

Notes to the Accounts

1 Basis of preparation

The financial statements for the year ended 31 March 2009 have been prepared on the historical cost basis, except for the revaluation of properties, investments and derivatives. The financial statements have also been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and therefore comply with Article 4 of EU IAS Regulation.

These accounting policies have been applied consistently in all material respects.

The accounting policies used are consistent with those contained in the Group's last annual report and accounts for the year ended 31 March 2008, with the exception of the adoption of IFRIC 14: IAS 19 the limit on a defined benefit asset, minimum funding requirements and their interaction. This change has no impact on the Group's net assets or profits before tax and the comparative results have been restated on a consistent basis.

Standards and guidelines not effective for the current accounting period were: IAS 1 (Revised) Presentation of Financial Statements; IAS 23 (Revised) Borrowing Costs; IFRS 3 (Revised) Business Combinations; and amendments to: IAS 16 Property, Plant and Equipment; IAS 27 Consolidated and Separate Financial Statements; IAS 31 Interests in Joint Ventures; IAS 40 Investment Property; IAS 32: Financial Instruments: Presentation; IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures; IFRS 2 Share-Based Payment.

With the exception of the amendments to IAS 40 and IAS 16, these pronouncements, when applied, are not expected to have a material impact on the financial statements, but will result in changes to presentation or disclosure. The effect of the amendments to IAS 40 and IAS 16 is to bring property under construction or development for future use as an investment property within the scope of IAS 40, whereas previously it had been within the scope of IAS 16. This will result in all changes in fair value being recognised in the income statement rather than in equity. This will affect profits before tax, but not net assets. There will be no effect on underlying profits before tax.

Critical accounting judgements are disclosed in the relevant section of the Annual Report, see page 32. The key source of estimation and uncertainty relates to the valuation of the property portfolio and investments, where an external valuation is obtained. Other less significant assumptions include the actuarial assumptions used in calculating the Group's retirement benefit obligations, the valuation of fixed rate debt and interest rate derivatives, and the share-based payment expense. The potential for management to make judgements or estimates relating to these that would have a significant impact on the financial statements is considered, by the nature of Group business, to be limited.

Going concern

The financial statements are prepared on a going concern basis as explained in the Corporate Governance section on page 60.

Subsidiaries, joint ventures and associates (including funds)

The consolidated accounts include the accounts of The British Land Company PLC and all subsidiaries (entities controlled by British Land). Control is assumed where British Land has the power to govern the financial and operating policies of an investee entity so as to gain benefits from its activities.

The results of subsidiaries, joint ventures or associates acquired or disposed of during the year are included from the effective date of acquisition or to the effective date of disposal. Accounting practices of subsidiaries, joint ventures or associates which differ from Group accounting policies are adjusted on consolidation.

Business combinations are accounted for under the acquisition method. Any excess of the purchase price of business combinations over the fair value of the assets, liabilities and contingent liabilities acquired and resulting deferred tax thereon is recognised as goodwill. Any discount received is credited to the income statement in the period of acquisition. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Joint ventures and associates, including funds, are accounted for under the equity method, whereby the consolidated balance sheet incorporates the Group's share of the net assets of its joint ventures and associates. The consolidated income statement incorporates the Group's share of joint venture and associate profits after tax. Their profits include revaluation movements on investment properties.

Properties

Properties are externally valued on an open market basis at the balance sheet date. Investment and development properties are recorded at valuation.

Any surplus or deficit arising on revaluing investment properties or investment properties being redeveloped is recognised in the income statement.

Valuation surpluses arising on other development properties, those not previously classified as investment properties, are reflected in the statement of recognised income and expense, unless a deficit reduces the value below cost, in which case the deficit is charged to the income statement.

The cost of properties in the course of development includes attributable interest and other associated outgoings. Interest is calculated on the development expenditure by reference to specific borrowings where relevant and otherwise on the average rate applicable to short-term loans. Interest is not capitalised where no development activity is taking place. A property ceases to be treated as a development property on practical completion.

Disposals are recognised on completion: profits and losses arising are recognised through the income statement, the profit on disposal is determined as the difference between the sales proceeds and the carrying amount of the asset at the commencement of the accounting period plus additions in the period.

In determining whether leases and related properties represent operating or finance leases, consideration is given to whether the tenant or landlord bears the risks and rewards of ownership.

Intangible assets

Intangible assets, such as fund management contracts, acquired through business combinations, are measured initially at fair value and are amortised on a straight-line basis over their estimated useful lives, and are subject to regular reviews for impairment.

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of the subsidiary, associate or jointly controlled entity at the time of acquisition. Goodwill is reviewed for impairment on an annual basis.

Financial assets and liabilities

Trade receivables and payables are initially recognised at fair value and subsequently measured at amortised cost and discounted as appropriate.

Other investments are shown at fair value and held as available for sale. Gains and losses arising from changes in fair value are recognised directly in equity, until the investment is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the income statement for the period. Impairment losses recognised in the income statement are not subsequently reversed through the income statement.

Where an investment property is held under a head lease it is initially recognised as an asset as the sum of the premium paid on acquisition and the present value of minimum ground rent payments. The corresponding rent liability to the head leaseholder is included in the balance sheet as a finance lease obligation.

Debt instruments are stated at their net proceeds on issue. Finance charges including premiums payable on settlement or redemption and direct issue costs are spread over the period to redemption, using the effective interest method.

As defined by IAS 39, cash flow and fair value hedges are carried at fair value in the balance sheet. Changes in the fair value of derivatives that are designated and qualify as effective cash flow hedges are recognised directly in the hedging reserve. Changes in the fair value of derivatives that are designated and qualify as effective fair value hedges are recorded in the income statement, along with any changes in the fair value of the hedged item that is attributable to the hedged risk. Any ineffective portion is recognised in the income statement.

Cash equivalents are limited to instruments with a maturity of less than three months.

Net rental income

Rental income is recognised on an accruals basis. A rent adjustment based on open market estimated rental value is recognised from the rent review date in relation to unsettled rent reviews. Where a rent-free period is included in a lease, the rental income foregone is allocated evenly over the period from the date of lease commencement to the earliest termination date.

Rental income from fixed and minimum guaranteed rent reviews is recognised on a straight-line basis over the shorter of the entire lease term or the period to the first break option. Where such rental income is recognised ahead of the related cash flow, an adjustment is made to ensure the carrying value of the related property including the accrued rent does not exceed the external valuation. Initial direct costs incurred in negotiating and arranging a new lease are amortised on a straight-line basis over the period from the date of lease commencement to the earliest termination date.

Where a lease incentive payment, including surrender premiums paid, does not enhance the value of a property, it is amortised on a straight-line basis over the period from the date of lease commencement to the earliest termination date. Upon receipt of a surrender premium for the early determination of a lease, the profit, net of dilapidations and non-recoverable outgoings relating to the lease concerned is immediately reflected in income.

Management and performance fees

Management and performance fees receivable are recognised in the period to which they relate, except for performance fee retentions subject to clawback, which are recognised over the clawback performance period. In assessing the risk of clawback, account is taken of the unpredictability of future relative performance against the benchmark.

Taxation

Current tax is based on taxable profit for the year and is calculated using tax rates that have been enacted or substantively enacted. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are not taxable (or tax deductible).

Deferred tax is provided on items that may become taxable at a later date, on the difference between the balance sheet value and tax base value, on an undiscounted basis. On business combinations, the deferred tax effect of fair value adjustments is incorporated in the consolidated balance sheet.

Employee costs

The fair value of equity-settled share-based payments to employees is determined at the date of grant and is expensed on a straight-line basis over the vesting period based on the Group's estimate of shares or options that will eventually vest. In the case of options granted, fair value is measured by a Black-Scholes pricing model. Compensation linked to performance fees accrued by the Group is amortised over the vesting period.

Defined benefit pension scheme assets are measured using fair values; pension scheme liabilities are measured using the projected unit credit method and discounted at the rate of return of a high-quality corporate bond of equivalent term to the scheme liabilities. The net surplus or deficit is recognised in full in the consolidated balance sheet. Any asset resulting from the calculation is limited to past service costs plus the present value of available refunds and reductions in future contributions to the plan.

The current service cost and gains and losses on settlement and curtailments are charged to operating profit. Past service costs are recognised in the income statement if the benefits have vested or, if they have not vested, are amortised on a straight-line basis over the period until vesting occurs. Actuarial gains and losses are recognised in full in the period in which they occur and are presented in the consolidated statement of recognised income and expense.

Contributions to the Group's defined contribution schemes are expensed on the basis of the contracted annual contribution.

2 Performance measures

Rights Issue – Restatement of performance measures

The Rights Issue concluded in March 2009 involved the issue of two new shares for every three held. To reflect the increased number of shares in issue at the year end, prior year comparatives for Earnings per share and Net Asset Value per share are restated with reference to the adjustment factor below:

Theoretical Ex Rights Price ('TERP')	326.25p
Closing middle market quotation of share on last day shares traded 'cum rights'	393.75p

	2009		2008	
	(Loss) earnings £m	Pence per share	(Loss) earnings £m	Pence per share
Earnings per share (diluted)				
Underlying pre-tax profit – income statement	268		284	
Tax charge relating to underlying profit	(9)		(8)	
Underlying earnings per share	259	41p	276	44p*
Realisation of cash flow hedges	(119)			
Tax and other items			13	
EPRA earnings per share	140	22p	289	46p*
Loss for the year after taxation	(3,881)	(614)p	(1,563)	(251)p*

* As restated for the Rights Issue

The European Public Real Estate Association (EPRA) issued Best Practices Policy Recommendations in November 2006, which gives guidelines for performance measures.

The **EPRA earnings measure** excludes investment property revaluations and gains or losses on disposals, intangible asset movements and their related taxation.

Underlying earnings consists of the EPRA earnings measure, with additional company adjustments. Adjustments include realisation of cash flow hedges, see note 7. The weighted average number of shares in issue for the year was: basic: 630m (2008 restated: 618m); diluted for the effect of share options: 632m (2008 restated: 623m). Basic undiluted loss per share for the year was 616p (2008 restated: 253p).

	2009 £m	2008 £m
Net asset value (NAV)		
Balance sheet net assets	3,209	6,790
Deferred tax arising on revaluation movements	25	102
Mark to market on effective cash flow hedges and related debt adjustments	153	(3)
Dilution effect of share options		47
EPRA NAV	3,387	6,936
EPRA NAV per share	398p	1114p*

* As restated for the Rights Issue

The **EPRA NAV per share** excludes the mark to market on effective cash flow hedges and related debt adjustments, deferred taxation on revaluations and is calculated on a fully diluted basis. At 31 March 2009, the number of shares in issue was: basic: 850m (2008 restated: 614m); diluted for the effect of share options: 851m (2008 restated: 623m).

Total return per share of minus 61.6% represents a reduction in EPRA NAV per share of 716p net of dividends paid of 30p (see note 20). Total return per share for the year ended 31 March 2008 was minus 18.1%.

3 Gross and net rental income

	2009 £m	2008 £m
Rent receivable	462	547
Spreading of tenant incentives and guaranteed rent increases	34	46
Surrender premiums	1	3
Gross rental income	497	596
Service charge income	57	49
Gross rental and related income	554	645
Service charge expenses	(57)	(49)
Property operating expenses	(44)	(35)
Net rental and related income	453	561

The cash element of net rental income recognised during the year ended 31 March 2009 from properties which were not subject to a security interest was £103m. Property operating expenses relating to investment properties that did not generate any rental income were £1m (2008: £1m).

