



**The British Land
Company PLC**

DELIVERING PERFORMANCE

Annual Report and Accounts 2012



BRITISH LAND IS ONE OF EUROPE'S LARGEST REAL ESTATE INVESTMENT TRUSTS (REITs) AND OUR VISION IS TO BE THE BEST.

We provide investors with access to a diverse range of quality property assets which we actively manage, finance and develop.

We focus mainly on prime UK retail and London office properties and have a reputation for delivering industry-leading customer service. Our properties and our approach attracts high-quality occupiers committed to long leases, so we can provide shareholders with security of income as well as capital growth.

Our size and substance demands a responsible approach to business. We believe achieving leading levels of efficiency and sustainability in our buildings helps drive our performance. This is also of increasing importance to occupiers and central to our aim to create environments in which businesses and local communities can thrive.

Corporate responsibility information is integrated throughout our Annual Report and Accounts. This reflects how managing our environmental, economic and social impacts is central to the way we do business. It also provides readers with insights into the critical linkages in our thinking and activity, and greater clarity on the relationship between our financial and non-financial key performance indicators.



Why go online?

Our corporate website contains detailed information about the Company and is frequently updated as additional details become available. You can sign up for email alerts of our latest news and our current share price is displayed on the home page.



Our corporate website
www.britishland.com



Our iPad App
British Land Investor Relations

For more information

You'll find links throughout this Report, to guide you with further reading or relevant information.



Our corporate website
www.britishland.com/annualreport2012



For further information
Page number

CONTENTS

Directors' report and business review

Overview

- 02 What we do
- 04 Highlights of the year
- 06 Chairman's statement
- 08 What's happened this year: Retail
- 10 Building our development pipeline: Retail
- 12 What's happened this year: Offices
- 14 Building our development pipeline: Offices
- 16 Chief Executive's statement

Understanding our strategy

- 20 Our markets
- 22 Our business strategy
- 24 Our Key Performance Indicators
- 28 About our business
- 38 Our principal risks and uncertainties

Our performance

- 44 Portfolio review
- 49 Performance review: Retail
- 52 Performance review: Offices
- 55 Performance review: Joint ventures and funds
- 56 Our corporate responsibility review
- 58 Financial review
- 65 Financial policies and principles

Governance

- 68 Chairman's Governance review
- 70 Board of Directors and Executive Committee
- 72 Corporate governance
- 77 Report of the Audit Committee
- 81 Report of the Nomination Committee
- 82 Remuneration report
- 97 Additional disclosures
- 98 Directors' responsibility statement

Financial statements

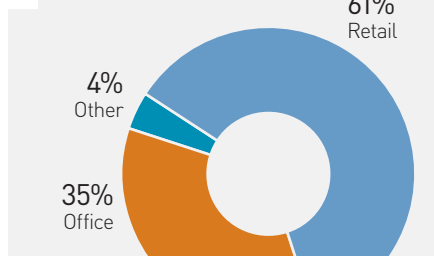
Financial statements and other information

- 100 Consolidated income statement
- 101 Consolidated balance sheet
- 102 Consolidated statement of comprehensive income
- 103 Consolidated statement of cash flows
- 104 Consolidated statement of changes in equity
- 105 Notes to the accounts
- 133 Report of the auditor
- 134 Supplementary disclosures
- 140 Company balance sheet
- 146 Report of the auditor
- 147 Ten year record

Other information

- 148 Shareholder information
- Financial calendar
- Analysis of shareholders
- 150 Glossary of terms

02



04



08



10



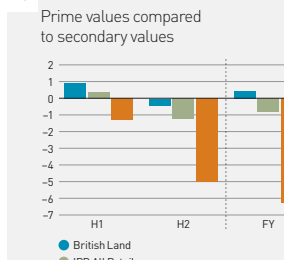
12



14



20



22

WE HAVE FIVE STRATEGIC PRIORITIES WHICH ENSURE WE FOCUS OUR EFFORTS ON THE MOST VALUE ENHANCING ACTIVITIES.

These priorities guide the overall direction of the business and shape what British Land looks like today and how we are likely to look in the future.

- 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

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', '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.

OVERVIEW

UNDERSTANDING OUR STRATEGY

OUR PERFORMANCE

GOVERNANCE

FINANCIAL STATEMENTS AND OTHER INFORMATION

WHAT WE DO

WE ARE ONE OF EUROPE'S LARGEST REITs AND OUR VISION IS TO BE THE BEST.

For us, being the best means delivering superior total returns to our shareholders.

What is a REIT?

Real Estate Investment Trusts (REITs) provide an equal opportunity for shareholders of all sizes to invest in property. Companies which own and/or manage real estate can become a REIT and be exempt from paying corporation tax. In return at least 90% of taxable property income must be distributed to shareholders as dividends.

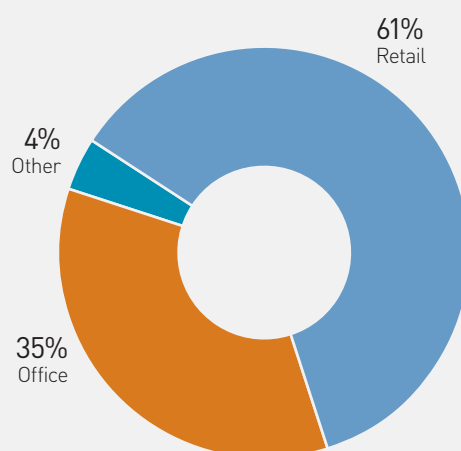
Our portfolio

British Land manages a portfolio of commercial property worth £15.8 billion, of which our share is £10.3 billion. Our portfolio is focused primarily on high-quality retail locations and central London offices. We believe these well-located properties are the ones best placed to benefit from customer demand and rental growth.

We invest in and develop high-quality buildings in prime locations and then manage them to the very highest standards – focused on customers' needs at every stage. It's an approach that's proved successful: each year over 300 million people visit our properties which house over 1,000 organisations and retail brands. 98% of the portfolio is let and our occupiers sign long leases with us. This gives us the security of a strong and sustainable rental income; only a very small portion of rent is subject to break or expiry before 2015.

See Retail and Offices overview
P08–15

See Our full portfolio online
www.britishland.com/77-property-portfolio



Our approach and values

We take a responsible and collaborative approach to business so our brand is both trusted and valued by stakeholders. Our approach is embodied in our values which differentiate us and help deliver a brand with which people and organisations want to engage.

Integrity

We do what is right not what is easy.

Excellence

We are the best we can be and have a growth mindset.

One Team

Working collaboratively with both internal and external stakeholders.

Commercial Acumen

We take the lead in our field.

Our strategic priorities

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

See Chief Executive's statement
P16–19

See Our business strategy and Key Performance Indicators
P22–27

Our executive team

Our people are one of our major assets. To deliver our corporate strategy we need to attract and retain experts in their fields, whose efforts, skill and judgement are leveraged across our extensive portfolio.

Chris Grigg
Chief Executive



Lucinda Bell
Finance Director



Stephen Smith
Chief Investment Officer



Charles Maudsley
Head of Retail



Tim Roberts
Head of Offices



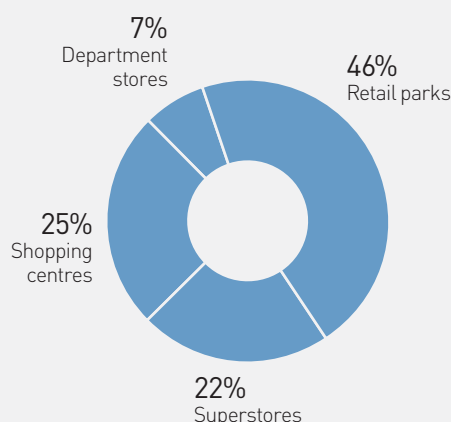
▶ See About our business
P28–37

▶ See Board of Directors
P70–71

Retail

We are the UK's largest listed retail landlord. Our portfolio of retail parks, superstores, shopping centres and department stores benefits from flexible planning consents making it adaptable to a wide range of formats. This allows us to actively manage our portfolio and deliver the most attractive space to both retailers and consumers.

Our 27 million sq ft of retail space includes 90 retail park properties, 99 superstores, 12 shopping centres and ten department stores. Our portfolio is made up of both wholly-owned assets and properties held through our interests in joint ventures and funds.



▶ See What's happened this year and Building our development pipeline
P08–11

▶ See Performance review: Retail
P49–51

Retail: Our key properties

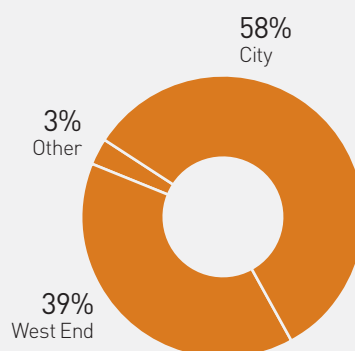
	£m rent
01 Meadowhall Shopping Centre	82
02 Sainsbury's Superstores	68
03 Tesco Superstores	62
04 Teesside Shopping Park	14
05 Drake Circus Shopping Park	15

Retail: Our top 10 occupiers

	% British Land rent
01 Tesco	7.2
02 Sainsbury's	6.2
03 Debenhams	4.3
04 Home Retail Group	3.0
05 Kingfisher (B&Q)	2.2
06 Next	2.0
07 Arcadia Group	1.9
08 DSG International	1.4
09 Asda	1.3
10 Boots	1.3

Offices

We provide modern, high-quality and well-located office accommodation which meets the needs of a broad range of London-based financial and business service companies and other corporates. We supplement this with world-class property management, covering everything from estate services to the development of new buildings. Our customer focus helps us retain and attract occupiers to our properties. Companies are willing to commit to long leases for the right building and landlord relationship.



▶ See What's happened this year and Building our development pipeline
P12–15

▶ See Performance review: Offices
P52–54

Offices: Our key properties

	£m rent
01 Broadgate	173
02 Regent's Place	51
03 Ropemaker Place	27
04 York House	5

Offices: Our top 10 occupiers

	% British Land rent
01 UBS	3.6
02 HM Government	2.3
03 Bank of Tokyo-Mitsubishi	1.6
04 Macquarie Group	1.5
05 Herbert Smith	1.4
06 RBS	1.2
07 Aegis Group	0.9
08 JP Morgan	0.9
09 Reed Smith	0.8
10 Gazprom	0.8

HIGHLIGHTS OF THE YEAR

OUR ACTIONS HAVE DRIVEN CONTINUED OUTPERFORMANCE.

We have delivered good results in more challenging markets, outperforming the market benchmarks on all key metrics.

▶ See Chief Executive's statement
P16–19

▶ See Portfolio review
P44–55

▶ See Full year results 2012 video
www.britishland.com

Chris Grigg Chief Executive

“This has been another active and successful year for British Land. Our results show the clear benefit of the long-term sector and asset choices we have made along with our short-term actions: our sharpened focus on income; the acquisitions we’ve made; our early decision to commit to a significant London office development programme; and our successful financing activities. In a more challenging market environment, we significantly outperformed the market on all key property metrics – rental values, capital returns and total returns. Our results show we are defensively positioned in today’s more difficult markets but also well positioned for when the economy improves.”

Chris Grigg Chief Executive

Construction of The Leadenhall Building



Retail

Demand for space in our Retail business remained robust across the UK portfolio as retailers continued to look for high-quality, affordable space, which they believe can meet the needs of their businesses going forward. The attractiveness of our retail offer is reflected in the strength of our operational metrics. Footfall across our portfolio was up 0.3%, significantly outperforming the industry average which fell 2.0%; our occupancy remained high at 98.3%; and our estimated rental values rose by 1.4% compared to a fall of 0.4% for the market as a whole.

▶ See Portfolio review: Retail
P49–51

Offices

Our Offices portfolio had another good year reflecting both the quality of our investment portfolio and our decision to invest early in a major development programme. The value of our portfolio increased over the year by 7.3% to £3.6 billion with our capital returns outperforming the IPD All Office benchmark by 520 bps. While leasing activity across the market remained subdued, we continued to see encouraging levels of activity across our portfolio and particularly in developments. This reflects the quality of our buildings and our customer service, which continue to attract and retain occupiers. In our investment portfolio, we agreed one million sq ft of lettings and lease extensions at 3.3% ahead of ERV, moving our occupancy ahead further by 20 bps to 98.0%.

▶ See Portfolio review: Offices
P52–54

Underlying profit before tax

Underlying pre-tax profits grew by 5.1% to £269 million due to acquisitions and asset management across the portfolio.

2012 £269m

2011 £256m

2010 £249m

+5.1%

Underlying EPS

Underlying EPS increased 4.2% from 28.5 pence to 29.7 pence.

2012 29.7p

2011 28.5p

2010 28.4p

+4.2%

Dividend per share

We have announced that we are proposing a 1.5% increase in the quarterly dividend to 6.6 pence. This brings total dividend for the year to 26.1 pence (FY2011: 26.0 pence).

2012 26.1p

2011 26.0p

2010 26.0p

+0.4%

Portfolio valuation

The value of our portfolio rose by 2.6% to £10.3 billion. Offices was the main contributor to growth, increasing in value by 7.3%. Around 75% of this uplift was generated by asset management and development activity.

2012 £10,337m

2011 £9,572m

2010 £8,539m

+2.6%

EPRA Net Asset Value per share

EPRA Net Asset Value per share was up 4.9% to 595 pence, reflecting growth in properties plus three pence of retained earnings.

2012 595p

2011 567p

2010 504p

+4.9%

Total property return

Our total property returns were 8.3%, outperforming the IPD benchmark by 200 bps. Income return was 5.1% and capital return was 3.0%. Estimated rental values for the portfolio increased 2.1% compared to 0.1% for the market, as measured by IPD.

2012 8.3%

2011 13.1%

2010 21.5%

8.3%

Loan to value ratio

At the end of the year, our loan to value ratio was 45.3% (proportionally consolidated), within our stated target range of 40–50%. The Group's loan to value was 29.1%.

2012 45.3%

2011 44.7%

2010 46.8%

+0.6%

EPRA performance measures

As at 31 March	2012	2011	2010
EPRA Earnings	£259m	£255m	£230m
EPRA NAV	£5,381m	£5,101m	£4,407m
EPRA NNNNAV	£5,148m	£5,117m	£4,520m
EPRA Net initial yield	5.2%	5.2%	5.5%
EPRA 'Topped-up' net initial yield	5.8%	5.8%	6.1%
EPRA Vacancy rate	2.4%	2.7%	4.9%

See Supplementary disclosures
P136

CHAIRMAN'S STATEMENT

Chris Gibson-Smith Chairman

"We have a strong and robust strategy. Prime property has performed well and our portfolio comprises the space that is most in demand; high-quality, modern and well located London offices and some of the UK's best retail assets where retailers enjoy profitable trade and in which consumers choose to shop."



"Not only are we well positioned to cope with current challenges but when growth returns we believe we will benefit further."

Underlying profit before tax

2012	£269m
2011	£256m
2010	£249m

EPRA Net Asset Value per share

2012	595p
2011	567p
2010	504p

5.1%

Increase in underlying
profit before tax

4.9%

Increase in EPRA
Net Asset
Value per share

-  See Chief Executive's statement
P16–19
-  See Portfolio review
P44–55
-  See Financial review
P58–64
-  See Full year results 2012 video
www.britishland.com

Solid businesses, built on firm foundations, are exactly the ones that have prospered over the last 12 months and we are pleased to be among them. We are all operating in a difficult environment and, while governments around the world are trying to do the right things, there have been renewed concerns over the Eurozone and a level of uncertainty that is likely to be with us for some time to come.

Austerity has continued to bite the UK economy and in the second half of the year we tipped back into recession. The occupational market has been tougher; the effect on consumer spending has resulted in increased retail administrations and businesses in general are more cautious. In the investment market it has been increasingly difficult to find good quality prime property at the right price or value in secondary assets.

But British Land has a strong and robust strategy and a talented team that has worked hard over the past 12–24 months to deliver a pleasing performance for its shareholders. We are in the right sectors and sub sectors. Prime property has performed well and our portfolio comprises space that is in demand; high-quality, modern and well located London offices and some of the UK's best retail assets where retailers trade profitably and consumers choose to shop.

Our results over the past year have shown the resilience of our business. Not only are we well positioned to cope with current challenges but when growth returns we believe we will benefit further. Against challenging market conditions, we reported good results for the year to 31 March 2012. Underlying pre-tax profit of £269 million was 5.1% up reflecting £28 million (5.4%) growth in net rental income. The value of our portfolio now stands at £10.3 billion up 2.6% and NAV is up 4.9% to 595 pence giving a total accounting return of 9.5%.

The Board is recommending a fourth quarter dividend of 6.6 pence, bringing the total dividend for the year to 26.1 pence per

share. This reflects the Board's confidence in the quality of the Company's assets and our future income.

We use our scale and financial strength to fund our business competitively ensuring we can undertake the large projects which many peers cannot. We achieve this through a diverse funding structure and a broad spread of debt maturities. Since April 2011, we successfully raised nearly £2 billion (British Land share £1.4 billion) of new finance. That we did this on highly competitive rates, when debt finance for property is so constrained, says a lot about the quality of our business.

Few property companies could fund a development programme on our scale. In London, our £1.2 billion development programme is a great example of creating value. We have fixed the majority of costs below original expectations and pre-let 50% of the office space.

This is an unprecedented position in the current London office development cycle and testament to the quality and design of our buildings, that major occupiers are choosing to house their operations in our properties. In our retail portfolio, 1.7 million sq ft is under construction.

Our size and geographic spread brings many benefits and we have a significant and positive impact on the communities in which we operate. British Land is built on a responsible and collaborative approach which is central to how we do business. This helps differentiate us and create a company with which people and organisations want to engage.

During the year we asked staff at all levels to help re-evaluate our company values and these continue to underline the way we do business – 'Integrity', 'Excellence', 'One Team' and 'Commercial Acumen', are all fundamental to our success.

In July 2011, we launched our Community Charter to ensure a strong and consistent approach to understanding local needs and developing long-term community relationships across our major UK properties and developments. We also put considerable emphasis on managing our buildings efficiently and developing sustainable buildings focusing on resources that realise the greatest benefits.

Our corporate responsibility team constantly reviews best practice and benchmarks our performance. We explore and test new concepts and, where appropriate, embed them across our business, frequently going beyond accepted practices to deliver real competitive advantage. Over the past year we have received a number of accolades for our work. More details can be found on pages 56 and 57 and in our Corporate Responsibility Report at www.britishland.com/crreport2012.

Our Board underwent change in early 2011 with the arrival of two new Non-Executive Directors and Lucinda Bell formally took over as Finance Director in May 2011. The Board has gelled together well.

I would like to thank our staff, customers and suppliers who have helped us continue to deliver a strong and successful business. We are rising to the challenges of the current environment and are well positioned for future growth.

Chris Gibson-Smith

Chris Gibson-Smith
Chairman

WHAT'S HAPPENED THIS YEAR

RETAIL

Our Retail business continued to outperform the broader retail market, reflecting our focus on stronger performing parts of the market combined with our ability to provide retailers with modern, flexible and affordable retail environments where they are able to trade profitably and grow.

See Performance review: Retail
P49-51

01

Creating the right space

We are committed to ensuring that retailers have the right space to remain competitive, subdividing, extending or amalgamating units and utilising our 2.4 million sq ft of mezzanines. We initiated over 142 capital projects covering 33% of our properties, with extensions to stores for Marks and Spencer at Teesside Shopping Park in Stockton-on-Tees and Deepdale Shopping Park in Preston, over the course of the year.

02

Attracting retailers out-of-town

The quality and location of our retail assets continued to attract new premium retailers to our out-of-town formats. This included the first Swarovski and Jack & Jones at Glasgow Fort Shopping Park and Whole Foods Market at Gallagher Retail Park in Cheltenham.

03

Locally dominant assets

Understanding the local retail hierarchy for each of our assets ensures we have the right strategy to deliver our key income objectives. During the year, we enhanced the dominance of many of our assets through lettings to major retailers including Marks and Spencer Simply Food at Kingswood Retail Park in Hull, and Republic at Crown Point Shopping Park in Denton.

3,763,000 sq ft

Lettings, rent reviews and lease renewals

Glasgow Fort



04

Multi-channel retailing

We are working closely with our retailers as they upgrade their stores to complement their evolving multi-channel strategies. During the year, we completed 109,000 sq ft (with a further 63,000 sq ft mezzanine) of refurbishments and extensions with Next, including the extension of their stores at Birstall Shopping Park in Leeds and Fort Kinnaid, Edinburgh. And we opened the first out-of-town store for N Brown's online fascia, Simply Be, at Teesside.

05

Staying close to retailers

We continued to see demand from key retailers and our detailed understanding of our clients' operations means we work in partnership with them to maximise sales and profitability. We worked closely with H&M as they continued their out-of-town expansion with new units opening at Teesside and New Mersey Shopping Park in Speke; Asda Living signed new stores at our parks in Rotherham, Stafford and Guiseley; and Mamas & Papas expanded into Whiteley Shopping Centre, Leamington Spa and Edinburgh Fort.

06

Delivering new planning consents

During the year we continued to add value through our planning expertise. We secured 70 new consents across the retail portfolio accounting for one million sq ft, including new consents for Hobbycraft and Pets at Home at the Beehive Centre in Cambridge; Frankie & Benny's at Parkgate, Rotherham; and Smyths Toys at Glasgow Fort Shopping Park.

07



07

Creating the right environment

We are working to improve consumer experience and enhance dwell times across our portfolio by incorporating more food, drink and leisure operators. We carried out 39 transactions representing £4.2 million in contracted rent. Continuing the evolution of out-of-town retail, we created new units for Costa at Queens Retail Park, Stafford and Tollgate Retail Park, Colchester; Pizza Express and Nando's at Giltbrook Retail Park, Nottingham; and Greggs at Teesside, Edinburgh and Leamington Spa. And in town, we added YO! Sushi at Drake Circus Shopping Centre, Plymouth.

05



OTHER

While we remain focused on our core retail and central London office markets, our acquisition of a portfolio of Virgin Active premium racquet clubs demonstrates our ability to identify and work with banks, to unlock opportunities to create incremental value.



08

Meadowhall Oasis food court refurbishment completed

In October 2011, a £7 million refurbishment of the Oasis Dining Quarter at Meadowhall Shopping Centre in Sheffield was completed. The redevelopment of the food court has created two distinct dining areas: the upper level provides a comprehensive casual dining offer while the lower level focuses on fast-food operators centred around communal seating. New operators include Giraffe, Chaobaby and Rice, with Carluccio's opening mid-2012.

09

Portfolio management

Demand for space across our UK portfolio remained robust with occupancy remaining strong at 98%. We exchanged 1.1 million sq ft of lettings and lease extensions at 6.9% ahead of ERV and 186 rent reviews, including re-letting units previously let to Focus and Asda at Woking and Guiseley, B&Q at Malvern and TK Maxx at Guiseley, at rents 16% higher than passing.

10

Virgin Active

In July 2011, we acquired a portfolio of 17 premium racquet club properties with a total of 1.7 million sq ft of leisure and gym facilities spread over 380 acres of land. Acquired for £179 million, a net initial yield of 7.3%, the clubs were all let on new, 25-year leases to Virgin Active. The clubs are all well located on the edge of major towns, offer an extensive range of facilities, are highly accessible and dominant in their catchment areas. We have subsequently sold five of the smaller properties (Gloucester, Neath, Manchester, Oxford and Poole) on a net initial yield of 6.5% to high-quality institutions, at a significant premium above the purchase price.

06



BUILDING OUR DEVELOPMENT PIPELINE

RETAIL

WE BELIEVE THERE IS AN OPPORTUNITY TO ADD INCREMENTAL VALUE THROUGH RETAIL DEVELOPMENT.

At present there is a shortage of supply of prime retail assets and strong support for regeneration. For these reasons, we are building our retail development pipeline, focusing on mid-sized projects, typically with 25–60 units and valued at £50 million–£250 million, as we believe this is where returns are likely to be best.



Whiteley Shopping Centre, Hampshire

Whiteley Shopping Centre is located in southern Hampshire just one mile from Junction 9 of the M27, midway between the cities of Portsmouth and Southampton. Scheduled to open in spring 2013, the 302,000 sq ft development will comprise over 50 units totalling 268,000 sq ft of retail space, 34,000 sq ft of restaurants, cafés and other facilities and 1,136 car park spaces. Anchored by Marks and Spencer, Next and Tesco, the development is now 68% pre-let or under offer by rent with other retailers signed including H&M, Boots, JD, Schuh, Paperchase and Mamas & Papas. Whiteley represents the latest in retail design incorporating dramatic double height retail units with oak panelling, centred around a new town square with high-quality public realm, landscaped areas and public art. Extensive energy and sustainability features will ensure that Whiteley will be one of the first major UK retail developments to achieve the BREEAM Excellent sustainability rating.



Glasgow Fort

The 45,000 sq ft leisure extension at Glasgow Fort, which is fully pre-let and due to open in 2013, will comprise a 22,000 sq ft eight-screen Vue Cinema and five restaurants: TGI Friday's, Prezzo, Harvester, Chiquito and Pizza Express. Proposals are also being progressed for a further 142,000 sq ft retail extension. Together these two additions will increase the size of the retail park by approximately 40%.



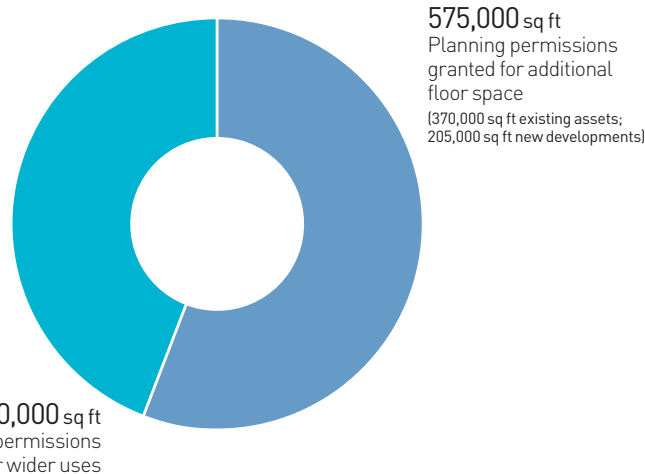
Puerto Venecia, Zaragoza

The second phase of Puerto Venecia in Zaragoza, Spain, is targeted for opening in autumn 2012. Over 80% of the 1.4 million sq ft scheme has been sold, pre-let or is under offer. This shopping and leisure destination will be anchored by El Corte Ingles, Indetex Group (nine brands totalling over 70,000 sq ft and including Zara), Primark, Desigual, H&M, Hollister and Cinesa.

New planning permissions

Over the past 12 months we have facilitated further value growth by securing over one million sq ft of new planning permissions. Approximately 575,000 sq ft relates to additional floor space, which we will implement as part of our new development projects and extensions to existing assets.

We have also enhanced planning permissions on a further 450,000 sq ft of existing assets. This will allow us to lease more retail park space to a wider spectrum of retailers, often including fashion.



The retail development pipeline across the UK is at an historic low and is expected to be in a similar place for a number of years. Successful development requires capital, scale, strong retailer relationships and to be a partner of choice for Local Authorities. We are one of a very small group meeting these criteria and so we can exploit the supply-induced opportunity we see in the market; looking to deliver new high-quality retail space as the market recovers.

We have committed to the development of Whiteley Shopping Centre in Hampshire and a leisure extension at Glasgow Fort Shopping Park and the refurbishment and extension of Surrey Quays Shopping Centre in South East London.

We also focused on adding to our future pipeline, securing over one million sq ft of new planning permissions.

Over
£300m

Of committed/proposed UK schemes

1.7m sq ft

Of committed retail developments



Superstore extensions

During the last twelve months, we have funded five store extensions totalling 95,000 sq ft generating an additional £1.9 million of rent per annum (100% joint venture level). We have a number of discussions in hand with our principal occupiers that could result in a further 98,000 sq ft of extensions being funded over the next 12 months.



Surrey Quays Shopping Centre

The proposed new 100,000 sq ft extension to Surrey Quays Shopping Centre in South East London will sit in front of the existing entrances and provide 18 new shops and restaurants. The existing 309,000 sq ft shopping centre will also be extensively refurbished. Planning permission has recently been granted for the extension which represents a £31 million investment in Surrey Quays. Work will commence in early 2013.

Fort Kinnaird, Edinburgh

A proposed new 84,000 sq ft retail/leisure extension, comprising a 24,000 sq ft seven-screen cinema, eight restaurant/café units and a 60,000 sq ft department store pre-let to Debenhams.

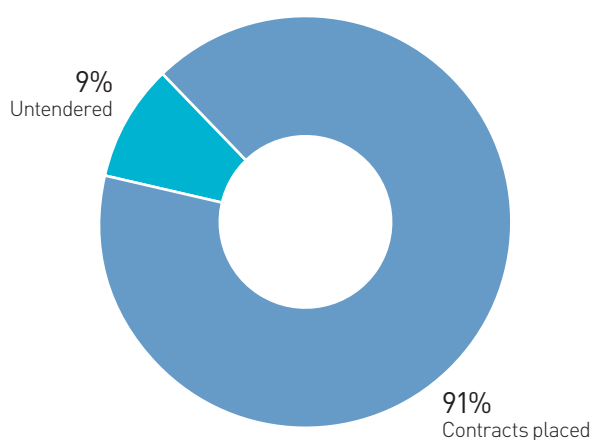
Meadowhall, Sheffield

A planning application has been lodged for a proposed new development on land surrounding Meadowhall Shopping Centre comprising 52,000 sq ft of Retail/Restaurant together with a 177,000 sq ft premium car dealership that includes a showroom, workshops and office accommodation.

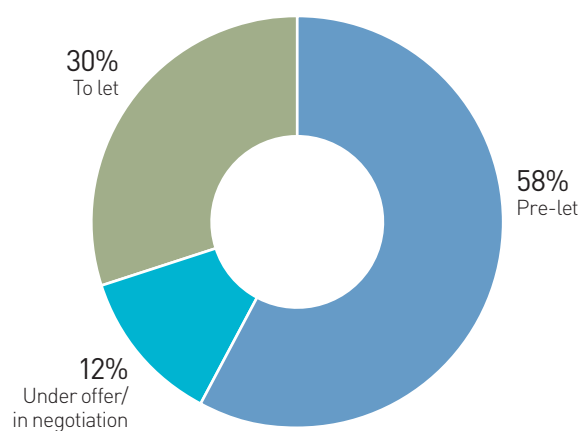
Power Court, Luton

Power Court is a 19.5 acre development site, acquired in May 2011, situated adjacent to Luton town centre and currently occupied by derelict light industrial buildings. We are working closely with Luton Borough Council and expect to submit a planning application in late 2012 for a high-quality, retail-led, mixed-use development.

Construction cost tendering



Pre-let by rent



WHAT'S HAPPENED THIS YEAR

OFFICES

Our Office portfolio continued to benefit from London's ongoing strong attraction to businesses and investors. Our focus and delivery of high-quality buildings in well-managed environments and outstanding customer service both attracts and retains our existing customers.

See Performance review: Offices
P52-54

01

Delivering sustainable income

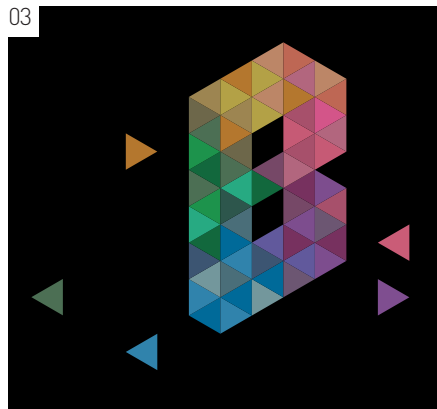
The flexibility and quality of our buildings within well-managed environments allows us to attract and retain customers. Over the last two years, we have attracted a diverse range of new customers on two million sq ft of office lettings, representing one fifth of the entire Grade A central London take-up over the period. Over the same period, we extended 1.2 million sq ft of leases as we continue to deliver what our customers need. Lease extensions have helped reduce office rents subject to break or expiry over the next three years from 12% to 5%.

02

Successfully pre-letting developments

We have been highly successful in attracting major occupiers to our current committed developments. During the year, we completed pre-lets on 1.1 million sq ft with Aon, UBS and Debenhams for an average term of 20 years. This represents 50% of our current office developments. UBS is the largest ever pre-let in the City and Debenhams is the largest in the West End for six years. With the exception of UBS, Aon was the largest transaction in the City last year.

03



03



2m sq ft
Lettings during the
past two years

03

Revitalising Broadgate

Following the completion of 201 Bishopsgate and the Broadgate Tower in 2008, our focus has moved to the revitalisation of Broadgate South with the development of the new London HQ for UBS at 5 Broadgate. As part of this initiative, in January 2012 UBS extended their existing lease terms, delivering additional contracted rent of at least £42 million to Broadgate's joint venture partners, British Land and Blackstone. We have also recently submitted a planning application to upgrade the retail and catering facilities around the Arena and have launched a re-branding of the estate, featuring a new website, signage and a visitors' Welcome Centre, ensuring Broadgate retains its position as the premier City of London estate.

04

Continuing to transform Regent's Place

Following successful completion of our mixed-use development at Triton Street in 2009, our new occupiers have established Regent's Place as a vibrant place for people to live and work. This was enhanced over the year by expansion of the retail and restaurant offer, creating a destination that draws customers from both on and off the estate. The next phase is ongoing with the development at 10-30 Brock Street which will deliver 500,000 sq ft offices, residential and additional retail offer in 2013 and completes the redevelopment of the estate.

Capital allocation

Our main focus for capital investment over the year has been within our London development pipeline where we invested over £120 million (British Land share) during the financial year, the majority in our West End projects. Additionally, in March 2012 we committed to the comprehensive refurbishment of 39 Victoria Street, SW1 for a total cost of £26 million excluding land and interest. Outside London, we purchased Grenfell Island, a modern, well-let office and leisure scheme in Maidenhead, one of the strongest South East office markets which is expected to be a major beneficiary of Crossrail.

04



20 Triton Street

8.8 years

Average lease length
to first break



RESIDENTIAL

We have a long history of owning, managing and developing residential property. In recent years, we have progressively increased our exposure to residential development in central London where investor and occupier demand is strong. We successfully pre-sold 67% of our residential developments over the past year, including 70% of those being developed at NEQ, Regent's Place.

£330m

Our exposure to
residential properties has
an estimated end value
of over £330 million

05

Ropemaker Place now fully let

In July 2011, we agreed the final lettings at Ropemaker Place with three retail unit deals, following take-up of the final office space by global financial information services company, Markit. Completed in May 2009, the 20-storey building was over 90% let within ten months of completion. The speed of letting is testament to Ropemaker's attractive, flexible design, green credentials and ability to meet diverse needs of major occupiers.

06

Client of the Year for Energy Management

In February 2012, our energy reduction won an award from the Chartered Institution of Building Services Engineers for the second year running. We are committed to helping occupiers manage operations efficiently and have invested £1.5 million over the last two years, working in partnership with managing agents and occupiers to realise significant energy reductions across our portfolio.

07



05



Our pioneering energy metering system and optimisation process developed by EP&T Global has now been introduced at a number of our multi-occupied buildings. We have cut energy use by 27% across our like-for-like portfolio compared to our FY2009 baseline saving £3.3 million for our occupiers over the last three years and cutting carbon emissions by 24,500 tonnes.

07

Acquisition of Wardrobe Court

In June 2011, we purchased Wardrobe Court, a collection of Grade II listed residential properties near St Paul's Cathedral, totalling 71,000 sq ft. The property comprises a mix of 92 apartments along with a retail and an office unit, let to a serviced apartment operator until December 2014.

BUILDING OUR DEVELOPMENT PIPELINE

OFFICES

WE COMMITTED EARLY TO A MAJOR £1.2 BILLION OFFICE DEVELOPMENT PROGRAMME IN CENTRAL LONDON TO TAKE ADVANTAGE OF AN EXPECTED SHORTAGE IN SUPPLY.

Delivering 2.3 million sq ft of high-quality space between 2012 and 2014, and with 50% pre-let, we expect the programme to generate strong returns.

**NEQ, Regent's Place**

The 500,000 sq ft mixed-use NEQ development will complete our Regent's Place estate which will have doubled in size over the last four years to around two million sq ft of office, retail and residential space. On completion in summer 2013, Debenhams will occupy just over half of the office space, consolidating their operations in one location. In addition, we have pre-sold 70% of the 126,000 sq ft residential accommodation comprising 94 market and 68 affordable units.

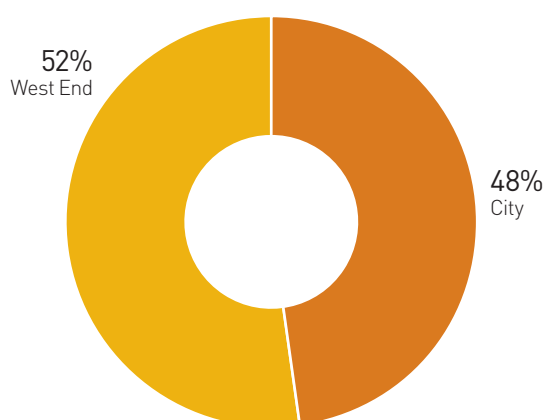
**10 Portman Square**

At Portman Square, we are building 134,000 sq ft of office space with retail units at ground level which will contribute to and benefit from the regeneration of the Portman Estate. All of the office floors in the new building will be totally column free, ranging in size from 9,500 sq ft to 18,000 sq ft. The development is due to complete in mid-2013. At 95-99 Baker Street, we have successfully completed the development of 24 units (20,000 sq ft) of residential space which has been successfully pre-sold.

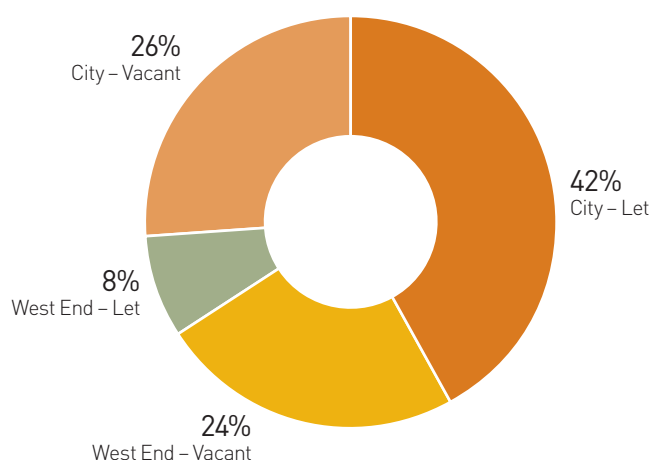
**Marble Arch House**

The development, which is scheduled for completion in late 2013, 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 ten luxury residential apartments with a restaurant unit at ground level built behind the retained period Victorian façade of 62-64 Seymour Street.

Capital value (net development value) by region

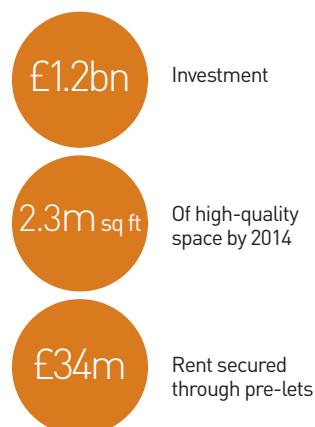


Pre-let by floor area



The quality of our office development programme and our customer-centric approach is endorsed by the fact that 50% of our programme is pre-let on unconditional contracts, a position unmatched by our competitors. This secures £34 million of annual income and has supported £167 million of net valuation uplift from office developments to date, with an estimated £192 million of profit still to come.

All our office developments are well on track to achieve BREEAM Excellent sustainability ratings. We have also fixed construction costs at the low point in the market with over 80% of costs now placed within budget and on time.



39 Victoria Street

Planning consent was secured during the year for a comprehensive refurbishment and extension of this building to provide 92,000 sq ft of prime office space. Works are due to commence this summer with completion in mid-2013.



199 Bishopsgate

The refurbishment of 199 Bishopsgate, which is scheduled to complete at the end of 2012, will provide 142,000 sq ft of high-quality office accommodation and is part of our continued investment in Broadgate, providing modern world-class accommodation in the City's premier London office estate. Benefitting from the inherent flexibility that the original structure provides, the refurbishment will incorporate the latest innovations in terms of sustainability, and will substantially increase the operational lifespan of the building.

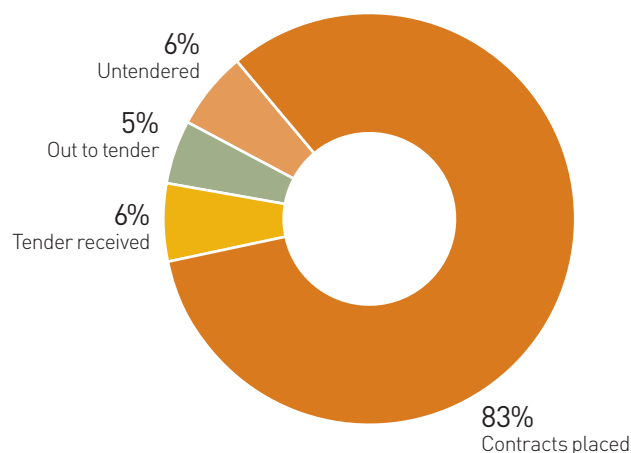
5 Broadgate

On completion in 2014, 5 Broadgate will provide 700,000 sq ft of Grade A office space for financial services firm UBS. The building will meet the highest standards of sustainability and include up to four trading floors, each able to accommodate approximately 750 traders, allowing UBS to consolidate its London trading operations into one building and commit their long-term future to Broadgate.

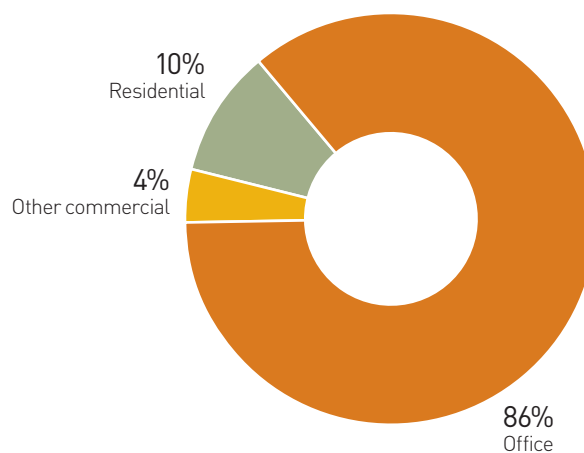
The Leadenhall Building

The iconic 47-storey, 736 ft (224m) Leadenhall Building will become one of the tallest buildings in the City of London. Totalling c600,000 sq ft, its tapering shape will deliver flexible office space across floor plates ranging from 21,000 sq ft to 6,000 sq ft. On completion in mid-2014 Aon Limited, the leading insurance company, will move their global headquarters to London occupying the lower third of the building, with an option to take a further 85,000 sq ft.

