The British Land Company PLC

Annual Report and Accounts 2013

"IT'S BEEN A BUSY, ACTIVE YEAR AND OUR BUSINESS IS STRONGER GOING FORWARD"

BRITISH LAND IS ONE OF EUROPE'S LARGEST REAL ESTATE INVESTMENT TRUSTS (REITS) AND OUR VISION IS TO BE THE BEST.

We provide investors with access to a diverse range of quality property assets which we actively manage, finance and develop. We focus mainly on prime UK retail and London office properties as we believe these are the sectors that will outperform and provide shareholders with the best returns. We also have a reputation for delivering industry-leading customer service.

Our properties and our approach attracts high-quality occupiers committed to long leases, so we can provide shareholders with security of income as well as capital growth.

We believe achieving leading levels of efficiency and sustainability in our buildings helps drive our performance. This is also of increasing importance to occupiers and central to our aim to create environments in which businesses and local communities can thrive.

INTEGRATED REPORTING

Corporate responsibility information is integrated throughout our Annual Report and Accounts and is highlighted with the logos below. This reflects how managing our environmental, economic and social impacts is central to how we do business. It also provides readers with insights into the critical linkages in our thinking and activity, and greater clarity on the relationship between our financial and non-financial key performance indicators.

ENVIRONMENTAL

SOCIAL

WHY GO ONLINE?

Our corporate website contains detailed information about the Company and is frequently updated as additional details become available. You can sign up for email alerts of our latest news and our current share price is displayed on the home page.

Our corporate website
www.britishland.com

Our iPad app
British Land Investor Relations

Follow us on Twitter
@BritishLandPLC

FOR MORE INFORMATION

You'll find links throughout this Report, to guide you to further reading or relevant information.

For more information
www.britishland.com/...

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FORWARD-LOOKING STATEMENTS

This Report contains certain 'forward-looking' statements. Such statements reflect current views on, among other things, our markets, activities and prospects. Such 'forward-looking' statements can sometimes, but not always, be identified by their reference to a date or point in the future or the use of 'forward looking' terminology, including terms such as 'believes', 'estimates', 'anticipates', 'expects', 'forecasts', 'intends', 'plans', 'projects', 'goal', 'target', 'aim', 'may', 'will', 'would', 'could', 'should' or similar expressions or in each case their negative or variations or comparable terminology.

By their nature, forward-looking statements involve inherent risks and uncertainties because they relate to future events and circumstances which may or may not occur and may be beyond our ability to control or predict. Therefore they should be regarded with caution. Important factors that could cause actual results, performance or achievements of British Land to differ materially from any outcomes or results expressed or implied by such forward-looking statements include, among other things, general business and economic conditions globally, industry trends, competition, changes in government and other regulation, including in relation to the environment, health and safety and taxation (in particular, in respect of British Land's status as a Real Estate Investment Trust), labour relations and work stoppages, changes in political and economic stability, changes in occupier demand and tenant default and the availability and cost of finance. These and other risks are described in greater detail in the section of this Report headed 'Principal risks and uncertainties'. Such forward-looking statements should therefore be construed in light of such factors. Information contained in this Report relating to British Land or its share price, or the yield on its shares are not guarantees of, and should not be relied upon as an indicator of, future performance.

Any forward-looking statements made by or on behalf of British Land speak only as of the date they are made and no representation, assurance, guarantee or warranty is given in relation to them (whether by British Land or any of its associates, directors, officers, employees or advisers), including as to their completeness, accuracy or the basis on which they were prepared. Other than in accordance with our legal and regulatory obligations (including under the UK Financial Conduct Authority's Listing Rules and Disclosure Rules and Transparency Rules), British Land does not intend or undertake to update or revise forward-looking statements to reflect any changes in British Land's expectations with regard thereto or any changes in information, events, conditions or circumstances on which any such statement is based.

WHAT WE DO

WE ARE ONE OF EUROPE'S LARGEST REITS AND OUR VISION IS TO BE THE BEST AND THE PARTNER OF CHOICE. FOR US, BEING THE BEST MEANS DELIVERING SUPERIOR TOTAL RETURNS TO OUR SHAREHOLDERS.

OUR PORTFOLIO

British Land manages a portfolio of commercial property worth £16.4 billion, of which our share is £10.5 billion. Our portfolio is focused primarily on high-quality UK retail locations and London offices. We like those sectors because they are large and liquid markets with the best growth potential for rents and capital values. We also have property in sectors which complement our core business, principally leisure and residential.

We invest in and develop high-quality buildings in prime locations and then manage them to a high standard with a focus on occupier needs at every stage. It's an approach that's proved successful; each year our properties attract over 300 million visits and are home to over 1,000 different organisations and retail brands. The quality and attractiveness of our portfolio is reflected in the high level of occupancy – 96.8% – and the fact that occupiers sign long leases with us. This means we generate secure long-term rental income. Only a small proportion 9.6% of rent is subject to break or expiry in the next three years – significantly lower than the sector average.

£16.4bn
Commercial property value

£10.5bn
British Land share

96.8%
Percentage of portfolio let

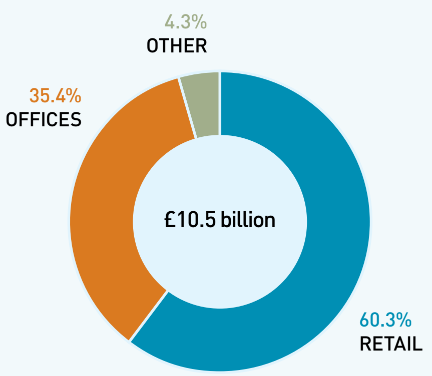
300m
Number of visits each year

OUR APPROACH AND VALUES

We take a responsible and collaborative approach to business so our brand is both trusted and valued by stakeholders. Managing our environmental, social and economic impacts is also central to how we do business, adding value to our assets and delivering value to our shareholders.

Our people are one of our major assets and how they do business is embodied by our values which differentiate us and help deliver a brand people and organisations want to engage with. We aim to attract and retain experts in their fields and to leverage their significant experience, specialist expertise, skill and judgement across our business. They understand and anticipate the changing needs of stakeholders and their approach helps make British Land a partner of choice for a wide range of stakeholders.

OUR PORTFOLIO



DID YOU KNOW?

- We partner with a range of well-known businesses and manage assets on their behalf. A number of our properties are held in joint ventures with other investors including Norges, Tesco, Sainsbury's, Blackstone and USS.
- Recent research showed our development activity will contribute £1.2 billion to the UK economy and create 32,300 jobs between 2011 and 2015. While much of our construction activity takes place in London, it creates jobs in communities across the UK.
- Recent awards won include: 'Property Company of the year – Offices'; 'Property Week Sustainability Achievement Award'; 'Carbon Disclosure Project Leadership Index'; and 'Best FTSE 100 website'. You can see more at www.britishland.com/about-us/awards.

INTEGRITY
We do what is right not what is easy.

ONE TEAM
Working collaboratively with both internal and external stakeholders.

EXCELLENCE
We are the best we can be and have a growth mindset.

COMMERCIAL ACUMEN
We take the lead in our field.

See Our strategy
P16–17

WHAT IS A REIT?

REITs are property companies that allow people and organisations to invest in commercial property and receive benefits as if they directly owned the properties themselves. The rental income, after costs, is passed directly to shareholders in the form of dividends. In the UK REITs are required to distribute at least 90% of their tax exempt property income to shareholders as dividends. As a result, over time, a significant proportion of the total return for shareholders is likely to come from dividends. The effect is that taxation is moved from the corporate level to the investor level as investors are liable for tax as if they owned the property directly. British Land became a REIT in January 2007.

For more information about REITs
www.britishland.com/about-us/our-business/reits-and-british-land

UK Retail

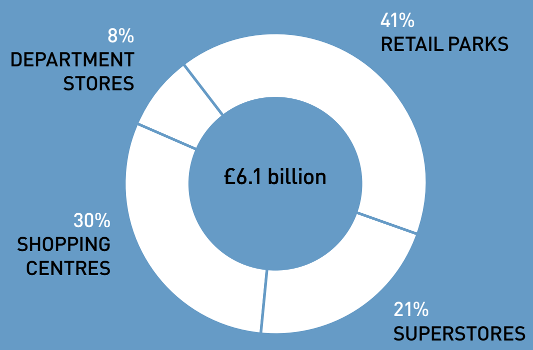
We are the UK's largest listed retail landlord with 189 individual properties. Our portfolio is focused on properties in high-quality, well-located retail locations and includes retail parks, superstores, shopping centres, department stores and high street units.

Most of our assets are locally dominant, and provide retailers with modern, affordable and flexible units. We aim to create environments where retailers can thrive and where people want to shop and increasingly spend their leisure time.

Our assets are either:

- **Experiential:** locations that are attractive to families and where consumers can spend significantly longer time. Typically there is a strong line-up of fashion brands and a large leisure component such as a cinema and restaurants.
- **Convenient:** places where consumers shop regularly such as retail parks with free parking and flagship stores with depth of range and a good food offer.
- **Functional:** such as superstores and DIY centres that customers visit regularly for items they cannot do without.

UK RETAIL PORTFOLIO



RETAIL: OUR TOP 10 OCCUPIERS

	% British Land rent
01 Tesco plc	7.7
02 Sainsbury Group	6.2
03 Debenhams	4.4
04 Home Retail Group	2.9
05 Kingfisher (B&Q)	2.3
06 Arcadia Group	2.2
07 Next plc	2.2
08 Alliance Boots	1.5
09 DSG International	1.5
10 Marks & Spencer Plc	1.3

RETAIL: OUR KEY PROPERTIES

	British Land share £m rent
01 Meadowhall Shopping Centre	41
02 Debenhams, Oxford Street	16
03 Drake Circus Shopping Centre	15
04 Teesside Shopping Park	14
05 Ealing Broadway Shopping Centre	11

See Short-term actions
P18–27

See Performance review: Retail
P53–56

Offices

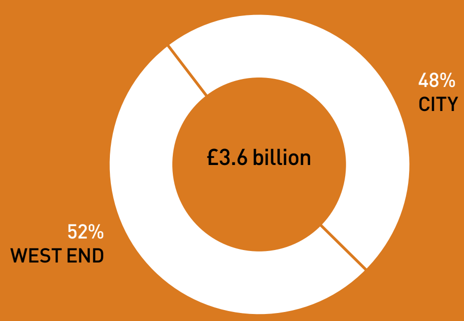
Our Offices business is focused on London reflecting its long-standing position as a leading global city and one of the largest centres for financial and business services in the world. We own and develop modern, high-quality and well-located office accommodation which meets the needs of a broad range of organisations. We aim to provide industry leading customer service and management of our buildings.

Our Offices are concentrated in the City of London and in the West End – the largest of which are our two office estates, Broadgate and Regent's Place. Currently the London portfolio split is 48% in the City and 52% in the West End, following our strategic shift towards the West End market.

In 2010, we committed early to a £1.2 billion development programme which will deliver 2.3 million sq ft of high-quality space by 2014. Increasingly, our offices are mixed-use including retail and residential elements.

We also deliver standalone residential projects, a profitable business in its own right and manage a large UK residential portfolio on behalf of a third-party Trust.

LONDON OFFICES PORTFOLIO



OFFICES: OUR TOP 10 OCCUPIERS

	% British Land rent
01 UBS AG	3.7
02 HM Government	2.4
03 Herbert Smith	1.4
04 Royal Bank of Scotland plc	1.2
05 Aegis Group	0.9
06 JP Morgan	0.9
07 Reed Smith	0.9
08 C&W Plc	0.8
09 Gazprom	0.8
10 Deutsche Bank AG	0.8

OFFICES: OUR KEY PROPERTIES

	British Land share £m rent
01 Broadgate	87
02 Regent's Place	49
03 York House	5
04 The Leadenhall Building	n/a
05 10 Portman Square	n/a

See Short-term actions
P18–27

See Performance review: Offices
P57–59

DELIVERING OUR STRATEGY THIS YEAR

"It's been an active and successful year. The business is in good shape as these results reflect. Our equity placing gives us more investment capacity to take advantage of the increasing opportunities we see coming to the market."

CHRIS GRIGG
Chief Executive

See Business model
P14–15

See Our strategy
P16–17

For more information
www.britishland.com/investors/results-and-presentations/results/2013

EPRA PERFORMANCE MEASURES

As at 31 March	2013 £m	2012 £m	2011 £m
EPRA earnings	268	262	259
EPRA NAV	5,967	5,381	5,101
EPRA NNNAV	5,522	5,148	5,117

As at 31 March	2013 %	2012 %	2011 %
EPRA net initial yield	5.5	5.2	5.2
EPRA 'Topped-up' net initial yield	5.7	5.8	5.8
EPRA vacancy rate	3.4	2.4	2.7

IFRS PERFORMANCE MEASURES

As at 31 March	2013 £m	2012 £m	2011 £m
IFRS profit before tax	260	479	830
IFRS net assets	5,687	5,104	4,930

DELIVERING SUPERIOR PERFORMANCE

See Supplementary disclosures
P151–155

See Supplementary information
P163–170

UNDERLYING PROFIT BEFORE TAX

Underlying pre-tax profits grew by 1.9% to £274 million with the impact of recycling offset by lower financing ratios.

£274m

2013	**£274m**
2012	£269m
2011	£256m

UNDERLYING EPS

Underlying EPS increased 2.0% from 29.7 pence to 30.3 pence.

30.3p

2013	**30.3 pence**
2012	29.7 pence
2011	28.5 pence

DIVIDEND PER SHARE

The quarterly dividend of 6.6 pence brings the total dividend for the year to 26.4 pence a 1.1% increase year-on-year.

26.4p

2013	**26.4 pence**
2012	26.1 pence
2011	26.0 pence

PORTFOLIO VALUATION

The value of our portfolio rose by 0.5% to £10.5 billion. Offices were the main contributor to growth, increasing in value by 5.0%.

£10.5bn

2013	**£10.5bn**
2012	£10.3bn
2011	£9.6bn

EPRA NET ASSET VALUE PER SHARE

EPRA net asset value per share was up 0.2% to 596 pence, with performance in the year offsetting the dilutive impact of the placing.

596p

2013	**596 pence**
2012	595 pence
2011	567 pence

TOTAL PROPERTY RETURN

Our total property returns were 6.3%, outperforming the IPD benchmark by 310 bps. Estimated rental values increased 1.0% compared to 0.0% for the market, as measured by IPD.

6.3%

2013	**6.3%**
2012	8.3%
2011	13.1%

LOAN TO VALUE RATIO

At the end of the year, our loan to value ratio was 40.2% (proportionally consolidated), lower than last year following receipt of the placing proceeds. Our preferred range is 40%–50%.

40.2%

2013	**40.2%**
2012	45.3%
2011	44.7%

CARBON EMISSIONS

We have reduced our Scope 1 and 2 carbon emissions (where we have most influence) across our like-for-like portfolio by 19.4% since 2011, saving 8,381 tonnes of carbon.

23,805 tonnes

2013	**23,805 tonnes**
2012	26,865 tonnes
2011	29,526 tonnes

WATER USE

We have reduced water use across our like-for-like managed portfolio by 12.3% since 2011, saving 42,104m³ of water.

288,964m³

2013	**288,964m³**
2012	328,283m³
2011	329,676m³

CHAIRMAN'S STATEMENT

OUR BUSINESS IS IN GOOD SHAPE AND WE ARE IN A VERY STRONG POSITION TO TAKE ADVANTAGE OF OPPORTUNITIES OVER THE COMING YEAR.

I'm delighted to have taken on the role of Chairman of British Land. Succeeding Chris Gibson-Smith is a hard act to follow and I would like to thank him for guiding British Land to such an excellent position, with a first rate team, portfolio and strategy. I'd also like to thank Lord Turnbull who, following my appointment, agreed to become our Senior Independent Director.

Having been a Non-Executive Director of the Company since 2008 I knew it to be in good shape, but as Chairman I have been able to spend more time with the management team and visit more of our assets to look at our activities in further detail. I am reminded not only of what an outstanding portfolio we have but how impressive our management is; all experts in their own roles with an unrivalled ability to add value.

We have had a very active and successful year. Our results reflect the quality of our assets and the skill of management in taking the right actions to drive performance in what continues to be a difficult market. Our business is stronger going forward.

Despite a continued tough market we have reported good results which show the hard work we have put into improving our portfolio and maintaining and enhancing its attraction to occupiers.

Underlying pre-tax profit of £274 million was up 1.9% and earnings were up 2% despite significant recycling and investment in development. The value of our portfolio now stands at £10.5 billion and NAV is up to 596 pence per share giving a total accounting return of 4.6%. We've significantly outperformed the market benchmark.

The Board is recommending a fourth quarter dividend of 6.6 pence per share, bringing the total dividend for the year to 26.4 pence per share. For 2013/14 pending further investment of the placing proceeds, the dividend will not be less than 6.6 pence per quarter.

In my first few months as Chairman we have undertaken a number of activities which are a good representation of British Land putting its strategy into action.

While impossible to mention everything achieved, in addition to significant on-going leasing activity, which is a testament to our core asset management skills, we have shown our ability to acquire highly attractive assets at sensible prices, dispose of mature assets for good returns and fund continued investment in our development programme.

We've also improved the diversity of our funding and successfully completed a £400 million convertible bond last September and most recently raised total gross proceeds of £493 million for the Company via our share placing in March this year. As a result we are well placed to take advantage of the increasing number of attractive investment opportunities we are now seeing.

Acquisitions provide opportunities for growth and development such as Ealing Broadway Shopping Centre in early February and the purchase of our joint venture partner's 50% stake at Surrey Quays Shopping Centre in March. The sale of Ropemaker Place which raised £461 million in March was a good example of recycling capital and demonstrated our track record of developing exceptional sustainable buildings, profitably let to quality occupiers, which are also attractive to investors. This sale was the third largest deal in the City over the past four years and a great example of recycling capital to invest in more accretive opportunities such as our development programme.

Few companies could, or would, have successfully taken on a £1.2 billion office development programme but this year we are reaping the benefit of delivering five buildings to the London market at a time of constrained supply. Our programme continues to be very profitable with total expected profit now over £420 million with £126 million to come.

All these activities directly satisfy our strategic aims to grow income over time, grow capital value and exploit market opportunities and take advantage of our access to finance and scale of operations.

We have also been seeking to improve understanding for some time of how the property sector contributes to the UK economy. Recent research revealed that our development activity will contribute £1.2 billion to the UK economy and create 32,300 jobs between 2011 and 2015. Interestingly, while much of our construction activity takes place in London, it has an effect that is felt in communities across the UK. In addition, the commercial space we create goes on to deliver benefits to businesses and local communities for years to come.

Managing our environmental, social and economic impacts is central to how we do business, adding value to our assets and delivering value to our shareholders. From 2013, all members of our Executive Committee will have a corporate responsibility target linked to their variable remuneration. For more detail on how we manage our environment, social and economic impacts, see pages 38 and 39.

Finally, I would like to thank all our stakeholders for having made this year a successful one. Our business is in good shape and we are in a very strong position to take advantage of opportunities over the coming year. I look forward to working with the team to ensure British Land's continued strong performance.

John Gildersleeve

John Gildersleeve
Non-Executive Chairman

> We have shown our ability to acquire highly attractive assets at sensible prices, dispose of mature assets for good returns and fund continued investment in our development programme. We've also improved the diversity of our funding and successfully completed a convertible bond and share placing.

JOHN GILDERSLEEVE
Non-Executive Chairman

£274m +1.9%
Underlying profit before tax

596p +0.2%
EPRA net asset value per share

30.3p +2.0%
Underlying EPS

26.4p +1.1%
Dividend per share

See Chief Executive's statement
P8–11

See Portfolio review
P48–59

See Financial review
P62–68

See Full year results 2013 video
www.britishland.com/investors/results-and-presentations/results/2013

CHIEF EXECUTIVE'S STATEMENT

WE HAVE HAD AN ACTIVE AND SUCCESSFUL YEAR, OPERATIONALLY AND IN TERMS OF OUR INVESTMENT AND FINANCING ACTIVITIES.

We have had an active and successful year, operationally and in terms of our investment and financing activities. The combination of our share placing and the sale of one of our major City offices, Ropemaker Place, increases our ability both to take advantage of a pipeline of attractive investment opportunities while completing our current development programme. We have already made good progress investing our placing capacity, investing £266 million in London focused properties including Ealing Broadway Shopping Centre. We were also delighted to sign a new long-term joint venture with Norges Bank Investment Management ('Norges'), one the world's largest sovereign wealth managers, at Meadowhall, which provides a strong platform for the management and growth of our largest retail asset.

Underlying profits and earnings per share for the year were ahead by 1.9% and 2.0% respectively despite the significant level of recycling during the year. Our net asset value is up to 596 pence per share, slightly ahead of last year with performance in the year offsetting the dilutive impact of the placing. In line with previous announcements, the Board is proposing a final dividend of 6.6 pence, bringing the dividend for the full year to 26.4 pence, an increase of 1.1% contributing to a total accounting return of 4.6%. For the coming year, the dividend will be not less than 6.6 pence per quarter pending further investment of the placing proceeds.

While the UK property market overall remained tough, there was real divergence in performance which played to our strengths and favoured our portfolio. Higher-quality properties continued to be resilient and London remained relatively strong across all sectors – offices, retail and residential – with strong levels of interest from international investors. Despite a tough occupational market in retail, there was an improvement in investment sentiment for more prime shopping centres and retail parks in the second half.

At the property level, we generated total returns of 6.3%, significantly outperforming the IPD benchmark on total and capital returns – by 310 bps and 360 bps respectively. Once again it was our actions and portfolio mix which drove our performance. Our committed development programme was a strong contributor generating a profit of £147 million in the year which, combined with asset management, more than offset the impact of slight yield expansion in UK Retail and further falls in the valuation of the PREF assets in Europe.

Across our portfolio, we signed 2 million sq ft of lettings and lease extensions with investment lettings signed on average 7.6% ahead of ERV with good levels of activity in both Retail and Offices despite slower occupational markets. Occupancy in the UK was 97.1% at the end of the year, 70 bps lower on a like-for-like basis including adjusting for the sale of Ropemaker and the completion of 199 Bishopsgate which is now included in the investment portfolio.

In UK Retail, the twin challenges of constrained consumer spending and the growth in online sales meant that conditions remained difficult. That said, although there was an increase in the number of administrations in the second half, the stronger retailers continue to trade relatively well and are still expanding. In this environment, it is even more important to have the right assets, the right approach and an ability to adapt in a fast changing environment. We were pleased recently to announce a long-term partnership agreement with BT to extend free wi-fi across our UK shopping centres and to work with them to find an outdoor solution for shopping parks. This will allow us to expand our digital platform and exploit technological innovations.

Our retail portfolio outperformed both the All Retail and the All Property benchmark total returns by 170 bps and 80 bps respectively. Our portfolio rental value was up and lettings overall continued to be agreed ahead of ERV in a market where rental values continued to fall. Our consistent trend of outperformance – our total returns have outperformed by 200 bps per annum over the past four years – reflects how we have structured our portfolio to ensure it remains relevant and attractive to today's retailers in a rapidly changing market. We have achieved this by investing in our existing estate through development and by asset recycling.

Offices had another good year reflecting our focus on London, our early call to invest in development and our shift towards the better performing West End market. In a market where occupier demand has been highly selective, we have successfully tapped into the pockets of demand in both the City and the West End. We signed 778,000 sq ft of investment lettings and lease extensions and have a further 34,000 sq ft of deals under offer. Our developments are progressing well. Since 1 April 2012, we have completed two projects and agreed or put under offer 200,000 sq ft of pre-lets. This includes a minimum of 95,000 sq ft to Amlin at The Leadenhall Building which will bring the percentage of the offices programme pre-let/under offer to 61%, up from 51% a year ago.

Our gross investment activity during the year as measured by our share of acquisitions, sales and investment in development was £1.6 billion – so we have been highly active. Our continued process of recycling capital into higher growth opportunities means our UK portfolio is now 55% in London and the South East. We now have more of our office portfolio in the West End than the City which compares to a 35:65 split three years ago. We sold £795 million of properties at an average net initial yield of 5.3% and made £544 million of acquisitions in our core sectors at a net initial yield of 6.3% on income generating assets. We invested £324 million of capital into our highly attractive committed development programme on an anticipated yield on cost of 8.8%.

Our access to low cost financing is an important competitive advantage, reducing our cost of capital and allowing us to exploit attractive investment opportunities both in developments and standing investments. Since the beginning of the year, we have raised £1.7 billion (British Land share £1.5 billion) of new finance which includes our £493 million equity placing, a £400 million convertible bond with a coupon of 1.5% and a new £290 million revolving credit facility which was agreed last week.

"We will continue to create growth ourselves, through asset management, development and acquisitions and by ensuring we are in the right parts of the market."

CHRIS GRIGG
Chief Executive

£1.6bn
Gross investment activity

£795m
Disposals at a net initial yield of 5.3%

£544m
Acquisitions at a net initial yield of 6.3%

CHIEF EXECUTIVE'S STATEMENT CONTINUED

LOOKING FORWARD

Our results show we are executing successfully against a clear strategy – delivering good results in today's tough markets at the same time as increasing the growth potential of the business through our investment activity.

Although we continue to be cautious about the overall economic environment, we believe our core business will be resilient as we benefit from our focus on the better performing markets in London and the South East and on high-quality retail around the UK.

In addition, on-going recycling, notably our recent sale of Ropemaker Place, along with our successful equity placing increases our capacity to take advantage of a pipeline of attractive investment opportunities while completing our current development programme and staying comfortably within our stated gearing range.

We have already made good progress investing our placing capacity and we are pleased with progress on current opportunities under review.

We are focusing our investment activity on the areas we believe will perform best – mainly London and the South East – and on the activities which create best value and which play to our strengths.

So, within London we will look to continue the move of our Offices business to London's West End but will also look at up and coming areas.

There's a lot of infrastructure activity happening across London; we are very focused on the importance of transport links and Crossrail is a potential game-changer.

We have got real competitive advantage in mixed-use schemes and big estates but also in revitalising areas where development and place-making can make a real difference. Residential is a critical component of mixed-use schemes and we will continue to build on our skills in this area.

Development has served us well. We continue to see opportunities to generate double-digit returns and with the current programme nearing completion we are replenishing our pipeline with the aim of maintaining our exposure at around current levels, but not exceeding 15% of our gross assets. The Clarges Estate is part of that process. We have also recently been selected by The Corporation of London as their preferred development partner for the Shoreditch Estate, a two-acre site on the fringes of the City close to Broadgate.

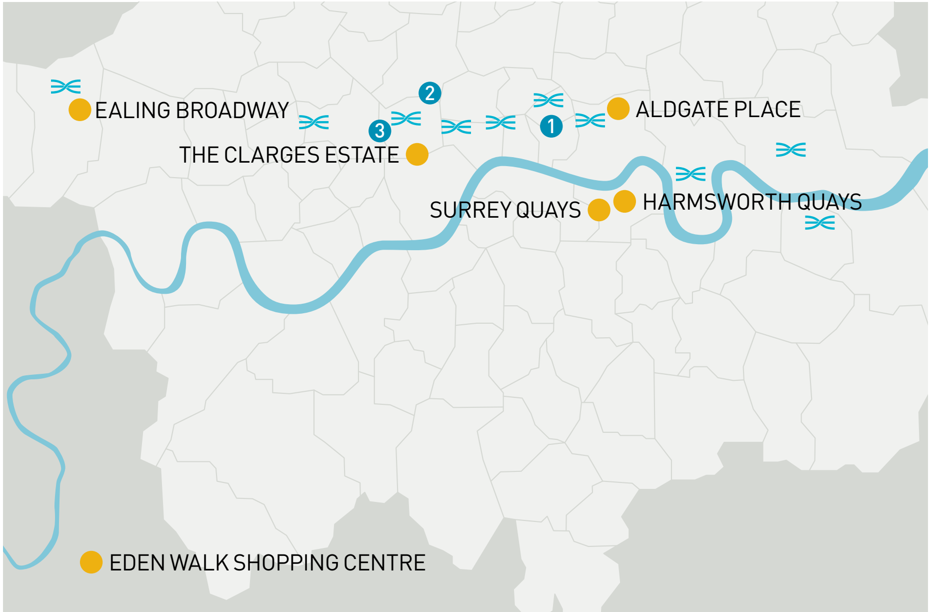
In Retail, we firmly believe the physical shopping environment will remain at the heart of an integrated offer although digital services are clearly becoming an essential part of the shopping experience. So, it will be even more important in today's rapidly changing markets we have the right approach as well as the right assets. We will continue to focus on locally dominant assets and will invest more in our best assets to ensure they are configured properly – physically, digitally or in terms of leisure provision. We will also increase the rate of recycling, selling assets which do not meet our criteria and reinvesting in assets which do.

Our purchase this year of Ealing Shopping Centre, Eden Walk and buying out our joint venture partner at Surrey Quays are in line with this strategy and also increase our exposure to London and the South East.

We will look for similar affluent and up and coming areas with significant catchments, good infrastructure and asset management and development potential.

So we are well placed. We have a strong and growing London offices business, a retail portfolio focused on the places retailers want to be and the capacity to grow our business further. We remain confident in our ability to generate superior growth and returns going forward.

Chris Grigg
Chief Executive



DELIVERING FUTURE GROWTH – FOCUS ON LONDON AND THE SOUTH EAST

- Continue to move West
- Transport inter-changes
- London residential
- Up and coming areas
- Estates and mixed-use schemes
- Development

KEY
- British Land asset/concentration
  1 Broadgate
  2 Regent's Place
  3 'Portman Village'
- Recent acquisitions
- Crossrail station

"We are focusing investment activity on the areas we believe will perform best – mainly London and the South East – and the activities that create best value, such as development."

CHRIS GRIGG
Chief Executive

See Full year results 2013 video
www.britishland.com/investors/results-and-presentations/results/2013

Q&A

GROWING BRITISH LAND

Q: What do you want British Land to look like in three years' time?

A: We've done a lot of hard work to strengthen the business in recent years. Our portfolio is now better positioned, our finances stronger and the placing gives us significant capacity to continue to grow. In three years' time, we would like to see British Land as part of a larger and more vibrant REIT sector which has proved its worth as the property investment of choice, not only for professional but also private investors.

Q: What are the biggest opportunities you see over the next year?

A: Without a doubt, it is to use the capacity provided by the placing to capitalise on the increased flow of attractive investment opportunities we are seeing. Many of these are in our core areas, particularly in London and the South East where we want to expand. These are deals where we can exploit our scale and cost of capital, our ability to move quickly and our operational expertise.

Q: What are the biggest challenges?

A: One of our biggest challenges is to keep at the forefront of the changes taking place in retail so that our portfolio remains as relevant to our occupiers and their customers as it is today. That means making sure our schemes reflect the way people shop: introducing more food and leisure as well as embracing digital technology are all part of making that happen.

"We've been working hard to reposition the business for growth."

CHRIS GRIGG
Chief Executive

OUR MARKETS

THE UK HAS A LARGE AND LIQUID COMMERCIAL PROPERTY MARKET WHICH CONTINUES TO ATTRACT A BROAD RANGE OF DOMESTIC AND INTERNATIONAL INVESTORS.

UK property market

The UK property market remains one of enormous contrast. It is a market where occupiers and investors have been increasingly discriminating between the types of property they want to be in or want to buy. And despite the travails of the UK economy as a whole, London continues to grow as one of a few international business and investment destinations of choice. For the UK property market, polarisation has again been the main theme with the differential in performance between the best and poorer quality assets being even more marked. Sector and asset allocation has been an even more important determinant of performance.

UK TOTAL PROPERTY RETURNS

2012/13 % Growth	Offices	Retail	Total market
Prime	8.8	4.3	**5.6**
Secondary	(6.6)	(3.4)	**(3.3)**

Source: Investment Property Databank.

Retail

IN A FAST CHANGING MARKET, HIGHER-QUALITY, WELL-LOCATED RETAIL SCHEMES CONTINUE TO SIGNIFICANTLY OUTPERFORM.

The retail market is changing rapidly with the economic pressures overlaid by what are far reaching changes to how and where people are choosing to shop. At the heart of this is the explosion in the use of digital technology where the UK consumer is one of the most tech-savvy in the world. We now lead the world in online buying with over 13% of all retail sales in the UK now estimated to be purchased online.

For retailers unable to adapt their business models or for those who are over-burdened with debt, business has remained challenging. In the months either side of Christmas the number of retailer failures increased with some well-known names going into administration. Even strong retailers who are prospering, continued to close stores in structurally weaker locations, migrating to better quality schemes and reducing their overall store footprint.

While there is clearly too much retail floor space in the UK, there is also not enough of the right quality space either in existence or being built. Retail development remains well below its 2008 peak with only six new shopping centre schemes reported to be due for completion in 2013 or 2014 – of which two were British Land schemes.

So, for the retail property market, the differences in performance we predicted have become increasingly marked. Higher-quality schemes are performing significantly better than poorer-quality space, both in terms of demand from occupiers and from investors.

There was a significant step up in retail investment activity in the second half, focused on the better quality schemes which underpinned the valuations of prime properties where yields were stable. Given the make-up of our portfolio, we have continued to benefit.

Looking forward
Although we expect the line between shopping in store or online to become even more blurred, we also believe consumers will continue to want the immediacy, convenience and experience of buying, collecting or returning products in-store. Add to that the increasing trend of 'going shopping' as a leisure activity, our view is that the physical shop will retain its central position in the retail landscape. But retail landlords will need to offer much more to their occupiers – more flexible spaces along with an attractive leisure and food offering to attract shoppers and encourage them to stay longer. At British Land, we believe it's not just a question of providing free wi-fi, it's about having a fully integrated approach. And this is where we are focusing our effort to retain our position as the partner of choice for retailers.

RETAIL CAPITAL VALUE GROWTH

% Growth	2011	2012	2013
Prime	5.9	1.4	**(0.8)**
Secondary	3.9	(6.3)	**(10.0)**

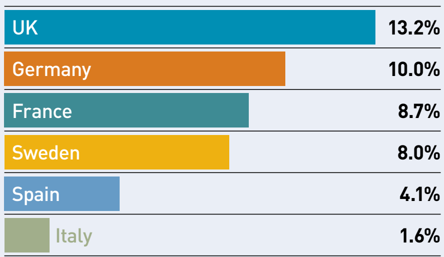
Source: Investment Property Databank.

RETAIL RENTAL VALUE GROWTH

% Growth	2011	2012	2013
Prime	1.7	1.6	**1.0**
Secondary	(3.6)	(3.6)	**(3.9)**

Source: Investment Property Databank.

ONLINE SALES AS A % OF RETAIL SALES



Source: Centre of Retail Research.

The UK market grew modestly in the year reflecting a more challenging economic environment. Rental values for the market as a whole flat 0.5% ahead. London offices once again was the stand-out performer although rental and capital value growth was more muted than the previous year.

London

LONDON ENJOYS A SPECIAL POSITION AS ONE OF A SMALL NUMBER OF GLOBAL CITIES AND ITS PROPERTY MARKET ATTRACTS A BROAD RANGE OF DOMESTIC AND INTERNATIONAL OCCUPIERS AND INVESTORS.

London is regularly voted as one of the most attractive places to invest, do business, live or visit and is one of the most important financial and business services centres globally. With a transparent legal system, skilled workforce and positioned mid-way between the United States to the west and the growing economies of the Middle East and Asia to the east, it attracts a broad range of businesses and investors, both domestic and international. In contrast to the UK as a whole, the London economy has grown steadily over the last two years.

London also has the strongest performing property market in the UK with values ahead by 8.8% over the last two years compared to the market overall which is down by 2.0%. All major asset classes in London – offices, retail and residential – have contributed. Through our major development programme, we have positioned our business to benefit from this growth, taking advantage both of the shortage of high-quality space mainly in offices but also in residential, and higher growth in the West End.

In the year to 31 March 2013, London continued to outperform the broader property market, up 4.4% in offices and 7.9% in residential. This outperformance reflected strong investor demand along with relatively limited supply of good quality space both to buy and to rent.

Offices

In Offices, investment transactions at £13.8 billion during the year were the highest since 2007 and nearly 30% higher than the long-term average. International investors remained the mainstay of the market, accounting for nearly 70% of all transactions.

While occupier demand was some way below the long-term trend, with business confidence generally at a low ebb and the financial sector continuing to retrench, the shortage of quality space across the market kept rental growth overall positive. We successfully tapped into pockets of strong demand from the insurance and technology, media and telecoms (TMT) sectors. Toward the end of our year, there were early signs of an improvement in occupier demand, particularly in the West End where occupiers have less choice but also in the City from smaller occupiers and on smaller floorplates.

Residential

The London residential market performed well in the year, with capital values ahead by 7.9% overall. This is a reflection of the continued good underlying demand we see, both foreign and domestic, in the context of a structurally supply-constrained market, especially for well-located high-quality stock.

Looking forward

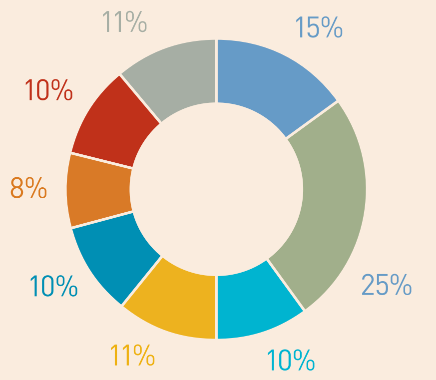
We expect London to retain its pre-eminent position as a world-leading City. Its population is forecast to continue growing – more people are choosing living in London over commuting and international businesses continue to be attracted to the capital. Large tracts of London are being regenerated by major infrastructure projects, notably Crossrail, and this includes areas previously considered to be less attractive and more peripheral. We expect on-going improvements to benefit these areas for a number of years to come. Investors show no signs of deserting London as an investment property market of choice – the list of international investors in London has never been more diverse with particularly strong demand for the sorts of high-quality, well-let buildings that British Land owns.

RESIDENTIAL VALUES IN CENTRAL LONDON

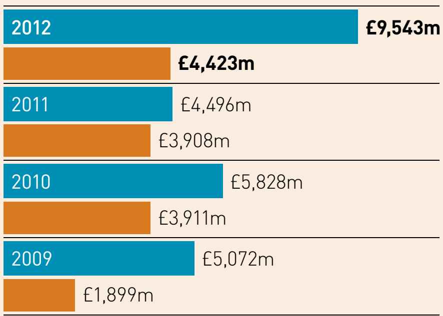
% Growth	2010	2011	2012
Capital values	11.7	11.9	**7.9**
Rental values	10.8	6.5	**3.2**

Source: PMA.

OCCUPIER DEMAND FOR LONDON OFFICES



INVESTOR DEMAND FOR LONDON OFFICES



Source: CBRE.

Overseas purchasers
UK purchasers

Crossrail is a £14.8 billion government funded rail project which will transform transport links north of the Thames from Heathrow in the west, through London and to Canary Wharf in the east. Due to open in 2018, it will dramatically cut journey times across London – Heathrow to Bond Street in 25 minutes, to Liverpool Street in 32 minutes and to Canary Wharf in 38 minutes.

BUSINESS MODEL

OUR VISION IS TO BUILD THE BEST REIT IN EUROPE.

As a REIT, our objective is to create superior total returns for our shareholders through a combination of income (through our dividends) and capital returns (the increase in the value of our portfolio which over time is reflected in the value of our shares).

We expect dividends to make up an important proportion of our total returns over time, both reflecting the importance of income as a driver of long-term value creation across the property industry and our commitment as a REIT to distribute at least 90% of our tax exempt profits as dividends.

A PARTNER OF CHOICE

Across all our business activities, we aim to be a partner of choice, valued and trusted by our stakeholders. This is key to our ability to create long-term value and lies at the heart of British Land's brand offer. This is reflected in the quality of the buildings we create, the quality of the people we employ, our highly consumer-centric approach and our responsible approach to managing and developing buildings.

HIGH-QUALITY PROPERTY WITH STRONG OCCUPATIONAL AND INVESTOR DEMAND

Our core business is high-quality property. We own, manage and develop properties which we believe are capable of generating high-quality and sustainable rental income streams and where the capital value will increase over time.

We invest only in properties and locations where we see good, lasting demand from occupiers and investors.

Property is a long-term business but is also cyclical with demand from both occupiers and investors significantly impacted by economic activity.

Our ability to create value requires us not only to identify and invest behind long-term trends but also to ensure that we manage the risks and opportunities created through economic cycles.

GREAT PEOPLE WITH SIGNIFICANT EXPERIENCE AND EXPERTISE

We have a highly outsourced operating model with around 215 permanent employees.

We believe our people are one of our major assets: they have significant experience and expertise and are specialists in their field. We aim to leverage their skill and judgement across our business.

Our outsourced operating model also allows us to manage our costs most efficiently – we have the lowest operating costs of any of the major REITs in the UK – and ensures we can respond quickly to changing market dynamics.

USING OUR RESOURCES TO CREATE ENVIRONMENTS WHERE BUSINESSES AND LOCAL COMMUNITIES CAN THRIVE

We use our resources to ensure our properties are well suited to a diverse range of occupier needs and benefit from customer demand and rental growth.

We aim to create properties with enduring occupier appeal. To us appeal means buildings which provide modern, flexible accommodation in the best locations, which are managed and maintained to high standards and where we continually seek to understand and anticipate the changing needs of our occupiers.

Each year our properties are visited over 300 million times and are home to over 1,000 organisations and retail brands. By being the best located, in places where people want to work and shop, our properties and approach attracts high-quality occupiers committed to long leases.

We also believe in a responsible approach to business. Buildings that are efficient, sustainable and meet business needs give our occupiers competitive advantages, cutting their costs, enhancing staff morale and meeting corporate responsibility goals. In our experience, these buildings therefore let more quickly and hold long-term value better. We recognise our responsibility to the local communities in which we build and manage properties and we work closely with them.

STRONG AND SUSTAINABLE CASH FLOWS DRIVING SUPERIOR SHAREHOLDER VALUE

Our properties attract high-quality occupiers who sign long leases – we have industry-leading occupancy levels and lease lengths – and this underpins our strong and sustainable rental income flows.

The scale of our business, combined with our focus on managing our costs closely and spending wisely, means a high level of the rent we generate is available for distribution to our shareholders as dividends.

The quality and security of our cash flows also allows us to finance our business competitively and helps lower our cost of capital.

We believe the strength of our access to capital markets is a competitive advantage. It has allowed us to invest in development at a time when development finance has been scarce as well as move quickly to take advantage of acquisition opportunities.

REITs are property companies that allow people and organisations to invest in commercial property, and receive benefits as if they directly owned the property themselves.

For more information about REITs
www.britishland.com/about-us/our-business/reits-and-british-land

OUR STRATEGY

OUR STRATEGIC PRIORITIES GUIDE THE DECISIONS AND ACTIONS WE TAKE TO DRIVE OUR PERFORMANCE.

ALIGNMENT WITH REMUNERATION

Remuneration of our Executive Directors and employees is aligned to the Group's strategic development and the financial performance of the business. All Executive Directors' and employees' performance is measured against our KPIs which are aligned to our strategic priorities.

PROPERTY PERFORMANCE

PRIORITIES

Grow income | Grow value | Incremental value

OUR LONG-TERM DECISIONS

Our macro calls on property cycles, our sector and asset selection and our capital structure.

We focus on UK retail and London offices because they are large and liquid markets with the best growth potential for rents and capital values.

Across our portfolio, we are increasing our exposure to London and the South East in particular, reflecting its growing status as one of the most important cities in the world. In Retail, we are focusing on owning and creating the best experiential, convenience or functional shopping destinations which dominate their catchment areas. In Offices, we operate across London but with an increasing emphasis on infrastructure hubs and the West End.

The security and stability of our business means we are able to invest in highly profitable activities such as development. We look for 'incremental' activity such as development, repositioning, buying and selling properties to meaningfully add to the returns we generate for our shareholders.

OUR SHORT-TERM ACTIONS

The individual actions we take which support our long-term decisions.

SHARPENING OUR FOCUS ON INCOME

Our focus on creating the right environments and world-class customer service means we continue to attract and retain occupiers even in today's difficult markets. At Broadgate, we have extended 1.5 million sq ft of leases with existing occupiers and signed 0.1 million sq ft of leases for new space over the last two years. All of this has helped keep occupancy high (96.8%) and leases long (10.7 years).

RENT SECURED THROUGH PRE-LETS

£49m

DEVELOPING THE RIGHT SPACE TO SATISFY DEMAND

We are one of only a few companies with the financial resources and expertise to have been able to exploit the shortage of high-quality space in retail and London offices. Our early decision to start a major development programme in 2010 has already delivered significant value to shareholders with £49 million of rent already secured through pre-lets and a capital value uplift of £312 million, equivalent to a 31.2 pence contribution to our net asset value per share.

SECURING THE RIGHT DEALS

We are able to do smart deals because we have the expertise and financial firepower to take on more complex transactions and have a proven track record meaning people trust us. This means we have been able to take advantage of the increased flow of attractive opportunities coming to market over the last year. Our acquisitions include the Clarges Estate, an exciting office/residential development in Mayfair, Ealing Broadway Shopping Centre and two in-town retail/leisure developments in Hereford and Lancaster.

HOW WE MEASURE OURSELVES

KPI

- Property returns
- Gross income growth
- Development commitment
- Customer satisfaction

See KPIs **P28–29**

See Remuneration Policy **P94–99**

MANAGING RISK

We evaluate the external environment to set out our risk appetite and determine our long-term decisions accordingly. We ensure that the results of our short-term actions fall within acceptable thresholds of our key risk indicators.

See Managing risk in delivering our strategy **P42–47**

CORPORATE

Use scale to our advantage

Scale is increasingly important to our business in a number of ways.

The scale and breadth of our business both gives us a broader understanding of our markets, and means we have been able to build strong long-term relationships with our occupiers.

WORKING AS A TEAM

We have been working closely with Debenhams across their business, providing them not only with exciting new retail space but also a new head office. Later this year, they will move into our new 10 Brock Street development at Regent's Place, allowing them to bring all their head office staff under one roof for the first time. Over the past year they have committed to opening 100,000 sq ft of new space at two of our largest retail parks and we are working with them on a major refurbishment of their flagship store on Oxford Street.

Spend wisely

It helps us keep our operating costs low so that we generate more profit for every pound of rent we collect versus our peers.

And along with the quality of our cash flows, scale ensures we have good access to debt finance at competitive rates. The way we manage our debt book and our ability to access new finance is a competitive advantage.

RAISED FROM CONVERTIBLE BOND ISSUE

£400m

WELL-TIMED FINANCING

We actively look to take advantage of demand and pricing opportunities across different debt markets to diversify our sources of finance and keep our financing costs low. In September 2011 we raised $480 million in the US private placement market and in September 2012, having tracked the strong investor appetite for corporate convertible bonds, we issued a five year £400 million convertible bond with a coupon of 1.5%.

KPI

- Total accounting return
- Loan to value
- Cost control
- Financing costs

See KPIs **P28–29**

See Remuneration Policy **P94–99**

PEOPLE

A great place to work

Our people are one of our major assets and we aim to attract and retain the best people, whose efforts, skill and judgement we can leverage across our extensive portfolio.

We believe that staff engagement is important to the success of our business.

INTERNSHIPS

Over the last three years, 14 exceptional individuals have joined our internship programme, pursuing opportunities in strategy, sustainability and records management. The interns, who have all gone on to be successful in their next roles, particularly value spending time with our management team, gaining insights into our sector and receiving career support. In turn, our internship programme helps us attract a wider pool of talent to our sector and brings new enthusiasm and ideas into our business.

COMMUNITY DAY

Some 163 members of our management team and staff took part in our first Community Day, each choosing one of ten different opportunities near our key London assets. Over 90% said it had increased their pride in the Company and was an effective team building activity. Altogether, 76% of our staff took part in community activities in work time this year, up from 42% last year. We also offered more skills-based opportunities, such as mentoring.

KPI

- A great place to work
- Dow Jones Sustainability Index Score

See Remuneration Policy **P94–99**

Good leasing activity in tough markets

SECURING INCOME THROUGH ASSET MANAGEMENT

OFFICES

Our high-quality, well-designed buildings continue to attract strong demand from occupiers, both new and existing.

We had another successful year with 778,000 sq ft of leasing activity within the investment portfolio at 7.1% ahead of ERV. Our Office investment portfolio has a high occupancy rate and our asset management activity over the year mainly focused on occupiers extending their leases, although there have also been a number of lettings to new occupiers at our existing buildings.

We also made further good progress pre-letting our new developments, with 200,000 sq ft pre-let and under offer during the year. Our 2.3 million sq ft committed office development programme is now already 61% pre-let or under offer.

778,000 sq ft
Investment lettings and extensions

+7.1%
Compared to estimated rental value

£8.5m
New contracted rent added from all new lettings and extensions

London Offices

LEASE EXTENSIONS

LEASE EXTENSIONS

	Area sq ft
Herbert Smith	315,000
F&C	54,000
ICAP	174,000
Tullett Prebon PLC	66,000

The majority of our activity has been focused at Broadgate which continues to maintain its position as the premier City of London office estate. We have seen many of our existing occupiers commit to stay on the estate and have extended/renewed 611,000 sq ft of leases as we continue to deliver what customers need.

Herbert Smith (315,000 sq ft) and F&C (54,000 sq ft) extended their long-term leases at Exchange Square and 10 Exchange House and we have agreed a minimum two year extension with ICAP (174,000 sq ft) at 1–2 Broadgate. On average these lease extensions improved the average term on their leases by 7.4 years, and were accretive to value.

London Offices

LETTINGS

NEW OCCUPIERS

	Area sq ft
Itochu (additional)	6,000
Banco Itau (additional)	12,000
Hill Dickinson	39,000
Nippon Oil	15,000

We are continuing to see demand for our space from high-quality occupiers, attracted by the quality of our buildings and our high levels of customer service. We are pleased to see our occupier base diversifying into a broader industry mix. In this year, we have agreed 124,000 sq ft of lettings across our investment portfolio and 200,000 sq ft of development pre-lets agreed or under offer.

There have been a number of new occupiers at Broadgate Tower, including Itochu, Banco Itau and Hill Dickinson at rents accretive to ERV. The newly refurbished 199 Bishopsgate has seen good levels of interest with new occupiers Nippon Oil and two further floors under offer.

RETAIL

For many retailers, the inter-relationship between in store and online sales is becoming ever more blurred. Many do not need the same volume of space, but the need for the right space is as strong as ever. With our portfolio heavily weighted to prime well-located properties this has been to our advantage.

We have been delighted with the continued volume and price of our leasing activity with lettings to 210 different occupiers and the tenth consecutive quarter of lettings ahead of ERV. In what has continued to be a tough market, we signed 1.1 million sq ft, 7.6% ahead of ERV and have a further 420,000 sq ft under offer. Some assets have seen a great volume of activity, particularly Drake Circus in Plymouth where we have completed eight lettings including Bank, Ernest Jones and Apple which opened in April this year.

We continued to leverage our strong relationships with our traditional retail partners. We signed Next Home and Garden at Camberley, the third in the country and major lettings to Debenhams in Leamington Spa and Edinburgh.

We are improving the retail offer with new trading formats and continue to take retailers such as Whole Foods and Office out-of-town for the first time.

We are expanding our leisure offer, improving the overall customer experience and upgrading the experiential element of our offer. 49 food, beverage and leisure lettings and renewals were signed over the last 12 months and we have five cinemas in the planning process or on site including Glasgow Fort's leisure extension opening in July 2013.

Fort Kinnaird

It has been an active year at Fort Kinnaird, our 510,000 sq ft retail park in Edinburgh. Next has expanded and refitted its store increasing it to 38,000 sq ft. We have also signed Outfit, the Arcadia brand, which will be new to the park. Expanding retailers, Smyths Toys and Mamas & Papas have both opened new units and we have signed a pre-let with Debenhams, subject to planning, for a 60,000 sq ft department store. We are also significantly enhancing the leisure offer. We are under offer to a major cinema operator and several restaurants, again subject to planning.

