

# British Land

## Half Year Report

### Six months to 30 September 2009



**THE BRITISH LAND COMPANY PLC**  
**HALF YEAR REPORT – TO 30 SEPTEMBER 2009**

**EXECUTIVE SUMMARY**

- Since June, a positive shift in investor appetite combined with limited stock is benefitting market valuations. Transaction volumes remain low
- Yield compression is offsetting ongoing rental value deflation in certain cases, especially in retail but issues remain for both investment and occupier markets
- British Land's re-balanced portfolio expected to perform well in a wide range of market conditions
- British Land has a strong operating platform and a clear framework for taking advantage of investment opportunities - well financed and well resourced in property and financial skills

**BUSINESS HIGHLIGHTS**

- Portfolio valuation up 1.4% in the second quarter (down 2.4% over 6 months)
  - Portfolio gross top-up initial yield 7.4%, 11 bps yield compression and 2.1% ERV decline since June 2009
  - £5.8 billion (70%) of properties increased in value since June 2009
- NAV up 3.1% in Q2 to 372p per share (down 6.5% from March 2009)
- Encouraging operating performance and lettings momentum good in the half year
  - £8.1 million pa additional rent from 2.8 million sq ft of rent reviews & lease renewals (9% ahead of passing rent) and 510,000 sq ft of new lettings (6% below ERV)
  - Portfolio 94% let with 98% of current rent still contracted in 3 years time
  - Like-for-like rental income growth: 2.7% in retail, 2.3% decline in offices (up 0.7% overall)
- £128 million of new investment commitments and £89 million of development spend
- Group LTV now 29% with £3.3 billion of cash and undrawn facilities (pro forma for the Broadgate JV, completed on 3 November 2009). Proportionally consolidated LTV 53%
- Occupiers in administration reduced from 1.8% to 0.8% of total rent since March 2009

**FINANCIAL HIGHLIGHTS**

	H1 2009/10	H1 2008/9	YE 2008/9
Net rental income <sup>1</sup>	<b>£291m</b>	£317m	£598m
Underlying profit before tax <sup>2</sup>	<b>£129m</b>	£144m	£268m
Underlying earnings per share <sup>2</sup>	<b>15p</b>	22p <sup>4</sup>	41p
Dividend per share	<b>13p</b>	15.53p <sup>4</sup>	29.8p
IFRS pre-tax loss	<b>£(113)m</b>	£(1,327)m	£(3,928)m
Portfolio valuation <sup>1</sup>	<b>£8,293m</b>	£11,571m	£8,625m
Net asset value per share <sup>2,3</sup>	<b>372p</b>	864p <sup>4</sup>	398p
Net debt <sup>1,3</sup>	<b>£4,824m</b>	£5,926m	£4,941m
IFRS net assets	<b>£3,041m</b>	£5,289m	£3,209m

<sup>1</sup> with proportional consolidation of Funds & Joint Ventures, see table A

<sup>2</sup> see Note 1 to the accounts

<sup>3</sup> EPRA (European Public Real Estate Association) basis

<sup>4</sup> restated for Rights Issue in March 2009

**Chris Gibson-Smith, Chairman comments:**

“In charting a course through the worst storm in real estate history, the Board has been careful to ensure we use the voyage to prepare British Land for greater achievements. We are well stocked in human and financial capital and continue to attract both talent and investment. Our recent Board appointments further strengthen our team. The next few years will be a market for the professional investor and operator, where long lasting success comes from a profound understanding of property economics and drivers and high execution capabilities. We have the capacity and willingness to be bold, where necessary, but are mindful that the waves caused by the financial maelstrom of the last two years have not yet settled.”

**British Land contacts:**

Laura de Vere	(Media)	0207 467 2920 / 07739 292920
Amanda Jones	(Investors)	0207 467 2946 / 07921 884017

**Finsbury:**

Ed Simpkins/Gordon Simpson	0207 251 3801
----------------------------	---------------

This report contains certain “forward-looking” statements reflecting current views on our markets, activities and prospects. By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances. Actual outcomes and results may differ materially from any outcomes or results expressed or implied by such forward-looking statements. Any forward-looking statements made by or on behalf of British Land speak only as of the date they are made and no representation or warranty is given in relation to them, including as to their completeness or accuracy or the basis on which they were prepared. British Land does not undertake to update forward-looking statements to reflect any changes in British Land’s expectations with regard thereto or any changes in events, conditions or circumstances on which any such statement is based.

## REVIEW BY THE CHIEF EXECUTIVE

Despite a rapid and positive shift in investor appetite for commercial property in recent weeks the outturn for the commercial property market as a whole remains hard to predict. Liquidity for equity investors is increasing, whether in retail or opportunity funds, and this is coinciding with a short term shortage of supply, pushing yields down and in some cases offsetting rental value decline. The greatest demand continues to be for assets with robust income streams, but lot sizes are key with the market more limited for transactions of £50 million or more. The refinancing overhang and the balance sheet exposures of the banks nonetheless remain structural issues which will weigh on values over the medium term.

The occupier markets will respond in due course to economic conditions and the range of possible outcomes for the economy is still wide. Fiscal stimulus and quantitative easing is providing the fuel to encourage investment; however the government will need to tackle national debt and any austerity measures and increased taxation will doubtless affect consumer and business spending patterns.

Retailers remain exposed to the challenges faced by the consumer from growing unemployment and the economy as a whole. Recent announcements support the view that like for like sales are holding up and the failure of weaker retailers in hard hit sectors has been positive for their remaining competitors, increasing their market share. In our portfolio, we are seeing demand from new entrants into the retail warehouse sector and food retailing continues to show strong sales growth. In Central London offices, demand for space remains below trend. Although market sentiment has improved with an increase in tenant requirements for high quality space, this has yet to translate into a more normal level of letting activity.

In this context, we continue to manage our business to perform no matter what the market conditions are. The half year saw us complete the immediate priority of re-balancing the portfolio. We have further reduced our exposure to large single asset concentrations by creating a £2 billion joint venture at Broadgate, the 30 acre City of London office estate, whilst at the same time lowering our weighting in the highly cyclical City office market from 31% to 20% of the portfolio.

Our balance sheet is in good shape. Lease lengths average 13 years, our tenant base is more diversified, occupancy levels are 94% (98% excluding recent office development completions) and over 98% of our current rent is still contracted in three years time. We are now in a strong position to take advantage of the opportunities that will materialise as the cycle develops. Our current Group loan to value ratio at 29% (pro forma for the Broadgate joint venture) and £3.3 billion of cash and undrawn credit lines, provide a strong investment platform. Investing wisely is important and we are focused on this next phase.

In looking at acquisitions we are implementing a rigorous investment framework across the business. The framework is based upon four key ingredients: a clear investment thesis; targeted risk and return analysis; indicative hold periods and a clear exit strategy for each investment. As ever, the specifics of any individual asset will dictate our investment decision, with these being judged according to the criteria we have defined. Thus far we have invested £128 million in both retail and Central London offices, have made further bids on some £500 million of property and are currently screening a further £2 billion of potential investments, some of which are outside these two sectors.

British Land delivered a good operating performance in the first six months of 2009/10, with like for like rental income up 0.7%, despite the weak rental market. In retail, like for like income growth was 2.7% and this was offset by a 2.3% decline in offices. The retail performance is due to our pro-active asset management resulting in high occupancy levels and our exposure to resilient sectors such as superstores. Letting momentum has remained good, reflecting the enduring customer appeal of our buildings, with over 1.4 million sq ft of lettings and renewals since March 2009.

Our portfolio valuation rose by 1.4% in the second quarter - the first increase since June 2007 - and this partially offsets the decline in the first quarter. As such the portfolio decreased by only 2.4% in the six months. 70% of our properties have increased in value since June with the appeal of 98% occupancy and long leases in our retail portfolio out-weighting the impact of rental value deflation in the City. Our net asset value has fallen 6.5% since March 2009, but risen by 3.1% to 372 pence per share since June 2009.

Looking forward, whilst there have been encouraging signs in the market in recent months, it is not yet clear that all sectors of the market have stabilised. Our decisive actions have placed the Group in a strong position to deal with the current circumstances and take advantage of the attractive investment prospects we are starting to see in the market. Our high quality portfolio, strong balance sheet and committed team allow us to remain confident as we look to the future.

