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Front cover

Bright lights, big city – buoyancy in the retail property market is always an indicator of sound economic health, and Meadowhall's performance continues to impress. It has the unbeatable combination of a proven retail mix and a huge catchment area. With immediate access to the M1, it attracts close to 25 million customer visits each year.

Situated in the heart of the huge South Yorkshire conurbation, Meadowhall is a shining example of astute investment strategy. Acquired by British Land in November 1999, this vast shopping complex is a star performer both in terms of our property portfolio and for the major retailers who are our tenants there. For a quarter of them it is their most profitable outlet in the country; 80% list it in their top ten.

Corporate Strategy

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

- focusing primarily on leading, quality assets in the office, retail and development areas, which provide exceptional long-term investments,
- creating a high quality, modern portfolio with growth potential, coupled with covenant quality and a long lease profile,
- recycling capital and enhancing returns through acquiring assets which offer the scope to add value through active management,
- maximising equity returns through innovative financing and joint ventures.

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

Highlights

Net Asset Value per share fully diluted increased **1.4%** to **785 pence**, excluding FRS 19* (31 March 2001 – 774 pence).

Portfolio Valuation up **0.3%**, (on a like for like basis) to **£9.24 billion**.

Net Rents up **6.5%**, to **£230.9 million**, including share of joint ventures (2000 – £216.8 million).

Profits before tax of **£80.0 million** (2000 – £84.5 million which included the £15.3 million one-off Liberty receipt). Profits after tax were £63.3 million (2000 – £60.3 million).

Earnings per share are **12.2 pence** (2000 – 11.6 pence).

Interim Dividend up **5.6%** to **3.8 pence** per share.

Continued Portfolio Management with profitable sales of £276.6 million, targeted purchases of £555.7 million and development expenditure of £82.9 million.

Major Pre-let of **375,000 sq ft** at **£54 psf** in respect of office space to Accenture at Plantation Place.

* NAV adjusted to exclude the effects of additional deferred tax arising from the adoption of FRS 19 and UITF 28. All figures include British Land's share of joint ventures unless stated as Group.

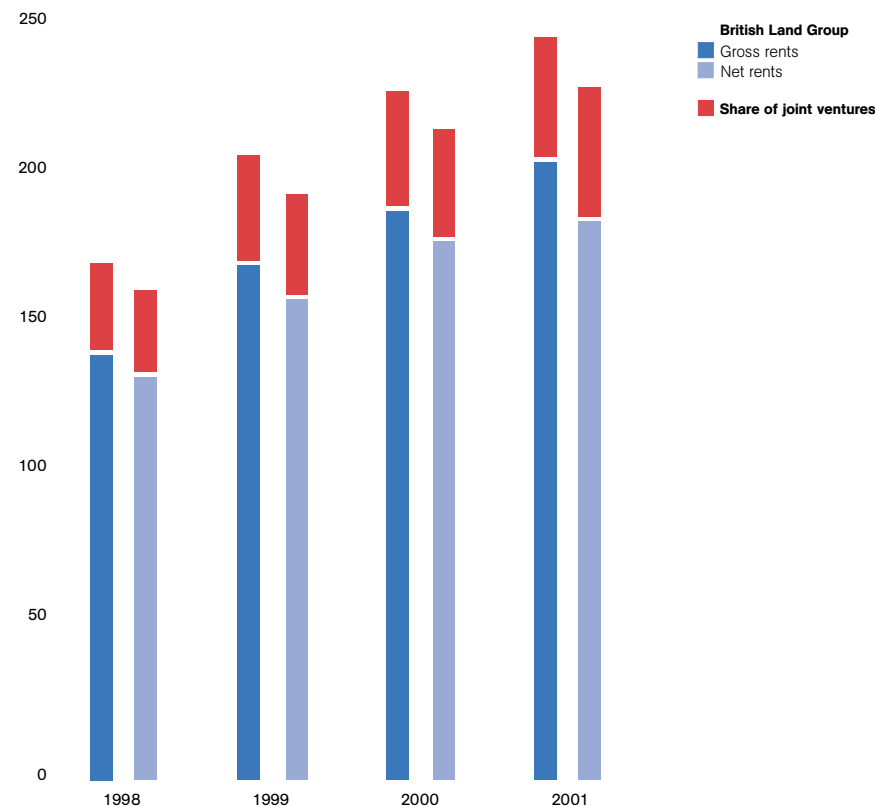
Commenting on the outlook, John Ritblat, Chairman said:

“In spite of short-term concerns, prospects for the areas of the market where we are primarily invested are encouraging. There is a premium for prime space in the City, and British Land is well placed for the market pick-up expected next year.

Consumers have been busy buying, with retail volumes up 5.7% between October 2000 to 2001, and for household goods (largely in out-of-town retail) up 10.4% for the same period. This must feed through over time to rents and values in our retail portfolio.”

Rental Income (£m)

For the six months ended 30 September



British Land – Group only:

Gross Rents rose by **5.1%** to **£200.7 million** (2000 – £190.9 million)

Net Rents up **3.8%** to **£187.5 million** (2000 – £180.7 million)

British Land – including share of Joint Ventures:

Gross Rents rose by **7.9%** to **£247.6 million** (2000 – £229.5 million)

Net Rents up **6.5%** to **£230.9 million** (2000 – £216.8 million)

Total return for the six months **1.9%** (2000 – 5.7%)

Chairman's Statement

Over the last 6 months the Board's commitment to our long-term strategic goals has resulted in a number of significant achievements in British Land's business, irrespective of uncertainties in the current economic climate.

- On the development front, within 6 months of a revised planning consent earlier this year we secured the largest ever letting in the Company's history, a pre-let of 375,000 sq ft to Accenture at Plantation Place. It is significant that the deal was signed after the tragic events in the U.S.A. We have started immediately on a 507,000 sq ft first phase to accommodate this letting, and Accenture has an option to call for the remainder of the space on agreed and indexed terms. Accenture also has first refusal on the second phase, which is currently the subject of a further improved planning application.
- The principal acquisitions have been 22 Homebase stores and, through our new joint venture BL Davidson, the property company Asda Property Holdings, with a portfolio of some £480 million which complements and thus extends our holdings in quality offices and out-of-town retail warehousing. We have also bought in the half we did not own of the Peacocks Centre in Woking. Total purchases amount to £555.7 million and development expenditure to £82.9 million.
- The programme of refining the portfolio continues. Sales total £276.6 million in the half-year, including British Land's share of joint ventures.

- Even after these sales, gross rental income, including our share of joint ventures, is up to £247.6 million.
- Profits before tax are £80 million.
- Net assets per share are up 1.4% to 813p from 802p (undiluted). Balance sheet asset values are underpinned by an independent Discounted Cash Flow valuation which shows an enhanced position on an ongoing basis as compared with the traditional realisation basis.

Financial Reporting Standard 19 now requires us to deduct deferred tax from Net Asset Value, and British Land's deferred tax arises from the perceived possibility that on a sale there might be clawback of capital allowances, even though tax law permits us to 'elect' to retain the benefit – and thus prevent clawback. With this deduction – which has no effect on cash flow, tax liabilities or on the value of properties and which will never take effect because of the election procedure – the half-year NAV per share was up 1.4% from 784p to 795p. It must be questioned whether shareholders – or indeed anyone else – is better informed as a result of this accountancy change.

- The Interim dividend is 3.8p, up 5.6% from last year's 3.6p.

Valuation

The half-year valuation shows an upward change from the last year-end, being positive overall with an uplift of 0.3%.