Construction cost tendering



Capital value (net development value) by use type



CHIEF EXECUTIVE'S STATEMENT

Chris Grigg Chief Executive

“Against a more challenging economic backdrop, our business had a good year. Once again, we significantly outperformed the IPD benchmarks on all key metrics – rental value growth, capital returns and total returns. Our continued strong outperformance reflects our chosen sectors and the actions we have taken to drive performance in recent years.”



“Our results show that we are defensively positioned in today’s more challenging markets, but also well placed to continue to outperform in the future as a result of decisions we have taken.”

Our strategic priorities

- 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

At British Land our vision is to build the best REIT in Europe. Being the best REIT for us means producing consistent outperformance over time as measured by our property returns, along with a return which is higher than our cost of capital.

Our strategic priorities underpin our approach, the aim of which to ensure we focus our efforts on the most value enhancing activities. Our five priorities are: generating sustainable rental income growth; protecting and growing the value of our capital; creating incremental value through developing, repositioning assets and exploiting market anomalies; controlling costs; and exploiting our scale and financial strength. We closely monitor our progress against these priorities and report on them below. After two positive years, as property values recovered from the sharp falls during the credit crisis and prime office rents in London rose significantly, the last year has been much more challenging. This reflects the re-emergence of economic and political tensions in the Eurozone last summer and more recently, the faltering of economic growth in the UK, with the latest official statistics suggesting the economy has slipped back into recession. The combination of these two factors impacted both the occupational and the investment markets in the UK, particularly in retail, but also to some extent in central London, where hitherto, demand has remained resilient.

Against this more challenging backdrop, our business had a good year and we are pleased to be able to report good progress on income and capital value and that once again, we significantly outperformed the IPD benchmarks on all key metrics:

- ▶ net rental income and underlying earnings were ahead by 5.4% and 5.1% respectively;

“At the portfolio level, we have now outperformed the market over the last one, three and five years.”

Total property returns relative to IPD

2012	200 bps
2011	190 bps
2010	420 bps

- ▶ the value of our portfolio rose 2.6% and our NAV was 4.9% ahead;
- ▶ our ERVs grew by 2.1% outperforming the IPD benchmark by 160 bps;
- ▶ our capital return was 3.0%, outperforming the IPD benchmark by 250 bps;
- ▶ our total property returns were 8.3%, outperforming the IPD benchmark by 200 bps; and
- ▶ our total accounting return was 9.5%.

Our continued strong outperformance is a clear reflection of the benefits of the structure of our business both from a portfolio and a financial perspective, along with specific actions we have taken to drive performance in recent years:

- ▶ our portfolio focus on prime retail and central London offices along with our conviction that polarisation in the occupational and investment markets would be the key determinant of performance;
- ▶ our intensified focus on strengthening and growing our rental income flows both through our asset management activities and through acquisitions;
- ▶ our early decision to invest in a significant office development programme in central London;

“We have sharpened our focus on income growth both through our asset management and acquisitions.”

Net rental income growth

5.4%

- ▶ our decision to leverage our expertise and financial strength to create incremental value through repositioning assets and exploiting pricing anomalies;
- ▶ securing our medium-term funding requirements by well-timed and executed financings; and
- ▶ more recently, increasing the pace of asset recycling.

Our objective: delivering superior Total Shareholder Returns

Our total accounting return was 9.5% for the year, including growth in EPRA Net Asset Value of 4.9% to 595 pence. The Board has proposed a 1.5% increase in the fourth quarter dividend to 6.6 pence bringing the dividend for the full year to 26.1 pence. The Board is intending to pay a dividend, at this higher level, of 6.6 pence per quarter for the coming financial year (FY2013) making a total of 26.4 pence. At a portfolio level, our total property returns were 8.3%, outperforming the IPD benchmark by 200 bps. We have now outperformed the market on total property returns over the last one, three and five years.

CHIEF EXECUTIVE'S STATEMENT continued

Our strategic priorities

1 Creating sustainable and growing rental income

Our net rental income was 5.4% ahead of the comparable period last year (£546 million on a proportionally consolidated basis). Acquisitions accounted for a significant proportion of the increase with like-for-like net rental income growth up by 1.5%, reflecting continued demand for our high quality space and successful asset management initiatives. Underlying pre-tax profits grew broadly in line with rental income at 5.1% to £269 million.

Overall, our total occupancy increased by 20 bps to 98.0% reflecting the strength of our leasing activity along with the beneficial impact of acquisitions. Leasing activity during the year, excluding development pre-lets, generated £10.0 million of new annual rent across the Group. Acquisitions made in the year generated an additional £21 million of annual rental income. Estimated rental values for the portfolio rose by 2.1% compared to 0.5% for the market as measured by IPD.

In our Retail business, in what was a more difficult market, demand for space remained robust across our UK portfolio through the year as retailers continued to look for high-quality, affordable space, which they believe can meet the needs of their businesses going forward. The attractiveness of our retail offer is reflected in the strength of our operational metrics. Footfall across our UK portfolio was up 0.3%, significantly outperforming the industry average which fell 2.0%; our occupancy remained high at 98.3% and our ERVs rose by 1.4% compared to a fall of 0.4% for the market as a whole. Lettings and renewals were agreed on one million sq ft at an average of 6.9% above ERV. Tenants in administration at the year end were 0.6% of our total rent which compares with 0.5% a year ago. Of the 60 retail units that were in administration at 31 March 2012, nearly 60% are currently under offer to be re-let or assigned. Following the administration of Clinton Cards in May, administrations rose to 1.0% of total rent.

In Offices, while leasing activity across the market remained subdued, we continued to see encouraging levels of activity in our portfolio, particularly in developments. This reflects the quality of our buildings and our customer service which continue to attract and retain occupiers. In our investment portfolio, we agreed one million sq ft of lettings and lease extensions at 3.3% ahead of ERV, moving our occupancy ahead further by 20 bps to 98.0%. As a result, the proportion of our office rent subject to lease break or expiry over the next three years fell from 12.0% a year ago to 4.9%. In developments, our successful pre-letting of over one million sq ft of our development space has secured £34 million of rent for an average term of 20 years.

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

There was a marked slowdown in investment market activity across the market in the second half of the year, reflecting increased uncertainty in the UK and Europe. Overall capital values grew modestly by 0.5% as measured by IPD. However, demand for the highest-quality, income-generating assets remained robust, with most of the outward pressure on yields and values being seen in more secondary assets.

We continued to benefit from the prime nature of our portfolio, the strength of our income flows, our exposure to central London, and the progress made on our major development programme. The value of our portfolio rose to £10.3 billion, an increase of 2.6% over the year. Our capital returns outperformed the market by 250 bps. Offices was the main contributor to performance, increasing in value by 7.3%, primarily reflecting further gains in the offices development portfolio as we continued to achieve further milestones but also enhancing the strength of income in the investment portfolio. Values in our UK Retail portfolio were ahead 0.4%, outperforming a difficult retail market where capital returns fell by 0.8%.

"Our unconditional pre-lets with Aon, Debenhams and UBS, have secured £34 million of future income for nearly 20 years."

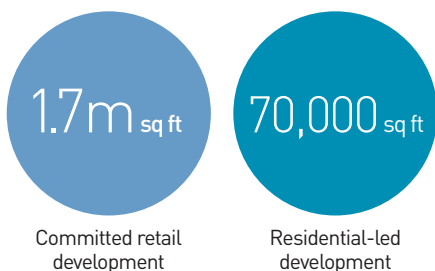
Office development lettings

Total	1,065,500 sq ft
City	891,000 sq ft
West End	174,500 sq ft

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

The value of our total office, retail and residential development programme rose by 13.6% to £701 million, primarily reflecting the significant progress made in offices, where we agreed binding pre-lets on 50% of the space which is under construction.

In Offices, we agreed unconditional pre-lets on 1.1 million sq ft of space under development to three high quality corporate occupiers. Having satisfied all the outstanding conditions, our agreement with UBS to build them a new 700,000 sq ft office at Broadgate, went unconditional during the year. We also signed unconditional pre-lets with Aon, a global insurer which is relocating its global headquarters to London, to pre-let around 30% of our Leadenhall Building and with Debenhams, a major UK department store operator, which has taken nearly half of our latest office development at Regent's Place in the West End. The terms, each of which were ahead of the investment case, in aggregate secured £34 million of rent for 20 years. We have also pre-sold £96 million of the residential at, on average, 26% ahead of our original investment case.



In Retail, we increased the pace of our development activity to take advantage of a shortage of high-quality space triggered by a lack of development finance. We started on site at Whiteley, a 302,000 sq ft new concept out-of-town shopping centre in southern Hampshire; and we began construction of a 45,000 sq ft leisure extension at Glasgow Fort. Whiteley is 68% pre-let or under offer to a range of well-known high street retailers; and the Glasgow Fort leisure complex is fully pre-let. We invested in building up our future development pipeline, receiving planning permissions for 200,000 sq ft of developments. These included a major refurbishment and extension to Surrey Quays shopping centre in London. In addition, we have recently applied for a new 52,000 sq ft retail-led development on the land adjoining our Meadowhall Shopping Centre. Our development at Puerto Venecia, Zaragoza, is on schedule for completion in autumn 2012 with the scheme now 69% pre-let or under offer.

In addition, we have committed to 70,000 sq ft of residential-led development with an estimated end value of £94 million, representing a 19% profit on cost. As existing residential developments are sold, we will continue to look for further attractive residential opportunities to generate strong incremental returns through a predominantly develop-and-sell approach.

As announced earlier in the year, recycling is becoming a more important part of our investment strategy with the pace of disposals likely to increase as we seek to more actively redeploy capital into higher returning opportunities. We spent £371 million (gross) on acquisitions, the largest of which was a portfolio of 17 Virgin Active premium racquet clubs. Since April 2011, we made £100 million (gross) of disposals which included a number of non-core retail and office properties as well as five of the smaller Virgin Active clubs we acquired earlier in the year, which were sold at an 18% premium to the original purchase price.

4 Controlling our costs to maximise profit generation

Our cost income ratio for the year was 14.9%, maintaining our position as the most cost competitive of the major UK REITs. Net operating costs (representing property outgoings and administrative expenses, net of fees received for managing joint ventures and funds, and other income) were higher than the previous year which benefited from the non-vesting of incentive schemes. Our administration costs remained stable throughout the year at £19 million (proportionally consolidated) per quarter.

Within the office development programme, we successfully contracted £617 million (British Land share £429 million) representing over 80% of our total construction costs. By committing to schemes early we have succeeded in securing contracts at attractive levels and better than our original expectations.

5 Exploiting our scale and financial strength

We arranged £2 billion (British Land share £1.4 billion) of new financing since April 2011 at an average margin to British Land of 160 bps. Overall, our average interest rate (on a proportionally consolidated basis) fell by 30 bps to 4.6% at 31 March compared to the same time a year ago. The Group's financial position remains strong with a diverse source of funds and a broad spread of maturities giving us significant operational and financing security and flexibility. At the end of the year, our loan to value ratio was 45.3% (proportionally consolidated), within the Group's stated target range of 40–50%, and the Group's loan to value was 29.1%.

Outlook

We believe British Land is well placed. Key market trends favour our business mix: London will continue to outperform the rest of the UK and polarisation will continue, particularly in Retail. Our results show the clear benefit of the long-term sector and asset choices we have made. There is also significant value still to come from our existing London office development programme. Given the ongoing shortage of quality space in both offices and retail, we believe there are further opportunities to create value and we are investing in expanding our future development pipeline. We intend to increase the pace of recycling and to re-invest in higher growth opportunities including development. We do remain cautious about the overall economic environment which remains difficult; we expect it to remain so with the UK economy growing slowly at best and the Eurozone crisis unlikely to resolve quickly. Against this background, we expect property capital values in the UK to be variable in the near term.

Overall, our results show that our business is defensively positioned in today's more difficult markets: we have a high quality portfolio, secure and sustainable rental income and a strong financial position. We are also well placed to benefit as the economic environment improves and our decision to increase the quarterly dividend demonstrates our confidence in the Group's prospects.

Chris Grigg
Chief Executive

OUR MARKETS

THE UK HAS A LARGE AND LIQUID COMMERCIAL PROPERTY MARKET WHICH ATTRACTS A BROAD RANGE OF DOMESTIC AND INTERNATIONAL INVESTORS.

The UK market grew modestly in the year reflecting a more challenging economic environment. Rental values for the market as a whole were 0.5% ahead. Central London once again was the stand-out performer although rental and capital value growth was more muted than the previous year.

UK retail

The retail market in the UK continues to undergo significant change. Consumers are more demanding and sophisticated – for them the line between the physical and virtual environments is increasingly blurred. As much as they want to buy and compare products online; they also want the comfort, convenience and experience of buying, collecting or returning products in the store. For today's retail landlord, it matters more than ever that they are able to provide their occupiers not only with the spaces but also the services and environments which allow their businesses to thrive.

Retailers are looking for stores and spaces which are easily accessible to their consumers and are places where shoppers not only want to shop but also spend their leisure time. In an increasingly competitive and changing market, it is also important to retailers that these spaces are affordable and can be easily adapted to the changing needs of their business and consumers. As a result,

retailers are increasingly focusing their store portfolios in retail properties which offer the best combination of location, affordability, flexibility and environment.

Over the past year, both the retail investment and occupational environment has been more challenging as consumer and retailer confidence was hit by the twin impacts of austerity at home and the debt crisis in Europe. Across the retail property market as a whole, for the twelve months to 31 March 2012, values were down 0.8% and rents continued to fall, at -0.4%.

Retail investment transactions in the year ended 31 March 2012 were more than a third lower than the ten-year average reflecting weakened investor appetite. Although prime has not been immune, strong demand for quality assets combined with very limited supply has supported current valuations for the best schemes offering secure income returns. In more secondary schemes, notably shopping

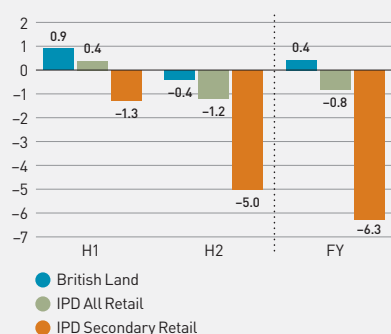
centres, pricing has begun to reflect growing occupational risk and increased capital expenditure requirements.

In the occupational market, there continues to be significant differences within the sector with higher quality schemes performing significantly better than poorer quality space (as the graphs below show) and we have benefited from this. Although retailers have become more cautious, the pressure to adapt to the rapidly changing market has seen retailers aggressively managing their portfolios to make sure they are in the most efficient space in the best locations. Some are expanding, others are focusing on improving their portfolios, while others are reducing store numbers. The trend is evident across every retail sub-sector and is mirrored by the diverse lettings across our portfolio.

Looking forward, we expect polarisation to continue with the divergence between prime and secondary likely to become more marked. We may continue to see some short-term variability in values reflecting weakened investor sentiment around retail in general. While rental values across the market are likely to fall further as retailers position their store portfolios and take advantage of significant levels of impending lease expiries, we expect high-quality locations to benefit from robust demand and a shortage of new retail development. As polarisation accelerates, and as the effects of multi-channel retailing become more evident, our portfolio is defensively placed for an environment which will remain challenging in the short term but remains well positioned to outperform in the future.

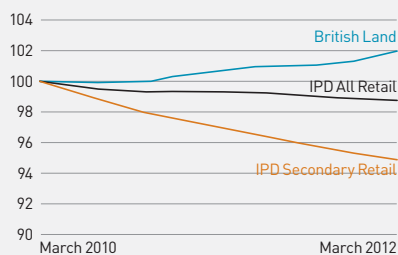
Retail capital value growth

Prime values compared to secondary values



Retail rental value growth

Prime rental values compared to secondary rental values



London offices

London enjoys a special position as one of a small number of global cities. It is regularly voted as the most attractive place to invest, do business, live or visit and is one the most important financial and business services centres globally. Along with its transparent and stable political and legal systems, London's attractions include its skilled and diverse labour force and its position mid-way between the United States to the west and the growing economies of the Middle East and Asia to the east.

In recent years, the London property market has attracted significant capital from a broad range of international investors including pension funds, sovereign wealth funds and private individuals, in part reflecting its safe haven status.

It is therefore not surprising that central London offices have been the strongest performing property market in the UK over the past three years, with values ahead by 36.0% compared to 15.6% for UK property as a whole. This strength has been seen across all major asset classes – including City and West End offices which are ahead by 31.8% and 38.9% over the same period, as well as residential which grew by 43.5%.

In most areas of central London, the lack of high-quality supply has also been a key factor driving rental value growth. This has been particularly evident in offices where a lack of debt funding and a greater unwillingness for companies to commit to large projects without pre-lets has meant that development activity is at historically low levels. Although prime properties have shown the strongest performance, secondary has also benefited from the general strength of the London economy and investor demand. In residential, values continued to grow strongly in London

Retail

“Looking forward, we expect polarisation to continue with the divergence between prime and secondary likely to become more marked.”

Prime retail

Outperformance of prime retail rental values compared to secondary.

520 bps

Central London capital value growth

% growth	2012	2011	2010
City	5.0	14.5	9.7
West End	8.3	11.9	14.6
Residential	8.6	6.6	23.9

Source: Investment Property Databank and Savills

despite weakness in UK prices as a whole reflecting London's attraction as a leading and vibrant global city.

During the year, central London offices accounted for almost 40% of all UK commercial property transactions as investor appetite remained strong, particularly from overseas. Demand for modern, well-located buildings with long and secure income streams exceeded supply, particularly in the West End, contributing to growth in values of 7%. As in retail, appetite and pricing for secondary offices has been much weaker particularly for shorter-lease properties where potential for redevelopment is significantly constrained by a lack of available debt finance.

The occupational market in London was more mixed, particularly following the renewed concern about the economic stability of the Eurozone in the summer, which caused some businesses to delay making decisions on space requirements. This was most evident in the City office market where demand from occupiers

London offices

“Looking forward, we expect modern and well-located London office and residential buildings to continue to deliver strong outperformance.”

Central London offices

Outperformance of central London offices rental compared to all offices.

280 bps

Central London ERV growth

% growth	2012	2011	2010
City	4.3	6.0	-8.3
West End	5.7	7.4	-10.6
Residential	-0.2	10.4	4.5

Source: Investment Property Databank and Savills

was more subdued and rental growth has stalled. In the West End market, which has a more diverse occupier base, demand has remained more resilient, with the growth in the Technology, Media, Telecommunications sector contributing a large proportion of active requirements.

Looking forward, we expect modern and well-located London office and residential buildings to continue to deliver strong outperformance. Supply of new office space is significantly limited with construction starts at relatively low levels. On average 1.5 million sq ft per annum is due to be built over the next four years, compared to long-term Grade A take-up of 3.0 million sq ft per annum. At the same time, we expect demand to increase as impending lease expiries lead occupiers to commit to new buildings offering greater efficiency and flexibility, resulting in rental growth over the medium term. Against this positive medium-term outlook, the quality of our investment and development portfolios in London mean that we are confident about our future performance.

OUR BUSINESS STRATEGY

Our vision

OUR VISION IS TO BUILD THE BEST REIT IN EUROPE.

Our ability to be the best REIT depends on: 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 generate for our shareholders.

The way we do business is embodied in our values. We have a clear set of strategic goals which help focus our activities and resources on those initiatives which will drive value. Together with our values, our strategy is aimed at delivering our vision of building the best REIT in Europe.

Our objective

BEING THE BEST REIT FOR US MEANS PRODUCING CONSISTENT OUTPERFORMANCE OVER TIME.

We measure our progress against this objective in two key ways. First, relative to total property returns as measured by IPD, the most commonly used property benchmarking service in the UK. Second, on an absolute basis, looking at the total returns we generate on the capital invested by our shareholders in terms of the income paid out as dividends and the increase in Net Asset Value – our accounting return.

Our strategic priorities

WE HAVE FIVE STRATEGIC PRIORITIES WHICH ENSURE WE FOCUS OUR EFFORTS ON THE MOST VALUE ENHANCING ACTIVITIES.

These priorities guide the overall direction of the business and shape what British Land looks like today and how we are likely to look in the future.

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

Our business model

WE HAVE CHOSEN TO FOCUS OUR INVESTMENTS ON UK RETAIL AND CENTRAL LONDON OFFICES BECAUSE WE BELIEVE THAT THESE TWO SECTORS OFFER THE BEST OPPORTUNITIES FOR LONG-TERM RENTAL AND VALUE GROWTH.

We like the quality of the rental income streams they generate. Against a backdrop of a slow economic recovery, moderate inflation and low interest rates, income is likely to become a more important driver of shareholders' total returns than was the case in the years running up to the credit crunch.

We have also chosen to invest in a range of different assets across these two sectors – West End and the City in Offices and retail parks, superstores and shopping centres in Retail. We have taken this approach because we believe together they will enable us to deliver more consistent outperformance over time with reduced volatility than if we invested more narrowly, for example in a single sub-sector.

The security and stability of the income generated by our Retail and Offices business means we are able to fund highly profitable activities like development. This is why we have been able to invest in our current development programme: it is one of the largest programmes in central London and we expect it to generate highly attractive returns.

Being invested more broadly gives us scale and scale is important to us. Having economies of scale across the business helps us control operating costs. We have the lowest operating costs of the major UK REITs. We also benefit from having scale in Retail and in our London business and this makes us more relevant to our occupiers.

Our scale, along with the quality of our portfolio, helps lower our cost of capital and we believe an efficient capital structure allows us to drive higher income returns. For us, that means using debt to enhance returns and we target a loan to value ratio of between 40% and 50%. In a world where banks are becoming more selective about who they lend to, access to capital markets will become even more important and this is one of our competitive advantages. It has allowed us to invest in development at a time when development finance has been scarce.

Asset management alone is not enough to deliver our objective of superior total returns and that is particularly true in today's lower growth environment. That is why creating incremental returns forms such an important part of our overall strategy. For us, incremental returns mean development, opportunistic deals and recycling. Our focus remains on prime retail and central London offices.

OUR KEY PERFORMANCE INDICATORS

Our objective is to deliver superior total returns for our shareholders

How we have done

In line with our objective of providing consistent and superior total property returns, our portfolio continues to have a substantial weighting to high-quality investments in sectors with the potential for long-term income and capital value growth, principally UK retail and central London offices.

Our total accounting return for the year was 9.5% and at a portfolio level, our total property returns were 8.3%, outperforming the IPD benchmark by 200 bps. We have now outperformed the market on total returns over the last one, three and five years, and both Retail and Offices outperformed IPD Total Return benchmarks by 110 bps and 410 bps.

Total property returns (IPD 6.3%)

2012	8.3%
2011	13.1%
2010	21.5%

Total Property Return measures the overall return generated by our properties on a debt free (unlevered) basis. It is calculated as the net rental income generated by the portfolio plus the change in market value of our properties as measured by IPD¹. By comparing our returns with the IPD benchmark for the industry, we are able to measure how well we are achieving our aim of delivering superior total returns for our shareholders.

¹ Investment Property Database

Total accounting return

2012	9.5%
2011	17.7%
2010	33.5%

The total accounting return is the overall return generated by the Group including the impact of debt (the levered return). It is the combination of net income distributed to shareholders in the form of a dividend and the growth in Net Asset Value per share (NAV). It is calculated as the closing NAV for the year plus the dividend paid, divided by the opening NAV for the year and is expressed as a percentage. Over time, we would expect our total accounting returns to be a good proxy for our Total Shareholder Return.

1

Creating sustainable and growing property rental income

Our goals

- Become overweight in sectors with long-term rental growth
- Maximise occupancy
- Attract and retain the best occupiers
- Manage buildings efficiently
- Focus on local communities

Why this is important

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 central London offices. Assets in these sectors will provide the core rental cash flows enabling us to pay a significant proportion of our income as dividends and fund the business and its growth through competitively priced equity and debt finance.

How we have done

Our net rental income was 5.4% ahead of the comparable period last year (£546 million on a proportionally consolidated basis). Acquisitions accounted for a significant proportion of the increase with like-for-like net rental income growth up by 1.5% reflecting continued demand for our high-quality space and successful asset management initiatives. Estimated rental values for the portfolio rose by 2.1% compared to 0.5% for the market as measured by IPD.



See Portfolio review
P44–55

Like-for-like income growth

2012	1.5%
2011	1.4%
2010	1.4%

Like-for-like rental income growth is the growth in net rental income on properties which have been consistently owned throughout the current and previous periods. It shows the underlying growth in income generated by the portfolio and gives a good indication of the Group's ability to capture organic growth and benefit from asset management initiatives.

ERV growth (IPD 0.5%)

2012	2.1%
2011	2.7%
2010	-6.2%

ERV (estimated rental value) growth measures the change in the rental value on our investment properties, excluding those held for development. The ERV is our valuers' estimate of open market rents which we could achieve on our various properties if they were re-let or were subject to a rental review. It is therefore a good indicator of the rental potential and therefore future performance of our portfolio. Comparing this to IPD gives a measure of how well the portfolio has performed relative to the market.

Customer satisfaction with landlord
(Industry average 31%)¹

Rating British Land Good or Excellent

2011	80%
2009	82%
2007	73%
2005	40%

Excellent customer service combined with outstanding buildings in prime locations maximise our occupancy rates and enhance our financial performance. We aim to build a brand which sees prospective occupiers choose our space because it is owned and managed by us. We commission independent customer surveys at least every two years, as well as post-occupancy surveys in our new buildings. 95% of occupiers in our new buildings rate us Good or Excellent.

¹ Industry average based on Occupier Satisfaction Survey 2011.

2

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

Our goals

- Overweight in sectors with long-term capital growth potential
- Trade in cyclical sectors
- Recycle low growth assets

Why this is important

As well as investing in strong rental income streams, we want to ensure we both protect and grow the value of the underlying assets. We will 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 and our office buildings provide the quality and flexibility occupiers now want and which meet their increasing technology and sustainability needs.

How we have done

Overall EPRA NAV grew 4.9% to 595 pence. The value of our portfolio rose to £10.3 billion, an increase of 2.6% over the year. Around three quarters of the valuation uplift was driven by our own actions – our successful asset management initiatives across our investment portfolio along with our early commitment to a significant London office development programme. Our capital returns outperformed the market by 250 bps.



See Portfolio review
P44–55

EPRA NAV growth

2012	4.9%
2011	12.5%
2010	26.6%

The growth in EPRA Net Asset Value (NAV), measures the change in the value of the Group's properties, less its liabilities. This shows how retained shareholders' wealth has grown over time and is a good indicator of how well the Group has invested to protect and grow the capital value of its shareholders' investment over the medium to long term. Net Asset Value is commonly expressed on a per share basis.

Capital return (IPD 0.5%)

2012	3.0%
2011	7.3%
2010	14.4%

The capital return gives the change in the market value of the portfolio as measured by IPD, taking into account any money spent during the period. It therefore provides a measure of how the capital value has grown over the period under review and 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. We use the measure as calculated by IPD so that we can compare how we have performed relative to the industry benchmark.

OUR KEY PERFORMANCE INDICATORS continued

3

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

Our goals

- Develop in core areas of expertise
- Develop sustainable buildings
- Reposition assets to prime
- Exploit market anomalies

Why this is important

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. During the coming year, we expect to continue to put capital behind investments where we believe we can develop, reposition assets and exploit market anomalies.

How we have done

Our total capital commitment to development is £1.4 billion, compared with £1.2 billion a year ago. This primarily reflects the addition of 439,000 sq ft of retail, office and residential developments notably: a major refurbishment of offices at 39 Victoria Street; the redevelopment of our Whiteley Shopping Centre; and further additions to our residential development portfolio. These new developments add £7.8 million of potential rental income, bringing the total ERV of our committed pipeline to £88 million.

See Portfolio review
P44–55

Committed development (British Land share: £1.4 billion)

2012 £1.4bn

2011 £1.2bn

2010 £0.7bn

The size of the development pipeline shows the incremental value being added by the Group through development. It is calculated as the total value of projects which are fully committed, including the cost to complete and any notional interest.

BREEAM Excellent sustainability ratings for all office developments

2012 100%

2011 100%

2010 100%

Two of our retail developments are also on track to achieve Excellent ratings. Buildings that are efficient, sustainable and meet the business needs of our occupiers which make them more competitive by cutting their costs, enhancing staff morale and building corporate reputations. In our experience, these buildings therefore let more quickly and hold long-term value better. BREEAM certificates are awarded by independent assessors.

4

Controlling our costs to maximise profit generation

Our goals

- Maintain our competitive advantage with a lower than average cost ratio

Why this is important

Controlling our operating costs so that we maximise the amount of profit we generate is a key focus of our business. Based on the percentage of net operating costs relative to our gross property rental income – currently 14.9% – 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.

How we have done

Our cost income ratio for the year was 14.9%, maintaining our position as the most cost competitive of the major UK REITs. Net operating costs (representing property outgoings and administrative expenses, net of fees received for managing joint ventures and funds, and other income) were higher than the previous year which benefited from the non-vesting of incentive schemes.

See Portfolio review
P44–55

Operating cost ratios % of rental income

2012	14.9%
2011	13.5%
2010	11.8%

Operating costs as a percentage of rental income show the proportion of revenue which is spent operating the portfolio and therefore also indicates the proportion of revenue which can be distributed to shareholders in the form of a dividend. This is particularly important in the case of a REIT which is required to distribute a certain level of profits.

Like-for-like energy reduction across the portfolio (kWh)

2012	63.0m
2011	73.7m
2010	75.6m
2009	86.6m

Over the last three years reductions in landlord-influenced energy use have saved our occupiers £3.3 million. Occupiers today expect us to lead on energy efficiency to cut their costs and meet their sustainability goals. This also future-proofs our portfolio, particularly given increasingly stringent regulatory requirements, such as the Energy Act (2011). Landlord-influenced energy data is collected online and reviewed each quarter, with key performance data independently assured under the ISAE 3000 standard annually.

5

Exploiting our scale and financial strength

Our goals

- Flex gearing through the cycle
- Maintain diversified source of funding
- Optimise the cost of funding
- Maintain and grow the dividend
- Attract the best partners

Why this is important

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. 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.

How we have done

We arranged £2 billion (British Land share £1.4 billion) of new financing since April 2011 at an average margin to British Land of 160 bps. The Group's financial position remains strong with a diverse source of funds and a broad spread of maturities. At the end of the year, our loan to value ratio was 45.3% (proportionally consolidated), within the Group's stated target range of 40–50%, and the Group loan to value was 29.1%. The Group's interest cover remained at 2.2 times, (proportionally consolidated).



See Portfolio review
P44–55

Loan to value (proportionally consolidated)

2012	45.3%
2011	44.7%
2010	46.8%

Loan to value is the ratio of the principal value of gross debt less cash, short-term deposits and liquid investments to the aggregate value of properties and investments. It is important as it shows the amount of debt relative to the value of the assets which the debt funds. We have a stated target range for its proportionally consolidated loan to value of 40% to 50% over the cycle with a maximum short-term peak of 55%.

Interest cover (proportionally consolidated)

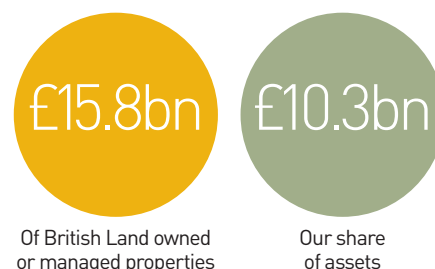
2012	2.2 times
2011	2.2 times
2010	2.0 times

Interest cover is a key measure of our financial position. It is calculated as the ratio of net financing costs to underlying earnings before interest and taxation. It is important because it measures the number of times that the Group's operating profit will cover its interest costs. In addition, we also monitors its interest cover excluding any non-recourse items, as this shows the Company's ability to manage its solvency risk.

ABOUT OUR BUSINESS

BRITISH LAND IS A LEADING EUROPEAN REAL ESTATE INVESTMENT TRUST.

We own or manage over £15.8 billion of mainly UK properties which makes us one of the largest listed managers of property in Europe. We are a UK-focused business – the largest listed manager of retail properties in the UK and a significant operator in the central London office market. Around two thirds of the assets we manage are in joint ventures or property funds. Taking into account only our share of these joint ventures and funds, our gross assets are £10.3 billion.



See What we do
P02-03

Based on the data available, the investment property market in the UK (excluding private residential for example) was estimated to be worth over £760 billion in 2007. Ownership is highly fragmented with the listed sector estimated to account for 15% of the total.

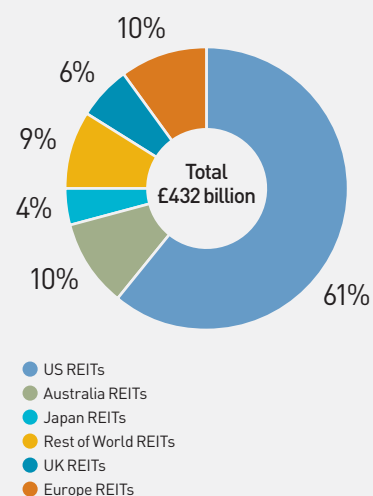
A diverse range of pension and insurance companies, sovereign wealth funds, private companies and individuals own the balance. International investors account for an important and growing part of the market, particularly in London.

See Our markets
P20-21

REITs as property investments

REITs are an established property asset class with an estimated 35 countries around the world having REIT or REIT like regimes.

Breakdown of global REIT markets



See REITs
www.britishland.com/253-about-uk-reits

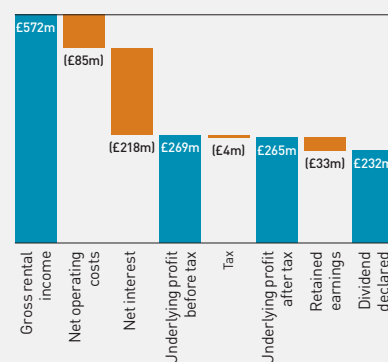
The US is by far the largest REIT market measured by market capitalisation of companies listed. The UK, is the fifth largest market.

The REIT structure is designed to provide institutional and private investors with a tax efficient, low cost way of accessing investment-grade properties and in particular, the rental income they generate. REITs are required to distribute the majority of their profits as dividends (in the UK, 90% of profits) and over time, a significant proportion of the total return for shareholders is therefore likely to come from dividends. The quality of building, quality of occupier and length of leases are considered to be important factors in determining the quality and security of REIT dividends.

British Land converted to REIT status in 2007.

On conversion, we increased our dividend payout (dividends as a percentage of earnings) from around 40% to around 90%. The scale of our business combined with our focus on costs means that we are able to pass through a high level of the rent we collect from our occupiers as dividends. In FY2012, 46.3% of the rent we collected from our occupiers dropped through to our profits. Of this, we paid out 87.5% to our shareholders as dividends.

Distribution of gross rental income



Our approach

We run a highly outsourced operating model, focusing only on the most highly skilled and value-adding activities across the business – in asset management, finance, investment and development.

So, for the size of portfolio we manage, we are a small company in terms of headcount with just over 200 permanent employees.

A combination of what we do and how we do it, is key to our ability to create long-term value and is at the heart of the British Land brand offer. This is reflected in the quality of the buildings and environments we create; the quality of the people we employ who

are specialists in their fields; our highly customer centric approach; our interaction with partners; our responsible approach to developing and managing properties; the close links we establish with local communities; the transparency of our communication with investors and other stakeholders; and the emphasis we place on staff engagement. 'Doing the right thing' is fundamental to the way we do business and ensures that our brand is trusted and valued by our stakeholders. The way in which we do business is guided by our four values opposite.

These values were developed involving employees at every level. By ensuring we live these values, we are able to differentiate British Land and deliver a brand with which people and organisations want to engage.

- **Integrity**
We do what is right not what is easy.
- **Excellence**
We are the best we can be and have a growth mindset.
- **One Team**
Working collaboratively with both internal and external stakeholders.
- **Commercial Acumen**
We take the lead in our field.

Our property portfolio

Our portfolio is well balanced with a focus on high-quality assets in sectors with long-term growth potential – UK retail and central London offices.

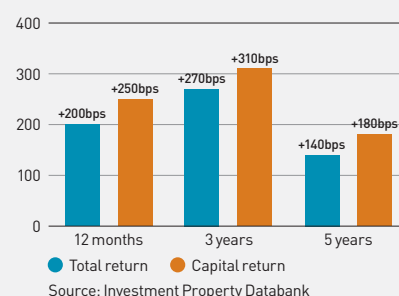
Within these sectors, our focus is on prime assets – high-quality buildings in the right locations which meet the current and future needs of occupiers. They consistently attract high-quality occupiers willing to sign long-term leases on favourable terms. We believe that prime assets, underpinned by sustainable and growing rental income,

over time will perform better than average or poorer quality property. The balance of our portfolio principally consists of properties being developed or being held for future development.

Our aim is to create properties with 'enduring appeal' to occupiers, by virtue of their location, design, overall costs to occupy, environment and the way in which they are managed and maintained. We aim to provide occupiers with properties which satisfy their current and anticipate their future needs and are environments in which they and the local communities they work among can thrive.

Our focus on prime has delivered consistent outperformance against the broader property market in recent years, as measured by IPD.

Portfolio returns relative to IPD



Our main properties

	000's sq ft	British Land share	Rent £m per annum	100% share	Largest occupiers
Broadgate, EC2	4,009	50%	173		UBS, Herbert Smith
Regent's Place, NW1	1,210	100%	51		HM Government, Aegis, Gazprom
Meadowhall Shopping Centre	1,374	50%	82		Debenhams, Primark, House of Fraser
Sainsbury's Superstores	2,908	50%	68		Sainsbury's
Tesco Superstores	2,741	50%	62		Tesco
Ropemaker, EC2	594	100%	27		Macquarie, Bank of Tokyo, Markit
Teesside Shopping Park	457	100%	14		Marks and Spencer, Asda Living, DSG
Drake Circus Shopping Centre	570	100%	15		Primark, Boots, H&M
Debenhams, Oxford Street	367	100%	16		Debenhams
York House, W1	132	100%	5		British Land, GLC, Bunzl
Glasgow Fort Shopping Park	393	41%	17		New Look, TK Maxx, Boots

See Our properties for a full list
www.britishland.com/664-our-properties

ABOUT OUR BUSINESS continued

Our retail properties

We are the largest quoted retail landlord in the UK with over 200 individual assets – from out-of-town retail parks to food superstores or shopping centres.

We own 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 the most dominant retail assets in the country.

While our largest asset, Meadowhall is valued at £1.46 billion, the majority of our assets by number are valued at between £150 million and £20 million. A broad and diverse portfolio is important to us because the retail market itself is very diverse and this means we are better able to meet the needs of our retail customers.

What all our assets have in common is they provide retailers with modern, affordable and flexible units in places where people want to shop and increasingly spend their leisure time. Diversity also plays an important role in enabling us to generate consistently superior returns underpinned by stable income flows and ensures that we have an unparalleled landlord's view of UK consumer behaviour.



Teesside Shopping Park

Teesside Shopping Park near Stockton-on-Tees is our second largest retail asset. With 45 units covering 457,000 sq ft it attracts over ten million shoppers every year and is home to some of the best known retailers in the UK including Marks and Spencer, Outfit, Boots, WHSmith and River Island. New fascias added in the year include H&M and Simply Be.



Glasgow Fort Shopping Park

Glasgow Fort Shopping Park, a 393,000 sq ft scheme just outside Glasgow, is one of the pre-eminent shopping parks in the UK with annual footfall of around 12 million people. Key occupiers include Zara, Topshop, Next, River Island and Boots. A major expansion of the scheme, which is underway will initially see the addition of an eight-screen Vue Cinema along with a range of popular national restaurant chains.



Superstores

Our superstores are primarily held in joint ventures with Tesco and Sainsbury's. We have 35 Tesco Superstores totalling 2.7 million sq ft. Nine of our stores were refurbished or extended by Tesco during the year with a further 17 stores scheduled for refurbishment over the next 12 months. We have 40 stand-alone Sainsbury's foodstores with a total of 2.9 million sq ft. Our stores are located throughout the UK with an emphasis toward the South East. Last year, Sainsbury's refurbished five of our stores and have undertaken three extensions.



Meadowhall Shopping Centre, Sheffield

Meadowhall Shopping Centre is the fourth largest super regional shopping centre in the UK. It is owned in a 50:50 joint venture with London & Stamford International, a UK quoted property company. Over 290 shops provide around 1.4 million sq ft of retail space to a broad range of international, national and local retail and leisure brands. It attracts an estimated 24 million shoppers every year.



Drake Circus, Plymouth

Drake Circus, bought in 2011, and located in the middle of Plymouth is the West Country's most popular shopping destination, attracting around 19 million shoppers every year. The modern centre, which was opened in 2006, covers 560,000 sq ft and includes Marks and Spencer, Primark, Boots, Next and Topshop among its biggest retailers.

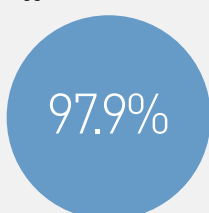


Debenhams, Oxford Street

Debenhams, Oxford Street is a flagship 367,000 sq ft store close to Bond Street tube station in the heart of central London's most popular shopping destination.



Of retail space



All retail occupancy



Of assets under management (British Land share £6.3bn)

46% Retail parks
25% Shopping centres
22% Superstores
7% Department stores

Our office properties

Our Offices business is focused on central London.

This reflects London's position as a leading global city and one of the largest centres for financial services in the world. As such,

it attracts a depth of quality of demand from occupiers and investors not seen elsewhere in the UK. Despite the economic uncertainty over the last year, the market has remained robust and values have risen. Our offices are

concentrated in the City of London and in the West End – the largest of which are our two office estates, Broadgate and Regent's Place, which together account for 70% of the value of our office portfolio.



Broadgate

Broadgate, the largest asset in the Group, is the premier office estate in the City which has been built around Liverpool Street Station, the City's main transport hub. Covering 30 acres, it is made up of 16 independent buildings set around four landscaped squares with around 60 restaurants, pubs, wine bars, shops and health clubs. Over 810,000 sq ft of the estate has been developed over the past four years. We are currently redeveloping or refurbishing three of the older buildings (199 Bishopsgate and 4 and 6 Broadgate) which will add 842,000 sq ft of new modern space between 2013 and 2014. Broadgate is owned in a 50:50 joint venture with Blackstone, the private equity group.



Broadgate Tower

The 397,000 sq ft Broadgate Tower is one of the newest properties at Broadgate. Reed Smith, a leading legal firm, occupies around 40% of the building.



Regent's Place

Regent's Place, is a 13-acre mixed-use office estate at the northern edge of London's West End, which we have progressively developed over the last 25 years. Like Broadgate, it also has excellent transport links with four tube and two mainline railway stations close by. With six independent office buildings alongside residential, restaurant, shops and leisure units. In 2011, we started a 500,000 sq ft mixed office and residential development which is scheduled for completion in summer 2013 and is the final development phase of the estate. On completion over 14,000 people will work or live at Regent's Place.

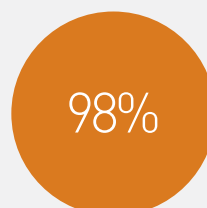


20 Triton Street

20 Triton Street was completed in 2009 and at 254,000 sq ft is one of the largest buildings at Regent's Place. Gazprom and Lend Lease occupy around 60% of the building.



