



**British Land's** opportunistic but risk-averse strategy seeks to achieve long-term growth in shareholder value by:

- **focusing on prime assets** in the office and retail sectors;
- **creating exceptional long-term investments** with strong covenants, long lease profiles and growth potential;
- **enhancing property returns** through active management and development; and
- **maximising equity returns** through optimal financing and joint ventures.

The key to high returns is flexibility, both in terms of business organisation and financing to take advantage of shifts in the property market.

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#### Review

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**Net Rents** up **7.9%** to **£249.2 million**, including share of joint ventures (2001: £230.9 million).

**Net Asset Value** per share adjusted and fully diluted increased **2.4%** to **822 pence\*** (March 2002: 803 pence).

**Portfolio Valuation** up 0.15% (on a like for like basis) to **£9.376 billion**.

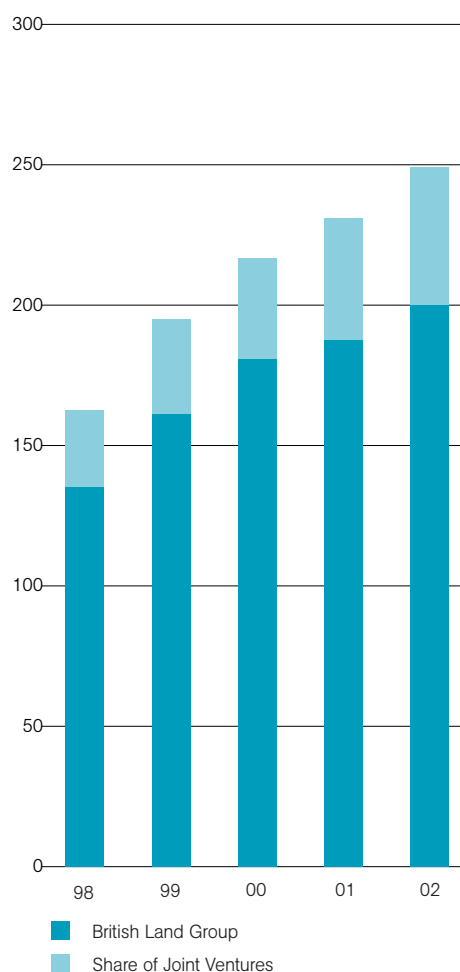
**Profits before tax** of **£65.3 million** (2001: £80 million). There were no property trading profits in the half-year. Underlying profits are up 7.4% to £62.2 million.

**Earnings per share** adjusted and fully diluted are **10.5 pence** (2001: 12.6 pence).

**Interim Dividend** up **7.9%** to **4.1 pence** (2001: 3.8 pence) per share.

**Continued Portfolio Management** with profitable sales of **£350 million**, purchases of **£74 million** and development and other capital expenditure of **£146 million**, including the joint ventures.

**Net Rental Income – six months to September** £m



\*NAV adjusted to exclude the capital allowance effects of FRS 19.

British Land's long-term business model proved its mettle in the six months ended 30 September 2002. High quality properties in a diversified portfolio, occupied by strong tenants on long leases, have safeguarded our committed cash flow. Gross rents, including our share of joint ventures, rose by £18.6 million to £266 million, up 7.5%. An efficient capital structure, coupled to a largely fixed interest rate debt book, also ensures that the Company prospers in these uncertain economic times.

This resilience in our property portfolio, together with the buy-back of the £323 million 6½% Convertible, have enabled fully diluted net assets per share to rise by 2.4% to 822p per share.

Profits before tax for the half-year were £65 million. At the last year-end we stated that we expected to sustain a higher rate of growth of dividend, and at the interim stage we are lifting the payout by 7.9% to 4.1p per share (2001: 3.8p).

This is a time for especially intensive management and since 31 March, as part of our continual review and selection processes, we have sold (including joint ventures) 69 properties, realising £350 million. It is an encouraging reflection of the portfolio's strength that these sales comfortably exceeded the 31 March valuation of these properties, and that a good few of these sales were recent. The valuation process, carried out by external professional valuers, is cross-checked by the result of these sales.

A side benefit of our securitisations, and a further external validation of tenant quality, is that three separate independent rating agencies, having reviewed our tenancies at Broadgate, Meadowhall and the Sainsbury's superstores, have assigned 'AAA' status to £1,372 million of this debt, 'AA' status to a further £448 million and 'A' status to another £842 million.

The valuation is overall up 0.15%. Our retail holdings are up 3.1%, with our supermarkets (up 4.6%) and retail warehouses (up 4.8%) performing particularly well. There is encouraging news on a recent supermarket rent review – £23.15 per sq ft has been achieved at Chiswick. City offices are down 3.6%, but in the West End, where Abbey National is in occupation and 350 Euston Road is now part-let, our offices are up 1.4%. Leisure, now largely pubs, is up 3.6% and I must make special mention of our residential holdings which, with dedicated specialist management, are up 7.6%. It is still possible for a big property company to make money, economically, on small units, if the judgments are sound.

Property purchases for British Land and the joint ventures involved three properties and amounted to £74 million, while development and other capital expenditures were £146 million.

We have tailored our immediate development programme to the current letting climate. In the half-year British Land and its joint ventures completed just under half a million square feet of space at a cost of £29.5 million, already 95% let, yielding £5 million a year when fully let. Committed projects in course are primarily Plantation Place with a pre-let to Accenture, Centre West at East Kilbride which is largely let or under offer, and 10 Exchange Square at Broadgate, a 163,000 sq ft office building which has already attracted tenant interest. The current committed programme will provide 1,456,000 sq ft at a cost of £402 million, of which £125 million has already been expended, with an estimated rental value of £54.2 million.

Next stage projects, where planning consent has been obtained in almost every case, can be activated as soon as we judge the moment right, and will provide 4.48 million sq ft and an estimated rent of £111 million. Sites currently non-earning make only a modest impact, with under £230 million of capital tied up.

With a large diversified portfolio under management, we are able to take a broad view of the property market. As our sales figures show, we have been able to make plenty of profitable disposals and we have also continued to attract tenants, particularly in retail. The rent review process at Meadowhall has now increased the rent roll to £65.3 million per annum with further reviews to come in the near term and is predicted to lift rents to £68 million.

Here I must point out a sea change in retail practice which is bringing us higher income but to some extent eroding the traditional basis of Zone A rents as the sole arbiter of performance. Major retailers in all our shopping centres now want much larger spaces than the traditional 20 ft frontage, 100 ft deep standard units, and they are prepared to pay higher rents per sq ft on these larger spaces. At Meadowhall, through mezzanines and extensions we have increased the Centre's size by 79,000 sq ft. We have also lifted the average rent from £40 when we bought the Centre to £51.70 per sq ft now.

We are offering the new Lease Code to prospective tenants but are finding only subdued interest in the variants. As ever, free market forces prevail – a constant surprise to Government but not to those in the market.

### Financing

The weighted average debt maturity has moved out to 20 years and the weighted average interest rate is down again, as forecast, to 6.5% as a result of our treasury initiatives. 91% of debt is fixed or capped as to interest rate.

During the half-year we bought back £323 million 6½% Convertible Bonds 2007 at par. This repurchase removed the dilutive potential of an issue of 48.1 million shares had conversion taken place, and lifted net assets fully diluted by 11p per share, and also reduced interest costs by £5 million per annum.

We remain on the look-out for opportunities to buy back shares when it is advantageous and when the cash demands of the business, particularly on the development side, permit. So far this year we have bought back 600,000 shares at an average price of 430.5p per share.

I have referred before to the impact on property companies from the progressive rises in Stamp Duty. Without Stamp Duty, currently at 4% on the vast majority of our portfolio, net assets would be £375 million higher, and net assets per share would be up 72p.

Now there is a new 'pincer movement' in prospect. Impending adoption of current international accounting standards would require movements in valuations to pass through the profit and loss account, even though the gains and losses are unrealised. How this will help investors to assess a company's operations has not been explained, as separate information on revaluations is already provided in our Accounts. Hot on the heels of this unhappy proposal, H.M. Treasury is proposing significant corporation tax reforms which will adversely affect property companies.

What a depressing pair of twins!

### The Outlook

In uncertain times, well-selected property as an asset class continues to offer a relative haven, combined with an attractive income, when compared with other types of investment. Good locations do not change rapidly: strong tenants pay their rents: long lease terms ride the business cycle. British Land offers also diversity, which more than offsets the decline in some sectors of the market with rises elsewhere. As a large company, we can carry incipient developments until prospects for them improve. Meanwhile there are always opportunities for management initiatives in squeezing the best from our buildings and from hunting out new transactions.

### The Board

The Board is very pleased to welcome two new non-executive directors, who have accepted invitations to join us with effect from 1 January 2003.

Christopher Gibson-Smith is Chairman of National Air Traffic Services and a non-executive director of Lloyds TSB Bank plc. Formerly he was Group Managing Director of BP plc.

David Michels is Chief Executive of Hilton Group plc. He is a non-executive director of Hilton Hotels Corporation and, until recently, was a non-executive director of Arcadia Group plc.

