies able to invest in major London office development.

CASE STUDY
BLT PROPERTIES LIMITED

BLT Properties Limited, is a 50:50 joint venture between British Land and Tesco, which owns eight Tesco superstores and one retail park currently valued at £334 million.

In 2010, it successfully raised a new £185 million seven-year term loan to replace an existing facility at maturity. The strength of the joint venture's rental income streams meant that a single bank was willing to provide the whole facility. The overall finance rate achieved was lower than the maturing facility. In conjunction with the refinancing, the joint venture was extended for a further ten years, the second renewal after its establishment in 1996.

LOAN TO VALUE[1]
45%

AVERAGE DEBT MATURITY[1]
10.1 years

1 Proportionally consolidated.

OUR PORTFOLIO

FOCUSED ON UK RETAIL AND CENTRAL LONDON OFFICES, OUR PORTFOLIO CONSISTENTLY OUTPERFORMS

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OUR PORTFOLIO
AN OVERVIEW

PORTFOLIO HIGHLIGHTS

OVER 33 million sq ft OF PROPERTY SPACE

£9.6 billion PORTFOLIO VALUE (BRITISH LAND SHARE)

£14.9 billion ASSETS OWNED OR MANAGED

£575 million CONTRACTED RENT

98% OCCUPANCY RATE

11.5 YEARS AVERAGE LEASE LENGTH TO FIRST BREAK

8.4% OF RENT SUBJECT TO BREAK/EXPIRY OVER NEXT THREE YEARS

3.6 million sq ft COMMITTED DEVELOPMENT

"A combination of strong and consistent rental streams, future rental growth potential and sustained occupier demand for our retail and office portfolio means we are well positioned."

Steve Smith
Chief Investment Officer

PROPERTY PORTFOLIO % (AT MARCH 2011)

RETAIL
66%

UK RETAIL 94%
EUROPE RETAIL 6%

OFFICE
32%

CITY 61%
WEST END 38%
PROVINCIAL 1%

OTHER
2%

OUR PORTFOLIO
STRUCTURE AND STRATEGY

→ BRITISH LAND OWNS AND MANAGES A PORTFOLIO OF COMMERCIAL PROPERTY WORTH £14.9 BILLION, OF WHICH OUR SHARE IS £9.6 BILLION.

Our portfolio is well balanced with a substantial weighting to high-quality investments in sectors with the potential for long-term growth, principally UK retail and London offices with a small high-quality retail portfolio in Europe.

A combination of strong and consistent rental streams, future rental growth potential and sustained demand from occupiers for our retail and office portfolio means that British Land is well positioned to deliver excellent performance. Within these sectors, our focus is on prime assets. These are high performance buildings, in the right locations which meet the current and future needs of occupiers. They consistently attract high-quality occupiers willing to take long-term leases on favourable terms.

We believe that prime assets, underpinned by a sustainable and growing rental income, generally deliver more growth than average or poorer quality property. We will continue to focus on renewing and upgrading our core portfolio through acquisitions and developments.

The balance of our portfolio comprises properties held for development, good quality secondary property with strong cash flows and assets which can be improved to deliver added value. Our objective is to generate meaningful incremental value over time by investing in development, by repositioning assets and through exploiting market anomalies. Our exposure to these assets will fluctuate depending on market circumstances, our assessment of risk and the availability of opportunities. Over the next year, we expect our exposure to increase reflecting the growing volume of attractive investment opportunities and our desire to increase our risk profile at this point in the economic cycle.

We have significantly increased our weighting to development over the past 12 months and British Land's share of our total commitment stands at £1.2 billion at the year-end. On a pro-forma basis, that is including the developments at their estimated completion value, and our standing investments at today's values, our development exposure is 11% of gross asset value. The majority of our programme is focused on the Central London office market where we have invested early in a cyclical upturn and expect returns to significantly exceed those available from standing prime investments. Our programme in the West End, which represents 44% of the total, is intended to build our exposure to a market where the long-term outlook for growth and returns is strong. The majority of the remainder is in City offices where the upswing in returns can be more cyclical in nature and where we will look to moderate our exposure over time.

% of portfolio	Reported – March 2011	Pro-forma
Retail	**65.8**	**61.6**
Offices: City	19.6	21.3
West End	12.3	15.0
Provincial	0.2	0.2
Total offices	**32.1**	**36.5**
Other	**2.1**	**1.9**
Total	**100.0**	**100.0**
Of which development	4.0	11.4

PERFORMANCE
We regularly undertake rigorous analysis of the property portfolio to establish the optimal structure and ensure each asset is meeting our performance expectations. Our asset allocation and focus on prime has delivered consistent outperformance against the broader property market as measured by IPD, in rental and capital value terms, both over the short and medium term.

LOOKING AHEAD
We believe the market will continue to polarise between prime and good secondary and poor quality assets in both the occupational and investment markets. We are well positioned with a portfolio of exceptional quality and sustainable cash flows and a strong development pipeline. We are well placed to enhance returns through development and take advantage of a growing volume of investment opportunities.

We have the capacity and access to finance to invest further and expect a more diverse range of opportunities to emerge in 2011, particularly as the lending institutions continue to work through their property loan books. The most attractive opportunities are likely to be the more complex deals where we can leverage the breadth of our property and financial skills with the strength of our balance sheet.

Going forward we will remain focused on three main priorities:

→ **Actively managing our portfolio to maximise income growth;**

→ **Executing our substantial development programme and extracting value through pre-letting;**

→ **Taking advantage of an increasing supply of investment opportunities at more sustainable valuations.**

RETAIL
AN OVERVIEW

RETAIL HIGHLIGHTS

27 million sq ft OF RETAIL SPACE

£6.3 billion PORTFOLIO VALUE (BRITISH LAND SHARE)

£9.9 billion RETAIL ASSETS OWNED OR MANAGED

£380 million CONTRACTED RENT

98% OCCUPANCY RATE

12.1 YEARS AVERAGE LEASE LENGTH

9.3% OF RENT SUBJECT TO BREAK/EXPIRY OVER NEXT THREE YEARS

1.4 million sq ft COMMITTED RETAIL DEVELOPMENT

"We own some of the best retail assets in the UK. These provide our occupiers with modern, flexible and affordable environments which allow them to thrive."

Charles Maudsley
Head of Retail

RETAIL PORTFOLIO % (AT MARCH 2011)

RETAIL
OUR TOP RETAIL PROPERTIES

SHOPPING CENTRES

UK

1. **Meadowhall Shopping Centre** Sheffield
2. **Drake Circus Shopping Centre** Plymouth
3. **St Stephen's Shopping Centre** Kingston-upon-Hull
4. **Eastgate Shopping Centre** Basildon
5. **Bon Accord Centre and St Nicholas Centre** Aberdeen
6. **Serpentine Green Shopping Centre** Peterborough

EUROPE

7. **Puerto Venecia** Zaragoza

DEPARTMENT STORES

1. **Debenhams, Oxford Street** London

- **Other British Land properties**

RETAIL WAREHOUSES

1. **Glasgow Fort Shopping Park** Glasgow
2. **Teesside Shopping Park** Stockton-on-Tees
3. **Crown Point Shopping Park** Denton
4. **The Beehive Centre** Cambridge
5. **Orbital Shopping Park** Swindon
6. **Nugent Shopping Park** Orpington
7. **Giltbrook Retail Park** Nottingham
8. **Centre Retail Park** Oldham
9. **The Kingston Centre** Milton Keynes
10. **Parkgate Shopping Park** Rotherham
11. **Forster Square Retail Park** Bradford
12. **Fort Kinnaird** Edinburgh
13. **Wheatley Retail Park** Doncaster

SUPERSTORES

1. **Brent Park Tesco** Neasden
2. **Town Lane Tesco** Southport
3. **Chiswick Sainsbury's** London
4. **Purley Way Sainsbury's** Croydon
5. **Bursledon Tesco** Southampton

For more detailed information on our retail properties visit britishland.com

→ p31–41

RETAIL STRATEGY

→ RETAIL IS CORE TO BRITISH LAND'S PROPERTY PORTFOLIO. IT CONTRIBUTES SIGNIFICANTLY TO THE SUSTAINABLE CASH FLOWS WHICH UNDERPIN OUR DIVIDEND AND FINANCE OUR GROWTH.

British Land owns some of the best retail assets in the country: according to CACI, the retail research group, the average British Land asset ranks in the top 5% of most dominant retail centres in the country and we own one of the top three shopping centres in the UK, nine of the top 25 retail parks in the UK including five of the top ten retail super parks. In total, our shopping centres and retail parks access around 40% of the population of the UK.

Our focus is on high-quality locations where consumers want to shop and retailers trade efficiently and profitability. Our portfolio is well positioned to benefit from the significant changes to the retail market discussed on page 8. A reflection of this is that our rental values have grown by 0.8% per annum over the last five years versus the IPD benchmark at –0.6%. Through the recent downturn, our portfolio has remained almost fully occupied and our rental values have started to grow at a time when rental values across the market continue to fall.

Looking forward, we expect retailers will continue to rationalise their stores, focusing on fewer locations. The growth in internet sales will add to the pressure on weaker locations but are likely to be highly complementary to prime. Vacancy rates are generally low in the better located schemes and there is relatively little new stock coming to the market over the next few years. There are beginning to be signs of upward pressure on rents at the best retail locations, which should grow as the economy improves.

We continue to believe in the out-of-town retail format. However, our view is that property outperformance will require a much more asset specific approach than has been the case in the recent past. As the retail market rebalances, opportunities will present themselves both out-of-town or in town. We believe the best performing assets will be ones:

- → Which are in the right location – locally dominant and accessible (for consumers and suppliers);
- → Where rents are affordable – where retailers can trade profitably;
- → Which have the right unit configuration and size – the right type of retail space;
- → Which are flexible – the unit configuration can be adapted to retailers' changing needs;
- → Which have the right environment – where consumers want to shop and spend their leisure time.

In line with the Group's objectives of delivering total returns, we will continue to add to our prime portfolio through asset management investment and development and will:

- → **Actively manage our prime portfolio to capture the recovery in retail rents and generate rental income growth.**
  Investing in upgrading our retail offer to meet the evolving needs of today's retailers and actively managing our occupier base which will allow us both to maintain our high levels of occupancy and capture the rental growth potential in our portfolio.
- → **Invest in high-quality prime assets.**
  We will continue to seek to grow our portfolio by buying assets in the best locations which meet the current and future needs of our occupiers.
- → **Invest in good secondary assets which have good underlying fundamentals.**
  This means schemes which are well located and locally dominant where rents have stabilised and are at affordable levels and yields realistically compensate for relatively modest levels of expected rental growth. These represent good solid investment opportunities where the bulk of our total returns will be delivered through income.
- → **Recycle capital to dispose of assets where we believe the valuations are not justified by their rental growth prospects.**
  We will continue to refresh and upgrade our portfolio to ensure it is optimally positioned to grow and outperform.
- → **Increase our exposure to opportunities where we can create incremental value: development, repositioning and refurbishment opportunities.**
  This will enable us to add to our prime estate and generate incremental value. At a time when the availability of high-quality retail space is limited, we are actively expanding our development pipeline.

RETAIL
SUPERSTORES

WE ARE THE LARGEST INVESTMENT HOLDER OF SUPERMARKETS OUTSIDE THE SUPERMARKETS THEMSELVES, WITH TESCO AND SAINSBURY'S ACCOUNTING FOR APPROXIMATELY 22% OF OUR TOTAL RETAIL RENT ROLL.

SHARE OF RETAIL PORTFOLIO

22%

LET TO TESCO AND SAINSBURY'S OF SUPERSTORE PORTFOLIO

92%

- **SECURE, LONG DATED INCOME** WITH AVERAGE UNEXPIRED LEASE TERM OF 17 YEARS TO FIRST BREAK
- **6 MILLION SQ FT** INCLUDING 40 SAINSBURY'S STORES, 35 TESCO STORES AND 14 SOMERFIELD STORES

CASE STUDY

TESCO, ASHFORD

The 43,000 sq ft Tesco store in Ashford was bought in 1996 as part of our BLT Properties Limited joint venture with Tesco. In 2002, a 33,000 sq ft extension significantly expanded the store's footprint, strengthening its local position and improving its rental growth prospects. In 2003, the lease was extended by ten years to 2031. Tesco now wish to extend the Ashford store by another 20,000 sq ft and have recently obtained planning consent which the joint venture will fund. In 2010, the joint venture was extended for another ten years, simultaneous with the successful refinancing of the maturing debt facilities.

The continued expansion and investment with Tesco has enabled our foodstore portfolio to deliver superior returns, outperforming the IPD All Retail benchmark by over 730 bps over the last three years.

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RETAIL
SHOPPING CENTRES

→ OUR SHOPPING CENTRE PORTFOLIO IS ANCHORED BY THE REGIONALLY DOMINANT 1.4 MILLION SQ FT PRIME OUT-OF-TOWN MEADOWHALL SHOPPING CENTRE IN SHEFFIELD.

→ OUR 12 SHOPPING CENTRES PROVIDE 800 RETAIL UNITS TOTALLING 5 MILLION SQ FT.

→ OUR SHOPPING CENTRES ATTRACT 64 MILLION VISITORS A YEAR.

CASE STUDY
MEADOWHALL

Celebrating its 21st birthday in 2011, Meadowhall is one of only six out-of-town super regional shopping centres in the UK. Situated alongside Junction 34 of the M1 motorway, three miles east of Sheffield city centre, over 24 million people visit the Centre each year to enjoy its wide range of retail, leisure and food outlets. It provides 1.4 million sq ft of accommodation over 191 acres, and is home to some of the most established international and national retailers in the country including Debenhams, House of Fraser, Marks and Spencer, H&M and Hollister.

To learn more about this development
www.meadowhall.co.uk

Over the last two years, we have invested £14.2 million at Meadowhall, both to refresh the offer and broaden its appeal, ensuring it remains the pre-eminent shopping destination for the region.

In October 2010, we completed a £3.5 million refurbishment of House of Fraser's department store resulting in a 20% increase in sales. During the year new retail brands which opened stores included, Lakeland, G-Star, Pandora, Austin Reed, Country Casuals and Viyella occupying a total area of 15,000 sq ft. The choice of Meadowhall for flagship stores, new concepts and second stores indicates the strength of the Centre's offer and its ability to dominate its catchment.

The leisure offer continues to be enhanced. Anchored by the 11-screen Vue cinema, on completion later this year, the refurbished Oasis Food Court will provide seven restaurants and is attracting new brands such as Giraffe, Chaobaby and Rice. In addition, there are now 13 mall cafés including YO! Sushi, Blue Fig (a champagne bar) Costa and Starbucks.

MEADOWHALL

VISITORS
EACH YEAR
24m

SQ FT OF SPACE
1.4m

- PROVIDE A DESTINATION EXPERIENCE
- DIVERSITY OF INCOME PROVIDES OPPORTUNITIES FOR GROWTH
- ASSET MANAGEMENT OPPORTUNITIES, TO MAXIMISE RENTAL PERFORMANCE

- WE ARE THE LARGEST OWNER/MANAGER OF RETAIL WAREHOUSE PARKS IN THE UK[1].
- 83% OF OUR RETAIL WAREHOUSE SCHEMES BENEFIT FROM THE WIDEST PLANNING CONSENT (OPEN A1) GIVING US THE FLEXIBILITY TO MEET THE NEEDS OF THE LARGEST POTENTIAL POOL OF OCCUPIERS.

1 Source: Trevor Wood Research

CASE STUDY
GLASGOW FORT

Glasgow Fort is a great example of an open A1 out-of-town retail park that dominates its local catchment area. Adjacent to Junction 10 of the M8 in Glasgow, the 393,000 sq ft park combines a two-sided mall design recreating a high street environment with the convenience and flexibility of large out-of-town units. Its accessible, flexible configuration and range of unit sizes provides a successful fashion-led retailing location that attracts 12.5 million shoppers a year.

The site opened in 2004 and provides space for 67 high-quality occupiers including Next, Zara, Boots, Topshop and River Island. New fascias were added during the year including a flagship New Look store and new lettings to H&M, Bank, Poundland and Greggs. The 393,000 sq ft Shopping Park provides a diverse range of tenants creating critical mass and convenience for the 12.5 million visitors per annum.

We plan to significantly increase the size and range of the Park's offer through a two phase, 220,000 sq ft extension. A 45,000 sq ft cinema development, comprising an eight-screen cinema and five restaurants is scheduled to start in the autumn with agreed terms with a leading national cinema operator and leading family orientated restaurants. In addition, negotiations are being finalised with Glasgow City Council for a 175,000 sq ft retail extension with 80,000 sq ft pre-let to Marks and Spencer.

To learn more about this development
www.glasgowfort.co.uk

- → PROVIDING MODERN, FLEXIBLE AND ACCESSIBLE RETAILING FOR RETAILERS AND CONSUMERS
- → EVOLVING RETAILING ENVIRONMENTS TO MEET OCCUPIER NEEDS RESULTS IN RENTAL INCOME GROWTH

RETAIL
DEVELOPMENT

- WE HAVE 1.4 MILLION SQ FT OF COMMITTED DEVELOPMENT.
- WE ALSO HAVE 676,000 SQ FT OF RETAIL PLANNING CONSENTS AND PROSPECTIVE DEVELOPMENT OPPORTUNITIES OF UP TO A FURTHER 464,000 SQ FT.
- AT THE TIME WHEN HIGH-QUALITY RETAIL SPACE IS LIMITED, OUR EXPERTISE WILL ENABLE US TO CAPITALISE ON OUR EXISTING PORTFOLIO AND EXPAND ITS DEVELOPMENT PIPELINE.

CASE STUDY

WHITELEY VILLAGE

Whiteley Village, which we own in joint venture with Universities Superannuation Scheme, is our existing 166,000 sq ft factory outlet anchored by a 36,000 sq ft Tesco superstore. Located at Junction 9 of the M27 motorway, it sits midway between the two harbour cities of Southampton and Portsmouth. We recently obtained detailed planning consent to redevelop the factory outlet into 242,000 sq ft of Open A1 retail space, with a further 60,000 sq ft of ancillary uses.

The redevelopment will allow us to transform the scheme into a retail destination with 61 highly flexible retail units in a pedestrianised town centre style environment, providing shopping with restaurants and cafés, spacious walkways and public realm areas.

The scheme has an affluent and growing catchment population, currently just over 1.1 million people. It is situated next to the Solent Business Park which has over 60 businesses employing around 5,000 people, and is set to grow further with a planned 800,000 sq ft addition. The development of the new North Whiteley Village is located just north of Junction 9 of the M27 motorway and will include 3,000 new homes, offices and a 75-room hotel and community hub.

To learn more about this development
www.whiteleyvillage.com

HIGHLY FLEXIBLE RETAIL UNITS

61

CATCHMENT OF OVER

1.1m

£3.8 billion
TOTAL VALUE

£2.6 billion
BRITISH LAND SHARE

78
RETAIL WAREHOUSE PROPERTIES

53 RETAIL PARKS

25 SOLUS UNITS

9.7 million sq ft
TOTAL FLOOR AREA

83%
WITH OPEN A1 USE

Predominantly freehold, Rent passing, British Land's share **£153 million per annum** Average rent **£22 per sq ft** Weighted average lease term including breaks **10.4 years** Occupancy levels **99%**

ST JAMES' RETAIL PARK, NORTHAMPTON

BRITISH LAND SHARE	100%
SIZE	176,000 SQ FT
FREEHOLD OPEN A1 PARK	
UNITS	10
KIOSKS	1

KEY OCCUPIERS

Bhs, Boots, DFS, Next, Mothercare, Toys R Us

The open A1 Retail Park, which is located south west of Northampton, is anchored by a 30,000 sq ft Bhs store and 44,000 sq ft Toys R Us. The Retail Park has successfully attracted two new concept drive thrus being Starbucks and Boots. The conceptual stores will bring added traffic and footfall to the Retail Park adding to the retailing experience.

www.stjamesretailpark.co.uk

1 GLASGOW FORT SHOPPING PARK, GLASGOW

BRITISH LAND SHARE	39%
SIZE	393,000 SQ FT
LONG LEASEHOLD OPEN A1 PARK	
UNITS	67
KIOSKS	11

KEY OCCUPIERS

Asda Living, Next, Argos, Zara, Arcadia, Boots, New Look, Republic, TK Maxx, River Island, Sports Direct, Mamas & Papas

Glasgow Fort continues to build on its strength as one of the pre-eminent fashion-led retail parks in the UK with an annual footfall of 12.5 million. New fascias added in the year include H&M, Bank Fashion and a new flagship New Look store. In the year ahead we expect to commence the 45,000 sq ft cinema development, comprising an eight-screen cinema and five restaurant units. Terms have been agreed with a major cinema operator and five national restaurant units. In addition, negotiations are being finalised with Glasgow City Council in respect of the proposed 175,000 sq ft phase two retail extension.

www.glasgowfort.co.uk

7 GILTBROOK RETAIL PARK, NOTTINGHAM

BRITISH LAND SHARE	100%
SIZE	193,000 SQ FT
A1 (PART OPEN/PART RESTRICTED)	
UNITS	16

KEY OCCUPIERS

IKEA, Next, Decathlon, Bhs, Boots, Comet, Mamas & Papas, Pets at Home, Starbucks

Situated just off the M1, Giltbrook is within half an hour's drive of the region's major cities with an annual footfall of 2.6 million, it is an example of a traditional retail park anchored by a 240,000 sq ft IKEA store and opened in 2008. Over the last 18 months, Decathlon have downsized enabling Next to take a 19,000 sq ft store resulting in a 20% rise in income.

www.giltbrookretailpark.co.uk

2 TEESSIDE SHOPPING PARK, STOCKTON-ON-TEES

BRITISH LAND SHARE	100%
SIZE	460,000 SQ FT
UNITS	41

KEY OCCUPIERS

Marks and Spencer, New Look, Asda Living, Arcadia, Next, Boots, WHSmith, Currys, Mothercare, River Island, TK Maxx, JD Sports

Teesside Shopping Park attracts 5.3 million visitors per annum and continues to attract leading retailers. During the year retailers including H&M, Republic and TUI travel agents have taken accommodation on the Park. To facilitate some of these lettings 9,000 sq ft of additional floor space has gained planning consent for fully flexible open A1 retail accommodation.

www.teessideshoppingpark.co.uk

12 FORT KINNAIRD, EDINBURGH

BRITISH LAND SHARE	19%
SIZE	510,000 SQ FT
FREEHOLD OPEN A1 PARK	
UNITS	59

KEY OCCUPIERS

Argos, Boots, Currys, Early Learning Centre, H&M, HMV, JD Sports, Marks and Spencer, Next, Pizza Hut, Toys R Us, Wallis, WHSmith, New Look and Vision Express

Fort Kinnaird is located just off the A1 outside Edinburgh, Scotland. It is owned by HUT in a 50:50 joint venture with the Crown Estate. It has been developed in a number of phases with each phase having anchor occupiers. Fort Kinnaird, was the first out-of-town retail warehouse development to attract high street retailers such as Next and Boots. In addition to the 55 retail units and four food outlets, there is a factory and additional offices. Marks and Spencer have recently opened a new 60,000 sq ft general merchandise store. Monsoon and Starbucks have also recently opened. Orange and Thorntons are currently fitting out.

www.fortkinnaird.co.uk

£2.5 billion
TOTAL VALUE

£1.5 billion
BRITISH LAND SHARE

11
SHOPPING CENTRES

806 RETAIL UNITS

4.6 million sq ft
TOTAL FLOOR AREA

Rent passing, British Land's share **£92 million per annum** Average rent **£26 per sq ft** Weighted average lease term including breaks **9.9 years** Occupancy level **97%**

1 MEADOWHALL SHOPPING CENTRE, SHEFFIELD

BRITISH LAND SHARE	50%
SIZE	1.4 MILLION SQ FT
UNITS	215
ANCHOR STORES	10

KEY OCCUPIERS

Debenhams, House of Fraser, Marks and Spencer, Primark, Bhs, Boots, H&M, Arcadia, Hollister, Zara

Meadowhall is one of the largest and most successful shopping centres in the UK – a prime super regional centre in a densely populated catchment area. It has around 24 million visitors per year – 800,000 per week at peak time. In addition to the retail units, the Shopping Centre has 54 kiosks, an 11-screen cinema and 23 restaurants and cafés with seating for 3,300 people.

New fascias added in the year include Phase Eight, LK Bennett, L'Occitane, Lakeland, Boux Avenue and Fashion Rocks.The House of Fraser turnover increased by 20% year-on-year following its £3.5 million refurbishment and the addition of 18 new brands in 2010. Work is due to start on a £7 million transformation programme which will extend the refurbishment of the Oasis catering offer, creating three new restaurants at the upper level and one restaurant unit and two kiosk units at the lower level.

www.meadowhall.co.uk

2 DRAKE CIRCUS SHOPPING CENTRE, PLYMOUTH

BRITISH LAND SHARE	100%
SIZE	560,000 SQ FT
UNITS	70
ANCHOR STORES	3

KEY OCCUPIERS

Primark, Marks and Spencer, Next, Topshop, New Look, Boots, H&M, Cult/Superdry, Republic, River Island, Mothercare

Located in the middle of Plymouth, Drake Circus is the West Country's most popular shopping destination with an extensive catchment area, attracting an annual footfall of nearly 19 million people. Opened in 2006, Drake Circus has modern retail formats with nearly three quarters of the units over 7,500 sq ft.

www.drakecircus.com

GREEN LANES SHOPPING CENTRE, BARNSTAPLE

BRITISH LAND SHARE	100%
SIZE	131,000 SQ FT
UNITS	43

KEY OCCUPIERS

Wilkinsons, Bhs, Topshop/Topman, Peacocks, New Look, Mothercare, Monsoon, M&Co, La Senza, River Island

Acquired in February 2011, Green Lanes is one of North Devon's principal shopping locations, attracting 5.5 million visitors every year. It is virtually fully let with highly affordable rents – Zone A rents are in the £50–£80 per sq ft range.

www.greenlanes.co.uk

3 ST STEPHEN'S SHOPPING CENTRE, HULL

BRITISH LAND SHARE	100%
SIZE	410,000 SQ FT
UNITS	50

KEY OCCUPIERS

Anchored by 147,000 sq ft Tesco, Cult, H&M, Next, New Look, Oasis, River Island, TK Maxx, Zara

The restaurant offer at St Stephen's has been strengthened during the year with key lettings including Handmade Burger Co, Wok & Go, Just Spuds and The Red House. These lettings complement the Centre's strong leisure offer, which includes a six-screen multiplex, Nando's, Prezzo and Starbucks.

While St Stephen's has a very high occupancy rate of 98% new retail lettings include Superdrug and Phones 4U.

Car park income has also grown by 22% following the termination of the management contract. The costs and tariffs are now directly controlled by British Land.

www.ststephens-hull.com

SURREY QUAYS, SOUTH-EAST LONDON

BRITISH LAND SHARE	50%
SIZE	309,000 SQ FT
UNITS	43

KEY OCCUPIERS

Tesco, Bhs, Boots, Currys Digital, Mothercare, New Look, River Island, JD Sports, WHSmith

Bought in 2009, we own Surrey Quays in a joint venture with Tesco. The Shopping Centre is located in Rotherhithe on a peninsula of the south bank of the River Thames and benefits from strong growth in occupier demand in this growing suburb of London. The Centre is anchored by a 115,000 sq ft Tesco Extra Foodstore and a 53,000 sq ft Bhs, with the mall units arranged mainly at ground floor level between the two anchors. It has parking for 1,400 cars.

www.surreyquaysshoppingcentre.co.uk

SUPERSTORES

£2.5 billion TOTAL VALUE

£1.3 billion BRITISH LAND SHARE

99 SUPERSTORES
27 STORES 100% OWNED
72 STORES OWNED IN JOINT VENTURES

88% STORES LARGER THAN 40,000 SQ FT

62,000 sq ft AVERAGE STORE SIZE

6.1 million sq ft TOTAL FLOOR AREA

Rent passing, British Land's share **£71 million per annum** Average rent **£21 per sq ft** Weighted average lease term to break (and expiry) **16.8 years**

TESCO, PONTYPRIDD

The joint venture has agreed to fund a 22,000 sq ft extension in Pontypridd. Work started in March 2011 and is due to complete in January 2012.

British Land currently has a second store extension with Tesco under discussion of circa. 20,000 sq ft in Ashford.

SAINSBURY, HODDESDON AND DURHAM

The joint venture sold four ex-growth properties back to Sainsbury's and purchased two new ones (Hoddesdon and Durham) in June 2010. These new stores have been put in our securitisation. British Land has also agreed extensions at Thornhill (construction finished in April 2011), Kimberley (on-site, due to complete August 2011) and Preston (on-site, due to complete September 2011).

DEPARTMENT STORES

£0.5 billion TOTAL VALUE

100% BRITISH LAND SHARE

10 DEPARTMENT STORES

2.2 million sq ft TOTAL FLOOR AREA

Rent passing, British Land's share **£28 million per annum** Average rent **£12 per sq ft** Weighted average lease term including breaks **27 years,** to expiry **31 years**

1 **DEBENHAMS,** OXFORD STREET, LONDON

Nine stores, including the flagship Oxford Street, London store, of 1.7 million sq ft are leased to Debenhams for a minimum unexpired term of 23 years. The leases provide for minimum 2.5% per annum rental increases and five-yearly open market reviews from 2019.

www.debenhams.com

EUROPE

£0.5 billion
TOTAL VALUE

£0.3 billion
BRITISH LAND SHARE

1
SHOPPING CENTRE

11
RETAIL WAREHOUSE PARKS

3.8 million sq ft
TOTAL FLOOR AREA

Properties in Spain, Portugal, France and Italy, the majority of which are held within the Pillar Retail Europark Fund (PREF), in which we own a 65.3% stake.

7 PUERTO VENECIA RETAIL PARK, ZARAGOZA

BRITISH LAND SHARE	50%
SIZE	890,000 SQ FT
UNITS	25

KEY OCCUPIERS

IKEA, Porcelanosa, Leroy Merlin, Media Markt, Conforama, Decathlon

The 890,000 sq ft Retail Park is anchored by IKEA and other leading Spanish retailers including Leroy Merlin and Media Markt. Opened in 2008 the Retail Park now attracts over six million visitors a year and represents the first phase of the 2.3 million sq ft total development project.

RETAIL DEVELOPMENTS

£92 million
TOTAL VALUE

£46 million
BRITISH LAND SHARE

2
SHOPPING CENTRES

6
RETAIL WAREHOUSE PARKS

2.5 million sq ft
TOTAL FLOOR AREA

COMMITTED

SIZE	1.4 MILLION SQ FT
CURRENT VALUE	£68 MILLION
BRITISH LAND SHARE	£34 MILLION
COST TO COMPLETE (BRITISH LAND SHARE)	£72 MILLION
PUERTO VENECIA SHOPPING CENTRE, ZARAGOZA	1.4 MILLION SQ FT
SUPERSTORE EXTENSIONS	73,000 SQ FT

7 PUERTO VENECIA SHOPPING CENTRE, ZARAGOZA

The successful trading Retail Park, opened in 2008, combined with early signs of improving operator sentiment in Spain is driving a re-activation of the second phase, a 1.4 million sq ft shopping and leisure centre, which is targeted for opening in 2012. The scheme is already over 60% pre-let or pre-sold and will be anchored by El Corte Ingles, Primark, Desigual, H&M and Cinesa. On completion, the combined Retail Park and Shopping Centre will provide a total of 2.3 million sq ft of prime out-of-town retail in Spain's fifth largest city.

SUPERSTORE EXTENSIONS

We commenced five superstore extensions in the year within our Sainsbury's Superstore joint venture, completing three. These were at Banbury, Kimberley, Preston, Rugby and Thornhill, and will increase the store sizes by an average of 24%.

PROSPECTIVE

SIZE	UP TO 1.1 MILLION SQ FT
WHITELEY VILLAGE, FAREHAM	302,000 SQ FT
GLASGOW FORT SHOPPING PARK, GLASGOW	220,000 SQ FT
FORT KINNAIRD, EDINBURGH	133,000 SQ FT
SURREY QUAYS SHOPPING CENTRE, SOUTH LONDON	103,000 SQ FT
POWER COURT, LUTON	100,000–200,000 SQ FT
OTHER RETAIL PARK AND SUPERSTORE EXTENSIONS	182,000 SQ FT

WHITELEY VILLAGE

Whiteley Village is located just two minutes from Junction 9 of the M27 near Fareham, Hampshire. The scheme is held by a 50% joint venture between British Land and USS. Anchored by a Tesco superstore, detailed planning consent has been obtained subject to completion of a section 106 agreement, to redevelop the factory outlet element to provide 242,000 sq ft of Open A1 retail accommodation with a further 60,000 sq ft of ancillary uses.

www.whiteleyvillage.com

OFFICES
AN OVERVIEW

OFFICES HIGHLIGHTS

7.0 million sq ft OF OFFICE SPACE

£3.1 billion PORTFOLIO VALUE (BRITISH LAND SHARE)

£4.5 billion ASSETS OWNED OR MANAGED

£180 million CONTRACTED RENT

98% OCCUPANCY RATE

9.4 YEARS AVERAGE LEASE LENGTH

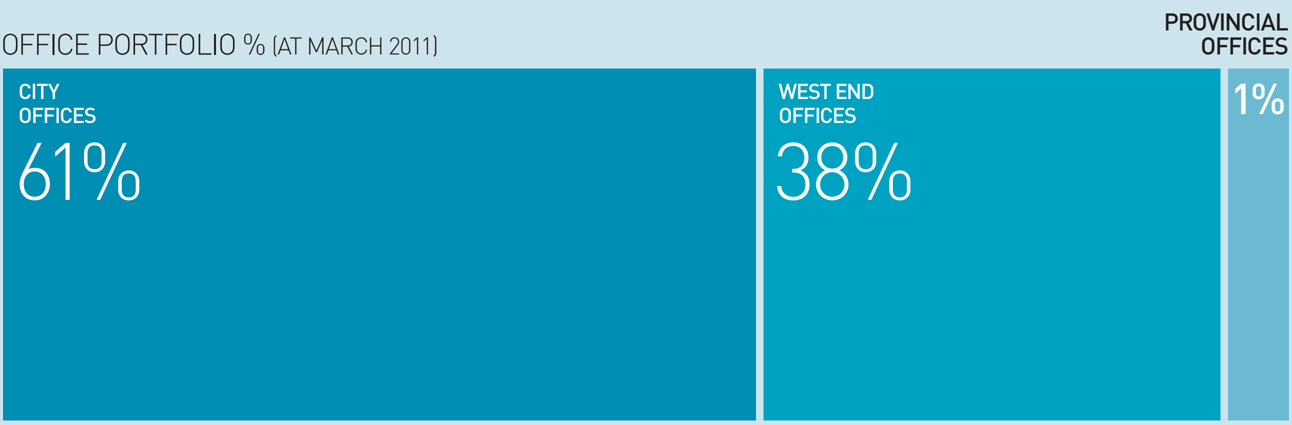
6.4% OF RENT SUBJECT TO BREAK/EXPIRY OVER NEXT THREE YEARS

2.2 million sq ft COMMITTED DEVELOPMENT

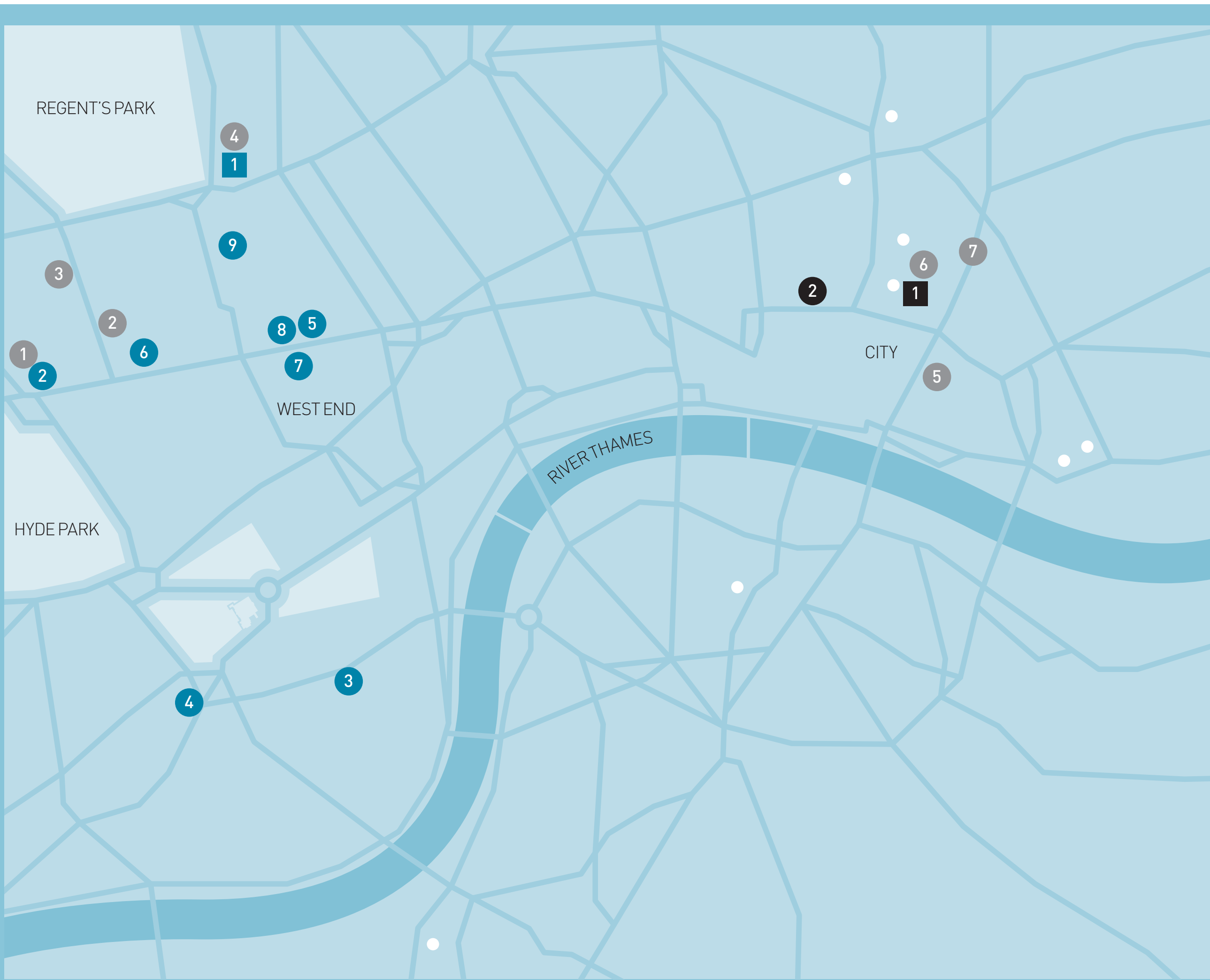
"Our focus on the Central London office market reflects its position as a leading global city which attracts a depth and quality of demand from occupiers and investors not seen elsewhere in the UK."

Tim Roberts
Head of Offices

OFFICE PORTFOLIO % (AT MARCH 2011)



OFFICES
OUR PRIME OFFICE PROPERTIES IN LONDON



For more detailed information on our office portfolio visit britishland.com
p45–57

WEST END
1 Regent's Place Estate NW1
2 York House W1
3 39 Victoria Street SW1
4 Ebury Gate, Lower Belgrave Street SW1
5 16–18 Berners Street W1
6 21–25 James Street W1
7 Swan House, 52–53 Poland Street W1
8 19–23 Wells Street W1
9 Yalding House, Great Portland Street W1

Other British Land properties

CITY
1 Broadgate Estate EC2
2 Ropemaker Place EC2

DEVELOPMENT
1 Marble Arch House W1
2 2–14 Baker Street W1
3 95–99 Baker Street W1
4 NEQ, Regent's Place NW1
5 The Leadenhall Building EC3
6 5 Broadgate EC2
7 199 Bishopsgate EC2

OFFICES
STRATEGY

→ OUR OFFICES PORTFOLIO IS FOCUSED ON THE CENTRAL LONDON MARKET WHICH TODAY ACCOUNTS FOR 99% OF THE £4.5 BILLION OF OFFICES WE OWN AND MANAGE IN THE UK.

Our focus on the London market reflects its position as a leading global City and one of the largest centres for financial services in the world. London attracts a depth and quality of demand from occupiers and investors not seen elsewhere in the UK.

We believe that the office market in London will continue to be a primary beneficiary of the capital's pivotal global position with demand for high-quality space expanding over the long term. However, the market is also likely to continue to experience periodic cycles as the balance between supply and demand fluctuates, particularly in the City given its proximity to Canary Wharf where the planning regimes are more relaxed. The West End is one of the few sub sectors in real estate which has experienced long-term rental growth due to sustained occupier demand and low supply as a result of its restrictive planning regime. We see this continuing.

Like retail, the changes in occupier trends in the office market have been significant. Today, occupiers increasingly want flexible, high-quality open plan offices with larger floor plates, which are technologically and environmentally friendly. This is increasingly polarising occupier and investor demand between the best offices which are occupied by high-quality businesses on long leases and secondary offices which tend to be let to occupiers with lower quality covenants on much shorter terms in buildings which become economically obsolete. Our office investments over the years have been focused on high-quality prime buildings in the City and the West End with active management of our estates ensuring that we meet the changing demands of our occupiers.

Looking forward, our strategic priorities in offices will be:

→ **Continue to focus our office portfolio on modern, flexible work environments within Central London** – ensuring we provide occupiers with high-quality spaces which meet their evolving needs.

→ **Concentrate on assets where we can add value** – by managing and improving income through active asset management of lease re-gears and new lettings.

→ **Actively manage our office weighting to deliver outperformance** – being a major source of performance for the Group during a cyclical upturn through development and acquisitions; and recycling capital as the cycle matures. We have a long track record of successfully developing and selling on profitably. Since 2004, we have developed 3.3 million sq ft in the City and sold the vast majority profitably.

→ **Increase our exposure to the West End** – the West End will form the long-term core of our office portfolio, helping the Group achieve one of its main strategic objectives of a growing, sustainable rental income. We have steadily increased our exposure to the West End with 38% of our office portfolio today compared to 13% five years ago.

→ **Selective investment in residential to support office developments and add value** – residential elements are a core part of our West End mixed-use developments and we will seek to leverage our skills and expertise in residential to enhance the value of these developments and create additional incremental value for the Group where we see attractive opportunities.

We recognised early on that we were at the start of a major office cycle in Central London with a structural improvement in demand, falling levels of supply, rents having reached their lowest point and early signs on prime schemes of an improving rental tone. During the year, we committed £1.1 billion of the Group's capital to develop 2.2 million sq ft of mainly office space in Central London. At today's values, fully developed, these represent 27% of our office portfolio and are balanced between the City and West End in terms of British Land's net exposure. Given the prospects for rental growth and investor appetite for Central London, we expect these developments to contribute significant additional performance to our portfolio.

In support of our development programme, we made a number of early cycle acquisitions with Victoria Street, Baker Street, and Marble Arch House – all of which are in the West End. We are actively looking to make more acquisitions, where we can enhance returns through development and asset management.

CONSTRUCTION OF THE 20-STOREY, 594,000 SQ FT ROPEMAKER PLACE, LOCATED CLOSE TO MOORGATE AND LIVERPOOL STREET, WAS COMPLETED IN MAY 2009.

Designed and engineered by Arup Associates around a third of the building was pre-let during construction and the offices are now fully let.

Achieving this level of occupancy during the challenging market of 2009/10 is testimony to the building's quality. Ropemaker Place is the first building in the City to achieve LEED pre-certification rating of Platinum in addition to being rated BREEAM Excellent, making it one of the City's most sustainable buildings. Some 50,000 sq ft of roof terraces, stunning architecture, a robust specification and high levels of sustainability enable the building to meet the demanding requirements of a range of City occupiers. It offers some of the biggest floor plates in the City combined with great efficiency and adaptability.

Key occupiers include Macquarie Group, Bank of Tokyo-Mitsubishi, Mitsubishi UFJ Securities, Markit and Liberum Capital with an average weighted unexpired lease term certain of 15.6 years at an average contracted rent of £44 per sq ft.

→ OUR CITY OFFICES PORTFOLIO PRIMARILY COMPRISES 16 BUILDINGS ON THE BROADGATE ESTATE AS WELL AS ROPEMAKER PLACE.

→ OUR CITY PROPERTIES PROVIDE MODERN HIGH-QUALITY AND WELL LOCATED ACCOMMODATION THAT MEETS THE NEEDS OF FINANCIAL AND BUSINESS SERVICES COMPANIES.

→ WE OFFER BEST-IN-CLASS PROPERTY MANAGEMENT FROM ESTATE SERVICES TO THE DEVELOPMENT OF NEW BUILDINGS.

CASE STUDY

BROADGATE, EC2

Broadgate, which we own in joint venture with Blackstone Group, is London's premier City office estate and home to some of the world's largest financial institutions and leading professional practices employing around 30,000 people on the estate. Comprising 16 independent office buildings, ranging in size from 78,000 sq ft to 418,000 sq ft, the buildings are set around four landscaped squares each providing a unique working environment, enhanced by over 50 restaurants, pubs, wine bars, shops and health clubs as well as hosting community activities and public art.

To learn more about this development
www.broadgateestates.co.uk

Broadgate provides flexible modern working space which continues to evolve to meet the needs and expectations of our occupiers. Over the last three years, we have extended the estate to add a further 800,000 sq ft of high-quality, flexible and sustainable accommodation through the construction of 201 Bishopsgate and The Broadgate Tower, strengthening our base of occupiers and enhancing the income profile. The estate benefits from high occupancy at 97% and an average lease length to break of 8.2 years.

In August 2010, we agreed a conditional pre-let to UBS for a 700,000 sq ft new building to replace the older buildings at 4 and 6 Broadgate. This commitment by UBS to maintain Broadgate as their UK headquarters and the successful lease re-gears undertaken during the year with occupiers such as Axa and Barings indicates the quality of workplace that Broadgate offers.

In February 2011, planning consent was achieved for a major refurbishment of 199 Bishopsgate which will incorporate the latest innovations in terms of sustainability. Completion is due in late 2012 at a time when supply in the City is anticipated to be significantly constrained.

BROADGATE

BUILDINGS
16

TOTAL SPACE
4.4m sq ft

PEOPLE WORKING AT BROADGATE
30,000

→ 155 BISHOPSGATE (PICTURED) IS ONE OF THE LARGEST AND MOST PRESTIGIOUS BUILDINGS AT BROADGATE

→ THE 400,000 SQ FT 12-STOREY BUILDING IS LET TO A RANGE OF BANKS AND OTHER FINANCIAL INSTITUTIONS

→ AVERAGE WEIGHTED UNEXPIRED LEASE TERM OF 8.2 YEARS; AVERAGE CONTRACTED RENT OF £48 PER SQ FT

OFFICES
CITY DEVELOPMENT

- WE HAVE CENTRAL LONDON'S LARGEST COMMITTED DEVELOPMENT PROGRAMME DELIVERING 2.2 MILLION SQ FT OF HIGH-QUALITY SPACE BY THE END OF 2014.
- ALL 1.5 MILLION SQ FT OF OUR CITY SPACE IS BEING DEVELOPED IN PARTNERSHIPS.
- WE ARE BUILDING A 700,000 SQ FT OFFICE FOR UBS AT BROADGATE AND THE 610,000 SQ FT LEADENHALL BUILDING.
- WE ARE REFURBISHING 199 BISHOPSGATE AT BROADGATE, INCORPORATING THE LATEST INNOVATIONS IN SUSTAINABILITY.