We are pleased to have appointed two new executive directors to the Board. Stephen Smith joins as Chief Investment Officer from AXA Real Estate Investment Managers SA and Charles Maudsley joins with responsibility for business expansion from LaSalle Investment Management. Stephen and Charles bring enormous experience and expertise to complement the skills and breadth of our management team. As we announced in September, Andrew Jones is leaving the Company and we thank him for his contribution over four years and wish him well for the future.

Two new non-executive Board directors will also join with effect from January 2010. They are Richard Pym, Chairman of Bradford & Bingley plc and BrightHouse Group Limited and Dido Harding, Convenience Director at J Sainsbury.

## OPERATIONAL UPDATE

During this half year our property teams have continued to actively manage our portfolio, further aligning it with the requirements of modern occupiers and ensuring greater stability of income.

In September, we agreed to form a joint venture with the Blackstone Group L.P. to own Broadgate through the sale of a 50% interest. In tandem with the disposal of 50% of Meadowhall in February, this concludes the strategy of reducing our exposure to large single asset concentrations. The joint venture additionally brings the Company an experienced and well financed partner to share in the risks and rewards of investing in the next stage of Broadgate's life; improves the balance and risk profile of our portfolio; and substantially increases our capacity to take maximum advantage of market opportunities as the cycle develops.

We made £206 million of further disposals during the half year, reducing our department store exposure as well as interests in retail warehouses in the Hercules Unit Trust ("HUT") portfolio, which is well advanced with its refinancing.

Sales	Price £m	BL Share £m
50% interest in Broadgate, EC2	1,066	<b>1,066</b>
13 Department Stores	159	<b>113</b>
8 Retail Warehouse parks	224	<b>78</b>
2 High Street Shops	5	<b>5</b>
Other	10	<b>10</b>
<b>Total</b>	1,464	<b>1,272</b>

Since the half year, we have disposed of our remaining holding in Songbird Estates PLC for £16 million which, when combined with dividends received since 2005 of £113 million, resulted in a return of 11% per annum on our original investment.

British Land is now in a very strong position to take advantage of the substantial opportunities to buy investment properties, which we expect to arise as the cycle develops.

Thus far this financial year, we have made £128 million of **new investment commitments**:

- underwriting £50 million 10% subordinated convertible bonds to be issued by HUT.
- increasing our stake in the Pillar Retail Europark Fund ("PREF") at a cost of €33 million on a look through yield of 7.8%. As a result, our investment in PREF increased from 38.7% to 65.3%. The life of the fund has been extended to 2014.
- acquiring 39 Victoria Street, SW1, for £40 million representing an 8.4% net initial yield. The 76,000 sq ft offices are let to Bank of America until July 2012, fully underlet to nine sub occupiers, offering regular good quality floor plates, with refurbishment opportunity on expiry, at a time when supply is more likely to be restricted.
- HUT has acquired Hylton Riverside Retail Park, Sunderland, for £19 million (British Land's share £7 million) reflecting a net initial yield of 8.6%. The 118,000 sq ft Open A1 scheme comprises nine units with planning consent for a further 10,000 sq ft unit.

**We actively manage** our investment properties to maximise occupancy and enhance rents, and have generated an additional £8.1 million per annum of rent (after taking into account letting incentives) from:

- 152 rent reviews covering 1.9 million sq ft at 16% ahead overall of previous passing rent; and
- 880,000 sq ft of lease renewals agreed at 6% below previous passing rent; and 510,000 sq ft of new lettings, overall at 6% below the most recent ERV. In total, our lettings and lease renewals have an average lease length of 13.0 years to first break, with 90% having a lease term of more than 5 years

**High occupancy, long leases and limited short-term lease breaks or expiries** continue to be differentiating features of British Land and provide stability of income during a period of rental value deflation. As at September, 98% of our rent is subject to upward only rent reviews or fixed uplifts and just 0.5% is turnover related.

As a result of our focus on properties with enduring customer appeal, **occupiers in administration** have reduced from 1.8% to 0.8% of total rent since March. Overall, 46% of units currently in administration are either being assigned or are in negotiation for re-letting. For the September quarter, 98% of rents were collected within 10 working days of their due date and 7% of tenants pay rents monthly by prior agreement, instead of quarterly in advance.

	Retail	Offices <sup>1</sup>	Total Portfolio <sup>1</sup>
Occupancy rate <sup>2</sup>	98%	86%	<b>94%</b>
Average lease length <sup>3</sup>	14 years	9 years	<b>13 years</b>
% of rent subject to break or expiry over next 3 years	5%	9%	<b>6%</b>

<sup>1</sup> pro forma for Broadgate JV (50% share of Broadgate), completed 3 November 2009

<sup>2</sup> underlying occupancy including accommodation subject to asset management and under offer

<sup>3</sup> weighted average lease length to first break

Retail occupancy remains high at 98%. The decrease in the office occupancy to 86% over the first half of the year reflects the completion of our City office development at Ropemaker, which has a greater weighting in our office portfolio after the Broadgate joint venture. The only significant areas available to let are in the recently completed office development programme, where the accommodation is new Grade A space. Our customer-led approach is predicated on providing accommodation that best meets occupiers' requirements and our buildings continue to attract good levels of interest, even in a difficult market, with a further 21,000 sq ft let at Ropemaker in October (now 36% let) and 39,000 sq ft currently under offer at the Broadgate Tower (now 62% let/under offer).

Our only remaining London development under construction is our West End mixed scheme at Osnaburgh, Regent's Place, and this is nearing completion. Marketing of the offices is under way, and we are seeing encouraging tenant interest. The residential units, which represent one quarter of the current value, have all been pre-sold. We retain a pipeline of potential future opportunities, with a current book value of only £137 million, which when built out could add around 4 million sq ft to the portfolio.

**The diversity of customers and industries** in our quality portfolio contributes to our income stability. Food represents some 18% of total rent; fashion and entertainment represent a further 17%; and following the Broadgate transaction we have lowered our concentration risk to the financial sector with major international banks accounting for 14% and firms of lawyers 5% of total rent (down from 19% and 6%, respectively). Our top ten Retail and Office customers are:

<b>Top 10 Retail customers</b>	<b>% of total rent<sup>1</sup></b>	<b>Top 10 Office customers</b>	<b>% of total rent<sup>1</sup></b>
Tesco	7	UBS	5
Sainsbury's	7	HM Government	2
Debenhams	5	RBS	2
Homebase	2	Bank of Tokyo-Mitsubishi UFJ	2
Kingfisher (B&Q)	2	Herbert Smith	2
Next	2	JP Morgan	1
Asda	1	Reed Smith	1
Boots	1	Deutsche Bank	1
Curry's	1	Mayer Brown	1
Marks & Spencer	1	Cable & Wireless	1

<sup>1</sup> pro forma for Broadgate JV (50% share of Broadgate), completed 3 November 2009

We will continue to actively manage the portfolio to improve the income and ensure it is well positioned to benefit from a recovery in markets.

## PORTFOLIO VALUATION

There has been a marked improvement in the performance between the first and second quarter of the year in reaction to improving investor sentiment, particularly over the latter part of the second quarter. The three months to September 2009 has seen an overall increase in the value of the portfolio of 1.4%. This was the first quarterly increase since June 2007 and partially offset the decline in the first quarter, giving an overall portfolio decline of 2.4% for the half year.

The capital return from the UK portfolio was 1.7% for the three months to September 2009, as measured by IPD (calculated for UK assets on average capital employed and excluding capitalised interest). Over the half year, the UK portfolio produced a capital return of -1.4%, compared to the IPD Benchmark of -2.5%.

Across the portfolio, £5.8 billion (70%) of assets have increased in value since June 2009 (53% since March 2009).