We have recently assessed the effectiveness of the valuation processes carried out by our independent professional valuers, and they have emerged well from this review. We tested their performance by comparing their Estimated Rental Values with actual rent reviews achieved in respect of over 100 reviews conducted in the half-year. The outcome was that on average we did better than their ERVs, but only by 1.3%, proving their accuracy. There were wider variants on some properties as one would expect in a market.

Critics of the valuation process rarely acknowledge the range of variables and judgements that have to be made in respect of any given valuation. Elements include the condition and age of the property; the unexpired lease term and if this is short what might happen at the expiration; the location and comparables, both on rents and capital values. Other issues are the covenant strength of the tenant – is it getting stronger or weaker – and of course construction materials – especially so if the building contains deleterious matter.

The price achieved on a sale may differ from the valuation, for instance if the purchaser owns the adjoining site, or if a planning consent has been secured after valuation but pre-sale, having been too speculative to embrace at the valuation date. Pre-letting of a development also lifts value.

Our valuation surveyors are not told in advance which of our properties we will be selling in the future and therefore testing capital values. Over the past 5 plus years we have sold over £2.1 billion of property in excess of valuation.

In addition over half of the portfolio has been submitted to 'second opinions' as our securitisations have involved other outside valuers. There have been negligible differences between these extra valuations and our regular semi-annual reports.

Taking an entirely different approach, we have also conducted an innovative Discounted Cash Flow valuation which provides a check on the conventional process, as shown elsewhere in this Report. This allows investors to compare property income flow more readily with other investment options.

Financing

During the half-year we completed the securitisation of 35 Sainsbury superstores, raising £575 million against a value of £677 million, a loan-to-value ratio of 85%, at an average rate of 6.8% and an average term of 17 years.

Currently we are engaged in raising £875 million in securitised debt on the Meadowhall Shopping Centre, of which £825 million is to be received immediately, at a rate of 5.51% and an average term of 21 years. This reduces our overall average cost of money to 6.62%, and lifts our overall average debt maturity to 20.7 years.

It also increases available cash and bank facilities to £2 billion.

Securitisation provides the Company with long-term fixed rate debt at low interest rates, giving stability to the balance sheet and reducing risk. We employ the proceeds to reduce bank indebtedness, freeing up revolving bank lines so that we have ample liquidity for deals, developments and our business.

Board Changes

We are pleased that Graham Roberts, FCA, has accepted an invitation to join the British Land board as an executive director in January 2002. He brings a varied and wide professional experience, specialising in property interests, which will be an added strength to our management team. He will succeed John Weston Smith as Finance Director on 31 March 2002, the end of our financial year.

I am equally glad that John Weston Smith will remain an executive director on the main board. As Chief Operating Officer he is also retaining his existing appointment as Managing Director of The British Land Corporation, the principal management and operating company for the Group.

Prospects

The strength of the portfolio ensures that there is no pessimism here.

We have a structure and a strategy designed to cope comfortably with downs as well as ups, and substantial cash and facilities as a cushion against any fluctuations. As the Company is unlikely to be a forced seller, we are able to plan ahead with equanimity to meet the demands of the market and the expansion of the economy through the cycle.

British Land has well located, diversified, predominantly freehold, modern buildings let to strong tenants on long leases, the average length being 18.5 years.

The rising cash flow from reversions and developments is enhanced by gearing and by active management to squeeze the best there is of growth when interest rates and inflation are low.

Whether or not this is a permanent or temporary economic state, we anticipate that property yields must themselves be influenced by the downward trend in interest rates, giving the prospect of further upward capital movements.

I continue to believe more than ever that there are few better investments than well-based Real Estate to match long-term obligations and aspirations.

John Ritblat Chairman
28 November 2001

FTSE4Good Index Series

British Land is a constituent of the FTSE4Good Index Series – the FTSE index for socially responsible investors that measures corporate social responsibility. The selection criteria cover working towards environmental sustainability; developing positive relationships with stakeholders; and upholding and supporting universal human rights. British Land has met all aspects of the selection criteria.

Financial Review

Results

Group net rental income is up 3.8% to £187.5 million (2000 – £180.7 million). £9.7 million of increased rents were achieved from rent reviews and new lettings. Acquisitions contributed £7.6 million, while property disposals effected a reduction of £11.3 million in rental income.

The rise in British Land's share of joint venture operating profits to £42.8 million (2000 – £35.1 million) was mainly due to £7.4 million from the new joint ventures BL West and London & Henley Holdings. The profit on investment property disposals of £11 million (2000 – £12 million) principally arose in respect of properties disposed of in prior periods.

Profit before tax is £80 million compared to £84.5 million; profit before tax for the six months to September 2000 was boosted by the £15.3 million one-off Liberty receipt. Before this receipt and profits on disposal of properties, underlying profits increased by £7.4 million (13.4%).

Net interest payable has increased by only 1.7% to £157.4 million despite an increase in net debt of some 13%. Principally, this reflects the benefits of the repurchase of unsecured bonds in April 2001 which have been replaced with less expensive borrowings. Interest cover has been maintained at 1.5 times.

The tax charge for the period is £16.7 million, an effective rate of 20.9% (2000 – £24.2 million, 28.6%). The effect of adoption of FRS 19 'Deferred Tax' was

to increase the tax charge for the current period by £3.1 million and the prior period by £6.8 million.

The growth in after-tax profits increased earnings per share by 5.2% from 11.6 pence to 12.2 pence, and an interim dividend of 3.8 pence per share (up 5.6%) is proposed.

Balance Sheet

Net asset value rose by £59.1 million to £4,123 million in the six months to 30 September 2001. On a per share basis this is an increase of 1.4% to 795 pence. Excluding the effect of the £94.8 million FRS 19 deferred tax provision, net assets per share are 1.4% higher at 813 pence. On a fully diluted basis the rise is to 769 pence and 785 pence respectively.

The increase in net assets arises principally from retained profits and valuation surpluses, partially offset by taxation on the sale of 73% of St Stephens Green Shopping Centre, Dublin. The main movements in the Balance Sheet are from property purchases, the establishment of the BL Davidson joint venture and the deferred taxation provision.

The debt / equity gearing ratio is 98% whilst the debt / property and investments mortgage ratio is 48%.

Accounting Policy Changes

The Group has adopted FRS 19 'Deferred Tax' and Urgent Issues Task Force (UITF) Abstract 28 'Operating Lease Incentives' although the latter is immaterial for the Group.

FRS 19 requires that deferred tax should now be provided in full on all timing differences that are not permanent. FRS 19 has no effect on actual tax payments. In compliance with FRS 19 full provision has now been made for the potential tax liability arising from the benefit of capital allowances, although no such clawback is expected.

Treasury

In June the Group securitised the rental income on 35 Sainsburys supermarkets, raising £575 million against a value of £677 million, a loan to value ratio of 85%, with a weighted average interest rate of 6.8% and weighted average maturity of 17 years. The proceeds were used to repay bank borrowings. The Group has recently announced the securitisation of the rental income at Meadowhall Shopping Centre which will raise £825 million with a further tranche of £50 million to be marketed in 2002. The weighted average interest rate of this funding is 5.51% and the average life is 21 years.

At 30 September 2001, net debt is £4,036.5 million (31 March 2001 – £3,716.8 million) with a weighted average cost of 6.63%, of which 90% is at fixed or capped rates of interest and has a weighted average debt maturity of 16.9 years. Cash and available committed bank facilities were £1,184 million (31 March 2001 – £1,323 million).