4 Fees and other income

	2009 £m	2008 £m
Performance fees (from funds)	3	9
Management fees (from funds and joint ventures)	11	12
Dividend received from Songbird Estates plc		16
Other fees and commission	4	3
Underlying	18	40
Capital dividend received from Songbird Estates plc		30
	18	70

There were no performance fees receivable from HUT or HIF for the years ended 31 December 2008 or 31 December 2007. Some 50% of undistributed performance fees are payable each year provided there is no clawback. In relation to HUT, fees of £3m (2008: £7m) have been recognised in the current year and £3m (2008: £6m) deferred to later years, relating to calendar years 2005 and 2006.

Following a capital restructuring of Songbird Estates plc in 2008, a capital dividend of £30m was received in that year.

5 Other income statement disclosures

	Note	2009 £m	2008 £m
(i) Total revenue			
Gross rental and related income	3	554	645
Fees and other income	4	18	70
Total revenue in the year		572	715
(ii) Auditors' remuneration – Deloitte LLP		2009 £m	2008 £m
Fees payable to the Company's auditors for the audit of the Company's annual accounts		0.5	0.4
Fees payable to the Company's auditors and its associates for other services:			
Audit of the Company's subsidiaries pursuant to legislation		0.3	0.4
		0.8	0.8
Services relating to Rights Issue		0.5	
Other services pursuant to legislation		0.1	0.2
Tax services		0.5	0.5
All other services		0.2	0.1
		2.1	1.6

(iii) Exchange gains (losses) recognised in the profit and loss account total £1m (2008: £(2)m).

6 Net revaluation (losses) gains on property and investments

	2009 £m	2008 £m
Consolidated income statement		
Revaluation of properties	(2,994)	(1,588)
(Loss) profit on property disposals	(177)	26
Revaluation of investments	(69)	
Other revaluations and losses	(1)	
	(3,241)	(1,562)
Share of losses of funds and joint ventures (note 12)	(833)	(354)
	(4,074)	(1,916)
Consolidated statement of recognised income and expense		
Revaluation of development properties	(44)	57
Revaluation of owner-occupied property	(3)	3
Revaluation of investments	(88)	(70)
	(4,209)	(1,926)

7 Net financing costs

	2009 £m	2008 £m
Interest payable on:		
Bank loans and overdrafts	31	71
Other loans	230	280
Loans from joint ventures		1
Obligations under finance leases	1	2
	262	354
Development interest capitalised	(38)	(43)
	224	311
Interest receivable on:		
Deposits and securities	(17)	(20)
Other finance (income) costs:		
Expected return on pension scheme assets	(5)	(5)
Interest on pension scheme liabilities	5	4
Valuation movements on translation of foreign currency debt	30	(1)
Hedging reserve recycling	(30)	1
Net financing expenses – pre exceptional	207	290
Exceptional item[†]		
Realisation of cash flow hedges	119	
	119	
Net financing costs	326	290
Total financing income	(52)	(26)
Total financing expenses	378	316
Net financing costs	326	290

[†] Due to lower projected Group borrowings as a result of the deleveraging that took place during the year, certain interest rate swap arrangements were no longer required. On close-out of these swaps, amounts previously charged to reserves have been recycled through the income statement.

Interest on development expenditure is capitalised at a rate of 5.5% (2008: 6.0%), with current year tax relief of £nil (2008: £nil).

8 Taxation

	2009 £m	2008 £m
Tax expense (income)		
Current tax		
UK corporation tax: 28% (2008: 30%)	6	3
Foreign tax	1	1
Adjustments in respect of prior years	7	4
Total current tax expense	2	(4)
Deferred tax on income and revaluations	(49)	(46)
Group total taxation (net)	(47)	(46)
Tax reconciliation		
Loss on ordinary activities before taxation	(3,928)	(1,609)
Less: loss attributable to funds and joint ventures	767	306
Group loss on ordinary activities before taxation	(3,161)	(1,303)
Tax on loss on ordinary activities at UK corporation tax rate of 28% (2008: 30%)	(885)	(391)
Effects of:		
REIT exempt income and gains	881	390
Goodwill impairment and amortisation of intangibles		4
Tax losses and other timing differences	(38)	(45)
Adjustments in respect of prior years	(5)	(4)
Group total taxation	(47)	(46)

Tax attributable to underlying profits for the year ended 31 March 2009 is £9m (2008: £8m). Corporation tax payable at 31 March 2009 was £40m (2008: £25m) as shown in note 15, which primarily relates to corporation taxes for periods preceding REIT entry.

9 Staff costs

Staff costs (including directors)	2009 £m	2008 £m
Wages and salaries	37	36
Social security costs	4	4
Pension costs	4	4
Equity-settled share-based payments	(1)	10
	44	54

The average monthly number of employees of the Company during the year was 162 (2008: 177). The average monthly number of Group employees, including those employed directly at the Group's properties and their costs recharged to tenants, was 728 (2007: 732).

The Executive Directors are the key management personnel and their remuneration is disclosed in the Remuneration Report on pages 62 to 71.

Staff costs

The Group's equity-settled share-based payments comprise the Long-Term Incentive Plan (LTIP), the Matching Share Plan (MSP), the Performance Plan (PP), the Share Incentive Plan (SIP), various Sharesave Plans and a recruitment scheme relating to the Chief Executive, the Co-Investment Share Plan (CISP).

The Company expenses an estimate of how many shares are likely to vest based on the market price at the date of grant, taking account of expected performance against the net asset value per share growth target and the three-year service period.

Long-Term Incentive Plan (LTIP)

Under the LTIP the Company may award employees a combination of performance shares and options. Both components have the same performance targets based on net asset value per share growth and a three-year service period. For both LTIP components the Company estimates the number of shares or options likely to vest and expenses that value over the relevant period. Performance shares are valued at the market value at the date of the award. The options are valued using a Black-Scholes model adjusted for dividends, see table opposite. Volatility has been estimated by taking the historical volatility in the Company's share price over a four-year period and adjusting where there are known factors that may affect future volatility. No other features of the option grant were incorporated into the measurement of fair value.

Long-Term Incentive Plan: 2008 awards	29 May 2008	2 December 2008
Share price and exercise price at grant date	804p	507p
Exercise price (as restated for Rights Issue)	666p	420p
Option life in years	7	7
Risk free rate	5.1%	3.8%
Expected volatility	27%	33%
Expected dividend yield	3%	6.8%
Value per option (as restated)	180p	70p

Matching Share Plan (MSP)

The MSP allows eligible employees to receive one-third of their annual bonus in shares, held in trust, which following performance targets based on total shareholder return and earnings per share being achieved over a three-year period will be matched 2 for 1 by the Company. The Company expenses the estimated number of shares likely to vest over the three-year period based on the market price at the date of grant.

Fund Managers Performance Plan (PP)

Under the PP the Company may award employees a combination of cash (20% of the award) and shares based on a maximum of 30% of the annual performance fee earned by the Unit Trusts and, as agreed by shareholders in 2008, in respect of a comparative notional pool for British Land owned portfolios. The cash is awarded following the performance year under review with the shares released over the following three years subject to clawback due to subsequent property underperformance and continued employment. The Company expenses an estimate of the fair value of the award over the period to full vesting.

Other Share Plans

Under the SIP the Company gives eligible employees free shares of up to £3,000 a year. They can also purchase partnership shares for up to £1,500 a year that are matched 2 for 1 by the Company. The free and matching shares are purchased at fair value in the market and expensed at the time of allocation.

Under the Sharesave Plans eligible employees can save up to £250 a month over a three or five-year period and use the savings to exercise an option granted at the outset at a 20% discount to the then prevailing share price. The fair value of the various options is expensed over the service period, based on a Black-Scholes model.

Awards under the CISP are valued at the fair value of the shares at the date of grant and expensed over three years.

Movements in shares and options are given in note 21.

10 Pensions

The British Land Group of Companies Pension Scheme ('the scheme') is the principal pension scheme in the Group. It is a defined benefit scheme which is externally funded and not contracted out of SERPS. The assets of the scheme are held in a trustee-administered fund and kept separate from those of the Company. It is not planned to admit new employees to the scheme. Existing entitlements will be retained by the members, with freedom to transfer to a new Defined Contribution Scheme. Contributions to this scheme are at a flat rate of 15% of salary and paid by the Company. In certain circumstances it may be necessary to pay higher contributions when recruiting senior executives.

The Group has five other small pension schemes. The total net pension cost charged for the year was £4m (2008: £4m), of which £2m (2008: £1m) relates to defined contribution plans.

A full actuarial valuation of the scheme was carried out at 31 March 2006 and updated since then annually for accounting purposes by consulting actuaries, Hewitt Associates Ltd. The employer's contributions will be paid in the future at the rate recommended by the actuary of 48.9% pa of basic salaries. The best estimate of employer contributions expected to be paid during the year to 31 March 2010 is £4m. The major assumptions used for the actuarial valuation were:

	2009 % pa	2008 % pa	2007 % pa	2006 % pa	2005 % pa
Discount rate	5.8	6.0	5.4	4.9	5.3
Salary inflation	4.4	3.4	5.4	5.2	5.1
Pensions increase	2.9	3.4	3.2	3.0	2.9
Price inflation	2.9	5.6	3.2	3.0	2.9

The mortality assumptions are based on standard mortality tables which allow for future mortality improvements. The assumptions are that a member currently aged 60 will live on average to age 89 if they are male and to age 92 if they are female. For a member who is currently 45 and retires in 2023 at age 60 the assumptions are that they will live on average for a further 30 years after retirement to age 90 if they are male and for a further 33 years after retirement to age 93 if they are female.

Composition of scheme assets

	Expected return 2009/10 %	2009 £m	Expected return 2008/9 %	2008 £m
Equities	8.0	40	7.0	46
Bonds	4.8	28	5.0	32
Other assets	2.1	1	5.1	2
Total scheme assets		69		80

The amount included in the balance sheet arising from the Group's obligations in respect of its defined benefit scheme is as follows:

	2009 £m	2008 £m	2007 £m	2006 £m	2005 £m
Present value of defined scheme obligations	(69)	(80)	(70)	(78)	(55)
Fair value of scheme assets	69	80	79	67	51
Asset (liability) recognised in the balance sheet			9	(11)	(4)

British Land Group of companies employs a building block approach in determining the long-term rate of return on pension plan assets. Historical markets are studied and assets with higher volatility are assumed to generate higher returns consistent with widely accepted capital market principles. The assumed long-term rate of return on each asset class is set out within this note. The overall expected rate of return on assets is then derived by aggregating the expected return for each asset class over the actual asset allocation for the Scheme at 31 March 2009.

History of experience gains and losses

	2009 £m	2008 £m	2007 £m	2006 £m	2005 £m
Difference between expected and actual return on scheme assets					
Amount	(18)	(5)		8	2
Percentage of scheme assets	26.3%	6.2%	0.4%	12.1%	4.7%
Experience gains and losses on scheme liabilities					
Amount	8	(1)	4	2	(1)
Percentage of present value on scheme liabilities	1.7%	1.2%	6.1%	1.9%	1.8%
Changes in assumptions underlying the present value of scheme liabilities	8	(4)	6	(11)	(5)
Total actuarial (loss) gain recognised in the statement of recognised income and expense					
Amount†	(2)	(10)	10	(1)	(4)
Percentage of present value on scheme liabilities	3.0%	6.2%	14.4%	1.4%	7.1%
Deferred taxation attributable to pension movements			(2)		1
Pension scheme movement for the year	(2)	(10)	8	(1)	(3)

† Cumulative loss recognised in the statement of recognised income and expense is £19m (2008: £17m).