CASE STUDY

5 BROADGATE, EC2

In August 2010, British Land and joint venture partner, Blackstone Group, signed an Agreement for Leases with UBS to develop a new 700,000 sq ft building on the existing site of 4 and 6 Broadgate. This is one of the largest pre-lets ever signed in the City of London and the building is scheduled for completion in 2014.

UBS is one of our longest standing and currently largest occupier at Broadgate. The new leases will be at an initial rent of £54.50 per sq ft, increased annually in line with RPI and an average lease length of 18.2 years. Our agreement with UBS also allows us the opportunity to extend some of their existing leases on the estate thereby increasing income and extending lease lengths, and releases buildings elsewhere, creating opportunities for the estate to continuously evolve.

To learn more about this development
www.5broadgate.com

Designed by Ken Shuttleworth of Make Architect, the building which includes four trading floors capable of accommodating approximately 750 traders per floor, will be a striking addition to Broadgate.

A new public route will be opened up east-west connecting Broadgate Circle with Sun Street Passage to provide a direct route to Liverpool Street Station and to Exchange Square to the north.

The new building will have the highest standards of sustainability. Innovative environmental measures will be incorporated into the building design including generating low carbon energy with photovoltaics and solar thermal panels, reducing water consumption by rainwater harvesting and increasing biodiversity through the incorporation of green roofs and terraces.

Resolution to grant planning consent was confirmed in April 2011 subject to successful completion of outstanding statutory planning procedures.

→ ONE OF THE LARGEST PRE-LETS EVER SIGNED IN THE CITY OF LONDON

→ INITIAL RENT OF £54.50 PER SQ FT SUBJECT TO ANNUAL RPI UPLIFT

OFFICES
WEST END

- OUR WEST END PORTFOLIO CURRENTLY ACCOUNTS FOR 12% OF OUR TOTAL PORTFOLIO, UP FROM 5% FIVE YEARS AGO.
- WE ARE GROWING OUR EXPOSURE TO THE WEST END OFFICE MARKET WHICH HAS A STRONG OUTLOOK FOR GROWTH AND RETURNS.
- INCLUDING DEVELOPMENTS AT THEIR CURRENT ESTIMATED COMPLETION VALUE, WEST END OFFICES ACCOUNT FOR 15% OF OUR ASSETS.

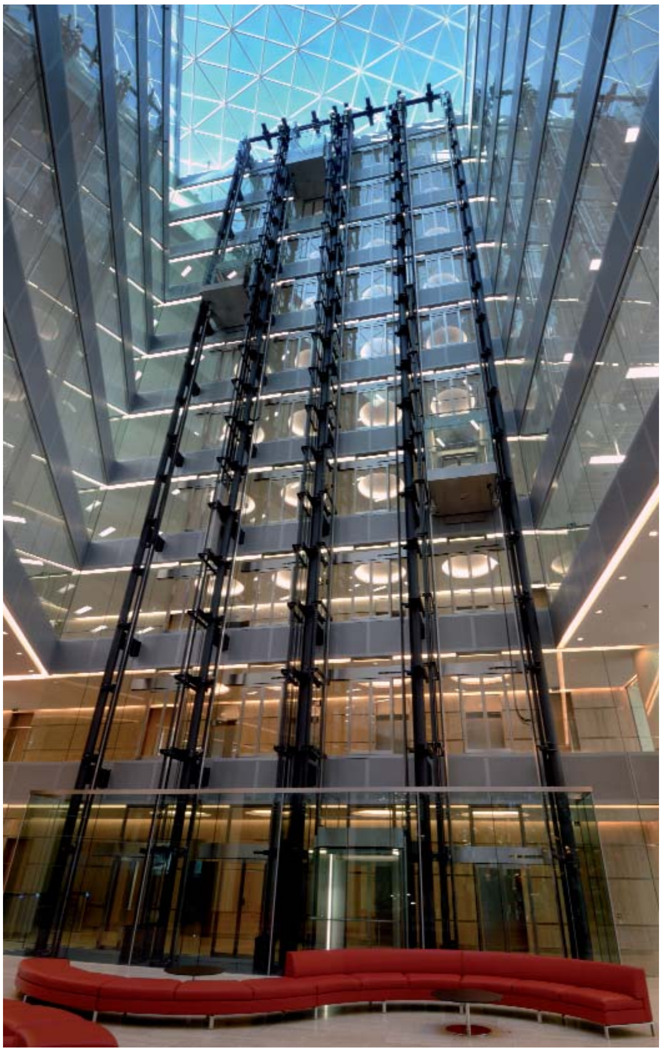
CASE STUDY

20 TRITON STREET, REGENT'S PLACE, NW1

20 Triton Street forms part of the most recent development phase at Regent's Place which was completed in 2009. Designed by Terry Farrell and Partners the development has significantly extended and enhanced Regent's Place, already a successful 13-acre West End office campus. This latest 490,000 sq ft development phase includes two new offices – 10 and 20 Triton Street – and a residential tower – at One Osnaburgh Street.

20 Triton Street is a 255,000 sq ft building that provides Grade A accommodation over nine floors. The spacious reception area leads to a full height atrium with wall-climber lifts and a bespoke art installation by Gary Webb and there is a large wrap-around roof terrace on the top floor. This was designed to enhance biodiversity at the same time as providing attractive areas for occupiers. At around 31,000 sq ft the building offers large floor plates that are rarely available in the West End.

The building was completed on time and within budget and was 96% let within nine months. Key occupiers include Gazprom, Lend Lease, Dimensional Fund Advisors and Ricoh with a weighted average lease length at March 2011 of 9.6 years. This just leaves part of the third floor remaining to let with good prospects for further enhancement of the rental tone on letting of this accommodation.



- → 96% LET WITHIN NINE MONTHS' OF PRACTICAL COMPLETION
- → FLEXIBLE 31,000 SQ FT FLOOR PLATES RARELY AVAILABLE IN THE WEST END
- → WEIGHTED AVERAGE LEASE LENGTH 9.6 YEARS

OFFICES
WEST END DEVELOPMENT

- IN THE WEST END, ALL OUR DEVELOPMENTS ARE FULLY OWNED BY BRITISH LAND.
- WE ARE BUILDING THE 500,000 SQ FT NORTH EAST QUADRANT (NEQ) BUILDING COMPLETING OUR REGENT'S PLACE ESTATE.
- WE ARE REDEVELOPING MARBLE ARCH HOUSE AND 2–14 BAKER STREET, W1.
- HIGH-END RESIDENTIAL FORMS A KEY AND HIGHLY PROFITABLE ROLE.
- BREEAM EXCELLENT SUSTAINABILITY RATINGS FOR ALL OUR OFFICE DEVELOPMENTS.

CASE STUDY

2–14 BAKER STREET, W1

In April 2010, we bought 2–14 Baker Street for £29 million for redevelopment. The site is located just north of Oxford Street on the corner of Portman Square, an area of the West End which is undergoing significant regeneration. The building has planning consent for 113,000 sq ft of office space and 20,000 sq ft of retail space.

As part of the scheme we are also developing 19,000 sq ft of residential and 6,200 sq ft of retail space at 95–99 Baker Street which has been profitably pre-sold.

Designed by Jestico and Wiles, the scheme is a seven-storey building, benefitting from natural light on four sides with typical floor plates of 20,000 sq ft. There are three floors at the top of the building that enjoy large accessible terraces with views over London.

During the course of the year, we successfully re-geared the head lease with the Portman estate for a term of 125 years from practical completion of the scheme and entered into a Development Agreement with them. We successfully secured vacant possession of the building by September 2010 and started on-site in October 2010.

We anticipate that delivery of the building will be well timed to the market with completion programmed for first quarter 2013, at a development cost of £56 million.

- PRIME LOCATION ON THE CORNER OF PORTMAN SQUARE, W1 (SHOWN BELOW)
- HIGH-QUALITY FLEXIBLE FLOOR PLATES OF 20,000 SQ FT
- COMPLETION EXPECTED IN 2013
- DEVELOPMENT INCLUDES 19,000 SQ FT OF RESIDENTIAL AT 95–99 BAKER STREET (SHOWN OPPOSITE)

CITY OFFICES

£3.0 billion
TOTAL VALUE

£1.7 billion
BRITISH LAND SHARE

5.0 million sq ft
OFFICE (and associated retail and leisure space)

100% freehold/virtual freehold interests
Rent passing **£167 million** (British Land share £85 million) Contracted rent **£200 million**, (British Land share £107 million) Average office passing rent **£47 per sq ft** Weighted average lease term including breaks **9.9 years**, to expiry **11.9 years**

1 BROADGATE ESTATE

BRITISH LAND SHARE	50%
GRADE A OFFICE (and associated retail and leisure space)	4.4 MILLION SQ FT
OFFICE BUILDINGS	16
SIZE OF SITE	30 ACRES
100% FREEHOLD/VIRTUAL FREEHOLD INTERESTS	
RENT PASSING	£164 MILLION
BRITISH LAND SHARE	£82 MILLION
CONTRACTED RENT	£172 MILLION
BRITISH LAND SHARE	£86 MILLION
AVERAGE OFFICE CONTRACTED RENT	£48 PER SQ FT
WEIGHTED AVERAGE LEASE TERM	8.2 YEARS
INCLUDING BREAKS TO EXPIRY	10.2 YEARS

Broadgate is owned in joint venture with Blackstone Group.

Situated in the heart of the City of London's Square Mile, this modern and mainly-pedestrianised development, which opened in 1991 was built on the site around and above Liverpool Street station, one of London's mainline national railway stations. The estate has been progressively developed over the last 20 years and today, comprising over 4.4 million sq ft of office, retail and leisure space, it is a dynamic, thriving business community where over 30,000 people work each day.

1–3 Finsbury Avenue – 470,000 sq ft
Part of the UBS campus headquarters.

1–3 Broadgate – 375,000 sq ft
Principal occupiers include UBS and ICAP. The property incorporates Broadgate Circle retail and leisure facilities.

4 and 6 Broadgate – 428,000 sq ft
Resolution to grant planning consent for new 700,000 sq ft headquarters pre-let to UBS. Conditions to be satisfied including completion of S106 Agreement.

100 Liverpool Street – 383,000 sq ft
The office accommodation is occupied by UBS with several retail units.

135 Bishopsgate – 340,000 sq ft
Comprises part of the RBS City campus headquarters.

155 Bishopsgate – 400,000 sq ft
Multi-let to a number of major financial institutions, including Axa I.M, Baring Asset Management, JP Morgan Energy Trading, Norinchukin Bank, Sumitomo and Tullet Prebon.

199 Bishopsgate – 142,000 sq ft
Planning consent granted for comprehensive refurbishment. Completion anticipated end 2012.

Exchange House – 390,000 sq ft
Principal occupiers are Herbert Smith, F&C Asset Management Ltd and Societe Generale.

Broadwalk House – 290,000 sq ft
Principal occupiers are Ashurst and Calyon.

1 Appold Street – 235,000 sq ft
Let to Deutsche Bank over seven floors, with a Virgin Active health club at basement level.

10 Exchange Square – 161,000 sq ft
Multi-let to occupiers including Herbert Smith, Close Brothers, Western Asset Management and Legg Mason.

201 Bishopsgate – 418,000 sq ft
The property was completed in April 2008. The offices are 98% let to Alpari, Henderson, Landesbank Baden-Wurttemburg, Mayer Brown and Scotia Bank with 10,000 sq ft remaining to let.

The Broadgate Tower – 397,000 sq ft
The property was completed in August 2008. The offices are multi-let to occupiers including Dickson Minto, Gill Jennings, Greenlight, Itochu Europe plc, Liquidnet, Banco Itaú, Reed Smith and Regus with 100,000 sq ft vacant.

OTHER KEY CITY OFFICES:

Ropemaker Place, EC2 – 594,000 sq ft
Ropemaker achieved practical completion in May 2009. The offices are multi-let to occupiers including Liberum Capital, Macquarie Group, Markit and The Bank of Tokyo-Mitsubishi UFJ. The building is fully let.

www.ropemakerlondon.com

WEST END OFFICES

£1.0 billion
TOTAL VALUE

£1.0 billion
BRITISH LAND SHARE

1.6 million sq ft
OFFICE (and associated retail and leisure space)

100% freehold/virtual freehold interests
Rent passing **£43 million** Contracted rent **£60 million**, Average office contracted rent **£42 per sq ft** Weighted average lease term including breaks **8.7 years**, to expiry **11.2 years**

1 REGENT'S PLACE ESTATE

BRITISH LAND SHARE	100%
GRADE A OFFICE (and associated retail and leisure space)	1.2 MILLION SQ FT
OFFICE BUILDINGS	6
SIZE OF SITE	13 ACRES

Located on the Marylebone Road/Euston Road corridor, one of London's main arteries, Regent's Place occupies a prominent position at the north end of London's West End. Four underground stations and two national mainline railway stations – King's Cross St Pancras and Euston – provide excellent transport links around London, nationally and internationally via Eurostar.

The estate today, comprises 1.2 million sq ft of office, retail, leisure and residential space. It is a vibrant workplace that continues to evolve. Undergoing its final phase of development at NEQ, and in completion the estate will have doubled in size over the last four years to 2 million sq ft where 14,000 people will live or work.

Euston Tower – 380,000 sq ft

The building is arranged over 36-storeys, with the office accommodation let to HM Government.

1, 4 and 7 Triton Square – 217,000 sq ft

The six-storey building provides a mix of office, retail and leisure space. The offices of 185,600 sq ft are let to Atos Origin, JP Morgan and London & Capital.

350 Euston Road – 125,000 sq ft

The offices are multi-let to General Medical Council, Elexon, Balfour Beatty, Capital One Bank and Networking People Limited.

338 Euston Road – 114,000 sq ft

The property is arranged over 17-storeys and is multi-let to six office occupiers. The major occupier is Hachette Livre, occupying 59,100 sq ft on eight floors. The other office occupiers are Regus, Merck Sharp & Dohme, SunPower Corporation, ZS Associates and British Telecom.

10 Triton Street – 121,000 sq ft

The property achieved practical completion in September 2009. The property is arranged over nine floors with the office accommodation let in its entirety to Aegis Group. The property also provides circa. 3,000 sq ft of retail accommodation, all of which is currently under offer.

20 Triton Street – 255,000 sq ft

20 Triton Street reached practical completion in December 2009. The ten-storey building provides circa. 245,000 sq ft of office accommodation let to Gazprom, Lend Lease, Dimensional Fund Advisors and Ricoh. Only 14,000 sq ft remains available to let.

OTHER WEST END OFFICES:

York House, W1 – 132,000 sq ft

The property was completed in early 2007 and provides over 90,000 sq ft of office space, 9,000 sq ft of retail space and 22 residential units. British Land occupies some 40,000 sq ft of the offices as its Head Office, and the remainder of the building is fully let to occupiers including Bunzl, GIC, Moor Park Capital, Hurley Palmer Flatt, HSBC and Patisserie Valerie.

39 Victoria Street, SW1 – 76,000 sq ft

The nine-storey building is let to nine occupiers, including Finmeccanica, Last Minute.com, Aegis Defence Services and the Labour Party. It is anticipated that a comprehensive refurbishment will be undertaken on lease expiries in May 2012.

OFFICE DEVELOPMENTS

COMMITTED

2.2 million sq ft
OFFICE (and associated retail and leisure space)

£0.4 billion
CURRENT VALUE

£0.3 billion
BRITISH LAND SHARE

£0.7 billion
COST TO COMPLETE (BRITISH LAND SHARE)

£1.2 billion
END VALUE (BRITISH LAND SHARE)

City: 1.5 million sq ft of which 891,000 sq ft is pre-let or under offer representing an investment of **£0.6 billion** (British Land share)

West End: 0.7 million sq ft representing an investment of **£0.5 billion** (British Land share)

Estimated notional interest to practical completion of the development programme of £0.1 billion.

2–14 BAKER STREET AND 95–99 BAKER STREET, W1

BRITISH LAND SHARE	100%
SIZE	158,000 SQ FT
CURRENT VALUE	£54 MILLION
COST TO COMPLETE	£61 MILLION

In April 2010, British Land bought 2–14 Baker Street in the West End. Planning consent was granted in 2009 for 139,000 sq ft of office space with retail units at ground level. Construction has commenced with completion expected in February 2013.

British Land also has planning consent to refurbish residential and retail accommodation at 95–99 Baker Street to deliver 19,000 sq ft of residential and 6,200 sq ft of retail space in early 2012. The residential element has been profitably pre-sold.

THE LEADENHALL BUILDING, EC3

BRITISH LAND SHARE	50%
SIZE	610,000 SQ FT
CURRENT VALUE	£51 MILLION
COST TO COMPLETE	£163 MILLION

In December 2010, we completed our joint venture agreement with Oxford Properties to develop the building.

Designed by Rogers Stirk Harbour and Partners, the 47-storey, 736 ft (224m) Leadenhall Building will become one of the tallest and most iconic buildings in the Square Mile. It will combine spectacular landscaped open space, retail and dining facilities with modern, flexible office space in the heart of the City's insurance district. The seven-storey landscaped open space at the base of the building, covering nearly half an acre, will be on a scale unprecedented in London.

The development's tapering shape delivers varied sizes of floor plates ranging from 21,000 sq ft on the lower floors to 6,000 sq ft at the top of the tower, all with spectacular views over London. In addition, locating the lift and service core on the north side at the rear of the building creates regular, efficient and flexible floor plates which will be able to meet a broad range of occupiers' needs.

In May 2011, we announced we had agreed non-binding Heads of Terms with Aon Limited for a 191,000 sq ft pre-let at the building (levels 4–13) with options to take up a further 85,000 sq ft (levels 14–18).

NORTH EASTERN QUADRANT (NEQ), REGENT'S PLACE, NW1

BRITISH LAND SHARE	100%
SIZE	500,000 SQ FT
CURRENT VALUE	£78 MILLION
COST TO COMPLETE	£211 MILLION

Construction has now commenced on the North East Quadrant of Regent's Place to provide a 500,000 sq ft mixed-use scheme including 120,000 sq ft of residential accommodation. The office design incorporates three glass buildings of eight-, ten-, and 16-storeys, with floor-to-ceiling glazed external cladding, linked by two atria. The office element is designed by Wilkinson Eyre, with the apartments by Stephen Marshall Architects.

The development will complete Regent's Place, which will increase to some 2 million sq ft of office, retail and residential space, providing accommodation for 14,000 workers and residents. 80% of the residential apartments have already been pre-sold. NEQ will be delivered by Summer 2013.

199 BISHOPSGATE, EC2

BRITISH LAND SHARE	50%
SIZE	142,000 SQ FT
CURRENT VALUE	£24 MILLION
COST TO COMPLETE	£17 MILLION

British Land and Blackstone Group are to undertake the major refurbishment of 199 Bishopsgate, with delivery of 142,000 sq ft of high-quality office accommodation planned for the end of 2012.

Planning consent was granted in February 2011 for the comprehensive refurbishment of the building located opposite Broadgate's newest buildings, 201 Bishopsgate and The Broadgate Tower. Work is expected to start in summer 2011.

5 BROADGATE, EC2

BRITISH LAND SHARE	50%
SIZE	700,000 SQ FT
CURRENT VALUE	£75 MILLION
COST TO COMPLETE	£162 MILLION
PRE-LET RENT	£19 MILLION PER ANNUM

In August 2010, British Land and Blackstone Group signed an Agreement for Leases with UBS to develop a new 700,000 sq ft building on the existing site of 4 and 6 Broadgate. UBS is currently the largest occupier at Broadgate and the agreement affirms their commitment to the estate. On receipt of planning, construction is expected to start in mid-2011 with completion during the second half of 2014.

5 Broadgate will include four trading floors capable of accommodating approximately 750 traders per floor.

The lease is for an average term certain of 18.2 years at an initial rent of £54.50 per sq ft subject to annual RPI increases.

This new building represents a further stage in the successful evolution of the Broadgate office estate and the retention of one of the world's leading investment banks in the heart of the City of London.

www.5broadgate.com

MARBLE ARCH HOUSE, W1

BRITISH LAND SHARE	100%
SIZE	86,000 SQ FT
CURRENT VALUE	–
COST TO COMPLETE	£54 MILLION

In January 2011, British Land entered into a conditional purchase of Marble Arch House. Completion is subject to vacant possession and conclusion of rights of light, still anticipated in mid-2011.

Marble Arch House is on the corner of Seymour Street and Edgware Road, located within Portman Village and a short walk from Oxford Street and Hyde Park. The existing site consists of two mixed-use five-storey buildings, 32–50 Edgware Road and 62–64 Seymour Street.

The new development, which has detailed planning consent, has been designed by Bennett's Associates Architects and will deliver exceptional quality office, residential and retail space. The development has been designed to achieve a BREEAM excellent environmental rating.

The new building will comprise 60,000 sq ft of high-quality office accommodation together with 15,000 sq ft of retail space. Adjacent to the new office building will be a development of ten luxury residential apartments with a 5,000 sq ft restaurant unit at ground level built behind the retained period Victorian façade of 62–64 Seymour Street.

Demolition and ground works are expected to start in mid-2011 with practical completion scheduled for mid-2013.

PROSPECTIVE

3.5 million sq ft
SIZE

£39 million
CURRENT VALUE

£35 million
BRITISH LAND SHARE

Colmore Row, Birmingham;
Detailed planning
280,000 sq ft

Meadowhall Metropolitan, Sheffield;
Outline planning – mixed-use
2.2 million sq ft

New Century Park, Coventry;
Outline planning – mixed-use
1 million sq ft

6–9 Eldon St, EC2;
Pre-submission
33,000 sq ft

Understanding British Land
Pages 01–09

Strategy
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Our portfolio
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Financing strategy
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FINANCING STRATEGY

WE AIM TO ENSURE BRITISH LAND IS OPTIMALLY FINANCED WITH SUFFICIENT FUNDS TO IMPLEMENT OUR STRATEGY AND COVER ADDITIONAL REQUIREMENTS WHICH MAY ARISE

FINANCING STRATEGY

→ THE SCALE OF OUR BUSINESS, COMBINED WITH THE SECURITY AND STABILITY OF OUR RENTAL INCOME FLOWS, MEANS WE ARE ABLE TO FINANCE OUR BUSINESS ON COMPETITIVE TERMS FROM A BROAD RANGE OF SOURCES.

We believe this gives us a significant advantage over the many smaller, less well capitalised property companies particularly in today's environment where the availability of debt finance is highly constrained.

We aim to ensure that the Group and its joint ventures and funds (which account for half of our assets) are optimally financed with sufficient resources both to implement the strategy agreed by the Board (together with our partners in the case of joint ventures and funds) and cover additional requirements and opportunities which may arise.

The principal objectives of our financing policy therefore are to:

- Minimise the cost of capital through a mix of debt and equity finance;
- Raise debt from a variety of sources, accessing attractive market opportunities from time-to-time;
- Maintain a spread of maturities, including longer-term financing supported by committed income under long leases;
- Maintain significant committed undrawn loan facilities, to support current and future business requirements;
- Actively manage financial risks, including interest rate, foreign exchange, liquidity and counterparty risks.

Our joint ventures and funds are included in our accounts as equity net investments and are not fully consolidated. We consider the equity and debt funding structure of British Land both on a group statutory basis and a proportionally consolidated basis, including the Group's share of joint ventures and funds.

Debt financing is used to enhance returns. In determining the optimal level of gearing for the business, the Board considers a range of factors including our ability to refinance and the impact on the aggregate risk of the business including development risk. Our preferred range of gearing is a Loan to Value ratio (LTV) on a proportionally consolidated basis of 40% to 50%, with a short-term maximum of 55%. At 31 March 2011 our LTV was 45%.

Our debt financing is provided from a variety of sources. The average maturity of our debt is long at 10.1 years on a proportionally consolidated basis, reflecting the long-term nature of our lease structures. Our debt financing includes long-term securitisations, secured debentures, unsecured loan notes, and shorter-term unsecured facilities available for immediate drawdown. This provides us with significant flexibility enabling us to take advantage of opportunities as and when they arise.

The joint ventures and funds are able to raise finance on the strength of their assets with no recourse to the partners: we agree the financing strategy with our partners and other co-investors. The greater proportion of our joint ventures and funds (by value) are financed by long-term ring-fenced securitised debt where rents comfortably exceed interest and amortisation payments. Others are financed by shorter-term specific facilities or purely by funds provided by shareholders – in each case structured to support the strategic objectives of the fund or joint venture, while providing flexibility.

KEY FINANCING STATISTICS

Year ended 31 March	2010	2011
Group:		
Net debt	£1,550m	**£1,714m**
Weighted average debt maturity	12.4 years	**10.7 years**
Weighted average interest rate	5.3%	**4.7%**
% of debt at fixed/capped interest rates	80%	**72%**
Interest cover[1]	2.3 times	**3.0 times**
Loan to value[2]	25%	**24%**
Undrawn committed facilities	£2,861m	**£2,337m**
Group and share of joint ventures and funds:		
Net debt[3]	£4,210m	**£4,411m**
Weighted average debt maturity	11.1 years	**10.1 years**
Weighted average interest rate	5.2%	**4.9%**
Interest cover[1]	2.0 times	**2.2 times**
Loan to value[2]	47%	**45%**

1 Underlying profit before interest and tax/net interest.
2 Debt/property and investments.
3 Net debt (EPRA basis) £4,317 million (2010: £4,081 million), see table A (page 169).

The Group had net debt of £1.7 billion at 31 March 2011; including our share of debt in joint ventures and funds (on a proportionally consolidated basis), net debt was £4.4 billion. This represents a loan to value of 24% for the Group and 45% on a proportionally consolidated basis, broadly similar to the previous year and within the target range set by the Board. Our average debt maturities remained high at 10.7 years for the Group and 10.1 years on a proportionally consolidated basis.

British Land uses two main types of debt: i) with recourse to British Land for repayment, either secured by specific assets or unsecured; and ii) non-recourse to British Land and in 'ring-fenced' structures, mainly our joint ventures and funds.

Secured debt with recourse to British Land is provided principally by £1 billion of debentures at fixed interest rates with long maturities and no amortisation. These debentures are secured against a single combined pool of assets with common covenants. We use our rights under the debentures to withdraw, substitute or add properties (or cash collateral) in the security pool, in order to manage the value and income cover ratios effectively, deal with any asset sales and remedy ratios if necessary.

Unsecured debt with recourse to British Land is primarily: a) our bank revolving credit facilities and b) US Private Placements. The bank facilities provide full flexibility of drawing and repayment at short notice without additional cost, supporting current and future business requirements, and are committed for terms up to five years. At 31 March 2011, we had £2.8 billion of facilities at floating interest rates based on LIBOR plus an average margin of 47 bps. These were provided by 26 different financial institutions and at the fiscal year-end £0.5 billion of the facilities had been drawn down. The US Private Placements are fully drawn for terms of up to 16 years.

Our joint ventures and funds are each financed separately, without recourse to British Land for repayment. In total at 31 March 2011, the joint ventures and funds had £5.9 billion of external debt (British Land's share £2.8 billion), arranged through securitisation or bank facilities specifically according to the requirements of the business of each venture. During the year, two joint ventures between British Land and Tesco plc were successfully refinanced, raising a total of £245 million from three banks, and at finance rates overall more favourable than the maturing facilities.

We are continuing a gradual programme to refinance a number of the facilities both of the Group and our joint ventures and funds which expire over the next few years. Post the year-end, we successfully completed a new group £560 million five-year unsecured revolving facility to replace an existing £720 million facility which would have matured in August 2011.

During the year our senior unsecured credit rating was increased by Fitch from BBB+ to A–. Two thirds of our joint venture and fund debt is investment grade and of that, two thirds is AAA.

For more information on financing policies
p99–101 of the performance report

CORPORATE RESPONSIBILITY

WE AIM TO BE THE BEST AT THE SUSTAINABILITY ISSUES THAT MATTER MOST – TO US AND OUR STAKEHOLDERS

64 Our strategy
66 Managing buildings efficiently
67 Developing sustainable buildings
68 Enhancing biodiversity
69 Exceeding customers' expectations
70 Focusing on local communities

CORPORATE RESPONSIBILITY
OUR STRATEGY

WE'RE COMMITTED TO DOING BUSINESS THE RIGHT WAY; MANAGING, DEVELOPING AND FINANCING BUILDINGS IN ENVIRONMENTS WHERE BUSINESS AND LOCAL COMMUNITIES CAN THRIVE.

In 2010/11, we carried out a thorough review of our corporate responsibility strategy and activities, commissioning independent research to get the views of occupiers, investors, employees, local people, local authorities, Government and other key stakeholders. We also consulted experts on a range of issues, reviewed best practice and benchmarked our performance.

Through this review, we identified five focus areas as being the most important for us and our key stakeholders. They are also core to our corporate aim of building the best REIT in Europe:

1. **Managing buildings efficiently;**
2. **Developing sustainable buildings;**
3. **Enhancing biodiversity;**
4. **Exceeding customers' expectations;**
5. **Focusing on local communities.**

GOVERNANCE

Head of Planning and Corporate Responsibility, Adrian Penfold, reports directly to Chief Executive, Chris Grigg, on corporate responsibility, meeting fortnightly. The Board is updated each quarter on key issues, opportunities and our performance. Our strategy is also presented to the Board annually.

Key members of our Corporate Responsibility Committee meet fortnightly to maintain momentum on our action plans. They also hold regular meetings with other members of our Head Office team and consultants, and six-monthly meetings with our supply chain partners for managed properties and developments. This Committee is our highest governing body for environmental and social performance. The Board assesses the performance of the Committee members against our corporate responsibility targets, which affects their remuneration. Corporate responsibility activities and reporting are now well integrated into our day-to-day management processes.

We aim to exceed regulatory requirements, striving to improve consistently by setting medium-term and annual targets. We publish comprehensive performance data and progress statements against our targets each year, with regular updates throughout the year. We are signatories to the UN Global Compact and report to the Global Reporting Initiative B+ standard. Our key performance data is independently assured under the ISAE 3000 standard.

DRIVERS FOR CORPORATE RESPONSIBILITY

Our corporate responsibility strategy is core to our corporate aim of building the best REIT in Europe, ensuring we:

- **Do the right thing – as individuals and as a company;**
- **Manage physical, fiscal and regulatory risks;**
- **Enhance and care for our reputation;**
- **Protect and create asset value.**

EXTERNAL RANKINGS

We aim to be the best at the issues that matter most, benchmarking our performance against our peers and others:

- **Ethibel Register 2011 – Pioneer;**
- **Ethisphere's World's Most Ethical Companies 2011 – leading UK REIT;**
- **Oekom Corporate Responsibility Review 2010 – real estate leader;**
- **The Sunday Times 60 Best Green Companies Index 2010;**
- **Justmeans Global Sustainable Performance Leaders 2009 – leading UK REIT;**
- **Dow Jones Sustainability Index;**
- **FTSE4Good Index.**

For our full CR Report 2011 visit
www.britishland.com/crreport2011

OUR KEY CORPORATE RESPONSIBILITY RISKS

These are risks identified as having the highest likelihood of occurrence and greatest potential impact on our business and key stakeholders. There are many more risks that we consider and monitor, and that inform our approach to corporate responsibility.

RISK DESCRIPTION	IMPACT AREAS	KEY MITIGANTS
FAILURE TO MANAGE UTILITY CONSUMPTION AT EACH ASSET WE MANAGE	→ Fiscal burden from environmental taxes → Adverse impact on our reputation and ability to let assets	→ Building energy and water audits → Energy metering system and optimisation process → Sustainability Brief for Management
FAILURE TO IMPLEMENT FLOOD RISK ADAPTATION STRATEGY FOR EACH ASSET EITHER DURING DEVELOPMENT OR IN OUR EXISTING PORTFOLIO	→ Inability to sell an asset for full value → Difficulty in securing flood insurance cover → Increased insurance rates for flood cover	→ Portfolio flood assessment plan → Flood defence investment where required → Sustainability Brief for Developments → Sustainability Brief for Acquisitions
FAILURE TO DESIGN AND BUILD ENVIRONMENTALLY SUSTAINABLE BUILDINGS IN A RAPIDLY CHANGING REGULATORY AND COMMERCIAL ENVIRONMENT	→ Difficulty in securing planning and building permissions → Difficulty in letting the asset → Risk of accelerated asset value depreciation → Fiscal burden from environmental taxes	→ Sustainability Brief for Developments → ISO 14001 certified Environmental Management System
POOR ENGAGEMENT WITH LOCAL COMMUNITIES WHERE WE OWN OR PLAN TO DEVELOP ASSETS	→ Failure or delay in securing planning approval → Adverse impact on our reputation	→ Community Charter → Community stakeholder survey → Effective local engagement

For risks relating to our occupiers and staff, as well as health and safety
→ p102–105

OUR PEOPLE

To deliver our corporate strategy we leverage the efforts, skill and judgement of a relatively small Head Office team across our extensive portfolio.

This year, we launched a number of initiatives to create a more integrated approach across the business. We held our first company-wide staff away day, introduced monthly all-staff meetings and commissioned our first independent staff satisfaction survey.

The overall results of this survey were very good, demonstrating the effectiveness of our efforts to create an environment in which our people can thrive. We are now putting together a comprehensive action plan based on the findings of the survey.

2010/11 PERFORMANCE

Head Office staff survey 2011
92% response rate

92%	80%	91%
rate British Land highly as an employer	are very satisfied at work	agree British Land delivers quality in performance

We encourage our staff to cycle to meetings, for instance by providing pool bikes, cycling gear and key fobs for the Barclays cycle hire scheme.

1. MANAGING BUILDINGS EFFICIENTLY

Key stakeholders such as occupiers, employees and investors expect us to lead on energy efficiency to cut costs for us and our occupiers, at the same time as reducing carbon emissions.

In nine of our multi-let office buildings, we recently installed a new energy metering system and implemented a remote monitoring process to optimise efficiency, following a successful pilot at our Head Office (see below). This will reduce base-build energy use (common parts and shared services) by at least 10% in each building. We expect to recoup capital costs within three years through energy savings.

We also continue to work with our office occupiers to drive energy reductions in the areas they control, sharing information and providing support. We provide our office occupiers with six-monthly building environmental statements, containing detailed, year-on-year building management and occupier performance comparisons. Our green building groups, with occupiers and building management teams, were recognised with a 2010 Better Buildings Partnership award.

NEXT YEAR'S CHALLENGE

- **Supporting a change in building management culture to deliver on-going energy reductions.**

NEXT YEAR, WE WILL:

- **Roll out our energy optimisation process at more buildings, and pilot it at two shopping centres;**
- **Work closely with building management teams to achieve projected energy reductions where we have implemented our optimisation process;**
- **Undertake selective base-build energy and water reviews which will highlight opportunities for capital investment to drive further reductions in each building;**
- **Where office occupiers are committed to energy reductions, offer to fund energy reviews in their areas.**

For our 2011/12 targets visit
www.britishland.com/crreport2011

2010/11 PERFORMANCE

ENERGY USE

–15%

Less usage across our like-for-like portfolio than two years ago, saving occupiers £900,000

WATER USE

–14%

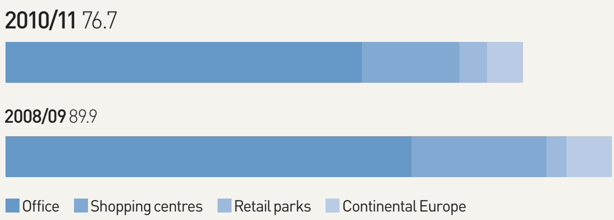
Less usage across our like-for-like portfolio than two years ago, saving occupiers £70,000

RECYCLING

53%

Recycling across our managed portfolio (2010: 43%)

LIKE-FOR-LIKE ENERGY USE kWh million



CASE STUDY
YORK HOUSE

At our Head Office, we won the Property Week Sustainability Achievement Award and the CIBSE Building Operation Award 2011 for energy reductions, in cooperation with all other occupiers. This year, we reduced British Land influenced energy use at York House by 38% compared to 2008/09 and occupiers reduced energy use in their areas by 11%. The total savings over the last two years were 2.4 million kWh, cutting emissions by over 1,000 tonnes and saving £141,000. This is largely thanks to effective day-to-day management and a new energy metering system and optimisation process which we are now rolling out, with occupier agreement, across our office portfolio.

2. DEVELOPING SUSTAINABLE BUILDINGS

Sustainable buildings are more efficient and flexible to operate, and age better – they also have lower carbon emissions.

We push the agenda by sharing best practice and actively engaging with the Government, the construction industry and occupiers. In February 2011, we updated our Sustainability Brief for Developments, following consultation with industry experts, a review of changing regulation and feedback from our project teams. Our new brief provides clarity to our supply chain on what we expect from them, at the same time as encouraging innovation and stretching project-specific targets.

We continued to apply our ISO 14001 certified Environmental Management System across our expanding development programme, ensuring that our Sustainability Brief processes deliver both sustainable design and responsible construction.

NEXT YEAR'S CHALLENGE:

→ **Transforming building design and engineering across our supply chain, against a rapidly changing regulatory framework.**

NEXT YEAR, WE WILL:

→ **Explore opportunities to achieve our zero-carbon target on development projects;**

→ **Work with our contractors and architects to improve procurement standards for sustainable materials;**

→ **Reduce our embodied carbon footprint through changes to our designs and procurement of materials.**

For our 2011/12 targets visit
www.britishland.com/crreport2011

2010/11 PERFORMANCE

LOWER CARBON EMISSIONS	BREEAM	DEVELOPMENT WASTE
30%	100%	96%
less than current standards on average across our developments (2010: 27%)	Excellent sustainability ratings for new office developments (2010: 100%)	diverted from landfill (2010: 86%)

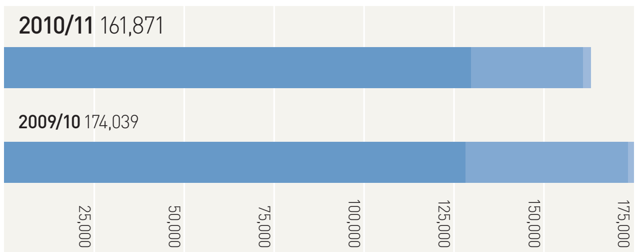
OUR CARBON FOOTPRINT

In 2010, British Land was awarded the Carbon Trust Standard, recognising our achievements in reducing carbon emissions from energy use across our portfolio.

We have participated in the investor-led Carbon Disclosure Project since 2006, with a score of 70% in 2010, up from 54% in 2009. We were carbon neutral across the common parts of our managed portfolio for the third year running. We continued to focus on improving energy efficiency and increasing use of low-carbon or zero-carbon energy sources, before purchasing £65,000 of carbon credits to offset 13,900 tonnes of emissions (2010: 18,000 tonnes). This is the last year we will offset emissions because next year the Government's CRC Energy Efficiency Scheme will require us to start buying carbon allowances for all energy we purchase. Our forecast 2012 to 2014 exposure to the scheme is estimated to be £800,000 per annum rising to £1.1 million in 2015. We use the World Resource Institute's Greenhouse Gas Protocol methodology to calculate our carbon footprint.

2010/11 PERFORMANCE

GREENHOUSE GAS EMISSIONS BY SOURCE Tonnes



Energy use: Occupied areas in multi-let offices: **60,347** (2009/10: 61,353)
Common parts: **40,339** (2009/10: 39,887)
Shared services: **29,052** (2009/10: 26,929)

Developments: **31,223** (2009/10: 45,251)

Travel, water use and refrigerant loss: **910** (2009/10: 619)

For our detailed Greenhouse Gas Emissions Report visit
www.britishland.com/crreport2011

3. ENHANCING BIODIVERSITY

Biodiversity is essential for many of the Earth's natural systems to function, and biodiversity initiatives present opportunities to improve landscaping, reduce flood risks and engage with occupiers and local people.

Our Biodiversity Programme helps us to protect and enhance habitats and species throughout the property lifecycle. Ecologists monitor our biodiversity impacts.

This year, we worked with occupiers and property managers at a number of our properties to encourage biodiversity. For instance, we helped Baring Asset Management to retrofit a green roof at 155 Bishopsgate, and we planted a wildflower meadow at Fort Kinnard Shopping Park.

Since 2004, we have created more than 60,000 sq ft of new green roof space, at seven of our buildings in Central London.

Based on stakeholder feedback, we have decided to increase our biodiversity efforts.

NEXT YEAR'S CHALLENGE:

- **Engaging on biodiversity with our occupiers, local people, supply chain and peers.**

NEXT YEAR, WE WILL:

- **Review and update our Biodiversity Programme and related guidance, in partnership with our property management teams and landscape architects;**
- **Commission further studies into our green and brown roofs to track their results and identify more opportunities to enhance their effectiveness.**

For our 2011/12 targets visit
www.britishland.com/crreport2011

2010/11 PERFORMANCE

MAJOR DEVELOPMENTS

90%

are on track to result in a net positive improvement in site biodiversity (2010: all)

MANAGED ASSETS

34%

are covered by Biodiversity Action Plans (2010: 31%)

CASE STUDY
'BEYOND THE HIVE'

Together with the City of London Corporation, we delivered 'Beyond the Hive', a competition to encourage biodiversity in the built environment. This saw five-star insect hotels created in parks across the City.

The Beevarian Antsel and Gretel Chalet (pictured) won the public vote. It was made entirely from materials collected within the city.

“British Land is a very flexible company that understands retail. They provide a service to help us maximise our business.”

Retail occupier

4. EXCEEDING CUSTOMERS’ EXPECTATIONS

Excellent customer service and outstanding buildings are good for financial performance, helping to maximise occupancy rates.

We aim to be the partner of choice for our occupiers, delivering excellent service and outstanding buildings. In 2011, we carried out our fourth independent UK customer survey. We also expanded our in-house team to engage more actively with occupiers on day-to-day property management.

Feedback from occupiers demonstrated the effectiveness of our recent efforts to cut occupancy costs. We achieved savings by retendering contracts on services such as cleaning, security and landscaping, as well as by negotiating competitive insurance rates. We also enhanced the transparency of service charges, with the introduction of new budget packs.

NEXT YEAR’S CHALLENGE:

- Continuing to understand and anticipate occupiers’ needs as the business environment changes, and supporting our retailers in a difficult economic climate, as well as delivering our new developments to plan whilst minimising impacts on neighbours.

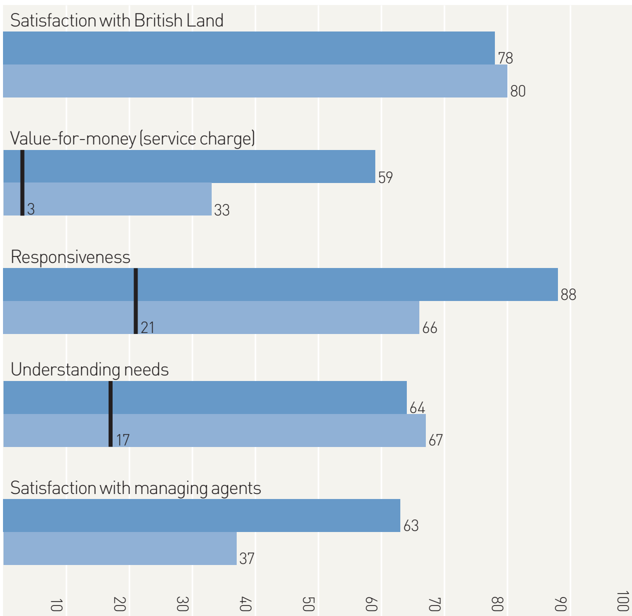
NEXT YEAR, WE WILL:

- Reinvigorate our key account programme and invest in customer relationship management tools, making sure we liaise with the right people, as often as they want and in the way that they want;
- Drive service excellence by developing a new Retailer Charter and tailored Customer Charters for individual office buildings;
- Enhance the transparency of our mid-year reviews and forecasts, year-end statements and insurance renewal reports, in line with our new, more reader-friendly service charge budget packs;
- Continue to actively manage costs while maintaining high standards, through smart procurement, efficient management and creative thinking.

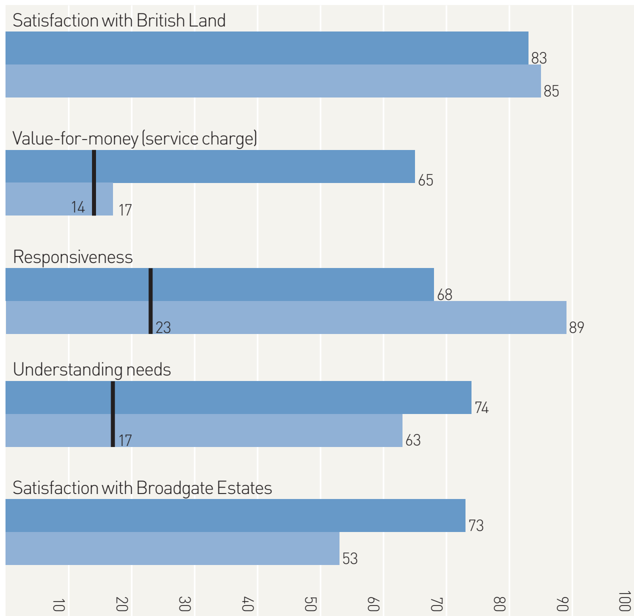
For our 2011/12 targets visit www.britishland.com/crreport2011

2010/11 PERFORMANCE

RETAIL OCCUPIERS RATING AS GOOD OR EXCELLENT %



OFFICE OCCUPIERS RATING AS GOOD OR EXCELLENT %



Industry average 2011 2009

Industry average:
(Occupiers Satisfaction Survey 2010 where comparable and otherwise Occupiers Satisfaction Index 2009)

"For nearly 20 years British Land has been working in partnership with local people, taking their needs and expectations into consideration. This is an excellent partnership that will continue to grow and make a difference to the lives of local people."

Nasim Ali Leader of Camden Council and local councillor for Regent's Park Ward

5. FOCUSING ON LOCAL COMMUNITIES

We have a responsibility to the communities in which we build and manage properties. Local support is also an essential part of the planning process and will become more so with the Government's Big Society agenda.

We are stepping up our efforts to engage with local communities around all our major properties and developments, to create environments in which businesses, communities and individuals can thrive.

This year, we introduced two new people to our Head Office team to focus on community engagement and planning. We also carried out a stakeholder survey to evaluate local satisfaction with us and our suppliers, and to identify opportunities to improve our performance further.