1.1m sq ft
Total lettings and renewals

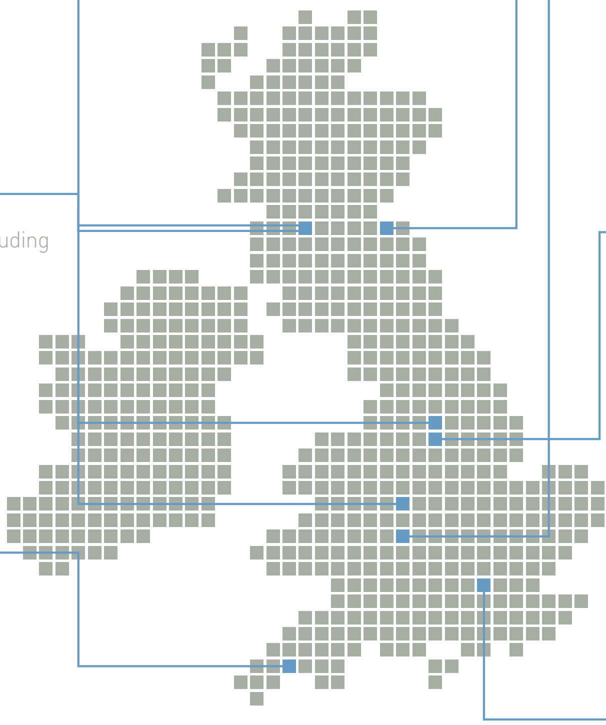
+7.6%
Compared to estimated rental value

£5.4m
New contracted rent added from new lettings and renewals

GLASGOW FORT
Taking new retailers out-of-town
First out-of-town lettings
2,800 sq ft Office,
825 sq ft Chisholm Hunter

TK MAXX
Securing lease extensions
98,000 sq ft of lettings /renewals including
Lease renewals on
54,000 sq ft of space at
Crown Wharf, Walsall, Parkgate,
Rotherham and Glasgow Fort

DRAKE CIRCUS, PLYMOUTH
Broadening the tenant mix
Apple, Bank, Ernest Jones,
The Fragrance Shop and
Everything Everywhere lettings



DEBENHAMS
Leveraging strong relationships
40,000 sq ft at Leamington Spa and
60,000 sq ft at Fort Kinnaird

MEADOWHALL
Attracting a premium consumer
Victoria's Secret, Armani
Exchange, Cath Kidston, Lego
and Carluccio's lettings

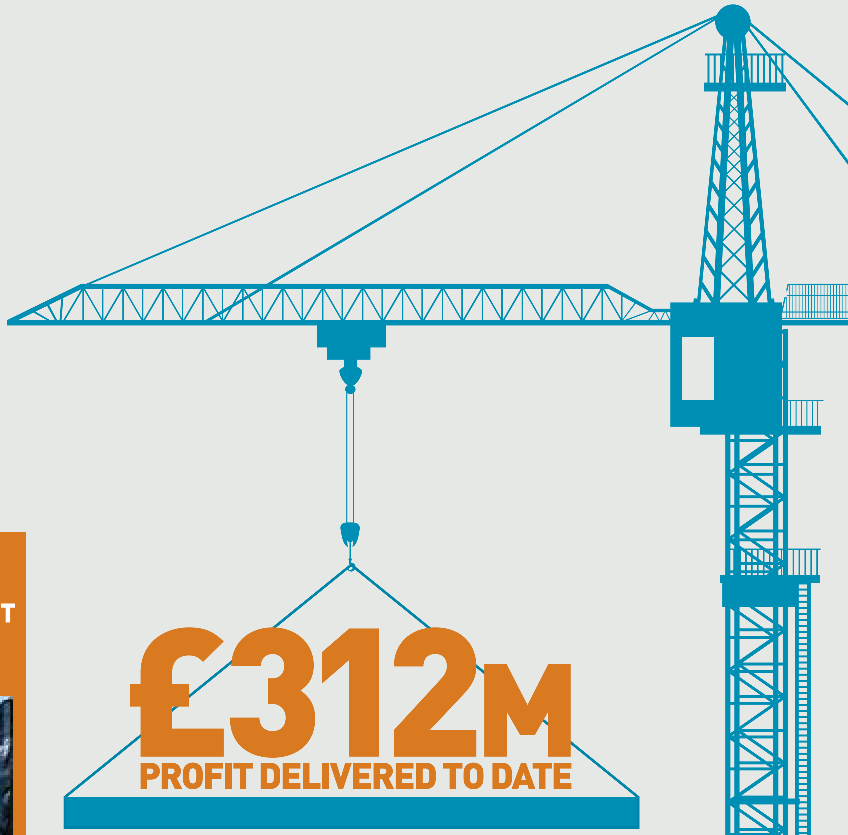
NEXT
Introducing new formats with our retail partners
59,000 sq ft of lettings including
43,000 sq ft Next Home and Garden
letting (third store)

ADDING VALUE THROUGH DEVELOPMENT

We made significant further progress in building out and pre-letting our committed development pipeline. In the City, we reached practical completion at 199 Bishopsgate and our other three City developments remain on schedule to reach practical completion in the next two years. In the West End, our current developments are reaching their conclusion, with all completing during 2013. In Retail, our developments at Whiteley and Glasgow Fort are also both due to open this year. Following further pre-letting activity in recent months, our development programme is now 65% pre-let or under offer.

See Portfolio review
P48–59

See Development
www.britishland.com/our-properties-development.aspx#/development



5 BROADGATE
700,000 SQ FT
COMPLETION: Q4 2014

THE LEADENHALL BUILDING
610,000 SQ FT
COMPLETION: Q2 2014

WHITELEY
320,000 SQ FT
COMPLETION: Q2 2013

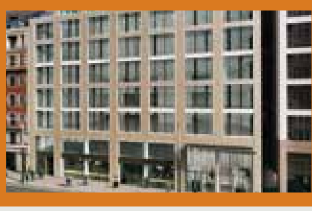
HEREFORD
310,000 SQ FT
COMPLETION: Q3 2014

All quarters relate to calendar years not financial years.

10–30 BROCK STREET, REGENT'S PLACE
500,000 SQ FT
COMPLETION: Q2 2013

10 PORTMAN SQUARE
134,000 SQ FT
COMPLETION: Q2 2013

39 VICTORIA STREET
93,000 SQ FT
COMPLETION: Q3 2013



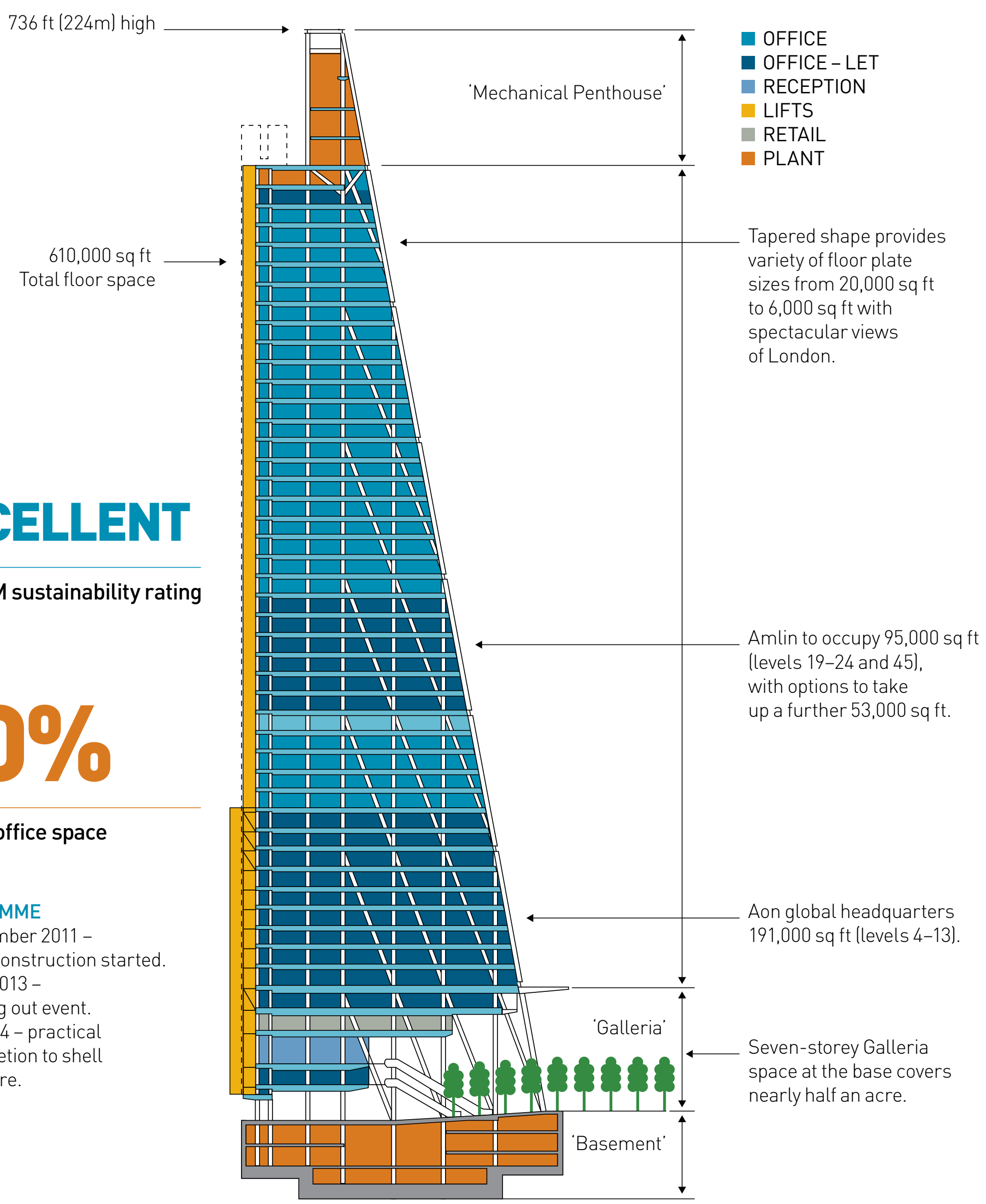
MARBLE ARCH HOUSE
86,000 SQ FT
COMPLETION: Q4 2013

City office development

THE LEADENHALL BUILDING: A DEFINING BUILDING FOR LONDON

Designed by Rogers Stirk Harbour + Partners, a Joint Venture between British Land and Oxford Properties

For more information
http://www.theleadenhallbuilding.com/



EXCELLENT

BREEAM sustainability rating

50%

Pre-let office space

PROGRAMME
- September 2011 – main construction started.
- June 2013 – topping out event.
- Q2 2014 – practical completion to shell and core.

Next generation retail

WHITELEY: THE RIGHT TYPE OF SPACE IN A HIGH-QUALITY ENVIRONMENT

Whiteley opens on 23 May 2013. Located in Hampshire just one mile from Junction 9 of the M27, the 320,000 sq ft next generation retail scheme comprises over 50 units totalling 292,000 sq ft of retail space, 28,000 sq ft of restaurants, cafés and other facilities and 1,500 car park spaces.

Designed by architect Corstophine and Wright, Whiteley represents the latest in retail design incorporating dramatic double height retail units with oak panelling, centred around a new town square with high-quality public realm, landscaped areas and public art. Extensive energy and sustainability features mean that Whiteley is the first UK shopping centre to achieve the BREEAM 2008 Excellent sustainability rating. Almost 4,000 people attended a recruitment day in April 2013 for 1,000 jobs.

Situated between the two harbour cities of Portsmouth and Southampton and adjacent to an existing Tesco supermarket, the newly opened centre will transform the existing scheme into a significant shopping centre destination, which will serve a large and affluent catchment of 1.2 million people with an estimated £3.1 billion of potential spending power. The catchment is set to expand further in the foreseeable future with 3,500 new homes at North Whiteley.

Whiteley is 91% let (by rent) and will be anchored by Marks & Spencer and Next. It will feature a great range of some of the best retailers in the UK including fashion brands Topshop, H&M and River Island. Other signed retailers include Jones Bootmaker, Mamas & Papas, Paperchase, Schuh, Body Shop and WH Smith. In addition, ten units are dedicated to restaurants and cafés, including Frankie & Benny's and Starbucks and seven units are reserved for local/independent retailers, including a bakery, fruit shop, beauty parlour, children's shoe shop and cycle shop.

For more information
www.whiteleyshopping.co.uk

Hereford

- £90 million forward funding
- 310,000 sq ft fashion and leisure scheme
- c.50% already pre-let – Debenhams, Waitrose, Next, Odeon and TK Maxx
- Yield on cost: over 7%

100 Liverpool Street

- Existing 380,000 sq ft building
- UBS lease break extended to 2016
- Crossrail station due to open 2018

The Clarges Estate

- £129 million acquisition
- Major office/residential development opportunity
- Prime Mayfair location of around an acre, freehold site
- Revised planning application submitted for 193,500 sq ft scheme

REPLENISHING OUR DEVELOPMENT PIPELINE

We continue to see a shortage of space in our core markets and believe that we can generate superior returns through accretive investment and development activity. We are therefore investing in future growth by replenishing our development pipeline, as our existing committed developments are all due to reach practical completion in the next two years.

Recent investments include the acquisition of the Clarges Estate, a major office and residential development site in Mayfair and the Hempel Hotel, a potential residential development in Bayswater. We have also acquired retail development sites in Lancaster and Hereford city centres.

1,966m sq ft

Prospective development pipeline

We have made good progress at the Clarges Estate, which was acquired in July 2012. In March of this year, we reached agreement with The Kennel Club to relocate and develop their new headquarters. Just after the year end, we submitted a revised planning application, for a major new 193,500 sq ft mixed-use scheme, which increases the residential element from 63,000 sq ft to 94,000 sq ft, which we will develop and sell on completion. It also includes a re-modelled office element, as well as the new, agreed Kennel Club headquarters.

See Development
www.britishland.com/our-properties-development.aspx#/development

See
P34–35, 49, 56, 59

> At the Clarges Estate, we will create a landmark building in the heart of Mayfair and further enhance British Land's presence in the West End.

TIM ROBERTS
Head of Offices at British Land

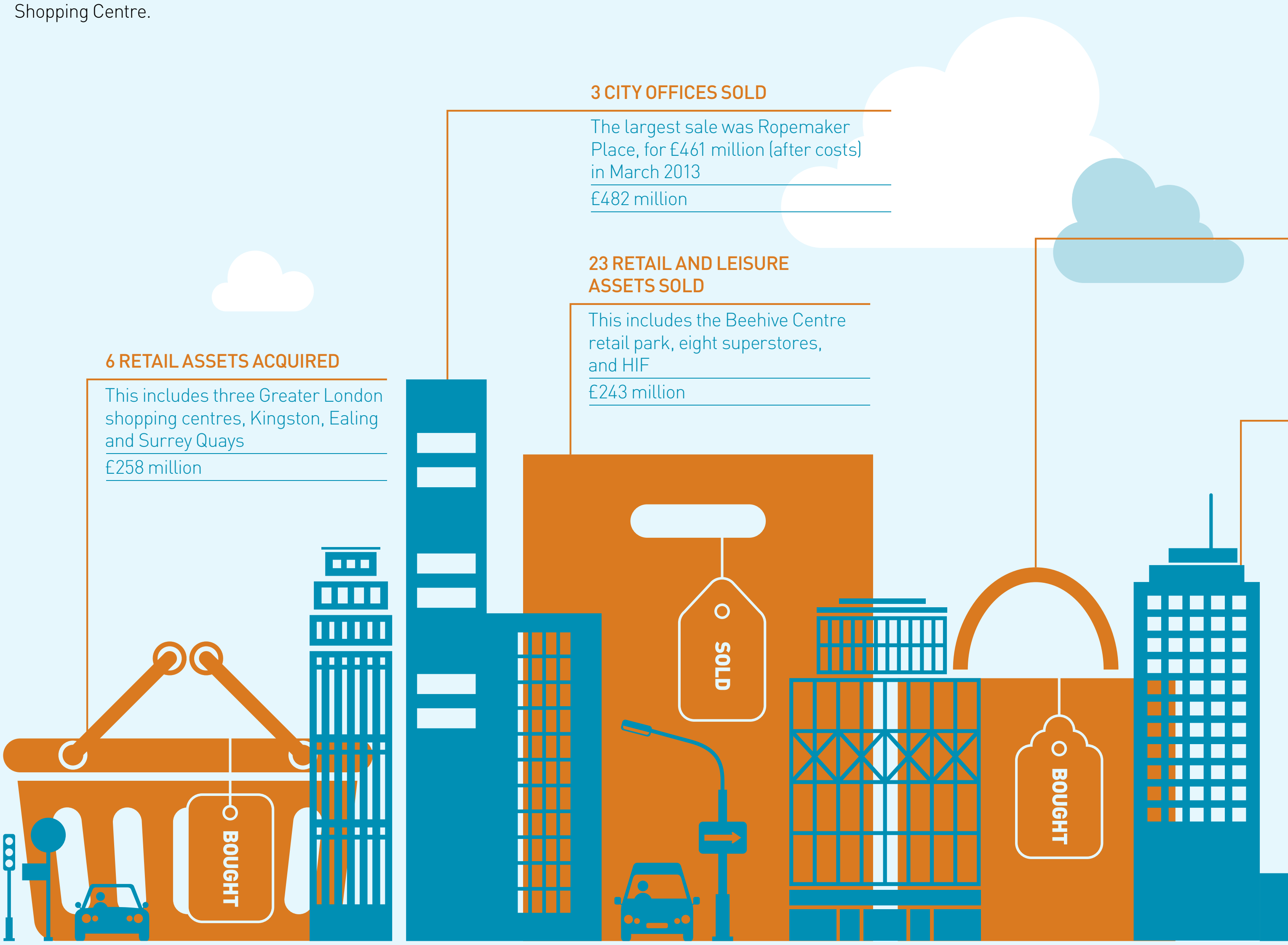
RECYCLING CAPITAL TO DRIVE GROWTH

SELLING MATURE ASSETS – REINVESTING IN HIGHER-GROWTH OPPORTUNITIES.

During the year we have increased the pace of our recycling programme, selling our more mature assets to redeploy capital into new investments as well as into our existing committed developments.

It has been a busy year, with £1.6 billion of gross investment activity overall, including the sales of Ropemaker Place and the Beehive Centre Retail Park in Cambridge, and the acquisitions of the Clarges Estate in Mayfair, Eden Walk Shopping Centre in Kingston and the Ealing Broadway Shopping Centre.

In total in 2012/13, we sold £795 million of mature assets at an average net initial yield of 5.3%. We have reinvested that capital into £544 million of new acquisitions in our core sectors, on a net initial yield of 6.3% for income generating assets, and into our highly attractive committed development programme on an anticipated yield on cost of 8.8%.



£795m
Assets sold

5.3%
Net initial yield on income producing assets sold

4.5%
Percentage above March 2012 valuation

£544m
Assets bought

6.3%
Net initial yield on income producing assets bought

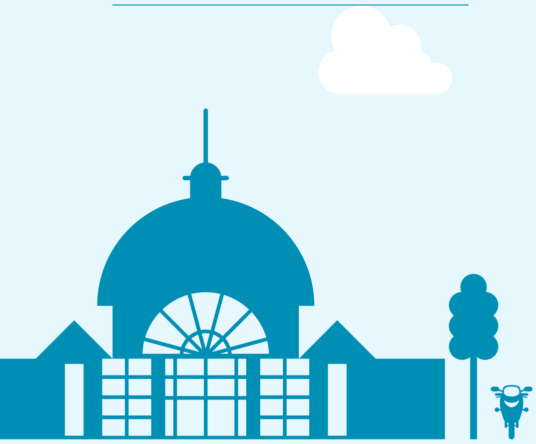
5 DEVELOPMENT OPPORTUNITIES ACQUIRED

Primarily the Clarges Estate in London and Retail Quarter in Hereford
£269 million

RESIDENTIAL SALES

Ongoing sales of residential properties as we manage our exposure
£30 million

Of our development pipeline 25 residential units sold
£28 million



LUCINDA BELL
Finance Director

Q&A

LEVERAGING OUR SCALE TO SECURE ACCESS TO COMPETITIVE CAPITAL

Q: How does British Land use financing as a competitive advantage?
A: During a time when banks had been reducing their lending to property companies, we have raised £2.8 billion over the last two years. Our access to flexible, low cost debt finance together with the recent share placing provides the firepower to exploit opportunities such as the Clarges Estate and Ealing Broadway Shopping Centre.

Q: How do you think about leverage?
A: The amount of debt we employ is a very important judgement for us. Leverage enhances our property returns and we weigh up the rewards from owning a larger portfolio with the risks of having more debt. The strong, high-quality cash flows of our leases together with the quality of our debt book means we believe a LTV range of 40%–50% is right for our business.

Q: What made you take the decision to issue equity?
A: We decided to issue equity because we are seeing an increasing flow of investment opportunities, many of which are in our core sectors and markets, where we will be able to use our scale and property, development and financing expertise to create value.

Q: What is your biggest financing challenge over the next year?
A: Because we've achieved a series of successful financings recently, our requirements are actually quite modest in the coming year. However if we see interesting opportunities we will explore these. So, I see our challenges as being more how the finance team can continue to add value to the business in other areas – such as further developing our risk sophistication and working on transactions where we have particularly strong corporate finance and structuring expertise.

> Well-timed financing is further diversifying our sources of funding.
>
> LUCINDA BELL
> Finance Director

See Our financing strategy
www.britishland.com/about-us/our-business/our-financing-strategy

GREEN BUILDINGS ADD VALUE

WE DESIGN SUSTAINABLE, FLEXIBLE BUILDINGS AND WE MANAGE THEM EFFICIENTLY.

We believe that sustainable, flexible and efficiently managed buildings perform better financially over the long-term, for two key reasons.

1. In our experience these buildings let more easily and occupiers are more willing to sign long leases for this space, supporting the long-term cash flows that underpin our value and performance.

2. Sustainable, flexible and efficient buildings are less at risk from factors that can cause obsolescence. These include increasingly stringent environmental regulations, changing occupier demands, and extreme weather, such as flooding.

There are growing indications to support our view that sustainability and particularly energy efficiency add value to assets in the longer-term. We are convinced this will be proven over time.

We have achieved £5.2 million energy and carbon cost savings for occupiers over the last four years and have certified 4.9 million sq ft of space BREEAM Excellent for sustainability. We are well on track to achieve our 40% reduction target in landlord-influenced energy use in our existing buildings by 2015, compared to 2009, a market leading target by some distance.

BREEAM®[1]

4.9m sq ft

BREEAM Excellent for sustainability

Above: Following a comprehensive refurbishment, 199 Bishopsgate has achieved BREEAM Excellent, with a 60% more carbon efficient design than the original building.

See Our corporate responsibility review
P60–61

For more information
www.britishland.com/responsibility

"Sustainability considerations inform all our investment decisions. Choosing Regent's Place as our EMEA headquarters allowed us to achieve the first BREEAM (2008) Excellent fit-out in the UK."

LEND LEASE, OCCUPIER
at 20 Triton Street

£5.2m

Energy and carbon cost savings
Over the last four years

1 BREEAM is a registered trademark of BRE (the Building Research Establishment Ltd. Community Trade Mark E5778551). The BREEAM marks, logos and symbols are the copyright of BRE and are reproduced by permission.

Community

OUR COMMUNITY CHARTER IN ACTION

We want to be good neighbours wherever we operate and aim to implement our Community Charter at all our major properties and developments by 2015.

This brings benefits to the people who live near our assets, as we work with them to help address local priorities, such as training, employment and education. It also helps us understand local people's concerns when managing our properties and considering development opportunities.

In addition, we believe it makes us more likely to become the partner of choice for local authorities and others. Our planning proposals are also more likely to be in tune with what local communities want – helping us achieve better quality planning permissions, more quickly.

Our long-term partnership with The Prince's Trust has created opportunities for 225 disadvantaged young people in recent years. For instance, our award-winning Get into Retail programme at St Stephen's Shopping Centre in Hull has provided valuable work experience to 160 local young people who were not in education, employment or training. 60% have moved on to positive outcomes soon afterwards, including employment and further training.

In summer 2012, over 100 local school children created temporary artworks at Regent's Place, as part of our award-winning project with Camden School Improvement Service. The pupils worked alongside a professional artist, and took their inspiration from the art and architecture at Regent's Place. Around 330 primary school children have participated in Creative Curriculum since 2007.

MEASURING OUR PERFORMANCE

CORPORATE PERFORMANCE

TOTAL ACCOUNTING RETURN

4.6%

2013	4.6%
2012	9.5%
2011	17.7%
2010	33.5%

WHY IT IS IMPORTANT
We expect our total accounting return to be a good proxy for our Total Shareholder Returns over time. It measures the return we generate including the impact of debt – the dividend combined with the growth in NAV expressed as a percentage.

HOW WE'VE DONE
The dividend was up 1.1% this year and our NAV was 0.2% ahead with performance during the year more than offsetting the dilutive impact of the share placing in March.

LOAN TO VALUE

40.2%

2013	40.2%
2012	45.3%
2011	44.7%
2010	46.8%

WHY IT IS IMPORTANT
Debt finance plays an important role in enabling us to finance our business and take advantage of market opportunities. Our target LTV range of 40%–50% balances the rewards from owning more property against the risk debt financing entails.

HOW WE'VE DONE
Our LTV is at the bottom of our range following the equity placing in March which gives us significant capacity to invest and grow our business through buying and developing assets.

COST CONTROL

Cost ratio

15.3%

2013	15.3%
2012	14.9%
2011	13.5%
2010	11.8%

WHY IT IS IMPORTANT
Controlling our costs so we maximise the amount of rent which flows through as profits as dividends is a key focus of the business. Our small head office and outsourced model helps keep costs low.

HOW WE'VE DONE
Our cost ratio rose modestly during the year. Increased investment in our retail future proofing project has been offset by cost savings. We remain one of the most efficient listed property companies in the UK, even though we don't capitalise the British Land staff costs and overheads for developments.

FINANCING COSTS

Weighted average interest rate

4.6%

2013	4.6%
2012	4.6%
2011	4.9%
2010	5.2%

WHY IT IS IMPORTANT
Our low cost of capital is an important competitive advantage and our access to low cost debt finance is a key contributor to overall performance.

HOW WE'VE DONE
Our weighted average interest rate has been maintained and would have been lower at 4.2% if we had not paid down low cost debt facilities with the proceeds of the placing, prior to their reinvestment.

> Our results show we are executing successfully against a clear strategy and delivering good results in today's tough market.
>
> **CHRIS GRIGG**
> **Chief Executive**

See Remuneration Policy
P94–99

ALIGNMENT WITH REMUNERATION

Remuneration of our Executive Directors and employees is aligned to the Group's strategic development and the financial performance of the business. All Executive Directors' and employees' performance is measured against our KPIs which are aligned to our strategic priorities.

PROPERTY PERFORMANCE

PROPERTY RETURNS

6.3%

Compared to IPD		Actual %
2013	310 bps	6.3
2012	200 bps	8.3
2011	190 bps	13.1
2010	420 bps	21.5

WHY IT IS IMPORTANT

How we allocate our capital, manage existing assets and develop new properties is core to our ability to generate returns for our shareholders. We compare the total returns generated by our property activities with the UK benchmark (IPD).

HOW WE'VE DONE

At 6.3%, our property returns once again significantly outperformed the market benchmark. This was driven by our own actions – our highly successful development programme and asset management.

GROSS INCOME GROWTH

1.5%

2013	1.5%
2012	1.9%
2011	2.5%
2010	2.5%

WHY IT IS IMPORTANT

Creating sustainable and growing rental income is key to our business, driving long-term value creation and enabling us to pay a strong and growing dividend. We compare our gross income growth in absolute terms and relative to the UK Benchmark (IPD).

HOW WE'VE DONE

Our UK portfolio delivered 1.5% gross income growth outperforming the market by 130 bps, driven by rent-free expiries in Offices and fixed rental increases in Retail.

PEOPLE PERFORMANCE

A GREAT PLACE TO WORK

ACCREDITATION IN SUNDAY TIMES BEST COMPANIES TO WORK FOR SURVEY

★

2013	One star
2012	One star

WHY IT IS IMPORTANT

Our people are one of our major assets and we believe that staff engagement provides a significant competitive advantage.

HOW WE'VE DONE

We again achieved a One Star accreditation in the Sunday Times Best Companies to Work for survey. Based on previous feedback, we increased training opportunities, improved our induction process and introduced a confidential staff helpline. We also held gender diversity workshops and introduced a 'respect and fairness in the workplace' course.

DEVELOPMENT COMMITMENT

Gross commitment

£1.4bn

		% of gross assets
2013	£1.4bn	13.7
2012	£1.4bn	13.3
2011	£1.2bn	12.1
2010	£0.7bn	8.5

WHY IT IS IMPORTANT

We see development as an important contributor to our income and value growth and we are aiming to maintain our development exposure at between 10-15% of our gross assets. The amount of space pre-let or speculative is a key measure of our development risk.

HOW WE'VE DONE

Although our development exposure has risen as our committed programme nears completion, because it is 65% pre-let our actual risk is reduced. We are looking to replenish our pipeline.

CUSTOMER SATISFACTION (industry average 5.1[1])

Satisfaction with landlord (out of 10)

7.8

2013	7.8
2011	7.6
2009 and 2007	7.5
2005	6.1

WHY IT IS IMPORTANT

Our customer focus helps us attract and retain occupiers even in today's difficult markets. Companies are willing to commit to long leases for the right building and landlord relationship.

HOW WE'VE DONE

Our biennial independent customer satisfaction survey confirmed that we continue to outperform industry averages for occupier satisfaction. It also identified opportunities for further improvement, which we will be actioning during the year.

1 Industry average based on Occupier Satisfaction Survey 2012.

DOW JONES SUSTAINABLE INDEX (DJSI) SCORE

70%

2013 results due September 2013

2012	70%
2011	76%
2010	69%

WHY IT IS IMPORTANT

Managing our environmental, social and economic impacts is central to how we do business and deliver value to our shareholders. The DJSI is a key sustainability reference point for investors and other important stakeholders.

HOW WE'VE DONE

Despite strong performance on a number of key sustainability indicators, our score on the DJSI reduced. From 2013, all members of our Executive Committee will have a DJSI target linked to their Annual Incentive remuneration.

ABOUT OUR BUSINESS

BRITISH LAND IS A LEADING EUROPEAN REAL ESTATE INVESTMENT TRUST

We own or manage over £16.4 billion of mainly UK properties making us one of the largest listed managers of property in Europe.

£16.4bn

British land owned or managed properties

£10.5bn

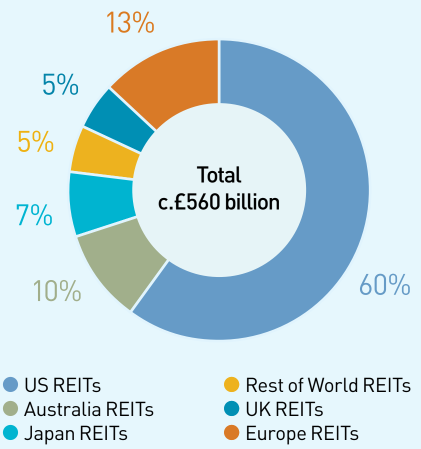
Our share of assets

REITS AS PROPERTY INVESTMENTS

REITs are an established property asset class with an estimated 35 countries around the world having REIT or REIT like regimes.

The US is by far the largest REIT market measured by market capitalisation of companies listed. The UK is the fifth largest market.

BREAKDOWN OF GLOBAL REIT MARKETS



Source: EPRA.

We are a UK-focused business – the largest listed manager of retail properties in the UK and a significant operator in the London office market. Around two thirds of the assets we manage are in joint ventures or property funds. Taking into account only our share of these joint ventures and funds, our gross assets are £10.5 billion.

OUR APPROACH

We run an outsourced operating model, focusing only on the most highly skilled and value-adding activities across the business – in asset management, finance, investment and development. So, for the size of portfolio we manage, we are a small Company in terms of headcount with around 215 permanent employees.

A combination of what we do and how we do it, is key to our ability to create long-term value and is at the heart of the British Land brand offer. This is reflected in the quality of the buildings and environments we create; the quality of the people we employ who are specialists in their fields; our highly customer centric approach; our interaction with partners; our responsible approach to developing and managing properties; the close links we establish with local communities; the transparency of our communication with investors and other stakeholders; and the emphasis we place on staff engagement. 'Doing the right thing' is fundamental to the way we do business and ensures that our brand is trusted and valued by our stakeholders. The way in which we do business is guided by our four values shown on the right.

By ensuring we live by these values, we are able to differentiate British Land and deliver a brand with which people and organisations want to engage.

OUR VALUES

INTEGRITY
We do what is right not what is easy.

ONE TEAM
Working collaboratively with both internal and external stakeholders.

EXCELLENCE
We are the best we can be and have a growth mindset.

COMMERCIAL ACUMEN
We take the lead in our field.

See What we do
P2–3

See Our markets
P12–13

OUR PROPERTY PORTFOLIO

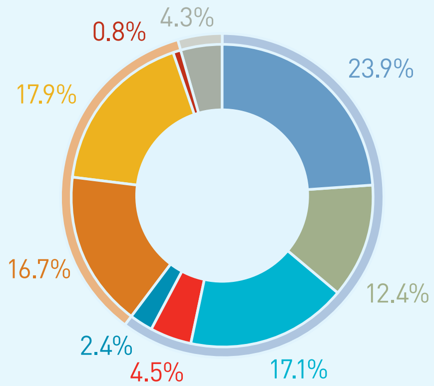
Our portfolio is focused on high-quality assets in sectors with long-term growth potential – UK Retail and London Offices.

Within these sectors, our focus is on prime assets – high-quality buildings in the right locations which meet the current and future needs of occupiers. They consistently attract high-quality occupiers willing to sign long-term leases on favourable terms. We believe that prime assets, underpinned by sustainable and growing rental income, over time will perform better than average or poorer quality property. The balance of our portfolio principally consists of properties being developed or being held for future development.

Our aim is to create properties with 'enduring appeal' to occupiers, by virtue of their location, design, overall costs to occupy, environment and the way in which they are managed and maintained. We aim to provide occupiers with properties which satisfy their current needs and anticipate their future needs and are environments in which they and the local communities they work among can thrive.

Our focus on prime property has delivered consistent outperformance against the broader property market in recent years, as measured by IPD.

BREAKDOWN OF OUR PORTFOLIO

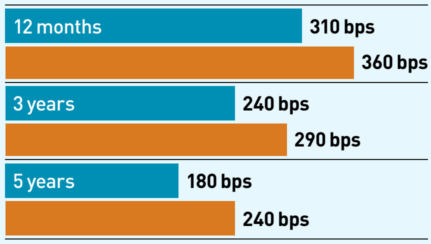


OFFICES
- City Offices
- West End Offices
- Provincial

- Other

RETAIL
- Retail parks
- Superstores
- Shopping centres
- Department stores
- Europe

PORTFOLIO RETURNS RELATIVE TO IPD



Source: Investment Property Databank.

- Total return
- Capital return

See Our portfolio review
P48–59

MAJOR ASSETS

At 31 March 2013 (excluding developments)	British Land share %	Sq ft '000	Rent £m pa[1]	Occupancy rate %[2]	Lease length years[3]
Broadgate, London EC2	50	4,009	175	95.9	7.8
Regent's Place, London NW1	100	1,210	49	95.9	8.0
Meadowhall Shopping Centre, Sheffield	50	1,374	82	98.0	9.0
Sainsburys Superstores	52	2,864	67	100.0	16.2
Tesco Superstores	50	2,659	60	100.0	15.1
Teesside Shopping Park, Stockton-on-Tees,	100	451	14	93.1	7.6
Drake Circus Shopping Centre, Plymouth	100	570	15	97.9	7.2
Debenhams, Oxford Street	100	363	16	100.0	26.0
Ealing Broadway Shopping Centre	100	406	11	97.8	7.7
York House, W1	100	132	5	100.0	4.7
Glasgow Fort Shopping Park	41	442	16	99.9	6.6
St Stephens Shopping Centre, Hull	100	410	9	99.4	7.4

1 Annualised contracted rent including 100% of joint ventures and funds.
2 Includes accommodation under offer or subject to asset management.
3 To first break.

OCCUPIERS REPRESENTING OVER 0.5% OF RENT

At 31 March 2013	% of total rent		% of total rent		% of total rent
Tesco plc	7.7	Marks & Spencer Plc	1.3	Mayer Brown	0.8
Sainsbury Group	6.2	Royal Bank of Scotland plc	1.3	Mothercare	0.7
Debenhams	4.4	Hutchison Whampoa	1.3	Hennes	0.7
UBS AG	3.7	Asda Group	1.2	ICAP Plc	0.7
Home Retail Group	2.9	House of Fraser	1.1	Lend Lease	0.7
HM Government	2.6	New Look	1.0	JD Sports	0.7
Kingfisher (B&Q)	2.3	Sports Direct	1.0	Credit Agricole	0.6
Virgin Active	2.2	Aegis Group	0.9	Carlson (TGI Friday's)	0.6
Arcadia Group	2.2	JP Morgan	0.9	Henderson	0.6
Next plc	2.2	Reed Smith	0.9	Lewis Trust (River Island)	0.6
Spirit Group	1.7	C&W Plc (Cable & Wireless Plc)	0.8	Primark	0.6
Alliance Boots	1.5	TJX Cos Inc (TK Maxx)	0.8	Pets at Home	0.6
DSG International	1.5	Gazprom	0.8		
Herbert Smith	1.4	Deutsche Bank AG	0.8		

ABOUT OUR BUSINESS CONTINUED

See Retail
www.britishland.com/our-properties/retail#/retail

OUR UK RETAIL PROPERTIES

We are the largest listed retail landlord in the UK with 189 individual assets.

Our portfolio of 24 million sq ft of retail space is focused on properties in high-quality retail locations and includes 69 retail parks, 91 superstores, 16 shopping centres, 9 department stores and 4 high street units.

We create the right environment where people want to shop and where retailers can thrive. What many of our assets have in common is that they are locally dominant, and provide retailers with modern, affordable and flexible units in environments where people want to shop and increasingly spend their leisure time.

Because our portfolio has flexible planning consents this means we can adapt our properties to a wide range of trading formats, allowing us to actively manage our portfolio and deliver the most attractive space to both retailers and consumers.

24m sq ft

UK Retail space

97.4%

UK Retail occupancy

£9.8bn

UK assets under management (British Land share £6.1 billion)

UK Retail portfolio
41% Retail Parks
30% Shopping centres
21% Superstores
8% Department stores

Teesside Retail Park

Teesside Shopping Park near Stockton-on-Tees has 46 units covering 410,000 sq ft. It attracts around ten million shoppers every year and is home to some of the best known retailers in the UK including Marks & Spencer, Arcadia, Boots, WH Smith and River Island. New retailers opening in the year include Footasylum, O2 and Carphone Warehouse and Schuh is going to open a new out-of-town format at the park shortly.

Glasgow Fort Retail Park

Glasgow Fort Shopping Park, a 395,000 sq ft scheme just outside Glasgow, is one of the pre-eminent shopping parks in the UK with annual footfall of around 12 million people. Key occupiers include Zara, Topshop, Next, River Island and Boots. In response to consumer demand, a significant extension providing a multiplex cinema and a range of family oriented restaurants will be completed later this year.

Food Superstores

Our superstores are primarily held in joint ventures with Tesco and Sainsbury's. We have 36 Sainsbury's stores and 41 Tesco stores. In total, our stand-alone foodstores occupy 6 million sq ft of accommodation (3 million sq ft – our share) with an average gross store size of 63,000 sq ft. During the year Tesco extended or refurbished 16 stores in our joint venture portfolio. In the year, Sainsbury's extended stores in Croydon and Northampton and undertook store refurbishments in Hereford and Sheffield.

Meadowhall Shopping Centre

Meadowhall Shopping Centre is the fourth largest super regional shopping centre in the UK. It is owned in a 50:50 joint venture with Norges Bank. There are around 280 shops which provide approximately 1.5 million sq ft of retail space to a broad range of international, national and local retail and leisure brands. It attracts 24 million shoppers every year. Recent retailers taking space include Victoria's Secret, Lego, Cath Kidston and Carluccio's.

Drake Circus Shopping Centre

Drake Circus, bought in 2011 and located in the centre of Plymouth, is the West Country's most popular shopping destination, attracting around 18 million shoppers every year. The modern centre, which was opened in 2006, covers 560,000 sq ft and includes Marks & Spencer, Primark, Boots, Next and Topshop among its biggest retailers.

Debenhams, Oxford Street

Debenhams, Oxford Street is a flagship 367,000 sq ft store close to Bond Street tube station in the heart of London's most popular shopping destination. The department store is currently being revitalised using an innovative over-cladding system that will create a captivating interactive façade in keeping with the site's prominent location next to the upgraded Bond Street underground and Crossrail station. Completion is scheduled for November 2013.

See Offices
www.britishland.com/
our-properties/offices#/offices

OUR OFFICE PROPERTIES

We are a significant operator in the London office market with 6 million sq ft of modern, high-quality, well located offices.

We have an attractive mix of high-quality buildings in well-managed environments, and a pipeline of development projects that will add significant floor space. Our portfolio is located in the City and West End and comprises investments including Broadgate, the premier City office estate (50% share) and Regent's Place in the West End.

Our aim is to create properties with enduring appeal to occupiers, by virtue of their location, design, overall costs to occupy, environment and the way in which they are managed and maintained. We focus on world-class property management, covering everything from estate services to the development of new buildings. Our customer focus helps us retain and attract occupiers to our properties. Companies are willing to commit to long leases for the right building and landlord relationship.

6m sq ft

Office space

96.3%

Occupancy

£5.4bn

Assets under management
(British Land share £3.7 billion)

London Office portfolio
48% City
52% West End

BROADGATE

Broadgate

Broadgate, is the premier office estate in the City totalling 4 million sq ft of office, retail and leisure which has been built around Liverpool Street Station, the City's main transport hub and will benefit from a new Crossrail station in 2018. Covering 30 acres, it is made up of 16 independent buildings set around four landscaped squares with around 60 restaurants, pubs, wine bars, shops and health clubs. Over 950,000 sq ft of the estate has been developed over the past four years. We have recently refurbished 199 Bishopsgate and are currently redeveloping 5 Broadgate which will add 700,000 sq ft of new modern space. Broadgate is owned in a 50:50 joint venture with Blackstone, the private equity group.

Broadgate Tower

The 33-storey 395,000 sq ft Broadgate Tower is the City's fourth tallest building rising to a height of 165m (540 ft) and offering stunning views of the London skyline. The offices are now 93% occupied by a range of occupiers including Reed Smith, Hill Dickinson and Banco Itau.

REGENT'S PLACE

Regent's Place

Regent's Place, is a 13-acre mixed-use office estate in a prominent position at the north end of London's West End, which we have progressively developed over the last 25 years. The estate today, consists of 1.2 million sq ft, including six independent office buildings alongside residential, restaurants, shops and leisure units. Like Broadgate, it also has excellent transport links with four tube and two mainline railway stations close by. Construction of 10–30 Brock Street to provide 500,000 sq ft mixed office and residential development is nearing completion in summer 2013. This development will complete Regent's Place, which will increase to some 1.7 million sq ft, providing accommodation for 14,000 workers and residents.

20 Triton Street

20 Triton Street forms part of the most recent development phase at Regent's Place and provides 254,000 sq ft of Grade A accommodation over nine floors. The building is now 93.8% let to occupiers including Gazprom and Lend Lease.

RESIDENTIAL

British Land has a long history of owning, managing, developing and financing residential property assets.

Residential plays an important role in our Office developments in the West End and is also a profitable business in its own right. In London we focus on high-end luxury properties and have completed a number of successful schemes over recent years, as owner-occupier and investor demand has been and remains strong. We are looking to selectively increase our exposure to the residential sector in London, although our business model is to recycle capital very quickly, as we develop and sell before schemes complete. We currently have a total residential portfolio of £383 million.

In addition, we also manage a £270 million residential portfolio on behalf of a third-party Trust. This generates some fee income and provides further insight into the London residential market for British Land.

ABOUT OUR BUSINESS CONTINUED

OUR DEVELOPMENTS

Development forms a key part of our overall activity and we regularly undertake major development and refurbishment programmes. Development returns are generally considered higher risk than those available from existing income producing properties. The risk arises from the length of time the development takes from inception to completion and the potential uncertainty of finding an occupier. The degree to which a property is let during the development process is an important factor in evaluating the risk of doing development. We distinguish our development activities into those that are fully committed and underway and potential or prospective developments which may be activated at some point in the future.

Today, we have a significant committed development programme which will complete during 2013 and 2014. Because we remain positive on the outlook for development returns, we are replenishing our pipeline and expect to commit to a number of new projects during the course of the coming year with the aim of maintaining our development exposure at around current levels but not exceeding 15% of our gross assets.

Our committed pipeline

In recent years, a shortage of high-quality space combined with a lack of finance has made development more attractive, particularly in London. During 2010/11, we started a major development programme, committing early into a strong cyclical upturn in development returns. Our programme was focused on delivering 2.3 million sq ft of offices along with 104 residential units into a supply constrained London market. Today, we have £1.4 billion of capital committed to developments – equivalent to around 14% of our total gross assets. The capital committed includes the latest market value of the development plus the estimated costs to complete, including financing costs. In 2012, we completed, a 1.4 million sq ft shopping centre in Zaragoza Spain which opened 90% let and a 142,000 sq ft office refurbishment in the City, 199 Bishopsgate which recently completed its first letting and has a further two floors under offer.

In London we have seven office projects currently underway – three in the City and four in the West End. In the City at Broadgate, we are building a new 700,000 sq ft building on a 18.2 year lease for UBS, our largest existing occupier on the estate. We are also redeveloping the Broadgate Circle to improve the public space and enhance the food and retail offer. This forms part of an on-going investment programme to revitalise and evolve Broadgate to a more vibrant, mixed-use estate appealing to a greater variety of occupiers. The Leadenhall Building, a striking 610,000 sq ft tower sitting next to the Lloyds Building, is already attracting high-quality insurance occupiers. In the West End, our biggest development is at Regent's Place where we have nearly completed 500,000 sq ft of offices, residential and retail. Just north of Oxford Street, in an area which is being regenerated by investment, we have completed 10 Portman Square and we are well advanced with Marble Arch House. We started work on the major refurbishment of 39 Victoria Street during the year. We also have a number of smaller high-end residential projects in the West End.

In Retail, Whiteley opens at the end of May. This 320,000 sq ft retail scheme is over 90% pre-let. At Glasgow Fort a 45,000 sq ft cinema and restaurant extension which is fully pre-let will also open in July this year. Construction is also underway at the retail development in Hereford where we have a funding agreement in place with Stanhope.

COMMITTED DEVELOPMENTS

At 31 March 2013	British Land share %	Sq ft '000	Practical completion calendar year	Current value £m	Cost to complete £m[1]	Notional interest £m[1,2]	ERV £m[3]	Pre-let[5] £m	Residential end value[4] £m
Offices:									
5 Broadgate	50	700	Q4 2014	163	103	18	19.2	19.2	–
The Leadenhall Building	50	610	Q2 2014	159	69	13	18.6	5.6	–
Broadgate Circle	50	45	Q4 2014	6	9	1	1.2	–	–
10–30 Brock St, Regents Place[6]	100	500	Q2 2013	390	16	2	19.8	10.3	113
10 Portman Square[7]	100	134	Q2 2013	149	9	–	9.7	4.1	–
Marble Arch House[8]	100	86	Q4 2013	44	20	2	3.9	–	15
39 Victoria Street	100	93	Q3 2013	49	17	2	4.9	–	–
Total Offices		**2,168**		**960**	**243**	**38**	**77.3**	**39.2**	**128**
Retail:									
Whiteley, Fareham	50	320	Q2 2013	33	6	–	2.6	2.4	–
Glasgow Fort (Leisure)	41	46	Q3 2013	4	2	–	0.5	0.5	–
Hereford	100	310	Q3 2014	17	59	9	5.8	2.4	–
Total Retail		**676**		**54**	**67**	**9**	**8.9**	**5.3**	**–**
Total Residential		**50**		**47**	**17**	**3**	**–**	**–**	**70**
Total committed		**2,894**		**1,061**	**327**	**50**	**86.2**	**44.5**	**198**

Data includes Group's share of properties in joint ventures and funds (except area which is shown at 100%).

1 From 1 April 2013 to practical completion.
2 Based on a notional cost of finance of 6%.
3 Estimated headline rental value net of rent payable under head leases (excluding tenant incentives).
4 Parts of residential development expected to be sold, no rent allocated – of which £107 million completed or exchanged.
5 A further £4.4 million of pre-lets were under offer at the year end including a £3.0 million letting to Amlin at The Leadenhall Building.
6 Includes 126,000 sq ft of residential.
7 Excludes 25,000 sq ft of off-site residential and retail (95–99 Baker Street), which was sold in the previous financial year.
8 Includes 10,500 sq ft of residential.

The estimated rental value (ERV) of all our developments is £86 million – this represents our valuers' estimates of the rental income the projects would generate if the developments were fully let at today's rents. Of this, we have already successfully pre-let or have under offer 65% of the space to a range of high-quality occupiers, securing £49 million of annual rent. Of the 204 residential units under construction, we have already sold 168.

PROSPECTIVE DEVELOPMENTS

Over time we seek to replenish our pipeline of development opportunities – land or buildings with relatively short leases.

We split our prospective pipeline into near-term – developments where our plans are well developed, generally where we already have planning permission or planning pending and are looking to start within the next year to eighteen months – and medium-term, developments with a longer-term time horizon.

In line with our aim to maintain our development commitment, we have been expanding our near-term pipeline which currently stands at 963 million sq ft and £614 million taking the value of the existing site and our estimates of the cost to complete (including notional interest). The largest scheme is the Clarges Estate, a major mixed-use residential and office site in Mayfair (see page 23) which we bought for £129 million and will cost around £240 million to complete. Surrey Quays is an existing shopping centre in South London, where we have recently acquired the 50% share we did not already own and where we have planning permission for a 100,000 sq ft extension along with plans for a major refurbishment of the existing scheme.

10 Portman Square

Located a few minutes walk north of Oxford Street and facing onto one of London's famous garden squares, 10 Portman Square is now completed. We have already let nearly half of the space to Saudi Aramco and Aspect Capital.