Valuation By sector	Group £m	Funds/JVs £m <sup>1</sup>	Total £m	Change % <sup>2</sup>		Pro forma <sup>3</sup>	
				3 months	6 months	Total £m	Portfolio %
<b>Retail:</b>							
Retail warehouses	1,355	877	<b>2,232</b>	3.2	-1.9	2,232	31.0
Superstores	117	1,009	<b>1,126</b>	4.9	5.5	1,126	15.6
Shopping centres	168	832	<b>1,000</b>	-0.2	-5.9	1,000	13.9
Department stores <sup>4</sup>	378	24	<b>402</b>	5.0	4.3	402	5.6
<b>All retail</b>	<b>2,018</b>	<b>2,742</b>	<b>4,760</b>	<b>3.0</b>	<b>-0.6</b>	<b>4,760</b>	<b>66.1</b>
<b>Offices<sup>5</sup>:</b>							
City	2,519	-	<b>2,519</b>	-1.9	-5.7	1,428	19.8
West End	798	-	<b>798</b>	1.5	-2.9	798	11.1
Provincial	26	7	<b>33</b>	-0.4	-4.4	33	0.5
<b>All offices</b>	<b>3,343</b>	<b>7</b>	<b>3,350</b>	<b>-1.1</b>	<b>-5.0</b>	<b>2,259</b>	<b>31.4</b>
Other <sup>6</sup>	171	12	<b>183</b>	4.1	1.1	183	2.5
<b>Total</b>	<b>5,532</b>	<b>2,761</b>	<b>8,293</b>	<b>1.4</b>	<b>-2.4</b>	<b>7,202</b>	<b>100.0</b>

<sup>1</sup> Group's share of properties in Funds and Joint Ventures

<sup>2</sup> includes valuation movements in developments (classified by end use), purchases and sales, net of capital expenditure

<sup>3</sup> pro forma for Broadgate JV (50% share of Broadgate), completed 3 November 2009

<sup>4</sup> including High Street with total value of £19m, 9.7% decline in the 6 months (Q2 -4.0%)

<sup>5</sup> including developments with a total value of £323m, 6.6% decline in the 6 months (Q2 -1.5%)

<sup>6</sup> Industrial, distribution and leisure

**The retail portfolio** delivered an increase in value of 3.0% in the second quarter, largely reversing the first quarter decline and giving an overall movement of -0.6% for the six months to September 2009. This has been driven by positive yield shift which has outweighed declining rental values, albeit the pace of rental value decline also slowed in the second quarter to 0.3% (first quarter 2009: -2.7%). Within retail, a strong performance has been posted by all sub-sectors with the exception of shopping centres, largely reflecting the relative differential in lot size and rental value growth prospects between shopping centres and other retail assets.

Within the retail portfolio, our **European out of town portfolio** has declined in value by 4.2% over the second quarter (-14.1% for the half year). Whilst this is a marked slowdown in the rate of decline from the first quarter, it continues to reflect the on-going correction in European markets which has lagged the UK.

**Within the office portfolio** the 1.1% decline in overall values for the second quarter (-5.0% for the half year) represents a combination of a further 1.9% reduction in value of our City portfolio, but a positive performance in the West End portfolio of 1.5% where there has been a marked increase in demand from a diverse investor base and where lot size is less of a constraint than the City. Rental values in Central London have continued to decline with the City portfolio down a further 3.9% in the second quarter (-10.3% for the half year) and West End decreasing 8.1% (-12.5% for the half year).

The gross top-up initial yield on the portfolio is now 7.4%. The initial yield for the portfolio has shown a like for like inward shift of 11 bps over the three months to 30 September 2009, whilst the equivalent yield has moved inwards by 26 bps to 7.1% as yields improved and rental values continued to fall.

Portfolio yields & ERV growth (excluding developments)	Top-Up initial yield % <sup>1,2,3</sup>	Net equivalent yield % <sup>2,4</sup>	Movement in initial yield bps		ERV Decline % <sup>5</sup>	
			3 months	6 months	3 months	6 months
<b>Retail</b>						
Retail warehouses	7.5	7.3	-37	-9	-0.4	-2.9
Superstores	6.1	5.9	-30	-32	-	0.4
Shopping centres	7.8	7.2	11	34	-0.6	-3.9
Department stores	8.0	7.8	-25	-22	-0.3	-8.9
<b>All retail</b>	<b>7.3</b>	<b>7.0</b>	<b>-24</b>	<b>-7</b>	<b>-0.3</b>	<b>-3.0</b>
<b>Offices</b>						
City	7.7	7.2	14	44	-3.9	-10.3
West End	7.4	6.5	-	17	-8.1	-12.5
<b>All offices</b>	<b>7.6</b>	<b>7.0</b>	<b>11</b>	<b>38</b>	<b>-4.7</b>	<b>-10.7</b>
Other <sup>6</sup>	10.5	11.0	-48	11	0.1	0.1
<b>Total</b>	<b>7.4</b>	<b>7.1</b>	<b>-11</b>	<b>10</b>	<b>-2.1</b>	<b>-6.1</b>

<sup>1</sup> gross yield to British Land (without notional purchaser's costs)

<sup>2</sup> pro forma Broadgate JV (50% share of Broadgate), completed 3 November 2009

<sup>3</sup> adding back rent frees and minimum rental uplifts

<sup>4</sup> after purchaser's costs

<sup>5</sup> like for like, IPD basis (excluding Europe)

<sup>6</sup> Industrial, distribution and leisure

## FINANCIAL RESULTS

The results for the half year ended 30 September 2009 saw the pace of valuation decline slowing markedly in the quarter to 30 June 2009 and then rising in the quarter to 30 September 2009 by 1.4%. The NAV increased by 3.1% from June 2009.

The Group's underlying profit and cash flows continue to reflect the impact of management's actions over the past 18 months, most notably our disposal programme. The Group is now in reinvestment mode. Going forward, it is expected that the further reduction relating to the Broadgate disposal of some £7 million per quarter will be off-set through the accretive effect of letting up developments and new investment property acquisitions. The timing of these lettings and reinvestment remains subject to market conditions.

**Income Statement** (data presented on a proportionally consolidated basis – table A)

**Net rental income** at £291 million is 8.2% lower than the half year to 30 September 2008 due to the property disposals that the Group has undertaken over the last 18 months. The retained portfolio generated £13 million of increased income from rent reviews and new lettings, whereas determinations and expiries have reduced rental income by £11 million.

In addition to the above, net rental income for the six months to 30 September 2009 includes a release of £16 million of provisions set aside in the second half of last year against income recognised on leases with contracted fixed uplifts, due to a reduction in the credit risk.

Like for like rental income in the six months increased by 0.7% compared to the comparative period in the prior year, due to continued growth in the Group's retail portfolio of 2.7%, the office portfolio conversely was down by 2.3%.

**Net financing costs** for the half year were £136 million, £14 million or 9.3% lower than the corresponding period last year. This reflects our reduced level of debt following property disposals and the Rights Issue proceeds received in March 2009. Interest cover remained at 2.0 times underlying profit before interest and taxation.

The lower debt position has offset the increase in financing costs recognised in the current half year due to the cessation of interest capitalisation on development following completion. Interest on development of £10 million was capitalised in the half year (30 September 2008: £16 million), of which £8 million related to Ropemaker and Osnaburgh Street.

This income and expenditure resulted in an **underlying profit before tax** for the half year of £129 million, 10.4% lower than the corresponding period last year.

Future earnings will be increased by the letting up of developments as well as from new property purchases financed by cash and corporate lines, mitigating the earnings dilution caused by recent disposals.

## Balance Sheet

**EPRA net assets** at 30 September 2009 were £3,200 million, or 372 pence per share, a decrease of 6.5% from 31 March 2009. This was principally due to the 2.4% reduction in property valuation in the half year to 30 September 2009.

Following a 3.7% decrease in the first quarter, the last three months to 30 September 2009 saw a 1.4% increase in valuation and this has resulted in an increase in **EPRA NAV per share** of 3.1% against the previous reported position at 30 June 2009.

Movement in EPRA NAV per share	Pence
<b>As at 31 March 2009</b>	<b>398</b>
Property and investment revaluation movements (inc asset disposals)	(38)
Underlying profit after taxation	7
Dividend paid	(6)
<b>As at 30 June 2009</b>	<b>361</b>
Property and investment revaluation movements (inc asset disposals)	9
Underlying profit after taxation	8
Dividend paid (including scrip)	(6)
<b>As at 30 September 2009</b>	<b>372</b>

**Total properties** owned at 30 September 2009, including our share of Funds and Joint Ventures, were £8.3 billion, or £11.6 billion including properties under management. **Net debt** at 30 September 2009, including our share of Funds and Joint Ventures, amounted to £4.8 billion.