**John Ritblat** Chairman  
26 November 2002

British Land has recently received the following awards:

#### Investor Relations Awards

Best Board Communications (for FTSE 100 companies)

Most Progress in Investor Relations  
(for FTSE 100 companies)

Best Investor Relations in the Real Estate Sector

#### Natural Stone Award 2002

For 2 and 3 Triton Square

### The Environment

Business in the Community's Sixth Index of Corporate Environmental Engagement (British Land came first in the real estate sector)

Property and Environment Group's Benchmarking Survey 2002 (British Land was ranked first in the property sector category)

#### BDO Stoy Hayward Property Accounts Awards 2002

British Land won the main award for the best Annual Report & Accounts



**350 Euston Road, Regent's Place, London NW1**

Recently completed 12,000 sq m offices, 3,000 sq m was let in August 2002, 1,370 sq m under offer.



**Castle Vale, Birmingham**

Forward purchased from the developer, 16,900 sq m retail park with open A1 planning consent, anchored by a 7,470 sq m Sainsbury's Supermarket.

Gross rental income for the six months to 30 September 2002, including our share of joint ventures, rose by 7.5% (£18.6 million) to £266.2 million (2001: £247.6 million). The joint ventures contributed £6.4 million of the increase, where our share of gross rents grew to £53.3 million (2001: £46.9 million).

Group net rental income for the six months rose 6.7% to £200.1 million (2001: £187.5 million), mainly as a result of £18.3 million of increased rents, achieved from rent reviews and new lettings, including additional income from Broadgate of £8.9 million, less reductions in rental income due mainly to disposals.

British Land's share of joint venture operating profits rose 6.3% to £45.5 million (2001: £42.8 million) including a £7.0 million contribution from the BL Davidson joint venture, which was acquired in September 2001.

Profit before tax is £65.3 million compared to £80.0 million. Profits for the six months to September 2001 included property trading profits of £6.3 million and a dividend from our investment at that time in Haslemere N.V., of £4.8 million. In addition, disposals above valuation in the current period were £3.1 million compared to £11 million in 2001. Before the Haslemere dividend and profits on disposals, underlying profits increased by £4.3 million (7.4%).

The tax charge for the six months is £12.8 million, an effective rate of 19.6% (2001: £16.7 million, 20.9%). Adjusted diluted earnings per share were 10.5 pence (2001: 12.6 pence).

Adjusted diluted net assets per share rose since 31 March 2002 by 2.4% from 803 pence to 822 pence. Of this increase, the revaluation surplus contributed 1.8 pence, retained profits 5.7 pence and share repurchases and the redemption of the Convertible Bonds 11.9 pence.

#### **Income and Finance**

British Land is structured to provide shareholders with a low risk profile on the two key elements of operating cash flow: net rental income and interest payable. In a cyclical property market with high transaction costs and low liquidity, this structure delivers to shareholders a steady cash flow, to fund the business through the peaks and troughs in the market, to provide a strong balance sheet for investing and to fund dividends on a progressive basis.

## Income

Current annualised net rents, including our share of joint ventures, amount to £526 million. This rental income is supported by long leases to good covenants with regular upward only rent reviews.

- The average unexpired lease term within the portfolio is 17.5 years with 82% of the current rent roll remaining in place at 30 September 2012 (10 years). Assuming break clauses are exercised at the earliest date this average is still 15.7 years with 70% of the current rent roll remaining in place in 10 years time.
- At 30 September 2002, income quality has been measured by Investment Property Databank (using a Dun & Bradstreet Stress Score) and shows 84.5% of our rent roll is derived from negligible, low and low/medium risk covenants with only 2.3% from high risk covenants.
- Reversionary income from investment properties and rental income from committed developments are currently estimated at a further £129.2 million within 5 years, of which £35.1 million is contracted through pre-lets or the expiry of rent-free periods and minimum rental uplifts.

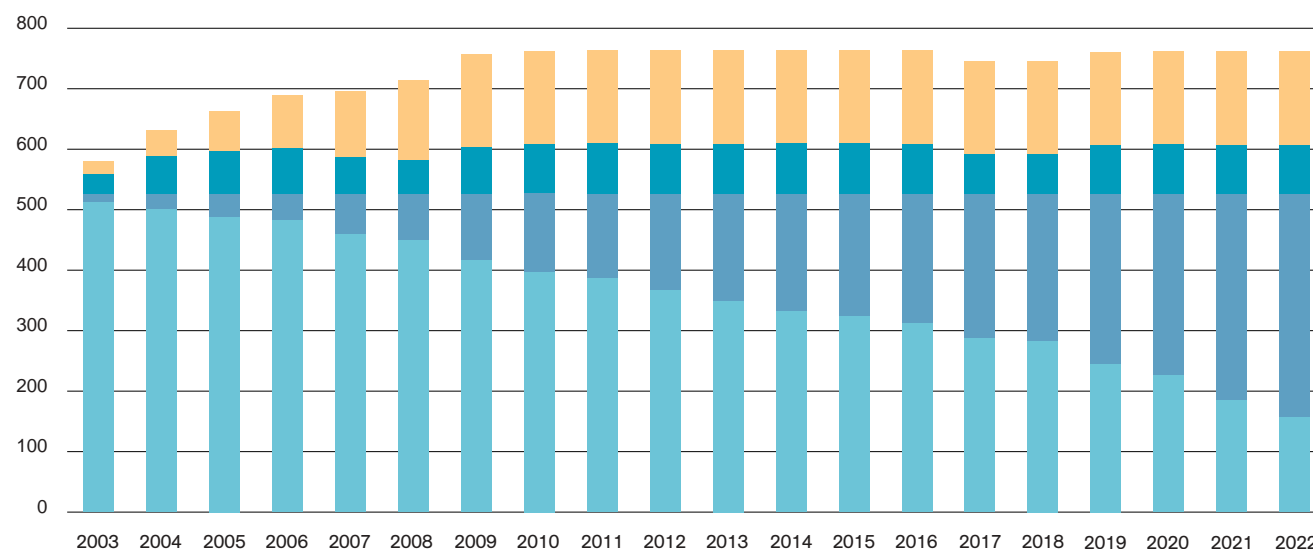
## Finance

Approximately 50% of the investment property value is financed by debt. The structure of our debt has varied over time to reflect opportunities to refinance more cheaply and effectively in the debt markets. We currently have 71% of our debt in securitisations, which are non-recourse to the rest of the Group. The financial risk management policy is to maintain approximately 85% of debt at fixed rates. In addition debt is taken out for the long-term rather than the short term, matching the underlying lease lengths.

As a result of these policies, we concentrate shareholders' economic exposure to the property market and to our portfolio's performance and minimise exposure to short to medium term interest rate movements.

At 30 September 2002, net debt is £3,967.1 million (March 2002: £3,840.4 million), of which securitised debt of £2,901.8 million is ringfenced with no recourse to other Group companies or assets. The mortgage ratio remains unchanged at 46%.

## Rental Income Profile (assuming no rental value growth) (£m)



- **Annualised net rents** of £526 million at 30 September 2002 are shown to decrease at the earlier of lease expiry or tenant's break.
- **Leases expired/subject to break** are assumed to renew on the date of expiry/break at the present annualised net rent.\*
- **Reversionary income** of £81.2 million is based upon estimated rental values (ERV) by our external valuers at 30 September 2002.\*
- **Development programme** when completed and let has an ERV at 30 September 2002 of £154.2 million\*, assumed to be realised evenly over the next 7 years.

\* No rental value growth is assumed.

The graph provides a snapshot of committed income and estimated income based on ERV at 30 September 2002, including our share of joint ventures. Upward only rent reviews across the portfolio protect rental income from falling below passing rent (prior to expiry/break). In addition, no account is taken of future acquisitions, disposals, expenditures or other events. Rental income will be affected by such transactions and future opportunities; the graph is not a forecast.

Annualised net rents are current gross rents plus the increase in rental value (as determined by our external valuers) where rent reviews are outstanding, less ground rents payable under head leases.

<b>Financing statistics</b> (Group)	<b>30 September 2002</b>	31 March 2002
Net debt	<b>£3,967m</b>	£3,840m
Weighted average debt maturity	<b>19.9 years</b>	19.8 years
Weighted average interest rate	<b>6.50%</b>	6.62%
% of net debt at fixed/capped interest rates	<b>91%</b>	95%
% of debt ringfenced with no recourse to other Group companies/assets	<b>71%</b>	69%
Interest cover (net rents/net interest)	<b>1.54x</b>	1.53x
Undrawn committed bank facilities, cash and deposits	<b>£1,482m</b>	£2,046m

The Group's weighted average interest cost is 6.5%, of which 91% is at fixed or capped rates of interest, with a weighted average debt maturity of 19.9 years (March 2002: 19.8 years).

At 30 September 2002 the market values of net debt and interest rate derivatives were £511.6 million more than their book values. The increase from March 2002 of £207.7 million reflects the significant downward shift in the Sterling yield curve.

Cash and available committed bank facilities were £1.5 billion (March 2002: £2.0 billion).

#### **Dividend**

The Directors declare an interim dividend of 4.1 pence per share payable on 21 February 2003. This represents an increase of 7.9% over the 2001 interim dividend of 3.8 pence per share and is in line with our policy of progressive dividend growth.

#### **Cash flow**

Profits after interest, tax and working capital movements, generated a positive operating net cash flow for the six months ended 30 September 2002 of £20.3 million, compared to £31.0 million in 2001.

Property disposals by the Group and joint ventures realised cash of £73.1 million. Advances to joint ventures, property acquisitions and development expenditure absorbed £138.7 million.

Cash and existing bank facilities were used to fund the £323 million redemption of the 6<sup>1</sup>/<sub>2</sub>% Convertible Bonds 2007.