Of office space



Occupancy



Of assets under management
(British Land share £3.6bn)

58% City
39% West End
3% Other

Residential

British Land has a long history of owning, managing, developing and financing residential property assets.

See Our properties for a full list
www.britishland.com/664-our-properties

Residential plays an important role in our office developments in the West End and is also a profitable business in its own right. In London we focus on high-end luxury properties and have completed a number of successful schemes over recent years as investor demand has been and remains

strong. We are looking to selectively increase our exposure to the residential sector in central London and have a total residential portfolio with an estimated end value of £330 million. In addition, we also manage a £300 million residential portfolio on behalf of the Northern Trust.

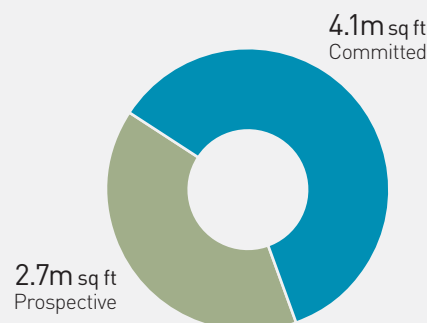
ABOUT OUR BUSINESS continued

Our developments

We regularly undertake major development and refurbishment programmes.

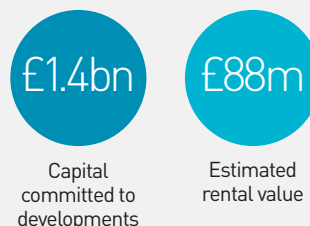
We distinguish our development activities into those that are fully committed and underway and potential or prospective developments which may be activated at some point in the future. Today, we have a significant committed development programme underway, mainly in the London market and are building a pipeline of potential development projects as a store of future value for the business.

We currently have £1.4 billion of capital committed to developments – equivalent to around 13% of our total gross assets. The capital committed includes the latest market value of the development (as at 31 March 2012) plus the estimated costs to complete, including financing costs. The estimated rental value (ERV) of £88 million, represents our valuers' estimates of the rental income the projects would generate if the developments were fully let, at today's rents. Of this, we have committed pre-let agreements which will generate annual rental income of £40 million.



Our committed developments

	Sq ft	Total British Land commitment	ERV	Pre-let (ERV)
Offices	2,289	£1,162m	£78m	£34m
Retail	1,707	£139m	£10m	£6m
Residential	70	79m	n/a	n/a
Total	4,066	£1,380m	£88m	£40m



Our biggest commitment is to offices in central London where we have invested early in a strong cyclical upturn in development returns. We have seven major development projects currently underway – three in the City and four in the West End – totalling 2.3 million sq ft of space which will be delivered into the market between 2012 and 2014. Two of our City buildings are at Broadgate, including a new 700,000 sq ft building for UBS, which is our biggest existing occupier on the estate. This forms part of an ongoing investment programme, upgrading facilities to maintain Broadgate as the premier office estate in the City of London.

In retail we started construction of Whiteley Shopping Centre, a 302,000 sq ft retail scheme located between Portsmouth and Southampton. Due to open in Q2 2013, it is already 68% pre-let or under offer to a number of major high street retailers including Marks and Spencer, Next, Boots, H&M and Bank Fashion. At Glasgow Fort, we fully pre-let and started enabling works for the 45,000 sq ft cinema and restaurant extension which will improve the scheme's leisure offer with an eight-screen Vue Cinema and five-restaurant dining offer which will include TGI Friday's, Pizza Express and Harvester. At Zaragoza in Spain, our 1.4 million sq ft shopping

centre development is on schedule to open in autumn with 69% currently pre-let or under offer and a further 19% is in negotiation.

For further details on the individual projects P10–11, 14–15
See Committed developments
www.britishland.com/462-committed-developments

Our prospective development pipeline

Development is a potential future store of value and over time we seek to replenish our stock of potential development opportunities, whether it be land or buildings, with relatively short leases.



See Portfolio review P44–55
See Prospective developments
www.britishland.com/471-prospective-developments

Our partners

Partnerships are an important part of our business providing us with access to attractive investment opportunities and to additional capital and allowing us to spread our risk.

We also benefit from working with like-minded partners with complementary skills and expertise. Our partnerships are based on developing deep and long-term

relationships rather than short-term transactions. In the majority of cases, we provide asset management, development, corporate and financial advisory services and we earn performance and management fees in this respect. This enhances our overall returns, strengthens our relationships with key customers and suppliers and keeps us close to our markets.

The joint ventures and funds own assets worth £10.1 billion of investment properties and developments of which our

share is £4.9 billion, around half of our gross assets. Our net investment after our share of the associated debt was £2.2 billion. We have 16 joint ventures (where we partner with one investor) and three funds (where there are several investors).

▶ See Joint ventures and funds P55

▶ See Joint ventures and funds www.britishland.com/208-joint-ventures-and-funds

Our joint venture partners

Our two biggest single assets, Broadgate and Meadowhall are co-owned in joint ventures as is The Leadenhall Building. The decision to own part rather than all of these assets is principally to reduce the concentration risk of owning single large assets. The majority of our retail superstore assets are held in joint ventures alongside the respective retail operators, Tesco and Sainsbury's, with whom we work in close partnership. We are the largest owner of retail superstores outside of the operators themselves.

Main joint venture partners

Partner	Asset	Value £m	British Land share
Blackstone	Broadgate	2,900	50%
London & Stamford	Meadowhall	1,497	50%
Tesco	35 superstores 4 shopping centres 3 retail parks	1,865	50%
Sainsbury's	37 superstores	1,276	50%
Oxford Properties	The Leadenhall Building	176	50%
Orion Partners	Zaragoza shopping centre and retail park	168	50%

Our funds

Around 13.5% of our retail assets are held in three funds which we co-own alongside a range of investors. The three funds together are valued at £1.9 billion of which British Land's share is £856 million. Each is a closed-end fund with a fixed life which can be extended with the agreement of the holders. We act as the property advisor and asset manager to the funds and receive performance and management fees in respect of the services we provide. The funds are mainly focused on investing in out-of-town retail parks. Hercules Unit Trust (HUT), where we have a 41.2% holding, accounts for the majority of our investment in funds.

Main funds

Fund	Fund life	Assets	Value £m	British Land share
Hercules Unit Trust (HUT)	2020	20 retail parks, 1 shopping centre in the UK	1,568	41.2%
Pillar Retail Europark Fund (PREF)	2014	10 retail parks in Europe	288	65.3%
Hercules Income Fund (HIF)	2014	8 in the UK	80	26.1%



ABOUT OUR BUSINESS continued

Our customers

We aim to be the partner of choice for occupiers, understanding and anticipating their needs and helping them to achieve their objectives by providing modern, flexible accommodation in the best locations.

We attract some of the highest quality occupiers to our properties, including well known UK and international companies. This reflects the nature of the properties we own, the strength of the relationships we build with them, the service we provide and the way in which we continually seek to understand and anticipate their changing needs.

We have a diverse occupier base, both by number and by industry. No single occupier accounts for more than 8% of our total revenues. The quality and diversity of our occupier line-up, coupled with the length of leases they sign with us, gives us significant security of income. The strength of our occupiers is important to us, not only in providing security of our rental income but also in determining the value of our properties. We review the financial covenants of all new occupiers with rent exceeding a certain threshold prior to any lettings being agreed.

We also assess the financial covenant strength of our major occupiers periodically, and those we consider may be experiencing financial difficulty more frequently, to help monitor and manage any occupier default risk. These reviews are extensive and include calculation and assessment of key metrics including performance, gearing, solvency, liquidity and interest cover. We access data from a wide range of sources, also considering our overall rental exposure to an occupier's group. Occupiers which we consider pose a higher default risk are formally reported and discussed monthly. Despite difficult industry and wider economic conditions over the past 12 months we remain confident in the quality of our occupiers, which is reflected by our continually high occupancy levels, currently at 98%.



Our top 20 occupiers

Occupier	% of total rental income	Occupier	% of total rental income
Tesco	7.2	Spirit Group	1.7
Sainsbury's	6.2	Bank of Tokyo-Mitsubishi	1.6
Debenhams	4.3	Macquarie Group	1.5
UBS	3.6	DSG International	1.4
Home Retail Group	3.0	Herbert Smith	1.4
HM Government	2.3	Asda	1.3
Kingfisher (B&Q)	2.2	Boots	1.3
Virgin Active	2.1	RBS	1.2
Next	2.0	Hutchinson 3G	1.1
Arcadia Group	1.9	Marks and Spencer	1.1

Our rental income by industry

	%
Supermarkets	16
Fashion and beauty	17
General retail	13
DIY	7
Food/leisure	9
Other retail	7
Banks and financial services	17
Professional and corporate	8
Government	3
Other business	3

98%

Occupancy across the business

Managing our occupier relationships

In Retail, our internal team of asset management specialists are responsible for overall strategy, decision making and relationships with occupiers, both existing and potential. We have deep and strong relationships with occupiers with our in-house asset managers responsible both for their assets and key retailer relationships. We outsource the day-to-day operational management of the majority of our properties, such as maintenance and cleaning, to external agents. We also outsource rent reviews and lease renewals. We believe outsourcing day-to-day management to expert agents brings us significant operational benefits. Our agents' scale means that we are able to minimise operational costs for our customers and ourselves; it gives us significant operational flexibility; and it also broadens our insights into occupier and consumer trends.

In Offices, the strategic and operational management of our portfolio is managed by two separate in-house teams. Like Retail, the asset managers focus on strategy and occupier relationships but they also control the majority of the leasing activity, reflecting the fact that single occupiers tend to be larger and there are far fewer individual leasing transactions. Day-to-day facilities management is undertaken by Broadgate Estates, a stand-alone in-house team which also provides facilities management and other services to third party clients.

We consistently outperform industry averages for occupier satisfaction. In 2011 we carried out our fourth biennial independent occupier survey. 83% of our office occupiers and 78% of our retail occupiers rated their overall satisfaction with British Land as Good or Excellent, outperforming the industry average of 31%. In post occupancy surveys in our new buildings, 95% of our occupiers rate British Land and our buildings as Good or Excellent. We continue to make positive progress on our efforts to build a brand which sees prospective occupiers choosing our space because it is owned and managed by us. Other initiatives to engage with our customers include: an active key account programme; proactive participation in industry groups and events; and management and performance monitoring of our managing agents.

Gary Sokulski

"Where else does British Land have projects around the globe, so that we can lease more of your space? I put British Land in the very highest category of landlords and developers around the world and I am not an easy grader. I look at British Land as the gold standard for all landlords."

Chief Operating Officer Reed Smith

PMA

PROPERTY MANAGERS ASSOCIATION

British Land scored highly in this year's Independent Property Managers Association (PMA) retail centre management and accounting standards audit. The PMA, representing 110 of the UK's leading retailers, monitors landlord and managing agent compliance with the RICS Service Charge Code.

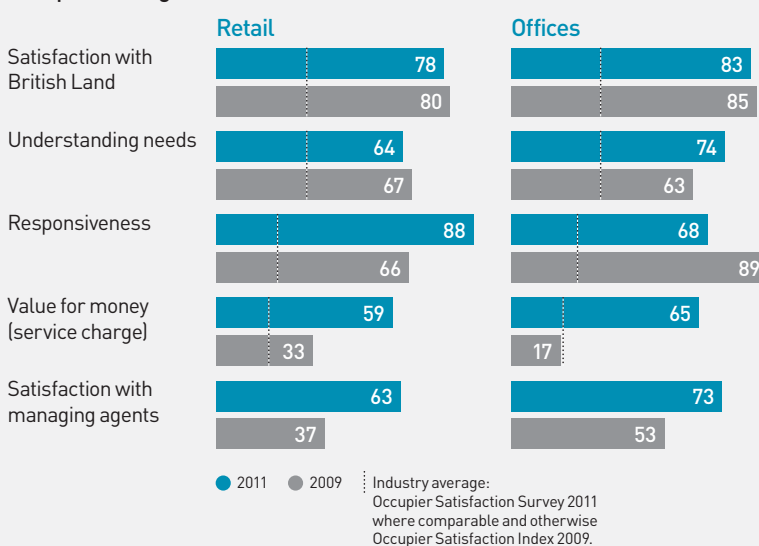
All audited British Land properties scored 91% or above, and British Land achieved five gold and two platinum awards, the only landlord to achieve the coveted platinum award.

The platinum award is only given in exceptional circumstances, to recognise and reward outstanding achievement in Property Management standards and going the extra mile, beyond expected excellence, to the benefit of the occupiers.

Broadgate



Occupiers rating as Good or Excellent (%)



ABOUT OUR BUSINESS continued

Our suppliers

We retain all commercial decision making within our business, while outsourcing much of the delivery of property management and our development activities such as design and construction.

This enables us to manage costs effectively, adapt quickly to changing circumstances in our portfolio and employ the most appropriate resources for each activity. We work closely with our suppliers to achieve our corporate targets, holding regular meetings, providing extensive guidance for instance through our Sustainability Briefs, implementing robust processes such as our ISO 14001 certified Environmental Management System for developments and writing key performance indicators into contracts where appropriate.

As already described in our customers section on pages 34 and 35, day-to-day activities on our existing property portfolio are managed through managing agents.

Our development activities are managed separately from asset management by a dedicated in-house development team. We develop new buildings in partnership with a team of external specialists which includes architects, engineers, building contractors and trade contractors. We have developed robust methodologies to ensure our development suppliers meet our high standards. We use Building-Confidence, as our third party construction supplier accreditation scheme. This is increasingly being recognised as the standard for supplier excellence within the construction industry and we encourage our suppliers to sign up to the scheme. Accreditation status is only awarded to contractors who meet the requirements of the scheme and this is purposefully

designed to significantly increase supply chain standards and performance. The accreditation includes checking the supplier's financial, safety, environmental/sustainability, social and ethical, occupational health and quality management systems, competencies and capabilities. We are also signatories to the UK Government's Prompt Payment Code.



Of budgets issued on time against industry average of 70%

Responsibility

Corporate responsibility is central to our strategy and to delivering value.

Our corporate responsibility strategy supports our aim of being the best REIT in Europe. It creates competitive advantages for our business, at the same time as delivering environmental and economic benefits for wider communities. This enhances our reputation, helps us to manage some of our key risks and leads to us creating competitive advantages for our occupiers.

The corporate responsibility team works with people across the business, engages with external stakeholders, consults with experts, reviews best practice and benchmarks our performance. In 2012, this included an independently facilitated stakeholder workshop, a session on targets involving external stakeholders and our new Corporate Responsibility Panel, chaired by our Chief Executive. We focus resources to realise the greatest benefits

in four areas: managing buildings efficiently; supporting communities; developing sustainable buildings; and engaging staff.

As one of Europe's largest REITs we have an important role to play in raising standards across the property sector. We are the leading UK REIT on a number of key sustainability indices, such as the Sunday Times Best Green Companies 2011, and we participate actively in industry bodies and initiatives. For example Chief Executive Chris Grigg is Vice President of the British Property Federation, Head of Planning and Corporate Responsibility Adrian Penfold is on the Department for Communities and Local Government's Planning Sounding Board, and Head of Offices Tim Roberts is on the Board of the property industry charity LandAid. We are also involved in industry working groups to encourage best practice. These include the UK Green Building Council group that recommended to Government the introduction of Display Energy Certificates for the private sector, and the European

Public Real Estate Association group on best practices in sustainability reporting.

We report to the Global Reporting Initiative B+ standard and EPRA Best Practice Recommendations on Sustainability Reporting. Our key performance data is independently assured under the ISAE 3000 standard. We are also a signatory to the UN Global Compact.

▶ See Our corporate responsibility review **P56-57**

▶ See Our CR Report 2012 www.britishland.com/crreport2012



CDP FTSE 350 Carbon Disclosure Leadership Index 2011

Our people

Our people are one of our major assets and we aim to attract and retain the best people, whose efforts, skill and judgement we can leverage across our extensive portfolio.

We employ a relatively small in-house team totalling just over 200 people. This is a major distinction and provides a cost advantage between us and our key competitors and most other FTSE 100 companies. Our approach is to recruit small teams of experts in their fields who procure additional specialist resource as and when needed. As a result, the structure and processes of the business is effectively aligned with its strategy. There are limited levels of management and individuals have exposure to senior

people through a wide range of Company activities and the opportunity to make real impact in the business.

We believe that staff engagement is a major competitive advantage. We aim to achieve 85% overall staff satisfaction by 2015. In 2011 we held our first independent staff satisfaction survey achieving a response rate of over 90%. Overall results were outstanding with 92% of staff rating us highly as an employer and 80% very satisfied at work. We also achieved a one star accreditation in the 2012 Sunday Times Best Companies to Work For survey and both activities have provided feedback for further improvements in staff engagement through an employee action plan. Initiatives include a new staff social committee, new Company teamship rules and more training, as well as improvements to our induction programme and appraisal process.

We have a full programme of formal and informal staff communications including monthly all-staff meetings, annual company conferences and ad-hoc events with smaller groups. We are currently reviewing all policies and procedures to ensure they remain appropriate and relevant.



Rate us highly
as an employer

Financing

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 aim to ensure that the Group and its joint ventures and funds are financed with sufficient resources and flexibility to implement the strategy and cover additional requirements and opportunities which may arise. 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 of the business on both a group statutory basis and on 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

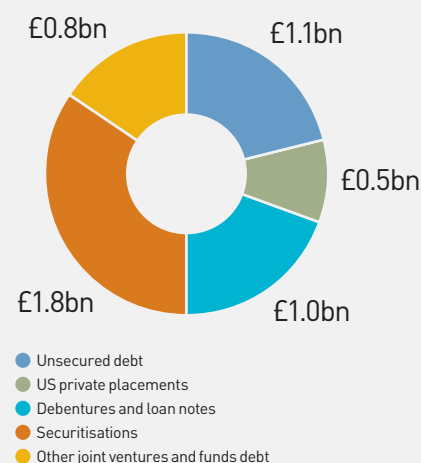
for the business, the Board considers a wide range of factors including our ability to refinance and the impact on the aggregate risk in the business including development risk. Our preferred range of gearing is between 40% and 50% on a proportionally consolidated basis. At 31 March 2012, our loan to value was 45.3%.

We aim to finance the business from a diverse range of sources with a broad mix of maturities. Our joint ventures and funds are financed separately on the strength of their assets and without recourse for repayment to British Land. Our debt financing includes long-term securitisations, unsecured private placements as well as shorter-term revolving 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 average maturity of our debt of 9.3 years, reflects the long term nature of our property leases (average weighted lease length of 11.3 years).

Key financing statistics

	Group	Proportionally consolidated
IFRS net debt	£2,303m	£4,879m
Weighted average debt maturity	9.1 years	9.3 years
Loan to value	29%	45%
Interest cover	3.0 times	2.2 times

Diverse funding profile



OUR PRINCIPAL RISKS AND UNCERTAINTIES

Our approach to risk management

OUR APPROACH TO RISK UNDERPINS THE CONSTITUENT PARTS OF OUR BUSINESS MODEL.

When deciding future strategy, the Board considers the level of risk to be taken in alternative scenarios considered, and ensures that the strategic direction of the Group includes an appropriate and not undue level of risk in line with future expectations for the economic environment and the property cycle.

We also ensure that the risks involved are considered before approving every proposed transaction and, if we proceed, that the level of risk accepted aligns with the agreed strategy and is appropriate both in relation to that transaction and its impact on the Group as a whole.

We have no control over some of the overriding external risks, such as the economy, but spend time considering the potential impact of such risks on our business. We recognise that we must tailor our strategy to respond to the external environment, addressing the threats and exploiting the opportunities that arise. At the same time we must monitor and control those internal risks to which we are exposed in pursuing our chosen strategy.

The risks we face do not change significantly from year to year. However, the magnitude and importance of the risks can and do change significantly, usually in line with events as they occur. For example, the successful conclusion of lettings to Aon and Debenhams, for their new head offices at The Leadenhall Building and Regent's Place respectively, and the agreement for lease to UBS of 5 Broadgate becoming unconditional, significantly reduced the risk relating to our development exposure.

Risk management process

The process of identifying and monitoring risks, and their potential impact, occurs at a number of levels throughout the Group. In addition to considering risk in relation to strategy and transactions by the Investment Committee or the Board, a risk register is maintained by each of our business units as well as the Group as a whole. These registers are the result of thought and input from senior executives throughout the Group as well as the Executive Directors. A register of Principal Risks and Uncertainties is also maintained bringing together those factors which are considered to have the potential to significantly impact British Land's performance. This register is considered and refined at meetings of the Executive Committee and the Audit Committee at least twice yearly, and is reviewed by the Board which has a particular focus on the strategic and economic risks. The adequacy of risk mitigating strategies and controls are considered at each review. This helps define the risk profile of the Group and the implications of decisions taken.

Consideration of our current risk environment as well as our strategic priorities has resulted in a number of additional risks now being classified as Principal Risks and Uncertainties. These include: Economic Uncertainty (notably Eurozone), Income Sustainability, Capital Structure – Gearing, Financing Strategy Execution and Communication. Further details of these risks are given in the schedule of Principal Risks and Uncertainties which follows.

Our small Head Office team provides clarity for each employee as to which member of the Executive Committee they directly or indirectly report. This relatively flat management structure allows the Executive Directors to have close involvement in day-to-day operational matters and respond quickly to changing events so as to reduce the effect of any adverse impacts on the risk profile.

Risk measurement and appetite

The risk register for the Group is underpinned by a series of key risk indicators. Each indicator has criteria capable of measurement, the result of which is matched against a range to calibrate the indicator either green, amber or red so as to inform Directors when deciding how to categorise each risk in order of importance, and to help highlight whether risks are increasing or decreasing. Risks are scored and ranked in accordance with a matrix based on the likelihood of occurrence and the potential impact on the Group.

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 key to enhancing profits – the key is to take those risks that we are able to manage and are best placed to take, such as those relating to property performance and to seek to minimise the impact of any risks that are not under our day-to-day control. There are many risks that we consider and monitor, but we naturally concentrate on those that we have identified as most important through the process described above.

British Land's risk framework

During the year, we have introduced a risk framework under which risks are classified as external or internal based on the extent of our control over them.

This framework reflects the different approaches required to manage different types of risk as well as recognising the extent to which external factors affect our performance.

External environment

Factors which British Land cannot control and must set its strategy to exploit or respond to

External and economic risk areas

- Global and UK-wide factors affecting all industries and consumers.

UK commercial real estate risk areas

- External factors specifically affecting UK commercial real estate.
- The impact of the external and economic risk areas on UK commercial real estate.

Principal risks and uncertainties

- Economic uncertainty (notably Eurozone).
- Investor demand.
- Occupier demand and tenant default.
- Availability and cost of finance.
- Catastrophic business event.

Internal risk areas

Factors which British Land can control

Strategic factors

- Factors which can be controlled to determine our risk profile; to be set in the context of evaluation of the external environment.

Corporate and compliance

- Factors which must be controlled to maintain sound operation of the Company and fulfil legal and regulatory obligations.
- Corporate responsibility risks (see page 43).

Principal risks and uncertainties

- Investment strategy.
- Development.
- Income sustainability.
- Capital structure – gearing.
- Financing strategy execution.

Principal risks and uncertainties

- Communication.
- People.

OUR PRINCIPAL RISKS AND UNCERTAINTIES continued

External risks

Risks and impacts	Change (from last year)	Key mitigants
Economic uncertainty (notably Eurozone)		
Continued global economic uncertainty presents risks to financing and property markets as well as the businesses of our occupiers. Notably, failure of one or more members of the Eurozone could cause serious dislocation to the property and finance markets and could directly impact valuations and performance of British Land's limited property holdings in mainland Europe as well as treasury liquidity.	NEW	- Consideration of external economic and property factors, including leading indicators, in determining strategy. - Limited exposure to Eurozone property holdings at less than 3% of gross assets.
Investor demand		
Reduction in investor demand for UK real estate may result in falls in asset valuations and could arise from variations in: - health of the UK economy; - attractiveness of investment in the UK; - availability of finance; and - relative attractiveness of other asset classes.		- Consideration of external economic and property factors, including leading indicators, in determining strategy. - Focus on prime portfolio in sectors deemed to have resilient attributes. - Focus on long upward-only lease profiles with strong occupier covenants.  See Our markets P20-21
Occupier demand and tenant default		
- Underlying income, rental growth and capital performance could be adversely affected by weakening occupier demand resulting from variations in the health of the UK economy and corresponding weakening of consumer confidence, business activity and investment. - Occupier failures may adversely impact underlying income and capital performance. - Changing consumer and business practices (e.g. internet shopping, flexible working practices and demand for energy efficient buildings), new technologies and alternative locations may result in earlier than anticipated obsolescence of our buildings if evolving occupier requirements are not met.		- Consideration of external economic and property factors, including leading indicators, in determining strategy. - Focus on prime portfolio in sectors deemed to have resilient attributes. - Focus on long upward only lease profiles with strong occupier covenants. - Monitoring of sector supply and demand for space. - Monitoring of footfall and turnover at retail schemes. - Ongoing occupier covenant monitoring. - Proactive asset management approach to maintain strong occupier line-up. - Key occupier account programme to maintain strong occupier relationships. - Development of 'future-proofing' initiatives to maintain our retail assets' ranking in the retail hierarchy. - Sustainability Briefs for Developments, Acquisition and Management.  See Our markets P20-21
Availability and cost of finance		
- Reduced availability of Real Estate financing may adversely impact British Land's ability to refinance facilities and result in weaker investor demand for Real Estate. - Increasing finance costs would reduce British Land's underlying income.		- Consideration of external economic and property factors, including leading indicators, in determining strategy. - Monitoring and proactive management of refinancing requirement. - Diverse range of sources of financing. - Spread of facility expiries maintained. - Continuing focus on capital market and bank relationship management. - Interest rate hedging policy determined to minimise exposure to short-term rate fluctuations while maintaining long-term flexibility.  See Financial review P58-64

External risks continued

Risks and impacts	Change (from last year)	Key mitigants
Catastrophic business event		
An external event such as a civil emergency, including a large-scale terrorist attack, or environmental disaster could severely disrupt global markets (including property and finance) and cause significant damage and disruption to British Land's portfolio and operations.		• Asset risk assessments (e.g. security, flood, environmental, health and safety). • Regular security threat information service. • Physical security measures at properties and development sites. • Asset emergency procedures reviewed and scenario tested. • Head office business continuity plan in place and regularly tested. • Comprehensive insurance.

Internal strategic risks

Risks and impacts	Change (from last year)	Key mitigants
Investment strategy		
Significant underperformance could result from inappropriate determination of property investment strategy, including consideration of the following factors: • sector selection and weighting; • timing of investment and divestment decisions; • exposure to developments; • sector, asset, tenant, region concentration; and • engagement with co-investment partners.		• Annual determination of investment strategy based on consideration of position of current portfolio and outlook for macro-economic and property fundamentals. • Ongoing review of validity of chosen strategy and performance against strategic priorities and actions. • Benchmarking of portfolio composition. • Use of asset and portfolio model. • Standardised investment appraisal methodology and formalised Investment Committee review of proposed investment decisions.  See Portfolio review P44–55

Development

Development risks could adversely impact underlying income and capital performance including: • development letting exposure; • construction timing and costs; and • adverse planning judgements.  See Building our development pipeline P10–11, 14–15		• Detailed analysis and appraisal of all developments including risks, sensitivity and scenarios. • Investment Committee approval prior to each development commitment. • Ongoing monitoring of development progress against budget and schedule. • Strategic use of pre-lets to de-risk the development letting profile. • Fixing of development cost commitments early in the project timeline. • Assessment of key contractors prior to appointment, including a financial covenant review. • Building Confidence sustainability accreditation for supply chain. • Maintenance of strong relationships with key suppliers.
--	---	--

Income sustainability

Sustainability of income streams required to be considered in: • execution of investment strategy and capital recycling, notably timing of reinvestment of sale proceeds; • nature and structure of leasing activity; and • nature and timing of asset management and development activity. Inappropriate decision-making and execution in respect of the above may result in disruptions to underlying profit growth outside the scope of strategic plans.  See Retail and Offices P49–51, 52–54	NEW	• Comprehensive profit and cash flow forecasting undertaken incorporating scenario analysis reflecting prospective transactions. • Reinvestment opportunities considered alongside asset sales as required by investment strategy. • Focus on long lease structures with upward only rent reviews. • Managed exposure to fixed, minimum and index-linked rental uplifts. • Development funding requirements balanced with sustainable income streams from investment portfolio. • Focus on income as well as capital impact in considering asset management initiatives. • Proactive asset management to mitigate occurrence and impact of occupier failures and lease breaks and expiries.
--	------------	---

OUR PRINCIPAL RISKS AND UNCERTAINTIES continued

Internal strategic risks continued

Risks and impacts	Change (from last year)	Key mitigants
Capital structure – gearing		
- An inappropriate gearing level may result in Net Asset Value underperformance. - An increase in the gearing level increases the risk of a breach of covenants on borrowing facilities and may increase finance costs.  See Financial policies and principles P65–67	NEW	- Determination of capital structure and gearing level considered over the short and long term in annual determination of strategy and reviewed on an ongoing basis. - All financial forecasting, including scenario analysis of prospective transactions, incorporates consideration of impact on gearing and covenant headroom. - Ongoing monitoring of covenant headroom and gearing with reference to cyclical valuation movements and committed expenditure.
Financing strategy execution		
Failure to manage the refinancing requirement may result in a shortage of funds to sustain the operations of the business or repay facilities as they fall due.  See Financial policies and principles P65–67	NEW	- Monitoring and proactive management of refinancing requirement. - Diverse range of sources of financing. - Spread of facility expiries maintained. - Continuing focus on capital market and bank relationship management.

Corporate and compliance risks

Risks and impacts	Change (from last year)	Key mitigants
Communication		
Failure to adequately communicate the Company's strategy and explain performance in respect of this may result in an increased disconnect between investor perceptions of value and actual performance.	NEW	- Clear articulation and reiteration of strategic priorities in corporate communications including the Annual Report. - Defined communication and investor relations programme. - Regular press releases and engagement with investors and analysts. - Investor feedback survey undertaken by independent advisors.
People		
Failure to recruit, develop and retain staff and Directors with the right skills and experience may result in significant underperformance.  See Corporate governance P72–76		- Succession planning regularly evaluated. - Director and employee remuneration and incentives aligned with appropriate peer group and regularly benchmarked. - Regular performance appraisal process with a focus on continuous personal development. - Biennial employee survey and programme of employee events to build a culture aligned with British Land's values.

Corporate responsibility risks

The Group has a particular concern for corporate responsibility and is proud of its environmental credentials.

Accordingly we also particularly monitor related risks and have summarised them in a separate table that follows. These are not included as Principal Risks and Uncertainties because they are considered to be well managed and so are unlikely to result in a significant impact on the Group's performance. In addition, we are proactive in monitoring emerging requirements to ensure that we have time to react to changes such as those arising from the Energy Act 2011.

Risks and impacts	Change (from last year)	Key mitigants
Managing buildings efficiently and developing sustainable buildings		
Failure to future-proof our buildings against extreme weather occurrences or legislation may result in: ● reduced investor and occupier interest in our buildings; ● disruption for our occupiers; and ● additional costs for British Land and its occupiers to adapt buildings or meet new legislative requirements.	NEW	● Flood assessment and defence where required. ● Sustainability Briefs for Developments, Acquisition and Management. ● Energy reduction strategy. ● Energy Performance Certificate (EPC) portfolio review. ● Government engagement and review on future legislation. ● ISO 14001 for developments.
Supporting communities		
Poor long-term engagement with communities where we own or plan to develop assets may: ● impede our ability to obtain planning permission for new developments; and ● impact the financial performance of our assets.		● Community Charter. ● Charity funding. ● Ongoing local engagement by British Land and its site management teams.

 See Our corporate responsibility review
P56–57

PORTFOLIO REVIEW

Stephen Smith Investment Officer

“Our focus remains on high-quality properties in the right locations which meet the current and future needs of occupiers and which consistently attract high-quality occupiers willing to take long-term leases on favourable terms.”



Highlights

£10.0m

Leasing activity in our investment portfolio generates £10.0 million of new annual rent

1.1m_{sq ft}

Of unconditional office development pre-lets to major global occupiers securing £34 million of future annual rent

£371m

Of acquisitions at an average yield of 6.9% on income producing properties; adding £21 million of annual rent

1.6%

£100 million of disposals agreed at 1.6% above March 2011 valuation

In line with our objective of providing consistent and superior total property returns, our portfolio continues to have a substantial weighting to high-quality investments in sectors with the potential for long-term income and capital value growth, principally UK retail and central London offices.

Our focus remains on high-quality properties in the right locations which meet the current and future needs of occupiers and which consistently attract high-quality occupiers willing to take long-term leases on favourable terms. The rest of our portfolio primarily comprises investments such as residential and leisure where we are able to leverage our property and financial expertise to enhance our returns.

Over the last two years our investment activities have been focused on:

- ▶ actively managing our investment portfolio to maximise our rental performance. Over the last 12 months, our leasing activity across the portfolio has generated £10.0 million of new annual rent;
- ▶ significantly increasing our investment in development, principally in central London reflecting a shortage of high quality supply along with strong investor demand. Since the beginning of 2010, we have committed to a £1.4 billion total development programme with an estimated rental value of £88 million;
- ▶ increasing our investment in the West End relative to the City, reflecting our belief that returns in the West End will be higher and less cyclical over the medium term than the City. Since March 2009, the West End has grown from 10% of our portfolio to nearly 17% on completion of committed developments; and
- ▶ actively leveraging our substantial expertise in UK property and financing to take advantage of opportunities to add incremental value in areas such as residential and leisure.

During the year the immediate focus of our portfolio activity was on executing our existing development programme and extracting value through pre-letting. In addition to our existing development pipeline, our aim is to redeploy capital both into standing income generating investments and into building our future development pipeline.

Development activity was the primary factor which increased the weighting of Offices within our portfolio to 34.5% at 31 March 2012 from 32.1% a year previously. On a pro forma basis taking into account the valuers' current estimates of the value of the developments on completion, Offices is 39.9% of the total portfolio.

Portfolio weighting

	2012 current %	2012 Pro forma ¹ %	2011 %
At 31 March			
Retail:			
Retail parks	26.3	23.9	27.6
Superstores	13.2	12.0	13.9
Shopping centres	14.6	13.3	15.7
Department stores	4.4	4.0	4.8
UK retail	58.5	53.2	62.0
Europe retail	2.6	2.9	3.8
All retail	61.1	56.1	65.8
Offices:			
City	20.0	22.2	19.6
West End	13.6	16.9	12.3
Provincial	0.9	0.8	0.2
All offices	34.5	39.9	32.1
Other	4.4	4.0	2.1
Total	100.0	100.0	100.0

¹ Pro forma for committed developments at estimated end value (as determined by the Group's external valuers).

Development

Our total capital commitment to development is £1.4 billion, compared with £1.2 billion a year ago. This primarily reflects the addition of 439,000 sq ft of retail, office and residential developments notably: a major refurbishment of offices at 39 Victoria Street; the redevelopment of our Whiteley Shopping Centre; and further additions to our residential development portfolio. These new developments add £7.8 million of potential rental income, bringing the total ERV of our committed pipeline to £88 million.

At 31 March, the balance sheet value of our total committed development pipeline was £701 million with an increase of 13.6% over the year driven by growth of 19.2% in the value of the committed office programme. We expect to spend £588 million to complete our committed pipeline over the next three years with £362 million budgeted to be spent in FY2013, excluding interest.

The increase in value reflected the achievement of a number of important milestones in our office development programme during the year, including: a major planning approval; pre-lets in buildings in the City and West End; and further pre-sales of high-end residential units. Six of our seven committed office developments are well underway, we have agreed pre-lets

on 50% of the office space and pre-sold 168 of our 196 residential units for a total of £96 million.

The office development programme is expected to deliver a further £192 million (21 pence per share) of development profit (based on our valuers' current assumptions), and of the £77.5 million of estimated rental value to come from these developments, £34 million is already contracted through pre-let agreements.

In addition, we have 2.7 million sq ft of prospective developments of which 0.7 million sq ft has detailed planning consent or has planning pending.

Additional detail on committed and prospective developments can be found in the separate Retail and Offices reviews on pages 49 to 51 and 52 to 54 respectively.

	Sq ft '000	Value £m	Cost to complete £m ¹	ERV £m	Pre-let £m	Pre-sold £m
As at 31 March 2012						
Retail	1,707	64	75	10.5	5.7	
Offices ²	2,289	593	569	77.5	34.1	96
Residential	70	50	29			12
Total committed	4,066	707	673	88.0	39.8	108
Retail	960					
Offices	1,714					
Residential						
Total prospective	2,674					
Total development	6,740					

¹ Including notional cost of finance of 6%.

² Including 161,000 sq ft of residential (estimated end value of £144 million).

PORTFOLIO REVIEW continued

Acquisitions and disposals

Acquisitions – completed/exchanged

Financial year to 31 March 2012

	Price (gross) £m	British Land share £m	Annual passing rent £m
17 Virgin Active premium racquet clubs	179	179	13 ¹
Grenfell Island, Maidenhead	74	74	5
Wardrobe Court, EC2	57	57	3
18–20 Craven Hill Gardens, W2	16	16	
Other	45	25	
Total	371	351	21

Disposals – completed/exchanged

Financial year to 31 March 2012

	Price (gross) £m	British Land share £m	Annual passing rent £m
5 Virgin Active premium racquet clubs	33	33	2
New Century Park, Coventry ²	17	8	
Meadowhall Surrounding Lands (50% interest)	12	12	
58–72 Church Street, Liverpool	12	12	1
25 James Street, W1 (5 residential units)	7	7	
Other	19	15	1
Total	100	87	4

1 Rent subject to fixed uplift at Year 5 (equivalent to 2.5% per annum CAGR) and annual RPI-linked increases thereafter (range of 1–4% per annum).

2 Sale conditional on planning.

We acquired £371 million of assets at an average net initial yield of 6.9% on the income producing properties, adding to the £511 million of new investments made in the previous year. All of these properties have strong and sustainable rental income profiles where we see the potential to create value through both rental and capital growth. Taken together, the acquisitions in the year have increased our annual rental income by £21 million and have a weighted average lease length of 20 years to first break.

The most significant acquisition was the purchase of a portfolio of 17 Virgin Active premium racquet clubs for £179 million. The properties are mainly in the South East of England. They were let on new 25-year leases to Virgin Active at an attractive initial rent of £8 per sq ft, with a fixed uplift at year five, compounded at 2.5% per annum, rising annually thereafter on RPI based uplifts of between 1% and 4% for the remainder of the lease term. On a net initial yield of 7.3%, a net equivalent yield of 8.4% and

at significantly below replacement cost, we believed this was an opportunity to acquire institutional grade assets at a highly attractive price. We subsequently sold five of the smaller clubs at an 18% premium to their acquisition price, of which two were sold after the year end.

We also bought Grenfell Island, a 198,000 sq ft office and leisure scheme in Maidenhead for £74 million. Hutchison 3G UK Ltd occupies the 113,000 sq ft of office space and the 85,000 sq ft of leisure space is anchored by a ten-screen Odeon Cinema and health club. The overall unexpired lease term is 9.9 years. The building, which is in the centre of the town, is opposite the mainline railway station which will become the western terminus for Crossrail when it is completed in 2018. Purchased at a net initial yield of 7.5%, we believe, like the Virgin Active clubs, this is another good quality institutional grade asset which we have acquired at an attractive price and which will benefit from its proximity to London and its association with Crossrail.

We made a further £113 million of residential investments to expand our existing portfolio. The most significant investment was Wardrobe Court, a Grade II listed 71,000 sq ft property in the City which we acquired for £57 million. With a net initial yield of 4.7% and a capital value of £800 per sq ft, we see good potential upside given both the modest current rental levels and capital value relative to comparable sites in and around the City. At the end of the year, we entered into a joint venture agreement with Barratt Developments to acquire a two acre site on the edge of the City at 1 and 2 Aldgate. The purchase is conditional on securing a revised planning consent for a 430,000 sq ft residential-led, mixed-use development.

In total we made £100 million of disposals at an average price of 1.6% above March 2011 valuation. We disposed of a range of relatively small assets including five of the Virgin Active clubs we bought earlier in the year, taking advantage of strong demand from institutional investors for strong but secure income generating assets. The sales price achieved of £33 million represents an average net initial yield of 6.5% and a significant premium to the original acquisition price. We also continued to sell our residential developments, disposing of five of our residential units at James Street, generating a profit on cost of 35%.

Property level performance in FY2012

	British Land %	IPD %	Performance versus IPD bps
Rental values (ERVs)	+2.1	+0.5	+160
Capital returns	3.0	0.5	+250
Total property returns	8.3	6.3	+200

£10.3bn
Portfolio value

Portfolio performance

Highlights

+2.6%

Total properties increased in value by 2.6% (£262 million) to £10.3 billion

3.0%

Portfolio capital return of 3.0% outperforming IPD by 250 bps

8.3%

Portfolio total property return of 8.3%, significantly outperforming IPD by 200 bps

5.0m_{sq ft}

Of leasing activity (excluding pre-lets) generating £10.0 million per annum of new rent

+2.1%

Continued improvement in estimated rental values (ERV) by 2.1%, ahead of IPD at 0.5%

1.1m_{sq ft}

Of unconditional office pre-lets securing £34 million of future rent

The value of the portfolio increased 2.6% to £10.3 billion. Around three quarters of the valuation uplift was driven by our own actions – our successful asset management initiatives across our investment portfolio along with our early commitment to a significant London office development programme. Further modest improvement in the valuation yields accounted for the remaining quarter of the uplift, reflecting continued investor demand for prime assets, particularly in central London.

Following growth of 2.2% in the first six months of the year, the pace of valuation growth slowed in the second half of the year to 0.4%, as investor sentiment and the outlook for rental growth weakened. This reflected both a deterioration in economic growth in the UK and the impact of renewed concern about the Eurozone.

In UK retail, against a challenging environment where capital returns for the market fell by nearly 1%, the value of our properties grew by 0.4% to £6.0 billion. Active asset management was the key driver of performance and this helped offset the impact of some softening of investment yields across the market particularly for smaller secondary properties.

In Europe, the value of our retail portfolio was 5.7% lower at £272 million reflecting both the squeeze on consumer spending and weakening investor sentiment across southern Europe, where the majority of our properties are based.

The value of our office portfolio improved by 7.3% to £3.6 billion in the year. This included growth of 17.8% in our office developments reflecting the value created from securing pre-lets in our committed programme combined with fixing the majority of our construction costs either at or slightly below budget. The value of our office investment portfolio also increased (by 5.3%) largely driven by significant improvements in the

portfolio's income profile as a result of lettings and lease extensions agreed, principally at Broadgate and Regent's Place together with run-off of rent-free periods. The portfolio net equivalent yield also improved by an average of 6 bps, benefiting from continued investment market demand from both international and domestic buyers.