We continued to support a range of charities and community initiatives, through cash contributions, in-kind donations and time spent supporting local projects. These included our national charity Fairbridge, Capital Kids Cricket, arts charity Create, the East London Business Alliance (ELBA), Habitat Heroes, LandAid and the Prince's Regeneration Trust.

We commissioned a review of our economic impacts by PwC, to improve understanding of how we affect local communities and the UK economy. Our occupiers contributed £10.6 billion to the UK economy through their business activities at our properties in 2009/10 (gross value added), supporting 142,000 jobs across the UK through direct employment and spending with suppliers. Our own activities contributed almost £900 million, supporting 10,200 jobs.

NEXT YEAR'S CHALLENGE:

- **Managing local expectations set by our new Community Charter, in a challenging economic climate.**

NEXT YEAR, WE WILL:

- **Publish a Community Charter, setting out our commitment to local communities;**
- **Work with suppliers, local people, community groups, local authorities and other partners to implement our Community Charter;**
- **Review our stakeholder satisfaction survey results and develop a plan for future surveys;**
- **Explore further opportunities to support apprenticeships and employment initiatives.**

For our 2011/12 targets visit
www.britishland.com/crreport2011

2010/11 PERFORMANCE

£877,000	£4.9m	31%
investment in good causes, through cash, time and gifts in kind (2010: £717,000)	**contributed to local initiatives through the planning process** (2010: £11.2 million)	**of our Head Office team volunteered during work time** (2010: 27%)

CASE STUDY
REGENT'S PLACE

At Regent's Place, we won the Royal Town Planning Institute's Sustainable Communities Award 2010 for regeneration, demonstrating how we have successfully transformed this area of London's West End.

We have built a state-of-the-art community theatre and affordable housing units, created new pedestrian routes and a new public space, extended the public art collection and made a significant contribution to the refurbishment of a nearby youth club.

PERFORMANCE REVIEW

STRONG RESULTS DEMONSTRATE CONTINUED OUTPERFORMANCE

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WE'RE BRITISH LAND

CHIEF EXECUTIVE'S REVIEW

"The strength of the Group's performance in the year reflects our focus on high-quality and sustainable rental income streams; investing in assets which protect and grow capital value; creating incremental value through development, repositioning assets and exploiting market anomalies; controlling our costs; and exploiting our scale and financial strength."

See Chris Grigg talk about British Land's results for the year to 31 March 2011 at www.britishland.com

→ British Land had a strong year with excellent progress made across all areas of the business – asset management, development and investment – in line with our objective of delivering superior total shareholder returns.

17.7%
TOTAL ACCOUNTING RETURN

180 bps
TOTAL PROPERTY RETURN AHEAD OF THE IPD BENCHMARK

£256m
UNDERLYING PRE-TAX PROFIT (9.9% AHEAD OF 2010)

Our total accounting returns were 17.7% for the year, comprised of the dividend (5.2%) and growth in Net Asset Value per share (12.5%). We continued to outperform the market, delivering total property returns 180 bps ahead of the IPD benchmark.

Underlying pre-tax profits at £256 million were 9.9% ahead of last year excluding the effect of a £16 million provision release in 2009/10, with leasing activities and acquisitions more than offsetting the net income given up by disposals in 2009/10. The value of our portfolio rose by 6.9% to £9.6 billion driving NAV per share up 12.5% to 567 pence.

The strength of the Group's performance in the year reflects our focus on high-quality and sustainable rental income streams; investing in assets which protect and grow capital value; creating incremental value through development, repositioning assets and exploiting market anomalies; controlling our costs; and exploiting our scale and financial strength.

CREATING SUSTAINABLE AND GROWING RENTAL INCOME

Our portfolio is focused on sectors and assets (prime UK retail and Central London offices) generating high-quality sustainable rental income flows which we believe will continue to benefit from strong occupational demand. Despite weak economic growth and a further squeeze on consumer spending as the Government's austerity measures started to bite, the quality and resilience of our portfolio meant that occupancy across our portfolio remained high and rental income continued to grow. Like-for-like gross rental income was ahead by 1.4% and was boosted further by contributions from the letting of recently developed space, and acquisitions.

Rental values across our portfolio increased by 2.7%, significantly outperforming the IPD benchmark which increased by 0.1%. This strong relative performance reflected on-going occupier demand for high-quality space in the right locations. Leasing activity across the portfolio generated additional gross rental income of £14.2 million on an annualised basis with rents agreed at 2.0% ahead of estimated rental values (ERV).

In retail, the polarisation of performance between the best retail assets and others was strongly in evidence as retailers continued to focus their space on a smaller number of larger stores in the better performing locations. Our retail portfolio continues to be well positioned to benefit from this trend. We saw good levels of demand for space on our schemes around the country with occupancy remaining strong at 98.5% in the UK and 90.5% in Europe. Although retail rental values across the market continued to fall during the year (IPD down 0.6%), our rental values started growing again in the second quarter and were 0.7% ahead for the full year. This trend was mirrored in our letting activity with new lettings agreed at 1.8% ahead of ERV for the year as a whole and 6.8% ahead in the second half.

In offices, successful letting of remaining vacant space at recently completed developments combined with lease extensions at our Broadgate and Regent's Place estates, left our portfolio virtually full at 97.8%, a 5.2 percentage point increase on the previous year. Office rental values rose by 7.7%, which compares with growth of 2.1% for the IPD office benchmark, and reflects strong occupier demand coupled with limited availability of modern prime space in Central London where our portfolio is focused. Office leasing activity generated additional rental income of £8.4 million on an annualised basis and included 270,000 sq ft of new lettings at 11.6% ahead of ERV.

The pace of our acquisition activity increased during the year and we bought properties with a total value of £511 million (British Land share £474 million). The majority of these were in retail and ranged from a modern, prime 560,000 sq ft in-town shopping centre in Plymouth (Drake Circus) to an edge-of-town development site in Luton. We also added to our committed developments by acquiring two West End sites just north of Oxford Street. Acquisitions contributed modestly to the year's income but are expected to add £20 million in annual rent in a full year, net of asset disposals.

PROTECTING AND GROWING THE VALUE OF OUR PROPERTIES

By owning high-quality assets with robust underlying occupational and investor demand, we also aim to ensure that we protect and grow the capital value of our portfolio over the medium to long term. Investor appetite for prime assets was strong during the year, particularly in the London office market where the flow of international investment into the sector remained strong with London maintaining its position as a global financial centre.

Our portfolio capital returns as measured by IPD were 7.3%, broadly evenly balanced across each of the quarters. This compares with capital returns of 4.9% for the IPD benchmark, with the 240 bps outperformance driven by our focus on sectors with strong relative rental performance and our asset management and development activities. Our ERV growth was significantly above the IPD average, and yield compression was 29 bps which was less than the market average at 44 bps.

CHIEF EXECUTIVE'S REVIEW
continued

CREATING INCREMENTAL VALUE THROUGH DEVELOPING, REPOSITIONING ASSETS AND EXPLOITING MARKET ANOMALIES

Over time, our aim is to create incremental value and enhance our returns through investing in assets where we believe we can generate above average returns. Our most significant investment in this respect is in our London office development programme where we believe the combination of restricted development finance and a growing shortage of quality space will underpin above average returns. During the year, we started what currently is Central London's largest office development programme, committing to £1.6 billion of developments (British Land share £1.1 billion) which will deliver 2.2 million sq ft of space into the market between 2012 and 2014. Our programme, which is broadly balanced between the City and the West End and is primarily focused on six high-quality office buildings, also includes some residential and associated retail and restaurant space.

We are developing all of our three City office buildings alongside joint venture partners, enabling us to spread our risk and increase our development exposure to the West End market. At our Broadgate estate, which we own in a 50:50 partnership with the Blackstone Group, we were very pleased to be able to announce that we had reached an agreement with UBS to build them a new 700,000 sq ft office on the site of two existing buildings at Broadgate. As our largest, as well as one of our most long-standing occupiers on the estate, their decision to commit to Broadgate for another 18 years is a significant boost for the estate and the City of London. After the year-end, we obtained resolution to grant planning permission and subject to the outcome of a consultation process, we expect to start on-site later in the year. Also at Broadgate, we obtained planning permission for the major refurbishment of 199 Bishopsgate, a 142,000 sq ft building on the north end of the estate scheduled for completion in 2012.

In December, we announced that we had created a joint venture with Oxford Properties (a subsidiary of the major Canadian pension fund OMERS) to develop The Leadenhall Building in the City. At 610,000 sq ft, the Leadenhall Building combines both spectacular and sympathetic architectural design with high-quality modern working environments. We have seen good levels of interest from prospective occupiers and were delighted recently to be able to announce that we had agreed non-binding Heads of Terms with Aon Limited, (a subsidiary of the US insurance giant, Aon Corporation), to pre-let 191,000 sq ft of office space on the lower ten floors with an option to let a further 85,000 sq ft.

In the West End, our biggest development is at our Regent's Place estate, where we are building a 500,000 sq ft office-led development (NEQ) which will complete the estate. We are also redeveloping two buildings just north of Oxford Street – one on the corner of Portman Square and the other opposite our Head Office in Marble Arch. This is an area which is undergoing significant regeneration with rents expected to show strong increases over the coming years.

By the end of the year, we had building works underway at four of our six office sites with the first completion on track for late 2012. We have been encouraged by the level of interest from prospective occupiers both in the City and West End, underlining the strength of demand for high-quality buildings and increasingly buildings which also score highly on sustainability.

As expected, we saw an increase in the volume of properties coming onto the market, with banks becoming more active in selling down distressed portfolios. Competition for prime assets has been intense and we have tended to find more attractive opportunities in good secondary properties and assets requiring a broad range of financing, risk management and asset management skills.

CONTROLLING OUR COSTS TO MAXIMISE OUR PROFIT GENERATION

Controlling our costs so that we maximise the profit generation from our rental activities and retain our cost competitiveness is a key focus for the business.

During the year, our net operating costs as a percentage of our gross rental income fell from 14.6% to 13.5%. As a percentage of our gross assets, operating costs were 0.8%. The reduction in our cost ratio was driven by lower void costs as we let up the majority of our remaining vacant space in offices.

EXPLOITING OUR SCALE AND FINANCIAL STRENGTH

Scale is becoming increasingly important in the sector, both in terms of the ability to secure long-term competitive funding and commit to large projects. The strength and quality of our properties and their rental income continue to underpin our ability to finance our business expansion on competitive terms. Our loan to value ratio remained comfortable at 24% on a Group basis and 45% including our share of debt in joint ventures and funds.

Over the last 18 months, we have refinanced £1.1 billion of drawn and undrawn facilities. Two of our Tesco joint ventures were refinanced during the year with a total of £245 million of debt refinanced on rates which were overall lower than the maturing facilities. Both of the joint ventures were also extended by a further ten years. We recently completed the refinancing of £560 million of the Group's maturing facilities, increasing the amount of total facilities with maturities of over three years to £1.5 billion.

SUSTAINABILITY

Sustainability is becoming an increasingly important part of our business. Making sure we achieve high levels of efficiency and sustainability in all our buildings and developments is inherent in our brand and of increasing importance to both current and potential occupiers.

In 2011, we were given the Sustainability Achievement Award by Property Week for our work in reducing energy usage at our York House Head Office. This is the second award for this pioneering piece of work following our success at the 2011 Chartered Institute of Building Services Engineers Awards in February. In addition to recognition of individual projects, we also collected the Royal Town Planning Institute's Sustainable Communities Award for our on-going work and regeneration at Regent's Place over the last 20 years.

OUTLOOK

British Land has focused its business on those sectors of the UK property market where the underlying demand dynamics are expected to remain positive. The business had a strong 2010/11 and is performing well. In retail, our portfolio is well positioned to benefit as retailers concentrate on locations which are accessible and affordable and can be adapted to their future needs. Our London office portfolio continues to benefit from the combination of strong investor demand for prime offices and a shortage of high-quality space: we expect our major London development programme to generate significant returns. Therefore, while the economic recovery in the UK remains weak, we are optimistic about the prospects for the business and look to the future with confidence.

Chris Grigg
Chief Executive

STRATEGY IN ACTION
KEY PERFORMANCE INDICATORS

OUR VISION:
To build the best Real Estate Investment Trust in Europe

OUR OBJECTIVE:
To deliver superior total returns for our shareholders

OUR STRATEGIC PRIORITIES:

1.
Creating sustainable and growing property rental income

p16–17

KPIs

+1.4% LIKE-FOR-LIKE INCOME GROWTH

+2.7% ERV GROWTH (IPD +0.1%)

Total leasing activity generated £14.2 million of new rental income on an annualised basis with rents agreed at 2% ahead of ERV. Successful letting of the remaining space at recently completed office space, left our office portfolio virtually full at 97.8%. Demand for our retail space remained good across the UK, as retailers continued to gravitate to the best local schemes and our portfolio remained almost fully occupied.

2.
Investing in assets which protect and grow the capital value over the medium to long term

p18–19

KPIs

+12.5% NAV GROWTH

+7.3% CAPITAL RETURN (IPD +4.9%)

The value of our portfolio increased by 6.9% to £9.6 billion. Our capital returns outperformed the market by 240 bps benefiting from our focus on two high performing sectors, London offices and prime retail, our letting successes during the year and early gains on our London development programme.

3.
Creating incremental value through developing, repositioning assets and exploiting market anomalies

p20–21

KPIs

£1.6 billion COMMITTED DEVELOPMENT (British Land share: £1.1 billion)

£511 million ACQUISITIONS (British Land share: £474 million)

£285 million DISPOSALS (British Land share: £242 million)

We significantly increased our investment activity as more deals came to the market and bank finance remained in short supply. Our commitment to a £1.6 billion (British Land share: £1.1 billion) Central London development programme was made early into a strong cyclical upturn in the London market. Capital recycling saw a net £232 million investment which adds £20 million of secure and sustainable rental income to our portfolio.

KPIs

13.1% TOTAL PROPERTY RETURNS (IPD: 11.3%)

17.7% TOTAL ACCOUNTING RETURNS

Comprising: Dividends 5.2%
Net Asset Value growth 12.5%

4.

Controlling our costs to maximise profit generation

p22

KPIs

OPERATING COST RATIOS

13.5%
% OF RENTAL INCOME

0.8%
% OF GROSS ASSETS

The reduction in our cost ratio was driven by lower void costs as we let up the majority of our remaining vacant space in offices. At the same time, we continued to invest in strengthening our asset management and investment expertise through new hires.

5.

Exploiting our scale and financial strength

p23

KPIs

45%
LOAN TO VALUE (Proportionally consolidated)

The strength and quality of our properties and their rental income continue to underpin our ability to fund our business on competitive terms.

During the last 18 months we successfully refinanced £1.1 billion of drawn and undrawn facilities.

CORPORATE RESPONSIBILITY

Being the best at sustainability issues that matter most to us and our stakeholders

p63–70

KPIs

- BREEAM EXCELLENT SUSTAINABILITY RATINGS FOR ALL OFFICE DEVELOPMENTS
- 80% GOOD/EXCELLENT CUSTOMER RATING (ABOVE INDUSTRY AVERAGE)
- 15% LESS ENERGY
  14% LESS WATER ACROSS LIKE-FOR-LIKE PORTFOLIO

PORTFOLIO PERFORMANCE

Valuation by sector

At 31 March 2011	Group £m	Joint ventures and funds[1] £m	Total £m	Portfolio %	Change[2] 12 months %	Change[2] 3 months %
Retail[3]:						
Retail warehouses	1,837	800	2,637	27.6	4.9	2.6
Superstores	140	1,195	1,335	13.9	4.6	0.4
Shopping centres	501	1,004	1,505	15.7	7.2	0.3
Department stores	457		457	4.8	4.7	2.8
UK retail	**2,935**	**2,999**	**5,934**	**62.0**	**5.4**	**1.5**
Europe retail		361	361	3.8	3.0	1.0
All retail	**2,935**	**3,360**	**6,295**	**65.8**	**5.3**	**1.5**
Offices[4]:						
City	466	1,409	1,875	19.6	8.9	2.4
West End	1,176		1,176	12.3	13.7	4.0
Provincial	18	8	26	0.2	2.2	0.3
All offices	**1,660**	**1,417**	**3,077**	**32.1**	**10.6**	**3.0**
Other	188	12	200	2.1	2.9	1.3
Total	**4,783**	**4,789**	**9,572**	**100.0**	**6.9**	**2.0**

1 Group's share of properties in joint ventures and funds.
2 Valuation movement during the period (after taking account of capital expenditure) of properties held at the balance sheet date, including developments (classified by end-use), purchases and sales.
3 Including developments of £46 million.
4 Including developments of £306 million, up 21.8% in the 12 months and 10.2% in the three months to March 2011.

The value of the portfolio was £9.6 billion at 31 March 2011, an increase of 6.9% on the prior year, including an uplift of 2.0% in the fourth quarter. The main contributors to the full year's valuation increase were:

- Continued recovery in rental values for prime City and West End, combined with strong demand from domestic and international investors;
- Improved investor appetite for high-quality retail assets where rental values are now showing early signs of improvement;
- Asset management activities, which included 1.5 million sq ft of new lettings and lease renewals at an average of 6.1% ahead of ERV;
- Office developments, where values increased by 21.8% to £306 million, benefiting from the successful achievement of key milestones including obtaining planning permission on a number of buildings, the creation of our joint venture with Oxford Properties to develop The Leadenhall Building and the successful pre-sale of residential units.

Rental values across the portfolio increased 2.7% over the year, including growth of 0.9% in the final quarter (as shown in the table on the page facing). This compared to a 0.1% increase for the IPD benchmark for the 12 months, with the outperformance reflecting our sector and asset selection. Further detail is provided in the individual retail and offices performance sections. The portfolio Net Equivalent Yield at 31 March 2011 was 5.8%, with compression of 29 bps over the year which was lower than the market where yields compressed by 44 bps.

£9.6bn
PORTFOLIO VALUE AT 31 MARCH 2011

+6.9%
PORTFOLIO VALUE INCREASE IN 2010/11

Portfolio yields and ERV growth (excluding developments)

	EPRA 'topped-up' Net Initial Yield %[1,2]	Net Equivalent Yield %[1]	Net Equivalent Yield compression bps[1] 12 months	Net Equivalent Yield compression bps[1] 3 months	ERV growth %[3] 12 months	ERV growth %[3] 3 months
Retail:						
Retail warehouses	5.8	5.7	(26)	(14)	0.9	0.5
Superstores	5.0	5.1	(19)	(1)	1.0	0.8
Shopping centres	5.7	5.9	(49)	(4)	0.1	(0.1)
Department stores	5.7	6.5	(22)	(18)	(0.2)	(0.2)
UK retail	**5.6**	**5.7**	**(29)**	**(9)**	**0.7**	**0.4**
Europe retail	7.1	7.6	(60)	(21)		
All retail	**5.6**	**5.8**	**(31)**	**(10)**		
Offices:						
City	6.4	5.8	(20)	(4)	7.7	1.7
West End	5.6	5.6	(13)	2	7.9	2.5
All offices	**6.1**	**5.7**	**(18)**	**(2)**	**7.7**	**1.9**
Other	8.4	9.5	(61)	(9)	(8.0)	(0.1)
Total	**5.8**	**5.8**	**(29)**	**(7)**	**2.7**	**0.9**

Data includes Group's share of properties in joint ventures and funds.
1 Including notional purchaser's costs.
2 Including rent contracted from expiry of rent-free periods and contracted uplifts not in lieu of growth (EPRA Net Initial Yield 5.2%).
3 Like-for-like (as calculated by IPD), excluding Europe.

The capital return of our portfolio was 7.3% for the year to 31 March 2011, significantly outperforming the IPD benchmark by 240 bps of which 110 bps was in the fourth quarter. This outperformance was driven by the combination of our focus on prime retail and Central London offices and our early decision to invest in development in Central London.

Portfolio performance

Year ended 31 March 2011	ERV growth[1] %	Capital return[2] %
UK retail	0.7	5.6
Offices	7.7	10.8
Total British Land	**2.7**	**7.3**
IPD Benchmark	**0.1**	**4.9**

1 Like-for-like as calculated by IPD.
2 As measured by IPD (calculated for our UK assets on average capital employed and excluding capitalised interest).

240 bps
CAPITAL RETURNS AHEAD OF IPD BENCHMARK

+2.7%
ERV GROWTH

PORTFOLIO PERFORMANCE
continued

The EPRA Net Initial Yield for the portfolio at 31 March 2011 was 5.2%. The EPRA 'topped-up' Net Initial Yield of 5.8% includes £60 million of rent contracted from the expiry of rent-free periods and contracted uplifts where not in lieu of growth. The overall 'topped-up' Net Initial Yield of 6.1% includes a further £21 million from guaranteed fixed and minimum rental uplifts. Our reversionary yield of 5.8% includes prospective rental increases from rent reviews and letting of vacant space less income that is deemed to be over-rented based on our external valuers' opinions of current estimated rental value. The table below shows a summary reconciliation of the portfolio yields. A full reconciliation is provided in Table B of the supplementary disclosures.

Reconciliation of portfolio yields (excluding developments)

At 31 March 2011	£m	%
Portfolio value:		
Investment portfolio value	9,165	
Notional purchaser's costs	499	
Gross portfolio value	**9,664**	
Income and yields:		
Annualised rent (EPRA basis)[1]/EPRA Net Initial Yield	504	5.2
'Topped-up' annualised rent (EPRA basis)[1]/EPRA 'topped-up' Net Initial Yield	564	5.8
Overall 'topped-up' Net Initial Yield	585	6.1
Estimated Rental Value (ERV)/net reversionary yield	558	5.8
Net Equivalent Yield		**5.8**

Data includes Group's share of properties in joint ventures and funds.
1 Annualised (cash) rent (net of property outgoings).

5.8%
'TOPPED-UP' NET INITIAL YIELD

The Group's income profile remained among the strongest in the sector, reflecting the quality and appeal of our properties with occupancy rates and rental values up on the previous year. Overall occupancy across the portfolio rose to 97.8% (2010: 96.6%) driven by continued successful lettings of our recently completed Central London office space, where occupancy rose by 5.2 percentage points to 97.8%. Occupancy remained high in our retail portfolio at 98.5% in the UK and 90.5% in Europe, reflecting continued demand for modern, flexible and affordable retail space in the best locations even in difficult trading conditions. Our average lease length at 11.5 years to first break remains above the industry average with only 8.4% of contracted rent subject to break or expiry within the next three years.

Portfolio income profile

At 31 March 2011	Retail	Offices	Total
Occupancy rate (%)[1]	97.9	97.8	**97.8**
Average lease length (years to first break)	12.1	9.4	**11.5**
Contracted rent subject to lease break or expiry within the next three years (%)	9.3	6.4	**8.4**

Data includes Group's share of properties in joint ventures and funds.
1 Underlying occupancy including accommodation under offer or subject to asset management.

97.8%
OCCUPANCY RATE ACROSS THE PORTFOLIO

11.5 years
AVERAGE LEASE LENGTH TO FIRST BREAK

SECTOR AND ASSET SELECTION

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PORTFOLIO ALLOCATION

Portfolio sector weighting by value

At 31 March	2010 %	2011 %	Pro-forma[1] %
Retail:			
Retail warehouses	28.3	**27.6**	25.6
Superstores	15.2	**13.9**	12.8
Shopping centres	13.0	**15.7**	14.5
Department stores	5.1	**4.8**	4.4
UK retail	61.6	**62.0**	57.3
Europe retail	4.0	**3.8**	4.3
All retail	65.6	**65.8**	61.6
Offices:			
City	20.3	**19.6**	21.3
West End	11.3	**12.3**	15.0
Provincial	0.4	**0.2**	0.2
All offices	32.0	**32.1**	36.5
Other	2.4	**2.1**	1.9
Total	100.0	**100.0**	100.0

1 Pro-forma for committed developments at estimated end value.

We regularly review our property portfolio to ensure the Group's capital is optimally allocated with respect to our long-term objective of delivering superior total returns. We continue to focus our portfolio on sectors (prime UK retail and offices in Central London) and properties which we believe have positive medium- to long-term supply/demand dynamics capable of generating secure and growing rental income streams combined with real growth in capital value.

Our investment activity increased significantly during the year, mainly as a result of our decision to invest early in a cyclical upturn in the Central London office market but also reflecting an increased flow of acquisition opportunities as banks and other short-term holders of property more actively looked to reduce their exposure to the sector. Our committed development programme and acquisitions during the year totalled £2.1 billion, of which our share was £1.5 billion. Asset disposals, principally in retail, and including pre-sales of residential developments, totalled £285 million of which our share was £242 million.

While the balance of our portfolio remained broadly unchanged during the year, (66% in retail and 32% in London offices), our development programme is expected to increase the overall weighting of offices within our portfolio as well as increase the proportion of our exposure to West End offices. On a pro-forma basis, including our valuers' current estimates of the value of developments at completion, offices increase from 32% of the portfolio in 2010 to 37%. On the same basis, West End offices increase from 11% to 15%.

Investment activity

Year ended 31 March 2011	Gross value £m	British Land share £m
Committed developments	1,603	1,050
Acquisitions – excluding committed office developments	464	427
Disposals[1]	(285)	(242)
Net investment	**1,782**	**1,235**

1 Including pre-sales of residential units under development.

Our £1.6 billion (British Land share £1.1 billion) Central London development programme, is expected to deliver 2.2 million sq ft of principally office space, between 2012 and 2014. Including our previously committed retail park development at Zaragoza in Spain, our total committed development programme now stands at £1.8 billion, of which our share is £1.2 billion. The current value of our committed developments is £316 million and the estimated cost (British Land share) to complete is £740 million (excluding financing costs).

Excluding properties included within our committed office development programme, we made £464 million of acquisitions (British Land share £427 million) during the year, at an average net initial yield of 6.1% on the income-producing assets acquired. The acquisitions were principally in retail and included the £240 million acquisition of Drake Circus, a 560,000 sq ft shopping centre in Plymouth. We made £285 million of disposals during the year (British Land share £242 million) taking advantage of opportunities to pre-sell profitable developments and recycle capital from lower growth assets. The disposals were on average 7.6% above the March 2010 valuation.

Assets acquired during the year have a current annualised rental income stream of £25 million which is partially offset by income from assets sold during the year of £5 million. Developments committed in the year have a total ERV of £71 million based on current rental values, or in the case of pre-lets, agreed rents. Other committed developments have an ERV of £9 million.

Further information on our developments, acquisitions and disposals are provided within the retail and office sections.

PERFORMANCE REVIEW
RETAIL

HIGHLIGHTS

Outperformance driven by focus on quality locations where occupier demand remains robust

Occupancy maintained at high levels **98.5%** in the UK and **90.5%** in Europe

Strengthening ERV trends through the year: **up 0.7%** on prior year

Lettings and renewals achieved on average **1.7% ahead** of ERV

£431 million (British Land share £394 million) of acquisitions at an overall net initial yield of 6.1%, **adding £23 million** of secure and growing rental income

1.4 million sq ft committed development; over 1 million sq ft development pipeline

Year ended 31 March	2011	Change[1]
Retail portfolio value	£6.3bn	+5.3%
Annualised rental income	£368m	+2.3%
ERV	£20 psf	+0.7%
Net Equivalent Yield	5.8%	
Occupancy rate[2] UK	98.5%	
Occupancy rate[2] Europe	90.5%	
Average lease length[3]	12.1 years	
Rent subject to break or expiry over next three years	9.3%	

Data for Group and its share of joint ventures and funds.
1 Calculated on a like-for-like basis.
2 Underlying occupancy including accommodation subject to asset management and under offer.
3 Weighted average lease length to first break.

5.3%
RETAIL PORTFOLIO VALUE INCREASE IN 2010/11

Our retail portfolio performed well during the year in difficult markets reflecting the strength of our asset base and quality of our occupiers. Consumer spending in the UK held up relatively well in the early part of the year reflecting the continued beneficial impact of low interest rates. The market became significantly more challenging in the second half both as the impact of the Government's austerity programme began to be felt and as the UK was hit by particularly harsh early winter weather.

Investor demand for the highest quality income generating assets was strong, particularly in London. From an occupational perspective, the strength of demand varied sharply between different schemes around the country. While consumer spending held up better in the south-east, the strength of demand was more a reflection of the attractions of individual assets – accessibility, affordability, unit configuration and overall environment – than their regional location. We saw stronger retailers start to expand their footprint in the best locations but at the same time more aggressively looking to reduce their exposure to their smaller and more poorly performing stores. It is the weaker retailers who have suffered the most in this harsher economic environment, and who are reducing their store portfolios to cut costs.

Against this background, our retail portfolio performed well. The total value of our retail assets rose by 5.3% to £6.3 billion. Our capital returns were 5.6% outperforming the IPD retail index by 20 bps. Rental values across our portfolio, which started to grow in the second quarter, improved through the third and fourth quarters with ERV for the year as a whole ahead by 0.7%. This compares with the IPD benchmark, where ERVs were down 0.6% for the year. The strength of our performance reflected our focus on locations and schemes which provide accessible, affordable, modern and flexible retail environments and the strength of investor and occupier demand for assets which generate secure and growing income.

We continued to see good demand for space on our schemes with stronger retailers starting to plan for an expected improvement in retail spending in 2012/13. Occupancy rates remained high across our portfolio at 98.5% in the UK and 90.5% in Europe. We successfully agreed 3.2 million sq ft of new lettings, renewals and rent reviews during the year with letting trends improving through the year.

The pace of investment activity in our retail portfolio increased during the year as we were able to exit a number of lower growth schemes at attractive prices and invest in a range of in-town and out-of-town schemes where our mix of property and financial skills will allow us to generate strong income growth and attractive total returns. Our most significant acquisition was Drake Circus Shopping Centre in Plymouth.

ASSET MANAGEMENT AND LETTINGS

Within our existing portfolio, we agreed over 700,000 sq ft of new lettings during the year at an average of 1.8% above ERV: letting trends improved during the year with lettings in the second half 6.8% ahead of ERV. The average lease length of new lettings (including temporary lettings) was 9.5 years to first break. Activity was spread around the country with lettings at our schemes including:

- At Meadowhall, 43 long-term lettings and renewals improving the overall retail and leisure offer with new retailers such as Boux Avenue, Fashion Rocks, Guess, Lakeland Limited, LK Bennett, L'Occitane, Lush, O'Neill, Phase Eight and Sugacane. A £7 million refurbishment and extension of the Oasis food court, due for completion in October 2011, was started, with Café Rouge, Giraffe, TGI Friday's and Wagamama agreeing to take space;
- At Parkgate Shopping Park, Rotherham, over 100,000 sq ft was let, including to Best Buy, Currys/PC World, Asda Living and Maplin Electronics;
- At Eastgate Shopping Centre, Basildon, 70,000 sq ft of long-term lettings and lease renewals included Bijou Brigitte, New Look, Subway, Topshop/Topman, and Virgin Media;
- At Inverness Retail Park, over 50,000 sq ft of new lettings to Comet, Costa Coffee, New Look and The Carphone Warehouse;
- At Glasgow Fort Shopping Park, 24,000 sq ft of new lettings including to Bank Fashion, H&M and Poundland.

Rent reviews totalling 2.4 million sq ft were settled in the year with rental income 9.3% ahead of previous rent (£2.8 million): superstores and retail warehouses accounted for the majority (95%) of the uplift. Performance continued to be strongest in our retail warehouse portfolio with 65 rent reviews totalling 632,000 sq ft agreed at an average of 14.8% above previous rent. A further 1.5 million sq ft of superstore and 200,000 sq ft of shopping centre rent reviews generated rental uplifts of 9.4% and 2.1% respectively.

3.2m sq ft
OF AGREED NEW LETTINGS, RENEWALS AND RENT REVIEWS DURING THE YEAR

Over 700,000 sq ft
OF LETTINGS AGREED AT 1.8% AHEAD OF ERV

INVESTMENT AND DEVELOPMENT

Retail acquisitions and disposals

Year ended 31 March 2011	Gross price £m	British Land share £m
Acquisitions		
Drake Circus Shopping, Plymouth	240	240
Two Sainsbury's Superstores	74	37
Mayflower Retail Park, Basildon	51	51
Green Lanes Shopping Centre, Barnstaple	30	30
Power Court, Luton (retail development site)[1]	11	11
Other	25	25
Total acquisitions	**431**	**394**
Disposals		
Sainsbury's Superstore, Macclesfield	36	36
Four Sainsbury's Superstores	74	37
Valley Leisure Park, Croydon	28	28
Other	2	1
Total disposals	**140**	**102**

1 Completed post year-end.

We made retail acquisitions with a value of £431 million during the year (British Land share £394 million), Disposals, totalling £140 million (British Land share £102 million) were principally related to deals which included asset swaps. In aggregate, the net increase in our annualised retail rental income from acquisitions and disposals is £18 million. The main deals included:

- Drake Circus Shopping Centre, which is the West Country's most popular shopping destination with an extensive catchment covering both Devon and Cornwall, and an average annual footfall of nearly 19 million people. The 560,000 sq ft centre was opened in 2006 and comprises 70 units in modern retail formats anchored by Primark, Marks and Spencer and Next with other key occupiers including Boots, Topshop, H&M, Cult/Superdry and Republic. The purchase price represented a net initial yield of 6.0% with significant potential for income growth through asset management initiatives;
- Within our Sainsbury's joint venture, we replaced four Sainsbury's superstores (Birkenhead, Newport, Portsmouth and Walthamstow) with two larger stores in Durham and Hoddesdon. The new stores are leased to Sainsbury's for a term of 30 years with rent subject to five-year upwards-only rent reviews and offer stronger long-term growth prospects;
- We swapped our Valley Leisure Park in Croydon for the Mayflower Retail Park on the edge of Basildon town centre. The sale price of £28 million for Valley Leisure Park represented a net initial yield of 7.1%. Mayflower Retail Park is located on the edge of Basildon town centre and comprises 153,000 sq ft of Open A1 space serving a catchment population of over 300,000 people. The purchase price represented a net initial yield of 6.3%, rising to 6.9% upon letting of the Park's one vacant unit, with significant opportunities to further improve rental levels;
- Sainsbury's 73,500 sq ft Macclesfield superstore was sold for £36 million, a net initial yield of 4.4%. The superstore, purchased by British Land in January 2010 for £31 million, is leased to Sainsbury's for 28.5 years with passing rent subject to annual RPI increases ranging from 2–4% per annum;
- Green Lanes Shopping Centre is one of North Devon's principal shopping locations, providing 131,000 sq ft of retail space and attracting nearly six million visitors each year. The Centre comprises 43 retail units and is virtually fully let, anchored by Bhs and Wilkinson and other key occupiers including Topshop/Topman, Peacocks, New Look, Mothercare, Monsoon, M&Co and La Senza. The purchase price represented a net initial yield of over 8% supported by sustainable rental levels;
- An agreement to purchase Power Court, a 20-acre retail development site close to Luton town centre.

£431m
OF ACQUISITIONS DURING THE YEAR

£18m
OF NET RENTAL INCOME FROM ACQUISITIONS/ DISPOSALS

DEVELOPMENTS

Retail developments

	British Land share	Sq ft '000	Practical completion	Current value £m	Cost to complete £m	Notional interest[1] £m	ERV[2] £m	Pre-let £m
Committed:								
Puerto Venecia, Zaragoza	50%	1,359	2012	34	62	4	8.4	3.2
Four superstore extensions	50%	73	2011/12		10		0.6	0.6
Total committed		**1,432**		**34**	**72**	**4**	**9.0**	**3.8**
Prospective:								
Whiteley Village, Fareham	50%	302		Detailed planning consent				
Glasgow Fort Shopping Park	39%	175		Detailed planning consent				
Glasgow Fort Shopping Park (leisure)	39%	45		Detailed planning consent				
Fort Kinnaird, Edinburgh	19%	133		Detailed planning consent				
Surrey Quays Shopping Centre, south-east London	50%	103		Planning pending				
Broughton Park, Chester	39%	58		Planning pending				
Power Court, Luton[3]	100%	100–200		Planning pending				
Superstore extensions	50%	103		Planning pending				
Kingston Centre, Milton Keynes	50%	21		Detailed planning consent				
Total prospective		**1,040–1,140**						
Total committed/prospective		**2,472–2,572**						

Data includes Group's share of properties in joint ventures and funds (except area which is shown at 100%).
1 From 1 April 2011 to practical completion based on a notional cost of finance of 6%.
2 Estimated headline rental value (excluding tenant incentives).
3 Acquisition completed post year-end.

Our committed retail development programme comprises 1.4 million sq ft of projects, principally the shopping and leisure centre phase of Puerto Venecia at Zaragoza in Spain, where we have a 50% interest alongside a new joint venture partner, Orion Capital Managers. The new 1.4 million sq ft development, anchored by El Corte Ingles, is scheduled to open in 2012, making Puerto Venecia Europe's largest retail and leisure destination.

We also have up to 1.1 million sq ft of prospective developments and made good progress during the year and expect to commence work later in the year on a number of schemes. Key developments included:

- Revised planning consent was obtained for the redevelopment of the factory outlet element at Whiteley Village to provide 302,000 sq ft of predominantly Open A1 retail space. The scheme, owned in joint venture between British Land and Universities Superannuation Scheme, is situated off Junction 9 of the M27 between Portsmouth and Southampton and has a core catchment of around one million people;
- Pre-letting of the eight-screen cinema to Vue Entertainment, along with three of the five restaurant units for the new 45,000 sq ft leisure element at Glasgow Fort Shopping Park.

1.4m sq ft
OF COMMITTED RETAIL DEVELOPMENT PROJECTS

PERFORMANCE REVIEW
OFFICES

HIGHLIGHTS

10.8% capital return **outperforming IPD by 450 bps**: outperformance driven by occupier and investor demand for London offices

270,000 sq ft of lettings at **11.6% above ERV** driving office occupancy to 97.8%

180,000 sq ft of lease extensions at Broadgate and Regent's Place; further 74,000 sq ft post year-end

Committed to 2.2 million sq ft London development programme; significant milestones achieved

Pre-let agreement on **700,000 sq ft**: further 191,000 sq ft pre-let since year-end (over 40% of total committed development)

Capturing value in residential development in London with **£89 million of pre-sales**

Year ended 31 March	2011	Change[1]
Offices portfolio value	£3.1bn	+10.6%
Annualised rental income	£128m	–1.2%
ERV	£43 psf	+7.7%
Net Equivalent Yield	5.7%	
Occupancy rate[2]	97.8%	
Average lease length[3]	9.4 years	
Rent subject to break or expiry over next three years	6.4%	

Data for Group and its share of joint ventures and funds.
1 Calculated on a like-for-like basis.
2 Including accommodation subject to asset management and under offer.
3 Weighted average lease length to first break.

+10.6%
OFFICE PORTFOLIO VALUE INCREASE ON 2009/10

+5.2%
INCREASE IN OFFICE OCCUPANCY RATE

The London office market remained strong through the year reflecting the combination of continued healthy international and domestic demand and a shortage of high-quality office space at a time of growing demand. Our office portfolio, which is focused on the London market, had another busy and successful year. The letting of much of the remaining space in recently completed buildings, meant that our occupancy rate at the year-end was 97.8% compared with an occupancy rate of 92.6% at the beginning of the year and 84% in December 2009. We activated a major 2.2 million sq ft development programme which is well timed to deliver space into a supply constrained market and we expect to generate significant profits for the Group. As part of this programme, we will be developing a new 700,000 sq ft building, pre-let entirely to UBS: this represents a major commitment to the Broadgate estate by one of its longest standing occupiers.

The total value of our office assets rose by 10.6% to £3.1 billion. Our capital returns were 10.8% outperforming the IPD office index by 450 bps. Our newly committed development properties were the stand-out performers of the year with development value ahead by 21.8% to £306 million as we achieved a number of important milestones.

Operationally we had a busy year, in total agreeing 600,000 sq ft of new lettings and lease renewals along with a 700,000 sq ft development pre-let. We had more than our fair share of total market letting activity accounting for an estimated 13% of all Grade A lettings in Central London and 25% in the City. This letting activity contributed towards strong ERV growth across our office portfolio of 7.7%. After the year-end, we announced we had agreed non-binding Heads of Terms for a further 191,000 sq ft pre-let in the City to Aon Corporation.

We made significant strides in our 2.2 million sq ft development programme in terms of planning, vacant possession and starting on-site – by the year-end, we were on-site at four out of the six of our developments. Each of our West End developments, while office-led, also include an element of residential (both high-end and social housing) as well as retail. We have seen strong demand for high-end residential over the past year, particularly from international buyers and have agreed £89 million of pre-sales, well ahead of our investment case.

LETTINGS AND ASSET MANAGEMENT

New lettings at recently completed developments contributed significantly to our leasing activity, which also benefited from a number of lease extensions at both our Broadgate and Regent's Place estates. In total, we agreed 600,000 sq ft of new lettings and lease renewals in the year. As a result, occupancy across our portfolio rose by 5.2 percentage points to 97.8% with Regent's Place now almost fully let following the successful letting of recently completed space. The average lease length of lettings during the year was 11.6 years to first break with the overall weighted average lease length of the portfolio being broadly maintained over the year at 9.4 years to first break.

We agreed 270,000 sq ft of lettings at 11.6% above ERV improving rental tone, primarily at our two main estates – Broadgate and Regent's Place:

- 20 Triton Street which completed in December 2009, is now 94% let, with a weighted average lease length of 9.6 years following recent lettings totalling 140,000 sq ft to Lend Lease, Ricoh Europe and Dimensional Fund Advisors. The ERV of the building increased by 13.1% during the year;
- 52,000 sq ft of lettings at 201 Bishopsgate and the Broadgate Tower. The latest letting to the Brazilian Bank, Banco Itaú of 12,300 sq ft was at a headline rent of £52.50 per sq ft, helping the ERV of Broadgate Tower to increase over the year by 12.1%. The weighted average lease length for the buildings is 15.5 and 10.5 years respectively;
- As part of the 5 Broadgate deal with UBS, we agreed a deferral of the break option at 100 Liverpool Street and 8–10 Broadgate from September 2013 to September 2015, unconditional upon the outcome of the development of 5 Broadgate. Subject to the Agreement for Leases becoming unconditional at 5 Broadgate, we agreed deferral of the breaks at 1 Finsbury Avenue, 2 Finsbury Avenue and 100 Liverpool Street for a minimum of 18 months post the completion of 5 Broadgate. Post the year-end, UBS agreed to extend their break option at 3 Finsbury Avenue on 74,000 sq ft to 2018 which gives a term certain of seven years.

We agreed 180,000 sq ft of long-term lease extensions, with an improved weighted average lease length of 13.4 years and which included:

- At 155 Bishopsgate, Axa and Barings agreed to extend their leases totalling 110,000 sq ft for an additional six years to 2025;
- At Regent's Place, Atos Origin extended its lease on 61,000 sq ft at 1, 4 and 7 Triton Square for a further ten years.

270,000 sq ft
OF LETTINGS AT 11.6% ABOVE ERV

At Victoria Street, we have agreed a lease surrender with Bank of America, taking direct relationships with their sub-tenants and are reviewing proposals for a major refurbishment of the 76,000 sq ft building upon lease expiry in May 2012.

INVESTMENT AND DEVELOPMENT

Office acquisitions and disposals

Year ended 31 March 2011	Gross price £m	British Land share £m
Acquisitions		
2–14 Baker Street	29	29
Marble Arch House[1]	18	18
Two London residential development sites	19	19
Other	14	14
Total acquisitions	**80**	**80**
Disposals		
NEQ, Regent's Place (residential)[2]	72	72
95–99 Baker Street, W1 (residential/retail)[2]	17	17
122 Leadenhall Street (50% interest)	45	45
Other	11	6
Total disposals	**145**	**140**

1 Agreement to purchase and redevelop site subject to receipt of vacant possession.
2 Exchanged – sales to be completed on practical completion.

During the year, we made acquisitions with a value of £80 million and disposals with a value of £145 million (British Land share £140 million). Acquisitions were principally of development sites in the West End (referred to in the development section which follows). Other key deals during the year included:

- Pre-sales of high-end residential units and affordable housing within our West End development pipeline, raised £89 million. The pre-sales included all the residential and retail units at 95–99 Baker Street, and 70 of the 88 private residential units and the entire affordable housing element of our NEQ development;
- We established a 50:50 joint venture with Oxford Properties to develop the Leadenhall Building in the City of London. The £45 million disposal proceeds reflect the sale of 50% of the site to Oxford Properties at the date the joint venture was completed.

PERFORMANCE REVIEW
OFFICES continued

During the year, we committed to develop 2.2 million sq ft of prime, mainly office accommodation, details of which are shown in the table below. By May 2011, we had agreed pre-lets on 891,000 sq ft of our City developments. Key development milestones included:

- In August, our joint venture with Blackstone signed an Agreement for Leases with UBS to occupy a new 700,000 sq ft building at 5 Broadgate. The lease has an average term of 18.2 years to first break at an initial rent of £54.50 per sq ft with annual increases in line with RPI (subject to a range of 0–4% per annum). After the end of the year, we obtained a resolution to grant planning permission. Subject to the outcome of a consultancy process being carried out by English Heritage, we expect to start on-site later in the year.
- In December, we established a joint venture with Oxford Properties to develop the Leadenhall Building, a 610,000 sq ft, 47-storey tower in the City. After the year-end, non-binding Heads of Terms were agreed with Aon Limited (a subsidiary of Aon Corporation) for a 191,000 sq ft pre-let of the lower office floors (levels 4–13). Aon has an option to take up to an additional 85,000 sq ft (levels 14–18);
- At NEQ, the final 500,000 sq ft phase of our Regent's Place estate, demolition is complete and the basement works are underway. We exchanged contracts on 70 of the 88 private residential units and the entire affordable housing element generating expected sales proceeds of £72 million, a significant increase above our original expectations and representing 34% of the development's total cost to complete;
- In February, planning consent was secured for the major refurbishment of 199 Bishopsgate, which is at the north end of Broadgate opposite the recently completed 201 Bishopsgate and The Broadgate Tower;
- Demolition of the existing building at 2–14 Baker Street was completed with building works underway to allow us to deliver a new 133,000 sq ft building on the corner of Baker Street and Portman Square in early 2013. The private off-site residential and retail units at 95–99 Baker Street were fully pre-sold at prices ahead of expectations;
- In January, we agreed to purchase and develop Marble Arch House, on the corner of Seymour Street and Edgware Road, with payment of £18 million to be made on receipt of vacant possession. Work is expected to start on-site later this year to deliver a new building comprising 60,000 sq ft of Grade A offices and 26,000 sq ft retail and private residential in mid-2013.