KEY PRE-LETS

Company	Space let	Lease length	Sector	Building
UBS	700,000 sq ft	18.2 years	Financial services	5 Broadgate
Aon	191,000 sq ft	19.0 years	Insurance	The Leadenhall Building
Amlin	95,000 sq ft	14.6 years	Insurance	The Leadenhall Building
Debenhams	174,500 sq ft	25.0 years	Retail	10 Brock Street
Saudi Aramco	33,600 sq ft	15.0 years	Oil	10 Portman Square
Aspect Capital	24,500 sq ft	10.0 years	Financial services	10 Portman Square
Manchester City Limited	7,200 sq ft	10.0 years	Sport	10 Brock Street

£1.4bn

Committed development

£107m

Residential units pre-sold

NEAR-TERM PROSPECTIVE DEVELOPMENTS

At 31 March 2013	Sector	British Land share %	Sq ft '000	Total cost £m[1]	Status
The Clarges Estate	Mixed-use	100	194	388	Planning submitted
Yalding House	Offices	100	29	22	Pre-submission
Milton Keynes, Kingston Centre	Retail	50	21	4	Planning granted
Surrey Quays (extension)	Retail	100	98	24	Planning granted
Fort Kinnaird, Edinburgh	Retail	21	84	5	Planning submitted
Meadowhall Surrounding Land	Retail	50	22	6	Planning submitted
Broughton Park, Chester	Retail	41	54	7	Planning submitted
The Hempel Hotel	Residential	100	40	62	Planning submitted
Aldgate Place	Residential	50	422	96	Planning submitted
Total near-term prospective			**964**	**614**	

1 Total cost including site value and notional interest at 6% per annum.

MEDIUM-TERM PROSPECTIVE DEVELOPMENTS

At 31 March 2013	Sector	British Land share %	Sq ft '000	Status
100 Liverpool Street	Offices	50	496	Pre-submission
Glasgow Fort (Retail)	Retail	41	142	Planning submitted
Power Court, Luton	Retail	100	158	Pre-submission
Lancaster	Retail	100	n/a	Pre-submission
Whiteley Phase 2	Retail	50	59	Pre-submission
Deepdale, Preston	Retail	21	73	Planning submitted
Harmsworth Quays	Residential	100	n/a	Pre-submission
Wardrobe Court	Residential	100	74	Pre-submission
Total medium-term prospective			**1,002**	

ABOUT OUR BUSINESS CONTINUED

OUR CUSTOMERS

We aim to be the partner of choice for occupiers, understanding and anticipating their needs and helping them to achieve their objectives by providing modern, flexible accommodation in the best locations.

We attract some of the highest quality occupiers to our properties, including well known UK and international companies. This reflects the nature of the properties we own, the strength of the relationships we build with them, the service we provide and the way in which we continually seek to understand and anticipate their changing needs.

We have a diverse occupier base, both by number and by industry. No single occupier accounts for more than 8% of our total revenues. The quality and diversity of our occupier line-up, coupled with the length of leases they sign with us, gives us significant security of income. The strength of our occupiers is important to us, not only in providing security of our rental income but also in determining the value of our properties.

We are making positive progress in building a brand which sees prospective occupiers choosing our space because it is owned and managed by us. In a market where leasing activity has been generally slow, we have continued to maintain high occupancy levels of 96.8%. This reflects both the high-quality of our assets and the market leading customer service we offer.

96.8%

Occupancy across the business

£5.2m

Energy reduction cost savings for occupiers over the last four years

95%

Occupiers in our new office buildings rate British Land and our buildings as Good or Excellent

OUR RENTAL INCOME BY INDUSTRY

	%
General retail	20
Fashion and beauty	18
Supermarkets	16
Banks and financial services	14
Professional and corporate	10
Food/leisure	9
DIY	7
Government	3
Other businesses	3

OUR TOP 20 OCCUPIERS

Rank	Tenant group	% of annualised rents
1	Tesco plc	7.7
2	Sainsbury Group	6.2
3	Debenhams	4.4
4	UBS AG	3.7
5	Home Retail Group	2.9
6	HM Government	2.6
7	Kingfisher (B&Q)	2.3
8	Virgin Active	2.2
9	Arcadia Group	2.2
10	Next plc	2.2
11	Spirit Group	1.7
12	Alliance Boots	1.5
13	DSG International	1.5
14	Herbert Smith	1.4
15	Marks & Spencer Plc	1.3
16	Royal Bank of Scotland plc	1.3
17	Hutchison Whampoa	1.3
18	Asda Group	1.2
19	House of Fraser	1.1
20	New Look	1.0

Above: The launch of contemporary operatic experience Opera di Peroni at Regent's Place. Event activities across our portfolio attract thousands of occupiers, shoppers, local people and other visitors each year.

"They are one of the best landlords in the country. They understand the needs of their tenants. They are keen to work with you and if you are not happy they will work to put it right."

MERNA KENNEDY
Property Manager at Sports Direct

MANAGING OUR CUSTOMER RELATIONSHIPS

In Retail, our internal asset management specialists are responsible for overall strategy, decision making and relationships with occupiers, both existing and potential.

We outsource the day-to-day operational management of most of our retail properties, such as maintenance and cleaning, to external agents. We also engage specialists to provide support with rent reviews and lease renewals. Outsourcing day-to-day management to expert agents, who manage on a large scale, helps us minimise operational costs for our occupiers and ourselves, gives us significant operational flexibility, and further broadens our insights into occupier and consumer trends. We work closely with our managing agents and proactively monitor their performance on our customer-focused standards.

In Offices, the strategic and operational management of our portfolio is managed by two separate in-house teams, City of London and West End. Like Retail, the asset managers focus on strategy and occupier relationships and control the majority of the leasing activity, reflecting the fact that single occupiers tend to be larger and there are far fewer leasing transactions. Day-to-day facilities management is undertaken by Broadgate Estates, a stand-alone in-house team which also provides facilities management and other services to third-party clients.

CUSTOMER SATISFACTION

In 2013 the results of our independent occupier survey confirmed that we continue to outperform industry averages for occupier satisfaction.

Through our fifth biennial customer survey we looked beyond our property sector peers, to learn from best-in class customer service companies. This has helped us identify opportunities for further improvements, which we will be developing action plans to address during the coming year.

In addition to our biennial independent occupier surveys, initiatives to engage with our customers include an active key account programme, proactive participation in industry groups and events, and management and performance monitoring of our managing agents.

BIENNIAL CUSTOMER SATISFACTION SURVEY SCORES

Rating out of 10[1]	British Land Office occupiers			British Land Retail occupiers			Industry average[2]
	2013	2011	2009	**2013**	2011	2009	
Satisfaction with landlord	**8.0**	7.5	7.5	**7.7**	7.7	7.5	5.1
Communication with landlord	**7.7**	7.3	7.3	**7.6**	7.0	7.4	5.0
Service charge arrangements	**7.7**	7.7	–	**8.3**	–	7.3	4.7
Interaction on environmental issues	**8.2**	7.8	–	**–**	6.6	–	3.8
Satisfaction with managing agents	**8.0**	7.2	6.8	**7.4**	7.8	6.0	–
Understanding needs	**7.9**	7.2	7.0	**7.6**	7.2	7.1	–
Responsiveness	**7.8**	7.1	8.1	**7.5**	7.7	7.3	–
Value for money (service charge)	**7.1**	6.9	5.6	**7.3**	6.4	5.8	–

1 We report scores out of 10, so that our performance can easily be benchmarked against the Property Industry Alliance's Occupier Satisfaction Survey.

2 Industry average: Occupier Satisfaction Survey 2012.

Service charge management

PMA
PROPERTY MANAGERS ASSOCIATION

This year, British Land again scored highly in independent audits of service charge management standards, with four properties securing Platinum, the top award.

We are the only landlord to have achieved the coveted Platinum award, which is only given in exceptional circumstances, to recognise outstanding service charge management standards to the benefit of occupiers. The audits were carried out by the Property Managers Association (PMA), which represents 110 of the UK's leading retailers.

Altogether, we have achieved 10 Platinum and 19 Gold awards in recent years. This year, we also became the first landlord to pilot the PMA audit at office properties, securing Platinum awards at both 201 Bishopsgate and 20 Triton Street.

We believe that occupiers should be able to benchmark how well their service charges are being managed in line with the voluntary RICS Service Charge Code. We continue to work with our peers and industry associations to drive performance.

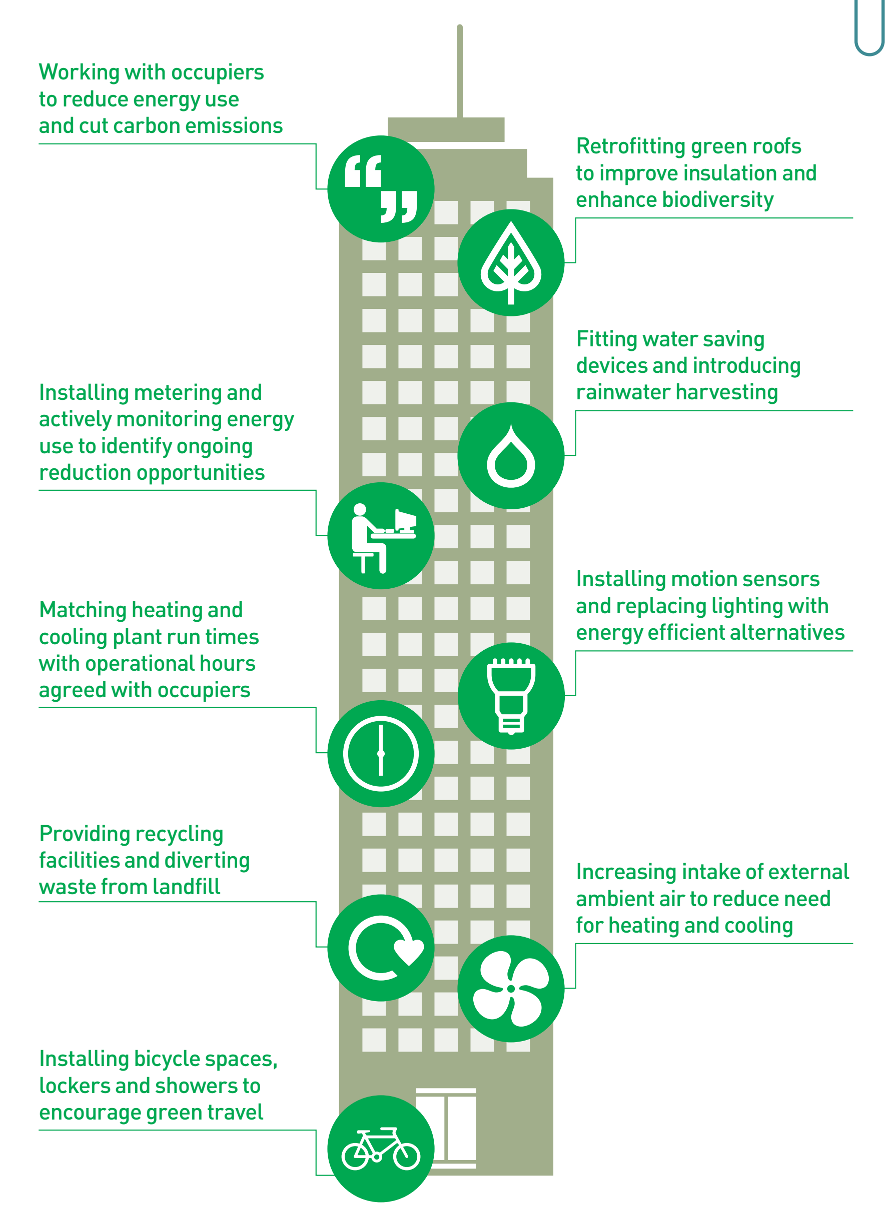
"British Land is best-in-class. They have quality assets and have taken the customer to the heart of their business. I have seen their client focus develop and would highly recommend doing business with them. They are a quality business."

FRED KINAHAN
Director of Facilities
Henderson Global Investors

ABOUT OUR BUSINESS CONTINUED

Responsibility

MANAGING BUILDINGS EFFICIENTLY – IN ACTION



Our latest research shows key stakeholders, including occupiers, investors, lenders, Government and our own staff, increasingly want us to lead on corporate responsibility.

Our leadership position on environmental, social and governance issues supports our corporate aim of building the best REIT in Europe. We believe that developing sustainable buildings, managing them efficiently, helping communities address local priorities and engaging staff enhances our reputation, helps us manage some of our key risks and adds real value to our business, thus delivering value to our shareholders.

Greening our buildings is central to our strategic priority to create incremental value through developing, repositioning assets and exploiting market anomalies.

Similarly, we believe businesses today need to operate with far greater awareness of public opinion. Our strong reputation for managing our environmental, social and economic impacts not only makes us more likely to become the partner of choice for occupiers, local authorities, local communities and others, it protects our licence to operate. It can be challenging to establish direct relationships, for instance to prove the link between our Community Charter and our high-quality planning permissions and joint venture agreements. However, this does not discourage us from undertaking innovative work that we know, from experience, positions us well for future opportunities.

THE BIGGER PICTURE

- Resource shortages and unpredictable climate patterns pose ever-greater risks to wellbeing and economic stability in developed and developing nations.
- Public concern about how businesses operate is leading people to ask questions about the role of business in shifting to more sustainable models of consumption and supporting wide societal needs.
- There are local, national and global issues stemming from low economic growth, challenges in accessing employment and skills shortages. Business has a key part to play in responding.

OUR FOUR FOCUS AREAS ARE:

1 Managing buildings efficiently

2 Developing sustainable buildings

3 Supporting communities

4 Engaging staff

For each of these areas, we target our efforts and resources at the properties, developments and initiatives where we can achieve the biggest impacts.

See Our corporate responsibility review
P60–61

See Our CR Report 2013
www.britishland.com/crreport

Dow Jones Sustainability Indexes
Member 2012/13

Our performance on the Dow Jones Sustainability Index is one of our eight corporate key performance indicators. This reflects how managing our environmental, social and economic impacts is central to how we do business and deliver value to our shareholders. From 2013, the Annual Incentive remuneration of all members of our Executive Committee will be linked to our performance on the Dow Jones Sustainability Index.

ADRIAN PENFOLD
Head of Planning and Corporate Responsibility

Q&A

BEING THE BEST AT THE SUSTAINABILITY ISSUES THAT MATTER MOST

Q: How do you identify what matters most?
A: More than 650 stakeholders recently completed our first online survey on corporate responsibility, and over 50 took part in independently facilitated workshops to explore key issues. We have also worked with people across the business, consulted experts, reviewed best practice, benchmarked performance, monitored the external context and carried out risk assessments.

Q: What were the key messages from stakeholders?
A: Investors expect us to engage more with occupiers helping to reduce their energy use – and occupiers are more open to this. In addition, there is an opportunity to be more active in reducing the embodied carbon footprint of our developments, where this does not increase costs. We can also learn from other sectors in driving innovation and managing risk through the supply chain.

Q: How are you raising standards across your sector?
A: Sometimes we take a lead, for instance, helping Reading University Real Estate Foundations Pathways to Property programme get off the ground to encourage wider diversity in the property industry. We also set ourselves challenging targets and participate in a wide range of initiatives to improve environmental and social standards across the sector, working in partnership with our occupiers and suppliers, the Government, industry bodies and others.

> “We can learn from other sectors in driving innovation and managing risk through the supply chain.”
>
> ADRIAN PENFOLD
> Head of Planning and Corporate Responsibility

Find out more about Pathways to Property
www.henley.ac.uk/html/rref/index.html

ABOUT OUR BUSINESS CONTINUED

OUR PARTNERS

Partnerships are an important part of our business providing us with access to attractive investment opportunities and additional capital and allowing us to spread our risk.

We also benefit from working with likeminded partners with complementary skills and expertise. Our partnerships are based on developing deep and long-term relationships rather than short-term transactions. Our high-quality partners include Norges Bank Investment Management, Oxford Properties, Tesco and Sainsbury's.

In the majority of cases, we provide asset management, development, corporate and financial advisory services and we earn performance and management fees for these services. This enhances our overall returns, strengthens our relationships with key customers and suppliers and keeps us close to our markets.

The joint ventures and funds own investment properties and developments worth £10.6 billion. Of this, our share is £4.9 billion, around half of our gross assets. Our net investment after our share of the associated debt is £2.3 billion. We have 15 active joint ventures (where we partner with one investor) and two principal funds (where there are several investors).

Our joint venture partners

Our two biggest single assets, Broadgate and Meadowhall are co-owned in joint ventures as is The Leadenhall Building our major city development. The decision to own part rather than all of these assets is principally to reduce the concentration risk of owning single large assets.

The majority of our Retail superstore assets are held in joint ventures alongside the respective retail operators, Tesco and Sainsbury's, with whom we work in close partnership. We are the largest owner of retail superstores outside of the operators themselves.

MAIN JOINT VENTURE PARTNERS

Partner	Asset	Portfolio value £m	Share
Blackstone	Broadgate	3,042	50%
Norges	Meadowhall	1,525	50%
Tesco	34 superstores	1,700	50%
	3 shopping centres		
	3 retail parks		
Sainsbury's	33 superstores	1,203	50%
Oxford Properties	The Leadenhall Building	318	50%
USS	2 Shopping Centres	164	50%
Orion Partners	Puerto Venecia, Zaragoza	242	50%

MAIN FUNDS

Fund	Fund life	Assets	Portfolio value £m	Share
Hercules Unit Trust (HUT)	2020	20 retail parks, 1 shopping centre in the UK	1,496	41.2%
Pillar Retail Europark Fund (PREF)	2016	9 retail parks in Europe	204	65.3%

Our funds

Around 11.9% of our Retail assets are held in two funds which we co-own alongside a range of investors. The properties within the two funds together are valued at £1.7 billion of which British Land's share is £750 million. Each is a closed-end fund with a fixed life which can be extended with the agreement of the holders.

We act as the property adviser and asset manager to the funds and receive performance and management fees in respect of the services we provide. The funds are mainly focused on investing in out-of-town retail parks. Hercules Unit Trust (HUT), where we have a 41.2% holding, accounts for the majority of our investment in funds.

In August 2012 British Land sold its 26.1% stake in Hercules Income Fund (HIF), to clients of La Salle Investment Management, which is now the sole owner of HIF.

See Joint ventures and funds **P168**

OUR SUPPLIERS

We retain all commercial decision making within our business, while outsourcing much of the delivery of property management and our development activities such as design and construction.

This enables us to manage costs effectively, adapt quickly to changing circumstances in our portfolio and employ the most appropriate resources for each activity. We work closely with our suppliers to achieve our ethical standards and corporate responsibility goals, meeting regularly, providing extensive guidance for instance through our Sustainability Briefs, implementing audit processes such as ISO 14001 certified Environmental Management System for developments and writing key performance indicators into contracts where appropriate.

As already described in our customers section on pages 36 and 37, day-to-day activities on our existing property portfolio are managed through managing agents.

Our development activities are managed separately from asset management.
We develop new buildings in partnership with a team of external specialists which includes project managers, architects, engineers, building contractors and trade contractors.
We have developed robust methodologies to ensure our development suppliers meet our high standards. We use Building Confidence as our third-party construction supplier accreditation scheme. This is increasingly being recognised as the standard for supplier excellence within the construction industry and we encourage our suppliers to sign up to the scheme. Accreditation status is only awarded to contractors who meet the requirements of the scheme and this is purposefully designed to significantly increase supply chain standards and performance.
The accreditation includes checking the supplier's financial, safety, environmental/sustainability, social and ethical, occupational health and quality management systems, competencies and capabilities. We are also signatories to the UK Government's Prompt Payment Code. Excluding disputed invoices we paid 80% of invoices, within 30 days in the year.

OUR PEOPLE

Our approach is to recruit small teams of experts in their fields who procure additional specialist resource as and when needed.

We employ a relatively small in-house team totalling around 215 people. This is a major distinction and provides a cost advantage between us and our key competitors and most other FTSE 100 companies. As a result, the structure and processes of the business are effectively aligned with its strategy. There are limited levels of management and individuals have exposure to senior people through a wide range of Company activities and the opportunity to make a real impact in the business.

In 2013 we again achieved a one star accreditation in the Sunday Times Best Companies to Work for survey which provides invaluable feedback for further improvements in staff engagement through an employee action plan.

We have a full programme of formal and informal staff communications including monthly all-staff meetings, annual Company conferences and ad-hoc events with smaller groups. We are currently reviewing all policies and procedures to ensure that they remain appropriate and relevant.

FINANCING

The scale of our business combined with the security and stability of our rental income means we are able to finance our business on competitive terms from a broad range of sources.

Finance contributes to our success, most importantly by providing the liquidity and resources to grow and develop the business.

We aim to ensure that the Group and its joint ventures and funds are financed with sufficient resources and flexibility to pursue and execute their strategy, covering additional requirements and opportunities which may arise. We use debt to enhance returns, provide flexibility and grow the business.

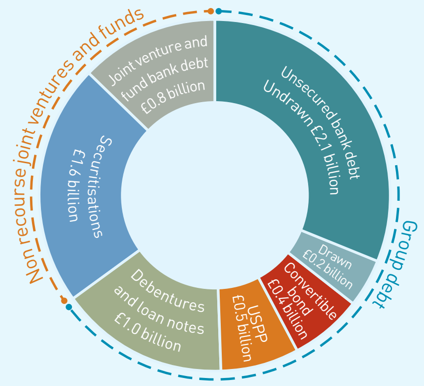
Access to capital and to the debt markets is a competitive advantage, allowing us to exploit opportunities when they arrive. Our access to finance has also made us one of a relatively few companies able to invest in major London development.

We have five guiding principles that we employ in managing our debt book: 1 Diversify our sources of finance; 2 Maintain liquidity; 3 Extend and stretch maturity of debt portfolio; 4 Maintain flexibility; and 5 Maintain strong balance sheet metrics.

We aim to finance the business from a diverse range of sources with a broad mix of maturities. Our joint ventures and funds are financed separately on the strength of their assets and without recourse to British Land for repayment.

Our debt financing includes long-term securitisations, unsecured private placements, convertible bonds, debentures and secured bank facilities as well as shorter-term revolving unsecured facilities available for immediate drawdown.

DEBT PROFILE – PROPORTIONALLY CONSOLIDATED (AS AT 31 MARCH 2013)



Determining the optimal level of gearing for the business is a very important judgement for us, and one which involves weighing up the risk and rewards from owning a larger portfolio and having more debt on our balance sheet. Our preferred range of gearing is between 40% and 50% on a proportionally consolidated basis.

In addition to the £493 million raised from our share placing in March 2013, over the last 24 months we have raised £2.8 billion of debt, all on competitive terms and from a range of different sources. By borrowing at a low cost we are able to deliver enhanced returns to shareholders.

Our balance sheet metrics remain strong and provide capacity for future investments:
- loan to value 40.2%;
- weighted average interest rate 4.6%;
- interest cover 2.3 times; and
- the average maturity of our debt 9.9 years.

MANAGING RISK IN DELIVERING OUR STRATEGY

At British Land, we take the view that our assessment of risk is a cornerstone of our strategy and our embedded risk management is fundamental to its delivery. Our integrated approach combines a top-down strategic view with a complementary bottom-up operational process.

OUR APPROACH TO RISK MANAGEMENT

The top-down approach involves a review of the external environment in which we operate to determine the level of risk which we are comfortable exposing the business to in pursuit of our performance objectives – this is our **risk appetite**. This evaluation frames the determination of our strategy and the actions which underpin its execution. **Key risk indicators** (KRIs) have been identified for each of our **principal risks and uncertainties** and are used to monitor our risk exposure on an on-going basis to ensure that the activities of the business remain within agreed risk appetite tolerances.

The bottom-up approach involves identification, management and monitoring of risks in each area of our business meaning that risk management is embedded in our everyday operations. Control of this process is provided through maintenance of **risk registers** in each area. These risk registers are aggregated and reviewed by the Risk Committee, with significant and emerging risks escalated for Board consideration as appropriate.

This process complements the top-down view by informing the identification of our principal risks and uncertainties, ensuring that operational risks are fully considered in determining the risk appetite and the corresponding strategy of the business.

Those principal risks and uncertainties are detailed in the table that follows. This disclosure includes an indication of the most significant links between each of our internal risks and our strategic priorities.

RISK GOVERNANCE

The Board takes overall responsibility for risk management with a particular focus on determining the nature and extent of significant risks it is willing to take in achieving its strategic objectives. The Audit Committee takes responsibility for overseeing the effectiveness of sound risk management and internal control systems.

The Executive Directors are responsible for delivering the Company's strategy and managing operational risk and a Risk Committee has been established during the year to provide a forum to fulfil these responsibilities. This Committee has overseen the formalisation of many of our risk management processes in the year.

The Directors in turn place reliance on their teams to monitor and manage operational risks on an on-going basis, as well as identifying emerging risks. The risk registers provide a framework for all staff to feed into this process, recognising their shared responsibility for effective management of risk in delivering our strategy.

ASSESSING RISK IN INVESTMENT DECISIONS

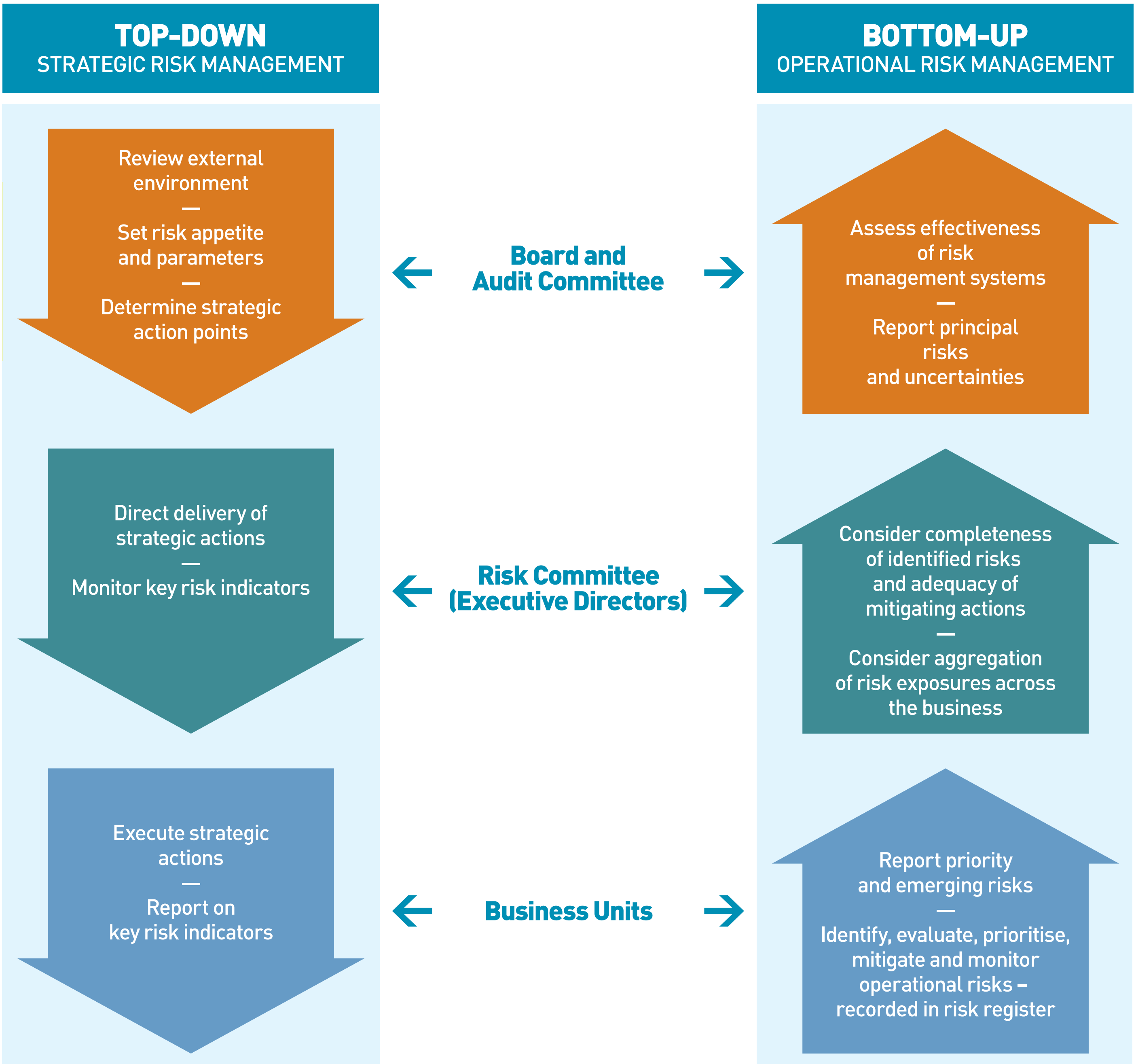
Execution of our chosen investment strategy comprises a series of individual investment decisions including purchases, sales and developments. Evaluation of risk is fundamental to each decision and includes consideration of both qualitative and quantitative factors. During the year we enhanced our evaluation of risk adjusted returns of investment opportunities by using scenario modelling tools to consider a range of possible outcomes and associated likelihoods. This provides a rigorous basis for comparing investment opportunities.

"This year we formalised our risk focus by establishing the Risk Committee which oversees delivery of our strategy through an evaluation of external risks as well as monitoring internal risks which we can control. We concentrate on identifying emerging risks at an early stage so we can adapt and respond appropriately before our performance is adversely impacted."

LUCINDA BELL
Finance Director

RISK MANAGEMENT AT A GLANCE

The diagram below summarises the complementary top-down and bottom-up aspects of our integrated approach to risk management.



PRINCIPAL RISKS AND UNCERTAINTIES

As detailed on pages 38 and 39, managing our environmental and social impacts is central to how we do business and deliver value to shareholders. To reflect this, rather than reporting environmental and social factors separately, we have integrated them within the principal risks and uncertainties disclosures which follow, as indicated by these environmental and social icons.

EXTERNAL RISKS

RISKS AND IMPACTS	HOW WE MANAGE THE RISK	MOVEMENT IN THE PERIOD
ECONOMIC UNCERTAINTY Continued economic uncertainty and subdued levels of economic growth in the UK, the Eurozone and further afield present risks to financing and property markets as well as the businesses of our occupiers.	• A review of the economic environment is a standing agenda item for the Risk Committee and is supported by review of key economic data including leading indicators. We are guided by this in determining our strategy and remain alert to observed or anticipated changes, evolving our strategy and its implementation accordingly. • Our direct exposure to Eurozone economies remains limited, representing less than 3% of the portfolio.	↓ The political will demonstrated in the year to preserving the euro indicates a lower risk of financial market dislocation from a Eurozone break up. Relative to historic norms, the risk of economic shocks remains elevated and the outlook for economic growth is subdued both in the UK and abroad but continuing expansionary monetary policy accompanied by increasing levels of guidance has seen borrowing costs drop to new lows, buoying investor confidence evidenced by strong stock market performance over the period.
COMMERCIAL PROPERTY INVESTOR DEMAND Reduction in investor demand for UK commercial property may result in falls in asset valuations and could arise from variations in: • health of the UK economy; • attractiveness of investment in the UK; • availability of finance; and • relative attractiveness of other asset classes.	• A review of the property investment market is a standing agenda item for the Risk Committee and is supported by review of key market data including leading indicators. We are guided by this in determining our strategy and remain alert to observed or anticipated changes, evolving our strategy and its implementation accordingly. • We maintain a focus on those sectors which we consider to be most resilient to variations in investor demand, underpinned by long-term committed lease income.	↓ The status of the UK, and particularly London, as an investment 'safehaven' at this time of heightened economic uncertainty has translated to a high level of investor demand, including a large international element and increasing appetite for property investment from sovereign wealth funds and other emerging overseas institutional investors. This interest is, however, highly selective and largely focused on the prime end of the investment spectrum. Consistent with anticipated polarisation of the investment market, demand for weaker assets continues to diminish – reflecting the accelerating obsolescence of some sectors and locations and poor occupier trading performance.
AVAILABILITY AND COST OF FINANCE • Reduced availability of real estate financing may adversely impact British Land's ability to refinance facilities and result in weaker investor demand for real estate. • Increasing finance costs would reduce British Land's underlying profits.	• Benchmark borrowing rates and other financing indicators are monitored by the Risk Committee on a quarterly basis to guide financing strategy. • We maintain strong relationships with our key financing partners and advisers to maintain an awareness of financing market activity. • We maintain a diverse range of sources of finance to provide flexibility to access funding as required. • We closely monitor relevant emerging banking regulation (e.g. Basel III, Slotting) working with industry bodies and other relevant organisations to understand the implications for the commercial real estate industry and participate in the debate where our interests are affected.	↓ One key dynamic in real estate funding is the continuing rebalancing of banks' real estate exposure resulting in significant deleveraging, exacerbated by increasing regulation and capital requirements. Those real estate investors who have maintained strong balance sheets, strong relationships with financing partners and access to capital markets continue to experience good availability of finance demonstrated by the high volume of bank and capital market financing transactions concluded in the year by leading REITs. Benchmark borrowing rates have remained at historic lows and are not expected to increase in the short-term although swap rates point to an increase in the medium-term.

KEY

CHANGE FROM LAST YEAR

- ↑ Risk exposure has increased
- ↓ Risk exposure has reduced
- ←→ No significant change in risk exposure

EXTERNAL RISKS CONTINUED

RISKS AND IMPACTS	HOW WE MANAGE THE RISK	MOVEMENT IN THE PERIOD
OCCUPIER DEMAND AND TENANT DEFAULT • Underlying income, rental growth and capital performance could be adversely affected by weakening occupier demand resulting from variations in health of the UK economy and corresponding weakening of consumer confidence and business activity and investment. • Occupier failures may adversely impact underlying income and capital performance. • Changing consumer and business practices (e.g. internet shopping, flexible working practices and demand for energy efficient buildings), new technologies, new legislation and alternative locations may result in earlier than anticipated obsolescence of our buildings if evolving occupier and regulatory requirements are not met.	• A review of the property occupier market is a standing agenda item for the Risk Committee, supported by review of key market data, to guide determination of our strategy and its implementation. • We have a Key Occupier Account programme through which we work together with our occupiers to find ways to best meet their evolving requirements. • We perform rigorous occupier covenant checks and review these on an on-going basis so that we can be proactive in managing exposure to weaker occupiers. • We are constantly assessing how best to 'futureproof' our buildings and maintain Sustainability Briefs across the investment portfolio as well as on acquisitions and developments. • British Land prides itself on taking a leadership position on defining and responding to environmental legislation impacting the built environment. All our office developments are BREEAM Excellent and our major retail developments BREEAM Very Good or Excellent. In our existing buildings we have delivered a 38% landlord-influenced energy reduction, towards our 40% reduction target by 2015. We are assessing our exposure to the anticipated Minimum Energy Performance Standards arising from the Energy Act (2011), so we can address any issues that arise as a result of this before 2018.	↑ Failures of retailers who have not been able to keep pace with evolving consumer demands remain a feature of the retail landscape. A number of these occupiers operated from properties such as ours. Mindful of this, we remain committed to providing destinations which enable occupiers to meet shoppers' changing behaviours and focused on engaging with those occupiers who are best placed to respond to these changes. Widespread changes to the operating and financing models being employed in the banking sector in response to the recent financial crisis and subsequent regulation have depressed demand from this sector. Demand from other sectors such as insurance and TMT has increased however and we are working hard to consider how best to engage with and meet the requirements of these occupiers.
CATASTROPHIC BUSINESS EVENT • An external event such as a civil emergency, including a large scale terrorist attack, extreme weather occurrence or environmental disaster could severely disrupt global markets (including property and finance) and cause significant damage and disruption to British Land's portfolio and operations.	• Asset risk assessments (e.g. security, flood, environmental, health and safety). • Regular security threat information service. • Physical security measures at properties and development sites. • Asset emergency procedures reviewed and scenario tested. • Head office business continuity plan in place and regularly tested. • Comprehensive insurance.	←→ The evaluation of the likely impact of this risk on the performance of the Group has not changed since the prior year. The Home Office threat level from international terrorism remains 'substantial'.

PRINCIPAL RISKS AND UNCERTAINTIES CONTINUED

INTERNAL RISKS

RISKS AND IMPACTS	HOW WE MANAGE THE RISK	MOVEMENT IN THE PERIOD
INVESTMENT STRATEGY **Responsible Executive: Chris Grigg** **In order to meet our strategic objectives we must invest in and exit from the right properties at the right time.** Significant underperformance could result from inappropriate determination and execution of our property investment strategy, including: • sector selection and weighting; • timing of investment and divestment decisions; • exposure to developments; • sector, asset, tenant, region concentration; and • co-investment arrangements.	• Our investment strategy is determined to be consistent with our target risk appetite based on the evaluation of the external environment. • Progress against the strategy and continuing alignment with our risk appetite is monitored at each Risk Committee by reviewing relevant indicators including comparison of forecast portfolio returns against the IPD benchmark. • Individual investment decisions are subject to robust risk evaluation overseen by our Investment Committee including consideration of risk adjusted returns relative to internal hurdle rates. • We foster collaborative relationships with our co-investors and enter into ownership agreements which balance the interests of the parties.	←→ Chris Grigg commented, "These results show that the long-term decisions that we have taken in determining the investment strategy and the short-term actions we have taken in executing it are delivering outperformance. We were pleased to be able to conclude a number of significant transactions in the year, including the acquisitions of the Clarges Estate and the Ealing Broadway Shopping Centre which leveraged British Land's relationships and ability to execute complex deals rapidly." For more on our markets, our strategy and the actions we are taking to implement this, see pages 12 to 27.
DEVELOPMENT **Responsible Executives: Charles Maudsley, Tim Roberts** **Development provides an opportunity for outperformance but this brings with it elevated risk. The care with which we make our decisions around which schemes to develop when, as well as our execution of these projects, must reflect this.** Development risks could adversely impact underlying income and capital performance including: • development letting exposure; • construction timing and costs; and • adverse planning judgements.	• We maintain our levels of total and speculative development exposure within a target range taking into account associated risks and the impact on key financial metrics. • For each project we make a judgement about apportionment of construction risk. Where we retain this risk we fix costs early in the process, subject to other market factors, with key contractors subject to financial covenant review. • Pre-lets are employed to strategically de-risk the development letting profile. • We actively engage with the communities in which we operate, as detailed in our Community Charter, to ensure that our development activities consider the interests of all stakeholders.	↓ Tim Roberts commented, "We have made great progress on our committed development programme in the year. The risk profile has reduced with further pre-lets at The Leadenhall Building, NEQ and 10 Portman Square meaning that the London committed programme is now 61% pre-let or under offer. In addition 98% of our costs are now fixed. We remain alert to risks over the remaining life of these developments – including the outstanding letting requirement – and are turning our attention to replenishing our development pipeline." For more on our development programme, see pages 20 to 23, 34 and 35.
CAPITAL STRUCTURE – GEARING **Responsible Executive: Lucinda Bell** **We must maintain a capital structure which recognises the balance between performance, risk and flexibility.** • Gearing provides the capacity for outperformance but also magnifies the impact of underperformance. • An increase in the gearing level increases the risk of a breach of financing covenants and may increase borrowing costs.	• We set a target gearing range to reflect the strength of our portfolio and cash flows, management of our debt book and our refinancing risk. We manage gearing with reference to the property valuation cycle. • We manage our investment activity, which can be lumpy, as well as our development commitments to ensure that we will remain within an appropriate range of LTV. • Covenant headroom and LTV, both absolute and relative to the cycle, are monitored quarterly by the Risk Committee.	←→ Lucinda Bell commented, "We have been successful in managing our LTV within our target range this year, through a period of extensive capital markets, investment and development activity. As a result of the equity issue in March our LTV is currently at the lower end of the range." For more on our financial policies and principles, see pages 69 to 73.

KEY

CHANGE FROM LAST YEAR	STRATEGIC PRIORITIES
↑ Risk exposure has increased	Grow income
	Grow value
↓ Risk exposure has reduced	Incremental value
	Use scale to our advantage
←→ No significant change in risk exposure	Spend wisely
	A great place to work

INTERNAL RISKS CONTINUED

RISKS AND IMPACTS	HOW WE MANAGE THE RISK	MOVEMENT IN THE PERIOD
INCOME SUSTAINABILITY Responsible Executives: Charles Maudsley, Tim Roberts **We must be mindful of maintaining sustainable income streams in order to continue to generate returns for our shareholders and provide the platform from which to grow the business through development and capital appreciation.** We are required to consider sustainability of our income streams in: • execution of investment strategy and capital recycling, notably timing of reinvestment of sale proceeds; • nature and structure of leasing activity; and • nature and timing of asset management and development activity.	• We undertake comprehensive profit and cash flow forecasting incorporating scenario analysis to model the impact of proposed transactions. • We perform rigorous occupier covenant checks and review these on an on-going basis so that we can be proactive in managing exposure to weaker occupiers. • We are proactive in addressing key lease breaks and expiries to minimise periods of vacancy. • We actively engage with the communities in which we operate, as detailed in our Community Charter.	←→ Charles Maudsley commented, "The strength of our Retail portfolio and the steps we are taking to ensure that we continue to meet the changing needs of our occupiers and their customers means that we are well placed in a challenging trading environment." Tim Roberts commented, "Our proactive approach to addressing the risks of upcoming lease events and the strong relationships we have with our occupiers have served us well this year. This was particularly notable in the lease extensions that we agreed with our key occupiers Herbert Smith and ICAP on the Broadgate Estate." For more on how we manage our portfolio, see pages 18, 19 and 31 to 33.
LIQUIDITY Responsible Executive: Lucinda Bell **We must be judicious in the management of our financing as our strategy here addresses risks both to our continuing going concern and the stability of our profits.** Failure to manage the refinancing requirement may result in a shortage of funds to sustain the operations of the business or repay facilities as they fall due. This and a breach of financing covenant limits, are considered to be the most significant risks to the continuing operation of British Land as a going concern. See page 85 for further consideration of going concern.	• We have five key principles guiding the financing of the Group which together are employed to manage the risks in this area: diversifying our sources of finance, maintain liquidity, extend and stretch maturity of debt portfolio, maintain flexibility and maintain strong balance sheet metrics. • We are committed to maintaining and enhancing relationships with our key financing partners. • We closely monitor relevant emerging regulation which has the potential to impact the way that we finance the Group and to introduce other operating constraints (e.g. AIFMD, EMIR). As with other regulatory and public affairs matters which impact us, we engage with Government and other industry participants to influence the debate.	↓ Lucinda Bell commented, "Against a backdrop of banks retrenching in terms of their real estate lending exposure, we have taken advantage of our strong balance sheet, relationships and track record to deliver £1.2 billion of new financing for and on behalf of British Land and its co-investments. This included our £400 million convertible bond in September 2012, a new source of financing adding to the diversity of our funding, alongside £0.4 billion of new unsecured bank facilities and £0.4 billion of secured loans from banks and insurers. This activity in combination with our equity placing in March provides the capacity to invest opportunistically." For more on our financial policies and principles, see pages 69 to 73.
PEOPLE Responsible Executive: Chris Grigg **Our people are one of our major assets. It is their decisions and actions that drive the returns of the business.** Failure to recruit, develop and retain staff and directors with the right skills and experience may result in significant underperformance.	• We regularly review succession planning for key roles and act promptly to address any exposures identified. • We regularly benchmark Director and employee remuneration and incentives with an appropriate peer group. • We are committed to our performance appraisal process, conduct an annual employee survey and closely monitor staff turnover.	←→ Chris Grigg commented, "We are committed to making British Land a great place to work for all of our staff. We challenge our staff, through the appraisal process, to identify their own development needs and work with them to provide solutions. As our staff develop and broaden their experience and skills, all of our stakeholders benefit from improved performance and service."

PORTFOLIO REVIEW – INVESTMENT

OUR INVESTMENT ACTIVITY WAS SIGNIFICANT DURING THE YEAR.

HIGHLIGHTS

£1.6bn

Highly active year with £1.6 billion of gross investment activity

£544m

£544 million of acquisitions; average net initial yield of 6.3% on income producing properties; mainly in London and the South East

55%

55% of UK portfolio now in London and the South East

2.0m sq ft

2.0 million sq ft of leasing activity; investment lettings and renewals 7.6% ahead of ERV

52%

Office portfolio – more weighted to the West End than the City for the first time (West End 52%)

2.6m sq ft

2.6 million sq ft of rent reviews, 5.1% ahead of previous passing rent

£795m

£795 million of disposals; 4.5% above March 2012 valuation

£49m

Good progress on development pre-lets with over 300,000 sq ft of space agreed/under offer during the year; now 65% pre-let/under offer delivering £49 million of annual rent

PORTFOLIO WEIGHTING

At 31 March (%)	2012	2013 (current)	2013 (pro-forma[1])
Retail:			
Retail parks	26.3	23.9	22.7
Superstores	13.2	12.4	11.7
Shopping centres	14.6	17.1	17.0
Department stores	4.4	4.5	4.3
UK Retail	**58.5**	**57.9**	**55.7**
Europe Retail	2.6	2.4	2.3
All Retail	**61.1**	**60.3**	**58.0**
Offices:			
City	20.0	16.7	18.6
West End	13.6	17.9	18.2
Provincial	0.9	0.8	0.8
All Offices	**34.5**	**35.4**	**37.6**
Other	4.4	4.3	4.4
Total	**100.0**	**100.0**	**100.0**

1 Pro-forma for current committed developments at estimated end value (as determined by the Group's external valuers).

INVESTMENT ACTIVITY

Investment activity was significant during the year, reflecting a more active period for acquisitions and disposals and on-going investment in the Group's committed development programme.

The gross value of investment activity during the year, as measured by our share of acquisitions, disposals and capital investment in developments was £1.6 billion.

Institutional demand for high-quality property remains strong both from international and domestic institutions. We are taking advantage of this demand by selectively disposing of more mature assets to reinvest the capital in higher returning opportunities. The most significant disposal during the year was the sale of Ropemaker Place, our 594,000 sq ft City office, but we have also sold smaller ex-growth or non-strategic assets, mainly in retail. Our acquisition focus has been on both income-producing assets which have medium and/or longer-term asset management and potential development opportunities. Most of the acquisitions were in London and the South East, which is in line with our strategy of increasing our exposure to these regions.

We remain positive on the outlook for development returns and so are replenishing our pipeline of potential development projects with the aim of maintaining our development exposure around current levels, but not exceeding 15% of our gross assets. We expect to commit to a number of new projects which are currently in our prospective pipeline and will also look to acquire further properties with development potential.

There was a modest increase in the weighting of the Offices portfolio relative to Retail during the year. This shift partly reflects our investment activity, but the increase in office weighting also comes despite the sale of Ropemaker Place, reflecting both continued investment in, and the underlying strength of the Offices portfolio. Our London Offices portfolio is 52% in the West End compared to 35% three years ago and London and the South East now accounts for 55% of our UK portfolio.

£1.4bn

Committed development programme

£86m

Estimated rental value from committed developments

61%

Committed development programme pre-let

Over £450m

Estimated profit from committed developments

£618m

Near-term development pipeline

DEVELOPMENT

Our total capital commitment to development (current value plus the cost to complete) is £1.4 billion. Our share of capital spend on developments was £324 million during the year with £327 million of costs (excluding £50 million of notional interest) remaining to complete the existing programme. We completed two developments during the year – 199 Bishopsgate in the City and Puerto Venecia Shopping Centre in Zaragoza, Spain. Two new developments were added to our committed pipeline – the redevelopment of Broadgate Circle and the development of a 310,000 sq ft shopping centre in Hereford. These add £7 million of potential rental income, with the total ERV of our committed pipeline at £86 million. Following further successful pre-letting, our total committed pipeline is 65% pre-let or under offer (by area).

COMMITTED AND NEAR-TERM PROSPECTIVE DEVELOPMENTS – BRITISH LAND SHARE

At 31 March 2013	Sq ft '000	Value £m	Cost to complete £m[1]	ERV £m	Pre-let £m	Pre-sold £m
Recently completed	**1,514**	**140**	**7**	**11.2**	**7.6**	**–**
Committed:						
Retail	676	54	76	8.9	5.3	–
Offices[2]	2,168	960	281	77.3	39.2	94
Residential	50	47	20	–	–	13
Total committed	**2,894**	**1,061**	**377**	**86.2**	**44.5**	**107**
Prospective:						
Near-term	964	212	402			
Total near-term prospective	**964**	**212**	**402**			

1 Including notional cost of finance of 6%.
2 Including 136,000 sq ft of residential (estimated end value of £128 million).

Our committed development programme delivered £147 million of profit in the year, reflecting pre-lets, strong ERV growth at our West End developments and profit release on buildings completed or nearing completion. The office developments are 61% let or under offer and 73% of the residential units are pre-sold for a total of £107 million. Based on our valuers' current assumptions, the office programme is expected to deliver a further £126 million (12.6 pence per share) of profit bringing the total estimated return from the development programme we started in 2010 to over £420 million (42.0 pence per share). In retail, our committed projects are 78% – by area pre-let or under offer. Profit of £8 million has been taken to date on these projects, with a further £9 million to come.

In line with our aim to maintain our level of development exposure, we have been expanding our near-term pipeline which currently stands at £212 million and £318 million of estimated development costs (excluding £84 million of notional interest). The largest scheme is the Clarges Estate, a major mixed-use residential and office site in Mayfair which we bought for £128.6 million and will cost around £240 million to complete (including notional interest). Surrey Quays is an existing shopping centre in South London, where we have planning permission for a 100,000 sq ft extension along with a major refurbishment of the existing scheme, with a total investment of £38 million. Most recently, we were pleased to have been selected by the City of London Corporation as the preferred development partner for Shoreditch Estate.

PORTFOLIO REVIEW CONTINUED

ACQUISITIONS AND DISPOSALS

To 31 March 2013 **Acquisitions**		Area	Price (gross) £m	British Land share £m	Annual passing rent £m
Completed					
Ealing Broadway Shopping Centre	Retail	London	143	143	10
The Clarges Estate, Mayfair	Mixed-use	London	129	129	–
Hereford	Retail	West Midlands	90	90	–
Eden Walk Shopping Centre, Kingston upon Thames (50%)	Retail	London	83	42	2
Surrey Quays Shopping Centre (50%)	Retail	London	48	48	3
The Hempel Hotel, London	Residential	London	33	33	–
Other			46	46	3
Exchanged					
Harmsworth Quay, Canada Water	Residential	London	13	13	–
Total			**585**	**544**	**18**

To 31 March 2013 **Disposals**		Area	Price (gross) £m	British Land share £m	Annual passing rent £m
Completed					
Ropemaker Place[1]	Office	London	461	461	24
Eight food superstores	Retail	Various	135	70	4
Beehive Centre, Cambridge	Retail	Midlands	109	109	5
Hercules Income Fund	Retail	Various	73	19	1
Residential	Residential	London	30	30	–
Eldon Street	Offices	London	17	17	–
Other			74	61	5
Exchanged					
Residential – pre-sales	Residential	London	28	28	–
Total			**927**	**795**	**39**

1 Net sales proceeds after costs, passing rent reflects top up for rent-free.

INVESTMENTS

We completed or exchanged £544 million of acquisitions over the year, at an average net initial yield of 6.3% on income producing assets. The acquisitions increase our annual contracted rental income by £18 million. Disposals completed or exchanged raised £795 million, at an average net initial yield of 5.3%, reducing our annual contracted rental income by £39 million and our accounting income by £36 million. Income from pre-let developments will more than compensate for the income foregone.

Retail assets accounted for over half of our acquisitions with Ealing Broadway Shopping Centre the most significant addition to the portfolio, acquired on a net initial yield of 6.9%. Other retail acquisitions included a half share in Eden Walk Shopping Centre in Kingston and we bought out our joint venture partner's 50% share in Surrey Quays Shopping Centre. Both are London-based assets with strong consumer catchments, and were acquired on net initial yields of 5.35% and 6.2% respectively. In central London, we bought the Clarges Estate, a development site in Mayfair.

The largest disposal during the year was Ropemaker Place, sold at 4.8% above March 2012 book value and a net initial yield of 5.0%. The sale is in line with our strategy of recycling and re-balancing our office portfolio towards the West End relative to the City. The majority of our other disposals were retail properties which were sold to a range of institutional investors. The largest was the Beehive Centre, a retail park in Cambridge, which was sold on a blended yield of 5.25%, and 3.8% above valuation. We also sold eight of our smaller food superstores on net initial yield ranging from 4.95% to 5.7%.

More detail on individual developments and assets acquired during the year can be found in the Retail and Offices reviews on pages 53 to 56 and 57 to 59 respectively and in the supplementary schedules on pages 166 to 167.

PORTFOLIO REVIEW – VALUATION

WE CONTINUED TO OUTPERFORM THE UK PROPERTY MARKET.