Movements in the present value of defined benefit obligations were as follows:

	2009 £m	2008 £m
At 1 April	(80)	(70)
Current service cost	(2)	(3)
Interest cost	(5)	(4)
Actuarial (losses) gains	16	(5)
Benefits paid	2	2
At 31 March	(69)	(80)

Movements in the fair value of the scheme assets were as follows:

	2009 £m	2008 £m
At 1 April	80	79
Expected return on scheme assets	5	5
Contributions by employer	4	3
Actuarial losses	(18)	(5)
Benefits paid	(2)	(2)
At 31 March	69	80

Amounts recognised in the income statement in respect of the defined benefit scheme are:

	2009 £m	2008 £m
Administrative expenses: Current service cost	(2)	(3)
Net financing cost: Expected return on scheme assets	5	5
Interest cost	(5)	(4)
	(2)	(2)

The actual return on scheme assets was minus £13m (2008: £nil).

11 Property

	Investment £m	Development £m	Owner- occupied £m	Total £m
Carrying value at 1 April 2008	9,389	1,062	53	10,504
Additions – property purchases	126			126
– other capital expenditure	168	271		439
	294	271		565
Disposals	(2,068)	(107)		(2,175)
Reclassifications	579	(579)		
Revaluations:				
included in income statement	(2,729)	(245)	(20)	(2,994)
included in statement of recognised income and expense		(44)	(3)	(47)
Movement in tenant incentives and contracted rent uplift balances	(29)			(29)
Carrying value at 31 March 2009	5,436	358	30	5,824
Head lease liabilities (note 16)				(14)
Total Group property portfolio valuation 31 March 2009				5,810

At 31 March 2009, the Group book value of properties of £5,810m (2008: £10,469m) comprises freeholds of £5,189m (2008: £9,357m); virtual freeholds of £182m (2008: £303m); long leaseholds of £436m (2008: £802m) and short leaseholds of £3m (2008: £7m). The historical cost of properties was £6,000m (2008: £7,315m).

At 31 March 2009, the book value of owner-occupied property is £30m (2008: £53m) after charging £1m (2008: £nil) depreciation to the income statement for the year.

The property valuation does not include any investment properties held under operating leases (2008: nil).

Properties valued at £3,665m (2008: £7,162m) were subject to a security interest and other properties of non-recourse companies amounted to £1m (2008: £2m).

Included within the property valuation is £67m (2008: £58m) in respect of accrued contracted rental uplift income, against which the Group holds a provision of £25m (2008: £8m). The balance arises through the IFRS treatment of leases containing such arrangements, which requires the recognition of rental income on a straight line basis over the lease term, with the difference between this and the cash receipt changing the carrying value of the property against which revaluations are measured.

Cumulative interest capitalised against investment and development properties amounts to £51m and £51m (2008: £33m and £84m) respectively.

The prior year movement is shown below:

	Investment £m	Development £m	Owner- occupied £m	Total £m
Carrying value at 1 April 2007	12,891	1,106	50	14,047
Additions – property purchases	115			115
– other capital expenditure	253	292		545
	368	292		660
Disposals	(2,694)	(24)		(2,718)
Reclassifications	360	(360)		
Revaluations:				
in income statement	(1,569)	(19)		(1,588)
in statement of recognised income and expense		57	3	60
Increase in tenant incentives and guaranteed rent uplift balances	33	10		43
Carrying value at 31 March 2008	9,389	1,062	53	10,504
Head lease liabilities (note 16)				(35)
Total Group property portfolio valuation 31 March 2008				10,469

The Group's total property portfolio was valued by external valuers on the basis of Market Value, by reference to recent market evidence of transactions for similar properties, in accordance with the Appraisal and Valuation Standards, Sixth Edition, published by The Royal Institution of Chartered Surveyors. A breakdown of valuations split between the Group and its share of joint ventures and funds is shown below:

	Group £m	2009 JV/Funds £m	Total £m	Group £m	2008 JV/Funds £m	Total £m
Knight Frank LLP	5,793	787	6,580	10,466	1,067	11,533
CBRE	17	1,721	1,738	3	1,935	1,938
Directors' valuations		307	307			
	5,810	2,815	8,625	10,469	3,002	13,471

12 Funds and Joint Ventures

A detailed breakdown of the 100% results of specific funds and joint ventures is set out on the two facing pages, below and across. The total column represents the Group's share of all funds and joint ventures. All disclosures have been restated to British Land accounting policies under IFRS eliminating performance and management fees due to the Group.

Joint ventures' summary financial statements

	MSC Property Intermediate Holdings Ltd	BL Sainsbury Superstores Ltd	BLT Properties Ltd	The Tesco British Land Property Partnership	Tesco BL Holdings Ltd	The Tesco Aqua Limited Partnership ¹	The Scottish Retail Property Limited Partnership
Partners	LSP Green Park Property Trust	J Sainsbury plc	Tesco plc	Tesco plc	Tesco plc	Tesco plc	Land Securities Group PLC
Group share	50%	50%	50%	50%	50%	50%	50%
Date established	February 2009	March 2008	November 1996	February 1998	November 1999	March 2007	March 2004
Accounting period	7 weeks ended 31 March 2009	Year ended 31 March 2009	Year ended 31 March 2009	Year ended 31 March 2009	Year ended 31 March 2009	Year ended 31 March 2009	Year ended 31 March 2009
Summarised income statements	£m	£m	£m	£m	£m	£m	£m
Gross rental and related income	10	62	17	7	29	30	21
Net rental and related income	10	62	17	7	29	30	12
Other income and expenditure	(1)	(1)					1
Net interest	(6)	(36)	(9)	(2)	(18)	(29)	(6)
Net interest payable	(6)	(36)	(9)	(2)	(18)	(29)	(6)
Underlying profit before taxation	3	25	8	5	11	1	7
Deficit on revaluation	(14)	(226)	(69)	(18)	(113)	(65)	(108)
Disposal of fixed assets							
Goodwill impairment							
Non-recurring items ²							
Loss on ordinary activities before taxation	(11)	(201)	(61)	(13)	(102)	(64)	(101)
Current tax			(5)		(8)		
Deferred tax							
Loss on ordinary activities after taxation	(11)	(201)	(66)	(13)	(110)	(64)	(101)
Summarised balance sheets							
Investment properties	1,165	964	255	94	492	532	179
Development properties							
Total properties	1,165	964	255	94	492	532	179
Current assets	12	3	3			3	2
Upstream loans to joint venture shareholders			21				
Cash and deposits	23	18	6	3	9	14	5
Gross assets	1,200	985	285	97	501	549	186
Current liabilities	(46)	(34)	(12)	(4)	(23)	(86)	(21)
Bank debt falling due within one year					(315)		
Bank debt falling due after one year			(185)	(45)		(485)	
Securitised debt	(831)	(697)					(119)
Obligations under finance leases	(6)						(11)
Deferred tax							
Gross liabilities	(883)	(731)	(197)	(49)	(338)	(571)	(151)
Net external assets (liabilities)	317	254	88	48	163	(22)	35
Represented by:							
Shareholder loans		2		2		57	14
Ordinary shareholders' funds/Partners' capital	317	252	88	46	163	(79)	21
Total investment	317	254	88	48	163	(22)	35
Capital commitments							13

Notes to the Funds and Joint Ventures tables

¹ All joint ventures are non-recourse to the Group. Where a joint venture has net liabilities, as required under IFRS, the Group does not account for its share of the deficit in its total share of joint venture profits. All joint ventures are incorporated in the United Kingdom, with the exception of Eurofund Investments Zaragoza SL which is domiciled in Spain. Of the funds, HUT and HIF are domiciled in Jersey, and PREF in Luxembourg.

² Non-recurring items relate to the surplus arising on closing out interest rate derivatives following redemption of the related debt out of the proceeds of property sales.

³ Included in the column headed 'Other joint ventures and funds' are contributions from the following: BL Fraser Limited, Fareham Property Partnership, the BL Goodman Limited Partnership, the Public House Company Limited, BL Gazeley Limited, BL Canada Quay Limited, EFI Zaragoza, the City of London Office Unit Trust (CLOUT), Auchinlea Partnership, Delavan Spain S.L. and Group adjustments. Amounts are included in this column at the relevant percentage for the Group's interest.

⁴ When the fund is fully invested, this will reach approximately 40%. The Group share at 31 March 2008 was 30.26%.

These financial statements include the results and financial position of the Group's interest in the Tesco British Land Property Partnership, the Tesco Aqua Limited Partnership, the Scottish Retail Property Limited Partnership, the Fareham Property Partnership, the BL Goodman Limited Partnership, Auchinlea Partnership and the BL Residential Limited Partnership. Accordingly, advantage has been taken of the exemptions provided by Regulation 7 of the Partnerships and Unlimited Companies (Accounts) Regulations 1993, not to attach the partnership accounts to these financial statements.

At 31 March 2009, the investment in joint ventures included within the total investment in Funds and Joint Ventures was £585m (2008: £833m). Distributions in the year include the receipt of £25m from HUT, £4m from PREF, £4m (£2m capital) from CLOUT and £10m from Tesco joint ventures. At 31 March 2009 the Group's share of funds and joint ventures properties is £2,815m (2008: £3,002m); external net debt is £1,863m (2008: £1,378m) and the mark to market adjustment for external debt is £236m asset (2008: £74m asset).

12 Funds and Joint Ventures (continued)

Funds' summary financial statements

	Hercules Unit Trust	Hercules Income Fund	Pillar Retail Europark Fund	Other joint ventures and funds ³	JV & fund total Group share 2009	JV & fund total Group share 2008
Group share	36.27%	26.12%	35.23% ⁴	Group Share		
Date established	September 2000	September 2004	March 2004			
Accounting period	Year ended 31 March 2009	Year ended 31 March 2009	Year ended 31 December 2008			
Summarised income statements	£m	£m	£m	£m	£m	£m
Gross rental and related income	118	7	36	14	159	117
Net rental and related income	107	7	27	11	145	106
Other income and expenditure	(3)		(6)	(1)	(5)	(6)
Net interest	(59)	(1)	(14)	(6)	(86)	(61)
				1	1	1
Net interest payable	(59)	(1)	(14)	(5)	(85)	(60)
Underlying profit before taxation	45	6	7	5	55	40
Deficit on revaluation	(683)	(48)	(205)	(123)	(762)	(367)
Disposal of fixed assets	(165)		(4)	(10)	(71)	13
Goodwill impairment						(3)
Non-recurring items						9
Loss on ordinary activities before taxation	(803)	(42)	(202)	(128)	(778)	(308)
Current tax			(1)	9	2	1
Deferred tax			24	1	9	1
Loss on ordinary activities after taxation	(803)	(42)	(179)	(118)	(767)	(306)
Summarised balance sheets						
Investment properties	1,535	81	479	188	2,775	2,889
Development properties				49	49	119
Total properties	1,535	81	479	237	2,824	3,008
Current assets	138	2	28	20	92	57
Upstream loans to joint venture shareholders				20	31	23
Cash and deposits	63	3	15	24	92	102
Gross assets	1,736	86	522	301	3,039	3,190
Current liabilities	(55)	(4)	(49)	(41)	(192)	(166)
Bank debt falling due within one year		(14)		(46)	(207)	(2)
Bank debt falling due after one year			(272)	(71)	(525)	(712)
Securitised debt	(907)				(1,152)	(763)
Obligations under finance leases					(9)	(6)
Deferred tax			(6)		(2)	(9)
Gross liabilities	(962)	(18)	(327)	(158)	(2,087)	(1,658)
Net external assets (liabilities)	774	68	195	143	952	1,532
Represented by:						
Shareholder loans				16	54	60
Ordinary shareholders' funds/Partners' capital	774	68	195	127	898	1,472
Total investment	774	68	195	143	952	1,532
Capital commitments	13		1		12	79

Summary movement for the year of the investments in Funds and Joint Ventures

	Joint ventures £m	Funds £m	Total £m	Equity £m	Loans £m	Total £m
At 1 April 2008	809	723	1,532	1,492	40	1,532
Additions	183	49	232	214	18	232
Disposals	(1)		(1)		(1)	(1)
Reallocation of tax balances to Group	15	6	21	21		21
Share of loss after taxation	(384)	(383)	(767)	(767)		(767)
Distributions and dividends: capital revenue	(1)	(2)	(3)	(2)	(1)	(3)
	(15)	(32)	(47)	(43)	(4)	(47)
Hedging movements	(26)	11	(15)	(16)	1	(15)
At 31 March 2009	580	372	952	899	53	952

13 Other non-current assets

	2009		2008	
	Other investments £m	Intangible assets £m	Other investments £m	Intangible assets £m
At 1 April 2008	196	39	267	50
Additions				4
Disposals			(1)	
Revaluation of investments	(157)		(70)	
Depreciation	(1)			
Amortisation		(14)		(15)
At 31 March 2009	38	25	196	39

Other investments include £28m (2008: £185m) relating to the Group's 17.8% interest in Songbird Estates plc, which owns 60.8% of Canary Wharf Group plc. In view of the control rights of other shareholders, the investment is not equity accounted. £69m of the valuation write-down is reflected in the income statement, and £88m in the statement of recognised income and expense.

