

WE'RE BRITISH LAND

FINANCIAL STATEMENTS

OUR PERFORMANCE IS UNDERPINNED BY STRONG AND FLEXIBLE FINANCING

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CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2011

	Note	2011			2010		
		Underlying pre-tax ¹ £m	Capital and other £m	Total £m	Underlying pre-tax ¹ £m	Capital and other £m	Total £m
Gross rental and related income	3	298		298	394		394
Net rental and related income	3	255		255	337		337
Fees and other income	4	15		15	13		13
Amortisation of intangible assets			(10)	(10)		(15)	(15)
Joint ventures and funds (see also below)		117	264	381	81	398	479
Administrative expenses		(61)		(61)	(55)		(55)
Net valuation movement (includes result on disposals)	6		321	321		496	496
Net financing costs – financing income	7	29	3	32	30		30
– financing charges	7	(99)	(4)	(103)	(157)		(157)
		(70)	(1)	(71)	(127)		(127)
Profit on ordinary activities before taxation		256	574	830	249	879	1,128
Taxation – current tax (expense) income	8		(2)	(2)		24	24
– deferred tax income (expense)	8		12	12		(12)	(12)
			10	10		12	12
Profit for the year after taxation attributable to shareholders of the Company				840			1,140
Earnings per share – basic	2			95.7p			133.0p
– diluted	2			95.2p			132.6p

1 As defined in note 2.

	Note	2011			2010		
		Underlying pre-tax ¹ £m	Capital and other £m	Total £m	Underlying pre-tax ¹ £m	Capital and other £m	Total £m
Share of results of joint ventures and funds							
Underlying profit before taxation		117		117	81		81
Net valuation movement (includes result on disposals)			270	270		412	412
Non-recurring items						(9)	(9)
Current tax expense			(3)	(3)		(5)	(5)
Deferred tax expense			(3)	(3)			
	12	117	264	381	81	398	479

1 As defined in note 2.

CONSOLIDATED BALANCE SHEET

As at 31 March 2011

	Note	2011 £m	2010 £m
ASSETS			
Non-current assets			
Investment properties	11	4,752	4,126
Owner-occupied property	11	38	33
		4,790	4,159
Other non-current assets			
Investments in joint ventures and funds	12	2,066	1,594
Other investments	13	51	261
Intangible assets	13		10
		6,907	6,024
Current assets			
Debtors	14	90	105
Liquid investments	18	203	195
Cash and short-term deposits	18	60	74
		353	374
Total assets		7,260	6,398
LIABILITIES			
Current liabilities			
Short-term borrowings and overdrafts	18	(319)	(139)
Creditors	15	(333)	(332)
		(652)	(471)
Non-current liabilities			
Debentures and loans	18	(1,620)	(1,642)
Other non-current liabilities	16	(23)	(30)
Deferred tax liabilities	17	(35)	(47)
		(1,678)	(1,719)
Total liabilities		(2,330)	(2,190)
Net assets		4,930	4,208
Equity			
Share capital		224	220
Share premium		1,237	1,241
Other reserves		(68)	(90)
Retained earnings		3,537	2,837
Total equity attributable to shareholders of the Company		4,930	4,208
EPRA NAV per share¹	2	567p	504p

¹ As defined in note 2.

Chris Gibson-Smith
Chairman

Graham Roberts
Finance Director

Approved by the Board and authorised for issue on 22 May 2011.

Company number 621920

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2011

	2011 £m	2010 £m
Profit for the year after taxation	840	1,140
Other comprehensive income:		
Gains (losses) on cash flow hedges		
– Group	(13)	(6)
– Joint ventures and funds revaluations	18	(10)
	5	(16)
Transferred to the income statement (cash flow hedges)		
– foreign currency derivatives	6	6
– interest rate derivatives	14	23
	20	29
Exchange differences on translation of foreign operations		(1)
Net actuarial loss on pension scheme	(2)	(2)
Other comprehensive income for the year	23	10
Total comprehensive income for the year	863	1,150

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2011

	Note	2011 £m	2010 £m
Rental income received from tenants		227	317
Fees and other income received		21	15
Operating expenses paid to suppliers and employees		(66)	(84)
Cash generated from operations		182	248
Interest paid		(96)	(179)
Interest received		19	9
UK corporation tax paid			(3)
Distributions and other receivables from joint ventures and funds		105	61
Net cash inflow from operating activities		210	136
Cash flows from investing activities			
Development and other capital expenditure		(62)	(173)
Purchase of investment properties		(379)	(75)
Sale of investment properties		68	279
Purchase of investments			(43)
Sale of investments			13
Deferred consideration received		22	
Loans repaid by Broadgate joint venture		220	
Establishment of Broadgate joint venture			31
Investment in Shopping Centres joint venture with Tesco plc			(26)
Investment in and loans to joint ventures and funds		(123)	(56)
Capital distributions received from joint ventures and funds		12	7
Indirect taxes received (paid) in respect of investing activities		2	(4)
REIT conversion charge recovered			6
Net cash outflow from investing activities		(240)	(41)
Cash flows from financing activities			
Dividends paid		(139)	(154)
Movement in other financial liabilities		(14)	(20)
Establishment of Broadgate joint venture – cash collateral			(266)
Increase in liquid investments			(200)
Increase in bank and other borrowings		171	1
Net cash inflow (outflow) from financing activities		18	(639)
Net decrease in cash and cash equivalents		(12)	(544)
Cash and cash equivalents at 1 April		72	616
Cash and cash equivalents at 31 March		60	72
Cash and cash equivalents consists of:			
Cash and short-term deposits	18	60	74
Overdrafts			(2)
		60	72

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2011

	Share capital ¹ £m	Share premium £m	Hedging and translation reserve ¹ £m	Revaluation reserve ¹ £m	Retained earnings £m	Total £m
Balance at 1 April 2010	220	1,241	(38)	(52)	2,837	4,208
Profit for the year after taxation					840	840
Joint ventures and funds revaluations				18		18
De-designation of cash flow hedges			(3)		3	
Losses on cash flow hedges			(13)			(13)
Reclassification of losses on cash flow hedges to profit for the year after taxation						
– foreign currency derivatives			6			6
– interest rate derivatives			14			14
Net actuarial loss on pension schemes					(2)	(2)
Other comprehensive income			4	18	1	23
Total comprehensive income for the year			4	18	841	863
Share issues	4	(4)				
Adjustment for share and share option awards					6	6
Dividends payable (26.0p per share)					(228)	(228)
Adjustment for scrip dividend element					81	81
Balance at 31 March 2011	224	1,237	(34)	(34)	3,537	4,930
Balance at 1 April 2009	217	1,244	(98)	(41)	1,887	3,209
Profit for the year after taxation					1,140	1,140
Reallocation of hedging reserve on disposal			37		(37)	
Joint ventures and funds revaluations				(10)		(10)
Losses on cash flow hedges			(6)			(6)
Reclassification of losses on cash flow hedges to profit for the year after taxation						
– foreign currency derivatives			6			6
– interest rate derivatives			23			23
Exchange differences on translation of foreign operations				(1)		(1)
Net actuarial loss on pension schemes					(2)	(2)
Other comprehensive income			60	(11)	(39)	10
Total comprehensive income for the year			60	(11)	1,101	1,150
Share issues	3	(3)				
Adjustment for share and share option awards					1	1
Dividends payable (27.3p per share)					(215)	(215)
Adjustments for scrip dividend element					63	63
Balance at 31 March 2010	220	1,241	(38)	(52)	2,837	4,208

¹ Refer to note 21.

NOTES TO THE ACCOUNTS

1 BASIS OF PREPARATION

The financial statements for the year ended 31 March 2011 have been prepared on the historical cost basis, except for the revaluation of properties, investments and derivatives. The financial statements have also been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and therefore comply with Article 4 of the EU IAS Regulation.

The accounting policies used are consistent with those contained in the Group's last annual report and accounts for the year ended 31 March 2010, with the exception of the following which have had no effect on the financial statements:

- IFRS 3 (Revised) Business combinations. This standard includes comprehensive revisions on applying the acquisition method;
- IAS 27 (Revised) Consolidated and separate financial statements – consequential amendment arising from amendments to IFRS 3;
- IAS 28 (Revised) Investments in associates–consequential amendment arising from amendments to IFRS 3.

Standards and interpretations not effective for the current accounting period were: IFRS 2 Share-Based Payment – Amendments relating to group cash-settlement share-based payment transactions; IFRS 9 Financial Instruments – Classification Amendments to IFRS 7 – Transfers of financial assets.

The Directors do not expect that the adoption of these Standards and Interpretations will have a material impact on the financial statements of the Group in future periods.

Critical accounting judgements are disclosed in the relevant section of the Annual Report, see page 98. The key source of estimation and uncertainty relates to the valuation of the property portfolio and investments, where an external valuation is obtained. In accounting for net rental income, the Group is required to judge the recoverability of any income accrued and provides against the credit risk on these amounts. Other less significant assumptions include the actuarial assumptions used in calculating the Group's retirement benefit obligations, the valuation of fixed rate debt and interest rate derivatives, and the share-based payment expense. The potential for management to make judgements or estimates relating to these that would have a significant impact on the financial statements is considered, by the nature of Group business, to be limited.

Going concern

The financial statements are prepared on a going concern basis as explained in the Corporate Governance section on page 117.

Subsidiaries, joint ventures and associates (including funds)

The consolidated accounts include the accounts of The British Land Company PLC and all subsidiaries (entities controlled by British Land). Control is assumed where British Land has the power to govern the financial and operating policies of an investee entity so as to gain benefits from its activities.

The results of subsidiaries, joint ventures or associates acquired or disposed of during the year are included from the effective date of acquisition or to the effective date of disposal. Accounting practices of subsidiaries, joint ventures or associates which differ from Group accounting policies are adjusted on consolidation.

Business combinations are accounted for under the acquisition method. Any excess of the purchase price of business combinations over the fair value of the assets, liabilities and contingent liabilities acquired and resulting deferred tax thereon is recognised as goodwill. Any discount received is credited to the income statement in the period of acquisition.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Joint ventures and associates, including funds, are accounted for under the equity method, whereby the consolidated balance sheet incorporates the Group's share of the net assets of its joint ventures and associates. The consolidated income statement incorporates the Group's share of joint venture and associate profits after tax upon elimination of upstream transactions. Their profits include revaluation movements on investment properties.

Properties

Properties are externally valued on an open market basis at the balance sheet date. Investment and owner-occupied properties are recorded at valuation.

Any surplus or deficit arising on revaluing investment properties is recognised in the income statement.

Any surplus arising on revaluing owner-occupied properties above cost is recognised in equity, whereby any deficit arising in revaluation below cost is recognised in the income statement.

The cost of properties in the course of development includes attributable interest and other associated outgoings. Interest is calculated on the development expenditure by reference to specific borrowings where relevant and otherwise on the average rate applicable to short-term loans. Interest is not capitalised where no development activity is taking place. A property ceases to be treated as a development property on practical completion.

Disposals are recognised on completion: profits and losses arising are recognised through the income statement, the profit on disposal is determined as the difference between the sales proceeds and the carrying amount of the asset at the commencement of the accounting period plus additions in the period.

In determining whether leases and related properties represent operating or finance leases, consideration is given to whether the tenant or landlord bears the risks and rewards of ownership.

NOTES TO THE ACCOUNTS continued

1 BASIS OF PREPARATION continued

Intangible assets

Intangible assets, such as fund management contracts acquired through business combinations, are measured initially at fair value and are amortised on a straight-line basis over their estimated useful lives, and are subject to regular reviews for impairment.

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of the subsidiary, associate or jointly controlled entity at the time of acquisition. Goodwill is reviewed for impairment on an annual basis.

Financial assets and liabilities

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

Other investments are shown at amortised cost and held as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate.

Liquid investments are shown at fair value and treated as held for trading financial assets. Gains and losses from the changes in fair value are recorded in the income statement.

Where an investment property is held under a head lease it is initially recognised as an asset as the sum of the premium paid on acquisition and the present value of minimum ground rent payments. The corresponding rent liability to the head leaseholder is included in the balance sheet as a finance lease obligation.

Debt instruments are stated at their net proceeds on issue. Finance charges including premiums payable on settlement or redemption and direct issue costs are spread over the period to redemption, using the effective interest method.

As defined by IAS 39, cash flow and fair value hedges are carried at fair value in the balance sheet. Changes in the fair value of derivatives that are designated and qualify as effective cash flow hedges are recognised directly in the hedging reserve. Changes in the fair value of derivatives that are designated and qualify as effective fair value hedges are recorded in the income statement, along with any changes in the fair value of the hedged item that is attributable to the hedged risk. Any ineffective portion of all derivatives is recognised in the income statement.

Cash equivalents are limited to instruments with a maturity of less than three months.

Net rental income

Rental income is recognised on an accruals basis. A rent adjustment based on open market estimated rental value is recognised from the rent review date in relation to unsettled rent reviews. Where a rent-free period is included in a lease, the rental income foregone is allocated evenly over the period from the date of lease commencement to the earliest termination date.

Rental income from fixed and minimum guaranteed rent reviews is recognised on a straight-line basis over the shorter of the entire lease term or the period to the first break option. Where such rental income is recognised ahead of the related cash flow, an adjustment is made to ensure the carrying value of the related property including the accrued rent does not exceed the external valuation. Initial direct costs incurred in negotiating and arranging a new lease are amortised on a straight-line basis over the period from the date of lease commencement to the earliest termination date.

Where a lease incentive payment, including surrender premiums paid, does not enhance the value of a property, it is amortised on a straight-line basis over the period from the date of lease commencement to the earliest termination date. Upon receipt of a surrender premium for the early determination of a lease, the profit, net of dilapidations and non-recoverable outgoings relating to the lease concerned, is immediately reflected in income.

Management and performance fees

Management and performance fees receivable are recognised in the period to which they relate, except for performance fee retentions subject to clawback, which are recognised over the clawback performance period. In assessing the risk of clawback, account is taken of the unpredictability of future relative performance against the benchmark.

Taxation

Current tax is based on taxable profit for the year and is calculated using tax rates that have been enacted or substantively enacted. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are not taxable (or tax deductible).

Deferred tax is provided on items that may become taxable at a later date, on the difference between the balance sheet value and tax base value, on an undiscounted basis. On business combinations, the deferred tax effect of fair value adjustments is incorporated in the consolidated balance sheet.

Employee costs

The fair value of equity-settled share-based payments to employees is determined at the date of grant and is expensed on a straight-line basis over the vesting period based on the Group's estimate of shares or options that will eventually vest. In the case of options granted, fair value is measured by a Black-Scholes pricing model. Compensation linked to performance fees accrued by the Group is amortised over the vesting period.

Defined benefit pension scheme assets are measured using fair values; pension scheme liabilities are measured using the projected unit credit method and discounted at the rate of return of a high-quality corporate bond of equivalent term to the scheme liabilities. The net surplus (where recoverable by the Group) or deficit is recognised in full in the consolidated balance sheet. Any asset resulting from the calculation is limited to past service costs plus the present value of available refunds and reductions in future contributions to the plan.

The current service cost and gains and losses on settlement and curtailments are charged to operating profit. Past service costs are recognised in the income statement if the benefits have vested or, if they have not vested, are amortised on a straight-line basis over the period until vesting occurs. Actuarial gains and losses are recognised in full in the period in which they occur and are presented in the consolidated statement of comprehensive income.

Contributions to the Group's defined contribution schemes are expensed on the basis of the contracted annual contribution.

2 PERFORMANCE MEASURES

	2011		2010	
	Earnings £m	Pence per share	Earnings £m	Pence per share
Earnings per share (diluted)				
Underlying pre-tax profit – income statement	256		249	
Tax charge relating to underlying profit	(5)		(5)	
Underlying earnings per share	251	28.5p	244	28.4p
Mark-to-market on liquid investments (held for trading assets)	8		(5)	
Non-recurring items ¹	(4)		(9)	
EPRA earnings per share	255	28.9p	230	26.7p
Profit for the year after taxation	840	95.2p	1,140	132.6p

1 Non-recurring items in the year ended 31 March 2011 of £4m relate to fair value adjustments on the buy-back of Group debentures (2010: debt break costs of £9m were incurred in HUT).

The European Public Real Estate Association (EPRA) issued Best Practices Recommendations most recently in October 2010, which gives guidelines for performance measures. The 31 March 2010 comparatives have been presented to be in line with these recommendations. The **EPRA earnings measure** excludes investment property revaluations and gains or losses on disposals, intangible asset movements and their related taxation. A summary of the EPRA Performance Measures is provided in table B within the Supplementary Disclosures, see page 170.