PORTFOLIO PERFORMANCE HIGHLIGHTS

6.3%

Total UK property return for the year outperforming IPD benchmark by 310 bps

£10.5bn

Value of portfolio up 0.5% to £10.5 billion UK portfolio up 1.0%

£575m

Total ERV across the portfolio

+1.0%

Growth in estimated rental value outperforming IPD benchmark by 100 bps

+6 bps

Portfolio net equivalent outward yield shift

PORTFOLIO PERFORMANCE

Overall our UK portfolio generated a total property return of 6.3% for the year, made up of an income return of 5.0% and a capital return of 1.2%. We outperformed the IPD benchmark by 310 bps on total returns and 360 bps on capital returns.

We continued to benefit from our focus on prime UK Retail and London assets and our early decision to invest in development along with the strength of our asset management capabilities.

TOTAL PROPERTY RETURN (AS CALCULATED BY IPD EXCLUDING EUROPE)

	Retail		Offices		Total	
To 31 March 2013 (%)	British Land	IPD	British Land	IPD	British Land	IPD
Income return	5.7	5.9	3.7	5.3	5.0	5.8
Capital return	(1.6)	(3.4)	5.8	(0.6)	1.2	(2.4)
– ERV growth	0.8	(0.7)	1.5	1.6	1.0	0.0
– Yield movement[1]	11 bps	11 bps	(4 bps)	27 bps	6 bps	19 bps
Total property return	**4.0**	**2.3**	**9.7**	**4.7**	**6.3**	**3.2**

1 Net equivalent yield movement.

The value of the portfolio increased 0.5% over the year to £10.5 billion with a stronger performance of +0.6% in the second half. In the UK, management actions underpinned a 1.0% uplift in overall performance, with our development pipeline delivering significant gains over the year with positive contributions from all sectors as we continue to achieve pre-leasing success and development milestones. This more than offset outward yield shift in retail. Our standing investment portfolio was 0.3% lower which compares to a market capital decline of 2.7% for investment properties.

UK Retail values continued to decline but at a slower pace in the second half. We saw an improvement in investor sentiment in the second half for good quality assets. In Offices, the valuation uplift was 5.0% ahead, driven by our development pipeline together with lease extensions and new lettings within our investment portfolio. In Europe, the value of our retail portfolio was 17% lower at £255 million, reflecting on-going economic contraction across Southern Europe, where our PREF assets are located. Our Puerto Venecia Spanish super-regional shopping centre is now completed and performing quite well. Looking forward, we consider Europe to be a subscale business for us and our intention is to exit over time.

Total ERV across the portfolio now stands at £575 million with IPD calculated growth in the year of 1.0%, comprising growth of 0.3% in the first half, and 0.7% in the second half. This compares well to the market, where ERVs as measured by IPD were flat overall. Our lettings and renewals were signed on average 7.6% ahead of ERV and rent reviews were 5.1% ahead of the previous passing rent.

Overall, there was a modest outward yield shift of 6 bps for our UK portfolio, considerably less than the market reflecting both the quality and mix of our assets and the value added by our successful asset management initiatives. At 31 March 2013, the portfolio net equivalent yield was 5.9%, compared to the market at 6.8%. Our EPRA net initial yield and our EPRA topped up net initial yield were 5.5% and 5.7% respectively (see supplementary schedules on page 164 for more detail).

PORTFOLIO REVIEW CONTINUED

PORTFOLIO VALUATION

At 31 March 2013	Group £m	Joint ventures and funds[1] £m	Total £m	Change %[2] H1	H2	FY
Retail[3]:						
Retail parks	1,736	768	2,504	(2.3)	(1.1)	(3.4)
Superstores	131	1,164	1,295	0.5	(1.1)	(0.5)
Shopping centres	730	1,069	1,799	(0.3)	(0.3)	(0.6)
Department stores	474	–	474	(0.6)	3.1	2.4
UK Retail	**3,071**	**3,001**	**6,072**	**(1.0)**	**(0.6)**	**(1.5)**
Europe Retail	–	255	255	(9.3)	(9.0)	(17.0)
All Retail	**3,071**	**3,256**	**6,327**	**(1.4)**	**(0.9)**	**(2.2)**
Offices[3]:						
City	70	1,680	1,750	1.5	1.3	2.6
West End	1,880	–	1,880	3.2	5.3	8.2
Provincial	83	4	87	1.3	(1.3)	0.2
All Offices	**2,033**	**1,684**	**3,717**	**2.2**	**3.0**	**5.0**
Other	450	5	455	1.2	0.5	1.6
UK total	**5,554**	**4,690**	**10,244**	**0.2**	**0.8**	**1.0**
Total	**5,554**	**4,945**	**10,499**	**–**	**0.6**	**0.5**

1 Group's share of properties in joint ventures and funds.
2 Valuation movement during the period (after taking account of capital expenditure) of properties held at the balance sheet date, including developments (classified by end-use), purchases and sales.
3 Including committed developments.

PORTFOLIO YIELD AND ERV MOVEMENTS

At 31 March 2013	ERV £m	Net equivalent yield %	ERV growth %[1] H1	H2	FY	Net equivalent yield movement bps[2] H1	H2	FY
Retail:								
Retail parks	156	5.9	–	0.5	0.5	12	5	17
Superstores	71	5.2	0.3	1.4	1.7	–	10	10
Shopping centres	114	5.9	(0.3)	–	(0.3)	(2)	–	1
Department stores	24	6.4	0.8	4.0	4.9	8	(12)	(5)
UK Retail	**365**	**5.8**	**–**	**0.8**	**0.8**	**6**	**3**	**11**
Europe Retail	24	8.0				48	19	72
All Retail	**389**	**5.9**				**7**	**4**	**11**
Offices:								
City	91	5.8	1.0	0.5	1.5	1	(4)	(3)
West End	67	5.6	1.2	0.4	1.6	2	(8)	(6)
Provincial	5	6.6	–	(0.2)	(0.2)	(2)	8	6
All Offices	**163**	**5.7**	**1.0**	**0.4**	**1.5**	**1**	**(5)**	**(4)**
Other	23	8.5	0.1	0.3	0.4	2	12	14
UK total	**551**	**5.9**	**0.3**	**0.7**	**1.0**	**4**	**1**	**6**
Total	**575**	**5.9**				**5**	**2**	**7**

1 Like-for-like (as calculated by IPD), excluding Europe.
2 Including notional purchaser's costs.

RETAIL REVIEW

CHARLES MAUDSLEY
Head of Retail

HIGHLIGHTS

4.0%

Total property returns for the year

Continuing to outperform a tough market: total unlevered property returns of 4.0%, 170 bps ahead of the IPD All Retail benchmark.

- UK Retail portfolio valuation £6.1 billion; capital returns outperformed IPD by 180 bps.
- ERV up 0.8% which compares to a 0.7% decline for the market as a whole.
- UK occupancy remains robust at 97.4% (70 bps reduction on 31 December 2012).

1.1m sq ft

Lettings and lease renewals

Attracting a broad range of retail and leisure occupiers.

- 1.1 million sq ft of lettings and lease renewals; investment lettings 7.6% ahead of ERV.
- Administrations 0.9% of total rent as at March 2013.

£351m

Acquisitions/forward fundings

Reshaping the portfolio through recycling: £610 million of gross investment activity.

- Sale of 23 non-strategic assets.
- £351 million of acquisitions and forward funding in locally dominant schemes.

Enhancing our overall services to customers – signed long-term deal with BT to extend free wi-fi; continue to trial digital innovation.

Q&A

EVOLVING OUR PORTFOLIO IN A RAPIDLY CHANGING WORLD

Q: Are shops still relevant or will we soon all be shopping online?
A: We firmly believe that physical shops will remain at the heart of the retail offer and become increasingly important as showrooms and places where you can collect or return goods bought online. The amount of space retailers need will reduce so landlords must ensure they have the right kind of offer which reflects how consumers want to shop.

Q: What do you mean by the right offer?
A: Quite simply, the places where consumers want to shop. We see three main trends; functional, where people make regular visits for items they cannot do without, convenience, which takes an hour or so – and an experience – somewhere they can spend the whole day. Retailers also need to make money – so rents need to be affordable and the space adaptable to their changing needs. They want excellent services from their landlords and this increasingly means a digital offer to allow them to better connect with their customers.

Q: How would you describe British Land's digital strategy?
A: Digital is part of an integrated strategy which looks at the whole shopping experience including, for example, the leisure, food and drink offer. We want our assets to remain places where people want to come. Our approach is to amplify retailers' voices, not compete with them. So we are in the process of rolling out free wi-fi across our assets so we can exploit technological innovations to increase the connectivity between retailers and their customers.

> Our robust performance during what has been a challenging year strengthens our conviction that we have the right assets which are well suited to the needs of modern retailers.
>
> CHARLES MAUDSLEY
> Head of Retail

OVERVIEW UNDERSTANDING OUR STRATEGY OUR PERFORMANCE GOVERNANCE FINANCIAL STATEMENTS AND OTHER INFORMATION

RETAIL REVIEW CONTINUED

MARKET OVERVIEW

The way people shop is changing. The internet lies at the heart of these changes not only because of the immediacy of being able to buy online but also because of the way it enables consumers to compare prices and quality, share their opinions and shape the development of new products and services. The line between online and physical sales is getting increasingly blurred with the majority of sales more likely to have some sort of digital aspect. The UK is now the world leader in internet sales.

Today's consumer is increasingly looking for more choice, greater convenience and better value along with a better shopping experience, whether in a physical or an online environment. We believe physical shops will remain at the core of the retail landscape but with stores also playing a key role as showrooms and pick-up and return points, so having a fully integrated physical and digital approach will be increasingly important. Too much of the available space in the UK is not well suited to these changing needs nor can it be economically adapted. Although retailers are reducing their overall space requirements, demand for the right type of space remains strong and as a result the retail property market continues to be heavily polarised between the right space and that which is essentially obsolete.

Our Retail property strategy therefore focuses on aligning our properties closely to the changing needs of retailers and consumers ensuring we remain at the forefront of market evolution. Our portfolio is well balanced to the way people shop – rational (purpose-led) and emotional (experience-led) – so our retail destinations are focused on experiential, convenience or functional shopping.

The combined impacts of austerity and long-term changes in shopping habits meant that the retail property market remained challenging during the year. Polarisation was again the dominant theme as retailers continued to focus their portfolios on better performing stores, exiting poor quality space on the expiry of lease terms. There was an increase in the rate of administrations in the second half, most notably those with more vulnerable business models and/or high levels of debt. As a result, rental values across the market remained under pressure, declining by 0.7% although the shortage of supply for high-quality space meant that prime rents were ahead. The investment market benefited from improved investor sentiment during the second half for better quality assets.

PERFORMANCE

Our Retail business had another busy and productive year, operationally and strategically. Our operational performance continues to be resilient in tough markets. At the same time, we are actively evolving our portfolio through investment in our existing properties and through recycling.

Our asset management activities have been focused on continuing to evolve and improve our retail offer through: attracting a broader range of retailers, leisure, food and beverage operators; upgrading the physical environment; and enhancing our overall services to our customers, in particular by leveraging digital technology. We were also delighted to sign a new long-term joint venture at Meadowhall Shopping Centre with Norges, one of the largest sovereign wealth companies in the world. Norges bought their 50% stake from our previous partner, London and Stamford.

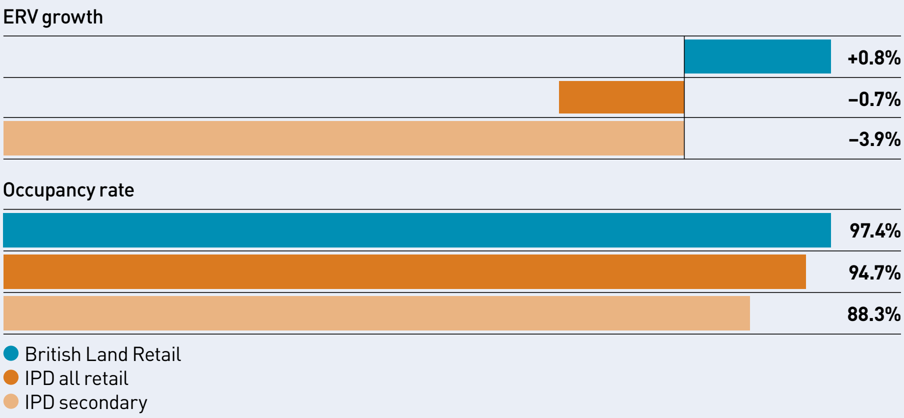
Total returns for the year at 4.0% were again significantly ahead of the market both at an All Retail market level (by 170 bps) and at the individual retail subsector level. We have now outperformed the market materially in each of the last four years which underlines the quality and resilience of our business and our ability to evolve our retail offer in a rapidly changing market-place. The value of our UK retail portfolio was down 0.6% from September at £6.1 billion with the benefits of asset management initiatives partially offsetting outward yield shift. Our retail capital returns outperformed the All UK Retail benchmark by 180 bps. Our standalone leisure assets generated total returns of 8.1%.

Our occupational metrics in the UK remained resilient, and we continued to sign lettings ahead of ERV. ERVs were 0.8% ahead for the year, outperforming the market by 150 bps with a stronger performance in the second half (+0.8%). Occupancy was modestly lower at 97.4%, due to the impact of administrations including Comet and Dreams. While footfall performance across our portfolio was weaker, down 1.5%, we continued to outperform the market (by 220 bps) with Meadowhall and retail parks both ahead.

OPERATING METRICS

	British Land	IPD	British Land versus IPD
ERV	**+0.8%**	–0.7%	+150 bps
Footfall	**–1.5%**	–3.7%	+220 bps
UK occupancy	**97.4%**	94.7%	+270 bps
% of total rent in administration	**0.9%**		

BRITISH LAND VERSUS IPD



Next signed a 43,000 sq ft agreement to take over an ex-Homebase store in Camberley for their third 'Home and Garden' concept in the UK.

Debenhams agreed to take 100,000 sq ft of space including a new store at our Fort Kinnaird Retail Park in Edinburgh.

Our UK like-for-like rental income was flat year-on-year, reflecting the impact of administrations in the second half, including one-off costs. Although we saw an increase in the number of administrations, our percentage of total rent in administration was only 0.9% at the year end. Our ability to manage our exposure to administrations reflects the quality of our portfolio as well as our diverse range of major UK and international retailers.

In Europe, which accounts for 2% of our portfolio, the value of our portfolio fell by 17% to £255 million. This was driven by falls in the value of the assets in PREF, the European fund in which we have a 65.3% share, which were impacted by both outward yield shift and rental concessions. The Puerto Venecia Shopping Centre in Zaragoza continues to trade quite well and was up 3.6% in value.

ASSET MANAGEMENT

While the overall market remained tough with retailers cautious and taking longer to complete deals, we continued to see encouraging demand from a broad range of occupiers across our schemes. We agreed 3.5 million sq ft of leasing and rent review initiatives during the year, securing £7.3 million of new annual contracted rent. This included 1.1 million sq ft of lettings and renewals which were agreed on average 7.6% ahead of ERV with around three quarters of the lettings above or in line with ERV. We have a good volume of deals in the pipeline with 420,000 sq ft of space currently under offer, at terms overall ahead of ERV.

We signed multiple transactions with key retailers including Next, Debenhams, Arcadia and TK Maxx. Next signed a 43,000 sq ft agreement to take an ex-Homebase store in Camberley for their third 'Home and Garden' concept. Debenhams agreed to take a total of 100,000 sq ft of new space, with new stores signed at Leamington Spa and Fort Kinnaird, Edinburgh.

We are also attracting new retailers, notably at our major shopping centres Meadowhall and Drake Circus, where we continue to expand the premium retail offer. The most notable deal was with Victoria's Secret at Meadowhall for a 13,000 sq ft store which will open in the autumn. At Drake Circus we completed eight lettings during the year including Apple, Bank and Hotel Chocolat. New retailers attracted to our out-of-town schemes included Whole Foods at Cheltenham, and footwear retailers Office at Glasgow Fort and Schuh at Stockton.

We continued to upgrade the experiential element on our schemes, completing 49 food, beverage and leisure lettings and renewals over the year across the portfolio. We initiated five combined cinema and restaurant schemes with our 45,000 sq ft scheme at Glasgow Fort due to open in July 2013. We also obtained planning permission for the external recladding and refurbishment of Debenhams' 360,000 sq ft flagship building on Oxford Street, which will reinvigorate this key West End landmark. Works have started and are scheduled to complete towards the end of 2013.

We see digital as part of an integrated approach which overall enhances the occupier and consumer experience on our schemes helping amplify the retailers' voice and aggregating information for the end consumer. We continued to expand our digital activities trialling a range of innovations on our schemes and post the end of the year announced a new long-term joint venture with BT to extend the provision of free wi-fi across our retail portfolio, starting with all of our shopping centres.

INVESTMENT ACTIVITY

As part of ensuring our portfolio remains at the forefront of modern retail requirements, we have been seeking to increase the pace of our investment activity – both development and recycling. Over the last year, we have undertaken £610 million of gross investment activity. Our investment programme has been particularly focused on London and the South East which accounted for the majority of our £367 million of acquisitions and development spend during the year. All the schemes we have invested in have strong and growing catchment areas and are or have the potential to be locally dominant. We believe retail development adds significant incremental value and are replenishing our pipeline to capitalise on future demand for the right space.

RETAIL REVIEW CONTINUED

Upgrading the physical environment
We have initiated five new cinema and restaurant schemes including a Cineworld at Chester Retail Park.

DEVELOPMENT

We currently have 676,000 sq ft of committed retail development underway in the UK. Our committed pipeline includes the major redevelopment of Whiteley Shopping Centre a 320,000 sq ft next generation scheme near Southampton. The scheme is over 90% pre-let or under offer (by ERV) ahead of opening later this month. Key occupiers include Marks & Spencer, Next, H&M, River Island, Boots and JD Sports. We recently obtained planning permission for a 60,000 sq ft leisure scheme including a cinema which is already pre-let and which will extend the scheme to nearly 400,000 sq ft.

We started on site at Hereford a 310,000 sq ft retail and leisure development in the centre of the city. The open air scheme, on the site of Hereford's former cattle market, will have 22 retail units, seven restaurants and a six-screen cinema. More than 50% of the space has already been pre-let. Debenhams will anchor the scheme with a three-storey, 84,000 sq ft department store. Waitrose has also taken 22,000 sq ft of space and Odeon has signed for the cinema. Next, TK Maxx and Frankie & Benny's have also committed to the scheme. We expect to complete the development in summer 2014.

We are progressing with planning on a further 713,000 sq ft of prospective development initiatives in the UK. This includes: cinema additions at Broughton Park Chester and Fort Kinnaird Edinburgh; and a 100,000 sq ft extension to our existing shopping centre at Surrey Quays.

In Europe, the new 1.4 million sq ft Puerto Venecia Shopping Centre in Zaragoza successfully opened on schedule in early October. On opening, the shopping centre was 90% pre-let/under offer to an extensive range of international and national brands including all of the Inditex Group's brands, Desigual, H&M and Mango along with key anchors El Corte Inglés and Primark. The centre has traded quite well since opening.

ACQUISITIONS AND DISPOSALS

We agreed or exchanged the sale of 23 assets for a total of £243 million including eight superstores and the Beehive Centre Retail Park in Cambridge. Details of the sales are provided in the table on page 50.

In June, we announced the conditional purchase of Harmsworth Quays a 14.6 acre printing works site at Canada Water, adjacent to our Surrey Quays Shopping Centre, building on our long-term interest and investment in the area which is a major regeneration zone in Southwark.

In July, we entered into a 50:50 joint venture at Eden Walk Shopping Centre in Kingston-upon-Thames with the existing owner Universities Superannuation Scheme (USS) for £41.5 million, a net initial yield of 5.35%. Eden Walk is a 276,000 sq ft open shopping centre in the middle of Kingston, anchored by Marks & Spencer, Sainsbury's, Boots and BHS. Kingston, which is in the south west of London, has one of the strongest consumer catchment areas in the UK with a high proportion of young affluent residents. We are responsible for asset management of the centre and are also acting as development manager to assess and progress what we believe is a significant medium-term development opportunity.

In November, we signed a £90 million forward funding agreement to enable the development of the 310,000 sq ft Old Market scheme in Hereford city centre. The scheme is now part of our committed development programme and we started on site in November 2012.

Also, in November, we acquired the 2.3 acre Canal Corridor North site in Lancaster city centre which includes the former Mitchell's of Lancaster brewery. A development agreement is also in place with Lancaster City Council for the acquisition of its adjoining land to enable the delivery of a significant canal-side, mixed-use scheme across a 10 acre site. Bound to the east by the Lancaster Canal and with two working theatres, the site, which is next to the city centre, provides the only real opportunity to significantly improve the city's retail offer. Working closely with Lancaster City Council and English Heritage, our aim is to deliver a scheme that complements the site's historical setting. Lancaster has seen very little retail investment over the last two decades and our aim is to create a retail and leisure destination to serve local people and attract more visitors into the city.

In February, we acquired Ealing Broadway Shopping Centre, as part of a portfolio deal. The £142.5 million consideration for the shopping centre represented a net initial yield of 6.9%. Ealing Broadway Shopping Centre has 300,000 sq ft of retail and leisure space and a multi-let office. The shopping centre, which has over 60 retail units, is anchored by Primark, Marks & Spencer, Tesco, River Island and H&M. Ealing Broadway is an attractive convenient shopping destination in west London, well located and close to the train and tube station and with an affluent catchment of 1.6 million people. With an annual footfall of around 15 million, the shopping centre dominates the retail offer in the town centre and is expected to benefit from significant levels of development in Ealing, including a new leisure scheme, the Dickens Yard residential quarter and Crossrail. Crossrail, which completes in 2018, will lead to significantly shorter journey times to Heathrow, Liverpool Street and Canary Wharf.

In March, we acquired the 50% we did not already own in Surrey Quays Shopping Centre in south London from Tesco, our joint venture partner, who also committed to a new long-term lease, bringing the weighted average lease length of the centre to 9.4 years. Subject to planning, we intend to progress plans for a £38 million upgrade of the centre, including a full refurbishment and 100,000 sq ft extension. Together with Harmsworth Quays, our interest now covers a 37 acre site in an area of urban regeneration with a strong growing catchment and considerable potential.

Increasing our exposure to London
We have bought £258 million of retail assets in Greater London including Eden Walk Shopping Centre, Kingston upon Thames.

OFFICES REVIEW

TIM ROBERTS
Head of Offices

HIGHLIGHTS

9.7%

Total property returns for the year

Another good year with London focus driving strong outperformance: total returns 9.7%, outperforming IPD by 500 bps.

- Valuation up 5.0% to £3.7 billion; investment portfolio up 2.3%, developments up 12.8%.
- Capital returns 5.8%, 640 bps ahead of IPD; outperforming West End 370 bps and City 90 bps.

Increased Offices weighting from £3.6 billion to £3.7 billion, despite sale of Ropemaker Place, through acquisitions and investment in our committed development pipeline.

Achieved strategic objective of greater weighting in West End than City.

Good demand for our assets: 778,000 sq ft investment letting activity, 7.1% ahead of ERV.

£420m

Total development profits from committed programme

Developments continue to drive performance; now expected to produce total profits of over £420 million.

- £297 million of profit delivered to date; £126 million to come on valuers' estimates.
- 199 Bishopsgate and 10 Portman Square completed on time and budget.
- Good pre-letting activity with 200,000 sq ft of development pre-lets agreed including 104,000 sq ft under offer at the year end.
- Committed developments now 61% pre-let generating £43 million of annual contracted rent.

Replenishing development pipeline to drive growth and returns going forward.

- Acquisition of the Clarges Estate, a major mixed-use development site in Mayfair.

Q&A

WHY LONDON IS THE PLACE TO BE

Q: Why do you think London will continue to outperform?
A: London is a world-leading City – for finance, business and investment – and we don't expect this to change. Its population is forecast to continue to grow with more and more people wanting to live and work in London. With significant investment in major infrastructure projects, notably Crossrail, large parts of the capital are being regenerated, boosting growth. So we see London remaining a growing and vibrant market and one where we can continue to make good returns.

Q: How do you see British Land growing its business in London?
A: London has been the fastest growing part of our business and we expect this to continue. In London, our focus will remain on offices and we continue to see development as a major growth driver. In Greater London we see more opportunity in retail, where we can create locally dominant convenience destinations such as Ealing in areas with growing and affluent populations.

Q: How will Crossrail benefit your business?
A: Crossrail is a £14.8 billion rail project which will transform transport links north of the Thames from Heathrow to the West End, City and Canary Wharf, dramatically cutting journey times. Our 4 million sq ft Broadgate Estate will sit on top of the Liverpool St Crossrail station and our future plans see it becoming a more vibrant, mixed-use estate with more leisure and food operators and attracting a much more diverse range of occupiers.

> “Due to the quality of our existing portfolio, and development programme, we believe we will successfully continue to attract and retain customers at our buildings.”
>
> TIM ROBERTS
> Head of Offices

OFFICES REVIEW CONTINUED

We have signed 611,000 sq ft of lease extensions at Broadgate including with Herbert Smith and F&C.

MARKET OVERVIEW

Our portfolio is focused in London, reflecting our view that London will continue to show good absolute and relative performance over the medium-term. London is regularly voted as one of the most attractive cities in the world to invest, do business, live or visit and is one of the most important financial and business services centres globally. In contrast to the UK as a whole, the London economy has grown steadily; it has had the best performing property market in the UK with all major asset classes – offices, retail and residential – contributing. We have positioned our business to benefit from this growth; through our major development programme, taking advantage both of the shortage of high-quality space, mainly in offices but also in residential, and higher-growth in the West End.

We expect London to retain its pre-eminent position as a world-leading City. Its population is forecast to grow steadily, major infrastructure spend (notably on Crossrail) is regenerating large parts of the Capital and we expect on-going improvements to benefit these areas for a number of years to come.

London continued to outperform the broader property market during the year, reflecting strong investor demand with relatively limited supply of good quality space. It continues to be perceived as a 'safe haven' by overseas investors and the number of new international investors continues to expand. In the West End, demand is underpinned by residential conversion potential, which is also limiting West End stock keeping yields firm. Investor demand for City assets remains strongest for prime, long-term income generating assets, and we have experienced this first-hand with our successful sale of Ropemaker Place this year. There are some signs of weakness for secondary property in more peripheral locations.

While occupier demand was some way below the long-term trend, the shortage of quality space across the market kept rental growth overall positive. In recent months, there have been early signs of an improvement in occupier demand, particularly in the West End where occupiers have less choice but also in the City, where there has been demand from a range of occupiers focused on smaller floorplates, and in particular from the insurance sector.

PERFORMANCE

Our offices portfolio had another successful year with total property returns of 9.7%, significantly outperforming the IPD office benchmark by 500 bps. The value of the portfolio was up 5.0% to £3.7 billion and represents an increase in weighting of the Group's overall portfolio to over 35% at 31 March 2013 (pro-forma for committed developments, 38%). This is despite the sale of Ropemaker Place in the City for £461 million (net of costs) and is as a result of our investment into new assets and our committed development pipeline. This has achieved our strategic objective of having a greater weighting in the West End than the City for the first time.

Our capital returns were 640 bps ahead of the IPD benchmark with both of our subsectors outperforming – the West End by 370 bps and the City by 90 bps. Performance has primarily been delivered through our actions, the key driver being our development portfolio but also through our asset management activity.

Our development programme is generating strong returns, with valuation up 12.8% over the year. This uplift has been driven by a combination of our continued success on pre-lets and the consequent ERV growth for our West End projects; profit release as developments near practical completion and the release of contingencies as we continue to deliver the projects within budget.

The investment portfolio was ahead 2.3% reflecting increased values through successful leasing activity; both new lettings and lease extensions, primarily at Broadgate. Our occupational metrics remained robust across the office portfolio. ERV growth was 1.9% overall, made up of 1.5% in the investment portfolio and 2.8% in our development properties. Like-for-like income growth was up 0.7% over the year with a stronger performance in the second half. Occupancy was lower at 96.3% reflecting the impact of the sale of Ropemaker and the inclusion of 199 Bishopsgate which was completed in September.

During the period, the lock-up term governing our Broadgate joint venture with Blackstone expired. Blackstone have indicated that they wish to sell their interest in the joint venture and we will work closely with Blackstone through this process. Broadgate will continue to develop as a vibrant mixed-use estate in the heart of the City of London and we expect it to benefit from its location around one of London's most important transport hubs and from the completion of Crossrail in 2018.

ASSET MANAGEMENT

We continued to see demand from a good range of occupiers, attracted by the quality of our buildings and our high levels of customer service. We have developed a strong track record of attracting and retaining occupiers, signing 1.9 million sq ft of lease extensions over the past three years. We signed leasing initiatives on 778,000 sq ft of space, at an average of 7.1% ahead of ERV over the last year.

Our activity primarily focused on lease extensions at Broadgate where we extended a total of 611,000 sq ft of leases. These included: Herbert Smith (315,000 sq ft) and F&C (54,000 sq ft) who extended their leases from 2020 to 2030 and 2027 respectively at Exchange Square and 10 Exchange House; a minimum two year extension with ICAP (174,000 sq ft) at 1–2 Broadgate which secures their lease until at least 2019; and Tullett Prebon PLC (66,000 sq ft) at 155 Bishopsgate, who extended their lease from 2019 to 2025.

In addition, we agreed 124,000 sq ft of new lettings, including 50,000 sq ft at Broadgate Tower with Itochu, Banco Itau, and Hill Dickinson at rents accretive to ERV, increasing occupancy at the Tower to 93.2%. At the recently refurbished 199 Bishopsgate, we agreed a 14,500 sq ft deal with Nippon Oil and have a further 25,000 sq ft under offer at terms accretive to March 2013 valuation. This leasing activity has improved the average weighted lease length to first break at Broadgate by 1.3 years to 7.8 years for the standing investments.

INVESTMENT ACTIVITY

We have continued to deliver our strategy of recycling capital from lower growth assets into higher returning opportunities through development and a focus on the West End. Development in London is one of our competitive advantages and we see the development pipeline as an integral part of the office portfolio. Given the continued shortage of high-quality space and lack of development finance we believe the outlook for development returns remains positive and we are looking to maintain our level of commitment. So as the development programme nears completion, we are actively seeking to replenish the pipeline. We will continue to focus on prime property, or on property with the potential to be prime.

COMMITTED OFFICE DEVELOPMENT PROFIT

	Profit taken	Profit to come	Total
03.2013	**297**	**126**	**£423m**
09.2012	216	175	£391m
03.2012	167	192	£359m
09.2011	133	188	£321m
03.2011	65	192	£257m

● Profit taken
● Profit to come

We continue to revitalise Broadgate with the re-development of Broadgate Circle completing during 2014.

DEVELOPMENT

Our committed office developments are progressing well and we remain on track for all of our West End projects to complete this year. In the City, we completed the refurbishment of 199 Bishopsgate and our three remaining City developments are due to complete within the next two years. All of this will result in the release of significant developer's profit, however in the short-term it is also likely to increase our vacancy rate as the completed developments are transferred into our standing investment portfolio. We continued to see good demand for all of our developments with 200,000 sq ft of pre-lets signed or placed under offer during the year, increasing the amount of space pre-let or under offer from 51% to 61% during the year. We now have £43 million of rent pre-let. We are therefore confident that any increase in vacancy rates will be manageable.

In the City, at The Leadenhall Building, the main structure has now reached the 47th level, with cladding installation progressing well. We have agreed terms for a minimum of 95,000 sq ft pre-let to Amlin, who will join the global insurance company Aon in the building. The Amlin deal covers floors 19–24 and floor 45, and a further 53,000 sq ft of option space. On completion of the letting, around half of The Leadenhall Building will be pre-let, which leaves mainly the upper, smaller floors to let, for which we expect good demand closer to practical completion. This puts us in a strong position in the City overall, with 74% of our developments pre-let/under offer.

At Broadgate, we are excited by our development programme, which is well timed to benefit from the advent of Crossrail, and more widespread improvements to the surrounding area. As Spitalfields and Old Street develop into dynamic growth hubs, covering a broader spectrum of industry, we expect the estate will become more diversified in its occupier mix. At our 5 Broadgate development, which is fully let to UBS, the concrete cores are now complete, and work is progressing on the steelwork. In June, we will secure vacant possession of Broadgate Circle where £20 million is being invested to improve the public space and enhance the food and retail offer. The design has been agreed for redevelopment of Broadgate Circle and demolition contracts have been put to tender and we expect to start on site later this year. We are also working up plans for the next phase of regeneration at Broadgate South, which includes a major refurbishment of 100 Liverpool Street.

In the West End, the office space at our 10 Portman Square development is now over 50% pre-let following the completion of 58,000 sq ft of deals with Aspect Capital and Aramco Overseas Company (including 9,000 sq ft of space completed post year end). At rents of over £90 per sq ft, both deals are significantly accretive to value with rental values around 23% ahead of the March 2012 ERVs. The building, which we successfully completed on time and below budget post financial year at the end of April, has great presence facing onto the Square.

We continue to see encouraging levels of interest at our NEQ development in Regent's Place which comprises two office buildings and one residential tower. We agreed a further 7,200 sq ft pre-let at 10 Brock Street which in addition to the 174,000 sq ft pre-let to Debenhams means the building is now 53% pre-let. Sainsbury's will relocate their store from the Euston Tower to an 8,000 sq ft unit at Hampstead Road within the NEQ development, allowing us to subdivide their Euston Tower space to further enhance the retail offer across the estate. The residential units at 20 Brock Street are now 83% pre-sold.

Residential is an important part of our London portfolio both as a part of our mixed-use developments and through our residential led schemes and we have a strong track record of delivering value. Since 2009, we have profitably committed £190 million to 187,000 sq ft of residential developments both within our West End office projects and on a standalone basis. The committed programme is making good progress, with the new residential units at Regent's Place nearing completion, and work progressing at Marble Arch House, Craven Hill and Bedford Street, where marketing has already started. This year, we have pre-sold 25 units for a total of £28 million with sales 14% ahead of book value, contributing 22% profit on cost for all residential sales to date.

We have replenished the residential pipeline through acquiring further sites with the aim of maintaining our exposure on a gross development basis, up to £500 million. The Clarges Estate, detailed below in acquisitions, is a mixed-use development in Mayfair where residential will account for over half of the space. During the year, we bought the Hempel Hotel in Bayswater, which is next to our existing Craven Hill Garden scheme. Subject to planning, combined they will be a £120 million development scheme.

ACQUISITIONS AND DISPOSALS

We announced the sale of Ropemaker Place for a gross sale price of £472 million in March this year. As part of the deal, we will top up the rent-frees to the contractual rent of £24.05 million per annum. The sale represents a net initial yield of 5.0%. We received net proceeds of £461 million in cash from the sale after taking into account the rent-free top-ups and costs.

In July 2012, we announced the acquisition of the Clarges Estate in Mayfair, for £128.6 million: completion was in November. The site is nearly one acre which faces onto Piccadilly in Mayfair, and is an excellent redevelopment opportunity to create a landmark mixed-use scheme, for which planning consent had already been granted. Having successfully agreed to move the headquarters of The Kennel Club in March of this year, we have recently submitted a revised planning application for an improved scheme which modestly increases the overall size of the building and sees an increase in the residential element of the site from 63,000 sq ft to 94,000 sq ft, and a reduction in the offices to 47,500 sq ft. This is a rare opportunity to develop new residential in a prime Mayfair location which will have spectacular views over Green Park, and to also provide offices, which are likely to be in demand.

OUR CORPORATE RESPONSIBILITY REVIEW

WE AIM TO BE THE BEST AT THE ISSUES THAT MATTER MOST TO OUR BUSINESS AND OUR KEY STAKEHOLDERS. WE ARE THE LEADING UK REIT ON A NUMBER OF KEY SUSTAINABILITY INDICES.

This year we have made good progress, through our strong relationships with our occupiers, on-site building management teams and development partners. For example, we have achieved further energy reductions. We have also worked more closely with our major suppliers, local people and other partners to understand and address local issues, with a particular focus on training and employment initiatives.

We report to the Global Reporting Initiative B+ standard and EPRA Best Practice Recommendations. We are also a signatory to the UN Global Compact. Our key performance data is independently assured under the ISAE 3000 standard.

2012 SUSTAINABILITY INDICES

- CDP Carbon Disclosure Leadership Index and Performance Leadership Index – only REIT globally on both.
- Management Today's Most Admired Companies in Britain – leading REIT for Community and Environmental Responsibility.
- Dow Jones Sustainability Index – listed member.
- FTSE4Good Index – listed member.
- Global Real Estate Sustainability Benchmark (GRESB) – awarded Green Star.
- EPRA Sustainability Reporting – awarded Gold.

ENVIRONMENTAL AWARDS INCLUDE

- CIBSE Carbon Champion of the Year 2013.
- Property Week Sustainability Achievement Award 2013.
- NAREIT Global Recognition Leader in the Light Award 2012.
- ENDS Green Business Awards for Energy and the Built Environment 2012.

BUSINESS IN THE COMMUNITY AWARDS

- Arts and Business Award in London 2013.
- Building Stronger Communities Awards in Glasgow and Rotherham 2013.
- Local Impact Award in Hull 2013.

Apprenticeships

Rita Hira, one of 11 apprentices British Land has co-funded at Meadowhall Shopping Centre in Sheffield over the last two years through The Source Skills Academy, a £5.5 million retail training centre set up by British Land and Sheffield City Council in 2003. Some 75 apprentices have also been learning while they earn at our developments with more supported through the supply chain, for instance in steel manufacturing.

PERFORMANCE SUMMARY

KEY 2015 TARGETS	2012/13 PERFORMANCE Together with recent information relating to financial savings and capital investment
To achieve 40% less landlord-influenced energy use across our existing portfolio by 2015, compared to 2009.	• 38% less landlord-influenced energy use across our like-for-like portfolio, saving occupiers £5.2 million over the last four years and cutting carbon emissions by 39,500 tonnes. • £2.2 million investment in energy reductions over the last three years.
To get planning permission for a showcase sustainable building by 2015.	• Developed a shortlist of projects for the showcase project, where we can push the boundaries of sustainable design, responsible construction, ethical procurement and community engagement.
To send zero managed waste to landfill by 2015.	• 90% diverted from landfill at our properties (2011/12: 88%). • 95% of waste at our developments diverted from landfill (2011/12: 98%). • £3.5 million landfill tax savings through recycling and re-use over the last three years. • £0.3 million investment in waste management over the last three years.
To implement our Community Charter at all our major properties and developments by 2015.	• 64% progress on our Community Charter in the first year. • £20.9 million contributed to communities through the planning process (2011/12: £11.6 million). • £1.3 million community investment, through cash, time and gifts in-kind (2011/12 £1.1 million).
To maintain One Star accreditation in The Sunday Times Best Companies to Work for.	• One Star accreditation in The Sunday Times Best Companies to Work for (2011/12: One Star).
To score 8 out of 10 on customer satisfaction with British Land by 2013.	• 7.8 out of 10 UK customer satisfaction score (2011: 7.6), outperforming the industry benchmark of 5.1.

Corporate responsibility information is integrated throughout this Report. For more information on:

See Our strategy
P38–39

See Risks
P44–47

See Governance
P79

See EPRA Sustainability Reporting Index
P169

For more detail on our performance and strategy
www.britishland.com/crreport

FOCUS ON OUR SOCIO-ECONOMIC CONTRIBUTIONS

There is much debate about how we might rebalance the UK economy and ensure that all regions benefit from economic growth. Our second review of our economic impacts therefore focused on how our major construction projects benefit communities around the UK, creating local employment and supporting economic growth.

Our 2011 to 2015 committed development programme will:

- Contribute £1.2 billion to the UK economy (gross value added).
- Support 32,300 jobs during construction – benefiting communities around the UK.

Leadenhall

The development of The Leadenhall Building in the heart of London's insurance district is generating £376 million gross value added and creating jobs for over 9,800 people, including supporting steelworkers and young apprentices in Bolton.

FOCUS ON OUR CARBON FOOTPRINT

We have been measuring our Scope 1 and 2 emissions (where we have most influence) since 2005 and actively managing them since 2007. As a result, we have achieved significant reductions in absolute emissions and even greater reductions on a normalised basis. We aim to reduce our like-for-like emissions (Scope 1 and 2) by 40% by 2015, compared to 2009.

In recent years, we have increasingly focused on our wider Scope 3 emissions (where we have less influence). We have commissioned several studies exploring embodied carbon in our developments, publishing this data to improve industry understanding. This year, we also commissioned a review of emissions relating to energy purchased directly by occupiers in our buildings (beyond landlord-influenced energy use) and travel to and from our properties. Our challenge now is determining the extent to which we can influence reductions in these emissions.

33%

Like-for-like carbon emission reduction (Scope 1 and 2) since 2009

For more detail on our carbon footprint
www.britishland.com/carbon

TOTAL GREENHOUSE GAS EMISSIONS (TONNES CO_2E)

	2012/13					2011/12			
	Scope 1	Scope 2	Scope 3	Total	% change	Scope 1	Scope 2	Scope 3	Total
Energy use – landlord influenced	5,454	38,801	9,475	53,730	(11)	4,843	44,321	10,950	60,113
Energy use – occupier controlled	–	–	55,183	55,183	(1)	–	–	55,880	55,880
Energy use – British Land occupied demises	92	836	120	1,048	38	62	611	88	761
Refrigerant loss – air conditioning	1,076	–	–	1,076	65	653	–	–	653
Water use	–	–	209	209	(11)	–	–	234	234
Managed portfolio sub-total	6,622	39,637	64,987	111,246	(5)	5,558	44,932	67,152	117,641
Embodied carbon – transport to site	–	–	11,725	11,725	33	–	–	8,802	8,802
Embodied carbon – materials	–	–	165,498	165,498	50	–	–	110,046	110,046
Site activities, including waste	–	–	17,144	17,144	57	–	–	10,913	10,913
Development sub-total	–	–	–	194,367	50	–	–	129,761	129,761
Business travel and vehicles sub-total	106	–	274	380	25	97	–	207	304
Total emissions	6,728	39,637	259,628	305,993	24	5,655	44,931	197,120	247,706

EMISSIONS INTENSITY

Managed portfolio (Scopes 1 and 2) Tonnes CO_2e per m^2 (Heating Degree Day adjusted)	2012/13	2011/12	2010/11	2009/10	2008/09
Offices	0.049	0.060	0.064	0.067	0.079
Shopping centres	0.025	0.025	0.027	0.028	0.039
Retail parks	0.004	0.005	0.005	0.005	0.007

FINANCIAL REVIEW

LUCINDA BELL
Finance Director

We have had an active year, disposing of over £790 million of assets, investing in income producing assets in London retail and replenishing our development pipeline. Our decisions and actions continue to drive performance today while building growth for tomorrow.

Our equity placing in March, raising £493 million, has provided additional investment capacity to pursue attractive opportunities.

Underlying profit has increased 1.9%, as we arranged our debt to benefit from lower interest rates.

Our efficient low cost base at 15.3% continues to be a real competitive advantage.

The net asset value has increased 0.2% to 596 pence, where our asset management initiatives and strong development performance have more than offset the impact of the equity placing.

Our ability to access low cost, flexible finance from a diverse range of lenders is a key competitive advantage. We have raised £1.2 billion (British Land share £1.0 billion) of bonds and facilities since the start of this financial year on competitive terms.

Our LTV at 40% is at the bottom of our 40%–50% preferred range. The LTV will increase as we make investments following the placing.

The dividend for the year was 26.4 pence, up 1.1%. With predictable cash flows we announce our dividend intentions in advance. For the coming financial year, pending further investment of the placing, the dividend will be no less than 6.6 pence per quarter.

HIGHLIGHTS

+1.9%

Underlying PBT up 1.9% to £274 million, driven by strength of financing

596p

EPRA net asset value per share at 596 pence, 0.2% ahead of 31 March 2012 (595 pence)

4.6%

Total accounting return of 4.6% for the 12 months to 31 March 2013

£493m

Equity placing raised £493 million, enabling us to enhance future growth in earnings and returns by exploiting accretive opportunities

£1.2bn

£1.2 billion of debt financing signed, improving liquidity, reducing the cost of debt and diversifying the debt investor base

26.4p

Quarterly dividend of 6.6 pence; making a total for the year of 26.4 pence

INCOME STATEMENT

The Group financial statements are prepared under IFRS where the after tax results of joint ventures and funds are shown as a single line item on the income statement, and the net investment in joint ventures and funds is shown as a single line on the balance sheet.

Management reviews the performance of the business principally on a proportionally consolidated basis (i.e. on a line-by-line basis) and comments on movements in the income statement provided in the financial review below are made on this basis. Income statements and balance sheets which show British Land's interests on this basis are also included in Table A within the supplementary disclosures.

	2013			2012		
Year ended 31 March 2013	**Group £m**	**Joint ventures and funds £m**	**Proportionally consolidated £m**	Group £m	Joint ventures and funds £m	Proportionally consolidated £m
Gross rental income	294	273	567	300	272	572
Property outgoings	(13)	(13)	(26)	(14)	(12)	(26)
Net financing costs	(80)	(126)	(206)	(77)	(141)	(218)
Net rental income less finance	**201**	**134**	**335**	**209**	**119**	**328**
Fees and other income	15	–	15	16	1	17
Joint ventures and funds underlying profit	130	–	–	113	–	–
Administrative expenses	(72)	(4)	(76)	(69)	(7)	(76)
Joint ventures and funds underlying profit	–	130	–	–	113	–
Underlying profit before tax	**274**	**–**	**274**	**269**	**–**	**269**
Underlying EPS	30.3p		30.3p	29.7p		29.7p
Dividend per share	26.4p		26.4p	26.1p		26.1p

Gross rental income, including our share of joint ventures and funds, was £567 million for the year (2011/12: £572 million). This year there has been a significant amount of recycling, repositioning the Group for future income and capital growth.

On a like-for-like basis, UK net rental income increased by 0.3% and 1.5% excluding the impact of retail administrations. In Offices, like-for-like rental income increased 0.7%, primarily due to new lettings in the City and fixed and minimum rental uplifts in the West End.

Underlying profit before tax increased by £5 million, or 1.9%, to £274 million for the year ended 31 March 2013. The increase in underlying profit before tax is summarised right.

MOVEMENT IN UNDERLYING PROFIT BEFORE TAX

	£m
Year ended 31 March 2012	**269**
Acquisitions	9
Disposals	(10)
Like-for-like rental movement	–
Rental income on assets transferred to development	(2)
Other income movement	(2)
Reduction in finance costs	11
Other movements	(1)
Year ended 31 March 2013	**274**

FINANCIAL REVIEW CONTINUED

The Group measures its operating efficiency as the proportion of gross rental income represented by its net operating costs (being property outgoings and administrative expenses, net of fees and other income). The ratio for the year was 15.3% (2011/12: 14.9%). We have held overall administrative expenses flat this year whilst continuing to invest in our retail platform. With our continued focus on cost control and our efficient operating model our low cost base continues to be a real competitive advantage.

Net financing costs on a proportionally consolidated basis were £206 million, a decrease of £12 million compared to the prior year. The decrease is principally due to refinancing activity and our ability to take advantage of variable interest rates. In the current year, £17 million of financing costs have been capitalised into development projects. Interest capitalisation will cease on practical completion of these developments, over the next two years.

Underlying profits from joint ventures and funds for the year were £130 million. The increase of £17 million compared to the prior year mainly relates to a reduction in financing costs, principally due to the Hercules Unit Trust (HUT) refinancing and amortisation of securitised debt.

Underlying diluted earnings per share for the year ended 31 March 2013 was 30.3 pence (2011/12: 29.7 pence) based on underlying profit after tax of £273 million (2011/12: £265 million) and weighted average diluted number of shares of 901 million (2011/12: 892 million).

IFRS profit after tax for the full year was £284 million (2011/12: £480 million), including £67 million from investments in joint ventures and funds (2011/12: £182 million). In addition to underlying profits, the most significant item impacting IFRS profit was the net valuation increase of £88 million (2011/12: £143 million) for the Group and a downward £62 million (2011/12: upward £72 million) movement for our share of joint ventures and funds.

Taxation recognised in the income statement amounted to a credit of £24 million, principally due to reorganising non REIT activity and release of prior year balances. This compared to a credit of £1 million in the prior year. The proportionally consolidated underlying tax rate for the year was 0.4% (2011/12: 1.5%).

£284m

IFRS profit after tax

£67m

IFRS profit after tax from investments in joint ventures and funds

CASH FLOW

The proportionally consolidated net cash inflow from operating activities for the year ended 31 March 2013 was £218 million (2011/12: £239 million). The table right provides a summary of the decrease in proportionally consolidated net debt for the year:

Year ended 31 March 2013	Total £m
Opening net debt	**4,879**
Net cash from operations	(218)
Investment acquisitions	442
Disposals	(777)
Development and other capital expenditure	411
Dividend paid (excludes scrip)	203
Issue of ordinary shares	(493)
Other/non-cash movements	17
Closing net debt	**4,464**

In addition to the net cash inflow from operations, cash investment in acquisitions (£442 million) and the development programme (£411 million) was ahead of cash inflows from disposals (£777 million), with investment activity absorbing net cash of £76 million. Key acquisitions in the year included the Clarges Estate, Eden Walk Shopping Centre in Kingston, Ealing Broadway Shopping Centre, Lancaster Canal Corridor North, the Hempel Hotel and taking full ownership of the Surrey Quays Shopping Centre. Key disposals included Ropemaker Place, the Beehive Centre in Cambridge, a Sainsbury's foodstore in Beckenham and our investment in the Hercules Income Fund (HIF). The level of capital expenditure in both Group and joint ventures and funds reflects spend on our committed development programme.

The Group has significant rental growth potential in its property portfolio principally due to our decision in 2010 to commit to the £1.2 billion London office development programme which will now begin to generate significant rental income as the developments are completed. 61% by area of office developments are pre-let or under offer at the year end.

DEVELOPMENT INCOME TO COME

	£m
2013 reported gross rent	567
Net disposals and other movements	(14)
2013 annualised gross rent	553
2014 development income[1]	13
2015 development income[1]	33
2016 development income[1]	28
2013 pro-forma for developments	**627**

1 Pre-lets and valuers' assumptions for letting vacant space (including unlet space at recently completed developments).

FINANCIAL REVIEW CONTINUED

DIVIDENDS

The quarterly dividend was increased to 6.6 pence per share in the final quarter of the prior year, bringing the total dividend for the current financial year to 26.4 pence per share. The longevity of our cash flows means we can pre-announce the dividend for the next financial year. Pending further investment of the equity placing proceeds, the dividend for the next financial year will be not less than 26.4 pence per share.

The fourth quarter dividend of 6.6 pence per share, totalling £65 million, is payable on 9 August 2013 to shareholders on the register at close of business on 5 July 2013. The Board will announce the availability of the Scrip Dividend Alternative via the Regulatory News Service and on our website (www.britishland.com), no later than 4 business days before the ex-dividend date of 3 July 2013. The Board expects to announce the split between PID and non-PID income at that time.

In respect of the 2013 third quarter dividend of 6.6 pence per share, totalling £65 million, 44% of shareholders elected for the scrip alternative in lieu of £29 million in cash dividends.

BALANCE SHEET

At 31 March 2013, EPRA net asset value per share was 596 pence per share, an increase of 1 pence compared to the prior year.

	As at 31 March 2013			As at 31 March 2012		
	Group £m	Joint ventures and funds £m	Proportionally consolidated £m	Group £m	Joint ventures and funds £m	Proportionally consolidated £m
Properties at valuation	5,554	4,945	10,499	5,414	4,923	10,337
Investment in joint ventures and funds	2,463	–	–	2,309	–	–
Other non-current assets	76	(23)	53	28	(11)	17
	8,093	4,922	10,552	7,751	4,912	10,354
Other current liabilities	(158)	(116)	(274)	(132)	(110)	(242)
Net debt	(1,963)	(2,303)	(4,266)	(2,229)	(2,461)	(4,690)
Other non-current liabilities	(5)	(40)	(45)	(9)	(32)	(41)
Joint ventures and funds net assets		2,463			2,309	
EPRA net assets	**5,967**		**5,967**	**5,381**		**5,381**
EPRA adjustments[1]			(280)			(277)
IFRS net assets[1]			**5,687**			**5,104**
EPRA NAV per share			596p			595p

1 EPRA net assets exclude the mark-to-market on effective cash flow hedges and related debt adjustments, as well as deferred taxation on revaluations. It also includes trading properties at fair value and is diluted for the impact of share options.