Intangible assets relate to fund management contracts which are amortised over the expected remaining life of each contract, which ranged from 6 to 10 years at acquisition. The original fair value was £79m with accumulated amortisation at 31 March 2009 being £54m (2008: £40m).

14 Debtors

	2009 £m	2008 £m
Trade and other debtors [†]	103	101
Prepayments and accrued income	4	15
Interest rate derivatives [§]	16	17
	123	133

15 Creditors

	2009 £m	2008 £m
Trade creditors	129	90
Amounts owed to joint ventures	33	29
Corporation tax	40	25
Other taxation and social security	11	13
Accruals and deferred income	202	262
Interest rate derivatives [§]	109	31
	524	450

[†] Included within this balance is deferred consideration of £43m (2008: £9m) arising on the sale of investment properties. The timing of the receipt is uncertain and may fall due after one year.

[§] Includes contracted cash flow with a maturity greater than one year at fair value.

Trade and other debtors are shown after deducting a provision for bad and doubtful debts of £6m (2008: £9m). The charge to the income statement was £3m (2008: £4m).

The directors consider that the carrying amount of trade and other debtors approximates their fair value. There is no concentration of credit risk with respect to trade debtors as the Group has a large number of customers, who are paying their rental in advance.

Trade payables are interest free and have settlement dates within one year. The directors consider that the carrying amount of trade and other payables approximates their fair value. As at 31 March, trade and other debtors outside their payment terms yet not provided for are as follows:

	Total £m	Within credit terms £m	Outside credit terms but not impaired		
			0-1 month £m	1-2 months £m	More than 2 months £m
2009	103	80	18	1	4
2008	101	73	19	4	5

16 Other non-current liabilities

	2009 £m	2008 £m
Trade and other creditors	27	
Obligations under finance leases	14	35
Minority interest	4	3
	45	38

17 Deferred taxation

Deferred tax is calculated on temporary differences under the liability method using a tax rate of 28% (2008: 28%) as described in note 8.

The movement on deferred tax is as shown below:

	1 April 2008 £m	Credited to income £m	Credited to reserves £m	31 March 2009 £m
Property and investment revaluations	93	(46)	(24)	23
Other timing differences	4			4
Intangible assets	11	(3)		8
	108	(49)	(24)	35
	1 April 2007 £m	Credited to income £m	Credited to reserves £m	31 March 2008 £m
Property and investment revaluations	160	(42)	(25)	93
Other timing differences	4			4
Intangible assets	15	(4)		11
	179	(46)	(25)	108

Under the REIT regime development properties which are sold within three years of completion do not benefit from tax exemption. At 31 March 2009 the value of such properties is £1,066m (2008: £1,806m) and if these properties were to be sold and tax exemption was not available the tax arising would be £nil (2008: £75m). No provision is made for this amount as the Group has no current plans to sell these properties.

18 Net debt	Footnote	2009 £m	2008 £m
Secured on the assets of the Group			
Class A1 4.986% Bonds 2037	1.1, 2		602
Class A2 Floating Rate Bonds 2037	1.1, 2		60
Class B 4.988% Bonds 2037	1.1, 2		171
Class A4 4.821% Bonds 2036	1.2	396	396
Class C2 5.098% Bonds 2035	1.2	217	217
Class B 4.999% Bonds 2033	1.2	365	365
Class A3 4.851% Bonds 2033	1.2	174	174
Class A1 Floating Rate Bonds 2032	1.2	224	224
Class A2 4.949% Bonds 2031	1.2	288	295
Class D Floating Rate Bonds 2025	1.2	112	130
Class C1 Floating Rate Bonds 2022	1.2	215	235
9.125% First Mortgage Debenture Stock 2020	1.3	40	40
6.125% First Mortgage Debenture Stock 2014	1.3	45	45
10.3125% First Mortgage Debenture Stock 2011	1.3	42	44
5.264% First Mortgage Debenture Bonds 2035		327	327
5.0055% First Mortgage Amortising Debentures 2035		104	105
5.357% First Mortgage Debenture Bonds 2028		307	307
6.75% First Mortgage Debenture Bonds 2020		204	204
6.75% First Mortgage Debenture Bonds 2011		99	100
Floating Rate Secured Loan Notes 2035		256	256
Loan Notes		5	5
		3,420	4,302
Unsecured			
5.50% Senior Notes 2027		98	98
6.30% Senior US Dollar Notes 2015	3	108	77
Bank loans and overdrafts		139	785
		345	960
Gross debt	4	3,765	5,262
Interest rate derivatives: liabilities		109	31
Interest rate derivatives: assets		(16)	(17)
		3,858	5,276
Cash and short-term deposits	5	(616)	(244)
Net debt		3,242	5,032
Maturity analysis of net debt			
Repayable within one year and on demand		49	111
between:			
one and two years		148	51
two and five years		439	712
five and ten years		553	1,117
ten and fifteen years		436	613
fifteen and twenty years		835	943
twenty and twenty-five years		930	912
twenty-five and thirty years		375	803
		3,716	5,151
Gross debt		3,765	5,262
Interest rate derivatives		93	14
Cash and short-term deposits		(616)	(244)
Net debt		3,242	5,032

Total borrowings where any instalments are due after five years are £1,702m (2008: £3,084m).

1 These borrowings are obligations of ring-fenced special purpose companies with no recourse to other companies or assets in the Group:

	2009 £m	2008 £m
1.1 Meadowhall Finance PLC		833
1.2 Broadgate Financing PLC	1,991	2,036
1.3 BLD Property Holdings Ltd	127	129

2 The Meadowhall Finance PLC securitisation group is owned indirectly by MSC Property Intermediate Holdings Limited which on 11 February 2009 became a joint venture with LSP Green Park Property Trust.

3 Principal and interest on this borrowing was fully hedged into Sterling at the time of issue.

4 The principal amount of gross debt at 31 March 2009 was £3,746m (2008: £5,275m). Included in this, the principal amount of secured borrowings and other borrowings of non-recourse companies was £3,412m (2008: £4,294m).

5 Cash and deposits not subject to a security interest amount to £215m (2008: £78m).

Financial Covenants

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

Net Borrowings not to exceed 175% of Adjusted Capital and Reserves.

At 31 March 2009 the ratio is **83%**:

- Net Borrowings are **£3,186m**, being the principal amount of gross debt of £3,746m plus amounts owed to joint ventures of £33m and TPP Investments Ltd of £23m (see note 24), less the cash and short-term deposits of £616m; and
- Adjusted Capital and Reserves are **£3,831m**, being share capital and reserves of £3,209m (see note 21), adjusted for £25m of deferred tax (see note 2), £444m exceptional refinancing charges (see note 21) and £153m mark to market on interest rate swaps (see note 2).

Net Unsecured Borrowings not to exceed 70% of Unencumbered Assets.

At 31 March 2009 the ratio is **6%**:

- Net Unsecured Borrowings are **£152m**, being the principal amount of gross debt of £3,746m plus amounts owed to joint ventures of £33m less cash and deposits not subject to a security interest of £215m less the principal amount of secured and non-recourse borrowings of £3,412m; and
- Unencumbered Assets are **£2,549m** being properties of £5,810m (see note 11) plus investments in funds and joint ventures of £952m (see note 12) and other investments of £38m (see note 13) less investments in joint ventures of £585m (see footnote to note 12, page 84) and encumbered assets of £3,666m (see note 11).

18 Net debt (continued)

Reconciliation of movement in Group Net Debt to Cash Flow Statement

	1 April 2008 £m	Disposals [†] £m	Cash flow £m	Non cash movement £m	31 March 2009 £m
Per cash flow statement:					
Cash and short-term deposits	(244)		(372)		(616)
Overdrafts	5		(5)		
Cash and cash equivalents	(239)		(377)		(616)
Term debt (excluding overdrafts)	5,257	(835)	(714)	57	3,765
Fair value of interest rate derivatives	14			79	93
Net debt	5,032	(835)	(1,091)	136	3,242

	1 April 2007 £m	Disposals [†] £m	Cash flow £m	Non cash movement £m	31 March 2008 £m
Per cash flow statement:					
Cash and short term deposits	(198)		(46)		(244)
Overdrafts	7		(2)		5
Cash and cash equivalents	(191)		(48)		(239)
Term debt total (excluding overdrafts)	6,664	(721)	(686)		5,257
Fair value of interest rate derivatives	(69)			83	14
Net debt	6,404	(721)	(734)	83	5,032

[†]Excluding cash and overdrafts. Represents the principal of securitised debt in MSC Property Intermediate Holdings Ltd (2008: BL Sainsbury Superstores Ltd) on formation of the joint venture.

Comparison of market values and book values

	2009			2008		
	Market value £m	Book value £m	Difference £m	Market value £m	Book value £m	Difference £m
Securitisations	1,383	1,991	(608)	2,495	2,869	(374)
Debentures and unsecured bonds	1,091	1,374	(283)	1,213	1,347	(134)
Bank debt and other floating rate debt	400	400		1,046	1,046	
Cash and short-term deposits	(616)	(616)		(244)	(244)	
	2,258	3,149	(891)	4,510	5,018	(508)
Other financial (assets) liabilities:						
– interest rate derivative assets	(16)	(16)		(17)	(17)	
– interest rate derivative liabilities	109	109		31	31	
	93	93		14	14	
Total	2,351	3,242	(891)	4,524	5,032	(508)

The carrying values of trade debtors, other investments, trade creditors, finance leases and amounts owed to joint ventures represent their fair values at the balance sheet date.

These financial instruments are excluded from the above analysis.

The fair values of securitised debt and debentures have been established by obtaining quoted market prices from brokers. The bank debt and loan notes have been valued assuming they could be renegotiated at contracted margins. The derivatives have been valued by calculating the present value of expected future cash flows, using appropriate market discount rates, by an independent treasury adviser.

18 Net debt (continued)**Capital risk management**

The Group's objectives, policies and processes for managing capital are set out in the Financing Policy on pages 33 and 34. The capital structure of the Group consists of net debt and equity attributable to the equity holders of The British Land Company PLC, comprising issued capital, reserves and retained earnings.