2.2m sq ft
OF COMMITTED PRIME LONDON DEVELOPMENT

900,000 sq ft
ALREADY PRE-LET

Office developments committed and prospective (at 31 March 2011)

	British Land share %	Sq ft '000	Practical completion	Current value £m	Cost to complete £m	Notional interest[1] £m	ERV[2] £m	Pre-let £m	Sales[3] £m
Committed:									
5 Broadgate, EC2	50%	700	Q3 2014	75	162	32	19.1	19.1	
The Leadenhall Building, EC3	50%	610	Q3 2014	51	163	27	18.4		
NEQ, Regent's Place, NW1	100%	500	Q2 2013	78	211	24	18.4		104
199 Bishopsgate, EC2	50%	142	Q3 2012	24	17	4	3.5		
Baker Street, W1	100%	158	Q1 2013	54	61	9	8.0		17
Marble Arch House, W1[4]	100%	86	Q2 2013		54	4	3.7		11
Total committed		**2,196**		**282**	**668**	**100**	**71.1**	**19.1**	**132**
Prospective:									
6–9 Eldon Street, EC2	100%	33		Pre-submission					
Colmore Row, Birmingham	100%	280		Detailed planning consent					
Meadowhall Metropolitan	100%	2,200		Outline planning consent – mixed-use					
New Century Park	50%	1,000		Outline planning consent – mixed-use					

Data includes Group's share of properties in joint ventures and funds (except area which is shown at 100%).
1 From 1 April 2011 to practical completion based on a notional cost of finance of 6%.
2 Estimated headline rental value net of rent payable under head leases (excluding tenant incentives).
3 Parts of development expected to be sold, no rent allocated.
4 Agreement to purchase and redevelop site subject to receipt of vacant possession.

JOINT VENTURES AND FUNDS

Our net investment in joint ventures and funds at 31 March 2011 was £2,066 million (2010: £1,594 million) principally in 12 joint ventures (where we partner with one or two other investors) and three funds (where there are several investors). These entities own £9.8 billion (2010: £9.1 billion) of properties in office and retail investment and development projects. Our share of the assets accounted for 50% of our total portfolio valuation at 31 March 2011, and our share of the total debt of joint ventures and funds was £2.7 billion.

JOINT VENTURES

Each joint venture is a separate entity, controlled by a board carrying equal representation from each partner. The entities are able to raise finance on the strength of their assets, with no recourse to the partners, thereby significantly lowering the initial equity investments. The enterprise is shared by the partners, over an agreed lifetime for the venture. Summary details of the principal joint ventures in which we have a 50% share are shown in the table below.

Joint venture at 31 March 2011	Joint venture partner	Portfolio value £m	Rent[1] £m	Finance £m[2]
Bluebutton Properties Limited Broadgate, City offices	Blackstone Group LP funds	2,717	163	1,905
Leadenhall Holding Co (Jersey) Limited The Leadenhall Building, City offices[3]	Oxford Properties	101		
MSC Property Intermediate Holdings Limited Meadowhall Shopping Centre, Sheffield	LSP Green Park Property Trust	1,423	77	811
BL Sainsbury Superstores Limited 38 Sainsbury superstores, one Waitrose store	J Sainsbury plc	1,262	66	657
Tesco BL Holdings Limited Two retail parks, two shopping centres each anchored by Tesco, five Tesco superstores	Tesco plc	592	34	315
Tesco Aqua Limited Partnership 21 Tesco superstores	Tesco plc	595	31	487
BLT Properties Limited One retail park, eight Tesco superstores	Tesco plc	334	17	185
Shopping Centres Limited One shopping centre, one retail park	Tesco plc	199	11	
Tesco British Land Property Partnership District shopping centre anchored by Tesco	Tesco plc	115	7	60
The Scottish Retail Property Limited Partnership Shopping centre, Aberdeen	Land Securities Group PLC	202	13	119
Eurofund Investments Zaragoza SL Puerto Venecia shopping scheme[3], Spain	Orion Capital Managers LLP	142	4	69
Whiteley Co-Ownership Factory outlet shopping centre, Fareham	Universities Superannuation Scheme	24	2	

1 Annualised rent.
2 Principal amount of debt.
3 Development project.

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Significant transactions during the year to 31 March 2011 included: the agreement between UBS and Bluebutton Properties Limited, our joint venture with Blackstone, to develop a new office building for UBS at Broadgate; and the creation of a joint venture with Oxford Properties to develop The Leadenhall Building which will be financed by funds provided by the joint venture partners. During the year, two of our Tesco joint ventures, BLT Properties Limited and Tesco British Land Property Partnership, were extended by ten years.

FUNDS

Fund	Value £m	Rent[2] £m	Finance £m	British Land share %
Hercules Unit Trust[1]	1,588	91	794	38.6
Pillar Retail Europark Fund	321	25	153	65.3
Hercules Income Fund	80	5	15	26.1

1 Hercules Unit Trust share where assets are in joint arrangements.
2 Annualised rent.

£1,989m
TOTAL VALUE OF PROPERTY HELD IN FUNDS

The funds provide British Land with interests in further properties in our key sectors. British Land acts as property adviser to the funds and receives performance and management fees. Summary details of the principal funds in which we have an interest are shown in the table above.

Hercules Unit Trust (HUT) is a Jersey-based closed-ended property unit trust with a fixed life which has been extended to 2020, and is subject to further extension with unit holder consent. HUT's primary investment focus is major retail warehouse or shopping park properties with a value in excess of £20 million in the United Kingdom, and in particular, those properties which dominate their catchment area, offering a critical mass of retailing and, where possible, have the benefit of Open A1 planning consent. As at 31 March 2011, the Trust owned and managed 21 retail warehouse and shopping parks together with one neighbourhood shopping centre, providing around 4.5 million sq ft. British Land is HUT's property adviser, and Schroder Property Managers (Jersey) Ltd is the Fund Manager.

The Trust's objective is to provide an annual total return on the portfolio in excess of the IPD Retail Warehouse Quarterly Universe excluding HUT over the life of the Trust. The strategy to achieve the outperformance objective is to actively manage the properties with a view to optimising income and capital appreciation which may include disposals of any part of the properties in response to changing market conditions.

Pillar Retail Europark Fund (PREF) is a Luxembourg-based closed-ended Fonds Commun de Placement with a fixed life which has been extended to 2014, and is subject to further extension with unitholder consent. PREF's aim is to invest in out-of-town retail property in Western Europe, and as at 31 March 2011, PREF owned and managed interests in ten retail warehouse parks and one shopping centre in Spain, France, Portugal and Italy. British Land is PREF's investment manager.

Hercules Income Fund (HIF) is a Jersey-based closed-ended property unit trust with a fixed life to 2014, subject to extension with unitholder consent. HIF's investment strategy is to acquire and own retail warehouse assets with values between £3 million and £25 million throughout the United Kingdom where it is able to exploit asset management opportunities. British Land is HIF's property adviser, and Pillar Property Management (Jersey) Ltd is the Fund Manager.

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HIGHLIGHTS

- REIT income return per share at **28.5 pence** (2010: 28.4 pence)
- REIT capital return per share at **60.5 pence** (2010: 103.6 pence)
- 17.7% REIT total return per share at **89.0 pence** (2010: 132.0 pence)
- Dividends maintained at **26.0 pence per share** (2010: 26.0 pence per share)
- EPRA Net Asset Value per share at **567 pence**, 12.5% ahead of March 2010 (504 pence)
- Underlying profit before tax growth of 2.8% to **£256 million** driven by development lettings
- Improvement in ratio of net operating costs to **gross rental income to 13.5%** (2010: 14.6%)
- **£1.1 billion of refinancing** agreed strengthening balance sheet and extending funding

Graham Roberts
Finance Director

Our results for the year reflect the continued recovery in property markets and the reward from successful asset management, in particular from the impact of lettings in our recently completed office developments.

As a REIT, we offer investors returns similar to a direct ownership in property. Our high distribution level means investors receive income broadly in line with the surplus of rents over costs. This is the less volatile element in our performance due to long leases and the upwards-only rent review structure which prevails in our portfolio. The other and more volatile element of returns comes from the revaluation of our assets, which is assessed by external valuers and is dependent on market observed transactions.

In our property commentary, we refer to income and capital returns from the portfolio. We use leverage to enhance these returns to investors. In order to distinguish geared returns from property level returns, we have this year adopted the terminology, REIT income, REIT capital and REIT total return to describe these corporate level performance measures.

Our REIT total return of 17.7% per share comprises REIT income return of 28.5 pence per share (or 5.7%) of which 26.0 pence per share has been distributed to investors, and a capital return of 60.5 pence per share (12%). The prior year returns are shown in the highlights above.

UNDERLYING PROFIT

Movement in underlying profit before tax

	£m
Year ended 31 March 2010	**249**
Credit risk provision release	(16)
Year ended 31 March 2010 (adjusted)	**233**
Impact of 2010 sales less acquisitions	(17)
Impact of 2011 sales less acquisitions	5
Lettings and rent reviews (net of expiries)	24
Surrender premiums	4
Net finance costs	7
Year ended 31 March 2011	**256**

Underlying profit before tax increased by £7 million, or 2.8%, to £256 million for the year ended 31 March 2011. The improvement in underlying profit before tax is summarised above. The £24 million of additional rental income from lettings and rent reviews includes £21 million relating to the letting up of our completed development programme. This more than offsets the dilutive effect of past sales activity.

INCOME STATEMENT

The Group financial statements are prepared under IFRS where the after tax results of joint ventures and funds are shown as a single line item on the income statement, and the net investment in joint ventures and funds is shown as a single line on the balance sheet.

Management reviews the performance of the business principally on a proportionally consolidated basis (i.e. on a line-by-line basis) and comments on movements in the income statement provided in the financial review below are made on this basis. Income statements and balance sheets which show British Land's interests on this basis are also included in Table A within the supplementary disclosures.

Income statement

	Year ended 31 March 2010			**Year ended 31 March 2011**		
	Group £m	Joint ventures and funds £m	Proportionally consolidated £m	**Group £m**	**Joint ventures and funds £m**	**Proportionally consolidated £m**
Gross rental income	342	219	561	**262**	**279**	**541**
Property outgoings	(5)[1]	(11)	(16)[1]	**(7)**	**(16)**	**(23)**
Net financing costs	(127)	(119)	(246)	**(70)**	**(142)**	**(212)**
Net rental income less finance	210	89	299	**185**	**121**	**306**
Fees and other income	13	2	15	**15**	**3**	**18**
Joint ventures and funds underlying profit	81			**117**		
Administrative expenses	(55)	(10)	(65)	**(61)**	**(7)**	**(68)**
Joint ventures and funds underlying profit		81			**117**	
Underlying profit before tax	249		249	**256**		**256**
Underlying EPS	28.4p		28.4p	**28.5p**		**28.5p**
Dividend per share	26.0p		26.0p	**26.0p**		**26.0p**

1 Includes £16 million release of credit risk provision.

Gross rental income, including our share of joint ventures and funds, of £541 million was 3.6% lower than the previous year with the impact of disposals made during 2009/10 partially offset by lettings, including of recently developed office space, and acquisitions.

As at 31 March 2011, the proportionally consolidated annualised gross rental income was £546 million comprising £276 million for the Group and £270 million for British Land's share of joint ventures and funds.

On a like-for-like basis, annualised gross rental income at 31 March 2011 was 1.4% higher than the previous year driven by leasing activity and rent reviews in our retail portfolio which grew by 2.3% like-for-like. In offices, annualised gross rental income was down slightly (£2 million or 1.2%) compared with March 2010, largely due to the impact of lease determinations taken at 39 Victoria Street, SW1, to enable earlier possession of the building for potential refurbishment and re-letting.

26.0p
DIVIDEND
PER SHARE

Annualised gross rental income

At 31 March	2010 £m	2011 £m	Change %
Properties owned throughout:			
Retail	335	**343**	+2.3
Offices	126	**124**	–1.2
Other	16	**16**	+2.5
Total (like-for-like)	477	**483**	+1.4
Disposals	7		
Acquisitions		**25**	
Development	40	**38**	
Total	524	**546**	+4.3

The apparent increase in property outgoings year-on-year is due to the release of a £16 million credit risk provision accrual made in 2009/10. Excluding this item, property outgoings for the year ended 31 March 2011 fell £9 million to £23 million, driven by a reduction in net service charge expenses and voids rates resulting from nearly 1 million sq ft of new lettings agreed during the year.

Net financing costs on a proportionally consolidated basis were £212 million, having decreased by £34 million year-on-year reflecting prior period disposals and the full effect of interest on completed developments offset by increased investment income. Net financing costs included £5 million of interest capitalised on developments (2010: £13 million).

Administrative expenses grew by £3 million on a proportionally consolidated basis to £68 million. There was a corresponding £3 million increase in fees and other income. Reductions in professional and legal fees were offset by increases in relation to share schemes (mainly due to non-vesting in the prior period and new grants to senior level recruits) and other staff cost increases.

Underlying profits from joint ventures and funds for the year were £117 million. The increase of £36 million compared to the prior year, principally reflects the full year impact of the establishment of the Broadgate (in November 2009) and Shopping Centres (in December 2009) joint ventures, as well as organic growth from successful settlement of rent reviews across the existing Tesco and Sainsbury's joint venture portfolios.

The Group measures its operating efficiency as the proportion of gross rental income represented by its net operating costs which are defined as property outgoings plus administrative expenses (net of fees and other income). For the year ended 31 March 2011, net operating costs represented 13.5% of gross rental income, an improvement of over 100 bps compared with the previous year.

Underlying diluted earnings per share for the year ended 31 March 2011 was 28.5 pence (2010: 28.4 pence) based on underlying profit after tax of £251m (2010: £244 million) and weighted average diluted number of shares of 882 million (2010: 860 million).

IFRS profit after tax for the full year was £840 million (2010: £1,140 million), including £381 million from investments in joint ventures and funds (2010: £479 million). In addition to underlying profits, the most significant item impacting IFRS profit was the net valuation movement of £320 million for the Group and £270 million for our share of joint ventures and funds, driven by an increase of 6.9% (2010: 13.5%) in the value of the proportionally consolidated property portfolio.

£546m
TOTAL ANNUALISED GROSS RENTAL INCOME

IFRS profit after tax

	Year ended 31 March 2010			**Year ended 31 March 2011**		
	Group £m	Joint ventures and funds £m	Proportionally consolidated £m	**Group £m**	**Joint ventures and funds £m**	**Proportionally consolidated £m**
Underlying profit before tax	168	81	249	**139**	**117**	**256**
Net valuation movement[1]	496	412	908	**320**	**270**	**590**
Amortisation of intangible assets	(15)		(15)	**(10)**		**(10)**
Non-recurring items		(9)	(9)			
Taxation – current tax	24	(5)	19	**(2)**	**(3)**	**(5)**
– deferred tax	(12)		(12)	**12**	**(3)**	**9**
IFRS profit after tax	661	479	1,140	**459**	**381**	**840**
Diluted EPS			132.6p			**95.2p**

1 Includes profit on disposals.

Taxation recognised in the income statement amounted to a credit of £4 million, resulting mainly from deferred tax movements. This compared to a credit of £7 million in the prior year, principally due to the settlement of prior year tax exposures.

DIVIDENDS

The Board has proposed a dividend for the fourth quarter of 6.5 pence per share, bringing the total for the year to 26.0 pence per share. This is in line with the recommendation made by the Board at the announcement of the full year results in May 2010 that the dividend for 2010/11 would be maintained. For the year to March 2012, the Board's intention is to maintain the dividend at 6.5 pence per quarter.

The fourth quarter dividend will be paid on 12 August 2011 to shareholders on the register at the close of business on 8 July 2011. The availability of the Scrip Alternative will be announced no later than 48 hours before the ex-dividend date of 6 July 2011. The split between Property Income Distribution (PID) and Non-PID income is expected to be announced at the same time. The Scrip Alternative will not be enhanced.

A summary of the scrip and cash elements of dividends declared and paid for the last two years is shown below. Dividend payments can be made either as PIDs or as a distribution of income from non-qualifying activities (Non-PIDs). British Land dividends are paid out both as PIDs and Non-PIDs: the split of dividends declared will vary between PID and Non-PID over time. Dividends paid in the year ending March 2011 (which included the dividend for the final quarter of the year ending March 2010), totalled 26.0 pence per share of which 6.5 pence per share was PID and 19.5 pence per share was Non-PID.

Following a change in legislation during the year, a scrip dividend alternative can now attract PID treatment. Previously, scrip alternatives could only be treated as Non-PIDs. This has allowed the Group to offer a scrip dividend alternative in PID form on occasions when the dividend must be entirely in PID form to meet the Group's REIT obligations.

Dividends

	Payment date	PID pence	Non-PID pence	Total pence	Total £m	Of which scrip £m
1st Interim	November 2010		6.5	6.5	57	26
2nd Interim	February 2011	6.5		6.5	58	5
3rd Interim	May 2011	6.5		6.5	58	8
4th Interim[1]	August 2011			6.5		
Year to 31 March 2011 (declared)				**26.0**		
1st Interim	November 2009		6.5	6.5	56	21
2nd Interim	February 2010		6.5	6.5	56	19
3rd Interim	May 2010		6.5	6.5	56	24
4th Interim	August 2010		6.5	6.5	57	25
Year to 31 March 2010 (declared)				**26.0**	**225**	

1 Composition in respect of PID and Non-PID to be announced.

BALANCE SHEET

At 31 March 2011, EPRA Net Asset Value per share was 567 pence, an increase of 12.5% compared with the prior year. The uplift of 6.9% in portfolio valuation to £9.6 billion was the main contributor to this performance which was partially offset by an increase in net debt resulting from the Group's on-going investment and development activities.

Balance sheet – Group proportionally consolidated

	Year ended 31 March 2010			Year ended 31 March 2011		
	Group £m	Joint ventures and funds £m	Proportionally consolidated £m	Group £m	Joint ventures and funds £m	Proportionally consolidated £m
Properties at valuation	4,152	4,387	8,539	**4,783**	**4,789**	**9,572**
Investment in joint ventures and funds	1,594			**2,066**		
Other non-current assets	271	(105)	166	**51**		**51**
	6,017	4,282	8,705	**6,900**	**4,789**	**9,623**
Other net current liabilities	(189)	(24)	(213)	**(205)**	**(4)**	**(209)**
Net debt	(1,550)	(2,660)	(4,210)	**(1,714)**	**(2,697)**	**(4,411)**
Other non-current liabilities	(70)	(4)	(74)	**(51)**	**(22)**	**(73)**
Joint ventures and funds' net assets		1,594			**2,066**	
IFRS net assets	4,208		4,208	**4,930**		**4,930**
EPRA adjustments[1]	199		199	**171**		**171**
EPRA net assets[1]	4,407		4,407	**5,101**		**5,101**
EPRA NAV per share	504p		504p	**567p**		**567p**

1 EPRA net assets exclude the mark-to-market on effective cash flow hedges and related debt adjustments, as well as deferred taxation on revaluations.

At 31 March 2011, 50% of the property portfolio and 61.1% of net debt was held within joint ventures and funds. The IFRS balance sheet shows our investment in joint ventures and funds grouped together and shown net. On this basis, our net investment at 31 March 2011 was £2,066 million, up from £1,594 million at the previous year-end attributable to the continued recovery in property values through the financial year, as well as the establishment of the Leadenhall joint venture in December 2010.

The principal movements in EPRA net asset value are summarised below:

Movement in EPRA Net Asset Value per share[1]

	Pence
At 31 March 2010	**504**
Property and investment revaluation (including disposals)	
– Retail	34
– Offices and other	31
Underlying profit after tax	28
Dividends (including scrip)	(26)
Other	(4)
At 31 March 2011	**567**

1 EPRA net assets exclude the mark-to-market on effective cash flow hedges and related debt adjustments, as well as deferred taxation on revaluations.

567p
EPRA NET ASSET VALUE PER SHARE

FINANCIAL REVIEW
continued

CASH FLOW

The cash inflow from operating activities for the year ended 31 March 2011 was £210 million (2010: £136 million).

The table below provides a reconciliation of underlying profit before tax to net cash inflow from operations:

Reconciliation of underlying profit to net cash inflow from operations

Year to 31 March (Group basis)	2010 £m	**2011 £m**
Underlying profit before tax	249	**256**
Taxation	(5)	**(5)**
Underlying profit after tax	244	**251**
Spreading of rent-frees and fixed rental uplifts	(23)	**(32)**
Release of credit provision	(16)	
Non-cash administrative expenses	4	**8**
Underlying cash profit	209	**227**
Timing difference related to Broadgate joint venture	(32)	
Capitalised interest	(13)	**(5)**
Timing differences of joint venture and funds distributions	(20)	**(10)**
Other working capital movements	(8)	**(2)**
Net cash inflow from operations	136	**210**

In addition to the net cash inflow from operations, investing activity absorbed net cash of £240 million, of which £379 million was spent on income earning investments and £62 million on development expenditure partially offset by disposals. Looking forward, our share of the cost to complete on our committed development programme is £740 million, on a proportionally consolidated basis, which will be incurred over the next five years.

As at 31 March 2011, the portfolio will benefit from £62 million of contracted growth to come in cash rents from the expiry of rent-free periods and from guaranteed fixed and minimum rental uplifts over the next five years.

Contracted cash flow growth (excluding developments)

Year ended 31 March	Expiry of rent-free periods £m	Guaranteed fixed and minimum rental uplifts £m	**Total £m**
2012	11	2	**13**
2013	8	3	**11**
2014	28	3	**31**
2015		3	**3**
2016		4	**4**
Total – next five years	**47**	**15**	**62**

Data includes Group's share of properties in joint ventures and funds.

£62m
CONTRACTED RENTAL CASH FLOW GROWTH IN NEXT FIVE YEARS

NET DEBT AND FINANCING

Net debt (EPRA basis) at 31 March 2011 was £1.7 billion for the Group and £4.3 billion including our share of joint ventures and funds. The principal movements in net debt (EPRA basis) during the year are summarised below:

Movement in net debt (EPRA basis[1])

	Group £m	Proportionally consolidated £m
IFRS net debt at 31 March 2010	**1,550**	**4,210**
IFRS adjustments	(39)	(129)
Net debt (EPRA basis) at 31 March 2010	**1,511**	**4,081**
Net cash flow from operating activities	(210)	(206)
Disposals	(82)	(120)
Purchases and capital spend	564	568
Repayment of loans and deferred consideration	(242)	(132)
Dividends paid	139	139
Other cash flow movements	7	(13)
Net debt (EPRA basis) at 31 March 2011	**1,687**	**4,317**
IFRS adjustments	27	94
IFRS net debt at 31 March 2011	**1,714**	**4,411**

1 Net debt (EPRA basis) differs from IFRS net debt by excluding the mark-to-market on effective cash flow hedges and related debt instruments.

£4,317m
EPRA
NET DEBT

The Group Loan to Value (LTV) ratio at 31 March 2011 was 24% (2010: 25%) and interest cover was 3.0 times (2010: 2.3 times). Proportionally consolidated LTV was 45% (2010: 47%) and interest cover improved to 2.2 times (2010: 2.0 times). The Group's weighted average debt maturity is 10.7 years and 10.1 years on a proportionally consolidated basis. At 31 March 2011, the Group held £263 million of cash, short-term deposits and liquid investments, together with £2.3 billion of committed undrawn bank facilities.

The strength of the Group's balance sheet has been reflected in British Land's senior unsecured credit rating which was upgraded during the year by Fitch from BBB+ to A–.

Key financing statistics

	Group	Proportionally consolidated
IFRS net debt	£1,714m	£4,411m
Weighted average debt maturity	10.7 years	10.1 years
Weighted average interest rate	4.7%	4.9%
% of debt at fixed/capped rates	72%	91%
Interest cover[1]	3.0 times	2.2 times
Loan to value[2]	24%	45%

1 Underlying profit before interest and tax/net interest.
2 Debt to property and investments.

A–
BRITISH LAND'S
SENIOR
UNSECURED
CREDIT RATING
(FITCH)

FINANCIAL REVIEW
continued

As a result of finance arranged in 2004–07, the Group holds substantial available bank facilities and has not needed to raise new debt over the last three years (during difficult market conditions). In recent months, we have recommenced a gradual refinancing programme to ensure adequate finance is in place for the business going forward.

Following the year-end, in May, British Land agreed a new £560 million five-year unsecured revolving facility with a syndicate of 11 banks, including several who are new unsecured lenders to the Group. The margin is 125 bps over LIBOR. This facility, increased from £350 million due to over-subscription, will replace an existing £720 million facility which would have expired in August 2011. As a result, total bank facilities with maturity of more than three years have increased to £1.5 billion (£1.2 billion undrawn) and the date at which the Group has a refinancing requirement (based on projected expenditure) has been extended to June 2014.

While market pricing has increased and there continues to be pressure on banks' liquidity. The Group's strong balance sheet, supported by the quality of assets and the cash flows from them, continues to be attractive to debt investors.

Two joint ventures between British Land and Tesco plc were successfully refinanced during the year, raising a total of £245 million. In November, BLT Properties Limited secured a new £185 million seven-year loan and, in March, The Tesco British Land Property Partnership completed a new £60 million five-year loan facility – in each case the overall finance rate was lower than the maturing facility. These financings followed that arranged in December 2009 for another joint venture, Tesco BL Properties, for £315 million.

The total refinancing arranged by the Group and joint ventures during the last 18 months has exceeded £1.1 billion.

Over the next two year years, £1,364 million (British Land share £572 million) of drawn debt within joint ventures and funds is due to mature. This includes £100 million (British Land share) for PREF, which has commenced negotiations with a number of banks for refinancing later this year.

ACCOUNTING JUDGEMENTS

In preparing these financial statements, the key accounting judgement relates to the carrying value of properties and investments, which are stated at market value. The Group uses external professional valuers to determine the relevant amounts.

The primary source of evidence for property valuations should be recent, comparable market transactions on an arms-length basis. However, the valuation of the Group's property portfolio is inherently subjective, as it is made on the basis of assumptions made by the valuers which may not prove to be accurate.

REIT status: the Company has elected for REIT status. To continue to benefit from this tax regime, the Group is required to comply with certain conditions as defined in the REIT legislation. Management intends that the Group should continue as a REIT for the foreseeable future.

Accounting for joint ventures and funds: an assessment is required to determine the degree of control or influence the Group exercises and the form of any control to ensure that financial statement treatment is appropriate. Interest in the Group's joint ventures is commonly driven by the terms of partnership agreements which ensure that control is shared between the partners. These 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 upon elimination of upstream transactions.

£1.1bn
REFINANCING ARRANGED BY THE GROUP AND JOINT VENTURES OVER LAST 18 MONTHS

FINANCIAL REVIEW
FINANCIAL POLICIES

INCOME STATEMENT AND BALANCE SHEET MANAGEMENT

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

Debt finance gearing is used to enhance returns. The Loan to Value ratio on a proportionally consolidated basis (including our share of joint ventures and funds) is the primary measure of gearing monitored by the Board. The level of gearing is adjusted over time to reflect judgements about the position of the property market and our portfolio in the cycle, the relative vulnerability to market corrections of our assets, particularly regarding the level of speculative development, and relevant general economic indicators. The Board considers that the preferred range of gearing is a Loan to Value ratio on a proportionally consolidated basis of between 40% and 50%, with a short term maximum of 55%. At 31 March 2011, the proportionally consolidated Loan to Value ratio was 45%.

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

The Group maintains a balance between longer-term and shorter-term financings. Short-term financing is principally raised through bilateral and syndicated revolving bank facilities. Medium- to longer-term financing comprises public and private bond issues, including private placements and securitisations. Financing risk is spread by using a variety of types of debt. The maturity profile is managed by spreading the repayment dates and extending facilities.

INTEREST RATE MANAGEMENT

The Board sets an appropriate maximum level of sensitivity of underlying earnings and cash flows to movements in market rates of interest over a rolling five-year period. The proportion of fixed rate debt required to remain within the target sensitivity varies with the levels of gearing and interest cover. With financing raised at both fixed and variable rates, derivatives (primarily interest rate swaps) are used to achieve the desired interest rate profile across proportionally consolidated net debt. Currently 70% of projected debt is at fixed rate over the policy time period. The use of derivatives is managed by a derivatives committee. The Group's exposure to derivative counterparties is monitored on a regular basis, as are their external credit ratings.

LIQUIDITY AND CASH MANAGEMENT

The Group maintains undrawn committed revolving bank facilities to provide financial liquidity. These can be drawn or repaid at short notice, reducing the need to hold liquid resources in cash and deposits. This minimises costs arising from the difference between borrowing and deposit rates, while reducing credit exposure. Deposits are placed as necessary to optimise the rate of return, subject to the credit standing of the counterparty.

FOREIGN CURRENCY MANAGEMENT

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

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

45%
PROPORTIONALLY CONSOLIDATED LOAN TO VALUE RATIO

FINANCIAL REVIEW
FINANCIAL POLICIES continued

FINANCING STRUCTURE

At 31 March 2011, Group gross borrowings were £1,939 million; including our share of debt in joint ventures and funds, gross borrowings were £4,731 million.

The types of debt employed are:

i) With recourse to British Land for repayment and being either additionally secured by specific assets or unsecured;

ii) Non-recourse to British Land and in 'ring-fenced' structures, including joint ventures and funds.

Secured debt with recourse to British Land is provided by debentures at fixed interest rates with long maturities and no amortisation. The £1 billion of debentures issued by British Land are secured against a single combined pool of assets with common covenants: the value of those assets is required to cover the amount of these debentures by a minimum of 1.5 times and net rental income must cover the interest at least once. We use our rights under the debentures to withdraw, substitute or add properties (or cash collateral) in the security pool, in order to manage these cover ratios effectively, deal with any asset sales and remedy any stress on covenants if necessary. Secured debt issued by the Group as part of the acquisition in 2006 of the BL Davidson former joint venture also includes asset value and income ratios, similarly managed by us and remedied as necessary. The assets of the Group not subject to any security stood at £2.7 billion as at 31 March 2011.

Unsecured debt with recourse to British Land includes bank revolving credit facilities that provide full flexibility of drawing and repayment at short notice without additional cost. These provide valuable operational support, and are committed for terms up to six years. Undrawn loan facilities are maintained to support current and future business requirements.

These credit facilities are based on relationships with a wide range of banks, reducing reliance on any particular lender. At 31 March 2011, 26 different financial institutions from 11 countries provided finance to the Group via bilateral or syndicated facilities, in total £2.8 billion at floating interest rates based on LIBOR plus an average margin of 47 bps or 0.47% per annum.

Other unsecured funding includes US private placements, issued in full at fixed rates, requiring no amortisation and with terms up to 16 years. British Land currently has two US private placements: £98 million 5.5% Senior Notes 2027 and $154 million 6.3% Senior US Dollar Notes 2015 (which is swapped back into Sterling at 6.0%). Issuing in this market widens the debt investor base.

Covenants applying across each of these unsecured facilities (having been consistently agreed with all lenders since 2003) are the same:

a) Net Borrowings not to exceed 175% of Adjusted Capital and Reserves;

b) Net Unsecured Borrowings not to exceed 70% of Unencumbered Assets.

No income/interest cover ratios apply to these facilities, and there are no other unsecured debt financial covenants in the Group.

Covenant ratio

As at 31 March	2007	2008	2009	2010	**2011**
Net Unsecured Borrowings to Unencumbered Assets[1]	28%	22%	6%	14%	**25%**
Net Borrowings to Adjusted Capital and Reserves[2]	74%	74%	83%	37%	**36%**

Highest during the year to 31 March 2011: 25%[1]; 39%[2].

Although secured assets and other assets of non-recourse companies are excluded from Unencumbered Assets for the covenant calculations, unsecured lenders benefit from the surplus value of these assets above the related debt and the free cash flow from them. During the year ended 31 March 2011, these assets generated £59 million of surplus cash after payment of interest. In addition, while investments in joint ventures do not form part of Unencumbered Assets, our share of profits generated by these ventures are passed up to the Group.

Debentures without recourse to British Land are those issued by BLD Property Holdings Limited (formerly Asda Property Holdings Limited) a company acquired by the Group in 2006. There are three fixed rate debentures of £111 million in total:

- → 10.3125% First Mortgage Debenture Stock 2011;
- → 6.125% First Mortgage Debenture Stock 2014;
- → 9.125% First Mortgage Debenture Stock 2020.

Asset value and income ratio cover requirements are managed and remediable as necessary, in line with our other debentures.

JOINT VENTURES AND FUNDS

Joint ventures and funds are each financed and interest rate-managed separately, without recourse to British Land for repayment. External debt in total of £5.9 billion (2010: £6.1 billion) has been arranged through securitisation or bank debt according to the requirements of the business of each venture. Refinancing of these facilities is addressed by the relevant entities as appropriate for their businesses.

Those debt arrangements which include Loan to Value ratio covenants have maximum levels ranging from 55% to 90% (except for one fund in which we have a small interest where the LTV is 35%); several of the debt arrangements have rental income to interest or debt service cover requirements. There is no obligation on British Land to remedy any breach of these covenants and any remedy needed would be considered by the parties on a case-by-case basis.

Our joint ventures at Broadgate, Meadowhall and Sainsbury Superstores, each contain securitised debt, raised based on the cash flows generated from the specific assets or pools of assets. The strength of these cash flows allows credit-rated debt to be raised with long maturities.

The securitisations of the Broadgate estate (£1,905 million), Meadowhall (£811 million) and the Sainsbury's Superstores portfolio (£657 million) have weighted average maturities of 15.3 years, 13.6 years, and 10.0 years respectively. The only financial covenant applicable to these securitisations is that income must cover interest and scheduled amortisation (1 times). These securitisations provide for quarterly principal repayments with the balance outstanding reducing to approximately 20–30% of the original amount raised by expected final maturity. These debt structures, which were arranged by British Land, permitted us to introduce third-party investors and effectively dispose of a 50% share in the investment without requiring repayment of the debt.

Although a combination of fixed and floating rate debt has been issued in the securitisations, all the floating rate instruments have been fully swapped into fixed rate debt, from the date of issue. Transaction-specific derivatives are employed by the relevant borrowing entity in the joint ventures and funds to achieve the desired interest rate profile when floating rate debt is raised through other debt structures.

TAX STRATEGY

Our tax strategy is an important aspect of our business. Being a Real Estate Investment Trust (REIT) significantly reduces the taxation costs of the Group, but brings with it a responsibility to our shareholders and to the UK tax authorities (HMRC) to operate within the rules of the REIT regime. In 2007, we paid a one-off corporation tax charge of £291 million to convert to REIT status – in return for which we do not pay tax on our property income or gains on property sales, provided that we distribute at least 90% of our property income to shareholders, which becomes taxable in their hands. In addition, we have to meet certain conditions such as ensuring our property rental business represents more than 75% of our total profits and assets.

We do pay tax on overseas earnings, which is subject to overseas taxation, and any UK income that does not qualify as property income within the REIT rules (such as fees and interest) is subject to tax in the normal way. We also collect VAT and withholding tax on dividends as well as employment taxes. So we have a major responsibility for deducting, collecting, accounting for and paying significant amounts to the Government – in the year to 31 March 2011 we paid a total of £118 million to HMRC.

We maintain a regular dialogue with HMRC to let them know what we are doing and to maintain transparency and we have been awarded and have maintained a low risk rating with HMRC. Where there are a range of ways in which a transaction could be undertaken we consider the relative merits and seek pre-clearance from HMRC in complex areas. We engage in discussions on potential or proposed changes in the taxation system that might affect us, particularly those relating to REIT legislation, seeking to ensure a successful and fair outcome for the Group. We ensure that our tax returns are correct and are filed within agreed timelines. Our tax policy and approach to taxation is regularly reviewed by the Board.

PRINCIPAL RISKS

→ APPROACH TO RISK MANAGEMENT

On the face of it, the risks facing the Group are straightforward – property and finance. These two risks are influenced more than anything else by the economy; which is itself affected by a series of local and worldwide events that vary from day-to-day, such as the current unrest in the Middle East. So while we recognise and consider all these factors in estimating the importance of each of our risks, we identify the principal risks we recognise and manage and which we list in the following schedules at the level below the overall 'property and finance' level – at the varying individual categories we think about when managing our business. Many of them interlink and, like a number of other businesses, we find it helpful to classify them under the general captions of Performance, Operational and Legal and other.

While we do identify new risks and re-evaluate old risks, most do not change from year-to-year. What does change is the importance, emphasis and attention we give to them. For example, the risks we consider have increased the most this year are those relating to development, due to the increased size of our development programme. While we remain confident of the future success of that programme, the development risk and office occupier market risk have increased in importance as a result.

A significant number of Senior Executives, together with the Executive and Non-executive Directors, have given their thoughts and input into both identifying and managing the risks faced during the year. Their views have fed into the revision of our risk matrix which is considered and further refined at meetings of the Executive Committee, the Audit Committee and the Board at least twice yearly. The adequacy of risk mitigating strategies and controls are considered at each review. This helps to assist in defining the risk profile of the business and ensures that the implications are understood.

The risk matrix is underpinned by a series of risk tolerances or indicators that have been developed during the year. A number of key criteria have been identified and measured – and the answers matched against a range that result in each of the key criteria being calibrated into green, amber or red indicators to highlight and inform the Directors when deciding how to categorise risks in order of importance and to help highlight whether risks are increasing or decreasing. Risks are scored and ranked based on the likelihood of occurrence and potential impact on the Group.

Risk management, however, is not a twice a year exercise but is integral to the way we run our business from setting strategy, through to formulation of objectives, consideration of transactions, day-to-day decision making and performance of core business procedures. British Land's small Head Office team and relatively flat management structure allows the Executive Directors to have close involvement in the operational matters of the Group, and identify and respond to risks promptly.

Our approach seeks to understand, limit and manage adverse impacts arising from external and internal events whatever their cause. It is inherent in the nature of risk that risk brings reward, and there are risks that we will choose, with our expertise, to accept. Taking risk is essential to enhancing profits; the key is to take risks that we are best placed to take, such as those relating to property performance, and to seek to minimise the effect of any risks that are not under our day-to-day control.

There are many risks that we consider and monitor. Some, such as environmental risk, are important to us and fully debated when scoring and ranking the risks that we face, but are not included as a principal risk because they are both well managed and unlikely to result in a significant impact on the Group. We have not identified any high category risks, but those that are of greater concern are shown in the tables that follow.

PRINCIPAL OPERATIONAL RISKS

RISK DESCRIPTION	IMPACT AREAS	KEY MITIGANTS
STRATEGY Failure to execute appropriate property investment and development strategies.	→ Net asset value. → Total property return (income and capital). → Shareholder earnings (dividends).	→ Defined investment strategy. → Defined asset appraisal process. → Investment Committee reviews all opportunities against pre-determined criteria. → Monitoring of macroeconomic and property market trends.
DEVELOPMENT Development and construction risk including contractor solvency and availability, and planning risk including poor engagement with local communities.	→ Reduced development returns. → Cost overruns. → Programme delays leading to potential loss of occupier revenue. Failure to secure planning permission.	→ Close supply chain relationships facilitate assessment and monitoring. → Major or leading contractors engaged only. → Assessment of contractor prior to appointment, including a financial covenant review before the contract is agreed. → Robust Corporate Responsibility strategy. → Community charter.
COST OF FINANCE Adverse interest rate movements increase borrowing or hedging costs.	→ Increased cost of borrowing and hedging.	→ Interest hedging policy. → Hedging effectiveness regularly monitored.
INVESTOR DEMAND Decrease in demand by investors for real estate.	→ Net asset value. → Eventual pressure on banking covenants.	→ Prime portfolio. → Strong occupier financial covenants. → Active asset management.
OFFICE OCCUPIER MARKET Weakened occupier demand for office developments, oversupply, and potential vacancies due to financial market rationalisation and economic uncertainty or London losing appeal as place to do business.	→ Rental income and cash flow. → Reduced strength of occupier covenant and increased arrears/bad debts. → Cost of occupier incentives for new lettings. → Empty unit (void) costs. → Net asset value.	→ Long upward only lease profiles. → High occupancy and low near-term expiries. → Quality assets easier to re-let. → Focus on developing good quality well located and sustainable buildings. → Key account programme.
RETAIL OCCUPIER MARKET Reduced retail occupier demand for space, increased supply, occupier defaults.	→ Rental income and cash flow. → Empty unit (void) costs. → Net asset value.	→ Diversified occupier base. → Long leases and strong financial covenants. → Prime portfolio easier to re-let. → Close occupier relationships assist in understanding changing requirements. → Review of consumer trends. → Retail occupiers at risk monitored regularly. → Key account programme.

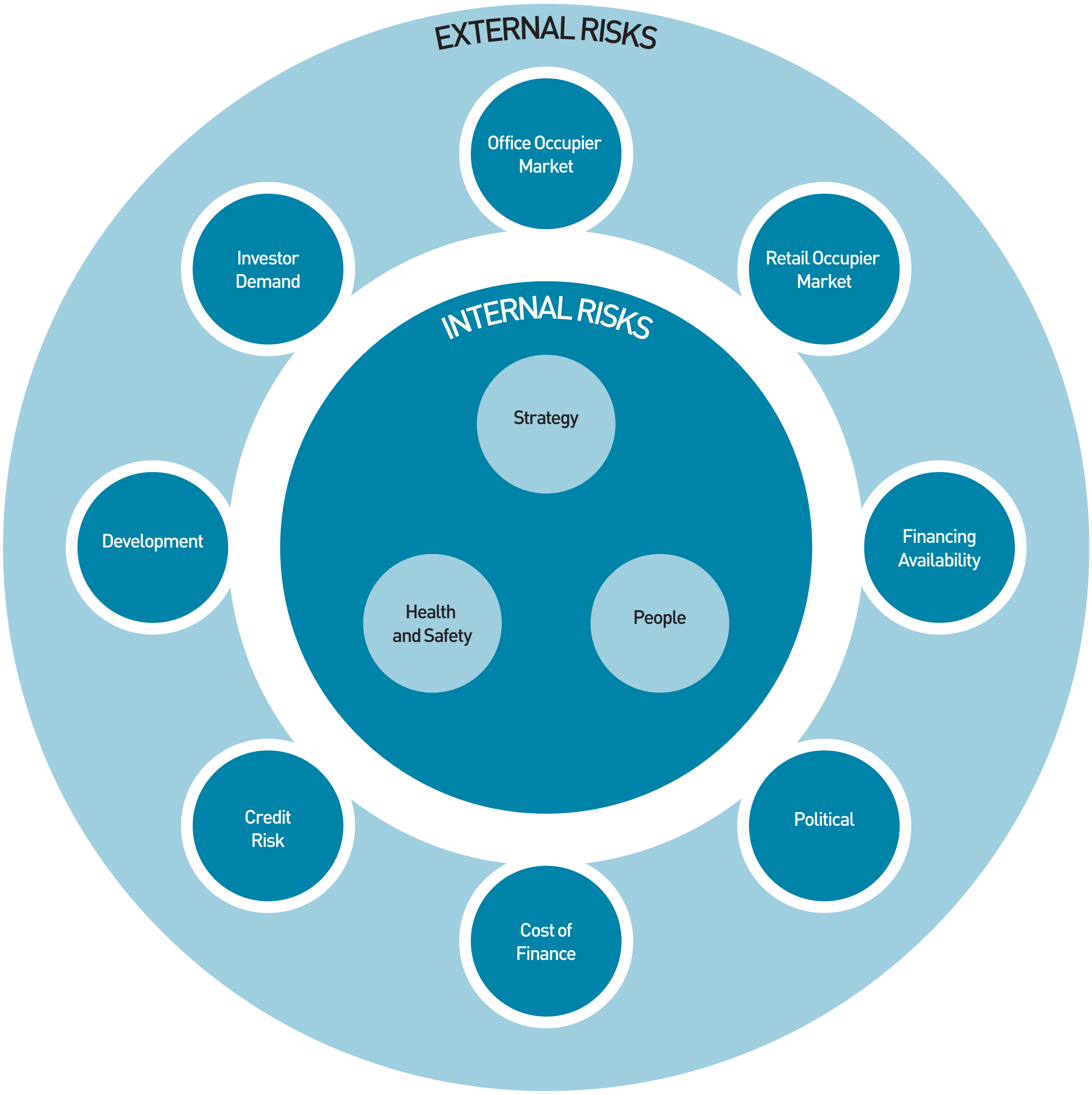
PRINCIPAL RISKS
continued

PRINCIPAL OPERATIONAL RISKS

RISK DESCRIPTION	IMPACT AREAS	KEY MITIGANTS
FINANCING AVAILABILITY Shortage of financing or refinancing at acceptable cost.	→ Unable to fund property investments or development programme. → Increased cost of finance including undrawn bank facilities.	→ Spread of sources and maturities of facilities. → Sufficient lines maintained for spending commitments with significant committed but undrawn facilities. → Continuing and extensive capital market and bank relationship management.
CREDIT RISK Financial counterparty credit risk.	→ Loss of deposits. → Favourable British Land positions are forcibly closed. → Cost of rearranging facilities. → Incremental changes in financing rate.	→ Summary of exposures by bank and credit ratings reported monthly. → Spread of sources and maturity of facilities. → Cash placed across a range of deposit accounts. → Credit worthiness of derivative counterparties assessed.

PRINCIPAL LEGAL AND OTHER RISKS

RISK DESCRIPTION	IMPACT AREAS	KEY MITIGANTS
PEOPLE Key staff departures or change.	→ Lost business relationships. → Loss of management direction, poor or delayed decision making. → Reputational damage with stakeholders.	→ Employment packages in line with FTSE 100 companies. → Simple, consistent and known procedures allow operations to continue. → Succession planning regularly evaluated with non-reliance on single individuals.
HEALTH AND SAFETY Occupational or construction health and safety breach.	→ Criminal prosecution of responsible executives. → Reputational damage. → Fines and legal costs.	→ Health and Safety policy. → Specialised professional advice. → Extensive compliance reporting. → Site risk assessments and audit visits.
POLITICAL Terrorism.	→ Asset damage/destruction. → Impact on occupier appeal. → Net asset value.	→ Insurance. → Business continuity plan.


EXTERNAL RISKS
Office Occupier Market
Investor Demand
Retail Occupier Market
INTERNAL RISKS
Strategy
Development
Financing Availability
Health and Safety
People
Credit Risk
Political
Cost of Finance

GOVERNANCE

WE FULLY RECOGNISE THE FUNDAMENTAL IMPORTANCE OF CORPORATE GOVERNANCE TO OUR BUSINESS

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110 Board of Directors
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114 Corporate governance
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130 Directors' report
131 Directors' responsibilities statement

CHAIRMAN'S GOVERNANCE REVIEW

Corporate governance at British Land is more than just compliance with rules and regulation – and much more than the Non-executive Directors reviewing the actions of the Executive Directors.

For more information on the Board and the Executive Committee
p110–113

For more information on governance structure
p114–117

Performance review
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→ It is an integral part of all our activities, ranging from controls exercised by our various committees – through our internal control, risk management and internal audit procedures – to our encouragement of staff to review their own and each other's activities and outputs to ensure they make sense and that the correct decisions are made. Our detailed approach to corporate governance, including an explanation of the various committees of the Group, is set out in pages 114 to 129.

There is close involvement of the Executive Directors and senior management in every aspect of the Group's activities, close scrutiny of all important matters under consideration, and discussion with the Non-executive Directors before important decisions are made.

For example, all the significant transactions that took place during the year such as the agreement to build the major new building for UBS at Broadgate, the entry into a new joint venture to build the Leadenhall Building in the City, the acquisition of Drake Circus in Plymouth and the acquisitions for redevelopment of 2–14 Baker Street and Marble Arch House, London W1 were all progressed after detailed due diligence and consideration, both informally and formally, throughout the Group and with the consideration and/or approval of the relevant committees, subsidiary and joint venture boards and the Board.