#### **Accounting Policies**

There have been no Accounting Standard changes affecting the Group in this period.

There are proposed changes to Accounting Standards in respect of employee costs arising from recent external events: the fall in equity markets affecting pension schemes and the controversy over accounting for share schemes. In respect to our pension scheme, which was fully funded at 31 March 2002, the pension liabilities at that time were 0.6% of adjusted net assets as our employee numbers and payroll are small. In addition, share awards under the current long-term incentive plan are already expensed through the profit and loss account.

#### **Conclusion**

Our business has recurring long-term income committed from a blended portfolio of low risk tenants in high quality properties, primarily in the office and retail sectors. The business is well financed for the long-term at 6.5% with debt maturity on average at 19.9 years and with a high percentage (currently 91%) at fixed/capped rates.



**Graham Roberts** Finance Director  
26 November 2002

# Portfolio Analysis

as at 30 September 2002

Portfolio Valuation by use	Group £m	JVs <sup>†</sup> £m	Total £m	Portfolio %	Change* %
<b>Offices</b>					
City	2,950.1	249.1	3,199.2	34.1	(3.6)
West End	617.8	39.7	657.5	7.0	1.4
Business parks and Provincial	116.8	74.0	190.8	2.1	(0.8)
<b>All offices</b>	<b>3,684.7</b>	<b>362.8</b>	<b>4,047.5</b>	<b>43.2</b>	<b>(2.7)</b>
<b>Retail</b>					
Shopping centres	1,637.7	108.1	1,745.8	18.6	0.9
Supermarkets	953.3	191.3	1,144.6	12.2	4.6
Retail warehouses	688.0	310.2	998.2	10.7	4.8
Shops	88.2	289.1	377.3	4.0	4.7
<b>All retail</b>	<b>3,367.2</b>	<b>898.7</b>	<b>4,265.9</b>	<b>45.5</b>	<b>3.1</b>
<b>Industrial and distribution</b>	133.5	46.0	179.5	1.9	4.3
<b>Residential</b>	34.9	83.5	118.4	1.3	7.6
<b>Leisure</b>	74.7	87.2	161.9	1.7	3.6
<b>Development</b>	516.0	86.4	602.4	6.4	(4.1)
<b>Total</b>	<b>7,811.0</b>	<b>1,564.6</b>	<b>9,375.6</b>	<b>100.0</b>	<b>0.15</b>

<sup>†</sup>British Land's share.

\*After adjustment for purchases, properties awaiting development, sales and other expenditure.

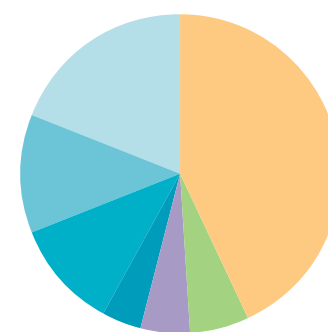
**Total funds** under British Land property management, including partners' shares of joint ventures, are **£11 billion**.

## Portfolio Valuation by Location

	£m	%
<b>London</b>		
City	3,644.0	38.9
West End	713.1	7.6
Greater London	471.3	5.0
<b>Total London</b>	<b>4,828.4</b>	<b>51.5</b>
South East England	859.8	9.2
Wales and South West England	479.6	5.1
Midlands and East Anglia	741.2	7.9
North of England	2,028.9	21.6
Scotland and Northern Ireland	328.2	3.5
Republic of Ireland	109.5	1.2
<b>Total</b>	<b>9,375.6</b>	<b>100.0</b>

**Location:** 60.7% of the portfolio is located in London and South East England.

## Portfolio Analysis by Value



Sector	%
Shopping centres	19
Supermarkets	12
Retail warehouses	11
Shops	4
<b>Total Retail</b>	<b>46</b>
<b>Offices</b>	<b>43</b>
Development	6
Industrial and distribution, Leisure & Residential	5



#### **Meadowbank, Edinburgh**

13,950 sq m retail park, with open A1 planning consent acquired in July 2002.



#### **Broadgate, London EC2**

Redevelopment of Finsbury Avenue Square, with new 460 sq m restaurant facility and spectacular public space, incorporating floor lighting grid unique in the UK.

#### **Sales**

As a result of our continuing portfolio management, since 31 March 2002 we have been net disinvestors, taking the opportunity of a buoyant investment market. During the six months, while we acquired properties for £74 million, we have completed sales of £300 million and exchanged contracts for the sale of a further £50 million, including joint ventures and involving 69 properties (excluding residential units). Total sales prices of £350 million exceeded the relevant March 2002 Valuations.

Included among the disposals were:

- the BL Rank portfolio, comprising six bingo clubs, three leisure parks, one cinema and three multi leisure centres at £109 million, which concludes our sale programme from this joint venture and significantly reduces our exposure to the leisure sector,
- residential property totalling some £36 million, mainly from the London & Henley joint venture and our own portfolio, taking advantage of the exceptional prices in Central London's residential market,
- 26 retail units with total sales prices of £53 million, predominantly in high street locations from both our own portfolio and that of the BLU joint venture, to capitalise on a buoyant market for these investments,
- sales by BL Davidson of three retail parks totalling £43 million.

We have also completed the sale of two distribution units at Nursling, Southampton of 36,700 sq m (395,000 sq ft) for £36.7 million, let to Tesco and Christian Salvesen. The price reflected a yield shift in favour of this sector, which occurred despite the fact that rental growth forecasts are limited.

Since the half-year end, further sales completed included the 33,060 sq m (356,000 sq ft) distribution unit at Thatcham for £38.5 million, where construction has completed and the property pre-let to Scottish & Newcastle Plc. This sale created significant development surplus over cost.

#### **Purchases**

We continue to invest in the retail sector, in particular out of town retail parks. The Meadowbank Retail Park, Edinburgh, which totals 13,950 sq m (150,000 sq ft) and is anchored by a Sainsbury's Superstore of 4,050 sq m (43,800 sq ft) was purchased in July 2002 for £31 million. The average rent for the park is £12.54 per sq ft, which is reversionary.

During the restructuring of Railtrack to form Network Rail, we took the opportunity of buying out Railtrack Development Limited's 50% interest in the joint venture

that we had with them in respect of the 68,470 sq m (737,000 sq ft) proposed development at 201 Bishopsgate, London EC2. The raft over the railway line had already been completed by the joint venture company, thus eventual construction costs are limited to the structure above ground.

### Property Asset Management

During the half-year we have negotiated 168 rent reviews and lease renewals, resulting in an increase in rental income of £15.8 million per annum. In particular, two rent reviews involving a total of 46,000 sq m (490,000 sq ft) office and ancillary space at Broadgate have been settled, resulting in increases in rent of £6.7 million.

In the supermarket portfolio we have continued to progress with rent reviews; all those due prior to March 2002 have been settled, resulting in significant increases in passing rents. Since September, we have agreed a rent review at a record level of £23.15 per sq ft at Chiswick. We have continued to meet the supermarket operators' desire for increased trading floor areas by carrying out four extensions, amounting to a total of 6,600 sq m (71,000 sq ft) and generating additional rents of over £1 million per annum.

Voids in the portfolio represent a very low total of 2.0% by rental value; 0.5% is under offer and 0.2% is the subject of asset management initiatives, so just 1.3% is vacant where tenants are being sought.

Reversionary income from the current investment portfolio is anticipated to increase rents by £81.2 million per annum; of this £75.7 million is expected to be achieved in the next 5 years, including £13.9 million already committed upon the expiry of rent free periods and minimum rental uplifts. Further income will be generated from the development programme, of which £21.2 million (British Land's share) is committed under pre-lets.

### Offices

Offices represent 43% of the total portfolio and of this, 95% is in Central London. Whereas it is clear that there is a fall off in demand for Central London offices, in the current market this is not coupled with an excessive over supply. Vacancy overall is currently approaching 10% of City office space; Grade A vacancies are approximately 4%. While vacancy levels are expected to be higher over the next 2 years as a result of new supply and release by tenants of existing space, the new supply to the market is expected to reduce to minimal levels by 2005. Given average take-up continuing at existing (albeit low) levels, by late 2005 the market should return to equilibrium and we can expect rental growth.

Rental values have softened in the last six months. However, our Central London portfolio income has the benefit of long leases with committed income streams from good covenants; the weighted average lease length of the office portfolio is 14.3 years (11 years on the assumption that break options are exercised).

### Retail

Retail represents 46% of the portfolio, 80% of this is out of town and 20% is in town centres and shopping schemes.

Total UK retail sales continue to increase, currently at the rate of 5.1% per annum in the year to October 2002. This has shown through to an improvement in rents, particularly out of town with its continued strong consumer preference and limited supply, and where our investment is primarily focused.

Our department store portfolio is also performing well. We have recently completed a transaction with House of Fraser, whereby we paid some £8 million for internal structural alteration and major fixtures and fittings as part of their refurbishment programme of the Rackhams store in Birmingham, in return for an increase in rental payment.