Loan to value ratio

A 45-55% loan to value ratio (LTV) is targeted, subject to the Board's view of markets, the prospects of and risks within the portfolio and the recurring cash flows of the business. During the year ended 31 March 2009 the Group completed a Rights Issue, the formation of a joint venture containing Meadowhall and its securitised debt, and sold selected assets. Despite the mark downs in the valuation of the portfolio, LTV was 46% at year end (2008: 41%).

Categories of financial instruments

	2009 Book value £m	2008 Book value £m
Financial assets		
Derivatives in designated hedge accounting relationships	16	17
Loans and receivables		
Trade and other debtors	103	101
Cash and short-term deposits	616	244
Available for sale financial assets		
Other investments	38	196
	773	558
Financial liabilities		
Fair value through income statement		
Held for trading – derivatives	(3)	(2)
Derivatives in designated hedge accounting relationships	(106)	(29)
Amortised cost		
Gross debt	(3,765)	(5,262)
Finance lease payable	(14)	(35)
Trade and other creditors	(156)	(90)
Amounts owed to joint ventures	(33)	(29)
	(4,077)	(5,447)
Total	(3,304)	(4,889)

Gains and losses on financial instruments, as classed above, are disclosed in note 7 (net financing costs), note 14 (debtors) and the consolidated statement of recognised income and expense.

Interest rate risk management

The Group uses interest rate swaps to hedge exposure to the variability in cash flows on floating rate debt, such as revolving bank facilities and floating rate bonds, caused by movements in market rates of interest. At 31 March 2009 the market value of these derivatives, which have been designated as cash flow hedges under IAS 39, is a net liability of £106m (2008: asset of £3m). The valuation movement reflects the reduction in Sterling interest rates since 31 March 2008.

The cross currency swap, which fully hedges the foreign exchange exposure on the US Private Placement, has been designated as a cash flow hedge. The market value of this is an asset of £16m (2008: liability of £15m).

Following substantial deleveraging through asset sales and the Rights Issue, a number of hedges were no longer required and were closed out. As a result, the ineffectiveness recognised in the income statement on cash flow hedges in the year ended 31 March 2009 was £119m (2008: £nil).

The cash flows occur and enter into the determination of profit and loss until the maturity of the hedged debt. The table below summarises foreign currency denominated and variable rate debt hedged at 31 March 2009.

Cash flow hedged debt

	2009 £m	2008 £m
Outstanding: after one year	1,001	2,189
after two years	1,064	2,751
after five years	1,002	2,439
after ten years	434	519

Interest rate profile – including effect of derivatives

	2009 £m	2008 £m
Fixed rate	3,879	5,248
Variable rate (net of cash)	(637)	(216)
Net debt	3,242	5,032

All the debt is effectively Sterling denominated except for £139m (2008: £181m) of Euro debt, which is at a fixed rate (2008: £179m fixed, and the balance floating). At 31 March 2009 the weighted average interest rate of the Sterling fixed rate debt is 5.23% (2008: 5.23%). The weighted average period for which the rate is fixed is 17.5 years (2008: 16.0 years). The weighted average interest rate for the Euro fixed rate debt is 4.56% (2008: 4.50%) and the weighted average period for which the rate is fixed is 7.1 years (2008: 8.2 years). The floating rate debt is set for periods of the Company's choosing at the relevant LIBOR (or similar) rate.

The proportion of gross debt at fixed or capped rates of interest was 100% at 31 March 2009 (2008: 100%). This proportion is expected to reduce as floating rate debt is redrawn to fund committed development expenditure and selected property purchases. Based on the Group's interest rate profile at the balance sheet date a 436 basis point increase in interest rates would increase annual profits by £28m (2008: £9m increase). Similarly, a 436 basis point reduction would reduce profits by £11m (2008: £9m reduction). The change in interest rates used for this sensitivity analysis is based on the largest annual change in three month Sterling LIBOR over the last 10 years.

Upward movements in medium and long-term interest rates, associated with higher interest rate expectations, increase the value of the Group's interest rate swaps that provide protection against such moves. The converse is true for downward movements in the yield curve. The Group's interest rate swaps qualify as effective hedges under IAS 39, with one exception which is classified as held for trading, therefore movements in their fair value are recognised directly in equity rather than the income statement. At 31 March 2009 a 186 basis point parallel upward shift in swap rates would increase the value of the Group's interest rate swaps by £159m (2008: £282m). A 186 basis point downward shift in swap rates would reduce the value of the interest rate swap portfolio by £216m (2008: £353m). Because the interest rate swaps are matched by floating rate debt, the overall effect on Group cash flows of such movements is minimal. A 186 basis point shift represents the largest annual change in the seven year Sterling swap rate over the last 10 years.

Foreign currency risk management

Group policy is to have no material unhedged net assets or liabilities denominated in foreign currencies. The currency risk on overseas investments is hedged via foreign currency denominated borrowings and derivatives. The Group has adopted net investment hedging in accordance with IAS 39 and therefore the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in equity. The ineffective portion of the gain or loss on the hedging instrument is recognised immediately in the income statement.

The table below shows the carrying amounts of the Group's foreign currency denominated assets and liabilities. Provided contingent tax on overseas investments is not expected to occur it will be ignored for hedging purposes, as will the requirement to fair value interest rate swaps. This explains the excess of Euro denominated liabilities over assets. Based on the 31 March 2009 position a 33% appreciation (largest annual change over the last 10 years) in the Euro relative to Sterling would result in a £4m reduction (2008: £3m reduction) in reported profits.

	Assets		Liabilities	
	2009 £m	2008 £m	2009 £m	2008 £m
Euro denominated	126	172	139	181

Credit risk management

The carrying amount of financial assets recorded in the financial statements represents the Group's maximum exposure to credit risk without taking account of the value of any collateral obtained.

Cash and short-term deposits at 31 March 2009 amounted to £616m (2008: £244m). Deposits were placed with financial institutions with A+ or better credit ratings.

At 31 March 2009 the fair value of all interest rate derivatives which had a positive value was £16m (2008: £17m).

At 31 March 2009, prior to taking into account any offset arrangements, the largest combined credit exposure to a single counterparty arising from money market deposits and interest rate swaps was £245m (2008: £217m). This represents 3.2% (2008: under 2%) of gross assets.

The deposits and interest rate derivative exposure are with UK high street banks. The Group's exposure to credit risk in respect of its trade receivables is analysed in note 14. Included within trade and other debtors is deferred consideration of £48m, of which £43m may fall due after one year. Management has made due consideration of the credit risk associated with this, resulting in no impairment for credit risk being made.

18 Net Debt (continued)**Liquidity risk management**

The Group's approach to liquidity risk management is discussed in the financing policy on pages 33 and 34.

The table below presents a maturity profile of the contracted undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal flows. Where the interest payable is not fixed, the amount disclosed has been determined by reference to the projected interest rates implied by yield curves at the reporting date. For derivative financial instruments that settle on a net basis (e.g. interest rate swaps) the undiscounted net cash flows are shown and for derivatives that require gross settlement (e.g. cross currency swaps) the undiscounted gross cash flows are presented. Where payment obligations are in foreign currencies, the spot exchange rate ruling at the balance sheet date is used. Trade creditors and amounts owed to joint ventures, which are repayable within one year, have been excluded from the analysis.

The Group expects to meet its financial liabilities through the various available liquidity sources, including a secure rental income profile, asset sales, undrawn committed borrowing facilities and, in the longer term, debt refinancings.

The Group leases out all its investment properties under operating leases with a weighted average lease length of 13 years. This secure income profile is generated from upward only rent reviews, long leases and high occupancy rates. The future aggregate minimum rentals receivable under non-cancellable operating leases is also shown in the table below. Income from Funds and Joint Ventures is not included below. Additional liquidity will arise from letting space in properties under construction.

	2009				
	Within one year £m	Following year £m	Two to five years £m	Over five years £m	Total £m
Debt †	46	145	436	3,129	3,756
Interest on debt	169	174	494	2,052	2,889
Derivative payments	37	30	52	159	278
Finance lease payments	1	1	3	108	113
Total payments	253	350	985	5,448	7,036
Derivative receipts	(7)	(7)	(20)	(124)	(158)
Net payment	246	343	965	5,324	6,878
Operating leases with tenants (see note 19)	382	383	1,125	3,602	5,492
Liquidity surplus (deficit)	136	40	160	(1,722)	(1,386)
Cumulative liquidity surplus (deficit)	136	176	336	(1,386)	
	2008				
	Within one year £m	Following year £m	Two to five years £m	Over five years £m	Total £m
Debt †	103	49	707	4,396	5,255
Interest on debt	288	263	745	2,731	4,027
Derivative payments	6	18	26	134	184
Finance lease payments	2	2	8	220	232
Total payments	399	332	1,486	7,481	9,698
Derivative receipts	(19)	(6)	(21)	(103)	(149)
Net payment	380	326	1,465	7,378	9,549
Operating leases with tenants (see note 19)	538	527	1,565	5,756	8,386
Liquidity surplus (deficit)	158	201	100	(1,622)	(1,163)
Cumulative liquidity surplus (deficit)	158	359	459	(1,163)	

† Gross debt of £3,765m (2008: £5,262m) represents the total shown, less unamortised issue costs of £17m (2008: £21m), plus the fair value adjustment arising on acquisitions of £26m (2008: £28m).

The medium-term liquidity gap between the net payments required and the rentals receivable can be met through other liquidity sources available to the Group. The Group currently holds cash and short-term deposits of £616m, of which £215m is not subject to a security interest (see footnote 5 to net debt table). Further liquidity can be achieved through sales of property assets or investments and debt refinancings. The Group's property portfolio is valued externally at £5,810m (see note 11) and the share of Funds and Joint Ventures' property is valued at £2,815m (see Table A). The undrawn committed borrowing facilities available to the Group are a further source of liquidity. The maturity profile of committed undrawn borrowing facilities is shown below.

Maturity of committed undrawn borrowing facilities

		2009 £m	2008 £m
Expiring:	within one year	89	77
between:	one and two years	265	80
	two and three years	775	221
	three and four years	80	709
	four and five years	905	80
	over five years	836	1,266
Total		2,950	2,433

The above facilities are those freely available to be drawn for Group purposes. There is an additional undrawn 364 day revolving liquidity facility of £185m which is only available for the requirements of the Broadgate securitisation.

19 Leasing**Operating leases with tenants**

The Group leases out all of its investment properties under operating leases with a weighted average lease length of 13 years. The future aggregate minimum rentals receivable under non-cancellable operating leases are as follows:

	2009 £m	2008 £m
Less than one year	382	538
Between two and five years	1,508	2,092
Between six and ten years	1,552	2,199
Between eleven and fifteen years	850	1,629
Between sixteen and twenty years	470	788
After twenty years	730	1,140
	5,492	8,386

Contingent rents of £3m (2008: £1m) were recognised in the year.

The Group's leasehold investment properties are typically under non-renewable leases without significant restrictions. Finance lease liabilities are payable as follows, no contingent rents are payable in either period:

	2009			2008		
	Minimum lease payments £m	Interest £m	Principal £m	Minimum lease payments £m	Interest £m	Principal £m
British Land Group						
Less than one year	1	1		2	2	
Between one and two years	1	1		2	2	
Between two and five years	3	3		8	7	1
More than five years	108	94	14	220	186	34
	113	99	14	232	197	35

20 Dividend

The proposed fourth interim dividend of 6.5 pence per share, totalling £55m (2008: 8.75 pence per share, totalling £45m) was approved by the Board on 20 May 2009 and is payable on 14 August 2009 to shareholders on the register at the close of business on 10 July 2009. An enhanced scrip alternative is to be offered to shareholders with the fourth interim dividend. Further details have been provided with the Annual General Meeting notice circular.