At 31 March 2013, 47% of the property portfolio and 54% of net debt was held within joint ventures and funds. The balance sheet shows, our investment in joint ventures and funds grouped together and shown net. On an EPRA basis, our net investment at 31 March 2013 in joint ventures and funds was £2,463 million, up from £2,309 million at the previous year end, attributable to a reduction in net debt reflecting amortisation of securitised loan finance and the repayment of debt in The Scottish Retail Property Limited Partnership. The principal movements in EPRA net asset value are summarised right.

MOVEMENT IN EPRA NET ASSET VALUE PER SHARE[1]

	£m
At 31 March 2012	**595**
Valuation movement	
– Asset management and development	16
– Market yield movement	(13)
Underlying profit after tax	30
Dividends	(27)
Other	(1)
Net asset value before equity placing	**600**
Issue of shares – equity placing	(4)
At 31 March 2013	**596**

1 EPRA net assets exclude the mark-to-market on effective cash flow hedges and related debt adjustments, as well as deferred taxation on revaluations.

Growth in NAV has been driven by asset management initiatives and strong development performance, offset by a corresponding decrease in NAV due to the equity placing.

Our total accounting return for the year ended 31 March 2013 of 4.6%. Before the equity placing our total accounting return stood at 5.4%.

NET DEBT AND FINANCING

Net debt (EPRA) basis at 31 March 2013 was £2.0 billion for the Group and £4.3 billion including our share of joint ventures and funds. The principal value of gross debt excluding cash, short- term deposits and liquid investments was £2.1 billion for the Group and £4.6 billion on a proportionally consolidated basis. The strength of the Group's balance sheet has been reflected in British Land's senior unsecured credit rating which remains rated by Fitch at A–, and provides capacity for investment.

FINANCING STATISTICS

	Group	Proportionally consolidated
EPRA Net debt	£1,963m	£4,266m
Principal value of gross debt	£2,063m	£4,588m
Weighted average debt maturity	10.6 years	9.9 years
Weighted average interest rate of drawn debt	4.4%	4.6%
% of debt at fixed/capped rates	91%	97%
Interest cover[1]	2.8	2.3
Loan to value[2]	24%	40%

1 Underlying profit before interest and tax/net interest.
2 Debt to property and investments.

The weighted average interest rate was held at 4.6% on a proportionally consolidated basis, equivalent to the prior year, and increased from 4.4% at the half year September 2012 following the equity placing where we repaid lower rate short-term debt. Immediately prior to the equity placing the weighted average interest rate was 4.2%. Average debt maturity of 9.9 years compares to average lease lengths of 10.7 years.

The proportionally consolidated LTV decreased to 40% at 31 March 2013 (45% at 31 March 2012), driven by the equity placing and sale of Ropemaker Place, partially offset by acquisitions. LTV is expected to rise as funds are invested but will remain within our preferred range of 40% to 50%.

Our ability to access low cost, flexible finance from a diverse range of lenders is a key competitive advantage. We continue to achieve attractive financings, raising £1.2 billion (British Land share £1.0 billion) of bonds and facilities since the start of this financial year on competitive terms. This brings the total new debt financings arranged in the last 24 months to £2.8 billion (British Land share £2.3 billion).

In May 2012, HUT signed a new £350 million five year loan facility. The interest rate on the £250 million term loan used to fully repay the existing credit facility has been swapped to a fixed rate, resulting in an all-in rate including margin and arrangement fees below the fixed interest rate under the previous financing. A further £100 million revolving loan facility will provide flexibility for HUT in respect of acquisitions, capital projects, disposals and general business purposes.

In September 2012, the Group issued a £400 million five year convertible bond on highly attractive terms benefiting from strong investor demand. The coupon is 1.5%, and if converted, British Land has the option to settle in shares or cash or a combination of shares and cash. The conversion price was set at 693 pence, a 31.25% premium to the share price at the time. The convertible was an important element of diversifying our investor base.

During the year, we also completed over £140 million of new bilateral committed revolving loan facilities for British Land with several banks on our usual unsecured financial covenants.

FINANCIAL REVIEW CONTINUED

In March 2013, the Group completed a placing of ordinary shares at a price of 550 pence per placing share, raising total gross proceeds of approximately £493 million for the Company. The placing shares issued represent approximately 9.99 per cent of the issued ordinary share capital of British Land prior to the placing. The placing has provided us with additional investment capacity to pursue attractive opportunities, whilst remaining within our target LTV range. Whilst being initially EPS dilutive by 1.7 pence, we have already invested half of the placing proceeds into both income producing assets and development opportunities, reducing the annualised EPS dilution of the placing to just 0.6 pence. We stated at the time of the placing that we are confident of achieving earnings accretion on an annualised basis post the Ropemaker sale by March 2014.

Following the year end, in May, we signed a new five year £290 million unsecured revolving credit facility provided by a syndicate of seven banks with a wide geographical base, including three new relationships for British Land. This facility, with an initial margin of 135 bps per annum, was increased from £200 million due to oversubscription (and will remain open for further banks who wish to join within a month). The terms include our standard unsecured financial covenants.

At 31 March 2013 the Group had £2.3 billion of available committed banking facilities and £135 million of cash and short-term deposits. We now have £1.3 billion of facilities with a maturity of more than three years.

ACCOUNTING JUDGEMENTS

In preparing these financial statements, the key accounting judgements relate to:

Valuation of properties: the Group carries its properties at their fair value using external professional valuers to determine the relevant amounts. The primary source of evidence for property valuations should be recent, comparable market transactions on an arms-length basis. However, the valuation of the Group's property portfolio is inherently subjective, as it is made on the basis of assumptions made by the valuers which may not prove to be accurate.

REIT status: the Company has elected for REIT status. To continue to benefit from this regime, the Group is required to comply with certain conditions as defined in the REIT legislation. Management intends that the Group should continue as a REIT for the foreseeable future.

Accounting for joint ventures and funds: an assessment is required to determine the degree of control or influence the Group exercises and the form of any control to ensure that financial statement treatment is appropriate. Interest in the Group's joint ventures is commonly driven by the terms of the partnership agreements which ensure that control is shared between the partners. These 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 upon elimination of upstream transactions.

FINANCIAL POLICIES AND PRINCIPLES

The scale of our business combined with the quality, security and stability of our rental income and our management skills means that we are able to arrange finance on competitive terms from a broad range of sources. Here we outline our approach to financing, including our preferred level of gearing and the five guiding principles that govern how we manage our debt portfolio.

OUR FIVE GUIDING PRINCIPLES

1 Diversify our sources of finance

2 Maintain liquidity

3 Extend and stretch maturity of debt portfolio

4 Maintain flexibility

5 Maintain strong balance sheet metrics

Our approach

At the heart of our approach to financing is the need to ensure that we have sufficient competitively priced financing available to support our property strategy, operating within our stated gearing range. To achieve this we have five guiding principles that govern the way we finance the business and manage its debt book.

Finance contributes to the Group's success, most importantly by providing the liquidity and resources to grow and develop the business. In arranging and monitoring our financing we include important risk disciplines, ensuring that all relevant risks are fully evaluated and managed.

British Land uses debt to enhance returns to shareholders. Good access to capital and the debt markets gives us a competitive advantage, allowing us to exploit opportunities when they arise.

Gearing

The gearing level adopted by the Board is a significant judgement as it impacts on the net asset value of the Company, the scale of British Land and the amount of debt that can be comfortably sustained. We use the loan to value ratio (debt as a percentage of the value of our assets), or LTV, to measure our gearing.

At British Land we have settled on a preferred LTV range of between 40% and 50% on a proportionally consolidated basis (i.e. including our share of joint ventures and funds). At 31 March 2013, this ratio was 40.2%.

In choosing this range of gearing the Board has weighed up the returns we get from owning more property (through borrowing to buy property) against the risks that debt necessarily entails. The range reflects the strength of our operational business, the reliability of our cash flows, the way in which we manage our debt book and, in particular, our refinancing risk.

Overall, and subject to transaction activity, we aim to manage the level of gearing over the property cycle such that when values are rising from the low part of the cycle gearing will be at a higher level in the range, while when values are around the high point of the cycle gearing will be in the lower level of the range. It is in the nature of real estate that transactions are often large in size which can cause large movements in loan to value within our preferred range. Our gearing is currently at the bottom end of our range, and is expected to increase as the monies raised from our share placing and the sale of Ropemaker Place in March 2013 are reinvested, and with continuing expenditure on our development programme.

British Land has a competitive advantage as, by leveraging our scale through joint ventures and funds financed with non-recourse debt, the LTV at 40.2% on a proportionally consolidated basis is higher than the Group measure for our unsecured lenders, which is less than 25%. We can operate with a higher level of proportionally consolidated LTV without taking unnecessary risk in terms of our unsecured credit profile.

40–50%

Our LTV range

40.2%

Our LTV at 31 March 2013

OUR FIVE GUIDING PRINCIPLES

OUR FIVE GUIDING PRINCIPLES

1 Diversify our sources of finance

2 Maintain liquidity

3 Extend and stretch maturity of debt portfolio

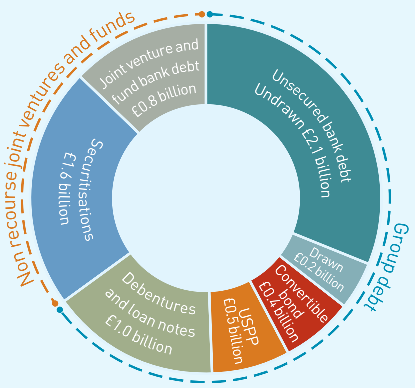
4 Maintain flexibility

5 Maintain strong balance sheet metrics

1 DIVERSIFY OUR SOURCES OF FINANCE

We borrow from a large number of lenders, and have a total of 45 debt providers of bank facilities and private placements alone. The scale and quality of the Group's business enables us to access a broad range of secured and unsecured, recourse and non-recourse debt markets. We arrange our finances so as to be able to choose between different types of debt to suit our own and, where appropriate, our partners' needs within the constraints of our borrowing covenants. We aim to maintain a balance between longer-term and shorter-term financings.

DEBT PROFILE – PROPORTIONALLY CONSOLIDATED (AS AT 31 MARCH 2013)



We also aim to ensure that potential debt providers understand our business and we adopt a transparent approach so that lenders can understand the level of their exposure within the overall context of the Group. We ensure that we operate within the relevant covenants of our facilities and we have a senior unsecured debt rating of A– from Fitch, unchanged from a year ago. These factors increase our attractiveness to lenders, and since April 2012 we have arranged £1.2 billion (British Land share £1.0 billion) of new facilities from banks, insurers and the convertible bond.

GROUP

Shorter-term financing by the Group is principally unsecured debt of British Land, raised through bilateral and syndicated unsecured revolving bank facilities. These credit facilities are based on relationships with a wide range of banks, reducing reliance on any particular lender. At 31 March 2013, 19 different financial institutions from nine countries provided finance to the Group via bilateral or syndicated facilities totalling £2.3 billion at floating interest rates based on LIBOR plus an average margin of 82 bps or 0.82% per annum; of this £0.2 billion was drawn at the year end at an average margin of 43 bps or 0.43% per annum.

Medium to longer-term financing comprises public and private bond issues, including private placements, convertibles and debentures.

The unsecured funding with recourse to British Land includes US private placements, issued in full at fixed rates, requiring no amortisation and with terms up to 14 years.

Secured debt with recourse to British Land is provided by debentures at fixed interest rates with long maturities and no amortisation. Debentures without recourse to British Land comprise two fixed rate debentures of £73 million in total.

JOINT VENTURES AND FUNDS

Our joint ventures and funds are each financed in 'ring-fenced' structures without recourse to British Land. External debt in total of £5.0 billion (2011/12: £5.4 billion) has been arranged through securitisation or bank debt according to the requirements of the business of each venture.

2 MAINTAIN LIQUIDITY

We aim to always have a good level of undrawn, available, unsecured revolving bank facilities. These facilities provide financial liquidity, reduce the need to hold liquid resources in cash and deposits, and minimise costs arising from the difference between borrowing and deposit rates while reducing credit exposure. At 31 March 2013 we had cash and undrawn facilities of £2.2 billion.

£2.2bn

Our cash and undrawn facilities

4 MAINTAIN FLEXIBILITY

We negotiate flexibility into our debt facilities and our bank revolving credit facilities provide full flexibility of drawing and repayment at short notice without additional cost. These provide valuable operational support, are arranged with standard terms and financial covenants and are committed for terms of generally five years. We arrange these revolving credit facilities in excess of our expected requirements to ensure we always have adequate financing availability and to support future business requirements. Operational flexibility is maintained with our combination of unsecured revolving debt and secured term debt with good substitution rights, where we have the ability to move assets in and out of our debentures.

3 EXTEND AND STRETCH MATURITY OF DEBT PORTFOLIO

The maturity profile of our debt is managed by spreading the repayment dates and extending facilities, and by monitoring the various debt markets so that we have the ability to act quickly to arrange new finance at advantageous rates as opportunities arise. Debt maturities are well spread over a long period; taking into account undrawn facilities and cash as well as committed development expenditure, we are comfortably ahead of our two year re-financing date horizon. During the last year the new facilities raised had maturities averaging five years. The average length of our debt maturities is 9.9 years.

9.9 years

Our average debt maturity

5 MAINTAIN STRONG BALANCE SHEET METRICS

British Land's operational metrics are strong. The strength of our property portfolio is emphasised by the longevity and quality of our cash flows, with long average outstanding lease lengths (10.7 years); high occupancy (96.8%); the in-built growth of our portfolio (25.5% with fixed or RPI linked uplifts); low levels of lease expiries over the next three years (9.6% of income); and reduced levels of development risk (with £49 million already contracted future income from pre-lets). The strength of our debt portfolio and low refinancing risk is illustrated by the range (within 12 months to 23 years) of our debt maturities; our diversified pool of finance confirming our avoidance of reliance on single debt sources; our efficiency with a low average cost of debt of 4.6%; our interest cover of 2.3 times proportionally consolidated; our use of non-recourse debt; and operational flexibility, supported by our continued success at raising debt at competitive prices.

4.6%

Our weighted average interest rate

BORROWINGS AND COVENANTS, AND OTHER POLICIES

MONITORING OUR LTV AND DEBT

We monitor our projected LTV and our debt requirement using several key internally generated reports focused principally on borrowing levels, debt maturity, covenant headroom and interest rate exposure. We also undertake sensitivity analysis to assess the impact of proposed transactions, movements in interest rates and changes in property values on the key balance sheet, liquidity and profitability ratios.

In assessing our on-going debt requirements, including those of our development programme, we consider potential downside scenarios such as an unexpected fall in valuations and the effect that might have on our covenants and the potential impact on the differing categories of debt within our business.

We monitor the credit standing of our counterparties to minimise our risk exposure to deposits placed.

MANAGING OUR INTEREST RATE EXPOSURE

We manage our interest rate exposure and risk independently from our debt exposure. The Board sets an appropriate maximum level of sensitivity of underlying earnings and cash flows to movements in market rates of interest over a rolling five-year period. The proportion of fixed rate debt required to remain within the target sensitivity varies with the levels of gearing and interest cover.

Our debt finance is raised at both fixed and variable rates. Derivatives (primarily interest rate swaps) are used to achieve the desired interest rate profile across proportionally consolidated net debt. Currently 85% of projected net debt (including our share of joint ventures and funds) is at fixed rate over the five-year policy time period.

The use of derivatives is managed by a derivatives committee. The interest rate management of joint ventures and funds is addressed by each entity for its business.

The Group's exposure to derivative counterparties is monitored on a regular basis, as are their external credit ratings.

FOREIGN CURRENCY EXPOSURE

Our 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. When attractive terms are available to do so, the Group may choose to borrow in freely available currencies other than sterling. The Group fully hedges its foreign currency risk on such borrowings.

Our overseas assets are held in Spain, Portugal, Italy and France and total £255 million (our share). They are hedged by borrowings of equal amounts in euros from a range of British, German and other European banks.

TAX

Being a Real Estate Investment Trust (REIT) British Land does not pay tax on its property income or gains on property sales, provided that we distribute as a dividend at least 90% of our property income to shareholders, which becomes taxable in their hands. In addition, we have to meet certain conditions such as ensuring our property rental business represents more than 75% of our total profits and assets. We do pay tax on overseas property income, which is subject to taxation in the relevant jurisdiction. Any UK income that does not qualify as property income within the REIT rules (such as fees and interest) is subject to tax in the normal way. We also collect VAT and withholding tax on the dividends, as well as employment taxes, on behalf of HMRC.

We administer the tax compliance for 468 companies covering Group and joint ventures and funds (383 UK companies and 85 overseas companies); details of which are shown in our annual return filed with Companies House on 28 February 2013.

HMRC have awarded us a Low Risk tax rating which is in part a reflection of our REIT status together with our transparent approach where we keep them informed. Also, we maintain a regular dialogue with HMRC and, in complex areas where there is a range of ways in which a transaction could be undertaken, we seek clearance from HMRC for what we do. We also discuss with HMRC potential or proposed changes in the taxation system that might affect us, particularly those relating to REIT legislation.

In the year to 31 March 2013, British Land paid more than £200 million in tax to HMRC. On top of that, our investments bring wider economic and social benefits. In September 2012, PwC calculated for British Land the impact its £2.1 billion development programme is having on communities across the UK. Between 2011 and 2015, British Land will have contributed £1.2 billion (in terms of Gross Value Added) to the UK economy and created 32,300 jobs through its construction projects. For every £1 million British Land spends on construction, it generates an estimated 31 jobs.

GROUP BORROWINGS

Shorter-term financing by the Group is raised principally through bilateral and syndicated unsecured revolving bank facilities with a wide range of banks. Unsecured medium and longer-term finance is also arranged in private placements and convertible bonds, issued at fixed rates of interest with no amortisation. The same unsecured financial covenants apply across each of the Group's unsecured facilities.

These covenants, which have been consistently agreed with all unsecured lenders since 2003, are:

(a) Net Borrowings not to exceed 175% of Adjusted Capital and Reserves; and

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

No income/interest cover ratios apply to these facilities, and there are no other unsecured debt financial covenants in the Group.

COVENANT RATIO

At 31 March 2013	2009	2010	2011	2012	2013
Net Unsecured Borrowings to Unencumbered Assets[1]	6%	14%	25%	34%	**23%**
Net Borrowings to Adjusted Capital and Reserves[2]	83%	37%	36%	44%	**31%**

Highest during the year to 31 March 2013: **1** 40%; and **2** 50%.

The Unencumbered Assets of the Group, not subject to any security, stood at £4.3 billion as at 31 March 2013.

Although secured assets are excluded from Unencumbered Assets for the covenant calculations, unsecured lenders benefit from the surplus value of these assets above the related debt and the free cash flow from them. During the year ended 31 March 2013, these assets generated £43 million of surplus cash after payment of interest. In addition, while investments in joint ventures do not form part of Unencumbered Assets, our share of profits generated by these ventures are regularly passed up to the Group.

Secured debt with recourse to British Land is provided by longer-term debentures at fixed interest rates with no amortisation. The £0.9 billion of debentures issued by British Land are secured against a single combined pool of assets with common covenants; the value of those assets is required to cover the amount of these debentures by a minimum of 1.5 times and net rental income must cover the interest at least once. We use our rights under the debentures to withdraw, substitute or add properties (or cash collateral) in the security pool, in order to manage these cover ratios effectively and deal with any asset sales.

Debentures without recourse to British Land comprise two fixed rate debentures of £73 million in total.

BORROWINGS IN OUR JOINT VENTURES AND FUNDS

The debt in our joint ventures and funds is arranged without recourse to British Land for repayment and secured on the assets of the relevant entity, where gearing can often be satisfactorily maintained at a higher level than Group debt.

Of external debt totalling £5.0 billion (2011/12: £5.4 billion) in our joint ventures and funds, 63% is provided by long dated securitisations.

The securitisations of the Broadgate Estate (£1,812 million), Meadowhall (£768 million) and the Sainsbury's Superstores portfolio (£610 million), have weighted average maturities of 14.0 years, 12.2 years, and 8.6 years respectively. The only financial covenant applicable to these securitisations is that income must cover interest and scheduled amortisation (1 times); there are no loan to value covenants. These securitisations provide for quarterly principal repayments with the balance outstanding reducing to approximately 20%–30% of the original amount raised by expected final maturity, thus mitigating refinancing risk.

Other debt arrangements with banks and other lenders include loan to value ratio covenants with levels ranging from 40%–90%; and most have rental income to interest or debt service cover requirements. There is no obligation on British Land to remedy any breach of these covenants and any remedy needed would be considered by the parties on a case-by-case basis.

CHAIRMAN'S GOVERNANCE REVIEW

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"Good corporate governance is one of British Land's values and is an integral part of our Group. It ensures proper oversight by the Board and ensures that our actions are closely aligned with our strategy.

JOHN GILDERSLEEVE
Chairman"

Dear shareholder,

Welcome to the corporate governance section of British Land's Annual Report. During his time as Chairman, Chris Gibson-Smith focused on the importance of good corporate governance to both British Land's shareholders and the Company itself. All of our Directors, both Executive and Non-Executive, believe that strong corporate governance is key if we are to maintain a well-led Company which adds value and delivers performance for investors. I look forward to maintaining best practice in corporate governance, now that I have taken on the role of Chairman. We continue to achieve this by following the UK Corporate Governance Code (the Code) and ensuring that the operating and controlling structures within our Group are fit for purpose, so that decisions are made at the right level throughout.

We have clear approval guidelines for commitments that are made, with all important decisions and material approvals being reserved for the Board. Significant decisions and transactions that took place during the year, such as the £493 million equity placing, the sale of Ropemaker Place for £461 million, the £129 million acquisition of the Clarges Estate and the acquisition of the Wereldhave Portfolio for £178 million, were all approved by the Board and its relevant subsidiaries, following appropriate due diligence by management and consideration by the appropriate committees.

This year the Board formalised its approach to determining the Company's risk appetite – the level of risk which we are comfortable exposing the business to in pursuit of its performance objectives. The view of risk appetite is defined by set thresholds for each of our identified key risk indicators and guides the strategy process.

The strategy is set out in pages 16 and 17. Executives within the Group are engaged with and fully support this strategy. This means that we have a common goal and that decision making within the Group is aligned. The Board ensures that any matters it approves are in line with the strategy that has been agreed.

The corporate governance framework and recommended best practice continue to be refined. In September 2012 the Financial Reporting Council revised the Code and issued new Guidance on Audit Committees. These changes, which are welcomed by the Board, are applicable to our next financial year ending 31 March 2014, but many of the changes have been incorporated into this year's Report. The basics of good corporate governance remain the same:

- we maintain a corporate structure that encourages honesty and openness, ensuring that decisions are made by the right people, with access to all the relevant information; and
- we ensure that appropriate people and structures are in place to support our agreed strategy.

The Board are responsible for ensuring that these arrangements are in place; the annual Board evaluation (page 82) assesses how effective the Board is at fulfilling its responsibilities. The relatively small number of staff and clear reporting lines mean Executive Directors are aware of or involved in all the activities of the Group, and, while we already have clear and adequate procedures in place, we continue to encourage our staff to review their own and each other's activities, and to challenge each other if they think a matter appears unusual or a process can be improved. This supports our 'One Team' approach to business, which we continue to promote, along with our other core values of Integrity, Excellence and Commercial Acumen. These four core values underpin our behaviour throughout the business and are supported by our staff. The values are reinforced as we strive to ensure that our staff enjoy a good working environment in which they are able to communicate and interact at all levels, both in the work place and socially, and through the staff volunteering opportunities that are part of our extensive corporate responsibility programme.

Communication between a Company and its shareholders is an essential element of a sound governance framework. At British Land we engage with our shareholders via a number of pathways: Executive Directors regularly communicate with shareholders through meetings and conference calls (see page 83); the Audit Committee monitor our Financial Statements to ensure they are of the quality and clarity required by our shareholders and I have personally met with a number of shareholders since my appointment as Chairman and, along with the rest of the Board, look forward to meeting and talking to many more. Our Annual General Meeting (AGM) provides all of our shareholders with an opportunity to question their Directors and feedback any comments they may have on the Company's performance. We also recognise the important contribution made by providers of capital other than shareholders, namely our bank lenders and bond holders. We maintain a regular and open dialogue with our lenders to help us understand their appetite and investment criteria.

The pages that follow explain how we have applied the main principles of the Code throughout the year. We also explain our governance structure and the various committees that govern our approval and operating procedures. The Board support the principles of good corporate governance and believe that we comply with those principles.

John Gildersleeve

John Gildersleeve
Chairman

OUR GOVERNANCE STRUCTURE

THE BOARD

The Board is responsible for the strategy, effective control and management of the Group, and is comprised of Executive and Non-Executive Directors. It has established a number of Board-level committees comprising Non-Executive Directors; there are also a number of Management Committees comprising Executive Directors and senior executives. All of British Land's Directors receive a thorough induction on joining the Board and each individual's skills and knowledge can be updated and refreshed so their roles as Board and Committee members can be suitably fulfilled; further training is provided to facilitate this.

THE CHAIRMAN

The Chairman is responsible for leadership of the Board and ensuring its effectiveness in all aspects of its role. He sets the Board's agenda and ensures that adequate time is available for discussion of all agenda items, in particular strategic issues. It is his responsibility to promote a culture of openness and debate and to ensure constructive relations exist between Executive and Non-Executive Directors. He also ensures that the Directors receive accurate, timely and clear information, essential if their duties are to be carried out effectively, and ensures that effective communication occurs between the Company and its shareholders.

NON-EXECUTIVE DIRECTORS

The Non-Executive Directors constructively challenge the Executive Directors and help to develop the Company's strategy.

All the Non-Executives are deemed to be independent.

THE CHIEF EXECUTIVE AND EXECUTIVE DIRECTORS

The Chief Executive, together with the Executive Directors, is responsible for the management of the Company's day-to-day business and for ensuring the strategy that the Board has developed is implemented.

The Executive Directors work with the Chief Executive and each has a specific area of responsibility: Finance, Offices or Retail. The relatively small size of British Land means that the Executive Directors are aware of, or involved in, all activities of the Group.

COMMITTEES OF THE BOARD

The Board has established Audit, Remuneration and Nomination Committees which operate within defined terms of reference, available on the Company's website (www.britishland.com). The Audit and Remuneration Committees are entirely composed of independent Non-Executive Directors and the Nomination Committee is composed of independent Non-Executive Directors together with the Chairman. Lord Turnbull was appointed Senior Independent Director in January 2013, following John Gildersleeve becoming Chairman. The following pages contain a Report of the Audit Committee (pages 86 to 89), a Remuneration Report (pages 92 to 108) and a Report of the Nomination Committee (pages 90 and 91). The attendance of Directors at Board and Committee meetings is shown in the table on page 81.

MANAGEMENT COMMITTEES

In addition to the Board-level committees, there are four principal Management Committees established by the Chief Executive: the Executive Committee, composed of the Executive Directors and senior executives; the Investment Committee and the Risk Committee, each composed of the Executive Directors; and the Corporate Responsibility Committee, composed of senior executives with its Chairman reporting directly to the Chief Executive. The activities of these Committees are discussed on page 78 and 79.

The British Land Company PLC Main Board
(Chairman, Independent Non-Executive Directors and Executive Directors)

BOARD-LEVEL COMMITTEES

Audit Committee (Independent Non-Executive Directors)	**Remuneration Committee** (Independent Non-Executive Directors)	**Nomination Committee** (Chairman and Independent Non-Executive Directors)

MANAGEMENT COMMITTEES

Executive Committee (Executive Directors and senior executives)	**Investment Committee** (Executive Directors)	**Risk Committee** (Executive Directors)	**Corporate Responsibility Committee** (senior executives)

BOARD OF DIRECTORS

JOHN GILDERSLEEVE
Non-Executive Chairman

Appointment to the Board: John became a Non-Executive Director in September 2008. He was Senior Independent Director from November 2010 until he was appointed Chairman of the Company on 1 January 2013.
Committee membership: Chairman of the Nomination Committee.
External appointments: John is Non-Executive Deputy Chairman of Carphone Warehouse Group PLC and a Non-Executive Director of TalkTalk Telecom Group PLC.
Previous experience: Until 2004, John was a Director of Tesco plc. He was formerly Chairman of New Look Retail Group Limited, EMI Group, Gallaher Group and Carphone Warehouse Group and was also a Non-Executive Director of Lloyds TSB Bank PLC and Vodafone Group.

CHRIS GRIGG
Chief Executive

Appointment to the Board: Chris joined British Land as Chief Executive in January 2009.
Committee membership: Chairman of the Executive Committee and Investment Committee and member of the Risk Committee.
External appointments: Chris is a member of the Executive Board of EPRA, the European Public Real Estate Association, and is President of the British Property Federation until July 2013.
Previous experience: Chris was Chief Executive of Barclays Commercial Bank until November 2008, having joined the bank in 2005 as Group Treasurer. Prior to Barclays, he held a broad range of leadership positions at Goldman Sachs, where his career spanned 20 years. Chris rose to partner of Goldman Sachs, working principally in its capital markets and derivatives business.

LUCINDA BELL
Finance Director

Appointment to the Board: Lucinda joined the Executive Committee in 2010, joined the Board in March 2011 and became Finance Director in May 2011.
Committee membership: Executive Committee, Investment Committee and Chair of the Risk Committee.
Previous experience: Lucinda qualified as a Chartered Accountant before joining British Land in 1991, where she has held a wide range of roles in the Group finance function, including the role of Tax Director. Lucinda was also formerly a Governor of the University of Westminster where she chaired the Finance and Property Committee.

DIDO HARDING
Non-Executive Director

Appointment to the Board: Dido was appointed a Non-Executive Director of the Company in January 2010.
Committee membership: Remuneration Committee.
External appointments: Dido is Chief Executive Officer of TalkTalk Telecom Group PLC and is also a trustee of charity Go ON UK, which aims to make the UK the most digitally skilled nation in the world.
Previous experience: Prior to joining TalkTalk in early 2010, Dido was Sainsbury's Convenience Director and a member of J Sainsbury plc's Operating Board. Dido previously held senior management positions within Tesco plc, Kingfisher Plc and Thomas Cook Ltd.

WILLIAM JACKSON
Non-Executive Director

Appointment to the Board: William was appointed a Non-Executive Director of the Company in April 2011.
Committee membership: Remuneration Committee.
External appointments: William is the Managing Partner of Bridgepoint and serves on a number of Bridgepoint portfolio Boards. He is currently Chairman of the Board of Pret A Manger and President of the Board of Dorna Sports SL.
Previous experience: William began his career in NatWest's investment banking arm, before working extensively on private equity transactions in Europe. He was appointed Managing Partner of Bridgepoint in 2001.

CHARLES MAUDSLEY
Head of Retail

Appointment to the Board: Charles joined the Board in February 2010. He has responsibility for the Retail sector of the Company's portfolio.
Committee membership: Executive Committee, Investment Committee and Risk Committee.
Previous experience: Charles joined British Land from LaSalle Investment Management where he was Co-Head of Europe, Managing Director of the UK business, a member of the Management Board and an International Director. Prior to joining LaSalle he was with AXA Real Estate Investment Managers for seven years where he was Head of Real Estate Fund Management in the UK.

See Management Committees
P78–79

For Executive Committee members' biographies
www.britishland.com/about-us/leadership/executive-committee

LORD TURNBULL
Senior Independent Director (SID)

Appointment to the Board: Andrew was appointed a Non-Executive Director in April 2006 and became SID on 14 January 2013.
Committee membership: Nomination Committee and Chairman of the Remuneration Committee.
External appointments: Andrew is a Non-Executive Director of Prudential PLC and Frontier Economics Ltd. He entered the House of Lords in 2005 as a Crossbench Life Peer.
Previous experience: Andrew was Secretary of the Cabinet and Head of the Home Civil Service from 2002–2005, Permanent Secretary of HM Treasury from 1998–2004, and Permanent Secretary at the Department of the Environment from 1994–1998. Andrew was a Non-Executive Director of the Arup Group from 2006–2007 and Chairman of BH Global Limited for five years until 1 January 2013.

AUBREY ADAMS
Non-Executive Director

Appointment to the Board: Aubrey was appointed a Non-Executive Director in September 2008.
Committee membership: Audit Committee.
External appointments: Aubrey is Head of Property within RBS's Global Restructuring Group and Non-Executive Chairman of Max Property Group PLC. He is a Non-Executive Director of Pinnacle Regeneration Group Limited and Chairman of the Board of Trustees of Wigmore Hall.
Previous experience: Until May 2008 Aubrey was Chief Executive of Savills PLC. He was Senior Independent Director of Associated British Ports PLC from 1996–2006 and Non-Executive Chairman of Air Partner plc from 2008–2012. Aubrey was Senior Independent Director of Unitech Corporate Parks PLC until December 2012.

SIMON BORROWS
Non-Executive Director

Appointment to the Board: Simon was appointed a Non-Executive Director of the Company in March 2011.
Committee membership: Audit Committee.
External appointments: Simon is Chief Executive of 3i Group plc and a Non-Executive Director of Inchcape plc.
Previous experience: Before his appointment to 3i Simon worked for 28 years in the banking and finance industry, most recently as Chairman of Greenhill & Co. International LLP, having served as Co-Chief Executive Officer of the firm from 2007–2010 and Co-President from 2004–2007. Prior to Greenhill, Simon held the position of Chief Executive Officer of Baring Brothers International Limited, the corporate finance division of ING Barings.

RICHARD PYM
Non-Executive Director

Appointment to the Board: Richard was appointed a Non-Executive Director of the Company in January 2010.
Committee membership: Nomination Committee and Chairman of the Audit Committee.
External appointments: Richard is Chairman of UK Asset Resolution Ltd. He is also Non-Executive Chairman of BrightHouse Group Plc and Nordax Finans AB.
Previous experience: Richard was Group Chief Executive of Alliance & Leicester plc from 2002–2007. He was also formerly a Vice President of the British Bankers Association, Non-Executive Chairman of Halfords Group plc from 2006–2008 and a Non-Executive Director of Selfridges PLC from 1998–2003 and of Old Mutual PLC from 2007–2010.

TIM ROBERTS
Head of Offices

Appointment to the Board: Tim was appointed to the Executive Committee in August 2005 and elected as an Executive Director in July 2006. He has responsibility for the Office sector of the Company's portfolio.
Committee membership: Executive Committee, Investment Committee and Risk Committee.
External appointments: Tim is a Trustee and Board Member of LandAid, the Property Industry Charity.
Previous experience: Before joining British Land in 1997 Tim was a partner at Drivers Jonas, in the Investment Agency team.

ANTHONY BRAINE
Group Secretary

Tony joined British Land in 1987 as Assistant Secretary and became Group Secretary in 1995.

There are three additional members of the Executive Committee that are not on the Board, please see the website for full information.

MANAGEMENT COMMITTEES

CHRIS GRIGG
Chair

EXECUTIVE COMMITTEE

COMMITTEE MEMBERS

Executive Directors:
Chris Grigg (Chair)
Lucinda Bell
Charles Maudsley
Tim Roberts

Others:
Nigel Webb
Jean-Marc Vandevivere
Simon Carter
Anthony Braine (Secretary)

EXECUTIVE COMMITTEE

- Deals with on-going management of the Group.
- Comprises Executive Directors and senior executives.
- Meets approximately twice each month.

KEY ROLES AND RESPONSIBILITIES INCLUDE

The consideration of:

- day-to-day operational matters for running the business;
- performance of the Group's assets and the development programme;
- internal procedures;
- cost control; and
- matters for recommendation to other Committees of the Board.

The Committee receives and considers a number of regular reports and discusses emerging trends. During the year ad-hoc reports were considered on various matters, such as risk adjusted returns, market sectors, investor relations and communication strategy.

A separate meeting is set aside each quarter to consider and discuss a Quarterly Business Review. This Report provides a high level quarterly performance review of the business focusing on the key metrics for Retail, Offices, Residential and Finance, and assists the Committee in considering and debating the performance of each area of the Group.

Principal matters relating to planning, directing and controlling activities are reserved for full Board approval, as detailed in the Leadership section on page 80.

INVESTMENT COMMITTEE

COMMITTEE MEMBERS

Chris Grigg (Chair)
Lucinda Bell
Charles Maudsley
Tim Roberts

INVESTMENT COMMITTEE

- Reviews and approves capital transactions.
- Comprises Executive Directors.
- Meets as required.

KEY ROLES AND RESPONSIBILITIES INCLUDE

The review and approval of:

- acquisition and disposal of assets;
- investment in other companies, partnerships and joint ventures; and
- proposed capital expenditure above £20 million.

In the case of major transactions, approvals by the Investment Committee are subject to the approval of the Board. Approvals are also subject to any other formal Board approvals that may be required, including those required by joint venture arrangements in the case of joint venture expenditure.

Meetings of the Committee are also attended by the senior executives who are members of the Executive Committee and the executives responsible for each proposed transaction.

LUCINDA BELL
Chair

RISK COMMITTEE

COMMITTEE MEMBERS

Lucinda Bell (Chair)
Chris Grigg
Charles Maudsley
Tim Roberts

RISK COMMITTEE

- Management of both strategic and operational risk in achieving the Company's performance goals.
- Comprises Executive Directors.
- Meets at least quarterly.

KEY ROLES AND RESPONSIBILITIES INCLUDE

- Recommending appropriate risk appetite levels to the Board;
- Monitoring the Company's risk exposure against the target risk appetite; and
- Reviewing the effective operation of risk management processes, including risk identification, risk monitoring and risk mitigation.

ADRIAN PENFOLD
Chair

CORPORATE RESPONSIBILITY COMMITTEE

COMMITTEE MEMBERS

Adrian Penfold (Chair)
Justin Snoxall
Sarah Cary
Anna Devlet

CORPORATE RESPONSIBILITY COMMITTEE

- Develops and implements the Company's Corporate Responsibility Strategy.
- Comprises senior executives.
- Meets monthly.

KEY ROLES AND RESPONSIBILITIES INCLUDE

Delivering British Land's four corporate responsibility focus areas:

- managing buildings efficiently;
- developing sustainable buildings;
- supporting communities; and
- engaging staff.

The Committee acts as a catalyst for change across the business, exploring and testing new concepts and trends and, where appropriate, implementing them. Staff and suppliers take on responsibility for implementation of the initiatives.

Progress against the Company's Corporate Responsibility strategy is reviewed at the monthly Corporate Responsibility Committee meetings. The Chairman of the Committee reports to the Chief Executive on progress at least monthly. A presentation is given to the Executive Committee to approve changes in strategy and to provide updates on external change.

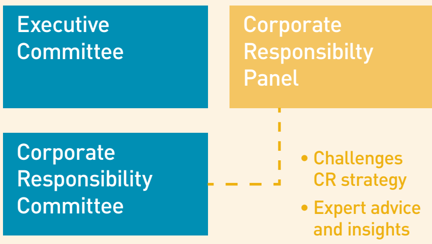
A review of the strategy and performance is presented to the Board annually, in addition to quarterly updates on CR progress.

The CR Committee meets regularly with business units and twice annually with managing agents and project teams to share best practice and review performance.

The business holds an annual awards ceremony to recognise the contributions from our supply chain and staff towards achieving the CR goals for the year.

CORPORATE RESPONSIBILITY PANEL

The CR Panel meets twice yearly. The Panel does not make decisions, but challenges the CR strategy and provides expert advice. The Panel is chaired by Chris Grigg. There are also four independent experts appointed: William Day, Patrick Bellew, Frances Done and Kay Allen. The CR review appears on pages 60 and 61. The CR Report is produced annually and is available on our website.



Go online at
www.britishland.com/crreport

COMPLIANCE WITH THE UK CORPORATE GOVERNANCE CODE

The 2010 UK Corporate Governance Code (the Code) is the standard against which we were required to measure ourselves during the financial year.

This Corporate Governance Report aims to provide shareholders with an understanding of how the Company has applied the principles and the provisions of the Code, a copy of which is available at www.frc.org.uk. The Board considers that the Company has, throughout the year ended 31 March 2013, complied with all the relevant provisions set out in the Code. The main principles have been applied as follows:

LEADERSHIP

British Land is headed by an effective Board, which is collectively responsible for the long-term success of the Company.

There is a formal schedule of matters specifically reserved for Board approval, summarised below. The Board delegates authority to the Executive Directors of the Company in respect of certain transactions, within defined, limited parameters. There is a regular schedule of Board meetings, together with further meetings as required by the on-going business of the Company – this may require the Directors to attend at short notice for time-sensitive matters such as the decision to make the £493 million equity placing in March 2013. The Board receive reports on every material aspect of the business of the Company, its subsidiaries, joint ventures and funds at these meetings, ensuring both Executive and Non-Executive Directors are kept well informed.

There is a clear division of responsibilities at the head of the Company, between the running of the Board and the executive responsibility for the running of the Company's business. No one individual has unfettered powers of decision, and there is a written division of responsibilities between the Chairman and Chief Executive, which has been approved by the Board. Their respective major responsibilities are summarised in the boxes on page 75.

The Chairman and individual Directors meet outside of formal Board meetings, as part of each Director's continuing contribution to the delivery of the Company's strategy to achieve superior returns for shareholders. This process also allows for open two-way discussion about the effectiveness of the Board, its Committees and individual Directors, both Executive and Non-Executive. By these means, the Chairman is continually aware of the views of individual Directors and can act as necessary to deal with any issues relating to Board effectiveness before they can become a risk to the Company.

The Non-Executive Directors constructively challenge the Executive Directors and help develop proposals on strategy; this occurs at meetings of the Board, and particularly at the annual Strategy Day. The most recent Strategy Day took place over two days in February 2013, as detailed below.

The Non-Executive Directors scrutinise the performance of management in meeting their agreed goals and objectives and monitor the reporting of performance. They satisfy themselves on the integrity of financial information and that financial controls and systems of risk management are robust and defensible. The Non-Executive Directors also determine appropriate levels of remuneration of Executive Directors and have a prime role in appointing Directors and succession planning. In addition to the Chairman, there are six independent Non-Executive Directors with a strong range of complementary skills. Further details can be found on pages 76 and 77. Appropriate insurance cover has been arranged in respect of legal action against the Company's Directors.

OVERVIEW OF MATTERS RESERVED FOR FULL BOARD APPROVAL

- Transactions and financing arrangements over £100 million.
- Employee share and option schemes.
- Issue of securities.
- Documents to shareholders and Annual Report and Accounts.
- Dividends.
- Authority levels below those of the Board.
- Related Party Transactions.

THE STRATEGY DAY

British Land's annual Strategy Day is attended by the full Board and senior executives. A number of presentations, delivered by Executive Directors and senior executives, provide the Non-Executive Directors with in-depth updates on all aspects of the business and provide opportunities for the Board to discuss, review, challenge and develop the Company's strategy.

Consideration is given to:

- each part of the Group's existing and prospective portfolio;
- financing; and
- the Group as a whole, and the overall corporate strategy going forward.

Items on the February 2013 Strategy Day agenda included:

- 10-year vision for British Land.
- Finance Strategy.
- London Strategy.
- Retail Strategy.
- Development.

The Strategy Day also provides an opportunity for the full Board to consider succession planning.

ACCOUNTABILITY

The Board presents a balanced and understandable assessment of the Company's position and prospects.

The business model on page 14 explains the basis on which the Company generates and preserves value over the longer-term, and the strategy of the Company is outlined on pages 16 and 17.

The Board also determines the nature and extent of the significant risks it is willing to take in achieving its strategic objectives, and maintains sound risk management and internal control systems. There are formal and transparent arrangements for considering how corporate reporting, risk management and internal control principles are applied and for maintaining an appropriate relationship with the Company's auditor. The key risks that the Group faces and features of the internal control system that operated throughout the period covered by the accounts are referred to in the Report of the Audit Committee on pages 86 to 89; the approach to risk management and the principal risks themselves are shown on pages 42 to 47. Risk management and internal control is also discussed on page 84.

All Directors were re-elected during the year and, with the exception of Chris Gibson-Smith and Stephen Smith who resigned during the year, seek re-election at the 2013 AGM.

KEY ACTIVITIES OF THE BOARD 2012/13

Regular agenda items included

- Reports from the Audit, Remuneration and Nomination Committees.
- Chief Executive's Management Reports.
- Board performance appraisal.
- Strategy Day feedback.
- Risks, including Risk Appetite.
- Transactions.
- Financing.
- Corporate responsibility.
- Approval of year end results, the Annual Report, the AGM Circular and dividends.
- Directors' appointments/reappointments at the 2012 AGM.
- Conflicts of interest.

Key agenda items also considered in the year included

- Appointment of John Gildersleeve as Chairman of the Company
  – On the recommendation of the Nomination Committee (see page 91).
- Equity placing
  – £493 million raised to fund attractive investment opportunities.
- Ropemaker Place
  – Sold for £461 million; net initial yield of 5.0%.
- Convertible Bond issue
  – £400 million, 1.5% coupon, due 2017.
- Approval of new bank facilities totalling £143 million.
- Wereldhave Portfolio
  – Acquired for £178 million; includes Ealing Broadway Shopping Centre.
- The Clarges Estate, Mayfair
  – Development opportunity acquired for £129 million.
- Meadowhall
  – New joint venture with Norges Bank Investment Management approved.

DIRECTORS' ATTENDANCE AT BOARD AND COMMITTEE MEETINGS DURING THE YEAR

	Board	Audit Committee	Remuneration Committee	Nomination Committee
John Gildersleeve[1]	10/10		3/3	2/4
Chris Gibson-Smith[2]	6/7			3/3
Chris Grigg	10/10			
Lucinda Bell	10/10			
Aubrey Adams	10/10	4/5		
Simon Borrows	7/10	5/5		
Dido Harding	9/10		3/3	
William Jackson[3]	9/10	4/4		
Charles Maudsley	10/10			
Richard Pym	10/10	5/5		4/4
Tim Roberts	10/10			
Stephen Smith	6/10			
Lord Turnbull	9/10		3/3	4/4

1 John Gildersleeve was a member of the Nomination Committee before his appointment as Chairman of the Company on 1 January 2013. He did not attend the two Nomination Committee meetings at which the candidates for the position of Chairman were discussed.

2 Chris Gibson-Smith stood down from the position of Chairman of the Company on 31 December 2012.

3 On 14 January 2013, William Jackson stepped down as a member of the Audit Committee and was appointed a member of the Remuneration Committee. No Remuneration Committee meetings took place between his appointment and the year end.

COMPLIANCE WITH THE UK CORPORATE GOVERNANCE CODE CONTINUED

EFFECTIVENESS

The Board and its Committees have the appropriate balance of skills, experience, independence, commitment and knowledge of the Company to enable them to discharge their respective duties and responsibilities effectively.

Throughout the year at least half the Board, excluding the Chairman, has comprised Non-Executive Directors determined by the Board to be independent. The current composition of the Board, including a brief explanation of the experience of each Director, is shown on pages 76 and 77.

There is a formal, rigorous and transparent procedure for the appointment of new Directors to the Board, which is led by the Nomination Committee. Non-Executive Directors are appointed for specified terms and all Directors are subject to annual re-election. The work of the Nomination Committee is described on pages 90 and 91.

All Directors ensure that they allocate sufficient time to the Company to discharge their responsibilities effectively. Letters of appointment of Non-Executive Directors set out the expected time commitment and each Non-Executive Director has undertaken that they have sufficient time to meet the commitments expected of them. John Gildersleeve, appointed Chairman of the Company on 1 January 2013, is also Non-Executive Deputy Chairman of Carphone Warehouse Group PLC and a Non-Executive Director of TalkTalk Telecom Group PLC. John is able to devote sufficient time to his role of Chairman of the Company, in addition to these other commitments. Other Board appointments of Directors are disclosed on pages 76 and 77. All Directors receive an induction on joining the Board and visits to key properties in the Group's portfolio are available to Directors, senior managers and staff to promote a broader knowledge of the portfolio across all levels of the Company. Additionally, the Board aims to hold at least one meeting a year away from head office, at one of the Group's key assets.

To enable it to discharge its duties, the Board is supplied with information in an appropriate form and of an appropriate quality, in a timely manner. The Group Secretary ensures good information flows within the Board and its Committees, and between senior management and Non-Executive Directors, and is responsible for advising the Board on all governance matters, through the Chairman.

The Board undertakes a formal and rigorous annual evaluation of its performance. The British Land Board performance evaluation alternates internally facilitated appraisals with externally facilitated appraisals at least once every three years; the last independent external review of the effectiveness of the British Land Board was conducted in 2011/2012. In 2012/13 the review of Board effectiveness was carried out internally, as described in the box below. The appraisal process also includes the Senior Independent Director meeting to discuss the performance of the Chairman with other Directors annually, or more frequently as necessary. In addition, the Chairman meets with each Non-Executive Director annually to discuss their contribution and provides the Remuneration Committee with a written appraisal of the Chief Executive's performance for the year. Similarly, the Chief Executive provides the Remuneration Committee with a written assessment of the performance of the Executive Directors.

The Board considers that Aubrey Adams, Simon Borrows, Dido Harding, William Jackson, Richard Pym and Lord Turnbull are independent Non-Executive Directors. In making this determination, the Board has considered whether each Director is independent in character and judgement, and whether there are relationships or circumstances which are likely to affect, or could affect, the Director's judgement. The Board believes that it is evident from consideration of the Non-Executive Directors' biographies, detailed on pages 76 and 77, that they are of the integrity and stature required to perform their roles of independent Non-Executive Directors. Following this year's Board evaluation, the Chairman believes each Non-Executive Director standing for re-election at the next AGM continues to effectively fulfil and remain committed to their role within British Land. The terms and conditions of appointment of Non-Executive Directors are available for inspection at the Company's registered office and at the AGM.

BOARD EVALUATION

The 2012/13 Board performance evaluation required each Director to give detailed input, by responding to a number of statements relating to the key areas detailed on the right.

In general the statements were strongly supported and no disagreements were registered in response to any statement.

The results showed improvement when compared with the last internal evaluation (2010/11), achieving the Board's goal of obtaining continuous improvement in the results year-on-year.

The results of the annual evaluation are considered and discussed by the Chairman, the Senior Independent Director and the full Board.

Key areas covered by the evaluation:

- Role and organisation of the Board.
- Agenda.
- Corporate governance.
- Non-Executive Directors.
- Executive Directors.
- Information.
- Monitoring Company performance.
- Board leadership and culture.
- Board appraisal process.

RELATIONS WITH SHAREHOLDERS

There is a continuing dialogue between British Land and its shareholders, with whom the Company places considerable importance on maintaining open and clear communication.

The Investor Relations department is dedicated to facilitating communication with shareholders. There is an on-going programme of dialogue and meetings between the Executive Directors and the Company's shareholders, where a wide range of relevant issues are discussed, within the constraints of the information already known to the market. These issues include strategy, performance, governance, management and the market. Regular road-shows take place in the UK, Europe and the US, as well as participation in sector conferences. Investor days take place to enable major shareholders to view the Company's activities and the Chairman has met with a number of major shareholders in person since his appointment.

To ensure they are informed, the Directors receive a written report detailing any major issues which have been raised by shareholders to management at each scheduled Board meeting.