Underlying earnings consists of the EPRA earnings measure, with additional company adjustments. Adjustments include mark-to-market adjustments on held for trading assets, fair value adjustments on the buy-back of debentures and debt break costs.

The weighted average number of shares in issue for the year was: basic: 878m (2010: 857m); diluted for the effect of share options: 882m (2010: 860m). Basic undiluted earnings per share for the year was 95.7p (2010: 133.0p). Earnings per share shown in the table above are diluted.

	2011 £m	2010 £m
Net asset value (NAV) (diluted)		
Balance sheet net assets	4,930	4,208
Deferred tax arising on revaluation movements	37	43
Mark-to-market on effective cash flow hedges and related debt adjustments	89	126
Dilution effect of share options	45	30
EPRA NAV	5,101	4,407
EPRA NAV per share	567p	504p

The **EPRA NAV per share** excludes the mark-to-market on effective cash flow hedges and related debt adjustments, deferred taxation on revaluations and is calculated on a fully diluted basis.

At 31 March 2011, the number of shares in issue was: basic: 885m (2010: 866m); diluted for the effect of share options: 899m (2010: 875m).

REIT total return per share for the year ended 31 March 2011 of 17.7% includes dividends paid of 26.0p (see note 20) in addition to the increase in EPRA NAV of 63p. REIT total return per share for the year ended 31 March 2010 was 33.5%.

NOTES TO THE ACCOUNTS continued

3 GROSS AND NET RENTAL INCOME

	2011 £m	2010 £m
Rent receivable	227	319
Spreading of tenant incentives and guaranteed rent increases	32	23
Surrender premia	3	
Gross rental income	262	342
Service charge income	36	52
Gross rental and related income	298	394
Service charge expenses	(36)	(52)
Property operating expenses	(7)	(5)
Net rental and related income	255	337

The cash element of net rental income recognised during the year ended 31 March 2011 from properties which were not subject to a security interest was £81m (2010: £81m). Property operating expenses relating to investment properties that did not generate any rental income were £1m (2010: £1m). Property operating expenses in the year to 31 March 2010 included a £16m credit provision release. Contingent rents of £1m (2010: £1m) were recognised in the year.

4 FEES AND OTHER INCOME

	2011 £m	2010 £m
Management fees (from joint ventures and funds)	11	7
Other fees and commission	4	6
	15	13

5 OTHER INCOME STATEMENT DISCLOSURES

(i) Total revenue	Note	2011 £m	2010 £m
Gross rental and related income	3	298	394
Fees and other income	4	15	13
Total revenue in the year		313	407

(ii) Auditor remuneration – Deloitte LLP	2011 £m	2010 £m
Fees payable to the Company's auditor for the audit of the Company's annual accounts	0.2	0.3
Fees payable to the Company's auditor and its associates for other services:		
Audit of the Company's subsidiaries pursuant to legislation	0.3	0.3
Services relating to Broadgate joint venture transaction		0.5
Other services pursuant to legislation	0.1	0.1
	0.6	1.2
Tax services	0.1	0.2
All other services	0.4	0.1
	1.1	1.5

(iii) Exchange gains recognised in the profit and loss account total £nil (2010: £2m).

6 NET REVALUATION GAINS ON PROPERTY AND INVESTMENTS

	2011 £m	2010 £m
Consolidated income statement		
Revaluation of properties	297	530
Result on property disposals	20	(18)
Revaluation of investments	8	(12)
Other revaluations and losses	(4)	(4)
	321	496
Share of valuation movement of joint ventures and funds	270	412
Net revaluation gains on property and investments	591	908

7 NET FINANCING COSTS

	2011 £m	2010 £m
Interest payable on:		
Bank loans and overdrafts	8	12
Other loans	86	146
Obligations under finance leases		1
	94	159
Development interest capitalised	(5)	(13)
	89	146
Interest receivable on:		
Deposits, securities and liquid investments	(15)	(15)
Loans to joint ventures	(2)	(3)
	(17)	(18)
Other finance (income) costs:		
Expected return on pension scheme assets	(7)	(5)
Interest on pension scheme liabilities	5	4
Valuation movements on translation of foreign currency debt	(5)	(6)
Hedging reserve recycling	5	6
Net financing expenses – underlying	70	127
Capital and other		
Valuation movements on fair value debt	(3)	1
Valuation movements on fair value derivatives	3	(1)
Fair value adjustment on buy-back of Group debentures	4	
Fair value movement on non-hedge accounted derivatives	(3)	
Net financing costs – capital	1	
Net financing costs	71	127
Total financing income	(32)	(30)
Total financing charges	103	157
Net financing costs	71	127

Interest on development expenditure is capitalised at a rate of 5.20% (2010: 5.27%).

NOTES TO THE ACCOUNTS continued

8 TAXATION

	2011 £m	2010 £m
Tax expense (income)		
Current tax		
UK corporation tax: 28% (2010: 28%)	1	2
Foreign tax	1	
	2	2
Adjustments in respect of prior years		(26)
Total current tax expense (income)	2	(24)
Deferred tax on revaluations	(12)	12
Group total taxation (net)	(10)	(12)
Attributable to joint ventures and funds	6	5
Total taxation	(4)	(7)
Tax reconciliation		
Profit on ordinary activities before taxation	830	1,128
Less: profit attributable to joint ventures and funds	(381)	(479)
Group profit on ordinary activities before taxation	449	649
Tax on profit on ordinary activities at UK corporation tax rate of 28% (2010: 28%)	126	182
Effects of:		
REIT exempt income and gains	(121)	(170)
Tax losses and other timing differences	(15)	2
Adjustments in respect of prior years		(26)
Group total taxation	(10)	(12)

Tax expense attributable to underlying profits for the year ended 31 March 2011 was £5m (2010: £5m). Corporation tax payable at 31 March 2011 was £30m (2010: £23m) as shown in note 15.

9 STAFF COSTS

Staff costs (including Directors)

	2011 £m	2010 £m
Wages and salaries	30	32
Social security costs	3	4
Pension costs	5	4
Equity-settled share-based payments	10	5
	48	45

The average monthly number of employees of the Company during the year was 179 (2010: 164). The average monthly number of Group employees, including those employed directly at the Group's properties and their costs recharged to tenants, was 555 (2010: 443).

The Executive Directors are the key management personnel and their remuneration is disclosed in the Remuneration Report on pages 120 to 129.

Staff costs

The Group's equity-settled share-based payments comprise the Long-Term Incentive Plan (LTIP), the Matching Share Plan (MSP), the Fund Managers Performance Plan (FMPP), the Share Incentive Plan (SIP), various Sharesave Plans and four recruitment schemes relating to Executive Board members.

The Company expenses an estimate of how many shares are likely to vest based on the market price at the date of grant, taking account of expected performance against the relevant performance targets and service periods.

9 STAFF COSTS continued

Long-Term Incentive Plan (LTIP)

Under the LTIP the Company may award employees a combination of performance shares and options. Both components have the same performance targets based on net asset value per share growth and a three-year service period. For both LTIP components the Company estimates the number of shares or options likely to vest and expenses that estimate over the relevant period. Performance shares are valued at the market value at the date of the award. The options are valued using a Black-Scholes model adjusted for dividends, see table below. Volatility has been estimated by taking the historical volatility in the Company's share price over a four-year period and adjusting where there are known factors that may affect future volatility. No other features of the option grant were incorporated into the measurement of fair value.

Long-Term Incentive Plan: 2010 awards

	14 December 2010	11 June 2010
Share price and exercise price at grant date	510p	447p
Option life in years	7	7
Risk free rate	3.1%	2.9%
Expected volatility	41%	43%
Expected dividend yield	5%	6%
Value per option	132p	111p

Matching Share Plan (MSP)

The MSP allows eligible employees to receive one third of their annual bonus in shares, held in trust, which following performance targets based on total shareholder return and earnings per share being achieved over a three-year period will be matched 2 for 1 by the Company. The Company expenses the estimated number of shares likely to vest over the three-year period based on the market price at the date of grant.

Fund Managers Performance Plan (FMPP)

Under the FMPP the Company may award employees a combination of cash (20% of the award) and shares based on a maximum of 30% of the annual performance fee earned by the Unit Trusts and, as agreed by shareholders in 2008, in respect of a comparative notional pool for British Land-owned portfolios. The cash is awarded following the performance year under review with the shares released over the following three years subject to clawback due to subsequent property underperformance. The Company expenses an estimate of the fair value of the award over the period to full vesting.

Other Share Plans

Under the SIP the Company gives eligible employees free shares of up to £3,000 a year. They can also purchase partnership shares for up to £1,500 a year that are matched 2 for 1 by the Company. The free and matching shares are either purchased at fair value in the market or allotted from authorised share capital and expensed at the time of allocation.

Under the Sharesave Plans eligible employees can save up to £250 a month over a three- or five-year period and use the savings to exercise an option granted at the outset at a 20% discount to the then prevailing share price. The fair value of the various options is expensed over the service period, based on a Black-Scholes model.

Awards under the four recruitment schemes are valued at the fair value of the shares at the date of grant and expensed over the period to vesting.

Movements in shares and options are given in note 21.

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 four other small pension schemes. The total net pension cost charged for the year was £5m (2010: £4m), of which £2m (2010: £2m) relates to defined contribution plans.

A full actuarial valuation of the scheme was carried out at 31 March 2009 by consulting actuaries, AON Hewitt Ltd. The employer's contributions will be paid in the future at the rate recommended by the actuary of 45.2% pa of basic salaries. The best estimate of employer contributions expected to be paid during the year to 31 March 2012 is £3m. The major assumptions used for the actuarial valuation were:

	2011 % pa	2010 % pa	2009 % pa	2008 % pa	2007 % pa
Discount rate	5.5	5.5	5.8	6.0	5.4
Salary inflation	5.2	5.4	4.4	3.4	5.4
Pensions increase	3.7	3.9	2.9	3.4	3.2
Price inflation	3.7	3.9	2.9	5.6	3.2

The mortality assumptions are based on standard mortality tables which allow for future mortality improvements. The assumptions are that a member currently aged 60 will live on average to age 90 if they are male and to age 91 if they are female. For a member who is currently 40 and retires in 2031 at age 60 the assumptions are that they will live on average for a further 33.2 years after retirement to age 93 if they are male and for a further 33.7 years after retirement to age 93 if they are female.

Composition of scheme assets

	Expected return 2011/12 %	2011 £m	Expected return 2010/11 %	2010 £m
Equities	8.4	69	8.5	61
Bonds	5.5	26	5.5	36
Diversified Growth Funds (DGF)	6.5			
Other assets	1.5	15	1.2	1
Total scheme assets		110		98

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

	2011 £m	2010 £m	2009 £m	2008 £m	2007 £m
Present value of defined scheme obligations	(99)	(95)	(69)	(80)	(70)
Fair value of scheme assets	110	98	69	80	79
Irrecoverable surplus	(11)	(3)			
Asset recognised in the balance sheet					9

The benchmark asset allocation was revised to 60% Diversified Growth Funds, 40% Equities as at 31 March 2011, and since that date the scheme assets have been reinvested in accordance with that allocation.

British Land Group of companies employs a building block approach in determining the long-term rate of return on pension plan assets. Historical markets are studied and assets with higher volatility are assumed to generate higher returns consistent with widely accepted capital market principles. The assumed long-term rate of return on each asset class is set out within this note. The overall expected rate of return on assets is then derived by aggregating the expected return for each asset class over the benchmark asset allocation for the Scheme at 31 March 2011.

10 PENSIONS continued**History of experience gains and losses**

	2011 £m	2010 £m	2009 £m	2008 £m	2007 £m
Difference between expected and actual return on scheme assets					
Amount	4	24	(18)	(5)	
Percentage of scheme assets	3.3%	25.1%	26.3%	6.2%	0.4%
Experience gains and losses on scheme liabilities					
Amount	(2)		8	(1)	4
Percentage of present value on scheme liabilities	1.9%	0.3%	1.7%	1.2%	6.1%
Changes in assumptions underlying the present value of scheme liabilities	2	(23)	8	(4)	6
Total actuarial (loss) gain recognised in the consolidated statement of comprehensive income ²					
Amount ¹	(2)	(2)	(2)	(10)	10
Percentage of present value on scheme liabilities	2.0%	1.5%	3.0%	6.2%	14.4%
Deferred taxation attributable to pension movements					(2)
Pension scheme movement for the year²	(2)	(2)	(2)	(10)	8

¹ Cumulative loss recognised in the statement of comprehensive income is £23m (2010: £21m).

² Movements stated after adjustment for irrecoverability of any surplus.

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

	2011 £m	2010 £m
At 1 April	(95)	(69)
Current service cost	(3)	(2)
Past service cost	(1)	
Interest cost	(5)	(4)
Actuarial gains (losses)	2	(23)
Benefits paid	3	3
At 31 March	(99)	(95)

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

	2011 £m	2010 £m
Administrative expenses: Current service cost	(3)	(2)
Past service cost	(1)	
Net financing cost: Expected return on scheme assets	7	5
Interest cost	(5)	(4)
	(2)	(1)

The actual return on scheme assets was £11m (2010: £29m).

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

	2011 £m	2010 £m
At 1 April	98	69
Expected return on scheme assets	7	5
Contributions by employer	4	3
Actuarial gains	4	24
Benefits paid	(3)	(3)
At 31 March	110	98

NOTES TO THE ACCOUNTS continued

11 PROPERTY

	Investment property £m	Owner- occupied £m	Total £m
Carrying value at 1 April 2010	4,126	33	4,159
Additions – property purchases	383		383
– development expenditure	43		43
– capitalised interest	3		3
– capital expenditure on asset management initiatives	6		6
	435		435
Depreciation		(1)	(1)
Disposals	(137)		(137)
Revaluations included in income statement	291	6	297
Movement in tenant incentives and contracted rent uplift balances	37		37
Carrying value at 31 March 2011	4,752	38	4,790
Head lease liabilities (note 16)			(7)
Total Group property portfolio valuation 31 March 2011			4,783

At 31 March 2011, the Group book value of properties of £4,783m (2010: £4,152m) comprises freeholds of £3,724m (2010: £3,053m); virtual freeholds of £162m (2010: £187m); long leaseholds of £897m (2010: £911m) and short leaseholds of £nil (2010: £1m). The historical cost of properties was £3,816m (2010: £3,401m).

The property valuation does not include any investment properties held under operating leases (2010: nil).

Properties valued at £2,850m (2010: £2,659m) were subject to a security interest and other properties of non-recourse companies amounted to £nil (2010: £nil).

Included within the property valuation is £76m (2010: £66m) in respect of accrued contracted rental uplift income, against which the Group holds a provision of £5m (2010: £5m). The balance arises through the IFRS treatment of leases containing such arrangements, which requires the recognition of rental income on a straight-line basis over the lease term, with the difference between this and the cash receipt changing the carrying value of the property against which revaluations are measured.

Cumulative interest capitalised against investment properties amounts to £73m (2010: £74m).

Included in investment properties are £149m of properties which are in the course of development (2010: £120m).

The Group's total property portfolio was valued by external valuers on the basis of market value, by reference to recent market evidence of transactions for similar properties, in accordance with the Appraisal and Valuation Standards, Sixth Edition, published by The Royal Institution of Chartered Surveyors. Copies of the valuation certificates of Knight Frank LLP and CB Richard Ellis can be found on the website at www.britishland.com. A breakdown of valuations split between the Group and its share of joint ventures and funds is shown below:

	2011			2010		
	Group £m	Joint ventures and funds £m	Total £m	Group £m	Joint ventures and funds £m	Total £m
Knight Frank LLP	4,729	2,432	7,161	4,136	2,210	6,346
CB Richard Ellis	54	2,357	2,411	15	2,177	2,192
Directors' valuations				1		1
	4,783	4,789	9,572	4,152	4,387	8,539

11 PROPERTY continued

The prior year movement is shown below:

	Investment £m	Development £m	Owner- occupied £m	Total £m
Carrying value at 1 April 2009	5,436	358	30	5,824
Additions – property purchases	76			76
– other capital expenditure	155			155
	231			231
Depreciation			(1)	(1)
Disposals	(2,401)			(2,401)
Reclassifications:	358	(358)		
Revaluations included in income statement	526		4	530
Movement in tenant incentives and contracted rent uplift balances	(24)			(24)
Carrying value at 31 March 2010	4,126		33	4,159
Head lease liabilities (note 16)				(7)
Total Group property portfolio valuation 31 March 2010				4,152

12 JOINT VENTURES AND FUNDS**Summary movement for the year of the investments in joint ventures and funds**

	Joint ventures £m	Funds £m	Total £m	Equity £m	Loans £m	Total £m
At 1 April 2010	1,146	448	1,594	1,508	86	1,594
Additions	186	20	206	107	99	206
Disposals	(35)		(35)	(9)	(26)	(35)
Share of profit after taxation	335	46	381	381		381
Distributions and dividends: capital	(4)	(8)	(12)	(12)		(12)
revenue	(66)	(20)	(86)	(86)		(86)
Hedging and exchange movements	11	7	18	18		18
At 31 March 2011	1,573	493	2,066	1,907	159	2,066

At 31 March 2011, the investment in joint ventures included within the total investment in joint ventures and funds was £1,573m (2010: £1,149m).