## Broadgate Joint Venture

On 3 November 2009 the Company completed the sale of 50% of Broadgate into a Joint Venture with Blackstone.

A summary income statement to show the impact of Broadgate on the earnings for the quarter to 30 September 2009 and a pro forma balance sheet adjusted to illustrate the effect of the transaction on the Group's net assets is included in the Pro forma Information. The summary earnings and the net asset impact of the Broadgate JV group of companies are as follows:

Three months to 30 September 2009	£m	Pence per share
Underlying Profit of Broadgate JV group of companies (100%)	17	2
Pro-forma EPRA NAV per share post sale	3,159	367

On a pro forma basis, total properties owned reduces to £7.2 billion and net debt (including share of funds and joint ventures) falls to £3.9 billion as a result of the Broadgate joint venture.

Our **financing structure** is robust and offers significant flexibility with 63% (£2.9 billion) of gross borrowings (including our share of Funds and Joint Ventures) non-recourse to the Group, whilst only 7% (£330 million) are unsecured.

Post Broadgate our Group LTV will reduce from 47% at 30 September 2009 to 29% (53% proportionally consolidated). Our debt has an average cost of 5.6% with an average maturity of 13 years. In addition to current cash and short term deposits of £367 million, the Group continues to have significant committed undrawn facilities of £2.9 billion.

Financing statistics – pro forma <sup>1</sup>	Group only	Group and share of Funds & Joint Ventures
Net debt	£1,427m	£3,928m <sup>3</sup>
Weighted average debt maturity	13.0 years	11.4 years
Weighted average interest rate	5.6%	5.3%
Loan to value <sup>2</sup>	29%	53%

<sup>1</sup> pro forma for Broadgate JV (50% share of Broadgate) completed 3 November 2009

<sup>2</sup> debt to property and investments

<sup>3</sup> EPRA basis

## Dividend

The second quarter dividend of 6.5 pence per share, totalling £56 million, is payable on 12 February 2010 to shareholders on the register at close of business on 15 January 2010.

An enhanced scrip alternative is being offered to shareholders with the second quarter dividend. Shareholders will be able to choose between cash or shares. Further information can be obtained from the website at <http://www.britishland.com/investors/dividends/scrip>. The property income distribution of the cash dividend is nil pence per share (see Note 6 to the accounts).

The first quarter dividend of 6.5 pence per share was paid to shareholders on 13 November 2009, making a total of 13 pence for the half year – consistent with the expected total dividend for the financial year of 26 pence. In respect of the first quarter dividend for 2009/10, some 40% of shareholders opted for the enhanced scrip alternative, in lieu of £22 million in cash dividends.

## **Principal Risks and Uncertainties for the remaining six months of the financial year**

The past six months have seen a gradual improvement in financial market conditions and this has resulted in an overall improvement in the risk environment. British Land is very well positioned to take advantage of any market upswing after completing its Rights Issue earlier this year and selected sales, including 50% stakes in Meadowhall and more recently Broadgate. These sales have helped to ensure significant excess headroom before debt covenant positions are tested, and further reduce any single asset risk that may have been present.

We expect tough occupational market conditions to remain for some time, as the economic effect of the recession evolves and liquidity in the financial markets continues to restrict funding for many businesses. We believe this also presents us with opportunities. We are monitoring the property markets to ensure capital is effectively deployed and are alert to any new risks which may arise as we move into this new purchasing cycle. Consequently, the formulation of specific strategies, setting out clear investment criteria and performing appropriate due diligence on potential investments have been the recent focus of our management team.

Close monitoring of the market and customer information helps to manage the risk of defaults and assists in the selection of assets for retention or recycling. This proactive asset management aims to produce market outperformance. Construction cost and programme risks are largely mitigated, with all major projects completed or near completion. Letting remains challenging but should improve, reducing current void costs.

Financing within British Land is sound with substantial liquidity available under committed facilities, borrowings 100% fixed rate and a weighted average debt maturity of 13 years. Financial covenants are set out in Note 5 to the Financial Statements.

These and other risks identified within the Group's formal risk management process are subject to an impact analysis based on the likelihood of occurrence and potential impact on the Group. Risks identified as potentially having significant impacts are managed through the design and implementation of mitigation strategies. The principal risks are considered, reviewed and discussed periodically by the Executive Directors, the Audit Committee and the Board.

## **Directors' Responsibility Statement**

We confirm that to the best of our knowledge:

- (a) the condensed set of financial statements has been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting"; and
- (b) the interim management report includes a fair review of the information required by Sections DTR 4.2.7R and DTR 4.2.8R of the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

By Order of the Board, Graham Roberts, Finance Director.

## Consolidated Income Statement for the six month period ended 30 September 2009

Year ended 31 March 2009 Audited		Six months ended 30 September 2009 Unaudited		Six months ended 30 September 2008 Unaudited	
Underlying pre tax* £m	Capital and other £m	Total £m	Underlying pre tax* £m	Capital and other £m	Total £m
Note	£m	£m	£m	£m	£m
554	554	<b>Gross rental and related income</b>	2	240	283
453	453	<b>Net rental and related income</b>	2	208	248
18	18	Fees and other income	2	6	9
(14)	(14)	Amortisation of intangible assets		(7)	(7)
55	(822)	Funds and joint ventures (see also below)		(47)	(230)
(51)	(51)	Administrative expenses		(29)	(30)
(3,241)	(3,241)	Net valuation movement (includes profits & losses on disposals)	2	(188)	(1,207)
		Net financing costs			
52	52	- financing income		18	8
(259)	(119)	- financing charges		(106)	(118)
(207)	(119)			(88)	(110)
268	(4,196)	<b>Profit (loss) on ordinary activities before taxation</b>		129	144
		Taxation		(242)	(1,471)
(2)	(2)	- current tax income (expense)	2	3	(4)
49	49	- deferred tax (expense) income	2	(2)	19
47	47		2	1	15
		<b>Loss for the period after taxation attributable to shareholders of the Company</b>		(112)	(1,312)
		Loss per share:			
	(616) p	basic	1	(13) p	(214) p**
	(614) p	diluted	1	(13) p	(213) p**
		<b>Share of results of funds and joint ventures</b>			
55	55	Underlying profit before taxation		32	27
(833)	(833)	Net valuation movement (includes profits & losses on disposals)		(44)	(265)
2	2	Current tax (expense) income		(4)	4
9	9	Deferred tax income		1	4
(822)	(767)		4	(47)	(257)
				32	27
				(44)	(265)
				(4)	4
				1	4
				(15)	(230)

\* As defined in note 1

\*\* As restated for the Rights Issue

## Consolidated Income Statement for the three month period ended 30 September 2009

Year ended 31 March 2009		Three months ended 30 September 2009		Three months ended 30 September 2008			
Audited		Unaudited		Unaudited			
Underlying pre tax* £m	Capital and other £m	Total £m	Note	Underlying pre tax* £m	Capital and other £m	Total £m	
554	554	120	2	120	137	137	
<b>Gross rental and related income</b>							
453	453	107	2	107	121	121	
18	18	2	2	2	4	4	
(14)	(14)	(3)		(3)	(3)	(3)	
55	(822)	(767)		16	69	(126)	
(51)	(51)	(13)		(13)	(15)	(15)	
(3,241)	(3,241)	30	2	30	(683)	(683)	
Net valuation movement (includes profits & losses on disposals)							
Net financing costs							
52	52	5		5	6	6	
(259)	(119)	(378)		(51)	(59)	(59)	
(207)	(119)	(326)		(46)	(53)	(53)	
268	(4,196)	(3,928)		66	96	162	
<b>Profit (loss) on ordinary activities before taxation</b>							
Taxation							
(2)	(2)	2	2	2	(3)	(3)	
49	49	(3)	2	(3)	11	11	
47	47	(1)	2	(1)	8	8	
(3,881)	(3,881)	161		161	(747)	(747)	
<b>Profit (loss) for the period after taxation attributable to shareholders of the Company</b>							
				basic		p**	
				diluted		p**	
				19		p	
				19		p	
<b>Share of results of funds and joint ventures</b>							
55	55	16		16	13	13	
(833)	(833)	70		70	(138)	(138)	
2	2	(1)		(1)	(2)	(2)	
9	9	85		85	1	1	
(822)	(767)	16	4	69	(139)	(126)	