Good corporate governance creates an environment that facilitates the right decisions being made by the appropriate boards and committees at the right time and with the benefit of all relevant information. It sets up a series of checks and balances that enable our Board and its committees to monitor outturns and maintain operating efficiency which support the Company's performance and corporate responsibilities. It includes making sure that the Group has a clear strategy going forward, and that the necessary people, financing and structures are in place to support that strategy; the Board, including the Non-executive Directors and together with members of the Executive Committee, met over two days in February 2011, as it has in previous years, to review, discuss and confirm the Group's strategy going forward – you will see the result summarised on pages 11 to 23.

We invest time on governance because we believe it benefits the Company, including its staff and its shareholders. Part of this is ensuring our staff enjoy a good working environment, that our communication throughout the Group is good and that there is plenty of interaction between people at all levels – not just work related but also on social activities such as volunteering, which is part of our extensive corporate responsibility/sustainability programme on which there is a separate Report but which is also summarised on pages 63 to 70.

In summary, British Land fully recognises the fundamental importance of corporate governance to its business. Good corporate governance is a mixture of meeting both the letter and spirit of the law, and results both from compliance and from organisational culture, marked by high standards of consistency, responsibility, accountability, fairness, transparency and effectiveness. We believe we meet these standards.

Chris. Gibson-Smith.

Chris Gibson-Smith
Chairman

BOARD OF DIRECTORS

01 Chris Gibson-Smith, Non-executive Chairman Age 65

Appointment to the Board:
Joined the Board as a Non-executive Director in January 2003 and was appointed Non-executive Chairman in January 2007.
Committee membership:
Chairman of the Nomination Committee
External appointments:
Chairman of the London Stock Exchange, a Governor of London Business School and a Non-executive Director of Qatar Financial Centre Authority.
Previous experience:
Chris was a Group Managing Director of BP PLC and has been Chairman of National Air Traffic Services Limited and a Non-executive Director of Lloyds TSB Group plc. He is a past Trustee of the Institute of Public Policy Research and of Arts and Business.

02 Chris Grigg, Chief Executive Age 51

Appointment to the Board:
Joined British Land as Chief Executive in January 2009.
Committee membership:
Executive Committee
External appointments:
Chris is a member of the Executive Board of EPRA, the European Public Real Estate Association. He is Junior Vice President of the British Property Federation and will become its president in 2012.
Previous experience:
Chris was Chief Executive of Barclays Commercial Bank until November 2008, having joined the bank in 2005 as Group Treasurer. Prior to Barclays, he held a broad range of leadership positions at Goldman Sachs, where his career spanned 20 years. He rose to partner of Goldman Sachs, working principally in its capital markets and derivatives business.

03 Lucinda Bell, Finance Director Elect Age 46

Appointment to the Board:
Lucinda joined the Executive Committee in 2010, the Board in March 2011 and becomes Finance Director on 24 May 2011.
Committee membership:
Executive Committee
Previous experience:
Lucinda qualified as a Chartered Accountant with Arthur Andersen and joined British Land in 1991, where she has held a wide range of roles in the Group finance function, including Director of Tax and Financial Planning. Lucinda was the sole property company member of the HM Treasury appointed Working Party to develop the REIT structure.

04 Charles Maudsley, Head of Retail Age 46

Appointment to the Board:
Charles joined the Board in February 2010. He is responsible for the Group's retail businesses and opportunistic investment in the UK and Europe.
Committee membership:
Executive Committee
Previous experience:
He joined British Land from LaSalle Investment Management where he was Co-Head of Europe, Managing Director of the UK business, a member of the Management Board and an International Director. Prior to joining LaSalle he was with AXA Real Estate Investment Management for seven years where he was Head of Real Estate Fund Management in the UK.

05 Graham Roberts, Finance Director Age 52

Appointment to the Board:
Graham joined British Land in January 2002 as an Executive Director and was appointed Finance Director in March 2002. Graham steps down from the Finance Director role on 24 May 2011 and will leave the Company on 30 June 2011.
Committee membership:
Executive Committee
External appointments:
He is a Non-executive Director of Balfour Beatty plc.
Previous experience:
Prior to joining British Land, he spent eight years at Andersen, latterly as a partner specialising in real estate. He was also a former member of the Management Board of EPRA, the European Public Real Estate Association.

06 Tim Roberts, Head of Offices Age 46

Appointment to the Board:
Tim was appointed to the Executive Committee in August 2005 and elected as an Executive Director in July 2006. He has responsibility for the Office sector of the Company's portfolio.
Committee membership:
Executive Committee
External appointments:
Tim is a Trustee and Board Member of LandAid, the Property Industry Charity.
Previous experience:
Before joining British Land in 1997 he was a partner at Drivers Jonas, in the Investment Agency team.

07 Stephen Smith, Chief Investment Officer Age 57

Appointment to the Board:
Stephen joined the Board of the Company in January 2010.
Committee membership:
Executive Committee
Previous experience:
He was formerly Global Head of Asset Management and Transactions at AXA Real Estate Investment Managers. Prior to joining AXA in 1999, he was Managing Director at Sun Life Properties for five years.

08 John Gildersleeve, Senior Independent Director Age 66

Appointment to the Board:
John became a Non-executive Director in September 2008. He was appointed Senior Independent Director in November 2010.
Committee membership:
Remuneration Committee and Nomination Committee
External appointments:
He is Deputy Chairman of Carphone Warehouse Group PLC and a Non-executive Director of TalkTalk Telecom Group PLC.
Previous experience:
Until February 2004, he was the Commercial & Trading Director of Tesco plc. He joined Tesco in 1965 and became an Executive Director in 1984. He was also formerly Chairman of Gallaher Group and a Non-executive Director of Lloyds TSB Bank Plc from 1994/97 and Vodafone Group from 1998/99. In January 2007 he was appointed Non-executive Chairman of EMI Group which position he held until the UK music group's purchase by private equity later in 2007. Until March 2011 he was also Chairman of New Look PLC.

09 Aubrey Adams, Non-executive Director Age 61

Appointment to the Board:
Aubrey was appointed a Non-executive Director in September 2008.
Committee membership:
Audit Committee
External appointments:
He is Non-executive Chairman of Air Partner PLC, Max Property Group PLC and Unitech Corporate Parks PLC which is a business focused on Indian Real Estate Investment. He is a Chairman of the Board of Trustees of the Wigmore Hall.
Previous experience:
He was, until May 2008, Chief Executive of Savills PLC and was formerly Senior Independent Director, Associated British Ports PLC.

10 Simon Borrows, Non-executive Director Age 52

Appointment to the Board:
Simon was appointed a Non-executive Director of the Company on 17 March 2011.
Committee membership:
Audit Committee
External appointments:
He is Chairman of Greenhill & Co International LLP and a Non-executive Director of Inchcape plc.
Previous experience:
Simon served as Greenhill & Co Inc. Co-President 2004/07 and Co-Chief Executive Officer 2007/10 and has worked for 28 years in the banking and finance industry. Prior to Greenhill he was Chief Executive Officer of Baring Brothers International Ltd, the corporate finance division of ING Barings.

11 Dido Harding, Non-executive Director Age 43

Appointment to the Board:
Dido was appointed a Non-executive Director of the Company in January 2010.
Committee membership:
Remuneration Committee
External appointments:
She is Chief Executive Officer of TalkTalk Telecom Group PLC.
Previous experience:
Prior to joining TalkTalk in early 2010, Dido was Sainsbury's Convenience Director and a member of J Sainsbury plc's Operating Board. Dido previously held senior management positions within Tesco plc, Kingfisher Plc and Thomas Cook Ltd.

12 William Jackson, Non-executive Director Age 47

Appointment to the Board:
William was appointed a Non-executive Director of the Company on 11 April 2011.
Committee membership:
Audit Committee
External appointments:
He is Chief Executive of Bridgepoint, a leading private equity firm. He serves on a number of Bridgepoint portfolio Boards, including Pret A Manger and as Chairman of Dorna Sports SL, holder of the commercial rights of the Moto GP World Championship.

13 Richard Pym, Non-executive Director Age 61

Appointment to the Board:
Richard was appointed a Non-executive Director of the Company in January 2010.
Committee membership:
Nomination Committee and Chairman of the Audit Committee
External appointments:
He is Chairman of UK Asset Resolution Ltd, the holding company established to manage the 'run off' of the Government owned closed mortgage books of Bradford and Bingley PLC and Northern Rock (Asset Management) PLC. He is also Non-executive Chairman of BrightHouse Group Ltd and Nordax Finans AB.
Previous experience:
He was Group Chief Executive of Alliance & Leicester plc until 2007. He was also formerly a Vice President of the British Bankers Association, Non-executive Chairman of Halfords Group plc and Non-executive Director of Selfridges PLC and Old Mutual PLC.

14 Lord Turnbull, Non-executive Director Age 66

Appointment to the Board:
Andrew was appointed a Non-executive Director of the Company in April 2006.
Committee membership:
Nomination Committee and Chairman of the Remuneration Committee
External appointments:
He is a Non-executive Director of Prudential PLC and Frontier Economics Ltd. He is Chairman of B H Global Limited. He entered the House of Lords in 2005 as a Crossbench Life Peer.
Previous experience:
He retired in July 2005 as Secretary of the Cabinet and Head of the Home Civil Service, 2002/05. He was Permanent Secretary of HM Treasury, 1998/04; and before that Permanent Secretary at the Department of the Environment, 1994/98.

15 Secretary: Anthony Braine

Tony joined British Land in 1987 as Assistant Secretary and became Group Secretary in 1995.

Honorary President: Sir John Ritblat

Sir John became Managing Director of British Land in 1970 and Chairman in 1971. He retired from the Board in December 2006 and was appointed Honorary President.

EXECUTIVE COMMITTEE

01 Nigel Webb, Head of Developments Age 47

Nigel joined British Land in 1992 and was appointed Head of Developments in July 2003. He has responsibility for the Group's development activities including leading development acquisitions, planning, and implementation and leasing.

02 Jean-Marc Vandevivere, Head of Strategy Age 33

Jean-Marc joined British Land in June 2009 as Head of Strategy.

Previous experience:
Before joining British Land he was Principal Investor at Horsley Bridge Partners, a Private Equity Fund of Fund investing in Venture Capital and Private Equity. Prior to this, Jean-Marc spent seven years at The Boston Consulting Group working in Paris, Washington DC and London with a specialisation in the retail and consumer goods industries.

03 Ben Grose, Head of Retail Asset Management Age 41

Ben Grose joined British Land in July 2005 and is Head of Retail Asset Management for the Group's retail business in the UK.

Previous experience:
He was an asset manager at Pillar Property PLC where he was responsible for retail warehousing, in particular the Hercules Unit Trust portfolio. Prior to Pillar, he was shopping centre asset manager for PillarCaisse Management Limited, a joint venture between Pillar Property and La Caisse de Depot et Placement du Quebec. He has over 16 years of retail asset management experience having also previously worked for Trafalgar House Property Limited.

04 Chris Grigg, Chief Executive

05 Lucinda Bell, Finance Director Elect

06 Graham Roberts, Finance Director

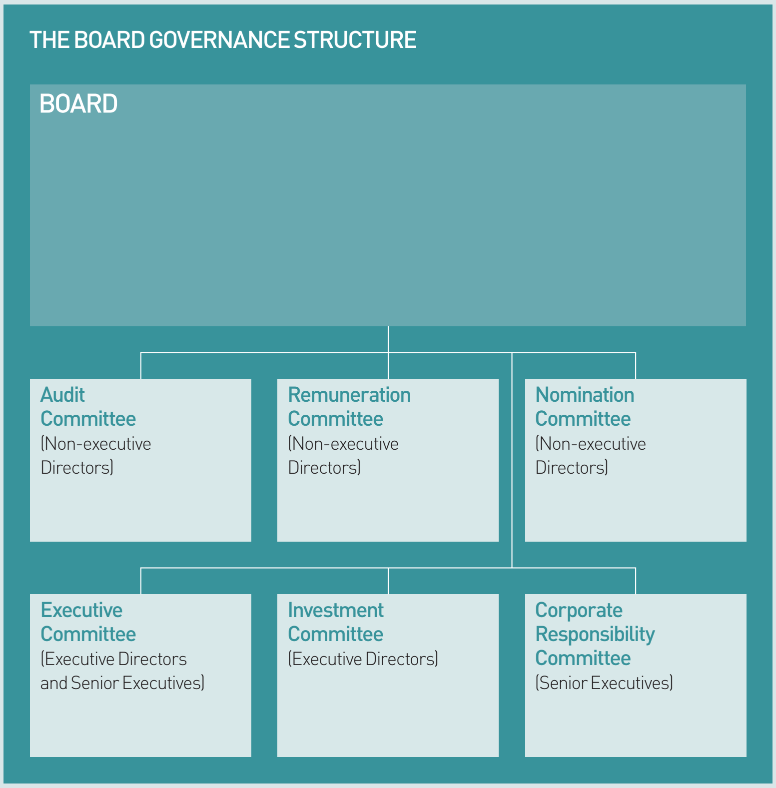
07 Tim Roberts, Head of Offices

08 Stephen Smith, Chief Investment Officer

09 Charles Maudsley, Head of Retail

10 Anthony Braine, Group Secretary

CORPORATE GOVERNANCE



For more information on the Audit Committee p118–119

For more information on the Remuneration Committee p120–129

GOVERNANCE FRAMEWORK

There is increasing external emphasis on the need for good corporate governance. In June 2010 The Combined Code on Corporate Governance was updated by the Financial Reporting Council which published The UK Corporate Governance Code. The changes to the Code include new principles on the composition and selection of the Board, the leadership of the Chairman, Board evaluation reviews, annual re-election of Directors, specific obligations to identify and monitor risk, and aligning performance-related pay to the long-term interests of the Company. British Land already complies with the majority of the provisions of the new Code. We welcome and support these changes, and expect to report full compliance in our next Annual Report.

Statement of compliance with the Code of Best Practice

The Company has complied throughout the year with the Provisions of The Combined Code on Corporate Governance 2008, other than that, following Robert Swannell's departure on 1 October 2010 until John Gildersleeve's and Richard Pym's appointments to the Nomination Committee on 11 November 2010, the Nomination Committee did not include a majority of independent Non-executive Directors. The Nomination Committee did not meet between 1 October and 11 November 2010.

Other legislative changes include the introduction of the new Bribery Act, the provisions of which are due to come into force on 1 July 2011. British Land conducts business in an honest way, without the use of corrupt practices or bribery to obtain an unfair advantage. We have carried out a risk assessment and reviewed and updated our policies and internal procedures taking account of the guidance issued by the Ministry of Justice. In addition, training is provided to ensure and emphasise continuing awareness of the legal requirements and our expectations throughout the Group.

BOARD EFFECTIVENESS

The Board is responsible for the strategy, effective control and management of the Group. There is a written division of responsibilities between the Chairman and Chief Executive, which has been approved by the Board. There is a formal schedule of matters specifically reserved for Board approval, which includes the approval of the annual and quarterly accounts, the approval of authority levels below the Board and the approval of material acquisitions, disposals and financing arrangements. The Board delegates authority to the Executive Directors of the Company in respect of certain transactions within defined, limited parameters. The Board has a regular schedule of meetings together with further meetings as required by the on-going business of the Company.

The Chairman and individual Directors meet regularly, outside formal Board meetings, as part of each Director's continuing contribution to delivery of the Company's strategy and achieve superior returns for shareholders. This process also allows for open two-way discussion about the effectiveness of the Board, its Committees and individual Directors, both Executive and Non-executive. By this means the Chairman is continually aware of the views of individual Directors and can act as necessary to deal with any issues relating to Board effectiveness before they can become a risk to the Company.

A meeting takes place each year over a two- or three-day period to discuss and agree the on-going strategy of the Group. This meeting is attended by the whole Board together with Senior Executives contributing to specific discussions. Papers are considered on each part of the Group's existing and prospective portfolio, financing and of the Group as a whole in order to formulate and confirm the overall corporate strategy going forward.

There is a strong and independent Non-executive element on the Board as shown by the details of Directors on page 111.

BRITISH LAND BOARD PERFORMANCE EVALUATION

The British Land Board performance evaluation alternates internally facilitated appraisals with externally facilitated appraisals at least every three years. As last year the internally facilitated formal Board Appraisal process required each Director to give detailed input, the results of which were considered by the Chairman, the Senior Independent Director and the Board. The appraisal covered the Board's role, corporate governance, executive and Non-executive Directors' contributions, information flow and monitoring Company performance. The appraisal results were again generally strongly positive and improved from last year. The Board's goal is for continuous improvement in the results year-on-year.

The annual appraisal process also includes the Senior Independent Director meeting to discuss the performance of the Chairman with other Directors annually, or more frequently as necessary. In addition, the Chairman meets with each Non-executive Director annually to discuss their contribution and the Chairman provides the Remuneration Committee with a written appraisal of the Chief Executive's performance for the year. Similarly, the Chief Executive provides the Remuneration Committee with a written assessment of the Executive Directors' performance.

COMMITTEES OF THE BOARD

The Board has established Audit, Remuneration and Nomination Committees which operate within defined terms of reference, which are made available on the Company's website (www.britishland.com); the minutes of the Committees are circulated to the Board. The Audit and Remuneration Committees are entirely composed of independent Non-executive Directors, and the Nomination Committee is composed of independent Non-executive Directors together with the Chairman. John Gildersleeve is the Senior Independent Director.

In addition there are three principal management committees established by the Chief Executive – the Executive Committee, composed of the Executive Directors and Senior Executives; the Investment Committee, composed of the Executive Directors; and the Corporate Responsibility Committee, composed of Senior Executives with its chairman reporting directly to the Chief Executive.

The activities of the committees are discussed below, and in a separate Report by the Audit Committee and in the Remuneration Report by the Remuneration Committee.

AUDIT COMMITTEE

Details of the Audit Committee and its activities are set out in the Report of the Audit Committee on pages 118 and 119.

REMUNERATION COMMITTEE

Details of the Remuneration Committee and the Group remuneration policy are set out in the Remuneration Report on pages 120 to 129.

NOMINATION COMMITTEE

The Nomination Committee's responsibilities include making recommendations to the Board on all new Board appointments and succession planning. It consists of Chris Gibson-Smith, Lord Turnbull, John Gildersleeve and Richard Pym. Robert Swannell also served until his resignation in October 2010, following which John Gildersleeve and Richard Pym joined the Committee in November 2010.

During the year the Committee has made recommendations to the Board on the appointment of two new Non-executive Directors, Simon Borrows and William Jackson. The recommendations were made after considering a wide range of candidates and employing external search consultants. The Committee has also considered and approved the appointment of one new Executive Director, Lucinda Bell. It has also considered succession planning, the structure, size and composition of the Board and its Committees, the recommendations to the Board of Directors retiring for re-election by shareholders and the renewal of Non-executive Directors' letters of appointment.

ATTENDANCE AT BOARD OR COMMITTEE MEETINGS DURING THE YEAR TO 31 MARCH 2011

Attendance is expressed as the number of meetings attended out of the number eligible to attend.

Board Directors

Name	Board	Audit Committee	Remuneration Committee	Nomination Committee
Chris Gibson-Smith	8/8			2/2
Chris Grigg	8/8			
Aubrey Adams	8/8	5/5		
Lucinda Bell	1/1			
Simon Borrows	1/1			
Clive Cowdery	6/8	2/5		
John Gildersleeve	8/8		3/4	1/1
Dido Harding	8/8		4/4	
Charles Maudsley	8/8			
Richard Pym	8/8	5/5		1/1
Graham Roberts	6/8			
Tim Roberts	8/8			
Stephen Smith	8/8			
Robert Swannell	3/3	2/3		1/1
Lord Turnbull	8/8	4/5	4/4	2/2
Number of meetings during the year	**8**	**5**	**4**	**2**

ROTATION OF DIRECTORS
The Articles of Association of the Company require each Director to retire at the third Annual General Meeting (AGM) after the general meeting at which he was last elected. In line with the 2011 changes in The UK Corporate Governance Code, it will be proposed at the Annual General Meeting that all Directors require annual re-election.

NON-EXECUTIVE DIRECTORS
The Board considers that Aubrey Adams, Simon Borrows, John Gildersleeve, Dido Harding, William Jackson, Richard Pym and Lord Turnbull are independent Non-executive Directors. In making this determination the Board has considered whether each Director is independent in character and judgement and whether there are relationships or circumstances which are likely to affect, or could affect, the Director's judgement. The Board believes that it is evident from consideration of the Non-executive Directors' biographies detailed on the Board of Directors pages that they are of the integrity and stature required to perform their roles of independent Non-executive Directors.

The terms and conditions of appointment of Non-executive Directors are available for inspection at the Company's registered office and at the Annual General Meeting.

EXECUTIVE COMMITTEE
The Executive Committee comprises the Executive Directors together with the Senior Executives shown on page 113. The Committee, which is chaired by Chris Grigg, deals with the on-going management of the Group and meets approximately twice monthly.

The Committee considers a number of differing issues including the day-to-day running of the business, the performance of the Group's assets, financing, internal procedures, risk management and matters for recommendation to other committees or the Board. It receives and considers a number of regular reports – a Monthly Reporting Pack, and quarterly a Property Market Review and a report on Economic and Capital Markets. The Committee discusses emerging trends, and ad-hoc reports are considered on various matters including market sectors, cost inflation and drivers of the business.

A separate meeting is set aside each quarter to consider and discuss a Quarterly Business Review. This Report provide a high level quarterly performance review of the business focusing on the key metrics for retail, office and finance, and assists the Committee in considering and debating the performance of each area of the Group.

INVESTMENT COMMITTEE
The Investment Committee comprises the Executive Directors. It is chaired by Stephen Smith and meets as required to review and approve property transactions. These include any proposed sales or purchases, and proposed capital expenditure above a defined limit, including expenditure in joint ventures. Approvals by the Committee are subject to the approval of the Board in the case of major transactions, and subject to any other formal Board approvals that may be required including approvals required by the joint venture documentation in the case of joint venture expenditure.

During the year the Committee has met 13 times and considered 42 proposals.

CORPORATE RESPONSIBILITY COMMITTEE
Details of the Corporate Responsibility Committee and its activities are set out in the Corporate Responsibility section of this Report on pages 63 to 70.

RISK MANAGEMENT AND INTERNAL CONTROL
The Directors are responsible for the maintenance of a sound system of internal control. The Board has continued to apply the internal control provisions of The Combined Code on Corporate Governance through a continuous process for identifying, evaluating and managing the significant risks the Group faces. This process has been in place throughout the year, up to the date of approval of this Report, and the Group has been in compliance with the provisions set out in Section 1 of the Code. The Board is responsible for the Group's system of internal control and for reviewing its effectiveness. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Group applies the following fundamental control principles:

- A defined schedule of matters reserved for decision by the Board;
- A detailed authorisation process which ensures that no material commitments are entered into without competent and proper authorisation by more than one approved executive;
- Formal documentation of all significant transactions;
- A system of business and financial planning including cash flow and profitability forecasting and scenario exercises performed on major corporate, property and financing proposals;
- A property investment appraisal process;
- Monitoring against budget and forecast;
- Continual benchmarking of property performance with external sources such as the Investment Property Databank (IPD);
- A comprehensive property and corporate insurance programme;
- A formal whistle-blowing policy.

The Board continually reviews the effectiveness of the Group's system of internal control. The key risks that the Group faces and features of the internal control system that operated throughout the period covered by the accounts are described in the Report of the Audit Committee on pages 118 and 119, and the approach to risk and the principal risks themselves are shown on pages 102 to 105.

INVESTOR RELATIONS

We place considerable importance on maintaining open and clear communication with investors. The Company's Investor Relations department is dedicated to facilitating communication with shareholders. We continue to have an on-going programme of dialogue and meetings between the Executive Directors and its shareholders, where a wide range of relevant issues including strategy, performance, the market, management and governance are discussed within the constraints of the information already known to the market. In addition, we undertake regular roadshows in the UK, Europe and the US, and participate in sector conferences.

The Directors consider it is important to understand the views of shareholders, and at each scheduled Board meeting the Directors receive a written report of the major issues which have been raised with management. In 2010, the Board commissioned a leading independent investor relations consultancy to produce an investor perceptions study drawing on interviews with a range of major institutions, both current and past shareholders, in the UK, Europe and the US.

During the course of a year, shareholders are kept informed of the progress of the Company through results statements and other announcements that are released through the London Stock Exchange and other news services. Company announcements and presentations are made available simultaneously on our website, affording all shareholders full access to material information. Shareholders can also raise questions directly with the Company at any time through a facility on the website.

Additionally, there is an opportunity at the Annual General Meeting for individual shareholders to question the Chairman and the Chairmen of the Audit, Remuneration and Nomination Committees. At the meeting, the Company complies with the Combined Code as it relates to voting, including votes withheld, the separation of resolutions, the attendance of committee chairmen and voting by poll. The Annual Report and Notice of Meeting are sent to shareholders at least 20 working days prior to the AGM. All AGM resolutions are decided by poll and the voting results are announced to the London Stock Exchange and are available on the website and on request.

STAFF

We maintain a policy of employing the best candidates available in every position, regardless of gender, ethnic group or background. Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicants concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with us continues and that appropriate training is arranged. It is our policy that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

We encourage employees' involvement and keep our employees informed through regular briefings and internal communications. We have well established all-employee share schemes. In the UK, separate pension fund reports are made available to members.

Reportable accidents across our portfolio

	2010/11	2009/10
At Head Office	nil	nil
At Broadgate Estates staff	nil	1
At our managed properties	43	52
Rate per 100,000 hours worked on our developments[1]	0.46	0.26

1 On our developments, there was one reportable accident across 216,327 working hours in 2010/11, compared to 14 reportable accidents across 1.9 million hours in 2009/10.

Staff turnover

	Employees leaving (number and % of total staff)	
	2010/11	2009/10
Head Office	12 (8%)	15 (9%)
Broadgate Estates	23 (13%)	21 (12%)
Average	18 (11%)	18 (11%)

Discrimination

British Land supports equal opportunities and gender diversity. At 31 March 2011 its 183 Head Office staff comprised 83 females and 100 males; of the 95 staff considered executives, 24 were female and 71 male. There were no incidents of discrimination during the financial year, or the previous financial year.

CHARITABLE AND POLITICAL CONTRIBUTIONS

We recognise the importance and benefits of supporting charities and local communities, particularly if they are local to the areas in which we operate. In the year to 31 March 2011 we donated £392,945 to charities (2010: £297,293), all of which were located in the UK, and no contributions were made for political purpose (2010: nil).

GOING CONCERN

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Directors' Report and Performance Review. The financial position of the Group, its cash flows, liquidity position and borrowing facilities, together with the Group's financing policy, are described in the Financial Review section of the Performance Review on pages 91 to 101.

The Group has considerable undrawn debt facilities and cash deposits in excess of current drawn banking facilities. There is substantial headroom against the covenants for its unsecured banking facilities, details of which are included in pages 100 and 101 of the Performance Review. It also benefits from a diverse and secure income stream from leases with long average lease terms. As a consequence, the Directors believe that the Group is well placed to manage its business risks satisfactorily despite the current uncertain economic outlook.

The Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis in preparing the Annual Report and Accounts.

SUMMARY

In summary, the Directors and Senior Executives continue to manage the Group within a framework that both ensures and encourages corporate governance in line with good practice.

Chris. Gibson-Smith.

Chris Gibson-Smith
Chairman

REPORT OF THE AUDIT COMMITTEE

COMPOSITION OF THE COMMITTEE

The Audit Committee meets regularly during the year aligned to the quarterly financial reporting timetable; during the financial year it met on five occasions. I was appointed Chairman of the Committee in January 2010. The other Committee members are Aubrey Adams, William Jackson (appointed 11 April 2011) and Simon Borrows (appointed 12 April 2011). Aubrey Adams has two years' experience on the Audit Committee. Lord Turnbull was a member of the Committee until 11 April 2011 and served on the Committee for five years. Robert Swannell also served on the Committee until 1 October 2010 and Clive Cowdery until 17 March 2011. All are independent Non-executive Directors. I am the member nominated as having recent and relevant financial experience.

RESPONSIBILITIES AND ACTIVITIES OF THE COMMITTEE

The Committee's responsibilities include:

- Monitoring the integrity of the financial statements of the Company and any formal announcements relating to the Company's financial performance;
- Reviewing the Company's internal financial controls and the Company's internal control and risk management systems;
- Monitoring and reviewing the effectiveness of the Company's internal audit function;
- Making recommendations to the Board in relation to the appointment of the external auditor and approving the remuneration and terms of engagement of the external auditor;
- Reviewing and monitoring the external auditor's independence, objectivity and effectiveness;
- Developing and implementing policy on the engagement of the external auditor to supply non-audit services, taking into account relevant ethical guidance;
- Reviewing and monitoring the valuation process;
- Reviewing the Committee's terms of reference and monitoring its execution.

We have undertaken each of the above responsibilities during the year on which we have received and reviewed relevant reports from management, the valuers, and the internal and the external auditor. We have agreed a schedule of internal audit reviews of various of the Group's processes and controls to be undertaken, and have reviewed the results of those reviews already completed.

By invitation, there are a number of regular attendees at each meeting including the Chairman, the Finance Director, the Head of Financial Forecasting and Reporting, Head of Internal Audit and representatives of the valuers and the external auditor. Other executives, including the Chief Executive and the Chairman of the Investment Committee, are invited to attend from time to time. The Committee meets regularly with the external auditor and Head of Internal Audit without management being present.

Areas formally reviewed and discussed by the Committee during the financial year included:

- The Group's principal risks by priority and their mitigations, including detailed matrices developed during the year to assist in calibrating the priority of each risk;
- An annual report on Internal Control;
- An annual fraud risk assessment;
- Valuation processes, particularly with regard to the effect of market conditions on the pricing of investment and development properties. This included valuer and internal property analyst presentations to the Committee;
- Monitoring of processes and procedures in place to ensure the Board is able effectively to assess borrowing covenant compliance headroom and forecast sensitivity;
- Occupier credit risk;
- Procurement;
- Corporation tax and VAT;
- Strategy review of the Group's property database;
- Corporate transactions;
- Agents' financial controls;
- Property investment and leasing;
- Cash and debt management;
- External auditor reports on planning, conclusions and final opinion;
- External auditor management letters containing observations arising from the annual audit leading to recommendations for control or financial reporting improvement;
- Fraud and whistle-blowing policies.

AUDITOR

The Committee is specifically charged under its terms of reference with considering matters relating to the audit appointment, the independence and objectivity of the auditor, and reviewing the results and effectiveness of the audit. Deloitte LLP were first appointed external auditor of the Group in 2002. During the year, we considered the appointment, compensation and independence of the external auditor; and the appointment of a new audit partner to take effect for periods after 31 March 2011.

With respect to other services provided by the auditor the following framework is in place:

- → Audit related services – the auditor is one of a number of firms providing audit related services, which include formal reporting relating to borrowings, shareholder and other circulars and various work in respect of acquisition and disposals. Where they must carry out the work because of their office or are best placed to do so, the auditor is selected. In other circumstances the selection depends on which firm is best suited;
- → Tax advisory – the auditor is one of a number of firms that provide tax advisory services. The selection depends on who is best suited in the circumstances;
- → General consulting – the auditor does not provide general consultancy services except in certain circumstances, and then only after consideration that they are best placed to provide the service and that their independence and objectivity would not be compromised.

Drivers Jonas Deloitte, which was acquired by Deloitte LLP in 2010, provides the Company with advice on the masterplanning of the 75 acres of potential development land around Meadowhall Shopping Centre together with occasional advice or services on other matters. The Committee has considered and agreed that this and other non-audit related services provided by Deloitte may continue to be provided, subject to approval by the Committee where expenditure is above established approval limits. As shown in note 5 to the financial statements, total fees payable to Deloitte in the last financial year amounted to £1.1 million, of which £0.6 million was for non-audit related services including £0.2 million for advice and services provided by Drivers Jonas Deloitte. In addition, fees of £0.3 million were payable to Deloitte for the audit of various joint ventures of the Group.

Deloitte have provided us with written confirmation of their independence. Deloitte have also provided a report on the effectiveness of the external audit process which covers audit objectives, leadership, qualification, quality and independence. The Committee and Board have recommended that the reappointment of Deloitte LLP be proposed to shareholders at the 2011 Annual General Meeting.

The Committee meets with the external auditor to discuss with them the scope and conclusions of their work. The arrangements with auditor have been approved by the Committee and are regularly reviewed in the light of changing requirements and best practice.

IDENTIFICATION AND EVALUATION OF COMMERCIAL RISKS AND RELATED CONTROL OBJECTIVES

British Land undertakes a comprehensive risk assessment semi-annually, which identifies the principal risks that affect the Group. The resulting risk reports are reviewed and discussed by the Executive Committee. The adequacy of risk mitigating strategies and controls are considered at each review. This helps to assist in defining the risk profile of the business, the risk appetite and ensuring alignment to the business strategy.

These risk reports are presented to the Audit Committee for oversight and discussion, and influence the setting of the internal audit programme. Each individual risk is underpinned by risk indicators, the management of which is the responsibility of specific Executive Directors and Senior Executives within the Group.

The reporting and discussion of risks to ensure effective risk management is further supported by the presence of a solid governance structure including the various committees of the Board and executive committees which have well defined responsibilities and authorities. Clearly articulated policies help maintain consistent and regulated practices with regard to the key business functions, including development, investments and treasury. Finally, extensive procedural documents detail the range of operational level controls in place for the management of risks associated with these transactions, including billings and expense management.

The Group has a range of reports that assist management in understanding risks and managing them appropriately. Semi-annually, risk reports are sent to Executives and Directors that articulate the key business risks. Monthly management reports are prepared and circulated which include a range of risk and performance indicators.

The approach to risk and the principal risks themselves are shown in pages 102 to 105.

R.A. Pym

RICHARD PYM
Chairman of the Audit Committee

REMUNERATION REPORT

UNAUDITED INFORMATION

The Remuneration Committee comprises Lord Turnbull, Chairman of the Committee, John Gildersleeve and Dido Harding. The Committee's Terms of Reference are available on the Company's website.

The Remuneration Committee took advice during the year from Strategic Remuneration, Chris Grigg, and Anthony Braine. The Committee has retained Alan Judes as its independent adviser throughout the year via his consultancy, Strategic Remuneration. A copy of the letter of engagement between the Company and Strategic Remuneration is on the Company's website. Strategic Remuneration also gave advice to the Company on personnel and share plan matters. The Committee is satisfied that there is no conflict in Strategic Remuneration providing such services to the Company.

STATEMENT OF COMPANY'S POLICY ON DIRECTORS' REMUNERATION

British Land is an industry leader and a FTSE 100 Company. The Company's goal is to achieve sustained outperformance for shareholders. The business model is people-light and asset-heavy – it leverages the work, skill and judgement of a relatively small staff over a large value of assets.

To accomplish British Land's performance goals the Company targets a high performance, open and meritocratic culture where people are motivated individually and as a team to outperform competitors, subject to maintenance of quality and security.

It is important that pay policy reinforces the Company's goals, providing effective incentives for exceptional Company, team and individual performance with significant upward and downward variability.

As well as providing motivation to perform, pay plays an important retention role and hence needs to be competitive with alternative employment opportunities. This is particularly so as British Land's demands on staff are high and there is a scarcity value on proven performers. We do recognise, however, that there are circumstances under which key staff members cannot be kept in the Company.

It is even more important to have strong alignment of management incentives with measures that matter to British Land's shareholders and with shareholder returns via share ownership.

The policy is to set basic salary and benefits at norms broadly consistent with the Company's FTSE position with appropriate variance for specialist positions, but to provide Annual Incentive and Long-Term Incentive levels that would move total pay above median towards upper quartile if performance so merits.

Directors' remuneration packages comprise a fixed part consisting of a basic salary and benefits together with an annual incentive, matching share plan and long-term incentive plans.

The total pay position is analysed by looking across each of the different elements of pay: basic salary and benefits, annual incentive awards and long-term incentives. This provides the Committee with a total remuneration view rather than just the competitiveness of the individual pay elements and may vary widely to correspond to the need of the role and the performance delivered.

In using salary and other remuneration data the Committee is mindful of not unnecessarily ratcheting up the remuneration levels, while properly incentivising performance and being able to attract and retain the best people. The Committee also has regard to economic factors, remuneration trends and the level of pay increases throughout the Company when determining Directors' pay.

Each year the Committee reviews its policy in the light of any changes to the strategy by management. During 2011/12 the Committee will look at measures used by the LTIP to ensure that the Company gets best alignment and focus for management and shareholders.

(i) Basic salary and benefits

Basic salary and benefits in kind for each Director are reviewed annually by the Remuneration Committee, taking account of the Director's performance and responsibilities.

The Committee considers basic salary levels against two peer groups. For roles where corporate size and scope characteristics drive duties, basic pay levels and recruitment sources, a peer group of major UK companies across market sectors with a median market capitalisation broadly comparable to British Land is used to establish basic salary levels.

For other posts, the Committee will look at pay levels in other organisations such as agents, fund managers or with comparably sized support functions to match with roles of comparable speciality, scope and responsibility to those within British Land. This reflects the 'people-light and asset-heavy' business model.

Basic salaries are targeted around the median of the relevant peer group in both cases. The Company utilises pay surveys from time to time to ensure pay is correctly positioned against the market. Appropriate increases are made to base salary to reflect individual merit and remain competitive with the market.

(ii) Annual incentive plan

The annual incentive plan consists of an amount payable to Directors reflecting Company performance and the individual's contribution during the preceding year. One third of the annual incentive is paid in fully vested shares subject to a three-year holding requirement under the Company's Matching Share Plan described below.

For 2011/12 the 'On Target' award level for the Chief Executive continues to be 90% of salary with a maximum award of 180% of salary. 'On Target' award levels for the other executive Directors are 75% of base salary with a maximum of 150% of salary. The awards are not contractual and are not pensionable. These levels are unchanged from previous years.

The Remuneration Committee's approach to setting annual incentives is two-fold. Each individual's performance is considered in relation to the goals agreed for their specific areas of responsibility, such as:

- The success of purchases and sales;
- Successful progress on developments;
- Lettings and rent reviews;
- Asset management activities;
- Successful execution of debt financings;
- Control over the Group's finances and accounts;
- Management of administrative services and human resources;
- Progress on strengthening the dividend.

The Committee also considers team contributions made by each individual to corporate performance, using as external indicators:

- Accounting Return – total NAV based return plus dividends relative to property majors and relevant indices;
- Unlevered property capital returns relative to IPD;

→ Rental growth from reviews and new lettings relative to ERV and sector norms;

→ Operating costs as a percentage of rents and assets against prior year and property majors.

These factors are then aggregated by the Committee into annual incentive awards for each Director on an individualised, non-formulaic basis, though supported by the objective individual data points to provide a fair and appropriate award to each individual.

The performance during the year ended 31 March 2011 was assessed by the Committee using data available at the year-end against the Company's targets. The Committee was pleased to note that during the year the Company outperformed on every measure. The quantitative measures were:

→ Accounting Return. The Accounting Return of the Company was well above the median of the property majors and also above the IPD;

→ Unlevered property returns relative to IPD. Over the financial year the Company delivered returns above that of IPD;

→ Rental income growth. For lettings, rent reviews and lease renewals the Company delivered outperformance against ERV of 1.8% and rental income growth was ahead of IPD. In retail some 390 new lettings initiatives increased the net effective rent by over £4.5 million;

→ Net operating costs as a percentage of rent and NAV compared with prior year and property majors. Net operating costs including property outgoings as a proportion of gross rents which were substantially below the nearest competitor. Operating costs were approximately 0.8% of portfolio value.

The qualitative performance measures assessed by the Committee included the following:

→ Successful execution of targeted acquisitions and disposals. The Company has delivered some £500 million of acquisitions during the year many with development potential, achieving its desired aims of adding risk through the new development programme and rebalancing the portfolio. Through lettings of developments and other initiatives the Company has replaced the 'income gap' from the Broadgate sale. The Company has increased the office weighting and rebalanced the portfolio from the City towards the West End;

→ Successful progress on developments. The Company substantially decreased the risk exposure in its standing portfolio to support commitment to new developments at the start of the Office cycle, agreeing lettings of 810,000 sq ft and increasing the occupancy rate from 84% to 97%. Virtually all of the newly completed office developments have been let. The Company has a significant programme on seven major developments at 5 Broadgate, Leadenhall, 199 Bishopsgate, Regent's Place, Baker Street, Marble Arch House and Whiteley Village;

→ Quality of people and management renewal. The Company has made a number of senior appointments during the year to strengthen the capability of the team and has continued to promote women with an increase in female professional staff to 33 from 27. The Company has introduced an Investment Committee and formed a dedicated investment team. There have been internal appointments to Head of Retail Asset Management and succession planning for the Finance Director;

→ Company reputation. The improved external perceptions of the Company's assets and strategy have been recognised by being awarded Property Company of the Year at the 2011 Property Week Awards. During the year the Company received eight other awards. In an IPSOS MORI Stakeholder poll results included 92% of respondents classing experience of British Land as very favourable or mainly favourable, 87% would speak highly of British Land and 100% classed British Land as professional and 71% as world class.

Taking into account all these factors, the bonus was in aggregate for the Executive Directors set at 76% of the maximum provided by the scheme (61% in 2009/10).

(iii) The Matching Share Plan

The Matching Share Plan is targeted at Executive Committee members and, by invitation, other key senior contributors to the Company or members of its Group. It is intended to incentivise and retain Senior Executives, ensure that such executives are not focused exclusively on short-term performance and, accordingly, increase the alignment of their interests with those of the shareholders.

For those individuals who are eligible to participate in the Matching Share Plan, one third of their after tax annual incentive or such other after tax proportion as the Committee may agree is delivered in British Land shares.

Participants are eligible to receive an award of free shares benchmarked by reference to the number of shares equal in value to the gross amount of their Deferred Annual Incentive on the date such Deferred Annual Incentive was declared. The receipt of that award is subject to (i) the Annual Incentive Shares being held by the Trustees for a three-year period, (ii) the participant remaining an employee or officer of a Group company at the end of that time, and (iii) certain performance conditions being satisfied.

The Matching Share Award is divided into two parts. One part is based on total shareholder return (the 'TSR Part'). The other on the growth in the Company's Like-for-Like Growth of rent (the 'LFL Part').

The combined maximum amount of shares that can be delivered to a participant pursuant to a Matching Share Award cannot exceed 200% of the number of their Notional Annual Incentive Shares for any relevant year.

As regards the TSR Part, if the total shareholder return over the Performance Period is less than the median of a comparator group of UK property companies, no Matching Share Award will vest for participants in relation to the TSR Part. If the TSR is equal to the median, a Matching Share Award equal to 35% of each participant's number of Notional Annual Incentive Shares vests in relation to the TSR Part. For every 1% that the TSR exceeds the median, each participant's Matching Share Award in relation to the TSR Part is increased by an amount equal to 16.25% of that participant's number of Notional Annual Incentive Shares, subject to a maximum amount under the TSR Part equal to 100% of that participant's number of Notional Annual Incentive Shares.

The comparator group of UK property companies currently consists of Great Portland Estates PLC, Hammerson PLC, Land Securities Group PLC, Capital Shopping Centres Group PLC and Segro PLC.

As regards the LFL Part, if the increase in Like-for-Like Growth of rent of the Company during the Performance Period is less than that of the IPD comparator (the 'Growth Requirement'), no Matching Share Award will vest for participants in relation to the LFL Part. If the increase in LFL is equal to the Growth Requirement, a Matching Share Award equal to 35% of each participant's number of Notional Annual Incentive Shares will vest in relation to the LFL Part. For every 0.5% per annum that the LFL exceeds the Growth Requirement, each participant's Matching Share Award in relation to the LFL

Part shall be increased by an amount equal to 21.67% of that participant's number of Notional Annual Incentive Shares, subject to a maximum amount under the LFL Part equal to 100% of that participant's number of Notional Annual Incentive Shares.

The TSR and LFL conditions have been selected to complement the net asset based LTIP vesting criteria and ensure a balanced alignment of interest with the key financial measures most used by shareholders. The vesting scales have been designed to reward outperformance – in the case of TSR, by reference to competitors – in the case of LFL, by reference to our comparative outperformance as measured by IPD. They are fully supportive of the strategy of the Company.

Aon Hewitt undertakes the TSR performance measurement and submits a report to the Company advising the results for each specific award. The Committee requests external adviser sign-off for performance measures as part of its oversight procedures.

(iv) Long-Term Incentive Plan (LTIP)

The LTIP permits the award of market value options and/or performance shares, as may suit the Company from time to time. The option section of the Plan comprises an Inland Revenue approved part and an unapproved part. Under the Plan, the Company may award a maximum notional value of 250% of base salary in performance shares each year or the equivalent value of base salary in options each year (the latter under current estimations being valued at 25% of their exercise price). The annual limit is set with both the options and performance shares components of the Plan taken together. The split of the awards made each year between performance shares and options may be varied between 0% and 100% at the discretion of the Remuneration Committee. The Remuneration Committee's current policy is to make awards of up to a maximum of 200% of salary for Executive Directors and 250% of salary for the Chief Executive.

Grants made under the Plan are subject to a prescribed performance condition upon which the exercise of options and the vesting of performance shares will be contingent except that grants may be made without any performance condition if required to facilitate the recruitment of a new executive.

The performance condition attaching to options and share awards measures the growth in the Company's net asset value per share against the capital growth component of the Investment Property Databank Annual Index, over a performance period of three years commencing the year in which the options and share awards are granted. Growth in the Company's net asset value per share must exceed that of the Index for a minimum proportion of the options to be exercised and/or performance shares to vest. Stretching outperformance is required for the entire award to vest. Growth in the Company's net asset value per share is a key measure of performance over the longer term and highly relevant for LTIP performance measurement.

The performance hurdles for Directors' LTIP awards are:

Percentage by which the average annual growth of British Land's Net Asset Value per Share exceeds the average annual increase in the capital growth component of the Investment Property Databank Annual Index	Percentage vesting
4.5% or more	100%
3.5% or more but less than 4.5%	80%
2.5% or more but less than 3.5%	60%
1.5% or more but less than 2.5%	40%
0.5% or more but less than 1.5%	20%
More than 0% but less than 0.5%	10%
0% or less	0%

The Committee reviews these performance conditions on a regular basis to ensure they are both sufficiently stretching and remain relevant to the Company's strategic objectives. Aon Hewitt undertakes the performance measurement and submits a report to the Company advising the results for each specific award.

(v) Fund Managers Performance Plan (FMPP)

The FMPP is designed to incentivise executives who operate the 'Company advised' Unit Trusts and the British Land owned portfolios. The FMPP is intended to incentivise and retain the fund managers by rewarding outperformance and to align the interests of those executives with investors in the Unit Trusts and the Company. The Company is one of the largest investors in those Unit Trusts. Executive Directors do not participate in this plan.

