

# British Land First Quarter Report to 30 June 2009



**EXECUTIVE SUMMARY**

- **Pace of portfolio valuation decline slowed markedly.** £3.2 billion (39%) of assets either increased (£1.7 billion) or unchanged (£1.5 billion) in value since March 2009
- **Evidence of strengthening in yields** has continued into second quarter
- **Clear improvement in investor sentiment** with renewed bidding competition
- **Rental value deflation is prevalent across most sectors**
- **But operating performance underlines the qualities of our assets**
- **Actively assessing new investments** – already committed another £80 million to our Funds

**BUSINESS HIGHLIGHTS**

- Portfolio valuation reduced by 3.7% in the quarter; of which UK portfolio valuation reduced by 3.1%, outperforming IPD by 1.0%
- NAV per share down 9% to 361 pence
- Portfolio gross top-up initial yield 7.7%
- £5.5 million pa additional rent from 913,000 sq ft of rent reviews & lease renewals (17% above previous passing rent) and 263,000 sq ft of new lettings (3% below ERV)
- Like for like rental income growth 1.2% compared to Q1 2008 – Retail up 3.5%
- Net commitments in the first quarter exceed property disposals
- Portfolio 94% let; only 6% of rent subject to lease break or expiry over next 3 years
- Committed development now only represents 2% of total portfolio
- £3 billion of undrawn bank lines, of which £1.6 billion with maturity of more than 4 years

**Chris Gibson-Smith, Chairman comments:** “These results demonstrate that British Land remains in a relatively strong position with resilient income from a well-let, prime portfolio. Our financial flexibility and scale give us competitive advantage to capitalise on opportunities.”

**FINANCIAL HIGHLIGHTS**

	<b>Q1 2009</b>	<b>Q4 2008</b>	<b>Q1 2008</b>
Net rental income <sup>1</sup>	<b>£143m</b>	£130m	£162m
Underlying profit before tax <sup>2</sup>	<b>£63m</b>	£61m	£74m
Underlying earnings per share <sup>2</sup>	<b>7p</b>	9p	12p <sup>4</sup>
Dividend per share	<b>6.50p</b>	6.50p	7.77p <sup>4</sup>
IFRS pre-tax loss	<b>£(275)m</b>	£(987)m	£(572)m
Portfolio valuation	<b>£8,178m</b>	£8,625m	£12,288m
Net asset value per share <sup>2,3</sup>	<b>361p</b>	398p	1004p <sup>4</sup>
Triple net asset value per share <sup>1,3</sup>	<b>477p</b>	508p	1120p <sup>4</sup>
Net debt <sup>1,3</sup>	<b>£4,775m</b>	£4,941m	£5,841m
IFRS net assets	<b>£2,954m</b>	£3,209m	£6,260m

<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

## REVIEW BY THE CHIEF EXECUTIVE

Over the recent months we have seen a clear improvement in the levels of interest for assets with long, secure income, and amongst these types of assets, even renewed bidding competition. As a result, the pace of decline in our portfolio valuation has slowed markedly compared with the previous quarter. In fact we have seen over £3 billion of our assets either remain steady or increase in value in the quarter, most notably our Superstore portfolio. Since the quarter end, the market has continued to strengthen and provide further evidence of prime yields hardening. The HUT portfolio, for example, increased in value by 0.6% in July 2009 as a result of positive yield shift, largely reversing the fall in June. Although still very much from a low base, the increased willingness of a small number of banks to lend against property assets, albeit on a selective basis, is another indicator of returning confidence.

In operational terms, on the other hand, and as I commented at our full year results, the impact of the recession has caused businesses to reduce significantly their demands for additional space, thus putting downward pressure on rental values. With growing evidence of yields stabilising, rental value deflation comes more into focus. Like unemployment, rental value deflation tends to be a lagging indicator of the economy and so its extent will depend on how the economy recovers. We are not sanguine about this threat, but are confident in our portfolio quality and income security.

We have achieved more than 440,000 sq ft of lettings since March 2009, underlining the quality and appeal of our properties to occupiers. Our prime portfolio is 94% let with 13 years remaining lease term and most importantly only 6% of our rent subject to break or expiry over the next 3 years. This leaves us well placed to withstand the effect of rental value deflation on our income. Our remaining committed development pipeline is now valued at £192 million (2% of the portfolio) with £106 million of further construction costs to come.

Our First Quarter results demonstrate that British Land remains in a relatively strong position with a high quality portfolio and resilient income flow. These characteristics are a result of an activist, customer-led approach to property management; we benefit moreover from the extensive sales process which we have carried out in the last 3 years. Net Asset Value has declined to 361p reflecting a further 3.7% decline in the portfolio valuation since March 2009 predominately due to a reduction in rental values. This represents a fall in valuation from the peak at June 2007 of some 41%. Underlying Profit, although down from a year ago as a result of disposals, is up compared to the previous quarter to March 2009 and we have the capacity to recycle capital into earnings enhancing acquisitions.

Looking to the future, we will continue to act with caution whilst the range of possible outcomes for the world and UK economy remains as wide as it currently is. However, we are now focusing on looking at ways to add profitably to the portfolio. Indeed, our investment commitments during the quarter exceeded disposals. We have the financial flexibility and scale to capitalise on the opportunities which we expect to see over the next 24 months. Given the quality and strengths of our existing asset base, we are being demanding in our approach to new investment and selective in what we make offers for; actively seeking mispricing opportunities as well as those thrown up by distressed situations.