Incorporating the Meadowhall securitisation will extend the weighted average maturity of the debt by 3.8 years to 20.7 years while the weighted average interest rate will be 6.62%. The average term of the debt compares favourably with the weighted average lease length of 18.5 years. Cash and available bank facilities will rise to £2 billion.

John Weston Smith Finance Director
28 November 2001

Property Review

Portfolio Valuation

	£m	Total %	Change %*
Offices			
City	3,432.4	37.2	+0.3
West End	500.6	5.4	+1.4
Other	187.3	2.0	-1.7
All Offices	4,120.3	44.6	+0.4
Retail			
Shopping centres	1,751.7	19.0	-0.4
Shops	412.9	4.4	-0.3
Retail warehouses	866.6	9.4	+0.9
Supermarkets	1,007.2	10.9	-0.1
All Retail	4,038.4	43.7	+0.0
Industrial and Distribution	100.5	1.1	-0.1
Leisure and Other	209.2	2.3	-1.2
Residential	130.4	1.4	+3.4
Development	642.1	6.9	+1.7
Total valuation	9,240.9	100	+0.3

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

In their Valuation Certificate for the portfolio at 30 September 2001, ATIS Real Weatheralls said:

“The property investment market has seen less activity than in the period to March, particularly since the September 11 atrocity. Values have generally stabilised. We believe the case for fresh investment in property is now justified particularly with finance rates at their current level, forecast to fall further, and the low returns available elsewhere. The British Land portfolio is characterised by long leases offering secure income streams which should benefit from these circumstances and become increasingly valuable with the tendency elsewhere to move towards shorter lease terms.”

Portfolio Analysis

Value by location	£m	Total %
London		
City	3,707.6	40.1
West End	690.6	7.5
Greater London	388.5	4.2
Total London	4,786.7	51.8
South East England	971.8	10.6
Wales and South West England	423.4	4.6
Midlands and East Anglia	668.3	7.2
North of England	1,963.4	21.2
Scotland and Northern Ireland	324.0	3.5
Republic of Ireland	103.3	1.1
	9,240.9	100

Reversionary potential	Current Net Yield %	Reversionary Net Yield %
City offices	5.3	6.8
West End offices	5.9	9.0
Shopping centres	5.8	7.1
Supermarkets and Retail warehouses	6.7	7.2
Other	7.3	8.0
Overall portfolio (excluding developments)	6.0	7.2

Reversionary income £105 million.

Portfolio Statistics	30 September 2001	31 March 2001
Annualised net rents	£517.4m	£492.9m
of which, share of joint ventures	£102.2m	£97.0m
Weighted average lease length	18.5 years	19 years
Current net yield	6.0%	5.9%
Reversionary net yield	7.2%	7.3%

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

Property Review

Valuation

The valuation of all properties in the British Land portfolio and situated in the United Kingdom (but excluding Tesco British Land Property Partnership and Tesco BL Holdings) was undertaken by Chartered Surveyors, ATIS Real Weatheralls (formerly known as Weatherall Green & Smith). An extract from their Certificate appears on page 9.

The portfolio, including development properties and British Land's share of joint ventures, was valued at 30 September 2001 at £9.24 billion. On a like for like basis, the portfolio showed an increase of 0.3% for the first six months of the financial year.

The small overall uplift is generally derived from the various sectors of the portfolio as follows:-

- i Office investments overall increased in value by 0.4%: City and West End investments increased by 0.3% and 1.4% respectively, while such investments in other areas (being a small part of the portfolio) decreased in value by 1.7%.
- ii The retail warehouse investments increased by 0.9% with shopping centres, supermarkets and high street shops falling between 0.1% and 0.4%. This resulted in no overall change in value for the retail portfolio over the six month period under consideration.
- iii British Land's interests in leisure and industrial/distribution reduced in value by 1.2% and 0.1% respectively.
- iv The residential investments (including the 50% share in the London & Henley joint venture) total £130 million and showed a 3.4% increase in value for the six months.

The current net yield on the portfolio excluding developments is 6.0%, with a reversionary net yield of 7.2%. The total reversionary income is £105 million, excluding developments.

Property Asset Management

At 30 September the portfolio, including the joint ventures, comprised circa 860 properties and 3,375 leases. During the six months to September 2001, approximately 140 rent reviews were settled and these resulted in increases in rental income of £12.6 million per annum. In that period, sales of some 238 properties were completed and some 120 leases were granted.

The portfolio has been positively managed during the period with vacant possession of a number of properties being achieved, enabling them to be re-let profitably. A number of investment properties are being refurbished or extended. In particular, agreement has been reached with J Sainsbury Plc and Tesco plc to fund extensions to 12 stores amounting to 18,500 sq m (200,000 sq ft) of additional floor space.

The dimension of the joint venture with Scottish and Newcastle has changed during the six months: 152 properties (which were considered to be ex-growth) were sold back to Scottish and Newcastle and solicitors are instructed for the purchase of a further 24 properties from them. The current total is now 128 public houses totalling approximately 23,500 sq m (253,000 sq ft) of trading area, predominantly located in the South of England.

The Broadgate Centre, London EC2

Following the successful settlement at £590 per sq m (£54.80 per sq ft) in respect of 19,000 sq m (205,000 sq ft) in Exchange House where the review date was December 2000, further rent review progress was made in reaching agreement at £635 per sq m (£59.00 per sq ft) for 743 sq m (8,000 sq ft) at 155 Bishopsgate, as at March 2001. In both of these instances the rents achieved were in excess of rental values incorporated

in the 31 March 2001 valuations undertaken by ATIS Real Weatheralls. Aggregate passing rent is some £152 million per annum. Valuation £2.912 billion.

Planning consent has now been received for the redevelopment of Hamilton House to provide a net internal office area of 13,290 sq m (143,000 sq ft). This compares with 6,227 sq m (67,000 sq ft) in the existing building. It is anticipated that construction will start summer 2002.

The enhancement of the external circulation areas at Broadgate has commenced with completion of the first phase due in December 2001, which alone will add 420 sq m (4,500 sq ft) of retail space.

Meadowhall Shopping Centre, Sheffield

Rents passing have risen as anticipated to £60.7 million per annum following settlement of 18 rent reviews during the six months to September 2001, and are expected to increase further to approximately £67 million per annum when the outstanding rent reviews and lettings have been completed. Valuation £1.28 billion.

Some 13 new lettings have been concluded, including top retailers such as Swarovski, Ted Baker and French Connection. The new Allders Home concept has opened in the majority of what was the C. & A. store and has been well received by the Centre's customers. The balance of the C. & A. store has been let to Argos, enabling them to extend their existing store.

The customer loyalty card scheme is now live and approximately 28,000 customers have subscribed to date. The installation of the fibre optic ring, including a retailer intranet to enable fast and efficient communication has been completed with about half of the tenants already connected. The remainder will follow after the Christmas trading period.

The Meadowhall website has been remodelled and recently won the Business Internet Magazine 'Best Website Design' and 'Best Overall Site'. This is continuing to receive some 35,000 'hits' per day.

The Centre Management team has built upon their earlier successes in being awarded the British Safety Council 5 Star Environmental Management Audit.

The Peacocks Centre, Woking

This property (excluding the leisure centre) is now wholly owned by British Land. The fully enclosed Centre was completed in 1992 on three principal levels of retail trading area around a glazed atrium. The total floor area is 29,700 sq m (320,000 sq ft) with car parking for 2,350 cars. This prime Town Centre scheme is anchored by Alders (12,700 sq m/137,000 sq ft), M & S Food Store, Primark, TK Maxx and Woolworths. There are a further 80 retail units where tenants include Next, Monsoon, Accessorize, River Island and Virgin. The lower trading level has a 400 seat food court with popular offers including Aroma and KFC. The total rent passing is approximately £5.4 million per annum.

