

# Valuation Report



The Directors  
The British Land Company PLC  
York House  
45 Seymour Street  
London  
W1H 7LX

9 April 2009

Dear Sirs

## The British Land Company PLC Valuation as at 31 March 2009

### Basis of Instruction

In accordance with the terms of our appointment as External Valuers to The British Land Company PLC, we have valued the freehold and leasehold properties detailed below, as at 31 March 2009, for balance sheet purposes and inclusion in your financial accounts. The properties are predominantly held for investment and in some instances held for development or in the course of development or occupied by the company.

We have excluded from this Report those properties held by way of Joint Ventures or through Limited Partnership arrangements.

These valuations have been prepared in accordance with the RICS Valuation Standards, 6th Edition, issued by The Royal Institution of Chartered Surveyors.

### Compliance and Independence

We can confirm that:

- Knight Frank LLP is appointed by The British Land Company PLC as External Valuers, as defined by the RICS Valuation Standards.
- Knight Frank LLP was appointed in the role as valuer in September 2005. These valuations have been undertaken under the overall supervision of the joint signatories, who have been responsible for this instruction since that time.
- In relation to Knight Frank LLP's preceding financial year, the proportion of the total fees paid by The British Land Company PLC ('the Company') and its joint venture partners to the total fee income of Knight Frank LLP was substantially less than 5%.
- We recognise and support the RICS Rules of Conduct and have established procedures for identifying conflicts of interest.

- The valuers, on behalf of Knight Frank LLP, with the responsibility for this report are Rupert Johnson BSc (Hons) MRICS and Roger Norman BSc (Hons) MRICS. Parts of the valuation have been undertaken by additional valuers. We confirm that the valuers and additional valuers collectively meet the requirements of RICS Valuation Standards PS1.5 having sufficient current knowledge of the particular market and the skills and understanding to undertake the valuations competently.

### Valuation

The Properties have been valued on the basis of Market Value in accordance with the RICS Valuation Standards. This is an internationally recognised basis and is defined as:

"The estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion."

No allowance has been made for expenses of realisation or for any taxation which might arise, and our valuations are expressed exclusive of any Value Added Tax that may become chargeable.

Our valuations reflect usual deductions in respect of purchaser's costs and, in particular, full liability for UK Stamp Duty as applicable at the valuation date.

The properties have been valued individually and not as part of a portfolio.

**We are of the opinion that the aggregate Market Value of your interests in the properties, as at 31 March 2009, was £5,792,855,820 (Five Billion, Seven Hundred and Ninety Two Million, Eight Hundred and Fifty Five Thousand, Eight Hundred and Twenty Pounds).**

The valuations are categorised as follows:

	Freehold	Long leasehold	Short leasehold	Total value
A Held as investments/ owner-occupied	£5,073,120,820	£236,595,000	£2,250,000	£5,311,965,820
B Held for development	£143,390,000	-	-	£143,390,000
C In the course of development	£337,500,000	-	-	£337,500,000
<b>Total value</b>	<b>£5,554,010,820</b>	<b>£236,595,000</b>	<b>£2,250,000</b>	<b>£5,792,855,820</b>

Certain properties are held on very long leases, for terms of approximately 999 years at fixed peppercorn or nominal rents. For categorisation purposes these have been included in the freehold categories. Short leasehold properties are classified as having less than 50 years unexpired.

### Valuation Procedures and Assumptions

The properties were inspected during the last 12 months.

As agreed, our valuations are based on measurements which have been provided by the Company and which were carried out in accordance with The Royal Institution of Chartered Surveyors Code of Measuring Practice. In some cases the areas provided are as agreed with the tenants following rent review or letting.

Our valuations assume that the properties have good and marketable titles and are free of any undisclosed onerous burdens, outgoing or restrictions. We have not seen planning consents and, except where advised to the contrary, have assumed that the properties have been erected and are being occupied and used in accordance with all requisite consents and that there are no outstanding statutory notices.

We have not read all documents of title or leases and, for the purpose of our valuations, have accepted the details of tenure, tenancies and all other relevant information with which we have been supplied by the Company. When considering the covenant strength of individual tenants we have not carried out credit enquiries but have reflected in our valuations our general understanding of purchasers' likely perceptions of tenants' financial status. We have, in addition, discussed with the Company any bad debts or material arrears of rent and have considered this information in arriving at our valuations.

We were not instructed to carry out structural surveys of the properties, nor to test the services, but have reflected in our valuations, where necessary, any defects, items of disrepair or outstanding works of alteration or improvement which we noted during the course of our inspections or of which we have been advised. Our valuations assume the buildings contain no deleterious materials and that the sites are unaffected by adverse soil conditions, except where we have been notified to the contrary.

We have not carried out any investigation into past or present uses of either the properties or any neighbouring land to establish whether there is any potential for contamination from these uses or sites to the subject properties. We understand that the Company has established procedures for the inspection of newly acquired properties to be carried out with particular reference to environmental matters, and that any such matters identified receive appropriate attention. Unless we have been provided with information to the contrary, we have assumed that the properties are not, nor are likely to be, affected by land contamination and that there are no ground conditions which would affect the present or future uses of the properties.

Our valuations assume that the properties would, in all respects, be insurable against all usual risks including terrorism, flooding and rising water table at normal, commercially acceptable premiums.

For properties in the course of development, we have reflected the stage reached in construction and the costs remaining to be spent at the date of valuation. We have had regard to the contractual liabilities of the parties involved in the developments and any cost estimates that have been provided by professional advisers to the projects. For recently completed developments we have taken no account of any retentions, nor made allowance for any outstanding development costs, fees, or other expenditure for which there may be a liability.

### General Conditions

This Report and our valuations therein have been prepared on the basis that there has been full disclosure of all relevant information and facts which may affect them.

Our report and valuation is for the use only of the party to whom it is addressed and no responsibility is accepted to any third party for the whole or any part of its contents. If our opinion of value is disclosed to persons other than the addressees of this report, the basis of valuation should be stated. If it is proposed to publish the figure, the form and context in which the figure is to appear should be approved by us beforehand.

Yours faithfully



**R J S Johnson** BSc, MRICS  
Partner  
Commercial Valuations

**R D Norman** MRICS  
Partner  
Commercial Valuations

For and on behalf of Knight Frank LLP

# Directors and Officers

## The British Land Company PLC

- **Chris Gibson-Smith** (63) BSc, PhD, MS  
Non-executive Chairman  
Chris Gibson-Smith joined British Land as a non-executive director in January 2003 and was appointed Non-executive Chairman in January 2007. He is Chairman of the London Stock Exchange, a Trustee of Arts and Business, a Governor of London Business School and a non-executive director of Qatar Financial Centre Authority. Formerly he was a Group Managing Director of BP p.l.c. and until 2005 he was Chairman of National Air Traffic Services Limited and a non-executive director of Lloyds TSB Group plc, and is a past Trustee of the Institute of Public Policy Research.
  
- **Chris Grigg** (49)  
Chief Executive  
Chris Grigg joined British Land as Chief Executive on 12 January 2009. He was Chief Executive of Barclays Commercial Bank until November 2008, having joined the bank in 2005 as Group Treasurer. Prior to Barclays, he held a broad range of leadership positions at Goldman Sachs, where his career spanned 20 years. He rose to partner of Goldman Sachs, working principally in its capital markets and derivatives business.
  
- **Andrew Jones** (40) BSc (Hons), MRICS  
Head of Retail  
Andrew Jones joined British Land in July 2005 after the Company's acquisition of Pillar Property PLC. He was appointed to the Executive Committee in August 2005 and elected as an executive director in July 2006. He joined Pillar in 1995, becoming an executive director in 2002 with responsibilities for shopping centres, retail park investment and asset management. At British Land he is Head of Retail and is also responsible for the Retail Fund advisory roles.
  
- **Graham Roberts** (50) BA, FCA  
Finance Director  
Graham Roberts joined British Land in January 2002 as an executive director and was appointed Finance Director in March 2002. Prior to joining British Land in 2002, he spent eight years at Andersen, latterly as a partner specialising in real estate. He is a non-executive director of Balfour Beatty plc and is a member of the Management Board of EPRA, the European Public Real Estate Association.
  
- **Tim Roberts** (44) BSc (Hons), MRICS  
Head of Offices  
Tim Roberts joined British Land in 1997, was appointed to the Executive Committee in August 2005 and elected as an executive director in July 2006. At British Land he was appointed Joint Head of Asset Management in 2002 with responsibilities including investment sales and purchases. He has responsibility for the Office and 'Other' sectors of the Company's portfolio. Before joining British Land he was a partner at Drivers Jonas, in the Investment Agency team.
  
- † **Clive Cowdery** (46)  
Non-executive Director  
Clive Cowdery was appointed a non-executive director of the Company in May 2007. He is the founder of Resolution, a company formed in 2003. He was previously Chairman and Chief Executive of GE's European primary insurance operations. Before joining GE in 1998 he co-founded Scottish Amicable/J. Rothschild International Assurance. He is also Chairman of the charity, The Resolution Foundation.

- \* **Kate Swann** (44)  
Non-executive Director  
Kate Swann was appointed a non-executive director of British Land in April 2006. She is Chief Executive of WH Smith PLC. Before joining WH Smith she had been Managing Director of Argos Ltd, within GUS plc, from 2000 and before that Managing Director of Homebase, within J Sainsbury plc. She began her career in marketing at Tesco and went on to hold senior marketing roles with Homepride Foods, Coca-Cola and Dixons. She will not be standing for re-election at the 2009 Annual General Meeting.
  
- † **Robert Swannell** (58) FCA  
Non-executive Director  
Robert Swannell was appointed a non-executive director of British Land in 1999. He is a Senior Adviser of Citi Europe, Chairman of HMV Group plc, a non-executive director of 3i Group PLC and a member of the Takeover Appeal Board.
  