Distributions in the year include the receipt of £11m from HUT, £8m from PREF, £9m from HIF (£8m capital), £9m from BL Fraser, £34m from Tesco joint ventures, £7m from Sainsbury joint ventures and £14m from Meadowhall.

At 31 March 2011 the valuation of the Group's share of joint ventures and funds properties is £4,789m (2010: £4,387m); external net debt is £2,697m (2010: £2,660m) and the mark-to-market adjustment for external debt is £104m asset (2010: £177m asset).

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	The Scottish Retail Property Limited Partnership
Partners	Blackstone Group LP funds	LSP Green Park Property Trust	J Sainsbury plc	Tesco plc	Land Securities Group PLC
Property sector	City Offices Broadgate	Shopping Centres Meadowhall	Superstores	Superstores	Shopping Centres (Bon Accord)
Group share	50%	50%	50%	50%	50%
Date established	November 2009	February 2009	March 2008	N/A	March 2004
Accounting period	Year ended 31 March 2011	Year ended 31 March 2011	Year ended 31 March 2011	Year ended 31 March 2011	Year ended 31 March 2011
Summarised income statements	£m	£m	£m	£m	£m
Gross rental and related income	215	81	65	102	20
Net rental and related income	168	76	65	101	13
Other income and expenditure	(1)	(8)	(1)	(1)	(1)
Net interest payable	(99)	(43)	(34)	(55)	(7)
Underlying profit before taxation	68	25	30	45	5
Surplus on revaluation	197	145	58	79	1
Disposal of fixed assets			1		
Non-recurring items					
Profit on ordinary activities before taxation	265	170	89	124	6
Current tax				(2)	
Deferred tax					
Profit on ordinary activities after taxation	265	170	89	122	6
Summarised balance sheets	£m	£m	£m	£m	£m
Investment properties	2,717	1,428	1,262	1,834	213
Current assets	11	4	1	9	5
Upstream loans to joint venture shareholders	29			15	
Cash and deposits	75	23	21	34	2
Gross assets	2,832	1,455	1,284	1,892	220
Current liabilities	(127)	(34)	(27)	(117)	(18)
Commercial loan from joint venture shareholder					
Bank debt falling due within one year					
Bank debt falling due after one year				(1,041)	
Securitised debt	(1,898)	(808)	(655)		(119)
Convertible loan notes					
Other non-current liabilities		(32)			
Obligations under finance leases		(5)			(11)
Deferred tax				(4)	
Gross liabilities	(2,025)	(879)	(682)	(1,162)	(148)
Net external assets	807	576	602	730	72
Represented by:					
Shareholder loans	15		18	190	14
Ordinary shareholders' funds/Partners' capital	792	576	584	540	58
Total investment	807	576	602	730	72
Capital commitments	12				

¹ Tesco joint ventures include BLT Holdings (2010) Limited (parent of BLT Properties Limited), the Tesco British Land Property Partnership, Tesco BL Holdings Limited, Shopping Centres Limited and the Tesco Aqua Limited Partnership.

² Although the Group's ownership share is 65.30%, it does not exercise control over significant decisions. The Group therefore equity accounts for its interest in Pillar Retail Europark Fund (PREF).

³ Included in the column headed 'Other joint ventures and funds' are contributions from the following: Fareham Property Partnership, the BL Goodman Limited Partnership, the Public House Company Limited, BL Gazeley Limited, BL Canada Quays Limited, Eurofund Investments Zaragoza S.L., the City of London Office Unit Trust (CLOUT), Auchinlea Partnership, Centro Commercial Nueva Condomina Siglo XXI S.L. and Group adjustments. Amounts are included in this column at the relevant percentage for the Group's interest.

Leadenhall JV	Hercules Unit Trust	Hercules Income Fund	Pillar Retail Europark Fund ²	Other joint ventures and funds ³	Joint ventures and fund total Group share 2011	Joint venture and fund total Group share 2010
Oxford Properties						
City Offices Leadenhall	Retail Warehouses	Retail Warehouses	Retail Warehouses			
50%	38.56%	26.12%	65.30%			
December 2010	September 2000	September 2004	March 2004			
14 weeks ended 31 March 2011	Year ended 31 March 2011	Year ended 31 March 2011	Year ended 31 March 2011			
£m	£m	£m	£m	£m	£m	£m
	85	5	37	7	307	238
	78	5	22	6	263	208
	(3)	(1)	(3)	5	(4)	(8)
	(41)		(7)	(3)	(142)	(119)
	34	4	12	8	117	81
	68	(1)	1	2	268	420
				1	2	(8)
						(9)
	102	3	13	11	387	484
			(3)		(3)	(5)
				(3)	(3)	
	102	3	10	8	381	479
£m	£m	£m	£m	£m	£m	£m
101	1,588	80	321	177	4,797	4,395
74	40		10	40	114	94
				8	30	31
7	168	3	13	14	169	327
182	1,796	83	344	239	5,110	4,847
(3)	(44)	(4)	(24)	(25)	(222)	(247)
		(15)	(153)	(121)	(224)	(105)
					(520)	(179)
	(603)				(1,973)	(637)
	(194)				(75)	(2,002)
					(16)	(70)
					(8)	(1)
			(6)		(6)	(8)
						(4)
(3)	(841)	(19)	(183)	(146)	(3,044)	(3,253)
179	955	64	161	93	2,066	1,594
174				20	226	73
5	955	64	161	73	1,840	1,521
179	955	64	161	93	2,066	1,594
7	31			2	24	11

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

The borrowings of joint ventures and funds and their subsidiaries are non-recourse to the Group. Where a joint venture or fund has net liabilities, as required under IFRS, the Group does not account for its share of the deficit in its total share of joint venture and fund profits. All joint ventures are incorporated in the United Kingdom, with the exception of Bluebutton Properties Limited, Leadenhall Holding Co (Jersey) Limited and The Scottish Retail Property Limited Partnership which are domiciled in Jersey and Eurofund Investments Zaragoza S.L. which is domiciled in Spain. Of the funds, Hercules Unit Trust (HUT) and Hercules Income Fund (HIF) are domiciled in Jersey and PREF in Luxembourg.

NOTES TO THE ACCOUNTS continued

12 JOINT VENTURES AND FUNDS continued

Operating cash flows of joint ventures and funds (Group share)

	2011 £m	2010 £m
Rental income received from tenants	280	215
Fees and other income received	3	
Operating expenses paid to suppliers and employees	(30)	(22)
Cash generated from operations	253	193
Interest paid	(147)	(111)
UK corporation tax paid	(5)	(4)
Cash inflow from operating activities	101	78
Cash inflow from operating activities deployed as:		
Surplus cash (distributed by) retained within joint ventures and funds	(4)	17
Total distributed to British Land	105	61
	101	78

13 OTHER NON-CURRENT ASSETS

	2011		2010	
	Other investments £m	Intangible assets £m	Other investments £m	Intangible assets £m
At 1 April 2010	261	10	38	25
Additions			252	
Disposals	(209)		(16)	
Revaluation of investments			(12)	
Depreciation	(1)		(1)	
Amortisation		(10)		(15)
At 31 March 2011	51		261	10

Other investments include the investment in the HUT convertible bond of £43m (31 March 2010: £43m). At 31 March 2010 there was a £209m secured commercial loan to the Bluebutton joint venture; this was repaid during the year ended 31 March 2011.

14 DEBTORS

	2011 £m	2010 £m
Trade and other debtors ¹	77	85
Prepayments and accrued income	2	9
Interest rate derivatives ²	11	11
	90	105

1 Included within this balance is deferred consideration of £10m (2010: £42m) arising on the sale of investment properties for which the timing of the receipt is contingent and therefore may fall due after one year.

2 Includes contracted cash flow with a maturity greater than one year at fair value.

Trade and other debtors are shown after deducting a provision for bad and doubtful debts of £7m (2010: £7m). The charge to the income statement was £nil (2010: £2m).

The Directors consider that the carrying amount of trade and other debtors approximates their fair value. There is no concentration of credit risk with respect to trade debtors as the Group has a large number of customers, who are paying their rent in advance.

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

	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
2011	77	56	18	1	2
2010	85	70	14		1

15 CREDITORS

	2011 £m	2010 £m
Trade creditors	78	104
Amounts owed to joint ventures	55	40
Corporation tax	30	23
Other taxation and social security	16	11
Accruals and deferred income	105	105
Interest rate derivatives ¹	49	49
	333	332

1 Includes contracted cash flow with a maturity greater than one year at fair value.

Trade payables are interest-free and have settlement dates within one year. The Directors consider that the carrying amount of trade and other payables approximates their fair value.

NOTES TO THE ACCOUNTS continued

16 OTHER NON-CURRENT LIABILITIES

	2011 £m	2010 £m
Trade and other creditors	11	19
Obligations under finance leases	7	7
Non-controlling interest	5	4
	23	30

17 DEFERRED TAXATION

Deferred tax is calculated on temporary differences under the liability method using a tax rate of 26% (2010: 28%).

The movement on deferred tax is as shown below:

	1 April 2010 £m	Credited to income £m	31 March 2011 £m
Property and investment revaluations	39	(8)	31
Other timing differences	4		4
Intangible assets	4	(4)	
	47	(12)	35

	1 April 2009 £m	Charged (credited) to income £m	31 March 2010 £m
Property and investment revaluations	23	16	39
Other timing differences	4		4
Intangible assets	8	(4)	4
	35	12	47

Under the REIT regime development properties which are sold within three years of completion do not benefit from tax exemption. At 31 March 2011 the value of such properties is £1,391m (2010: £1,108m) and if these properties were to be sold and tax exemption was not available the tax arising would be £nil (2010: £nil).

The deferred tax charge for the year ended 31 March 2011 includes a credit of £2m to reflect reduced deferred tax liabilities arising from the forthcoming reduction in the UK corporation tax rate to 26% (effective from 1 April 2011).

18 NET DEBT

	Footnote	2011 £m	2010 £m
Secured on the assets of the Group			
9.125% First Mortgage Debenture Stock 2020	1	38	39
6.125% First Mortgage Debenture Stock 2014	1	45	45
10.3125% First Mortgage Debenture Stock 2011	1	32	41
5.264% First Mortgage Debenture Bonds 2035		328	327
5.0055% First Mortgage Amortising Debentures 2035		103	103
5.357% First Mortgage Debenture Bonds 2028		296	307
6.75% First Mortgage Debenture Bonds 2020		170	204
6.75% First Mortgage Debenture Bonds 2011			99
Floating Rate Secured Loan Notes 2035		256	256
Loan Notes		5	5
		1,273	1,426
Unsecured			
5.50% Senior Notes 2027		98	98
6.30% Senior US Dollar Notes 2015	2	96	101
Bank loans and overdrafts		472	156
		666	355
Gross debt			
	3	1,939	1,781
Interest rate derivatives: liabilities (see note 15)		49	49
Interest rate derivatives: assets (see note 14)		(11)	(11)
		1,977	1,819
Liquid investments			
4.405% Medium Term Note 2015		(100)	(98)
4.395% Medium Term Note 2015		(103)	(97)
		(203)	(195)
Cash and short-term deposits	4	(60)	(74)
Net debt		1,714	1,550

Total borrowings where any instalments are due after five years are £105m (2010: £106m).

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

	2011 £m	2010 £m
BLD Property Holdings Ltd	115	125

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

3 The principal amount of gross debt at 31 March 2011 was £1,937m (2010: £1,767m). Included in this, the principal amount of secured borrowings and other borrowings of non-recourse companies was £1,269m (2010: £1,415m).

4 Cash and deposits not subject to a security interest amount to £55m (2010: £66m).

NOTES TO THE ACCOUNTS continued

18 NET DEBT continued

Maturity analysis of net debt

	2011 £m	2010 £m
Repayable within one year and on demand	319	139
between:		
one and two years	46	297
two and five years	543	170
five and ten years	216	313
ten and fifteen years	6	42
fifteen and twenty years	431	441
twenty and twenty-five years	378	6
twenty-five and thirty years		373
	1,620	1,642
Gross debt	1,939	1,781
Interest rate derivatives	38	38
Liquid investments	(203)	(195)
Cash and short-term deposits	(60)	(74)
Net debt	1,714	1,550

Financial covenants

The two financial covenants applicable to the Group unsecured debt are:

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

At 31 March 2011 the ratio is 36%:

- Net Borrowings are £1,962m, being the principal amount of gross debt of £1,937m plus amounts owed to joint ventures of £55m and TPP Investments Ltd of £30m (see note 24), less the cash and short-term deposits of £60m;
- Adjusted Capital and Reserves are £5,407m, being share capital and reserves of £4,930m (see Consolidated Statement of Changes in Equity), adjusted for £37m of deferred tax (see note 2), £351m exceptional refinancing charges (see below) and £89m mark-to market on interest rate swaps (see note 2).

Net Unsecured Borrowings not to exceed 70% of Unencumbered Assets

At 31 March 2011 the ratio is 25%:

- Net Unsecured Borrowings are £668m, being the principal amount of gross debt of £1,937m plus amounts owed to joint ventures of £55m less cash and deposits not subject to a security interest of £55m less the principal amount of secured and non-recourse borrowings of £1,269m;
- Unencumbered Assets are £2,680m being properties of £4,783m (see note 11) plus investments in joint ventures and funds of £2,066m (see note 12) and other investments of £254m (see balance sheet: liquid investments of £203m and other investments of £51m) less investments in joint ventures of £1,573m (see footnote to note 12, page 149) and encumbered properties of £2,850m (see note 11).

In calculating Adjusted Capital and Reserves for the purpose of the unsecured debt financial covenants, there is an adjustment of £351m to reflect the cumulative net amortised exceptional items relating to the refinancings in the years ending 31 March 2005, 2006 and 2007.

18 NET DEBT continued

Reconciliation of movement in Group net debt to cash flow statement

	1 April 2010 £m	Disposals ¹ £m	Cash flow £m	Non-cash movement £m	31 March 2011 £m
Per Cash Flow Statement:					
Cash and short-term deposits	(74)		14		(60)
Overdrafts	2		(2)		
Cash and cash equivalents	(72)		12		(60)
Term debt (excluding overdrafts)	1,779		171	(11)	1,939
Fair value of interest rate derivatives	38				38
Liquid investments	(195)			(8)	(203)
Net debt	1,550		183	(19)	1,714
	1 April 2009 £m	Disposals ¹ £m	Cash flow £m	Non-cash movement £m	31 March 2010 £m
Per Cash Flow Statement:					
Cash and short-term deposits	(616)		542		(74)
Overdrafts			2		2
Cash and cash equivalents	(616)		544		(72)
Term debt (excluding overdrafts)	3,765	(1,970)	1	(17)	1,779
Fair value of interest rate derivatives	93	(47)		(8)	38
Liquid investments			(200)	5	(195)
Net debt	3,242	(2,017)	345	(20)	1,550

¹ Excluding cash and overdrafts. In the prior year this represented the principal of securitised debt in Bluebutton Properties Limited on formation of the joint venture.