## OPERATIONAL UPDATE

British Land is well positioned with a high quality portfolio and resilient income flow. We continue to focus on the enduring fundamentals of activist real estate investment and management to position the business to benefit from the next stage of the cycle.

We have continued to capture the benefits of our **active approach to property management**. In our first quarter, we have generated an additional £5.5 million per annum of rent (taking into account letting incentives) from:

- 64 rent reviews settled on 836,000 sq ft at 17% above the previous passing rent as income levels are re-set, capturing historic rental growth performance principally within retail warehouses and West End offices.
- 77,000 sq ft of lease renewals agreed 16% ahead of previous passing rent; and 263,000 sq ft new lettings, overall at 3% below ERV.

Notwithstanding the weakness in occupational markets, our letting momentum has remained good, highlighting the quality and enduring occupier appeal of our buildings. Prime locations attract high quality tenants ensuring greater security and longevity of income. We have agreed around 100,000 sq ft of lettings since 30 June 2009.

**High occupancy, long leases and limited breaks or expiries are differentiating features of British Land** and over the short term provide a strong underpinning to income and mitigate the risks from rental deflation and weak occupational markets.

	Retail	Offices	Total Portfolio
Occupancy rate <sup>1</sup>	97.6%	87.9%	<b>93.6%</b>
Average lease length <sup>2</sup>	14.9 years	9.1 years	<b>12.8 years</b>
% of rent subject to break or expiry over next 3 years	4%	9%	<b>6%</b>

<sup>1</sup> underlying occupancy including accommodation subject to asset management and under offer

<sup>2</sup> weighted average lease length to first break

**Occupancy** is high across all sectors. The principal change in occupancy over the three months relates to the completion of Ropemaker, our office development in the City of London, which is now treated as an investment property and is 32% let. The only significant areas available to let are in the recently completed office development programme, where the accommodation is new Grade A space.

At 30 June 2009, **occupiers in administration** represented only 1.0% of rent, down from 1.8% in March 2009, largely due to completion of re-lettings. At the end of July 2009 this has increased marginally to 1.2% as a result of Allied Carpets and Focus. Of the 17 Allied Carpets and Focus stores on our estate, 14 are either being retained or already under offer to re-let. Overall, 50% of units currently in administration are either being assigned or in negotiation for re-letting. For the June quarter, 98% of rents were collected within 10 working days of the due date and 5% of tenants pay rents monthly by prior agreement, not quarterly in advance.

**Our diversity of customers and industries** contributes to income security. Retail represents 60% of rent, of which food represents 27%, and fashion and entertainment make up another 27%. London offices represent a further 37% of total rent, of which major international banks and firms of lawyers account for 65%.

Top 10 Retail customers	% of total rent	Top 10 Office customers	% of total rent
Tesco	6%	UBS	8%
Sainsbury's	6%	RBS	4%
Debenhams	5%	Herbert Smith	3%
Kingfisher (B&Q)	2%	HM Government	2%
Homebase	2%	Reed Smith	2%
Next	1%	Deutsche Bank	2%
Curry's	1%	Mayer Brown	2%
Boots	1%	ICAP	1%
Asda	1%	Credit Lyonnais	1%
M&S	1%	Henderson	1%

The Group's disposals in the quarter were exceeded by **investment commitments** comprising development expenditure of £52 million and some £80 million of new investment in our Funds through:

- the underwriting of £50 million of subordinated convertible bonds to be issued by the Hercules Unit Trust ('HUT') carrying a fixed coupon of 10% per annum. After recent property disposals and £150 million of preferred equity, HUT has cash of over £400 million and its loan to value has been reduced to 35%.
- an agreement to buy out another investor's interest in the Pillar Retail Europark Fund ('PREF') at a cost of €33 million. As a result, our investment in PREF increases from 38.7% to 65.3% and the life of the fund will be extended to 2014.

Sales	Price £m	BL Share £m
7 Department Stores <sup>1</sup>	74	40
1 Retail Warehouse Unit <sup>2</sup>	40	7
Pariwest Retail Park, Coignières <sup>3</sup>	7	2
2 High Street Shops	5	5
<b>Total</b>	<b>126</b>	<b>54</b>
• Overall, sales were in line with March 2009 valuation		

<sup>1</sup> 6 stores from BL Fraser JV and 1 Debenhams store

<sup>2</sup> Hercules Unit Trust (HUT) – JV with Crown Estate

<sup>3</sup> Pillar Retail Europark Fund (PREF)

Our **customer-led approach** is predicated on providing accommodation that best meets occupiers' requirements. We are working with our customers to deliver value for money and enhance occupier contentment, thereby protecting income. We are pleased that 82% of our occupiers independently surveyed rated British Land, as a landlord, good or excellent, up from 73% in 2007.