- \*† **Lord Turnbull** (64) KCB, CVO  
Non-executive Director  
Andrew Turnbull was appointed a non-executive director of the Company in April 2006. He retired in July 2005 as Secretary of the Cabinet and Head of the Home Civil Service, 2002-05. He was Permanent Secretary of HM Treasury, 1998-2004; and before that Permanent Secretary at the Department of the Environment, 1994-1998. He entered the House of Lords in 2005. He is a non-executive director of Prudential PLC, Frontier Economics Ltd and a Council Member of the National Institute of Economic and Social Research. He is Chairman of Brevan Howard Global Limited. He is also a part-time Adviser to the London Partners of Booz & Co.
  
- † **Aubrey Adams** (59)  
Non-executive Director  
Aubrey Adams was appointed a non-executive director in September 2008. He was until May 2008 Chief Executive of Savills PLC. He is Non-executive Chairman of Air Partner and was formerly Senior Non-executive Director, Associated British Ports. He is a non-executive director of Unitech Corporate Parks which is a business focused on Indian Real Estate Investment. He is Chairman of Adventis Group plc and Chairman of Max Property Group plc. He is also a Trustee of the Wigmore Hall.
  
- \* **John Gildersleeve** (64)  
Non-executive Director  
John Gildersleeve was appointed a non-executive director in September 2008. He is Chairman of Carphone Warehouse Group where he has been a non-executive director since 2000. He joined the Board of EMI Group in February 2004 when he also became Deputy Chairman and Senior Independent Non-executive Director. In January 2007 he was appointed Non-executive Chairman of EMI Group which position he held until the UK music group's purchase by private equity in 2007. Until February 2004, he was the Commercial & Trading Director of Tesco Plc. He joined Tesco in 1965 and became an Executive Director in 1984. He was formerly Chairman of Gallaher Group and a non-executive Director of Lloyds TSB Bank Plc from 1994-1997 and Vodafone Group from 1998-1999.

### Secretary

**Anthony Braine** LLB, FCIS

### Honorary President

**Sir John Ritblat** FRICS, Hon FRIBA

Sir John became Managing Director of British Land in 1970 and Chairman in 1971. He retired from the Board in December 2006 and was appointed Honorary President.

■ Member of the Executive Committee

† Member of the Audit Committee

\* Member of the Remuneration Committee

● Member of the Nomination Committee

## Corporate Governance

### Statement of compliance with the Code of Best Practice

The Company has complied throughout the year with the Provisions of The Combined Code on Corporate Governance 2006. Chris Gibson-Smith performed the role of interim Executive Chairman from 17 October 2008, following the resignation of Stephen Hester, until 12 January 2009, when Chris Grigg was appointed Chief Executive. Although the Combined Code recommends that the roles of the Chairman and Chief Executive should not be exercised by the same individual, the Board does not consider that Chris Gibson-Smith's performance of both roles on an interim basis constituted a breach of the Combined Code.

### Board effectiveness

The Board is responsible for the strategy, effective control and management of the Group. There is a written division of responsibilities at the head of the Company between the Chairman and Chief Executive, which has been approved by the Board. There is a formal schedule of matters specifically reserved for Board approval, which includes approval of the annual and quarterly accounts, the approval of authority levels below the Board and material acquisitions, disposals and financing arrangements. The Board delegates authority to the Approvals Committee of the Board, which consists of the executive directors of the Company, in respect of certain transactions within defined, limited parameters. The Board has a regular schedule of meetings together with further meetings as required by the ongoing business of the Company. The executive directors and senior executives who comprise the Executive Committee meet weekly, chaired by the Chief Executive, to deal with the ongoing management of the Group.

The Chairman of the Board and individual directors meet regularly, outside formal Board meetings, as part of each director's continuing contribution to delivery of the Company's strategy and superior returns for shareholders. This process also allows for open two-way discussion about the effectiveness of the Board, its committees and individual directors, both executive and non-executive. By this means the Chairman is continuously aware of the views of individual directors and can act as necessary to deal with any issues relating to Board effectiveness before they can become a risk to the Company.

There is a strong and independent non-executive element on the Board as shown by the details of directors on page 56.

### British Land Board performance evaluation

This year, Dr Long of Boardroom Review acted as an independent facilitator for the Board evaluation process. This was designed to assess the quality of the Board's decision making and debate, its overall contribution and value to the long-term health and success of the Company, and its preparation for future challenges. It included a confidential questionnaire, one-to-one interviews with each Director and the Company Secretary, Board and Committee meeting observation and a review of relevant papers. Feedback from the review was provided in the form of a written report and presentation to the Board, which then discussed its findings. The review concluded that the British Land Board rates very highly in its effectiveness and engagement with the Company. Given the Board's desire for continuous improvement, there were a number of issues arising from the review

which affect the Board's capacity for effectiveness in the longer term. The review's recommendations focused on sustained efforts to determine, refine and adapt the strategic direction, to understand and respond to the external environment and to improve the collective decision process through effective use of the Board's time.

The annual appraisal process also includes the Senior Independent Non-executive Director meeting to discuss the performance of the Chairman with other directors annually, or more frequently as necessary. In addition, the Chairman meets with each non-executive director annually to discuss their contribution and the Chairman provides the Remuneration Committee with a written appraisal of the Chief Executive's performance for the year. Similarly, the Chief Executive provides the Remuneration Committee with a written assessment of the executive directors' performance.

### Committees of the Board

The Board has established Audit, Remuneration and Nomination Committees which operate within defined terms of reference, which are made available on the Company's website [www.britishland.com](http://www.britishland.com) and their minutes are circulated to the Board. The Audit and Remuneration Committees are entirely composed of independent non-executive directors. Robert Swannell is the Senior Independent Non-executive Director.

### Attendance at Board or Committee meetings during the year to 31 March 2009

(where '-' is shown, the director listed is not a member of the Committee)

Name	Board	Audit Committee	Remuneration Committee	Nomination Committee
Chris Gibson-Smith	9	-	-	1
Chris Grigg <sup>1</sup>	4	-	-	-
Stephen Hester <sup>2</sup>	3	-	-	-
Clive Cowdery	8	4	-	-
Andrew Jones	9	-	-	-
Sir David Michels <sup>3</sup>	1	2	2	-
Graham Roberts	9	-	-	-
Tim Roberts	9	-	-	-
Kate Swann	9	-	6	-
Robert Swannell	9	5	-	1
Aubrey Adams <sup>4</sup>	7	2	-	-
John Gildersleeve <sup>5</sup>	7	-	3	-
Lord Turnbull	9	4	6	1
<b>No. of meetings during the year</b>	<b>9</b>	<b>5</b>	<b>6</b>	<b>1</b>

<sup>1</sup> Four Board meetings held since Board appointment on 12 January 2009

<sup>2</sup> Four Board meetings held during Board membership to 15 November 2008, the date of cessation

<sup>3</sup> Two Board meetings and two Audit Committee and two Remuneration Committee meetings held during Board membership to 11 July 2008, the date of cessation

<sup>4</sup> Seven Board and two Audit Committee meetings held since Board appointment on 1 September 2009

<sup>5</sup> Seven Board and three Remuneration Committee meetings held since Board appointment on 1 September 2009

### Nomination Committee

The Nomination Committee's responsibilities include making recommendations to the Board on all new Board appointments and succession planning. It consists of Chris Gibson-Smith, Lord Turnbull and Robert Swannell.

The Nomination Committee during the year has considered the appointment of the new Chief Executive and also succession planning, the structure, size and composition of the Board and its committees, the recommendations to the Board of directors retiring by rotation for re-election by shareholders and the renewal of non-executive directors' letters of appointment.

### Remuneration policy and Committee

Details of the Group remuneration policy and Committee are set out in the remuneration report on pages 62 to 71.

### Audit Committee

The Audit Committee meets regularly during the year aligned to the quarterly financial reporting timetable. During the financial year it met on five occasions. It has been chaired by Robert Swannell throughout the year and includes three other non-executive directors, Clive Cowdery, Lord Turnbull and Aubrey Adams (appointed 1 September 2008). The Committee's responsibilities include:

- monitoring the integrity of the financial statements of the Company and any formal announcements relating to the Company's financial performance;
- reviewing the Company's internal financial controls and the Company's internal control and risk management systems;
- monitoring and reviewing the effectiveness of the Company's internal audit function;
- making recommendations to the Board in relation to the appointment of the external auditor and approving the remuneration and terms of engagement of the external auditor;
- reviewing and monitoring the external auditor's independence, objectivity and effectiveness;
- reviewing and monitoring the valuation process; and
- developing and implementing policy on the engagement of the external auditor to supply non-audit services, taking into account relevant ethical guidance.

The Audit Committee has undertaken each of the above responsibilities during the year on which it has received and reviewed relevant reports from management, the valuers, the internal and the external auditors. It has agreed a schedule of internal audit reviews of various of the Group's processes and controls to be undertaken, and has reviewed the results of those reviews already completed.

Areas reviewed by the committee during the financial year included the:

- Group's key risks by priority and their mitigations;
- annual report on Internal Control prepared to support the Board sign-off on the systems of internal control within the Group;
- valuation processes, particularly with regard to the effect of current market conditions on the pricing of assets, and estimates for development properties. This included valuer and internal property analyst presentations to the Committee;
- monitoring of processes and procedures in place to ensure the Board is able effectively to assess borrowing covenant compliance headroom and forecast sensitivity;
- Group's exposure to bank counterparties arising from syndicated and bilateral loan facilities, deposits and interest rate swap derivatives;
- tenant credit risk for top occupiers representing over 50% of Group rental income;
- treasury processes including cash management, electronic payments and trades;
- occupational health and safety management;
- corporation tax;
- Songbird investment valuation;
- corporate and property insurance programme and renewal process; and
- documentation policy and summary of business documentation.

### Rotation of directors

Under the Articles of Association of the Company, each director retires at the third Annual General Meeting ('AGM') after the general meeting at which he was last elected.