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

Additionally, there is an opportunity at each AGM for individual shareholders to question the Board, further increasing the dialogue between British Land its shareholders. The voting process at the AGM is fully compliant with the Code, incorporating votes withheld, the separation of resolutions, the attendance of Committee Chairmen and voting by poll. The Annual Report and Notice of Meeting are sent to shareholders at least 20 working days prior to the AGM. All AGM resolutions are decided by poll and the voting results are announced to the London Stock Exchange, as well as being available on the Company's website and by request. We also recognise the important contribution made by providers of capital other than shareholders, namely our bank lenders and bond holders. We maintain a regular and open dialogue with our lenders to help us understand their appetite and investment criteria.

As well as the above, we undertake a series of one-to-one meetings with key investors throughout the year, as well as responding to ad-hoc requests.

REMUNERATION

Levels and components of remuneration of Directors are designed to attract, retain and motivate Directors without being excessive.

A significant portion of Executive Directors' remuneration is structured so as to link rewards to corporate and individual performance. There is a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual Directors. Details of the Company's Remuneration Policy and the levels and components of Directors' remuneration are set out in the Remuneration Report on pages 92 to 108.

KEY INVESTOR RELATIONS ACTIVITIES IN 2012/13

April 2012
- Broadgate property tour.

May 2012
- Full year results presentation for 2011/12.
- Full year results London roadshow.
- Investor conference, Amsterdam.

June 2012
- Investor roundtable, London.
- Investor conference, London.

July 2012
- Q1 interim management statement – investor call.
- AGM.

September 2012
- London property tour.
- Investor conference, US.

October 2012
- US roadshow, New York, Boston, Mid-Atlantic.

November 2012
- Half year results presentation.
- Half year results London roadshow.
- Investor conference, London.

January 2013
- Q3 interim management statement – investor call.
- West End property tour.
- Netherlands roadshow.

February 2013
- Investor roundtable, London.

March 2013
- EPRA private client broker event.
- Investor conference, London.
- Sheffield and Ealing property tour.

COMPLIANCE WITH THE UK CORPORATE GOVERNANCE CODE CONTINUED

RISK MANAGEMENT AND INTERNAL CONTROL

The Directors are responsible for the maintenance of sound risk management and internal control systems, and for reviewing their effectiveness.

The Board complies with the risk management and internal control principles of The UK Corporate Governance Code and follows the best practice recommendations on internal control contained in 'Internal Control: Guidance to Directors' (the Turnbull guidance).

There is an on-going process for identifying, evaluating and managing the significant risks the Group faces. This has been in place throughout the year, up to the date of approval of this Report. The process is designed to manage, rather than eliminate, the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

Internal control and risk management processes apply equally to all entities which British Land administrates, including all material joint ventures and funds.

The system of internal control is subject to review by Internal Audit, which is has now been outsourced, as detailed in the Report of the Audit Committee. The fundamental control principles are listed below.

The Board annually reviews the effectiveness of the Group's system of internal control over financial reporting, including that of material joint ventures and funds. During the course of its review of the risk management and internal control systems over financial reporting, the Board has not identified, nor been advised of a failing or weakness which it has determined to be significant. Therefore a confirmation in respect of necessary actions has not been considered appropriate.

The key risks faced by the Group and the features of the internal control system that operated throughout the period covered by the accounts are referred to in the Report of the Audit Committee on pages 86 to 89. The approach to risk management and the principal risks themselves are detailed on pages 42 to 47.

FUNDAMENTAL INTERNAL CONTROL PRINCIPLES APPLIED BY THE GROUP

- Defined schedule of matters reserved for decision by the Board.
- Detailed authorisation process – ensures no material commitments are entered into without thorough review and the appropriate approval by more than one approved person.
- Formal documentation of all significant transactions.
- System of business and financial planning, including cash flow and profitability forecasting and scenario analysis performed on major corporate, property and financing proposals.
- Property investment appraisal process.
- Monitoring key outcomes, particularly expenditure, against budget and forecast.
- Clearly defined policies and a review of actual performance against these.
- Benchmarking of property performance with external sources such as the Investment Property Databank (IPD).
- Comprehensive property and corporate insurance programme.
- Formal whistle-blowing policy.

OTHER MATTERS

STAFF TURNOVER

	2012/13	2011/12	2010/11
Head Office	**28 (13%)**	24 (12%)	14 (8%)
Broadgate Estates	**31 (16%)**	16 (8%)	23 (13%)
Total (average)	**59 (14%)**	40 (10%)	37 (10%)

REPORTABLE ACCIDENTS ACROSS OUR PORTFOLIO

	2012/13	2011/12	2010/11
British Land occupied demises[1]	**–**	2	–
At our managed properties	**47**	54	39
Rate per 100,000 hours worked on our developments[2]	**0.24**	0.35	0.46

1 British Land occupied demises refers to space occupied by British Land, Broadgate Estates Ltd and The Source.

2 On our developments, there were 15 reportable accidents across 6,215,235 working hours in 2012/13 compared to ten reportable accidents across 2,831,102 working hours in 2011/12. There was one reported fatality on a development site in Spain. We have completed a thorough review of the incident which has confirmed that we were compliant with all local regulations in this case. We have also reviewed our construction management control procedures in light of the incident.

STAFF

We encourage employees' involvement and keep our employees informed of the activities of the Company through regular briefings and internal communications. We have well established, all-employee share schemes. In the UK, separate pension fund reports are made available to members.

FUNDING TO CHARITY AND GOOD CAUSES

The Company has a charity funding policy, available on our website, which states that we focus our giving on young people, education, training, employment and local regeneration. Our prime geographical focus is in the communities where we have a significant presence, and we encourage our local teams to engage directly with these communities. We also donate to national causes. In addition, we have a payroll giving scheme and a matched giving scheme for staff who fundraise independently.

The Charity Committee, which approves most charitable donations, is chaired by Edward Cree, Retail Asset Manager and reports to the Executive Committee on an annual basis.

The Executive Committee approves the Company's charity policy and annual budget. Donations during the year totalled £1,079,305 compared with £835,948 in the previous year.

The Company does not make any donations to any political organisations.

GOING CONCERN

The Group's business activities, together with the factors likely to affect its future performance and position are set out in the Directors' Report and Business review. The financial position of the Group, its cash flows, liquidity position and borrowing facilities, together with the Group's financing policy, are described on pages 69 to 73.

The Group currently has considerable undrawn debt facilities and cash deposits which are expected to be sufficient to meet its financing requirements for several years. The Group's recent record of raising in excess of £3 billion of financing and equity funding over the last 24 months gives the Directors confidence in the Group's ability to raise further finance should it be required to fund incremental activity. The Group has substantial headroom against covenants on unsecured banking facilities, details of which are on page 73. It also benefits from a secure income stream from leases with long average lease terms, and is not over-reliant on any single occupier or industry group.

As a consequence of these factors, the Directors believe that the Group is well placed to manage its financing and other business risks satisfactorily in the current economic environment. The Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future and therefore continue to adopt the going concern basis in preparing the Annual Report and Accounts.

REPORT OF THE AUDIT COMMITTEE

A particular focus of the Committee has been on the risk management processes that are developing and becoming embedded within the Group.

RICHARD PYM
Chairman of the Audit Committee

Dear shareholder,

Welcome to the Report of the Audit Committee. This Report details the key activities of the Committee during the year, alongside our principal responsibilities.

We are committed to monitoring the integrity of the Group's reporting and to developing and maintaining sound systems of risk management and internal control; major changes to help facilitate this through the year have included the establishment of a Risk Committee (see page 79) and the outsourcing of the Internal Audit function.

COMPOSITION OF THE COMMITTEE

The Committee consists of myself, Chairman since January 2010, and Aubrey Adams and Simon Borrows, members since September 2008 and April 2011 respectively. William Jackson was a member of the Committee from April 2011 until 14 January 2013. We are all independent Non-Executive Directors with significant financial experience, as detailed in the biographies on pages 76 and 77. I am the member nominated as having recent and relevant financial experience.

The Committee meets regularly during the year, in alignment with the financial reporting timetable; during the financial year 2012/13 we met on five occasions.

ACTIVITIES OF THE COMMITTEE

During the year the Committee has undertaken each of its principal responsibilities, receiving relevant reports from the valuers, Internal and External Auditors and management and challenging assumptions and judgements made. The Committee considers all significant issues in relation to the financial statements, which in the current year are considered to be the carrying value of property and investments, accounting for joint ventures and funds (see Accounting Judgements on page 68), and Going Concern (see page 85). The Committee performs a detailed review of the content and tone of the annual and half-year press releases and Annual Report and Accounts, as well as interim management statements.

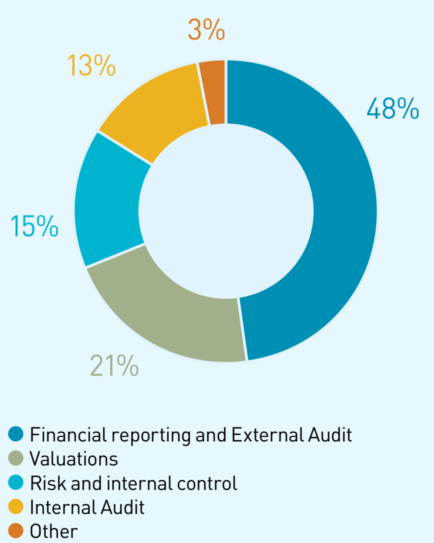
The Committee's Terms of Reference were reviewed and amended during the year; the amended document, approved by the Board, can be found on the Company's website www.britishland.com. The main changes result in the Terms of Reference now stipulating that External Audit contracts be put out to tender at least every ten years, that the Committee should inform shareholders how they have carried out their duties through the year and that the Committee should consider whether the Annual Report and Accounts, taken as a whole, are fair, balanced and understandable.

The Committee has satisfied itself that controls over the accuracy and consistency of information presented in the Annual Report are robust. An assurance opinion is obtained from an External Audit firm over the Corporate Responsibility Statement and a full verification exercise is performed by management to ensure consistency of information presented in all external communication.

Audit Committee meetings are regularly attended by invitation by the Finance Director, Group Financial Controller, Head of Financial Forecasting and Reporting, Head of Internal Audit, Head of Property Valuation, Secretary to the Risk Committee and representatives of the valuers and External Auditor. Other executives, including the Chief Executive, are invited to attend from time-to-time. The Committee regularly meets with the External Auditor and Head of Internal Audit without management being present.

The allocation of time spent on key areas is shown in the chart below. Significant additional time continues to be spent by members of the Audit Committee meeting with executive management, understanding the key issues and underlying processes, setting agendas and meeting with valuers, Internal and External Auditors.

ALLOCATION OF TIME SPENT AT THE AUDIT COMMITTEE MEETINGS



	PRINCIPAL RESPONSIBILITIES OF THE AUDIT COMMITTEE	KEY AREAS FORMALLY DISCUSSED AND REVIEWED BY THE COMMITTEE DURING 2012/13 INCLUDE:
FINANCIAL REPORTING AND EXTERNAL AUDIT	• Monitoring the integrity of the Company's financial statements and any formal announcements relating to the Company's financial performance; reviewing significant financial reporting judgements contained within them. • Making recommendations to the Board regarding the appointment of the External Auditor and approving the External Auditor's remuneration and terms of engagement. • Monitoring and reviewing the External Auditor's independence, objectivity and effectiveness. • Developing and implementing policy on the engagement of the External Auditor to supply non-audit services, taking into account relevant ethical guidance.	• Results, commentary and announcements. • Key accounting policy judgements, including valuations. Impact of future financial reporting standards. • Going concern. • External Auditor effectiveness. • Half-yearly External Auditor reports on planning, conclusions and final opinion. • External Auditor management letter containing observations arising from the annual audit leading to recommendations for control or financial reporting improvement.
VALUATIONS	• Monitoring and reviewing the valuation process.	• Annual report on the effectiveness of our valuers which considers the quality of the valuation process and judgements, with half-yearly update. • Valuer presentations to the Committee.
RISK AND INTERNAL CONTROL	• Reviewing the Company's internal financial controls, its compliance with the Turnbull guidance and the effectiveness of its internal control and risk management systems. • Reviewing the principal risks and uncertainties of the business and associated Annual Report risk management disclosures.	• The outputs of the risk register process including identification of the Group's principal risks and uncertainties and movement in the exposure to these risks in the year. • Developments in the Group's risk management processes including the establishment of the Risk Committee and their Terms of Reference. • An annual report on the effectiveness of internal control systems. • An annual fraud risk assessment. • Insurance programme for property, development and corporate. • Credit limits of counterparties.
INTERNAL AUDIT	• Monitoring and reviewing the effectiveness of the Company's Internal Audit function, including its plans, level of resources and budget.	• Outsourcing Internal Audit to KPMG. • Internal Audit effectiveness. • Internal Audit Charter defining its role and responsibilities. • Internal Audit programme of reviews of the Group's processes and controls to be undertaken, and an assurance map showing the coverage of audit work over three years against the risks. • Implementation status reports on audit recommendations. • The Group's Internal Audit function reports, including those on: – property developments; – Group treasury; – joint ventures; – Annual Report process; – Broadgate Estates property accounting; – IT security; – European leasing; – property investments; – valuations; – key financial control testing; and – accounts payable.
OTHER	• Reviewing the Committee's Terms of Reference and monitoring its execution. • Considering compliance with legal requirements, accounting standards and the Listing Rules. • Reviewing the Whistle-blowing Policy and operation.	• Changes to Audit Committee's Terms of Reference. • Annual Report sections on corporate governance. • The impact of new regulation, including the Alternative Investment Fund Managers Directive and the Energy Act 2011. • Tax policy.

REPORT OF THE AUDIT COMMITTEE CONTINUED

EXTERNAL AUDITOR

Following best practice and in accordance with its Terms of Reference, the Audit Committee annually reviews the audit requirements of the Group, both for the business and in the context of the external environment, and considers whether to undertake a formal tender. There are no contractual obligations which would restrict the selection of a different auditor.

In accordance with its normal practice, the Audit Committee considered the following:

- The performance of the External Auditor, including:
  - value for money; and
  - quality and effectiveness in the Audit Committee's own assessment and, where available, according to external regulatory review.
- The External Auditor's:
  - independence;
  - compliance with relevant statutory, regulatory and ethical standards; and
  - objectivity, as assessed by the Committee.

Having considered these factors, the Audit Committee unanimously recommended to the Board that a resolution for the reappointment of Deloitte as the Company's External Auditor be proposed to shareholders at the 2013 AGM.

In addition, the Committee will oversee the tender of the External Audit within the next year, with the successful firm performing the External Audit for the year ending 31 March 2015.

POLICY ON AUDITOR PROVIDING NON-AUDIT SERVICES

With respect to other services provided by the Auditor, the following framework is in place:

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

Deloitte Real Estate (formerly Drivers Jonas Deloitte) provides advice on the master-planning of the 75 acres of potential development land around Meadowhall Shopping Centre, together with occasional advice or services on other matters. They were appointed to this role prior to their acquisition by Deloitte. The Committee has considered and agreed that this and other non-audit related services provided by Deloitte may continue to be provided, subject to approval by the Committee where expenditure is above established approval limits. At a meeting of the Audit Committee in November 2012, the Committee reviewed the fees for non-audit services paid and forecast to be paid to the External Auditor. Although it was noted that the fees paid to Deloitte for the half year to 30 September 2012 were well within the stated limits, it was decided that any future engagements of Drivers Jonas Deloitte should be subject to approval by the Chairman, on behalf of the Committee. As shown in note 5 to the financial statements, total fees payable to Deloitte in the last financial year amounted to £0.9 million, of which £0.3 million was for non-audit related services, including £0.2 million for advice and services provided by Deloitte Real Estate. In addition, further fees of £0.4 million (British Land's 50% share) were payable to Deloitte by various joint ventures of the Group of which £0.2 million was for non-audit related services provided by Deloitte Real Estate.

The following commitment protocol operated throughout the year and applied to any engagement of other work (excluding audit and half-yearly reporting) performed by the External Auditor:

- approval by the Audit Committee if there are any doubts as to whether the External Auditor have a conflict of interest; and
- in addition, approval by the Audit Committee Chairman on behalf of the Committee for each additional project over £0.1 million in value where cumulative fees for other work performed by the Auditors are projected to exceed 75% of the combined fee for audit and half-yearly reporting review work. During the year no project approvals by the Audit Committee Chairman have been required, other than in respect of Deloitte Real Estate.

VALUATIONS

The external valuation of the portfolio is a key determinant of the Group's balance sheet, performance and senior management remuneration. In accordance with the Audit Committee's Terms of Reference, the Committee undertakes a rigorous approach to monitoring and reviewing the valuation process and the effectiveness of the Group's valuers, Knight Frank and CBRE.

The valuers present directly to the Audit Committee at the interim and year end review of results, including confirmation of their valuation process, market conditions and significant judgements made.

The Audit Committee has reviewed the effectiveness of our valuers, based upon a series of qualitative and quantitative measures which consider the quality of the valuation process and judgements, with comparison against actual transactions.

The Company's External Auditors review the valuations and process and report their findings to the Audit Committee, having full access to the valuers and exchange of information to determine that due process has been followed using appropriate information. The valuation process is also subject to regular Internal Audit review, the most recent being undertaken by KPMG on behalf of the Company in 2012/13.

For the valuation of the Group's wholly-owned assets, the Company has fixed fee arrangements with Knight Frank and CBRE, in line with the recommendations of the Carsberg Committee report.

Copies of the valuation certificates of Knight Frank and CBRE can be found on the website at www.britishland.com/investors/operational-performance.

OUTSOURCING OF INTERNAL AUDITOR

During the year the Company's Internal Audit function was fully outsourced to KPMG. The firm had worked closely with the previous internal Head of Internal Audit for two years prior to this, building experience and knowledge of the Group and its practices. The Head of Internal Audit and Internal Audit Partner review the Group's processes and controls in line with the Internal Audit programme and Internal Audit Charter, attending Audit Committee meetings by invitation at least three times a year to report to the Committee.

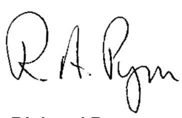
IDENTIFICATION AND EVALUATION OF COMMERCIAL RISKS AND RELATED CONTROL OBJECTIVES

During the year, British Land reviewed and formalised its processes in respect of risk management. This included establishment of a Risk Committee to oversee the revised integrated approach to risk management which combines a 'top-down' strategic view with a 'bottom-up' operational process. The top-down element involves determination of the risk appetite of the business and monitoring of exposure against this level using key risk indicators. This is complemented by the bottom-up aspect which involves maintenance of risk registers within each area of the business to provide control over identification, monitoring, mitigation and reporting of risk. Each risk is evaluated according to an assessment of its impact on the business and the likelihood of occurrence and has a nominated owner who is responsible for ensuring that identified mitigants, including related controls, are operating effectively. Risk registers are maintained on an on-going basis with a review of the registers undertaken prior to each quarterly Risk Committee meeting. The Risk Committee considers the risk registers on an aggregated basis assessing the completeness of the risks identified and the adequacy of mitigants in place with a particular focus on emerging risks.

The Audit Committee holds responsibility for overseeing the effectiveness of sound risk management and internal control systems. It fulfils this role by monitoring the activities of the Risk Committee, the risk management processes in place and the activities of the Internal Audit function including their reporting on the effectiveness of controls. The Risk Committee comprises the Executive Directors and its minutes are circulated to the Audit Committee for review, with any significant matters relating to operational risk management and controls tabled at the Audit Committee for consideration. Twice yearly the principal risks and uncertainties, which are derived from the risk register process, are presented to the Audit Committee along with commentary on how the exposure to these risks has moved in the period for oversight and discussion. Annually, a report on the effectiveness of internal controls is prepared by Internal Audit for presentation to the Audit Committee as well as a fraud risk assessment.

Internal Audit and the Risk Committee work closely together to ensure that identified risk areas inform the Internal Audit programme and, similarly, findings of Internal Audit reviews are taken into account in identifying and evaluating risks within the business. British Land maintains a framework of controls related to key financial processes which manage the associated risks. The effectiveness of such controls is reviewed by Internal Audit annually either through dedicated procedures or in the course of other Internal Audit reviews.

More detail of how we manage risk in delivering our strategy and the current principal risks and uncertainties can be found on pages 42 to 47.



Richard Pym
Chairman of the Audit Committee

AUDIT COMMITTEE MEMBERS

Members[1]	Position
Richard Pym	Chairman of the Audit Committee
Aubrey Adams	Member
Simon Borrows	Member

AUDIT COMMITTEE ATTENDEES

Attendees	Position
Deloitte	Attends as Independent Auditor to the Group
Knight Frank and **CBRE**	Attend twice a year to present their valuations as the Group's external valuers
Anthony Braine Attends as Secretary to the Committee	Group Company Secretary
Lucinda Bell Attends by invitation	Finance Director
Chris Grigg Attends by invitation	Chief Executive
Rob Hudson Attends by invitation	Group Financial Controller
Marc Furlonger Attends by invitation	Head of Financial Forecasting and Reporting
Nicola Thomas Attends by invitation	Head of Property Valuation
Jonathan Rae Attends by invitation	Secretary to Risk Committee
Chris Dicks Attends by invitation[2]	Head of Internal Audit, KPMG
Stephen Spellman Attends by invitation	Internal Audit Partner, KPMG

1 William Jackson was a member of the Committee until 14 January 2013.
2 Chris Dicks replaced Matthew Stubberfield as the Head of Internal Audit on 30 August 2012.

REPORT OF THE NOMINATION COMMITTEE

Much of the Committee's focus has been on ensuring the Company's commitment to diversity and development of female staff is being progressed.

JOHN GILDERSLEEVE
Chairman of the Nomination Committee

Dear shareholder,

Welcome to the Report of the Nomination Committee. Changes to the Board were made during the year, with the appointment of a new Chairman and Senior Independent Director. The Committee carried out its principal responsibilities, as detailed in the table on the facing page.

COMPOSITION OF THE COMMITTEE

The members of the Nomination Committee are Lord Turnbull, Richard Pym and myself, all of whom have served throughout the financial year. Following Chris Gibson-Smith stepping down as Chairman of the Company, I took over the role of Chairman of the Nomination Committee on 14 January 2013.

The Chairman chairs Nomination Committee meetings, unless the Committee is dealing with the successor to the Chairmanship. In these circumstances the Committee is chaired by a Non-Executive Director elected by the remaining members, Richard Pym in the case of my appointment. The Committee met four times during the year under review.

DIVERSITY

The Committee has also focused on diversity, including gender diversity, in British Land and the initiatives the Company is currently undertaking to strengthen female representation at Board and top management level. These include gender diversity workshops and regular reporting and monitoring of gender statistics.

The Company maintains a policy of employing the best candidates available in every position, regardless of gender, ethnic group or background. Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicants concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment continues and that appropriate training is arranged. The policy provides that the training, career development and promotion of disabled people should, as far as possible, be identical to that of other employees.

At 31 March 2013 head office staff comprised 95 females and 109 males; of the 125 staff considered executives, 38 were female and 87 male. There were no incidents of discrimination during the financial year, or the previous financial year.

RE-ELECTION OF DIRECTORS

In accordance with the Corporate Governance Code all Directors will submit themselves for re-election at the 2013 AGM. The Nomination Committee has confirmed that the Directors continue to perform effectively and demonstrate commitment to their respective roles.

John Gildersleeve

John Gildersleeve
Chairman of the Nomination Committee

APPOINTMENT OF THE NEW CHAIRMAN OF BRITISH LAND

During the year the Nomination Committee undertook the process of selecting a new individual to recommend to the Board for election as Chairman of the Company, to succeed Chris Gibson-Smith.

- Meetings in which the appointment was discussed were chaired by Richard Pym, an independent Non-Executive Director, rather than Chris Gibson-Smith. As a candidate, John Gildersleeve, then a member of the Committee, did not attend these meetings.
- The Committee engaged with Russell Reynolds Associates[1], an external search consultancy, to assist with the selection process, including:
  – preparing a detailed role specification;
  – benchmarking of candidates; and
  – profiles of candidates.
- Both external and internal candidates were considered, including female candidates.
- The Committee consulted with the Company's advisers and took detailed references.

The Nomination Committee recommended to the Board that John Gildersleeve succeed Chris Gibson-Smith as Chairman of the Company.

The Board accepted the Nomination Committee's recommendation, and John Gildersleeve was duly appointed Chairman on 1 January 2013.

1 Russell Reynolds Associates have been engaged by the Company in a search consultancy capacity in the past; they do not provide any other services for the Company.

NOMINATION COMMITTEE MEMBERS

Members	Position
John Gildersleeve[1]	Chairman of the Nomination Committee
Richard Pym	Member
Lord Turnbull	Member

1 John Gildersleeve was appointed Chairman of the Nomination Committee on 14 January 2013, following his appointment as Chairman of the Company. The Nomination Committee Chairman was Chris Gibson-Smith until 31 December 2012, during which time John Gildersleeve was a member of the Committee.

PRINCIPAL RESPONSIBILITIES OF THE NOMINATION COMMITTEE

- Regular review of the structure, size and composition of the Board.
- Recommendations to the Board with regard to Board changes and Board Committee membership changes.
- Succession planning for Directors and other senior executives.
- Identifying suitable candidates for Board vacancies, to be nominated for Board approval.
- Reviewing the leadership needs of the Company.
- Reviewing time commitments required from Non-Executive Directors.
- Non-Executive Directors' letters of appointment and recommendations for re-election.

KEY AREAS FORMALLY DISCUSSED AND REVIEWED BY THE COMMITTEE DURING 2012/13 INCLUDE:

- Review of the Board and Committees':
  – structure, size and composition; and
  – skills, knowledge and experience to ensure they remain able to discharge their duties and responsibilities effectively.
- Succession planning – including identifying potential internal candidates for senior vacancies which may arise on a crisis, short, medium and long-term basis.
- Appointment of a new Chairman, following Chris Gibson-Smith's decision to step down from the position of Chairman.
- Appointment of a new Senior Independent Director, following the decision to appoint John Gildersleeve as Chairman.
- Stephen Smith stepping down as an Executive Director from 31 March 2013.
- Recommendations to the Board regarding Directors retiring for re-election by shareholders.
- Renewal of Non-Executive Directors' letters of appointment.

REMUNERATION REPORT

Management incentives must be strongly aligned with our strategy to enhance the community of interest between our Directors and employees and our shareholders. The Committee are recommending a number of changes to the Remuneration Policy to enhance this alignment and to support our 'One Team' approach to business.

LORD TURNBULL
Chairman of the Remuneration Committee

Dear shareholder,

I have the pleasure of introducing this year's Remuneration Report, for which the Board will be seeking your approval at the 2013 AGM. This Report sets out the philosophy behind our Remuneration Policy, the Policy and its components and how the Policy has been implemented in the year under review, as well as changes to the Policy.

REMUNERATION PHILOSOPHY

At British Land, our objective is to deliver superior total shareholder returns and our vision is to be the best REIT in Europe. To achieve this we must produce consistent outperformance of our peers over a sustained period of time, through focusing our efforts on the strategic priorities that we believe will be most value enhancing to shareholders. Key performance indicators have been chosen to assess how we are performing – more information is provided on pages 16 to 17, 'Our Strategy'.

It is, therefore, a vital responsibility of the Committee to ensure we have strong alignment of management incentives with our stated strategy, thereby matching the interests of the Directors with those of the shareholders. The different elements of Directors' remuneration packages at British Land have been carefully chosen so that they are supportive of and relevant to our strategic priorities. They are regularly reviewed by the Committee to ensure this crucial link is maintained and to ensure commonality is maintained between our remuneration performance measures and key performance indicators.

As part of this, pay policy should provide effective incentives for exceptional Company, team and individual performance, with significant upward and downward variability. The Company targets a high performance, open and meritocratic culture where people are motivated individually and as a team to outperform competitors, subject to maintenance of quality and security. The business model is people-light and asset-heavy – it leverages the work, skill and judgement of a relatively small team over a large value of assets. This means British Land's expectations of staff are high and there is a scarcity value on proven performers.

When setting pay the Committee also bears in mind that, as well as providing motivation to perform, pay plays an important role in attracting and retaining the most talented employees. The policy needs to be competitive with alternative employment opportunities.

In the current environment the Committee recognises that a listed company's Remuneration Policy can be a contentious issue; as such, consultation with shareholders, regular policy reviews and clear, transparent reporting are essential to ensure that British Land's Remuneration Policy meets the requirements of its shareholders.

REMUNERATION POLICY

There are two main structures within a Director's remuneration package. Firstly, basic salary and benefits are fixed annually at norms broadly consistent with the Company's FTSE position, with appropriate variance for specialist positions. Secondly, the Director's Annual Incentive and share scheme awards (under the Matching Share Plan and Long-Term Incentive Plan (LTIP)) are variable; their magnitudes reflect both Company performance and the performance of the Director's specific areas of responsibility. These variable elements can move total pay above median towards upper quartile, but only for upper quartile performance. Therefore, the amount received is strongly linked to outperformance of our peers, hitting our challenging goals, share price performance and meeting the Company's strategic priorities over one and three year time horizons.

The Company has performed strongly throughout the financial year, meeting or exceeding all but one of its targets. Details of British Land's performance and the targets set for the next financial year can be found on page 97.

POLICY REVIEW

The Committee reviews the policy each year to ensure it remains fully supportive of the strategy of the Company and takes account of shareholder views and trends in Remuneration Policy. This year the review in particular included the LTIP, which is due for renewal at this year's AGM.

The Committee has agreed that the broad LTIP structure remains fit for purpose; however, it proposes to move away from the current performance condition based entirely on the Company's net asset value per share compared to the Investment Property Databank UK Annual Property Index (IPD) and will propose two new LTIP targets.

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It is proposed that 50% of the new LTIP performance condition will be measured by comparing British Land's annual Total Property Return against IPD's annual UK Total Property Return, as this best measures our business strategy of targeting property outperformance. The other 50% of the condition will measure our Total Accounting Return against 16 FTSE 350 peers, as this best measures our business strategy of producing outperformance at the return on capital level and takes into account NAV per share and dividends. Further details are given on page 99 and within the AGM Circular.

In conjunction with the review of the LTIP, the Committee also concluded that the following further policy changes should be made:

- to support the 'One Team' approach, the Chief Executive's maximum Annual Incentive award be reduced from 180% of basic salary to 150%, and his LTIP maximum award value be reduced from 250% of basic salary to 200% – both changes bring the Chief Executive in line with the other Executive Directors;
- to reflect shareholder views, the vesting percentage for median performance under the Matching Share Plan (MSP) is reduced from 35% to 25%;
- the number of companies within the MSP total shareholder return measure peer group is increased from five to 16. This is the same peer group as is proposed to be used under the new LTIP Total Accounting Return measure; and
- clawback provisions be introduced within the new LTIP and the MSP Awards.

No salary increases for Directors were given on 1 April 2013, as the current salary levels are correctly positioned in the market.

This year we have endeavoured to produce a Remuneration Report that is clearer and more straightforward, for the benefit of our shareholders. As ever, the Committee welcomes engagement with shareholders, and I will be happy to address queries or feedback received in relation to the Company's Remuneration Policy and Remuneration Report.

Lord Turnbull
Chairman of the Remuneration Committee

KEY ACTIVITIES OF THE REMUNERATION COMMITTEE DURING THE YEAR

- Approval of 2011/12 Remuneration Report.
- Review of Company performance against targets for 2011/12.
- Approval of Company and Directors' performance objectives for 2012/13.
- Reviews of:
  - Chief Executive's remuneration;
  - Executive Directors' salaries and bonuses; and
  - Employees' salaries and bonuses.
- Submission to Department for Business Innovation and Skills (BIS) Consultation on Executive Remuneration.
- Review of remuneration structure and current Long-Term Incentive Plan (LTIP) target.
- Consultation with the Association of British Insurers, Institutional Shareholder Services and other institutional shareholders regarding proposed changes to LTIP.
- Approval of discretionary share scheme grants and vestings.
- Approval of all-employee share scheme grants.

REMUNERATION COMMITTEE MEMBERS

Members	Position
Lord Turnbull	Chairman of the Remuneration Committee and Senior Independent Director
Dido Harding	Member
William Jackson	Member

REMUNERATION COMMITTEE ATTENDEES

Attendees	Position
Alan Judes[1] Attends by invitation	Strategic Remuneration, Committee's Independent Adviser
Anthony Braine Attends as Secretary to the Committee	Group Company Secretary
John Gildersleeve[2] Attends by invitation	Chairman of the Company
Chris Grigg Attends by invitation	Chief Executive

1 The Committee has appointed Alan Judes as its Independent Adviser. He also gave advice to the Company on personnel and share plan matters. The Committee is satisfied there is no conflict in him providing such services to the Company. Strategic Remuneration is a member of the Remuneration Consultants Group and adheres to the Group's Code of Conduct.

2 John Gildersleeve was a member of the Remuneration Committee until 14 January 2013, when, following his appointment as Chairman of the Company, William Jackson replaced him as a member of the Committee.

Chris Gibson-Smith held the position of Chairman of the Company and attended the Committee by invitation in this capacity until 31 December 2012.

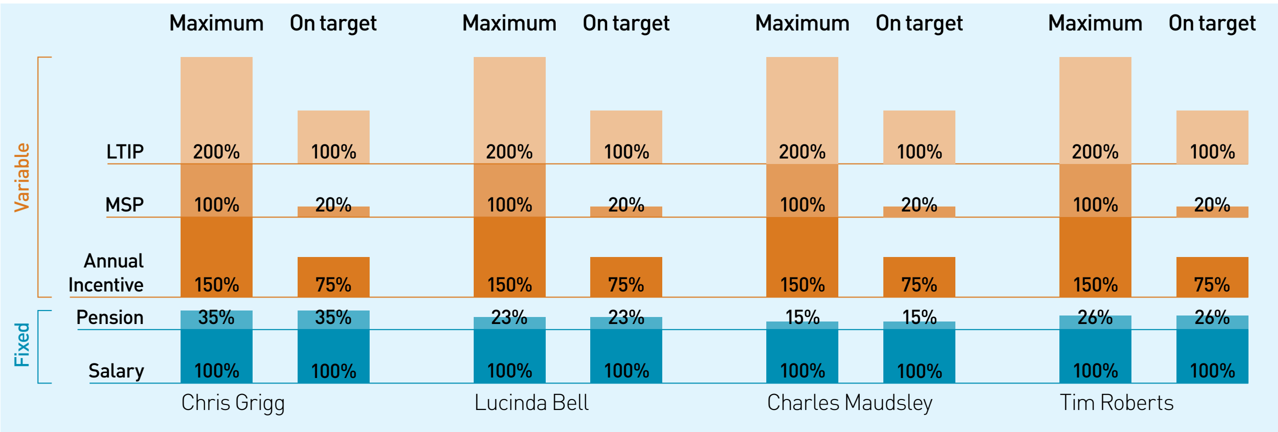
REMUNERATION REPORT – REMUNERATION POLICY

COMPONENTS OF DIRECTORS' TOTAL REWARD

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

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

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



BASIC SALARY AND BENEFITS

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

The Committee reviews salaries annually. In reviewing the salaries of the Executive Directors, the Committee also takes into account the employment conditions and salary increases awarded to employees throughout the Group, which had a target guideline of 3%. Shown to the right are the current annual rates of salary of the Executive Directors with effect from 1 April 2013. The Committee noted that salaries are positioned around the median of our comparators and therefore no increases in base salary were given on 1 April 2013.

Benefits in kind include car allowance, provision of car and driver in respect of the Chairman and private medical insurance. Information on the Directors' pension entitlements can be found on pages 107 and 108.

	2013/14 £	2012/13 £	Percentage increase
Chris Grigg	800,000	800,000	0%
Lucinda Bell	465,000	465,000	0%
Charles Maudsley	425,000	425,000	0%
Tim Roberts	425,000	425,000	0%

TOTAL REWARD = ANNUAL REMUNERATION + LONG-TERM SHARE PLANS

ANNUAL REMUNERATION

FIXED BENEFITS

- **Basic salary**
  as detailed below.
- **Benefits in kind**
  which include:
  – car allowance;
  – permanent health insurance; and
  – private healthcare.
- **Pension**
  (see pages 107 and 108).

ANNUAL INCENTIVE

All Executive Directors[1]

'On target' 75% salary → 'Maximum' 150% salary[1]

Combination of individual goals for specific areas of responsibility and contributions made to corporate performance, both qualitative and quantitative. See pages 96 and 97.

LONG-TERM SHARE PLANS

MATCHING SHARE PLAN

All Executive Directors

One third of Annual Incentive earned → Deferred into shares

Matching Award = 200% value of deferred Annual Incentive

Target:
- Three year performance period.
- 50% Award measured against total shareholder return versus peer companies.
- 50% Award measured against like-for-like rental growth compared to IPD benchmark, see pages 98 and 99.

LONG-TERM INCENTIVE PLAN

All Executive Directors[1] Award up to maximum value of 200% salary

Target:
- Three year performance period.
- 50% Award measured against total property return versus IPD UK Annual Property Index.
- 50% Award measured against total accounting return versus peer companies, see pages 98 and 99.

1 To support the 'One Team' approach, the Chief Executive's maximum Annual Incentive award and LTIP award have been reduced from 180% salary and 250% salary, respectively.

DETERMINING LEVEL OF BASIC SALARY

- The Committee considers basic salary levels against two peer groups.
- For roles where corporate size and scope characteristics drive duties, basic pay levels and recruitment sources:
  – a peer group of major UK companies across market sectors with a median market capitalisation broadly comparable to British Land is used to establish basic salary levels.
- For other posts:
  – the Committee will look at pay levels in other organisations such as agents, fund managers or with comparably sized support functions to match, with roles of comparable speciality, scope and responsibility to those within British Land. This reflects the 'people-light and asset-heavy' business model.
- Basic salaries are targeted around the median of the relevant peer group in both cases. The Company utilises pay surveys from time to time to ensure pay is correctly positioned against the market. Appropriate increases are made to base salary to reflect individual merit and remain competitive with the market.

REMUNERATION REPORT CONTINUED

ANNUAL INCENTIVE PLAN

- An amount payable to Directors, reflecting Company performance and the individual's contribution during the preceding year.
- One third is paid in shares, subject to a three year holding requirement under the Company's Matching Share Plan, described below.
- On-target and maximum bonus award levels for the year commencing 1 April 2013 are shown below.
- From 2013/14 the Chief Executive's maximum and on target award levels will be reduced to the same levels as those of the other Executive Directors:

	Annual Incentive award as % of basic salary	
	On target	Maximum
All Executive Directors	75%	150%

COMPANY TARGETS

The Committee considers Company performance and contributions made by each individual to corporate performance, using external indicators to assess relative performance (see table on facing page).

INDIVIDUAL TARGETS

Each individual's performance is considered in relation to the goals agreed for their specific areas of responsibility.

ANNUAL INCENTIVE AWARD

These factors are then aggregated by the Committee into Annual Incentive awards for each Director on an individualised, non-formulaic basis, though supported by the objective individual data points to provide a fair and appropriate award to each individual.

ANNUAL INCENTIVE MEASURES

We list below our strategic priorities and the main Annual Incentive measures that support each priority.

STRATEGIC PRIORITY 1: GROW INCOME

- Accounting return
- Unlevered property returns
- Rental growth
- Success of purchases and sales
- Successful progress on developments
- Progress on strengthening the dividend

STRATEGIC PRIORITY 2: GROW VALUE

- Accounting return
- Unlevered property returns
- Success of purchases and sales
- Successful progress on developments

STRATEGIC PRIORITY 3: INCREMENTAL VALUE

- Accounting return
- Unlevered property returns
- Success of purchases and sales
- Successful progress on developments

STRATEGIC PRIORITY 4: USE SCALE TO OUR ADVANTAGE

- Accounting return
- Success of purchases and sales
- Successful progress on developments
- Net operating costs as percentage of rent and NAV
- Successful execution of debt financings
- Company reputation

STRATEGIC PRIORITY 5: SPEND WISELY

- Accounting return
- Successful progress on developments
- Progress on strengthening the dividend
- Quality of people and management renewal
- Net operating costs as percentage of rent and NAV

STRATEGIC PRIORITY 6: A GREAT PLACE TO WORK

- Quality of people and management renewal
- Company reputation

ANNUAL INCENTIVE PERFORMANCE

- An individual's performance is considered in relation to their contribution to:
  – Company targets; and
  – targets for their specific areas of responsibility.
- The targets for 2012/13 are listed in the first column of the table on the facing page.
- Performance during the year ended 31 March 2013 was assessed by the Committee using data available at the year end against these targets. Performance against the 2012/13 targets is detailed in the second column of the table on the facing page.
- Taking into account all these factors, the bonus was in aggregate for the Executive Directors set at 70.5% of the maximum provided by the scheme (74% in 2011/12).
- The Committee has reviewed and agreed on the corporate goals for 2013/14; these are stated in column three of the table on the facing page.
- From 2013, all members of our Executive Committee (which includes all the Executive Directors) will have a corporate responsibility target linked to their Annual Incentive award.

ANNUAL INCENTIVE TARGETS

QUANTITATIVE TARGETS

2012/13 Targets	2012/13 Performance	2013/14 Targets
Accounting return – total NAV based return plus dividends relative to property majors and IPD (total return basis).	The accounting return of the Company was above the average of the property majors and total property return significantly outperformed IPD.	Accounting Return – total NAV-based return plus dividends relative to property majors and IPD (total return basis).
Unlevered property capital returns relative to IPD.	Significant outperformance at All Property level, exceeding the outperformance achieved in the previous financial year.	Unlevered property capital returns relative to IPD.
Rental growth above ERV and IPD.	Significant level of activity against a set of challenging market conditions. All Property outperformance of 0.3% against ERV, and outperformance of ERV growth against IPD of 1.0%.	Rental growth above ERV and IPD.
Operating costs as a percentage of rents and assets against prior year and property majors.	Operating costs as a percentage of assets have remained flat, but as a percentage of gross rental income have increased, primarily driven by retailer administrations and the net impact of property disposals during the year. Both measures ranked the Company ahead of all other UK property majors.	Operating costs as a percentage of rents and assets against prior year and property majors.

QUALITATIVE TARGETS

2012/13 Targets	2012/13 Performance	2013/14 Targets
Successful progress on developments.	61% of Office developments pre-let and under offer, 65% of overall developments are pre-let or under offer. Development programme is on budget and on time, and the development pipeline is being replenished. Development profitability has increased 18% against the previous financial year.	Successful progress on developments.
Successful execution of targeted acquisitions and disposals.	£1.3 billion activity (British Land share) during the year to 31 March 2013, compared to £0.4 billion during the previous financial year.	Successful execution of targeted acquisitions and disposals.
Successful execution of debt financings.	Over £900 million of new debt financings arranged during the year, significantly exceeding the target.	Successful execution of debt financings.
Progress on strengthening the dividend.	The dividend per share was 1.1% ahead of last year, with the dividend payout ratio improving and underlying diluted EPS increasing relative to the previous financial year.	Progress on strengthening the dividend.
Quality of people and management renewal.	Strengthened our senior leadership and depth of talent across the Company.	Quality of people and management renewal.
Company reputation with stakeholders.	Strong customer satisfaction survey results, out-performing the previous survey (2011). Chris Grigg was appointed President of the British Property Federation for the year beginning July 2012. National and international awards gained during the year from organisations such as the European Public Real Estate Association, Property Week, Business in the Community and the Chartered Institution of Building Services Engineers.	Company reputation with all stakeholders.
Improved risk management approach.	The risk management processes of the Group have been formalised including the establishment of a Risk Committee to oversee both the top-down strategic view, including determination of risk appetite, and the bottom-up operational approach with risk registers embedded within each area of the business. See page 42 for further details.	

REMUNERATION REPORT CONTINUED

THE MATCHING SHARE PLAN

- Targeted at Executive Committee members and, by invitation, other key senior contributors to the Company or members of its Group.
- Intended to incentivise and retain senior executives, ensure such executives are not focused exclusively on short-term performance and, accordingly, increase the alignment of their interests with those of the shareholders.
- One third of eligible participants' after-tax Annual Incentives, or such other after-tax proportion as the Committee may agree, is delivered in British Land shares.
- Therefore you have to receive an Annual Incentive award in order to participate in the Matching Share Plan and the potential maximum reward from the MSP is governed by the size of the Annual Incentive.

Participants are eligible to receive an award of free shares benchmarked by reference to the number of shares equal in value to the gross amount of their deferred Annual Incentive on the date such deferred Annual Incentive was declared. The receipt of that award is subject to (i) the Annual Incentive shares being held by the Trustees for a three year period, (ii) the participant remaining an employee or officer of a Group company at the end of that time, and (iii) certain performance conditions being satisfied. The MSP TSR performance condition supports all six of our strategic priorities, directly matching participants' interests with shareholders'. Additionally, the MSP LFL performance condition supports our strategic priority of growing income.

MATCHING SHARE PLAN PERFORMANCE

The Matching Share Award is divided into two parts, with separate performance conditions. One part is based on total shareholder return (the TSR Part). The other on the growth in the Company's like-for-like rental growth (the LFL Part). The combined maximum amount of shares that can be delivered to a participant pursuant to a Matching Share Award cannot exceed 200% of the number of their notional Annual Incentive shares for any relevant year.

One third of Executive's Annual Incentive earned in the year delivered as British Land shares instead of cash. Executive granted conditional award of matching shares.

- Annual Incentive shares held in trust for three years.
- Total shareholder return and like-for-like growth performance conditions measured over three years.

Annual Incentive shares released to Executive. Number of matching shares vesting dependant on TSR and LFL performance over the three year period. Executive must still be a British Land employee to receive matching shares.

THE LONG-TERM INCENTIVE PLAN

- Market value options and/or performance shares awarded to executives.
- The Remuneration Committee's historic policy was to make awards up to a maximum of 200% salary for Executive Directors and 250% salary for the Chief Executive.
- In 2013/14 the Chief Executive's maximum LTIP award will be reduced from 250% to 200% of base salary.
- The annual limit is set with both the options and performance shares components of the Plan taken together.
- Company performance is measured over the three years following grant. Vesting is dependent on the LTIP performance conditions being met.

The split of the awards made each year between performance shares and options may be varied between 0% and 100%, at the discretion of the Remuneration Committee. The option section of the Plan comprises an Inland Revenue approved part and an unapproved part.

The Company may award a maximum notional value of 200% of base salary in performance shares each year, or the equivalent value of base salary in options each year (the latter under current estimations being valued at 25% of their exercise price). This maximum has been reduced from 250% in previous years.

LTIP award granted to Executive, consisting of performance shares and/or market value options.

Performance conditions measured over three years.

Number of performance shares released dependent on performance.

Number of options vesting dependent on performance. Exercisable for further seven years.

LONG-TERM INCENTIVE PLAN PERFORMANCE

- The performance condition on previous LTIP awards measured the growth in the Company's net asset value (NAV) per share against the capital growth component of the Investment Property Databank Annual Index, over a performance period of three years commencing the year in which the options and share awards were granted.
- Growth in the Company's NAV per share must exceed that of the Index for a minimum proportion of the options to be exercised and/or performance shares to vest.
- Stretching outperformance is required for the entire award to vest.

The performance hurdles for Directors' LTIP awards granted in 2012/13 and before are detailed immediately to the right. Aon Hewitt undertakes the performance measurement and submits a report to the Company advising the results for each specific award.

Performance condition – TSR Part

The table below shows the performance required by the Company's TSR compared to a comparator group of companies across the three year performance period for any matching shares to vest under the TSR part. It is proposed that, for future awards, the comparator group of EPRA reporting companies is extended, as seen in the box to the right.

Performance condition – LFL Part

The Company's like-for-like rental growth during the three year performance period needs to at least equal the IPD comparator benchmark (the growth requirement) for any matching shares to vest.

British Land's TSR relative to the comparator group at the end of the performance period	Percentage of award which vests	British Land's LFL rental growth relative to the IPD benchmark at the end of the performance period	Percentage of award which vests
Below median	0%	Below growth requirement	0%
Median	25%	Equal to growth requirement	25%
Further vesting per each 1% TSR TSR exceeds median (to maximum of 100% of Notional Shares)	18.75%	Further vesting per each 0.5% per annum LFL exceeds growth requirement (to a maximum of 100% of Matching Shares)	25%

Following consultation with shareholders, it is proposed that the vesting percentage for median TSR performance and for LFL rental growth equal to the growth requirement will be reduced from 35% to 25% for future MSP awards. Clawback provisions will also be introduced.

The comparator group of UK property companies currently consists of:
- Great Portland Estates plc;
- Hammerson plc;
- Intu Properties plc (formerly Capital Shopping Centres Group PLC);
- Land Securities Group PLC; and
- SEGRO plc.

It is proposed that this group will be expanded to additionally include:
- Big Yellow Group PLC;
- Capital & Counties Properties PLC;
- Derwent London plc;
- Grainger plc;
- Hansteen Holdings plc;
- Helical Bar plc;
- LondonMetric Property plc;
- St. Modwen Properties PLC;
- Shaftesbury PLC;
- The UNITE Group plc; and
- UK Commercial Property Trust Ltd.

PERFORMANCE MEASURE FOR PREVIOUS LTIP AWARDS:

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

The current LTIP was approved by shareholders in 2003, with a ten year life. In reviewing its renewal, the Committee is recommending to shareholders at the 2013 AGM that a new LTIP is introduced, on which performance will be measured by two equally weighted performance conditions (as seen in the table to the right). The new LTIP will also allow clawback of awards.

PROPOSED PERFORMANCE CONDITIONS ON THE NEW LTIP

1) Total Property Return

It is proposed that 50% of the performance condition will measure our total property return against that in the IPD UK Annual Property Index. This index has been chosen as it contains property valued at £140 billion representing 294 entities and funds, as at 31 December 2012, so will provide a large enough sample to be statistically relevant.

2) Total Accounting Return

It is proposed that the other 50% of the performance condition measures our total accounting return (which measures change in NAV plus dividends paid) against the total accounting return of a peer group of FTSE 350 Property Companies that use EPRA reporting.

It is proposed that the peer group is the same as the proposed group under the MSP TSR test, listed above.

The proposed measures will:
- in the case of the TAR test, support all of our strategic priorities;
- in the case of the TPR test, support our strategic priorities to grow both income and value;
- measure our ability to choose the right sectors to invest in; and
- be relevant measures in fluctuating markets, as the vesting hurdles use quartiles not percentages.

Total Property Return	Percentage vesting	IPD Total Accounting Return	Percentage vesting
Below median	0%	Below median	0%
Median (50th percentile)	25%	Median (50th percentile)	25%
Top quartile (75th percentile)	100%	Top quartile (75th percentile)	100%

REMUNERATION REPORT CONTINUED

VESTING HISTORY

The table below summarises the vesting percentages for the LTIP and MSP over the last five years. During 2012/13 the LTIP, awarded in 2009, vested at 100% as the performance condition was fully met: British Land's growth in NAV was 14% per annum during the performance period, compared to the IPD benchmark index increasing 2% per annum. The MSP shares under the EPS Part, awarded in 2009, lapsed in their entirety as their performance conditions had not been met. The MSP shares awarded under the TSR part vested in their entirety as British Land's TSR was 48.8% over the performance period, compared to a median of 44.0% for the comparator group.

Aon Hewitt have confirmed that the 2010/11 LTIP awards will vest at 60% during 2013/14, reflecting British Land's growth in NAV of 5.7% per annum during the performance period, compared to the IPD benchmark index increasing 2.6% per annum. The TSR element of the 2010/11 MSP award will vest at 100%, as British Land's TSR was 44.7% over the performance period compared to a median of 39.2% for the comparator group. It is estimated that the LFL element of the 2010/11 MSP award will vest at around 80%, as British Land's like-for-like rental growth was approximately 1.8% over the performance period compared to a figure of approximately 0.3% for IPD.