## PORTFOLIO VALUATION

Total properties owned at 30 June 2009, including our share of Funds and Joint Ventures, were valued at £8.2 billion or £11.6 billion including properties under management. The table below shows the principal valuation movements by sector for the three months to 30 June 2009, totalling a 3.7% decline:

Valuation by sector	Group	Funds/JVs	Total	Portfolio	3 Months Change % <sup>2</sup>	
	£m	£m <sup>1</sup>	£m	%	Total Portfolio	Excluding Europe <sup>3</sup>
<b>Retail</b>						
Retail warehouses	1,295	831	2,126	26.0	(5.1)	(3.5)
Superstores	110	963	1,073	13.1	0.6	0.6
Shopping centres <sup>4</sup>	180	806	986	12.1	(6.0)	(4.5)
Department stores	404	38	442	5.4	0.0	0.0
High street	19	0	19	0.2	(6.0)	(6.0)
<b>All retail</b>	<b>2,008</b>	<b>2,638</b>	<b>4,646</b>	<b>56.8</b>	<b>(3.5)</b>	<b>(2.4)</b>
<b>Offices<sup>5</sup></b>						
City <sup>6</sup>	2,571	0	2,571	31.4	(3.9)	(3.9)
West End <sup>7</sup>	760	0	760	9.3	(4.2)	(4.2)
Provincial	15	7	22	0.3	(1.3)	(1.3)
<b>All offices</b>	<b>3,346</b>	<b>7</b>	<b>3,353</b>	<b>41.0</b>	<b>(4.0)</b>	<b>(4.0)</b>
Other <sup>8</sup>	168	11	179	2.2	(2.7)	(2.7)
<b>Total</b>	<b>5,522</b>	<b>2,656</b>	<b>8,178</b>	<b>100.0</b>	<b>(3.7)</b>	<b>(3.1)</b>

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

<sup>2</sup> change in value for 3 months to 30 June 2009, includes valuation movement in developments, purchases and sales, net of capital expenditure

<sup>3</sup> European out of town retail down 20.0% over 3 months to £241 million

<sup>4</sup> British Land's 50% share of Meadowhall Shopping Centre valuation down 4.1% over 3 months to £550 million; ERV £83 million; net equivalent yield 6.8%

<sup>5</sup> includes developments in City, West End and provincial: total value £291 million, 3.6% of Portfolio, 5.4% decline for the 3 months

<sup>6</sup> Broadgate valuation down 3.9% over 3 months to £2,195 million; headline ERV range £36 - £50 per sq ft (average headline ERV £40 per sq ft); net initial yield 7.8% (assuming top up of rent free periods and minimum uplifts at first review); net equivalent yield 7.3%

<sup>7</sup> Regent's Place valuation down 2.5% over 3 months to £403 million; headline ERV range £35 - £45 per sq ft (average headline ERV £38 per sq ft); net initial yield 7.5% (assuming top up of rent free periods and minimum uplifts at first review); net equivalent yield 6.7%

<sup>8</sup> Industrial, distribution and leisure

The capital return from the UK portfolio at -3.1% for the 3 months to 30 June 2009, as measured by IPD (calculated for UK assets on average capital employed and excluding capitalised interest) compared to the IPD Benchmark at -4.1%.

Across the portfolio, £1.7 billion (20%) of assets increased in value in the quarter with a further £1.5 billion (19%) unchanged.

The valuation movements across the sectors during the quarter were:

- Superstores (13.1% of the portfolio) increased in value by 0.6% as yields hardened for the better located assets, resulting in yields remaining static overall. Rental values continued to show resilience with growth of 0.4%.

- Retail warehouses (26.0% of the portfolio) reduced in value by 3.5% within the UK and 5.1% including Europe. Our UK retail warehouses saw outward initial yield shift of 25 bps, with ERVs declining by 2.5%, although the extent of rental value declines were very much asset specific ranging between +0.8% to -15.4%.
- Shopping centres (12.1% of the portfolio) including Europe have seen a fall in value of 6.0%. Our UK shopping centres declined in value by 4.5%, due to the initial yield shifting out 24 bps whilst rental values declined 3.4%.
- Included within retail, our European out of town portfolio (3.0% of the portfolio) has seen a significant fall in values of 20.0% mainly reflecting the overdue correction in European markets as sentiment has caught up with the UK. The initial yield increased by 85 bps whilst rental values declined by 2.1%.
- City offices (31.4% of the portfolio) comprised a mix of increased, static and decreased valuations as yields hardened for the longer term income but values continued to be marked down for those assets subject to short term void and income risk. Overall, the like for like net initial yield increased by 33 bps for the investment portfolio, which, coupled with the decline in ERV of 6.7%, resulted in a decrease in valuation of 3.9%.
- West End offices (9.3% of the portfolio) saw investments subject to long, secure income stabilise in value, whilst yields for shorter term income continued to soften. Valuations were down 4.2% driven by outward initial yield shift of 17 bps for the investments and rental values declining by 4.9%.