### Non-executive directors

The Board considers that Aubrey Adams, Clive Cowdery, John Gildersleeve, Kate Swann, Robert Swannell and Lord Turnbull are independent non-executive directors. In making this determination the Board has considered whether each director is independent in character and judgement and whether there are relationships or circumstances which are likely to affect, or could affect, the director's judgement. The Board believes that it is evident from consideration of the non-executive directors' biographies detailed on page 56 that they are of the integrity and stature to perform their roles of independent non-executive directors. In particular the Board considers that Robert Swannell remains independent although he has served over nine years on the Board. This was concluded after considering his integrity and the effectiveness with which he carries out his responsibilities to the Company. In addition, in a Board where many have joined the Company relatively recently, Mr Swannell provides a valuable continuity of knowledge and experience to the benefit of the Company.

The terms and conditions of appointment of non-executive directors are available for inspection at the Company's registered office and at the AGM.

### Internal Control

The directors are responsible for the maintenance of a sound system of internal control. The Board continues to apply the internal control provisions of The Combined Code on Corporate Governance (the Code) through a continuous process for identifying, evaluating and managing the significant risks the Group faces. This process has been in place throughout the year and up to the date of approval of this report, and the Group has been in compliance with the provisions set out in Section 1 of the Code. The Board is responsible for the Group's system of internal control and for reviewing its effectiveness. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Group applies two fundamental control principles:

- a defined schedule of matters reserved for decision by the Board; and
- a detailed authorisation process which ensures that no material commitments are entered into without competent and proper authorisation by more than one approved executive.

In compliance with the provisions of the Code, the Board continuously reviews the effectiveness of the Group's system of internal control. The key risks that the Group faces and features of the internal control system that operated throughout the period covered by the accounts are described below:

### Identification and evaluation of commercial risks and related control objectives

British Land has undertaken a comprehensive risk assessment, which has identified 10 principal risks that affect the Group. The responsibility for management of each key risk has been clearly identified and delegated by the Board to specific executive directors and senior executives within the Group. The executive directors have close involvement with the day-to-day operational matters of the Group. In addition to the meetings of the Board frequent meetings of the executive directors take place to review the Group's activities.

The Board and the executive directors consider the risk implications of business decisions. These include matters such as treasury policies and major transactions. The control environment is supported by the various committees of the Board including the Audit Committee, the Corporate Responsibility Committee and the Derivatives Committee. The way each risk is managed within the Group is considered at least annually by the executive directors and the Audit Committee. The Group re-assesses these risks on a regular basis to ensure that any risk arising from changes in the Group's operations or the external environment are identified and appropriately managed.

In order to provide relevant and timely information to the directors and executives with responsibility for managing risks, the Group has the following key information systems which generate reports as follows:

- a management reporting system which includes regular working capital reports and forecasts; operational reporting on property purchases, sales, rental income and portfolio management; and
- regular reporting to the Board on financial and treasury matters.

### Monitoring

The Audit Committee meets regularly throughout the year and has reviewed the Group's internal controls. The Audit Committee has agreed a schedule of internal audit reviews of several of the Group's processes and controls to be undertaken, and has reviewed the results of those reviews already completed. The Head of Internal Audit reports directly to the Audit Committee.

### Investor Relations

The directors place considerable importance on maintaining open and clear communication with investors. The Company's Investor Relations department is dedicated to facilitating communication with shareholders. The Company has an ongoing programme of dialogue and meetings between the executive directors and its shareholders, where a wide range of relevant issues including strategy, performance, the market, management and governance are discussed within the constraints of the information already known to the market. In addition, the Company undertakes regular roadshows to the US, Europe and Japan and participates in sector conferences.

The directors consider it is important to understand the views of shareholders, and at each scheduled Board meeting the directors receive a written report of the major issues which have been raised with management. Meetings are also held between shareholders and the Senior Independent Non-executive Director and other non-executive directors, and the Company facilitates such meetings on request.

During the course of a year, shareholders are kept informed of the progress of the Company through results statements and other announcements that are released through the London Stock Exchange and other news services. Company announcements and presentations are made available simultaneously on our website, affording all shareholders full access to material information. Shareholders can also raise questions directly with the Company at any time through a facility on the website.

Additionally, there is an opportunity at the AGM for individual shareholders to question the Chairman and the Chairmen of the Audit, Remuneration and Nomination Committees. At the meeting, the Company complies with the Code as it relates to voting, including votes withheld, the separation of resolutions, the attendance of committee chairmen and voting by poll. The Annual Report and Notice of Meeting are sent to shareholders at least 20 working days prior to the AGM. The voting results are announced to the London Stock Exchange and are available on the website and on request. In July 2008, all AGM resolutions were passed on a poll and were approved by substantial majorities in excess of 96% in each case.

### Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Business Review on pages 12 to 40. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Business Review on pages 30 to 35. In addition on pages 33 and 34 the Group's financing policy is shown.

The current economic conditions have created a number of uncertainties with regard to future market valuation movements which may affect the Group's ability to remain within the covenants for its unsecured banking facilities, details of which are included on pages 34 and 35. The Group has considerable undrawn debt facilities and cash deposits in excess of current drawn banking facilities. It also benefits from a diverse and secure income stream from leases with long average lease terms. As a consequence, the directors believe that the Group is well placed to manage its business risks satisfactorily despite the current uncertain economic outlook.

Accordingly, after making enquiries, the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

### Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report, remuneration report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. The directors are required by the IAS Regulation to prepare the Group financial statements under IFRS as adopted by the European Union. The Group financial statements are also required by law to be properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation.

International Accounting Standard 1 requires that IFRS financial statements present fairly for each financial year the Company's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the preparation and presentation of financial statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRSs. However, directors are also required to:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information; and
- provide additional disclosures when compliance with the specific requirements in IFRS are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.

The directors have elected to prepare the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The parent company financial statements are required by law to give a true and fair view of the state of affairs of the Company. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the parent company financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

### **Auditors and valuers**

The Audit Committee meets with the auditors and valuers to discuss with them the scope and conclusions of their work. The Committee is specifically charged under its terms of reference with considering matters relating to the audit appointment, the independence and objectivity of the auditors, and reviewing the results and effectiveness of the audit. With respect to other services provided by the auditors the following framework is in place:

- audit related services – the auditors are one of a number of firms providing audit related services, which include formal reporting relating to borrowings, shareholder and other circulars and various other regulatory reports and work in respect of acquisition and disposals. Where they must carry out the work because of their office or are best placed to do so, the auditors are selected. In other circumstances the selection depends on which firm is best suited;
- tax advisory – the auditors are one of a number of firms that provide tax advisory services. The selection depends on who is best suited in the circumstances; and
- general consulting – the auditors do not provide general consultancy services except in rare circumstances, and then only after consideration that they are best placed to provide the service and that their independence and objectivity would not be compromised.

An analysis of fees paid to the auditors is set out in note 5 on page 80.

The arrangements with auditors and valuers have been approved by the Audit Committee and are regularly reviewed in the light of changing requirements and best practice.

# Remuneration Report

## Unaudited information

The Remuneration Committee comprises Lord Turnbull, Chairman of the Committee, Kate Swann and John Gildersleeve. Sir David Michels chaired the Committee until his departure from the Company on 11 July 2008. John Gildersleeve joined the Committee after joining the Company on 1 September 2008. The Committee's Terms of Reference are available on the Company's website.

The Remuneration Committee took advice during the year from Strategic Remuneration, Chris Gibson-Smith, Stephen Hester, Chris Grigg, and Anthony Braine. The Committee has retained Alan Judes as its independent adviser throughout the year via his consultancy, Strategic Remuneration. A copy of the letter of engagement between the Company and Strategic Remuneration is on the Company's website. Strategic Remuneration also gave advice to the Company on personnel and share plan matters.

## Statement of Company's policy on directors' remuneration

British Land is an industry leader and ranked in the FTSE100 Companies. The Company's goal is to achieve sustained outperformance for shareholders. The business model is people light and asset heavy – it leverages the work, skill and judgement of a relatively small staff over a large value of assets.

To accomplish British Land's performance goals the Company targets a high performance, open and meritocratic culture where people are motivated individually and as a team to outperform competitors, subject to maintenance of quality and security.

It is important that pay policy reinforces the Company's goals, providing effective incentives for exceptional Company, team and individual performance with significant upward and downward variability.

As well as providing motivation to perform, pay plays an important retention role and hence needs to be competitive with alternative employment opportunities. This is particularly so as British Land's demands on staff are high and there is a scarcity value on proven performers.

It is also important to have strong alignment of management incentives with measures that matter to British Land's shareholders and with shareholder returns via share ownership.

The policy is to set basic salary and benefits at norms broadly consistent with the Company's FTSE position with appropriate variance for specialist positions, but to provide Annual Incentive and Long-Term Incentive levels that would move total pay above median towards upper quartile if performance so merits.

Directors' remuneration packages comprise a fixed part consisting of a basic salary and benefits together with an annual incentive, matching share plan and long-term incentive plans.

The total pay position is analysed by looking across each of the different elements of pay: basic salary and benefits, annual incentive awards and long-term incentives. This provides the Committee with a total remuneration view rather than just the competitiveness of the individual pay elements and may vary widely to correspond to the need of the role and the performance delivered.

In using salary and other remuneration data the Committee is mindful of not unnecessarily ratcheting up the remuneration levels, while properly incentivising performance and being able to attract and retain the best people. The Committee also has regard to economic factors, remuneration trends and the level of pay increases throughout the Company when determining directors' pay.

A new Chief Executive was appointed in January 2009, who is reviewing the strategy of the Company. Depending upon the outcome of that review, the Committee will assess its existing policy for annual and long-term incentive arrangements to ensure that they fully support the corporate strategy. It is possible that changes in remuneration policy will be brought to the attention of shareholders in 2010.

## (i) Basic salary and benefits

Basic salary and benefits in kind for each director are reviewed annually by the Remuneration Committee, taking account of the director's performance and responsibilities.

The Committee considers basic salary levels against two peer groups. For roles where corporate size and scope characteristics drive duties, basic pay levels and recruitment sources, a peer group of major UK companies across market sectors with a median market capitalisation broadly comparable to British Land is used to establish basic salary levels.