\* As defined in note 1

\*\* As restated for the Rights Issue



## Consolidated Statement of Changes in Equity

for the period ended 30 September 2009

	Share capital * £m	Share premium £m	Other reserves £m	Retained earnings £m	Total £m
<b>Six month movements in Equity</b>					
<b>Balance at 1 April 2009</b>	<b>217</b>	<b>1,244</b>	<b>(139)</b>	<b>1,887</b>	<b>3,209</b>
Total comprehensive income for the period			23	(112)	(89)
Adjustment for share and share option awards				1	1
Dividends paid in the six month period				(103)	(103)
Adjustment for scrip dividend element	1	(1)		23	23
<b>Balance at 30 September 2009</b>	<b>218</b>	<b>1,243</b>	<b>(116)</b>	<b>1,696</b>	<b>3,041</b>
<b>Three month movements in Equity</b>					
<b>Balance at 1 April 2008</b>	<b>131</b>	<b>1,269</b>	<b>335</b>	<b>5,055</b>	<b>6,790</b>
Total comprehensive income for the period			(324)	(1,094)	(1,418)
Share issues		2			2
Adjustment for share and share option awards				4	4
Dividends paid in the six month period				(89)	(89)
<b>Balance at 30 September 2008</b>	<b>131</b>	<b>1,271</b>	<b>11</b>	<b>3,876</b>	<b>5,289</b>
<b>Three month movements in Equity</b>					
<b>Balance at 1 July 2009</b>	<b>217</b>	<b>1,244</b>	<b>(80)</b>	<b>1,573</b>	<b>2,954</b>
Total comprehensive income for the period			(36)	155	119
Dividends paid in the three month period				(55)	(55)
Adjustment for scrip dividend element	1	(1)		23	23
<b>Balance at 30 September 2009</b>	<b>218</b>	<b>1,243</b>	<b>(116)</b>	<b>1,696</b>	<b>3,041</b>
<b>Prior year movements in Equity</b>					
<b>Balance at 1 July 2008</b>	<b>131</b>	<b>1,270</b>	<b>412</b>	<b>4,447</b>	<b>6,260</b>
Total comprehensive income for the period			(401)	(529)	(930)
Share issues		1			1
Adjustment for share and share option awards				2	2
Dividends paid in the three month period				(44)	(44)
<b>Balance at 30 September 2008</b>	<b>131</b>	<b>1,271</b>	<b>11</b>	<b>3,876</b>	<b>5,289</b>
<b>Prior year movements in Equity</b>					
<b>Balance at 1 April 2008</b>	<b>131</b>	<b>1,269</b>	<b>335</b>	<b>5,055</b>	<b>6,790</b>
Total comprehensive income for the period			(474)	(3,664)	(4,138)
Share issues	86	(25)	682		743
Transfer			(682)	682	
Adjustment for share and share option awards				(1)	(1)
Dividends paid in the year				(185)	(185)
<b>Balance at 31 March 2009</b>	<b>217</b>	<b>1,244</b>	<b>(139)</b>	<b>1,887</b>	<b>3,209</b>

\* See note 10 for a summary of the number of shares in issue

## Consolidated Balance Sheet as at 30 September 2009

31 March 2009 Audited £m		Note	30 September 2009 Unaudited £m	30 September 2008 Unaudited £m	30 June 2009 Unaudited £m
<b>Assets</b>					
<b>Non-current assets</b>					
5,436	Investment properties	3	5,313	8,321	5,333
358	Development properties	3	202	418	176
30	Owner-occupied property	3	25	45	27
5,824			5,540	8,784	5,536
<b>Other non-current assets</b>					
952	Investments in funds and joint ventures	4	973	1,313	871
38	Other investments		65	122	44
25	Intangible assets		17	33	21
6,839			6,595	10,252	6,472
<b>Current assets</b>					
123	Debtors		72	112	82
616	Cash and short-term deposits	5	638	387	647
739			710	499	729
7,578	<b>Total assets</b>		<b>7,305</b>	<b>10,751</b>	<b>7,201</b>
<b>Liabilities</b>					
<b>Current liabilities</b>					
(49)	Short-term borrowings and overdrafts	5	(51)	(59)	(56)
(524)	Creditors		(467)	(463)	(474)
(573)			(518)	(522)	(530)
<b>Non-current liabilities</b>					
(3,716)	Debentures and loans	5	(3,673)	(4,802)	(3,640)
(45)	Other non-current liabilities		(34)	(67)	(43)
(35)	Deferred tax liabilities		(39)	(71)	(34)
(3,796)			(3,746)	(4,940)	(3,717)
(4,369)	<b>Total liabilities</b>		<b>(4,264)</b>	<b>(5,462)</b>	<b>(4,247)</b>
3,209	<b>Net assets</b>		<b>3,041</b>	<b>5,289</b>	<b>2,954</b>
<b>Equity</b>					
217	Share capital		218	131	217
1,244	Share premium		1,243	1,271	1,244
(139)	Other reserves		(116)	11	(80)
1,887	Retained earnings		1,696	3,876	1,573
3,209	<b>Total equity attributable to shareholders of the Company</b>		<b>3,041</b>	<b>5,289</b>	<b>2,954</b>
398 p	<b>EPRA NAV per share*</b>	1	<b>372 p</b>	<b>864 p**</b>	<b>361 p</b>

\* As defined in note 1

\*\* As restated for the Rights Issue

## Consolidated Statement of Cash Flows

for the period ended 30 September

Year ended 31 March 2009 Audited <u>£m</u>	Three months ended 30 September 2009		Six months ended 30 September 2009		
	2008 Unaudited <u>£m</u>	2008 Unaudited <u>£m</u>	2008 Unaudited <u>£m</u>	2008 Unaudited <u>£m</u>	
455	Rental income received from tenants	107	118	200	235
30	Fees and other income received	2	5	11	22
(79)	Operating expenses paid to suppliers and employees	(20)	(20)	(48)	(41)
406	<b>Cash generated from operations</b>	<b>89</b>	<b>103</b>	<b>163</b>	<b>216</b>
(270)	Interest paid	(65)	(81)	(102)	(134)
20	Interest received	3	5	5	7
16	UK corporation tax received (paid)	(1)	(1)	(2)	(2)
33	Distributions received from funds and joint ventures	6	5	16	11
205	<b>Net cash inflow from operating activities</b>	<b>32</b>	<b>31</b>	<b>80</b>	<b>98</b>
<b>Cash flows from investing activities</b>					
(107)	Purchase of investment properties				
(436)	Development and other capital expenditure	(37)	(104)	(89)	(259)
904	Sale of investment properties	46	93	198	777
(6)	REIT conversion charge paid				(6)
3	Indirect taxes in respect of investing activities	(2)	2	(5)	2
115	Establishment of Meadowhall Joint Venture				
(57)	Investment in and loans to funds and joint ventures	(28)	(23)	(52)	(27)
2	Capital distributions received from funds and joint ventures				2
418	<b>Net cash (outflow) inflow from investing activities</b>	<b>(21)</b>	<b>(32)</b>	<b>52</b>	<b>489</b>
<b>Cash flows from financing activities</b>					
743	Issue of ordinary shares		1		2
(188)	Dividends paid	(35)	(41)	(77)	(86)
(11)	Repayment of debt acquired with subsidiary undertaking				
(76)	Movement in other financial liabilities	(5)	(5)	(10)	50
(714)	Increase (decrease) in bank and other borrowings	27	(151)	(23)	(415)
(246)	<b>Net cash outflow from financing activities</b>	<b>(13)</b>	<b>(196)</b>	<b>(110)</b>	<b>(449)</b>
377	Net increase (decrease) in cash and cash equivalents	(2)	(197)	22	138
239	Opening cash and cash equivalents	640	574	616	239
616	<b>Closing cash and cash equivalents</b>	<b>638</b>	<b>377</b>	<b>638</b>	<b>377</b>
<b>Cash and cash equivalents consists of:</b>					
616	Cash and short-term deposits	638	387	638	387
	Overdrafts		(10)		(10)
616		<b>638</b>	<b>377</b>	<b>638</b>	<b>377</b>