The like for like initial yield across the investment portfolio has shifted outwards by 22 bps over the three months to 30 June 2009. The equivalent yield is unchanged at 7.4% as outward yield movement was offset by rental value decline. Across the UK portfolio, rental values declined 4.1% during the quarter. The table below shows the yield profile and rental value movements by sector:

Portfolio yields & ERV growth (excluding developments)	Initial Yield % <sup>1</sup>	Movement in initial yield bp	Top-up initial yield % <sup>1,2</sup>	Reversionary Yield % <sup>1</sup>	Net equivalent yield % <sup>3</sup>	ERV growth % <sup>4</sup>
<b>Retail</b>						
Retail warehouses	7.6	+ 25	7.8	8.5	7.7	-2.5
Superstores	6.4	-	6.4	6.6	6.2	0.4
Shopping centres	7.4	+ 24	7.7	8.6	7.3	-3.4
Department stores	7.7	-	8.9	8.9	8.6	-8.9
<b>All retail</b>	<b>7.3</b>	<b>+ 15</b>	<b>7.6</b>	<b>8.1</b>	<b>7.4</b>	<b>-2.7</b>
<b>Offices</b>						
City	6.7	+ 33	7.9	8.6	7.3	-6.7
West End	7.0	+ 17	7.6	7.1	7.0	-4.9
<b>All offices</b>	<b>6.8</b>	<b>+ 30</b>	<b>7.8</b>	<b>8.3</b>	<b>7.2</b>	<b>-6.3</b>
Other <sup>5</sup>	9.9	+ 56	10.9	11.8	11.4	0.0
<b>Total</b>	<b>7.1</b>	<b>+ 22</b>	<b>7.7</b>	<b>8.3</b>	<b>7.4</b>	<b>-4.1</b>

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

<sup>2</sup> adding back rent frees and minimum rental uplifts

<sup>3</sup> after purchaser's costs

<sup>4</sup> like for like, IPD basis (excluding Europe)

<sup>5</sup> Industrial, distribution and leisure

## FINANCIAL RESULTS

The results for the first quarter to 30 June 2009 show resilience and reflect management actions taken over the past year, most notably our disposal programme and the Rights Issue.

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

**Net rental and related income** at £143 million is 11.7% lower than the June 2008 quarter due to the active sales programme undertaken by the Group, while in the retained portfolio new lettings and rent reviews (net of determinations and expiries) have generated £2 million of increased income. The movement in the quarter includes a release of £5 million of provisions made against income recognised in advance on leases with contracted fixed uplifts due to an improvement in the covenant strength of certain tenants.

On a like for like basis rental income growth was 1.2% due to growth from the Group's retail portfolio of 3.5%, whilst the office portfolio was down 2.2%. At the subsector level, Retail Warehouses continue to be the main driver, showing an increase of 7.6%, with West End Offices and Superstores also up 1.0% and 0.5% respectively.

**Net financing costs** for the quarter at £66 million are £10 million lower, reflecting a £1.1 billion reduction in net debt following property disposals and the equity Rights Issue proceeds received in the last financial year. Interest cover remained at 2.0 times.

The lower debt has offset the increase in financing costs recognised in the current quarter due to the cessation of interest capitalisation on the Ropemaker Place development following practical completion on 8 May 2009. Interest on developments of £4 million was capitalised in the quarter (30 June 2008: £8 million).

This income and expenditure resulted in an **underlying profit before tax** for the quarter of £63 million, 14.9% lower than the corresponding period last year reflecting property disposals and reduced capitalised interest on development.

New property purchases out of the cash proceeds from sales or financed by corporate lines, and the letting up of developments, will increase earnings, although the timing of that reinvestment and letting remains subject to market conditions.

### Balance Sheet

**EPRA net assets** at 30 June 2009 were £3.1 billion, or 361 pence per share, a decrease of 9% against 31 March 2009. This was principally due to the reduction in property valuations, partly offset by retained underlying profits (net of dividends paid) in the period.

**Our triple net asset value** (after adjusting debt and derivatives to market value, and deducting deferred tax) at 477 pence per share is above our EPRA NAV per share, due to the favourable mark to market of our longer term debt and derivatives.

<b>Movement in NAV<sup>1</sup></b>	<b>pence</b>
<b>NAV<sup>1</sup> per share at 31 March 2009</b>	<b>398</b>
Property and investment revaluations & asset disposals <sup>2</sup>	(38)
Underlying profit after tax	7
Dividend paid	(6)
<b>NAV<sup>1</sup> per share at 30 June 2009</b>	<b>361</b>
Deferred tax arising on revaluation movements	(3)
Mark to market of debt and derivatives	119
<b>NNNAV<sup>1</sup> per share at 30 June 2009</b>	<b>477</b>

<sup>1</sup> EPRA (European Real Estate Association) basis

<sup>2</sup> investment in Songbird valued at £34 million (based on AIM-listed price of B shares as at 30 June 2009)

**Net debt** at the quarter end, including share of Funds and Joint Ventures, amounted to £4.8 billion, £166 million lower than at the beginning of the quarter. Our debt is fully fixed at 5.3% with an average debt maturity of 12.6 years.

Our **financing structure** remains robust, with significant flexibility. 69% (£3.8 billion) of gross borrowings (including our share of Funds and Joint Ventures) are non-recourse to the Group, whilst only 5% (£288 million) are unsecured. Taking into account current cash and short term deposits of £647 million, the Group has no refinancing requirements within the next five years. The Group continues to have significant committed undrawn facilities of £3.0 billion.