### Further income

	Contracted £m	Not Contracted £m	Total £m
<b>Next 5 years:</b>			
Annualised net rents, 30 September 2002	526.0		526.0
Reversions	13.9	61.8	75.7
Committed developments	21.2	32.3	53.5
Total, within 5 years	<b>561.1</b>	94.1	655.2
Reversions, after 5 years		5.5	5.5
Development prospects			100.7
			<b>761.4</b>

We have had considerable success in the Meadowhall Shopping Centre, where we have enhanced the tenant mix with significant lettings of 930 sq m (10,000 sq ft) to the Spanish fashion retailer, Zara and 3,160 sq m (34,000 sq ft) to Sports Soccer, with fashion retailer USC moving into the vacated 810 sq m (8,700 sq ft) Sports Soccer unit. Rents achieved on reviews and lettings have been in line with our expectations and total income has increased by over £3 million per annum.

### Development

During the six months we have completed developments totalling 45,410 sq m (488,800 sq ft), 95% being pre-let. Significant completions were at Thatcham, 33,060 sq m (356,000 sq ft) pre-let to Scottish & Newcastle, and subsequently sold, and 5,110 sq m (55,000 sq ft) at Enfield pre-let to MacFarlane Packaging.

Committed developments total 135,230 sq m (1,456,000 sq ft) of which 50% by area is pre-let/sold. Two projects in the City are under construction: 1 and 2 Plantation Place, 65,000 sq m (700,000 sq ft) and

10 Exchange Square (Broadgate), 15,100 sq m (163,400 sq ft). The new building of 18,600 sq m (200,000 sq ft) at Regent's Place, 2/3 Triton Square pre-let to Abbey National, was handed over in April 2002, let on a lease for 20 years. At 350 Euston Road, where 12,000 sq m (130,000 sq ft) offices have been recently completed, we have let or put under offer 4,370 sq m (47,000 sq ft) and are in discussions with further tenants.

Concerning development prospects, we have detailed planning consents for 11,730 sq m (126,000 sq ft) at Ludgate West and 49,630 sq m (534,000 sq ft) at Lime Street, both in the City, and for 12,860 sq m (138,400 sq ft) at York House in the West End.

These projects, when committed, will continue our development strategy of adding high quality assets and income to the investment portfolio. However, we will continue to review and undertake the development programme in controlled stages, with construction commitments made either on pre-lets or on the basis of anticipated market demand.

### Development Programme

At 30 September 2002		Net Area sq m	ERV pa £m	Construction cost £m	Cost to complete £m
Completed	Total	45,410	5.0	29.5	
	British Land Share		3.2	19.9	
<b>Committed</b>	<b>Total</b>	<b>135,230</b>	<b>54.2</b>	<b>401.6</b>	<b>276.3</b>
	<b>British Land Share</b>		<b>53.5</b>	<b>394.7</b>	<b>269.8</b>
Development prospects	Total	416,340	110.5	750.6	693.7
	British Land Share		100.7	671.3	618.1
Total		551,570	164.7	1,152.2	970.0
British Land Share			154.2	1,066.0	887.9

### Committed Projects

At 30 September 2002	Prime Use	Size sq m	ERV £m	Cost* £m	PC† (est.)	Pre-lettings (sq m if part)
<b>1 Plantation Place</b>	Office	50,520	27.9	205.3	Q2 2004	Accenture (34,840)
<b>2 Plantation Place</b>	Office	14,930	8.6	56.4	Q2 2004	
<b>Centre West, East Kilbride</b>	Retail	26,760	6.4	67.8	Q1 2003	Tenants incl: Debenhams, Next, River Island (14,520)
<b>10 Exchange Square</b>	Office	15,180	8.8	53.2	Q2 2004	
<b>Enfield (BL Gazeley)</b>						
Unit 7	Distribution	10,500	0.7	7.7	Q2 2003	Warburtons (Forward sale)
Unit 6	Distribution	6,780	0.6	4.1	Q2 2003	Southern Syringe
Unit 8	Distribution	1,530	0.1	0.9	Q2 2003	
<b>Feltham</b>						
Phase 3	Distribution	8,460	1.0	5.1	Q3 2003	
<b>Cambridge (BL Universal)</b>	Retail	570	0.1	1.1	Q4 2002	MultiYork
<b>Total</b>		<b>135,230</b>	<b>54.2</b>	<b>401.6</b>		<b>67,210</b>

\*Construction cost.

†Practical completion.

### Valuation

Valuation of all property in the British Land Portfolio and situated in the United Kingdom (excluding Tesco British Land Property Partnership, Tesco BL Holdings, London & Henley Holdings and BL Davidson which were separately externally valued) was undertaken by Chartered Surveyors, ATIS REAL Weatheralls, as at 30 September 2002. Their commentary on the market at the valuation date appears later in this report.

The Portfolio, including British Land's share of joint ventures was valued at £9.376 billion. On a like-for-like basis (after adjustment for purchases, properties awaiting development, sales and other expenditure), the Portfolio showed a small increase in value of 0.15% for the first six months.

While the office investments decreased in value by 2.7%, this is counter-balanced by our retail portfolio which was up by 3.1%. Retail warehouse investments increased by 4.8%, shopping centres increased by 0.9%, supermarkets and shops rose by 4.6% and 4.7% respectively.

Our interests in leisure and industrial/distribution also increased in value, by 3.6% and 4.3% respectively. The residential investments, including our 50% in the London & Henley joint venture, now total £118 million, showing a 7.6% increase in value for the six months.

### Strategy

The investment market for UK property continues overall to be strong, with investment from UK corporates and institutions coupled with substantial investment from overseas. This has caused yields to harden, particularly for long lease income flows. The main drivers for this increased investment are the weakness of the equities market coupled with low interest rates and low inflation prospects.



#### Eastgate Centre, Basildon

Remodelled shop units of 1,220 sq m let to Next, part of this 56,280 sq m major shopping centre.

We will continue to invest in quality properties, let to strong covenants on good length leases, with the concentration being on the out of town retail sector and Central London offices. It is pleasing to be able to report that this strategy has held up well; the improvement in the valuation of our retail portfolio has more than outweighed the small decline in the Central London office portfolio value, resulting in a modest overall portfolio uplift.

We will take advantage of market conditions within this overall strategy and seek out opportunities where our asset management or development expertise can achieve advances in capital value.

**Robert Bowden** Property Investment Director  
26 November 2002

## ATIS REAL Weatheralls – Commercial Property Market Summary

**The comments below reflect our views as at 30 September 2002 and underlie our approach to the valuation of the portfolio.**

### General

With stockmarket uncertainty and further interest rate reductions being factored into many investors' considerations, commercial property has continued to attract considerable funds. Would-be investors range from institutional funds to individuals, both cash and debt financed. Consequently yields have hardened across virtually the entire spectrum, particularly for properties offering long-term income streams from good covenants, as typically found in the British Land portfolio.

Although some rental values are under pressure, the low returns elsewhere mean that property yields are unlikely to rise whilst current conditions prevail. Moreover, the impact of falling rental values on the capital value of British Land's substantial holdings at Broadgate has been largely mitigated by the generally long leases to strong covenants with upward only reviews. Likewise the Company's other significant Central London scheme at Regent's Place.

Across the Group, any adverse movements that have occurred in respect of offices have been offset by retail increases. Investor sentiment there is as keen as ever and values are forecast to rise still further as anticipated rental growth manifests itself.

### Offices

In the City, reflecting more uncertain reversionary prospects, we have revised the emphasis of our approach to the valuation of the Broadgate Estate from an equivalent yield to a more initial yield led basis. We factored in more conservative reversions reflecting market sentiment, although firm evidence of a rental decline was not widely available.

However, in terms of initial yields, sales within the City and the West End suggest the investment market for well-let Central London offices is strong. Recent transactions include 50 Stratton Street, sold at an initial yield of 5.65% and 111 Old Broad Street in the City at 6.03%.

City developments have typically been marked down in value. This is as a consequence of our assuming that development activity will be phased to coincide with rental recovery. Our demand and supply forecasts lead us to anticipate that this will be in 2005. Meanwhile our view is that the next couple of years will be volatile in terms of rental movements. History suggests that City

occupiers tend to revise their attitude very rapidly, with consequent increases in rental values, as soon as optimism returns.

Equally strong investor sentiment in the West End was amply demonstrated prior to our valuation by the sale of both phases of the Mayfair Place/Stratton Street scheme. Moreover, supply is constrained by the physical boundaries of the traditional West End and more restrictive planning policies.

Again, although rental values have fallen, capital values have been maintained due to the quality and length of the main leases at the Company's substantial West End holding – Regent's Place. Letting levels at 350 Euston Road have held up well and, medium term, we consider state of the art accommodation, such as at Regent's Place, will continue to appeal to a wider tenant base.

Whilst the Company's holdings in Provincial offices are not currently significant, centres such as Birmingham have shown renewed confidence as evidenced by the sale of 55 Colmore Row at 6.5%.

### Retail

Retail Warehousing has outperformed virtually all other investment classes. Nearly all locations still offer considerable scope for rental growth. The logistical benefits to retailers will continue to support this and restrictive planning has served to enhance values.

A number of investment deals, including Hendersons' purchase of Kew Retail Park, indicate that low initial yields do not deter investors. The expectation is that reversions, when they arrive, will often be in excess of current provable levels.

The weight of money and covenant strength factors have also improved values for supermarkets. Funds have demonstrated their appetite for such investments which also provide strong underlying residual values and profitable alternative retail uses. More recently demand from private investors has been even keener. We are aware of several transactions including the sale of a Waitrose store in Surrey at just over 5.25% initial yield with many years before the next rent review.

Department stores have also benefited from covenant led yield improvements and offer relatively cheap capital values per square foot.