Development

Activity has continued apace since March.

At 30 September 2001, the total development programme extends to 849,000 sq m (9.1 million sq ft) with a cost to complete of £1.5 billion and an ERV of £211 million, of which British Land's shares are £1.1 billion and £167 million respectively.

Of this programme, some 135,000 sq m (1,450,000 sq ft) in seven principal buildings is currently under construction representing committed costs to British Land of £404 million, with a cost to complete of £245 million, and an ERV of £49 million.

We were pleased to announce in September the pre-letting to Accenture at Plantation Place of 32,795 sq m (353,000 sq ft) of offices at £581 per sq m (£54 per sq ft), together with ancillary storage space, and with options over a further 13,935 sq m (150,000 sq ft) exercisable before practical completion. Construction commenced immediately with piling now in progress.

New Century Park, Coventry, a 60.7 hectare (150 acre) site predominantly occupied by Marconi, was purchased for future redevelopment. 2 hectares (5 acres) was sold immediately for residential development.

A further 8.9 hectares (22 acres) at Delta Park, Enfield was purchased in joint venture with Gazeley Properties, for the development of up to 42,000 sq m (450,000 sq ft) of warehouse and distribution facilities.

Some 55,500 sq m (600,000 sq ft) of development was completed, notably: a 10,220 sq m (110,000 sq ft) light industrial building at Redditch (in joint venture with Gazeley Properties Ltd) and 19,975 sq m (215,000 sq ft) of pre-let office and other accommodation at Blythe Valley Park.



Robert Bowden Property Investment Director
28 November 2001

An Alternative View – Discounted Cash Flow Evaluation

Prepared by ATIS Real Weatheralls

Matrix for Cash Flows over Twenty Years

- 1 All capital values are stated gross of purchasers' costs as the business is ongoing.
- 2 For this calculation the combined average rate of purchasers' costs has been taken as 4.95%. This rate has been derived by applying the appropriate cost on a property by property basis. In the case of valuations undertaken by CB Hillier Parker and Jones Lang LaSalle, the flat rate is 5.75%.
- 3 Exit yields used are set at 7%.
- 4 British Land's share of joint venture properties is included.

Discount rates	Present capital values (£m) at various discount rates and growth rates per annum for a period of 20 years			
5.00%	12,778	15,880	17,431	18,982
6.00%	11,416	14,080	15,412	16,744
7.00%	10,246	12,541	13,689	14,837
8.00%	9,240	11,223	12,214	13,206
Rental growth rates	0%	2%	3%	4%

The value of the portfolio in the balance sheet, net of purchasers' costs, is £9.241 billion. The equivalent **current gross value** of the portfolio is **£9.697 billion**, which equates to a **7.5% discount rate** and a **0% growth rate**.

This is an alternative view of the Company's portfolio to help shareholders evaluate its worth. It takes each year's cash flow on the basis of rents paid quarterly in advance, discounted at the rate shown in the shaded column on the left of the table. Capital values have been calculated using different rental growth rates to enable the investor to assess the potential of the Company's income stream to produce capital growth in the future.

Assumptions

- Sites for development have been taken at the Capital Value as reported on the British Land Balance Sheet and decapitalised at appropriate rates.
- The value and cash flow figures for properties located outside the United Kingdom have been converted to Sterling (£) using appropriate conversion rates.
- No other ongoing costs, e.g. refurbishments or other non-recoverables have been allowed for.

Extract from the ATIS Real Weatheralls Valuation Certificate

City of London Offices

There is notably more caution than prevailed at March with letting activity at low levels. Many prospective tenants (we believe there are in excess of ten companies with significant requirements) will probably postpone taking new space on account of the present uncertainties. Some companies are reviewing whether they wish to be in a single building.

On a more positive note, whilst some organisations have reduced personnel, they are 'mothballing' space rather than releasing into the market. Thus with the all important supply of floor space remaining tight, the softening of demand should not have any material effect on rental levels. Additionally, banks have been far more careful in speculative lending during this cycle with the result that there is virtually no new overhang of supply. Accordingly we expect rental levels to broadly plateau rather than decline.

Rent reviews however may prove more testing, with only limited evidence upon which to rely and certain tenants subletting space at lower levels. All of this means that despite a fair medium term outlook, yields have not moved in, despite the various shifts in base rates and the fact that longer term rates have shifted in about 35 basis points since March.

Within the British Land City portfolio the most significant event is probably the preletting of a major part of the Plantation Place scheme to Accenture and thus signalling the earlier commencement of construction. The £54 psf headline rent achieved compares favourably to speculative completions in

the vicinity. Discussions are ongoing concerning rent reviews on the Broadgate estate and with potential occupiers for 201 Bishopsgate, the company's other major joint venture City development.

West End Offices

The occupational market has 'cooled'. Occupiers have indicated to their agents that they are placing relocation decisions on hold, and prime rents have eased. They now rest between £80 and £85 psf. Take up has fallen, albeit from the exceptional levels of the last two years, but the vacancy rate remains at an historically low level of 4.8%.

Despite this, investor demand remains positive, particularly, as in all areas, for long, well secured income streams.

Retail Warehousing

This is one of the few sectors where investors are buying with genuine expectations of strong rental growth over the short to medium term. Although rents may plateau temporarily in some locations, there is some way to go before the many out of town occupiers see rents reach the limits of affordable levels. In Greater London even bulky, DIY users are expecting to see £35 psf as the norm. Similar levels can be forecast throughout the South East/Home Counties, and rents further North have already reached around £30 psf for the better centres and major City locations.

Leisure

Sentiment toward the sector is understandably muted, as was the case 6 months ago. Itself a relatively risky business area, the anticipated slowdown in consumer expenditure (although still defying all predictions) can only serve to worsen prospects further. With prospects for rental growth patchy, and covenants generally weakening across the sector there are few areas of appeal to the investment market. The exception to this can probably be found in the British Land joint venture

Public House portfolio where the strong Scottish and Newcastle covenant is married to long unexpired lease terms, and a variety of longer term alternative uses. This is the type of investment that should benefit from cheaper finance and fundability.

Supermarkets

The investment market remains strong on the back of generally good leases and covenants and relative scarcity of this form of investment. Prime initial yields provincially are around 6.75% but in London we would expect to see these at around 6.5% with ERVs substantially higher than elsewhere.

These are good candidates to benefit from any advantageous yield shifts that may occur on the back of relatively low returns available elsewhere, and the gap between funding costs and property returns. This would be to the benefit of British Land with the extensive representation that the company has in this investment category.