## Notes to the accounts (unaudited)

### 1. Performance measures

Year ended 31 March 2009		Earnings (loss) per share (diluted)	Six months ended 30 September 2009		Six months ended 30 September 2008	
Earnings £m	Pence per share		Earnings £m	Pence per share	Earnings £m	Pence per share
268		Underlying pre tax profit - income statement	129		144	
(9)		Tax charge relating to underlying profit	(3)		(4)	
259	41 p	<b>Underlying earnings per share</b>	<b>126</b>	<b>15 p</b>	140	22 p*
(119)		Realisation of cash flow hedges				
140	22 p	<b>EPRA earnings per share</b>	<b>126</b>	<b>15 p</b>	140	22 p*
(3,881)	(614) p	<b>Loss for the period after taxation</b>	<b>(112)</b>	<b>(13) p</b>	(1,312)	(213) p*

  

Year ended 31 March 2009		Earnings (loss) per share (diluted)	Three months ended 30 September 2009		Three months ended 30 September 2008	
Earnings £m	Pence per share		Earnings £m	Pence per share	Earnings £m	Pence per share
268		Underlying pre tax profit - income statement	66		70	
(9)		Tax charge relating to underlying profit	(1)		(3)	
259	41 p	<b>Underlying earnings per share</b>	<b>65</b>	<b>8 p</b>	67	11 p*
(119)		Realisation of cash flow hedges				
140	22 p	<b>EPRA earnings per share</b>	<b>65</b>	<b>8 p</b>	67	11 p*
(3,881)	(614) p	<b>Profit (loss) for the period after taxation</b>	<b>161</b>	<b>19 p</b>	(747)	(121) p*

\* As restated for the Rights Issue

The European Public Real Estate Association (EPRA) issued Best Practices Recommendations in July 2009, 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.

**Underlying earnings** consists of the EPRA earnings measure, with additional company adjustments. Adjustments include realisation of cash flow hedges.

The weighted average number of shares in issue for the three month period was: basic: 854m (six months ended 30 September 2009: 852m; year ended 31 March 2009: 630m; three months ended 30 September 2008 restated: 616m; six months ended 30 September 2008 restated: 614m); diluted for the effect of share options: 858m (six months ended 30 September 2009: 855m; year ended 31 March 2009: 632m; three months ended 30 September 2008 restated: 618m; six months ended 30 September 2008 restated: 617m). Basic undiluted earnings per share for the three month period was 19p (six months ended 30 September 2009: 13p loss; year ended 31 March 2009: 616p loss; three months ended 30 September 2008 restated: 121p loss; six months ended 30 September 2008 restated: 214p loss). Earnings per share shown in the table above are diluted.

31 March 2009 £m	Net asset value (NAV)	30 September 2009 £m	30 September 2008 £m	30 June 2009 £m
3,209	<b>Balance sheet net assets</b>	<b>3,041</b>	5,289	2,954
25	Deferred tax arising on revaluation movements	<b>30</b>	63	25
153	Mark to market on effective cash flow hedges and related debt adjustments	<b>128</b>	(2)	100
	Dilution effect of share options	<b>1</b>	43	2
3,387	<b>EPRA NAV</b>	<b>3,200</b>	5,393	3,081
398 p	<b>EPRA NAV per share</b>	<b>372 p</b>	864 p*	361 p

\* As restated for the Rights Issue

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 30 September 2009, the number of shares in issue was: basic: 857m (31 March 2009: 850m; 30 June 2009: 850m; 30 September 2008 restated: 616m); diluted for the effect of share options: 860m (31 March 2009: 851m; 30 June 2009: 854m; 30 September 2008 restated: 624m).

**Total return per share** for the three months to 30 September 2009 of 4.7% includes dividends paid of 6p (see note 6) in addition to the increase in EPRA NAV per share of 11p. Total return per share for the six months to 30 September 2009 of minus 3.0% includes dividends paid of 14p (see note 6) in addition to the reduction in EPRA NAV per share of 26p. Total return per share for the year ended 31 March 2009 was minus 61.6%.

## 2. Income statement notes

Year ended 31 March 2009 £m		Three months ended 30 September		Six months ended 30 September	
		2009 £m	2008 £m	2009 £m	2008 £m
<b>Gross and net rental income</b>					
462	Rent receivable	97	120	193	240
34	Spreading of tenant incentives and guaranteed rent increases	7	6	14	18
1	Surrender premiums				
497	<b>Gross rental income</b>	<b>104</b>	126	<b>207</b>	258
57	Service charge income	16	11	33	25
554	<b>Gross rental and related income</b>	<b>120</b>	137	<b>240</b>	283
(57)	Service charge expenses	(16)	(11)	(33)	(25)
(44)	Property operating expenses	3	(5)	1	(10)
453	<b>Net rental and related income</b>	<b>107</b>	121	<b>208</b>	248
<b>Fees and other income</b>					
14	Performance & management fees (from funds and joint ventures)	1	4	4	8
4	Other fees and commission	1		2	1
18		2	4	6	9
<b>Net revaluation movements on property and investments</b>					
<b>Income statement</b>					
(2,994)	Revaluation of properties	36	(677)	(174)	(1,159)
(177)	Result on property disposals	6	(6)	(2)	(48)
(69)	Revaluation of investments	(12)		(12)	
(1)	Other revaluations and losses				
(3,241)		30	(683)	(188)	(1,207)
(833)	Share of profits (losses) of funds and joint ventures (note 4)	70	(138)	(44)	(265)
(4,074)		100	(821)	(232)	(1,472)
<b>Consolidated statement of recognised income and expense</b>					
(44)	Revaluation of development properties				(44)
(3)	Revaluation of owner-occupied property		(2)		(3)
(88)	Revaluation of investments	(6)	(56)		(73)
(4,209)		94	(879)	(232)	(1,592)
<b>Tax income (expense)</b>					
(6)	Current tax: UK corporation tax (28%)	2	(3)	3	(4)
(1)	Foreign tax				
(7)		2	(3)	3	(4)
5	Adjustments in respect of prior periods				
(2)	Total current tax income (expense)	2	(3)	3	(4)
49	Deferred tax on revaluations	(3)	11	(2)	19
47	<b>Group total taxation (net)</b>	<b>(1)</b>	8	<b>1</b>	15
11	Attributable to funds and joint ventures	(1)	(1)	(3)	8
58	<b>Total taxation</b>	<b>(2)</b>	7	<b>(2)</b>	23

Tax expense attributable to underlying profits for the three months ended 30 September 2009 was £1m (six months ended 30 September 2009: £3m; year ended 31 March 2009: £9m; three months ended 30 September 2008: £3m; six months ended 30 September 2008: £4m).

### 3. Property

Total property interests are **£8,293m** at 30 September 2009 comprising properties held by the Group of £5,532m, share of properties held by funds of £776m and share of properties held by joint ventures of £1,985m. 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 2009		30 September 2009	30 September 2008	30 June 2009
£m		£m	£m	£m
5,436	Investment properties	5,313	8,321	5,333
358	Development properties	202	418	176
30	Owner-occupied property	25	45	27
5,824	Carrying value of properties on balance sheet	5,540	8,784	5,536
(14)	Head lease liabilities	(8)	(26)	(14)
5,810	<b>Total British Land Group property portfolio valuation</b>	<b>5,532</b>	<b>8,758</b>	<b>5,522</b>

At 30 September 2009 Group properties valued at £3,667m were subject to a security interest (31 March 2009: £3,665m; 30 June 2009: £3,630m; 30 September 2008: £6,120m) and other properties of non-recourse companies amounted to £0m (31 March 2009: £1m; 30 June 2009: £0m; 30 September 2008: £2m).