Funds have returned in force to High Street shops but there are few investments available. In some towns investors are now factoring rental growth into their calculations where previously initial or very near reversionary yield was key. Small lot sizes continue to

attract aggressive bids from a range of private investors. Prime yields have moved in by around 25 basis points.

Retailers themselves still face mixed fortunes so underlying strength of location and rent affordability remain key considerations.

Shopping Centre values have generally improved, in line with the High Street. At the Company's Peacocks Centre, Woking, provable rentals have increased by around 20%. Progress continues at Centre West (adjoining the Plaza Centre at East Kilbride) where 13 tenants have been secured so far including Next and Debenhams, with a further nine units already under offer. At Meadowhall active management initiatives have continued, incorporating a number of strategic tenant relocations within the centre. Reversions and income have remained broadly in line with expectations.

#### **Other Sectors**

Aside from the substantial Clifton Moor Estate in York, the Company's industrial holdings are predominantly found within the BL Gazeley joint venture, where activity has focused largely on distribution buildings in Greater London. Here significant profits have been generated from development activity. Yields and rents are both ahead of original expectations.

The Public Houses have also benefited from the yield covenant shift, especially in the case of smaller lot sizes in the active private buyer auction market. Where there are alternative uses that can be exploited, purchasers can easily justify bids down to a 6% initial yield level, an adequate holding yield with the initial cost amortising over the lease term, effectively providing a 'free option' in respect of any added value at the lease expiration.



#### **ATIS REAL Weatheralls**

Norfolk House, 31 St James's Square, London SW1Y 4JR.  
26 November 2002

## Consolidated Profit and Loss Account

for the six months ended 30 September 2002

Year ended 31 March 2002 Audited £m		Note	2002 Unaudited £m	2001 Unaudited £m
513.8	<b>Gross rental income</b>		<b>266.2</b>	247.6
(98.5)	Less share of joint ventures	8	<b>(53.3)</b>	(46.9)
415.3	<b>Gross rental income – Group</b>		<b>212.9</b>	200.7
386.6	Net rental income		<b>200.1</b>	187.5
6.8	Profit on property trading			6.3
9.5	Other income		<b>2.0</b>	7.3
(39.3)	Administrative expenses		<b>(20.6)</b>	(17.5)
363.6	<b>Operating profit</b>		<b>181.5</b>	183.6
88.6	Share of operating profits of joint ventures	8	<b>45.5</b>	42.8
37.0	Disposal of fixed assets – including amounts from joint ventures (note 8)	2	<b>3.1</b>	11.0
489.2	<b>Profit on ordinary activities before interest</b>		<b>230.1</b>	237.4
(317.9)	Net interest payable	3	<b>(164.8)</b>	(157.4)
171.3	<b>Profit on ordinary activities before taxation</b>		<b>65.3</b>	80.0
(11.9)	Taxation	4	<b>(12.8)</b>	(16.7)
159.4	<b>Profit on ordinary activities after taxation</b>		<b>52.5</b>	63.3
(64.3)	Ordinary dividends	5	<b>(21.3)</b>	(19.7)
95.1	<b>Retained profit for the period</b>		<b>31.2</b>	43.6
30.8p	Earnings per share – Basic	6	<b>10.1p</b>	12.2p
30.2p	– Diluted	6	<b>10.3p</b>	12.4p
32.1p	Adjusted earnings per share* – Basic	6	<b>10.3p</b>	12.5p
31.5p	– Diluted	6	<b>10.5p</b>	12.6p
12.4p	Dividend per share	5	<b>4.1p</b>	3.8p

The results stated above relate to the continuing activities of the Group.

\*Adjusted to exclude the capital allowance effects of FRS 19.

# Consolidated Balance Sheet

as at 30 September 2002

31 March 2002 Audited £m		Note	2002 Unaudited £m	2001 Unaudited £m
<b>Fixed assets</b>				
7,528.3	Investment properties	7	7,659.9	7,403.1
Investments in joint ventures:				
1,689.6	Share of gross assets	8	1,617.6	1,737.5
(962.4)	Share of gross liabilities	8	(899.3)	(915.7)
727.2			718.3	821.8
12.4	Other investments		11.8	73.2
8,267.9			8,390.0	8,298.1
<b>Current assets</b>				
47.0	Trading properties	7	46.7	53.3
45.6	Debtors	10	58.6	92.8
366.9	Cash and deposits		133.9	142.7
459.5	<b>Total current assets</b>		239.2	288.8
<b>Creditors due within one year</b>				
(323.0)	Convertible Bonds	9		
(446.5)	Other creditors	11	(602.1)	(669.2)
(769.5)			(602.1)	(669.2)
(310.0)	<b>Net current liabilities</b>		(362.9)	(380.4)
7,957.9	<b>Total assets less current liabilities</b>		8,027.1	7,917.7
(3,613.7)	<b>Creditors due after one year</b>	12	(3,631.5)	(3,377.6)
(146.7)	<b>Convertible Bonds</b>	9	(146.8)	(464.4)
(89.6)	<b>Provisions for liabilities and charges</b>	13	(91.2)	(83.1)
4,107.9			4,157.6	3,992.6
<b>Capital and reserves</b>				
129.6	Called up share capital		129.5	129.6
1,106.2	Share premium	17	1,107.7	1,105.9
0.3	Capital redemption reserve	17	0.4	0.3
(5.7)	Other reserves	17	(7.5)	(1.8)
2,165.0	Revaluation reserve	17	2,183.1	2,079.4
712.5	Profit and loss account	17	744.4	679.2
4,107.9	<b>Shareholders' funds</b>		4,157.6	3,992.6
<b>Adjusted Net Asset Value per share</b>				
833p	Basic	16	842p	813p
803p	Fully Diluted	16	822p	785p

(The adjusted NAV per share includes the external valuation surplus on development and trading properties but excludes the capital allowance effects of FRS 19.)

Approved by the Board on 26 November 2002

## Other Consolidated Primary Statements

for the six months ended 30 September 2002

Year ended 31 March 2002 Audited £m		2002 Unaudited £m	2001 Unaudited £m
<b>Statement of total recognised gains and losses</b>			
159.4	Profit on ordinary activities after taxation	52.5	63.3
	Unrealised surplus (deficit) on revaluation:		
58.9	investment properties	(9.7)	34.2
48.8	joint ventures	29.2	13.6
(0.1)	other investments	(0.1)	(4.0)
107.6		19.4	43.8
(0.5)	Exchange movements on net investments	0.2	0.1
(9.7)	Taxation on realisation of prior year revaluations		(10.0)
256.8	Total recognised gains and losses relating to the financial period	72.1	97.2

Year ended 31 March 2002 Audited £m		2002 Unaudited £m	2001 Unaudited £m
<b>Note of historical cost profits and losses</b>			
171.3	Profit on ordinary activities before taxation	65.3	80.0
33.6	Realisation of prior year revaluations	2.0	56.2
(9.7)	Taxation on realisation of prior year revaluations		(10.0)
195.2	Historical cost profit on ordinary activities before taxation	67.3	126.2
119.0	Historical cost profit for the period retained after taxation and dividends	33.2	89.8

Year ended 31 March 2002 Audited £m		2002 Unaudited £m	2001 Unaudited £m
<b>Reconciliation of movements in shareholders' funds</b>			
159.4	Profit on ordinary activities after taxation	52.5	63.3
(64.3)	Ordinary dividends	(21.3)	(19.7)
95.1	Retained profit for the period	31.2	43.6
107.6	Revaluation of investment properties and investments	19.4	43.8
(0.5)	Exchange movements on net investments	0.2	0.1
(9.7)	Taxation on realisation of prior year revaluations		(10.0)
192.5		50.8	77.5
0.9	Shares issued	1.5	0.6
	Purchase and cancellation of own shares	(2.6)	
193.4	Increase in shareholders' funds	49.7	78.1
3,914.5	Opening shareholders' funds	4,107.9	3,914.5
4,107.9	Closing shareholders' funds	4,157.6	3,992.6

# Consolidated Cash Flow Statement

for the six months ended 30 September 2002

Year ended 31 March 2002 Audited £m		Note	2002 Unaudited £m	2001 Unaudited £m
382.4	<b>Net cash inflow from operating activities</b>	14	<b>178.4</b>	230.4
25.2	<b>Dividends received from joint ventures</b>		<b>5.6</b>	
	<b>Returns on investments and servicing of finance</b>			
59.9	Interest received		<b>9.3</b>	2.8
(366.1)	Interest paid		<b>(164.0)</b>	(204.2)
5.1	Dividends received			4.8
(301.1)			<b>(154.7)</b>	(196.6)
(7.7)	<b>Taxation paid</b>		<b>(9.0)</b>	(2.8)
98.8	<b>Net cash inflow from operating activities and investments after finance charges and taxation</b>		<b>20.3</b>	31.0
	<b>Capital expenditure and financial investment</b>			
(426.1)	Development expenditure and purchase of investment properties		<b>(118.3)</b>	(297.4)
(8.5)	Purchase of investments		<b>(0.2)</b>	(4.4)
148.9	Sale of investment properties		<b>20.5</b>	128.7
158.4	Sale of investments			
(127.3)			<b>(98.0)</b>	(173.1)
	<b>Acquisitions and disposals</b>			
	Purchase of remaining 50% interest in subsidiary company	15	<b>(12.0)</b>	
	Cash at bank acquired with 50% interest in subsidiary company	15	<b>0.3</b>	
(176.0)	Investment in and loans to joint ventures		<b>(8.5)</b>	(159.1)
150.5	Sale of shares in and loans repaid by joint ventures		<b>52.6</b>	26.2
(25.5)			<b>32.4</b>	(132.9)
(60.6)	<b>Equity dividends paid</b>		<b>(44.6)</b>	(40.9)
(114.6)	<b>Net cash outflow before management of liquid resources and financing</b>		<b>(89.9)</b>	(315.9)
	<b>Management of liquid resources</b>			
(281.5)	Decrease (increase) in term deposits		<b>242.0</b>	(15.8)
	<b>Financing</b>			
0.9	Issue of ordinary shares		<b>1.2</b>	0.6
	Purchase and cancellation of own shares		<b>(1.5)</b>	
	Repurchase of 6½% Convertible Bonds 2007		<b>(322.7)</b>	
(300.0)	Repurchase of bonds			(300.0)
575.0	Issue of Sainsbury supermarkets securitised debt			575.0
825.0	Issue of Meadowhall Shopping Centre securitised debt			
(711.9)	Increase (decrease) in bank and other borrowings		<b>186.5</b>	92.2
389.0			<b>(136.5)</b>	367.8
(7.1)	<b>Increase (decrease) in cash</b>	14	<b>15.6</b>	36.1