Portfolio valuation

At 31 March 2012	Group £m	Joint ventures and funds ¹ £m	Total £m	Change ²		
				H1 %	H2 %	FY %
Retail³:						
Retail parks	1,879	839	2,718	1.0	(0.7)	0.2
Superstores	142	1,223	1,365	1.2	(0.1)	1.1
Shopping centres	474	1,038	1,512	0.6	(0.6)	0.0
Department stores	451		451	0.1	0.8	0.8
UK retail	2,946	3,100	6,046	0.9	(0.5)	0.4
Europe retail		272	272	(2.0)	(4.4)	(5.7)
All retail	2,946	3,372	6,318	0.7	(0.6)	0.1
Offices⁴:						
City	526	1,538	2,064	5.0	1.4	6.1
West End	1,402		1,402	6.4	3.0	9.3
Provincial	89	7	96	(1.9)	6.0	3.8
All offices	2,017	1,545	3,562	5.3	2.1	7.3
Other	451	6	457	1.4	1.5	2.8
Total	5,414	4,923	10,337	2.2	0.4	2.6

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 committed and prospective developments of £87 million, down 8.0% for the 12 months.

⁴ Including committed and prospective developments of £614 million, up 17.8% for the 12 months.

PORTFOLIO REVIEW continued

The portfolio ERV grew by 2.1% which compares with a 0.5% increase in rental values for the market overall as measured by IPD. Rental values across our 24 million sq ft UK retail portfolio grew by an average of 1.4% with all of our sub-sectors ahead of the previous year. In our seven million sq ft office portfolio, the average ERV increased by 3.7%.

At 31 March 2012, the portfolio net equivalent yield was virtually unchanged at 5.8% as compared with a year ago which compares with 6.6% for the market as measured by IPD. Our EPRA net initial yield and our EPRA topped-up net initial yield for the portfolio was unchanged at 5.2% and 5.8% respectively. The EPRA topped-up net initial yield includes £57 million of growth in contracted cash flows from the expiry of rent-free periods and guaranteed fixed uplifts.

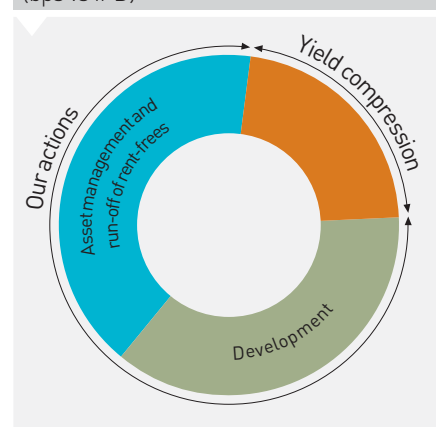
Portfolio yield and ERV movements

At 31 March 2012	ERV growth % ¹			Net equivalent yield movement/(compression) ²		
	H1	H2	FY	H1	H2	FY
Retail:						
Retail parks	0.7	0.3	1.0	(3)	7	4
Superstores	0.3	1.9	2.2	(2)	3	1
Shopping centres	0.5	0.3	0.8	(8)	1	(7)
Department stores		5.1	5.1	2	5	6
UK retail	0.5	0.9	1.4	(4)	4	1
Europe retail	n/a	n/a	n/a	10	(6)	33
All retail	0.5	0.9	1.4	(3)	4	2
Offices:						
City	2.8	0.6	3.4	(8)	(2)	(10)
West End	2.8	0.9	3.7	(3)	2	(1)
Provincial	7.9	(0.5)	7.3	(1)	6	124
All offices	3.0	0.6	3.7	(6)	(1)	(6)
Other				(3)	(11)	(5)
Total	1.3	0.8	2.1	(4)	2	(1)

¹ Like-for-like (as calculated by IPD), excluding Europe.

² Including notional purchaser's costs.

Total property returns relative to IPD (bps vs IPD)



Property returns

Financial year to 31 March 2012	Retail		Offices		Total	
	British Land %	IPD %	British Land %	IPD %	British Land %	IPD %
Income return	5.7	5.8	4.0	5.3	5.1	5.8
Capital return	0.4	(0.8)	7.8	2.6	3.0	0.5
– ERV growth	1.4	(0.4)	3.7	2.4	2.1	0.5
– Yield movement ¹	+1 bps	(7) bps	(6) bps	(16) bps	2 bps	(11) bps
Total property return	6.1	5.0	12.1	8.0	8.3	6.3

As calculated by IPD, excluding Europe.

¹ Net equivalent yield movement.

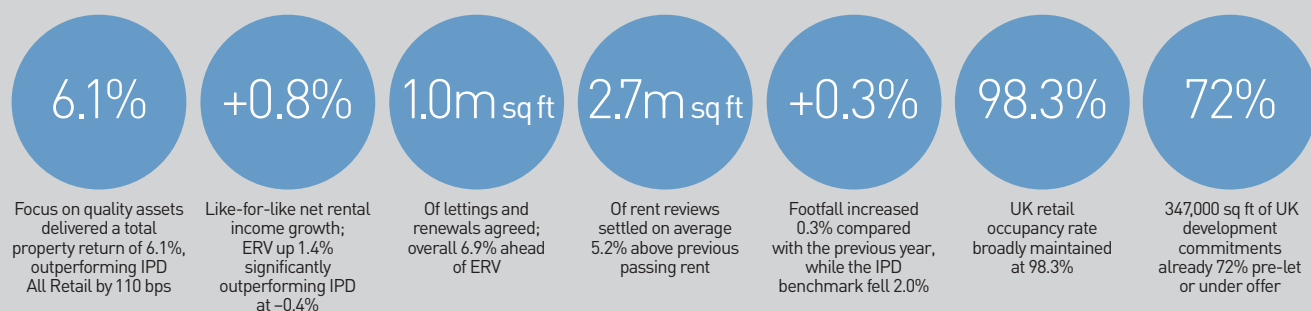
Overall, our portfolio generated a total property return of 8.3% for the year, made up of an income return of 5.1% and a capital return of 3.0%. Our portfolio allocation, our bias towards high-quality UK retail and central London offices including development, combined with our successful active asset management, meant that we significantly outperformed the market, with our total property return 200 bps and capital return 250 bps ahead of the IPD benchmark.

Charles Maudsley Head of Retail

“Our robust performance during what has been a challenging year strengthens our conviction that we have the right assets well suited to the needs of modern retailers.”



Highlights



The retail landscape in the UK is going through a period of fundamental change. Consumers are becoming increasingly sophisticated and demanding. They want more choice, greater convenience and better value, along with a much better shopping experience, whether it be in the physical or online environment. Increasingly, they see physical and online retailing as interchangeable and interdependent. For some time, our view has been that too much of the available space in the UK is not well suited to the changing needs of the modern retailer, nor can it be economically adapted to do so.

We have predicated our retail property strategy on aligning our properties closely to the changing needs of retailers and their customers and the belief that the retail property market would become heavily polarised between the right space and that which was essentially obsolete.

After a relatively benign period, the retail market had a more difficult year, particularly so in the second half as consumer confidence was hit by the twin impacts of austerity at home and the debt crisis in Europe and which led to a marked increase in the rate of retailer failures. Retailers responded by more aggressively looking to focus their store portfolios on those locations which are able to offer the right combination of accessibility, affordability, flexibility and overall shopping experience. This was true whether they were expanding, consolidating or contracting. As a result, the polarisation we have seen in rental performance in recent years became even more marked. Although rental values across the market fell by 0.4% in the year, prime rental values continued to grow. We also started to see a divergence in performance of primary and secondary properties in the investment markets, which hitherto have been more uniform.

Our strategy is to own and create retail space which gives retailers the greatest penetration to their target spend in what is becoming an increasingly multi-channel environment. This enables us to meet the needs of modern retailers – from food and convenience to destination shopping. This, combined with the depth of the relationships we have with occupiers, means we continued to deliver rental and capital growth across our asset base when rental and capital values across the market as a whole were falling. Our robust performance during what has been a challenging year strengthens our conviction that we have the right assets well suited to the needs of modern retailers.

We continued to outperform the market on ERV, capital and total returns. This outperformance was driven by the combination of the strength and diversity of our retail portfolio, the strength of our asset management initiatives and our focus on creating the right environment. Demand for space across our UK portfolio remained robust throughout the year with occupancy broadly maintained and our rental trends remaining positive at 1.4% ahead compared to a 0.4% fall for the IPD benchmark. The value of our UK retail

RETAIL continued

portfolio rose by 0.4%, reflecting weakening sentiment in the investment markets, notably in the second half and we outperformed capital returns for the market as a whole by 120 bps. Total returns from our portfolio were 6.1%, outperforming IPD All Retail returns by 110 bps. All of our sub-sectors outperformed the All Retail index with superstores once again the best sector delivering strong capital returns and ERV growth. The defensive qualities of this asset class remain an integral element of our performance. Rental values for our largest sub-sector, retail parks, outperformed the all retail index by 100 bps.

In Europe, the value of our portfolio fell by 5.7% reflecting the difficult conditions in southern Europe where the majority of our assets are located. Consumer spending continued to fall and investor sentiment was particularly weak post the re-emergence of concerns over the stability of the Eurozone in the late summer.

Retail asset management

Our operational performance remained robust throughout the year despite weakening consumer demand in the second half. Our leasing activity across the portfolio was relatively well balanced through the year: we agreed 340 lettings and renewals on 1.0 million sq ft of space across the portfolio on average 6.9% above ERV with weighted average lease length of more than 11 years to first break. Long-term deals accounted for 90% of lettings. Our occupancy rate was maintained at high levels at 97.9% (31 March 2011: 97.9%), including Europe. We currently have 440,000 sq ft of lettings and pre-lets under offer across our portfolio at terms ahead of ERV.

We continued to build on our existing strong relationships with major fashion retailers agreeing a number of multiple deals. These included eight deals (172,000 sq ft) with Next; five lettings (98,000 sq ft) with Marks and Spencer; and three deals 54,000 sq ft with H&M. All three retailers have taken units at Whiteley Shopping Centre, our new retail development, with Marks and Spencer taking a 60,000 sq ft anchor unit. After the year end, we pre-let a new 60,000 sq ft (including 30,000 sq ft of mezzanines) department store to Debenhams at Fort Kinnaird, Edinburgh as part of the reconfiguration and modernisation of the existing shopping and leisure park.

We also saw a further increase in lettings to traditional high street and fashion names on our retail park schemes. We agreed lettings with a number of premium retailers including Swarovski and Jack Jones at Glasgow Fort and the food retailer Whole Foods Market, which opened its first out-of-town offer at our Cheltenham Retail Park. Simply Be, the online retailer, opened its first out-of-town store at Teesside Shopping Park. We also introduced new formats with a Boots and Starbucks drive-through store at St James' Retail Park in Northampton, and Domino's Pizza opened their first food court unit at our Eastgate Shopping Centre in Basildon.

In addition to fashion retailers, 123,000 sq ft of multiple deals were agreed with: Asda, for three new stores including Asda Living at Woking, Stafford and Leeds; Smyths Toys which continued to expand its franchise, opening three new stores at Edinburgh,

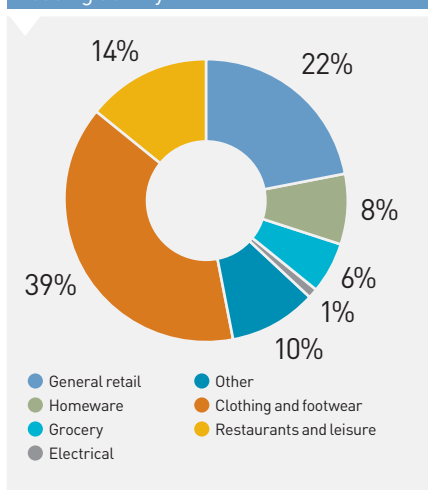
Glasgow and Colchester; and Hobbycraft which opened stores at The Beehive Centre, Cambridge and Gallagher Retail Park, Cheltenham. At Meadowhall we agreed nearly 50 new long-term transactions on average significantly ahead of ERV, including tenants such as Urban Outfitters, Carluccio's, TK Maxx and Beaverbrooks, the Jewellers. This continues our programme of increasing the proportion of premium retailers to attract more affluent shoppers.

Improving the retail environment by increasing leisure and food on our schemes was a key aim during the year. We successfully obtained 62 planning consents and completed five superstore extensions totalling 95,000 sq ft. We continue to place a strong emphasis on upgrading our leisure offer, agreeing 39 long-term food and leisure lettings on 103,000 sq ft of space across our schemes to a range of food and beverage operators including Café Rouge, Pizza Express and Nando's. We also completed the £7 million major redevelopment of the Oasis food court at Meadowhall adding seven new restaurants with tenants including Giraffe, Carluccio's and Chaobaby; and YO! Sushi let new purpose built units at Drake Circus in Plymouth and Bon Accord in Aberdeen.

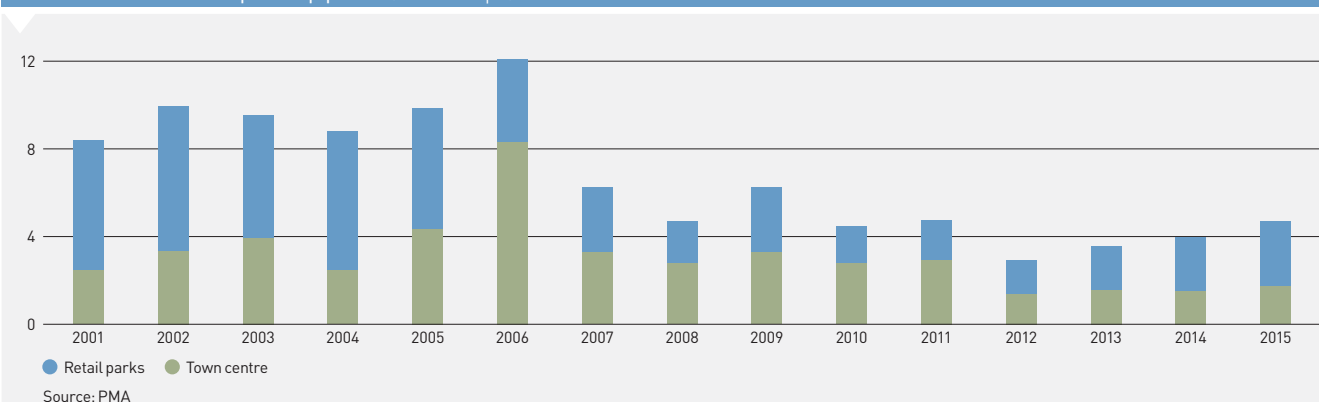
Occupiers in administration were 0.6% of our total rent at 31 March 2012 compared with 0.5% in March 2011 reflecting an increase in the number of retail failures, particularly in the second of half of the year. Of the 60 retail units that were in administration at the year end nearly 60% are currently under offer to be re-let or assigned. Following the

Asset management initiatives

	H1	H2	FY
Lettings/renewals Sq ft '000s	527	568	1,095
versus ERV %	5.4	9.0	6.9
Rent reviews Sq ft '000s	996	1,671	2,667
versus previous rent %	6.4	4.4	5.2

Leasing activity

UK retail market development pipeline (million sq ft)



administration of Clinton Cards in May 2012, occupiers in administration rose to 1.0% of our total rent. Our ability to manage our low exposure to administrations reflects the quality of our portfolio as well as our diverse range of major UK and international retailers and gives us confidence in our ability to re-let current and future vacancies arising from retail failures.

Investment activity

Our investment activity was principally focused on developments but we also successfully sold a number of smaller retail assets which were either non-core or where we believed we could reinvest the capital more productively. We sold properties for a total of £32 million and no retail assets were acquired during the year. We started on site at two schemes in the UK having successfully obtained various planning approvals and pre-let all or a significant part of the space. In total, including existing schemes under development, committed development will add 1.7 million sq ft of space and £10.5 million of rental income of which nearly 70% is already pre-let or in advanced legals.

In January 2012, we started construction of Whiteley Shopping Centre, a 302,000 sq ft retail scheme located between Portsmouth and Southampton. The £64 million development, which we own in joint venture with USS, is due to open in Q2 2013 and is already 68% pre-let or under offer to a number of major high street retailers including Marks and Spencer, Next, Boots, H&M and Bank Fashion. At Glasgow Fort,

we fully pre-let and started enabling works for the 45,000 sq ft cinema and restaurant extension which will improve the scheme's leisure offer with an eight-screen Vue Cinema and five restaurant dining offer which will include TGI Friday's, Pizza Express and Harvester.

At Puerto Venecia in Zaragoza, our 1.4 million sq ft shopping centre development in Spain is on schedule to open in autumn this year with 69% currently pre-let or under offer and a further 19% is in negotiation, including pre-let agreements secured with all of the Inditex Group's brands, Desigual, H&M and Mango along with key anchors El Corte Inglés and Primark. On completion, Puerto Venecia will be the region's largest retail destination serving a catchment of 2.2 million people within a two-hour radius.

Over the last year, we have been more active in looking to progress with existing prospective projects as well as add further potential projects to our pipeline. Of our one million sq ft of prospective development projects, we have achieved over 200,000 sq ft of planning consents. At Surrey Quays Shopping Centre, planning consent has been granted for a major refurbishment and 100,000 sq ft extension to the scheme. At Glasgow Fort, we have an agreement in principle with an anchor tenant on a further 142,000 sq ft extension.

1.7m sq ft

Committed retail development

£10.5m

Estimated rental income from developments

OFFICES

Tim Roberts Head of Offices

“Due to the quality of our existing portfolio, and development programme, we believe we will continue to successfully attract and retain customers to our buildings.”



Highlights

12.1%

Focus on central London generated a total property return of 12.1%, well ahead of IPD All Offices at 8.0%

+2.5%

Like-for-like net rental income growth of 2.5%; ERV up 3.7% (IPD: 2.4%)

£23.5m

Over 950,000 sq ft of lease renewals and extensions securing £23.5 million of future income

+7.4%

New lettings within the investment portfolio at 7.4% above ERV

1.1m_{sq ft}

Of pre-lets unconditionally agreed with UBS, Aon and Debenhams ahead of expectations, securing £34 million of annual rent for an average term of 20 years

98%

Occupancy high at 98%

Our Offices portfolio is focused on modern, high quality, well located offices in Central London both in the City and in the West End, reflecting our view that London will significantly outperform all other areas of the UK property market. As one of a small number of truly global cities, London benefits from demand from occupiers and investors unmatched by many other markets around the world. Significantly limited access to development finance has impacted the level of construction in Central London with development starts at a relatively low level.

At the same time, we expect the level of occupier demand to increase over the next few years both structurally, as a significant number of lease expiries allow organisations to upgrade to more modern and efficient space, and from growth as London's economy expands.

After two very good years with capital values ahead by 27% the London office market had a slower year both from a capital value and a rental perspective. Although occupational demand for office space in central London was running at reasonable levels through the first half, it was more subdued in the second as occupiers became more wary of taking decisions. Similarly, while investment demand was relatively buoyant throughout the year with continued strong levels of demand from international investors for prime property, in the second half, there were clear signs of weaker demand for more secondary buildings in the City with shorter lease lengths.

Notwithstanding any current market uncertainties, we remain positive about the outlook for London given the lack of new high-quality space combined with demand from occupiers with upcoming lease expiries which will support further rental and value growth. Our development programme is well timed: we have already been beneficiaries of this demand notably from Aon and Debenhams. We have also seen some increase in viewings and requests for proposals, notably in our development space in the City. Due to the quality of our existing portfolio and development programme, we believe we will continue to successfully attract and retain customers to our buildings.

Our Offices portfolio had another good year reflecting both the quality of our investment portfolio and our decision to invest early in a major development programme. The value of our portfolio increased over the year by 7.3% to £3.6 billion with our capital returns

outperforming the IPD All Office benchmark by 520 bps. All the major parts of the portfolio contributed to the result, but the outstanding performer was committed developments with a valuation uplift of 19.2% reflecting the progress made on key construction milestones and our success in attracting pre-lets. Total property returns from the portfolio were 12.1% outperforming the IPD All Office benchmark by 410 bps.

Offices asset management

Our offices investment portfolio has a high occupancy rate and our asset management activity over the year concentrated on lettings and lease extensions within the investment portfolio to further enhance income security. Excluding development pre-lets, we agreed one million sq ft of new lettings and lease extensions within the office investment portfolio, principally at Broadgate and Regent's Place. New lettings were agreed at 7.4% ahead of ERV. As a result, the proportion of office rent expiring over the next three years has been more than halved from 12.0% in March 2011 to 4.9%; while the office occupancy rate has increased from 97.8% to 98.0%.

The majority of our activity has been focused on Broadgate which continues to maintain its position as the premier City of London Office Estate. Following the completion of 201 Bishopsgate and the Broadgate Tower in 2008, our focus has moved to the

revitalisation of Broadgate South. The most significant achievement during the year was our work with UBS, our largest anchor tenant. We completed our agreement with them to build a new office, 5 Broadgate, on the site of two existing offices and also agreed the deferral of breaks on a total of 830,000 sq ft of space they currently occupy at Broadgate. This has reduced the income expiry on the Estate over the next three years to 4.6% and secured a minimum of £26 million additional rent over the extended lease term. After the year end, we submitted a planning application for around £20 million upgrade to the retail and catering facilities and public space around the Broadgate Circle, which will significantly uplift the amenity of the Estate. We are also now turning our attention to 100 Liverpool Street, a 383,000 sq ft building at the front of the Estate, which sits adjacent to the new entrance to Crossrail. After extending the UBS lease, we now expect to get the building back in 2016 and we believe it will offer a significant and exciting refurbishment opportunity.

In the West End, the transformation of Regent's Place is progressing to plan with the development of the final 500,000 sq ft phase of the Estate at NEQ on schedule for completion next year. We agreed 62,000 sq ft of lease extensions with The General Medical Council, Regus, Capital One and Touchstone Group securing £3 million

of annual rent for an average additional term certain of five years. We have also completed retail lettings at the Estate with the introduction of Giovanni Rana and Union Bar, creating a destination that draws customers from both on and off the Estate enhancing its position as a vibrant place to live and work. We were pleased in June to win the Built Environment Award in recognition of our work with the local community and our commitment to sustainability and regeneration at Regent's Place, creating an environment which achieves both commercial and community needs.

Offices investment activity

Our investment activity has been focused on our committed 2.3 million sq ft development programme with a total commitment of £1.2 billion. Over the year, we invested £164 million in the programme of which £109 million was in the West End. We made selective acquisitions and disposals over the first half with the acquisition of Grenfell Island, Maidenhead and completion of the conditional contract to purchase Marble Arch House, W1.

We continued to achieve significant milestones on our developments and are now well underway at six of our London office developments with five projects expected to complete over the next 18 months. We have placed 80% of construction costs at prices either in line or slightly better than our original expectations of cost and timing. We also secured binding pre-let agreements on 1.1 million sq ft (representing 50% of the office space) ahead of our investment case and valuation. This continues our strong run of letting success which means that over the last two years we have let 2.0 million sq ft which accounts for one fifth of all central London Grade A take-up. At 31 March 2012, the expected total profit on cost (based on our valuers' assumptions) from the committed office development programme was £359 million (40 pence per share), compared with £241 million a year ago. Of this amount, £167 million (or 19 pence per share) has been recognised to date.

Enhancing Broadgate – Broadgate Circle



OFFICES continued

In the City, we successfully obtained all the necessary planning permissions and satisfied the remaining conditions on the agreement with UBS to pre-let 5 Broadgate which constitutes the largest ever pre-let in the City. Construction of the building is now underway with practical completion on track for Q4 2014. UBS will occupy the entire 700,000 sq ft building for a term of over 18 years at an average initial rent of £54.50 per sq ft with annual RPI linked increases. Also at Broadgate, we received planning for the substantial refurbishment of 199 Bishopsgate, placed a contract for the works and started on site in August 2011. Practical completion is scheduled for late 2012.

At The Leadenhall Building, we agreed a 191,000 sq ft pre-let with Aon, the global insurance giant which is relocating its global headquarters to London. The leases, on the bottom ten floors (levels 4–13) of the 610,000 sq ft tower, are for a term of 19 years at an overall initial rent of £56 per sq ft. Aon also has options to take up to a further 85,000 sq ft on floors 14 to 18. With the exception of UBS, this was the largest letting in the City in 2011. We are continuing to see encouraging occupier interest in the remainder of the building – during the last few months, we have responded to four RFPs (requests for proposals) which total over 300,000 sq ft.

In the West End, our NEQ development at Regent's Place is on schedule for completion in 2013. We have successfully placed 95% of the construction costs and have a further 3% out to tender. In September 2011, Debenhams agreed to pre-let 145,000 sq ft at 10 Brock Street, the 340,000 sq ft office building which forms part of our NEQ development at Regent's Place at an average initial rent of £50 per sq ft (rising to a minimum of £53.50 per sq ft at the first rent review). Post the year end, Debenhams agreed to pre-let a further 29,500 sq ft on level 5 at a rent of £56 per sq ft. In aggregate, the major UK retailer will occupy 174,500 sq ft (representing over 50% of the building) as its new headquarters for a term of 25 years without break. This is the largest letting in the West End in six years and puts us in a good position to let the higher floors at premium rents. Sales at The Triton Building, the 25-storey residential tower which forms the remaining part of the NEQ development, remained strong. 70% (by end value) of the residential units have now been pre-sold with prices in excess of our investment case.

Attractive development pre-lets

	Sq ft	British Land share Per annum £m	Per sq ft £	Term Years	Rent-free Months
UBS	700,000	19.1	54.50	18.2	18
Aon	191,000	5.6	56.60	19.0	33
Debenhams	174,500	9.4	53.90	25.0	32
Total	1,065,500	34.1	54.70	20.2	24

Attractive development pre-lets

	Sq ft '000s	End value £m	Income £m	Pre-let %	% of costs placed	Development yield %
City	1,452	671	41.2	62	76	7.0
West End	837	733	36.3	26	90	8.2
Total	2,289	1,404	77.5	50	83	7.6

We also completed the acquisition of Marble Arch House in September 2011 for £18 million. Vacant possession was secured and the demolition programme started to allow development of the 86,000 sq ft mixed-use scheme, scheduled for delivery in Q4 2013. At 10 Portman Square (previously 2–14 Baker Street), we completed demolition works with construction underway and on schedule for delivery of the 159,000 sq ft mixed-use scheme in Q2 2013. We completed the development and pre-contracted sale of the associated residential units and retail at 95–99 Baker Street (totalling 25,000 sq ft), W1 for £17 million representing a profit on cost of 22%.

We have added the £69 million (including site and interest) major refurbishment and extension of 39 Victoria Street, SW1 to our committed development programme. We have achieved planning consent and agreed vacant possession, with an anticipated start on site this summer. On completion in Q2 2013, the building will provide 92,000 sq ft of high-quality West End office accommodation.

JOINT VENTURES AND FUNDS

Our net investment in joint ventures and funds at 31 March 2012 was £2,191 million (FY2011: £2,066 million) principally in 12 joint ventures (where we partner with one other investor) and three funds (where there are several investors). These entities own £10.1 billion (FY2011: £9.8 billion) of properties in office and retail investment

and development projects. Our share of the assets accounted for 48% of our total portfolio valuation at 31 March 2012, and our share of the total debt of joint ventures and funds was £2.6 billion. Summary details of our joint ventures and funds are shown below.

Since April 2011 HUT agreed a total of £850 million of new finance on behalf of itself and joint venture partners. As a result the fund's average interest rate has reduced from 6.0% to 3.8%.

Joint ventures

At 31 March 2012	Joint venture partner	Portfolio value £m	Rent ¹ £m	Finance £m ²
Bluebutton Properties Limited Broadgate, City offices	Blackstone Group L.P. funds	2,900	173	1,859
Leadenhall Holding Co (Jersey) Limited The Leadenhall Building, City offices ³	Oxford Properties	176		
MSC Property Intermediate Holdings Limited Meadowhall Shopping Centre, Sheffield	LSP Green Park Property Trust	1,497	83	790
BL Sainsbury Superstores Limited 38 Sainsbury superstores, one Waitrose store	J Sainsbury plc	1,276	67	634
Tesco BL Holdings Limited Two retail parks, two shopping centres each anchored by Tesco, five Tesco Superstores	Tesco plc	586	34	315
Tesco Aqua Limited Partnership 21 Tesco superstores	Tesco plc	615	33	487
BLT Properties Limited One retail park, eight Tesco Superstores	Tesco plc	354	19	185
Shopping Centres Limited One shopping centre, one retail park	Tesco plc	196	12	
Tesco British Land Property Partnership District Shopping Centre anchored by Tesco	Tesco plc	114	7	60
The Scottish Retail Property Limited Partnership Shopping centre, Aberdeen	Land Securities Group PLC	203	14	119
Eurofund Investments Zaragoza SL Puerto Venecia shopping scheme ³ , Spain	Orion Capital Managers LLP	168	3	62
Whiteley Co-Ownership Fareham, out-of-town shopping centre	Universities Superannuation Scheme	35		

¹ Annualised contracted rent (including expiry of rent-free periods and fixed uplifts).

² Principal amount of debt.

³ Development project.

Funds

Fund	Value ¹ £m	Rent ² £m	Finance £m	British Land share %
Hercules Unit Trust	1,568	115	655	41.2
Pillar Retail Europark Fund	288	25	143	65.3
Hercules Income Fund	80	5	15	26.1

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

² Annualised rent.

OUR CORPORATE RESPONSIBILITY REVIEW

MANAGING OUR ENVIRONMENTAL, ECONOMIC AND SOCIAL IMPACTS IS CENTRAL TO THE WAY WE DO BUSINESS AND TO DELIVERING VALUE FOR OUR SHAREHOLDERS.

Our corporate responsibility team develops and manages our strategy in line with corporate priorities. It acts as a catalyst for change across our business, exploring new concepts and trends, testing them and, where appropriate, helping to embed them. Staff and suppliers then take on responsibility for implementation.

In FY2012, more than ever, we have focused on achieving outcomes on the sustainability issues that matter most to us and our stakeholders. We are particularly proud to have exceeded our three-year energy target across our managed portfolio and to have secured consistently high sustainability ratings across our development programme.

During the year our focus areas have been managing buildings efficiently, supporting communities, developing sustainable buildings and engaging staff.

For more information on our strategy and performance please see Our CR Report 2012 www.britishland.com/crreport2012

External rankings

- Management Today's Most Admired Companies 2011 – second in Britain for community and environmental responsibility.
- CDP FTSE 350 Carbon Disclosure Leadership Index 2011 – leading UK REIT.
- Sunday Times Best Green Companies 2011 – leading UK REIT.
- Dow Jones Sustainability Index.
- FTSE4Good Index.

Managing buildings efficiently

Key stakeholders expect us to lead on energy efficiency to cut costs and future-proof our buildings. While we ensure that all new developments meet high standards of sustainability from the outset, efficient management of existing buildings and retrofitting can present bigger challenges and opportunities. Even buildings designed to be energy efficient need rigorous management to deliver these savings.

We are passionate about our work in this area and have been leading the way actively for some time – working with our property management teams to increase their focus on efficiency and with our occupiers to support their own work to reduce energy. As a result, our landlord-influenced energy reductions have saved occupiers £3.3 million over the last three years, with capital investment of £1.5 million over the last two years.

We have now rolled out extensive sub-metering and implemented our energy optimisation process in nine office buildings and two shopping centres. This provides timely data to enable more efficient management of our buildings. We are also funding ongoing energy monitoring services for around 20 office occupiers to help them to identify reduction opportunities in their own areas.

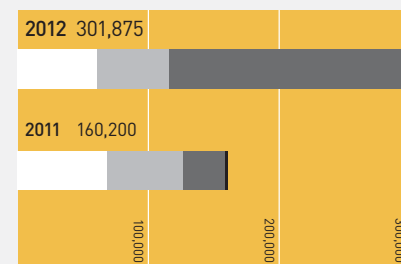
In the first year of the Government's CRC Energy Efficiency Scheme, we procured energy generating 111,100 tonnes of carbon, with a financial exposure of £1.3 million to the CRC. All our managed CRC entities were in the top quartile of the CRC League Table.

We aim to achieve 40% less landlord-influenced energy use across our existing portfolio by 2015, compared to 2009. Where we take on management responsibility for major new buildings, we aim to cut landlord-influenced energy use by 30% within five years.

Our carbon footprint

Greenhouse gas emissions by source
Tonnes

While we have reduced like-for-like emissions from energy use, our overall carbon footprint has increased due to significantly more development activity.



- Landlord-influenced energy use: 60,952 (FY2011: 68,268)
- Occupied areas in multi-let offices: 54,998 (FY2011: 58,417)
- Developments: 184,730 (FY2011: 32,458)
- Travel, water use and refrigerant loss: 1,195 (FY2011: 1,057)

This chart uses the same methodology for measuring Scope 1, 2 and 3 emissions in FY2012 and FY2011. In response to new Scope 3 guidance from the World Resources Institute and to understand and manage our impacts better, this year we commissioned a review of our carbon emissions. We will share the findings with our peers to raise industry understanding. www.britishland.com/crreport2012/carbon

How did we do?

- 27% less landlord-influenced energy use and 10% less water use across our like-for-like portfolio in 2012, compared to our 2009 baseline.
- 87% of managed waste diverted from landfill with £529,200 landfill tax savings through recycling.
- CIBSE Client of the Year for Energy Management 2012.

£3.3m
Energy savings

For occupiers
over the last
three years

24,500
Tonnes less
carbon

Through energy
reductions over
the last three years



To view our:
 – EPRA Best Practice Recommendations
 on Sustainability Reporting Index
 – Global Reporting Initiative B+ Index
www.britishland.com/crreport2012

Corporate responsibility information is integrated throughout this Report. For more information on:

▶ Our strategy
P36

▶ Risks
P43

▶ Corporate Responsibility Committee
P75

Supporting communities

This year we continued our efforts to ensure that the scale of our activities brings many benefits to local communities and to people across the UK, supporting employment, regenerating local areas and contributing to the UK economy. Local support is an essential part of the planning process and is becoming more so with the new Localism Act (2011) and the Governments Big Society agenda.

Our new Community Charter, launched in July 2011, marks a step up in our efforts to ensure we are the best neighbour we can be, setting out ten commitments to the people who live near our major properties and developments.

This year we worked with staff, suppliers, local people, community groups, local authorities and other partners to implement these commitments. This included promoting apprenticeships across our properties and developments. We also continued to support community projects around the UK, with several winning national awards.

For us, engaging with local people, community groups, local authorities and other key partners is business as usual. We also support numerous charities and local initiatives, including our national charity

The Prince's Trust (Fairbridge), Capital Kids Cricket, Community Connections Scotland, the East London Business Alliance (ELBA), LandAid, the National Literacy Trust, The Prince's Regeneration Trust and Shelter.

Of our four focus areas, supporting communities will be our greatest priority next year. We aim to implement our Community Charter at all our major properties and developments by 2015.

How did we do?

- £11.6 million contributed to communities through the planning process (FY2011: £8.4 million).
- £1.1 million charity and community investment, through cash, time and gifts in kind (FY2011: £877,000).
- 19,400 people benefited through our community programme.
- Guardian Built Environment Award 2011 for our regeneration of Regent's Place.
- Business in the Communities Awards 2012 for our community initiatives in Glasgow, London and Rotherham.

Socio-economic contributions

In FY2012 we commissioned the second independent review of our socio-economic contributions, exploring jobs, training and regional impacts in more depth. We contributed £850 million to the UK economy (gross value added). We will publish the full findings later this year.

Through their business activities at our properties, our occupiers:

- supported 177,000 jobs through direct employment and spending with suppliers;
- contributed £11.7 billion to the UK economy (gross value added); and
- made total tax contributions of £1.5 billion.

Our committed development programme will also:

- support 7,400 jobs during construction and 10,200 jobs each year once fully occupied; and
- contribute £1.1 billion to the UK economy once occupied (gross value added).

Developing sustainable buildings

This year we continued to outperform our sector in sustainable design and responsible procurement, managing the impacts of our £1.4 billion development programme and leveraging our scale to drive resource improvements across our supply chain.

We changed our contracts and tendering procedures to better integrate community and resource management standards into our suppliers' activities and our construction sites. We also reduced embodied carbon through design changes and averaged 20%

more carbon efficient design than Building Regulations, despite more demanding standards.

To ensure consistency, all sites provide data monthly, with quarterly project updates required through our ISO 14001 certified Sustainability Brief for Developments.

We aim to get planning permission for a showcase sustainable building by 2015.

How did we do?

- BREEAM Excellent sustainability ratings for all new office developments and two retail developments.
- 97% of development waste sent off site diverted from landfill (135,600 tonnes), outperforming industry good practice benchmarks of 70% to 90%.
- 100% of major developments designed to result in a net improvement in site biodiversity.

Engaging staff

This year we engaged with our staff to articulate our corporate values, Integrity, Excellence, One Team and Commercial Acumen. We also held our second annual Company away day, continued our monthly all-staff meetings and introduced more ad-hoc events and celebrations. In addition, we took part in The Sunday Times Best

Companies to Work For 2012 to gain further useful feedback from our staff, building on the findings of our first independent staff survey in 2011. Of our Head Office team, 42% volunteered during work time (FY2011: 31%).

We aim to achieve 85% overall staff satisfaction by 2015.

How did we do?

- 89% staff retention (FY2011: 92%).
- 100% of staff received performance and personal development reviews (FY2011: 100%).
- 7% of staff work flexibly (FY2011: 9%).

FINANCIAL REVIEW

Lucinda Bell Finance Director

"We have a high-quality and resilient business – a high-quality portfolio, secure income and a strong financial position. This, combined with our success in strengthening our contracted income and raising new finance, gives us confidence in the prospects for the business going forward."



Highlights

+5.1%

Underlying profit up 5.1% to £269 million driven by acquisitions and letting growth

+4.9%

EPRA Net Asset Value per share at 595 pence, 4.9% ahead of 31 March 2011 (567 pence)

9.5%

Total accounting return of 9.5% for the 12 months

26.1p

1.5% increase in Q4 dividend from 6.5 pence to 6.6 pence; full year dividend of 26.1 pence

26.4p

Quarterly dividend for FY2013 of 6.6 pence; making a total of 26.4 pence

£2.0bn

£2.0 billion of refinancing agreed strengthening balance sheet and extending funding

This year British Land has delivered a total accounting return of 9.5% reflecting the quality of our portfolio and the actions we have taken during the year.

We have strengthened the longevity of our rental cash flows through acquisitions, asset management and development lettings reflecting the prime nature and diversity of our properties.

We have also leveraged our scale to raise £2 billion (British Land share £1.4 billion) of new finance. At a time of debt-constrained markets this provides a real competitive advantage.

These two actions, combined with the quality of our assets, our confidence in the portfolio and in the contracted cash flows in the medium term provide the basis for a resumption in dividend growth.

Underlying profit has increased 5.1% principally due to the impact of acquisitions. In addition half of the space in our office development program is already let. These developments will complete in FY2013 to 2015.

The Net Asset Value has increased 4.9% to 595 pence reflecting a valuation increase of 2.6% including our total development programme which showed a 13.6% uplift in value.

The Board has proposed an increase in the quarterly dividend of 1.5% to 6.6 pence per share for the final dividend for the current financial year bringing the total for the year to 26.1 pence per share.

The Board is intending to pay a dividend, at this higher level, of 6.6 pence per quarter for the coming financial year (FY2013) making a total of 26.4 pence per share.

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.

	Year ended 31 March 2012			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	300	272	572	262	279	541
Property outgoings	(14)	(12)	(26)	(7)	(16)	(23)
Net financing costs	(77)	(141)	(218)	(70)	(142)	(212)
Net rental income less finance	209	119	328	185	121	306
Fees and other income	16	1	17	15	3	18
Joint ventures and funds underlying profit	113			117		
Administrative expenses	(69)	(7)	(76)	(61)	(7)	(68)
Joint ventures and funds underlying profit		113			117	
Underlying profit before tax	269		269	256		256
Underlying EPS	29.7p		29.7p	28.5p		28.5p
Dividend per share	26.1p		26.1p	26.0p		26.0p

Gross rental income, including our share of joint ventures and funds, increased 5.7% to £572 million for the year ended 31 March 2012. The impact of acquisitions, including the Virgin Active portfolio, Drakes Circus, Mayflower, Basildon, Barnstaple Green Lanes and Maidenhead Grenfell Island, more than offset the impact of disposals and assets which were transferred to the development programme.

On a like-for-like basis, net rental income was 1.5% higher than a year ago, driven by leasing activity and rent reviews in our Office portfolio which grew by 2.5% like-for-like. New lettings at Ropemaker and Broadgate Tower were significant contributors to the Office increase. In Retail, like-for-like net rental income increased 0.8%, with

improvements generated in Superstores, Department Stores and Retail Parks due to rent reviews and new lettings offset by a reduction in Shopping Centres primarily due to non-recurring surrender premiums received in the prior year.

Creating sustainable and growing rental income is one of our strategic priorities. We focus on those sectors and assets where we expect demand from occupiers will be the strongest and seek to grow our income over time through asset management, development and acquisitions. Occupancy remains strong at 98% with an average lease length of 11.3 years. A quarter of rents are subject to annual RPI or fixed uplifts and leases in administration account for 0.6% of our rent profile as at 31 March 2012.

Underlying profit before tax increased by £13 million, or 5.1%, to £269 million for the year ended 31 March 2012. The increase in underlying profit before tax is summarised below:

Movement in underlying profit before tax		£m
Year ended 31 March 2011		256
Impact of acquisitions and disposals	24	
Like-for-like rental movement	7	
Assets transferred to development	(8)	
Administrative costs	(8)	
Other movements	(2)	
Year ended 31 March 2012		269

FINANCIAL REVIEW continued

The Group measures its operating efficiency as the proportion of gross rental income represented by its net operating costs (being property outgoing and administrative expenses, net of fees and other income). The ratio for the year was 14.9% (FY2011: 13.5%). A significant portion of the movement was due to an increase in administrative expenses of £8 million to £76 million on a proportionally consolidated basis, the prior year being flattered due to variable pay and share incentives which did not vest. In addition current-year staff costs have increased due to the Group's investment in its development team and analytical functions.

Net financing costs on a proportionally consolidated basis were £218 million, an increase of £6 million compared to the prior year. This increase was largely due to the cost of financing acquisitions which have principally been financed by variable rate debt. Net financing costs included £8 million of interest capitalised on developments (FY2011: £5 million).

Underlying profits from joint ventures and funds for the year were £113 million. The decrease of £4 million compared to the prior year mainly relates to assets in joint ventures which were previously income generating but are now developments.

Underlying diluted earnings per share for the year ended 31 March 2012 was 29.7 pence (FY2011: 28.5 pence) based on underlying profit after tax of £265 million (FY2011: £251 million) and weighted average diluted number of shares of 892 million (FY2011: 882 million).

IFRS profit after tax for the full year was £480 million (FY2011: £840 million), including £182 million from investments in joint ventures and funds (FY2011: £381 million). In addition to underlying profits, the most significant item impacting IFRS profit was the net valuation movement of £143 million for the Group and £72 million for our share of joint ventures and funds, driven by an increase of 2.6% (FY2011: 6.9%) in the value of the proportionally consolidated property portfolio reflecting the slowing pace of revaluation gain compared to the prior year.