For other posts, the Committee will look at pay levels in other organisations such as agents, fund managers or with comparably sized support functions to match with roles of comparable speciality, scope and responsibility to those within British Land. This reflects the 'people light and asset heavy' business model.

Basic salaries are targeted around the median of the relevant peer group in both cases. The Company utilises pay surveys from time to time to ensure pay is correctly positioned against the market. Appropriate increases are made to base salary to reflect individual merit and remain competitive with the market.

## (ii) Annual incentive plan

The annual incentive plan consists of an amount payable to directors reflecting Company performance and the individual's contribution during the preceding year. One third of the annual incentive is paid in fully vested shares subject to a three year holding requirement under the Company's Matching Share Plan described below.

For 2009/10 the 'On Target' award level for the Chief Executive continues to be 90% of salary with a maximum award of 180% of salary. 'On Target' award levels for the other executive directors are 75% of base salary with a maximum of 150% of salary. The awards are not contractual and are not pensionable. These levels are unchanged from the previous year.

The Remuneration Committee's approach to setting annual incentives is two-fold. Each individual's performance is considered in relation to the goals agreed for their specific areas of responsibility, such as:

- the success of purchases and sales
- the value added from development activity
- lettings and rent reviews
- asset management activities
- capital markets activities
- control over the Group's finances and accounts
- management of administrative services and human resources.

The Committee also considers team contributions made by each individual to overall corporate performance, using as external indicators:

- total NAV based return relative to property majors and relevant indices
- property returns relative to IPD
- rental growth from reviews and new lettings relative to ERV and sector norms
- operating costs as a percentage of rents and assets against prior year and property majors
- underlying EPS relative to prior year, to forecast and to other property majors.

These factors are then aggregated by the Committee into individual annual incentive awards on a subjective basis rather than by an over-rigid mathematical formula, though supported by the objective individual data points to provide a fair and appropriate award to each individual.

The performance during the year ended 31 March 2009 against the Company's targets has exceeded that of the previous year in both quantitative and qualitative terms. The quantitative measures are:

- *Total Shareholder Return.* Relative performance was ahead of all the property majors.
- *Accounting Return.* This was below median which was disappointing.
- *EPS relative to prior year, forecast and other property majors.* At the calendar year end British Land's EPS growth was ahead of the major comparator companies and forecast to be above median of our peers for the year as a whole. The Company's returns benefited by having started deleveraging earlier and so sales were at lower yields than others achieved. Higher occupancy rate and lower overheads also contributed.
- *Rental income growth above ERV and IPD.* Rental income growth on a like-for-like basis was ahead of the IPD and key competitors.
- *Operating costs as a percentage of rent and NAV compared with prior year and property majors.* Operating costs including property outgoings as a proportion of gross rents were substantially below our nearest competitor. Operating costs were approximately 1% of portfolio value.

The qualitative performance measures assessed by the Committee include the following:

- *De gearing and disposals.* The past year has been an exceptional year of achievement in qualitative terms for the Company in the context of the strategy for the year and what has been possible in the market. £1.7bn of sales were achieved in a year when there were months when the market went no bid.
- *Development Programme.* The UK development pipeline is still on target. The Leadenhall decision improved gearing and the risk profile.
- *Management Renewal.* The extensive process of management renewal continued successfully in 2008/9. The departure of Stephen Hester was sudden and unexpected but there was a seamless transition with Chris Gibson-Smith stepping up to the position of Executive Chairman and overseeing the recruitment of Chris Grigg before stepping down again to his regular non-executive Chairman role.
- *Company reputation.* It has been a very difficult year in the banking and property markets, but the balance sheet and finances of the Company are in good shape to withstand further market turmoil.

However, this performance was against a background of significant falls in property values across the economy as a whole and during the year the Committee has noted the absolute decline in the share price, even though the Company provided relative outperformance. The Committee determined that in light of the negative total return, a reduction in annual incentives as a percentage of salary and as a percentage of maximum payable was appropriate. Reflecting these factors, the bonus was in aggregate for the executive directors set at 50% of the maximum provided by the scheme (60% in 2007/8).

### **(iii) The Matching Share Plan**

The Matching Share Plan is targeted at Executive Committee members (and, by invitation, other key senior contributors to the Company or members of its Group). It is intended to incentivise and retain senior executives, ensure that such executives are not focused exclusively on short-term performance and, accordingly, increase the alignment of their interests with those of the shareholders.

For those individuals who are eligible to participate in the Matching Share Plan, one third of their after tax annual incentive (or such other after tax proportion as the Committee may agree) is delivered in British Land shares.

Participants are eligible to receive an award of free shares benchmarked by reference to the number of shares equal in value to the gross amount of their Deferred Annual Incentive on the date such Deferred Annual Incentive was declared. The receipt of that Award is subject to (i) the Annual Incentive Shares being held by the Trustees for a three year period, (ii) the participant remaining an employee or officer of a Group company at the end of that time, and (iii) certain performance conditions being satisfied.

The Matching Share Award is divided into two parts. One part is based on total shareholder return (the 'TSR Part'). The other on the growth in the Company's earnings per share (the 'EPS Part').

The combined maximum amount of shares that can be delivered to a participant pursuant to a Matching Share Award cannot exceed 200% of the number of their Notional Annual Incentive Shares for any relevant year.

As regards the TSR Part, if the total shareholder return over the Performance Period is less than the median of a comparator group of UK property companies, no Matching Share Award will vest for participants in relation to the TSR Part. If the TSR is equal to the median, a Matching Share Award equal to 35% of each participant's number of Notional Annual Incentive Shares vests in relation to the TSR Part. For every 1% that the TSR exceeds the median, each participant's Matching Share Award in relation to the TSR Part is increased by an amount equal to 16.25% of that participant's number of Notional Annual Incentive Shares, subject to a maximum amount under the TSR Part equal to 100% of that participant's number of Notional Annual Incentive Shares.

The comparator group of UK property companies currently consists of Brixton PLC, Great Portland Estates PLC, Hammerson PLC, Land Securities Group PLC, Liberty International PLC and SEGRO plc.

As regards the EPS Part, if the increase in the underlying earnings per share of the Company during the Performance Period is less than 4% per annum (the 'Growth Requirement'), no Matching Share Award vests for participants in relation to the EPS Part. If the increase in EPS is equal to the Growth Requirement, a Matching Share Award equal to 35% of each participant's number of Notional Annual Incentive Shares will vest in relation to the EPS Part. For every 1% per annum that the EPS exceeds the Growth Requirement, each participant's Matching Share Award in relation to the EPS Part shall be increased by an amount equal to 21.67% of that participant's number of Notional Annual Incentive Shares, subject to a maximum amount under the EPS Part equal to 100% of that participant's number of Notional Annual Incentive Shares.

The TSR and EPS conditions have been selected to complement the net asset based LTIP vesting criteria and ensure a balanced alignment of interest with the key financial measures most used by shareholders. The vesting scales have been designed to reward outperformance – in the case of TSR, by reference to competitors – in the case of EPS, by reference to growth rates achieved and expected to be achieved by major competitors which also represents a premium to expected long-term rental growth rates in the economy from which EPS growth in property companies is derived and challenging in the light of current economic prospects in the Company's core markets.

Hewitt Associates undertakes the TSR performance measurement and submits a report to the Company advising the results for each specific award. The Committee requests external adviser sign-off for performance measures as part of its oversight procedures.

#### **(iv) Long-Term Incentive Plan ('LTIP')**

The LTIP permits the award of market value options and/or performance shares, as may suit the Company from time to time. The option section of the Plan comprises an Inland Revenue approved part and an unapproved part. Under the Plan, the Company

may award a maximum notional value of 250% of base salary in performance shares each year or the equivalent value of base salary in options each year (the latter under current estimations being valued at 25% of their exercise price). The annual limit is set with both the options and performance shares components of the Plan taken together. The split of the awards made each year between performance shares and options may be varied between 0% and 100% at the discretion of the Remuneration Committee. The Remuneration Committee's current policy is to make awards of up to a maximum of 200% of salary for executive directors and 250% of salary for the Chief Executive.

Grants made under the Plan are subject to a prescribed performance condition upon which the exercise of options and the vesting of performance shares will be contingent except that grants may be made without any performance condition if required to facilitate the recruitment of a new executive.

The performance condition attaching to options and share awards measures the growth in the Company's net asset value per share against the capital growth component of the Investment Property Databank Annual Index, over a performance period of three years commencing the year in which the options and share awards are granted. Growth in the Company's net asset value per share must exceed that of the Index for a minimum proportion of the options to be exercised and/or performance shares to vest. Stretching outperformance is required for the entire award to vest. Growth in the Company's net asset value per share is a key measure of performance over the longer term and highly relevant for LTIP performance measurement.

The performance hurdles for directors' LTIP awards are:

Percentage by which the average annual growth of British Land's Net Asset Value per Share exceeds the average annual increase in the capital growth component of the Investment Property Databank Annual Index	Percentage vesting
4.5% or more	100%
3.5% or more but less than 4.5%	80%
2.5% or more but less than 3.5%	60%
1.5% or more but less than 2.5%	40%
0.5% or more but less than 1.5%	20%
more than 0% but less than 0.5%	10%
0% or less	0%

The Committee reviews these performance conditions on a regular basis to ensure they are both sufficiently stretching and remain relevant to the Company's strategic objectives. Hewitt Associates undertakes the performance measurement and submits a report to the Company advising the results for each specific award.

#### **(v) Fund Managers Performance Plan**

The Performance Plan is designed to incentivise executives who operate the 'Company advised' Unit Trusts and the British Land owned portfolios. The Performance Plan is intended to incentivise and retain the top fund managers by rewarding outperformance and to align the interests of those executives with investors in the Unit Trusts and the Company. The Company is one of the largest investors in those Unit Trusts.

Following the end of each financial year, up to a maximum of 30% of the annual performance fees earned by the Unit Trusts is set aside to provide incentives under the Performance Plan (the 'Incentive Pool'). As agreed with shareholders in 2008, a comparative notional pool is also calculated for the purposes of incentivising executives managing internal portfolios. At present, the Committee only expects awards to be made equal to 25% of the annual performance fees with the balance representing a reserve to be drawn upon if fund activity expands. The Committee may in its absolute discretion grant, and recommend that the Trustees grant, awards under the Performance Plan.