The cash dividend (but not the share alternative) will be all PID. PID dividends are paid, as required by REIT legislation, after deduction of withholding tax at the basic rate (currently 20%). However, certain classes of shareholder may be able to claim exemption from deduction of withholding tax. Please refer to our website (www.britishland.com) for details.

Payment date	Dividend	Pence per share			Restated Total*	2009 £m	2008 £m
		PID	Non-PID	Total			
Current year dividends							
14.08.2009	2009 4th interim	6.50 [†]		6.50	6.50		
15.05.2009	2009 3rd interim	9.38		9.38	7.77		
13.02.2009	2009 2nd interim	2.00	7.37	9.37	7.76	47	
14.11.2008	2009 1st interim	6.70	2.68	9.38	7.77	48	
		24.58	10.05	34.63	29.80		
Prior year dividends							
15.08.2008	2008 Final	8.75		8.75	7.25	45	
19.05.2008	2008 3rd interim	4.25	4.50	8.75	7.25	45	
15.02.2008	2008 2nd interim	4.25	4.50	8.75	7.25		44
16.11.2007	2008 1st interim	4.25	4.50	8.75	7.25		45
		21.50	13.50	35.00	29.00		
17.08.2007	2007 Final		8.25	8.25	6.84		43
18.05.2007	2007 2nd interim		6.50	6.50	5.39		34
Dividends in Reconciliation of Movement in Shareholders' Funds (2009: 30.03 pence per share; 2008: 26.72 pence as restated)						185	166
Timing difference relating to payment of withholding tax						3	(5)
Dividends in Cash Flow Statement						188	161

[†] Any shareholder elections to receive shares instead of the cash dividend will not be PID.

* Shares issued on 19 March 2009 pursuant to the Rights Issue were only entitled to dividends commencing with the 4th interim dividend payable on 14 August 2009. This column is restated for all past dividends to reflect the increase in the number of shares in issue. See note 2.

21 Share capital and reserves

	Number of ordinary shares	Share capital £m	Share premium £m	Merger reserve £m	Other reserves £m	Retained earnings £m	Total £m
At 1 April 2008	522,190,080	131	1,269		335	5,055	6,790
Total recognised income and expense for the year					(474)	(3,664)	(4,138)
Shares issued	341,260,136	86	(25)	682			743
Adjustment for share and share option awards						(1)	(1)
Transfer				(682)		682	
Dividends paid in the year						(185)	(185)
Issued, called up and fully paid 31 March 2009	863,450,216	217	1,244		(139)	1,887	3,209
At 1 April 2007	521,298,357	130	1,263		532	6,822	8,747
Total recognised income and expense for the year					(197)	(1,461)	(1,658)
Shares issued	891,723	1	6				7
Purchase of own shares						(151)	(151)
Adjustment for share and share option awards						11	11
Dividends paid in the year						(166)	(166)
Issued, called up and fully paid 31 March 2008	522,190,080	131	1,269		335	5,055	6,790

The authorised share capital is 887,000,000 25p ordinary shares (2008: 800,000,000).

At 31 March 2009 of the issued 25p ordinary shares, 2,040,620 were held in the ESOP trust (2008: 2,307,730), 11,266,245 shares were held as treasury shares (2008: 11,266,245) and 850,143,351 shares were in free issue (2008: 508,616,105). No treasury shares were acquired by the ESOP during the year. All issued shares are fully paid.

In calculating Adjusted Capital and Reserves for the purpose of the unsecured debt financial covenants, there is an adjustment of £444m to reflect the cumulative net amortised exceptional items relating to the refinancings in the years ending 31 March 2005, 2006 and 2007, see also note 18.

Merger reserve

This comprises the premium on shares issued to acquire Springboard Capital (Jersey) Limited under the arrangement for the Rights Issue in March 2009. No share premium is recorded in the Company's Financial Statements through the operation of the Merger Relief provisions of the Companies Act 1985. The subsequent redemption of these shares gave rise to distributable profits of £682m, which have been transferred to Retained Earnings.

Other reserves

Other reserves comprise the following reserve accounts:

- (i) Hedging reserve – The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow and foreign currency hedging instruments.
- (ii) Translation reserve – The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations as well as the translation of the liabilities that hedge the Company's net investment in a foreign subsidiary.
- (iii) Revaluation reserve – The revaluation reserve relates to development properties and other investments.
- (iv) Equity reserve – The equity reserve represents the equity component of the irredeemable convertible bonds, which were converted during the year ended 31 March 2005, net of the related deferred tax asset.

At 31 March 2009, options over 7,055,549 ordinary shares were outstanding under employee shares option plans. These options had a weighted average life of seven years and eight months. Details of outstanding share options and shares awarded to employees including executive directors are set out on the following page:

21 Share capital and reserves (continued)

Date of grant	At 1 April 2008*	Granted/ newly vested**†	Vested/ exercised*	Forfeits*	At 31 March 2009*	Exercise/ share price at grant date pence*§	Exercise dates	
							From	To
Share options								
Sharesave Scheme								
01.03.03	552			(552)			01.03.08	31.08.08
01.09.03	2,408		(2,408)				01.09.08	28.02.09
01.03.04	28,366		(1,956)	(14,256)	12,154	391.09	01.03.09	31.08.09
01.03.05	6,279		(6,068)	(211)			01.03.08	31.08.08
01.03.05	44,687		(1,273)	(1,200)	42,214	536.92	01.03.10	31.08.10
23.06.05	17,665		(9,060)	(8,345)	260	580.83	01.09.08	28.02.09
23.06.05	3,411			(230)	3,181	580.83	01.09.10	28.02.11
22.12.05	18,059			(4,926)	13,133	666.18	01.03.09	31.08.09
22.12.05	12,610			(4,352)	8,258	666.18	01.03.11	31.08.11
03.07.06	19,114			(10,203)	8,911	834.38	01.09.09	28.02.10
03.07.06	5,666			(4,320)	1,346	834.38	01.09.11	28.08.12
22.12.06	14,328			(8,388)	5,940	1024.12	01.03.10	31.08.10
22.12.06	4,917			(3,645)	1,272	1024.12	01.03.12	31.08.12
02.07.07	15,060			(11,299)	3,761	929.66	01.09.10	28.02.11
02.07.07	6,935			(4,401)	2,534	929.66	01.09.12	28.02.13
30.06.08		81,446		(19,910)	61,536	517.03	01.09.11	31.03.12
30.06.08		62,567		(6,313)	56,254	517.03	01.09.13	31.03.14
	200,057	144,013	(20,765)	(102,551)	220,754			
Long-Term Incentive Plan – options vested, not exercised								
25.09.03	268,213		(148,758)		119,455	415.95	25.09.06	24.09.13
25.11.03	167,470		(26,847)	(2,726)	137,897	457.38	25.11.06	25.11.13
28.05.04	659,517		(176,830)	(14,685)	468,002	549.35	28.05.07	27.05.14
29.11.04	861,402		(2,716)	(272,039)	586,647	659.55	29.11.07	28.11.14
31.05.05	101,979	683,925	(5,320)	(288,496)	492,088	726.66	31.05.08	30.05.15
05.12.05	11,444	340,426		(41,076)	310,794	823.60	05.12.08	04.12.15
30.05.06	39,639			(7,749)	31,890	1037.38	30.05.09	29.05.16
14.07.06	12,198			(2,514)	9,684	1090.40	14.07.09	13.07.16
29.11.06	3,250			(1,241)	2,009	1280.15	29.11.09	28.11.16
	2,125,112	1,024,351	(360,471)	(630,526)	2,158,466			
Long-Term Incentive Plan – unvested options								
31.05.05	683,925		(683,925)				31.05.08	30.05.15
05.12.05	340,426		(340,426)				05.12.08	04.12.15
30.05.06	724,998			(229,587)	495,411	1037.38	30.05.09	29.05.16
14.07.06	241,629			(75,609)	166,020	1090.40	14.07.09	13.07.16
29.11.06	162,261			(19,935)	142,326	1280.15	29.11.09	28.11.16
27.06.07	729,021			(400,073)	328,948	1099.52	27.06.10	26.06.17
20.12.07	969,280			(491,562)	477,718	731.63	20.12.10	19.12.17
29.05.08		2,512,281		(640,128)	1,872,153	666.18	29.05.11	29.05.18
02.12.08		1,193,753			1,193,753	420.09	02.12.11	01.12.18
	3,851,540	3,706,034	(1,024,351)	(1,856,894)	4,676,329			
Rollover Options								
17.08.05	71,909		(71,909)				28.07.06	23.08.08
Total	6,248,618	4,874,398	(1,477,496)	(2,589,971)	7,055,549			
Weighted average exercise price of options (p)	660	621	124	806	692			
Shares								
Performance shares – Long-Term Incentive Plan								
31.05.05	277,371		(266,974)	(10,397)		877.00		31.05.08
05.12.05	149,009		(138,164)	(10,249)	596	994.00		05.12.08
30.05.06	260,562			(63,223)	197,339	1252.00		30.05.09
29.11.06	168,908			(13,452)	155,456	1545.00		29.11.09
27.06.07	373,454			(171,113)	202,341	1327.00		27.06.10
20.12.07	211,641			(120,162)	91,479	883.00		20.12.10
29.05.08		568,682		(160,051)	408,631	804.00		29.05.11
02.12.08		172,491			172,491	507.00		02.12.11
	1,440,945	741,173	(405,138)	(548,647)	1,228,333			
Fund Managers Performance Plan								
14.07.06	264,124		(264,124)			1321.60		14.07.08
14.07.06	264,138				264,138	1321.60		14.07.09
30.05.07	140,854		(140,854)			1427.00		30.05.08
30.05.07	140,849				140,849	1427.00		30.05.09
30.05.07	140,867				140,867	1427.00		30.05.10
14.08.08		521,874			521,874	748.00		14.08.11
	950,832	521,874	(404,978)		1,067,728			
Co-investment Share Plan								
04.02.09		242,500			242,500	330.50		12.01.12
Matching Share Plan								
14.07.06	85,637			(38,905)	46,732	1290.00		14.07.09
22.05.07	137,847			(55,023)	82,824	1443.00		22.05.10
20.05.08		246,931		(93,753)	153,178	806.00		20.05.11
	223,484	246,931		(187,681)	282,734			
Total	2,615,261	1,752,478	(810,116)	(736,328)	2,821,295			
Weighted average price of performance shares (p)	1251	804	1138	1068	1077			

† 'Newly Vested' relates to vesting of LTIP06-01 and LTIP06-02.

§ The weighted average share price of options exercised during the period was 770 pence.

* As restated, see note 2.

22 Segment information

Operating segments

The Group allocates resources to properties it expects to perform over the medium term. The segmental analysis below, as required by IFRS 8, follows the information provided to the Chief Operating Decision Maker and reflects the two principal sectors in which the Group is currently invested – offices and retail. The relevant revenue, net rental income, assets and capital expenditure are set out below:

	Offices		Retail		Other		Total	
	2009 £m	2008 £m	2009 £m	2008 £m	2009 £m	2008 £m	2009 £m	2008 £m
Revenue	278	317	268	366	26	32	572	715
Net rental income	230	230	206	314	17	17	453	561
Segment assets	3,572	5,506	3,012	6,235	976	907	7,560	12,648
Capital expenditure	383	537	170	105	12	17	565	659

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

23 Capital commitments

The aggregate capital commitments to purchase, construct or develop investment property, for repairs, maintenance or enhancements, or for the purchase of investments which are contracted for but not provided are set out below:

	2009 £m	2008 £m
British Land	224	661
Share of funds (note 12)	5	62
Share of joint ventures (note 12)	7	17
	236	740

24 Contingent liabilities

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

25 Related party transactions

Details of transactions with funds and joint ventures including debt guarantees by the Group are given in notes 4 and 24. During the year the Group recognised performance and management fees receivable from funds of £10m (2008: £18m) and joint venture management fees of £4m (2008: £3m).