Comparison of market values and book values

	2011			2010		
	Market value £m	Book value £m	Difference £m	Market value £m	Book value £m	Difference £m
Debentures and unsecured bonds	1,168	1,206	(38)	1,256	1,364	(108)
Bank debt and other floating rate debt	733	733		417	417	
Liquid investments	(203)	(203)		(195)	(195)	
Cash and short-term deposits	(60)	(60)		(74)	(74)	
	1,638	1,676	(38)	1,404	1,512	(108)
Other financial (assets) liabilities:						
– interest rate derivative assets	(11)	(11)		(11)	(11)	
– interest rate derivative liabilities	49	49		49	49	
	38	38		38	38	
Total	1,676	1,714	(38)	1,442	1,550	(108)

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

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

NOTES TO THE ACCOUNTS continued

18 NET DEBT continued

Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels are defined as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e. derived from prices)

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	2011				2010			
	Level 1 £m	Level 2 £m	Level 3 £m	Total £m	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Liquid investments		(203)		(203)		(195)		(195)
Interest rate derivative assets		(11)		(11)		(11)		(11)
Assets		(214)		(214)		(206)		(206)
Interest rate derivative liabilities		49		49		49		49
Liabilities		49		49		49		49
Total		(165)		(165)		(157)		(157)

Categories of financial instruments

	2011 £m	2010 £m
Financial assets		
Fair value through income statement		
Held for trading – liquid investments	203	195
Derivatives in designated hedge accounting relationships	11	11
Loans and receivables		
Trade and other debtors	77	85
Cash and short-term deposits	60	74
Other investments	51	261
	402	626
Financial liabilities		
Fair value through income statement		
Held for trading – derivatives	(5)	(4)
Derivatives in designated hedge accounting relationships	(44)	(45)
Amortised cost		
Gross debt	(1,939)	(1,781)
Finance lease payable	(7)	(7)
Trade and other creditors	(89)	(123)
Amounts owed to joint ventures	(55)	(40)
	(2,139)	(2,000)
Total	(1,737)	(1,374)

Gains and losses on financial instruments, as classed above, are disclosed in note 7 (net financing costs), note 14 (debtors), note 6 (net revaluation gains on property and investments), the consolidated income statement and the consolidated statement of comprehensive income.

18 NET DEBT continued**Capital risk management**

The Group's objectives, policies and processes for managing capital are set out in the financial policies on pages 99 to 101. The capital structure of the Group consists of net debt and equity attributable to the equity holders of The British Land Company PLC, comprising issued capital, reserves and retained earnings.

Interest rate risk management

The Group uses interest rate swaps to hedge exposure to the variability in cash flows on floating rate debt, such as revolving bank facilities, floating rate bonds and floating rate investments, caused by movements in market rates of interest. At 31 March 2011 the market value of these derivatives, which have been designated as cash flow hedges under IAS 39, is a net liability of £38m (2010: liability of £39m).

The cross currency swap, which fully hedges the foreign exchange exposure on the US Private Placement, has been designated as a cash flow hedge. The market value of this is an asset of £1m (2010: asset of £5m).

The ineffectiveness recognised in the income statement on cash flow hedges in the year ended 31 March 2011 was £nil (2010: £1m).

The cash flows occur and enter into the determination of profit and loss until the maturity of the hedged debt and floating rate investments. The table below summarises foreign currency denominated debt, variable rate debt and investments hedged at 31 March 2011.

Cash flow hedged debt and floating rate investments

	2011 £m	2010 £m
Outstanding: at one year	680	781
at two years	680	881
at five years	44	431
at ten years	250	250

The Group uses interest rate swaps to hedge exposure on fixed rate financial liabilities caused by movements in market rates of interest. At 31 March 2011 the market value of these derivatives, which have been designated as fair value hedges under IAS 39, is a net asset of £4m (2010: £1m).

Interest rate profile – including effect of derivatives

	2011 £m	2010 £m
Fixed rate	1,240	1,245
Variable rate (net of cash)	474	305
Net debt	1,714	1,550

All the debt is effectively Sterling denominated except for £172m (2010: £154m) of Euro debt of which £172m is at a fixed rate and the balance is floating (2010: £134m fixed). At 31 March 2011 the weighted average interest rate of the Sterling fixed rate debt is 5.65% (2010: 5.58%). The weighted average period for which the rate is fixed is 16.3 years (2010: 19.7 years). The weighted average interest rate for the Euro fixed rate debt is 4.46% (2010: 4.52%) and the weighted average period for which the rate is fixed is 5.2 years (2010: 6.1 years). The floating rate debt is set for periods of the Company's choosing at the relevant LIBOR (or similar) rate.

The proportion of net debt at fixed or capped rates of interest was 72% at 31 March 2011. Based on the Group's interest rate profile at the balance sheet date a 576 bps increase in interest rates would decrease annual profits by £27m (2010: £18m decrease). Similarly, a 576 bps reduction would increase profits by £4m (2010: £2m increase). The change in interest rates used for this sensitivity analysis is based on the largest annual change in three month Sterling LIBOR over the last ten years.

NOTES TO THE ACCOUNTS continued

18 NET DEBT continued

Upward movements in medium- and long-term interest rates, associated with higher interest rate expectations, increase the value of the Group's interest rate swaps that provide protection against such moves. The converse is true for downward movements in the yield curve. The majority of the Group's interest rate swaps qualify as effective hedges under IAS 39 therefore movements in their fair value are recognised directly in equity rather than the income statement. A 204 bps shift represents the largest annual change in the seven year Sterling swap rate over the last ten years. At 31 March 2011 a 204 bps parallel upward shift in swap rates would increase the value of the Group's interest rate swaps by £24m (2010: £73m). A 204 bps downward shift in swap rates would reduce the value of the interest rate swap portfolio by £51m (2010: £118m). Because the interest rate swaps are matched by floating rate debt, and floating rate investments, the overall effect on Group cash flows of such movements is minimal.

Foreign currency risk management

Group policy is to have no material unhedged net assets or liabilities denominated in foreign currencies. The currency risk on overseas investments is hedged via foreign currency denominated borrowings and derivatives. The Group has adopted net investment hedging in accordance with IAS 39 and therefore the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in equity. The ineffective portion of the gain or loss on the hedging instrument is recognised immediately in the income statement.

The table below shows the carrying amounts of the Group's foreign currency denominated assets and liabilities. Provided contingent tax on overseas investments is not expected to occur it will be ignored for hedging purposes, as will the requirement to fair value interest rate swaps. This explains the excess of Euro denominated liabilities over assets. Based on the 31 March 2011 position a 33% appreciation (largest annual change over the last ten years) in the Euro relative to Sterling would result in a £3m reduction (2010: £6m reduction) in reported profits.

	Assets		Liabilities	
	2011 £m	2010 £m	2011 £m	2010 £m
Euro denominated	162	136	172	154

Credit risk management

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

Cash and short-term deposits at 31 March 2011 amounted to £60m (2010: £74m). Deposits were placed with financial institutions with A or better credit ratings.

At 31 March 2011 the fair value of all interest rate derivatives which had a positive value was £11m (2010: £11m).

At 31 March 2011 the fair value of liquid investments was £203m (2010: £195m).

At 31 March 2011, prior to taking into account any offset arrangements, the largest combined credit exposure to a single counterparty arising from money market deposits, liquid investments and interest rate swaps was £123m (2010: £150m). This represents 1.7% (2010: 2.3%) of gross assets.

The deposits and liquid investments exposures are with UK high street banks.

The Group's exposure to credit risk in respect of its trade receivables is analysed in note 14. Included within trade and other debtors is deferred consideration of £31m, of which £10m may fall due after one year. Management has made due consideration of the credit risk associated with this, resulting in no impairment for credit risk being made.

18 NET DEBT continued**Liquidity risk management**

The Group's approach to liquidity risk management is discussed in the financial policies on pages 99 to 101.

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

The Group expects to meet its financial liabilities through the various available liquidity sources, including a secure rental income profile, asset sales, undrawn committed borrowing facilities and, in the longer term, debt refinancings.

The Group leases out all its investment properties under operating leases with a weighted average lease length of 12 years. This secure income profile is generated from upward only rent reviews, long leases and high occupancy rates. The future aggregate minimum rentals receivable under non-cancellable operating leases is also shown in the table below. Income from joint ventures and funds is not included below. Additional liquidity will arise from letting space in properties under construction as well as from distributions received from joint ventures and funds.

	2011				
	Within one year £m	Following year £m	Two to five years £m	Over five years £m	Total £m
Debt ¹	315	46	542	1,032	1,935
Interest on debt	79	79	215	723	1,096
Derivative payments	23	20	131	9	183
Finance lease payments			1	81	82
Total payments	417	145	889	1,845	3,296
Derivative receipts	(10)	(7)	(114)	(15)	(146)
Net payment	407	138	775	1,830	3,150
Operating leases with tenants (see note 19)	234	239	761	2,673	3,907
Liquidity (deficit) surplus	(173)	101	(14)	843	757
Cumulative liquidity (deficit) surplus	(173)	(72)	(86)	757	
	2010				
	Within one year £m	Following year £m	Two to five years £m	Over five years £m	Total £m
Debt ¹	136	294	166	1,174	1,770
Interest on debt	85	78	218	803	1,184
Derivative payments	20	20	40	115	195
Finance lease payments	1	1	1	80	83
Total payments	242	393	425	2,172	3,232
Derivative receipts	(11)	(8)	(19)	(116)	(154)
Net payment	231	385	406	2,056	3,078
Operating leases with tenants (see note 19)	224	222	685	2,685	3,816
Liquidity (deficit) surplus	(7)	(163)	279	629	738
Cumulative liquidity (deficit) surplus	(7)	(170)	109	738	

1 Gross debt of £1,939m (2010: £1,781m) represents the total shown, less unamortised issue costs of £8m (2010: £9m), plus the fair value adjustment arising on acquisitions of £12m (2010: £20m).

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 £60m, of which £55m is not subject to a security interest (see footnote 4 to net debt table) and liquid investments of £203m. Further liquidity can be achieved through sales of property assets or investments and debt refinancings. The Group's property portfolio is valued externally at £4,783m (see note 11) and the share of joint ventures and funds' property is valued at £4,789m (see Table C). The undrawn committed borrowing facilities available to the Group are a further source of liquidity. The maturity profile of committed undrawn borrowing facilities is shown below.

Maturity of committed undrawn borrowing facilities

	2011 £m	2010 £m
Maturity date:		
over five years	75	75
four and five years		781
three and four years	586	905
Total facilities available for more than three years	661	1,761
two and three years	821	80
one and two years	35	775
within one year	820	245
Total	2,337	2,861

The above facilities are available to be drawn for Group purposes.

Following the year-end, the Group agreed a new £560m five-year unsecured revolving credit facility and as a result total undrawn borrowing facilities with a maturity of more than three years has increased to £1.2bn.

19 LEASING

Operating leases with tenants

The Group leases out all of its investment properties under operating leases with a weighted average lease length of 12 years. The future aggregate minimum rentals receivable under non-cancellable operating leases are as follows:

	2011 £m	2010 £m
Less than one year	234	224
Between two and five years	1,000	907
Between six and ten years	1,093	1,071
Between eleven and fifteen years	664	741
Between sixteen and twenty years	431	461
After twenty years	485	412
	3,907	3,816

The Group's leasehold investment properties are typically under non-renewable leases without significant restrictions. Finance lease liabilities are payable as follows, no contingent rents are payable in either period:

	2011			2010		
	Minimum lease payments £m	Interest £m	Principal £m	Minimum lease payments £m	Interest £m	Principal £m
British Land Group						
Less than one year				1	1	
Between one and two years				1	1	
Between two and five years	1	1		1	1	
More than five years	81	74	7	80	73	7
	82	75	7	83	76	7

20 DIVIDEND

The fourth quarter dividend of 6.5p per share, totalling £58m (2010: 6.5p per share, totalling £57m) was approved by the Board on 16 May 2011 and is payable on 12 August 2011 to shareholders on the register at the close of business on 8 July 2011.

Having regard to share price volatility the Board will announce the availability of the Scrip Dividend Alternative via the Regulatory News Service and on its website (www.britishland.com), no later than 48 hours before the ex-dividend date of 6 July 2011. The Board expects to announce the split between PID and non-PID income at that time. A Scrip Dividend Alternative will not be enhanced. PID dividends are paid, as required by REIT legislation, after deduction of withholding tax at the basic rate (currently 20%), where appropriate. Certain classes of shareholders may be able to claim to receive dividends gross. Please refer to our website (www.britishland.com) for details.

Payment date	Dividend	PID	Non-PID	Pence per share	2011 £m	2010 £m
Current year dividends						
12.08.2011	2011 4th interim			6.50		
13.05.2011	2011 3rd interim	6.50		6.50		
18.02.2011	2011 2nd interim	6.50		6.50	58	
12.11.2010	2011 1st interim		6.50	6.50	57	
				26.00		
Prior year dividends						
13.08.2010	2010 4th interim		6.50	6.50	57	
14.05.2010	2010 3rd interim		6.50	6.50	56	
12.02.2010	2010 2nd interim		6.50	6.50		56
13.11.2009	2010 1st interim		6.50	6.50		56
				26.00		
14.08.2009	2009 4th interim			6.50		55
15.05.2009	2009 3rd interim ¹			7.77		48
Dividends in Consolidated Statement of Changes in Equity					228	215
Dividends settled in shares					(81)	(63)
Dividends settled in cash					147	152
Timing difference relating to payment of withholding tax					(8)	2
Dividends in cash flow statement					139	154

1 This dividend per share was restated in the year ended March 2009 to take account of the bonus element of the increased number of shares due to the March 2009 rights issue.

21 SHARE CAPITAL AND RESERVES

	2011	2010
Number of ordinary shares in issue at 1 April	879,427,102	863,450,216
Share issues	17,615,196	15,976,886
Number of ordinary shares in issue at 31 March	897,042,298	879,427,102

At 31 March 2011 of the issued 25p ordinary shares, 1,551,420 were held in the ESOP trust (2010: 1,830,208), 11,266,245 shares were held as treasury shares (2010: 11,266,245) and 884,224,633 shares were in free issue (2010: 866,330,649). No treasury shares were acquired by the ESOP trust during the year. All issued shares are fully paid.

Hedging and translation reserve

The hedging and translation reserve comprises the effective portion of the cumulative net change in the fair value of cash flow and foreign currency hedging instruments, as well as all foreign exchange differences arising from the translation of the financial statements of foreign operations. The foreign exchange differences also include the translation of the liabilities that hedge the Company's net investment in a foreign subsidiary.

Revaluation reserve

The revaluation reserve relates to owner-occupied properties and investments in joint ventures and funds.