Some 20% of the value of any award under the Performance Plan is paid as a cash bonus. The remaining 80% of the value of any award is delivered in the form of free shares in the Company (the 'Share Award'). The Share Award vests in three equal annual tranches. The first tranche vests, and the shares comprised in that tranche are delivered, on the first anniversary of the award date. The second and third tranches vest, and the shares comprised in those tranches are delivered, annually thereafter. No further performance conditions need to be satisfied in order for a Share Award to vest. However, to the extent that performance fees (by reference to which the Incentive Pool was calculated) are 'clawed back' due to subsequent Fund underperformance, a pro rata proportion of all unvested awards for that year cease to vest. In addition, each tranche of a Share Award will normally only vest if the recipient of that Share Award is an employee or officer of a Group company on the relevant vesting date and has not given notice of intention to resign.

In general, no single award under the Performance Plan will represent more than 25% of the Incentive Pool. However, the Committee may in its absolute discretion grant, and recommend that the Trustees grant, awards with a higher value. In addition, the Committee may in its absolute discretion make, and recommend that the Trustees make, awards to employees who work outside of the fund management group. Such awards would be based on contribution to fund activity and would represent, in total, no more than 20% of the Incentive Pool.

It is important that Performance Plan recipients also remain focused on the Company's overall performance, and indeed many of them have broader responsibilities in that regard. They therefore remain eligible for the Company's other share-based award schemes. However, in line with practice at other companies and in order to avoid excessive overall awards, the combined value of awards in any year for a participant under both the Performance Plan and the LTIP will be the higher of (i) the value of their Performance Plan award plus an award equal to 20% of what would otherwise have been the value of their LTIP award, and (ii) 100% of the value of their LTIP award, or such other combined value as the Committee may determine in its absolute discretion from time to time.

**Minimum Shareholding Guideline**

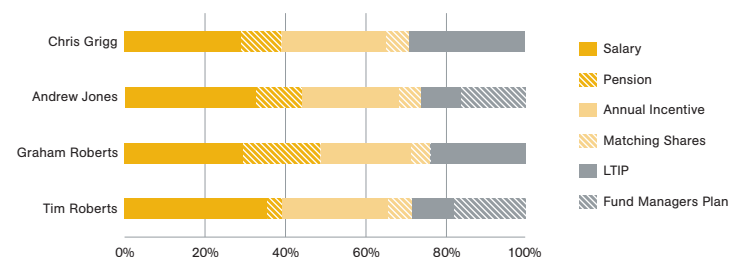
The Director's Minimum Shareholding Guideline requires approximately 200% of base salary to be held in vested shares by the Chief Executive and 125% for other executive directors. There is no set timescale required to reach the target but this should be achieved through the regular additions anticipated by Annual Incentive and Long-Term Incentive Plan awards. No purchases are required either to reach the level or to respond to share price falls but directors are expected to increase their holding of shares each year until the target is attained. The number/value of shares required as the target is fixed once a year. Shares included are those beneficially owned, Co-Investment Plan holding, Matching Shares purchased with bonus and Share Incentive Plan holdings. Shown below is the guideline fixed for the year to 31 March 2010:

	Guideline Holding	Current Holding
Chris Grigg	443,520	485,000
Andrew Jones	147,262	99,281
Graham Roberts	162,162	232,651
Tim Roberts	138,600	83,856

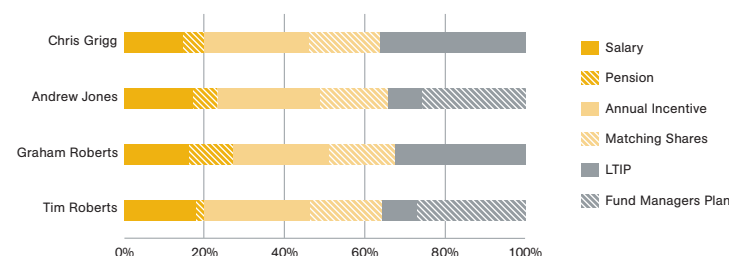
**Fixed/variable pay analysis**

The following summarises the annual package and relative importance of its components for each executive director. The analysis prepared by Strategic Remuneration shows the estimated 'expected' value of variable compensation. This takes account of vesting periods and related performance conditions.

**Distribution of total 'On Target' Annual Remuneration**



**Distribution of total maximum Annual Remuneration**



### Performance graph

The graph below is prepared in accordance with The Directors' Remuneration Report Regulations 2002. It shows the Company's total return and that of the FTSE Real Estate Sector Total Return Index for the five years from 1 April 2004 to 31 March 2009.

The FTSE Real Estate Sector Index was chosen because that is where the shares of the Company are classified. Hewitt Associates prepared the graph based on underlying data provided by Datastream.

**The British Land Company PLC Total Return Index vs. FTSE Real Estate Sector Total Return Index for the period 1 April 2004 to 31 March 2009 (rebased as at 1 April 2004)**



### Directors' contracts

The policy of the Company is to have service contracts with notice periods of one year. It is sometimes necessary when recruiting a new director to give a service contract with an initial term of longer than one year. In such circumstances it is the policy of the Company that the notice period should reduce to one year after an initial period of service.

The Company applies the principle of mitigation in the event of early termination of service contracts.

Chris Grigg has a service contract dated 19 December 2008, Graham Roberts has a service contract dated 19 November 2001, Andrew Jones has a service contract dated 17 April 2007 and Tim Roberts has a service contract dated 14 November 2006, all of which provide for one year's notice.

Stephen Hester had a contract dated 26 July 2004 which provided for one year's notice. All of his entitlements to outstanding share awards and options lapsed on his departure.

There are no further provisions for compensation payable on termination of service contracts of directors. There has been no compensation paid to departing directors during the year.

### Executive directors' fees

Stephen Hester was appointed as non-executive Deputy Chairman of Northern Rock plc on 22 February 2008 and resigned on 1 October 2008. His remuneration from Northern Rock for this role and period was £70,000. Stephen Hester retained his Northern Rock remuneration for his period as non-executive Deputy Chairman.

Graham Roberts was appointed a non-executive director of Balfour Beatty PLC on 1 January 2009. It is intended that Mr Roberts will retain his Balfour Beatty remuneration of £56,000 p.a.

### Non-executive directors

The remuneration of the non-executive directors is a matter for the executive members of the Board. Their remuneration comprises a standard director's fee, a fee for additional responsibilities and an attendance fee based on the number of meetings attended during the year. The remuneration provided takes into account the level of responsibility, experience and abilities required and the marketplace for similar positions in comparable companies.

**Audited information****Directors' emoluments**

	Salary <sup>1</sup> £	Annual bonus £	Benefits £	2009 Total (excluding pensions) £	Salary £	Annual bonus £	Benefits £	2008 Total (excluding pensions) £
<b>Chairman</b>								
Chris Gibson-Smith	397,826			<b>397,826</b> <sup>7</sup>	300,000			300,000
<b>Executive directors</b>								
Chris Grigg	178,787	178,787 <sup>2</sup>	5,747	<b>363,321</b> <sup>6</sup>				
Stephen Hester	536,280		17,504	<b>553,784</b> <sup>3</sup>	820,000	984,000	27,636	1,831,636
Andrew Jones	425,000	350,000 <sup>2</sup>	20,244	<b>795,244</b>	390,000	325,000	19,954	734,954
Graham Roberts	391,500	240,000 <sup>2</sup>	27,536	<b>659,036</b>	376,500	240,000	25,860	642,360
Tim Roberts	401,500	310,000 <sup>2</sup>	23,595	<b>735,095</b>	351,500	350,000	23,323	724,823
<b>Non-executive directors</b>								
Aubrey Adams	33,167			<b>33,167</b> <sup>5</sup>				
Clive Cowdery	55,330			<b>55,330</b>	44,256			44,256
John Gildersleeve	34,817			<b>34,817</b> <sup>5</sup>				
Sir David Michels	25,128			<b>25,128</b> <sup>4</sup>	62,562			62,562
Kate Swann	61,330			<b>61,330</b>	52,151			52,151
Robert Swannell	95,415			<b>95,415</b>	65,173			65,173
Lord Turnbull	93,618			<b>93,618</b>	63,080			63,080
	<b>2,729,698</b>	<b>1,078,787</b>	<b>94,626</b>	<b>3,903,111</b>	<b>2,525,222</b>	<b>1,899,000</b>	<b>96,773</b>	<b>4,520,995</b>

<sup>1</sup> Includes £1,500 to each of Graham Roberts and Tim Roberts for subsidiary board fees.

<sup>2</sup> One third of the annual bonus is paid in the form of locked up shares under the Matching Share Plan as described on page 69.

<sup>3</sup> To 15 November 2008, date of cessation of office.

<sup>4</sup> To 11 July 2008, date of cessation of office.

<sup>5</sup> From 1 September 2008, date of appointment to office.

<sup>6</sup> From 12 January 2009, date of appointment to office.

<sup>7</sup> Interim Executive Chairman from 17 October 2008.

Emoluments do not include distributions arising from share plan interests.

Benefits in kind include car allowance, private medical insurance and permanent health insurance.

Pension related payments to Chris Grigg, Stephen Hester, Andrew Jones, Graham Roberts and Tim Roberts are shown in the directors' pension benefits for the year ended 31 March 2009, pages 70 and 71.

Salaries are benchmarked against comparative data in salary surveys to set a level of around the median in accordance with the remuneration policy of the Committee. The Committee reviews salaries annually at 1 April. Shown below are the current annual rates of salary of the executive directors with effect from 1 April 2009.