Report of the Auditors

Independent Auditors' Report to the Members of The British Land Company PLC

We have audited the Group financial statements of The British Land Company PLC for the year ended 31 March 2009 which comprise the consolidated income statement, the consolidated balance sheet, the consolidated statement of recognised income and expense, the reconciliation of movements in shareholders' funds, the consolidated cash flow statement and the related notes 1 to 25. These Group financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the directors' remuneration report that is described as having been audited.

We have reported separately on the Parent Company financial statements of The British Land Company PLC for the year ended 31 March 2009.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report, the directors' remuneration report and the Group financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the statement of directors' responsibilities.

Our responsibility is to audit the Group financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the Group financial statements give a true and fair view, whether the Group financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation and whether the part of the directors' remuneration report described as having been audited has been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the directors' report is consistent with the Group financial statements. The information given in the directors' report includes that specific information presented in the business review that is cross referred from the business review section of the directors' report.

In addition we report to you if, in our opinion, we have not received all the information and explanations we require for our audit, or if information specified by law regarding director's remuneration and other transactions is not disclosed.

We review whether the Corporate Governance Statement reflects the Company's compliance with the nine provisions of the 2006 Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read the other information contained in the Annual Report as described in the contents section and consider whether it is consistent with the audited Group financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Group financial statements. Our responsibilities do not extend to any further information outside the Annual Report.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Group financial statements and the part of the directors' remuneration report to be audited. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the Group financial statements, and of whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Group financial statements and the part of the directors' remuneration report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the Group financial statements and the part of the directors' remuneration report to be audited.

Opinion

In our opinion:

- the Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Group's affairs as at 31 March 2009 and of its loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation;
- the part of the directors' remuneration report described as having been audited has been properly prepared in accordance with the Companies Act 1985; and
- the information given in the directors' report is consistent with the Group financial statements.

Deloitte LLP

Chartered Accountants and Registered Auditors
London, United Kingdom
20 May 2009

Table A

Summary income statement based on proportional consolidation

The following pro forma information is unaudited and does not form part of the consolidated primary statements or the notes thereto. It presents the results of the Group, with funds and joint ventures consolidated on a line by line, i.e. proportional basis. The underlying profit before tax and total loss after tax are the same as presented in the consolidated income statement.

	Q4	Q3	Q2	Q1	Year ended 31 March 2009 £m	Year ended 31 March 2008 £m
	3 months ended					
	31 March 2009 £m	31 Dec 2008 £m	30 Sep 2008 £m	30 June 2008 £m		
Gross rental income	160	159	162	169	650	709
Net rental income	130	151	155	162	598	667
Fees and other income	6	4	5	5	20	40
Administrative expenses	(9)	(16)	(16)	(17)	(58)	(73)
Net interest costs	(66)	(76)	(74)	(76)	(292)	(350)
Underlying profit before taxation	61	63	70	74	268	284
Non-recurring items						9
Net valuation movement (includes profit and losses on disposal)	(967)	(1,635)	(821)	(651)	(4,074)	(1,916)
Realisation of cash flow hedges	(78)	(41)			(119)	
Amortisation of intangible asset	(3)	(4)	(3)	(4)	(14)	(15)
Songbird Estates plc dividend (capital)						30
Goodwill impairment						(3)
Loss on ordinary activities before taxation	(987)	(1,617)	(754)	(581)	(3,939)	(1,611)
Tax charge relating to underlying profit	(3)	(2)	(3)	(1)	(9)	(8)
Deferred tax benefit	8	27	12	11	58	47
Other taxation		5	(2)	6	9	9
Loss for the period after taxation	(982)	(1,587)	(747)	(565)	(3,881)	(1,563)
Underlying earnings per share – diluted basis[†]	9p	10p*	11p*	12p*	41p[§]	44p*

[†] The underlying earnings per share is calculated on underlying pre-tax profit of £268m (2008: £284m), tax attributable to underlying profits of £9m (2008: £8m) and fully diluted shares numbering 632m (2008: 623m²). Gross rental income excludes service charge receivable.

[§] The difference between the aggregate of the four quarters' EPS and the annual EPS arises due to the impact of the Rights Issue on the weighted average number of shares.

* As restated, see note 2.

Summary balance sheet based on proportional consolidation

The following pro forma information is unaudited and does not form part of the consolidated primary statements or the notes thereto. It presents the composition of the EPRA net assets of the Group, with share of funds and joint venture assets and liabilities included on a line by line, i.e. proportional basis and assuming full dilution.

	Group £m	Share of funds £m	Share of joint ventures £m	Deferred tax £m	Mark-to- market of interest rate swaps £m	Head lease [†] £m	EPRA Net assets 2009 £m	EPRA Net assets 2008 £m
Retail properties	2,078	788	2,017			(16)	4,867	7,661
Office properties	3,570		7			(7)	3,570	5,505
Other properties	176		12				188	305
Total properties	5,824	788	2,036			(23)	8,625	13,471
Investment in funds and joint ventures	952	(372)	(580)					
Other investments	38						38	197
Intangible assets	25						25	39
Other net (liabilities) assets	(388)	21	(30)	25	(11)	23	(360)	(358)
Net debt	(3,242)	(437)	(1,426)		164		(4,941)	(6,413)
Net assets	3,209			25	153		3,387	6,936
EPRA NAV per share (note 2)							398p	1114p*

[†] Head lease liabilities include £14m (2008: £35m) relating to Group properties and £9m (2008: £6m) relating to joint venture properties.

* As restated, see note 2.

Table A (continued)

Calculation of EPRA NNAV per share	2009 £m	2008 £m
EPRA NAV	3,387	6,936
Deferred tax arising on revaluation movements	(25)	(102)
Mark to market on effective cash flow hedges and related debt adjustments	(153)	3
Mark to market on debt	1,116	582
EPRA NNAV	4,325	7,419
EPRA NNAV per share	508p	1191p*

EPRA NNAV is the EPRA NAV adjusted to reflect the fair value of debt and derivatives and to include deferred taxation on revaluations.

As restated – see note 2.

Total property valuations including share of funds and joint ventures

	2009 £m	2008 £m
British Land Group	5,810	10,469
Share of funds and joint ventures		
Investment properties	2,775	2,889
Development properties	49	119
Head lease liabilities	(9)	(6)
	2,815	3,002
Total property portfolio valuation	8,625	13,471

Segment information

Operating segments

The Group allocates resources to properties it expects to perform over the medium term. The segmental analysis below, as required by IFRS 8, follows the information provided to the Chief Operating Decision Maker and reflects the two principal sectors in which the Group is currently invested – offices and retail. The relevant revenue, net rental income, assets and capital expenditure are set out below:

	Offices		Retail		Other		Total	
	2009 £m	2008 £m	2009 £m	2008 £m	2009 £m	2008 £m	2009 £m	2008 £m
Revenue								
British Land Group	278	317	268	366	26	32	572	715
Share of funds and joint ventures			158	115	4	2	162	117
Total	278	317	426	481	30	34	734	832
Net rental income								
British Land Group	230	230	206	314	17	17	453	561
Share of funds and joint ventures			144	104	1	2	145	106
Total	230	230	350	418	18	19	598	667
Segment assets								
British Land Group	3,570	5,499	2,103	4,761	953	856	6,626	11,116
Share of funds and joint ventures	5	10	2,996	3,017	38	163	3,039	3,190
Total	3,575	5,509	5,099	7,778	991	1,019	9,665	14,306
Capital expenditure								
British Land Group	383	537	170	105	12	17	565	659
Share of funds and joint ventures			92	311		13	92	324
Total	383	537	262	416	12	30	657	983

Company Balance Sheet

Prepared in accordance with UK GAAP as at 31 March 2009

Company Balance Sheet UK GAAP		2009	2008
	Note	£m	£m
Non-current assets			
Investments and loans to subsidiaries	d	24,702	27,322
Investments in joint ventures	d	216	44
Intangible assets	d	25	63
Other investments	d	7	8
		24,950	27,437
Current assets			
Debtors	g	397	433
Cash and short-term deposits	e	257	44
		654	477
Current liabilities			
Short-term borrowings and overdrafts	e	(3)	(62)
Creditors	h	(145)	(108)
Amounts due to subsidiaries		(19,353)	(19,181)
		(19,501)	(19,351)
Net current liabilities		(18,847)	(18,874)
Total assets less current liabilities		6,103	8,563
Non-current liabilities			
Debentures and loans	e	(1,658)	(2,217)
		(1,658)	(2,217)
Net assets		4,445	6,346
Equity			
Called up share capital	i	217	131
Share premium	j	1,247	1,272
Other reserves	j	(33)	12
Revaluation reserve	j	139	139
Retained earnings	j	2,875	4,792
Shareholders' funds		4,445	6,346



Chris Gibson-Smith Chairman
Approved by the Board on 20 May 2009.



Graham Roberts Finance Director

(a) Accounting policies

Accounting basis

The financial statements are prepared in accordance with applicable United Kingdom law and Accounting Standards (UK GAAP) and under the historical cost convention as modified by the revaluation of investment properties and fixed asset investments (not in accordance with International Financial Reporting Standards (IFRS) which are applied by the Group).

The major accounting policies of the Company are set out below and have been applied consistently throughout the current and the previous year. The policies that differ from those applied by the Group (as stated in note 1 of the consolidated financial statements) are for investments and deferred taxation:

Going concern

The financial statements are prepared on a going concern basis as explained in the Corporate Governance section on page 60.

Investments

Investments in joint ventures are stated at cost less provision for impairment. Investments in subsidiaries are stated at cost or directors' valuation less provision for impairment.

Intangible assets

Intangible assets, such as fund management contracts, acquired through business combinations, are measured initially at fair value and are amortised on a straight-line basis over their estimated useful lives, and are subject to regular reviews for impairment.

Deferred taxation

Deferred tax is not recognised when fixed assets are revalued unless by the balance sheet date there is a binding agreement to sell the revalued assets and the gain or loss expected to arise on the sale has been recognised in the financial statements. A deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

(b) Dividends

Details of dividends paid and proposed are included in note 20 of the consolidated financial statements.

(c) Company loss for the financial year after tax

The Company has not presented its own profit and loss account as permitted by Section 230 of the Companies Act 1985. The loss after tax for the year was £2,411m (2008: loss £324m).

The average monthly number of employees of the Company during the year was 162 (2008: 177). Employee costs include wages and salaries of £21m (2008: £20m), social security costs of £2m (2008: £3m) and pension costs of £3m (2008: £4m). Details of the executive directors' remuneration are disclosed in the remuneration report. Audit fees in relation to the Parent Company were £0.8m (2008: £0.6m).

(d) Investments and loans to subsidiaries

	Shares in subsidiaries £m	Loans to subsidiaries £m	Investments in joint ventures £m	Intangible assets £m	Other investments £m	Total £m
At 1 April 2008	20,346	6,976	44	63	8	27,437
Additions	1,231	1,003	9			2,243
Disposals	(324)	(1,295)				(1,619)
Reallocations	(163)		163			
Impairment charge	(3,072)			(38)	(1)	(3,111)
At 31 March 2009	18,018	6,684	216	25	7	24,950

Shares in subsidiaries are included at cost or directors' valuation in 1977, 1995, 1997 and 1999 to 2009 inclusive; their historical cost is £21,949m (2008: £21,205m). The amount of £216m (2008: £44m) includes £35m (2008: £26m) of loans to joint ventures by the Company. The Company has a 50% interest in The Public House Company Limited, which is registered and operates in England and Wales. Results of the joint ventures are set out in note 12 of the consolidated financial statements. The historical cost of other investments is £12m (2008: £12m).