NOTES TO THE ACCOUNTS continued

21 SHARE CAPITAL AND RESERVES continued

At 31 March 2011, options over 13,769,663 ordinary shares were outstanding under employee share option plans. These options had a weighted average life of eight years. Details of outstanding share options and shares awarded to employees including Executive Directors are set out below and on the following page:

Date of grant	At 1 April 2010	Granted	Vested but not exercised	Exercised/ vested	Lapses	At 31 March 2011	Exercise price pence	Exercise dates	
						From		To	
Share options									
Sharesave Scheme									
01.03.2005	11,076				(11,076)		536.92	01.03.2010	31.08.2010
23.06.2005	681				(681)		580.83	01.09.2010	28.02.2011
22.12.2005	5,312					5,312	666.18	01.03.2011	31.08.2011
03.07.2006	191					191	834.38	01.09.2011	29.02.2012
22.12.2006	2,040				(2,040)		1,024.12	01.03.2010	31.08.2010
22.12.2006	1,146				(62)	1,084	1,024.12	01.03.2012	31.08.2012
02.07.2007	1,731				(1,731)		929.66	01.09.2010	28.02.2011
30.06.2008	8,271				(1,811)	6,460	517.03	01.09.2011	29.02.2012
30.06.2008	12,254				(5,460)	6,794	517.03	01.09.2013	28.02.2014
30.06.2009	200,830			(3,807)	(18,223)	178,800	301.00	01.09.2012	28.02.2013
30.06.2009	173,197			(4,406)	(18,324)	150,467	301.00	01.09.2014	28.02.2015
28.06.2010		51,347		(135)	(837)	50,375	370.00	01.09.2013	28.02.2014
28.06.2010		47,177			(835)	46,342	370.00	01.09.2015	29.02.2016
	416,729	98,524		(8,348)	(61,080)	445,825			
Long-Term Incentive Plan – options vested, not exercised									
25.09.2003	119,455					119,455	415.95	25.09.2006	24.09.2013
25.11.2003	129,168			(22,258)	(9,051)	97,859	457.38	21.11.2006	24.11.2013
28.05.2004	429,853				(71,324)	358,529	549.35	28.05.2007	27.05.2014
29.11.2004	546,667				(107,295)	439,372	659.55	29.11.2007	28.11.2014
31.05.2005	468,460				(76,894)	391,566	726.66	31.05.2008	30.05.2015
05.12.2005	274,821				(54,566)	220,255	823.6	05.12.2008	04.12.2015
29.06.2009			138,680	(137,265)		1,415	387.00	29.06.2012	28.06.2019
21.12.2009			599			599	446.00	21.12.2012	20.12.2019
	1,968,424		139,279	(159,523)	(319,130)	1,629,050			
Long-Term Incentive Plan – unvested options									
27.06.2007	246,669				(246,669)		1099.52	27.06.2010	26.06.2017
20.12.2007	378,851				(378,851)		731.63	20.12.2010	19.12.2017
29.05.2008	1,438,043				(231,347)	1,206,696	666.18	29.05.2011	28.05.2018
02.12.2008	924,750				(34,527)	890,223	420.09	02.12.2011	01.12.2018
29.06.2009	4,755,181		(138,680)		(1,034,260)	3,582,241	387.00	29.06.2012	28.06.2019
25.11.2009	33,746					33,746	475.00	25.11.2012	24.11.2019
21.12.2009	1,116,812		(599)		(479,592)	636,621	446.00	21.12.2012	20.12.2019
11.06.2010		4,577,826			(53,298)	4,524,528	447.00	11.06.2013	10.06.2020
14.12.2010		820,733				820,733	510.00	14.12.2013	13.12.2020
	8,894,052	5,398,559	(139,279)		(2,458,544)	11,694,788			
Total	11,279,205	5,497,083		(167,871)	(2,838,754)	13,769,663			
Weighted average exercise price of options (pence)									
	502	455		392	562	472			

21 SHARE CAPITAL AND RESERVES continued

Date of grant	At 1 April 2010	Granted	Vested	Forfeits	At 31 March 2011	Share price at grant date pence	Vesting date
Shares							
Long-Term Incentive Plan – performance shares							
27.06.2007	135,926			(135,926)		1099.52	27.06.2010
20.12.2007	71,482			(71,482)		731.63	20.12.2010
29.05.2008	249,855			(1,020)	248,835	666.18	29.05.2011
02.12.2008	122,893			(3,531)	119,362	420.09	02.12.2011
29.06.2009	568,005			(87,611)	480,394	387.00	29.06.2012
25.11.2009	11,467				11,467	475.00	25.11.2012
21.12.2009	161,874			(78,232)	83,642	446.00	21.12.2012
11.06.2010		848,066		(6,891)	841,175	447.00	11.06.2013
14.12.2010		224,610			224,610	510.00	14.12.2013
	1,321,502	1,072,676		(384,693)	2,009,485		
Fund Managers Performance Plan							
30.05.2007	47,294		(18,308)	(28,986)		1182.37	30.05.2010
14.08.2008	54,184		(27,091)		27,093	619.77	14.08.2011
17.06.2009	524,392		(174,792)		349,600	395.50	17.06.2012
28.05.2010		1,112,625	(7,257)	(50,790)	1,054,578	435.00	28.05.2013
	625,870	1,112,625	(227,448)	(79,776)	1,431,271		
Co-Investment Share Plans							
04.03.2009	242,500				242,500	330.50	12.01.2012
30.03.2010	53,517				53,517	478.50	01.02.2013
31.03.2010	85,328				85,328	481.10	04.01.2013
	381,345				381,345		
Restricted Share Plan							
30.03.2010	116,877		(116,877)			470.58	01.02.2011
30.03.2010	53,125				53,125	470.58	01.02.2012
	170,002		(116,877)		53,125		
Matching Share Plan							
22.05.2007	51,756			(51,756)		1195.63	22.05.2010
20.05.2008	98,400		(4,269)	(7,161)	86,970	667.83	20.05.2011
21.05.2009	138,940				138,940	391.00	21.05.2012
01.09.2010		305,896			305,896	479.60	01.09.2013
	289,096	305,896	(4,269)	(58,917)	531,806		
Total	2,787,815	2,491,197	(348,594)	(523,386)	4,407,032		
Weighted average price of shares (pence)	510	451	484	762	449		

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		Total	
	2011 £m	2010 £m	2011 £m	2010 £m	2011 £m	2010 £m	2011 £m	2010 £m
Revenue	98	194	193	187	22	26	313	407
Net rental income	76	143	161	175	18	19	255	337
Segment assets	2,175	1,791	4,460	3,753	625	854	7,260	6,398
Capital expenditure	72	165	342	56	21	10	435	231

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

Segment assets include the Group's investment in joint ventures and funds of £2,066m (2010: £1,594m), property assets of £4,790m (2010: £4,159m), intangible assets of £nil (2010: £10m), other investments of £51m (2010: £261m), debtors of £293m (2010: £300m) and cash of £60m (2010: £74m).

23 CAPITAL COMMITMENTS

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

	2011 £m	2010 £m
British Land	136	25
Share of joint ventures (note 12)	12	7
Share of funds (note 12)	12	4
	160	36

24 CONTINGENT LIABILITIES

TPP Investments Limited, a wholly owned ring-fenced special purpose subsidiary, is a partner in The Tesco British Land Property Partnership and, in that capacity, has entered into a secured bank loan under which its liability is limited to £30m (2010: £23m) and recourse is only to the partnership assets.

25 RELATED PARTY TRANSACTIONS

Details of transactions with joint ventures and funds including debt guarantees by the Group are given in notes 4 and 24. During the year the Group recognised performance and management fees receivable from funds of £5m (2010: £4m), joint venture management fees of £6m (2010: £3m) and interest earned on the commercial loan to Bluebutton Properties Ltd of £2m (2010: £3m); this was repaid during the year, see note 7. Commitment fees received from Bluebutton during the year were £4m (2010: £nil).

The Company has chosen to provide a development loan facility of up to £320m to the Broadgate joint venture secured against the new development, 5 Broadgate. The loan, which is assignable and on commercial terms, includes an interest cost of 3% per annum above LIBOR and market based fees. As at 31 March 2011, this has not been drawn by the joint venture.

REPORT OF THE AUDITOR

Independent Auditor Report to the Members of The British Land Company PLC

We have audited the group financial statements of The British Land Company PLC for the year ended 31 March 2011 which comprise the consolidated income statement, consolidated balance sheet, consolidated statement of comprehensive income, consolidated statement of cash flows, consolidated statement of changes in equity, and the related notes 1 to 25. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This Report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an Auditor's Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this Report, or for the opinions we have formed.

Respective responsibilities of Directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the Directors are responsible for the preparation of the Group financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the Group financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our Report.

Opinion on financial statements

In our opinion the Group financial statements:

- Give a true and fair view of the state of the Group's affairs as at 31 March 2011 and of its profit for the year then ended;
- Have been properly prepared in accordance with IFRSs as adopted by the European Union;
- Have been prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the IAS Regulation.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the Group financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- Certain disclosures of Directors' remuneration specified by law are not made; or
- We have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

- The Directors' statement contained within the Corporate Governance Section in relation to going concern;
- The part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the June 2008 Combined Code specified for our review;
- Certain elements of the report to shareholders by the Board on Directors' remuneration.

Other matter

We have reported separately on the parent company financial statements of The British Land Company PLC for the year ended 31 March 2011 and on the information in the Directors' Remuneration Report that is described as having been audited.

Simon Letts BA FCA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP

Chartered Accountants and Statutory Auditor
London, United Kingdom
22 May 2011

SUPPLEMENTARY DISCLOSURES

TABLE A: REIT INCOME AND CAPITAL RETURN

SUMMARY INCOME STATEMENT BASED ON PROPORTIONAL CONSOLIDATION FOR THE YEAR ENDED 31 MARCH 2011

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

	Year ended 31 March 2011			Year ended 31 March 2010		
	Group £m	Share of joint ventures and funds £m	Proportionally consolidated £m	Group £m	Share of joint ventures and funds £m	Proportionally consolidated £m
Gross rental income	262	279	541	342	219	561
Property operating expenses	(7)	(16)	(23)	(5)	(11)	(16)
Net rental income	255	263	518	337	208	545
Administrative expenses	(61)	(7)	(68)	(55)	(10)	(65)
Fees and other income	15	3	18	13	2	15
Profit before interest and tax	209	259	468	295	200	495
Net interest	(70)	(142)	(212)	(127)	(119)	(246)
Underlying profit before tax	139	117	256	168	81	249
Underlying earnings per share – diluted basis			28.5p			28.4p

The underlying earnings per share is calculated on underlying profit before taxation of £256m, tax attributable to underlying profits of £5m and 882m shares on a diluted basis, for the year ended 31 March 2011.

QUARTERLY SUMMARY

	3 months ended				Year ended 31 March 2011 £m	Year ended 31 March 2010 £m
	31 March 2011 £m	31 December 2010 £m	30 September 2010 £m	30 June 2010 £m		
REIT INCOME RETURN						
Gross rental income	138	136	132	135	541	561
Property operating expenses	(7)	(4)	(5)	(7)	(23)	(16)
Net rental income	131	132	127	128	518	545
Administrative expenses	(20)	(16)	(17)	(15)	(68)	(65)
Fees and other income	6	3	5	4	18	15
Ungeared income return	117	119	115	117	468	495
Net interest	(52)	(55)	(52)	(53)	(212)	(246)
Underlying profit before taxation	65	64	63	64	256	249
Underlying tax		(2)	(1)	(2)	(5)	(5)
REIT income return	65	62	62	62	251	244
REIT CAPITAL RETURN						
Valuation movement	173	202	103	113	591	908
Other capital and tax (net) ¹	3	(4)	(11)	11	(1)	20
REIT capital return	176	198	92	124	590	928
REIT total return	241	260	154	186	841	1,172

¹ Includes other comprehensive income, movement in dilution of share options and the movement in items excluded for EPRA NAV.

TABLE A continued: **EPRA NET ASSETS****SUMMARY BALANCE SHEET BASED ON PROPORTIONAL CONSOLIDATION AS AT 31 MARCH 2011**

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

	Group £m	Share of joint ventures and funds £m	Share options £m	Deferred tax £m	Mark-to- market of interest rate swaps £m	Head lease £m	EPRA net assets 2011 £m	EPRA net assets 2010 £m
Retail properties	2,936	3,368				(9)	6,295	5,602
Office properties	1,666	1,417				(6)	3,077	2,736
Other properties	188	12					200	201
Total properties	4,790	4,797				(15)	9,572	8,539
Investments in joint ventures and funds	2,066	(2,066)						
Other investments	51						51	156
Intangible assets								10
Other net (liabilities) assets	(263)	(34)	45	37	(5)	15	(205)	(217)
Net debt	(1,714)	(2,697)			94		(4,317)	(4,081)
Net assets	4,930		45	37	89		5,101	4,407
EPRA NAV per share (note 2)							567p	504p

EPRA NET ASSETS MOVEMENT

	Year ended 31 March 2011		Year ended 31 March 2010	
	£m	Pence per share	£m	Pence per share
Opening EPRA NAV	4,407	504p	3,387	398p
REIT income return	251	29p	244	28p
REIT capital return	590	60p	928	105p
Dividend paid	(147)	(26p)	(152)	(27p)
Closing EPRA NAV	5,101	567p	4,407	504p

SUPPLEMENTARY DISCLOSURES continued

TABLE B: EPRA PERFORMANCE MEASURES

EPRA PERFORMANCE MEASURES SUMMARY TABLE

	2011		2010	
	£m	Pence per share	£m	Pence per share
EPRA earnings	255	28.9p	230	26.7p
EPRA NAV	5,101	567p	4,407	504p
EPRA NNNAV	5,117	569p	4,520	517p
EPRA Net Initial Yield		5.2%		5.5%
EPRA 'topped-up' Net Initial Yield		5.8%		6.1%
EPRA vacancy rate		2.7%		4.9%

CALCULATION OF EPRA EARNINGS PER SHARE

	2011		2010	
	£m	Pence per share	£m	Pence per share
Profit for the year after taxation	840	95.2p	1,140	132.6p
Exclude				
Group – non-underlying current tax			(26)	(3.0p)
Group – deferred tax	(12)	(1.4p)	12	1.4p
Joint ventures and funds – non-underlying current tax			2	0.2p
Joint ventures and funds – deferred tax	3	0.3p		
Group – net valuation movement (including result on disposals)	(313)	(35.4p)	(501)	(58.3p)
Joint ventures and funds – net valuation movement (including result on disposals)	(270)	(30.6p)	(412)	(47.9p)
Amortisation of intangible assets	10	1.1p	15	1.7p
Fair value movement on non-hedge accounted derivatives	(3)	(0.3p)		
EPRA earnings per share (EPS)	255	28.9p	230	26.7p

CALCULATION OF EPRA NNNAV PER SHARE

	2011 £m	2010 £m
EPRA NAV	5,101	4,407
Deferred tax arising on revaluation movements	(37)	(43)
Mark-to-market on effective cash flow hedges and related debt adjustments	(89)	(129)
Mark-to-market on debt	142	285
EPRA NNNAV	5,117	4,520
EPRA NNNAV per share	569p	517p

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

TABLE B continued: EPRA PERFORMANCE MEASURES

EPRA NET INITIAL YIELD AND 'TOPPED-UP' NET INITIAL YIELD

	2011 £m	2010 £m
Investment property – wholly owned	4,783	4,152
Investment property – share of joint ventures and funds	4,789	4,387
Less developments	(407)	(201)
Completed property portfolio	9,165	8,338
Allowance for estimated purchasers' costs	499	451
Gross up completed property portfolio valuation	9,664	8,789
Annualised cash passing rental income	512	486
Property outgoings	(8)	(6)
Annualised net rents	504	480
Rent expiration of rent-free periods and fixed uplifts ¹	60	60
'Topped-up' net annualised rent	564	540
EPRA Net Initial Yield	5.2%	5.5%
EPRA 'topped-up' Net Initial Yield	5.8%	6.1%
Including fixed/minimum uplifts received in lieu of rental growth	21	22
Total 'topped-up' net rents	585	562
Overall 'topped-up' Net Initial Yield	6.1%	6.4%
'Topped-up' net annualised rent	564	540
ERV vacant space	15	26
Reversions	(21)	(33)
Total ERV	558	533
Net Reversionary Yield	5.8%	6.1%

¹ The period over which rent-free periods expire is 3 years (2010: 3.5 years).

EPRA VACANCY RATE

	2011 £m	2010 £m
Annualised potential rental value of vacant premises	15	26
Annualised potential rental value for the completed property portfolio	558	533
EPRA vacancy rate	2.7%	4.9%

SUPPLEMENTARY DISCLOSURES continued

TABLE C: SEGMENT INFORMATION

OPERATING SEGMENTS

The Group allocates resources to investment and asset management according to the sectors it expects to perform over the medium term. Its two principal sectors are currently offices and retail. The relevant revenue, net rental income, assets and capital expenditure, being the measure of profit or loss and total assets used by the management of the business, are set out below:

	Offices		Retail		Other		Total	
	2011 £m	2010 £m	2011 £m	2010 £m	2011 £m	2010 £m	2011 £m	2010 £m
Revenue								
British Land Group	98	194	193	187	22	26	313	407
Share of joint ventures and funds	107	44	199	193	3	3	309	240
Total	205	238	392	380	25	29	622	647
Net rental income								
British Land Group	76	143	161	175	18	19	255	337
Share of joint ventures and funds	84	34	179	174			263	208
Total	160	177	340	349	18	19	518	545
Property assets (includes head lease liabilities)								
British Land Group	1,660	1,487	2,935	2,477	188	188	4,783	4,152
Share of joint ventures and funds	1,417	1,249	3,360	3,125	12	13	4,789	4,387
Total	3,077	2,736	6,295	5,602	200	201	9,572	8,539
Other assets								
British Land Group				10	404	635	404	645
Share of joint ventures and funds	98	91	187	236	28	20	313	347
Total	98	91	187	246	432	655	717	992
Capital expenditure								
British Land Group	72	165	342	56	21	10	435	231
Share of joint ventures and funds	62	2	56	139			118	141
Total	134	167	398	195	21	10	553	372

CALCULATION OF GROSS RENTAL INCOME

	3 months ended				Year ended	
	31 March 2011 £m	31 December 2010 £m	30 September 2010 £m	30 June 2010 £m	31 March 2011 £m	31 March 2010 £m
Rent receivable	132	127	123	123	505	538
Spreading of tenant incentives and guaranteed rent increases	5	6	9	12	32	23
Surrender premia	1	3			4	
Gross rental income	138	136	132	135	541	561

COMPANY BALANCE SHEET

Prepared in accordance with UK GAAP as at 31 March 2011

COMPANY BALANCE SHEET

	Note	2011 £m	2010 £m
Non-current assets			
Investments and loans to subsidiaries	D	22,732	23,697
Investments in joint ventures	D	726	593
Intangible assets	D	9	13
Other investments	D	48	258
		23,515	24,561
Current assets			
Debtors	G	353	368
Liquid investments	E	203	195
Cash and short-term deposits	E	27	32
		583	595
Current liabilities			
Short-term borrowings and overdrafts	E	(288)	(138)
Creditors	H	(165)	(156)
Amounts due to subsidiaries		(18,010)	(19,374)
		(18,463)	(19,668)
Net current liabilities		(17,880)	(19,073)
Total assets less current liabilities		5,635	5,488
Non-current liabilities			
Debentures and loans	E	(1,547)	(1,531)
		(1,547)	(1,531)
Net assets		4,088	3,957
Equity			
Called up share capital	I	224	220
Share premium	J	1,240	1,244
Other reserves	J	(20)	(25)
Retained earnings	J	2,644	2,518
Shareholders' funds		4,088	3,957

Chris Gibson-Smith
Chairman

Graham Roberts
Finance Director

Approved by the Board on 22 May 2011.