**1 Basis of preparation**

The interim accounts are not statutory accounts but are prepared on the basis of the accounting policies set out in the Group's financial statements for the year ended 31 March 2002, consistently applied in all material respects.

The figures for the year ended 31 March 2002 have been extracted from the statutory accounts, which have been filed with the Registrar of Companies. The auditors' report on those accounts was unqualified and did not contain any statement under section 237 (2) or (3) of the Companies Act 1985.

**2 Disposal of fixed assets**

Year ended 31 March 2002 £m		2002 £m	2001 £m
39.5	British Land Group	0.9	12.3
(2.5)	Share of joint ventures (note 8)	2.2	(1.3)
37.0		3.1	11.0

The profit for the year ended 31 March 2002 included £25.6m arising on the disposal of shares held in Haslemere N.V.

**3 Net interest payable**

Year ended 31 March 2002 £m		2002 £m	2001 £m
<b>British Land Group</b>			
41.4	Payable on: bank loans and overdrafts	12.4	28.7
240.8	other loans	134.5	108.5
282.2		146.9	137.2
(5.9)	Deduct: development cost element	(2.5)	(2.0)
276.3		144.4	135.2
(8.4)	Receivable on: deposits and securities	(9.0)	(3.1)
(16.1)	loans to joint ventures	(5.1)	(7.9)
251.8	Total British Land Group	130.3	124.2
<b>Share of joint ventures</b>			
16.1	Interest payable on shareholder loans	5.1	7.9
50.0	Other interest payable (net)	29.4	25.3
66.1	Total share of joint ventures (note 8)	34.5	33.2
317.9	<b>Net interest payable</b>	<b>164.8</b>	157.4

On 16 May 2002 the Company gave notice to redeem the 6½% Convertible Bonds 2007. The Bonds were redeemed and cancelled on 24 June 2002.

#### 4 Taxation

Year ended 31 March 2002 £m			2002 £m	2001 £m
(6.1)	British Land Group:	Corporation tax	6.8	4.5
11.7		Deferred tax	1.7	9.3
5.4	Share of joint ventures (note 8):	Corporation tax	4.8	4.4
0.9		Deferred tax	(0.5)	(1.5)
11.9			12.8	16.7

#### Contingent tax

Unprovided further taxation which might become payable if the Group's investments and properties were sold at open market value is estimated at £505 million (31 March 2002: £510 million; 30 September 2001: £520 million). Tax losses, which have not been recognised in the Balance Sheet, have reduced the contingent tax by approximately £100 million. This unprovided taxation is stated after taking account of the FRS 19 capital allowance deferred tax provision of £84 million (31 March 2002: £83 million; 30 September 2001: £80 million).

#### 5 Interim dividend

The interim dividend of 4.1 pence will be paid on 21 February 2003 to shareholders on the register at the close of business on 24 January 2003.

The Company offers shareholders the option to participate in a Dividend Reinvestment Plan. This enables shareholders to reinvest their cash dividends automatically in the Company's shares. Details of the plan are available on the Investors section of the British Land website at [www.britishland.com](http://www.britishland.com) or by calling Lloyds TSB Registrars' DRIP helpline on 0870 2413018.

For plan participants the key dates for the interim dividend are:

31 January 2003	Last date for DRIP applications (new applicants only)
21 February 2003	Payment date/dividend reinvestment date
6 March 2003	New share certificates/CREST statements posted
7 March 2003	CREST member accounts credited

#### 6 Basic and diluted earnings per share

Basic and diluted earnings per share are calculated on the profit on ordinary activities after taxation and on the weighted average number of shares in issue during the period as shown below:

Year ended 31 March 2002			2002		2001	
Weighted average number of shares m	Profit after taxation £m		Weighted average number of shares m	Profit after taxation £m	Weighted average number of shares m	Profit after taxation £m
518.3	159.4	<b>Earnings per share</b>				
		Basic	518.7	52.5	518.3	63.3
596.4	180.4	Diluted	571.0	59.1	596.4	73.8
518.3	166.6	<b>Adjusted earnings per share</b>				
		Basic	518.7	53.3	518.3	64.9
596.4	187.6	Diluted	571.0	59.9	596.4	75.4

Adjusted earnings per share are calculated by excluding £0.8 million (31 March 2002: £7.2 million; 30 September 2001: £1.6 million), which is the capital allowance effect of FRS 19.

The diluted weighted average number of shares has changed as a result of the redemption in June 2002 of the 6½% Convertible Bonds 2007.

**7 Investment, development and trading properties**

	Freehold £m	Long Leasehold £m	Short Leasehold £m	Total £m
<b>Investment and development properties</b>				
Valuation and cost 1 April 2002	7,239.5	288.8		<b>7,528.3</b>
Additions	143.1	16.5		<b>159.6</b>
Disposals	(20.0)			<b>(20.0)</b>
Exchange fluctuations	1.7			<b>1.7</b>
Revaluations	(22.8)	13.1		<b>(9.7)</b>
Valuation and cost 30 September 2002	7,341.5	318.4		<b>7,659.9</b>
<b>Trading properties</b>				
At lower of cost and net realisable value				
30 September 2002	37.2	8.0	1.5	<b>46.7</b>
<b>External valuation surplus on development and trading properties</b>				<b>93.6</b>
<b>Total investment, development and trading properties</b>				<b>7,800.2</b>

Investment, development and trading properties were valued by external valuers on the basis of open market value in accordance with the Appraisal and Valuation Manual published by The Royal Institution of Chartered Surveyors.

	£m
On an open market basis – External valuations:	
United Kingdom: ATIS REAL Weatheralls	<b>7,743.7</b>
Republic of Ireland: Jones Lang LaSalle	<b>66.3</b>
Netherlands: CB Richard Ellis B.V.	<b>1.0</b>
	<b>7,811.0</b>
Adjustment for UITF 28 – lease incentive debtors	<b>(10.8)</b>
<b>Total investment, development and trading properties</b>	<b>7,800.2</b>

	£m
<b>Total external valuation surplus on development and trading properties</b>	
British Land Group	<b>93.6</b>
Share of joint ventures	<b>11.2</b>
	<b>104.8</b>

31 March 2002 £m		2002 £m	2001 £m
<b>Total property valuations including share of joint ventures</b>			
British Land Group:			
7,528.3	Investment and development properties	<b>7,659.9</b>	7,403.1
47.0	Trading properties	<b>46.7</b>	53.3
108.6	External valuation surplus on development and trading properties	<b>93.6</b>	127.7
7.7	Adjustment for UITF28 – lease incentive debtors	<b>10.8</b>	5.3
7,691.6		<b>7,811.0</b>	7,589.4
Share of joint ventures:			
1,601.3	Properties	<b>1,550.2</b>	1,648.4
5.5	External valuation surplus on development and trading properties	<b>11.2</b>	2.7
1.9	Adjustment for UITF28 – lease incentive debtors	<b>3.2</b>	0.4
1,608.7		<b>1,564.6</b>	1,651.5
9,300.3		<b>9,375.6</b>	9,240.9

## 8 Joint Ventures

### British Land's share of profits of joint ventures

Year ended 31 March 2002 £m		2002 £m	2001 £m
98.5	<b>Gross rental income</b>	<b>53.3</b>	46.9
90.3	Net rental income	<b>49.1</b>	43.4
(1.7)	Other expenditure	<b>(3.6)</b>	(0.6)
88.6	<b>Operating profit</b>	<b>45.5</b>	42.8
(2.5)	<b>Disposal of fixed assets</b>	<b>2.2</b>	(1.3)
86.1	Profit on ordinary activities before interest	<b>47.7</b>	41.5
(50.0)	Net interest payable to third parties	<b>(29.4)</b>	(25.3)
(16.1)	Interest payable to British Land	<b>(5.1)</b>	(7.9)
(66.1)	<b>Net interest payable</b> (note 3)	<b>(34.5)</b>	(33.2)
20.0	Profit on ordinary activities before taxation	<b>13.2</b>	8.3
(6.3)	<b>Taxation</b>	<b>(4.3)</b>	(2.9)
13.7	<b>Profit on ordinary activities after taxation</b>	<b>8.9</b>	5.4

The amounts relating to captions shown in bold are recognised at the relevant point in the consolidated profit and loss account.