Yours faithfully

ATIS Real Weatheralls

Norfolk House, 31 St James's Square, London SW1Y 4JR.
28 November 2001

Consolidated Profit & Loss Account

for the six months ended
30 September 2001 (unaudited)

	Year ended 31 March 2001 (audited) (as restated)† £m		Note	2001 £m	2000 (as restated)† £m
	475.6	Gross rental income		247.6	229.5
	(85.5)	Less share of joint ventures	14	(46.9)	(38.6)
	<u>390.1</u>	Gross rental income – Group		<u>200.7</u>	<u>190.9</u>
	371.8	Net rental income		187.5	180.7
	3.1	Profit on property trading		6.3	1.9
	27.5	Other income	2	7.3	23.9
	(28.6)	Administrative expenses		(17.5)	(14.3)
	<u>373.8</u>	Operating profit		<u>183.6</u>	<u>192.2</u>
	76.5	Share of operating profits of joint ventures	14	42.8	35.1
	32.1	Disposal of fixed assets – including amounts from joint ventures (note 14)	3	11.0	12.0
	<u>482.4</u>	Profit on ordinary activities before interest		<u>237.4</u>	<u>239.3</u>
	(311.3)	Net interest payable – before exceptional item	4	(157.4)	(154.8)
	(83.6)	Exceptional item			
	<u>87.5</u>	Profit on ordinary activities before taxation		<u>80.0</u>	<u>84.5</u>
	(26.3)	Taxation	5	(16.7)	(24.2)
	<u>61.2</u>	Profit on ordinary activities after taxation		<u>63.3</u>	<u>60.3</u>
	(59.6)	Ordinary dividends	6	(19.7)	(18.7)
	<u>1.6</u>	Retained profit for the period		<u>43.6</u>	<u>41.6</u>
	<u>11.8p</u>	<i>Basic and diluted earnings per share</i>	7	<u>12.2p</u>	<u>11.6p</u>
	<u>14.5p</u>	<i>Adjusted basic and diluted earnings per share*</i>	7	<u>12.8p</u>	<u>12.8p</u>
	<u>11.5p</u>	<i>Dividend per share</i>	6	<u>3.8p</u>	<u>3.6p</u>

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

† Restated as set out in note 1.

* Adjusted to exclude the effects of FRS 19 and UITF 28 as set out in note 1.

Group Balance Sheet

as at 30 September 2001 (unaudited)

Year ended 31 March 2001
(audited) (as restated)†
£mNote 2001 2000
(as restated)†
£m

		Note	2001 £m	2000 (as restated)† £m
Fixed assets				
7,145.9	Investment properties	8	7,403.1	6,646.1
	Investments in joint ventures			
1,580.6	Share of gross assets	14	1,737.5	1,378.9
(880.5)	Share of gross liabilities	14	(915.7)	(757.4)
700.1			821.8	621.5
73.7	Other investments	9	73.2	119.4
7,919.7			8,298.1	7,387.0
Current assets				
53.3	Trading properties	8	53.3	52.2
148.3	Debtors	10	92.8	58.5
94.2	Cash and deposits		142.7	395.2
295.8	Total current assets		288.8	505.9
(706.0)	Creditors due within one year	11	(669.2)	(577.1)
(410.2)	Net current liabilities		(380.4)	(71.2)
7,509.5	Total assets less current liabilities		7,917.7	7,315.8
(3,057.3)	Creditors due after one year	12	(3,377.6)	(3,230.8)
(463.9)	Convertible bonds	15	(464.4)	(463.6)
(73.8)	Provisions for liabilities and charges	13	(83.1)	(74.1)
3,914.5			3,992.6	3,547.3
Capital and reserves				
129.6	Called up share capital		129.6	129.5
1,105.3	Share premium	18	1,105.9	1,105.1
(1.9)	Other reserves	18	(1.5)	(1.1)
2,092.1	Revaluation reserve	18	2,079.4	1,695.5
589.4	Profit and loss account	18	679.2	618.3
3,914.5	Shareholders' funds		3,992.6	3,547.3
784p	Net Asset Value per share	17	795p	715p
759p	– Basic			
	– Fully Diluted	17	769p	699p
802p	Adjusted Net Asset Value per share*	17	813p	731p
774p	– Basic			
	– Fully Diluted	17	785p	713p

(The NAV per share includes the external valuation surplus on development and trading properties)

Approved by the Board on 28 November 2001

† Restated as set out in note 1.

* Adjusted to exclude the effects of FRS 19 and UITF 28 as set out in note 1.

Other Primary Statements

Year ended 31 March 2001 (audited) (as restated)† £m		2001 £m	2000 (as restated)† £m
61.2	Total recognised gains and losses		
	Profit on ordinary activities after taxation	63.3	60.3
	Unrealised surplus on revaluation:		
528.4	– investment properties	34.2	136.3
5.6	– joint ventures	13.6	(9.8)
5.6	– other investments	(4.0)	5.7
539.6		43.8	132.2
(0.7)	Exchange movements on net investments	0.1	(0.2)
	Taxation on realisation of prior year revaluations	(10.0)	
600.1	Total recognised gains and losses relating to the financial period	97.2	192.3
	Prior year adjustment	(90.5)	
600.1	Total recognised gains and losses since last financial statements	6.7	192.3
Year ended 31 March 2001 (audited) (as restated)† £m		2001 £m	2000 (as restated)† £m
	Historical cost profits and losses		
87.5	Profit on ordinary activities before taxation	80.0	84.5
66.5	Realisation of prior year revaluations	56.2	55.4
	Taxation on realisation of prior year revaluations	(10.0)	
154.0	Historical cost profit on ordinary activities before taxation	126.2	139.9
68.1	Historical cost profit for the year retained after taxation and dividends	89.8	97.0
Year ended 31 March 2001 (audited) (as restated)† £m		2001 £m	2000 (as restated)† £m
	Reconciliation of movements in shareholders' funds		
	(excluding valuation surplus on development and trading properties)		
61.2	Profit on ordinary activities after taxation	63.3	60.3
(59.6)	Ordinary dividends	(19.7)	(18.7)
1.6	Retained profit for the period	43.6	41.6
539.6	Revaluation of investment properties and investments	43.8	132.2
	Taxation on realisation of prior year revaluations	(10.0)	
(0.7)	Exchange movements on net investments	0.1	(0.2)
540.5		77.5	173.6
0.8	Shares issued	0.6	0.5
541.3	Increase in shareholders' funds	78.1	174.1
3,449.6	Opening shareholders' funds as previously stated	4,005.0	3,449.6
(76.4)	Prior year adjustment (see note 1)	(90.5)	(76.4)
3,373.2	Opening shareholders' funds as restated	3,914.5	3,373.2
3,914.5	Closing shareholders' funds	3,992.6	3,547.3

† Restated as set out in note 1.

Group Cash Flow Statement

for the six months ended
30 September 2001 (unaudited)

Year ended 31 March 2001 (audited) (as restated)† £m		Note	2001 £m	2000 (as restated)† £m
380.3	Net cash inflow from operating activities	16	230.4	198.1
0.8	Dividends received from joint ventures			0.8
	Returns on investments and servicing of finance			
10.2	Interest received		2.8	4.2
(342.7)	Interest paid (including £83.6m premium on bonds repurchased – see note 4)		(204.2)	(201.7)
6.8	Dividends received		4.8	6.3
(325.7)			(196.6)	(191.2)
(26.1)	Taxation paid		(2.8)	(12.9)
29.3	Net cash inflow (outflow) from operating activities and investments after finance charges and taxation		31.0	(5.2)
	Capital expenditure and financial investment			
(227.3)	Purchase of investment properties		(297.4)	(100.4)
(9.8)	Purchase of investments		(4.4)	(6.4)
403.6	Sale of investment properties		128.7	373.7
47.1	Sale of investments			46.9
213.6			(173.1)	313.8
	Acquisitions and disposals			
(8.0)	Purchase of subsidiary company			(8.0)
(134.7)	Investment in and loans to joint ventures		(159.1)	(70.4)
10.8	Sale of shares in and loans repaid by joint ventures		26.2	2.6
(131.9)			(132.9)	(75.8)
(57.5)	Equity dividends paid		(40.9)	(38.9)
53.5	Net cash (outflow) inflow before management of liquid resources		(315.9)	193.9
	Management of liquid resources			
(1.0)	(Increase) decrease in term deposits		(15.8)	31.8
	Financing			
0.4	Issue of ordinary shares		0.6	0.1
	Issue of Sainsbury supermarkets securitised debt		575.0	
	Repurchase of bonds		(300.0)	
(78.0)	Increase (decrease) in bank and other borrowings		92.2	84.3
(77.6)			367.8	84.4
(25.1)	Increase (decrease) in cash	16	36.1	310.1

† Restated as set out in note 1.