Year of award	Performance period	Long-Term Incentive Plan percentage vesting	Matching Share Plan percentage vesting	
			TSR	LFL[1]
2006	2006–2009	0%	100%	100%
2007	2007–2010	0%	0%	0%
2008	2008–2011	0%	100%	0%
2009	2009–2012	100%	100%	0%
2010	2010–2013	60%	100%	TBC

1 The test based on like-for-like rental growth has replaced a test based on EPS for awards made in 2010 and onwards.

PERFORMANCE GRAPH

The graph below is prepared in accordance with the Directors' Remuneration Report Regulations 2002. It shows the Company's total return for the five years from 1 April 2008 to 31 March 2013 against that of the FTSE Real Estate Investment Trusts Total Return Index for the same period. The graph shows how the total return on a £100 investment in the Company, made on 1 April 2008, would have changed over the five year period measured, compared with total return from the FTSE REIT Total Return Index.

The FTSE Real Estate Investment Trusts Total Return Index has been chosen because that is where the shares of the Company are classified. Aon Hewitt prepared the graph based on underlying data provided by Datastream.

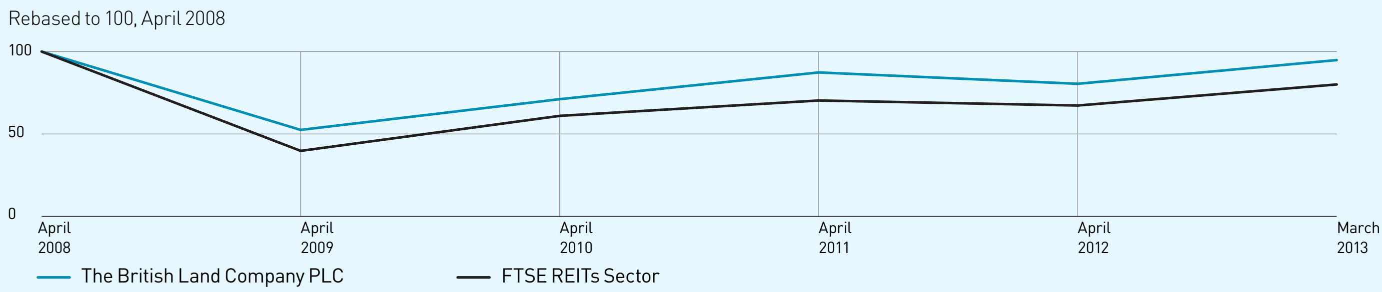
NON-EXECUTIVE DIRECTOR FEES

The remuneration of the Non-Executive Directors is a matter for the executive members of the Board. Fees are set to take into account the level of responsibility, experience and abilities required, as well as to reflect attendance. Assuming full attendance, the aim is also to deliver a total fee at a level in line with similar positions at comparable companies. The fees for 2012/13 were:

Basic fee per annum	£34,250	Attendance at Board meeting	£4,200
Senior Independent Director fee per annum	£9,450	Attendance at Committee meeting in person	£1,890
Committee Chair fee per annum	£5,775	Attendance at Board meeting or Committee meeting by telephone	£840

The Non-Executive Directors are encouraged to hold shares in British Land. The Company facilitates this by offering Non-Executive Directors the choice to receive their fees in the form of shares. Non-Executive Directors' fees, and Chairman's fees, were not increased, with effect from 1 April 2013.

FIVE YEAR TOTAL RETURN



Source: Aon Hewitt.

EXECUTIVE DIRECTORS' MINIMUM SHAREHOLDING GUIDELINE

The Executive Directors' Minimum Shareholding Guideline requires approximately 200% of basic salary to be held in vested shares by the Chief Executive and 125% for other Executive Directors. There is no set timescale required to reach the target but this should be achieved through the regular additions anticipated by Matching Share Plan and Long-Term Incentive Plan vestings. No purchases are required either to reach the level or to respond to share price falls but Executive Directors are expected to increase their holding of shares each year until the target is attained. The number/value of shares required as the target, is fixed once a year. Shares included are those beneficially owned and unfettered by self and spouses.

Shown below is the guideline fixed for the year to 31 March 2014:

	Percentage of basic salary to be held in vested shares	Guideline holding	Unfettered holding at 31 March 2013[1]
Chris Grigg	200%	294,389	522,715
Lucinda Bell	125%	106,946	63,012
Charles Maudsley	125%	97,747	101,490
Tim Roberts	125%	97,747	83,900

1 In accordance with new guidelines issued by the ABI, the Directors' unfettered holdings do not include MSP Bonus Shares and locked-in SIP Shares.

DIRECTORS' CONTRACTS

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

The Company applies the principle of mitigation in the event of early termination of service contracts. All the service contracts provide for one year's notice.

Executive Director	Date of service contract
Chris Grigg	19 December 2008
Lucinda Bell	10 March 2011
Charles Maudsley	3 November 2009
Tim Roberts	14 November 2006
Stephen Smith	3 November 2009

The letters of appointment of Non-Executive Directors are subject to renewal on an triennial basis.

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

Stephen Smith stood down from the Board on 31 March 2013, and will leave British Land on 30 June 2013. He will receive his salary, benefits and pension contribution until 30 June 2013. He will receive no bonus for the period 1 April 2013 to 30 June 2013 and all his unvested share awards at 30 June 2013 will lapse, except the 2010 MSP award which will vest subject to the performance condition and pro-rating to reflect the proportion of the three year performance period he was employed by the Company. His contract provides for a notice period of 12 months. Notice was given on 18 October 2012, therefore, in lieu of salary and pension contribution for the period 1 July 2013 to 18 October 2013 a payment of £147,295 will be made to him in equal monthly instalments in arrears for this period. This payment is subject to mitigation should he receive payment for alternative work undertaken before 18 October 2013. A Statutory Payment of £30,000 will also be paid to him within two weeks of 30 June 2013, as compensation for the termination of employment. From 30 June 2013 until 18 October 2013 he will receive monthly benefit payments of £1,391.67 car allowance and a total benefit of £3,453 in medical insurance coverage for the period from 1 April 2013 to 18 October 2013.

OUTSIDE APPOINTMENTS

The Company's policy is to allow Executive Directors to hold an outside Non-Executive Directorship and retain the fees, although each prospective appointment will be considered on its merits.

Stephen Smith was appointed Non-Executive Chairman of Starwood European Real Estate Finance Limited on 22 November 2012. He has received fees of £18,595.89 in the period to 31 March 2013, which he has retained.

OTHER EMPLOYEES

The Remuneration Policy applied to the other senior managers in the Company is similar to the policy for the Executive Directors set out in this Report, in that a significant element of remuneration is dependent on Company, individual and share price performance, although the Matching Share Plan is typically only open to members of the Executive Committee.

Throughout the Group, around 103 executives are also eligible for LTIP awards. All the Company's UK staff with 18 months' service can participate in the Company's HMRC approved Share Incentive Plan and Savings Related Share Option Scheme. As a result, approximately 87% of all eligible employees invest each month in British Land shares through these Plans.

Additionally, approximately 63 executives with responsibilities for the Unit Trusts and the wholly-owned Retail and Office portfolios are eligible for awards under the Fund Managers' Performance Plan (FMPP) each year. The FMPP is designed to incentivise and retain these executives by rewarding outperformance and to align the interests of those executives with investors in the Unit Trusts and the Company. The Company is one of the largest investors in those Unit Trusts. Executive Directors do not participate in this plan. Some 20% of the value of any award under the FMPP is paid as cash on award. The remaining 80% of the value of any award is delivered in the form of free shares in the Company over a three year period and subject to clawback for subsequent underperformance.

REMUNERATION REPORT – AUDITED INFORMATION

DIRECTORS' EMOLUMENTS

	2012/13				2011/12			
	Salary[1] £	Annual incentive[2] £	Benefits[3] £	Total (excluding pensions) £	Salary £	Annual incentive £	Benefits £	Total (excluding pensions) £
Chairman								
John Gildersleeve	147,594		8,688	156,282[5]	77,025			77,025
Chris Gibson-Smith	263,813		39,328	303,141[4]	351,750		44,373	396,123
Executive Directors								
Chris Grigg	800,000	1,080,000	19,802	1,899,802	800,000	1,080,000	19,652	1,899,652
Lucinda Bell	465,000	465,000	19,702	949,702	425,273	460,000	19,552	904,825
Charles Maudsley	425,000	505,000	19,602	949,602	425,000	460,000	19,552	904,552
Tim Roberts	426,500	505,000	19,602	951,102	426,500	505,000	19,022	950,522
Stephen Smith	425,000	300,000	19,702	744,702	425,000	460,000	19,552	904,552
	Fees £			Fees £	Fees £			Fees £
Non-Executive Directors								
Aubrey Adams	69,320			69,320	67,640			67,640
Simon Borrows	60,920			60,920	60,710			60,710
Dido Harding	67,640			67,640	65,960			65,960
William Jackson	68,480			68,480	66,825			66,825
Richard Pym	82,445			82,445	75,305			75,305
Lord Turnbull	81,946			81,946	74,675			74,675
	3,383,657	2,855,000	146,426	6,385,083	3,341,663	2,965,000	141,703	6,448,366

1 Includes subsidiary Board fees of £1,500 to Tim Roberts.

2 One third of the Annual Incentive shown is paid in the form of locked up shares under the Matching Share Plan.

3 In addition to the remuneration shown in the table, Chris Grigg received a sum equivalent to 35% basic salary of £280,000; (2011/12: £280,000) in lieu of pension contribution. Charles Maudsley received £13,750 (2011/12: £13,750) in lieu of pension contribution over the £50,000 annual allowance which could be made to a registered pension plan. Their total Directors' emoluments including payments in lieu of pension contributions are £2,179,802 (2011/12: £2,179,652) and £963,352 (2011/12: £918,302) respectively. For full details of Directors' pension entitlements, see pages 107 and 108.

4 To 31 December 2012, date of cessation of office.

5 John Gildersleeve was appointed Chairman of the Company on 1 January 2013. The salary figure represents his Non-Executive Director fees paid in the period 1 April 2012–31 December 2012 and his Chairman's salary paid in the period from 1 January 2013–31 March 2013. His annual Chairman's fee is £351,750 per annum.

Emoluments do not include distributions arising from share plan interests. Benefits in kind include car allowance, provision of car and driver in respect of Chris Gibson-Smith and John Gildersleeve, and private medical insurance.

DIRECTORS' INTERESTS IN THE COMPANY'S SHARES

Fully paid ordinary shares, including shares held by spouses, Matching Share Plan Bonus Shares and under the Company's Share Incentive Plan. All interests are beneficial.

	Total at 31 March 2013	Total at 1 April 2012
John Gildersleeve	5,071	5,071
Chris Gibson-Smith	53,201[1]	53,201
Chris Grigg	631,792	467,078
Lucinda Bell	88,121	56,825
Charles Maudsley	133,942	153,625
Tim Roberts	134,221	132,791
Stephen Smith	320,176	264,031
Aubrey Adams	20,000	20,000
Simon Borrows	300,000	300,000
Dido Harding	8,094	5,007
William Jackson	34,144	28,110
Richard Pym	9,722	5,861
Lord Turnbull	14,520	12,260

1 On 31 December 2012, date of cessation of office.

PURCHASES AFTER THE YEAR END UP TO ONE MONTH BEFORE THE AGM NOTICE

On 9 April 2013, Lord Turnbull, Richard Pym, Dido Harding and William Jackson were allotted 455, 910, 594 and 594 shares respectively, at a price of 549.2832 pence per share, as part of their standing instructions to receive shares as satisfaction of their Directors' fees.

On 15 April 2013 Chris Grigg purchased 22 shares and Lucinda Bell, Charles Maudsley and Tim Roberts each purchased 21 shares, all at a price of 582.6538 pence per share, under the 'Partnership' element of the Company's Share Incentive Plan. Accordingly, Chris Grigg was awarded 44 'Matching' ordinary shares and Lucinda Bell, Charles Maudsley and Tim Roberts were each awarded 42 'Matching' ordinary shares, all at a price of 582.6538 pence per share.

INCENTIVE SCHEMES DISTRIBUTIONS

The aggregate amount of gains made by Directors on the exercise of share options was £621,047 (2011/2012: £nil). The aggregate value of distributions to Directors in relation to the incentive plans (not including option exercises) was £2,779,494 (2011/12: £1,846,861).

SHARE PRICE

The Middle Market Quotation (MMQ) for the ordinary 25 pence shares of the Company at the close of business on 28 March 2013 was 543.5 pence. The highest and lowest MMQs during the year to 31 March 2013 were 585.5 pence and 467.1 pence.

DIRECTORS' OPTIONS AND SHARE PLAN INTERESTS

Sharesave scheme

Beneficial interests of the Directors under the Sharesave Scheme:

	Date of grant	Number of options at 1 April 2012	Number of options granted during the year	Number of options vesting during the year[1]	Number of options exercised during the year[2]	Number of options lapsed during the year	Number of options at 31 March 2013	Exercise price (p)	Earliest exercise date	Expiry date
Chris Grigg	01.07.2011	1,908					1,908	473	01.09.2014	28.02.2015
Lucinda Bell	30.06.2009	3,014		3,014	3,014			301	01.09.2012	28.02.2013
	26.06.2012		2,295				2,295	392	01.09.2015	29.02.2016
Tim Roberts	30.06.2009	2,411		2,411	2,411			301	01.09.2012	28.02.2013
	30.06.2009	1,033					1,033	301	01.09.2014	28.02.2015
Stephen Smith	26.06.2012		3,826				3,826	392	01.09.2017	28.02.2018

1 On 1 September 2012, 3,014 options awarded to Lucinda Bell and 2,411 options awarded to Tim Roberts vested at the end of their three year saving periods.

2 On 3 September 2012 Lucinda Bell and Tim Roberts exercised their respective options, which had vested on 1 September 2012. The market price on the day of exercise was 541.5 pence, realising a notional gain of 240.5 pence per share.

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

REMUNERATION REPORT – AUDITED INFORMATION CONTINUED

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

Options

	Date of grant	Number of options at 1 April 2012[1]	Number of options granted during the year	Number of options vesting during the year	Number of options exercised during the year	Number of options lapsed during the year	Number of options at 31 March 2013	Exercise price (p)	Earliest exercise date	Expiry date
Chris Grigg	29.06.2009	1,033,591		1,033,591[2]			1,033,591	387	29.06.2012	28.06.2019
	11.06.2010	1,789,709					1,789,709	447	11.06.2013	10.06.2020
	28.06.2011	695,652					695,652	575	28.06.2014	27.06.2021
	14.09.2012		743,494				743,494	538	14.09.2015	13.09.2022
Lucinda Bell	29.11.2004[5]	25,326					25,326	660	29.11.2007	28.11.2014
	31.05.2005[5]	14,036					14,036	727	31.05.2008	30.05.2015
	05.12.2005[5]	11,557					11,557	824	05.12.2008	04.12.2015
	29.06.2009[5]	50,387		50,387[2]			50,387	387	29.06.2012	28.06.2019
	21.12.2009[5]	36,434		36,434[3]			36,434	446	21.12.2012	20.12.2019
	11.06.2010[5]	113,255					113,255	447	11.06.2013	10.06.2020
	14.12.2010[5]	19,607					19,607	510	14.12.2013	13.12.2020
	14.09.2012		138,289				138,289	538	14.09.2015	13.09.2022
Tim Roberts	29.11.2004[5]	22,513					22,513	660	29.11.2007	28.11.2014
	31.05.2005[5]	13,210					13,210	727	31.05.2008	30.05.2014
	05.12.2005[5]	17,483					17,483	824	05.12.2008	04.12.2015
	29.06.2009	826,873		826,873[2]	400,000[4]		426,873	387	29.06.2012	28.06.2019
	11.06.2010	380,313					380,313	447	11.06.2013	10.06.2020
	28.06.2011	295,652					295,652	575	28.06.2014	27.06.2021
Stephen Smith	14.09.2012		315,985				315,985	538	14.09.2015	13.09.2022

1 The number of options as at 1 April 2012 are the maximum awards achievable under the Long-Term Incentive Plan on maximum outperformance of the Plan's performance conditions, except for the options awarded in 2004, 2005 and 2009 which have already vested and remain exercisable until their respective expiry dates.

2 These options vested at 100% on 5 September 2012 on attainment of the Performance Target, as the NAV per share growth over the three year performance period was in excess of 4.5% per annum.

3 These options vested at 100% on 21 December 2012 on attainment of the Performance Target, as the NAV per share growth over the three year performance period was in excess of 4.5% per annum.

4 On 6 September 2012 Tim Roberts exercised 400,000 options. The market price on the day of exercise was 539 pence, realising a notional gain of 152 pence per share.

5 These options were granted prior to the individual being appointed a Director of the Company.

Performance shares

	Date of grant	Number of shares at 1 April 2012[1]	Number of shares granted during the year[2]	Number of shares vesting during the year	Number of shares lapsed during the year	**Number of shares at 31 March 2013**	Earliest vesting date
Chris Grigg	29.06.2009	258,397		258,397[3]			29.06.2012
	28.06.2011	173,913				**173,913**	28.06.2014
	14.09.2012		185,873			**185,873**	14.09.2015
Lucinda Bell	29.06.2009[5]	8,397		8,397[3]			29.06.2012
	21.12.2009[5]	9,108		9,108[4]			21.12.2012
	11.06.2010[5]	28,313				**28,313**	11.06.2013
	14.12.2010[5]	4,901				**4,901**	14.12.2013
	28.06.2011	147,826				**147,826**	28.06.2014
	14.09.2012		138,289			**138,289**	14.09.2015
Charles Maudsley	11.06.2010	190,156				**190,156**	11.06.2013
	28.06.2011	147,826				**147,826**	28.06.2014
	14.09.2012		157,992			**157,992**	14.09.2015
Tim Roberts	11.06.2010	95,078				**95,078**	11.06.2013
	28.06.2011	73,913				**73,913**	28.06.2014
	14.09.2012		157,992			**157,992**	14.09.2015
Stephen Smith	11.06.2010	190,156				**190,156**	11.06.2013
	28.06.2011	147,826				**147,826**	28.06.2014
	14.09.2012		78,996			**78,996**	14.09.2015

1 The numbers of shares as at 1 April 2012 are the maximum achievable under the Long-Term Incentive Plan on maximum outperformance of the Plan's performance conditions.

2 On 14 September 2012, the date of grant, the market price was 538 pence.

3 These shares vested at 100% on 5 September 2012 on attainment of the Performance Target, as the NAV per share growth over the three year performance period was in excess of 4.5% per annum. The market price on the day of grant was 387 pence and the market price on the day of vesting was 531.5 pence, realising a notional gain of £1,373,380.06 for Chris Grigg and a notional gain of £44,630.06 for Lucinda Bell. Chris Grigg retained 123,675 shares; all Lucinda Bell's shares were retained.

4 These shares vested at 100% on 21 December 2012 on attainment of the Performance Target, as the NAV per share growth over the three year performance period was in excess of 4.5% per annum. The market price on the day of grant was 446 pence and the market price on the day of vesting was 568 pence, realising a notional gain of £51,733.44 for Lucinda Bell. Lucinda Bell retained 4,355 shares.

5 These shares were granted prior to the individual being appointed a Director of the Company.

The LTIP performance target for awards made in 2012 and earlier compares British Land's average annual net asset value Growth over three years to the capital growth component of the Investment Property Databank Annual Index. The Remuneration Committee proposes that the LTIP performance target is changed for awards made from 2013 (see page 99 of the Remuneration Report).

REMUNERATION REPORT – AUDITED INFORMATION CONTINUED

Matching Share Plan

	Date of grant	Number of matching shares at 1 April 2012[1]	Number of matching shares granted during the year[2]	Number of matching shares vesting during the year[3]	Number of matching shares lapsed during the year[3]	**Number of matching shares at 31 March 2013**	Earliest vesting date
Chris Grigg	21.05.2009	29,266		14,633	14,633		21.05.2012
	02.09.2010	133,028				**133,028**	02.09.2013
	24.05.2011	133,222				**133,222**	24.05.2014
	05.09.2012		144,000			**144,000**	05.09.2015
Lucinda Bell	24.05.2011	26,968				**26,968**	24.05.2014
	05.09.2012		61,332			**61,332**	05.09.2015
Charles Maudsley	02.09.2010	7,360				**7,360**	02.09.2013
	24.05.2011	56,618				**56,618**	24.05.2014
	05.09.2012		61,332			**61,332**	05.09.2015
Tim Roberts	21.05.2009	50,746		25,373	25,373		21.05.2012
	02.09.2010	55,428				**55,428**	02.09.2013
	24.05.2011	56,618				**56,618**	24.05.2014
	05.09.2012		67,332			**67,332**	05.09.2015
Stephen Smith	02.09.2010	10,866				**10,866**	02.09.2013
	24.05.2011	56,618				**56,618**	24.05.2014
	05.09.2012		61,332			**61,332**	05.09.2015

1 The number of shares shown above is the maximum award achievable under the Matching Share Plan on maximum outperformance of the Plan's Performance Targets.

2 On 5 September 2012, the date of grant, the market price was 531.5 pence.

3 On 21 May 2012, as the EPS Performance Target had not been met, all the Shares awarded under the EPS part lapsed. As the TSR Performance Target had been fully met, all the shares under the TSR part vested. The market price on the day of grant was 380 pence and the market price on the day of vesting was 495.6 pence, realising a notional gain of £72,521.15 for Chris Grigg and a notional gain of £125,748.59 for Tim Roberts. Chris Grigg retained 6,997 shares and Tim Roberts retained 12,132 shares.

For the Awards made in 2007, 2008 and 2009 the MSP Performance Targets compares British Land's total shareholder return (TSR) over three years against a comparator group and rewards earnings per share growth above 4% simple a year over three years. For the Awards made in 2010, 2011 and 2012 the Performance Targets are the TSR target, and a target that compares the Group's annual like-for-like rental growth over three years against the Gross Income Growth of the Investment Property Databank Benchmark (see page 99 of the Remuneration Report).

Recruitment awards

The two awards below were made in order to facilitate the recruitment of Stephen Smith and Charles Maudsley in 2010.

	Date of grant	Number of shares at 1 April 2012[1]	Number of shares granted during the year	Number of shares vesting during the year	Number of shares lapsed during the year	**Number of shares at 31 March 2013**	Earliest vesting date
Charles Maudsley							
2010 Co-Investment Share Plan	30.03.2010	53,517		53,517[1]			01.02.2013
Stephen Smith							
2010 Co-Investment Share Plan	31.03.2010	85,328		85,328[2]			04.01.2013

1 On 1 February 2013 these shares vested as all the conditions of the Plan had been satisfied. The market price on the day of grant had been 478.5 pence and the market price on the day of vesting was 564 pence, realising a notional gain of £301,835.88 for Charles Maudsley.

2 On 30 January 2013 these shares vested as all the conditions of the Plan had been satisfied. The market price on the day of grant had been 481.1 pence and the market price on the day of vesting was 564 pence, realising a notional gain of £481,249.92 for Stephen Smith. Stephen Smith retained 40,828 shares.

CHARLES MAUDSLEY 2010 CO-INVESTMENT SHARE PLAN

The Committee made Charles Maudsley a one-off grant of 53,517 British Land shares on 30 March 2010. This grant was conditional on the acquisition by him of a matching number of shares and required the retention of those shares until 1 February 2013. The shares vested on 1 February 2013, as Charles Maudsley remained in employment until that time and the Performance Conditions were satisfied; 50% vested as there was real growth in NAV per share over the Performance Period and 50% vested as total return was over 10% for the Performance Period. The Performance Period was the three years to 31 December 2012.

STEPHEN SMITH 2010 CO-INVESTMENT SHARE PLAN

The Committee made Stephen Smith a one-off grant of 85,328 British Land shares on 31 March 2010. This grant was conditional on the acquisition by him of a matching number of shares and required the retention of those shares until 4 January 2013. The shares vested on 30 January 2013, as Stephen Smith remained in employment until that time and the Performance Conditions were satisfied; 50% vested as there was real growth in NAV per share over the Performance Period and 50% vested as total return was over 10% for the Performance Period. The Performance Period was the three years to 31 December 2012.

THE BRITISH LAND EMPLOYEE SHARE OWNERSHIP PLAN

The British Land Share Ownership Plan (the Trust), a discretionary trust, has been established to facilitate the operation of the above long-term incentive schemes. If Awards vest, immediately after vesting, shares are transferred out of the Trust to the Schemes' participants as appropriate. Dividends under the above share incentive schemes are retained by the Trust in interest bearing accounts and are payable to employees only on the vesting of the employees' shares, along with, in the case of the Long-Term Incentive Plan, interest earned on the dividends. In the event of a variation of capital, the Trustees (having considered the recommendations of the Remuneration Committee) have discretion to take such action as they consider appropriate. Cash dividends equivalents from the above schemes, including interest, distributed during the year totalled £205,028.03 to Chris Grigg, £12,581.20 to Lucinda Bell, £35,963.43 to Charles Maudsley, £17,482.00 to Tim Roberts and £57,340.41 to Stephen Smith.

DIRECTORS' PENSION BENEFITS FOR THE YEAR ENDED 31 MARCH 2013

Two Executive Directors, Lucinda Bell and Tim Roberts, earned pension benefits in schemes sponsored by the Company during the year as detailed on page 108. Chris Grigg receives a sum equal to 35% of basic salary in lieu of pension contributions, which for the year amounted to £280,000 (2011/12: £280,000). The Company also contributed a sum equal to 15% of Charles Maudsley and Stephen Smith's basic salaries, which amounted to £63,750 to each Director (2011/12: £63,750 each Director), of which £13,750 (2011/12: £13,750) to Charles Maudsley was paid as cash, in lieu of a pension contribution. Non-Executive Directors do not participate in any Company sponsored pension arrangements.

Since the Directors' Remuneration Report Regulations 2002 came into force, company accounts are subject to two sets of disclosure requirements. The extended Companies Act 2006 requirements have to be observed in addition to the current UK Listing Authority requirements. The requirements differ slightly and these Regulations are expected to remain in force for the time being. The alternative disclosures shown in the two tables on page 108 provide the details of Directors' pensions necessary to satisfy the two sets of requirements.

REMUNERATION REPORT – AUDITED INFORMATION CONTINUED

COMPANIES ACT 2006 DISCLOSURE REQUIREMENTS TABLE

	Age at year end	Accrued pension entitlement at year start £ per annum	Additional pension earned during the year £ per annum	Total accrued pension entitlement at year end £ per annum	Transfer value of accrued pension at start of year £	Transfer value of accrued pension at year end £	Increase in transfer value less Director's contributions paid during the year £
Lucinda Bell	48	78,200	7,200	85,400	1,677,000	2,044,300	367,300
Tim Roberts	48	58,500	6,900	65,400	1,342,700	1,681,400	338,700

UK LISTING AUTHORITY DISCLOSURE REQUIREMENTS

	Age at year end	Accrued pension entitlement at year start £ per annum	Increase in accrued pension during the year (in excess of inflation) £ per annum	Total accrued pension entitlement at year end £ per annum	Transfer value of additional pension (in excess of inflation) £	Premiums paid in respect of life cover £
Lucinda Bell	48	78,200	5,400	85,400	129,800	2,267
Tim Roberts	48	58,500	5,600	65,400	144,400	2,375

Notes

1 The total accrued pensions shown are those that would be paid annually on retirement at age 60 based on service to the end of the year.

2 The pension equivalent shown above for Lucinda Bell and Tim Roberts are a mixture of pension from the Registered Scheme and EFRBS.

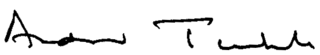
3 The following is additional information relating to Directors' pensions for those included in the above table:

- **a** Normal retirement age for pension arrangements is age 60.
- **b** Members of the Scheme were not required to pay contributions during the year.
- **c** Retirement may take place at any age after 55 subject to the consent of both the Company and the Trustees of the Scheme. Pensions may be reduced to allow for their earlier payment.
- **d** On death in service, the Scheme provides a capital sum equal to four times salary and a spouse's pension of two thirds of the member's prospective pension at age 60. If a Member is entitled to a deferred pension, a spouse's pension of two thirds of the member's accrued pension is payable on death before or after retirement. These pensions are paid throughout the spouse's lifetime or until the youngest child reaches age 18 (or age 23 if in full time education), if later.
- **e** In payment, pensions are guaranteed to increase each year in line with the increase in the Retail Prices Index (RPI) subject to a maximum of 5%. For consistency with the registered scheme transfer basis, the values in this report have been calculated based on full RPI to reflect the potential for future discretionary pension increases awarded by the Trustees.
- **f** Consistent with the approach taken in last year's disclosures, deferred pensions are assumed to increase in line with RPI in the period before retirement.

4 The premiums paid, disclosed in the table above, are in respect of registered and excepted life insurance cover.

5 All pension amounts and transfer values disclosed in this report have been rounded to the nearest £100.

This Report was approved by the Board on 13 May 2013.



Lord Turnbull
Chairman of the Remuneration Committee

ADDITIONAL DISCLOSURES

REAPPOINTMENT OF DIRECTORS

The Directors listed on the Board of Directors pages 76 and 77 constituted the Board during the year, save that Chris Gibson-Smith resigned from the Board on 31 December 2012 and Stephen Smith resigned on 31 March 2013. In accordance with best practice under the UK Corporate Governance Code 2010, all the Directors will retire at the AGM and will offer themselves for annual re-election.

PURCHASE OF OWN SHARES

The Company was granted authority at the AGM in 2012 to purchase its own shares up to a total aggregate value of 10% of the issued nominal capital. That authority expires at this year's AGM and a resolution will be proposed for its renewal. During the year the Company made no purchases of its own shares.

SHARE CAPITAL

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

The issued share capital has been increased during the year by fully paid issues as follows:

		Number of ordinary shares of 25p
15 March 2013	Share placing	89,674,604
04 April 2012 to 14 January 2013	Shares in lieu of Directors' fees	14,912
30 May 2012 to 21 March 2013	On exercise of options under the Long-Term Incentive Plan (LTIP)	1,294,516
17 April 2012 to 21 March 2013	On exercise of options under the Sharesave Scheme	169,851
09 November 2012 to 15 February 2013	Scrip allotment	6,058,782
01 February 2013 to 26 February 2013	Co-Investment Share Plans vesting allotments	112,686
24 August 2012	Share Incentive Plan Free Share Award allotment	166,499

PAYMENTS POLICY

We recognise the importance of good supplier relationships to the overall success of our business. We manage dealings with suppliers in a fair, consistent and transparent manner and have signed up to the UK Government's Prompt Payment Code. At the year end there were 29 (2011/12: 29) suppliers' days outstanding.

EVENTS AFTER THE BALANCE SHEET DATE

There were no reportable events after the balance sheet date.

DIRECTORS' INTERESTS IN CONTRACTS

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

DIRECTORS' LIABILITY INSURANCE AND INDEMNITY

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

SUBSTANTIAL INTERESTS

As at 13 May 2013, the Company had been notified of the following major interests in its issued ordinary share capital.

	Number of shares	% of issued capital
Norges Bank	62,598,618	6.35%
Blackrock, Inc.	52,861,598	5.36%
APG Algemene Pensioen Groep NV	44,622,274	4.52%
Government of Singapore Investment Corporation Pte Ltd	39,473,304	4.00%
Legal and General Group Plc	34,283,631	3.48%

AUDITOR

The Audit Committee have recommended resolutions to reappoint Deloitte as auditor and to authorise the Directors to determine their remuneration be proposed at the AGM.

DISCLOSURE OF INFORMATION TO AUDITOR

Each of the persons who is a Director at the date of approval of this Report confirms that:

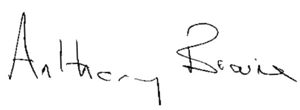
- so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the Director has taken all the steps that he/she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information and to establish that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

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

ANNUAL GENERAL MEETING

The AGM of The British Land Company PLC will be held at The Ocean Room, The Cumberland Hotel, Great Cumberland Place, London W1H 7DL on Friday 19 July 2013, at 11.00 am.

This Report was approved by the Board on 13 May 2013.



Anthony Braine
Group Secretary
13 May 2013

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors are required to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Article 4 of the IAS Regulation and have elected to prepare the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing the parent company financial statements, the Directors are required to:

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

In preparing the Group financial statements, International Accounting Standard 1 requires that Directors:

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- the Management Report, which is incorporated into the Directors' report, includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

By order of the Board.

Lucinda Bell
Finance Director

13 May 2013

FINANCIAL STATEMENTS

FINANCIAL STATEMENTS 112–176

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CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2013

	Note	2013 Underlying pre-tax[1] £m	2013 Capital and other £m	2013 Total £m	2012 Underlying pre-tax[1] £m	2012 Capital and other £m	2012 Total £m
Gross rental and related income	3	329	–	329	332	–	332
Net rental and related income	3	281	–	281	286	–	286
Fees and other income	4	15	–	15	16	–	16
Joint ventures and funds (see also below)		130	(63)	67	113	69	182
Administrative expenses		(72)	–	(72)	(69)	–	(69)
Net valuation movement (includes result on disposals)	6	–	88	88	–	143	143
Financing costs – financing income	7	21	2	23	24	2	26
– financing charges	7	(101)	(41)	(142)	(101)	(4)	(105)
		(80)	(39)	(119)	(77)	(2)	(79)
Profit (loss) on ordinary activities before taxation		274	(14)	260	269	210	479
Taxation – current tax income (expense)	8		8	8		(2)	(2)
– deferred tax income	8		16	16		3	3
			24	24		1	1
Profit for the year after taxation attributable to shareholders of the Company				284			480
Earnings per share – basic	2			31.7p			54.1p
– diluted	2			31.5p			53.8p

1 As defined in note 2.

All results derive from continuing operations.

	Note	2013 Underlying pre-tax[1] £m	2013 Capital and other £m	2013 Total £m	2012 Underlying pre-tax[1] £m	2012 Capital and other £m	2012 Total £m
Share of results of joint ventures and funds							
Underlying profit before taxation		130	–	130	113	–	113
Net valuation movement (includes result on disposals)		–	(62)	(62)	–	72	72
Non-recurring items		–	(4)	(4)	–	(3)	(3)
Current tax income (expense)		–	2	2	–	(1)	(1)
Deferred tax income		–	1	1	–	1	1
	12	130	(63)	67	113	69	182

1 As defined in note 2.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2013

	2013 £m	2012 £m
Profit for the year after taxation	284	480
Other comprehensive income:		
Items that will not be reclassified subsequently to profit or loss:		
Net actuarial loss on pension scheme	(2)	(3)
	(2)	(3)
Items that may be reclassified subsequently to profit or loss:		
Losses on cash flow hedges		
– Group	(16)	(65)
– Joint ventures and funds	(6)	(50)
	(22)	(115)
Transferred to the income statement (cash flow hedges)		
– Foreign currency derivatives	(5)	–
– Interest rate derivatives	26	18
	21	18
Exchange differences on translation of foreign operations		
– Hedging and translation	(4)	9
– Other	6	(8)
	2	1
Other comprehensive loss for the year	(1)	(99)
Total comprehensive income for the year attributable to shareholders of the Company	283	381

CONSOLIDATED BALANCE SHEET

At 31 March 2013

	Note	2013 £m	2012[1] £m
ASSETS			
Non-current assets			
Investment and development properties	11	5,488	5,346
Owner-occupied property	11	42	41
		5,530	5,387
Other non-current assets			
Investments in joint ventures and funds	12	2,336	2,191
Other investments	13	76	28
Interest rate derivative assets	18	92	73
		8,034	7,679
Current assets			
Trading properties	11	40	47
Debtors	14	60	95
Liquid investments	18	–	200
Cash and short-term deposits	18	135	137
		235	479
Total assets		8,269	8,158
LIABILITIES			
Current liabilities			
Short-term borrowings and overdrafts	18	(44)	(49)
Creditors	15	(259)	(261)
Corporation tax		(17)	(23)
		(320)	(333)
Non-current liabilities			
Debentures and loans	18	(2,134)	(2,572)
Other non-current liabilities	16	(26)	(25)
Deferred tax liabilities	17	(16)	(32)
Interest rate derivative liabilities	18	(86)	(92)
		(2,262)	(2,721)
Total liabilities		(2,582)	(3,054)
Net assets		5,687	5,104
Equity			
Share capital	21	249	225
Share premium		1,242	1,237
Merger reserve		213	–
Other reserves		(163)	(164)
Retained earnings		4,146	3,806
Total equity attributable to shareholders of the Company		5,687	5,104
EPRA NAV per share[2]	2	596p	595p

1 Comparatives have been re-presented, see note 1.

2 As defined in note 2.

John Gildersleeve
Chairman

Lucinda Bell
Finance Director

Approved by the Board and authorised for issue on 13 May 2013.

Company number 621920

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2013

	Note	2013 £m	2012 £m
Rental income received from tenants		266	271
Fees and other income received		19	21
Operating expenses paid to suppliers and employees		(88)	(81)
Cash generated from operations		197	211
Interest paid		(113)	(89)
Interest received		31	17
UK corporation tax received		1	3
Distributions and other receivables from joint ventures and funds		74	64
Net cash inflow from operating activities		190	206
Cash flows from investing activities			
Development and other capital expenditure		(230)	(106)
Purchase of investment properties		(442)	(382)
Sale of investment properties		699	59
Purchase of investments		–	(22)
Sale of investments		2	–
Deferred consideration received		18	12
Investment in and loans to joint ventures and funds		(318)	(110)
Capital distributions from joint ventures and funds		72	–
Indirect taxes (paid) received in respect of investing activities		(3)	2
Net cash outflow from investing activities		(202)	(547)
Cash flows from financing activities			
Issue of ordinary shares		493	–
Dividends paid	20	(203)	(212)
Closeout of interest rate derivative		4	–
Movement in other financial liabilities		2	(4)
Disposal of liquid investments	18	210	–
Decrease in bank and other borrowings		(889)	(406)
Drawdowns on bank and other borrowings		–	1,040
Proceeds on convertible bond issue		393	–
Net cash inflow from financing activities		10	418
Net (decrease) increase in cash and cash equivalents		(2)	77
Cash and cash equivalents at 1 April		137	60
Cash and cash equivalents at 31 March		135	137
Cash and cash equivalents consists of:			
Cash and short-term deposits	18	135	137

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2013

	Share capital[1] £m	Share premium £m	Hedging and translation reserve[1, 2] £m	Revaluation reserve[1] £m	Merger reserve[1] £m	Retained earnings £m	Total £m
Balance at 1 April 2012	225	1,237	(72)	(92)	–	3,806	5,104
Profit for the year after taxation	–	–	–	–	–	284	284
Losses on cash flow hedges	–	–	(16)	–	–	–	(16)
Joint ventures and funds revaluations	–	–	–	(6)	–	–	(6)
Reclassification of losses on cash flow hedges							
– Foreign currency derivatives	–	–	(5)	–	–	–	(5)
– Interest rate derivatives	–	–	26	–	–	–	26
Exchange differences on translation of foreign operations	–	–	(4)	6	–	–	2
Net actuarial loss on pension schemes	–	–	–	–	–	(2)	(2)
Other comprehensive income (loss)	–	–	1	–	–	(2)	(1)
Total comprehensive income for the year	–	–	1	–	–	282	283
Share issues	24	5	–	–	464	–	493
Adjustment for share and share option awards	–	–	–	–	–	9	9
Dividends payable in year (26.3p per share)	–	–	–	–	–	(234)	(234)
Transfer	–	–	–	–	(251)	251	–
Adjustment for scrip dividend element	–	–	–	–	–	32	32
Balance at 31 March 2013	249	1,242	(71)	(92)	213	4,146	5,687
Balance at 1 April 2011	224	1,237	(34)	(34)	–	3,537	4,930
Profit for the year after taxation	–	–	–	–	–	480	480
Losses on cash flow hedges	–	–	(65)	–	–	–	(65)
Joint ventures and funds revaluations	–	–	–	(50)	–	–	(50)
Reclassification of losses on cash flow hedges							
– Interest rate derivatives	–	–	18	–	–	–	18
Exchange differences on translation of foreign operations			9	(8)	–	–	1
Net actuarial loss on pension schemes	–	–	–	–	–	(3)	(3)
Other comprehensive loss	–	–	(38)	(58)	–	(3)	(99)
Total comprehensive (loss) income for the year	–	–	(38)	(58)	–	477	381
Share issues	1	–	–	–	–	–	1
Adjustment for share and share option awards	–	–	–	–	–	5	5
Dividends payable in year (26.0p per share)	–	–	–	–	–	(231)	(231)
Adjustment for scrip dividend element	–	–	–	–	–	18	18
Balance at 31 March 2012	225	1,237	(72)	(92)	–	3,806	5,104

1 Refer to note 21.

2 The balance at the beginning of the period includes £11m relating to translation and (£83m) relating to hedging.

NOTES TO THE ACCOUNTS

1 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

The financial statements for the year ended 31 March 2013 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 (IFRSs) as adopted by the European Union and therefore comply with Article 4 of the EU IAS Regulation.

The accounting policies used are consistent with those contained in the Group's last annual report and accounts for the year ended 31 March 2012.

Standards and interpretations issued but not effective for the current accounting period were:

- IFRS 9 – Financial Instruments;
- IFRS 10 – Consolidated Financial Statements;
- IFRS 11 – Joint Arrangements;
- IFRS 12 – Disclosure of Interests in Other Entities;
- IFRS 13 – Fair Value Measurement;
- IAS 1 (amended) – Presentation of Items of Other Comprehensive Income;
- IAS 12 (amended) – Deferred Tax: recovery of underlying assets;
- IAS 19 (revised) – Employee Benefits;
- IAS 27 (revised) – Separate Financial Statements;
- IAS 28 (revised) – Investments in Associates and Joint Ventures; and
- IAS 32 (amended) – Financial Instruments: Presentation.

The Directors do not expect that the adoption of the standards listed above will have a material impact on the financial statements of the Group in future periods except as follows:

- IFRS 9 will impact both the measurement and disclosures of financial instruments;
- IFRS 12 will impact the disclosure of interests the Group has in other entities;
- IFRS 13 will impact the disclosure of fair value measurements; and
- IAS 19 (revised) will impact the measurement of the various components representing movements in the defined benefit pension obligation.

Critical accounting judgements are disclosed in the relevant section of the Annual Report, see page 68. The key source of estimation and uncertainty relates to the valuation of the property portfolio and investments, where an external valuation is obtained. In accounting for net rental income, the Group is required to judge the recoverability of any income accrued and provides against the credit risk on these amounts.

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 those items which would have a significant impact on the financial statements is considered, by the nature of the Group's business, to be limited.

RE-PRESENTED BALANCE SHEET

The Balance Sheet has been re-presented to show interest rate derivative assets, interest rate derivative liabilities and corporation tax creditor on the face of the Balance Sheet in accordance with IAS 1. Comparatives on the Balance Sheet and in the notes to the accounts have been re-presented accordingly. Amounts owed by joint ventures, previously showed within trade and other debtors, is presented separately. Comparatives have been re-presented accordingly. The tax witheld on dividends, previously disclosed within corporation tax creditor, has been re-presented in other taxation and social security.

GOING CONCERN

The financial statements are prepared on a going concern basis as explained in the Corporate Governance section on page 85.

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 (investor'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 upon elimination of upstream and downstream transactions. Their profits include revaluation movements on investment properties. Interest income, management fees and performance fees are proportionately eliminated.

PROPERTIES

Properties are externally valued on the basis of fair value at the balance sheet date. Investment and owner-occupied properties are recorded at valuation whereas trading properties are stated at the lower of cost and net realisable value.

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

Any surplus arising on revaluing owner-occupied properties above cost is recognised in equity, and any deficit arising in revaluation below cost for owner-occupied and trading properties is recognised in 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.

NOTES TO THE ACCOUNTS CONTINUED

1 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES continued

PROPERTIES continued

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 capital expenditure in the period.

Where properties held for investment are appropriated to trading stock, they are transferred at market value. If properties held for trading are appropriated to investment, they are transferred at book value.

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.

FINANCIAL ASSETS AND LIABILITIES

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

Other investments are shown at amortised cost and held as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate.

Liquid investments are shown at fair value and treated as held for trading financial assets. Gains and losses from the changes in fair value are recorded in the income statement.

Where an investment property is held under a head lease, the head lease 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.

Convertible bonds are designated as fair value through profit or loss and so are presented on the balance sheet at fair value with all gains and losses, including the write off of issuance costs, recognised in the income statement within the capital and other component of net financing costs. The interest charge in respect of the coupon rate on the bonds has been recognised within the underlying component of net financing costs on an accruals basis.

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 of all derivatives 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 premia 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. Performance fees are recognised at the end of the performance period when the fee amount can be estimated reliably and it is virtually certain that the fee will be received. Management and performance fees receivable from joint ventures and funds are proportionately eliminated. Performance fees are discounted for any element subject to subsequent clawback, on a case-by-case basis.

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.

1 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES continued

EMPLOYEE COSTS continued

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 (where recoverable by the Group) 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 comprehensive income.

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

2 PERFORMANCE MEASURES

Earnings per share (diluted)	2013 Earnings £m	2013 Pence per share	2012 Earnings £m	2012 Pence per share
Underlying pre-tax profit – income statement	274	–	269	–
Tax charge relating to underlying profit	(1)	–	(4)	–
Underlying earnings	273	30.3	265	29.7
Mark-to-market on/profit on disposal of liquid investments (held for trading assets)	9	–	(3)	–
Mark-to-market adjustment on convertible bond	(7)	–	–	–
Non-recurring items[1]	(7)	–	–	–
EPRA earnings	268	29.7	262	29.4
Profit for the year after taxation	284	31.5	480	53.8

1 Non-recurring items for the year ended 31 March 2013 of £7m relate to issue costs of the convertible bond.

The European Public Real Estate Association (EPRA) issued Best Practices Recommendations most recently in September 2011 and additional guidance in January 2013, which gives guidelines for performance measures. Comparatives have been re-presented in line with the additional guidance. The **EPRA earnings measure** excludes investment property revaluations and gains or losses on disposals, intangible asset movements and their related taxation. A summary of the EPRA Performance Measures is provided in Table B within the Supplementary Disclosures, see page 153.

Underlying earnings consists of the EPRA earnings measure, with additional Company adjustments. Adjustments include mark-to-market adjustments on, or profit on disposal of, held for trading assets, mark-to-market adjustments on the convertible bond and issue costs of the convertible bond.

The weighted average number of shares in issue for the year was: basic: 895m (2011/12: 887m); diluted for the effect of share options: 901m (2011/12: 892m). Basic undiluted earnings per share for the year, calculated using profit for the year after taxation of £284m (2011/12: £480m), was 31.7p (2011/12: 54.1p). Earnings per share shown in the table above are diluted.

Net asset value (NAV) (diluted)	31 March 2013 £m	31 March 2012 £m
Balance sheet net assets	5,687	5,104
Deferred tax arising on revaluation movements	14	31
Mark-to-market on effective cash flow hedges and related debt adjustments	198	189
Surplus on trading properties	10	–
Dilution effect of share options	58	57
EPRA NAV	5,967	5,381
EPRA NAV per share	596p	595p

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 2013, the number of shares in issue was: basic: 986m (2011/12: 888m); diluted for the effect of share options: 1,001m (2011/12: 904m).

Total accounting return per share for the year ended 31 March 2013 of 4.6% includes dividends paid of 26.4p (see note 20) in addition to the increase in EPRA NAV of 1p. Total accounting return per share for the year ended 31 March 2012 was 9.5%.

NOTES TO THE ACCOUNTS CONTINUED

3 GROSS AND NET RENTAL AND RELATED INCOME

	2013 £m	2012 £m
Rent receivable	269	259
Spreading of tenant incentives and guaranteed rent increases	24	41
Surrender premia	1	–
Gross rental income	294	300
Service charge income	35	32
Gross rental and related income	329	332
Service charge expenses	(35)	(32)
Property operating expenses	(13)	(14)
Net rental and related income	281	286

The cash element of net rental income recognised during the year ended 31 March 2013 from properties which were not subject to a security interest was £159m (2011/12: £126m). Property operating expenses relating to investment properties that did not generate any rental income were £1m (2011/12: £1m). Contingent rents of £1m (2011/12: £1m) were recognised in the year.

4 FEES AND OTHER INCOME

	2013 £m	2012 £m
Performance and management fees (from joint ventures and funds)	10	12
Other fees and commissions	5	4
	15	16

5 OTHER INCOME STATEMENT DISCLOSURES

(i) Total revenue	Note	2013 £m	2012 £m
Gross rental and related income	3	329	332
Fees and other income	4	15	16
Financing income	7	23	26
Total revenue in the year		367	374

(ii) Auditor remuneration – Deloitte LLP	2013 £m	2012 £m
Audit fees		
Fees payable to the Company's auditor for the audit of the Company's annual accounts	0.2	0.2
Fees payable to the Company's auditor for the audit of the Company's subsidiaries, pursuant to legislation	0.3	0.3
Total audit fees	0.5	0.5
Audit-related assurance services	0.1	0.2
Total audit and audit-related assurance services	0.6	0.7
Other fees		
Tax advisory services	0.1	0.1
Other services	0.2	0.3
Total other fees	0.3	0.4
	0.9	1.1

(iii) Exchange gains recognised in the consolidated income statement total £2m (2011/12: £nil).

6 NET REVALUATION GAINS ON PROPERTY AND INVESTMENTS

	2013 £m	2012 £m
Consolidated income statement		
Revaluation of properties	71	143
Result on property and investment disposals	8	3
Revaluation of investments	9	(3)
	88	143
Share of valuation movements of joint ventures and funds	(62)	72
Net revaluation gains on property and investments	26	215

7 NET FINANCING COSTS

	2013 £m	2012 £m
Interest payable on:		
Bank loans and overdrafts	37	27
Other loans	75	76
Obligations under finance leases	1	1
	113	104
Development interest capitalised	(17)	(8)
	96	96
Interest receivable on:		
Deposits, securities and liquid investments	(11)	(17)
Loans to joint ventures	(3)	–
	(14)	(17)
Other finance (income) costs:		
Expected return on pension scheme assets	(7)	(7)
Interest on pension scheme liabilities	5	5
Valuation movements on translation of foreign currency debt	5	–
Hedging reserve recycling	(5)	–
Net financing expenses – underlying	80	77
Capital and other:		
Valuation movements on fair value debt	18	66
Valuation movements on fair value derivatives	(14)	(68)
Net capital movement on convertible bond	14	–
Recycling of fair value movement on close-out of derivatives	20	–
Valuation movement on translation of foreign currency net assets	(2)	–
Fair value movement on non-hedge accounted derivatives	3	4
Net financing costs – capital	39	2
Net financing costs	119	79
Total financing income	(23)	(26)
Total financing charges	142	105
Net financing costs	119	79

Interest on development expenditure is capitalised at a rate of 4.00% (2011/12: 4.48%).

NOTES TO THE ACCOUNTS CONTINUED

8 TAXATION

	2013 £m	2012 £m
Tax expense (income)		
Current tax		
UK corporation tax: 24% (2011/12: 26%)	1	2
	1	2
Adjustments in respect of prior years	(9)	–
Total current tax (income) expense	(8)	2
Deferred tax on revaluations	(16)	(3)
Group total taxation (net)	(24)	(1)
Attributable to joint ventures and funds	(3)	–
Total taxation income	(27)	(1)
Tax reconciliation		
Profit on ordinary activities before taxation	257	479
Less: profit attributable to joint ventures and funds[1]	(64)	(182)
Group profit on ordinary activities before taxation	193	297
Tax on profit on ordinary activities at UK corporation tax rate of 24% (2011/12: 26%)	46	77
Effects of:		
REIT exempt income and gains	(41)	(70)
Tax losses	(6)	(8)
Adjustments in respect of prior years	(23)	–
Group total taxation income	(24)	(1)

1 A current tax credit of £2m (2011/12: charge of £1m) and a deferred tax credit of £1m (2011/12: credit of £1m) arose on profits attributable to joint ventures and funds. The low charges reflect the Group's REIT status.