Company number 621920

COMPANY BALANCE SHEET continued

(A) ACCOUNTING POLICIES

Accounting basis

The financial statements are prepared in accordance with applicable United Kingdom law and Accounting Standards (UK GAAP) and under the historical cost convention as modified by the revaluation of investment properties and fixed asset investments and liquid investments (not in accordance with International Financial Reporting Standards (IFRS) which are applied by the Group).

The major accounting policies of the Company are set out below and have been applied consistently throughout the current and the previous year. The policies that differ from those applied by the Group (as stated in note 1 of the consolidated financial statements) are for investments and deferred taxation:

→ Going concern

The financial statements are prepared on a going concern basis as explained in the Corporate Governance section on page 117.

→ Liquid investments

Liquid investments are shown at fair value and held as held for trading financial assets. Gains and losses from the changes in fair value are recorded in the income statement.

→ Investments

Investments in joint ventures are stated at cost less provision for impairment. Investments in subsidiaries are stated at cost or Directors' valuation less provision for impairment.

→ Intangible assets

Intangible assets, such as fund management contracts, acquired through business combinations, are measured initially at fair value and are amortised on a straight-line basis over their estimated useful lives, and are subject to regular reviews for impairment.

→ Deferred taxation

Deferred tax is not recognised when fixed assets are revalued unless by the balance sheet date there is a binding agreement to sell the revalued assets and the gain or loss expected to arise on the sale has been recognised in the financial statements. A deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

(B) DIVIDENDS

Details of dividends paid and proposed are included in note 20 of the consolidated financial statements.

(C) COMPANY PROFIT FOR THE FINANCIAL YEAR AFTER TAX

The Company has not presented its own profit and loss account as permitted by Section 408 of the Companies Act 2006. The profit after tax for the year was £269m (2010: loss £343m).

The average monthly number of employees of the Company during the year was 179 (2010: 164). Employee costs include wages and salaries of £16m (2010: £24m), social security costs of £2m (2010: £3m) and pension costs of £4m (2010: £3m). Details of the Executive Directors' remuneration are disclosed in the Remuneration Report.

Audit fees in relation to the Parent Company only were £0.2m (2010: £0.3m).

(D) INVESTMENTS AND LOANS TO SUBSIDIARIES

	Shares in subsidiaries £m	Loans to subsidiaries £m	Investments in joint ventures £m	Intangible assets £m	Other investments £m	Total £m
At 1 April 2010	18,256	5,441	593	13	258	24,561
Additions	247		61			308
Disposals		(483)	(15)	(4)	(209)	(711)
Reallocations			87			87
Write back of (provision for) impairment	(729)				(1)	(730)
At 31 March 2011	17,774	4,958	726	9	48	23,515

Shares in subsidiaries are included at cost or Directors' valuation in 1977, 1995, 1997 and 1999 to 2010 inclusive; their historical cost is £22,251m (2010: £22,004m). The amount of £726m (2010: £593m) includes £136m (2010: £64m) of loans to joint ventures by the Company. The Company has a 50% interest in The Public House Company Limited, MSC Property Intermediate Holdings Limited and Shopping Centres Limited, which are registered and operate in England and Wales. Results of the joint ventures are set out in note 12 of the consolidated financial statements. The historical cost of other investments is £55m (2010: £264m).

The Group comprises a large number of companies so has taken advantage of the exemption under Section 410(2) of the Companies Act 2006 in providing information only in relation to subsidiary undertakings whose results or financial position, in the opinion of Directors, principally affect the financial statements. The principal subsidiaries, wholly owned and except where stated, registered and operating in England and Wales, are:

Executive	Property	
The British Land Corporation Limited	British Land Retail Warehouses Limited	York House W1 Limited
	Ropemaker Place Unit Trust (Jersey)	Drake Circus Limited Partnership (United States)
Finance, Investment and Management	The Mary Street Estate Limited	
British Land Property Management Limited	Osnaburgh Street Limited	
BLD Property Holdings Limited	Stockton Retail Park Limited	
BL European Management LLP	Euston Tower Limited	
British Land (Joint Ventures) Limited	BF Propco (No 10) Limited	
Linestar Limited	St. Stephens Shopping Centre Limited	
British Land Investment Netherlands	BL Fixed Uplift Fund Limited Partnership	
Holdings NV (Netherlands)	1 & 4 & 7 Triton Limited	

COMPANY BALANCE SHEET continued

(E) NET DEBT

	2011 £m	2010 £m
Secured on the assets of the Company		
5.264% First Mortgage Debenture Bonds 2035	328	327
5.0055% First Mortgage Amortising Debentures 2035	103	103
5.357% First Mortgage Debenture Bonds 2028	296	307
6.75% First Mortgage Debenture Bonds 2020	186	220
6.75% First Mortgage Debenture Bonds 2011		101
Floating Rate Secured Loan Notes 2035	256	256
	1,169	1,314
Unsecured		
5.50% Senior Notes 2027	98	98
6.30% Senior US Dollar Notes 2015 ¹	96	101
Bank loans and overdrafts	472	156
	666	355
Gross debt	1,835	1,669
Interest rate derivatives: liabilities	49	49
Interest rate derivatives: assets	(11)	(11)
	1,873	1,707
Liquid investments		
4.405% Medium Term Note 2015	(100)	(98)
4.395% Medium Term Note 2015	(103)	(97)
	(203)	(195)
Cash and short-term deposits	(27)	(32)
Net debt	1,643	1,480

1 Principal and interest on these borrowings were fully hedged into Sterling at the time of issue.

Maturity analysis of net debt

	2011 £m	2010 £m
Repayable within one year and on demand	288	138
between:		
one and two years	46	259
two and five years	500	127
five and ten years	186	316
ten and fifteen years	6	9
fifteen and twenty years	431	441
twenty and twenty-five years	378	6
twenty-five and thirty years		373
	1,547	1,531
Gross debt	1,835	1,669
Interest rate derivatives	38	38
Liquid investments	(203)	(195)
Cash and short-term deposits	(27)	(32)
Net debt	1,643	1,480

(F) PENSION

The Company's pension scheme is the principal pension scheme of the Group and details are set out in note 10 of the consolidated financial statements.

(G) DEBTORS

	2011 £m	2010 £m
Trade and other debtors ¹	48	49
Amounts owed by subsidiaries	283	293
Corporation tax	6	10
Prepayments and accrued income	5	5
Interest rate derivative assets ²	11	11
	353	368

1 Included within this balance is deferred consideration of £10m (2010: £33m) arising on the sale of investment properties. The timing of the receipt is uncertain and may fall due after one year.

2 Includes contracted cash flow with a maturity greater than one year at fair value.

(H) CREDITORS

	2011 £m	2010 £m
Trade creditors	11	23
Amounts due to joint ventures	53	37
Corporation tax	15	11
Other taxation and social security	5	5
Accruals and deferred income	32	31
Interest rate derivative liabilities ¹	49	49
	165	156

1 Includes contracted cash flow with a maturity greater than one year at fair value.

COMPANY BALANCE SHEET continued

(I) SHARE CAPITAL

	£m	Ordinary shares of 25p each
Issued, called and fully paid		
At 1 April 2010	220	879,427,102
Issues	4	17,615,196
At 31 March 2011	224	897,042,298

(J) SHARE CAPITAL AND RESERVES

	Share capital £m	Share premium £m	Other reserves £m	Profit and loss account £m	Total £m
At 1 April 2010	220	1,244	(25)	2,518	3,957
Share issues	4	(4)			
Dividends paid				(228)	(228)
Adjustment for scrip dividend element				81	81
Adjustment for share and share option awards				6	6
Pension scheme movements				(2)	(2)
Retained profit				269	269
Derivative valuation movement			5		5
At 31 March 2011	224	1,240	(20)	2,644	4,088

The value of distributable reserves within the profit and loss account is £1,676m (2010: £1,301m).

(K) CONTINGENT LIABILITIES, CAPITAL COMMITMENTS AND RELATED PARTY TRANSACTIONS

At 31 March 2011, the Company had no contingent liabilities for guarantees to third-parties (2010: £nil). The Company also had no capital commitments (2010: £nil).

The Company has used the exemption under FRS 8 where disclosure is not required of transactions with fellow subsidiary undertakings 100% of whose voting rights are controlled within the Group.

Related party transactions are the same for the Company as for the Group. For details refer to note 25 of the consolidated financial statements.

The Company has utilised the exemptions provided by FRS 1 (Revised) and has not presented a cash flow statement. A consolidated cash flow statement has been presented in the Group financial statements.

The Company has chosen to provide a development loan facility of up to £320m to the Broadgate joint venture secured against the new development, 5 Broadgate. The loan, which is assignable and on commercial terms, includes an interest cost of 3% per annum above LIBOR and market based fees. As at 31 March 2011, this has not been drawn by the joint venture.

REPORT OF THE AUDITOR

Independent Auditor Report to the Members of The British Land Company PLC

We have audited the parent company financial statements of The British Land Company PLC for the year ended 31 March 2011 which comprise the parent company balance sheet, and the related notes a to k. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This Report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an Auditor's Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this Report, or for the opinions we have formed.

Respective responsibilities of Directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the Directors are responsible for the preparation of the parent company financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the parent company financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our Report.

Opinion on financial statements

In our opinion the parent company financial statements:

- Give a true and fair view of the state of the parent company's affairs as at 31 March 2011;
- Have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- Have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- The part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006;
- The information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the parent company financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- Adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- The parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- Certain disclosures of Directors' remuneration specified by law are not made; or
- We have not received all the information and explanations we require for our audit.

Other matter

We have reported separately on the Group financial statements of the British Land Company PLC for the year ended 31 March 2011.



Simon Letts BA FCA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP

Chartered Accountants and Statutory Auditor
London, United Kingdom
22 May 2011

TEN YEAR RECORD

The table below summarises the last ten years' proportionally consolidated results, cash flows and balance sheets. Figures for 2011, 2010, 2009, 2008, 2007, 2006 and 2005 are prepared under IFRS. Figures for 2004 and earlier years are the UK GAAP comparatives adjusted to show gross rental income on a proportional basis. FRS 21 became effective in 2006 under UK GAAP and has been applied retrospectively to 2004 and earlier years. This standard requires proposed dividends not approved by the balance sheet date to be excluded from the balance sheet.

	IFRS							UK GAAP		
	2011 £m	2010 £m	2009 £m	2008 £m	2007 £m ⁵	2006 £m	2005 £m	2004 £m	2003 £m	2002 £m
Income										
Gross rental income ¹	541	561	650	709	706	751	630	566	552	514
Net rental income	518	545	598	667	661	701	585	523	514	477
Fees and other income	18	15	20	40	50	50	9	6	3	10
Interest expense (net)	(212)	(246)	(292)	(350)	(370)	(436)	(360)	(336)	(326)	(318)
Administrative expense	(68)	(65)	(58)	(73)	(84)	(87)	(53)	(44)	(44)	(41)
Underlying profit	256	249	268	284	257	228	181	149	147	128
Exceptional costs (not included in underlying profit) ⁴			(119)		(305)	(122)	(180)			
Dividends declared	231	225	198	179	107	88	84	71	66	64
Summarised balance sheets										
Total properties at valuation ^{1,3}	9,572	8,539	8,625	13,471	16,903	14,414	12,507	10,639	9,646	9,300
Net debt ¹	(4,317)	(4,081)	(4,941)	(6,413)	(7,741)	(6,684)	(6,538)	(5,397)	(4,993)	(4,632)
Other assets and liabilities ¹	(154)	(51)	(297)	(122)	(300)	72	(56)	(157)	(142)	167
EPRA NAV/Fully diluted adjusted net assets	5,101	4,407	3,387	6,936	8,862	7,802	5,913	5,085	4,511	4,835
Cash flow movement – Group only⁷										
Cash generated from operations	182	248	406	477	494	455	464	381	374	382
Cash outflow from operations	28	(112)	(201)	(295)	(275)	(359)	(339)	(218)	(279)	(283)
Net cash inflow from operating activities	210	136	205	182	219	96	125	163	95	99
Cash inflow (outflow) from capital expenditure, investments, acquisitions and disposals	(240)	(41)	418	857	(54)	994	(526)	(186)	(271)	(153)
Equity dividends paid	(139)	(154)	(188)	(161)	(91)	(84)	(77)	(67)	(65)	(61)
Cash inflow (outflow) from management of liquid resources and financing	157	(485)	(58)	(830)	(11)	(1,025)	459	137	267	108
(Decrease) Increase in cash ⁶	(12)	(544)	377	48	63	(19)	(19)	47	26	(7)
Capital returns										
Growth in net assets ²	15.7%	30.1%	(51.1%)	(21.6%)	13.6%	31.9%	15.5%	12.7%	(6.7%)	3.8%
Total return ⁴	17.7%	33.5%	(61.6%)	(18.1%)	14.3%	33.2%	16.4%	13.0%	7.4%	4.2%
Total return – pre-exceptional	17.7%	33.5%	(60.3%)	(18.1%)	21.3%	34.6%	18.8%	13.0%	7.4%	4.2%
Per share information⁹										
Net asset value per share	567p	504p	398p	1114p	1394p	1231p	935p	808p	718p	672p
Memorandum:										
Dividends declared in the year	26.0p	26.0p	29.8p	29.0p	16.9p	14.1p	13.0p	12.0p	11.1p	10.3p
Dividends paid in the year	26.0p	27.3p	30.0p	26.8p	14.4p	13.3p	12.3p	11.4p	10.5p	9.7p
Diluted earnings:										
Underlying earnings per share	28.5p	28.4p	41.0p	44.3p	35.9p	29.4p	22.2p	28.6p	22.4p	25.1p
IFRS (loss) earnings per share ^{4,8}	95.2p	132.6p	(614p)	(251p)	389p	188p	104p	n/a	n/a	n/a

1 Including share of joint ventures and funds.

2 Represents movement in diluted EPRA NAV for 2007, 2006 and adjusted diluted net assets pre-2006.

3 Including surplus over book value of trading and development properties.

4 Including exceptional finance costs in 2005 £180m, 2006 £122m, 2007 £305m and 2009 £119m.

5 Restated for IFRS. The UK GAAP accounts shows gross rental income of £620m and underlying profit of £175m.

6 Represents movement in cash and cash equivalents under IFRS and movements in cash under UK GAAP.

7 Cash flow statement now presented under the direct method, with 2007 re-presented as a comparative. The change to presentation in the primary statement does not affect the comparability of values in the Ten Year Record.

8 Under UK GAAP the revaluation of investment properties is not included in earnings per share.

9 Adjusted for the rights issue of 341m shares in March 2009.

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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

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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

	Note	2012 £m	2011 £m
(i) Total revenue			
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			
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 NNNAV	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.