Notes to the Financial Statements

1 Basis of preparation

The interim accounts are prepared on the basis of the accounting policies set out in the Group's financial statements for the year ended 31 March 2001, consistently applied in all material respects, save for the adoption of Financial Reporting Standard 19 'Deferred Tax' (FRS 19) and Urgent Issues Task Force Abstract 28 'Operating Lease Incentives' (UITF 28), which now have effect.

The figures for the year ended 31 March 2001 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; the comparatives for the year ended 31 March 2001 and six months ended 30 September 2000 have been restated to comply with FRS 19 and UITF 28.

Deferred Tax

Deferred tax assets and liabilities arise from timing differences between the recognition of gains and losses in the financial statements and their recognition in a tax computation. Previously, the Group's accounting policy was only to provide for deferred tax to the extent that liabilities or assets were expected to be payable or receivable in the foreseeable future.

In accordance with FRS 19, deferred tax is now provided in respect of all timing differences that have originated, but not reversed, at the balance sheet date that may give rise to an obligation to pay more or less tax in the future. Deferred tax is not recognised when fixed assets are revalued unless by the balance sheet date there is a binding agreement to sell the revalued assets and the gain or loss expected to arise on sale has been recognised in the financial statements. Deferred tax is measured on a non-discounted basis.

Comparatives have been restated to comply with FRS 19 and the effects of the change in policy are summarised below:

Year ended 31 March 2001 £m		2001 £m	2000 £m
	Profit and loss account		
(15.3)	Increase in deferred tax charge	(3.1)	(6.8)
	Balance sheet		
(91.7)	Increase in deferred tax liability	(94.8)	(83.2)

Operating Lease Incentives

Operating lease incentives include rent free periods and other incentives (such as contributions towards fitting out costs) given to lessees on entering into lease agreements. Previously, the Group's accounting policy was to recognise income as the rent fell due and to capitalise appropriate incentives.

In accordance with UITF 28 rent receivable in the period from lease commencement to the earlier of the first rent review to the prevailing market rate and the lease end date, is now spread evenly over that period. The cost of other incentives is spread on a straight-line basis over a similar period.

This has been applied to all lease incentives for leases commencing on or after 1 April 2000.

Comparatives have been restated to comply with UITF 28 and the effects of the change in policy are summarised below:

Year ended 31 March 2001 £m		2001 £m	2000 £m
	Profit and loss account		
1.3	Increase in rental income	0.1	0.6
0.7	Increase in joint venture operating profit	0.5	0.4
(0.8)	Increase in corporation tax charge	(0.3)	(0.4)
1.2	Increase in profit on ordinary activities after taxation	0.3	0.6
	Balance sheet		
(4.5)	Decrease in investment properties	(5.3)	(2.4)
0.5	Increase in net joint venture assets	0.9	0.3
5.8	Increase in prepayments and accrued income	6.7	3.0
(0.6)	Increase in corporation tax payable	(0.8)	(0.3)
1.2	Increase in net assets	1.5	0.6

Summary

The combined effect of complying with FRS 19 and UITF 28 is summarised below:

Year ended 31 March 2001 £m		2001 £m	2000 £m
	Profit and loss account		
(14.1)	Decrease in profit after taxation	(2.8)	(6.2)
	Balance sheet		
(90.5)	Decrease in net assets	(93.3)	(82.6)

2 Other income

Other income in the six months ended 30 September 2000 included £15.3 million capital profit, net of costs, received from Standard Bank of South Africa when Standard Bank bought out the Group's rights to acquire a 29.7% stake in Liberty International PLC.

3 Disposal of fixed assets

The profit for the year ended 31 March 2001 included £14.6 million arising on the disposal of Selfridges shares.

4 Net interest payable

Year ended 31 March 2001 £m		2001 £m	2000 £m
British Land Group			
52.9	Payable on: bank loans and overdrafts	28.7	26.3
222.4	other loans	108.5	110.3
275.3		137.2	136.6
(4.0)	Deduct: development cost element	(2.0)	
271.3		135.2	136.6
(5.7)	Receivable on: deposits and securities	(3.1)	(2.9)
(16.0)	loans to joint ventures	(7.9)	(7.4)
249.6	Total British Land Group	124.2	126.3
Share of joint ventures			
16.0	Interest payable on shareholder loans	7.9	7.4
45.7	Other interest payable (net)	25.3	21.1
61.7	Total share of joint ventures (note 14)	33.2	28.5
311.3	Net interest payable	157.4	154.8
83.6	Exceptional item (see below)		

On 30 March 2001 the Company announced the decision to offer to repurchase the £150m 12½% Bonds 2016 and the £150m 8⅞% Bonds 2023, which was completed on 1 May 2001. Inclusive of costs, the pre-tax exceptional charge was £83.6m (post tax charge – £74.6m).

5 Taxation

Year ended 31 March 2001 (as restated) £m		2001 £m	2000 (as restated) £m
Profit on ordinary activities before taxation			
14.5	British Land Group: Corporation tax	4.5	15.6
6.5	Deferred tax	9.3	6.8
4.3	Share of joint ventures (note 14): Corporation tax	4.4	1.4
1.0	Deferred tax	(1.5)	0.4
26.3		16.7	24.2

6 Interim dividend

The interim dividend of 3.8 pence will be paid on 20 February 2002 to shareholders on the register at the close of business on 25 January 2002.

7 Earnings per share

Basic and diluted earnings per share are calculated on the profit on ordinary activities after taxation of £63.3m (March 2001 restated £61.2; September 2000 restated £60.3m) and on the weighted average number of shares in issue during the period of 518.3m (March 2001 518.2m; September 2000 518.0m).

Adjusted earnings per share are calculated by excluding the post tax profit adjustment of £2.8m (March 2001 – £14.1m; September 2000 – £6.2m) which is the combined effect of adopting both FRS 19 and UITF 28, as described in note 1.

8 Investment, development and trading properties

	Freehold £m	Long Leasehold £m	Short Leasehold £m	Total £m
Investment and development properties				
Valuation and cost 1 April 2001	6,965.9	184.5		7,150.4
Adjustment for UITF 28	(4.5)			(4.5)
Restated valuation and cost 1 April 2001	6,961.4	184.5		7,145.9
Additions	283.7	80.5		364.2
Disposals	(140.8)			(140.8)
Exchange fluctuations	(0.4)			(0.4)
Revaluations	35.3	(1.1)		34.2
Valuation and cost 30 September 2001	7,139.2	263.9		7,403.1
Trading properties				
At lower of cost and net realisable value				
30 September 2001	43.3	8.0	2.0	53.3
External valuation surplus on development and trading properties				127.7
Total investment, development and trading properties				7,584.1

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	7,524.3
Republic of Ireland: Jones Lang LaSalle	63.9
Netherlands: CB Richard Ellis B.V.	1.2
Adjustment for UITF 28 (see note 1)	(5.3)
Total investment, development and trading properties	7,584.1
£m	
Total external valuation surplus on development and trading properties	
British Land Group	127.7
Share of joint ventures	2.7
	130.4

9 Other investments

	£m
At 1 April 2001	73.7
Additions	4.4
Disposals	(0.9)
Revaluations	(4.0)
At 30 September 2001	73.2