(d) Investments and loans to subsidiaries (continued)

The principal subsidiaries, wholly-owned and except where stated, registered and operating in England and Wales, are:

Executive	Property	
The British Land Corporation Limited [†]	1 & 4 & 7 Triton Limited	Broadgate (PHC 7) Limited
	2 & 3 Triton Limited	Broadgate (PHC 9) Limited
	201 Bishopsgate Limited	Broadgate (PHC 11) 2005 Limited
Finance, Investment and Management	BF Propco (No 10) Limited	Broadgate (PHC 15a) Limited
British Land Property Management Limited	BL Fixed Uplift Fund Limited Partnership	Broadgate (PHC 16) 2005 Limited
BLD Property Holdings Limited	British Land Leisure Limited	Eastgate Shopping Centre Basildon Limited
BL European Fund Management LLP	British Land Retail Warehouses Limited	Euston Tower Limited
BL European Holdings Limited	Broadgate (PHC 2) Limited	Osnaburgh Street Limited
British Land (Joint Ventures) Limited	Broadgate (PHC 3) Limited	Ropemaker Place Unit Trust (Jersey)
British Land Property Advisers Limited	Broadgate (PHC 5) 2005 Limited	Stockton Retail Park Limited
Broadgate Financing PLC	Broadgate (PHC 6) 2005 Limited	The Mary Street Estate Limited

[†] Direct subsidiary of the Company

(e) Net debt

	2009 £m	2008 £m
Secured on the assets of the Company		
5.264% First Mortgage Debenture Bonds 2035	327	327
5.0055% First Mortgage Amortising Debentures 2035	104	105
5.357% First Mortgage Debenture Bonds 2028	307	307
6.75% First Mortgage Debenture Bonds 2020	220	221
6.75% First Mortgage Debenture Bonds 2011	102	103
Floating Rate Secured Loan Notes 2035	256	256
	1,316	1,319
Unsecured		
5.50% Senior Notes 2027	98	98
6.30% Senior US Dollar Notes 2015 [†]	108	77
10.25% Bonds 2012		
Bank loans and overdrafts	139	785
	345	960
Gross debt	1,661	2,279
Interest rate derivatives: liabilities	53	31
Interest rate derivatives: assets	(15)	(13)
	1,699	2,297
Cash and short-term deposits	(257)	(44)
Net debt	1,442	2,253

[†] Principal and interest on these borrowings were fully hedged into Sterling at the time of issue.

Maturity analysis of net debt

	2009 £m	2008 £m
Repayable within one year and on demand	3	62
between:		
one and two years	101	3
two and five years	263	473
five and ten years	261	705
ten and fifteen years	211	213
fifteen and twenty years	441	442
twenty and twenty-five years	6	5
twenty-five and thirty years	375	376
	1,658	2,217
Gross debt	1,661	2,279
Interest rate derivatives	38	18
Cash and short-term deposits	(257)	(44)
Net debt	1,442	2,253

(f) Pension

The Company's pension scheme is the principal pension scheme of the Group and details are set out in note 10 of the consolidated financial statements.

(g) Debtors

	2009 £m	2008 £m
Trade and other debtors [†]	58	22
Amounts owed by subsidiaries	315	388
Corporation tax	9	10
Interest rate derivative assets [§]	15	13
	397	433

[†] Included within this balance is deferred consideration of £34m (2008: £nil) arising on the sale of investment properties. The timing of the receipt is uncertain and may fall due after one year.

[§] Includes contracted cash flow with a maturity greater than one year at fair value.

(h) Creditors

	2009 £m	2008 £m
Trade creditors	16	1
Amounts due to joint ventures	29	29
Corporation tax	7	10
Other taxation and social security	3	4
Accruals and deferred income	37	33
Interest rate derivative liabilities*	53	31
	145	108

* Includes contracted cash flow with a maturity greater than one year at fair value.

(i) Share capital

	£m	Ordinary shares of 25p each
Issued, called and fully paid		
At 1 April 2008	131	522,190,080
Issues	86	341,260,136
At 31 March 2009	217	863,450,216

(j) Share capital and reserves

	Share capital £m	Share premium £m	Merger reserve £m	Other reserves £m	Revaluation reserve £m	Profit and loss account £m	Total £m
At 1 April 2008	131	1,272		12	139	4,792	6,346
Share issues	86	(25)	682				743
Transfer to retained earnings			(682)			682	
Dividends paid						(185)	(185)
Adjustment for share and share option awards						(1)	(1)
Pension scheme movements						(2)	(2)
Retained loss for year						(2,411)	(2,411)
Derivatives valuation movement				(48)			(48)
Exchange movements on net investments				3			3
At 31 March 2009	217	1,247		(33)	139	2,875	4,445

The value of distributable reserves within the profit and loss account is £752m (2008: £806m).

(k) Contingent liabilities, capital commitments and related party transactions

At 31 March 2009, the Company had no contingent liabilities for guarantees to third parties (2008: £nil). The Company also had no capital commitments (2008: £nil).

The Company has used the exemption under FRS 8 where disclosure is not required of transactions with fellow subsidiary undertakings 90% or more of whose voting rights are controlled within the Group.

Related party transactions are the same for the Company as for the Group. For details refer to note 25 of the consolidated financial statements.

The Company has utilised the exemptions provided by FRS 1 (Revised) and has not presented a cash flow statement. A consolidated cash flow statement has been presented in the Group Financial Statements.

Report of the Auditors

Independent Auditors' Report to the Members of The British Land Company PLC

We have audited the individual Company financial statements of The British Land Company PLC for the year ended 31 March 2009 which comprise the balance sheet and the related notes (a) to (k). These individual Company financial statements have been prepared under the accounting policies set out therein.

We have reported separately on the Group financial statements of The British Land Company PLC for the year ended 31 March 2009 and on the information in the directors' remuneration report that is described as having been audited.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the individual Company financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of directors' responsibilities.

Our responsibility is to audit the individual Company financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the individual Company financial statements give a true and fair view and whether the individual Company financial statements have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the directors' report is consistent with the individual Company financial statements. The information given in the directors' report includes that specific information presented in the business review that is cross referred from the business review section of the directors' report.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the other information contained in the Annual Report as described in the contents section and consider whether it is consistent with the audited individual Company financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the individual Company financial statements. Our responsibilities do not extend to any further information outside the Annual Report.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the individual Company financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the individual Company financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the individual Company financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the individual Company financial statements.

Opinion

In our opinion:

- the individual Company financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 March 2009;
- the individual Company financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the directors' report is consistent with the individual Company financial statements.

Deloitte LLP

Chartered Accountants and Registered Auditors
London, United Kingdom
20 May 2009

Ten Year Record

The table below summarises the last 10 years' results, cash flows and balance sheets. Figures for 2009, 2008, 2007, 2006 and 2005 are prepared under IFRS. Figures for 2004 and earlier years are the UK GAAP comparatives adjusted to show gross rental income on a proportional basis. FRS 21 became effective in 2006 under UK GAAP and has been applied retrospectively to 2004 and earlier years. This standard requires proposed dividends not approved by the balance sheet date to be excluded from the balance sheet.

	IFRS					UK GAAP				
	2009 £m	2008 £m	2007 £m	2006 £m	2005 £m ⁵	2004 £m	2003 £m	2002 £m	2001 £m	2000 £m
Income										
Gross rental income ¹	650	709	706	751	630	566	552	514	476	444
Net rental income	598	667	661	701	585	523	514	477	452	419
Fees and other income	20	40	50	50	9	6	3	10	13	5
Interest expense (net)	(292)	(350)	(370)	(436)	(360)	(336)	(326)	(318)	(312)	(283)
Administrative expense	(58)	(73)	(84)	(87)	(53)	(44)	(44)	(41)	(32)	(29)
Underlying profit	268	284	257	228	181	149	147	128	121	112
Exceptional costs (not included in underlying profit) ⁴	(119)		(305)	(122)	(180)				(84)	
Dividends paid	188	161	91	84	77	67	65	61	57	92
Summarised balance sheets										
Total properties at valuation ^{1,3}	8,625	13,471	16,903	14,414	12,507	10,639	9,646	9,300	8,860	8,210
Net debt	(4,941)	(6,413)	(7,741)	(6,684)	(6,538)	(5,397)	(4,993)	(4,632)	(4,453)	(4,369)
Other assets and liabilities ¹	(297)	(122)	(300)	72	(56)	(157)	(142)	167	251	255
EPRA NAV/Fully diluted adjusted net assets	3,387	6,936	8,862	7,802	5,913	5,085	4,511	4,835	4,658	4,096
Cash flow movement – Group only⁷										
Cash generated from operations	406	477	479	455	464	381	374	382	380	432
Cash outflow from operations	(201)	(295)	(275)	(359)	(339)	(218)	(279)	(283)	(351)	(280)
Net cash inflow from operating activities	205	182	204	96	125	163	95	99	29	152
Cash inflow (outflow) from capital expenditure, investments, acquisitions and disposals	418	857	(39)	994	(526)	(186)	(271)	(153)	82	(765)
Equity dividends paid	(188)	(161)	(91)	(84)	(77)	(67)	(65)	(61)	(57)	(92)
Cash (outflow) inflow from management of liquid resources and financing	(58)	(830)	(11)	(1,025)	459	137	267	108	(79)	673
Increase (decrease) in cash⁶	377	48	63	(19)	(19)	47	26	(7)	(25)	(32)
Capital returns										
Growth in net assets ²	(51.1%)	(21.6%)	13.6%	31.9%	15.5%	12.7%	(6.7%)	3.8%	13.7%	8.9%
Total return ⁴	(61.6%)	(18.1%)	14.3%	33.2%	16.4%	13.0%	7.4%	4.2%	14.1%	9.4%
Total return – pre-exceptional	(60.3%)	(18.1%)	21.3%	34.6%	18.8%	13.0%	7.4%	4.2%	15.6%	9.4%
Per share information⁹										
Net asset value per share	398p	1114p	1394p	1231p	935p	808p	718p	672p	647p	569p
Memorandum										
Dividends declared in the year	29.8p	29.0p	16.9p	14.1p	13.0p	12.0p	11.1p	10.3p	9.5p	9.0p
Dividends paid in the year	26.7p	26.8p	14.4p	13.3p	12.3p	11.4p	10.5p	9.7p	9.2p	16.9p
Diluted earnings										
Underlying earnings per share	41p	44p	36p	30p	22p	28.6p	22.4p	25.1p	21.8p	20.6p
IFRS (loss) earnings per share ^{4,8}	(614)p	(251)p	389p	188p	104p	n/a	n/a	n/a	n/a	n/a

¹Including share of funds and joint ventures.

²Represents movement in diluted EPRA NAV for 2007, 2006 and adjusted diluted net assets pre 2006.

³Including surplus over book value of trading and development properties.

⁴Including exceptional finance costs in 2001 £84m, 2005 £180m, 2006 £122m, 2007 £305m and 2009 £119m.

⁵Restated for IFRS. The UK GAAP accounts shows gross rental income of £620m and underlying profit of £175m.

⁶Represents movement in cash and cash equivalents under IFRS and movements in cash under UK GAAP.

⁷Cash Flow Statement now presented under the direct method, with 2007 re-presented as a comparative. The change to presentation in the primary statement does not affect the comparability of values in the Ten Year Record.

⁸Under UK GAAP the revaluation of investment properties is not included in earnings per share.

⁹Adjusted for the Rights Issue of 341m shares in March 2009.