Following the end of each financial measurement period, up to a maximum of 30% of the performance fees earned by the Unit Trusts is set aside to provide incentives under the FMPP (the 'Incentive Pool'). An annual comparative notional pool is also calculated for the purposes of incentivising executives managing internal portfolios. At present, the Committee only expects awards to be made up to or less than 25% of the performance fees/notional pool. The Committee may in its absolute discretion grant, and recommend that the Trustees grant, awards under the FMPP.

Some 20% of the value of any award under the FMPP is paid as a cash bonus. The remaining 80% of the value of any award is delivered in the form of free shares in the Company over a three-year period and subject to clawback for subsequent underperformance.

In November 2009, the performance fee calculation basis for Hercules Unit Trust was changed from an annual to a three-year rolling average. A percentage of the performance fee earned by British Land as HUT's Property Adviser provides the funding for the external FMPP awards pool. The first calculation will be carried out as at 31 December 2012 on the basis of the Trust's performances in 2010, 2011 and 2012. This change has not amended the reference IPD benchmark or the fee cap.

The FMPP rules currently only provide for an award based on annual performance with clawback over the following three years for subsequent underperformance for awards based on the performance of the Company advised unit trusts. The rules will, therefore, need amendment to enable awards based on triennial performance and a resolution will be put to the 2011 AGM.

MINIMUM SHAREHOLDING GUIDELINE

The Directors' Minimum Shareholding Guideline requires approximately 200% of base salary to be held in vested shares by the Chief Executive and 125% for other Executive Directors. There is no set timescale required to reach the target but this should be achieved through the regular additions anticipated by Annual Incentive Matching Share Plan and Long-Term Incentive Plan awards. No purchases are required either to reach the level or to respond to share price falls but Directors are expected to increase their holding of shares each year until the target is attained. The number/value of shares required as the target is fixed once a year. Shares included are those beneficially owned, Chris Grigg's Co Investment Plan holding, Charles Maudsley's Restricted Share Plan holding, Matching Shares purchased with bonus and Share Incentive Plan holdings. Shown below is the guideline fixed for the year to 31 March 2012:

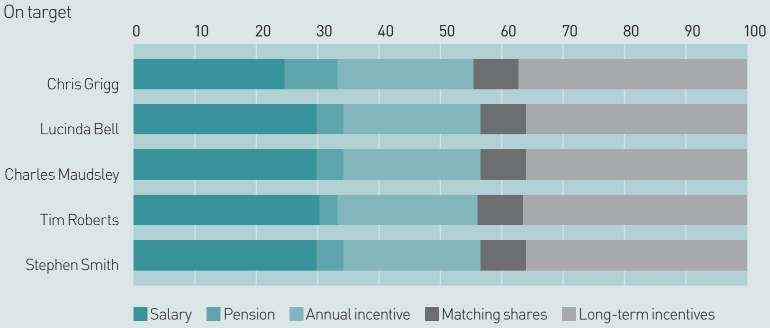
	Guideline holding	**Holding at 31 March 2011**
Chris Grigg	289,593	**555,413**
Lucinda Bell	96,154	**46,002**
Charles Maudsley	96,154	**165,922**
Tim Roberts	96,154	**127,342**
Stephen Smith	96,154	**138,543**

FIXED/VARIABLE PAY ANALYSIS

The following summarises the annual package and relative importance of its components for each Executive Director. The analysis prepared by Strategic Remuneration shows the estimated 'expected' value of variable compensation. This takes account of vesting periods and related performance conditions.

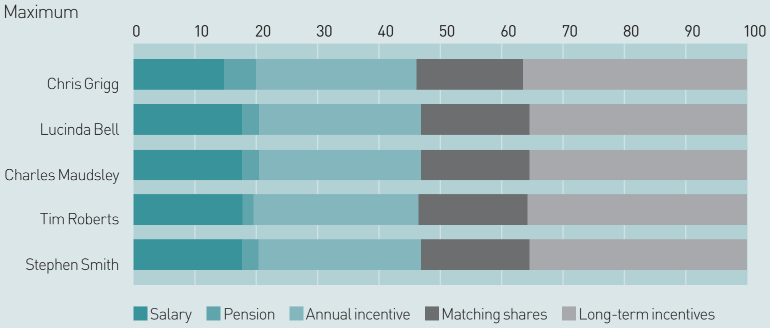
FIXED/VARIABLE PAY ANALYSIS %

On target



FIXED/VARIABLE PAY ANALYSIS %

Maximum



The whole of the remuneration package for Graham Roberts consists of basic salary and pension, neither of which is related to performance.

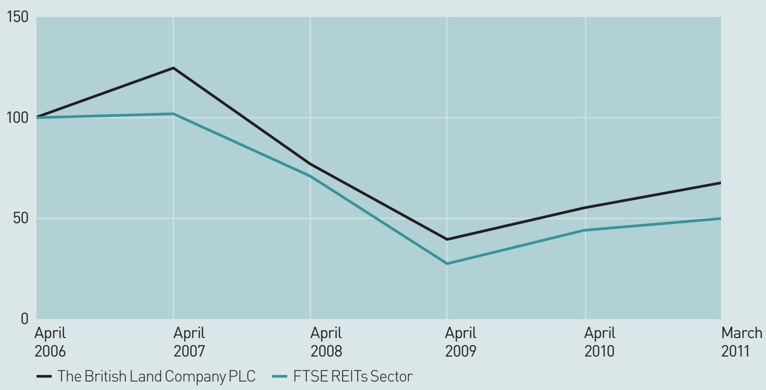
PERFORMANCE GRAPH

The graph below is prepared in accordance with the Directors' Remuneration Report Regulations 2002. It shows the Company's total return for the five years from 1 April 2006 to 31 March 2011 against that of the FTSE Real Estate Investment Trusts Total Return Index for the same period.

The FTSE Real Estate Investment Trusts Total Return Index has been chosen because that is where the shares of the Company are classified. Aon Hewitt prepared the graph based on underlying data provided by Datastream.

FIVE YEAR TOTAL RETURN

Rebased to 100 from April 2006



DIRECTORS' CONTRACTS

The policy of the Company is to have service contracts with notice periods of one year. It is sometimes necessary when recruiting a new Director to give a service contract with an initial term of longer than one year. In such circumstances it is the policy of the Company that the notice period should reduce to one year after an initial period of service.

The Company applies the principle of mitigation in the event of early termination of service contracts.

Chris Grigg has a service contract dated 19 December 2008, Lucinda Bell has a service contract dated 10 March 2011, Charles Maudsley has a service contract dated 3 November 2009, Graham Roberts has a service contract dated 19 November 2001, Tim Roberts has a service contract dated 14 November 2006, and Stephen Smith has a service contract dated 3 November 2009, all of which provide for one year's notice.

There are no further provisions for compensation payable on termination of service contracts of Directors. There has been no compensation paid to departing Directors during the year. Graham Roberts leaves the Company on 30 June 2011. He will receive the sum of £486,000, being equivalent to one year's salary and benefits. This will be paid in 12 equal instalments over the 12 months following departure and subject to cessation or reduction in the event of his receiving other remuneration. His pensionable benefits will accrue to 30 June 2012 subject to mitigation. He will be treated as a good leaver for the purposes of the Company's LTIP and MSP and therefore will receive a pro-rata release of his awards under these schemes on departure, subject to satisfaction of the relevant performance conditions. His LTIP vested options must be exercised within ten years of their grant date.

EXECUTIVE DIRECTORS' FEES

Graham Roberts is a Non-executive Director of Balfour Beatty PLC, for which he receives remuneration of £60,500 (2010: £56,000).

NON-EXECUTIVE DIRECTORS

The remuneration of the Non-executive Directors is a matter for the executive members of the Board. Their remuneration comprises a standard Director's fee, a fee for additional responsibilities and an attendance fee based on the number of meetings attended during the year. The remuneration provided takes into account the level of responsibility, experience and abilities required and the marketplace for similar positions in comparable companies.

REMUNERATION REPORT continued

AUDITED INFORMATION

Directors' emoluments

	2011				2010			
	Salary[1] £	Annual incentive[2] £	Benefits £	Total (excluding pensions) £	Salary £	Annual incentive £	Benefits £	Total (excluding pensions) £
Chairman								
Chris Gibson-Smith	335,000		36,876	371,876	348,958			348,958
Executive Directors								
Chris Grigg	800,000	1,200,000	19,403	2,019,403	800,000	960,000	18,777	1,778,777
Lucinda Bell	23,184	27,716	1,041	51,941[3]				
Charles Maudsley	425,000	510,000	19,303	954,303	70,833	53,125	2,783	126,741
Graham Roberts	469,500	351,000	17,841	838,341	469,500	351,000	17,591	838,091
Tim Roberts	426,500	510,000	18,773	955,273	401,500	400,000	18,147	819,647
Stephen Smith	425,000	510,000	19,303	954,303	104,564	78,422	4,607	187,593
	Fees £			Total £	Fees £			Total £
Non-executive Directors								
Aubrey Adams	66,200			66,200	70,200			70,200
Simon Borrows	5,299			5,299[4]				
Clive Cowdery	54,732			54,732[5]	61,800			61,800
John Gildersleeve	67,907			67,907	66,200			66,200
Dido Harding	64,400			64,400	14,750			14,750
Richard Pym	73,500			73,500	19,253			19,253
Robert Swannell	37,200			37,200[6]	85,997			85,997
Lord Turnbull	77,700			77,700	78,900			78,900
	3,351,122	3,108,716	132,540	6,592,378	2,592,455	1,842,547	61,905	4,496,907

1 Includes £1,500 to each Graham Roberts and Tim Roberts and £86 to Lucinda Bell for subsidiary board fees.
2 One third of the annual bonus is paid in the form of locked up shares under the Matching Share Plan.
3 From 11 March 2011, date of appointment to office.
4 From 17 March 2011, date of appointment to office.
5 To 17 March 2011, date of cessation of office.
6 To 1 October 2010, date of cessation of office.

Emoluments do not include distributions arising from share plan interests. Benefits in kind include car allowance, provision of car and driver in respect of the Chairman, private medical insurance and permanent health insurance. Pension related payments to the Executive Directors are shown in the Directors' pension benefits for the year ended 31 March 2011 on pages 128 and 129.

2011/12 salaries

The Committee has decided that salaries for the 2011/12 financial year will not be increased from their 2010/11 levels disclosed above. Lucinda Bell's salary was increased to £425,000 on appointment to the Board on 11 March 2011 and shall likewise remain at this level for 2011/12.

Salaries are benchmarked against comparative data in salary surveys to set a level of around the median in accordance with the remuneration policy of the Committee. The Committee reviews salaries annually at 1 April. In reviewing the salaries of the Executive Directors, the Committee takes into account the employment conditions and salary increases awarded to employees throughout the Group, which were a target guideline of 4%. Shown below are the current annual rates of salary of the Executive Directors with effect from 1 April 2011.

	2011	2010	% increase
Chris Grigg	800,000	800,000	Nil
Lucinda Bell	425,000	425,000[1]	Nil
Charles Maudsley	425,000	425,000	Nil
Tim Roberts	425,000	425,000	Nil
Stephen Smith	425,000	425,000	Nil

1 Salary at 11 March 2011, date of appointment to office.

a) Directors' interests in the Company's shares

Fully paid ordinary shares, including shares held by spouses, Matching Share Plan Bonus Shares and under the Company's Share Incentive Plan. All interests are beneficial.

	31 March 2011	1 April 2010
Chris Gibson-Smith	**53,201**	53,201
Chris Grigg	**312,913**	302,645
Lucinda Bell	**46,002**	45,933[1]
Charles Maudsley	**112,797**	55,695
Graham Roberts	**46,830**	236,704
Tim Roberts	**127,342**	125,436
Stephen Smith	**138,543**	88,543
Aubrey Adams	**20,000**	20,000
Simon Borrows	**300,000**	[2]
Clive Cowdery	**25,916**[3]	19,540
John Gildersleeve	**5,071**	5,071
Dido Harding	**1,767**	
Richard Pym	**2,016**	
Robert Swannell	**22,850**[4]	19,933
Lord Turnbull	**10,134**	8,192

1 On 11 March 2011, date of appointment to office.
2 On 17 March 2011, date of appointment to office.
3 On 17 March 2011, date of cessation of office.
4 On 01 October 2010, date of cessation of office.

Purchases after the year-end up to one month before the AGM notice

On 1 April 2011 Lord Turnbull, Richard Pym and Dido Harding were allotted 453, 905 and 735 shares respectively, at a price of 552.3 pence per share, as part of their standing instructions to receive shares as satisfaction of their Directors' fees.

On 14 April 2011 Chris Grigg purchased 270 shares and Lucinda Bell, Graham Roberts and Tim Roberts each purchased 22 shares at a price of 555 pence per share under the 'Partnership' element of the Company's Share Incentive Plan. Accordingly, Chris Grigg was awarded 540 shares and Lucinda Bell, Graham Roberts and Tim Roberts were awarded 44 'Matching' ordinary shares, all at a price of 555 pence per share.

Incentive schemes distributions

The aggregate amount of gains made by Directors on the exercise of share options was £nil (2010: £nil). The aggregate value of distributions to Directors in relation to the incentive plans (not including option exercises) was £Nil (2010: £745,238). A distribution valued at £672,277 (2010: £nil) was released under the Charles Maudsley Restricted Share Plan, an award that was made to Charles Maudsley as compensation for earned but unvested deferred shares and cash awards from his previous employer.

Share price

The MMQ for the ordinary 25 pence shares of the Company at the close of business on 31 March 2011 was 552.5 pence. The highest and lowest MMQs during the year to 31 March 2011 were 585.5 pence and 418.3 pence.

b) Directors' options and share plan interests

(i) Sharesave Scheme

Beneficial interests of the Directors under the Sharesave Scheme:

	Date of grant	Number of options at 1 April 2010	Number of options granted during the year	Number of options vesting during the year	Number of options exercised during the year	Number of options lapsed during the year	**Number of options at 31 March 2011**	Exercise price (p)	Earliest exercise date	Expiry date
Lucinda Bell	30.06.2009	3,014[1]					**3,014**	301	01.09.2012	28.02.2013
Graham Roberts	22.12.2004	3,077				3,077		537	01.03.2010	31.08.2010
	28.06.2010		4,175				**4,175**	370	01.09.2015	29.02.2016
Tim Roberts	30.06.2009	2,411					**2,411**	301	01.09.2012	28.02.2013
	30.06.2009	1,033					**1,033**	301	01.09.2014	28.02.2015

1 On 11 March 2011, date of appointment to office.

The Directors' participation in the Sharesave Scheme, which is not subject to performance criteria, is considered appropriate because the Scheme is open to all employees with at least 18 months of service.

(ii) Long-Term Incentive Plan

Beneficial interests of the Directors under the Long-Term Incentive Plan:

Options

	Date of grant	Number of options at 1 April 2010[1]	Number of options granted during the year	Number of options vesting during the year	Number of options exercised during the year	Number of options lapsed during the year	**Number of options at 31 March 2011**	Exercise price (p)	Earliest exercise date	Expiry date
Chris Grigg	29.06.2009	1,033,591					**1,033,591**	387	29.06.2012	28.06.2019
	11.06.2010		1,789,709				**1,789,709**	447	11.06.2013	10.06.2020
Lucinda Bell	29.11.2004	25,326[2]					**25,326**	660	29.11.2007	29.11.2014
	31.05.2005	14,036[2]					**14,036**	727	31.05.2008	30.05.2015
	05.12.2005	11,557[2]					**11,557**	824	05.12.2008	04.12.2015
	29.05.2008	53,578[2]					**53,578**	666	29.05.2011	28.05.2018
	02.12.2008	96,551[2]					**96,551**	420	02.12.2011	01.12.2018
	29.06.2009	50,387[2]					**50,387**	387	29.06.2012	28.06.2019
	21.12.2009	36,434[2]					**36,434**	446	21.12.2012	20.12.2019
	11.06.2010	113,255[2]					**113,255**	447	11.06.2013	10.06.2020
	14.12.2010	19,607[2]					**19,607**	510	14.12.2013	13.12.2020
Graham Roberts	25.09.2003	119,455					**119,455**	416	25.09.2006	24.09.2013
	28.05.2004	122,872					**122,872**	549	28.05.2007	27.05.2014
	31.05.2005	81,743					**81,743**	727	31.05.2008	30.05.2015
	27.06.2007	102,317				102,317[3]		1,100	27.06.2010	26.06.2017
	20.12.2007	51,254				51,254[3]		732	20.12.2010	19.12.2017
	29.05.2008	154,553					**154,553**	666	29.05.2011	28.05.2018
	29.06.2009	483,720					**483,720**	387	29.06.2012	28.06.2019
	11.06.2010		418,791				**418,791**	447	11.06.2013	10.06.2020
Tim Roberts	29.11.2004	22,513					**22,513**	660	29.11.2007	29.11.2014
	31.05.2005	13,210					**13,210**	727	31.05.2008	30.05.2015
	05.12.2005	17,483					**17,483**	824	05.12.2008	04.12.2015
	27.06.2007	19,099				19,099[3]		1,100	27.06.2010	26.06.2017
	20.12.2007	9,566				9,566[3]		732	20.12.2010	19.12.2017
	29.05.2008	240,177					**240,177**	666	29.05.2011	28.05.2018
	29.06.2009	826,873					**826,873**	387	29.06.2012	28.06.2019
	11.06.2010		380,313				**380,313**	447	11.06.2013	10.06.2020

1 The number of options as at 1 April 2010 are the maximum awards achievable under the Long-Term Incentive Plan on maximum outperformance of the Plan's performance conditions except for the options awarded in 2003, 2004 and 2005 which have already vested and remain exercisable until their respective expiry dates.
2 On 11 March 2011, date of appointment to office.
3 These options lapsed on 10 June 2010 as the Performance Target had not been met.

Performance Shares

	Date of grant	Number of shares at 1 April 2010[1]	Number of shares granted during the year[2]	Number of shares vesting during the year	Number of shares forfeited during the year	**Number of shares at 31 March 2011**	Earliest vesting date
Chris Grigg	29.06.2009	258,397				**258,397**	29.06.2012
Lucinda Bell	29.05.2008	6,899[4]				**6,899**	29.05.2011
	02.12.2008	8,045[4]				**8,045**	02.12.2011
	29.06.2009	8,397[4]				**8,397**	26.06.2012
	21.12.2009	9,108[4]				**9,108**	21.12.2012
	11.06.2010	28,313[4]				**28,313**	11.06.2013
	14.12.2010	4,901[4]				**4,901**	14.12.2013
Charles Maudsley	11.06.2010		190,156			**190,156**	11.06.2013
Graham Roberts	27.06.2007	25,578			25,578[3]		27.06.2010
	20.12.2007	12,813			12,813[3]		20.12.2010
	29.05.2008	78,448				**78,448**	29.05.2011
	29.06.2009	120,930				**120,930**	29.06.2012
	11.06.2010		104,697			**104,697**	11.06.2013
Tim Roberts	27.06.2007	4,774			4,774[3]		27.06.2010
	20.12.2007	2,390			2,390[3]		20.12.2010
	29.05.2008	60,044				**60,044**	29.05.2011
	11.06.2010		95,078			**95,078**	11.06.2013
Stephen Smith	11.06.2010		190,156			**190,156**	11.06.2013

1 The numbers of shares as at 1 April 2010 are the maximum awards achievable under the Long-Term Incentive Plan on maximum outperformance of the Plan's performance conditions.
2 On 11 June 2010, the date of grant, the market price was 454 pence.
3 These shares were forfeited on 10 June 2010 as the Performance Target had not been met.
4 On 11 March 2011, date of appointment to office.

The LTIP performance target compares British Land's average annual Net Asset Value Growth over three years to the capital growth component of the Investment Property Databank Annual Index (see page 122 of the Remuneration Report).

(iii) Chris Grigg 2009 Co-Investment Share Plan

In connection with the recruitment of Chris Grigg, as Chief Executive of the Company, the Company made him a one-off non-pensionable award of 242,500 British Land shares on 4 March 2009. The market price on that day was £3.305. This award was conditional on the acquisition by him, on the same day, of a matching number of shares and requires the subsequent retention of those shares until 12 January 2012. These shares conditionally vest on 12 January 2012 provided he remains in employment at that time.

(iv) Charles Maudsley 2010 Co-Investment Share Plan and Restricted Share Plan

In connection with the recruitment of Charles Maudsley as an Executive Director, the Company made him a one-off non-pensionable award of 53,517 British Land shares on 30 March 2010 under the Charles Maudsley 2010 Co-Investment Share Plan. The market price on that day was £4.785. This award was conditional on the acquisition by him of a matching number of shares and requires the retention of those shares until 1 February 2013. These shares conditionally vest on 1 February 2013, subject to remaining in employment until then and the performance conditions being satisfied; 50% will vest if there is real growth in NAV per share over the performance period and 50% will vest if total return is over 10% for the performance period. The performance period is the three years to 31 December 2012.

The Company also made a further one-off non-pensionable award to him of 170,002 British Land shares on 30 March 2010 under the Charles Maudsley 2010 Restricted Share Plan. The market price on that day was £4.785. The award was made as compensation for earned but unvested deferred shares and cash awards at his previous employer. An appropriate discount for uncertainty of future share price and currency values was used to value the level of compensation. 116,877 of these shares vested on 15 February 2011, the market price on that day was 550.5 pence, realising a notional gain of £643,408. An accrued dividend of £28,869 was also released on vesting of these shares. Charles Maudsley retained 57,102 of the vesting shares. The remaining 53,125 shares under award will vest on 1 February 2012, subject to Charles Maudsley remaining in employment at that time.

(v) Stephen Smith 2010 Co-Investment Share Plan

In connection with the recruitment of Stephen Smith as an Executive Director, the Company made him a one-off non-pensionable grant of 85,328 British Land shares on 31 March 2010 under the Stephen Smith Co-Investment Share Plan. The market price on that day was £4.811. This grant was conditional on the acquisition by him of a matching number of shares and requires the retention of those shares until 4 January 2013. These shares conditionally vest on 4 January 2013, subject to remaining in employment until then and the performance conditions being satisfied; 50% will vest if there is real growth in NAV per share over the performance period and 50% will vest if total return is over 10% for the performance period. The performance period is the three years to 31 December 2012.

(vi) Matching Share Plan

	Date of grant	Number of matching shares at 1 April 2010[1]	Number of matching shares awarded during the year[2]	Number of matching shares vested during the year	Number of matching shares forfeited during the year	**Number of matching shares at 31 March 2011**	Earliest vesting date
Chris Grigg	21.05.2009	29,266				**29,266**	21.05.2012
	02.09.2010		133,028			**133,028**	02.09.2013
Lucinda Bell	20.05.2008	9,524[4]				**9,524**	20.05.2011
Charles Maudsley	02.09.2010		7,360			**7,360**	02.09.2013
Graham Roberts	22.05.2007	13,762			13,762[3]		22.05.2010
	20.05.2008	22,862				**22,862**	20.05.2011
	21.05.2009	39,286				**39,286**	21.05.2012
	02.09.2010		48,638			**48,638**	02.09.2013
Tim Roberts	22.05.2007	14,318			14,318[3]		22.05.2010
	20.05.2008	33,344				**33,344**	20.05.2011
	21.05.2009	50,746				**50,746**	21.05.2012
	02.09.2010		55,428			**55,428**	02.09.2013
Stephen Smith	02.09.2010		10,866			**10,866**	02.09.2013

1 The number of shares shown above is the maximum awards achievable under the Matching Share Plan on maximum outperformance of the Plan's Performance Targets.
2 On 02 September 2010, the date of grant, the market price was 467 pence.
3 These shares were forfeited on 22 May 2010 as the Performance Targets had not been met.
4 On 11 March 2011, date of appointment to office.

For the Awards made in 2007, 2008 and 2009 the MSP Performance Targets compares British Land's Total Shareholder Return (TSR) over three years against a comparator group and rewards Earnings Per Share growth above 4% simple a year over three years. For the Awards made in 2010 the Performance Targets are the TSR target, and a target that compares the Group's Annual Gross Income Growth over three years against the Gross Income Growth of the Investment Property Databank Benchmark (see pages 121 and 122 of the Remuneration Report).

The British Land Share Ownership Plan (the Trust), a discretionary trust, has been established to facilitate the operation of the above long-term incentive schemes. The Trustees of the Trust purchase the Company's ordinary shares in the open market in order to satisfy the above Awards. If Awards vest, immediately after vesting, shares are transferred out of the Trust to the Scheme's participants as appropriate. Dividends under the above share incentive schemes are retained by the Trust in interest bearing accounts and are payable to employees only on the vesting of the employee's shares; along with, in the case of the Long-Term Incentive Plan, interest earned on the dividends. In the event of a variation of capital, the Trustees (having considered the recommendations of the Remuneration Committee) have discretion to take such action as they consider appropriate.

Directors' pension benefits for the year ended 31 March 2011

Three Executive Directors, Lucinda Bell, Graham Roberts and Tim Roberts, earned pension benefits in schemes sponsored by the Company during the year. Although Lucinda Bell was appointed an Executive Director on 11 March 2011, legislation requires disclosures of the amounts of and changes in, accrued pension benefits for all service rather than just service as a Director, and also to disclose the change that happened over the whole year, rather than just the period as a Director. Chris Grigg receives a sum equal to 35% of basic salary in lieu of pension contributions, which for the year amounted to £280,000 (2010: £280,000). The Company also contributed a sum equal to 15% of Charles Maudsley and Stephen Smith's basic salaries, which amounted to £63,750 to each Director (2010: £10,625 for Charles Maudsley and £15,685 for Stephen Smith).

As a result of changes introduced by the UK Finance Act 2004 affecting the taxation of pensions from 6 April 2006, Executive Directors and other senior employees were offered the option of having benefits in excess of their lifetime allowance provided by an unfunded non-registered arrangement. Mr Graham Roberts has opted to have part of his benefits in excess of the lifetime allowance and annual allowance provided in this manner. The Remuneration Committee is willing to adopt a flexible approach to providing retirement benefits at a time of significant change to the taxation system affecting pension scheme benefits and in the light of changes announced in 2010 particularly affecting defined benefit schemes resolved to:

1 Limit the increase in defined benefit accrual to currently £3,125 a year.
2 Provide the contractual promise in excess of this annual amount either by means of an unfunded Employer Financed Retirement Benefit Scheme (EFRBS) if it is tax efficient or through a pensions allowance instead.
3 Keep the costs broadly similar from a Company perspective.

Non-executive Directors do not participate in any Company sponsored pension arrangement.

Since the Directors' Remuneration Report Regulations 2002 came into force, company accounts are subject to two sets of disclosure requirements. The extended Companies Act 2006 requirements have to be observed in addition to the current UK Listing Authority requirements. The requirements differ slightly and these Regulations are expected to remain in force for the time being. The alternative disclosures shown in the two tables below provide the details of Directors' pensions necessary to satisfy the two sets of requirements.

COMPANIES ACT 2006 DISCLOSURE REQUIREMENTS

Name	Age at year-end	Accrued pension entitlement at year start £ per annum	Accrued pension earned during the year £ per annum	Accrued pension entitlement at year-end £ per annum	Transfer value of accrued pension at year start £	Transfer value of accrued pension at year-end £	Increase in transfer value less Director's contributions paid during the year £
Lucinda Bell	46	67,500	3,500	71,000	1,149,800	1,179,000	29,200
Graham Roberts	52	120,300	18,300	138,600	2,662,700	3,002,400	339,700
Tim Roberts	46	48,900	4,100	53,000	887,500	935,800	48,300

UK LISTING AUTHORITY DISCLOSURE REQUIREMENTS

Name	Age at year-end	Accrued pension entitlement at year start £ per annum	Increase in accrued pension during the year (in excess of inflation) £ per annum	Total accrued pension entitlement at year-end £ per annum	Transfer value of additional pension earned less Director's contributions paid during the year[1] £	Premiums paid in respect of life cover £
Lucinda Bell	46	67,500	400	71,000	6,600	453
Graham Roberts	52	120,300	12,900	138,600	278,500	9,191
Tim Roberts	46	48,900	1,900	53,000	32,700	5,880

1 See note 6b below.

Notes

1 The total accrued pension shown are those that would be paid annually on retirement at age 60 based on service to the end of the year.
2 Graham Roberts has a contractual entitlement of a pension of 2/3rds of Final Pensionable Salary at age 60. This contractual entitlement is being met using FURBS DC account; an unfunded EFRBS top-up arrangement and a pension payable from the British Land Group of Companies Pension Scheme. Since 2006 accrual in the FURBS arrangement was no longer tax efficient and the balance of Graham Roberts' contractual promise is now being met by the unfunded EFRBS arrangement.
3 The benefit provided by the FURBS was a lump sum paid based on salary above the Earnings Cap. To convert this into pension equivalent at the start of the year we have used the basis used for setting commutation factors in the British Land Group of Companies Pension Scheme.
4 Contributions and investment returns in the FURBS are taxed whereas the benefits are paid tax free. The pension equivalent shown above for Graham Roberts are a mixture of FURBS pension paid free of income tax and pension from the Registered Scheme and EFRBS that will be taxed as income.
5 Members of the Scheme have the option to pay Additional Voluntary Contributions. Neither the contributions nor the resulting benefits are included in the above table.
6 The following is additional information relating to Directors' pensions for those included in the above table:
   a Normal retirement age for pension arrangements is age 60;
   b Members of the Scheme were not required to pay contributions during the year;
   c Retirement may take place at any age after 55 subject to the consent of both the Company and the Trustees of the Scheme. Pensions are reduced to allow for their earlier payment;
   d On death in service, the Scheme provides a capital sum equal to four times salary and a spouse's pension of two-thirds of the member's prospective pension at age 60. If a Member is entitled to a deferred pension, a spouse's pension of two-thirds of the member's accrued pension is payable on death before or after retirement. These pensions are paid throughout the spouse's lifetime or until the youngest child reaches age 18 (or age 23 if in full time education), if later;
   e Pensions are guaranteed to increase each year in line with the increase in the Retail Prices Index (RPI) subject to a maximum of 5%. The Trustees may grant additional discretionary increases subject to the consent of the Company. Statutory increases apply to pensions during deferment;
   f Transfer value calculations allow for discretionary pension increases such that, in aggregate, pension increases in line with increases in the RPI are valued.
7 The premiums paid in respect of life cover exclude accidental death cover insured with Cassidy Davis whilst increases to Group life cover were being underwritten.

This Report was approved by the Board on 22 May 2011.

Lord Turnbull
Chairman of the Remuneration Committee

DIRECTORS' REPORT

The Directors present their Report and Audited Financial Statements for the year ended 31 March 2011. The Chairman's Statement, Performance Review and Corporate Governance Report from part of this report and should be read in conjunction with it.

RESULTS AND DIVIDENDS
The results for the year are set out in the consolidated income statement on page 134 and consolidated statement of comprehensive income on page 136. Details of the dividend can be found on page 163.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW
Details of the Group's principal activities, and a detailed review of the business of the Group including a description of the principal risks and uncertainties facing it, an analysis of the development and performance of the Group during the year and the position of the Group at year-end, including analysis using key performance indicators and other information that fulfils the requirements of a Business Review are contained in the Performance Review on pages 71 to 105.

CORPORATE GOVERNANCE REVIEW AND GOING CONCERN
The Group's Corporate Governance Policies, Going Concern statement and compliance with the Combined Code are set out on pages 114 to 117 in the Corporate Governance Report.

REAPPOINTMENT OF DIRECTORS
The Directors listed on the Board of Directors page 111 constituted the Board during the year, save that Robert Swannell and Clive Cowdery resigned from the Board on 1 October 2010 and 17 March 2011 respectively; and Lucinda Bell, Simon Borrows and William Jackson were appointed on 11 March 2011, 17 March 2011 and 11 April 2011 respectively. In accordance with best practice under the UK Corporate Governance Code 2010, all the Directors other than Graham Roberts, who is standing down from the Board on 30 June 2011, will retire at the AGM and will offer themselves for annual re-election.

The statement of directors' remuneration and their interests in shares options of the Company are set out in the Directors' Remuneration Report on pages 120 to 129. Related party transactions are detailed in note 25 on page 166.

PURCHASE OF OWN SHARES
The Company was granted authority at the Annual General Meeting in 2010 to purchase its own shares up to a total aggregate value of 10% of the issued nominal capital. That authority expires at this year's Annual General Meeting and a resolution will be proposed for its renewal. During the year the Company made no purchases of its own shares.

SHARE CAPITAL
The Company has one class of ordinary share and all shares rank equally and are fully paid (25 pence each). There are neither restrictions on the transfer of shares nor on the size of a holding. There are no significant agreements to which the Company is party that take effect, alter or terminate upon a change of control of the Company.

The issued share capital has been increased since 1 April 2010 by fully paid issues as follows:

		Number of ordinary shares of 25p
06 July 2010, 06 October 2010 and 12 January 2011	Shares in lieu of directors' fees	14,667
03 September 2010 to 20 December 2010	On exercise of options under the Long-Term Incentive Plan (LTIP)	159,523
01 April 2010 to 10 February 2011	On exercise of options under the Sharesave Scheme	8,447
15 May 2010 to 18 February 2011	Scrip Allotment	17,432,559

FINANCING INSTRUMENTS
Details of the use by the Company and its subsidiaries of financial instruments can be found in Financing Strategy on pages 59 to 61, and Financial Review on pages 91 to 101.

PAYMENTS POLICY
We recognise the importance of good supplier relationships to the overall success of our business. We manage dealings with suppliers in a fair, consistent and transparent manner and have signed up to the UK Government's Prompt Payment Code. At the year-end there were 29 (2010: 34) suppliers' days outstanding.

EMPLOYEES
The Group's policies on employment are summarised in the Corporate Governance Report on pages 114 to 117. Details of charitable and political donations are also included in the Corporate Governance Report.

EVENTS AFTER THE BALANCE SHEET DATE
There were no reportable events after the balance sheet date.

DIRECTORS' INTERESTS IN CONTRACTS
No contract existed during the year in relation to the Company's business in which any Director was materially interested.

DIRECTORS' LIABILITY INSURANCE AND INDEMNITY
The Company has arranged insurance cover in respect of legal action against its Directors. To the extent permitted by UK law, the Company also indemnifies the Directors.

SUBSTANTIAL INTERESTS
As at 22 May 2011, the Company had been notified of the following major interests in its issued ordinary share capital.

	Number of shares	% of issued capital
Blackrock, Inc.	52,861,598	5.88%
APG Algemene Pensioen Groep N.V.	42,997,630	4.78%
Government of Singapore Investment Corporation Pte Limited	42,014,236	4.67%
Legal and General Group PLC	34,283,631	3.81%
Norges Bank	27,327,724	3.04%

AUDITORS

The Audit Committee have recommended resolutions to reappoint Deloitte LLP as auditors and to authorise the Directors to determine their remuneration be proposed at the AGM.

DISCLOSURE OF INFORMATION TO AUDITOR

Each of the persons who is a Director at the date of approval of this Report confirms that:

- So far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- The Director has taken all the steps that he/she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

ANNUAL GENERAL MEETING

The Annual General Meeting of The British Land Company PLC will be held at The Ocean Room, The Cumberland Hotel, Great Cumberland Place, London W1H 7DL on Friday 15 July 2011, at 11.00 am.

This Report was approved by the Board on 22 May 2011.

Anthony Braine

Anthony Braine
Secretary
22 May 2011

DIRECTORS' RESPONSIBILITIES STATEMENT

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors are required to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Article 4 of the IAS Regulation and have elected to prepare the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing the parent company financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and accounting estimates that are reasonable and prudent;
- State whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

In preparing the Group financial statements, International Accounting Standard 1 requires that Directors:

- Properly select and apply accounting policies;
- Present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance;
- Make an assessment of the Company's ability to continue as a going concern.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

We confirm that to the best of our knowledge:

- The financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole;
- The Management Report, which is incorporated into the Directors' Report, includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

By order of the Board

Graham Roberts

Graham Roberts
Finance Director

FINANCIAL STATEMENTS

OUR PERFORMANCE IS UNDERPINNED BY STRONG AND FLEXIBLE FINANCING

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CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2011

		2011			2010		
	Note	Underlying pre-tax[1] £m	Capital and other £m	Total £m	Underlying pre-tax[1] £m	Capital and other £m	Total £m
Gross rental and related income	3	298		298	394		394
Net rental and related income	3	255		255	337		337
Fees and other income	4	15		15	13		13
Amortisation of intangible assets			(10)	(10)		(15)	(15)
Joint ventures and funds (see also below)		117	264	381	81	398	479
Administrative expenses		(61)		(61)	(55)		(55)
Net valuation movement (includes result on disposals)	6		321	321		496	496
Net financing costs – financing income	7	29	3	32	30		30
– financing charges	7	(99)	(4)	(103)	(157)		(157)
		(70)	(1)	(71)	(127)		(127)
Profit on ordinary activities before taxation		256	574	830	249	879	1,128
Taxation – current tax (expense) income	8		(2)	(2)		24	24
– deferred tax income (expense)	8		12	12		(12)	(12)
			10	10		12	12
Profit for the year after taxation attributable to shareholders of the Company				840			1,140
Earnings per share – basic	2			95.7p			133.0p
– diluted	2			95.2p			132.6p

1 As defined in note 2.

		2011			2010		
	Note	Underlying pre-tax[1] £m	Capital and other £m	Total £m	Underlying pre-tax[1] £m	Capital and other £m	Total £m
Share of results of joint ventures and funds							
Underlying profit before taxation		117		117	81		81
Net valuation movement (includes result on disposals)			270	270		412	412
Non-recurring items						(9)	(9)
Current tax expense			(3)	(3)		(5)	(5)
Deferred tax expense			(3)	(3)			
	12	117	264	381	81	398	479

1 As defined in note 2.

CONSOLIDATED BALANCE SHEET

As at 31 March 2011

	Note	2011 £m	2010 £m
ASSETS			
Non-current assets			
Investment properties	11	**4,752**	4,126
Owner-occupied property	11	**38**	33
		4,790	4,159
Other non-current assets			
Investments in joint ventures and funds	12	**2,066**	1,594
Other investments	13	**51**	261
Intangible assets	13		10
		6,907	6,024
Current assets			
Debtors	14	**90**	105
Liquid investments	18	**203**	195
Cash and short-term deposits	18	**60**	74
		353	374
Total assets		**7,260**	6,398
LIABILITIES			
Current liabilities			
Short-term borrowings and overdrafts	18	**(319)**	(139)
Creditors	15	**(333)**	(332)
		(652)	(471)
Non-current liabilities			
Debentures and loans	18	**(1,620)**	(1,642)
Other non-current liabilities	16	**(23)**	(30)
Deferred tax liabilities	17	**(35)**	(47)
		(1,678)	(1,719)
Total liabilities		**(2,330)**	(2,190)
Net assets		**4,930**	4,208
Equity			
Share capital		**224**	220
Share premium		**1,237**	1,241
Other reserves		**(68)**	(90)
Retained earnings		**3,537**	2,837
Total equity attributable to shareholders of the Company		**4,930**	4,208
EPRA NAV per share[1]	2	**567p**	504p

1 As defined in note 2.

Chris Gibson-Smith
Chairman

Graham Roberts
Finance Director

Approved by the Board and authorised for issue on 22 May 2011.

Company number 621920

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2011

	2011 £m	2010 £m
Profit for the year after taxation	840	1,140
Other comprehensive income:		
Gains (losses) on cash flow hedges		
– Group	(13)	(6)
– Joint ventures and funds revaluations	18	(10)
	5	(16)
Transferred to the income statement (cash flow hedges)		
– foreign currency derivatives	6	6
– interest rate derivatives	14	23
	20	29
Exchange differences on translation of foreign operations		(1)
Net actuarial loss on pension scheme	(2)	(2)
Other comprehensive income for the year	23	10
Total comprehensive income for the year	863	1,150

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2011

	Note	2011 £m	2010 £m
Rental income received from tenants		227	317
Fees and other income received		21	15
Operating expenses paid to suppliers and employees		(66)	(84)
Cash generated from operations		182	248
Interest paid		(96)	(179)
Interest received		19	9
UK corporation tax paid			(3)
Distributions and other receivables from joint ventures and funds		105	61
Net cash inflow from operating activities		210	136
Cash flows from investing activities			
Development and other capital expenditure		(62)	(173)
Purchase of investment properties		(379)	(75)
Sale of investment properties		68	279
Purchase of investments			(43)
Sale of investments			13
Deferred consideration received		22	
Loans repaid by Broadgate joint venture		220	
Establishment of Broadgate joint venture			31
Investment in Shopping Centres joint venture with Tesco plc			(26)
Investment in and loans to joint ventures and funds		(123)	(56)
Capital distributions received from joint ventures and funds		12	7
Indirect taxes received (paid) in respect of investing activities		2	(4)
REIT conversion charge recovered			6
Net cash outflow from investing activities		(240)	(41)
Cash flows from financing activities			
Dividends paid		(139)	(154)
Movement in other financial liabilities		(14)	(20)
Establishment of Broadgate joint venture – cash collateral			(266)
Increase in liquid investments			(200)
Increase in bank and other borrowings		171	1
Net cash inflow (outflow) from financing activities		18	(639)
Net decrease in cash and cash equivalents		(12)	(544)
Cash and cash equivalents at 1 April		72	616
Cash and cash equivalents at 31 March		60	72
Cash and cash equivalents consists of:			
Cash and short-term deposits	18	60	74
Overdrafts			(2)
		60	72

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2011

	Share capital[1] £m	Share premium £m	Hedging and translation reserve[1] £m	Revaluation reserve[1] £m	Retained earnings £m	Total £m
Balance at 1 April 2010	220	1,241	(38)	(52)	2,837	4,208
Profit for the year after taxation					840	840
Joint ventures and funds revaluations				18		18
De-designation of cash flow hedges			(3)		3	
Losses on cash flow hedges			(13)			(13)
Reclassification of losses on cash flow hedges to profit for the year after taxation						
– foreign currency derivatives			6			6
– interest rate derivatives			14			14
Net actuarial loss on pension schemes					(2)	(2)
Other comprehensive income			4	18	1	23
Total comprehensive income for the year			4	18	841	863
Share issues	4	(4)				
Adjustment for share and share option awards					6	6
Dividends payable (26.0p per share)					(228)	(228)
Adjustment for scrip dividend element					81	81
Balance at 31 March 2011	224	1,237	(34)	(34)	3,537	4,930
Balance at 1 April 2009	217	1,244	(98)	(41)	1,887	3,209
Profit for the year after taxation					1,140	1,140
Reallocation of hedging reserve on disposal			37		(37)	
Joint ventures and funds revaluations				(10)		(10)
Losses on cash flow hedges			(6)			(6)
Reclassification of losses on cash flow hedges to profit for the year after taxation						
– foreign currency derivatives			6			6
– interest rate derivatives			23			23
Exchange differences on translation of foreign operations				(1)		(1)
Net actuarial loss on pension schemes					(2)	(2)
Other comprehensive income			60	(11)	(39)	10
Total comprehensive income for the year			60	(11)	1,101	1,150
Share issues	3	(3)				
Adjustment for share and share option awards					1	1
Dividends payable (27.3p per share)					(215)	(215)
Adjustments for scrip dividend element					63	63
Balance at 31 March 2010	220	1,241	(38)	(52)	2,837	4,208

1 Refer to note 21.

NOTES TO THE ACCOUNTS

1 BASIS OF PREPARATION

The financial statements for the year ended 31 March 2011 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 (IFRSs) as adopted by the European Union and therefore comply with Article 4 of the EU IAS Regulation.

The accounting policies used are consistent with those contained in the Group's last annual report and accounts for the year ended 31 March 2010, with the exception of the following which have had no effect on the financial statements:

- IFRS 3 (Revised) Business combinations. This standard includes comprehensive revisions on applying the acquisition method;
- IAS 27 (Revised) Consolidated and separate financial statements – consequential amendment arising from amendments to IFRS 3;
- IAS 28 (Revised) Investments in associates-consequential amendment arising from amendments to IFRS 3.

Standards and interpretations not effective for the current accounting period were: IFRS 2 Share-Based Payment – Amendments relating to group cash-settlement share-based payment transactions; IFRS 9 Financial Instruments – Classification Amendments to IFRS 7 – Transfers of financial assets.

The Directors do not expect that the adoption of these Standards and Interpretations will have a material impact on the financial statements of the Group in future periods.

Critical accounting judgements are disclosed in the relevant section of the Annual Report, see page 98. The key source of estimation and uncertainty relates to the valuation of the property portfolio and investments, where an external valuation is obtained. In accounting for net rental income, the Group is required to judge the recoverability of any income accrued and provides against the credit risk on these amounts. 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.

Going concern
The financial statements are prepared on a going concern basis as explained in the Corporate Governance section on page 117.

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 upon elimination of upstream transactions. 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 owner-occupied properties are recorded at valuation.

Any surplus or deficit arising on revaluing investment properties is recognised in the income statement.

Any surplus arising on revaluing owner-occupied properties above cost is recognised in equity, whereby any deficit arising in revaluation below cost is recognised in 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.

1 BASIS OF PREPARATION continued

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 amortised cost and held as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate.

Liquid investments are shown at fair value and treated as held for trading financial assets. Gains and losses from the changes in fair value are recorded in 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 of all derivatives 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 (where recoverable by the Group) 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 comprehensive income.

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)	2011 Earnings £m	2011 Pence per share	2010 Earnings £m	2010 Pence per share
Underlying pre-tax profit – income statement	256		249	
Tax charge relating to underlying profit	(5)		(5)	
Underlying earnings per share	251	28.5p	244	28.4p
Mark-to-market on liquid investments (held for trading assets)	8		(5)	
Non-recurring items[1]	(4)		(9)	
EPRA earnings per share	255	28.9p	230	26.7p
Profit for the year after taxation	840	95.2p	1,140	132.6p

1 Non-recurring items in the year ended 31 March 2011 of £4m relate to fair value adjustments on the buy-back of Group debentures (2010: debt break costs of £9m were incurred in HUT).

The European Public Real Estate Association (EPRA) issued Best Practices Recommendations most recently in October 2010, which gives guidelines for performance measures. The 31 March 2010 comparatives have been presented to be in line with these recommendations. The **EPRA earnings measure** excludes investment property revaluations and gains or losses on disposals, intangible asset movements and their related taxation. A summary of the EPRA Performance Measures is provided in table B within the Supplementary Disclosures, see page 170.

Underlying earnings consists of the EPRA earnings measure, with additional company adjustments. Adjustments include mark-to-market adjustments on held for trading assets, fair value adjustments on the buy-back of debentures and debt break costs.

The weighted average number of shares in issue for the year was: basic: 878m (2010: 857m); diluted for the effect of share options: 882m (2010: 860m). Basic undiluted earnings per share for the year was 95.7p (2010: 133.0p). Earnings per share shown in the table above are diluted.