<b>Financing statistics</b>	<b>Group</b>	<b>Group and share of Funds &amp; Joint Ventures</b>
Net debt	£3,113m	£4,775m <sup>3</sup>
Weighted average debt maturity	15.0 years	12.6 years
Weighted average interest rate	5.4%	5.3%
Interest cover <sup>1</sup>	2.1 times	2.0 times
Loan to value <sup>2</sup>	47%	58%

<sup>1</sup> Underlying profit before interest and tax / net interest

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

<sup>3</sup> see Table A

## Dividend

As announced previously, for the year to March 2010, the quarterly dividend is being continued at 6.5 pence per share, equivalent for the full year to 26 pence per share.

The first quarter dividend of 6.5 pence per share, totalling £56 million, is payable on 13 November 2009 to shareholders on the register at close of business on 16 October 2009. An enhanced scrip alternative is to be offered to shareholders with the first 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/scrip.htm>. The property income distribution (PID) element of the cash dividend is nil pence per share (see Note 6 to the accounts).

In respect of the fourth quarter dividend for 2008/9, some 38% of shareholders opted for the enhanced scrip alternative, in lieu of £21 million in cash dividends.

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.

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**Consolidated Statement of Comprehensive Income**  
for the three month period ended 30 June 2009

Year ended 31 March 2009 Audited <u>£m</u>	Note	Three months ended <b>30 June</b> <b>2009</b> <b>Unaudited</b> <b><u>£m</u></b>	Three months ended 30 June 2008 Unaudited <u>£m</u>
(3,881)		<b>(273)</b>	(565)
<b>Other comprehensive income:</b>			
Valuation movements			
(44)	2		(44)
(3)	2		(1)
(88)	2	<b>6</b>	(17)
(135)		<b>6</b>	(62)
Gains (losses) on cash flow hedges			
(182)		<b>23</b>	115
(46)		<b>16</b>	25
Transferred to the income statement (cash flow hedges)			
(30)		<b>14</b>	
109		<b>7</b>	(7)
79		<b>21</b>	(7)
5		<b>(1)</b>	
(2)			
24			6
(257)		<b>65</b>	77
<b>Other comprehensive income for the period</b>			
(4,138)		<b>(208)</b>	(488)
<b>Total comprehensive income for the period</b>			

## Consolidated Statement of Changes in Equity

for the three month period ended 30 June 2009

	Share capital * £m	Share premium £m	Other reserves £m	Retained earnings £m	Total £m
<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			59	(267)	(208)
Share issues					
Adjustment for share and share option awards				1	1
Dividends paid in the three month period				(48)	(48)
<b>Balance at 30 June 2009</b>	<b>217</b>	<b>1,244</b>	<b>(80)</b>	<b>1,573</b>	<b>2,954</b>
Balance at 1 April 2008	131	1,269	335	5,055	6,790
Total comprehensive income for the period			77	(565)	(488)
Share issues		1			1
Adjustment for share and share option awards				2	2
Dividends paid in the three month period				(45)	(45)
Balance at 30 June 2008	131	1,270	412	4,447	6,260
Balance at 1 April 2008	131	1,269	335	5,055	6,790
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)
Balance at 31 March 2009	217	1,244	(139)	1,887	3,209

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

## Consolidated Balance Sheet as at 30 June 2009

31 March 2009 Audited £m		Note	30 June 2009 Unaudited £m	30 June 2008 Unaudited £m
<b>Assets</b>				
<b>Non-current assets</b>				
5,436	Investment properties	3	5,333	8,393
358	Development properties	3	176	980
30	Owner-occupied property	3	27	51
<u>5,824</u>			<u>5,536</u>	<u>9,424</u>
<b>Other non-current assets</b>				
952	Investments in funds and joint ventures	4	871	1,442
38	Other investments		44	179
25	Intangible assets		21	36
<u>6,839</u>			<u>6,472</u>	<u>11,081</u>
<b>Current assets</b>				
123	Debtors		82	202
616	Cash and short-term deposits	5	647	581
<u>739</u>			<u>729</u>	<u>783</u>
<u>7,578</u>	<b>Total assets</b>		<u>7,201</u>	<u>11,864</u>
<b>Liabilities</b>				
<b>Current liabilities</b>				
(49)	Short-term borrowings and overdrafts	5	(56)	(108)
(524)	Creditors		(474)	(439)
<u>(573)</u>			<u>(530)</u>	<u>(547)</u>
<b>Non-current liabilities</b>				
(3,716)	Debentures and loans	5	(3,640)	(4,892)
(45)	Other non-current liabilities		(43)	(71)
(35)	Deferred tax liabilities		(34)	(94)
<u>(3,796)</u>			<u>(3,717)</u>	<u>(5,057)</u>
<u>(4,369)</u>	<b>Total liabilities</b>		<u>(4,247)</u>	<u>(5,604)</u>
<u>3,209</u>	<b>Net assets</b>		<u>2,954</u>	<u>6,260</u>
<b>Equity</b>				
217	Share capital		217	131
1,244	Share premium		1,244	1,270
(139)	Other reserves		(80)	412
1,887	Retained earnings		1,573	4,447
<u>3,209</u>	<b>Total equity attributable to shareholders of the Company</b>		<u>2,954</u>	<u>6,260</u>
<u>398 p</u>	<b>EPRA NAV per share*</b>	1	<u>361 p</u>	<u>1004 p**</u>