	2009	2008	% increase
Chris Grigg	£800,000	£800,000	NIL
Andrew Jones	£425,000	£425,000	NIL
Graham Roberts	£468,000	£390,000	20
Tim Roberts	£400,000	£400,000	NIL

The increase of 20% in the salary of Graham Roberts is an increase towards the median for a finance director salary. The Committee noted that the salary of Mr Roberts had fallen below its policy level and it resolved to increase it to the appropriate level so that the salary is compliant with the stated policy. All the other executive directors were paid in line with the median salary policy and so no increases were awarded to them in 2009.

**a) Directors' interests in the Company's shares**

Fully paid ordinary shares, including shares held by spouses, Matching Share Plan Bonus Shares and under the Company's Share Incentive Plan. All interests are beneficial. All directors took up their rights in full in respect of the Rights Issue completed in March 2009.

	1 April 2008	31 March 2009
Chris Gibson-Smith	31,921	<b>53,201</b>
Chris Grigg	0 <sup>1</sup>	<b>242,500</b>
Stephen Hester	219,025	<b>219,025</b> <sup>2</sup>
Andrew Jones	42,819	<b>99,281</b>
Sir David Michels	9,432	<b>9,432</b> <sup>3</sup>
Graham Roberts	119,043	<b>232,651</b>
Tim Roberts	33,275	<b>83,856</b>
Kate Swann	2,576	<b>4,293</b>
Robert Swannell	5,144	<b>13,056</b>
Lord Turnbull	1,736	<b>5,285</b>
Clive Cowdery	1,518	<b>10,066</b>
Aubrey Adams	0 <sup>4</sup>	<b>20,000</b>
John Gildersleeve	0 <sup>4</sup>	<b>5,000</b>

<sup>1</sup> On 12 January 2009, date of appointment to office.

<sup>2</sup> On 15 November 2008, date of cessation of office.

<sup>3</sup> On 11 July 2008, date of cessation of office.

<sup>4</sup> On 1 September 2008, date of appointment to office.

On 6 April 2009 Lord Turnbull was allotted 659 shares, Robert Swannell was allotted 1,260 shares and Clive Cowdery was allotted 2,112 shares all in satisfaction of directors' fees for the quarter ended 31 March 2009. The shares allotted were priced at the middle market quotation ('MMQ') at close of business on 5 April 2009, which was 380p per share.

On 14 April 2009 Andrew Jones, Graham Roberts and Tim Roberts each purchased 27 shares at a price of 459p per share under the 'Partnership' element of the Company's Share Incentive Plan. Accordingly, they were awarded 54 'Matching' ordinary shares, all at a price of 459p per share.

On 14 May 2009 Andrew Jones, Graham Roberts and Tim Roberts each purchased 32 shares at a price of 392.5p per share under the 'Partnership' element of the Company's Share Incentive Plan. Accordingly, they were each awarded 64 'Matching' ordinary shares, at a price of 392.5p per share.

The aggregate amount of gains made by directors on the exercise of share options was NIL (2008: £1,132,766). The aggregate value of distributions to directors in relation to the long-term incentive schemes (not including option exercises) was £1,192,617 (2008: £3,356,763).

The restated MMQ for the ordinary 25p shares of the Company at the close of business on 31 March 2009 was 360.7p. The highest and lowest MMQs during the year to 31 March 2009 were 806p and 295p.

**b) Directors' options and share plan interests**

To take account of the effects of the Rights Issue completed in March 2009, adjustments were made to options and awards under the Group's incentive plans in accordance with scheme or plan rules. The Group's auditors performed agreed procedures to calculate the adjustments as required by the rules. Where appropriate, the adjustments were approved by the relevant tax authorities.

**(i) Sharesave Scheme**

Beneficial interests of the directors under the Sharesave Scheme:

	Date of grant	No of options at 01.04.08 Restated*	No of options granted during the year	No of options exercised during the year	No of options lapsed during the year	No of options at 31.03.09	Exercise price (p)	Earliest exercise date	Expiry date
Stephen Hester <sup>1</sup>	03.07.06	1,929			1,929			01.09.11	29.02.12
Andrew Jones	22.12.05	1,402				1,402	666	01.03.09	31.08.09
Graham Roberts	22.12.04	3,077				3,077	537	01.03.10	31.08.10
Tim Roberts	22.12.04	615				615	537	01.03.10	31.08.10
	01.09.08	1,454				1,454	517	01.09.11	28.02.12

<sup>1</sup> On 15 November 2008, date of cessation of office.

\*As a consequence of the rights issue the above options have, in accordance with the rules of the Sharesave Scheme, been adjusted. For the Rights Issue adjustment (effective 4 March 2009), the number of shares comprised in each option/award was multiplied by a factor of 1.20689; option prices were multiplied by a factor of 0.82857; and fractions of ordinary shares were disregarded. On 1 March 2009 the 1,402 options held by Andrew Jones matured however no exercise was possible due to the close period as a result of the Rights Issue, which increased the number of options and reduced the option price accordingly in accordance with the Theoretical Ex Rights Price ("TERP") formula which was approved by HMRC, the Auditors and the Remuneration Committee following the conclusion of the rights issue on 19 March 2009.

The directors' participation in the Sharesave Scheme, which is not subject to performance criteria, is considered appropriate because the Scheme is open to all employees with 18 months of service.

**(ii) Long-Term Incentive Plan**

Beneficial interests of the directors under the Long-Term Incentive Plan:

Options	Date of grant	No of options at 01.04.08 <sup>1</sup> Restated*	No of options granted during the year	No of options vesting during the year	No of options exercised during the year	No of options lapsed during the year	No of options at 31.03.09	Exercise price (p)	Earliest exercise date	Expiry date
Stephen Hester <sup>3</sup>	29.11.2004	204,685				204,685		549	29.11.07	28.11.14
	31.05.2005	185,781		148,624 <sup>2</sup>		185,781		727	31.05.08	30.05.15
	30.05.2006	160,502				160,502		1,037	30.05.09	29.05.16
	14.07.2006	53,501				53,501		1,090	14.07.09	13.07.16
	27.06.2007	223,734				223,734		1,100	27.06.10	26.06.17
	20.12.2007	224,157				224,157		732	20.12.10	19.12.17
	29.05.2008		640,075			640,075		666	29.05.11	28.05.18
Andrew Jones	05.12.2005	8,195		6,553 <sup>2</sup>		1,642	6,553	824	05.12.08	04.12.15
	30.05.2006	12,579					12,579	1,037	30.05.09	29.05.16
	14.07.2006	4,192					4,192	1,090	14.07.09	13.07.16
	20.12.2007	53,305				13,245	40,060	732	20.12.10	19.12.17
	29.05.2008		255,188				255,188	666	29.05.11	28.05.18
Graham Roberts	25.09.2003	119,455					119,455	416	25.09.06	24.09.13
	28.05.2004	122,872					122,872	549	28.05.07	27.05.14
	31.05.2005	102,179		81,743 <sup>2</sup>		20,436	81,743	727	31.05.08	30.05.15
	30.05.2006	78,081					78,081	1,037	30.05.09	29.05.16
	14.07.2006	26,026					26,026	1,090	14.07.09	13.07.16
	27.06.2007	102,317					102,317	1,100	27.06.10	26.06.17
	20.12.2007	51,254					51,254	732	20.12.10	19.12.17
	29.05.2008		154,553				154,553	666	29.05.11	28.05.18
Tim Roberts	29.11.2004	22,513					22,513	660	29.11.07	29.11.14
	31.05.2005	16,514		13,210 <sup>2</sup>		3,304	13,210	727	31.05.08	30.05.15
	05.12.2005	21,854		17,483 <sup>2</sup>		4,371	17,483	824	05.12.08	04.12.15
	30.05.2006	52,053					52,053	1,037	30.05.09	29.05.16
	14.07.2006	17,350					17,350	1,090	14.07.09	13.07.16
	27.06.2007	95,496				76,397	19,099	1,100	27.06.10	26.06.17
	20.12.2007	47,838				38,272	9,566	732	20.12.10	19.12.17
	29.05.2008		240,177				240,177	666	29.05.11	28.05.18

<sup>1</sup> The number of options as at 1 April 2008 are the maximum awards achievable under the Long-Term Incentive Plan on maximum outperformance of the Plan's performance conditions, except for the options awarded on 25 September 2003, which vested in the year to 31 March 2007 on maximum outperformance (and are exercisable until 24 September 2013).

<sup>2</sup> These options vested at 80% attainment of the Performance Target on 2 June 2008 or 5 December 2008 respectively and as the average annual growth in asset value per share exceeded the average annual increase in IPD by 3.675% p.a.

<sup>3</sup> On 15 November 2008, date of cessation of office.

\*As a consequence of the rights issue the LTIP options have, in accordance with the rules of the Long-Term Incentive Plan, been adjusted. For the rights issue adjustment (effective 4 March 2009), the number of shares comprised in each option was multiplied by a factor of 1.20689; option prices were multiplied by a factor of 0.82857; and fractions of ordinary shares were disregarded.

**Performance Shares**

	Date of grant	No of shares at 01.04.08 <sup>1</sup> Restated*	No of shares granted during the year <sup>5</sup>	No of shares vesting during the year	No of shares forfeited during the year	No of shares at 31.03.09	Earliest vesting date
Stephen Hester <sup>4</sup>	31.05.2005	61,927		49,542 <sup>2</sup>	12,385		31.05.2008
	30.05.2006	53,501			53,501		30.05.2009
	27.06.2007	55,934			55,934		27.06.2010
	20.12.2007	56,039			56,039		20.12.2010
	29.05.2008		160,019		160,019		29.05.2011
Andrew Jones	05.12.2005	1,365		1,091 <sup>3</sup>	274		05.12.2008
	30.05.2006	4,192				4,192	30.05.2009
	27.06.2007	53,205			13,220	39,985	27.06.2010
	20.12.2007	13,325			3,311	10,014	20.12.2010
	29.05.2008		63,796			63,796	29.05.2011
Graham Roberts	31.05.2005	34,060		27,248 <sup>2</sup>	6,812		31.05.2008
	30.05.2006	26,026				26,026	30.05.2009
	27.06.2007	25,578				25,578	27.06.2010
	20.12.2007	12,813				12,813	20.12.2010
	29.05.2008		78,448			78,448	29.05.2011
Tim Roberts	31.05.2005	11,009		8,808 <sup>2</sup>	2,201		31.05.2008
	05.12.2005	7,285		5,827 <sup>3</sup>	1,458		05.12.2008
	30.05.2006	17,350				17,350	30.05.2009
	27.06.2007	23,874			19,100	4,774	27.06.2010
	20.12.2007	11,959			9,569	2,390	20.12.2010
	29.05.2008		60,044			60,044	29.05.2011

<sup>1</sup>The number of shares as at 1 April 2008 are the maximum awards achievable under the Long-Term Incentive Plan on maximum outperformance of the Plan's performance conditions.