Net asset value (NAV) (diluted)	2011 £m	2010 £m
Balance sheet net assets	4,930	4,208
Deferred tax arising on revaluation movements	37	43
Mark-to-market on effective cash flow hedges and related debt adjustments	89	126
Dilution effect of share options	45	30
EPRA NAV	5,101	4,407
EPRA NAV per share	567p	504p

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 2011, the number of shares in issue was: basic: 885m (2010: 866m); diluted for the effect of share options: 899m (2010: 875m).

REIT total return per share for the year ended 31 March 2011 of 17.7% includes dividends paid of 26.0p (see note 20) in addition to the increase in EPRA NAV of 63p. REIT total return per share for the year ended 31 March 2010 was 33.5%.

3 GROSS AND NET RENTAL INCOME

	2011 £m	2010 £m
Rent receivable	227	319
Spreading of tenant incentives and guaranteed rent increases	32	23
Surrender premia	3	
Gross rental income	262	342
Service charge income	36	52
Gross rental and related income	298	394
Service charge expenses	(36)	(52)
Property operating expenses	(7)	(5)
Net rental and related income	255	337

The cash element of net rental income recognised during the year ended 31 March 2011 from properties which were not subject to a security interest was £81m (2010: £81m). Property operating expenses relating to investment properties that did not generate any rental income were £1m (2010: £1m). Property operating expenses in the year to 31 March 2010 included a £16m credit provision release. Contingent rents of £1m (2010: £1m) were recognised in the year.

4 FEES AND OTHER INCOME

	2011 £m	2010 £m
Management fees (from joint ventures and funds)	11	7
Other fees and commission	4	6
	15	13

5 OTHER INCOME STATEMENT DISCLOSURES

(i) Total revenue	Note	2011 £m	2010 £m
Gross rental and related income	3	298	394
Fees and other income	4	15	13
Total revenue in the year		313	407

(ii) Auditor remuneration – Deloitte LLP	2011 £m	2010 £m
Fees payable to the Company's auditor for the audit of the Company's annual accounts	0.2	0.3
Fees payable to the Company's auditor and its associates for other services:		
Audit of the Company's subsidiaries pursuant to legislation	0.3	0.3
Services relating to Broadgate joint venture transaction		0.5
Other services pursuant to legislation	0.1	0.1
	0.6	1.2
Tax services	0.1	0.2
All other services	0.4	0.1
	1.1	1.5

(iii) Exchange gains recognised in the profit and loss account total £nil (2010: £2m).

6 NET REVALUATION GAINS ON PROPERTY AND INVESTMENTS

	2011 £m	2010 £m
Consolidated income statement		
Revaluation of properties	297	530
Result on property disposals	20	(18)
Revaluation of investments	8	(12)
Other revaluations and losses	(4)	(4)
	321	496
Share of valuation movement of joint ventures and funds	270	412
Net revaluation gains on property and investments	591	908

7 NET FINANCING COSTS

	2011 £m	2010 £m
Interest payable on:		
Bank loans and overdrafts	8	12
Other loans	86	146
Obligations under finance leases		1
	94	159
Development interest capitalised	(5)	(13)
	89	146
Interest receivable on:		
Deposits, securities and liquid investments	(15)	(15)
Loans to joint ventures	(2)	(3)
	(17)	(18)
Other finance (income) costs:		
Expected return on pension scheme assets	(7)	(5)
Interest on pension scheme liabilities	5	4
Valuation movements on translation of foreign currency debt	(5)	(6)
Hedging reserve recycling	5	6
Net financing expenses – underlying	70	127
Capital and other		
Valuation movements on fair value debt	(3)	1
Valuation movements on fair value derivatives	3	(1)
Fair value adjustment on buy-back of Group debentures	4	
Fair value movement on non-hedge accounted derivatives	(3)	
Net financing costs – capital	1	
Net financing costs	71	127
Total financing income	(32)	(30)
Total financing charges	103	157
Net financing costs	71	127

Interest on development expenditure is capitalised at a rate of 5.20% (2010: 5.27%).

8 TAXATION

	2011 £m	2010 £m
Tax expense (income)		
Current tax		
UK corporation tax: 28% (2010: 28%)	1	2
Foreign tax	1	
	2	2
Adjustments in respect of prior years		(26)
Total current tax expense (income)	2	(24)
Deferred tax on revaluations	(12)	12
Group total taxation (net)	(10)	(12)
Attributable to joint ventures and funds	6	5
Total taxation	(4)	(7)
Tax reconciliation		
Profit on ordinary activities before taxation	830	1,128
Less: profit attributable to joint ventures and funds	(381)	(479)
Group profit on ordinary activities before taxation	449	649
Tax on profit on ordinary activities at UK corporation tax rate of 28% (2010: 28%)	126	182
Effects of:		
REIT exempt income and gains	(121)	(170)
Tax losses and other timing differences	(15)	2
Adjustments in respect of prior years		(26)
Group total taxation	(10)	(12)

Tax expense attributable to underlying profits for the year ended 31 March 2011 was £5m (2010: £5m). Corporation tax payable at 31 March 2011 was £30m (2010: £23m) as shown in note 15.

9 STAFF COSTS

Staff costs (including Directors)

	2011 £m	2010 £m
Wages and salaries	30	32
Social security costs	3	4
Pension costs	5	4
Equity-settled share-based payments	10	5
	48	45

The average monthly number of employees of the Company during the year was 179 (2010: 164). The average monthly number of Group employees, including those employed directly at the Group's properties and their costs recharged to tenants, was 555 (2010: 443).

The Executive Directors are the key management personnel and their remuneration is disclosed in the Remuneration Report on pages 120 to 129.

Staff costs

The Group's equity-settled share-based payments comprise the Long-Term Incentive Plan (LTIP), the Matching Share Plan (MSP), the Fund Managers Performance Plan (FMPP), the Share Incentive Plan (SIP), various Sharesave Plans and four recruitment schemes relating to Executive Board members.

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 relevant performance targets and service periods.

9 STAFF COSTS continued

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 estimate 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 below. 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. No other features of the option grant were incorporated into the measurement of fair value.

Long-Term Incentive Plan: 2010 awards

	14 December 2010	11 June 2010
Share price and exercise price at grant date	510p	447p
Option life in years	7	7
Risk free rate	3.1%	2.9%
Expected volatility	41%	43%
Expected dividend yield	5%	6%
Value per option	132p	111p

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.

Fund Managers Performance Plan (FMPP)

Under the FMPP 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 and, as agreed by shareholders in 2008, in respect of a comparative notional pool for British Land-owned portfolios. The cash is awarded following the performance year under review with the shares released over the following three years subject to clawback due to subsequent property underperformance. The Company expenses an estimate of the fair value of the award over the 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 either purchased at fair value in the market or allotted from authorised share capital 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 four recruitment schemes are valued at the fair value of the shares at the date of grant and expensed over the period to vesting.

Movements in shares and options are given in note 21.

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 four other small pension schemes. The total net pension cost charged for the year was £5m (2010: £4m), of which £2m (2010: £2m) relates to defined contribution plans.

A full actuarial valuation of the scheme was carried out at 31 March 2009 by consulting actuaries, AON Hewitt Ltd. The employer's contributions will be paid in the future at the rate recommended by the actuary of 45.2% pa of basic salaries. The best estimate of employer contributions expected to be paid during the year to 31 March 2012 is £3m. The major assumptions used for the actuarial valuation were:

	2011 % pa	2010 % pa	2009 % pa	2008 % pa	2007 % pa
Discount rate	**5.5**	5.5	5.8	6.0	5.4
Salary inflation	**5.2**	5.4	4.4	3.4	5.4
Pensions increase	**3.7**	3.9	2.9	3.4	3.2
Price inflation	**3.7**	3.9	2.9	5.6	3.2

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 to age 90 if they are male and to age 91 if they are female. For a member who is currently 40 and retires in 2031 at age 60 the assumptions are that they will live on average for a further 33.2 years after retirement to age 93 if they are male and for a further 33.7 years after retirement to age 93 if they are female.

Composition of scheme assets

	Expected return 2011/12 %	**2011 £m**	Expected return 2010/11 %	2010 £m
Equities	**8.4**	**69**	8.5	61
Bonds	**5.5**	**26**	5.5	36
Diversified Growth Funds (DGF)	**6.5**			
Other assets	**1.5**	**15**	1.2	1
Total scheme assets		**110**		98

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

	2011 £m	2010 £m	2009 £m	2008 £m	2007 £m
Present value of defined scheme obligations	**(99)**	(95)	(69)	(80)	(70)
Fair value of scheme assets	**110**	98	69	80	79
Irrecoverable surplus	**(11)**	(3)			
Asset recognised in the balance sheet					9

The benchmark asset allocation was revised to 60% Diversified Growth Funds, 40% Equities as at 31 March 2011, and since that date the scheme assets have been reinvested in accordance with that allocation.

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 benchmark asset allocation for the Scheme at 31 March 2011.

10 PENSIONS continued

History of experience gains and losses

	2011 £m	2010 £m	2009 £m	2008 £m	2007 £m
Difference between expected and actual return on scheme assets					
Amount	4	24	(18)	(5)	
Percentage of scheme assets	3.3%	25.1%	26.3%	6.2%	0.4%
Experience gains and losses on scheme liabilities					
Amount	(2)		8	(1)	4
Percentage of present value on scheme liabilities	1.9%	0.3%	1.7%	1.2%	6.1%
Changes in assumptions underlying the present value of scheme liabilities	2	(23)	8	(4)	6
Total actuarial (loss) gain recognised in the consolidated statement of comprehensive income[2]					
Amount[1]	(2)	(2)	(2)	(10)	10
Percentage of present value on scheme liabilities	2.0%	1.5%	3.0%	6.2%	14.4%
Deferred taxation attributable to pension movements					(2)
Pension scheme movement for the year[2]	(2)	(2)	(2)	(10)	8

1 Cumulative loss recognised in the statement of comprehensive income is £23m (2010: £21m).
2 Movements stated after adjustment for irrecoverability of any surplus.

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

	2011 £m	2010 £m
At 1 April	(95)	(69)
Current service cost	(3)	(2)
Past service cost	(1)	
Interest cost	(5)	(4)
Actuarial gains (losses)	2	(23)
Benefits paid	3	3
At 31 March	(99)	(95)

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

		2011 £m	2010 £m
Administrative expenses:	Current service cost	(3)	(2)
	Past service cost	(1)	
Net financing cost:	Expected return on scheme assets	7	5
	Interest cost	(5)	(4)
		(2)	(1)

The actual return on scheme assets was £11m (2010: £29m).

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

	2011 £m	2010 £m
At 1 April	98	69
Expected return on scheme assets	7	5
Contributions by employer	4	3
Actuarial gains	4	24
Benefits paid	(3)	(3)
At 31 March	110	98

11 PROPERTY

	Investment property £m	Owner-occupied £m	Total £m
Carrying value at 1 April 2010	4,126	33	4,159
Additions – property purchases	383		383
– development expenditure	43		43
– capitalised interest	3		3
– capital expenditure on asset management initiatives	6		6
	435		435
Depreciation		(1)	(1)
Disposals	(137)		(137)
Revaluations included in income statement	291	6	297
Movement in tenant incentives and contracted rent uplift balances	37		37
Carrying value at 31 March 2011	4,752	38	4,790
Head lease liabilities (note 16)			(7)
Total Group property portfolio valuation 31 March 2011			4,783

At 31 March 2011, the Group book value of properties of £4,783m (2010: £4,152m) comprises freeholds of £3,724m (2010: £3,053m); virtual freeholds of £162m (2010: £187m); long leaseholds of £897m (2010: £911m) and short leaseholds of £nil (2010: £1m). The historical cost of properties was £3,816m (2010: £3,401m).

The property valuation does not include any investment properties held under operating leases (2010: nil).

Properties valued at £2,850m (2010: £2,659m) were subject to a security interest and other properties of non-recourse companies amounted to £nil (2010: £nil).

Included within the property valuation is £76m (2010: £66m) in respect of accrued contracted rental uplift income, against which the Group holds a provision of £5m (2010: £5m). The balance arises through the IFRS treatment of leases containing such arrangements, which requires the recognition of rental income on a straight-line basis over the lease term, with the difference between this and the cash receipt changing the carrying value of the property against which revaluations are measured.

Cumulative interest capitalised against investment properties amounts to £73m (2010: £74m).

Included in investment properties are £149m of properties which are in the course of development (2010: £120m).

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 Appraisal and Valuation Standards, Sixth Edition, published by The Royal Institution of Chartered Surveyors. Copies of the valuation certificates of Knight Frank LLP and CB Richard Ellis can be found on the website at www.britishland.com. A breakdown of valuations split between the Group and its share of joint ventures and funds is shown below:

	2011			2010		
	Group £m	Joint ventures and funds £m	Total £m	Group £m	Joint ventures and funds £m	Total £m
Knight Frank LLP	4,729	2,432	7,161	4,136	2,210	6,346
CB Richard Ellis	54	2,357	2,411	15	2,177	2,192
Directors' valuations				1		1
	4,783	4,789	9,572	4,152	4,387	8,539

11 PROPERTY continued

The prior year movement is shown below:

	Investment £m	Development £m	Owner-occupied £m	Total £m
Carrying value at 1 April 2009	5,436	358	30	5,824
Additions – property purchases	76			76
– other capital expenditure	155			155
	231			231
Depreciation			(1)	(1)
Disposals	(2,401)			(2,401)
Reclassifications:	358	(358)		
Revaluations included in income statement	526		4	530
Movement in tenant incentives and contracted rent uplift balances	(24)			(24)
Carrying value at 31 March 2010	4,126		33	4,159
Head lease liabilities (note 16)				(7)
Total Group property portfolio valuation 31 March 2010				**4,152**

12 JOINT VENTURES AND FUNDS

Summary movement for the year of the investments in joint ventures and funds

	Joint ventures £m	Funds £m	**Total £m**	Equity £m	Loans £m	**Total £m**
At 1 April 2010	1,146	448	**1,594**	1,508	86	**1,594**
Additions	186	20	**206**	107	99	**206**
Disposals	(35)		**(35)**	(9)	(26)	**(35)**
Share of profit after taxation	335	46	**381**	381		**381**
Distributions and dividends: capital	(4)	(8)	**(12)**	(12)		**(12)**
revenue	(66)	(20)	**(86)**	(86)		**(86)**
Hedging and exchange movements	11	7	**18**	18		**18**
At 31 March 2011	**1,573**	**493**	**2,066**	**1,907**	**159**	**2,066**

At 31 March 2011, the investment in joint ventures included within the total investment in joint ventures and funds was £1,573m (2010: £1,149m).

Distributions in the year include the receipt of £11m from HUT, £8m from PREF, £9m from HIF (£8m capital), £9m from BL Fraser, £34m from Tesco joint ventures, £7m from Sainsbury joint ventures and £14m from Meadowhall.

At 31 March 2011 the valuation of the Group's share of joint ventures and funds properties is £4,789m (2010: £4,387m); external net debt is £2,697m (2010: £2,660m) and the mark-to-market adjustment for external debt is £104m asset (2010: £177m asset).

12 JOINT VENTURES AND FUNDS continued

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

Joint ventures' summary financial statements

	Bluebutton Properties	MSC Property Intermediate Holdings Ltd	BL Sainsbury Superstores Ltd	Tesco Joint Ventures[1]	The Scottish Retail Property Limited Partnership
Partners	Blackstone Group LP funds	LSP Green Park Property Trust	J Sainsbury plc	Tesco plc	Land Securities Group PLC
Property sector	City Offices Broadgate	Shopping Centres Meadowhall	Superstores	Superstores	Shopping Centres (Bon Accord)
Group share	50%	50%	50%	50%	50%
Date established	November 2009	February 2009	March 2008	N/A	March 2004
Accounting period	Year ended 31 March 2011	Year ended 31 March 2011	Year ended 31 March 2011	Year ended 31 March 2011	Year ended 31 March 2011
Summarised income statements	£m	£m	£m	£m	£m
Gross rental and related income	215	81	65	102	20
Net rental and related income	168	76	65	101	13
Other income and expenditure	(1)	(8)	(1)	(1)	(1)
Net interest payable	(99)	(43)	(34)	(55)	(7)
Underlying profit before taxation	68	25	30	45	5
Surplus on revaluation	197	145	58	79	1
Disposal of fixed assets			1		
Non-recurring items					
Profit on ordinary activities before taxation	265	170	89	124	6
Current tax				(2)	
Deferred tax					
Profit on ordinary activities after taxation	**265**	**170**	**89**	**122**	**6**
Summarised balance sheets	£m	£m	£m	£m	£m
Investment properties	2,717	1,428	1,262	1,834	213
Current assets	11	4	1	9	5
Upstream loans to joint venture shareholders	29			15	
Cash and deposits	75	23	21	34	2
Gross assets	2,832	1,455	1,284	1,892	220
Current liabilities	(127)	(34)	(27)	(117)	(18)
Commercial loan from joint venture shareholder					
Bank debt falling due within one year					
Bank debt falling due after one year				(1,041)	
Securitised debt	(1,898)	(808)	(655)		(119)
Convertible loan notes					
Other non-current liabilities		(32)			
Obligations under finance leases		(5)			(11)
Deferred tax				(4)	
Gross liabilities	(2,025)	(879)	(682)	(1,162)	(148)
Net external assets	**807**	**576**	**602**	**730**	**72**
Represented by:					
Shareholder loans	15		18	190	14
Ordinary shareholders' funds/Partners' capital	792	576	584	540	58
Total investment	**807**	**576**	**602**	**730**	**72**
Capital commitments	12				

1 Tesco joint ventures include BLT Holdings (2010) Limited (parent of BLT Properties Limited), the Tesco British Land Property Partnership, Tesco BL Holdings Limited, Shopping Centres Limited and the Tesco Aqua Limited Partnership.

2 Although the Group's ownership share is 65.30%, it does not exercise control over significant decisions. The Group therefore equity accounts for its interest in Pillar Retail Europark Fund (PREF).

3 Included in the column headed 'Other joint ventures and funds' are contributions from the following: Fareham Property Partnership, the BL Goodman Limited Partnership, the Public House Company Limited, BL Gazeley Limited, BL Canada Quays Limited, Eurofund Investments Zaragoza S.L., the City of London Office Unit Trust (CLOUT), Auchinlea Partnership, Centro Commercial Nueva Condomina Siglo XXI S.L. and Group adjustments. Amounts are included in this column at the relevant percentage for the Group's interest.

Leadenhall JV	Hercules Unit Trust	Hercules Income Fund	Pillar Retail Europark Fund[2]	Other joint ventures and funds[3]	**Joint ventures and fund total Group share 2011**	Joint venture and fund total Group share 2010
Oxford Properties						
City Offices Leadenhall	Retail Warehouses	Retail Warehouses	Retail Warehouses			
50%	38.56%	26.12%	65.30%			
December 2010	September 2000	September 2004	March 2004			
14 weeks ended 31 March 2011	Year ended 31 March 2011	Year ended 31 March 2011	Year ended 31 March 2011			
£m	£m	£m	£m	£m	**£m**	£m
	85	5	37	7	**307**	238
	78	5	22	6	**263**	208
	(3)	(1)	(3)	5	**(4)**	(8)
	(41)		(7)	(3)	**(142)**	(119)
	34	4	12	8	**117**	81
	68	(1)		2	**268**	420
			1	1	**2**	(8)
						(9)
	102	3	13	11	**387**	484
			(3)		**(3)**	(5)
				(3)	**(3)**	
	102	**3**	**10**	**8**	**381**	**479**
£m	£m	£m	£m	£m	**£m**	£m
101	1,588	80	321	177	**4,797**	4,395
74	40		10	40	**114**	94
				8	**30**	31
7	168	3	13	14	**169**	327
182	1,796	83	344	239	**5,110**	4,847
(3)	(44)	(4)	(24)	(25)	**(222)**	(247)
						(105)
		(15)	(153)	(121)	**(224)**	(179)
					(520)	(637)
	(603)				**(1,973)**	(2,002)
	(194)				**(75)**	(70)
					(16)	(1)
					(8)	(8)
			(6)		**(6)**	(4)
(3)	(841)	(19)	(183)	(146)	**(3,044)**	(3,253)
179	**955**	**64**	**161**	**93**	**2,066**	**1,594**
174				20	**226**	73
5	955	64	161	73	**1,840**	1,521
179	**955**	**64**	**161**	**93**	**2,066**	**1,594**
7	31			2	24	11

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.

The borrowings of joint ventures and funds and their subsidiaries are non-recourse to the Group. Where a joint venture or fund has net liabilities, as required under IFRS, the Group does not account for its share of the deficit in its total share of joint venture and fund profits. All joint ventures are incorporated in the United Kingdom, with the exception of Bluebutton Properties Limited, Leadenhall Holding Co (Jersey) Limited and The Scottish Retail Property Limited Partnership which are domiciled in Jersey and Eurofund Investments Zaragoza S.L. which is domiciled in Spain. Of the funds, Hercules Unit Trust (HUT) and Hercules Income Fund (HIF) are domiciled in Jersey and PREF in Luxembourg.

12 JOINT VENTURES AND FUNDS continued

Operating cash flows of joint ventures and funds (Group share)

	2011 £m	2010 £m
Rental income received from tenants	280	215
Fees and other income received	3	
Operating expenses paid to suppliers and employees	(30)	(22)
Cash generated from operations	253	193
Interest paid	(147)	(111)
UK corporation tax paid	(5)	(4)
Cash inflow from operating activities	101	78
Cash inflow from operating activities deployed as:		
Surplus cash (distributed by) retained within joint ventures and funds	(4)	17
Total distributed to British Land	105	61
	101	78

13 OTHER NON-CURRENT ASSETS

	2011		2010	
	Other investments £m	Intangible assets £m	Other investments £m	Intangible assets £m
At 1 April 2010	261	10	38	25
Additions			252	
Disposals	(209)		(16)	
Revaluation of investments			(12)	
Depreciation	(1)		(1)	
Amortisation		(10)		(15)
At 31 March 2011	51		261	10

Other investments include the investment in the HUT convertible bond of £43m (31 March 2010: £43m). At 31 March 2010 there was a £209m secured commercial loan to the Bluebutton joint venture; this was repaid during the year ended 31 March 2011.

14 DEBTORS

	2011 £m	2010 £m
Trade and other debtors[1]	**77**	85
Prepayments and accrued income	**2**	9
Interest rate derivatives[2]	**11**	11
	90	105

1 Included within this balance is deferred consideration of £10m (2010: £42m) arising on the sale of investment properties for which the timing of the receipt is contingent and therefore may fall due after one year.
2 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 £7m (2010: £7m). The charge to the income statement was £nil (2010: £2m).

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 rent in advance.

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
2011	**77**	**56**	**18**	**1**	**2**
2010	85	70	14		1

15 CREDITORS

	2011 £m	2010 £m
Trade creditors	**78**	104
Amounts owed to joint ventures	**55**	40
Corporation tax	**30**	23
Other taxation and social security	**16**	11
Accruals and deferred income	**105**	105
Interest rate derivatives[1]	**49**	49
	333	332

1 Includes contracted cash flow with a maturity greater than one year at fair value.

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.

16 OTHER NON-CURRENT LIABILITIES

	2011 £m	2010 £m
Trade and other creditors	**11**	19
Obligations under finance leases	**7**	7
Non-controlling interest	**5**	4
	23	30

17 DEFERRED TAXATION

Deferred tax is calculated on temporary differences under the liability method using a tax rate of 26% (2010: 28%).

The movement on deferred tax is as shown below:

	1 April 2010 £m	Credited to income £m	31 March 2011 £m
Property and investment revaluations	**39**	**(8)**	**31**
Other timing differences	**4**		**4**
Intangible assets	**4**	**(4)**	
	47	**(12)**	**35**

	1 April 2009 £m	Charged (credited) to income £m	31 March 2010 £m
Property and investment revaluations	23	16	39
Other timing differences	4		4
Intangible assets	8	(4)	4
	35	12	47

Under the REIT regime development properties which are sold within three years of completion do not benefit from tax exemption. At 31 March 2011 the value of such properties is £1,391m (2010: £1,108m) and if these properties were to be sold and tax exemption was not available the tax arising would be £nil (2010: £nil).

The deferred tax charge for the year ended 31 March 2011 includes a credit of £2m to reflect reduced deferred tax liabilities arising from the forthcoming reduction in the UK corporation tax rate to 26% (effective from 1 April 2011).

18 NET DEBT

	Footnote	2011 £m	2010 £m
Secured on the assets of the Group			
9.125% First Mortgage Debenture Stock 2020	1	**38**	39
6.125% First Mortgage Debenture Stock 2014	1	**45**	45
10.3125% First Mortgage Debenture Stock 2011	1	**32**	41
5.264% First Mortgage Debenture Bonds 2035		**328**	327
5.0055% First Mortgage Amortising Debentures 2035		**103**	103
5.357% First Mortgage Debenture Bonds 2028		**296**	307
6.75% First Mortgage Debenture Bonds 2020		**170**	204
6.75% First Mortgage Debenture Bonds 2011			99
Floating Rate Secured Loan Notes 2035		**256**	256
Loan Notes		**5**	5
		1,273	1,426
Unsecured			
5.50% Senior Notes 2027		**98**	98
6.30% Senior US Dollar Notes 2015	2	**96**	101
Bank loans and overdrafts		**472**	156
		666	355
Gross debt	3	**1,939**	1,781
Interest rate derivatives: liabilities (see note 15)		**49**	49
Interest rate derivatives: assets (see note 14)		**(11)**	(11)
		1,977	1,819
Liquid investments			
4.405% Medium Term Note 2015		**(100)**	(98)
4.395% Medium Term Note 2015		**(103)**	(97)
		(203)	(195)
Cash and short-term deposits	4	**(60)**	(74)
Net debt		**1,714**	1,550

Total borrowings where any instalments are due after five years are £105m (2010: £106m).

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

	2011 £m	2010 £m
BLD Property Holdings Ltd	**115**	125

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

3 The principal amount of gross debt at 31 March 2011 was £1,937m (2010: £1,767m). Included in this, the principal amount of secured borrowings and other borrowings of non-recourse companies was £1,269m (2010: £1,415m).

4 Cash and deposits not subject to a security interest amount to £55m (2010: £66m).

18 NET DEBT continued

Maturity analysis of net debt

		2011 £m	2010 £m
Repayable	within one year and on demand	**319**	139
between:	one and two years	**46**	297
	two and five years	**543**	170
	five and ten years	**216**	313
	ten and fifteen years	**6**	42
	fifteen and twenty years	**431**	441
	twenty and twenty-five years	**378**	6
	twenty-five and thirty years		373
		1,620	1,642
Gross debt		**1,939**	1,781
Interest rate derivatives		**38**	38
Liquid investments		**(203)**	(195)
Cash and short-term deposits		**(60)**	(74)
Net debt		**1,714**	1,550

Financial covenants
The two financial covenants applicable to the Group unsecured debt are:

Net Borrowings not to exceed 175% of Adjusted Capital and Reserves
At 31 March 2011 the ratio is 36%:

- Net Borrowings are £1,962m, being the principal amount of gross debt of £1,937m plus amounts owed to joint ventures of £55m and TPP Investments Ltd of £30m (see note 24), less the cash and short-term deposits of £60m;
- Adjusted Capital and Reserves are £5,407m, being share capital and reserves of £4,930m (see Consolidated Statement of Changes in Equity), adjusted for £37m of deferred tax (see note 2), £351m exceptional refinancing charges (see below) and £89m mark-to market on interest rate swaps (see note 2).

Net Unsecured Borrowings not to exceed 70% of Unencumbered Assets
At 31 March 2011 the ratio is 25%:

- Net Unsecured Borrowings are £668m, being the principal amount of gross debt of £1,937m plus amounts owed to joint ventures of £55m less cash and deposits not subject to a security interest of £55m less the principal amount of secured and non-recourse borrowings of £1,269m;
- Unencumbered Assets are £2,680m being properties of £4,783m (see note 11) plus investments in joint ventures and funds of £2,066m (see note 12) and other investments of £254m (see balance sheet: liquid investments of £203m and other investments of £51m) less investments in joint ventures of £1,573m (see footnote to note 12, page 149) and encumbered properties of £2,850m (see note 11).

In calculating Adjusted Capital and Reserves for the purpose of the unsecured debt financial covenants, there is an adjustment of £351m to reflect the cumulative net amortised exceptional items relating to the refinancings in the years ending 31 March 2005, 2006 and 2007.

18 NET DEBT continued

Reconciliation of movement in Group net debt to cash flow statement

	1 April 2010 £m	Disposals[1] £m	Cash flow £m	Non-cash movement £m	31 March 2011 £m
Per Cash Flow Statement:					
Cash and short-term deposits	(74)		14		(60)
Overdrafts	2		(2)		
Cash and cash equivalents	(72)		12		(60)
Term debt (excluding overdrafts)	1,779		171	(11)	1,939
Fair value of interest rate derivatives	38				38
Liquid investments	(195)			(8)	(203)
Net debt	1,550		183	(19)	1,714

	1 April 2009 £m	Disposals[1] £m	Cash flow £m	Non-cash movement £m	31 March 2010 £m
Per Cash Flow Statement:					
Cash and short-term deposits	(616)		542		(74)
Overdrafts			2		2
Cash and cash equivalents	(616)		544		(72)
Term debt (excluding overdrafts)	3,765	(1,970)	1	(17)	1,779
Fair value of interest rate derivatives	93	(47)		(8)	38
Liquid investments			(200)	5	(195)
Net debt	3,242	(2,017)	345	(20)	1,550

1 Excluding cash and overdrafts. In the prior year this represented the principal of securitised debt in Bluebutton Properties Limited on formation of the joint venture.

Comparison of market values and book values

	2011			2010		
	Market value £m	Book value £m	Difference £m	Market value £m	Book value £m	Difference £m
Debentures and unsecured bonds	1,168	1,206	(38)	1,256	1,364	(108)
Bank debt and other floating rate debt	733	733		417	417	
Liquid investments	(203)	(203)		(195)	(195)	
Cash and short-term deposits	(60)	(60)		(74)	(74)	
	1,638	1,676	(38)	1,404	1,512	(108)
Other financial (assets) liabilities:						
– interest rate derivative assets	(11)	(11)		(11)	(11)	
– interest rate derivative liabilities	49	49		49	49	
	38	38		38	38	
Total	1,676	1,714	(38)	1,442	1,550	(108)

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 debentures and unsecured bonds 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 expected future cash flows, using appropriate market discount rates, by an independent treasury adviser.

18 NET DEBT continued

Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels are defined as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e. derived from prices)
Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	2011				2010			
	Level 1 £m	Level 2 £m	Level 3 £m	Total £m	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Liquid investments		(203)		(203)		(195)		(195)
Interest rate derivative assets		(11)		(11)		(11)		(11)
Assets		(214)		(214)		(206)		(206)
Interest rate derivative liabilities		49		49		49		49
Liabilities		49		49		49		49
Total		(165)		(165)		(157)		(157)

Categories of financial instruments

	2011 £m	2010 £m
Financial assets		
Fair value through income statement		
Held for trading – liquid investments	203	195
Derivatives in designated hedge accounting relationships	11	11
Loans and receivables		
Trade and other debtors	77	85
Cash and short-term deposits	60	74
Other investments	51	261
	402	626
Financial liabilities		
Fair value through income statement		
Held for trading – derivatives	(5)	(4)
Derivatives in designated hedge accounting relationships	(44)	(45)
Amortised cost		
Gross debt	(1,939)	(1,781)
Finance lease payable	(7)	(7)
Trade and other creditors	(89)	(123)
Amounts owed to joint ventures	(55)	(40)
	(2,139)	(2,000)
Total	(1,737)	(1,374)

Gains and losses on financial instruments, as classed above, are disclosed in note 7 (net financing costs), note 14 (debtors), note 6 (net revaluation gains on property and investments), the consolidated income statement and the consolidated statement of comprehensive income.

18 NET DEBT continued

Capital risk management

The Group's objectives, policies and processes for managing capital are set out in the financial policies on pages 99 to 101. 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.

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, floating rate bonds and floating rate investments, caused by movements in market rates of interest. At 31 March 2011 the market value of these derivatives, which have been designated as cash flow hedges under IAS 39, is a net liability of £38m (2010: liability of £39m).

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 an asset of £1m (2010: asset of £5m).

The ineffectiveness recognised in the income statement on cash flow hedges in the year ended 31 March 2011 was £nil (2010: £1m).

The cash flows occur and enter into the determination of profit and loss until the maturity of the hedged debt and floating rate investments. The table below summarises foreign currency denominated debt, variable rate debt and investments hedged at 31 March 2011.

Cash flow hedged debt and floating rate investments

		2011 £m	2010 £m
Outstanding:	at one year	**680**	781
	at two years	**680**	881
	at five years	**44**	431
	at ten years	**250**	250

The Group uses interest rate swaps to hedge exposure on fixed rate financial liabilities caused by movements in market rates of interest. At 31 March 2011 the market value of these derivatives, which have been designated as fair value hedges under IAS 39, is a net asset of £4m (2010: £1m).

Interest rate profile – including effect of derivatives

	2011 £m	2010 £m
Fixed rate	**1,240**	1,245
Variable rate (net of cash)	**474**	305
Net debt	**1,714**	1,550

All the debt is effectively Sterling denominated except for £172m (2010: £154m) of Euro debt of which £172m is at a fixed rate and the balance is floating (2010: £134m fixed). At 31 March 2011 the weighted average interest rate of the Sterling fixed rate debt is 5.65% (2010: 5.58%). The weighted average period for which the rate is fixed is 16.3 years (2010: 19.7 years). The weighted average interest rate for the Euro fixed rate debt is 4.46% (2010: 4.52%) and the weighted average period for which the rate is fixed is 5.2 years (2010: 6.1 years). The floating rate debt is set for periods of the Company's choosing at the relevant LIBOR (or similar) rate.

The proportion of net debt at fixed or capped rates of interest was 72% at 31 March 2011. Based on the Group's interest rate profile at the balance sheet date a 576 bps increase in interest rates would decrease annual profits by £27m (2010: £18m decrease). Similarly, a 576 bps reduction would increase profits by £4m (2010: £2m 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 ten years.

18 NET DEBT continued

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 majority of 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. A 204 bps shift represents the largest annual change in the seven year Sterling swap rate over the last ten years. At 31 March 2011 a 204 bps parallel upward shift in swap rates would increase the value of the Group's interest rate swaps by £24m (2010: £73m). A 204 bps downward shift in swap rates would reduce the value of the interest rate swap portfolio by £51m (2010: £118m). Because the interest rate swaps are matched by floating rate debt, and floating rate investments, the overall effect on Group cash flows of such movements is minimal.

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, as will the requirement to fair value interest rate swaps. This explains the excess of Euro denominated liabilities over assets. Based on the 31 March 2011 position a 33% appreciation (largest annual change over the last ten years) in the Euro relative to Sterling would result in a £3m reduction (2010: £6m reduction) in reported profits.

	Assets		Liabilities	
	2011 £m	2010 £m	**2011 £m**	2010 £m
Euro denominated	**162**	136	**172**	154

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 2011 amounted to £60m (2010: £74m). Deposits were placed with financial institutions with A or better credit ratings.

At 31 March 2011 the fair value of all interest rate derivatives which had a positive value was £11m (2010: £11m).

At 31 March 2011 the fair value of liquid investments was £203m (2010: £195m).

At 31 March 2011, prior to taking into account any offset arrangements, the largest combined credit exposure to a single counterparty arising from money market deposits, liquid investments and interest rate swaps was £123m (2010: £150m). This represents 1.7% (2010: 2.3%) of gross assets.

The deposits and liquid investments exposures are with UK high street banks.

The Group's exposure to credit risk in respect of its trade receivables is analysed in note 14. Included within trade and other debtors is deferred consideration of £31m, of which £10m may fall due after one year. Management has made due consideration of the credit risk associated with this, resulting in no impairment for credit risk being made.

18 NET DEBT continued

Liquidity risk management
The Group's approach to liquidity risk management is discussed in the financial policies on pages 99 to 101.

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.

The Group expects to meet its financial liabilities through the various available liquidity sources, including a secure rental income profile, asset sales, undrawn committed borrowing facilities and, in the longer term, debt refinancings.

The Group leases out all its investment properties under operating leases with a weighted average lease length of 12 years. This secure income profile is generated from upward only rent reviews, long leases and high occupancy rates. The future aggregate minimum rentals receivable under non-cancellable operating leases is also shown in the table below. Income from joint ventures and funds is not included below. Additional liquidity will arise from letting space in properties under construction as well as from distributions received from joint ventures and funds.

					2011
	Within one year £m	Following year £m	Two to five years £m	Over five years £m	Total £m
Debt[1]	315	46	542	1,032	1,935
Interest on debt	79	79	215	723	1,096
Derivative payments	23	20	131	9	183
Finance lease payments			1	81	82
Total payments	417	145	889	1,845	3,296
Derivative receipts	(10)	(7)	(114)	(15)	(146)
Net payment	407	138	775	1,830	3,150
Operating leases with tenants (see note 19)	234	239	761	2,673	3,907
Liquidity (deficit) surplus	(173)	101	(14)	843	757
Cumulative liquidity (deficit) surplus	(173)	(72)	(86)	757	

					2010
	Within one year £m	Following year £m	Two to five years £m	Over five years £m	Total £m
Debt[1]	136	294	166	1,174	1,770
Interest on debt	85	78	218	803	1,184
Derivative payments	20	20	40	115	195
Finance lease payments	1	1	1	80	83
Total payments	242	393	425	2,172	3,232
Derivative receipts	(11)	(8)	(19)	(116)	(154)
Net payment	231	385	406	2,056	3,078
Operating leases with tenants (see note 19)	224	222	685	2,685	3,816
Liquidity (deficit) surplus	(7)	(163)	279	629	738
Cumulative liquidity (deficit) surplus	(7)	(170)	109	738	

1 Gross debt of £1,939m (2010: £1,781m) represents the total shown, less unamortised issue costs of £8m (2010: £9m), plus the fair value adjustment arising on acquisitions of £12m (2010: £20m).

18 NET DEBT continued

The short-term liquidity gap between the net payments required and the rentals receivable can be met through other liquidity sources available to the Group. The Group currently holds cash and short-term deposits of £60m, of which £55m is not subject to a security interest (see footnote 4 to net debt table) and liquid investments of £203m. Further liquidity can be achieved through sales of property assets or investments and debt refinancings. The Group's property portfolio is valued externally at £4,783m (see note 11) and the share of joint ventures and funds' property is valued at £4,789m (see Table C). The undrawn committed borrowing facilities available to the Group are a further source of liquidity. The maturity profile of committed undrawn borrowing facilities is shown below.

Maturity of committed undrawn borrowing facilities

	2011 £m	2010 £m
Maturity date:		
over five years	75	75
four and five years		781
three and four years	586	905
Total facilities available for more than three years	661	1,761
two and three years	821	80
one and two years	35	775
within one year	820	245
Total	2,337	2,861

The above facilities are available to be drawn for Group purposes.

Following the year-end, the Group agreed a new £560m five-year unsecured revolving credit facility and as a result total undrawn borrowing facilities with a maturity of more than three years has increased to £1.2bn.

19 LEASING

Operating leases with tenants

The Group leases out all of its investment properties under operating leases with a weighted average lease length of 12 years. The future aggregate minimum rentals receivable under non-cancellable operating leases are as follows:

	2011 £m	2010 £m
Less than one year	234	224
Between two and five years	1,000	907
Between six and ten years	1,093	1,071
Between eleven and fifteen years	664	741
Between sixteen and twenty years	431	461
After twenty years	485	412
	3,907	3,816

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:

	2011			2010		
	Minimum lease payments £m	Interest £m	Principal £m	Minimum lease payments £m	Interest £m	Principal £m
British Land Group						
Less than one year				1	1	
Between one and two years				1	1	
Between two and five years	1	1		1	1	
More than five years	81	74	7	80	73	7
	82	75	7	83	76	7

20 DIVIDEND

The fourth quarter dividend of 6.5p per share, totalling £58m (2010: 6.5p per share, totalling £57m) was approved by the Board on 16 May 2011 and is payable on 12 August 2011 to shareholders on the register at the close of business on 8 July 2011.

Having regard to share price volatility the Board will announce the availability of the Scrip Dividend Alternative via the Regulatory News Service and on its website (www.britishland.com), no later than 48 hours before the ex-dividend date of 6 July 2011. The Board expects to announce the split between PID and non-PID income at that time. A Scrip Dividend Alternative will not be enhanced. PID dividends are paid, as required by REIT legislation, after deduction of withholding tax at the basic rate (currently 20%), where appropriate. Certain classes of shareholders may be able to claim to receive dividends gross. Please refer to our website (www.britishland.com) for details.

Payment date	Dividend	PID	Non-PID	Pence per share	**2011 £m**	2010 £m
Current year dividends						
12.08.2011	2011 4th interim			6.50		
13.05.2011	2011 3rd interim	6.50		6.50		
18.02.2011	2011 2nd interim	6.50		6.50	**58**	
12.11.2010	2011 1st interim		6.50	6.50	**57**	
				26.00		
Prior year dividends						
13.08.2010	2010 4th interim		6.50	6.50	**57**	
14.05.2010	2010 3rd interim		6.50	6.50	**56**	
12.02.2010	2010 2nd interim		6.50	6.50		56
13.11.2009	2010 1st interim		6.50	6.50		56
				26.00		
14.08.2009	2009 4th interim			6.50		55
15.05.2009	2009 3rd interim[1]			7.77		48
Dividends in Consolidated Statement of Changes in Equity					**228**	215
Dividends settled in shares					**(81)**	(63)
Dividends settled in cash					**147**	152
Timing difference relating to payment of withholding tax					**(8)**	2
Dividends in cash flow statement					**139**	154

1 This dividend per share was restated in the year ended March 2009 to take account of the bonus element of the increased number of shares due to the March 2009 rights issue.

21 SHARE CAPITAL AND RESERVES

	2011	2010
Number of ordinary shares in issue at 1 April	**879,427,102**	863,450,216
Share issues	**17,615,196**	15,976,886
Number of ordinary shares in issue at 31 March	**897,042,298**	879,427,102

At 31 March 2011 of the issued 25p ordinary shares, 1,551,420 were held in the ESOP trust (2010: 1,830,208), 11,266,245 shares were held as treasury shares (2010: 11,266,245) and 884,224,633 shares were in free issue (2010: 866,330,649). No treasury shares were acquired by the ESOP trust during the year. All issued shares are fully paid.

Hedging and translation reserve

The hedging and translation reserve comprises the effective portion of the cumulative net change in the fair value of cash flow and foreign currency hedging instruments, as well as all foreign exchange differences arising from the translation of the financial statements of foreign operations. The foreign exchange differences also include the translation of the liabilities that hedge the Company's net investment in a foreign subsidiary.

Revaluation reserve

The revaluation reserve relates to owner-occupied properties and investments in joint ventures and funds.

NOTES TO THE ACCOUNTS continued

21 SHARE CAPITAL AND RESERVES continued

At 31 March 2011, options over 13,769,663 ordinary shares were outstanding under employee share option plans. These options had a weighted average life of eight years. Details of outstanding share options and shares awarded to employees including Executive Directors are set out below and on the following page:

Date of grant	At 1 April 2010	Granted	Vested but not exercised	Exercised/ vested	Lapses	At 31 March 2011	Exercise price pence	Exercise dates From	Exercise dates To
Share options									
Sharesave Scheme									
01.03.2005	11,076				(11,076)		536.92	01.03.2010	31.08.2010
23.06.2005	681				(681)		580.83	01.09.2010	28.02.2011
22.12.2005	5,312					**5,312**	666.18	01.03.2011	31.08.2011
03.07.2006	191					**191**	834.38	01.09.2011	29.02.2012
22.12.2006	2,040				(2,040)		1,024.12	01.03.2010	31.08.2010
22.12.2006	1,146				(62)	**1,084**	1,024.12	01.03.2012	31.08.2012
02.07.2007	1,731				(1,731)		929.66	01.09.2010	28.02.2011
30.06.2008	8,271				(1,811)	**6,460**	517.03	01.09.2011	29.02.2012
30.06.2008	12,254				(5,460)	**6,794**	517.03	01.09.2013	28.02.2014
30.06.2009	200,830			(3,807)	(18,223)	**178,800**	301.00	01.09.2012	28.02.2013
30.06.2009	173,197			(4,406)	(18,324)	**150,467**	301.00	01.09.2014	28.02.2015
28.06.2010		51,347		(135)	(837)	**50,375**	370.00	01.09.2013	28.02.2014
28.06.2010		47,177			(835)	**46,342**	370.00	01.09.2015	29.02.2016
	416,729	98,524		(8,348)	(61,080)	**445,825**			
Long-Term Incentive Plan – options vested, not exercised									
25.09.2003	119,455					**119,455**	415.95	25.09.2006	24.09.2013
25.11.2003	129,168			(22,258)	(9,051)	**97,859**	457.38	21.11.2006	24.11.2013
28.05.2004	429,853				(71,324)	**358,529**	549.35	28.05.2007	27.05.2014
29.11.2004	546,667				(107,295)	**439,372**	659.55	29.11.2007	28.11.2014
31.05.2005	468,460				(76,894)	**391,566**	726.66	31.05.2008	30.05.2015
05.12.2005	274,821				(54,566)	**220,255**	823.6	05.12.2008	04.12.2015
29.06.2009			138,680	(137,265)		**1,415**	387.00	29.06.2012	28.06.2019
21.12.2009			599			**599**	446.00	21.12.2012	20.12.2019
	1,968,424		139,279	(159,523)	(319,130)	**1,629,050**			
Long-Term Incentive Plan – unvested options									
27.06.2007	246,669				(246,669)		1099.52	27.06.2010	26.06.2017
20.12.2007	378,851				(378,851)		731.63	20.12.2010	19.12.2017
29.05.2008	1,438,043				(231,347)	**1,206,696**	666.18	29.05.2011	28.05.2018
02.12.2008	924,750				(34,527)	**890,223**	420.09	02.12.2011	01.12.2018
29.06.2009	4,755,181		(138,680)		(1,034,260)	**3,582,241**	387.00	29.06.2012	28.06.2019
25.11.2009	33,746					**33,746**	475.00	25.11.2012	24.11.2019
21.12.2009	1,116,812		(599)		(479,592)	**636,621**	446.00	21.12.2012	20.12.2019
11.06.2010		4,577,826			(53,298)	**4,524,528**	447.00	11.06.2013	10.06.2020
14.12.2010		820,733				**820,733**	510.00	14.12.2013	13.12.2020
	8,894,052	5,398,559	(139,279)		(2,458,544)	**11,694,788**			
Total	11,279,205	5,497,083		(167,871)	(2,838,754)	**13,769,663**			
Weighted average exercise price of options (pence)	502	455		392	562	**472**			

21 SHARE CAPITAL AND RESERVES continued

Date of grant	At 1 April 2010	Granted	Vested	Forfeits	At 31 March 2011	Share price at grant date pence	Vesting date
Shares							
Long-Term Incentive Plan – performance shares							
27.06.2007	135,926			(135,926)		1099.52	27.06.2010
20.12.2007	71,482			(71,482)		731.63	20.12.2010
29.05.2008	249,855			(1,020)	**248,835**	666.18	29.05.2011
02.12.2008	122,893			(3,531)	**119,362**	420.09	02.12.2011
29.06.2009	568,005			(87,611)	**480,394**	387.00	29.06.2012
25.11.2009	11,467				**11,467**	475.00	25.11.2012
21.12.2009	161,874			(78,232)	**83,642**	446.00	21.12.2012
11.06.2010		848,066		(6,891)	**841,175**	447.00	11.06.2013
14.12.2010		224,610			**224,610**	510.00	14.12.2013
	1,321,502	1,072,676		(384,693)	**2,009,485**		
Fund Managers Performance Plan							
30.05.2007	47,294		(18,308)	(28,986)		1182.37	30.05.2010
14.08.2008	54,184		(27,091)		**27,093**	619.77	14.08.2011
17.06.2009	524,392		(174,792)		**349,600**	395.50	17.06.2012
28.05.2010		1,112,625	(7,257)	(50,790)	**1,054,578**	435.00	28.05.2013
	625,870	1,112,625	(227,448)	(79,776)	**1,431,271**		
Co-Investment Share Plans							
04.03.2009	242,500				**242,500**	330.50	12.01.2012
30.03.2010	53,517				**53,517**	478.50	01.02.2013
31.03.2010	85,328				**85,328**	481.10	04.01.2013
	381,345				**381,345**		
Restricted Share Plan							
30.03.2010	116,877		(116,877)			470.58	01.02.2011
30.03.2010	53,125				**53,125**	470.58	01.02.2012
	170,002		(116,877)		**53,125**		
Matching Share Plan							
22.05.2007	51,756			(51,756)		1195.63	22.05.2010
20.05.2008	98,400		(4,269)	(7,161)	**86,970**	667.83	20.05.2011
21.05.2009	138,940				**138,940**	391.00	21.05.2012
01.09.2010		305,896			**305,896**	479.60	01.09.2013
	289,096	305,896	(4,269)	(58,917)	**531,806**		
Total	2,787,815	2,491,197	(348,594)	(523,386)	**4,407,032**		
Weighted average price of shares (pence)	510	451	484	762	**449**		

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. The relevant revenue, net rental income, assets and capital expenditure, being the measures of profit or loss and total assets used by the management of the business, are set out below:

	Offices		Retail		Other		Total	
	2011 £m	2010 £m	2011 £m	2010 £m	2011 £m	2010 £m	2011 £m	2010 £m
Revenue	98	194	193	187	22	26	313	407
Net rental income	76	143	161	175	18	19	255	337
Segment assets	2,175	1,791	4,460	3,753	625	854	7,260	6,398
Capital expenditure	72	165	342	56	21	10	435	231

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 joint ventures and funds. No customer exceeds 10% of the Group's revenues.