\* As defined in note 1

\*\* As restated for the Rights Issue

**Consolidated Statement of Cash Flows**  
for the period ended 30 June 2009

Year ended 31 March 2009 Audited <u>£m</u>		Three months ended 30 June 2009 Unaudited <u>£m</u>	Three months ended 30 June 2008 Unaudited <u>£m</u>
455	Rental income received from tenants	93	117
30	Fees and other income received	10	17
(79)	Operating expenses paid to suppliers and employees	(29)	(21)
<u>406</u>	<b>Cash generated from operations</b>	<u>74</u>	<u>113</u>
(270)	Interest paid	(37)	(53)
20	Interest received	2	2
16	UK corporation tax received (paid)	(1)	(1)
33	Distributions received from funds and joint ventures	10	6
<u>205</u>	<b>Net cash inflow from operating activities</b>	<u>48</u>	<u>67</u>
	<b>Cash flows from investing activities</b>		
(107)	Purchase of investment properties		
(436)	Development and other capital expenditure	(52)	(155)
904	Sale of investment properties	152	684
(6)	REIT conversion charge paid		(6)
3	Indirect taxes in respect of investing activities	(3)	
115	Establishment of Meadowhall Joint Venture		
(57)	Investment in and loans to funds and joint ventures	(24)	(4)
2	Capital distributions received from funds and joint ventures		2
<u>418</u>	<b>Net cash inflow from investing activities</b>	<u>73</u>	<u>521</u>
	<b>Cash flows from financing activities</b>		
743	Issue of ordinary shares		1
(188)	Dividends paid	(42)	(45)
(11)	Repayment of debt acquired with subsidiary undertaking		
(76)	Movement in other financial liabilities	(5)	55
(714)	Decrease in bank and other borrowings	(50)	(264)
<u>(246)</u>	<b>Net cash outflow from financing activities</b>	<u>(97)</u>	<u>(253)</u>
377	Net increase in cash and cash equivalents	24	335
239	Opening cash and cash equivalents	616	239
<u>616</u>	<b>Closing cash and cash equivalents</b>	<u>640</u>	<u>574</u>
	<b>Cash and cash equivalents consists of:</b>		
616	Cash and short-term deposits	647	581
	Overdrafts	(7)	(7)
<u>616</u>		<u>640</u>	<u>574</u>

## Notes to the accounts (unaudited)

### 1. Performance measures

Year ended 31 March 2009		<b>(Loss) earnings per share (diluted)</b>	Three months ended 30 June 2009		Three months ended 30 June 2008	
Earnings £m	Pence per share		Earnings £m	Pence per share	Earnings £m	Pence per share
268		Underlying pre tax profit - income statement	63		74	
(9)		Tax charge relating to underlying profit	(2)		(1)	
259	41 p	<b>Underlying earnings per share</b>	<b>61</b>	<b>7 p</b>	73	12 p*
(119)		Realisation of cash flow hedges Tax and other items				
140	22 p	<b>EPRA earnings per share</b>	<b>61</b>	<b>7 p</b>	73	12 p*
(3,881)	(614) p	<b>Loss for the period after taxation</b>	<b>(273)</b>	<b>(32) p</b>	(565)	(92) 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: 850m (30 June 2008 restated: 614m; 31 March 2009: 630m); diluted for the effect of share options: 852m (30 June 2008 restated: 617m; 31 March 2009: 632m). Basic undiluted loss per share for the period were 32p (30 June 2008 restated: 92p; 31 March 2009: 616p). Earnings per share shown in the table above are diluted.

31 March 2009 £m	<b>Net asset value (NAV)</b>	<b>30 June 2009 £m</b>	30 June 2008 £m
3,209	<b>Balance sheet net assets</b>	<b>2,954</b>	6,260
25	Deferred tax arising on revaluation movements	<b>25</b>	85
153	Mark to market on effective cash flow hedges and related debt adjustments	<b>100</b>	(136)
	Dilution effect of share options	<b>2</b>	43
3,387	<b>EPRA NAV</b>	<b>3,081</b>	6,252
398 p	<b>EPRA NAV per share</b>	<b>361 p</b>	1004 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 June 2009, the number of shares in issue was: basic: 850m (30 June 2008 restated: 614m; 31 March 2009: 850m); diluted for the effect of share options: 854m (30 June 2008 restated: 623m; 31 March 2009: 851m).