<sup>2</sup>These shares vested on 2 June 2008, on the attainment of 80% of the maximum Performance Target as the asset value per share growth over the three year performance period was 3.675% p.a. These shares had been awarded on 31 May 2005. The market price on that day was £8.77. The market price on 2 June 2008 was £7.78. Steven Hester retained 29,229 shares, Graham Roberts 16,076 shares and Tim Roberts 5,196 shares.

<sup>3</sup>These shares vested on 5 December 2008, on the attainment of 80% of the maximum Performance Target as the asset value per share growth over the three year performance period was 3.675% p.a. These shares had been awarded on 5 December 2005. The market price on that day was £9.94. The market price on 5 December 2008 was £5.14. Andrew Jones retained 642 shares and Tim Roberts 3,429 shares.

<sup>4</sup>On 15 November 2008, date of cessation of office.

<sup>5</sup>On 29 May 2005, the date of grant, the market price was £8.70.

\*As a consequence of the rights issue the awards have, in accordance with the rules of the Long-Term Incentive Plan, been adjusted. For the rights issue adjustment (effective 4 March 2009), the number of shares comprised in each award was multiplied by a factor of 1.20689; option prices were multiplied by a factor of 0.82857; and fractions of ordinary shares were disregarded.

The performance target compares British Land's average annual Net Asset Value Growth over three years to the capital growth component of the Investment Property Databank Annual Index (see page 64 of the remuneration report).

Long-Term Incentive Plan 'Performance Shares', Co-Investment Share Plan Shares, Matching Share Plan 'Matching Shares' and Fund Managers Performance Plan Shares, upon vesting, are transferred out of the British Land Share Ownership Plan (the Trust), a discretionary trust established to facilitate the operation of the incentive schemes. The Trustees of the Trust purchase the Company's ordinary shares in the open market. Rights to dividends under the Long-Term Incentive Plan, Fund Managers Performance Plan and Matching Share Plan are retained by the Trust in interest bearing accounts and are payable to employees only on the vesting of the employee's shares; along with, in the case of Long-Term Incentive Plan and Fund Managers Performance Plan, interest earned on the accrued dividends. Dividend and interest distributions in the year arising from the above schemes totalled £32,957 to Stephen Hester, £41,412 to Andrew Jones, £17,928 to Graham Roberts and £9,986 to Tim Roberts.

**(iii) Co-Investment Share Plan**

In connection with the recruitment of Chris Grigg, as Chief Executive of the Company, the need for which arose as a result of Stephen Hester's move to take on the role of Chief Executive at The Royal Bank of Scotland, the Company made him a one-off non pensionable grant, under the Co-Investment Share Plan, of 242,500 British Land shares on 4 March 2009. The market price on that day was £3.305. This award was conditional on the acquisition by him, on the same day, of a matching number of shares and requires the subsequent retention of those shares until 12 January 2012. These shares conditionally vest on 12 January 2012 provided he remains in employment at that time. In the event of a variation of capital, the Trustee (having considered the recommendations of the Board) has discretion to take such action as it considers appropriate. Dividends earned on the Plan shares will be passed on by the Trustee to the awardee following and subject to vesting of the award.

**(iv) Matching Share Plan**

In respect of their own shares held by the Trustee in accordance with the Matching Share Plan, the Directors took up their full rights for the Rights issue. The Trustee calculated a figure representing the sale of sufficient rights 'nil paid' to enable a resulting balance (equivalent to the Tail Swallow number of shares) to be added to the bonus shares in the Plan.

The resulting shares will be released on the same basis as the awards to which they relate. The following awards have, in accordance with the rules of the Matching Share Plan, been adjusted. For the rights issue adjustment (effective 4 March 2009), the number of shares comprised in each award was multiplied by a factor of 1.20689 and fractions of ordinary shares were disregarded.

	Date of grant	No of shares at 01.04.08 Restated*	No of shares awarded during the year	No of shares vested during the year	No of shares forfeited during the year	No of options at 31.03.09	Earliest vesting date
Stephen Hester <sup>1</sup>	14.07.2006	38,901			38,901		14.07.2009
	22.05.2007	55,015			55,015		22.05.2010
	20.05.2008		93,747		93,747		20.05.2011
Andrew Jones	14.07.2006	14,584				14,584	14.07.2009
	22.05.2007	17,070				17,070	22.05.2010
	20.05.2008		30,964			30,964	20.05.2011
Graham Roberts	14.07.2006	14,974				14,974	14.07.2009
	22.05.2007	13,762				13,762	22.05.2010
	20.05.2008		22,862			22,862	20.05.2011
Tim Roberts	14.07.2006	12,966				12,966	14.07.2009
	22.05.2007	14,318				14,318	22.05.2010
	20.05.2008		33,344			33,344	20.05.2011

<sup>1</sup> On 15 November 2008, date of cessation of office.

The number of shares shown above is the maximum awards achievable under the Matching Share Plan on maximum outperformance of the Plan's TSR and EPS targets.

#### (v) Fund Managers Performance Plan

	Date of grant	No of shares at 01.04.08 Restated*	Cash element of award received during the year	No of shares awarded during the year	No of shares vesting during the year	No of shares at 31.03.09	Vesting period
Andrew Jones	14.07.2006	137,529			68,764	68,765	14.07.07 – 14.07.09
	30.05.2007	100,877			33,626	67,251	30.05.08 – 30.05.10
	14.08.2008		£38,755.96	25,009		25,009	14.08.09 – 14.10.11
Tim Roberts	14.08.2008		£160,000.00	103,249		103,249	14.08.09 – 14.10.11

An award comprises a cash element, which is equal to 20% of the total award value paid at award to participants, and shares, which are equal to 80% of the award value and, at nil consideration, which will conditionally vest in three equal tranches on the first, second and third anniversaries of grants, subject to clawback and continued employment. The market price at grant for the award on 14 July 2006 was 1,321.6p, for the award on 30 May 2007, 1,427p and for the award on 14 August 2008, 619.8p valuing those share awards at grant respectively £2,258,998, £1,192,744 and £155,024 for Andrew Jones, and, for 2008, £640,000 for Tim Roberts. On 2 June 2008 33,626 shares awarded on 30 May 2005 to Andrew Jones vested. The market price on that day was 662.1p realising a gain of £222,665. Andrew Jones retained 18,091 shares. On 14 July 2008 56,976 shares awarded on 14 July 2006 to Andrew Jones vested. The market price on that day was 682.1p realising a gain of £388,633. Andrew Jones sold all his shares.

\*As a consequence of the rights issue the following awards have, in accordance with the rules of the Fund Managers Performance Plan, been adjusted. For the rights issue adjustment (effective 4 March 2009), the number of shares comprised in each award was multiplied by a factor of 1.20689 and fractions of ordinary shares were disregarded.

#### Directors' pension benefits for the year ended 31 March 2009

Two executive directors, Graham Roberts and Tim Roberts, earned pension benefits in schemes sponsored by the Company during the year. Stephen Hester and Chris Grigg receive a sum equal to 35% of basic salary in lieu of pension contributions, which for the year amounted to £186,549 (2008: £287,000) for Mr Hester and £62,575 for Mr Grigg. The Company contributed a sum equal to 15% of Andrew Jones' basic salary to his individual 'money purchase' pension scheme, which for the year amounted to £63,750 (2008: £58,500). From 1 April 2009 the contribution rate for Mr Jones was increased to 35% which is in line with contribution levels at comparable companies for main Board positions.

Graham Roberts is also currently accruing benefits in the Company Funded Unapproved Retirement Benefit Scheme (FURBS). The benefits provided by the FURBS are defined lump sums.

Non-executive directors do not participate in any Company sponsored pension arrangement.

Since the Directors' Remuneration Report Regulations 2002 came into force, company accounts are subject to two sets of disclosure requirements in relation to directors' pensions rather than one. The extended Companies Act 1985 requirements have to be observed in addition to, not in place of, the current UK Listing Authority requirements. The requirements differ slightly and these Regulations are expected to remain in force for the time being. The three tables shown opposite provide the details of directors' pensions necessary to satisfy the two sets of requirements.