10 Debtors

	2001		2000
31 March 2001 (as restated) £m	£m	(as restated)	£m
97.1	52.8	Trade debtors	35.5
20.0	27.6	Amounts owed by joint ventures	15.6
31.2	12.4	Prepayments and accrued income	7.4
148.3	92.8		58.5

11 Creditors due within one year

		2001		2000
31 March 2001 (as restated) £m		£m	(as restated)	£m
35.8	Debentures and loans (note 15)	42.1		35.0
6.0	Overdrafts (note 15)	2.6		4.6
248.0	Bank loans (note 15)	292.5		230.0
57.1	Trade creditors	65.9		61.8
36.7	Corporation tax	49.2		52.2
12.7	Other taxation and social security	12.8		6.4
268.8	Accruals and deferred income	184.4		168.4
40.9	Proposed dividend	19.7		18.7
706.0		669.2		577.1

12 Creditors due after one year

		2001		2000
31 March 2001 £m		£m	(as restated)	£m
2,417.1	Debentures and loans (note 15)	2,661.3		2,435.4
640.2	Bank loans (note 15)	716.3		795.4
3,057.3		3,377.6		3,230.8

13 Provisions for liabilities and charges

		2001		2000
31 March 2001 (as restated) £m		£m	(as restated)	£m
73.8	Deferred tax	83.1		74.1

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 excess provision.

14 Joint Ventures

British Land's share of profits of joint ventures

Year ended 31 March 2001 (as restated) £m		2001 £m	2000 (as restated) £m
85.5	Gross rental income	46.9	38.6
79.5	Net rental income	43.4	36.1
	Profit on property trading	0.5	
(3.0)	Administrative expenses	(1.1)	(1.0)
76.5	Operating profit	42.8	35.1
3.7	Disposal of fixed assets	(1.3)	1.0
80.2		41.5	36.1
(45.7)	Net interest payable to third parties	(25.3)	(21.1)
(16.0)	Interest payable to British Land	(7.9)	(7.4)
(61.7)	Net interest payable (note 4)	(33.2)	(28.5)
18.5	Profit before taxation	8.3	7.6
(5.3)	Taxation	(2.9)	(1.8)
13.2	Profit after taxation	5.4	5.8

The movement for the period:

	Equity £m	Loans £m	Total £m
At 1 April 2001	390.8	321.9	712.7
Prior year adjustment	(12.6)		(12.6)
Restated at 1 April 2001	378.2	321.9	700.1
Additions	67.3	92.1	159.4
Purchase of remaining partnership interest	(30.3)		(30.3)
Repayment of loans		(26.3)	(26.3)
Share of profit attributable to joint ventures (net of dividend)	6.2		6.2
Revaluations	13.6		13.6
Adjustments for UITF 28 and FRS 19	(0.9)		(0.9)
At 30 September 2001	434.1	387.7	821.8

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

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	3.3	98.3	(43.6)	54.7
BL Universal PLC	GUS plc	13.4	464.1	(229.4)	234.7
BL Rank Properties Limited	The Rank Group Plc	2.6	66.9	(49.3)	17.6
Cherrywood Properties Limited (Republic of Ireland)	Dunloe Ewart Plc	0.9	40.8	(12.9)	27.9
BL Fraser Limited	House of Fraser PLC	3.5	101.6	(73.7)	27.9
BLT Properties Limited	Tesco plc	3.7	117.7	(72.8)	44.9
Tesco BL Holdings Limited	Tesco plc	5.2	167.9	(109.2)	58.7
BL West	WestLB, WestImmo and Provinzial	5.7	194.2	(139.2)	55.0
London & Henley Holdings Limited	Security Capital European Realty	1.7	92.0	(61.8)	30.2
BL Davidson Limited	Manny Davidson, his family and family trusts		248.4	(100.5)	147.9
Other joint ventures		2.8	145.6	(23.3)	122.3
Total		42.8	1,737.5	(915.7)	821.8

The Group's share of joint venture external net debt is £741.7m (31 March 2001 – £735.5m). The amount guaranteed by British Land is £33.0m (31 March 2001 – £33.0m).

The Group's share of the market value of the debt and derivatives as at 30 September 2001 was £18.0m more than the Group's share of the book value (31 March 2001 – £18.4m).

The Group's share of joint venture properties as at 30 September 2001 was £1,648.8m (31 March 2001 – £1,506.8m).

All companies are property investment companies registered in England and Wales unless otherwise stated.

15 Net debt

31 March 2001 £m		2001 £m	2000 £m
Secured on the assets of the Group			
97.6	† 6.5055% Notes 2038	97.7	97.6
246.5	87/8% FMD Bonds 2035	246.6	246.5
197.1	93/8% FMD Stock 2028	197.1	197.1
	† 7.743% Notes 2025	19.6	
12.6	10 1/2% FMD Stock 2019/24	12.6	12.6
20.4	11 3/8% FMD Stock 2019/24	20.4	20.4
1.8	† 5.66% 135 Bishopsgate Securitisation 2018	1.9	27.5
7.1	† 8.49% 135 Bishopsgate Securitisation 2018	7.1	105.6
583.1		603.0	707.3
Unsecured			
73.2	† Class C2 6.4515% Notes 2032	73.2	73.2
219.6	† Class B 6.0875% Notes 2031	219.7	219.5
146.4	† Class A3 5.7125% Notes 2031	146.5	146.4
295.7	† Class A2 5.67% Notes 2029	293.8	297.7
	† Class A2 (C) 6.457% Notes 2025	156.8	
	† Class B2 6.998% Notes 2025	205.5	
	† Class B3 7.243% Notes 2025	20.5	
317.2	† Class A1 Fixed Rate Notes 2024	317.4	317.1
147.6	** 87/8% Bonds 2023		147.6
25.2	† 5.66% 135 Bishopsgate Securitisation 2018	24.9	
97.2	† 8.49% 135 Bishopsgate Securitisation 2018	96.5	
	† Class A1 6.389% Notes 2016	64.1	
	† Class B1 7.017% Notes 2016	98.3	
150.0	** 12 1/2% Bonds 2016		150.0
170.8	† Class C1 6.7446% Notes 2014	170.9	170.7
127.4	† Class D Fixed/Floating Rate Notes 2014	112.8	141.4
1.7	10 1/4% Bonds 2012	1.7	1.7
97.8	* 7.35% Senior US Dollar Notes 2007	97.8	97.8
894.2	Bank loans and overdrafts	1,011.4	1,030.0
2,764.0		3,111.8	2,793.1
Convertible Bonds			
146.6	6% Subordinated Irredeemable Convertible Bonds	146.7	146.6
317.3	6 1/2% Convertible Bonds 2007	317.7	317.0
463.9		464.4	463.6
3,811.0	Gross debt	4,179.2	3,964.0
(94.2)	Cash and deposits	(142.7)	(395.2)
3,716.8	Net debt	4,036.5	3,568.8

Maturity analysis of net debt

31 March 2001 £m		2001 £m	2000 £m
Repayable:			
289.8	within one year and on demand	337.2	269.6
283.1	between: one and two years	506.0	265.8
509.4	two and five years	395.2	674.0
637.3	five and ten years	710.4	639.6
381.0	ten and fifteen years	317.7	234.0
197.6	fifteen and twenty years	324.5	350.4
382.2	twenty and twenty five years	481.3	376.4
555.9	twenty five and thirty years	569.9	522.8
428.1	thirty and thirty five years	390.3	462.6
	thirty five and forty years		22.2
146.6	Irredeemable	146.7	146.6
3,811.0	Gross debt	4,179.2	3,964.0
(94.2)	Cash and deposits	(142.7)	(395.2)
3,716.8	Net debt	4,036.5	3,568.8

† 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 repurchased on 1 May 2001 (Note 4).