Taxation recognised in the income statement amounted to a £1 million credit. This compared to a credit of £4 million in the prior year which resulted mainly from deferred tax movements. The proportionally consolidated underlying tax rate for the year is 1.5% (FY2011: 2.0%).

£269m

Underlying profit
before tax

29.7p

Underlying earnings
per share

	Year ended 31 March 2012			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	156	113	269	139	117	256
Net valuation movement ¹	143	72	215	321	270	591
Amortisation of intangible assets				(10)		(10)
Capital financing costs	(2)		(2)	(1)		(1)
Non-recurring items		(3)	(3)			
Taxation – current tax	(2)	(1)	(3)	(2)	(3)	(5)
– deferred tax	3	1	4	12	(3)	9
IFRS profit after tax	298	182	480	459	381	840
Diluted EPS			53.8p			95.2p

¹ Includes profit on disposals.

Cash flow

The Group cash inflow from operating activities for the year ended 31 March 2012 was £206 million (FY2011: £210 million).

The table below provides a summary of the net increase in net debt for the year:

Cash flow			
	Group £m	Joint ventures and funds £m	Total £m
Net cash from operations	206	33	239
Cash flows from investing activities:			
Investment acquisitions	(382)		(382)
Other purchases	(22)	11	(11)
Disposals	71	11	82
Development and other capital expenditure	(106)	(101)	(207)
Investment in and loans to joint ventures and funds	(110)	110	
Cash flows from financing activities:			
Dividend paid	(212)		(212)
Other/non cash movements	(34)	57	23
Net (increase)/decrease in net debt	(589)	121	(468)

In addition to the net cash inflow from operations, investment activity absorbed net cash of £518 million. Key acquisitions in the year included Maidenhead, Grenfell Island, the Virgin Active portfolio, Craven Hill Gardens and Wardrobe Court. The level of capital expenditure in both Group and joint ventures and funds reflects spend on our committed development programme.

The Group has significant rental growth potential in its property portfolio. The table below shows how current rents will grow following expiry of rent-free periods, contracted rental uplifts and development pre-lets – with total contracted rents being £642 million. In addition, on a headline basis, there is further growth potential from reversions and leasing of the remaining space in the investments and developments:

	Annualised rent (valuation basis) £m ¹
As at 31 March 2012	
Current annualised rents	534
Expiry of rent-free periods ²	51
Fixed and minimum uplifts ²	17
Developments – pre-let	40
Total contracted	642
Letting of developments	49
RPI uplifts ^{2,3}	7
Uplift from rent reviews, expiries and vacancies ²	30
Total	728

¹ Gross rents on a cash basis plus, where rent reviews are outstanding, any increases to ERV (as determined by the Group's external valuers), less any ground rents payable under head leases.

² Over the next five years.

³ Illustrative impact based on growth in RPI of 2.5% per annum.

FINANCIAL REVIEW continued

Dividends

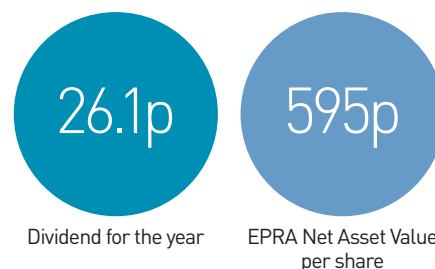
The Board has proposed an increase in the quarterly dividend of 1.5% to 6.6 pence per share for the final dividend for the current financial year bringing the total for the year to 26.1 pence per share.

The Board is intending to pay a dividend, at this higher level, of 6.6 pence per quarter for the coming financial year (FY2013) making a total of 26.4 pence per share.

The increase in quarterly dividend reflects the Board's confidence in the quality of our assets and in particular the strength of contracted cash flows in the medium term, reflecting the unconditional pre-lets we have achieved. Future growth in the dividend will be driven by further lettings in the development programme and rental growth.

Balance sheet

At 31 March 2012, EPRA Net Asset Value per share was 595 pence per share, an increase of 4.9% compared with the prior year. The valuation uplift of 2.6% was the main contributor to this performance and this was generated by our own asset management and development actions and by compression in yields applied to our rental streams. The uplift was partially offset by an increase in net debt resulting from the Group's ongoing investment and development activities.



	As at 31 March 2012			As at 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	5,414	4,923	10,337	4,783	4,789	9,572
Investment in joint ventures and funds	2,191			2,066		
Other non-current assets	28	(11)	17	51		51
	7,633	4,912	10,354	6,900	4,789	9,623
Other net current liabilities	(189)	(110)	(299)	(205)	(4)	(209)
Net debt	(2,303)	(2,576)	(4,879)	(1,714)	(2,697)	(4,411)
Other non-current liabilities	(37)	(35)	(72)	(51)	(22)	(73)
Joint ventures and funds' net assets		2,191			2,066	
IFRS net assets	5,104		5,104	4,930		4,930
EPRA adjustments ¹	277		277	171		171
EPRA net assets¹	5,381		5,381	5,101		5,101
EPRA NAV per share	595p		595p	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 2012, 48% of the property portfolio and 53% 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 2012 was £2,191 million, up from £2,066 million at the previous year end, attributable to the continued recovery of property values throughout the financial year.

The principal movements in EPRA Net Asset Value are summarised opposite:

Movement in EPRA Net Asset Value per share¹

	Pence
At 31 March 2011	567
Property and investment revaluation (including disposals)	
– Offices	23
– Retail and other	1
Underlying profit after tax	29
Dividends (including scrip)	(26)
Other	1
At 31 March 2012	595

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.

Our total accounting return for the year ended 31 March 2012 of 9.5% comprises income return of 29 pence per share (or 5.1%) of which 26.0 pence per share has been distributed to investors and a capital return of 25 pence per share (4.4%).

Net debt and financing

Net debt (EPRA) basis at 31 March 2012 was £2.2 billion for the Group and £4.7 billion including our share of joint ventures and funds.

The strength of the Group's balance sheet has been reflected in British Land's senior unsecured credit rating which remains rated by Fitch at A-.

Financing statistics

	Group	Proportionally consolidated
IFRS net debt	£2,303m	£4,879m
Weighted average debt maturity	9.1 years	9.3 years
Weighted average interest rate of drawn debt	4.2%	4.6%
% of debt at fixed/capped rates	86%	91%
Interest cover ¹	3.0 times	2.2 times
Loan to value ²	29%	45%

¹ Underlying profit before interest and tax/net interest.

² Debt to property and investments.

At a time of heightened global financial instability, we have arranged in total £2.0 billion (British Land share £1.4 billion) of finance since April 2011 with the additional benefits of further diversifying the debt investor base and extending maturities on competitive terms.

At 31 March 2012, the Group had £2.3 billion of available committed banking facilities of which £1.7 billion has a maturity of more than two years. In addition, the Group had £337 million of cash, short-term deposits and liquid investments. With scale, quality assets and income longevity from strong occupier covenants, we have been able to achieve attractive financings.

Due to our successful refinancing, liquidity has improved and the Group is in a strong position to manage near-term financings and exploit future investment opportunities.

In May 2011, we signed a new five-year £560 million unsecured revolving bank facility for British Land Group. The margin is 125 bps over LIBOR. This facility was launched at £350 million and was oversubscribed. It is provided by a syndicate of 11 banks, with a broad geographical spread, including four banks which are new lenders to the Group.

FINANCIAL REVIEW continued

In addition, we accessed the unsecured US private placement market on attractive terms. We launched at \$200 million and due to strong demand upsized to \$480 million. Maturities range from seven to 15 years, with an average life of 11 years. The financing, which was drawn on 1 September, was swapped from US Dollars at a fixed rate to £300 million at a floating rate of 146 bps over LIBOR.

In March 2012 we signed £200 million of new unsecured revolving bank facilities with a five-year term on a bi-lateral basis.

In September, Hercules Unit Trust (HUT), the specialist retail warehouse fund advised by British Land and in which we have a 41% investment, signed a new £350 million five-year loan facility. The facility is split into a £250 million-term loan, and a £100 million revolving loan to provide flexibility for the Fund in respect of acquisitions, disposals and general business purposes.

In March 2012 a further £150 million five-year loan facility was signed by The Gibraltar Limited Partnership, a joint venture 50% owned by HUT. The loan has been used, together with existing cash held by the

Partnership, to repay in full its existing debt finance which would have matured in July 2012. The all-in rate on the loan, including margin and arrangement fee, is significantly less than the interest rate under the existing finance.

Post the year end HUT has signed a new £350 million five-year loan facility. A £250 million-term loan which will be used to fully repay the existing credit facility, has been swapped to a fixed rate resulting in an all-in rate including margin and arrangement fees below the fixed interest rate under the existing financing. A further £100 million revolving loan will provide flexibility for HUT in respect of acquisitions, capital projects, disposals and general business purposes.

PREF, a fund owning a portfolio of retail property in Europe (in which British Land has a net investment of £96 million), had a €173 million syndicated bank loan of which €61 million was refinanced in December 2011 with a new term loan in respect of assets in Spain. The remaining balance was repaid in full from a €100 million loan provided by unit holders and the utilisation of existing cash resources.

Accounting judgements

In preparing these financial statements, the key accounting judgement relates to the carrying value of the properties and investments, which are stated at fair 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 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 the 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.

The profile of our Group debt maturity is as follows:

Debt maturity					
Group	2013 £m	2014 £m	2015 £m	2016 £m	2017 £m
Drawn	51	405	665	99	11
Undrawn	25	101	280		825
Total	76	506	945	99	836

The weighted average interest rate reduced from 4.9% to 4.6% on a proportionally consolidated basis incorporating the benefits of drawing facilities at lower margins with current market variable rates.

Average debt maturity of 9.3 years compares with average lease lengths of 11.3 years.

Future reporting

Since the third quarter of FY2006, the Group has provided full quarterly financial reports along with property valuations. We have concluded that the additional detail in these quarterly reports relative to the information available from an interim management statement does not justify the considerable investment in their preparation and analysis. With effect from the first quarter FY2013, the Group will publish interim management statements for the first and third quarters of the year, bringing our reporting in line with our competitors. We have exited the IPD quarterly index but will still use the index as a benchmark. Dividends will continue to be paid quarterly.

FINANCIAL POLICIES AND PRINCIPLES

This section of the Financial review covers our approach to gearing, managing our debt portfolio, managing our interest rate exposure, foreign currency exposure and our tax policy.

Approach to gearing

The gearing level adopted by the Board is a significant judgement as it impacts on the Net Asset Value of the Company, the scale of British Land and the amount of debt that can be comfortably sustained. We use debt finance to enhance our total returns to shareholders.

The loan to value (net debt as a percentage of the gross value of our assets) or loan to value ratio is the primary measure of gearing monitored by the Board. Our preferred range of gearing is a loan to value ratio between 40% and 50% on a proportionally consolidated basis (i.e. including our share of joint ventures and funds), with a maximum of 55%. At 31 March 2012, this ratio was 45.3%.

We aim to manage the level of gearing over the cycle such that, as property values rise, gearing will be at the lower end of our preferred range; while at the bottom of the cycle, gearing will be at the higher end of the range. It is in the nature of real estate that transactions are often large in size which can cause large movements in loan to value within our preferred range. While our currently committed development programme and acquisitions are likely to increase gearing towards the higher end of our range in the short term, this will be mitigated by increases over time in property values.

In determining our preferred range of gearing for the business, the Board considers a wide range of factors to assess the aggregate level of risk and opportunity within the business. In addition to anticipated transactions, the impact of developments including our speculative letting exposure,

and the likely direction of property values, the principal matters we consider are the low level of risk across our business as exemplified by our operational metrics, the strength of our debt portfolio and low refinancing risk and covenant compliance.

- The **strength of our operational metrics** is emphasised by the longevity and quality of our cash flows, with long average outstanding lease lengths (11.3 years); high occupancy (98%); the in-built growth of our portfolio (24% with fixed or RPI linked uplifts); low levels of vacancies and lease expiries over the next three years (9.3% of income, of which 7.6% is due to lease expiries); and reduced levels of development risk (with £39 million already contracted future income from pre-lets).
- The **strength of our debt portfolio and low refinancing risk** is illustrated by the average length (9.3 years) and range (within 12 months to 24 years) of our debt maturities; our diversified pool of finance confirming our lack of reliance on single debt sources; our efficiency with an average cost of debt of 4.6%; our use of non-recourse debt; and operational flexibility, supported by our continued success at raising debt at competitive prices.
- Our **covenant compliance is well managed** and assisted by our careful blend of unsecured and secured, and non-recourse and recourse debt.

British Land has a competitive advantage as, by leveraging our scale through joint ventures and funds financed with non-recourse debt, the operational loan to value at 45.3% proportionally consolidated is higher than the Group measure for our unsecured lenders, which is less than 30%. This means that we can differentiate between covenant compliance and operational gearing and so we can operate with a higher level of proportionally consolidated loan to value without taking on unnecessarily increased risk in terms of our covenant compliance.

All the debt in our funds and joint ventures is arranged without recourse to British Land and secured on quality long-term cash flows, where gearing can safely be arranged at a higher level than Group debt. 63% of debt in our funds and joint ventures is provided by long dated securitisations without loan to value covenants and with refinancing risk mitigated by amortisation.

We monitor our current and projected financial position using several key internally generated reports focused principally on cash flow, borrowing levels, debt maturity, covenant headroom and interest rate exposure. We also undertake 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. In assessing our ongoing debt requirements, including those of our development programme, we consider potential downside scenarios such as an unexpected fall in valuations and the effect that might have on our covenants and we consider the impact on the differing categories of debt within our business.

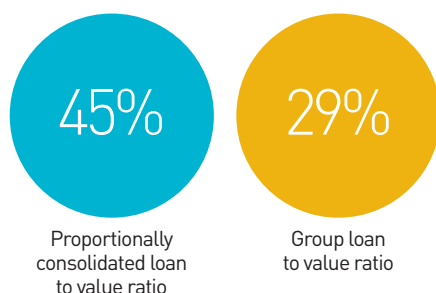
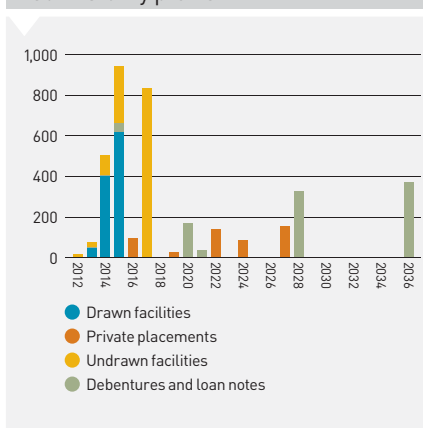
Managing the debt portfolio

At the heart of our approach to financing is the need to ensure that we have sufficient competitively priced financing available to support our property strategy within our stated gearing range. To achieve this we have five key principles that guide the way we finance the Group and manage its debt book:

1 Diversified debt maturity profile

The maturity profile of our debt is managed by spreading the repayment dates and extending facilities and by monitoring the various debt markets so that we have the ability to act quickly to arrange new finance at advantageous rates as opportunities arise. At 31 March 2012, Group gross borrowings were £2,621 million, including our share of debt in joint ventures and funds, gross borrowings were £5,222 million. Debt maturities are well spread over a long period, with no debt refinancing due in the next two years. We arrange facilities in excess of our expected requirements ensuring we have adequate cover.

Debt maturity profile



FINANCIAL POLICIES AND PRINCIPLES continued

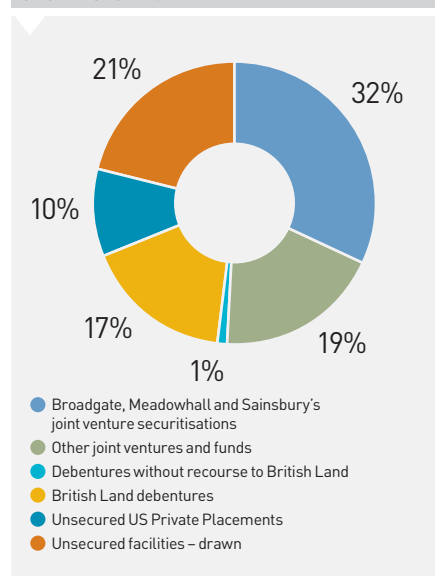
2 Diversified sources of finance

The scale and quality of the Group's business enables us to access a broad range of secured and unsecured, recourse and non-recourse debt markets. We arrange our finances so as to be able to choose between different types of debt to suit our own and, where appropriate, our partners' needs within the constraints of our borrowing covenants. We aim to maintain a balance between longer-term and shorter-term financings.

Group

Shorter-term financing by the Group is principally unsecured debt of British Land, raised through bilateral and syndicated unsecured revolving bank facilities. These credit facilities are based on relationships with a wide range of banks, reducing reliance on any particular lender. At 31 March 2012, 19 different financial institutions from eight countries provided finance to the Group via bilateral or syndicated facilities totalling £2.3 billion at floating interest rates based on LIBOR plus an average margin of 73 bps or 0.73% per annum; of this £1.1 billion was drawn at an average margin of 45 bps or 0.45% per annum. Total facilities include the new £560 million syndicated loan facility provided by 11 banks and a further £200 million arranged on a bilateral basis, signed during the financial year with five year maturities.

Diversified sources of finance
(proportionally consolidated)
at 31 March 2012



Medium to longer term financing comprises public and private bond issues, including private placements and securitisations. Other unsecured funding with recourse to British Land includes US private placements, issued in full at fixed rates, requiring no amortisation and with terms up to 15 years. We currently have three US private placement issues: £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%), together with the new \$480 million issue in September 2011. This new issue, which was swapped to £300 million at an average floating rate of 146 bps (1.46%) over LIBOR, comprises \$40 million 3.895% Senior Notes 2018; \$220 million 4.635% Senior Notes 2021; \$135 million 4.766% Senior Notes 2023; and \$85 million 5.003% Senior Notes 2026. Issuing in this market widens the debt investor base.

Secured debt with recourse to British Land is provided by debentures at fixed interest rates with long maturities and no amortisation. The £0.9 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.

Debentures without recourse to British Land comprise two fixed rate debentures of £73 million in total.

Joint ventures and funds

Our joint ventures and funds are each financed in 'ring-fenced' structures without recourse to British Land. External debt in total of £5.4 billion (FY2011: £5.9 billion) has been arranged through securitisation or bank debt according to the requirements of the business of each venture.

The securitisations of the Broadgate Estate (£1,859 million), Meadowhall (£790 million) and the Sainsbury's Superstores portfolio (£634 million), have weighted average maturities of 14.6 years, 12.9 years, and 9.3 years respectively. The only financial

covenant applicable to these securitisations is that income must cover interest and scheduled amortisation (1 times); there are no loan to value covenants. 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, thus mitigating financing risk.

Those debt arrangements which include loan to value ratio covenants have maximum levels ranging from 60% to 90% (except for one fund in which we have a small interest where the loan to value is 40%); 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.

3 Maintain liquidity

The Group maintains undrawn Bank revolving credit facilities which provide financial liquidity with full flexibility and drawing and repayment at short notice without additional costs. This reduces the need to hold liquid resources in cash and deposits, and minimises costs arising from the difference between borrowing and deposit rates while reducing credit exposure. At 31 March 2012 we had cash, liquid investments and undrawn facilities of £1.6 billion.

4 Optimise flexibility

Our bank revolving credit facilities of over £2 billion provide full flexibility of drawing and repayment at short notice without additional cost and provide valuable operational support, and are committed for terms of generally five years. We arrange these revolving credit facilities in excess of our expected requirements to ensure we always have adequate financing availability and to support future business requirements. In addition, these also provide the Group with a range of lenders. Operational flexibility is maintained with our combination of unsecured debt and secured debt with good substitution rights, where we have the ability to move assets in and out of our debentures.

5 Good access to the debt markets

We aim to ensure that potential debt providers understand our business and we adopt a transparent approach so that lenders can understand the level of their exposure within the overall context of the Group. We ensure that we operate within the relevant covenants of our facilities; and we enjoy a senior unsecured debt rating of A- from Fitch. These factors increase our attractiveness to lenders, and since April 2011 we have arranged £2.0 billion (British Land share £1.4 billion) of new facilities from banks and private placements.

We have the same banking covenants applying across each of the Group's unsecured facilities, which also helps us when raising debt. These covenants, which have been consistently agreed with all unsecured lenders since 2003, are:

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

The assets of the Group not subject to any security stood at £4.3 billion as at 31 March 2012.

Although secured assets 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 2012, these assets generated £54 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 regularly passed up to the Group.

Managing our interest rate exposure

We manage our interest rate exposure and risk independently from our debt exposure. 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.

Our debt finance is 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 73% of projected net debt (including our share of joint ventures and funds) is at fixed rate over the five-year policy time period.

The interest rate management of joint ventures and funds is addressed on an entity by entity basis. 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.

Foreign currency exposure

Our 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.

Our overseas assets are held in Spain, Portugal, Italy and France and total £310 million (our share). They are hedged by borrowings of equal amounts in Euros from a range of German, British and other European banks.

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. 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 are 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 2012 we paid a total of £201 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 is 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. British Land's tax policy and approach to taxation is regularly reviewed by the Board.

Covenant ratio					
As at 31 March	2012	2011	2010	2009	2008
Net Unsecured Borrowings to Unencumbered Assets ¹	34%	25%	14%	6%	22%
Net Borrowings to Adjusted Capital and Reserves ²	44%	36%	37%	83%	74%

Highest during the year to 31 March 2012:

1 37%; and

2 45%.

CHAIRMAN'S GOVERNANCE REVIEW

Chris Gibson-Smith Chairman

"Corporate governance is a fundamental part of British Land and runs through all of our activities – our relatively small number of staff and clear reporting lines enable involvement and awareness of all of our actions and processes by the Executive Directors with proper oversight by the Board.

It is more than compliance with rules and regulations and is an integral part of how we do business. While our internal control, risk management and internal audit procedures ensure that proper controls are in place, we also encourage our staff to review their own and each other's activities and outputs to confirm that correct decisions are made – and to challenge each other if they think a matter appears unusual or a process can be improved."



 See our detailed approach
to Corporate governance
P72-76

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, with major matters requiring discussion by and approval of the Board before they can proceed.

For example, all the significant transactions that took place during the year such as the agreement to lease 191,000 sq ft in The Leadenhall Building to Aon, the acquisition of 17 Virgin Active premium racquet club properties around the UK, the 92 serviced apartments at Wardrobe Court in the City and the \$480 million US private placement 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.

Corporate governance and its surrounding regulations continue to evolve and expand. However, the basics of good corporate governance remain the same – they create 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. They set 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. They include 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 2012, as it has in previous years, to review, discuss and confirm the Group's strategy going forward. The Board actively considers and promotes diversity in the workplace and the Boardroom and I was particularly pleased to appoint Lucinda Bell as our Finance Director during the year.

We invest time on governance not just because we have to, but 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 and on volunteering, which is part of our extensive corporate responsibility/sustainability programme.

British Land has developed core values that we espouse and that represent our method of behaviour under the headings of Integrity, Excellence, One Team and Commercial Acumen. These values operate and are encouraged both internally and externally throughout the business.

We also recognise our responsibilities to the communities in which we operate and to the wider society. The scale of our activities brings many benefits, supporting employment, regenerating local areas and contributing to the UK economy.

In summary, British Land continues to fully recognise and welcomes 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, while ensuring the correct controls and procedures are in place. We believe that we have met and continue to meet these standards.



Chris Gibson-Smith
Chairman

BOARD OF DIRECTORS AND EXECUTIVE COMMITTEE

01

02

03

04

05

06

07

08

09



01

Chris Gibson-Smith**Non-Executive Chairman**

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 and a Governor of London Business School.

Previous experience: Chris was a Non-Executive Director of Qatar Financial Centre Authority and Chairman of National Air Traffic Services Limited. He was a Non-Executive Director of Lloyds TSB Group plc and a Group Managing Director of BP PLC.

02

Chris Grigg**Chief Executive**

Appointment to the Board: Joined British Land as Chief Executive in January 2009.

Committee membership: Chairman of the Executive Committee and Investment Committee

External appointments: Chris is a member of the Executive Board of EPRA, the European Public Real Estate Association. In July 2011 he was appointed Vice President of the British Property Federation and he becomes President in July 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

John Gildersleeve**Senior Independent Director**

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 New Look Retail Group Ltd, EMI Group, Gallaher Group and a Non-Executive Director of Lloyds TSB Bank Plc and Vodafone Group.

04

Lucinda Bell**Finance Director**

Appointment to the Board: Lucinda joined the Executive Committee in 2010, joined the Board in March 2011 and became Finance Director in May 2011.

Committee membership: Executive Committee and Investment Committee

Previous experience: Lucinda qualified as a Chartered Accountant before joining British Land in 1991, where she has held a wide range of roles in the Group finance function, including Tax Director. Lucinda was also a Governor of the University of Westminster where she chaired the Finance and Property Committee.

05

Simon Borrows**Non-Executive Director**

Appointment to the Board: Simon was appointed a Non-Executive Director of the Company on 17 March 2011.

Committee membership: Audit Committee

External appointments: Simon joined 3i Group plc in October 2011 as Chief Investment Officer and became Chief Executive in May 2012. He is also a Non-Executive Director of Inchcape plc.

Previous experience: Before his appointment to 3i Simon worked for 28 years in the banking and finance industry, most recently as Chairman of Greenhill & Co. International LLP, having served as Co-Chief Executive Officer of the firm (2007–10) and Co-President (2004–07). Prior to Greenhill, Simon held the position of Chief Executive Officer of Baring Brothers International Limited, the corporate finance division of ING Barings.

06

Aubrey Adams**Non-Executive Director**

Appointment to the Board: Aubrey was appointed a Non-Executive Director in September 2008.

Committee membership: Audit Committee

External appointments: He is Head of Property within RBS's Global Restructuring Group, Non-Executive Chairman of Max Property Group PLC and a Non-Executive Director of Unitech Corporate Parks PLC, a business focused on Indian Real Estate Investment. He is also Chairman of the Board of Trustees of Wigmore Hall.

Previous experience: He was, until May 2008, Chief Executive of Savills PLC and was formerly Senior Independent Director of Associated British Ports PLC.

07

Dido Harding**Non-Executive Director**

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 and also sits on the Board of Cheltenham Racecourse.

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.

08

William Jackson**Non-Executive Director**

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 the Managing Partner of Bridgepoint, a leading private equity firm. William has served on a number of Bridgepoint portfolio Boards. He is currently the Chairman of Pret A Manger, the ready to eat food and beverage retailer and Dorna Sports SL, holder of the commercial rights of the Moto GP World Championship.

Previous experience: William began his career at NatWest's investment banking arm, before working extensively on private equity transactions in Europe. He was appointed Managing Partner of Bridgepoint, formerly NatWest Equity Partners, in 2001.

09

Charles Maudsley**Head of Retail**

Appointment to the Board: Charles joined the Board in February 2010. He has responsibility for the Retail sector of the Company's portfolio.

Committee membership: Executive Committee and Investment Committee

Previous experience: Charles 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 Managers for seven years where he was Head of Real Estate Fund Management in the UK.

Executive Committee biographies



10

Richard Pym

Non-Executive Director

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.

11

Tim Roberts

Head of Offices

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 and Investment 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.

12

Stephen Smith

Chief Investment Officer

Appointment to the Board: Stephen joined the Board of the Company in January 2010.
Committee membership: Executive Committee and Chairman of the Investment 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.

13

Lord Turnbull

Non-Executive Director

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 BH 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.

14

Anthony Braine

Secretary

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

Sir John Ritblat

Honorary President

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.

15



15

Ben Grose

Head of Retail Asset Management

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: Before his appointment to Head of Retail Asset Management he was an asset manager responsible for retail warehousing, in particular the Hercules Unit Trust portfolio. Prior to this, 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 18 years of retail asset management experience having also previously worked for Trafalgar House Property Limited.

16

Jean-Marc Vandevivere

Head of Strategy & Residential

Jean-Marc joined British Land in June 2009 as Head of Strategy and took responsibility for Residential in September 2011.
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.

17

Nigel Webb

Head of Developments

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, construction and leasing.
Previous experience: Nigel has over 25 years experience in commercial property development. Prior to British Land Nigel worked for developer Greycoat PLC.

CORPORATE GOVERNANCE



Attendance at Board or Committee meetings during the year to 31 March 2012

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

Board Directors

	Board	Audit Committee	Remuneration Committee	Nomination Committee
Chris Gibson-Smith	7/7			1/1
Chris Grigg	7/7			
Aubrey Adams	7/7	5/5		
Lucinda Bell	7/7			
Simon Borrows	5/7	4/4		
John Gildersleeve	7/7		3/3	1/1
Dido Harding	7/7		3/3	
William Jackson	7/7	5/5		
Charles Maudsley	7/7			
Richard Pym	7/7	5/5		1/1
Graham Roberts	1/2 ¹			
Tim Roberts	7/7			
Stephen Smith	7/7			
Lord Turnbull	6/7	1/1	3/3	1/1
Number of meetings during the year	7	5	3	1

¹ Graham Roberts retired on 30 June 2011.

Compliance with the UK corporate governance code

The principal external governance framework within which the Company operates comprises UK and European legislation, the regulation provided in the FSA Disclosure and Transparency Rules and FSA Listing Rules, and the guidance provided in The UK Corporate Governance Code ('the Code').

This corporate governance report aims to provide shareholders with an understanding of how the Company has applied the principles and the provisions of the Code. The Board considers that the Company has, throughout the year ended 31 March 2012, complied with the relevant provisions set out in the Code.

The Company has applied the main principles of the Code as follows:

Leadership

The Company is headed by an effective Board which is collectively responsible for the long-term success of the Company. There is a formal schedule of matters specifically reserved for Board approval, which includes the approval of the annual accounts 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 ongoing business of the Company and receives reports on every material aspect of the business of the Company and its subsidiaries and joint ventures. Appropriate insurance cover has been arranged in respect of legal action against the Company's Directors.

There is a clear division of responsibilities at the head of the Company between the running of the Board and the executive responsibility for the running of the Company's business. No one individual has unfettered powers of decision. There is a written division of responsibilities between the Chairman and Chief Executive, which has been approved by the Board.

The Chairman is responsible for leadership of the Board and ensuring its effectiveness on all aspects of its role. He sets the Board's agenda and ensures that adequate time is available for discussion of all agenda items, in particular strategic issues. He promotes a culture of openness and debate and ensures constructive relations between Executive and Non-Executive Directors. He also ensures that the Directors receive accurate, timely and clear information and ensures effective communication with shareholders.

The Chairman and individual Directors meet outside formal Board meetings as part of each Director's continuing contribution to delivery of the Company's strategy to 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.

Non-Executive Directors constructively challenge and help develop proposals on strategy; this occurs at meetings of the Board, and particularly at annual meetings to discuss the ongoing strategy of the Group, the most recent of which took place over two days in February 2012. 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.

The Non-Executive Directors scrutinise the performance of management in meeting agreed goals and objectives and monitor the reporting of performance; they satisfy themselves on the integrity of financial information and that financial controls and systems of risk management are robust and defensible; they determine appropriate levels of remuneration of Executive Directors and have a prime role in appointing Directors and in succession planning. In addition to the Chairman, there are seven independent Non-Executive Directors with a strong range of complementary skills. Further details can be found on pages 70 and 71.

Effectiveness

The Board and its Committees have the appropriate balance of skills, experience, independence, commitment and knowledge of the Company to enable them to discharge their respective duties and responsibilities effectively.

Throughout the year at least half the Board, excluding the Chairman, has comprised Non-Executive Directors determined by the Board to be independent. The current composition of the Board, including a brief explanation of the experience of each Director, is shown on pages 70 and 71.

There is a formal, rigorous and transparent procedure for the appointment of new Directors to the Board which is led by the Nomination Committee. Non-Executive Directors are appointed for specified terms and all Directors are subject to annual re-election. The work of the Nomination Committee is described on page 81.

All Directors ensure that they allocate sufficient time to the Company to discharge their responsibilities effectively. Letters of appointment of Non-Executive Directors set out the expected time commitment and each Non-Executive Director has undertaken that they have sufficient time to meet what is expected of them. Other Board appointments of Directors are disclosed on pages 70 and 71. All Directors receive an induction on joining the Board.

The Board is supplied, in a timely manner, with information in a form and of a quality appropriate to enable it to discharge its duties. The Company Secretary ensures good information flows within the Board and its Committees and between senior management and Non-Executive Directors and is responsible for advising the Board through the Chairman on all governance matters.

The Board undertakes a formal and rigorous annual evaluation of its performance. The British Land Board performance evaluation alternates internally facilitated appraisals with externally facilitated appraisals at least every three years.

An independent external review of the effectiveness of the British Land Board was conducted this year by Dr Tracy Long of Boardroom Review. Boardroom Review had no other connection with the Company. The review was designed to encourage Directors to question the Board's approach, assess its impact and contribution and prepare for the challenges ahead. The review investigated the Board's approach to strategy, risk and control, performance management and communication, its culture and dynamics, and the way in which it optimised its use of time, and included confidential interviews with all thirteen Directors and the Company Secretary, an observation of the strategic awayday and a review of selected papers.

The results of the review, which were compared with Boardroom Review's 2009 evaluation, and which concluded that the Board had an open and constructive culture, strong composition and sound leadership, were presented as a written report and presentation, during which Directors discussed key themes and areas for further development.

The Board's goal is for continual 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.

Accountability

The Board presents a balanced and understandable assessment of the Company's position and prospects. The Business Model on page 23 explains the basis on which the Company generates or preserves value over the longer term, and the strategy of the Group is outlined on page 22.

The Board also determines the nature and extent of the significant risks it is willing to take in achieving its strategic objectives, and maintains sound risk management and internal control systems. There are formal and transparent arrangements for considering how corporate reporting, risk management and internal control principles are applied and for maintaining an appropriate relationship with the Company's auditor. The key risks that the Group faces and features of the internal control system that operated throughout the period covered by the accounts are referred to in the Report of the Audit Committee on pages 77 to 80, and the approach to risk management and the principal risks themselves are shown on pages 38 to 43. Risk management and internal control is also discussed on page 75.

All Directors were re-elected during the year and seek re-election at the 2012 Annual General Meeting.

CORPORATE GOVERNANCE continued

Remuneration

Levels and components of remuneration of Directors are designed to attract, retain and motivate Directors without being excessive; a significant portion of Executive Directors' remuneration is structured so as to link rewards to corporate and individual performance. There is a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual Directors. Details of the Company's policy on Directors' remuneration and the levels and components of Directors' remuneration are set out in the Remuneration report on pages 82 to 96.

Relations with shareholders

There is a continuing dialogue with shareholders, with whom the Company places considerable importance on maintaining open and clear communication. The Investor Relations department is dedicated to facilitating communication with shareholders. There is an ongoing 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. Regular roadshows take place in the UK, Europe and the US, as well as participating in sector conferences. Investor days take place to enable major shareholders to view the Company's activities.

At each scheduled Board meeting the Directors receive a written report of any major issues which have been raised by shareholders with management.

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 the Company's 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 Board. At the meeting, the Company complies with the 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.

The Bribery Act

New UK legislation impacting the Company during the year included the introduction of The Bribery Act, the provisions of which came 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, and has taken the necessary steps to ensure that it has appropriate procedures in place to combat bribery and corruption. These steps include carrying out a risk assessment and reviewing and updating our policies and internal procedures taking account of the guidance issued by the Ministry of Justice. In addition, training has been and continues to be provided on an ongoing basis to ensure and emphasise continuing awareness of the legal requirements and our expectations throughout the Group.

Governance structure

The Board is responsible for the strategy, effective control and management of the Group.

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 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. The following pages contain a Report of the Audit Committee (pages 77 to 80), a Remuneration report (pages 82 to 96) and a Report of the Nomination Committee (page 81).

The attendance of Directors at Board or Committee meetings is shown in the table on page 72.

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 these Committees are discussed in separate sections of the text below.

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 pages 70 and 71 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 pages 70 and 71. The Committee, which is chaired by Chris Grigg, deals with the ongoing management of the Group and meets approximately twice monthly.

The Committee considers a number of differing issues including the day-to-day operational matters for running the business not reserved for the Board, the performance of the Group's assets and the development programme, financings and refinancings, internal procedures, cost control, 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 provides a high level quarterly performance review of the business focusing on the key metrics for retail, office, residential 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 arrangements in the case of joint venture expenditure.

During the year the Investment Committee has met 16 times and considered 31 proposals. Meetings of the Committee are also attended by the senior executives on the Executive Committee.

Corporate Responsibility Committee

The Corporate Responsibility (CR) Committee is chaired by Adrian Penfold, Head of Planning and Corporate Responsibility. Other members are senior executives who have responsibility for delivering each of our CR focus areas: managing buildings efficiently; supporting communities; developing sustainable buildings; and engaging staff. This Committee meets monthly and is responsible for developing the CR strategy and delivering its goals.

Adrian Penfold, as Chairman of the Committee, meets with Chris Grigg at least monthly to report progress against agreed goals. The Company has established a CR Panel, chaired by Chris Grigg, with Lucinda Bell participating alongside external advisers. This Panel met for the first time in February 2012 and agreed that its primary role was to challenge and provide insights for the CR strategy in a fast changing landscape. We will appoint a wider range of advisors to this Panel and report who they are in our next Annual Report.

Members of the CR Committee also meet monthly with the retail and offices asset management teams to review ongoing activities.

In addition, there are twice yearly CR review meetings with all managing agents and construction project teams to review their progress against targets.

The Company prepares a CR Annual Report, frequent updates and quarterly CR emails, all of which are available on the Company's website.

Risk management and internal control

The Directors are responsible for the maintenance of sound risk management and internal control systems and for reviewing its effectiveness. The Board complies with the risk management and internal control principles of The UK Corporate Governance Code and follows the best practice recommendations on internal control contained in 'Internal Control: Guidance to Directors' (the Turnbull guidance).

There is an ongoing process for identifying, evaluating and managing the significant risks the Group faces which has been in place throughout the year, up to the date of approval of this Report. The process 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 system of internal control is subject to review by Internal Audit. We have decided to outsource this function to provide additional objectivity and expertise.

The fundamental control principles applied by the Group include:

- ▶ 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 extensive approval by more than one approved person;
- ▶ 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 business, corporate, property and financing proposals;
- ▶ a property investment appraisal process;
- ▶ monitoring key outcomes, particularly expenditure, against budget and forecast;
- ▶ clearly defined policies and a review of actual performance against these;
- ▶ benchmarking of property performance with external sources such as the Investment Property Databank (IPD);
- ▶ a comprehensive property and corporate insurance programme; and
- ▶ a formal whistle-blowing policy.

The Board annually reviews the effectiveness of the Group's system of internal control over financial reporting. During the course of its review of the risk management and internal control systems over financial reporting, the Board has not identified nor been advised of any failings or weaknesses which it has determined to be significant. Therefore a confirmation in respect of necessary actions has not been considered appropriate.

CORPORATE GOVERNANCE continued

The key risks that the Group faces and features of the internal control system that operated throughout the period covered by the accounts are referred to in the Report of the Audit Committee on pages 77 to 80, and the approach to risk management and the principal risks themselves are shown on pages 38 to 43.

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 people 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

	FY2012	FY2011
British Land occupied demises ¹	2	nil
At our managed properties	54	40
Rate per 100,000 hours worked on our developments ²	0.35	0.46

¹ British Land occupied demises refers to space occupied by British Land, Broadgate Estates and The Source.

² On our developments, there were ten reportable accidents across 2,831,102 working hours in FY2012, compared to one reportable accident across 219,564 working hours in FY2011.

There were two reported fatalities in our retail portfolio. These were members of the public and related to a heart attack incident at Meadowhall and a suicide event at Eastgate Shopping Centre. Neither of these fatalities were strictly reportable to the Health and Safety Executive, as they were not the result of management error, but we have reported them for the purpose of completeness.

Staff turnover

	Employees leaving (number and % of total staff)	
	FY2012	FY2011
Head Office	24 12%	14 (8%)
Broadgate Estates	16 8%	23 (13%)
Total	40 10%	37 (10%)

Discrimination

British Land supports equal opportunities and gender diversity. At 31 March 2012 Head Office staff comprised 91 females and 117 males; of the 111 staff considered executives, 30 were female and 81 male. The Company is continuing to progress its steps to strengthen female representation at Board and top management level. There were no incidents of discrimination during the financial year, or the previous financial year.

Funding to charity and good causes

The Company has a charity funding policy which is on our website and which states that we focus our giving on young people, education, training, employment and local regeneration. Our prime geographical focus is in the communities where we have a significant presence, but we also donate to national causes. In addition, we also have a matched giving scheme for staff. Funding decisions are made by our Charity Committee, which is chaired by Adrian Penfold, Head of Planning and Corporate Responsibility. In FY2012 we made donations of £835,948, compared with £665,666 in FY2011.

We have an explicit policy that we will not make any donations to any political organisations.

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 Business 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 on pages 58 to 64.

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 on page 67. 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
Chairman

REPORT OF THE AUDIT COMMITTEE

Richard Pym Chairman of the Audit Committee



“In carrying out its responsibilities over the past year, the Audit Committee has held five formal meetings and individual committee members had regular meetings with the finance team and the internal and external auditor. There has been a focus on the valuation process for our investments and developments, risk management processes, emerging laws and regulations, and the effectiveness of internal and external audit. Next year we expect these areas to continue to receive significant attention and in particular the committee will have particular focus on the further development of risk management processes within the business.”

R.A. Pym

Richard Pym
Chairman of the Audit Committee

Audit Committee members

Members	Position
Richard Pym	Chairman of the Audit Committee
Aubrey Adams	Member
William Jackson	Member
Simon Borrows	Member

Audit Committee attendees

Attendees	Position
Deloitte	Attends as Independent Auditor to the Group
Knight Frank and CBRE	Attend twice a year to present their valuations as the Group's External Valuers
Tony Braine Attends as Secretary to the Committee	Company Secretary
Lucinda Bell Attends by invitation	Finance Director
Stephen Smith Attends by invitation	Chief Investment Officer
Chris Gibson-Smith Attends by invitation	Chairman of the Company
Chris Grigg Attends by invitation	Chief Executive
Rob Hudson Attends by invitation	Group Financial Controller
Marc Furlonger Attends by invitation	Head of Financial Forecasting and Reporting
Matthew Stubberfield Attends by invitation	Head of Internal Audit

REPORT OF THE AUDIT COMMITTEE continued

Composition of the Committee

The Audit Committee meets regularly during the year aligned to the financial reporting timetable; during the financial year it met on five occasions. I have been Chairman of the Committee since January 2010. The other Committee members are Aubrey Adams, William Jackson (appointed 11 April 2011) and Simon Borrows (appointed 12 April 2011). Lord Turnbull was a member of the Committee until 11 April 2011 and served on the Committee for five years. All are independent Non-Executive Directors. I am the member nominated as having recent and relevant financial experience. The other members all have significant financial experience; please see the biographies on pages 70 and 71.