Segment assets include the Group's investment in joint ventures and funds of £2,066m (2010: £1,594m), property assets of £4,790m (2010: £4,159m), intangible assets of £nil (2010: £10m), other investments of £51m (2010: £261m), debtors of £293m (2010: £300m) and cash of £60m (2010: £74m).

23 CAPITAL COMMITMENTS

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

	2011 £m	2010 £m
British Land	136	25
Share of joint ventures (note 12)	12	7
Share of funds (note 12)	12	4
	160	36

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 £30m (2010: £23m) and recourse is only to the partnership assets.

25 RELATED PARTY TRANSACTIONS

Details of transactions with joint ventures and funds 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 £5m (2010: £4m), joint venture management fees of £6m (2010: £3m) and interest earned on the commercial loan to Bluebutton Properties Ltd of £2m (2010: £3m); this was repaid during the year, see note 7. Commitment fees received from Bluebutton during the year were £4m (2010: £nil).

The Company has chosen to provide a development loan facility of up to £320m to the Broadgate joint venture secured against the new development, 5 Broadgate. The loan, which is assignable and on commercial terms, includes an interest cost of 3% per annum above LIBOR and market based fees. As at 31 March 2011, this has not been drawn by the joint venture.

REPORT OF THE AUDITOR

Independent Auditor Report to the Members of The British Land Company PLC
We have audited the group financial statements of The British Land Company PLC for the year ended 31 March 2011 which comprise the consolidated income statement, consolidated balance sheet, consolidated statement of comprehensive income, consolidated statement of cash flows, consolidated statement of changes in equity, and the related notes 1 to 25. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This Report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an Auditor's Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this Report, or for the opinions we have formed.

Respective responsibilities of Directors and auditor
As explained more fully in the Directors' Responsibilities Statement, the Directors are responsible for the preparation of the Group financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the Group financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our Report.

Opinion on financial statements
In our opinion the Group financial statements:

- Give a true and fair view of the state of the Group's affairs as at 31 March 2011 and of its profit for the year then ended;
- Have been properly prepared in accordance with IFRSs as adopted by the European Union;
- Have been prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the IAS Regulation.

Opinion on other matter prescribed by the Companies Act 2006
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the Group financial statements.

Matters on which we are required to report by exception
We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- Certain disclosures of Directors' remuneration specified by law are not made; or
- We have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

- The Directors' statement contained within the Corporate Governance Section in relation to going concern;
- The part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the June 2008 Combined Code specified for our review;
- Certain elements of the report to shareholders by the Board on Directors' remuneration.

Other matter
We have reported separately on the parent company financial statements of The British Land Company PLC for the year ended 31 March 2011 and on the information in the Directors' Remuneration Report that is described as having been audited.

Simon Letts

Simon Letts BA FCA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom
22 May 2011

SUPPLEMENTARY DISCLOSURES

TABLE A: REIT INCOME AND CAPITAL RETURN

SUMMARY INCOME STATEMENT BASED ON PROPORTIONAL CONSOLIDATION FOR THE YEAR ENDED 31 MARCH 2011

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 its share of the results of joint ventures and funds included on a line-by-line, i.e. proportional basis. The underlying profit before taxation and total profit after taxation are the same as presented in the consolidated income statement.

	Year ended 31 March 2011			Year ended 31 March 2010		
	Group £m	Share of joint ventures and funds £m	Proportionally consolidated £m	Group £m	Share of joint ventures and funds £m	Proportionally consolidated £m
Gross rental income	262	279	541	342	219	561
Property operating expenses	(7)	(16)	(23)	(5)	(11)	(16)
Net rental income	255	263	518	337	208	545
Administrative expenses	(61)	(7)	(68)	(55)	(10)	(65)
Fees and other income	15	3	18	13	2	15
Profit before interest and tax	209	259	468	295	200	495
Net interest	(70)	(142)	(212)	(127)	(119)	(246)
Underlying profit before tax	139	117	256	168	81	249
Underlying earnings per share – diluted basis			28.5p			28.4p

The underlying earnings per share is calculated on underlying profit before taxation of £256m, tax attributable to underlying profits of £5m and 882m shares on a diluted basis, for the year ended 31 March 2011.

QUARTERLY SUMMARY

	3 months ended				Year ended 31 March 2011 £m	Year ended 31 March 2010 £m
	31 March 2011 £m	31 December 2010 £m	30 September 2010 £m	30 June 2010 £m		
REIT INCOME RETURN						
Gross rental income	138	136	132	135	541	561
Property operating expenses	(7)	(4)	(5)	(7)	(23)	(16)
Net rental income	131	132	127	128	518	545
Administrative expenses	(20)	(16)	(17)	(15)	(68)	(65)
Fees and other income	6	3	5	4	18	15
Ungeared income return	117	119	115	117	468	495
Net interest	(52)	(55)	(52)	(53)	(212)	(246)
Underlying profit before taxation	65	64	63	64	256	249
Underlying tax		(2)	(1)	(2)	(5)	(5)
REIT income return	65	62	62	62	251	244
REIT CAPITAL RETURN						
Valuation movement	173	202	103	113	591	908
Other capital and tax (net)[1]	3	(4)	(11)	11	(1)	20
REIT capital return	176	198	92	124	590	928
REIT total return	241	260	154	186	841	1,172

1 Includes other comprehensive income, movement in dilution of share options and the movement in items excluded for EPRA NAV.

TABLE A continued: EPRA NET ASSETS

SUMMARY BALANCE SHEET BASED ON PROPORTIONAL CONSOLIDATION AS AT 31 MARCH 2011

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 its share of the net assets of the joint venture and fund assets and liabilities included on a line-by-line, i.e. proportional basis and assuming full dilution.

	Group £m	Share of joint ventures and funds £m	Share options £m	Deferred tax £m	Mark-to-market of interest rate swaps £m	Head lease £m	**EPRA net assets 2011 £m**	EPRA net assets 2010 £m
Retail properties	2,936	3,368				(9)	**6,295**	5,602
Office properties	1,666	1,417				(6)	**3,077**	2,736
Other properties	188	12					**200**	201
Total properties	4,790	4,797				(15)	**9,572**	8,539
Investments in joint ventures and funds	2,066	(2,066)						
Other investments	51						**51**	156
Intangible assets								10
Other net (liabilities) assets	(263)	(34)	45	37	(5)	15	**(205)**	(217)
Net debt	(1,714)	(2,697)			94		**(4,317)**	(4,081)
Net assets	4,930		45	37	89		**5,101**	4,407
EPRA NAV per share (note 2)							**567p**	504p

EPRA NET ASSETS MOVEMENT

	Year ended 31 March 2011		Year ended 31 March 2010	
	£m	**Pence per share**	£m	Pence per share
Opening EPRA NAV	**4,407**	**504p**	3,387	398p
REIT income return	**251**	**29p**	244	28p
REIT capital return	**590**	**60p**	928	105p
Dividend paid	**(147)**	**(26p)**	(152)	(27p)
Closing EPRA NAV	**5,101**	**567p**	4,407	504p

SUPPLEMENTARY DISCLOSURES continued

TABLE B: EPRA PERFORMANCE MEASURES

EPRA PERFORMANCE MEASURES SUMMARY TABLE

	2011 £m	2011 Pence per share	2010 £m	2010 Pence per share
EPRA earnings	255	28.9p	230	26.7p
EPRA NAV	5,101	567p	4,407	504p
EPRA NNNAV	5,117	569p	4,520	517p
EPRA Net Initial Yield		5.2%		5.5%
EPRA 'topped-up' Net Initial Yield		5.8%		6.1%
EPRA vacancy rate		2.7%		4.9%

CALCULATION OF EPRA EARNINGS PER SHARE

	2011 £m	2011 Pence per share	2010 £m	2010 Pence per share
Profit for the year after taxation	840	95.2p	1,140	132.6p
Exclude				
Group – non-underlying current tax			(26)	(3.0p)
Group – deferred tax	(12)	(1.4p)	12	1.4p
Joint ventures and funds – non-underlying current tax			2	0.2p
Joint ventures and funds – deferred tax	3	0.3p		
Group – net valuation movement (including result on disposals)	(313)	(35.4p)	(501)	(58.3p)
Joint ventures and funds – net valuation movement (including result on disposals)	(270)	(30.6p)	(412)	(47.9p)
Amortisation of intangible assets	10	1.1p	15	1.7p
Fair value movement on non-hedge accounted derivatives	(3)	(0.3p)		
EPRA earnings per share (EPS)	255	28.9p	230	26.7p

CALCULATION OF EPRA NNNAV PER SHARE

	2011 £m	2010 £m
EPRA NAV	5,101	4,407
Deferred tax arising on revaluation movements	(37)	(43)
Mark-to-market on effective cash flow hedges and related debt adjustments	(89)	(129)
Mark-to-market on debt	142	285
EPRA NNNAV	5,117	4,520
EPRA NNNAV per share	569p	517p

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

TABLE B continued: EPRA PERFORMANCE MEASURES

EPRA NET INITIAL YIELD AND 'TOPPED-UP' NET INITIAL YIELD

	2011 £m	2010 £m
Investment property – wholly owned	4,783	4,152
Investment property – share of joint ventures and funds	4,789	4,387
Less developments	(407)	(201)
Completed property portfolio	9,165	8,338
Allowance for estimated purchasers' costs	499	451
Gross up completed property portfolio valuation	9,664	8,789
Annualised cash passing rental income	512	486
Property outgoings	(8)	(6)
Annualised net rents	504	480
Rent expiration of rent-free periods and fixed uplifts[1]	60	60
'Topped-up' net annualised rent	564	540
EPRA Net Initial Yield	5.2%	5.5%
EPRA 'topped-up' Net Initial Yield	5.8%	6.1%
Including fixed/minimum uplifts received in lieu of rental growth	21	22
Total 'topped-up' net rents	585	562
Overall 'topped-up' Net Initial Yield	6.1%	6.4%
'Topped-up' net annualised rent	564	540
ERV vacant space	15	26
Reversions	(21)	(33)
Total ERV	558	533
Net Reversionary Yield	5.8%	6.1%

1 The period over which rent-free periods expire is 3 years (2010: 3.5 years).

EPRA VACANCY RATE

	2011 £m	2010 £m
Annualised potential rental value of vacant premises	15	26
Annualised potential rental value for the completed property portfolio	558	533
EPRA vacancy rate	2.7%	4.9%

SUPPLEMENTARY DISCLOSURES continued

TABLE C: 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. The relevant revenue, net rental income, assets and capital expenditure, being the measure of profit or loss and total assets used by the management of the business, are set out below:

	Offices		Retail		Other		Total	
	2011 £m	2010 £m	**2011 £m**	2010 £m	**2011 £m**	2010 £m	**2011 £m**	2010 £m
Revenue								
British Land Group	**98**	194	**193**	187	**22**	26	**313**	407
Share of joint ventures and funds	**107**	44	**199**	193	**3**	3	**309**	240
Total	**205**	238	**392**	380	**25**	29	**622**	647
Net rental income								
British Land Group	**76**	143	**161**	175	**18**	19	**255**	337
Share of joint ventures and funds	**84**	34	**179**	174			**263**	208
Total	**160**	177	**340**	349	**18**	19	**518**	545
Property assets (includes head lease liabilities)								
British Land Group	**1,660**	1,487	**2,935**	2,477	**188**	188	**4,783**	4,152
Share of joint ventures and funds	**1,417**	1,249	**3,360**	3,125	**12**	13	**4,789**	4,387
Total	**3,077**	2,736	**6,295**	5,602	**200**	201	**9,572**	8,539
Other assets								
British Land Group				10	**404**	635	**404**	645
Share of joint ventures and funds	**98**	91	**187**	236	**28**	20	**313**	347
Total	**98**	91	**187**	246	**432**	655	**717**	992
Capital expenditure								
British Land Group	**72**	165	**342**	56	**21**	10	**435**	231
Share of joint ventures and funds	**62**	2	**56**	139			**118**	141
Total	**134**	167	**398**	195	**21**	10	**553**	372

CALCULATION OF GROSS RENTAL INCOME

	3 months ended				Year ended	
	31 March 2011 £m	31 December 2010 £m	30 September 2010 £m	30 June 2010 £m	**31 March 2011 £m**	31 March 2010 £m
Rent receivable	**132**	127	123	123	**505**	538
Spreading of tenant incentives and guaranteed rent increases	**5**	6	9	12	**32**	23
Surrender premia	**1**	3			**4**	
Gross rental income	**138**	136	132	135	**541**	561

COMPANY BALANCE SHEET

Prepared in accordance with UK GAAP as at 31 March 2011

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COMPANY BALANCE SHEET

	Note	2011 £m	2010 £m
Non-current assets			
Investments and loans to subsidiaries	D	22,732	23,697
Investments in joint ventures	D	726	593
Intangible assets	D	9	13
Other investments	D	48	258
		23,515	24,561
Current assets			
Debtors	G	353	368
Liquid investments	E	203	195
Cash and short-term deposits	E	27	32
		583	595
Current liabilities			
Short-term borrowings and overdrafts	E	(288)	(138)
Creditors	H	(165)	(156)
Amounts due to subsidiaries		(18,010)	(19,374)
		(18,463)	(19,668)
Net current liabilities		(17,880)	(19,073)
Total assets less current liabilities		5,635	5,488
Non-current liabilities			
Debentures and loans	E	(1,547)	(1,531)
		(1,547)	(1,531)
Net assets		4,088	3,957
Equity			
Called up share capital	I	224	220
Share premium	J	1,240	1,244
Other reserves	J	(20)	(25)
Retained earnings	J	2,644	2,518
Shareholders' funds		4,088	3,957

Chris Gibson-Smith
Chairman

Graham Roberts
Finance Director

Approved by the Board on 22 May 2011.

Company number 621920

COMPANY BALANCE SHEET continued

(A) ACCOUNTING POLICIES

Accounting basis
The financial statements are prepared in accordance with applicable United Kingdom law and Accounting Standards (UK GAAP) and under the historical cost convention as modified by the revaluation of investment properties and fixed asset investments and liquid investments (not in accordance with International Financial Reporting Standards (IFRS) which are applied by the Group).

The major accounting policies of the Company are set out below and have been applied consistently throughout the current and the previous year. The policies that differ from those applied by the Group (as stated in note 1 of the consolidated financial statements) are for investments and deferred taxation:

→ **Going concern**
The financial statements are prepared on a going concern basis as explained in the Corporate Governance section on page 117.

→ **Liquid investments**
Liquid investments are shown at fair value and held as held for trading financial assets. Gains and losses from the changes in fair value are recorded in the income statement.

→ **Investments**
Investments in joint ventures are stated at cost less provision for impairment. Investments in subsidiaries are stated at cost or Directors' valuation less provision for impairment.

→ **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.

→ **Deferred taxation**
Deferred tax is not recognised when fixed assets are revalued unless by the balance sheet date there is a binding agreement to sell the revalued assets and the gain or loss expected to arise on the sale has been recognised in the financial statements. A deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

(B) DIVIDENDS
Details of dividends paid and proposed are included in note 20 of the consolidated financial statements.

(C) COMPANY PROFIT FOR THE FINANCIAL YEAR AFTER TAX
The Company has not presented its own profit and loss account as permitted by Section 408 of the Companies Act 2006. The profit after tax for the year was £269m (2010: loss £343m).

The average monthly number of employees of the Company during the year was 179 (2010: 164). Employee costs include wages and salaries of £16m (2010: £24m), social security costs of £2m (2010: £3m) and pension costs of £4m (2010: £3m). Details of the Executive Directors' remuneration are disclosed in the Remuneration Report.

Audit fees in relation to the Parent Company only were £0.2m (2010: £0.3m).

(D) INVESTMENTS AND LOANS TO SUBSIDIARIES

	Shares in subsidiaries £m	Loans to subsidiaries £m	Investments in joint ventures £m	Intangible assets £m	Other investments £m	**Total £m**
At 1 April 2010	18,256	5,441	593	13	258	**24,561**
Additions	247		61			**308**
Disposals		(483)	(15)	(4)	(209)	**(711)**
Reallocations			87			**87**
Write back of (provision for) impairment	(729)				(1)	**(730)**
At 31 March 2011	**17,774**	**4,958**	**726**	**9**	**48**	**23,515**

Shares in subsidiaries are included at cost or Directors' valuation in 1977, 1995, 1997 and 1999 to 2010 inclusive; their historical cost is £22,251m (2010: £22,004m). The amount of £726m (2010: £593m) includes £136m (2010: £64m) of loans to joint ventures by the Company. The Company has a 50% interest in The Public House Company Limited, MSC Property Intermediate Holdings Limited and Shopping Centres Limited, which are registered and operate in England and Wales. Results of the joint ventures are set out in note 12 of the consolidated financial statements. The historical cost of other investments is £55m (2010: £264m).

The Group comprises a large number of companies so has taken advantage of the exemption under Section 410(2) of the Companies Act 2006 in providing information only in relation to subsidiary undertakings whose results or financial position, in the opinion of Directors, principally affect the financial statements. The principal subsidiaries, wholly owned and except where stated, registered and operating in England and Wales, are:

Executive
The British Land Corporation Limited

Finance, Investment and Management
British Land Property Management Limited
BLD Property Holdings Limited
BL European Management LLP
British Land (Joint Ventures) Limited
Linestar Limited
British Land Investment Netherlands Holdings NV (Netherlands)

Property
British Land Retail Warehouses Limited
Ropemaker Place Unit Trust (Jersey)
The Mary Street Estate Limited
Osnaburgh Street Limited
Stockton Retail Park Limited
Euston Tower Limited
BF Propco (No 10) Limited
St. Stephens Shopping Centre Limited
BL Fixed Uplift Fund Limited Partnership
1 & 4 & 7 Triton Limited
York House W1 Limited
Drake Circus Limited Partnership (United States)

COMPANY BALANCE SHEET continued

(E) NET DEBT

	2011 £m	2010 £m
Secured on the assets of the Company		
5.264% First Mortgage Debenture Bonds 2035	**328**	327
5.0055% First Mortgage Amortising Debentures 2035	**103**	103
5.357% First Mortgage Debenture Bonds 2028	**296**	307
6.75% First Mortgage Debenture Bonds 2020	**186**	220
6.75% First Mortgage Debenture Bonds 2011		101
Floating Rate Secured Loan Notes 2035	**256**	256
	1,169	1,314
Unsecured		
5.50% Senior Notes 2027	**98**	98
6.30% Senior US Dollar Notes 2015[1]	**96**	101
Bank loans and overdrafts	**472**	156
	666	355
Gross debt	**1,835**	1,669
Interest rate derivatives: liabilities	**49**	49
Interest rate derivatives: assets	**(11)**	(11)
	1,873	1,707
Liquid investments		
4.405% Medium Term Note 2015	**(100)**	(98)
4.395% Medium Term Note 2015	**(103)**	(97)
	(203)	(195)
Cash and short-term deposits	**(27)**	(32)
Net debt	**1,643**	1,480

1 Principal and interest on these borrowings were fully hedged into Sterling at the time of issue.

Maturity analysis of net debt

		2011 £m	2010 £m
Repayable	within one year and on demand	**288**	138
between:	one and two years	**46**	259
	two and five years	**500**	127
	five and ten years	**186**	316
	ten and fifteen years	**6**	9
	fifteen and twenty years	**431**	441
	twenty and twenty-five years	**378**	6
	twenty-five and thirty years		373
		1,547	1,531
Gross debt		**1,835**	1,669
Interest rate derivatives		**38**	38
Liquid investments		**(203)**	(195)
Cash and short-term deposits		**(27)**	(32)
Net debt		**1,643**	1,480

(F) PENSION

The Company's pension scheme is the principal pension scheme of the Group and details are set out in note 10 of the consolidated financial statements.

(G) DEBTORS

	2011 £m	2010 £m
Trade and other debtors[1]	48	49
Amounts owed by subsidiaries	283	293
Corporation tax	6	10
Prepayments and accrued income	5	5
Interest rate derivative assets[2]	11	11
	353	368

1 Included within this balance is deferred consideration of £10m (2010: £33m) arising on the sale of investment properties. The timing of the receipt is uncertain and may fall due after one year.
2 Includes contracted cash flow with a maturity greater than one year at fair value.

(H) CREDITORS

	2011 £m	2010 £m
Trade creditors	11	23
Amounts due to joint ventures	53	37
Corporation tax	15	11
Other taxation and social security	5	5
Accruals and deferred income	32	31
Interest rate derivative liabilities[1]	49	49
	165	156

1 Includes contracted cash flow with a maturity greater than one year at fair value.

COMPANY BALANCE SHEET continued

(I) SHARE CAPITAL

	£m	Ordinary shares of 25p each
Issued, called and fully paid		
At 1 April 2010	220	879,427,102
Issues	4	17,615,196
At 31 March 2011	**224**	**897,042,298**

(J) SHARE CAPITAL AND RESERVES

	Share capital £m	Share premium £m	Other reserves £m	Profit and loss account £m	**Total £m**
At 1 April 2010	220	1,244	(25)	2,518	**3,957**
Share issues	4	(4)			
Dividends paid				(228)	**(228)**
Adjustment for scrip dividend element				81	**81**
Adjustment for share and share option awards				6	**6**
Pension scheme movements				(2)	**(2)**
Retained profit				269	**269**
Derivative valuation movement			5		**5**
At 31 March 2011	**224**	**1,240**	**(20)**	**2,644**	**4,088**

The value of distributable reserves within the profit and loss account is £1,676m (2010: £1,301m).

(K) CONTINGENT LIABILITIES, CAPITAL COMMITMENTS AND RELATED PARTY TRANSACTIONS

At 31 March 2011, the Company had no contingent liabilities for guarantees to third-parties (2010: £nil). The Company also had no capital commitments (2010: £nil).

The Company has used the exemption under FRS 8 where disclosure is not required of transactions with fellow subsidiary undertakings 100% of whose voting rights are controlled within the Group.

Related party transactions are the same for the Company as for the Group. For details refer to note 25 of the consolidated financial statements.

The Company has utilised the exemptions provided by FRS 1 (Revised) and has not presented a cash flow statement. A consolidated cash flow statement has been presented in the Group financial statements.

The Company has chosen to provide a development loan facility of up to £320m to the Broadgate joint venture secured against the new development, 5 Broadgate. The loan, which is assignable and on commercial terms, includes an interest cost of 3% per annum above LIBOR and market based fees. As at 31 March 2011, this has not been drawn by the joint venture.

REPORT OF THE AUDITOR

Independent Auditor Report to the Members of The British Land Company PLC
We have audited the parent company financial statements of The British Land Company PLC for the year ended 31 March 2011 which comprise the parent company balance sheet, and the related notes a to k. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This Report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an Auditor's Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this Report, or for the opinions we have formed.

Respective responsibilities of Directors and auditor
As explained more fully in the Directors' Responsibilities Statement, the Directors are responsible for the preparation of the parent company financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the parent company financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our Report.

Opinion on financial statements
In our opinion the parent company financial statements:

- Give a true and fair view of the state of the parent company's affairs as at 31 March 2011;
- Have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- Have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006
In our opinion:

- The part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006;
- The information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the parent company financial statements.

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- Adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- The parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- Certain disclosures of Directors' remuneration specified by law are not made; or
- We have not received all the information and explanations we require for our audit.

Other matter
We have reported separately on the Group financial statements of the British Land Company PLC for the year ended 31 March 2011.

Simon Letts BA FCA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom
22 May 2011

TEN YEAR RECORD

The table below summarises the last ten years' proportionally consolidated results, cash flows and balance sheets. Figures for 2011, 2010, 2009, 2008, 2007, 2006 and 2005 are prepared under IFRS. Figures for 2004 and earlier years are the UK GAAP comparatives adjusted to show gross rental income on a proportional basis. FRS 21 became effective in 2006 under UK GAAP and has been applied retrospectively to 2004 and earlier years. This standard requires proposed dividends not approved by the balance sheet date to be excluded from the balance sheet.

	IFRS							UK GAAP		
	2011 £m	2010 £m	2009 £m	2008 £m	2007 £m[5]	2006 £m	2005 £m	2004 £m	2003 £m	2002 £m
Income										
Gross rental income[1]	**541**	561	650	709	706	751	630	566	552	514
Net rental income	**518**	545	598	667	661	701	585	523	514	477
Fees and other income	**18**	15	20	40	50	50	9	6	3	10
Interest expense (net)	**(212)**	(246)	(292)	(350)	(370)	(436)	(360)	(336)	(326)	(318)
Administrative expense	**(68)**	(65)	(58)	(73)	(84)	(87)	(53)	(44)	(44)	(41)
Underlying profit	**256**	249	268	284	257	228	181	149	147	128
Exceptional costs (not included in underlying profit)[4]			(119)		(305)	(122)	(180)			
Dividends declared	**231**	225	198	179	107	88	84	71	66	64
Summarised balance sheets										
Total properties at valuation[1,3]	**9,572**	8,539	8,625	13,471	16,903	14,414	12,507	10,639	9,646	9,300
Net debt[1]	**(4,317)**	(4,081)	(4,941)	(6,413)	(7,741)	(6,684)	(6,538)	(5,397)	(4,993)	(4,632)
Other assets and liabilities[1]	**(154)**	(51)	(297)	(122)	(300)	72	(56)	(157)	(142)	167
EPRA NAV/Fully diluted adjusted net assets	**5,101**	4,407	3,387	6,936	8,862	7,802	5,913	5,085	4,511	4,835
Cash flow movement – Group only[7]										
Cash generated from operations	**182**	248	406	477	494	455	464	381	374	382
Cash outflow from operations	**28**	(112)	(201)	(295)	(275)	(359)	(339)	(218)	(279)	(283)
Net cash inflow from operating activities	**210**	136	205	182	219	96	125	163	95	99
Cash inflow (outflow) from capital expenditure, investments, acquisitions and disposals	**(240)**	(41)	418	857	(54)	994	(526)	(186)	(271)	(153)
Equity dividends paid	**(139)**	(154)	(188)	(161)	(91)	(84)	(77)	(67)	(65)	(61)
Cash inflow (outflow) from management of liquid resources and financing	**157**	(485)	(58)	(830)	(11)	(1,025)	459	137	267	108
(Decrease) Increase in cash[6]	**(12)**	(544)	377	48	63	(19)	(19)	47	26	(7)
Capital returns										
Growth in net assets[2]	**15.7%**	30.1%	(51.1%)	(21.6%)	13.6%	31.9%	15.5%	12.7%	(6.7%)	3.8%
Total return[4]	**17.7%**	33.5%	(61.6%)	(18.1%)	14.3%	33.2%	16.4%	13.0%	7.4%	4.2%
Total return – pre-exceptional	**17.7%**	33.5%	(60.3%)	(18.1%)	21.3%	34.6%	18.8%	13.0%	7.4%	4.2%
Per share information[9]										
Net asset value per share	**567p**	504p	398p	1114p	1394p	1231p	935p	808p	718p	672p
Memorandum:										
Dividends declared in the year	**26.0p**	26.0p	29.8p	29.0p	16.9p	14.1p	13.0p	12.0p	11.1p	10.3p
Dividends paid in the year	**26.0p**	27.3p	30.0p	26.8p	14.4p	13.3p	12.3p	11.4p	10.5p	9.7p
Diluted earnings:										
Underlying earnings per share	**28.5p**	28.4p	41.0p	44.3p	35.9p	29.4p	22.2p	28.6p	22.4p	25.1p
IFRS (loss) earnings per share[4,8]	**95.2p**	132.6p	(614p)	(251p)	389p	188p	104p	n/a	n/a	n/a

1 Including share of joint ventures and funds.
2 Represents movement in diluted EPRA NAV for 2007, 2006 and adjusted diluted net assets pre-2006.
3 Including surplus over book value of trading and development properties.
4 Including exceptional finance costs in 2005 £180m, 2006 £122m, 2007 £305m and 2009 £119m.
5 Restated for IFRS. The UK GAAP accounts shows gross rental income of £620m and underlying profit of £175m.
6 Represents movement in cash and cash equivalents under IFRS and movements in cash under UK GAAP.
7 Cash flow statement now presented under the direct method, with 2007 re-presented as a comparative. The change to presentation in the primary statement does not affect the comparability of values in the Ten Year Record.
8 Under UK GAAP the revaluation of investment properties is not included in earnings per share.
9 Adjusted for the rights issue of 341m shares in March 2009.

FINANCIAL CALENDAR

Dividends on ordinary shares

The British Land Company PLC	
First quarter Dividend declared	August
Second quarter Dividend declared	November
Third quarter Dividend declared	February
Fourth quarter Dividend declared	May

The fourth quarter dividend for 2010/11 of 6.50p per share is being paid on 12 August 2011. Having regard to share price volatility the Board will announce the availability of the Scrip Alternative via the Regulatory News Service and on the Group's website (www.britishland.com), no later than 48 hours before the ex-dividend date of 6 July 2011. The Board expects to announce the split between PID and non-PID income at that time. Any Scrip Alternative will not be enhanced.

Interest payments

The British Land Company PLC	
6.75% First Debenture Bonds 2020	31 March, 30 September
5.357% First Debenture Bonds 2028	31 March, 30 September
5.0055% First Amortising Debenture Bonds 2035	24 March, 24 September
5.264% First Debenture Bonds 2035	24 March, 24 September
BLD Property Holdings Limited	
10.3125% First Mortgage Debenture Stock 2011	1 April, 1 October
6.125% First Debenture Stock 2014	31 March, 30 September
9.125% First Debenture Stock 2020	30 June, 31 December

SHAREHOLDER INFORMATION

Analysis of shareholders – 31 March 2011

Range	Number of holdings	%	Balance as at 31 March 2011	%
1–1,000	7,128	57.03	3,092,392	0.35
1,001–5,000	3,822	30.58	8,280,728	0.93
5,001–20,000	718	5.74	6,709,724	0.76
20,001–50,000	248	1.98	7,876,989	0.89
50,001–Highest	583	4.66	859,816,220	97.07
Totals	**12,499**	**100**	**885,776,053**	**100**
Holder name				
Individuals	7,582	60.7	12,485,924	1.4
Nominee Companies including Banks	4,563	36.5	830,095,409	93.7
Limited Companies	211,	1.7	14,934,841	1.7
Other corporate bodies including Pension Trusts	143	1.1	28,259,879	3.2
Totals	**12,499**	**100**	**885,776,053**	**100**

Registrars
British Land's Share Registrars are Equiniti, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA.

Shareholder enquiry line: 0871 384 2143 (calls cost 8p per minute from a BT landline, other telephone providers costs may vary. Lines open from 8.30am to 5.30pm, Monday to Friday).

The Registrar's website is: **shareview.co.uk**. Registering on this site will enable you, amongst other features, to view your British Land shareholding online and to opt to receive shareholder mailings electronically.

In addition to being our Share Registrar, Equiniti are also Registrars for the BLD Property Holdings Limited Stock.

Bank of New York are Registrars of British Land's Debentures. They can be contacted at: Bank of New York Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU.

Bondholder enquiry line: 0871 664 0300 (calls cost 10p per minute plus network extras. Lines open from 8.30am to 5.30pm, Monday to Friday).

Share dealing service
Equiniti offer Shareview dealing, a service which allows you to buy or sell British shares if you are a UK resident.

You can deal in your shares on the internet or by phone. Log on to **www.shareview.co.uk/dealing** or call 0845 603 7037 between 8.30am and 4.30pm, Monday to Friday, for more information about this service and for details of the rates. If you are an existing shareholder, you will need your account/shareholder reference number which appears on your share certificate.

ShareGift
Shareholders with a small number of shares, the value of which makes it uneconomic to sell them, may wish to consider donating them to the charity ShareGift (registered charity 1052686), which specialises in using such holdings for charitable benefit.

A ShareGift transfer form can be obtained from Equiniti, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DW.

For further information, contact:
ShareGift
17 Carlton House Terrace
London SW1Y 5AH
Telephone: 020 7930 3737
Website: **sharegift.org**

Annual General Meeting
The Annual General Meeting of The British Land Company PLC will be held at The Ocean Room, The Cumberland Hotel, Great Cumberland Place, London W1H 7DL on Friday 15 July 2011, at 11.00am.

GLOSSARY OF TERMS

ABOUT REITS

The Government established the REIT status in the UK in 2007 to remove tax inequalities between different real estate investors and with the aim of improving overall investor access to real estate. Real Estate Investment Trusts (REIT) are companies which are exempt from corporate taxation on profits from property rental income and capital gains on the sale of investment properties.

REITs must distribute 90% of UK rental income in the form of property income dividends (PIDs). The consequence of this is to make the tax implications of investing in REITs equivalent to that of investing directly in property. REITs are also required to meet certain conditions including the proportion of total profits and assets accounted for by their property rental businesses. They remain liable to corporation tax on non-property investment businesses e.g. management fees and interest receivable.

The UK has had a tax exempt real estate regime since 1 January 2007. A number of other countries, notably the US, Australia and France also have tax exempt REIT regimes. British Land has been a REIT since 1 January 2007.

The Government is looking to encourage the growth of the REIT sector. The 2011 budget proposals are looking to relax qualifying conditions to encourage new entrants.

Property Income Distributions (PIDs)
Profits distributed as PIDs are subject to tax in the hands of the shareholders as property income. PIDs are normally paid net of withholding tax currently at 20% which the REIT pays to the tax authorities on behalf of the shareholder. Certain types of shareholder (i.e. pension funds) are tax exempt and receive PIDs without withholding tax.

Property companies also pay out normal dividends, called non-PIDs, which are treated as normal dividends and not subject to withholding tax.

RENTS

Headline rent is the contracted gross rent receivable which becomes payable after all the tenant incentives in the letting have expired.

Net effective rent is the contracted gross rent receivable taking into account any rent-free period or other tenant incentive. The incentives are treated as a cost to rent and spread over the lease to the earliest termination date.

Rack rented is the term used to describe when the contracted rent is in line with the estimated rental value (ERV), implying a nil reversion.

Reversion is the increase in rent estimated by the external valuers, where the passing rent is below the estimated rental value. The increases to rent arise on rent reviews and lettings.

Under rented is the term used to describe when the contracted rent is below the estimated rental value (ERV), implying a positive reversion (see below). Over rented is the inverse of this.

LEASES AND LETTINGS

Capped rents are subject to a maximum level of uplift at the specified rent reviews as agreed at the time of letting.

Collar rents are subject to a minimum level of uplift at the specified rent reviews as agreed at the time of letting.

Lettings and Lease Renewals are divided between short-term (less than two years lease length) and long-term (over two years lease length). Lettings and renewals are compared both to the previous passing rent as at the start of the financial year; and the ERV immediately prior to letting. Both comparisons are made on a net effective basis.

Rent reviews are compared to the previous passing rent.

Rents with fixed and minimum uplifts are either where rents are subject to contracted uplifts at a level agreed at the time of letting; or where the rent is subject to an agreed minimum level of uplift at the specified rent review.

Tenant (or lease) incentives are any incentives offered to occupiers to enter into a lease. Typically the incentive will be an initial rent-free period, or a cash contribution to fit-out. Under accounting rules the value of lease incentives given to tenants is amortised through the income statement on a straight-line basis to the earliest lease termination date.

Turnover rents is where all or a portion of the rent is linked to the sales or turnover of the occupier.

RENTAL INCOME

Annualised rent is the gross rent receivable on a cash basis as at the reporting date. Additionally where rent reviews are outstanding, any increases to applicable estimated rental value (as determined by the Group's external valuers), less any ground rents payable under head leases.

Estimated rental value (ERV) is the external valuers' opinion as to the open market rent which, on the date of valuation, could reasonably be expected to be obtained on a new letting or rent review of a property.

Gross rental income is the gross accounting rent receivable (quoted either for the period or on an annualised basis) prepared under IFRS which requires that rental income from fixed/minimum guaranteed rent reviews and tenant incentives is spread on a straight-line basis over the entire lease to first break. This can result in income being recognised ahead of cash flow.

Like-for-like ERV growth is the change in ERV over a period on the standing investment properties expressed as a percentage of the ERV at the start of the period. Like-for-like ERV growth is calculated monthly and compounded to the period subject to measurement.

Like-for-like rental income growth is the growth in gross rental income on properties owned throughout the current and previous periods under review. This growth rate includes revenue recognition and lease accounting adjustments but excludes properties held for development in either period, properties with guaranteed rent reviews, asset management determinations and surrender premiums.

Net rental income is the rental income receivable in the period after payment of direct property outgoings which typically comprise ground rents payable under head leases, void costs, net service charge expenses, and other direct irrecoverable property expenses. Net rental income is quoted on an accounting basis. Net rental income will differ from annualised net cash rents and passing rent due to the effects of income from rent reviews, net property outgoings and accounting adjustments for fixed and minimum contracted rent reviews and lease incentives.

Passing rent is the gross rent, less any ground rent payable under head leases.

PROPERTY YIELDS

EPRA Net Initial Yield is the annualised rents generated by the portfolio, after the deduction of an estimate of annual recurring irrecoverable property outgoings, expressed as a percentage of the portfolio valuation (after notional purchaser's costs), excluding development properties.

EPRA 'topped-up' Net Initial Yield is the annualised rents generated by the portfolio, after the deduction of an estimate of annual recurring irrecoverable property outgoings, plus rent contracted from expiry of rent-free periods and uplifts agreed at the balance sheet date which are not intended to compensate for future inflation, expressed as a percentage of the portfolio valuation (after notional purchaser's costs), excluding development properties.

Net Equivalent Yield is the weighted average income return (after deducting notional purchaser's costs) a property will produce based upon the timing of the income received. In accordance with usual practice, the equivalent yields (as determined by the external valuers) assume rent is received annually in arrears. The British Land definition excludes Europe, where leases are linked to annual indexation.

Net reversionary yield is the anticipated yield, which the initial yield will rise to once the rent reaches the estimated rental value.

Overall 'topped-up' Net Initial Yield is the EPRA Net 'topped-up' Initial Yield, adding guaranteed fixed uplifts to the annualised rents.

Yield shift is a movement (usually expressed in bps) in the yield of a property asset, or like-for-like portfolio, over a given period. Yield compression is a commonly used term for a reduction in yields.

LEASE LENGTH AND OCCUPANCY

Occupancy rate is the estimated rental value of let units expressed as a percentage of the total estimated rental value of the portfolio, excluding development properties. It includes accommodation under offer or subject to asset management (where they have been taken back for refurbishment and are not available to let as at the balance sheet date).

Total occupancy rate is the occupancy rate excluding accommodation under offer or subject to asset management.

Virtual freehold represents a long leasehold tenure for a period up to 999 years. A 'peppercorn', or nominal, rental is paid annually.

Weighted average lease term is the average lease term remaining to first break, or expiry, across the portfolio weighted by contracted rental income (including rent-frees). The calculation excludes short-term lettings, residential leases and properties allocated as developments.

PLANNING

The 1947 Town and Country Planning Act requires all proposals, with a few exclusions, to secure planning permission from the local authority. The requirement to obtain planning permission extends not only to new construction, but also to substantive changes of use of a property. There are various 'use classes'. Change of use to a different use class generally requires Planning consent.

Planning consent gives consent for a development, and covers matters such as use and design. Full details of the development scheme must be provided in an application for full planning consent, including detailed design, external appearance and landscaping before a project can proceed. Outline planning consent establishes the broad outline of the scheme and is subject to the later approval of the details of the design.

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GLOSSARY OF TERMS continued

Retail planning consents are separated between A1, A2 and A3 – as set out in The Town and Country Planning (Use Classes) Order 2005. Within the A1 consent category, an Open A1 consent grants planning for any type of retail, while Restricted A1 consent places limits on the types of retail that can operate from the site (this is typically a restriction that only bulky goods operators are allowed to trade at that site).

Class	Description	Use for all/any of the following purposes
A1	Shops	Retail sale of goods other than hot food; post office; sale of tickets or as a travel agency; sale of sandwiches or other cold food off the premises; hairdressing; direction of funerals; display of goods for sale; hiring out of domestic or personal goods/articles; the reception of goods to be washed, cleaned or repaired; a retail warehouse club being a retail club where goods are sold, or displayed for sale, only to persons who are members of that club; or as a night club.
A2	Financial and professional services	Financial services; professional services (other than health or medical); or other services (including betting) appropriate for a shopping area.
A3	Restaurants and cafés	Sale of food/drink (i.e. restaurants).
A4	Drinking establishments	Pub, wine bar or other drinking establishment.
A5	Hot food take-aways	Sale of hot food for consumption off premises.

PROPERTY VALUATION

Capital return is calculated as the change in capital value of the UK portfolio, less any capital expenditure incurred, expressed as a percentage of capital employed over the period, as calculated by IPD. Capital returns are calculated monthly and indexed to provide a return over the relevant period.

Market value in relation to property assets is the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion (as determined by the Group's external valuers). In accordance with usual practice, the Group's external valuers report valuations net, after the deduction of the prospective purchaser's costs, including stamp duty land tax, agent and legal fees.

Portfolio valuation uplift is the increase in value of the portfolio (after taking account of capital expenditure and capitalised interest) of properties held at the balance sheet date and sales during the period.

Property valuation In accordance with usual practice, the Group's external valuers report valuations net, after the deduction of the prospective purchaser's costs, including stamp duty land tax, agent and legal fees.

DEVELOPMENT

Developer's profit is the profit on cost assumed by the valuers to be required to start a project. The developers profit is typically calculated by the valuers to be a percentage of the estimated total development costs.

Development construction cost is the total cost of construction of a project to completion, excluding site values and finance costs (finance costs are assumed by the valuers at a notional rate of 6% per annum).

Estimated (Net) Development Value is the estimated end value of a development project as determined by the external valuers for when the building is completed and fully let (taking into account tenant incentives). It is based on the valuers view on ERVs, yields, letting voids and rent-frees.

The residual site value of a development is calculated as the estimated (net) development value, less a developer's profit margin, all development construction costs, finance costs (assumed at a notional rate) of a project to completion and notional site acquisition costs. The residual is then determined to be the current site value.

EPRA DEFINITIONS

EPRA is the European Public Real Estate Association, the industry body for European REITs.

EPRA earnings is the profit after taxation excluding investment property revaluations and gains/losses on disposals, intangible asset movements and their related taxation.

EPRA NAV per share is EPRA NAV divided by the diluted number of shares at the period end.

EPRA net assets (EPRA NAV) are the balance sheet net assets excluding the mark-to-market on effective cash flow hedges and related debt adjustments, deferred taxation on revaluations and diluting for the effect of those shares potentially issuable under employee share schemes.

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

EPRA vacancy rate is the estimated market rent of value (ERV) of vacant space divided by ERV of the whole portfolio, excluding developments. This is the inverse of the total occupancy rate.

FINANCIAL

IFRS are the International Financial Reporting Standards as adopted by the European Union.

Interest cover is the number of times net interest payable is covered by underlying profit before net interest payable and taxation.

Loan to Value (LTV) is the ratio of gross debt less cash, short-term deposits and liquid investments to the aggregate value of properties and investments.

Mark-to-market is the difference between the book value of an asset or liability and its market value.

Net operating costs are property operating expenses and administrative expenses net of fees and other income.

REIT capital return is REIT total return less REIT income return (as defined above).

REIT income return is underlying profit before tax (as defined above) after deduction of attributable underlying tax.

REIT total return (total accounting return) is the growth in EPRA NAV plus dividends paid, and this can be expressed as a percentage of EPRA NAV per share at the beginning of the period.

Total shareholder return is the growth in value of a shareholding over a specified period, assuming that dividends are reinvested to purchase additional units of stock.

Underlying earnings per share (EPS) consists of underlying profit after tax divided by the diluted weighted average number of shares in issue during the period.

Underlying profit before tax is the pre-tax EPRA earnings measure with additional company adjustments, including realisation of cash flow hedges and non-recurring items.

Weighted average debt maturity each tranche of Group debt is multiplied by the remaining period to its maturity and the result is divided by total Group debt in issue at the period end.

Weighted average interest rate is the Group loan interest and derivative costs per annum at the period end, divided by total Group debt in issue at the period end.

OTHER

CACI Ltd is a wholly owned subsidiary of Consolidated Analysis Center Incorporated (CACI) providing marketing solutions and informational systems to local and central Government and to business from most industry sectors (including retail).

Group is The British Land Company PLC and its subsidiaries and excludes its share of joint ventures and funds on a line-by-line basis (i.e. not proportionally consolidated).

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