15 Net debt (continued)**Maturity of committed undrawn borrowing facilities**

31 March 2001 £m		2001 £m	2000 £m
	Expiring:		
239.5	Within one year	206.8	212.3
219.5	between: one and two years	105.0	240.5
81.8	two and three years	29.0	168.8
252.5	three and four years	345.0	29.0
360.0	four and five years	315.0	345.0
75.4	over five years	40.5	124.9
<u>1,228.7</u>	Total	<u>1,041.3</u>	<u>1,120.5</u>

Interest rate profile – including effect of derivatives

31 March 2001 £m		2001 £m	2000 £m
3,095.1	Fixed rate	3,444.2	3,179.1
200.0	Capped rate	200.0	200.0
421.7	Variable rate (net of cash)	392.3	189.7
<u>3,716.8</u>	Net debt	<u>4,036.5</u>	<u>3,568.8</u>

Comparison of market values and book values at 30 September 2001

	Market Value £m	Book Value £m	Difference £m
Fixed rate debt:			
Securitised debt	2,230.1	2,127.2	102.9
Other fixed rate debt	703.5	576.2	127.3
Convertible debt	469.5	464.4	5.1
Bank debt (net)	868.7	868.7	
Derivatives	18.7		18.7
<u>Net debt</u>	<u>4,290.5</u>	<u>4,036.5</u>	<u>254.0</u>

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

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

Year ended 31 March 2001 (as restated) £m		2001 £m	2000 (as restated) £m
373.8	Operating profit	183.6	192.2
(6.8)	Dividends received	(4.8)	(6.3)
0.6	Depreciation	0.9	0.1
15.7	Decrease in trading properties		16.8
(29.4)	Decrease (increase) in debtors	37.4	(13.6)
26.4	Increase in creditors	13.3	8.9
<u>380.3</u>	Net cash inflow from operating activities	<u>230.4</u>	<u>198.1</u>

Analysis of Group net debt

	1 April 2001 £m	Cash flow £m	Non cash movements £m	30 September 2001 £m	30 September 2000 £m
Cash at bank	(29.2)	(32.7)		(61.9)	(363.0)
Overdraft	6.0	(3.4)		2.6	4.6
Net cash per cash flow statement	(23.2)	(36.1)		(59.3)	(358.4)
Term debt	3,341.1	367.2	3.9	3,712.2	3,495.8
Convertible bonds	463.9		0.5	464.4	463.6
Term deposits	(65.0)	(15.8)		(80.8)	(32.2)
Group net debt	3,716.8	315.3	4.4	4,036.5	3,568.8

Reconciliation of net cash flow to movement in Group net debt

Year ended 31 March 2001 £m		2001 £m	2000 £m
3,762.3	Brought forward	3,716.8	3,762.3
	Movement in net debt in the period:		
25.1	(Increase) decrease in cash	(36.1)	(310.1)
(78.0)	Cash inflow (outflow) from movement in debt	367.2	84.3
(1.0)	Cash (outflow) inflow in term deposits	(15.8)	31.8
(53.9)	Changes resulting from cash flows	315.3	(194.0)
8.4	Other non cash movements	4.4	0.5
(45.5)		319.7	(193.5)
<u>3,716.8</u>	Carried forward	<u>4,036.5</u>	<u>3,568.8</u>

17 Net Asset Value per share

	31 March 2001 Net Assets (as restated) £m	31 March 2001 Adjusted* Net Assets £m		30 September 2001 Net Assets £m	30 September 2001 Adjusted* Net Assets £m		30 September 2000 Net Assets (as restated) £m	30 September 2000 Adjusted* Net Assets £m
Shares m				Shares m		Shares m		
			Net Asset Value (undiluted)					
518.2	3,914.5	3,914.5	Shareholders' funds as shown on balance sheet	518.4	3,992.6	518.0	3,547.3	3,547.3
		90.5	Prior year adjustment					82.6
		4,005.0	Adjusted to exclude the effects of FRS 19 and UITF 28					3,629.9
			Total external valuation surplus on development					
	149.4	149.4	and trading properties (note 8)		130.4		158.2	158.2
	4,063.9	4,154.4	Net assets attributable to ordinary shares		4,123.0		3,705.5	3,788.1
	784p	802p*	Net Asset Value per share (undiluted)		795p		715p	731p*
			Fully diluted Net Asset Value					
518.2	4,063.9	4,154.4	Net assets attributable to ordinary shares	518.4	4,123.0	518.0	3,705.5	3,788.1
			Adjust to fully diluted on conversion of:					
30.0	146.6	146.6	6% Irredeemable Convertible Bonds	30.0	146.7	30.0	146.6	146.6
48.1	317.3	317.3	6½% Convertible Bonds 2007	48.1	317.7	48.1	317.0	317.0
596.3	4,527.8	4,618.3	Net assets attributable to fully diluted ordinary shares	596.5	4,587.4	596.1	4,169.1	4,251.7
	759p	774p*	Fully diluted Net Asset Value per share		769p		699p	713p*

The NAV includes the surplus of the external property valuation over the book value of both development and trading properties. Such properties are included in the balance sheet at the lower of cost and net realisable value.

* Adjusted NAV is calculated by excluding the balance sheet effects of the adoption of both FRS 19 and UITF 28, as set out in note 1.

18 Reserves

	Share premium £m	Other reserves £m	Revaluation reserve £m	Profit and loss account £m	Total £m
At 1 April 2001	1,105.3	(1.9)	2,092.1	679.9	3,875.4
Prior year adjustment (note 1)				(90.5)	(90.5)
At 1 April 2001 as restated	1,105.3	(1.9)	2,092.1	589.4	3,784.9
Issues	0.6				0.6
Retained profit for the period				43.6	43.6
Realisation of prior year revaluations			(56.2)	56.2	
Current year revaluation			43.8		43.8
Exchange movements on net investments		0.4	(0.3)		0.1
Taxation on realisation of prior year revaluations				(10.0)	(10.0)
At 30 September 2001	1,105.9	(1.5)	2,079.4	679.2	3,863.0

19 Contingent liabilities

It is estimated that, in the event of the realisation of all investment properties and fixed asset investments at book value, the liability for tax, after capital losses and available reliefs at 30 September 2001 would not be more than £570m (31 March 2001 – £590m) and at the total value of investment, development and trading properties as shown in note 8, £600m (31 March 2001 – £630m).

The deferred tax provision (see note 13) relating to capital allowances on investment properties which would be released on such realisation, assuming no balancing charge would be incurred, is £79.7m (31 March 2001 – £76.6m).

Contingent liabilities of the Parent for guarantees to third parties amounted to £33.0m (31 March 2001 – £33.0m).

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 2001 which comprises Consolidated Profit and Loss Account, Consolidated Balance Sheet, Statement of Total Recognised Gains and Losses, Historical Cost Profits and Losses, Consolidated Cash Flow Statement and accompanying notes. 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 2001.



Arthur Andersen

Chartered Accountants, 180 Strand, London WC2R 1BL
28 November 2001

Directors of The British Land Company PLC

- **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
- 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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RECYCLABLE



Back cover

Shop till you drop – recent surveys have revealed that shopping is now the nation's No. 1 leisure activity. Supermarkets vie for market supremacy with all the passion of title-chasing soccer clubs, while retail therapy is widely advocated as the cure for everything from flagging spirits to lifestyle fatigue. British Land's impressive portfolio of high-end shopping centres has played a major part in supporting the Company's growth over the past decade.