INDEPENDENT REVIEW REPORT TO THE BRITISH LAND COMPANY PLC

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2012 which comprises the Consolidated Income Statement, the Consolidated Balance Sheet, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Cash Flows, the Consolidated Statement of Changes in Equity, and related notes 1 to 12. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the company those matters we are required to state to it in an independent review 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, for our review work, for this report, or for the conclusions we have formed.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

As disclosed in note 12, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2012 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

Deloitte LLP

Chartered Accountants and Statutory Auditor
London, United Kingdom
19 November 2012

Consolidated Income Statement

Year ended
31 March 2012

Six months ended
30 September 2011

Six months ended
30 September 2012

Audited			Unaudited			Unaudited			
Underlying pre tax* £m	Capital and other £m	Total £m	Note	Underlying pre tax* £m	Capital and other £m	Total £m	Underlying pre tax* £m	Capital and other £m	Total £m
332		332	2	165		165	162		162
Gross rental and related income									
286		286	2	142		142	139		139
16		16	2	8		8	8		8
113	69	182		63	(19)	44	54	87	141
(69)		(69)		(37)		(37)	(35)		(35)
143		143	2		6	6		112	112
Net valuation movement (includes profits & losses on disposals)									
Net financing costs									
24	2	26		13	3	16	14	4	18
(101)	(4)	(105)		(52)	(18)	(70)	(48)	(4)	(52)
(77)	(2)	(79)	2	(39)	(15)	(54)	(34)		(34)
269	210	479		137	(28)	109	132	199	331
Profit on ordinary activities before taxation									
Taxation									
(2)		(2)	2		1	1		(1)	(1)
3		3	2		2	2		2	2
1		1	2		3	3		1	1
480		480		Profit for the period after taxation attributable to shareholders of the Company			112		332
Earnings per share:			1	basic			12.6 p		
			1	diluted			12.5 p		
Share of results of joint ventures and funds									
113		113		63		63	54		54
72		72			(19)	(19)	90		90
(3)		(3)			(3)	(3)	(2)		(2)
(1)		(1)			3	3	(1)		(1)
1		1							
113	69	182	4	63	(19)	44	54	87	141

* As defined in note 1

Consolidated Balance Sheet

31 March 2012 Audited £m		Note	30 September 2012 Unaudited £m	30 September 2011 Unaudited £m
Assets				
Non-current assets				
5,346	Investment and development properties	3	5,389	5,323
41	Owner-occupied property	3	42	39
5,387			5,431	5,362
Other non-current assets				
2,191	Investments in joint ventures and funds	4	2,308	2,131
28	Other investments	5	48	59
7,606			7,787	7,552
Current assets				
47	Trading properties	3	49	
168	Debtors		218	142
200	Liquid investments	6	100	200
137	Cash and short-term deposits	6	107	111
552			474	453
8,158	Total assets		8,261	8,005
Liabilities				
Current liabilities				
(49)	Short-term borrowings and overdrafts	6	(252)	(104)
(376)	Creditors		(366)	(376)
(425)			(618)	(480)
Non-current liabilities				
(2,572)	Debentures and loans	6	(2,507)	(2,402)
(25)	Other non-current liabilities		(29)	(26)
(32)	Deferred tax liabilities		(30)	(33)
(2,629)			(2,566)	(2,461)
(3,054)	Total liabilities		(3,184)	(2,941)
5,104	Net assets		5,077	5,064
Equity				
225	Share capital		226	224
1,237	Share premium		1,242	1,237
(164)	Other reserves		(197)	(171)
3,806	Retained earnings		3,806	3,774
5,104	Total equity attributable to shareholders of the Company		5,077	5,064
595 p	EPRA NAV per share*	1	596 p	591 p

* As defined in note 1

Consolidated Statement of Comprehensive Income
for the period ended 30 September 2012

Year ended 31 March 2012 Audited <u>£m</u>	Six months ended 30 September 2012 Unaudited <u>£m</u>	Six months ended 30 September 2011 Unaudited <u>£m</u>
480 Profit for the period after taxation	112	332
(Losses) gains on cash flow hedges		
(65) - Group	(32)	(47)
(50) - Joint ventures and funds	(17)	(55)
(115)	(49)	(102)
Transferred (from) to the income statement (cash flow hedges)		
- foreign currency derivatives	1	(9)
18 - interest rate derivatives	13	8
18	14	(1)
Exchange differences on translation of foreign operations		
9 - hedging and translation	9	4
(8) - other	(7)	(4)
(3) Actuarial loss on pension scheme	(1)	
(99) Other comprehensive (loss) income for the period	(34)	(103)
381 Total comprehensive income for the period	78	229

Consolidated Statement of Cash Flows
for the period ended 30 September 2012

Year ended 31 March 2012 Audited £m		Note	Six months ended 30 September 2012 Unaudited £m	Six months ended 30 September 2011 Unaudited £m
271	Rental income received from tenants		125	138
21	Fees and other income received		11	10
(81)	Operating expenses paid to suppliers and employees		(44)	(44)
211	Cash generated from operations		92	104
(89)	Interest paid		(61)	(51)
17	Interest received		10	8
3	UK corporation tax received (paid)		(1)	
64	Distributions received from joint ventures and funds	4	62	35
206	Net cash inflow from operating activities		102	96
	Cash flows from investing activities			
(106)	Development and other capital expenditure		(93)	(49)
(382)	Purchase of investment properties		(47)	(362)
59	Sale of investment properties		77	7
(22)	Purchase of investments			
12	Deferred consideration received		13	9
(110)	Investment in and loans to joint ventures and funds		(182)	(52)
2	Indirect taxes in respect of investing activities		(6)	(7)
(547)	Net cash (outflow) inflow from investing activities		(238)	(454)
	Cash flows from financing activities			
	Issue of ordinary shares		4	
(212)	Dividends paid		(122)	(97)
(4)	Movement in other financial liabilities		4	(1)
	Disposal of liquid investments		100	
(406)	Decrease in bank and other borrowings		(350)	(271)
1,040	Drawdowns on bank and other borrowings		70	778
	Proceeds on convertible bond issue		400	
418	Net cash inflow (outflow) from financing activities		106	409
77	Net increase (decrease) in cash and cash equivalents		(30)	51
60	Opening cash and cash equivalents		137	60
137	Closing cash and cash equivalents		107	111
	Cash and cash equivalents consists of:			
137	Cash and short-term deposits		107	111

Consolidated Statement of Changes in Equity
for the period ended 30 September 2012

	Share capital * £m	Share premium £m	Hedging & translation reserve £m	Revaluation reserve £m	Retained earnings £m	Total £m
Six month movements in Equity						
Balance at 1 April 2012	225	1,237	(72)	(92)	3,806	5,104
Total comprehensive income for the period			(9)	(24)	111	78
Share issues	1	5				6
Adjustment for share and share option awards					5	5
Dividends payable in the six month period					(116)	(116)
Balance at 30 September 2012	226	1,242	(81)	(116)	3,806	5,077
 Balance at 1 April 2011	 224	 1,237	 (34)	 (34)	 3,537	 4,930
Total comprehensive income for the period			(48)	(55)	332	229
Adjustment for share and share option awards					2	2
Dividends payable in the six month period					(115)	(115)
Adjustment for scrip dividend element					18	18
Balance at 30 September 2011	224	1,237	(82)	(89)	3,774	5,064
Prior year movements in Equity						
 Balance at 1 April 2011	 224	 1,237	 (34)	 (34)	 3,537	 4,930
Total comprehensive income for the period			(38)	(58)	477	381
Share issues	1					1
Adjustment for share and share option awards					5	5
Dividends payable in the year					(231)	(231)
Adjustment for scrip dividend element					18	18
Balance at 31 March 2012	225	1,237	(72)	(92)	3,806	5,104

* See note 11 for a summary of the number of shares in issue

Notes to the accounts (unaudited)

1. Performance measures

Year ended 31 March 2012		Earnings per share (diluted)	Six months ended 30 September 2012		Six months ended 30 September 2011	
Earnings £m	Pence per share		Earnings £m	Pence per share	Earnings £m	Pence per share
269		Underlying pre tax profit - income statement	137		132	
(4)		Tax charge relating to underlying profit	(1)		(2)	
265	29.7 p	Underlying earnings per share	136	15.2 p	130	14.6 p
(3)		Mark to market on liquid investments (held for trading assets)	4		(3)	
(3)		Non-recurring items *	(7)		(2)	
259	29.0 p	EPRA earnings per share (diluted)	133	14.9 p	125	14.0 p
480	53.8 p	Profit for the period after taxation	112	12.5 p	332	37.2 p

*Non-recurring items for the six months ended 30 September 2012 of £7m relate to the issue costs for the convertible bond (30 September 2011: £2m relate to the debt break costs in HUT; 31 March 2012: £3m relate to the debt break costs in HUT).

Underlying earnings consists of the EPRA earnings (diluted) 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 European Public Real Estate Association (EPRA) issued Best Practices Recommendations most recently in August 2011, which gives guidelines for performance measures. The results have been presented to be in line with these recommendations. The **EPRA earnings (diluted) 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.

The weighted average number of shares in issue for the six month period was: basic: 888m (six months ended 30 September 2011: 887m; year ended 31 March 2012: 887m); diluted for the effect of share options: 894m (six months ended 30 September 2011: 893m; year ended 31 March 2012: 892m). Basic undiluted earnings per share for the six month period was 12.6p (six months ended 30 September 2011: 37.4p; year ended 31 March 2012: 54.1p). Earnings per share shown in the table above are diluted.

31 March 2012 £m	Net asset value (NAV)	30 September 2012 £m	30 September 2011 £m
5,104	Balance sheet net assets	5,077	5,064
31	Deferred tax arising on revaluation movements	29	33
189	Mark to market on effective cash flow hedges and related debt adjustments	229	193
	Surplus on trading properties	6	
57	Dilution effect of share options	51	53
5,381	EPRA NAV	5,392	5,343
595 p	EPRA NAV per share	596 p	591 p

The **EPRA NAV per share** excludes the mark to market on effective cash flow hedges and related debt adjustments, deferred taxation on revaluations, surplus on trading properties and is calculated on a fully diluted basis.

At 30 September 2012, the number of shares in issue was: basic: 888m (31 March 2012: 888m; 30 September 2011: 888m); diluted for the effect of share options: 904m (31 March 2012: 904m; 30 September 2011: 904m).

REIT total return per share for the six months ended 30 September 2012 of 2.4% includes dividends paid of 13.2p (see note 7) in addition to the increase in EPRA NAV of 1p. Total return per share for the six months ended 30 September 2011 was 6.5% and the year ended 31 March 2012 was 9.5%.

2. Income statement notes

Year ended 31 March 2012 £m		Six months ended 30 September	
		2012	2011
		£m	£m
	Gross and net rental income		
259	Rent receivable	134	126
41	Spreading of tenant incentives and guaranteed rent increases	14	20
	Surrender premia	1	
300	Gross rental income	149	146
32	Service charge income	16	16
332	Gross rental and related income	165	162
(32)	Service charge expenses	(16)	(16)
(14)	Property operating expenses	(7)	(7)
286	Net rental and related income	142	139
	Fees and other income		
12	Performance & management fees (from joint ventures & funds)	5	6
4	Other fees and commission	3	2
16		8	8
	Net revaluation movements on property and investments		
143	Revaluation of properties	1	118
3	Result on property disposals	1	(3)
(3)	Revaluation of investments	4	(3)
143		6	112
72	Share of valuation movements of joint ventures and funds (note 4)	(19)	90
215		(13)	202

Included in the £15m of net financing costs in the Capital and Other column are £7m of issue costs relating to the £400m convertible bond, £5m being the realisation of fair value movements on the close out of cash flow hedges and a net £3m movement on the fair value of non-hedge accounted derivatives.

	Tax income (expense)		
(2)	Current tax: UK corporation tax (30 September 2012: 24%; 30 September 2011: 26%)	1	(1)
(2)		1	(1)
	Adjustments in respect of prior periods		
(2)	Total current tax expense	1	(1)
3	Deferred tax on revaluations	2	2
1	Group total taxation (net)	3	1
	Attributable to joint ventures and funds	3	
1	Total taxation	6	1

Tax expense attributable to underlying profits for the six months ended 30 September 2012 was £1m (six months ended 30 September 2011: £2m; year ended 31 March 2012: £4m).

The deferred tax charge for the six months ended 30 September 2012 has been calculated using the future enacted UK corporation tax rate of 23% (effective from 1 April 2013).

3. Property

Total property interests are £10,388m at 30 September 2012 comprising properties held by the Group of £5,466m, share of properties held by funds of £776m and share of properties held by joint ventures of £4,146m. Properties were valued on the basis of market value, supported by market evidence, in accordance with the Appraisal and Valuation Standards published by The Royal Institution of Chartered Surveyors.

31 March 2012		30 September 2012	30 September 2011
<u>£m</u>		<u>£m</u>	<u>£m</u>
5,346	Investment properties	5,389	5,323
41	Owner-occupied property	42	39
5,387	Carrying value of properties on balance sheet	5,431	5,362
47	Trading properties	49	
5,434	Carrying value of properties on balance sheet	5,480	5,362
(20)	Head lease liabilities	(20)	(20)
	Surplus on trading properties	6	
5,414	Total British Land Group property portfolio valuation	5,466	5,342

At 30 September 2012 Group properties valued at £1,700m were subject to a security interest (31 March 2012: £1,827m; 30 September 2011: £1,911m) and other properties of non-recourse companies amounted to £39m (31 March 2012: £50m; 30 September 2011: £115m).

Interest capitalised on development expenditure for the six months ended 30 September 2012 was £7m (six months ended 30 September 2011: £3m; year ended 31 March 2012: £8m).

4. Joint ventures and funds

Summary of British Land's share of investments in joint ventures and funds at 30 September 2012

	Underlying profit (six months)	Net Investment	Property assets*	Other assets	Gross liabilities*
	<u>£m</u>	<u>£m</u>	<u>£m</u>	<u>£m</u>	<u>£m</u>
Share of funds	15	495	776	40	(321)
Share of joint ventures	48	1,813	4,146	157	(2,490)
Total	63	2,308	4,922	197	(2,811)

* Head lease liabilities included in property assets

A market uncertainty clause is included in the valuation report of the Portuguese, Spanish and Italian properties within PREF, a fund owning a portfolio of retail property in Europe (in which British Land has a net investment of £122m), due to a lack of transactional evidence and uncertainty over the economic situation in those markets.

At 30 September 2012 the investment in Joint Ventures included within the total net investment in joint ventures and funds was £1,817m (31 March 2012: £1,690m; 30 September 2011: £1,640m).

Amounts owed to joint ventures at 30 September 2012 were £5m (31 March 2012: £15m; 30 September 2011: £47m). Amounts owed from joint ventures at 30 September 2012 were £107m (31 March 2012: £79m; 30 September 2011: £102m).

British Land's share of the results of joint ventures and funds

Year ended 31 March 2012		Six months ended 30 September 2012	Six months ended 30 September 2011
<u>£m</u>		<u>£m</u>	<u>£m</u>
272	Gross rental income	135	137
260	Net rental and related income	130	130
(6)	Other income and expenditure	(2)	(3)
(141)	Net financing costs	(65)	(73)
113	Underlying profit before taxation	63	54
72	Net valuation and disposal movements	(19)	90
(3)	Non-recurring items	(3)	(2)
182	Profit on ordinary activities before taxation	41	142
(1)	Current tax expense	3	(1)
1	Deferred tax income (expense)		
182	Profit on ordinary activities after taxation	44	141

Where a joint venture has net liabilities, as required under IFRS, the Group does not account for its share of the deficit in its total share of joint venture results.

4. Joint ventures and funds (continued)

Operating cash flows of joint ventures and funds

Year ended 31 March 2012 <u>£m</u>		Six months ended 30 September 2012 <u>£m</u>	Six months ended 30 September 2011 <u>£m</u>
277	Rental income received from tenants	124	143
(28)	Operating expenses paid to suppliers and employees	(17)	(20)
<u>249</u>	Cash generated from operations	<u>107</u>	<u>123</u>
(144)	Interest paid	(66)	(74)
(8)	UK corporation tax paid	(3)	(5)
<u>97</u>	Cash inflow from operating activities	<u>38</u>	<u>44</u>
	Cash inflow from operating activities deployed as:		
33	Surplus cash (distributed by) retained within joint ventures and funds	(24)	9
64	Total distributed to British Land	62	35
<u>97</u>	Cash inflow from operating activities	<u>38</u>	<u>44</u>

5. Other investments

Other investments includes a £21m loan to the Bluebutton joint venture under a secured commercial development facility. The investment in the HUT convertible bond of £43m was repaid during the year ended 31 March 2012.

6. Net Debt

31 March 2012 £m		30 September 2012 £m	30 September 2011 £m
1,027	Debentures	1,048	1,051
1,078	Bank loans and overdrafts	787	926
516	Other bonds and loan notes	924	529
<u>2,621</u>	Gross debt	<u>2,759</u>	<u>2,506</u>
92	Interest rate and currency derivative liabilities	110	93
(73)	Interest rate and currency derivative assets	(105)	(81)
<u>2,640</u>		<u>2,764</u>	<u>2,518</u>
(200)	Liquid investments	(100)	(200)
(137)	Cash and short-term deposits	(107)	(111)
<u>2,303</u>	Net debt	<u>2,557</u>	<u>2,207</u>

Gross debt includes £252m due within one year at 30 September 2012 (31 March 2012: £49m; 30 September 2011: £104m).