### 4. Funds and joint ventures

#### Summary of British Land's share of investments in funds and joint ventures at 30 September 2009

	Underlying profit (three months) £m	Net Investment £m	Gross assets £m	Gross liabilities £m
Share of funds	3	376	1,014	(638)
Share of joint ventures	13	597	2,103	(1,506)
<b>Total</b>	<b>16</b>	<b>973</b>	<b>3,117</b>	<b>(2,144)</b>

At 30 September 2009 the investment in Joint Ventures included within the total net investment in Funds and Joint Ventures was £600m (31 March 2009: £585m; 30 June 2009: £553m; 30 September 2008: £725m).

Amounts owed to joint ventures at 30 September 2009 were £39m (31 March 2009: £33m; 30 June 2009: £33m; 30 September 2008: £30m).

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

Year ended 31 March 2009 £m		Three months ended 30 September		Six months ended 30 September	
		2009 £m	2008 £m	2009 £m	2008 £m
153	<b>Gross rental income</b>	<b>43</b>	36	<b>88</b>	73
145	Net rental and related income	41	34	83	69
(5)	Other income and expenditure	(1)		(3)	(2)
(85)	Net financing costs	(24)	(21)	(48)	(40)
55	<b>Underlying profit before taxation</b>	<b>16</b>	13	<b>32</b>	27
(833)	Net valuation and disposal movements	70	(138)	(44)	(265)
(778)	<b>Profit (loss) on ordinary activities before taxation</b>	<b>86</b>	(125)	<b>(12)</b>	(238)
2	Current tax	(1)	(2)	(4)	4
9	Deferred tax		1	1	4
(767)	<b>Profit (loss) on ordinary activities after taxation</b>	<b>85</b>	(126)	<b>(15)</b>	(230)

All joint ventures are non-recourse to the Group. 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.

## 5. Net Debt

31 March 2009 £m		30 September 2009 £m	30 September 2008 £m	30 June 2009 £m
1,991	Securitisations	1,968	2,846	1,980
1,168	Debentures	1,167	1,171	1,168
139	Bank loans and overdrafts	134	399	96
467	Other bonds and loan notes	455	445	452
<b>3,765</b>	<b>Gross debt</b>	<b>3,724</b>	<b>4,861</b>	<b>3,696</b>
109	Interest rate and currency derivative liabilities	86	28	64
(16)	Interest rate and currency derivative assets	(1)	(20)	
3,858		3,809	4,869	3,760
(616)	Cash and short-term deposits	(638)	(387)	(647)
<b>3,242</b>	<b>Net debt</b>	<b>3,171</b>	<b>4,482</b>	<b>3,113</b>

Gross debt includes £51m due within one year at 30 September 2009 (31 March 2009: £49m; 30 June 2009: £56m; 30 September 2008: £59m).

Undrawn committed bank facilities at 30 September 2009 amounted to £2,881m.

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

- a. Net Borrowings not to exceed 175% of Adjusted Capital and Reserves. At 30 September 2009 the ratio is 86%:
  - i. Net Borrowings are **£3,143m**, being the principal amount of gross debt of £3,719m plus amounts owed to joint ventures of £39m (see note 4) and TPP Investments Ltd of £23m (see note 8), less the cash and short-term deposits of £638m; and
  - ii. Adjusted Capital and Reserves are **£3,635m**, being share capital and reserves of £3,041m (balance sheet), adjusted for £30m of deferred tax (see note 1), £128m mark to market on interest rate swaps (see note 1) and £436m exceptional refinancing charges (being the cumulative net amortised exceptional items relating to the refinancings in the years ended 31 March 2005, 2006 and 2007); and
- b. Net Unsecured Borrowings not to exceed 70% of Unencumbered Assets. At 30 September 2009 the ratio is 11%:
  - i. Net Unsecured Borrowings are **£261m**, being the principal amount of gross debt of £3,719m plus amounts owed to joint ventures of £39m (see note 4) less cash and deposits not subject to a security interest of £108m less the principal amount of secured and non-recourse borrowings of £3,389m; and
  - ii. Unencumbered Assets are **£2,303m** being properties of £5,532m (see note 3) plus investments in funds and joint ventures of £973m (balance sheet) and other investments of £65m (balance sheet) less investments in joint ventures of £600m (see note 4) and encumbered assets of £3,667m (see note 3).

The Group Loan to Value ratio at 30 September 2009 is 47%, being gross debt of £3,724m less cash and short-term deposits of £638m, divided by total Group property of £5,532m (see note 3) plus investments in Funds and Joint Ventures of £973m (balance sheet) and other investments of £65m (balance sheet).

## 6. Dividends

The second quarter dividend of 6.5 pence per share, totalling £56 million, is payable on 12 February 2010 to shareholders on the register at close of business on 15 January 2010. This dividend will be entirely a 'normal' dividend i.e. not a PID (Property Income Distribution).

The 2010 first quarter dividend of 6.5 pence per share, totalling £56m, was paid on 13 November 2009.

In respect of the 2009 fourth quarter dividend of 6.5 pence per share, totalling £55m, 41% of shareholders opted for the enhanced scrip alternative in lieu of £23m in cash dividends. The remaining cash element of £32m was paid on 14 August 2009.

The Consolidated Statement of Changes in Equity shows total dividends in the six months to 30 September 2009 of £103m, £48m being the third 2009 interim dividend of 7.77 pence per share (restated for Rights Issue) paid on 15 May 2009 and £55m being the fourth 2009 interim dividend disclosed above.

An enhanced scrip alternative with a 5% bonus (above the equivalent cash value) is to be offered to shareholders with the second quarter dividend. Shareholders will be able to choose between cash or shares. If a scrip dividend mandate form has already been completed, and not withdrawn, no action needs to be taken to receive this dividend payment as shares.

If required, scrip dividend scheme mandate forms are available from our registrars, Equiniti, whose helpline is 0871 384 2268 and the form must be returned to the Registrars no later than 5.00pm on 22 January 2010.

The scrip dividend booklet provides further details of the scheme and is available on our website - <http://www.britishland.com/investors/dividends/scrip>.

## 7. Segment information

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 regularly provided to the Chief Operating Decision Maker, are set out below:

	Offices		Retail		Other		Total	
	2009	2008	2009	2008	2009	2008	2009	2008
	£m	£m	£m	£m	£m	£m	£m	£m
<b>Six months ended 30 September</b>								
Revenue	137	136	97	144	12	12	246	292
Net rental income	107	117	94	121	7	10	208	248
Segment assets	3,353	4,469	2,978	5,369	974	913	7,305	10,751
Capital expenditure	88	238	10	32	2	-	100	270
<b>Three months ended 30 September</b>								
Revenue	70	64	46	70	6	6	122	140
Net rental income	55	56	48	60	4	5	107	121
Capital expenditure	27	101	8	16	1	-	36	117

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

## 8. Contingent liabilities

TPP Investments Limited, a wholly owned ring-fenced special purpose subsidiary, is a partner in The Tesco British Land Property Partnership and, in that capacity, has entered into a secured bank loan under which its liability is limited to £23m (31 March 2009: £23m, 30 June 2009: £23m, 30 September 2008: £23m) and recourse is only to the partnership assets.

## 9. Related party transactions

Details of transactions with funds and joint ventures including debt guarantees by the Company are given in notes 2 and 8. 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.

## 10. Note to the Consolidated Statement of Changes in Equity

At 30 September 2009, of the issued 25p ordinary shares, 2m were held in the ESOP Trust (31 March 2009: 2m; 30 June 2009: 2m; 30 September 2008: 2m), 11m were held as Treasury shares (31 March 2009: 11m; 30 June 2009: 11m; 30 September 2008: 11m) and 857m shares were in free issue (31 March 2009: 850m; 30 June 2009: 850m; 30 September 2008: 510m). All shares are fully paid.

## 11. Basis of preparation

The financial information for the year ended 31 March 2009 does not constitute statutory accounts as defined in section 240 of the Companies Act 1985. A copy of the statutory accounts for that year has been delivered to the Registrar of Companies. The auditors' 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 237(2) or (3) of the Companies Act 1985.

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 quarterly report as applied in the Group's latest annual audited financial statements, with the exception of the adoption of the amendments to IAS 1 (Revised) Presentation of Financial Statements, IAS 40 Investment Property and IAS 16 Property, Plant and Equipment. 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 3 to 13. 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 interim financial information was approved by the Board on 16 November 2009.