### The movement for the period:

	Equity £m	Loans £m	Total £m
At 1 April 2002	433.3	293.9	<b>727.2</b>
Additions	3.8	10.9	<b>14.7</b>
Repayment of loans		(55.1)	<b>(55.1)</b>
Share of profit attributable to joint ventures (net of dividend)	3.3		<b>3.3</b>
Disposals	(1.0)		<b>(1.0)</b>
Revaluations	29.2		<b>29.2</b>
<b>At 30 September 2002</b>	<b>468.6</b>	<b>249.7</b>	<b>718.3</b>

### Summary of British Land's share in joint ventures

Joint Venture	Partner	Operating profits £m	Gross assets £m	Gross liabilities £m	Net investment £m
The Public House Company Limited	Scottish & Newcastle plc	2.6	88.8	(49.6)	39.2
BL Universal PLC	GUS plc	12.4	396.1	(193.3)	202.8
BL Fraser Limited	House of Fraser PLC	3.5	112.6	(74.4)	38.2
BLT Properties Limited	Tesco plc	4.0	126.4	(69.2)	57.2
Tesco BL Holdings Limited	Tesco plc	5.6	179.4	(111.3)	68.1
BL West	WestLB, WestImmo and Provinzial	5.7	184.0	(138.9)	45.1
London & Henley Holdings Limited	Security Capital European Realty	1.5	90.0	(51.4)	38.6
BL Davidson Limited	Manny Davidson, his family and family trusts	7.0	249.0	(167.1)	81.9
BL Rank Properties Limited	The Rank Group Plc	2.7		(1.2)	(1.2)
Cherrywood Properties Limited (Republic of Ireland)	Dunloe Ewart Plc	(1.7)	43.0	(3.1)	39.9
Other joint ventures		2.2	148.3	(39.8)	108.5
<b>Total</b>		<b>45.5</b>	<b>1,617.6</b>	<b>(899.3)</b>	<b>718.3</b>

The Group's share of joint venture external net debt is £740.9 million (31 March 2002: £791.6 million). The amount guaranteed by British Land is £28.0 million (31 March 2002: £33.0 million). The Group's share of the market value of the debt and derivatives as at 30 September 2002 was £46.5 million more than the Group's share of the book value (31 March 2002: £16.8 million). The Group's share of joint venture properties as at 30 September 2002 was £1,550.2 million (31 March 2002: £1,601.3 million).

**9 Net debt**

31 March 2002 £m		2002 £m	2001 £m
<b>Secured on the assets of the Group</b>			
97.7	† 6.5055% Secured Notes 2038	97.7	97.7
59.2	† 5.920% Secured Notes 2035	59.2	
246.6	8 <sup>7</sup> / <sub>8</sub> % First Mortgage Debenture Bonds 2035	246.6	246.6
197.2	9 <sup>3</sup> / <sub>8</sub> % First Mortgage Debenture Stock 2028	197.2	197.1
19.6	† 7.743% Secured Notes 2025	19.6	19.6
12.6	10 <sup>1</sup> / <sub>2</sub> % First Mortgage Debenture Stock 2019/24	12.6	12.6
20.4	11 <sup>3</sup> / <sub>8</sub> % First Mortgage Debenture Stock 2019/24	20.4	20.4
1.9	† 5.66% 135 Bishopsgate Securitisation 2018	1.9	1.9
7.1	† 8.49% 135 Bishopsgate Securitisation 2018	7.1	7.1
662.3		662.3	603.0
<b>Unsecured</b>			
542.8	† Class A1 5.260% Unsecured Notes 2035	542.8	
88.9	† Class B 5.793% Unsecured Notes 2035	88.8	
74.0	† Class C Fixed Rate Unsecured Notes 2035	74.0	
73.3	† Class C2 6.4515% Unsecured Notes 2032	73.3	73.2
219.8	† Class B 6.0875% Unsecured Notes 2031	219.9	219.7
146.5	† Class A3 5.7125% Unsecured Notes 2031	146.6	146.5
291.9	† Class A2 5.67% Unsecured Notes 2029	289.9	293.8
157.0	† Class A2(C) 6.457% Unsecured Notes 2025	156.9	156.8
205.5	† Class B2 6.998% Unsecured Notes 2025	205.5	205.5
20.6	† Class B3 7.243% Unsecured Notes 2025	20.5	20.5
317.5	† Class A1 Fixed Rate Unsecured Notes 2024	318.4	317.4
24.3	† 5.66% 135 Bishopsgate Securitisation 2018	23.8	24.9
94.5	† 8.49% 135 Bishopsgate Securitisation 2018	93.1	96.5
63.3	† Class A1 6.389% Unsecured Notes 2016	62.1	64.1
97.0	† Class B1 7.017% Unsecured Notes 2016	94.3	98.3
171.0	† Class C1 6.7446% Unsecured Notes 2014	168.6	170.9
98.2	† Class D Fixed/Floating Rate Unsecured Notes 2014	88.4	112.8
49.3	† Class A2 5.555% Unsecured Notes 2013	49.4	
1.7	10 <sup>1</sup> / <sub>4</sub> % Bonds 2012	1.7	1.7
97.8	* 7.35% Senior US Dollar Notes 2007	97.8	97.8
240.4	Bank loans and overdrafts	476.1	1,011.4
3,075.3		3,291.9	3,111.8
<b>Convertible Bonds</b>			
146.7	6% Subordinated Irredeemable Convertible Bonds	146.8	146.7
323.0	** 6 <sup>1</sup> / <sub>2</sub> % Convertible Bonds 2007		317.7
469.7		146.8	464.4
4,207.3	Gross debt	4,101.0	4,179.2
(366.9)	<b>Cash and deposits</b>	(133.9)	(142.7)
3,840.4	<b>Net debt</b>	3,967.1	4,036.5

† These borrowings are obligations of ringfenced, default remote, special purpose companies, with no recourse to other companies or assets in the Group.

\* These borrowings have been hedged into Sterling since the date of issue.

\*\* These bonds were redeemed and cancelled on 24 June 2002.

**9 Net debt (continued)****Maturity analysis of net debt**

31 March 2002 £m		2002 £m	2001 £m
	Repayable:		
446.9	within one year and on demand	322.7	337.2
151.1	between: one and two years	150.1	506.0
324.9	two and five years	359.5	395.2
365.0	five and ten years	392.6	710.4
418.3	ten and fifteen years	427.1	317.7
459.9	fifteen and twenty years	462.7	324.5
630.7	twenty and twenty five years	607.5	481.3
845.8	twenty five and thirty years	855.9	569.9
418.0	thirty and thirty five years	376.1	390.3
146.7	Irredeemable	146.8	146.7
4,207.3	Gross debt	4,101.0	4,179.2
(366.9)	Cash and deposits	(133.9)	(142.7)
3,840.4	<b>Net debt</b>	<b>3,967.1</b>	4,036.5

**Maturity of committed undrawn borrowing facilities**

31 March 2002 £m		2002 £m	2001 £m
	Expiring:		
437.1	within one year	341.8	206.8
161.8	between: one and two years	54.0	105.0
402.5	two and three years	380.0	29.0
425.0	three and four years	330.0	345.0
215.0	four and five years	210.0	315.0
37.7	over five years	32.4	40.5
1,679.1	<b>Total</b>	<b>1,348.2</b>	1,041.3

**Interest rate profile – including effect of derivatives**

31 March 2002 £m		2002 £m	2001 £m
3,541.2	Fixed rate	3,494.5	3,444.2
100.0	Capped rate	100.0	200.0
199.2	Variable rate (net of cash)	372.6	392.3
3,840.4	<b>Net debt</b>	<b>3,967.1</b>	4,036.5

**9 Net debt (continued)****Comparison of market values and book values at 30 September 2002**

	Market Value £m	Book Value £m	Difference £m
Fixed rate debt:			
Securitisations	3,182.7	2,901.8	280.9
Debentures and unsecured bonds	778.0	576.3	201.7
Convertible Bonds	159.8	146.8	13.0
Bank debt	476.1	476.1	
Cash and deposits	(133.9)	(133.9)	
	<b>4,462.7</b>	<b>3,967.1</b>	<b>495.6</b>
Derivatives:			
unrecognised gains	(17.4)		(17.4)
unrecognised losses	33.4		33.4
	16.0		16.0
<b>Total</b>	<b>4,478.7</b>	<b>3,967.1</b>	<b>511.6</b>

The market value and difference are shown before any tax relief.

**10 Debtors**

31 March 2002 £m		2002 £m	2001 £m
25.5	Trade debtors	<b>35.3</b>	52.8
8.6	Amounts owed by joint ventures	<b>6.7</b>	27.6
11.5	Prepayments and accrued income	<b>16.6</b>	12.4
45.6		<b>58.6</b>	92.8

**11 Creditors due within one year**

31 March 2002 £m		2002 £m	2001 £m
45.4	Debentures and loans*	<b>52.6</b>	42.1
4.3	Overdrafts*		2.6
74.2	Bank loans*	<b>270.1</b>	292.5
45.7	Trade creditors	<b>50.7</b>	65.9
33.4	Corporation tax	<b>28.4</b>	49.2
12.0	Other taxation and social security	<b>12.7</b>	12.8
186.9	Accruals and deferred income	<b>166.3</b>	184.4
44.6	Proposed dividend	<b>21.3</b>	19.7
446.5		<b>602.1</b>	669.2

\*See maturity analysis of net debt (note 9).