Undrawn committed bank facilities at 30 September 2012 amounted to £1,535m.

The two **financial covenants** applicable to the Group unsecured debt are:

Net Borrowings not to exceed 175% of Adjusted Capital and Reserves.

At 30 September 2012 the ratio is 46%

i. Net Borrowings are £2,600m, being the principal amount of gross debt of £2,672m plus amounts owed to joint ventures of £5m (see note 4) plus TPP Investments Ltd of £30m (see note 9), less the cash and short-term deposits of £107m; and

ii. Adjusted Capital and Reserves are £5,673m, being share capital and reserves of £5,077m (see Consolidated Statement of Changes in Equity), adjusted for £29m of deferred tax (see note 1), £332m exceptional refinancing charges (see below), £229m mark to market on interest rate swaps (see note 1) and £6m surplus on trading properties (see note 3).

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

At 30 September 2012 the ratio is 37%

i. Net Unsecured Borrowings are £1,618m, being the principal amount of gross debt of £2,672m plus amounts owed from joint ventures of £5m less cash and deposits not subject to a security interest of £78m less the principal amount of secured and non-recourse borrowings of £981m; and

ii. Unencumbered Assets are £4,366m being properties of £5,466m (see note 3) plus investments in joint ventures and funds of £2,308m (see note 4) and other investments of £148m (see balance sheet: liquid investments of £100m and other investments of £48m) less investments in joint ventures of £1,817m (see note 4) and encumbered assets of £1,739m (see note 3).

In calculating Adjusted Capital and Reserves for the purpose of the unsecured debt financial covenants, there is an adjustment of £332m to reflect the cumulative net amortised exceptional items relating to the refinancings in the years ended 31 March 2005, 2006 and 2007.

The Group Loan to Value (LTV) ratio at 30 September 2012 is 32%, being principal value of gross debt of £2,672m less cash, short-term deposits and liquid investments of £207m, divided by total Group property of £5,466m (see note 3) plus investments in joint ventures and funds of £2,308m (balance sheet) and other investments of £48m (balance sheet).

7. Dividends

The 2013 second quarter dividend of 6.6 pence per share, totalling £59m, is payable on 15 February 2013 to shareholders on the register at close of business on 11 January 2013.

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 4 business days before the ex-dividend date of 9 January 2013. The Board expects to announce the split between PID and non-PID income at that time. A Scrip Dividend Alternative will not be enhanced. PID dividends are paid, as required by REIT legislation, after deduction of withholding tax at the basic rate (currently 20%), where appropriate. Certain classes of shareholders may be able to elect to receive dividends gross. Please refer to our website (www.britishland.com) for details.

The 2013 first quarter dividend of 6.6 pence per share, totalling £59m, was paid on 9 November 2012. 39% of shareholders opted for the non-PID Scrip Dividend Alternative. The total cash paid by the Group was £36m, being £30m paid to shareholders and £6m of withholding tax. A cash saving of £23m resulted from settling the balance by issuing of shares.

In respect of the 2012 fourth quarter PID dividend of 3.3 pence per share and non-PID dividend of 3.3 pence per share, totalling £58m, no scrip alternative was offered in lieu of cash. The dividend was paid on 10 August 2012.

The Consolidated Statement of Changes in Equity shows total dividends in the six months to 30 September of £116m, £58m being the third quarter 2012 dividend of 6.5 pence per share paid on 9 May 2012, no scrip alternative was offered in lieu of cash.

8. Segment Information

The segmental note has been updated to reflect changes to internal management reporting. 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. Prior year comparatives have been updated to reflect this change.

The relevant revenue, net rental income, operating result, assets and capital expenditure, being the measure of segment revenue, segment result and segment assets used by the management of the business, are set out below. Revenue is derived from the rental of buildings. Operating result is the net of net rental income, fee income and administration expenses. No customer exceeds 10% of the Group's revenues.

Segment Result	Offices		Retail		Other		Total	
	2012 £m	2011 £m	2012 £m	2011 £m	2012 £m	2011 £m	2012 £m	2011 £m
Revenue								
British Land Group	42	42	91	91	16	13	149	146
Share of funds and joint ventures	41	41	94	96			135	137
Total	83	83	185	187	16	13	284	283
Net rental income								
British Land Group	40	41	86	86	16	12	142	139
Share of funds and joint ventures	40	40	90	90			130	130
Total	80	81	176	176	16	12	272	269
Operating Result								
British Land Group	35	36	82	84	(4)	(8)	113	112
Share of funds and joint ventures	40	40	88	87			128	127
Total	75	76	170	171	(4)	(8)	241	239
Reconciliation to underlying profit before taxation								
British Land Group net financing costs							(39)	(34)
Share of funds and joint ventures net financing costs							(65)	(73)
Capital and other							(28)	199
Total profit on ordinary activities before tax							109	331

Segment Assets	Offices		Retail		Other		Total	
	2012 £m	2011 £m	2012 £m	2011 £m	2012 £m	2011 £m	2012 £m	2011 £m
Property assets (includes head leases liabilities)								
British Land Group	2,153	1,912	2,883	2,966	430	464	5,466	5,342
Share of funds and joint ventures	1,606	1,498	3,311	3,317	5	6	4,922	4,821
Total	3,759	3,410	6,194	6,283	435	470	10,388	10,163
Segment assets								
British Land Group	2,159	1,918	2,886	2,969	908	987	5,953	5,874
Share of funds and joint ventures	1,699	1,583	3,415	3,496	11	23	5,125	5,102
Total	3,858	3,501	6,301	6,465	919	1,010	11,078	10,976
Other assets								
British Land Group					473	512	473	512
Share of funds and joint ventures	93	85	96	171	6	17	195	273
Total	93	85	96	171	479	529	668	785
Capital expenditure								
British Land Group	79	85	13	23	4	326	96	434
Share of funds and joint ventures	53	62	71	52			124	114
Total	132	147	84	75	4	326	220	548

Other assets include other investments of £48m (31 March 2012: £51m; 30 September 2011: £59m), debtors of £218m (31 March 2012: £90m; 30 September 2011: £142m), liquid investments of £100m (31 March 2012: £203m; 30 September 2011: £200m) and cash of £107m (31 March 2012: £60m; 30 September 2011: £111m).

9. 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 (31 March 2012: £30m, 30 September 2011: £30m) and recourse is only to the partnership assets.

10. Related party transactions

Details of transactions with joint ventures and funds are given in notes 2, 5 and 9. Amounts owed to joint ventures are detailed in note 4.

There have been no material changes in the related party transactions described in the last annual report.

11. Note to the Consolidated Statement of Changes in Equity

At 30 September 2012, of the issued 25p ordinary shares, 1m were held in the ESOP Trust (31 March 2012: 1m; 30 September 2011: 1m), 11m were held as Treasury shares (31 March 2012: 11m; 30 September 2011: 11m) and 900m shares were in free issue (31 March 2012: 888m; 30 September 2011: 900m). All shares are fully paid.

12. Basis of preparation

The financial information for the year ended 31 March 2012 does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. A copy of the statutory accounts for that year has been delivered to the Registrar of Companies. The auditor report on those accounts was not qualified, did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying the report, and did not contain statements under section 498(2) or (3) of the Companies Act 2006.

The financial information included in this announcement has been prepared on a going concern basis using accounting policies consistent with International Financial Reporting Standards (IFRS) and in accordance with IAS 34 'Interim Financial Reporting'. The same accounting policies, estimates, presentation and methods of computation are followed in the half year report as applied in the Group's latest annual audited financial statements. The current period financial information presented in this document is unaudited.

The Group's business activities, financial position, cash flows, liquidity position and financing structure are discussed on pages 6 to 20. The Directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements. The Group's business is not seasonal.

The interim financial information was approved by the Board on 19 November 2012.

Supplementary Disclosures

Table A: REIT Income and Capital Return

Summary income statement based on proportional consolidation for the period ended 30 September 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			Six months ended 30 September 2012			Six months ended 30 September 2011			
Group	JVs & funds	Prop Consol	Group	JVs & funds	Prop Consol	Group	JVs & funds	Prop Consol	
£m	£m	£m	£m	£m	£m	£m	£m	£m	
300	272	572	Gross rental income	149	135	284	146	137	283
(14)	(12)	(26)	Property operating expenses	(7)	(5)	(12)	(7)	(7)	(14)
286	260	546	Net rental income	142	130	272	139	130	269
(69)	(7)	(76)	Administrative expenses	(37)	(2)	(39)	(35)	(3)	(38)
16	1	17	Fees & other income	8		8	8		8
233	254	487	Profit before interest and tax	113	128	241	112	127	239
(77)	(141)	(218)	Net interest	(39)	(65)	(104)	(34)	(73)	(107)
156	113	269	Underlying profit before tax	74	63	137	78	54	132
29.7 p			Underlying earnings per share - diluted basis			15.2 p			14.6 p

The underlying earnings per share is calculated on underlying profit before taxation of £137m, tax attributable to underlying profits of £1m and 894m shares on a diluted basis, for the six months ended 30 September 2012.

Half Yearly Summary

Year ended 31 March 2012 £m		Six months ended 30 September 2012 £m	Six months ended 30 September 2011 £m
REIT Income Return			
572	Gross rental income	284	283
(26)	Property operating expenses	(12)	(14)
546	Net rental income	272	269
(76)	Administrative expenses	(39)	(38)
17	Fees and other income	8	8
487	Ungeared income return	241	239
(218)	Net interest	(104)	(107)
269	Underlying profit before taxation	137	132
(4)	Underlying tax	(1)	(2)
265	REIT income return	136	130
REIT Capital Return			
215	Valuation movement	(13)	202
13	Other capital and tax (net)*	4	7
228	REIT capital return	(9)	209
493	REIT total return	127	339

*includes other comprehensive income, movement in dilution of share options and the movement in items excluded for EPRA NAV.

Supplementary Disclosures (continued)

Table A (continued): EPRA Net Assets

Summary balance sheet based on proportional consolidation as at 30 September 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.

EPRA Net assets 31 March 2012 £m		Group £m	Share of joint ventures & funds £m	Share options £m	Deferred tax £m	Mark to Market of interest rate swaps £m	Head Leases £m	Valuation surplus on trading properties £m	EPRA Net assets 30 September 2012 £m	EPRA Net assets 30 September 2011 £m
6,318	Retail properties	2,886	3,319				(11)		6,194	6,283
3,562	Office properties	2,159	1,606				(6)		3,759	3,410
457	Other properties	435	5				(11)	6	435	470
10,337	Total properties	5,480	4,930				(28)	6	10,388	10,163
	Investments in joint ventures and funds	2,308	(2,308)							
28	Other investments	48	(2)						46	55
	Intangible assets									
(294)	Other net (liabilities) assets	(202)	(160)	51	29		28		(254)	(230)
(4,690)	Net debt	(2,557)	(2,460)			229			(4,788)	(4,645)
5,381	Net assets	5,077		51	29	229		6	5,392	5,343
595 p	EPRA NAV per share (note 1)								596 p	591 p

EPRA Net Assets Movement

Year ended 31 March 2012		Six months ended 30 September 2012		Six months ended 30 September 2011	
£m	Pence per share	£m	Pence per share	£m	Pence per share
5,101	567 p	5,381	595 p	5,101	567 p
265	29 p	136	15 p	130	14 p
228	25 p	(9)	(1) p	209	23 p
(213)	(26) p	(116)	(13) p	(97)	(13) p
5,381	595 p	5,392	596 p	5,343	591 p
Closing EPRA NAV					

Supplementary Disclosures (continued)

Table B: EPRA Performance Measures

EPRA Performance measures summary table

Year ended 31 March 2012			Six months ended 30 September 2012		Six months ended 30 September 2011	
£m	Pence per share		£m	Pence per share	£m	Pence per share
259	29.0 p	EPRA Earnings (diluted)	133	14.9 p	125	14.0 p
5,381	595 p	EPRA NAV	5,392	596 p	5,343	591 p
5,148	569 p	EPRA NNNAV	5,015	555 p	5,124	567 p
	5.2 %	EPRA Net Initial Yield		5.2 %		5.2 %
	5.8 %	EPRA 'topped-up' Net Initial Yield		5.7 %		5.8 %
	2.4 %	EPRA Vacancy Rate		2.7 %		2.5 %

Calculation of EPRA earnings (diluted) per share

Year ended 31 March 2012			Six months ended 30 September 2012		Six months ended 30 September 2011	
£m	Pence per share		£m	Pence per share	£m	Pence per share
480	53.8 p	Profit for the period after taxation	112	12.5 p	332	37.2 p
		Exclude				
(3)	(0.3) p	Group - non-underlying current tax	(2)	(0.2) p		
(1)	(0.1) p	Group - deferred tax	(2)	(0.2) p	(2)	(0.2) p
(1)	(0.1) p	Joint Ventures and Funds - non-underlying current tax	(3)	(0.3) p		
		Joint Ventures and Funds - deferred tax				
(146)	(16.4) p	Group - net valuation movement (including result on disposals)	(2)	(0.2) p	(115)	(12.9) p
		Joint ventures and funds - net valuation movement				
(72)	(8.1) p	(including result on disposals)	19	2.1 p	(90)	(10.1) p
		Amortisation of intangible assets	1	0.1 p		
2	0.2 p	Fair value movement on non-hedge accounted derivatives	10	1.1 p		
259	29.0 p	EPRA Earnings (diluted) per Share (EPS)	133	14.9 p	125	14.0 p

Calculation of EPRA NNNAV per share

Year ended 31 March 2012 £m		Six months ended 30 September 2012 £m	Six months ended 30 September 2011 £m
5,381	EPRA NAV	5,392	5,343
(31)	Deferred tax arising on revaluation movements	(29)	(33)
(189)	Mark to market on effective cash flow hedges and related debt adjustments	(229)	(193)
(13)	Mark to market on debt	(119)	7
5,148	EPRA NNNAV	5,015	5,124
569 p	EPRA NNNAV per share	555 p	567 p

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.

Supplementary Disclosures (continued)

Table B (continued): EPRA Performance Measures

EPRA Net Initial Yield and 'topped-up' Net Initial Yield

Year ended 31 March 2012 £m		Six months ended 30 September 2012 £m	Six months ended 30 September 2011 £m
5,414	Investment property - wholly owned	5,466	5,342
4,923	Investment property - share of joint ventures and funds	4,922	4,821
(835)	Less developments	(907)	(695)
9,502	Completed property portfolio	9,481	9,468
521	Allowance for estimated purchasers' costs	543	519
10,023	Gross up completed property portfolio valuation	10,024	9,987
531	Annualised cash passing rental income	530	528
(8)	Property outgoings	(12)	(11)
523	Annualised net rents	518	517
57	Rent expiration of rent free periods and fixed uplifts*	58	58
580	'Topped-up' net annualised rent	576	575
5.2 %	EPRA Net Initial Yield	5.2 %	5.2 %
5.8 %	EPRA 'topped-up' Net Initial Yield	5.7 %	5.8 %
27	Including fixed/minimum uplifts received in lieu of rental growth	27	31
607	Total 'topped-up' net rents	603	606
6.1 %	Overall 'topped-up' Net Initial Yield	6.0 %	6.1 %
580	'Topped-up' net annualised rent	576	575
14	ERV vacant space	16	15
(18)	Reversions	(10)	(19)
576	Total ERV	581	571
5.7 %	Net Reversionary Yield	5.8 %	5.7 %

* The period over which rent free periods expire is 2.3 years (30 June 2011: 2.5 years; 31 March 2011: 3 years)

EPRA Vacancy Rate

Year ended 31 March 2012 £m		Six months ended 30 September 2012 £m	Six months ended 30 September 2011 £m
14	Annualised potential rental value of vacant premises	16	15
576	Annualised potential rental value for the completed property portfolio	581	571
2.4 %	EPRA Vacancy Rate	2.7 %	2.5 %

Table C: Calculation of gross rental income

Year ended 31 March 2012 £m		Six months ended 30 September 2012 £m	Six months ended 30 September 2011 £m
533	Rent receivable	268	263
38	Spreading of tenant incentives and guaranteed rent increases	15	19
1	Surrender premia	1	1
572	Gross rental income	284	283