**Total return per share** of minus 7.3% includes dividends paid of 8p (see note 6) in addition to the reduction in EPRA NAV per share of 37p in the three months to 30 June 2009. 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 June 2009 £m	Three months ended 30 June 2008 £m
	<b>Gross and net rental income</b>		
462	Rent receivable	96	120
34	Spreading of tenant incentives and guaranteed rent increases	7	12
1	Surrender premiums		
497	<b>Gross rental income</b>	<b>103</b>	132
57	Service charge income	17	14
554	<b>Gross rental and related income</b>	<b>120</b>	146
(57)	Service charge expenses	(17)	(14)
(44)	Property operating expenses	(2)	(5)
453	<b>Net rental and related income</b>	<b>101</b>	127
	<b>Fees and other income</b>		
14	Performance & management fees (from funds and joint ventures)	3	3
4	Other fees and commission	1	2
18		<b>4</b>	5
	<b>Net revaluation movements on property and investments</b>		
	<b>Income statement</b>		
(2,994)	Revaluation of properties	(211)	(482)
(177)	Result on property disposals	(7)	(42)
(69)	Revaluation of investments		
(1)	Other revaluations and losses		
(3,241)		<b>(218)</b>	(524)
(833)	Share of losses of funds and joint ventures (note 4)	(114)	(127)
(4,074)		<b>(332)</b>	(651)
	<b>Consolidated statement of recognised income and expense</b>		
(44)	Revaluation of development properties		(44)
(3)	Revaluation of owner-occupied property		(1)
(88)	Revaluation of investments	6	(17)
(4,209)		<b>(326)</b>	(713)
	<b>Tax income (expense)</b>		
(6)	Current tax: UK corporation tax (28%)	(1)	(1)
(1)	Foreign tax		
(7)		<b>(1)</b>	(1)
5	Adjustments in respect of prior periods	2	
(2)	Total current tax income (expense)	<b>1</b>	(1)
49	Deferred tax on revaluations	1	8
47	<b>Group total taxation (net)</b>	<b>2</b>	7
11	Attributable to funds and joint ventures	(2)	9
58	<b>Total taxation</b>	<b>16</b>	16

Tax expense attributable to underlying profits for the three months ended 30 June 2009 was £2m (June 2008: £1m, March 2009: £9m).

### 3. Property

Total property interests are £8,178m at 30 June 2009 comprising properties held by the Group of £5,522m, share of properties held by funds of £706m and share of properties held by joint ventures of £1,950m. 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 £m		30 June 2009 £m	30 June 2008 £m
5,436	Investment properties	5,333	8,393
358	Development properties	176	980
30	Owner-occupied property	27	51
5,824	Carrying value of properties on balance sheet	5,536	9,424
(14)	Head lease liabilities	(14)	(26)
5,810	<b>Total British Land Group property portfolio valuation</b>	<b>5,522</b>	<b>9,398</b>

At 30 June 2009 Group properties valued at £3,630m were subject to a security interest (30 June 2008: £6,465m, 31 March 2009: £3,665m) and other properties of non-recourse companies amounted to £0m (30 June 2008: £2m, 31 March 2009: £1m).

### 4. Funds and joint ventures

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

	Underlying profit (three months) £m	Net Investment * £m	Gross assets £m	Gross liabilities £m
Share of funds	5	320	827	(507)
Share of joint ventures	11	551	2,070	(1,519)
<b>Total</b>	<b>16</b>	<b>871</b>	<b>2,897</b>	<b>(2,026)</b>

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

Amounts owed to joint ventures at 30 June 2009 were £33m (30 June 2008: £26m, 31 March 2009: £33m).

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

Year ended 31 March 2009 £m		Three months ended 30 June 2009 £m	Three months ended 30 June 2008 £m
153	<b>Gross rental income</b>	<b>45</b>	<b>37</b>
145	Net rental and related income	42	35
(5)	Other income and expenditure	(2)	(2)
(85)	Net financing costs	(24)	(19)
55	<b>Underlying profit before taxation</b>	<b>16</b>	<b>14</b>
(833)	Net valuation and disposal movements	(114)	(127)
(778)	<b>Loss on ordinary activities before taxation</b>	<b>(98)</b>	<b>(113)</b>
2	Current tax	(3)	6
9	Deferred tax	1	3
(767)	<b>Loss on ordinary activities after taxation</b>	<b>(100)</b>	<b>(104)</b>

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		30 June 2009	30 June 2008
£m		£m	£m
1,991	Securitisations	1,980	2,857
1,168	Debentures	1,168	1,172
139	Bank loans and overdrafts	96	535
467	Other bonds and loan notes	452	436
<u>3,765</u>	Gross debt	<u>3,696</u>	<u>5,000</u>
109	Interest rate and currency derivative liabilities	64	22
(16)	Interest rate and currency derivative assets		(117)
3,858		3,760	4,905
(616)	Cash and short-term deposits	(647)	(581)
<u>3,242</u>	<b>Net debt</b>	<u>3,113</u>	<u>4,324</u>

Gross debt includes £56m due within one year at 30 June 2009 (30 June 2008: £108m; 31 March 2009: £49m).

Undrawn committed bank facilities at 30 June 2009 amounted to £2,974m.

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

a. **Net Borrowings not to exceed 175% of Adjusted Capital and Reserves.** At 30 June 2009 the ratio is **88%**:

i. Net Borrowings are **£3,102m**, being the principal amount of gross debt of £3,693m plus amounts owed to joint ventures of £33m (see note 4) and TPP Investments Ltd of £23m (see note 8), less the cash and short-term deposits of £647m; and

ii. Adjusted Capital and Reserves are **£3,519m**, being share capital and reserves of £2,954m (balance sheet), adjusted for £25m of deferred tax (see note 1), £100m mark to market on interest rate swaps (see note 1) and £440m 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 June 2009 the ratio is **9%**:

i. Net Unsecured Borrowings are **£209m**, being the principal amount of gross debt of £3,693m plus amounts owed to joint ventures of £33m (see note 4) less cash and deposits not subject to a security interest of £116m less the principal amount of secured and non-recourse borrowings of £3,401m; and

ii. Unencumbered Assets are **£2,254m** being properties of £5,522m (see note 3) plus investments in funds and joint ventures of £871m (balance sheet) and other investments of £44m (balance sheet) less investments in joint ventures of £553m (see note 4) and encumbered assets of £3,630m (see note 3).