Responsibilities of the Committee

The Committee's principal responsibilities include:

- ▶ monitoring the integrity of the financial statements of the Company, any formal announcements relating to the Company's financial performance and reviewing significant financial reporting judgments contained in them;
- ▶ reviewing and monitoring the valuation process;
- ▶ reviewing the Company's internal financial controls, its compliance with the Turnbull guidance and the Company's internal control and risk management systems;
- ▶ review the disclosures in the Annual Report for risk management and the principal risks;
- ▶ monitoring and reviewing the effectiveness of the Company's internal audit function, including its plans, level of resources and budget;
- ▶ 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 the Committee's terms of reference and monitoring its execution;
- ▶ considering compliance with legal requirements, accounting standards and the Listing Rules; and
- ▶ reviewing the Whistle-blowing policy and correspondence.

Activities of the Committee

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.

By invitation, there are a number of regular attendees at each meeting including the Chairman, the Finance Director, the Group Financial Controller, 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 Chief Investment Officer, 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 under the principal headings included:

Financial reporting

- ▶ results, commentary and announcements;
- ▶ key accounting policy judgements;
- ▶ impact of future financial reporting standards;
- ▶ going concern;
- ▶ 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; and
- ▶ Annual Report sections on Corporate governance.

Risk and Internal Control

- ▶ the Group's principal risks by priority and their mitigations, including detailed matrices calibrating the priority of each risk;
- ▶ an annual report on Internal Control;
- ▶ an annual fraud risk assessment and an independent fraud vulnerability assessment;
- ▶ whistle-blowing policy;
- ▶ Bribery Act compliance procedures;
- ▶ the impact of new regulation including the Alternative Investment Fund Managers Directive;
- ▶ Treasury Policy: approved counterparties and limits;
- ▶ insurance strategy and programme for property, development and corporate; and
- ▶ tax policy.

External auditor

- ▶ quarterly external auditor reports on planning, conclusions and final opinion; and
- ▶ external auditor management letter containing observations arising from the annual audit leading to recommendations for control or financial reporting improvement.

Internal Audit

- ▶ Internal Audit Charter defining its role and responsibilities;
- ▶ The effectiveness of Internal Audit. This year the Internal Audit function has been reviewed by PricewaterhouseCoopers (PwC) to meet the Institute of Internal Auditors standards requiring that an independent review of Internal Audit effectiveness be undertaken at least every five years. The results of the review confirmed that Group Internal Audit generally conformed with the International Standards for the Professional Practice of Internal Auditing. British Land management has considered the findings of the PwC review and has concluded that outsourcing will be the best route in driving the further improvements in effectiveness suggested, leveraging the skills and expertise of an external specialist provider;
- ▶ Internal Audit Programme of reviews of the Group's processes and controls to be undertaken, and an Assurance Map showing the coverage of audit work over three years against the risks; and
- ▶ Implementation status reports on audit recommendations.

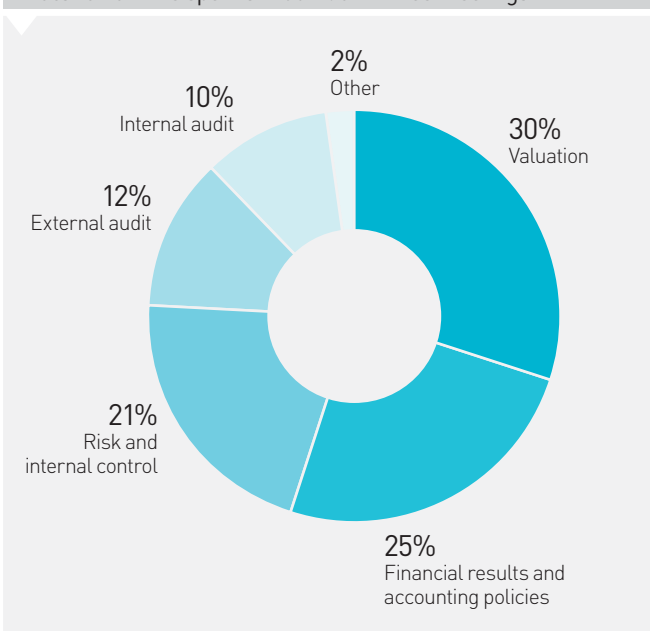
The Groups internal audit function reports, including those on:

- ▶ developments in construction phase (UK and Overseas);
- ▶ asset management initiatives;
- ▶ corporate administration and compliance with listing rules;
- ▶ overseas corporate and property administration;
- ▶ occupational Health and Safety in the UK and European portfolio; and
- ▶ spreadsheet risk in property analysis and financial reporting.

Allocation of time

The allocation of time spent on key topics and responsibilities at the Audit Committee meetings is shown in the chart above. Significant Audit Committee member time is also spent at meetings with executive management, understanding the key issues and underlying processes, setting agendas and meeting with valuers, internal and external auditors.

Allocation of time spent at Audit Committee meetings



Action plan for FY2013

In addition to our responsibilities and normal activities, next year the Committee will have particular focus on monitoring the development of the risk management processes and reporting within the business.

Auditor

In best practice and in accordance with its terms of reference the Audit Committee annually reviews the audit requirements of the Group, both for the business and in the context of the external environment, and considers whether to undertake a formal tender. There are no contractual obligations which would restrict the selection of auditor.

In accordance with its normal practice, the Audit Committee considered the performance of the external auditor, including value for money and the quality and effectiveness of the auditor both in the Audit Committee's own assessment and where available from external regulatory review. The Audit Committee also considered Deloitte's independence, compliance with relevant statutory, regulatory and ethical standards and assessed its objectivity.

Having considered these factors the Audit Committee unanimously recommended to the Board that a resolution for the reappointment of Deloitte as the Company's external auditor be proposed to shareholders at the 2012 Annual General Meeting.

The Committee anticipates that it will initiate a tender exercise once there is clarity on auditor appointment guidance from the Financial Reporting Council and European Union and current timetables indicate this is likely to be within the next two years.

REPORT OF THE AUDIT COMMITTEE continued

Policy on auditors providing non-audit services

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; and
- ▶ 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 £0.4 million was for non-audit related services including £0.3 million for advice and services provided by Drivers Jonas Deloitte. In addition, further fees of £0.3 million (100% share) were payable to Deloitte for the audit of various joint ventures of the Group.

The following commitment protocol operated throughout the year and applied to any engagement of other work (excluding audit and quarterly reporting) performed by the external auditors:

- ▶ approval by the Audit Committee if there are any doubts as to whether the external auditors have a conflict of interest; and
- ▶ in addition, approval by Audit Committee Chairman on behalf of the Committee for each additional project over £0.1 million in value where cumulative fees for other work performed by the auditors are projected to exceed 75% of the combined fee for audit and quarterly reporting review work. During the year, no project approvals by the Audit Committee Chairman have been required.

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 (as seen on page 75) 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. Regular 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 38 to 43.



Richard Pym

Chairman of the Audit Committee

REPORT OF THE NOMINATION COMMITTEE

Composition of the Committee

The members of the Nomination Committee are Lord Turnbull, John Gildersleeve, Richard Pym and myself, all of whom served throughout the financial year. I am the Chairman of the Committee except if it were to be dealing with the successor to the Chairmanship; in these circumstances the committee is chaired by a Non-Executive Director elected by the remaining members.

The Committee met once during the year under review.

Responsibilities of the Committee

The Committee's principal responsibilities include making recommendations to the Board on all new Board appointments; reviewing the structure, size and composition of the Board; succession planning; and reviewing the leadership needs of the organisation.

Activities of the Committee

During the year under review the Committee has considered succession planning, the structure, size and composition of the Board and its Committees, recommendations to the Board regarding Directors retiring for re-election by shareholders, and the renewal of Non-Executive Directors' letters of appointment. The Committee has also considered diversity, including gender diversity, in British Land and the initiatives the Company is currently undertaking, and intends to undertake in the future, to strengthen female representation at Board and top management level.

In accordance with the Code all Directors will submit themselves for re-election at the 2012 AGM. The Nomination Committee has confirmed that the Directors continue to perform effectively and demonstrate commitment to their respective roles.



Chris Gibson-Smith

Chairman of the Nomination Committee

REMUNERATION REPORT

Lord Turnbull Chairman of the Remuneration Committee



"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 team 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 vital to have strong alignment of management incentives with measures that matter to British Land's shareholders and with shareholder returns via share ownership.

It is also 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 expectations of staff are high and there is a scarcity value on proven performers."

Lord Turnbull
Chairman of the Remuneration Committee

Remuneration Committee members

Members	Position
Lord Turnbull	Chairman of the Remuneration Committee
John Gildersleeve	Senior Independent Director and Member
Dido Harding	Member

Remuneration Committee attendees

Attendees	Position
Alan Jukes ¹ Attends by invitation	Strategic Remuneration, Committee's Independent Adviser
Tony Braine Attends as Secretary to the Committee	Company Secretary
Chris Gibson-Smith Attends by invitation	Chairman of the Company
Chris Grigg Attends by invitation	Chief Executive

¹ The Committee has appointed Alan Jukes as its Independent Adviser. He also gave advice to the Company on personnel and share plan matters. The Committee is satisfied there is no conflict in him providing such services to the Company.

1 Statement of British Land's policy on Directors' remuneration

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. Therefore, the amount received is strongly linked to outperformance of our peers, hitting challenging goals, share price performance and meeting the Company's strategic priorities over one- and three-year time horizons.

Each year the Committee reviews its policy in the light of any changes to the strategy by management. During FY2012 the Committee looked at the performance measure used by the Long-Term Incentive Plan (LTIP) to ensure that the Company gets best alignment and focus for management and shareholders.

1 (a) Total reward

Annual remuneration + long term share plans = Total reward

Fixed benefits

- **Basic Salary**
(see pages 84 and 85).
- **Benefits in Kind**
which include:
 - Car allowance
 - Permanent Health Insurance
 - Private healthcare
- **Pension**
(see pages 95 and 96).

Annual Incentive

Chief Executive	
'On target' 90% salary	▶ 'Maximum' 180% salary
Other Executive Directors	
'On target' 75% salary	▶ 'Maximum' 150% salary
Combination of individual goals for specific areas of responsibility and contributions made to corporate performance, both qualitative and quantitative.	

And

Long-term share plans

Matching Share Plan

Third of annual incentive ▶ Deferred into shares

Matching Award = 200% value of deferred Annual Incentive.

Target:
Three-year performance period.

50% Award measured against Total Shareholder Return versus peer companies.

50% Award measured against like-for-like rental growth compared to IPD benchmark, see pages 86 and 87.

Long-Term Incentive Plan

Award up to maximum nominal value of

Chief Executive	250% salary
Other Executive Directors	200% salary

Target:
Three year performance period.

Net Asset Value per share
growth required to outperform IPD All Property Capital Growth, see page 87.

The total reward 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 needs 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.

REMUNERATION REPORT continued

1 (b) Support for strategic priorities

The different elements of Directors' remuneration packages have been chosen so that they are supportive of and relevant to our strategic priorities, thereby strongly aligning the interests of the Directors with those of the shareholders. In the table below you can see the variable elements of remuneration that support each strategic priority.

1 (c) Components of reward**(i) Basic salary**

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.

Our strategic priorities					
	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
LTIP NAV per share	•	•	•	•	•
MSP TSR	•	•	•	•	•
MSP LFL	•				
Annual incentive – measures					
Success of purchases and sales	•	•	•		•
Successful progress on developments	•	•	•	•	•
Successful execution of debt financings					•
Quality of people and management renewal				•	
Progress on strengthening the dividend	•			•	
Accounting return	•	•	•	•	•
Unlevered property returns	•	•	•		
Rental growth	•				
Net operating costs as % of rent and NAV				•	•
Company reputation					•

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.

The Committee reviews salaries annually, effective at 1 April. In reviewing the salaries of the Executive Directors, the Committee also takes into account the employment conditions and salary increases awarded to employees throughout the Group, which had a target guideline of 3%. Shown below are the current annual rates of salary of the Executive Directors with effect from 1 April 2012. The Committee has decided that Executive Directors' salaries for FY2013 will not be increased from the FY2012 levels other than Lucinda Bell's salary. Lucinda Bell's salary will be increased to take account of market evidence for the Finance Director role. The salaries of Chris Grigg, Charles Maudsley and Stephen Smith have not been increased since their respective appointments in 2009 and 2010. Tim Roberts' salary was last increased in April 2010.

	FY2013 £	FY2012 £	% increase
Chris Grigg	800,000	800,000	nil
Lucinda Bell	465,000	425,000	9.4
Charles Maudsley	425,000	425,000	nil
Tim Roberts	425,000	425,000	nil
Stephen Smith	425,000	425,000	nil

(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. Each individual's performance is considered in relation to their contribution to Company goals and goals for their specific areas of responsibility and include targets related to accounting return; capital returns; rental growth; operating costs; successful execution of acquisitions and disposals; progress on developments; strengthening the dividend; quality of people and Company reputation.

Company targets

The Committee considers Company performance and contributions made by each individual to corporate performance, using external indicators to assess relative performance.



Individual targets

Each individual's performance is considered in relation to the goals agreed for their specific areas of responsibility.

Annual incentive award

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.

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. The table below shows the on-target and maximum bonus award levels for the year under review. The Committee does not propose to change this for FY2013.

	Annual Incentive Award as % of basic salary	
	On target	Maximum
Chief Executive	90%	180%
Executive Directors	75%	150%

The performance during the year ended 31 March 2012 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 met all its targets other than operating costs against rent compared to the prior year. A summary is shown below and overleaf.

Taking into account all these factors, the bonus was in aggregate for the Executive Directors set at 74% of the maximum provided by the scheme (76% in FY2011).

Quantitative Measures for FY2012

- ▶ Accounting Return – total NAV based return plus dividends relative to property majors and IPD (total return basis).
- ▶ Unlevered property capital returns relative to IPD.
- ▶ Rental growth above ERV and IPD.
- ▶ Operating costs as a percentage of rents and assets against prior year and property majors.

Quantitative Performance for FY2012

- ▶ The Accounting Return of the Company was above the median of the property majors and total property return substantially above IPD.
- ▶ The Company has outperformed across all sectors, particularly the Offices portfolio.
- ▶ New lettings renewals and lease extensions ahead of ERV by 6.9% in Retail and 3.3% in Offices. ERV growth outperformance of 1.6% against IPD for the year at all property level. Retail 1.8% outperformance, Offices 1.3% outperformance.
- ▶ Operating Costs have remained flat as a percentage of portfolio value, but increased marginally compared to the previous year to 14.9% of Gross Rental Income. Both measures ranked the Company ahead of all other property majors.

REMUNERATION REPORT continued

Qualitative Measures for FY2012	Qualitative Performance for FY2012
▶ The success of purchases and sales. ▶ Successful progress on developments. ▶ Successful execution of debt financings. ▶ Progress on strengthening the dividend. ▶ Quality of people and management renewal. ▶ Company reputation.	▶ Acquired £371m of assets at an average net initial yield of 6.9% on income producing properties. The Company has continued to rebalance the portfolio from City to West End. ▶ Successful de-risking of development programme with a major share of the pre-let market. 50% of existing office developments pre-let, over 60% of City offices. Significant milestones reached on the developments, on time and on budget, with over 80% of construction costs placed and a further 6% tenders received but not yet placed. ▶ Successfully arranged more than £1.6bn of new financing during the year, lowering the average interest rate from 4.9% to 4.6% in the year. ▶ Dividend payout ratio and underlying diluted EPS improved during in the year. ▶ Strengthened senior leadership and depth of talent across the Company. ▶ Good recognition of customer focus from Property Managers' Association and customer feedback survey. Awards in year include: Guardian Sustainable Business Awards for Biodiversity and Built Environment and The Sunday Times Best Green Companies survey, only property company ranked in the top 30.

Targets for FY2013

The Committee has reviewed and agreed that the corporate goals for FY2013 are as follows:

Quantitative targets	Qualitative targets
Accounting Return – total NAV based return plus dividends relative to property majors and IPD (total return basis)	Improved risk management approach
Unlevered property capital returns relative to IPD	Successful progress on developments
Rental growth above ERV and IPD	Successful execution of targeted acquisitions and sales
Operating costs as a percentage of rents and assets against prior year and property majors	Successful execution of debt financings
	Progress on strengthening the dividend
	Quality of people and management renewal
	Company reputation with stakeholders

(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 rental growth (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.

Performance condition – TSR Part

The table below shows the performance required by the Company's TSR compared to a comparator group of companies across the three-year Performance Period for any Matching Shares to vest under the TSR part.

British Land's TSR relative to the comparator group at the end of the Performance Period	Percentage of award which vests
Below Median	0%
Median	35%
Further vesting per each 1% TSR exceeds median (to a maximum of 100% of Notional Shares)	16.25%

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.

Performance condition – LFL Part

The Company's like-for-like rental growth during the three year Performance Period needs to at least equal the IPD comparator benchmark (the 'Growth Requirement') for any Matching Shares to vest.

British Land's LFL relative to the IPD benchmark at the end of the Performance Period	Percentage of award which vests
Below Growth Requirement	0%
Equal to Growth Requirement	35%
Further vesting per each 0.5% per annum LFL exceeds Growth Requirement (to a maximum of 100% of Matching Shares)	21.67%

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

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.

Performance condition

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 reviewed this performance condition in November 2011, to ensure it is both sufficiently stretching and remains 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.

REMUNERATION REPORT continued

1 (d) Minimum Shareholding Guideline

The Directors' Minimum Shareholding Guideline requires approximately 200% of basic 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 Matching Share Plan and Long-Term Incentive Plan vestings. 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, Matching Shares purchased with bonus, Share Incentive Plan holdings and holdings by spouses.

Shown below is the guideline fixed for the year to 31 March 2013:

	Percentage of basic salary to be held in vested shares	Guideline holding	Holding at 31 March 2012
Chris Grigg	200%	333,403	467,078
Lucinda Bell	125%	121,119	56,825
Charles Maudsley	125%	110,701	153,625
Tim Roberts	125%	110,701	132,791
Stephen Smith	125%	110,701	264,031

1 (e) Outside appointments

The Company's policy is to allow Executive Directors to hold an outside Non-Executive Directorship and retain the fees, although each prospective appointment will be considered on its merits. Graham Roberts, who resigned on 30 June 2011, is a Non-Executive Director of Balfour Beatty PLC, for which he received remuneration of £15,500 for the period during the year under review in which he was also a Director of the Company (FY2011: £56,000).

1 (f) Non-Executive Director fees

The remuneration of the Non-Executive Directors is a matter for the executive members of the Board. Fees are set to take into account the level of responsibility, experience and abilities required, as well as to reflect attendance. Assuming full attendance, the aim is also to deliver a total fee at a level in line with similar positions at comparable companies. The fees for FY2012 were:

Basic Fee per annum	£34,250	Attendance at Board Meeting	£4,200
Senior Independent Director Fee per annum	£9,450	Attendance at Committee Meeting in Person	£1,890
Committee Chair Fee per annum	£5,775	Attendance at Board Meeting or Committee Meeting by Telephone	£840

The Non-Executive Directors are encouraged to hold shares in British Land. The Company facilitates this by offering Non-Executive Directors the choice to receive their fees in the form of shares.

Non-Executive Directors' fees, and Chairman's fees, were reviewed in May 2012 and were not increased.

1 (g) Other employees

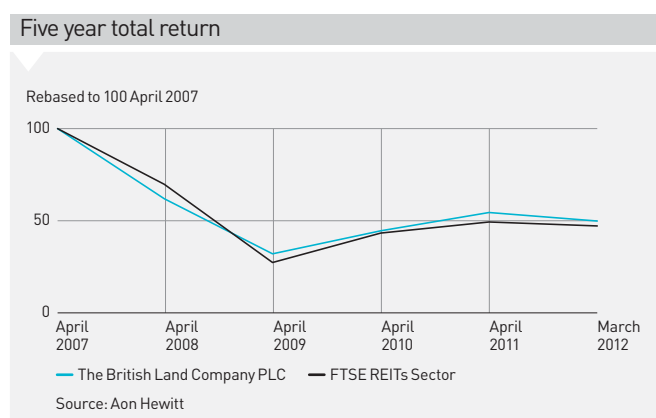
The remuneration policy applied to the other senior managers in the Company is similar to the policy for the Executive Directors set out in this Report, in that a significant element of remuneration is dependent on Company, individual and share price performance, although the Matching Share Plan is typically only open to members of the Executive Committee.

Throughout the Group, around 85 executives are also eligible for LTIP awards. All the Company's UK staff with 18 months service can participate in the Company's HMRC approved Share Incentive Plan and Savings Related Share Option Scheme. As a result, approximately 95% of all eligible employees invest each month in British Land shares through these Plans.

Additionally, approximately 30 executives with responsibilities for the Unit Trusts and the wholly-owned Retail and Office portfolios are eligible for awards under the Fund Managers' Performance Plan (FMPP) each year. The FMPP is designed to incentivise and retain these executives 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. 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.

2 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 2007 to 31 March 2012 against that of the FTSE Real Estate Investment Trusts Total Return Index for the same period.

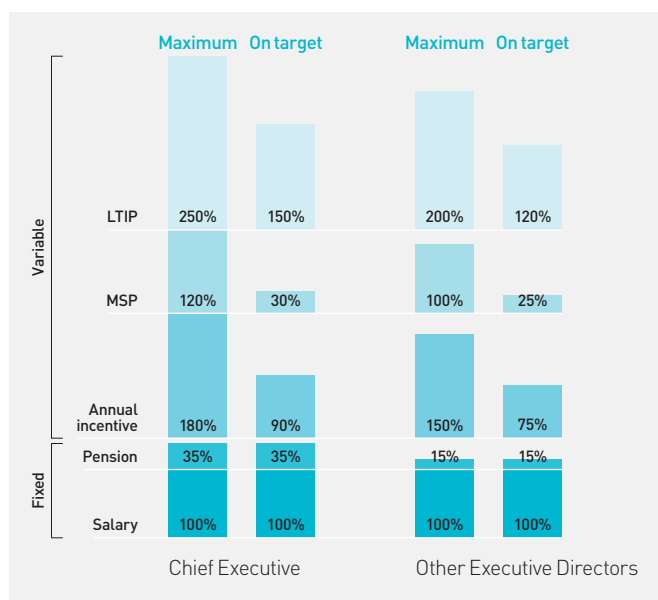


The FTSE Real Estate Investment Trusts Total Return Index has been chosen because that is where the shares of the Company are classified. Aon Hewitt prepared the graph based on underlying data provided by Datastream.

3 Fixed/variable mix

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.

Remuneration values expressed as a percentage of basic salary



4 Vesting history

The table below summarises the vesting percentages for the LTIP and MSP over the last five years. During FY2012 the LTIP and the MSP shares under the EPS Part, awarded in 2008, lapsed in their entirety as their Performance Conditions had not been met. The Shares awarded under the MSP TSR part vested in their entirety as British Land's TSR return was 18% above the median of the comparator group during the Performance Period.

Year of award	Performance Period	Long-Term Incentive Plan percentage vesting	Matching Share Plan percentage vesting	
			TSR	EPS ¹
2005	2005–2008	80%	No award	No award
2006	2006–2009	0%	100%	100%
2007	2007–2010	0%	0%	0%
2008	2008–2011	0%	100%	0%
2009	2009–2012	100%	100%	0%

¹ The EPS test was replaced by a test based on like-for-like rental growth for awards made in 2010 and onwards.

Aon Hewitt have confirmed that the FY2009 LTIP awards will vest at 100% during FY2013, reflecting British Land's growth in NAV of 14% per annum (from 398 pence per share to 595 pence), during the Performance Period, compared to the IPD benchmark index increasing 2% per annum. The TSR element of the FY2009 MSP award will vest at 100%, as British Land's TSR was 48.8% over the Performance Period compared to a median of 44.0% for the comparator group. The EPS element will lapse in its entirety as the target was not met.

5 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. All the service contracts provide for one year's notice.

Executive Director	Date of service contract
Chris Grigg	19 December 2008
Lucinda Bell	10 March 2011
Charles Maudsley	3 November 2009
Tim Roberts	14 November 2006
Stephen Smith	3 November 2009

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, except payments made to Graham Roberts during his notice period as reported in the 2011 Remuneration report.

REMUNERATION REPORT

AUDITED INFORMATION

Directors' emoluments

	2012				2011			
	Salary ¹ £	Annual incentive ² £	Benefits £	Total (excluding pensions) ³ £	Salary £	Annual incentive £	Benefits £	Total (excluding pensions) £
Chairman								
Chris Gibson-Smith	351,750		44,373	396,123	335,000		36,876	371,876
Executive Directors								
Chris Grigg	800,000	1,080,000	19,652	1,899,652	800,000	1,200,000	19,403	2,019,403
Lucinda Bell	425,273	460,000	19,552	904,825	23,184	27,716	1,041	51,941
Charles Maudsley	425,000	460,000	19,552	904,552	425,000	510,000	19,303	954,303
Graham Roberts	120,075		5,341	125,416 ⁴	469,500	351,000	17,841	838,341
Tim Roberts	426,500	505,000	19,022	950,522	426,500	510,000	18,773	955,273
Stephen Smith	425,000	460,000	19,552	904,552	425,000	510,000	19,303	954,303
	Fees £			Fees £	Fees £			Fees £
Non-Executive Directors								
Aubrey Adams	67,640			67,640	66,200			66,200
Simon Borrows	60,710			60,710	5,299			5,299
John Gildersleeve	77,025			77,025	67,907			67,907
Dido Harding	65,960			65,960	64,400			64,400
William Jackson	66,825			66,825 ⁵				
Richard Pym	75,305			75,305	73,500			73,500
Lord Turnbull	74,675			74,675	77,700			77,700
	3,461,738	2,965,000	147,044	6,573,782	3,259,190	3,108,716	132,540	6,500,446

¹ Includes subsidiary Board fees – £1,500 to Tim Roberts, £375 to Graham Roberts and £273 to Lucinda Bell. Also includes £2,700 to Graham Roberts for holiday not taken.

² One third of the annual bonus is paid in the form of locked-up shares under the Matching Share Plan.

³ Chris Grigg received a sum equivalent to 35% of his basic salary (£280,000 (FY2011: £280,000)) in lieu of a pension contribution. Charles Maudsley received £13,750 (FY 2011: £nil), in lieu of a pension contribution over the £50,000 annual allowance. For full details of Directors' pension entitlements, see pages 95 and 96 of this Report.

⁴ To 30 June 2011, date of cessation of office.

⁵ From 11 April 2011, date of appointment to 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 and private medical insurance.

(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 2012	1 April 2011
Chris Gibson-Smith	53,201	53,201
Chris Grigg	467,078	312,913
Lucinda Bell	56,825	46,002
Charles Maudsley	153,625	112,797
Graham Roberts	47,112 ¹	46,830
Tim Roberts	132,791	127,342
Stephen Smith	264,031	138,543
Aubrey Adams	20,000	20,000
Simon Borrows	300,000	300,000
John Gildersleeve	5,071	5,071
Dido Harding	5,007	1,767
William Jackson	28,110	²
Richard Pym	5,861	2,016
Lord Turnbull	12,260	10,134

¹ On 30 June 2011, date of cessation of office.

² On 11 April 2011, date of appointment to office.

Purchases after the year end up to one month before the AGM notice

On 4 April 2012, Lord Turnbull, Richard Pym, Dido Harding and William Jackson were allotted 521, 1,042, 639 and 980 shares respectively, at a price of 479.9 pence per share, as part of their standing instructions to receive shares as satisfaction of their Directors' fees.

On 16 April 2012, Chris Grigg, Charles Maudsley and Tim Roberts each purchased 27 shares and Lucinda Bell and Stephen Smith each purchased 26 shares at a price of 468.5 pence per share under the 'Partnership' element of the Company's Share Incentive Plan. Accordingly, Chris Grigg, Charles Maudsley and Tim Roberts were awarded 54 'Matching' ordinary shares and Lucinda Bell and Stephen Smith were awarded 52 'Matching' ordinary shares, all at a price of 468.5 pence per share.

Incentive schemes distributions

The aggregate amount of gains made by Directors on the exercise of share options was £nil (FY2011: £nil). The aggregate value of distributions to Directors in relation to the incentive plans (not including option exercises) was £1,846,861 (FY2011: £672,277).

Share price

The Middle Market Quotation (MMQ) for the ordinary 25 pence shares of the Company at the close of business on 31 March 2012 was 479.9 pence. The highest and lowest MMQs during the year to 31 March 2012 were 639.5 pence and 443.4 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 2011	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 2012	Exercise price (p)	Earliest exercise date	Expiry date
Chris Grigg	01.07.2011		1,908				1,908	473	01.09.2014	28.02.2015
Lucinda Bell	30.06.2009	3,014					3,014	301	01.09.2012	28.02.2013
Graham Roberts	28.06.2010	4,175				4,175 ¹		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 Lapsed on 30 June 2011, date of cessation of 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.

REMUNERATION REPORT

AUDITED INFORMATION continued

(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 2011 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 2012	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
	28.06.2011		695,652				695,652	575	28.06.2014	27.06.2021
Lucinda Bell	29.11.2004	25,326					25,326	660	29.11.2007	29.11.2014
	31.05.2005	14,036					14,036	727	31.05.2008	30.05.2015
	05.12.2005	11,557					11,557	824	05.12.2008	04.12.2015
	29.05.2008	53,578				53,578 ²		666	29.05.2011	28.05.2018
	02.12.2008	96,551				96,551 ²		420	02.12.2011	01.12.2018
	29.06.2009	50,387					50,387	387	29.06.2012	28.06.2019
	21.12.2009	36,434					36,434	446	21.12.2012	20.12.2019
	11.06.2010	113,255					113,255	447	11.06.2013	10.06.2020
	14.12.2010	19,607					19,607	510	14.12.2013	13.12.2020
Graham Roberts	25.09.2003	119,455					119,455³	416	25.09.2006	24.09.2013
	28.05.2004	122,872					122,872³	549	28.05.2007	27.05.2014
	31.05.2005	81,743					81,743³	727	31.05.2008	30.05.2015
	29.05.2008	154,533				154,533 ²		666	29.05.2011	28.05.2018
	29.06.2009	482,720		322,931 ⁴		160,789 ⁴	322,931³	387	30.06.2011	28.06.2019
	11.06.2010	418,791		117,496 ⁴		301,295 ⁴	117,496³	447	30.06.2011	10.06.2020
Tim Roberts	29.11.2004	22,513					22,513	660	19.11.2007	29.11.2014
	31.05.2005	13,210					13,210	727	31.05.2007	30.05.2015
	05.12.2005	17,483					17,483	824	05.12.2008	04.12.2015
	29.05.2008	240,177				240,177 ²		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
	28.06.2011		295,652				295,652	575	28.06.2014	27.06.2021

¹ The number of options as at 1 April 2011 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, 2005 which have already vested and remain exercisable under their respective expiry dates.

² These options lapsed on 29 May 2011 as the Performance Target had not been met.

³ On 30 June 2011, date of cessation of office.

⁴ On 30 June 2011, date of cessation of office, Graham Roberts' LTIP interests vested, subject to the attainment of the performance condition measured over the relevant shorter period and a pro rata reduction in respect of the period from date of grant to date of cessation of office.

Performance Shares

	Date of grant	Number of shares at 1 April 2011 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 2012	Earliest vesting date
Chris Grigg	29.06.2009	258,397	173,913			258,397	29.06.2012
	28.06.2011					173,913	28.06.2014
Lucinda Bell	29.05.2008	6,899			6,899 ³		29.05.2011
	02.12.2008	8,045			8,045 ³		02.12.2011
	29.06.2009	8,397				8,397	26.06.2012
	21.12.2009	9,108				9,108	21.12.2012
	11.06.2010	28,313				28,313	11.06.2013
	14.12.2010	4,901				4,901	14.12.2013
	28.06.2011				147,826	147,826	28.06.2014
Charles Maudsley	11.06.2010	190,156	147,826			190,156	11.06.2013
	28.06.2011					147,826	28.06.2014
Graham Roberts	29.05.2008	78,448		80,733 ⁵	78,448 ³	⁴	29.05.2011
	29.06.2009	120,903			40,197 ⁵	⁴	30.06.2011
	11.06.2010	104,697			75,323 ⁵	⁴	30.06.2011
Tim Roberts	29.05.2008	60,044	73,913		60,044 ³		29.05.2011
	11.06.2010	95,078				95,078	11.06.2013
	28.06.2011					73,913	28.06.2014
Stephen Smith	11.06.2010	190,156	147,826			190,156	11.06.2013
	28.06.2011					147,826	28.06.2014

¹ The numbers of shares as at 1 April 2011 are the maximum achievable under the Long-Term Incentive Plan on maximum outperformance of the Plan's Performance Conditions.

² On 28 June 2011, the date of grant, the market price was 589 pence.

³ These shares were forfeited on 29 May 2011 as the Performance Target had not been met.

⁴ On 30 June 2011, the date of cessation of office.

⁵ On 30 June 2011, date of cessation of office, Graham Roberts' LTIP interests vested, subject to the attainment of the performance condition measured over the relevant shorter period and a pro rata reduction in respect of the period from date of grant to date of cessation of 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 87 of the Remuneration report).

REMUNERATION REPORT

AUDITED INFORMATION continued

(iii) Matching Share Plan

	Date of grant	Number of matching shares at 1 April 2011 ¹	Number of matching shares awarded during the year ²	Number of matching shares vesting during the year	Number of matching shares forfeited during the year	Number of matching shares at 31 March 2012	Earliest vesting date
Chris Grigg	21.05.2009 02.09.2010 24.05.2011	29,266 133,028	133,222			29,266 133,028 133,222	21.05.2012 02.09.2013
Lucinda Bell	20.05.2008 24.05.2011	9,524	26,968	4,762 ³	4,762 ³	26,968	20.05.2011 24.05.2014
Charles Maudsley	02.09.2010 24.05.2011	7,360	56,618			7,360 56,618	02.09.2013 24.05.2014
Graham Roberts	20.05.2008 21.05.2009 02.09.2010	22,862 39,286 48,638		11,431 ³ 10,628 ⁵ 20,250 ⁵	11,431 ³ 28,658 ⁵ 28,388 ⁵	4 4 4	20.05.2011 30.06.2011 30.06.2011
Tim Roberts	20.05.2008 21.05.2009 02.09.2010 24.05.2011	33,344 50,746 55,428	56,618	16,672 ³	16,672 ³	50,746 55,428 56,618	20.05.2011 21.05.2012 02.09.2013 24.05.2014
Stephen Smith	02.09.2010 24.05.2011	10,866	56,618			10,866 56,618	02.09.2013 24.05.2014

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 24 May 2011, the date of grant, the market price was 571.5 pence.

³ On 23 May 2011 as the EPS Performance Target had not been met, all the Shares awarded under the EPS part lapsed. As the TSR Performance Target had been fully met, all the shares under the TSR part vested. The market price on the day of grant had been 659.96p, and on the date of vesting was 576.14p, realising a notional gain of £27,436 for Lucinda Bell, £65,859 for Graham Roberts and £96,054 for Tim Roberts. Lucinda Bell retained 2,277 Shares, the other shares were sold.

⁴ On 30 June 2011, the date of cessation of office.

⁵ On 30 June 2011, date of cessation of office, Graham Roberts' MSP interests vested, subject to the attainment of the Performance Conditions measured over the relevant shorter period and a pro rata reduction in respect of the period from date of grant to date of cessation of 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 and 2011 the Performance Targets are the TSR target, and a target that compares the Group's annual like-for-like rental growth over three years against the Gross Income Growth of the Investment Property Databank Benchmark (see pages 86 and 87 of the Remuneration report).

(iv) Recruitment awards

Four awards have been made in order to facilitate the recruitment of Chris Grigg in 2009 and Stephen Smith and Charles Maudsley in 2010.

	Date of grant	Number of shares at 1 April 2011 ¹	Number of shares granted during the year	Number of shares vesting during the year	Number of shares forfeited during the year	Number of shares at 31 March 2012	Earliest vesting date
Chris Grigg 2009 Co-Investment Share Plan	04.04.2009	242,500		242,500 ²			12.01.2012
Charles Maudsley 2010 Restricted Share Plan	30.03.2010	53,125		53,125 ³			01.02.2012
Charles Maudsley 2010 Co-Investment Share Plan	30.03.2010	53,517				53,517	01.02.2013
Stephen Smith 2010 Co-Investment Share Plan	31.03.2010	85,328				85,328	04.01.2013

¹ The number of shares shown above is the maximum awards achievable under the Plans subject to continued employment at the vesting date, and for the Stephen Smith 2010 Co-investment Share Plan and the Charles Maudsley 2010 Co-investment Share Plan on maximum outperformance of the Plans' Performance Targets.

² On 9 February 2012 these shares vested as all the conditions of the Plan had been satisfied. The market price on the day of grant had been 330.5p, and on the date of vesting was 492p, realising a notional gain of £1,193,100. Chris Grigg retained 116,064 shares.

³ On 9 February 2012 these shares vested as all the conditions of the Plan had been satisfied. The market price on the day of grant had been 478.5p, and on the date of vesting was 492p, realising a notional gain of £261,375. Charles Maudsley retained 25,410 shares.

Chris Grigg 2009 Co-Investment Share Plan

The Committee made Chris Grigg a one-off non-pensionable grant of 242,500 British Land shares on 4 March 2009. This award was conditional on the acquisition by him, on the same day, of a matching number of shares and required the subsequent retention of those shares until 12 January 2012 and his continued employment. The award vested on 9 February 2012.

Charles Maudsley 2010 Restricted Share Plan

The Committee made Charles Maudsley a one-off grant of 170,002 British Land shares on 30 March 2010. 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 remaining 53,125 shares under the award vested on 9 February 2012.

Charles Maudsley 2010 Co-Investment Share Plan

Charles Maudsley was also made a one-off grant of 53,517 British Land shares on 30 March 2010. 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 him 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 announced on 2 May 2012, that it would, from the first quarter FY2013, no longer publish full reports with quarterly valuations. In consequence the Remuneration Committee will receive a report from the Company advising on the estimated movement of NAV from the September 2012 valuation to the 31 December 2012 performance measurement date.

Stephen Smith 2010 Co-Investment Share Plan

The Committee made Stephen Smith a one-off grant of 85,328 British Land shares on 31 March 2010. 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 him 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 announced on 2 May 2012, that it would, from the first quarter FY2013, no longer publish full reports with quarterly valuations. In consequence the Remuneration Committee will receive a report from the Company advising on the estimated movement of NAV from the September 2012 valuation to the 31 December 2012 performance measurement date.

The British Land Share Ownership Plan

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 on 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 Schemes' 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 employees' 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. Dividend distributions in the year arising from the above Schemes totalled £154,476 to Chris Grigg, £3,534 to Lucinda Bell, £24,172 to Charles Maudsley, £8,483 to Graham Roberts and £12,372 to Tim Roberts.

Directors' pension benefits for the year ended 31 March 2012

Three Executive Directors, Lucinda Bell, Graham Roberts and Tim Roberts, earned pension benefits in schemes sponsored by the Company during the year. Chris Grigg receives a sum equal to 35% of basic salary in lieu of pension contributions, which for the year amounted to £280,000 (FY2011: £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 (FY2011: £63,750 each Director), of which £13,750 (FY2011: £nil) to Charles Maudsley was paid as cash, in lieu of a pension contribution.

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. Graham Roberts opted to have part of his benefits in excess of the lifetime allowance and annual allowance provided in this manner. The Remuneration Committee has adopted 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 £50,000 a year.
- 2 Provide the contractual promise in excess of this annual amount either by means of an Employer Financed Retirement Benefit Scheme (EFRBS) 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 overleaf provide the details of Directors' pensions necessary to satisfy the two sets of requirements.

REMUNERATION REPORT

AUDITED INFORMATION continued

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 ¹ £	Increase in transfer value less Director's contributions paid during the year £
Lucinda Bell	47	72,300	5,900	78,200	1,200,100	1,677,000	476,900
Graham Roberts	53	138,600	4,600	143,200	3,002,400	3,847,900	845,500
Tim Roberts	47	53,000	5,500	58,500	935,800	1,342,700	406,900

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 (in excess of inflation) ¹ £	Premiums paid in respect of life cover £
Lucinda Bell	47	72,300	2,100	78,200	45,800	1,539
Graham Roberts	53	138,600	(2,700)	143,200	(72,200)	2,759
Tim Roberts	47	53,000	2,700	58,500	63,000	2,643

¹ See note 6 below.

Notes

- 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.
- The pension equivalent shown above for Tim Roberts and Lucinda Bell are a mixture of pension from the Registered Scheme and EFRBS.
- Graham Roberts had a contractual entitlement of a pension of two thirds of Final Pensionable Salary accrued uniformly from the date his employment with British Land started to 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's contractual promise is now being met by the unfunded EFRBS arrangement.
- 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 the basis used for setting commutation factors in the British Land Group of Companies Pension Scheme has been used.
- 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.
- Graham Roberts stepped down as a Director on 30 June 2011 but as part of his exit terms pension will continue to accrue up to 30 June 2012. The transfer amount as shown in the disclosures is calculated as at 31 March 2012 but only allows for the pension he accrued to the point he stepped down as a Director on 30 June 2011.
The pension accrued up to 31 March 2012 was £157,100 and the Transfer Value of his accrued pension at this date was £4,222,900. As such the increase in accrued pension in excess of inflation during the year was £11,300 and the Transfer Value of his additional pension (in excess of inflation) was £302,800.
- The following is additional information relating to Directors' pensions for those included in the above table:
 - Normal retirement age for pension arrangements is age 60.
 - Members of the Scheme were not required to pay contributions during the year.
 - Retirement may take place at any age after 55 subject to the consent of both the Company and the Trustees of the Scheme. Pensions may be reduced to allow for their earlier payment.
 - 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.
 - In payment, pensions are guaranteed to increase each year in line with the increase in the Retail Prices Index (RPI) subject to a maximum of 5%. For consistency with the registered scheme transfer basis, the values in this Report have been calculated based on full RPI to reflect the potential for future discretionary pension increases awarded by the Trustees.
 - Consistent with the approach taken in last year's disclosures, deferred pensions are assumed to increase in line with RPI in the period before retirement.
- The premiums paid, disclosed in the table above, are in respect of registered and excepted life insurance cover.
- All pension amounts and transfer values disclosed in this Report have been rounded to the nearest £100.

This Report was approved by the Board on 20 May 2012.



Lord Turnbull

Chairman of the Remuneration Committee

ADDITIONAL DISCLOSURES

Reappointment of Directors

The Directors listed on the Board of Directors pages 70 and 71 constituted the Board during the year, save that Graham Roberts resigned from the Board on 30 June 2011 and William Jackson was appointed on 11 April 2011. In accordance with best practice under the UK Corporate Governance Code 2010, all the Directors will retire at the AGM and will offer themselves for annual re-election.

Purchase of own shares

The Company was granted authority at the Annual General Meeting in 2011 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 during the year by fully paid issues as follows:

		Number of ordinary shares of 25p
01 April 2011 to 06 January 2012	Shares in lieu of Directors' fees	13,704
31 May 2011 to 09 February 2012	On exercise of options under the Long-Term Incentive Plan (LTIP)	63,458
01 September 2011 to 22 December 2011	On exercise of options under the Sharesave Scheme	3,844
13 May 2011 and 12 August 2011	Scrip Allotment	3,076,334

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 (FY2011: 29) suppliers' days outstanding.