## Companies Act 1985 Disclosure Requirements

The British Land Group of Companies Pension Scheme	Age at year end	Additional pension earned during the year £ pa	Accrued pension entitlement at year end £ pa	Transfer value of accrued pension at start of year £	Transfer value of accrued pension at year end £	Increase in transfer value less director's contributions paid during the year* £
Graham Roberts	50	5,000	28,700	392,700	554,300	161,600
Tim Roberts	44	3,800	43,600	528,200	673,300	145,100

The British Land Unapproved Retirement Benefits Plan (FURBS)	Age at year end	Increase in accrued FURBS lump sum entitlement during the year £	Total accrued FURBS lump sum entitlement at year end £	Transfer value of accrued FURBS lump sum at start of year £	Transfer value of accrued FURBS lump sum at year end £	Increase in transfer value less director's contributions paid during the year* £
Graham Roberts	50	187,100	1,099,600	721,800	880,900	159,100

\*See note 3b below

## UK Listing Authority Disclosure Requirements

	Age at year end	Increase in accrued pension during the year (in excess of inflation) £ pa	Total accrued pension entitlement at year end £ pa	Transfer value of additional pension earned less director's contributions paid during the year* £	Increase in accrued FURBS lump sum entitlement during the year (in excess of inflation) £	Total accrued FURBS lump sum entitlement at year end £	Transfer value of additional FURBS lump sum earned less director's contributions paid during the year* £	Premiums paid in respect of life cover £
Graham Roberts	50	3,800	28,700	73,500	141,500	1,099,600	113,400	8,080
Tim Roberts	44	1,800	43,600	27,000	0	0	0	5,328

\*See note 3b below

- The total accrued pension and FURBS lump sum entitlement shown are those that would be paid on retirement at age 60 based on service to the end of the year.
- Members of the Scheme have the option to pay Additional Voluntary Contributions. Neither the contributions nor the resulting benefits are included in the above table.
- The following is additional information relating to directors' pensions for those included in the above table:

Tax-approved Scheme

- Normal retirement age for pension arrangements is age 60.
- Members of the Scheme were not required to pay contributions during the year.
- Retirement may take place at any age after 50 subject to the consent of both the Company and the Trustees of the Scheme. Pensions are reduced to allow for their earlier payment.
- On death in service, the Scheme provides a capital sum equal to four times salary and a spouse's pension of two-thirds of the member's prospective pension at age 60. If a Member is entitled to a deferred pension, a spouse's pension of two-thirds of the member's accrued pension is payable on death before or after retirement. These pensions are paid throughout the spouse's lifetime or until the youngest child reaches age 18 (or age 23 if in full time education), if later.

- Pensions are guaranteed to increase each year in line with the increase in the Retail Prices Index (RPI) subject to a maximum of 5%. The Trustees may grant additional discretionary increases subject to the consent of the Company. Statutory increases apply to pensions during deferment.
- The transfer values have been calculated on the basis of actuarial advice in accordance with Actuarial Guidance Note GN11.
- Transfer value calculations allow for discretionary pension increases such that, in aggregate, pension increases in line with increases in the RPI are valued.

FURBS

- Normal retirement age for pension arrangements is age 60.
- Retirement may take place at any age after 50 subject to the Company's consent. Benefits are reduced to allow for their earlier payment.
- On death in service, top-up lump sums are provided so that, in aggregate, the beneficiary receives broadly the same value of benefits (net of tax) as if the earnings cap did not apply. On death in deferment, if a spouse's or dependant's pension is payable from the tax approved scheme a lump sum of two-thirds of the member's accrued lump sum is also payable.
- In deferment accrued lump sums are increased in line with statutory increases on pensions in deferment.

This report was approved by the Board on 20 May 2009.

*Andrew Turnbull*

**Lord Turnbull** Chairman of the Remuneration Committee

## Report of the Directors

The directors submit their Report and Accounts for the year ended 31 March 2009.

### Results and dividends

The results for the year are set out in the consolidated income statement on page 74.

The directors recommend the payment of a fourth quarter dividend of 6.5 pence per share, payable on 14 August 2009 to ordinary shareholders on the register at the close of business on 10 July 2009. For shareholders who wish to reinvest this fourth quarter dividend in the Company an enhanced scrip alternative will be offered, to enable receipt of shares instead of a cash dividend. Further details have been provided with the Annual General Meeting notice circular. Details on the Company's dividends can be found on the investor section of the Company's website at [www.britishland.com/investors](http://www.britishland.com/investors).

### Activities

The Group operates in the fields of property investment and development, finance and investment.

### Business review

The information that fulfils the requirements for a business review can be found in the Business Review on pages 12 to 40, which is incorporated in this report by reference.

### Properties

Changes in properties during the year and details of property valuations at 31 March 2009 are shown in note 11 to the financial statements on page 83.

### Purchase of own shares

The Company was granted authority at the Annual General Meeting in 2008 to purchase its own shares up to a total aggregate value of 10% of the issued nominal capital. That authority expires at this year's Annual General Meeting and a resolution will be proposed for its renewal. During the year the Company made no purchases of its own shares.

### Directors' interests in contracts

No contract existed during the year in relation to the Company's business in which any director was materially interested.

### Directors' liability insurance and indemnity

The Company has arranged insurance cover in respect of legal action against its directors. To the extent permitted by UK law, the Company also indemnifies the directors.

### Directors' responsibility statement

This is detailed in the Financial Performance section of the Business Review on page 40.

### Reappointment of directors

The directors listed on page 56 constituted the Board during the year, and also Sir David Michels and Stephen Hester who retired from the Board on 11 July 2008 and 15 November 2008 respectively; and Aubrey Adams and John Gildersleeve who were appointed directors on 1 September 2008 and Chris Grigg who was appointed a director on 12 January 2009. Each director retires after the third AGM after the general meeting at which he was appointed. Chris Gibson-Smith, Chris Grigg, Andrew Jones, Tim Roberts, John Gildersleeve, Aubrey Adams, Robert Swannell and Lord Turnbull offer themselves for re-election in accordance with the Articles.

### Share capital

The Company has one class of ordinary share and all shares rank equally and are fully paid (25p each). There are neither restrictions on the transfer of shares nor on the size of a holding. There are no significant agreements to which the Company is party that take effect, alter or terminate upon a change of control of the Company.

The issued share capital has been increased since 1 April 2008 by fully paid issues as follows:

		No of ordinary shares of 25p
10 April 2008, 1 July 2008, 30 September 2008 and 7 January 2009	Shares in lieu of directors' fees	11,085
7 April 2008 to 2 October 2008	On exercise of options under the Long-Term Incentive Plan	298,675
2 April 2008 to 1 December 2008	On exercise of options under the Sharesave Scheme	17,206
30 July 2008	On exercise of options under the Management Incentive Plan (Rollover Options)	59,582
18 March 2009	Rights Issue	340,873,588

### Substantial interests

As at 20 May 2009 the Company had been notified of the following major interests in its issued ordinary share capital.

	No of shares	% of issued capital
Government of Singapore Investment Corporation Private Limited	59,360,893	6.96
Legal and General Group PLC	35,169,478	4.12
APG	34,719,595	4.07

### Charitable donations

£92,421 (2008: £36,010) was donated during the year to a range of charities including those connected with education, the performing arts and charities local to where the Company has property interests. No contributions were made for political purposes (2008: £nil).

### Payments policy

In the absence of dispute, amounts due to trade and other suppliers are settled as expeditiously as possible within their terms of payment. As at 31 March 2009, there were 32 (2008: 24) suppliers' days outstanding.

### Financial instruments

Details of the use by the Company and its subsidiaries of financial instruments can be found in the Financing Structure section on page 34.

### Risks and their management

Principal business risks (including non-financial) are detailed in the Financial Performance section of the Business Review under the heading 'Risk Management' on pages 36 and 37.

### Auditors

A resolution to reappoint Deloitte LLP as the Company's auditors and a resolution concerning their remuneration will be proposed at the forthcoming Annual General Meeting.

### Disclosure of information to Auditors

Each of the persons who is a director at the date of approval of this report confirms that:

- (1) so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- (2) the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985.

### Share Incentive Plan

All full-time and part-time employees, including executive directors, with more than 18 months' continuous service are eligible to participate in The British Land Share Incentive Plan ('SIP'), which is approved by the Inland Revenue under the terms of the Income Tax (Earnings and Pensions) Act 2003. Under this Plan participants receive an annual grant of ordinary shares of 25p each ('Free Shares'), and are also able to participate in a monthly purchase of ordinary shares ('Partnership Shares'), which British Land matches on a 2:1 basis ('Matching Shares'). Dividends on these shares are re-invested as 'Dividend Shares'. Shares under this Plan are generally released to the individual after five years. In respect of their own shares held by the SIP Trustee in accordance with the Share Incentive Plan, the Directors took up their full rights in respect of the Rights issue. 1,197 'Free Shares' were allocated to the executive directors in August 2008. The executive directors have also purchased 743 'Partnership Shares' and been awarded 1,484 'Matching Shares' and 357 'Dividend Shares' in the year to 31 March 2009. All these shares are included in the total number of shares in which the executive directors have a beneficial interest shown on page 67.

### Sharesave Scheme

Under The British Land Sharesave Scheme, executive directors and employees who have served the Company for at least 18 months may be offered options to purchase shares, tied to a savings contract, over a three or five year period. As previously noted, for the rights issue adjustment (effective 4 March 2009), the number of shares comprised in each option/award was multiplied by a factor of 1.20689; option prices were multiplied by a factor of 0.82857; and fractions of ordinary shares were disregarded. Options are held by approximately 235 employees and executive directors to purchase 220,754 fully paid shares (including the rights issue adjustment) at adjusted option prices of 391.09p, 536.92p, 580.83p, 666.18p,

834.38p, 1,024.12p, 929.66p and 517.03p, and normally exercisable during certain six month periods between 1 March 2009 and 1 September 2013. The options held by directors under this scheme are shown on page 68.

### Performance Share Schemes

Details of the current Performance Share Plans in operation (Long-Term Incentive Plan, Fund Managers' Performance Plan and Matching Share Plan) can be found in the remuneration report on pages 62 to 71. From time to time the British Land Share Ownership Plan, a discretionary trust which facilitates the operation of the Performance Share Schemes, holds shares to satisfy potential entitlements under these schemes. Voting on these shares is at the discretion of the Trustee.

### Employment policy

The Group places emphasis on employee involvement and keeps employees informed through formal and informal briefings. The Company has well established all-employee share schemes which are described above.

In the United Kingdom separate pension fund reports are made available to members.

The Company maintains a policy of employing the best candidates available in every position, regardless of gender, ethnic group or background.

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicants concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Group continues and that appropriate training is arranged. It is the policy of the Group that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

### Health and safety

The Board is committed to achieving the highest standards of care in its attention to health, safety and fire prevention. The Board requires safe working practices to ensure that employees, tenants and the general public are not harmed by the Company's activities.

### Annual General Meeting

The Annual General Meeting of The British Land Company PLC will be held at The Ocean Room, The Cumberland Hotel, Great Cumberland Place, London W1A 4RF on Friday 10 July 2009, at 11.00 am.

This report was approved by the Board on 20 May 2009.

**Anthony Braine**  
Secretary