The **Group Loan to Value** ratio at 30 June 2009 is 47%, being gross debt of £3,696m less cash and short-term deposits of £647m, divided by total Group property of £5,522m (see note 3) plus investments in Funds and Joint Ventures of £871m (balance sheet) and other investments of £44m (balance sheet).

## 6. Dividends

The first quarter dividend of 6.5 pence per share, totalling £56 million, is payable on 13 November 2009 to shareholders on the register at close of business on 16 October 2009. This dividend will be entirely a 'normal' dividend i.e. not a PID (Property Income Distribution).

The 2009 final dividend of 6.5 pence per share, totalling £55m, is payable on 14 August 2009.

The reconciliation of movements in shareholders' funds shows total dividends paid in the period of £48m being the third 2009 interim dividend of 7.77 pence per share (restated for Rights Issue) paid on 15 May 2009.

An enhanced scrip alternative is to be offered to shareholders with the first 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 by the shareholder, 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 23 October 2009.

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

## 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>Three months ended 30 June</b>								
Revenue	67	71	51	73	6	7	124	151
Net rental income	52	61	46	61	3	5	101	127
Segment assets	3,356	4,791	2,874	5,786	971	1,287	7,201	11,864
Capital expenditure	61	137	2	16	1		64	153

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 (30 June 2008: £23m, 31 March 2009: £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 June 2009, of the issued 25p ordinary shares, 2m shares were held in the ESOP Trust (30 June 2008: 2m, 31 March 2009: 2m), 11m shares were held as Treasury shares (30 June 2008: 11m, 31 March 2009: 11m) and 850m shares were in free issue (30 June 2008: 509m, 31 March 2009: 850m). All issued 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 IAS1 (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 interim financial information was approved by the Board on 17 August 2009.

## 12. Post balance sheet events

On 27 July 2009 British Land agreed to buyout Aviva's unit-holding in the Pillar Retail Europark Fund (PREF) at a cost of €33m, a 28% discount to June 2009 unit price. The investment in PREF will increase from 38.7% to 65.3% and the life of the fund will be extended to 2014.

**Table A****Summary income statement based on proportional consolidation  
for the period ended 30 June 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>		<b>Three months ended 30 June 2009 <u>£m</u></b>	Three months ended 30 June 2008 <u>£m</u>
650	<b>Gross rental income</b>	<b>148</b>	169
598	<b>Net rental income</b>	<b>143</b>	162
20	Fees and other income	4	5
(58)	Administrative expenses	(18)	(17)
(292)	Net interest costs	(66)	(76)
268	<b>Underlying profit before taxation</b>	<b>63</b>	74
(4,074)	Net valuation movement (includes profits and losses on disposal)	(332)	(651)
(119)	Realisation of cash flow hedges		
(14)	Amortisation of intangible assets	(4)	(4)
(3,939)	<b>Loss on ordinary activities before taxation</b>	<b>(273)</b>	(581)
(9)	Tax charge relating to underlying profit	(2)	(1)
58	Deferred tax	2	11
9	Other taxation	0	6
(3,881)	<b>Loss for the period after taxation</b>	<b>(273)</b>	(565)
41	<b>Underlying earnings per share - diluted basis</b>	<b>7 p</b>	12 p*

\* As restated for the Rights Issue

The underlying earnings per share is calculated on underlying profit before taxation of £63m, tax attributable to underlying profits of £2m and 852m shares on a diluted basis, for the three months ended 30 June 2009.

**Table A (continued)****Summary balance sheet based on proportional consolidation  
as at 30 June 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 June 2009 £m	30 June 2008 £m
4,867	Retail properties	4,646	7,202
3,570	Office properties	3,353	4,771
188	Other properties	179	315
8,625	Total properties	8,178	12,288
38	Other investments	44	180
25	Intangible assets	21	36
(360)	Other net liabilities	(387)	(411)
(4,941)	Net debt	(4,775)	(5,841)
3,387	EPRA NAV (note 1)	3,081	6,252
398 p	<b>EPRA NAV per share (note 1)</b>	<b>361 p</b>	1004 p*
<b>Total property valuations including share of funds and joint ventures</b>			
5,810	<b>British Land Group</b>	5,522	9,398
<b>Share of funds and joint ventures</b>			
2,775	Investment properties	2,590	2,777
49	Development properties	75	119
(9)	Head lease liabilities	(9)	(6)
2,815		2,656	2,890
8,625	<b>Total property portfolio valuation</b>	<b>8,178</b>	12,288
<b>Calculation of EPRA NNNAV per share</b>			
3,387	EPRA NAV	3,081	6,252
(25)	Deferred tax arising on revaluation movements	(25)	(85)
(153)	Mark to market on effective cash flow hedges and related debt adjustments	(100)	136
1,116	Mark to market on debt	1,120	674
4,325	EPRA NNNAV	4,076	6,977
508 p	<b>EPRA NNNAV per share</b>	<b>477 p</b>	1120 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.