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 20 May 2012, 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	5.95%
APG Algemene Pensioen Groep N.V.	44,622,274	5.02%
Norges Bank	44,613,278	5.02%
Government of Singapore Investment Corporation Pte Limited	42,014,236	4.73%
Legal and General Group PLC	34,283,631	3.86%

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:

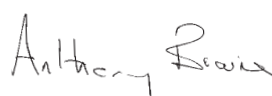
- ▶ so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- ▶ the Director has taken all the steps that he/she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information and to establish that 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 13 July 2012, at 11.00 am.

This Report was approved by the Board on 20 May 2012.



Anthony Braine
Secretary
20 May 2012

DIRECTORS' RESPONSIBILITY 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; and
- ▶ 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; and
- ▶ make an assessment of the Company's ability to continue as a going concern.

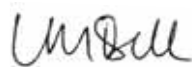
The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies 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; and
- ▶ 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.



Lucinda Bell
Finance Director
20 May 2012

FINANCIAL STATEMENTS AND OTHER INFORMATION

Financial statements

- 100 Consolidated income statement
- 101 Consolidated balance sheet
- 102 Consolidated statement of comprehensive income
- 103 Consolidated statement of cash flows
- 104 Consolidated statement of changes in equity
- 105 Notes to the accounts
- 133 Report of the auditor
- 134 Supplementary disclosures
- 140 Company balance sheet
- 146 Report of the auditor
- 147 Ten year record

Other information

- 148 Shareholder information
 - Financial calendar
 - Analysis of shareholders
- 150 Glossary of terms

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2012

	Note	2012			2011		
		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	332		332	298		298
Net rental and related income	3	286		286	255		255
Fees and other income	4	16		16	15		15
Amortisation of intangible assets						(10)	(10)
Joint ventures and funds (see also below)		113	69	182	117	264	381
Administrative expenses		(69)		(69)	(61)		(61)
Net valuation movement (includes result on disposals)	6		143	143		321	321
Net financing costs – financing income	7	24	2	26	29	3	32
– financing charges	7	(101)	(4)	(105)	(99)	(4)	(103)
		(77)	(2)	(79)	(70)	(1)	(71)
Profit on ordinary activities before taxation		269	210	479	256	574	830
Taxation – current tax expense	8		(2)	(2)		(2)	(2)
– deferred tax income	8		3	3		12	12
			1	1		10	10
Profit for the year after taxation attributable to shareholders of the Company				480			840
Earnings per share – basic	2			54.1p			95.7p
– diluted	2			53.8p			95.2p

¹ As defined in note 2.

All results derive from continuing operations.

	Note	2012			2011		
		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		113		113	117		117
Net valuation movement (includes result on disposals)			72	72		270	270
Non-recurring items			(3)	(3)			
Current tax expense			(1)	(1)		(3)	(3)
Deferred tax income (expense)			1	1		(3)	(3)
	12	113	69	182	117	264	381

¹ As defined in note 2.

CONSOLIDATED BALANCE SHEET

As at 31 March 2012

	Note	2012 £m	2011 £m
ASSETS			
Non-current assets			
Investment and development properties	11	5,346	4,752
Owner-occupied property	11	41	38
		5,387	4,790
Other non-current assets			
Investments in joint ventures and funds	12	2,191	2,066
Other investments	13	28	51
		7,606	6,907
Current assets			
Trading properties	11	47	
Debtors	14	168	90
Liquid investments	18	200	203
Cash and short-term deposits	18	137	60
		552	353
Total assets		8,158	7,260
LIABILITIES			
Current liabilities			
Short-term borrowings and overdrafts	18	(49)	(319)
Creditors	15	(376)	(333)
		(425)	(652)
Non-current liabilities			
Debentures and loans	18	(2,572)	(1,620)
Other non-current liabilities	16	(25)	(23)
Deferred tax liabilities	17	(32)	(35)
		(2,629)	(1,678)
Total liabilities		(3,054)	(2,330)
Net assets		5,104	4,930
Equity			
Share capital		225	224
Share premium		1,237	1,237
Other reserves		(164)	(68)
Retained earnings		3,806	3,537
Total equity attributable to shareholders of the Company		5,104	4,930
EPRA NAV per share¹	2	595p	567p

¹ As defined in note 2.

Chris Gibson-Smith
Chairman

Lucinda Bell
Finance Director

Approved by the Board and authorised for issue on 20 May 2012.

Company number 621920

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2012

	2012 £m	2011 £m
Profit for the year after taxation	480	840
Other comprehensive income:		
(Losses) gains on cash flow hedges		
– Group	(65)	(13)
– Joint ventures and funds	(50)	18
	(115)	5
Transferred to the income statement (cash flow hedges)		
– foreign currency derivatives		6
– interest rate derivatives	18	14
	18	20
Exchange differences on translation of foreign operations		
– hedging and translation	9	
– other	(8)	
Net actuarial loss on pension scheme	(3)	(2)
Other comprehensive (loss) income for the year	(99)	23
Total comprehensive income for the year attributable to shareholders of the Company	381	863

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2012

	Note	2012 £m	2011 £m
Rental income received from tenants		271	227
Fees and other income received		21	21
Operating expenses paid to suppliers and employees		(81)	(66)
Cash generated from operations		211	182
Interest paid		(89)	(96)
Interest received		17	19
UK corporation tax received		3	
Distributions and other receivables from joint ventures and funds		64	105
Net cash inflow from operating activities		206	210
Cash flows from investing activities			
Development and other capital expenditure		(106)	(62)
Purchase of investment properties		(382)	(379)
Sale of investment properties		59	68
Purchase of investments		(22)	
Deferred consideration received		12	22
Loans repaid by Broadgate joint venture			220
Investment in and loans to joint ventures and funds		(110)	(123)
Capital distributions received from joint ventures and funds			12
Indirect taxes received in respect of investing activities		2	2
Net cash outflow from investing activities		(547)	(240)
Cash flows from financing activities			
Dividends paid	20	(212)	(139)
Movement in other financial liabilities		(4)	(14)
Increase in bank and other borrowings	18	634	171
Net cash inflow from financing activities		418	18
Net increase (decrease) in cash and cash equivalents		77	(12)
Cash and cash equivalents at 1 April		60	72
Cash and cash equivalents at 31 March		137	60
Cash and cash equivalents consists of:			
Cash and short-term deposits	18	137	60

OVERVIEW

UNDERSTANDING STRATEGY

OUR PERFORMANCE

GOVERNANCE

FINANCIAL STATEMENTS AND OTHER INFORMATION

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2012

	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 2011	224	1,237	(34)	(34)	3,537	4,930
Profit for the year after taxation					480	480
Losses on cash flow hedges			(65)			(65)
Joint ventures and funds revaluations				(50)		(50)
Reclassification of losses on cash flow – interest rate derivatives			18			18
Exchange differences on translation of foreign operations			9	(8)		1
Net actuarial loss on pension schemes					(3)	(3)
Other comprehensive loss			(38)	(58)	(3)	(99)
Total comprehensive (loss) income for the year			(38)	(58)	477	381
Share issues	1					1
Adjustment for share and share option awards					5	5
Dividends payable in year (26.0p per share)					(231)	(231)
Adjustment for scrip dividend element					18	18
Balance at 31 March 2012	225	1,237	(72)	(92)	3,806	5,104
Balance at 1 April 2010	220	1,241	(38)	(52)	2,837	4,208
Profit for the year after taxation					840	840
Losses on cash flow hedges			(13)			(13)
De-designation of cash flow hedges			(3)		3	
Joint ventures and funds revaluations				18		18
Reclassification of losses on cash flow – 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 in year (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

¹ Refer to note 21.

NOTES TO THE ACCOUNTS

1 BASIS OF PREPARATION

The financial statements for the year ended 31 March 2012 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 2011, with the exception of the following which have had no effect on the financial statements:

- ▶ IAS 24 (revised 2009) – Related Party Disclosures;
- ▶ Amendment to IFRS 2 – Share Based Payments; and
- ▶ Amendment to IFRS 7 – Financial Instruments Disclosures.

Standards and interpretations not effective for the current accounting period were:

- ▶ IFRS 9 – Financial Instruments;
- ▶ IFRS 10 – Consolidated Financial Statements;
- ▶ IFRS 11 – Joint Arrangements;
- ▶ IFRS 12 – Disclosure of Interests in Other Entities;
- ▶ IFRS 13 – Fair Value Measurement;
- ▶ IAS 1 (amended) – Presentation of Items of Other Comprehensive Income;
- ▶ IAS 12 (amended) – Deferred Tax: recovery of underlying assets;
- ▶ IAS 19 (revised) – Employee Benefits;
- ▶ IAS 27 (revised) – Separate Financial Statements; and
- ▶ IAS 28 (revised) – Investments in Associates and Joint Ventures.

The Directors do not expect that the adoption of the standards listed above will have a material impact on the financial statements of the Group in future periods except as follows:

- ▶ IFRS 9 will impact both the measurement and disclosures of financial instruments;
- ▶ IFRS 12 will impact the disclosure of interests the Group has in other entities;
- ▶ IFRS 13 will impact the disclosure of fair value measurements; and
- ▶ IAS 19 (revised) will impact the measurement of the various components representing movements in the defined benefit pension obligation.

Critical accounting judgements are disclosed in the relevant section of the Annual Report, see page 64. 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 those that would have a significant impact on the financial statements is considered, by the nature of the 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 76.

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 the basis of fair value at the balance sheet date. Investment and owner-occupied properties are recorded at valuation whereas trading properties are stated at the lower of cost and net realisable value.

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 for owner-occupied and trading properties are 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.

NOTES TO THE ACCOUNTS continued

1 BASIS OF PREPARATION continued

Properties continued

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.

Where properties held for investment are appropriated to trading stock, they are transferred at market value. If properties held for trading are appropriated to investment, they are transferred at book value.

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.

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 debtors and creditors 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 premia 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.

1 BASIS OF PREPARATION *continued*

Employee costs *continued*

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

	2012		2011	
	Earnings £m	Pence per share	Earnings £m	Pence per share
Earnings per share (diluted)				
Underlying pre-tax profit – income statement	269		256	
Tax charge relating to underlying profit	(4)		(5)	
Underlying earnings per share	265	29.7p	251	28.5p
Mark-to-market on liquid investments (held for trading assets)	(3)		8	
Non-recurring items ¹	(3)		(4)	
EPRA earnings per share	259	29.0p	255	28.9p
Profit for the year after taxation	480	53.8p	840	95.2p

¹ Non-recurring items in the year ended 31 March 2012 of £3m relate to the debt break costs in HUT and for the year ended 31 March 2011 £4m relate to fair value adjustments on the buy-back of Group debentures.

The European Public Real Estate Association (EPRA) issued Best Practices Recommendations most recently in October 2010, which gives guidelines for performance measures. The **EPRA earnings measure** excludes investment property revaluations and gains or losses on disposals, intangible asset movements and their related taxation. A summary of the EPRA Performance Measures is provided in Table B within the Supplementary Disclosures, see page 136.

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: 887m (2011: 878m); diluted for the effect of share options: 892m (2011: 882m). Basic undiluted earnings per share for the year was 54.1p (2011: 95.7p). Earnings per share shown in the table above are diluted.

	31 March 2012 £m	31 March 2011 £m
Net Asset Value (NAV) (diluted)		
Balance sheet net assets	5,104	4,930
Deferred tax arising on revaluation movements	31	37
Mark-to-market on effective cash flow hedges and related debt adjustments	189	89
Dilution effect of share options	57	45
EPRA NAV	5,381	5,101
EPRA NAV per share	595p	567p

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 2012, the number of shares in issue was: basic: 888m (2011: 885m); diluted for the effect of share options: 904m (2011: 899m).

Total accounting return per share for the year ended 31 March 2012 of 9.5% includes dividends paid of 26p (see note 20) in addition to the increase in EPRA NAV of 28p. Total accounting return per share for the year ended 31 March 2011 was 17.7%.

NOTES TO THE ACCOUNTS continued

3 GROSS AND NET RENTAL AND RELATED INCOME

	2012 £m	2011 £m
Rent receivable	259	227
Spreading of tenant incentives and guaranteed rent increases	41	32
Surrender premia		3
Gross rental income	300	262
Service charge income	32	36
Gross rental and related income	332	298
Service charge expenses	(32)	(36)
Property operating expenses	(14)	(7)
Net rental and related income	286	255

The cash element of net rental income recognised during the year ended 31 March 2012 from properties which were not subject to a security interest was £126m (2011: £81m). Property operating expenses relating to investment properties that did not generate any rental income were £1m (2011: £1m). Contingent rents of £1m (2011: £1m) were recognised in the year.

4 FEES AND OTHER INCOME

	2012 £m	2011 £m
Management fees (from joint ventures and funds)	12	11
Other fees and commission	4	4
	16	15

5 OTHER INCOME STATEMENT DISCLOSURES

(i) Total revenue	Note	2012 £m	2011 £m
Gross rental and related income	3	332	298
Fees and other income	4	16	15
Financing income	7	26	22
Total revenue in the year		374	345

(ii) Auditor remuneration – Deloitte LLP	2012 £m	2011 £m
Audit fees		
Fees payable to the Company's auditors for the audit of the Company's annual accounts	0.2	0.2
Fees payable to the Company's auditors for the audit of the Company's subsidiaries, pursuant to legislation	0.3	0.3
Total audit fees	0.5	0.5
Audit-related assurance services	0.2	0.2
Total audit and audit-related assurance services	0.7	0.7
Other fees		
Tax advisory services	0.1	0.1
Other services	0.3	0.3
Total other fees	0.4	0.4
	1.1	1.1

(iii) Exchange gains recognised in the profit and loss account total £nil (2011: £nil).

6 NET REVALUATION GAINS ON PROPERTY AND INVESTMENTS

	2012 £m	2011 £m
Consolidated income statement		
Revaluation of properties	143	297
Result on property and investment disposals	3	20
Revaluation of investments	(3)	8
Other revaluation movements		(4)
	143	321
Share of valuation movements of joint ventures and funds	72	270
	215	591

7 NET FINANCING COSTS

	2012 £m	2011 £m
Interest payable on:		
Bank loans and overdrafts	27	8
Other loans	76	86
Obligations under finance leases	1	
	104	94
Development interest capitalised	(8)	(5)
	96	89
Interest receivable on:		
Deposits, securities and liquid investments	(17)	(15)
Loans to joint ventures		(2)
	(17)	(17)
Other finance (income) costs:		
Expected return on pension scheme assets	(7)	(7)
Interest on pension scheme liabilities	5	5
Valuation movements on translation of foreign currency debt		(5)
Hedging reserve recycling		5
Net financing expenses – underlying	77	70
Capital and other:		
Valuation movements on fair value debt	66	(3)
Valuation movements on fair value derivatives	(68)	3
Fair value adjustment on buy-back of Group debentures		4
Fair value movement on non-hedge accounted derivatives	4	(3)
Net financing costs – capital	2	1
Net financing costs	79	71
Total financing income	(26)	(32)
Total financing charges	105	103
Net financing costs	79	71

Interest on development expenditure is capitalised at a rate of 4.48% (2011: 5.20%).

NOTES TO THE ACCOUNTS continued

8 TAXATION

	2012 £m	2011 £m
Tax expense (income)		
Current tax		
UK corporation tax: 26% (2011: 28%)	2	1
Foreign tax		1
	2	2
Total current tax expense	2	2
Deferred tax on revaluations	(3)	(12)
Group total taxation (net)	(1)	(10)
Attributable to joint ventures and funds		6
Total taxation	(1)	(4)
Tax reconciliation		
Profit on ordinary activities before taxation	479	830
Less: profit attributable to joint ventures and funds	(182)	(381)
Group profit on ordinary activities before taxation	297	449
Tax on profit on ordinary activities at UK corporation tax rate of 26% (2011: 28%)	77	126
Effects of:		
REIT exempt income and gains	(70)	(121)
Tax losses and other timing differences	(8)	(15)
Group total taxation	(1)	(10)

Tax expense attributable to underlying profits for the year ended 31 March 2012 was £4m (2011: £5m). The underlying tax rate for the year ended 31 March 2012 was 1.5% (31 March 2011: 2.0%). Corporation tax payable at 31 March 2012 was £32m (2011: £30m) as stated in note 15.

9 STAFF COSTS

Staff costs (including Directors)

	2012 £m	2011 £m
Wages and salaries	41	38
Social security costs	5	5
Pension costs	5	5
Equity-settled share-based payments	12	10
	63	58

The average monthly number of employees of the Company during the year was 205 (2011: 179). The average monthly number of Group employees, including those employed directly at the Group's properties and their costs recharged to tenants, was 521 (2011: 555).

The Executive Directors are the key management personnel and their remuneration is disclosed in the Remuneration Report on pages 82 to 96.

9 STAFF COSTS *continued*

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.

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: 2011 awards

	19 December 2011	28 June 2011
Share price and exercise price at grant date	451p	575p
Option life in years	7	7
Risk free rate	1.5%	3.1%
Expected volatility	39%	41%
Expected dividend yield	6%	5%
Value per option	91p	160p

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 for the 2008, 2009 awards and Total Shareholder Return and like-for-like retail growth for 2010 and 2011, being achieved over a three-year period will be matched two for one 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 two for one by the Company. The free and matching shares are either purchased at fair value in the market or allotted 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.

NOTES TO THE ACCOUNTS continued

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 three other small pension schemes. The total net pension cost charged for the year was £5m (2011: £5m), of which £2m (2011: £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 Associates Ltd. The employer's contributions will be paid in the future at the rate recommended by the actuary of 45.2% per annum of basic salaries. The best estimate of employer contributions expected to be paid during the year to 31 March 2013 is £3m. The major assumptions used for the actuarial valuation were:

	2012 % pa	2011 % pa	2010 % pa	2009 % pa	2008 % pa
Discount rate	4.6	5.5	5.5	5.8	6.0
Salary inflation	4.7	5.2	5.4	4.4	3.4
Pensions increase	3.1	3.7	3.9	2.9	3.4
Price inflation	3.2	3.7	3.9	2.9	5.6

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 2032 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 33.9 years after retirement to age 94 if they are female.

Composition of scheme assets

	Expected return 2013 %	2012 £m	Expected return 2012 %	2011 £m
Equities	8.1	43	8.4	69
Bonds			5.5	26
Diversified Growth Funds (DGF)	5.6	64	6.5	
Other assets	2.6	2	1.5	15
Total scheme assets		109		110

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

	2012 £m	2011 £m	2010 £m	2009 £m	2008 £m
Present value of defined scheme obligations	(107)	(99)	(95)	(69)	(80)
Fair value of scheme assets	109	110	98	69	80
Irrecoverable surplus	(2)	(11)	(3)		
Asset (liability) recognised in the balance sheet					

The 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 their allocation for the Scheme at 31 March 2012.

10 PENSIONS continued

History of experience gains and losses

	2012 £m	2011 £m	2010 £m	2009 £m	2008 £m
Difference between expected and actual return on scheme assets					
Amount	(7)	4	24	(18)	(5)
Percentage of scheme assets	(6.4%)	3.3%	25.1%	26.3%	6.2%
Experience gains and losses on scheme liabilities					
Amount	2	(2)		8	(1)
Percentage of present value on scheme liabilities	(1.7%)	1.9%	0.3%	1.7%	1.2%
Changes in assumptions underlying the present value of scheme liabilities	(6)	2	(23)	8	(4)
Total actuarial loss recognised in the consolidated statement of comprehensive income ¹					
Amount ²	(3)	(2)	(2)	(2)	(10)
Percentage of present value on scheme liabilities	2.7%	2.0%	1.5%	3.0%	6.2%
Pension scheme movement for the year¹	(3)	(2)	(2)	(2)	(10)

¹ Movements stated after adjustment for irrecoverability of any surplus.

² Cumulative loss recognised in the statement of comprehensive income is £26m (2011: £23m).

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

	2012 £m	2011 £m
At 1 April	(99)	(95)
Current service cost	(3)	(3)
Past service cost		(1)
Interest cost	(5)	(5)
Actuarial losses	(6)	2
Benefits paid	6	3
At 31 March	(107)	(99)

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

	2012 £m	2011 £m
Administrative expenses: Current service cost	(3)	(3)
Past service cost		(1)
Net financing cost: Expected return on scheme assets	8	7
Interest cost	(5)	(5)
		(2)

The actual return on scheme assets was £1m (2011: £11m).

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

	2012 £m	2011 £m
At 1 April	110	98
Expected return on scheme assets	8	7
Contributions by employer	(7)	4
Actuarial gains	3	4
Benefits paid	(6)	(3)
At 31 March	108	110

NOTES TO THE ACCOUNTS continued

11 PROPERTY

Property reconciliation 12 months to 31 March 2012

	Investment and development £m	Trading £m	Owner-occupied £m	Total £m
Carrying value at 1 April 2011	4,752		38	4,790
Additions – property purchases	394			394
– development expenditure	113			113
– capitalised interest	5			5
– capital expenditure on asset management initiatives	10			10
	522			522
Depreciation			(1)	(1)
Disposals	(61)			(61)
Reclassifications	(47)	47		
Revaluations included in income statement	139		4	143
Movement in tenant incentives and contracted rent uplift balances	41			41
Carrying value at 31 March 2012	5,346	47	41	5,434
Head lease liabilities (note 16)				(20)
Total Group property portfolio valuation 31 March 2012				5,414

At 31 March 2012, the Group book value of properties of £5,414m (2011: £4,783m) comprises freeholds of £4,034m (2011: £3,724m); virtual freeholds of £107m (2011: £162m); long leaseholds of £1,273m (2011: £897m) and short leaseholds of £nil (2011: £nil). The historical cost of properties was £4,264m (2011: £3,816m).

The property valuation does not include any investment properties held under operating leases (2011: nil).

At 31 March 2012, £47m of investment properties were reclassified to trading properties as it was determined that the Group's intention was to redevelop and sell these properties.

Properties valued at £1,827m (2011: £2,850m) were subject to a security interest and other properties of non-recourse companies amounted to £49m (2011: £nil).

Included within the property valuation is £86m (2011: £76m) in respect of accrued contracted rental uplift income, against which the Group holds a provision of £5m (2011: £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 £78m (2011: £73m).

Included in investment properties are £444m of properties which are in the course of development (2011: £149m).

The Group's total property portfolio was valued by external valuers on the basis of fair value, in accordance with the RICS Valuation – Professional Standards 2012, Eighth 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/112-portfolio-valuation. A breakdown of valuations split between the Group and its share of joint ventures and funds is shown below:

	2012			2011		
	Group £m	Joint ventures and funds £m	Total £m	Group £m	Joint ventures and funds £m	Total £m
Knight Frank LLP	5,133	2,577	7,710	4,729	2,432	7,161
CB Richard Ellis	281	2,346	2,627	54	2,357	2,411
	5,414	4,923	10,337	4,783	4,789	9,572

11 PROPERTY continued

The prior year movement is shown below:

	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

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 2011	1,573	493	2,066	1,907	159	2,066
Additions	57	43	100	51	49	100
Disposals	(9)		(9)		(9)	(9)
Share of profit after taxation	189	(8)	181	181		181
Distributions and dividends: capital	(18)		(18)	(18)		(18)
revenue	(54)	(16)	(70)	(70)		(70)
Hedging and exchange movements	(51)	(8)	(59)	(59)		(59)
At 31 March 2012	1,687	504	2,191	1,992	199	2,191

PREF, a fund owning a portfolio of retail property in Europe (in which British Land has as a net investment of £96m), had a €173m syndicated bank loan of which €61m was refinanced in December 2011 with a new term loan in respect of assets in Spain. The remaining balance was repaid in full from a €100m loan provided by the unit holders and the utilisation of existing cash resources. A market uncertainty clause is included in the valuation report of the Portuguese properties within PREF, due to a lack of transactional evidence and uncertainty over the economic situation in that market.

At 31 March 2012, the investment in joint ventures included within the total investment in joint ventures and funds was £1,690m (2011: £1,573m).

Distributions in the year included the receipt of £14m from HUT, £1m from PREF, £1m from HIF, £18m from Public House, £19m from Tesco joint ventures, £7m from Sainsbury joint ventures, £17m from Meadowhall and £5m from Broadgate.

At 31 March 2012, the valuation of the Group's share of joint ventures and funds properties was £4,923m (2011: £4,789m); external net debt was £2,576m (2011: £2,697m) and the mark-to-market adjustment for external debt was £5m asset (2011: £104m asset).

NOTES TO THE ACCOUNTS continued

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
Partners	Blackstone Group LP funds	LSP Green Park Property Trust	J Sainsbury plc	Tesco plc
Property sector	City Offices Broadgate	Shopping Centres Meadowhall	Superstores	Superstores
Group share	50%	50%	50%	50%
Date established	November 2009	February 2009	March 2008	November 1996
Accounting period	Year ended 31 March 2012	Year ended 31 March 2012	Year ended 31 March 2012	Year ended 31 March 2012
Summarised income statements	£m	£m	£m	£m
Gross rental and related income	200	76	66	103
Net rental and related income	161	72	66	101
Other income and expenditure	(1)	(10)	(1)	(1)
Net interest payable	(97)	(43)	(32)	(60)
Underlying profit before taxation	63	19	33	40
Surplus (deficit) on revaluation	126	54	(1)	15
Disposal of fixed assets				
Non-recurring items	(4)	1		1
Profit on ordinary activities before taxation	185	74	32	56
Current tax				(1)
Deferred tax				
Profit (loss) on ordinary activities after taxation	185	74	32	55
Summarised balance sheets	£m	£m	£m	£m
Investment properties	2,900	1,502	1,276	1,866
Current assets	34	3		4
Upstream loans to joint venture shareholders				
Cash and deposits	97	25	23	41
Gross assets	3,031	1,530	1,299	1,911
Current liabilities	(166)	(42)	(36)	(175)
Bank debt falling due within one year				
Bank debt falling due after one year				(1,042)
Securitised debt	(1,853)	(787)	(632)	
Convertible loan notes				
Other non-current liabilities	(31)	(48)		
Obligations under finance leases		(5)		
Deferred tax				
Gross liabilities	(2,050)	(882)	(668)	(1,217)
Net external assets	981	648	631	694
Represented by:				
Shareholder loans	30	26	33	191
Ordinary shareholders' funds/Partners' capital	951	622	598	503
Total investment	981	648	631	694
Capital commitments	10			

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., Hercules Income Fund (HIF), the City of London Office Unit Trust (CLOUT), Auchinlea Partnership and Group adjustments. Amounts are included in this column at the relevant percentage for the Group's interest.

The Scottish Retail Property Limited Partnership	Leadenhall JV	Hercules Unit Trust	Pillar Retail Europark Fund ²	Other joint ventures and funds ³	Joint ventures and funds total Group share 2012	Joint ventures and funds total Group share 2011
Land Securities Group PLC	Oxford Properties					
Shopping Centres (Bon Accord)	City Offices Leadenhall	Retail Parks	Retail Parks			
50%	50%	41.24%	65.3019%			
March 2004	December 2010	September 2000	March 2004			
Year ended 31 March 2012	Year ended 31 March 2012	Year ended 31 March 2012	Year ended 31 March 2012			
£m	£m	£m	£m	£m	£m	£m
18		91	36	5	298	307
13		84	24	3	260	263
(1)		(3)	(3)	4	(6)	(4)
(7)		(42)	(9)	2	(141)	(142)
5		39	12	9	113	117
(6)	20	(25)	(16)	(12)	71	268
		1		1	1	2
		(8)		1	(3)	
(1)	20	7	(4)	(1)	182	387
			(1)		(1)	(3)
			1		1	(3)
(1)	20	7	(4)	(1)	182	381
£m	£m	£m	£m	£m	£m	£m
214	176	1,568	288	129	4,931	4,797
2	33	34	13	6	67	114
				14	14	30
4	2	66	17	12	146	169
220	211	1,668	318	161	5,158	5,110
(10)	(11)	(50)	(27)	(44)	(303)	(222)
			(91)	(4)	(63)	(224)
		(300)	(50)	(25)	(702)	(520)
(119)		(351)		(2)	(1,842)	(1,973)
				(5)	(45)	(75)
(12)					(9)	(16)
			(3)	(1)	(3)	(8)
(141)	(11)	(701)	(171)	(81)	(2,967)	(3,044)
79	200	967	147	80	2,191	2,066
14	175			31	266	226
65	25	967	147	49	1,925	1,840
79	200	967	147	80	2,191	2,066
1		2		19	25	24

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. All joint ventures are incorporated in the United Kingdom, with the exception of Bluebutton Properties, 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.

NOTES TO THE ACCOUNTS continued

12 JOINT VENTURES AND FUNDS continued

Operating cash flows of joint ventures and funds (Group share)

	2012 £m	2011 £m
Rental income received from tenants	277	280
Fees and other income received		3
Operating expenses paid to suppliers and employees	(28)	(30)
Cash generated from operations	249	253
Interest paid	(144)	(147)
UK corporation tax paid	(8)	(5)
Cash inflow from operating activities	97	101
Cash inflow from operating activities deployed as:		
Surplus cash retained within (distributed by) joint ventures and funds	33	(4)
Total distributed to British Land	64	105
	97	101

13 OTHER NON-CURRENT ASSETS

	2012 Other investments £m	2011	
		Other investments £m	Intangible assets £m
At 1 April	51	261	10
Additions	22		
Disposals	(44)	(209)	
Depreciation	(1)	(1)	
Amortisation			(10)
At 31 March	28	51	

At 31 March 2011 the investment in the HUT convertible bond was £43m, this was repaid during the year ended 31 March 2012. The £209m secured commercial loan to the Bluebutton joint venture was repaid in the year ended 31 March 2011.

14 DEBTORS

	2012 £m	2011 £m
Trade and other debtors ¹	86	77
Prepayments and accrued income	9	2
Interest rate derivatives ²	73	11
	168	90

¹ Included within this balance is deferred consideration of £4m (2011: £10m) 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 £10m (2011: £7m). The charge to the income statement was £1m (2011: £nil).

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:

	Total £m	Within credit terms £m	Outside credit terms but not impaired		
			0–1 month £m	1–2 months £m	More than 2 months £m
2012	86	81	5		
2011	77	56	18	1	2

15 CREDITORS

	2012 £m	2011 £m
Trade creditors	88	78
Amounts owed to joint ventures	15	55
Corporation tax	32	30
Other taxation and social security	18	16
Accruals and deferred income	131	105
Interest rate derivatives ¹	92	49
	376	333

¹ Includes contracted cash flow with a maturity greater than one year at fair value.

Trade creditors are interest-free and have settlement dates within one year. The Directors consider that the carrying amount of trade and other creditors approximates their fair value.

NOTES TO THE ACCOUNTS continued

16 OTHER NON-CURRENT LIABILITIES

	2012 £m	2011 £m
Trade and other creditors	5	11
Head leases	20	7
Non-controlling interest		5
	25	23

17 DEFERRED TAXATION

Deferred tax is calculated on temporary differences under the liability method using a tax rate of 24% (2011: 26%).

The movement on deferred tax is as shown below:

	1 April 2011 £m	Charged (credited) to income £m	31 March 2012 £m
Property and investment revaluations	31	(3)	28
Other timing differences	4		4
	35	(3)	32

	1 April 2010 £m	Charged (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

Under the REIT regime development properties which are sold within three years of completion do not benefit from tax exemption. At 31 March 2012 the value of such properties is £763m (2011: £695m) and if these properties were to be sold and tax exemption was not available the tax arising would be £30m (2011: £21m).

The deferred tax charge for the year ended 31 March 2012 includes a credit of £3m to reflect reduced deferred tax liabilities arising from the forthcoming reduction in the UK corporation tax rate to 24% (effective from 1 April 2012).

18 NET DEBT

	Footnote	2012 £m	2011 £m
Secured on the assets of the Group			
9.125% First Mortgage Debenture Stock 2020	1	37	38
6.125% First Mortgage Debenture Stock 2014	1	46	45
10.3125% First Mortgage Debenture Stock 2011	1		32
5.264% First Mortgage Debenture Bonds 2035		341	328
5.0055% First Mortgage Amortising Debentures 2035		102	103
5.357% First Mortgage Debenture Bonds 2028		322	296
6.75% First Mortgage Debenture Bonds 2020		179	170
Floating Rate Secured Loan Notes 2035			256
Loan Notes		5	5
		1,032	1,273
Unsecured			
5.50% Senior Notes 2027		98	98
6.30% Senior US Dollar Notes 2015	2	96	96
3.895% Senior US Dollar Notes 2018	3	26	
4.635% Senior US Dollar Notes 2021	3	145	
4.766% Senior US Dollar Notes 2023	3	89	
5.003% Senior US Dollar Notes 2026	3	57	
Bank loans and overdrafts		1,078	472
		1,589	666
Gross debt			
	4	2,621	1,939
Interest rate derivatives: liabilities (see note 15)		92	49
Interest rate derivatives: assets (see note 14)		(73)	(11)
		2,640	1,977
Liquid investments			
4.405% Medium Term Note 2015		(100)	(100)
4.395% Medium Term Note 2015		(100)	(103)
		(200)	(203)
Cash and short-term deposits	5	(137)	(60)
Net debt		2,303	1,714

Total borrowings where any instalments are due after five years are £104m (2011: £105m).

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

	2012 £m	2011 £m
BLD Property Holdings Ltd	83	115

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

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

4 The principal amount of gross debt at 31 March 2012 was £2,562m (2011: £1,937m). Included in this, the principal amount of secured borrowings and other borrowings of non-recourse companies was £982m (2011: £1,269m).

5 Cash and deposits not subject to a security interest amount to £132m (2011: £55m).

NOTES TO THE ACCOUNTS continued

18 NET DEBT continued

Maturity analysis of net debt

	2012 £m	2011 £m
Repayable within one year and on demand	49	319
between: one and two years	405	46
two and five years	776	543
five and ten years	422	216
ten and fifteen years	260	6
fifteen and twenty years	332	431
twenty and twenty-five years	377	378
	2,572	1,620
Gross debt	2,621	1,939
Interest rate and currency derivatives	19	38
Liquid investments	(200)	(203)
Cash and short-term deposits	(137)	(60)
Net debt	2,303	1,714

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 2012, the ratio is 44%:

- ▶ Net Borrowings are £2,470m, being the principal amount of gross debt of £2,562m plus amounts owed to joint ventures of £15m plus TPP Investments Ltd of £30m (see note 25), less the cash and short-term deposits of £137m; and
- ▶ Adjusted Capital and Reserves are £5,662m, being share capital and reserves of £5,104m (see Consolidated Statement of Changes in Equity), adjusted for £31m of deferred tax (see note 2), £338m exceptional refinancing charges (see below) and £189m mark-to-market on interest rate swaps (see note 2).

Net Unsecured Borrowings not to exceed 70% of Unencumbered Assets

At 31 March 2012, the ratio is 34%:

- ▶ Net Unsecured Borrowings are £1,463m, being the principal amount of gross debt of £2,562m plus amounts owed to joint ventures of £15m less cash and deposits not subject to a security interest of £132m less the principal amount of secured and non-recourse borrowings of £982m; and
- ▶ Unencumbered Assets are £4,267m being properties of £5,414m (see note 11) plus investments in joint ventures and funds of £2,191m (see note 12) and other investments of £228m (see balance sheet: liquid investments of £200m and other investments of £28m) less investments in joint ventures of £1,690m (see note 12) and encumbered assets of £1,876m (see note 11).

In calculating Adjusted Capital and Reserves for the purpose of the unsecured debt financial covenants, there is an adjustment of £338m 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

	2011 £m	Cash flow £m	Non-cash £m	2012 £m
Per Cash Flow Statement:				
Cash and short-term deposits	(60)	(77)		(137)
Cash and cash equivalents	(60)	(77)		(137)
Term debt (excluding overdrafts)	1,939	634	48	2,621
Fair value of interest rate derivatives	38		(19)	19
Liquid investments	(203)		3	(200)
Net debt	1,714	557	32	2,303

The Group Loan to Value (LTV) ratio at 31 March 2012 is 29.1%, being principal value of gross debt of £2,562m less cash, short-term deposits and liquid investments of £337m, divided by total Group property of £5,414m (see note 11) plus investments in joint ventures and funds of £2,191m (balance sheet) and other investments of £28m (see note 13).

	2010 £m	Cash flow £m	Non-cash £m	2011 £m
Per statement of cash flows:				
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 and currency derivatives	38			38
Liquid investments	(195)		(8)	(203)
Net debt	1,550	183	(19)	1,714

Comparison of market values and book values

	2012			2011		
	Market value £m	Book value £m	Difference £m	Market value £m	Book value £m	Difference £m
Debentures and unsecured bonds	1,540	1,538	2	1,168	1,206	(38)
Bank debt and other floating rate debt	1,089	1,083	6	733	733	
Liquid investments	(200)	(200)		(203)	(203)	
Cash and short-term deposits	(137)	(137)		(60)	(60)	
	2,292	2,284	8	1,638	1,676	(38)
Other financial (assets) liabilities:						
– interest rate derivative assets	(73)	(73)		(11)	(11)	
– interest rate derivative liabilities	92	92		49	49	
	19	19		38	38	
Total	2,311	2,303	8	1,676	1,714	(38)

Short-term debtors and creditors have been excluded from the disclosures.

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

NOTES TO THE ACCOUNTS continued

18 NET DEBT continued

Fair value hierarchy

The table below analyses financial instruments carried at fair value, by the 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).

	2012				2011			
	Level 1 £m	Level 2 £m	Level 3 £m	Total £m	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Liquid investments		(200)		(200)		(203)		(203)
Interest rate and currency derivative assets		(73)		(73)		(11)		(11)
Assets		(273)		(273)		(214)		(214)
Interest rate and currency derivative liabilities		92		92		49		49
Liabilities		92		92		49		49
Total		(181)		(181)		(165)		(165)

Categories of financial instruments

	2012 £m	2011 £m
Financial assets		
Fair value through income statement		
Held for trading – liquid investments	200	203
Derivatives in designated hedge accounting relationships	73	11
Loans and receivables		
Trade and other debtors	86	77
Cash and short-term deposits	137	60
Other investments	28	51
	524	402
Financial liabilities		
Fair value through income statement		
Held for trading – derivatives	(7)	(5)
Derivatives in designated hedge accounting relationships	(85)	(44)
Amortised cost		
Gross debt	(2,621)	(1,939)
Finance lease payable	(20)	(7)
Trade and other creditors	(93)	(89)
Amounts owed to joint ventures	(15)	(55)
	(2,841)	(2,139)
Total	(2,317)	(1,737)

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 65 to 67. 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 and floating rate bonds caused by movements in market rates of interest. At 31 March 2012 the market value of these derivatives, which have been designated as cash flow hedges under IAS 39, is a net liability of £87m (2011: liability of £38m).

The cross currency swap, which fully hedges the foreign exchange exposure on the 2015 US Private Placement, has been designated as a cash flow hedge. The market value of this is £nil (2011: asset of £1m).

The ineffectiveness recognised in the income statement on cash flow hedges in the year ended 31 March 2012 was £nil (2011: £nil).

The cash flows occur and enter into the determination of profit and loss until the maturity of the hedged debt. The table below summarises foreign currency denominated debt and variable rate debt hedged at 31 March 2012.

Cash flow hedged debt

	2012 £m	2011 £m
Outstanding: at one year	1,269	680
at two years	1,123	680
at five years		44
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 2012 the market value of these derivatives, which have been designated as fair value hedges under IAS 39, is a net asset of £72m (2011: £4m).

The cross currency swaps of the 2018/2021/2023/2026 US Private Placements fully hedge the foreign exchange exposure at an average floating rate of 146 basis points above LIBOR. These have been designated as fair value hedges of the US Private Placements.

Interest rate profile – including effect of derivatives

	2012 £m	2011 £m
Fixed rate	1,976	1,240
Variable rate (net of cash)	327	474
Net debt	2,303	1,714

All the debt is effectively Sterling denominated except for £234m (2011: £172m) of Euro debt of which £163m is at a fixed rate and the balance is floating (2011: £172m fixed). At 31 March 2012 the weighted average interest rate of the Sterling fixed rate debt is 5.27% (2011: 5.65%). The weighted average period for which the rate is fixed is 12.1 years (2011: 16.3 years). The weighted average interest rate for the Euro fixed rate debt is 4.44% (2011: 4.46%) and the weighted average period for which the rate is fixed is 4.2 years (2011: 5.2 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 86% at 31 March 2012. 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 £19m (2011: £27m decrease). Similarly, a 103 bps reduction would increase profits by £3m (2011: £4m 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.

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

NOTES TO THE ACCOUNTS continued

18 NET DEBT continued

seven year Sterling swap rate over the last ten years. At 31 March 2012 a 204 bps parallel upward shift in swap rates would increase the value of the Group's interest rate swaps by £24m (2011: £24m). A 204 bps downward shift in swap rates would reduce the value of the interest rate swap portfolio by £28m (2011: £51m). Because the interest rate swaps are matched by floating rate debt, 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 2012 position a 33% appreciation (largest annual change over the last ten years) in the Euro relative to Sterling would result in a £5m reduction (2011: £3m reduction) in reported profits.

	Assets		Liabilities	
	2012 £m	2011 £m	2012 £m	2011 £m
Euro denominated	220	162	234	172

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 2012 amounted to £137m (2011: £60m). Deposits were placed with financial institutions with A or better credit ratings.

At 31 March 2012, the fair value of all interest rate derivatives which had a positive value was £73m (2011: £11m).

At 31 March 2012, the fair value of liquid investments was £200m (2011: £203m).

At 31 March 2012, 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 £230m (2011: £123m). This represents 2.8% (2011: 1.7%) 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 £22m, of which £4m 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.

Provisions are made taking account historic credit losses and the credit worthiness of debtors.

18 NET DEBT continued

Liquidity risk management

The Group's approach to liquidity risk management is discussed in the financial policies on pages 65 to 67.

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.

	2012				
	Within one year £m	Following year £m	Three to five years £m	Over five years £m	Total £m
Debt ¹	51	405	773	1,330	2,559
Interest on debt	95	92	234	746	1,167
Derivative payments	38	38	162	413	651
Finance lease payments	1	1	3	126	131
Total payments	185	536	1,172	2,615	4,508
Derivative receipts	(26)	(25)	(171)	(412)	(634)
Net payment	159	511	1,001	2,203	3,874
Operating leases with tenants (see note 19)	265	279	833	2,884	4,261
Liquidity surplus (deficit)	106	(232)	(168)	681	387
Cumulative liquidity surplus (deficit)	106	(126)	(294)	387	

	2011				
	Within one year £m	Following year £m	Three 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	

¹ Gross debt of £2,621m (2011: £1,939m) represents the total shown, less unamortised issue costs of £15m (2011: £8m), plus the fair value adjustment arising on acquisitions and fair value hedging relationships of £77m (2011: £12m).