**12 Creditors due after one year**

31 March 2002 £m		2002 £m	2001 £m
3,451.8	Debentures and loans*	<b>3,425.5</b>	2,661.3
161.9	Bank loans*	<b>206.0</b>	716.3
3,613.7		<b>3,631.5</b>	3,377.6

\*See maturity analysis of net debt (note 9).

**13 Provisions for liabilities and charges**

31 March 2002 £m		2002 £m	2001 £m
89.6	Deferred tax	91.2	83.1

The deferred tax liability relates primarily to capital allowances claimed on plant and machinery within investment properties. When a property is sold and the agreed disposal value for this plant and machinery is less than original cost, there is a release of the surplus part of the provision. The entire amount of the capital allowance provision would be expected to be released on sale.

**14 Notes to the cash flow statement****Reconciliation of operating profit to net cash inflow from operating activities**

Year ended 31 March 2002 £m		2002 £m	2001 £m
363.6	Operating profit	181.5	183.6
(5.1)	Dividends received		(4.8)
1.3	Depreciation	0.7	0.9
6.3	Decrease in trading properties	0.3	
4.9	(Increase) decrease in debtors	(15.3)	37.4
11.4	Increase in creditors	11.2	13.3
382.4	<b>Net cash inflow from operating activities</b>	<b>178.4</b>	230.4

**Analysis of Group net debt**

	1 April 2002 £m	Acquisitions £m	Cash flow £m	Non cash movements £m	30 September 2002 £m	30 September 2001 £m
Cash at bank	(20.4)		(11.3)		(31.7)	(61.9)
Overdraft	4.3		(4.3)			2.6
Net cash per cash flow statement	(16.1)		(15.6)		(31.7)	(59.3)
Term debt	3,733.3	27.3	186.5	7.1	3,954.2	3,712.2
Convertible Bonds	469.7		(322.7)	(0.2)	146.8	464.4
Term deposits	(346.5)		242.0	2.3	(102.2)	(80.8)
<b>Group net debt</b>	<b>3,840.4</b>	<b>27.3</b>	<b>90.2</b>	<b>9.2</b>	<b>3,967.1</b>	<b>4,036.5</b>

**Reconciliation of net cash flow to movement in Group net debt**

Year ended 31 March 2002 £m		2002 £m	2001 £m
3,716.8	Brought forward	3,840.4	3,716.8
	Movement in net debt in the period:		
7.1	(Increase) decrease in cash	(15.6)	(36.1)
388.1	Cash inflow from movement in debt	186.5	367.2
	Cash outflow to repurchase Convertible Bonds	(322.7)	
(281.5)	Cash outflow (inflow) in term deposits	242.0	(15.8)
113.7	Changes resulting from cash flows	90.2	315.3
9.9	Other non cash movements	36.5	4.4
123.6		126.7	319.7
3,840.4	<b>Carried forward</b>	<b>3,967.1</b>	<b>4,036.5</b>

**15 Acquisition of Broadgate Phase 12 Ltd**

On 19 July 2002 the Group acquired the remaining 50% interest in Broadgate Phase 12 Ltd, owner of 201 Bishopsgate, London EC2. The net assets acquired and the fair value to the Group are as follows:

	Total book value £m	Book value acquired £m	Fair value adjustment £m	Fair value to Group £m
201 Bishopsgate, London EC2	55.2	27.6	12.9	40.5
Cash	0.6	0.3		0.3
Creditors	(1.0)	(0.5)		(0.5)
Loans	(54.6)	(27.3)		(27.3)
	0.2	0.1	12.9	13.0
Retention				(1.0)
Cash paid				12.0
Purchase of shares				13.0
Repayment of loans				27.3
<b>Total cash payable</b>				<b>40.3</b>

The fair value adjustment arises because, as a development property, 201 Bishopsgate was carried in the accounts of Broadgate Phase 12 Ltd at historical cost.

**16 Net Asset Value per share**

	Shares m	Adjusted Net Assets £m	Net Assets £m
<b>Net Asset Value (undiluted)</b>			
Shareholders' funds as shown on balance sheet	518.3	4,157.6	4,157.6
FRS 19 capital allowance effects:			
British Land Group		87.9	
Share of joint ventures		11.7	
		99.6	
Total external valuation surplus on development and trading properties (note 7)		104.8	104.8
Net assets attributable to ordinary shares		4,362.0	4,262.4
<b>At 30 September 2002</b>		<b>842p</b>	<b>822p</b>
At 30 September 2001		813p	795p
At 31 March 2002		833p	814p
<b>Fully diluted Net Asset Value</b>			
Net assets attributable to ordinary shares	518.3	4,362.0	4,262.4
Adjust to fully diluted on conversion of:			
6% Irredeemable Convertible Bonds	30.0	146.8	146.8
Net assets attributable to fully diluted ordinary shares	548.3	4,508.8	4,409.2
<b>At 30 September 2002</b>		<b>822p</b>	<b>804p</b>
At 30 September 2001		785p	769p
At 31 March 2002		803p	787p

The adjusted NAV includes the surplus before tax of the external valuation over the book value of both development and trading properties and after adding back the FRS 19 deferred tax capital allowance provision (as described in note 13) which is not expected to arise.

**17 Reserves**

	Share premium £m	Capital redemption reserve £m	Other reserves £m	Revaluation reserve £m	Profit and loss account £m	Total £m
At 1 April 2002	1,106.2	0.3	(5.7)	2,165.0	712.5	3,978.3
Issues	1.5					1.5
Purchase and cancellation of own shares		0.1			(2.6)	(2.5)
Retained profit for the period					31.2	31.2
Realisation of prior year revaluations				(2.0)	2.0	
Current period revaluation				19.4		19.4
Exchange movements on net investments			(1.8)	0.7	1.3	0.2
<b>At 30 September 2002</b>	<b>1,107.7</b>	<b>0.4</b>	<b>(7.5)</b>	<b>2,183.1</b>	<b>744.4</b>	<b>4,028.1</b>

**18 Contingent liabilities**

Contingent liabilities of the Parent for guarantees to third parties amounted to £28.0 million (31 March 2002: £33.0 million; 30 September 2001: £33.0 million).

# Independent Review Report to The British Land Company PLC

## Introduction

We have been instructed by the Company to review the financial information for the six months ended 30 September 2002 which comprises the Consolidated Profit and Loss Account, Consolidated Balance Sheet, Consolidated Cash Flow Statement, Consolidated Statement of Total Recognised Gains and Losses, the note of historical cost profits and losses, the reconciliation of movement in shareholders' funds and related notes 1 to 18. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

## Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim report in accordance with the Listing Rules of the Financial Services Authority which require that the accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing the preceding annual accounts except where any changes, and the reasons for them, are disclosed.

## Review work performed

We conducted our review in accordance with guidance contained in Bulletin 1999/4 issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of group management and applying analytical procedures to the financial information and underlying financial data and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with United Kingdom Auditing Standards and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the financial information.

## Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 September 2002.



## Deloitte & Touche

Chartered Accountants  
London  
26 November 2002

#### Directors of The British Land Company PLC

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• **John Ritblat** F.R.I.C.S.  
Chairman and Managing Director

• \* † **Derek A. Higgs** B.A., F.C.A.  
Deputy Chairman, non-executive

**Cyril Metliss** F.C.A.

• **John H. Weston Smith** M.A., F.C.I.S.

**Nicholas Ritblat** M.A.

• \* † **Michael Cassidy** B.A., M.B.A.  
Non-executive

**Robert E. Bowden** B.Sc., F.R.I.C.S.

• \* † **Robert Swannell** F.C.A.  
Non-executive

• \* † **The Lord Burns G.C.B.** B.A., (Econ.)  
Non-executive

**Graham Roberts** B.A., F.C.A.  
Finance Director

- Member of the Nomination Committee
- \* Member of the Remuneration Committee
- † Member of the Audit Committee

Secretary  
**Anthony Braine** LL.B., F.C.I.S.

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#### Front cover

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British Land is proud to be Sole Sponsor of the Thomas Gainsborough exhibition at Tate Britain, London between 24 October 2002 and 19 January 2003. It will subsequently travel to Washington D.C. and Boston, Massachusetts, USA. Gainsborough was one of the greatest painters of the eighteenth century, a brilliant original who combined perceptive social commentary with unalloyed visual delight.

Gainsborough rarely painted himself as a professional artist – he was too busy portraying others, and generally in a flattering light. But in this self-portrait of 1787, barely a year before his death, we see something of the private man. The face is mobile, alert, quizzical. He described himself as “the most inconsistent, changeable being, so full of fits and starts.” Contemporaries spoke of his humorous disposition and agile mind, “fluttering around subjects which he just touched, and away to another.”

#### Back cover

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Much of Gainsborough's best work was painted with exhibition in mind – and with it, the opportunity for further commissions. As he matured as an artist his portraits showed an increasingly naturalistic approach but few of his sitters looked quite so nonchalant as Edward, Second Viscount Ligonier. It was one of a pair of paintings, to be hung beside a ravishing portrait of the Viscountess, towards whom the Viscount directs his gaze. The painting was exhibited at the Royal Academy in 1771. “The horse attracts the eye as much as the gentleman does” a critic carped, “it is to be feared that such people as affect to be witty will say the horse is as good a man as his master.”