## 12. Post balance sheet events

On 3 November 2009 the Company completed the sale of 50% of Broadgate into a Joint Venture with The Blackstone Group L.P. for a net consideration of £77m. A pro forma balance sheet adjusted to illustrate the effect of the transaction on the Group results assuming the transaction had occurred on 30 September 2009 and an income statement which separately discloses the Broadgate Group can be found at the end of this document.

**Table A****Summary income statement based on proportional consolidation  
for the period ended 30 September 2009**

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 funds and joint ventures 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 2009 <u>£m</u>		Three months ended		Six months ended	
		30 September 2009 <u>£m</u>	30 September 2008 <u>£m</u>	30 September 2009 <u>£m</u>	30 September 2008 <u>£m</u>
650	<b>Gross rental income</b>	<b>147</b>	162	<b>295</b>	331
598	<b>Net rental income</b>	<b>148</b>	155	<b>291</b>	317
20	Fees and other income	<b>2</b>	5	<b>6</b>	10
(58)	Administrative expenses	<b>(14)</b>	(16)	<b>(32)</b>	(33)
(292)	Net interest costs	<b>(70)</b>	(74)	<b>(136)</b>	(150)
268	<b>Underlying profit before taxation</b>	<b>66</b>	70	<b>129</b>	144
(4,074)	Net valuation movement (includes profits and losses on disposal)	<b>100</b>	(821)	<b>(232)</b>	(1,472)
(119)	Realisation of cash flow hedges				
(14)	Amortisation of intangible assets	<b>(3)</b>	(3)	<b>(7)</b>	(7)
(3,939)	<b>Profit (loss) on ordinary activities before taxation</b>	<b>163</b>	(754)	<b>(110)</b>	(1,335)
(9)	Tax charge relating to underlying profit	<b>(1)</b>	(3)	<b>(3)</b>	(4)
58	Deferred tax	<b>(3)</b>	12	<b>(1)</b>	23
9	Other taxation	<b>2</b>	(2)	<b>2</b>	4
(3,881)	<b>Profit (loss) for the period after taxation</b>	<b>161</b>	(747)	<b>(112)</b>	(1,312)
41	<b>Underlying earnings per share - diluted basis</b>	<b>8 p</b>	11 p*	<b>15 p</b>	22 p*

\* As restated for the Rights Issue

The underlying earnings per share is calculated on underlying profit before taxation of £129m, tax attributable to underlying profits of £3m and 855m shares on a diluted basis, for the six months ended 30 September 2009 and underlying profit before taxation of £66m, tax attributable to underlying profits of £1m and 858m shares on a diluted basis, for the three months ended 30 September 2009.

**Table A (continued)****Summary balance sheet based on proportional consolidation  
as at 30 September 2009**

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 funds and joint ventures included on a line by line, i.e. proportional basis and assuming full dilution.

31 March 2009 £m		30 September 2009 £m	30 September 2008 £m	30 June 2009 £m
4,867	Retail properties	4,760	6,829	4,646
3,570	Office properties	3,350	4,468	3,353
188	Other properties	183	274	179
8,625	Total properties	8,293	11,571	8,178
38	Other investments	65	122	44
25	Intangible assets	17	33	21
(360)	Other net liabilities	(351)	(407)	(387)
(4,941)	Net debt	(4,824)	(5,926)	(4,775)
3,387	EPRA NAV (note 1)	3,200	5,393	3,081
398 p	<b>EPRA NAV per share (note 1)</b>	<b>372 p</b>	864 p*	361 p
<b>Total property valuations including share of funds and joint ventures</b>				
5,810	<b>British Land Group</b>	5,532	8,758	5,522
<b>Share of funds and joint ventures</b>				
2,775	Investment properties	2,735	2,706	2,590
49	Development properties	35	113	75
(9)	Head lease liabilities	(9)	(6)	(9)
2,815		2,761	2,813	2,656
8,625	<b>Total property portfolio valuation</b>	<b>8,293</b>	11,571	8,178
<b>Calculation of EPRA NNNAV per share</b>				
3,387	EPRA NAV	3,200	5,393	3,081
(25)	Deferred tax arising on revaluation movements	(30)	(63)	(25)
(153)	Mark to market on effective cash flow hedges and related debt adjustments	(128)	2	(100)
1,116	Mark to market on debt	725	802	1,120
4,325	EPRA NNNAV	3,767	6,134	4,076
508 p	<b>EPRA NNNAV per share</b>	<b>438 p</b>	983 p*	477 p

\*As restated for the Rights issue

**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.

## Pro forma Information

### **Summary income statement based on proportional consolidation separately disclosing the Broadgate Group for the period ended 30 September 2009**

On 3 November 2009 the Company completed the sale of 50% of Broadgate into a Joint Venture with The Blackstone Group L.P. 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 for the three month period to 30 September 2009, with its share of the results of funds and joint ventures included on a line by line, i.e. proportional basis and assuming full dilution, and discloses separately 100% of the Broadgate Group from other group income.

	<b>Three months ended 30 September 2009</b>		
	<b>Broadgate Group Income</b>	<b>Other Group Income</b>	<b>Total</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>Gross rental income</b>	44	103	147
<b>Net rental income</b>	42	106	148
Fees and other income		2	2
Administrative expenses		(14)	(14)
Net interest costs	(25)	(45)	(70)
<b>Underlying profit before taxation</b>	17	49	66
Net valuation movement (includes profits and losses on disposal)	(53)	153	100
Amortisation of intangible assets		(3)	(3)
<b>Profit on ordinary activities before taxation</b>	(36)	199	163
Tax charge relating to underlying profit		(1)	(1)
Deferred tax		(3)	(3)
Other taxation		2	2
<b>Profit for the period after taxation</b>	(36)	197	161
<b>Underlying earnings per share - diluted basis</b>	2 p	6 p	8 p

The total underlying earnings per share is calculated on underlying profit before taxation of £66m, tax attributable to underlying profits of £1m and 858m shares on a diluted basis, for the three months ended 30 September 2009.

## **Pro forma Information (continued)**

### **Pro forma balance sheet based on proportional consolidation as at 30 September 2009**

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 funds and joint ventures included on a line by line, i.e. proportional basis and assuming full dilution, as adjusted to illustrate the estimated pro forma effects of the Broadgate Joint Venture as if it had been completed on 30 September 2009.

	<b>As at 30 September 2009 £m</b>	<b>Effect of Broadgate transaction £m</b>	<b>Pro forma 30 September 2009 £m</b>
Retail properties	4,760		4,760
Office properties	3,350	(1,091)	2,259
Other properties	183		183
Total properties	<u>8,293</u>	<u>(1,091)</u>	<u>7,202</u>
Other investments	65	105	170
Intangible assets	17		17
Other net liabilities	(351)	49	(302)
Net debt	(4,824)	896	(3,928)
EPRA NAV (note 1)	3,200	(41)	3,159
<b>EPRA NAV per share (note 1)</b>	<u>372 p</u>	<u>(5) p</u>	<u>367 p</u>
<b>Total property valuations including share of funds and joint ventures</b>			
<b>British Land Group</b>	5,532	(2,182)	3,350
<b>Share of funds and joint ventures</b>			
Investment properties	2,735	1,091	3,826
Development properties	35		35
Head lease liabilities	(9)		(9)
	<u>2,761</u>	<u>1,091</u>	<u>3,852</u>
<b>Total property portfolio valuation</b>	<u>8,293</u>	<u>(1,091)</u>	<u>7,202</u>
<b>Calculation of EPRA NNNAV per share</b>			
EPRA NAV	3,200	(41)	3,159
Deferred tax arising on revaluation movements	(30)		(30)
Mark to market on effective cash flow hedges and related debt adjustments	(128)	22	(106)
Mark to market on debt	725	(201)	524
EPRA NNNAV	<u>3,767</u>	<u>(220)</u>	<u>3,547</u>
<b>EPRA NNNAV per share</b>	<u>438 p</u>	<u>(26) p</u>	<u>412 p</u>

**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.

## **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 2009 which comprises the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Balance Sheet, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Cash flows and the 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 them 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 11, 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 half-yearly 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 2009 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 Auditors  
London, United Kingdom  
16 November 2009