NOTES TO THE ACCOUNTS continued

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 £137m, of which £132m is not subject to a security interest (see footnote 5 to net debt table on page 121) and liquid investments of £200m. Further liquidity can be achieved through sales of property assets or investments and debt refinancings. The Group's property portfolio is valued externally at £5,414m (see note 11) and the share of joint ventures and funds' property is valued at £4,923m (see Table C in Supplementary disclosures). 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

	2012 £m	2011 £m
Maturity date:		
over five years		75
four and five years	825	
three and four years		586
Total facilities available for more than three years	825	661
two and three years	280	821
one and two years	100	35
within one year	35	820
Total	1,240	2,337

The above facilities are available to be drawn for Group purposes.

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:

	2012 £m	2011 £m
Less than one year	265	234
Between one and two years	279	239
Between three and five years	833	761
Between six and ten years	1,152	1,093
Between eleven and fifteen years	722	664
Between sixteen and twenty years	509	431
After twenty years	501	485
Total	4,261	3,907

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:

	2012			2011		
	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	3	3		1	1	
More than five years	125	106	19	81	74	7
Total	130	111	19	82	75	7

20 DIVIDENDS

The fourth quarter dividend of 6.6 pence per share, totalling £59m (2011: 6.5 pence per share, totalling £58m) was approved by the Board on 20 May 2012 and is payable on 10 August 2012 to shareholders on the register at the close of business on 6 July 2012.

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 4 July 2012. The Board expects to announce the split between PID and non-PID income at that time. Any 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 elect to receive dividends gross. Please refer to our website (www.britishland.com) for details.

Payment date	Dividend	PID	Non-PID	Pence per share	2012 £m	2011 £m
Current year dividends						
10.08.2012	2012 4th interim			6.60		
09.05.2012	2012 3rd interim	6.50		6.50		
17.02.2012	2012 2nd interim	6.50		6.50	58	
11.11.2011	2012 1st interim	6.50		6.50	58	
				26.10		
Prior year dividends						
12.08.2011	2011 4th interim	6.50		6.50	58	
13.05.2011	2011 3rd interim	6.50		6.50	57	
18.02.2011	2011 2nd interim	6.50		6.50		58
12.11.2010	2011 1st interim		6.50	6.50		57
				26.00		
13.08.2010	2010 4th interim		6.50	6.50		57
14.05.2010	2010 3rd interim		6.50	6.50		56
Dividends in consolidated statement of changes in equity					231	228
Dividends settled in shares					(18)	(81)
Dividends settled in cash					213	147
Timing difference relating to payment of withholding tax					(1)	(8)
Dividends in cash flow statement					212	139

21 SHARE CAPITAL AND RESERVES

	2012	2011
Number of ordinary shares in issue at 1 April	897,042,298	879,427,102
Share issues	3,157,340	17,615,196
At 31 March	900,199,638	897,042,298

At 31 March 2012 of the issued 25p ordinary shares, 1,370,161 shares were held in the ESOP trust (2011: 1,551,420), 11,266,245 shares were held as treasury shares (2011: 11,266,245) and 887,563,232 shares were in free issue (2011: 884,224,633). 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 2012, options over 13,457,720 ordinary shares were outstanding under employee share option plans. These options had a weighted average life of 7.4 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 2011	Granted	Vested but not exercised	Exercised/ vested	Lapsed	At 31 March 2012	Exercise price pence	Exercise dates	
						From		To	
Share options									
Sharesave Scheme									
22.12.05	5,312				(5,312)		666.18	01.03.11	31.08.11
03.07.06	191				(191)		834.38	01.09.11	29.02.12
22.12.06	1,084					1,084	1,024.12	01.03.12	31.08.12
30.06.08	6,460			(1,015)	(5,445)		517.03	01.09.11	29.02.12
30.06.08	6,794					6,794	517.03	01.09.13	28.02.14
30.06.09	178,800			(2,651)	(8,800)	167,349	301.00	01.09.12	28.02.13
30.06.09	150,467				(3,099)	147,368	301.00	01.09.14	28.02.15
28.06.10	50,375			(16)	(6,159)	44,200	370.00	01.09.13	28.02.14
28.06.10	46,342			(162)	(5,850)	40,330	370.00	01.09.15	29.02.16
01.07.11		38,716			(3,090)	35,626	473.00	01.09.14	28.02.15
01.07.11		24,453			(652)	23,801	473.00	01.09.16	28.02.17
	445,825	63,169		(3,844)	(38,598)	466,552			
Long-Term Incentive Plan – options vested, not exercised									
25.09.03	119,455					119,455	415.95	25.09.06	24.09.13
25.11.03	97,859			(10,895)		86,964	457.38	25.11.06	24.11.13
28.05.04	358,529			(10,862)	(16,062)	331,605	549.35	28.05.07	27.05.14
29.11.04	439,372				(22,878)	416,494	659.55	29.11.07	28.11.14
31.05.05	391,566				(18,316)	373,250	726.66	31.05.08	30.05.15
05.12.05	220,255				(8,344)	211,911	823.60	05.12.08	04.12.15
29.06.09	1,415		353,687	(32,171)		322,931	387.00	01.07.11	28.06.19
21.12.09	599		21,105	(21,704)			446.00		
11.06.10			130,282	(12,786)		117,496	447.00	01.07.11	10.06.20
14.12.10			6,910	(169)		6,741	510.00	07.10.11	27.04.12
	1,629,050		511,984	(88,587)	(65,600)	1,986,847			
Long-Term Incentive Plan – unvested options									
29.05.08	1,206,696				(1,206,696)		666.18	29.05.11	28.05.18
02.12.08	890,223				(890,223)		420.09	02.12.11	01.12.18
29.06.09	3,582,241		(353,687)		(181,416)	3,047,138	387.00	29.06.12	28.06.19
25.11.09	33,746					33,746	475.00	25.11.12	24.11.19
21.12.09	636,621		(21,105)		(23,290)	592,226	446.00	21.12.12	20.12.19
11.06.10	4,524,528		(130,282)		(859,647)	3,534,599	447.00	11.06.13	10.06.20
14.12.10	820,733		(6,910)		(207,976)	605,847	510.00	14.12.13	13.12.20
28.06.11		2,148,626			(21,303)	2,127,323	575.00	28.06.14	27.06.21
19.12.11		1,063,442				1,063,442	451.00	19.12.14	18.12.21
	11,694,788	3,212,068	(511,984)		(3,390,551)	11,004,321			
Total	13,769,663	3,275,237		(92,431)	(3,494,749)	13,457,720			
Weighted average exercise price of options (pence)	472	533		436	521	474			

21 SHARE CAPITAL AND RESERVES continued

Date of grant	At 1 April 2011	Granted	Vested	Forfeited	At 31 March 2012	Share price at grant date pence	Vesting date
Shares							
Long-Term Incentive Plan – performance shares							
29.05.08	248,835			(248,835)		666.18	29.05.11
02.12.08	119,362			(119,362)		420.09	02.12.11
29.06.09	480,394		(85,502)	(44,373)	350,519	387.00	29.06.12
25.11.09	11,467				11,467	475.00	25.11.12
21.12.09	83,642		(3,263)	(4,573)	75,806	446.00	21.12.12
11.06.10	841,175		(31,342)	(127,797)	682,036	447.00	11.06.13
14.12.10	224,610		(1,048)	(68,688)	154,874	510.00	14.12.13
28.06.11		1,033,658		(4,456)	1,029,202	575.00	28.06.14
19.12.11		263,781			263,781	451.00	19.12.14
	2,009,485	1,297,439	(121,155)	(618,084)	2,567,685		
Fund Managers Performance Plan							
14.08.08	27,093		(27,093)			748.00	14.08.11
17.06.09	174,798		(174,798)			395.50	17.06.11
17.06.09	174,802			(10,030)	164,772	395.50	17.06.12
28.05.10	351,537		(351,537)			435.00	28.05.11
28.05.10	351,537			(11,340)	340,197	435.00	28.05.12
28.05.10	351,504			(11,341)	340,163	435.00	28.05.13
21.06.11		102,695		(173)	102,522	581.90	21.06.12
21.06.11		102,695		(172)	102,523	581.90	21.06.13
21.06.11		102,695		(172)	102,523	581.90	21.06.14
	1,431,271	308,085	(553,428)	(33,228)	1,152,700		
Co-Investment Share Plans							
04.02.09	242,500		(242,500)			330.50	12.01.12
30.03.10	53,517				53,517	478.50	01.02.13
31.03.10	85,328				85,328	481.10	04.01.13
	381,345		(242,500)		138,845		
Restricted Share Plan							
30.03.10	53,125		(53,125)			470.58	01.02.12
	53,125		(53,125)				
Matching Share Plan							
20.05.08	86,970		(43,485)	(43,485)		667.83	20.05.11
21.05.09	138,940		(10,628)	(28,658)	99,654	391.00	21.05.12
01.09.10	305,896		(20,250)	(28,388)	257,258	479.60	01.09.13
24.05.11		377,226			377,226	600.50	24.05.14
	531,806	377,226	(74,363)	(100,531)	734,138		
Total	4,407,032	1,982,750	(1,044,571)	(751,843)	4,593,368		
Weighted average price of shares (pence)	450	564	421	529	493		

NOTES TO THE ACCOUNTS continued

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/unallocated		Total	
	2012 £m	2011 £m	2012 £m	2011 £m	2012 £m	2011 £m	2012 £m	2011 £m
Revenue	101	98	208	193	39	22	348	313
Net rental income	77	76	175	161	34	18	286	255
Segment assets	2,615	2,175	4,534	4,460	1,009	625	8,158	7,260
Capital expenditure	148	72	27	342	347	21	522	435

Revenue is derived from the rental of buildings, fund management and performance fees and investments. Corporate costs, including administrative, interest expenses and tax 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. Included within Other/unallocated segment assets are other investments, debtors and cash. No customer exceeds 10% of the Group's revenues.

Segment assets include the Group's investment in joint ventures and funds of £2,191m (2011: £2,066m), property assets of £5,387m (2011: £4,790m), other investments of £28m (2011: £51m), trading properties of £47m (2011: £nil), debtors of £168m (2011: £90m), liquid investments of £200m (2011: £203m) and cash of £137m (2011: £60m).

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:

	2012 £m	2011 £m
British Land (includes share of development loan facility see note 24)	470	136
Share of joint ventures (note 12)	25	12
Share of funds (note 12)	1	12
	496	160

24 RELATED PARTY TRANSACTIONS

The Company has chosen to provide a development loan facility of up to £320m to the Broadgate joint venture secured against the 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 2012, this has not yet been drawn by the joint venture, but is expected to be in the following financial year.

Details of transactions with joint ventures and funds including debt guarantees by the Group are given in notes 4 and 25. During the year the Group recognised management fees receivable from funds of £5m (2011: £5m), joint venture management fees of £7m (2011: £6m) and interest earned on the commercial loan to Bluebutton Properties of £nil (2011: £2m); this was repaid during the prior year, see note 7. Commitment fees received from Bluebutton during the year were £2m (2011: £4m).

25 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 (2011: £30m) and recourse is only to the partnership assets.

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 2012 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 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 2012 and of its profit for the year then ended;
- ▶ have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- ▶ 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 UK Corporate Governance Code specified for our review; and
- ▶ 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 2012 and on the information in the Directors' Remuneration Report that is described as having been audited.



**Richard Muschamp (Senior Statutory Auditor)
for and on behalf of Deloitte LLP**

Chartered Accountants and Statutory Auditor
London, United Kingdom
20 May 2012

SUPPLEMENTARY DISCLOSURES

TABLE A: SUMMARY INCOME STATEMENT AND BALANCE SHEET

Summary income statement based on proportional consolidation for the year ended 31 March 2012

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 2012			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	300	272	572	262	279	541
Property operating expenses	(14)	(12)	(26)	(7)	(16)	(23)
Net rental income	286	260	546	255	263	518
Administrative expenses	(69)	(7)	(76)	(61)	(7)	(68)
Fees and other income	16	1	17	15	3	18
Underlying profit before interest and taxation	233	254	487	209	259	468
Net interest	(77)	(141)	(218)	(70)	(142)	(212)
Underlying profit before taxation	156	113	269	139	117	256
Underlying earnings per share – diluted basis			29.7p			28.5p

The underlying earnings per share is calculated on underlying profit before taxation of £269m, tax attributable to underlying profits of £4m and 892m shares on a diluted basis, for the year ended 31 March 2012.

Quarterly summary

	3 months ended				Year ended 31 March 2012 £m	Year ended 31 March 2011 £m
	31 March 2012 £m	31 December 2011 £m	30 September 2011 £m	30 June 2011 £m		
Gross rental income	144	145	145	138	572	541
Property operating expenses	(6)	(6)	(8)	(6)	(26)	(23)
Net rental income	138	139	137	132	546	518
Administrative expenses	(19)	(19)	(19)	(19)	(76)	(68)
Fees and other income	6	3	4	4	17	18
Ungeared income return	125	123	122	117	487	468
Net interest	(56)	(55)	(55)	(52)	(218)	(212)
Underlying profit before taxation	69	68	67	65	269	256
Underlying tax	(1)	(1)	(1)	(1)	(4)	(5)
Underlying profit after taxation	68	67	66	64	265	251
Valuation movement	9	4	67	135	215	591
Other capital and tax (net) ¹	(3)	9	(5)	12	13	(1)
Capital and other	6	13	62	147	228	590
Total return	74	80	128	211	493	841

¹ Includes other comprehensive income, movement in dilution of share options and the movement in items excluded for EPRA NAV.

TABLE A continued

Summary balance sheet based on proportional consolidation as at 31 March 2012

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 leases and trading properties £m	EPRA net assets 2012 £m	EPRA net assets 2011 £m
Retail properties	2,949	3,380				(11)	6,318	6,295
Office properties	2,023	1,545				(6)	3,562	3,077
Other properties	462	6				(11)	457	200
Total properties	5,434	4,931				(28)	10,337	9,572
Investments in joint ventures and funds	2,191	(2,191)						
Other investments	28						28	51
Intangible assets								
Other net (liabilities) assets	(246)	(164)	57	31		28	(294)	(205)
Net debt	(2,303)	(2,576)			189		(4,690)	(4,317)
Net assets	5,104		57	31	189		5,381	5,101
EPRA NAV per share (note 2)							595p	567p

EPRA net assets movement

	Year ended 31 March 2012		Year ended 31 March 2011	
	£m	Pence per share	£m	Pence per share
Opening EPRA NAV	5,101	567p	4,407	504p
Income return	265	29p	251	29p
Capital return	228	25p	590	60p
Dividend paid	(213)	(26p)	(147)	(26p)
Closing EPRA NAV	5,381	595p	5,101	567p

SUPPLEMENTARY DISCLOSURES continued

TABLE B: EPRA PERFORMANCE MEASURES

EPRA performance measures summary table

	2012		2011	
	£m	Pence per share	£m	Pence per share
EPRA earnings	259	29.0p	255	28.9p
EPRA NAV	5,381	595p	5,101	567p
EPRA NNNNAV	5,148	569p	5,117	569p
EPRA Net Initial Yield		5.2%		5.2%
EPRA 'topped-up' Net Initial Yield		5.8%		5.8%
EPRA vacancy rate		2.4%		2.7%

Calculation of EPRA earnings and EPRA earnings per share

	2012 £m	2011 £m
Profit for the year after taxation	480	840
Exclude:		
Group – deferred tax	(3)	(12)
Joint ventures and funds – non-underlying current tax	(1)	
Joint ventures and funds – deferred tax	(1)	3
Group – net valuation movement (including result on disposals)	(146)	(313)
Joint ventures and funds – net valuation movement (including result on disposals)	(72)	(270)
Amortisation of intangible assets		10
Fair value movement on non-hedge accounted derivatives	2	(3)
EPRA earnings	259	255
Mark-to-market on liquid investments (held for trading assets)	3	(8)
Non-recurring items	3	4
Underlying earnings	265	251
	2012 Number million	2011 Number million
Weighted average number of shares	899	890
Adjustment for treasury shares	(11)	(11)
Adjustment for ESOP shares	(1)	(1)
Weighted average number of shares (basic)	887	878
Dilutive effect of share options	2	1
Dilutive effect of ESOP shares	3	3
Weighted average number of shares (diluted)	892	882
	2012 Pence	2011 Pence
Earnings per share (basic)	54.1	95.7
Earnings per share (diluted)	53.8	95.2
Underlying earnings per share (diluted)	29.7	28.5
EPRA earnings per share	29.0	28.9

TABLE B continued

Net assets per share

	2012		2011	
	£m	Pence per share	£m	Pence per share
Balance sheet net assets	5,104		4,930	
Deferred tax arising on revaluation movements	31		37	
Mark-to-market on effective cash flow hedges and related debt adjustments	189		89	
Dilution effect of share options	57		45	
EPRA NAV	5,381	595p	5,101	567p
Deferred tax arising on revaluation movements	(31)		(37)	
Mark-to-market on effective cash flow hedges and related debt adjustments	(189)		(89)	
Mark-to-market on debt	(13)		142	
EPRA NNNAV	5,148	569p	5,117	569p

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.

EPRA net initial yield and 'topped-up' net initial yield

	2012 £m	2011 £m
Investment property – wholly-owned	5,414	4,783
Investment property – share of joint ventures and funds	4,923	4,789
Less developments	(835)	(407)
Completed property portfolio	9,502	9,165
Allowance for estimated purchasers' costs	521	499
Gross up completed property portfolio valuation	10,023	9,664
Annualised cash passing rental income	531	512
Property outgoings	(8)	(8)
Annualised net rents	523	504
Rent expiration of rent-free periods and fixed uplifts ¹	57	60
'Topped-up' net annualised rent	580	564
EPRA Net Initial Yield	5.2%	5.2%
EPRA 'topped-up' Net Initial Yield	5.8%	5.8%
Including fixed/minimum uplifts received in lieu of rental growth	27	21
Total 'topped-up' net rents	607	585
Overall 'topped-up' Net Initial Yield	6.1%	6.1%
'Topped-up' net annualised rent	580	564
ERV vacant space	14	15
Reversions	(18)	(21)
Total ERV	576	558
Net Reversionary Yield	5.7%	5.8%

¹ The period over which rent-free periods expire is 3 years (2011: 3 years).

SUPPLEMENTARY DISCLOSURES continued

TABLE B continued

EPRA Net Initial Yield (NIY) basis of calculation

EPRA NIY is calculated as the annualised net rent (on a cash flow basis), divided by the gross value of the completed property portfolio. The valuation of our completed property portfolio is determined by our external valuers as at 31 March 2012, plus an allowance for estimated purchaser's costs. Estimated purchaser's costs are determined by the relevant stamp duty liability, plus an estimate by our valuers of agent and legal fees on notional acquisition. The net rent deduction allowed for property outgoings is based on our valuers' assumptions on future recurring non-recoverable revenue expenditure.

In calculating the EPRA 'topped-up' NIY, the annualised net rent is increased by the total contracted rent from expiry of rent-free periods and future contracted rental uplifts where defined as not in lieu of growth. Overall 'topped-up' NIY is calculated by adding any other contracted future uplift to the 'topped-up' net annualised rent.

The net reversionary yield is calculated by dividing the total estimated rental value (ERV) for the completed property portfolio, as determined by our external valuers, by the gross completed property portfolio valuation.

The EPRA vacancy rate is calculated as the ERV of the un-rented, lettable space as a proportion of the total rental value of the completed property portfolio.

EPRA vacancy rate

	2012 £m	2011 £m
Annualised potential rental value of vacant premises	14	15
Annualised potential rental value for the completed property portfolio	576	558
EPRA vacancy rate	2.4%	2.7%

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. Other assets within the Other/unallocated segment include other investment, debtors and cash. 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/unallocated		Total	
	2012 £m	2011 £m	2012 £m	2011 £m	2012 £m	2011 £m	2012 £m	2011 £m
Revenue								
British Land Group	101	98	208	193	39	22	348	313
Share of joint ventures and funds	100	107	197	199		3	297	309
Total	201	205	405	392	39	25	645	622
Net rental income								
British Land Group	77	76	175	161	34	18	286	255
Share of joint ventures and funds	80	84	180	179			260	263
Total	157	160	355	340	34	18	546	518
Property assets (includes head lease liabilities)								
British Land Group	2,017	1,660	2,946	2,935	451	188	5,414	4,783
Share of joint ventures and funds	1,545	1,417	3,372	3,360	6	12	4,923	4,789
Total	3,562	3,077	6,318	6,295	457	200	10,337	9,572
Other assets								
British Land Group					533	404	533	404
Share of joint ventures and funds	83	98	137	187	8	28	228	313
Total	83	98	137	187	541	432	761	717
Capital expenditure								
British Land Group	148	72	27	342	347	21	522	435
Share of joint ventures and funds	113	62	83	56			196	118
Total	261	134	110	398	347	21	718	553

Calculation of gross rental income

	3 months ended				Year ended	
	31 March 2012 £m	31 December 2011 £m	30 September 2011 £m	30 June 2011 £m	31 March 2012 £m	31 March 2011 £m
Rent receivable	135	135	135	128	533	505
Spreading of tenant incentives and guaranteed rent increases	9	10	9	10	38	32
Surrender premia			1		1	4
Gross rental income	144	145	145	138	572	541

Total accounting return

	Year ended 31 March 2012 £m	Year ended 31 March 2011 £m
Total accounting return	9.5%	17.7%

COMPANY BALANCE SHEET

Prepared in accordance with UK GAAP as at 31 March 2012

Company balance sheet

	Note	2012 £m	2011 £m
Non-current assets			
Investments and loans to subsidiaries	D	23,938	22,732
Investments in joint ventures	D	700	726
Intangible assets	D	6	9
Other investments	D	17	48
		24,661	23,515
Current assets			
Debtors	G	418	353
Liquid investments	E	200	203
Cash and short-term deposits	E	109	27
		727	583
Current liabilities			
Short-term borrowings and overdrafts	E	(50)	(288)
Creditors	H	(185)	(165)
Amounts due to subsidiaries		(18,526)	(18,010)
		(18,761)	(18,463)
Net current liabilities		(18,034)	(17,880)
Total assets less current liabilities		6,627	5,635
Non-current liabilities			
Debentures and loans	E	(2,500)	(1,547)
		(2,500)	(1,547)
Net assets		4,127	4,088
Equity			
Called up share capital	I	225	224
Share premium	J	1,240	1,240
Other reserves	J	(69)	(20)
Retained earnings	J	2,731	2,644
Equity shareholders' funds		4,127	4,088

Chris Gibson-Smith
Chairman

Lucinda Bell
Finance Director

Approved by the Board on 20 May 2012.

Company number 621920

(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 76.

► 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.

► 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.

► 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.

► 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 £298m (2011: profit £269m).

The average monthly number of employees of the Company during the year was 205 (2011: 179).

Employee costs include wages and salaries of £26m (2011: £24m), social security costs of £3m (2011: £3m) and pension costs of £4m (2011: £4m). Details of the Executive Directors' remuneration are disclosed in the Remuneration report.

Audit fees in relation to the parent company only were £0.2m (2011: £0.2m).

COMPANY BALANCE SHEET continued

Prepared in accordance with UK GAAP as at 31 March 2012

(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 2011	17,774	4,958	726	9	48	23,515
Additions	134	929	13		13	1,089
Disposals		(189)		(3)	(43)	(235)
Write back of (provision for) impairment	332		(39)		(1)	292
At 31 March 2012	18,240	5,698	700	6	17	24,661

Shares in subsidiaries are included at cost or Directors' valuation in 1977, 1995, 1997 and 1999 to 2010 inclusive; their historical cost is £22,385m (2011: £22,251). The amount of £700m (2011: £726m) includes £129m (2011: £136m) of loans and joint ventures by the Company. The Company has a 50% interest in Bluebutton Properties Limited (Jersey), 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 £25m (2011: £55m)

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)

Osnaburgh Street Limited

Stockton Retail Park Limited

Drake Circus Limited Partnership (United States)

Euston Tower Limited

The Mary Street Estate Limited

BF Propco (No 10) Limited

BL Fixed Uplift Fund Limited Partnership

1 & 4 & 7 Triton Limited

10 Brock St Limited

York House W1 Limited

(E) NET DEBT

	2012 £m	2011 £m
Secured on the assets of the Company		
5.264% First Mortgage Debenture Bonds 2035	341	328
5.0055% First Mortgage Amortising Debentures 2035	102	103
5.357% First Mortgage Debenture Bonds 2028	322	296
6.75% First Mortgage Debenture Bonds 2020	196	186
Floating Rate Secured Loan Notes 2035		256
	961	1,169
Unsecured		
5.50% Senior Notes 2027	98	98
6.30% Senior US Dollar Notes 2015 ¹	96	96
3.895% Senior US Dollar Notes 2018 ²	26	
4.635% Senior US Dollar Notes 2021 ²	145	
4.766% Senior US Dollar Notes 2023 ²	89	
5.003% Senior US Dollar Notes 2026 ²	57	
Bank loans and overdrafts	1,078	472
	1,589	666
Gross debt	2,550	1,835
Interest rate derivatives: liabilities	92	49
Interest rate derivatives: assets	(73)	(11)
	2,569	1,873
Liquid investments		
4.405% Medium Term Note 2015	(100)	(100)
4.395% Medium Term Note 2015	(100)	(103)
	(200)	(203)
Cash and short-term deposits	(109)	(27)
Net debt	2,260	1,643

1 Principal and interest on these borrowings were fully hedged into Sterling at the time of issue.

2 Principal and interest on this borrowing was fully hedged into Sterling at a floating rate at the time of issue.

Maturity analysis of net debt

	2012 £m	2011 £m
Repayable within one year and on demand	50	288
between: one and two years	406	46
two and five years	734	500
five and ten years	390	186
ten and fifteen years	260	6
fifteen and twenty years	332	431
twenty and twenty-five years	378	378
	2,500	1,547
Gross debt	2,550	1,835
Interest rate derivatives	19	38
Liquid investments	(200)	(203)
Cash and short-term deposits	(109)	(27)
Net debt	2,260	1,643

COMPANY BALANCE SHEET continued

Prepared in accordance with UK GAAP as at 31 March 2012

(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

	2012 £m	2011 £m
Trade and other debtors ¹	82	48
Amounts owed by subsidiaries	253	283
Corporation tax	4	6
Prepayments and accrued income	6	5
Interest rate derivative assets ²	73	11
	418	353

¹ Included within this balance is deferred consideration of £4m (2011: £10m) 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

	2012 £m	2011 £m
Trade creditors	25	11
Amounts due to joint ventures	9	53
Corporation tax	12	15
Other taxation and social security	4	5
Accruals and deferred income	43	32
Interest rate derivative liabilities ¹	92	49
	185	165

¹ Includes contracted cash flow with a maturity greater than one year at fair value.

(I) SHARE CAPITAL

	£m	Ordinary shares of 25p each
Issued, called and fully paid		
At 1 April 2011	224	897,042,298
Issued	1	3,157,340
At 31 March 2012	225	900,199,638

(J) SHARE CAPITAL AND RESERVES

	Share capital £m	Share premium £m	Other reserves £m	Profit and loss account £m	Total £m
At 1 April 2011	224	1,240	(20)	2,644	4,088
Share issues	1				1
Dividend paid				(231)	(231)
Adjustment for scrip dividend element				18	18
Adjustment for share and share option award				5	5
Pension scheme movements				(3)	(3)
Retained profit (loss)				298	298
Derivative valuation movement			(48)		(48)
Exchange movements on net investments			(1)		(1)
At 31 March 2012	225	1,240	(69)	2,731	4,127

The value of distributable reserves within the profit and loss account is £1,490m (2011: £1,676m).

(K) CONTINGENT LIABILITIES, CAPITAL COMMITMENTS AND RELATED PARTY TRANSACTIONS

The Company has contingent liabilities in respect of legal claims, guarantees and warranties arising in the ordinary course of business. It is not anticipated that any material liabilities will arise from the contingent liabilities.

At 31 March 2012, the Company has £414m of capital commitments (2011: £nil).

The Company has chosen to provide a development loan facility of up to £320m to the Broadgate joint venture secured against the 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 2012, this has not yet been drawn by the joint venture, but is expected to be in the following financial year.

Related party transactions are the same for the Company as for the Group. For details refer to note 24 of the consolidated financial statements.

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.

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.

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 2012 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 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 2012;
- ▶ have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- ▶ 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; and
- ▶ 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 2012.



**Richard Muschamp (Senior Statutory Auditor)
for and on behalf of Deloitte LLP**

Chartered Accountants and Statutory Auditor
London, United Kingdom
20 May 2012

TEN YEAR RECORD

The table below summarises the last ten years' results, cash flows and balance sheets. Figures for 2005 onwards 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	
	2012 £m	2011 £m	2010 £m	2009 £m	2008 £m	2007 £m ⁵	2006 £m	2005 £m	2004 £m	2003 £m
Income										
Gross rental income ¹	572	541	561	650	709	706	751	630	566	552
Net rental income	546	518	545	598	667	661	701	585	523	514
Fees and other income	17	18	15	20	40	50	50	9	6	3
Interest expense (net)	(218)	(212)	(246)	(292)	(350)	(370)	(436)	(360)	(336)	(326)
Administrative expense	(76)	(68)	(65)	(58)	(73)	(84)	(87)	(53)	(44)	(44)
Underlying profit	269	256	249	268	284	257	228	181	149	147
Exceptional costs (not included in underlying profit) ⁴				(119)		(305)	(122)	(180)		
Dividends declared	231	231	225	198	179	107	88	84	71	66
Summarised balance sheets										
Total properties at valuation ^{1,3}	10,337	9,572	8,539	8,625	13,471	16,903	14,414	12,507	10,639	9,646
Net debt	(4,690)	(4,173)	(4,081)	(4,941)	(6,413)	(7,741)	(6,684)	(6,538)	(5,397)	(4,993)
Other assets and liabilities	(266)	(298)	(51)	(297)	(122)	(300)	72	(56)	(157)	(142)
EPRA NAV/Fully diluted adjusted net assets	5,381	5,101	4,407	3,387	6,936	8,862	7,802	5,913	5,085	4,511
Cash flow movement – Group only⁷										
Cash generated from operations	211	182	248	406	477	494	455	464	381	374
Cash outflow from operations	(5)	28	(112)	(201)	(295)	(275)	(351)	(338)	(218)	(279)
Net cash inflow from operating activities	206	210	136	205	182	219	104	126	163	95
Cash (outflow) inflow from capital expenditure, investments, acquisitions and disposals	(547)	(240)	(39)	418	857	(54)	986	(527)	(186)	(271)
Equity dividends paid	(212)	(139)	(154)	(188)	(161)	(91)	(84)	(77)	(67)	(65)
Cash (outflow) inflow from management of liquid resources and financing	630	157	(485)	(58)	(830)	(11)	(1,025)	459	137	267
Increase (Decrease) in cash ⁶	77	(12)	(542)	377	48	63	(19)	(19)	47	26
Capital returns										
Growth in net assets ²	5.5%	15.7%	30.1%	(51.1%)	(21.6%)	13.6%	31.9%	15.5%	12.7%	(6.7%)
Total accounting return ⁴	9.5%	17.7%	33.5%	(61.6%)	(18.1%)	14.3%	33.2%	17.2%	14.0%	8.5%
Total accounting return – pre-exceptional	9.5%	17.7%	33.5%	(60.3%)	(18.1%)	21.3%	34.6%	20.8%	14.0%	8.5%
Per share information⁸										
Net Asset Value per share	595p	567p	504p	398p	1,114p	1,394p	1,231p	935p	808p	718p
Memorandum:										
Dividends declared in the year	26.0p	26.0p	26.0p	29.8p	29.0p	16.9p	14.1p	13.0p	12.0p	11.1p
Dividends paid in the year	26.0p	26.0p	27.3p	30.0p	26.7p	14.4p	13.3p	12.3p	11.4p	10.5p
Diluted earnings:										
Underlying earnings per share	29.7p	28.5p	28.4p	41.0p	44.3p	35.9p	29.4p	22.2p	28.6p	22.4p
IFRS earnings (loss) per share ^{4,7}	53.8p	95.2p	132.6p	(614.1p)	(251.0p)	389.4p	188.3p	104.3p	n/a	n/a

1 Including share of joint ventures and funds.

2 Represents movement in diluted EPRA NAV from 2006 onwards and adjusted diluted net assets for 2005 and before.

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 Under UK GAAP the revaluation of investment properties is not included in earnings per share.

8 Adjusted for the rights issue of 341m shares in March 2009.

SHAREHOLDER INFORMATION

FINANCIAL CALENDAR

The British Land Company PLC

FY2012

Fourth quarter ex-dividend date	4 July 2012
Fourth quarter dividend paid	10 August 2012

FY2013

First quarter Interim Management Statement announced	July 2012
First quarter ex-dividend date	October 2012
First quarter dividend paid	November 2012
Half year results announced	November 2012
Second quarter ex-dividend date	January 2013
Second quarter dividend paid	February 2013
Third quarter Interim Management Statement announced	January 2013
Third quarter ex-dividend date	April 2013
Third quarter dividend Paid	May 2013
Full year results announced	May 2013
Fourth quarter ex-dividend date	July 2013
Fourth quarter dividend Paid	August 2013

The Board will announce the availability of a Scrip Alternative for each dividend via the Regulatory News Service and on the Group's website (www.britishland.com), no later than 48 hours before each ex-dividend date. For the fourth quarter dividend of FY2012, the Board expects to announce the split between PID and non-PID income at the same time. Any Scrip Alternative will not be enhanced.

Analysis of shareholders – 31 March 2012

Range	Number of holdings	%	Balance as at 31 March 2012 ¹	%
1–1,000	7,040	56.37%	3,088,557	0.35%
1,001–5,000	3,892	31.17%	8,473,530	0.95%
5,001–20,000	745	5.97%	7,021,547	0.79%
20,001–50,000	225	1.80%	7,218,447	0.81%
50,001–Highest	586	4.69%	863,131,312	97.10%
Total	12,488	100%	888,933,393	100%

Holder name

Individual	7,543	60.40%	12,307,042	1.38%
Nominee and Institutional Investors	4,945	39.60%	876,626,351	98.62%
Total	12,488	100%	888,933,393	100%

¹ Excluding 11,266,245 shares held in Treasury.

Registrars

British Land's Share Registrars are Equiniti, who can be contacted at: Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA.

Equiniti's shareholder enquiry line is: 0871 384 2143 (calls cost 8p per minute from a BT landline, other telephone providers' costs may vary. Lines are open from 8.30am to 5.30pm, Monday to Friday).

The general enquiries number for overseas callers is: +44 (0)121 415 7047.

The Registrar's website is: www.shareview.co.uk. Registering on this site will enable you, amongst other features, to view your British Land shareholding online, to update your details 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 (operating through Capita) are Registrars of British Land's Debentures, they can be contacted at: The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU.

The bondholder enquiry line is: 0871 664 0300 (calls cost 10p per minute plus network extras. Lines are open from 9.00am 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.

Dividends

As a REIT, British Land pays Property Income Distribution ('PID') and non-Property Income Distribution ('non-PID') dividends. More information on REITs and property income distributions can be found in the glossary on page 151, or in the Shareholder Centre at www.britishland.com.

Payment of dividends

British Land dividends can be directly mandated into your bank or building society account instead of being despatched to you in paper cheque form. More information about the benefits of having dividends paid directly into your bank or building society account, and the mandate form to set this up, can be found in the Shareholder Centre of our website, at www.britishland.com.

Scrip Dividend Scheme

British Land offers Shareholders the opportunity to participate in the Scrip Dividend Scheme. This enables participating shareholders to receive shares instead of cash, when a Scrip Alternative is offered for a particular dividend. For more information and for details of how to sign up to the Scrip Dividend Scheme, please visit the Shareholder Centre at www.britishland.com.

The Dividend Reinvestment Plan ('DRIP') was suspended when the Scrip Dividend Scheme was introduced for the fourth Interim Dividend FY2009.

Website

The British Land corporate website contains a wealth of material for shareholders, including the current share price, press releases and a Shareholder Centre containing detailed information on, among other things, REITs and dividends. The website can be accessed at www.britishland.com.

Website delivery of Shareholder Communications

If you currently receive paper copies of shareholder communications, you may prefer to receive electronic copies via the British Land website instead. When a document is produced for shareholders you will receive an email containing a link directly to the new document. If you would like further information, or would like to elect for website delivery of shareholder communications, please visit www.shareview.co.uk or telephone Equiniti's shareholder enquiry line: 0871 384 2143.

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 13 July 2012, at 11.00 am.

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: +44 (0)20 7930 3737
Website: www.sharegift.org

Unsolicited Mail

On request, British Land is legally required to make its share register available to other organisations. The Mailing Preference Service is an independent organisation offering free services to help reduce the amount of unsolicited mail you receive. For more information, or to register, visit: www.mpsonline.org.uk, telephone 0845 703 4599 or write to:
The Mailing Preference Service
FREEPOST 29
LON 20771
London W1E 0ZT

Registered Office

The address of British Land's Head Office and Registered Office is:
York House
45 Seymour Street
London W1H 7LX
Telephone: +44 (0)20 7486 4466
Fax: +44 (0)20 7935 5552

GLOSSARY OF TERMS

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.

BREEAM (Building Research Establishment Environmental Assessment Method) assesses the sustainability of buildings against a range of criteria.

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).

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.

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.

CRC Energy Efficiency Scheme (previously known as the Carbon Reduction Commitment) is the UK Government's new mandatory scheme for carbon emissions reporting and pricing.

Credit rating A rating from an independent institution that assess credit worthiness or the credit risk, and provides publicly available credit ratings used by investors as well as analysts as a guide for investment decisions in regard to relative credit standing or strength. British Land is assessed by the credit rating agency Fitch. Other examples of credit rating agencies are Standard & Poor's and Moody's Investor Service.

Developer's profit is the profit on cost estimated by the valuers. The developer's profit is typically calculated by the valuers to be a percentage of the estimated total development costs, including land and notional finance costs.

Development uplift is the total increase in the value (after taking account of capital expenditure and capitalised interest) of properties held for development during the period. It also includes any developer's profit recognised by valuers in the period.

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).

EPRA is the European Public Real Estate Association, the industry body for European REITs.

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 (adding notional purchaser's costs), excluding development properties.

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 '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 (adding notional purchaser's costs), excluding development properties.

EPRA vacancy rate is the estimated market rental value (ERV) of vacant space divided by ERV of the whole portfolio, excluding developments. This is the inverse of the occupancy rate.

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.

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 and notional purchasers costs). It is based on the valuers view on ERVs, yields, letting voids and rent-frees.

Fair value is the estimated amount for which a property should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where parties had each acted knowledgeably, prudently and without compulsion.

Fair value movement An accounting adjustment to change the book value of an asset or liability to its market value.

Gearing see Loan to Value (LTV).

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.

Gross Value Added (GVA) provides a snapshot of a company's overall contribution to the UK economy, both directly through activities and indirectly through spending.

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).

Headline rent is the contracted gross rent receivable which becomes payable after all the tenant incentives in the letting have expired.

IFRS are the International Financial Reporting Standards as adopted by the European Union.

Income return is calculated as net income expressed as a percentage of capital employed over the period, as calculated by IPD.

Interest cover is the number of times net interest payable is covered by underlying profit before net interest payable and taxation.

IPD is Investment Property Databank Ltd which produces an independent benchmark of property returns.

Key Performance Indicators (KPIs) Activities and behaviours, aligned to both business objectives and individual goals, against which the performance of Land Securities employees is annually assessed. Performance measured against them is referenced in the Annual Report.

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.

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 for 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.

Loan to value (LTV) is the ratio of principal value 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 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.

Net Equivalent Yield is the weighted average income return (after allowing for 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.

Net operating costs are property operating expenses and administrative expenses net of fees and other income.

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.

Net reversionary yield is the anticipated yield, which the initial yield will rise to once the rent reaches the estimated rental value.

Occupancy rate is the estimated rental value of let units 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).

Over rented is the inverse of this.

Overall 'topped-up' Net Initial Yield is the EPRA Net 'topped-up' Initial Yield, adding all contracted uplifts to the annualised rents.

Passing rent is the gross rent, less any ground rent payable under head leases.

Planning

The 1947 Town and Country Planning Act requires all proposals, with a few exclusions, to secure planning permission from the local authority. It 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.

Portfolio valuation movement 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, expressed as a percentage of the capital value at the start of the period plus net capital expenditure.

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.

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.

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.

REIT (Real Estate Investment Trust)

The Government established REIT status in the UK in 2007 to remove tax inequalities between different real estate investors and aimed to improve overall investor access to real estate. REITs 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). This makes the tax implications of investing in REITs equivalent to 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.

Rent-free period see Tenant (or lease) incentives.

Rent reviews take place at intervals agreed in the lease (typically every five years) and their purpose is usually to adjust the rent to the current market level at the review date. For upwards only rent reviews, the rent will either remain at the same level or increase (if market rents have increased) at the review date.

GLOSSARY OF TERMS continued

Rent roll see Annualised 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.

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, Open A1 consent grants planning for any type of retail, while Restricted A1 consent places limits on the types of retail that can operate (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	Sale of food/drink and cafés (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.

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.

Tenant (or lease) incentives are incentives offered to occupiers to enter into a lease. Typically this will be an initial rent-free period, or a cash contribution to fit-out. Under accounting rules the value of lease incentives is amortised through the income statement on a straight-line basis to the earliest lease termination date.

The residual site value of a development is calculated as the estimated (net) development value, less development profit, all development construction costs, finance costs (assumed at a notional rate) of a project to completion and notional site acquisition costs. The residual is determined to be the current site value.

Total occupancy rate is the occupancy rate excluding accommodation under offer or subject to asset management.

Total Property Return is calculated as the change in capital value, less any capital expenditure incurred, plus net income, expressed as a percentage of capital employed over the period, as calculated by IPD.

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 dividends are reinvested to purchase additional units of stock.

Total Tax Contribution is a more comprehensive view of tax contributions that the accountancy-defined tax figure quoted in most financial statements. It comprises taxes and levies paid directly, as well as taxes collected from others which we administered.

Turnover rents is where all or a portion of the rent is linked to the sales or turnover of the occupier.

Under rented is the term used to describe when the contracted rent is below the estimated rental value (ERV), implying a positive reversion.

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.

Virtual freehold represents a long leasehold tenure for a period up to 999 years. A 'peppercorn', or nominal, rent is paid annually.

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.

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.

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.



Head Office and Registered Office

York House
45 Seymour Street
London
W1H 7LX
Telephone +44 (0)20 7486 4466
Fax +44 (0)20 7935 5552
www.britishland.com
info@britishland.com

Design Bostock and Pollitt Limited, London
Photography Barry Willis and Iain Crockart
Cover photograph Iain Crockart
Print Royle Print Limited

Printed on think4 bright, a carbon balanced paper made from 50% recycled fibre and 50% fibre from FSC certified sustainable forests. Produced by a mill certified to the ISO 14001 environmental management standard.





Head Office and Registered Office
York House
45 Seymour Street
London
W1H 7LX
Telephone +44 (0)20 7486 4466
Fax +44 (0)20 7935 5552

 www.britishland.com
info@britishland.com