Tax expense attributable to underlying profits for the year ended 31 March 2013 was £1m (2011/12: £4m). The underlying tax rate for the year ended 31 March 2013 was 0.5% (2011/12: 1.5%).

Corporation tax payable at 31 March 2013 was £17m (2011/12: £23m) as shown on the balance sheet.

9 STAFF COSTS

STAFF COSTS (INCLUDING DIRECTORS)

	2013 £m	2012 £m
Wages and salaries	**43**	41
Social security costs	**5**	5
Pension costs	**5**	5
Equity-settled share-based payments	**12**	12
	65	63

The average monthly number of employees of the Company during the year was 217 (2011/12: 205). The average monthly number of Group employees, including those employed directly at the Group's properties and their costs recharged to tenants, was 514 (2011/12: 521).

The Executive Directors and Non-Executive Directors are the key management personnel. Their emoluments are summarised below and further detail is disclosed in the Remuneration Report on pages 92 to 108.

DIRECTORS' EMOLUMENTS

	2013 £m	2012 £m
Short-term employee benefits	**6.4**	6.4
Termination payments	**–**	0.4
Service cost in relation to defined benefit pension schemes	**0.1**	0.1
Share based payment	**3.1**	4.2
	9.6	11.1

STAFF COSTS

The Group's equity-settled share-based payments comprise the Long-Term Incentive Plan (LTIP), the Matching Share Plan (MSP), the Fund Managers Performance Plan (FMPP), the Share Incentive Plan (SIP), various Savings Related Share Option Scheme and two recruitment schemes relating to Executive Board members.

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 relevant performance targets and service periods.

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. Proposed changes for the performance targets are detailed in the Remuneration Report on pages 92 to 108. For both LTIP components the Company estimates the number of shares or options likely to vest and expenses that estimate 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 below. 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: 2012 AWARDS

	20 December 2012	14 September 2012
Share price and exercise price at grant date	563p	538p
Expected option life in years	7	7
Risk free rate	1.13%	1.15%
Expected volatility	37%	37%
Expected dividend yield	5%	5%
Value per option	118p	115p

NOTES TO THE ACCOUNTS CONTINUED

9 STAFF COSTS continued

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 for the 2009 awards and Total Shareholder Return and like-for-like rental growth for 2010 and 2011, being achieved over a three year period will be matched two-for-one 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 (FMPP)

Under the FMPP 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. 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 two-for-one by the Company. The free and matching shares are either purchased at fair value in the market or allotted and expensed at the time of allocation.

Under the Savings Related Share Option Scheme 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 two recruitment schemes (Co-Investment Share Plans) are valued at the fair value of the shares at the date of grant and expensed over the period to vesting.

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 (State Earnings-Related Pension Scheme). 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 three other small pension schemes. The total net pension cost charged for the year was £5m (2011/12: £5m), of which £3m (2011/12: £2m) relates to defined contribution plans.

A full actuarial valuation of the scheme was carried out at 31 March 2009 by consulting actuaries, AON Hewitt Associates Ltd. The employer's contributions will be paid in the future at the rate recommended by the actuary of 45.2% per annum of basic salaries. The best estimate of employer contributions expected to be paid during the year to 31 March 2014 is £3m. The major assumptions used for the actuarial valuation were:

	2013 % pa	2012 % pa	2011 % pa	2010 % pa	2009 % pa
Discount rate	**4.1**	4.6	5.5	5.5	5.8
Salary inflation	**4.7**	4.7	5.2	5.4	4.4
Pensions increase	**3.1**	3.1	3.7	3.9	2.9
Price inflation	**3.2**	3.2	3.7	3.9	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 90 if they are male and to age 91 if they are female. For a member who is currently 40 and retires in 2033 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.

10 PENSIONS continued

COMPOSITION OF SCHEME ASSETS

	2013 £m	2012 £m
Equities	48	43
Diversified Growth Funds (DGF)	70	64
Other assets	2	2
Total scheme assets	**120**	**109**

No expected return percentage for 2014 is disclosed due to the planned adoption of IAS 19 (revised) – Employee Benefits, which removes the recognition of expected return on scheme assets from the consolidated income statement.

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

	2013 £m	2012 £m	2011 £m	2010 £m	2009 £m
Present value of defined scheme obligations	(119)	(107)	(99)	(95)	(69)
Fair value of scheme assets	120	109	110	98	69
Irrecoverable surplus	(1)	(2)	(11)	(3)	–
Asset (liability) recognised in the balance sheet	–	–	–	–	–

The 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. In 2013, the overall expected rate of return on assets is then derived by aggregating the expected return for each asset class over their allocation for the scheme at 31 March 2013. In 2014, upon adoption of IAS 19 (revised) – Employee Benefits, expected returns will no longer be recognised, but will be replaced by recording interest income in the consolidated income statement calculated using the discount rate to measure the pension obligation.

HISTORY OF EXPERIENCE GAINS AND LOSSES

	2013 £m	2012 £m	2011 £m	2010 £m	2009 £m
Difference between expected and actual return on scheme assets					
Amount	3	(7)	4	24	(18)
Percentage of scheme assets	2.7%	(6.4%)	3.3%	25.1%	26.3%
Experience gains (losses) on scheme liabilities					
Amount	2	2	(2)	–	8
Percentage of present value on scheme liabilities	(1.6%)	(1.7%)	1.9%	0.3%	1.7%
Changes in assumptions underlying the present value of scheme liabilities	(7)	(6)	2	(23)	8
Total actuarial loss recognised in the consolidated statement of comprehensive income[1]					
Amount[2]	(4)	(3)	(2)	(2)	(2)
Percentage of present value on scheme liabilities	(3.1%)	2.7%	2.0%	1.5%	3.0%
Pension scheme movement for the year[1]	(4)	(3)	(2)	(2)	(2)

1 Movements stated after adjustment for irrecoverability of any surplus.

2 Cumulative loss recognised in the statement of comprehensive income is £29m (2011/12: £26m).

NOTES TO THE ACCOUNTS CONTINUED

10 PENSIONS continued

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

	2013 £m	2012 £m
At 1 April	(107)	(99)
Current service cost	(2)	(3)
Interest cost	(5)	(5)
Actuarial losses	(7)	(6)
Benefits paid	2	6
At 31 March	(119)	(107)

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

		2013 £m	2012 £m
Administrative expenses:	Current service cost	(2)	(3)
Net financing cost:	Expected return on scheme assets	7	8
	Interest cost	(5)	(5)
		–	–

The actual return on scheme assets was £10m (2011/12: £1m).

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

	2013 £m	2012 £m
At 1 April	108	110
Expected return on scheme assets	7	8
Contributions by employer	4	3
Actuarial gains (losses)	3	(7)
Benefits paid	(2)	(5)
At 31 March	120	109

11 PROPERTY

PROPERTY RECONCILIATION 12 MONTHS TO 31 MARCH 2013

	Investment and development £m	Trading £m	Owner-occupied £m	Total £m
Carrying value at 1 April 2012	5,346	47	41	5,434
Additions – property purchases	453	–	–	453
– development expenditure	201	5	–	206
– capitalised interest	15	1	–	16
– capital expenditure on asset management initiatives	28	–	–	28
	697	6	–	703
Depreciation	–	–	(1)	(1)
Disposals	(651)	(13)	–	(664)
Revaluations included in income statement	72	–	2	74
Movement in tenant incentives and contracted rent uplift balances	24	–	–	24
Carrying value at 31 March 2013	5,488	40	42	5,570
Head lease liabilities (note 16)				(26)
Surplus on trading properties				10
Total Group property portfolio valuation 31 March 2013				5,554

At 31 March 2013, the Group book value of properties of £5,554m (2011/12: £5,414m) comprised freeholds of £3,502m (2011/12: £4,034m); virtual freeholds of £709m (2011/12: £107m) and long leaseholds of £1,343m (2011/12: £1,273m). The historical cost of properties was £4,229m (2011/12: £4,264m).

The property valuation does not include any investment properties held under operating leases (2011/12: £nil).

Properties valued at £1,724m (2011/12: £1,827m) were subject to a security interest and other properties of non-recourse companies amounted to £40m (2011/12: £49m).

Included within the property valuation is £91m (2011/12: £86m) in respect of accrued contracted rental uplift income, against which the Group holds a provision of £5m (2011/12: £5m). 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 properties amounts to £56m (2011/12: £78m).

Included in investment properties are £904m of properties which are in the course of development (2011/12: £444m).

The Group's total property portfolio was valued by external valuers on the basis of fair value, in accordance with the RICS Valuation – Professional Standards 2012, Eighth Edition, published by The Royal Institution of Chartered Surveyors. Copies of the valuation certificates of Knight Frank LLP and CBRE can be found on the website at www.britishland.com/investors/operational-performance.aspx.

A breakdown of valuations split between the Group and its share of joint ventures and funds is shown below:

	2013			2012		
	Group £m	Joint ventures and funds £m	Total £m	Group £m	Joint ventures and funds £m	Total £m
Knight Frank LLP	5,084	2,680	7,764	5,133	2,577	7,710
CBRE	470	2,265	2,735	281	2,346	2,627
	5,554	4,945	10,499	5,414	4,923	10,337

NOTES TO THE ACCOUNTS CONTINUED

11 PROPERTY continued

Investment properties, excluding properties held for development, are valued by adopting the 'investment method' of valuation. This approach involves applying market-derived capitalisation yields to current and market-derived future income streams with appropriate adjustments for income voids arising from vacancies or rent-free periods. These capitalisation yields and future income streams are derived from comparable property and leasing transactions and are considered to be the key inputs in the valuation. Other factors taken in to account in the valuations include the tenure of the property, tenancy details and ground and structural conditions.

In the case of on-going developments, the approach applied is the 'residual method' of valuation, which is the investment method of valuation as described above, with a deduction for all costs necessary to complete the development, together with a further allowance for remaining risk. Properties held for future development are generally valued by adopting the higher of the residual method of valuation, allowing for all associated risks, or the investment method of valuation for the existing asset.

The prior year movement is shown below:

	Investment and development £m	Trading £m	Owner-occupied £m	Total £m
Carrying value at 1 April 2011	4,752	–	38	4,790
Additions – property purchases	394	–	–	394
– development expenditure	113	–	–	113
– capitalised interest	5	–	–	5
– capital expenditure on asset management initiatives	10	–	–	10
	522	–	–	522
Depreciation	–	–	(1)	(1)
Disposals	(61)	–	–	(61)
Reclassifications	(47)	47	–	–
Revaluations included in income statement	139	–	4	143
Movement in tenant incentives and contracted rent uplift balances	41	–	–	41
Carrying value at 31 March 2012	5,346	47	41	5,434
Head lease liabilities (note 16)				(20)
Total Group property portfolio valuation 31 March 2012				5,414

12 JOINT VENTURES AND FUNDS

SUMMARY MOVEMENT FOR THE YEAR OF THE INVESTMENTS IN JOINT VENTURES AND FUNDS

	Joint ventures £m	Funds £m	Total £m	Equity £m	Loans £m	Total £m
At 1 April 2012	1,687	504	**2,191**	1,992	199	**2,191**
Additions	315	70	**385**	139	246	**385**
Disposals	(65)	(35)	**(100)**	(65)	(35)	**(100)**
Share of profit after taxation	128	(61)	**67**	67	–	**67**
Distributions and dividends: capital	(72)	–	**(72)**	(72)	–	**(72)**
revenue	(110)	(24)	**(134)**	(134)	–	**(134)**
Hedging and exchange movements	3	(4)	**(1)**	(1)	–	**(1)**
At 31 March 2013	1,886	450	**2,336**	1,926	410	**2,336**

PREF, a fund owning a portfolio of retail property in Europe (in which British Land has a net investment of £82m), is externally valued by CBRE. CBRE have included market uncertainty clauses in the valuation reports of the Spanish, Italian and Portuguese properties due to the lack of transactional evidence and uncertainty over the economic situation in these markets. In the 2014 calendar year PREF has €89m of bank loans that are due to mature, discussions are on-going with the existing lenders in relation to loan extensions and other alternatives are being explored.

At 31 March 2013, the investment in joint ventures included within the total investment in joint ventures and funds was £1,889m (2011/12: £1,690m).

Distributions in the year included the receipt of £24m from the Broadgate joint venture, £63m from the Meadowhall joint venture, £23m from the Sainsbury joint venture, £36m from Tesco joint ventures, £17m from HUT, £5m from PREF and £9m from Auchinlea.

Of the total distributions made in the year, £146m were settled in cash and £60m were settled via the transfer of other assets.

At 31 March 2013, the valuation of the Group's share of joint ventures and funds' properties was £4,945m (2011/12: £4,923m); external net debt was £2,427m (2011/12: £2,576m) and the mark-to-market adjustment for external debt was £193m liability (2011/12: £5m asset).

NOTES TO THE ACCOUNTS CONTINUED

12 JOINT VENTURES AND FUNDS continued

A detailed breakdown of the 100% results of specific joint ventures and funds is set out on the two facing pages, below and across. The total column represents the Group's share of all joint ventures and funds. All disclosures have been restated to British Land accounting policies under IFRS eliminating all profits and losses resulting from upstream and downstream transactions with the Group.

JOINT VENTURES' SUMMARY FINANCIAL STATEMENTS

	Bluebutton Properties Ltd	MSC Property Intermediate Holdings Ltd	BL Sainsbury Superstores Ltd	Tesco Joint Ventures[1]
Partners	Blackstone Group LP funds	Norges Bank Investment Management	J Sainsbury plc	Tesco plc
Property sector	City Offices Broadgate	Shopping Centres Meadowhall	Superstores	Superstores
Group share	50%	50%	50%	50%
Date established	November 2009	February 2009	March 2008	November 1996
Accounting period	31 March 2013	31 March 2013	31 March 2013	31 March 2013
Summarised income statements	£m	£m	£m	£m
Gross rental and related income	198	93	65	106
Net rental and related income	160	77	65	100
Other income and expenditure	(1)	(8)	(1)	(2)
Net interest payable (receivable)	(95)	(51)	(31)	(58)
Underlying profit before taxation	64	18	33	40
Surplus (deficit) on revaluation	53	24	(18)	(11)
Disposal of fixed assets	–	–	(1)	(1)
Non-recurring items	–	1	–	(2)
Profit (loss) on ordinary activities before taxation	117	43	14	26
Current tax	–	–	–	–
Deferred tax	–	–	–	–
Profit (loss) on ordinary activities after taxation	117	43	14	26
Summarised balance sheets	£m	£m	£m	£m
Investment properties	3,042	1,530	1,203	1,700
Current assets	22	2	1	1
Upstream loans to joint venture shareholders	–	–	–	–
Cash and deposits	266	38	21	33
Gross assets	3,330	1,570	1,225	1,734
Current liabilities	(238)	(43)	(35)	(174)
Bank debt falling due within one year	(185)	–	–	–
Bank debt falling due after one year	(52)	–	–	(1,007)
Securitised debt	(1,809)	(766)	(609)	–
Other non-current liabilities	–	–	–	–
Obligations under finance leases	–	(5)	–	–
Deferred tax	–	–	–	–
Gross liabilities	(2,284)	(814)	(644)	(1,181)
Net external assets	1,046	756	581	553
Represented by:				
Shareholder loans	15	204	15	95
Ordinary shareholders' funds/partners' capital	1,031	552	566	458
Total investment	1,046	756	581	553

1 Tesco joint ventures include BLT Holdings (2010) Limited, the Tesco British Land Property Partnership, Tesco BL Holdings Limited, Shopping Centres Limited and the Tesco Aqua Limited Partnership.

2 USS joint ventures include the Eden Walk Centre Unit Trust and the Fareham Property Partnership.

3 Although the Group's ownership share is 65.30%, it does not exercise control over significant decisions. The Group therefore equity accounts for its interest in Pillar Retail Europark Fund (PREF).

4 Included in the column headed 'Other joint ventures and funds' are contributions from the following: the BL Goodman Limited Partnership, The Scottish Retail Property Limited Partnership, BL Gazeley Limited, BL Canada Quays Limited, Eurofund Investments Zaragoza S.L., Hercules Income Fund (HIF), the City of London Office Unit Trust (CLOUT), Auchinlea Partnership and Group consolidation adjustments. Amounts are included in this column at the relevant percentage for the Group's interest.

USS[2] Joint Ventures	Leadenhall Holding Co (Jersey) Ltd	Hercules Unit Trust	Pillar Retail Europark Fund[3]	Other joint ventures and funds[4]	**Joint ventures and funds total Group share 2013**	Joint ventures and funds total Group share 2012
Universities Superannuation Scheme	Oxford Properties					
Shopping Centres	City Offices Leadenhall	Retail Parks	Retail Parks			
50%	50%	41.24%	65.30%			
May 2007	December 2010	September 2000	March 2004			
31 March 2013	31 March 2013	31 March 2013	31 March 2013			
£m	£m	£m	£m	£m	**£m**	£m
4	–	95	28	16	**306**	298
3	–	85	19	10	**260**	260
–	–	(3)	(1)	4	**(4)**	(6)
–	–	(28)	(7)	8	**(126)**	(141)
3	–	54	11	22	**130**	113
18	5	(83)	(91)	(3)	**(61)**	71
–	–	–	–	–	**(1)**	1
(2)	–	(4)	–	(1)	**(4)**	(3)
19	5	(33)	(80)	18	**64**	182
–	–	–	–	2	**2**	(1)
–	–	–	3	(1)	**1**	1
19	5	(33)	(77)	19	**67**	182
£m	£m	£m	£m	£m	**£m**	£m
164	318	1,496	204	220	**4,949**	4,931
–	5	5	36	21	**62**	67
–	–	–	–	4	**4**	14
6	1	38	15	7	**215**	146
170	324	1,539	255	252	**5,230**	5,158
(3)	(12)	(36)	(55)	(37)	**(340)**	(303)
–	–	–	(51)	(1)	**(127)**	(63)
–	–	(619)	(24)	(28)	**(828)**	(702)
–	–	–	–	–	**(1,592)**	(1,842)
–	–	–	–	–	**–**	(45)
–	–	–	–	(2)	**(5)**	(9)
–	–	–	–	(2)	**(2)**	(3)
(3)	(12)	(655)	(130)	(70)	**(2,894)**	(2,967)
167	312	884	125	182	**2,336**	2,191
12	259	–	62	135	**477**	266
155	53	884	63	47	**1,859**	1,925
167	312	884	125	182	**2,336**	2,191

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 Aldgate Place Limited 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.

The borrowings of joint ventures and funds and their subsidiaries are non-recourse to the Group. All joint ventures are incorporated in the United Kingdom, with the exception of Bluebutton Properties Limited, the Eden Walk Shopping Centre Unit Trust, Leadenhall Holding Co (Jersey) Limited and The Scottish Retail Property Limited Partnership which are domiciled in Jersey and Eurofund Investments Zaragoza S.L. which is domiciled in Spain. Of the funds, Hercules Unit Trust (HUT) and Hercules Income Fund (HIF) are domiciled in Jersey and PREF in Luxembourg.

NOTES TO THE ACCOUNTS CONTINUED

12 JOINT VENTURES AND FUNDS continued

OPERATING CASH FLOWS OF JOINT VENTURES AND FUNDS (GROUP SHARE)

	2013 £m	2012 £m
Rental income received from tenants	264	277
Operating expenses paid to suppliers and employees	(22)	(28)
Cash generated from operations	242	249
Interest paid	(133)	(144)
UK corporation tax paid	(7)	(8)
Cash inflow from operating activities	102	97
Cash inflow from operating activities deployed as:		
Surplus cash retained within joint ventures and funds	28	33
Revenue distributions to British Land	74	64
	102	97

13 OTHER INVESTMENTS

	2013 £m	2012 £m
At 1 April	28	51
Additions	53	22
Disposals	(4)	(44)
Depreciation	(1)	(1)
At 31 March	76	28

Included within additions is £53m in relation to a loan to Bluebutton Properties Limited, a joint venture company.

14 DEBTORS

	2013 £m	2012 £m
Trade and other debtors[1]	15	29
Amounts owed by joint ventures	40	57
Prepayments and accrued income	5	9
	60	95

1 Included within this balance is deferred consideration of £4m (2011/12: £4m) arising on the sale of investment properties for which the timing of the receipt is contingent and therefore may fall due after one year.

Comparatives have been re-presented, see note 1.

Trade and other debtors are shown after deducting a provision for bad and doubtful debts of £11m (2011/12: £10m). The charge to the income statement was £1m (2011/12: £1m).

The Directors consider that the carrying amount of trade and other debtors is approximate to 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 rent in advance.

As at 31 March, trade and other debtors outside their payment terms yet not provided for were as follows:

			Outside credit terms but not impaired		
	Total £m	Within credit terms £m	0–1 month £m	1–2 months £m	More than 2 months £m
2013	15	9	6	–	–
2012	29	24	5	–	–

15 CREDITORS

	2013 £m	2012 £m
Trade creditors	94	88
Amounts owed to joint ventures	4	15
Other taxation and social security	24	27
Accruals and deferred income	137	131
	259	261

Comparatives have been re-presented, see note 1.

Trade creditors are interest-free and have settlement dates within one year. The Directors consider that the carrying amount of trade and other creditors is approximate to their fair value.

NOTES TO THE ACCOUNTS CONTINUED

16 OTHER NON-CURRENT LIABILITIES

	2013 £m	2012 £m
Trade and other creditors	–	5
Head leases	26	20
	26	25

17 DEFERRED TAX LIABILITIES

Deferred tax is calculated on temporary differences under the liability method using a tax rate of 23% (2011/12: 24%).

The movement on deferred tax is as shown below:

	1 April 2012 £m	Credited to income £m	31 March 2013 £m
Property and investment revaluations	28	(16)	12
Other timing differences	4	–	4
	32	(16)	16
	1 April 2011 £m	Credited to income £m	31 March 2012 £m
Property and investment revaluations	31	(3)	28
Other timing differences	4	–	4
	35	(3)	32

Under the REIT regime development properties which are sold within three years of completion do not benefit from tax exemption. At 31 March 2013 the value of such properties is £nil (2011/12: £763m) and if these properties were to be sold and tax exemption was not available the tax arising would be £nil (2011/12: £30m).

The deferred tax charge for the year ended 31 March 2013 includes a credit of £1m to reflect reduced deferred tax liabilities arising from the forthcoming reduction in the UK corporation tax rate to 23% (effective from 1 April 2013).

Deferred tax assets of £40m (2011/12: £41m) arising on losses from previous years have not been recognised in the financial year.

18 NET DEBT

	Footnote	2013 £m	2012 £m
Secured on the assets of the Group			
9.125% first mortgage debenture stock 2020	1	37	37
6.125% first mortgage debenture stock 2014	1	45	46
5.264% first mortgage debenture bonds 2035		345	341
5.0055% first mortgage amortising debentures 2035		101	102
5.357% first mortgage debenture bonds 2028		334	322
6.75% first mortgage debenture bonds 2020		181	179
Loan notes		5	5
		1,048	1,032
Unsecured			
5.50% senior notes 2027		98	98
6.30% senior US dollar notes 2015	2	101	96
3.895% senior US dollar notes 2018	3	28	26
4.635% senior US dollar notes 2021	3	158	145
4.766% senior US dollar notes 2023	3	97	89
5.003% senior US dollar notes 2026	3	62	57
1.5% convertible bond 2017		407	–
Bank loans and overdrafts		179	1,078
		1,130	1,589
Gross debt	4	2,178	2,621
Interest rate derivative liabilities		86	92
Interest rate derivative assets		(92)	(73)
		2,172	2,640
Liquid investments			
4.405% medium term note 2015		–	(100)
4.395% medium term note 2015		–	(100)
		–	(200)
Cash and short-term deposits	5	(135)	(137)
Net debt		2,037	2,303

Total borrowings where any instalments are due after five years are £103m (2011/12: £104m).

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

	2013 £m	2012 £m
BLD Property Holdings Ltd	82	83

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

3 Principal and interest on this borrowing was fully hedged into sterling at a floating rate at the time of issue.

4 The principal amount of gross debt at 31 March 2013 was £2,063m (2011/12: £2,562m). Included in this, the principal amount of secured borrowings and other borrowings of non-recourse companies was £981m (2011/12: £982m).

5 Cash and deposits not subject to a security interest amount to £106m (2011/12: £132m).

NOTES TO THE ACCOUNTS CONTINUED

18 NET DEBT continued

MATURITY ANALYSIS OF NET DEBT

	2013 £m	2012 £m
Repayable within one year and on demand	44	49
Between: one and two years	188	405
two and five years	522	776
five and ten years	441	422
ten and fifteen years	602	260
fifteen and twenty years	5	332
twenty and twenty-five years	376	377
	2,134	2,572
Gross debt	2,178	2,621
Interest rate and currency derivatives	(6)	19
Liquid investments	–	(200)
Cash and short-term deposits	(135)	(137)
Net debt	2,037	2,303

FINANCIAL COVENANTS

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

NET BORROWINGS NOT TO EXCEED 175% OF ADJUSTED CAPITAL AND RESERVES

At 31 March 2013, the ratio was 31%:

- Net borrowings were £1,962m, being the principal amount of gross debt of £2,063m plus amounts owed to joint ventures of £4m (see note 15) plus TPP Investments Ltd of £30m (see note 25), less the cash and short-term deposits of £135m; and
- Adjusted capital and reserves were £6,242m, being share capital and reserves of £5,687m (see balance sheet), adjusted for £14m of deferred tax (see note 2), £10m trading property surplus (see note 11), £326m exceptional refinancing charges (see below) and £205m fair value adjustments on financial assets and liabilities (£198m mark-to-market on interest rate derivatives and £7m adjustment on the convertible bond).

NET UNSECURED BORROWINGS NOT TO EXCEED 70% OF UNENCUMBERED ASSETS

At 31 March 2013, the ratio was 23%:

- Net unsecured borrowings were £980m, being the principal amount of gross debt of £2,063m plus amounts owed to joint ventures of £4m (see note 15) less cash and deposits not subject to a security interest of £106m less the principal amount of secured and non-recourse borrowings of £981m; and
- Unencumbered assets were £4,313m, being properties of £5,554m (see note 11) plus investments in joint ventures and funds of £2,336m (see balance sheet) and other investments of £76m (see balance sheet) less investments in joint ventures of £1,889m (see note 12) and encumbered assets of £1,764m (see note 11).

In calculating adjusted capital and reserves for the purpose of the unsecured debt financial covenants, there is an adjustment of £326m to reflect the cumulative net amortised exceptional items relating to the refinancings in the years ending 31 March 2005, 2006 and 2007.

CONVERTIBLE BOND

On 10 September 2012 British Land (Jersey) Limited (the Issuer) issued £400m 1.5% guaranteed convertible bonds due 2017 (the bonds) at par. The Company has unconditionally and irrevocably guaranteed the due and punctual performance by the Issuer of all of its obligations (including payments) in respect of the bonds and the obligations of the Company, as guarantor, constitute direct, unsubordinated, unconditional and unsecured obligations of the Company.

Subject to their terms, the bonds are convertible into preference shares of the Issuer which are automatically transferred to the Company in exchange for ordinary shares in the Company or, at the Company's election, any combination of ordinary shares and cash. The bonds can be converted from 22 October 2012 up to and including 24 September 2015 if the share price has traded at a level exceeding 130% of the exchange price for a specified period and from 25 September 2015 to (but excluding) the 20th dealing day before 10 September 2017 (the maturity date) at any time.

The initial exchange price was 693.07 pence per ordinary share. Under the terms of the bonds, the exchange price is adjusted on the happening of certain events including the payment of dividends by the Company above 26.4 pence in any year.

On or after 25 September 2015, the bonds may be redeemed at par at the Company's option subject to the Company's ordinary shares having traded at a price exceeding 130% of the exchange price for a specified period, or at any time once 85% by nominal value of the bonds originally issued have been converted, redeemed or purchased and cancelled. If not previously converted, redeemed or purchased and cancelled, the bonds will be redeemed at par on the maturity date.

18 NET DEBT continued

RECONCILIATION OF MOVEMENT IN GROUP NET DEBT TO CASH FLOW STATEMENT

	2012 £m	Cash flow £m	Non-cash £m	2013 £m
Per cash flow statement:				
Cash and short-term deposits	(137)	2	–	(135)
Cash and cash equivalents	(137)	2	–	(135)
Term debt (excluding overdrafts)	2,621	(496)	53	2,178
Fair value of interest rate derivatives	19	–	(25)	(6)
Liquid investments	(200)	210	(10)	–
Net debt	2,303	(284)	18	2,037

The Group loan to value (LTV) ratio at 31 March 2013 was 24%, being the principal value of gross debt of £2,063m less cash and short-term deposits of £135m, divided by total Group property of £5,554m (see note 11) plus investments in joint ventures and funds of £2,336m (see balance sheet) and other investments of £76m (see balance sheet).

	2011 £m	Cash flow £m	Non-cash £m	2012 £m
Per cash flow statement:				
Cash and short-term deposits	(60)	(77)	–	(137)
Cash and cash equivalents	(60)	(77)	–	(137)
Term debt (excluding overdrafts)	1,939	634	48	2,621
Fair value of interest rate derivatives	38	–	(19)	19
Liquid investments	(203)	–	3	(200)
Net debt	1,714	557	32	2,303

COMPARISON OF MARKET VALUES AND BOOK VALUES

	2013			2012		
	Market value £m	Book value £m	Difference £m	Market value £m	Book value £m	Difference £m
Debentures and unsecured bonds	1,622	1,587	35	1,540	1,538	2
Convertible bond	407	407	–	–	–	–
Bank debt and other floating rate debt	189	184	5	1,089	1,083	6
Liquid investments	–	–	–	(200)	(200)	–
Cash and short-term deposits	(135)	(135)	–	(137)	(137)	–
	2,083	2,043	40	2,292	2,284	8
Other financial (assets) liabilities						
– interest rate derivative assets	(92)	(92)	–	(73)	(73)	–
– interest rate derivative liabilities	86	86	–	92	92	–
	(6)	(6)	–	19	19	–
Total	2,077	2,037	40	2,311	2,303	8

Short-term debtors and creditors have been excluded from the disclosures.

The fair values of 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.

NOTES TO THE ACCOUNTS CONTINUED

18 NET DEBT continued

FAIR VALUE HIERARCHY

The table below analyses financial instruments carried at fair value, by the valuation method. The different levels are defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	2013				2012			
	Level 1 £m	Level 2 £m	Level 3 £m	Total £m	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Liquid investments	–	–	–	–	–	(200)	–	(200)
Interest rate and currency derivative assets	–	(92)	–	(92)	–	(73)	–	(73)
Assets	–	(92)	–	(92)	–	(273)	–	(273)
Interest rate and currency derivative liabilities	–	86	–	86	–	92	–	92
Convertible bond	407	–	–	407	–	–	–	–
Liabilities	407	86	–	493	–	92	–	92
Total	407	(6)	–	401	–	(181)	–	(181)

CATEGORIES OF FINANCIAL INSTRUMENTS

	2013 £m	2012 £m
Financial assets		
Fair value through income statement		
Held for trading – liquid investments	–	200
Derivatives in designated hedge accounting relationships	92	73
Loans and receivables		
Trade and other debtors	15	29
Amounts owed by joint ventures	40	57
Cash and short-term deposits	135	137
Other investments	76	28
	358	524
Financial liabilities		
Fair value through income statement		
Convertible bond	(407)	–
Held for trading – derivatives	(7)	(7)
Derivatives in designated hedge accounting relationships	(79)	(85)
Amortised cost		
Gross debt	(1,771)	(2,621)
Finance lease payable	(26)	(20)
Trade and other creditors	(94)	(93)
Amounts owed to joint ventures	(4)	(15)
	(2,388)	(2,841)
Total	(2,030)	(2,317)

Gains and losses on financial instruments, as classed above, are disclosed in note 7 (net financing costs), note 14 (debtors), note 6 (net revaluation gains on property and investments), the consolidated income statement and the consolidated statement of comprehensive income. The Directors consider that the carrying amounts of other investments and finance lease payables are approximate to their fair value, and that the carrying amounts are recoverable.

18 NET DEBT continued

CAPITAL RISK MANAGEMENT

The Group's objectives, policies and processes for managing capital are set out in the financial policies on pages 69 to 73. 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.

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 2013 the market value of these derivatives, which have been designated as cash flow hedges under IAS 39, is a net liability of £80m (2011/12: liability of £87m).

The cross currency swap of the 2015 US Private Placement, which fully hedges the foreign exchange exposure of the issuance, has been designated as a cash flow hedge. The market value of this is an asset of £5m (2011/12: £nil).

The ineffectiveness recognised in the income statement on cash flow hedges in the year ended 31 March 2013 was £nil (2011/12: £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 debt and variable rate debt hedged at 31 March 2013.

CASH FLOW HEDGED DEBT

		2013 £m	2012 £m
Outstanding:	at one year	874	1,269
	at two years	874	1,123
	at five years	250	–
	at ten years	250	250

The Group uses interest rate swaps to hedge exposure on fixed rate financial liabilities caused by movements in market rates of interest. At 31 March 2013 the market value of these derivatives, which have been designated as fair value hedges under IAS 39, was a net asset of £86m (2011/12: £72m).

The cross currency swaps of the 2018/2021/2023/2026 US Private Placements fully hedge the foreign exchange exposure at an average floating rate of 146 basis points above LIBOR. These have been designated as fair value hedges of the US Private Placements.

INTEREST RATE PROFILE – INCLUDING EFFECT OF DERIVATIVES

	2013 £m	2012 £m
Fixed rate	1,848	1,976
Variable rate (net of cash)	189	327
Net debt	**2,037**	**2,303**

All the debt is effectively sterling denominated except for £185m (2011/12: £234m) of euro debt of which £165m is at a fixed rate and the balance is floating (2011/12: £163m fixed). At 31 March 2013 the weighted average interest rate of the sterling fixed rate debt was 5.01% (2011/12: 5.27%). The weighted average period for which the rate is fixed is 11.6 years (2011/12: 12.1 years). The weighted average interest rate for the euro fixed rate debt is 4.44% (2011/12: 4.44%) and the weighted average period for which the rate is fixed is 3.1 years (2011/12: 4.2 years). The floating rate debt is set for periods of the Company's choosing at the relevant LIBOR (or similar) rate.

The proportion of net debt at fixed or capped rates of interest was 91% at 31 March 2013. Based on the Group's interest rate profile at the balance sheet date a 576 bps increase in interest rates would decrease annual profits by £11m (2011/12: £19m decrease). Similarly, a 51 bps reduction would increase profits by £1m (2011/12: £2m increase). 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 ten years. The impact assumes LIBOR does not fall below 0%.

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 majority of the Group's interest rate swaps which provide such protection qualify as effective cash flow hedges under IAS 39 therefore movements in their fair value are recognised directly in equity rather than the income statement. A 204 bps shift represents the largest annual change in the seven year sterling swap rate over the last ten years. At 31 March 2013 a 204 bps parallel upward shift in swap rates would increase the value of these interest rate swaps by £117m (2011/12: £141m). A 204 bps downward shift in swap rates would reduce the value of the interest rate swap portfolio by £138m (2011/12: £173m). Because the interest rate swaps are matched by floating rate debt, the overall effect on Group cash flows of such movements is minimal.

The 1.5% convertible bond is designated as fair value through profit or loss. Principal components of the market value include British Land's share price and its volatility, and market interest rates. The fair value at 31 March 2013 was £407m. At 31 March 2013 a 204 bps parallel upwards shift in interest rates would reduce the fair value by £26m, and a 204 bps downward shift in interest rates would increase the value by £34m.

NOTES TO THE ACCOUNTS CONTINUED

18 NET DEBT continued

FOREIGN CURRENCY RISK MANAGEMENT

The Group's 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. Based on the 31 March 2013 position a 33% appreciation (largest annual change over the last ten years) in the euro relative to sterling would result in a £nil change (2011/12: £5m reduction) in reported profits.

	Assets		Liabilities	
	2013 £m	2012 £m	2013 £m	2012 £m
Euro denominated	203	220	203	234

CREDIT RISK MANAGEMENT

The Group's approach to credit risk management is discussed in the financial policies on pages 69 to 73. 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 2013 amounted to £135m (2011/12: £137m). Deposits were placed with financial institutions with A or better credit ratings.

At 31 March 2013, the fair value of all interest rate derivatives which had a positive value was £92m (2011/12: £73m).

At 31 March 2013, the fair value of liquid investments was £nil (2011/12: £200m).

At 31 March 2013, prior to taking into account any offset arrangements, the largest combined credit exposure to a single counterparty arising from money market deposits, liquid investments and derivatives was £64m (2011/12: £230m). This represents 0.8% (2011/12: 2.8%) of gross assets.

The deposit exposures are with UK and international high street banks and branches.

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 £4m, which may fall due after one year. Management has made due consideration of the credit risk associated with this, resulting in no impairment being made.

Provisions are made taking account of historic credit losses and the creditworthiness of debtors.

LIQUIDITY RISK MANAGEMENT

The Group's approach to liquidity risk management is discussed in the financial policies on pages 69 to 73.

The following table 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.

18 NET DEBT continued

LIQUIDITY RISK MANAGEMENT continued

The Group leases out all its investment properties under operating leases with a weighted average lease length of 12 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 joint ventures and funds is not included below. Additional liquidity will arise from letting space in properties under construction as well as from distributions received from joint ventures and funds.

	2013				
	Within one year £m	Following year £m	Three to five years £m	Over five years £m	Total £m
Debt[1]	47	184	505	1,345	2,081
Interest on debt	89	87	238	678	1,092
Derivative payments	30	31	144	399	604
Finance lease payments	1	1	4	170	176
Total payments	167	303	891	2,592	3,953
Derivative receipts	(27)	(25)	(163)	(407)	(622)
Net payment	140	278	728	2,185	3,331
Operating leases with tenants (see note 19)	281	278	766	2,496	3,821
Liquidity surplus	141	–	38	311	490
Cumulative liquidity surplus	141	141	179	490	

	2012				
	Within one year £m	Following year £m	Three to five years £m	Over five years £m	Total £m
Debt[1]	51	405	773	1,330	2,559
Interest on debt	95	92	234	746	1,167
Derivative payments	38	38	162	413	651
Finance lease payments	1	1	3	126	131
Total payments	185	536	1,172	2,615	4,508
Derivative receipts	(26)	(25)	(171)	(412)	(634)
Net payment	159	511	1,001	2,203	3,874
Operating leases with tenants (see note 19)	265	279	833	2,884	4,261
Liquidity surplus (deficit)	106	(232)	(168)	681	387
Cumulative liquidity surplus (deficit)	106	(126)	(294)	387	

1 Gross debt of £2,178m (2011/12: £2,621m) represents the total shown, less unamortised issue costs of £15m (2011/12: £15m), plus fair value adjustments to debt of £112m (2011/12: £77m).

Any short-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 £135m, of which £106m is not subject to a security interest (see footnote 5 to net debt table on page 135). Further liquidity can be achieved through sales of property assets or investments and debt refinancings. The Group's property portfolio is valued externally at £5,554m and the share of joint ventures and funds' property is valued at £4,945m (see note 11). 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 overleaf.

NOTES TO THE ACCOUNTS CONTINUED

18 NET DEBT continued

MATURITY OF COMMITTED UNDRAWN BORROWING FACILITIES

	2013 £m	2012 £m
Maturity date: between four and five years	108	825
between three and four years	870	–
Total facilities available for more than three years	978	825
Between two and three years	–	280
Between one and two years	757	100
Within one year	369	35
Total	2,104	1,240

The above facilities are available to be drawn for Group purposes.

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 12 years (2011/12: 12 years) and the average effective borrowing rate was 4.4% (2011/12: 4.2%). The future aggregate minimum rentals receivable under non-cancellable operating leases are as follows:

	2013 £m	2012 £m
Less than one year	281	265
Between one and two years	278	279
Between three and five years	766	833
Between six and ten years	1,002	1,152
Between eleven and fifteen years	597	722
Between sixteen and twenty years	452	509
After twenty years	445	501
Total	3,821	4,261

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:

	2013			2012		
	Minimum lease payments £m	Interest £m	Principal £m	Minimum lease payments £m	Interest £m	Principal £m
Less than one year	1	1	–	1	1	–
Between one and two years	1	1	–	1	1	–
Between two and five years	4	4	–	3	3	–
More than five years	171	145	26	125	106	19
Total	177	151	26	130	111	19
Less future finance charges	(151)			(111)		
Present value of lease obligations	26			19		
Within one year	–			–		
Within two to five years	–			–		
More than five years	26			19		

20 DIVIDENDS

The fourth quarter dividend of 6.6 pence per share, totalling £65m (2011/12: 6.6 pence per share, totalling £58m) was approved by the Board on 13 May 2013 and is payable on 9 August 2013 to shareholders on the register at the close of business on 5 July 2013.

The Board will announce the availability of the Scrip Dividend Alternative via the Regulatory News Service and on its website (www.britishland.com), no later than four business days before the ex-dividend date of 3 July 2013. The Board expects to announce the split between Property Income Distribution (PID) and non-PID income at that time. Any Scrip Dividend Alternative will not be enhanced. PID dividends are paid, as required by REIT legislation, after deduction of withholding tax at the basic rate (currently 20%), where appropriate. Certain classes of shareholders may be able to elect to receive dividends gross. Please refer to our website (www.britishland.com) for details.

Payment date	Dividend	PID	Non-PID	Pence per share	2013 £m	2012 £m
Current year dividends						
09.08.2013	2013 4th interim			6.60	–	–
10.05.2013	2013 3rd interim	6.60[1]	–	6.60	–	–
15.02.2013	2013 2nd interim	6.60[1]	–	6.60	59	–
09.11.2012	2013 1st interim	6.60[1]	–	6.60	59	–
		–	–	26.40	–	–
Prior year dividends						
10.08.2012	2012 4th interim	3.30	3.30	6.60	58	–
09.05.2012	2012 3rd interim	6.50	–	6.50	58	–
17.02.2012	2012 2nd interim	6.50	–	6.50	–	58
11.11.2011	2012 1st interim	6.50	–	6.50	–	58
		–	–	26.10	–	–
12.08.2011	2011 4th interim	6.50	–	6.50	–	58
13.05.2011	2011 3rd interim	6.50	–	6.50	–	57
Dividends in consolidated statement of changes in equity					234	231
Dividends settled in shares					(32)	(18)
Dividends settled in cash					202	213
Timing difference relating to payment of withholding tax					1	(1)
Dividends in cash flow statement					**203**	**212**

1 Scrip alternative treated as non-PID for this dividend.

NOTES TO THE ACCOUNTS CONTINUED

21 SHARE CAPITAL AND RESERVES

	2013	2012
Number of ordinary shares in issue at 1 April	900,199,638	897,042,298
Share issues	97,491,850	3,157,340
At 31 March	997,691,488	900,199,638

Of the issued 25p ordinary shares, 275,497 shares were held in the ESOP trust (2011/12: 1,370,161), 11,266,245 shares were held as treasury shares (2011/12: 11,266,245) and 986,149,746 shares were in free issue (2011/12: 887,563,232). No treasury shares were acquired by the ESOP trust during the year. All issued shares are fully paid. The rights, preferences and restrictions of the share capital are detailed on page 109.

On 12 March 2013, the Company announced the placing of 89,674,604 new ordinary shares at a price of 550 pence per share. The new shares are fully paid and rank pari passu in all respects with those ordinary shares of the Company in issue prior to the placing.

HEDGING AND TRANSLATION RESERVE

The hedging and translation reserve comprises the effective portion of the cumulative net change in the fair value of cash flow and foreign currency hedging instruments, as well as all foreign exchange differences arising from the translation of the financial statements of foreign operations. The foreign exchange differences also include the translation of the liabilities that hedge the Company's net investment in a foreign subsidiary.

REVALUATION RESERVE

The revaluation reserve relates to owner-occupied properties and investments in joint ventures and funds.

MERGER RESERVE

This comprises the premium on the share placing in March 2013. No share premium is recorded in the Company's financial statements, through the operation of the merger relief provisions of the Companies Act 2006.

21 SHARE CAPITAL AND RESERVES continued

At 31 March 2013, options over 13,191,540 ordinary shares were outstanding under employee share option plans. These options had a weighted average life of 6.61 years. Details of outstanding share options and shares awarded to employees including Executive Directors are set out below and on the following page:

Date of grant	At 1 April 2012	Granted	Vested but not exercised	Exercised/ vested	Forfeited/ lapsed	At 31 March 2013	Exercise price pence	Exercise dates From	Exercise dates To
Share Options Sharesave Scheme									
22.12.2006	1,084	–	–	–	(1,084)	–	1,024.12	01.03.2012	31.08.2012
30.06.2008	6,794	–	–	–	–	6,794	517.03	01.09.2013	28.02.2014
30.06.2009	167,349	–	–	(166,403)	(344)	602	301.00	01.09.2012	31.08.2013
30.06.2009	147,368	–	–	(2,941)	(8,464)	135,963	301.00	01.09.2014	28.02.2015
28.06.2010	44,200	–	–	–	–	44,200	370.00	01.09.2013	28.02.2014
28.06.2010	40,330	–	–	–	(1,336)	38,994	370.00	01.09.2015	29.02.2016
01.07.2011	35,626	–	–	(507)	(16,547)	18,572	473.00	01.09.2014	28.02.2015
01.07.2011	23,801	–	–	–	(10,108)	13,693	473.00	01.09.2016	28.02.2017
26.06.2012	–	125,583	–	–	(14,688)	110,895	392.00	01.09.2015	29.02.2016
26.06.2012	–	66,723	–	–	(459)	66,264	392.00	01.09.2017	28.02.2018
	466,552	192,306	–	(169,851)	(53,030)	435,977			
Long-Term Incentive Plan – options vested, not exercised									
25.09.2003	119,455	–	–	–	–	119,455	415.95	25.09.2006	24.09.2013
25.11.2003	86,964	–	–	(71,606)	–	15,358	457.38	25.11.2006	24.11.2013
28.05.2004	331,605	–	–	–	(17,196)	314,409	549.35	28.05.2007	27.05.2014
29.11.2004	416,494	–	–	–	(24,206)	392,288	659.55	29.11.2007	28.11.2014
31.05.2005	373,250	–	–	–	(21,898)	351,352	726.66	31.05.2008	30.05.2015
05.12.2005	211,911	–	–	–	(13,279)	198,632	823.60	05.12.2008	04.12.2015
29.06.2009	322,931	–	3,047,138	(1,095,452)	(35,084)	2,239,533	387.00	01.07.2011	28.06.2019
25.11.2009	–	–	33,746	(10,315)	–	23,431	475.00	25.11.2012	25.11.2019
21.12.2009	–	–	592,226	(92,612)	(32,114)	467,500	446.00	21.12.2012	20.12.2019
11.06.2010	117,496	–	6,299	(6,299)	–	117,496	447.00	01.07.2011	10.06.2020
14.12.2010	6,741	–	–	(1,117)	(5,624)	–	510.00	07.10.2011	27.04.2012
28.06.2011	–	–	6,843	–	(6,438)	405	575.00	31.08.2012	11.04.2013
19.12.2011	–	–	4,488	(2,301)	(2,187)	–	451.00	31.07.2012	11.04.2013
	1,986,847	–	3,690,740	(1,279,702)	(158,026)	4,239,859			
Long-Term Incentive Plan – unvested options									
29.06.2009	3,047,138	–	(3,047,138)	–	–	–	387.00	29.06.2012	28.06.2019
25.11.2009	33,746	–	(33,746)	–	–	–	475.00	25.11.2012	24.11.2019
21.12.2009	592,226	–	(592,226)	–	–	–	446.00	21.12.2012	20.12.2019
11.06.2010	3,534,599	–	(6,299)	–	(55,215)	3,473,085	447.00	11.06.2013	10.06.2020
14.12.2010	605,847	–	–	–	(45,914)	559,933	510.00	14.12.2013	13.12.2020
28.06.2011	2,127,323	–	(6,843)	–	(479,820)	1,640,660	575.00	28.06.2014	27.06.2021
19.12.2011	1,063,442	–	(4,488)	–	(527,444)	531,510	451.00	19.12.2014	18.12.2021
14.09.2012	–	2,059,713	–	–	(327,137)	1,732,576	538.00	14.09.2015	13.09.2022
20.12.2012	–	588,597	–	–	(10,657)	577,940	563.00	20.12.2015	19.12.2022
	11,004,321	2,648,310	(3,690,740)	–	(1,446,187)	8,515,704			
Total	13,457,720	2,840,616	–	(1,449,553)	(1,657,243)	13,191,540			
Weighted average exercise price of options (pence)	474	457	–	385	516	492			

NOTES TO THE ACCOUNTS CONTINUED

21 SHARE CAPITAL AND RESERVES continued

Date of grant	At 1 April 2012	Granted	Vested	Forfeited	At 31 March 2013	Share price at grant date pence	Vesting date
Performance shares Long-Term Incentive Plan							
29.06.2009	350,519	–	(350,519)	–	–	387.00	29.06.2012
25.11.2009	11,467	–	(11,467)	–	–	475.00	25.11.2012
21.12.2009	75,806	–	(72,677)	(3,129)	–	446.00	21.12.2012
11.06.2010	682,036	–	(6,410)	(13,954)	661,672	447.00	11.06.2013
14.12.2010	154,874	–	(2,470)	(11,683)	140,721	510.00	14.12.2013
28.06.2011	1,029,202	–	(1,327)	(314,121)	713,754	575.00	28.06.2014
19.12.2011	263,781	–	(1,081)	(144,949)	117,751	451.00	19.12.2014
14.09.2012	–	1,274,297	–	(86,244)	1,188,053	538.00	14.09.2015
20.12.2012	–	301,733	–	(2,664)	299,069	563.00	20.12.2015
	2,567,685	1,576,030	(445,951)	(576,744)	3,121,020		
Fund Managers Performance Plan							
17.06.2009	164,772	–	(164,772)	–	–	395.50	17.06.2012
28.05.2010	340,197	–	(340,197)	–	–	435.00	28.05.2012
28.05.2010	340,163	–	(9,192)	(5,517)	325,454	435.00	28.05.2013
21.06.2011	102,522	–	(102,522)	–	–	581.90	21.06.2012
21.06.2011	102,523	–	(685)	(4,353)	97,485	581.90	21.06.2013
21.06.2011	102,523	–	(685)	(4,354)	97,484	581.90	21.06.2014
12.09.2012	–	192,025	–	–	192,025	537.00	12.09.2013
12.09.2012	–	192,026	–	–	192,026	537.00	12.09.2014
12.09.2012	–	192,026	–	–	192,026	537.00	12.09.2015
	1,152,700	576,077	(618,053)	(14,224)	1,096,500		
Co-Investment Share Plans							
30.03.2010	53,517	–	(53,517)	–	–	478.50	01.02.2013
31.03.2010	85,328	–	(85,328)	–	–	481.10	04.01.2013
	138,845	–	(138,845)	–	–		
Matching Share Plan							
21.05.2009	99,654	–	(49,827)	(49,827)	–	391.00	21.05.2012
01.09.2010	257,258	–	–	(10,866)	246,392	479.60	01.09.2013
24.05.2011	377,226	–	–	(56,618)	320,608	600.50	24.05.2014
05.09.2012	–	448,326	–	(61,332)	386,994	500.00	05.09.2015
	734,138	448,326	(49,827)	(178,643)	953,994		
Total	4,593,368	2,600,433	(1,252,676)	(769,611)	5,171,514		
Weighted average price of shares (pence)	493	534	487	525	523		

22 SEGMENT INFORMATION

OPERATING SEGMENTS

The segmental note has been updated to reflect changes to internal management reporting. The Group allocates resources to investment and asset management according to the sectors it expects to perform over the medium-term. Its two principal sectors are currently offices and retail. Prior year comparatives have been updated to reflect this change.

The relevant revenue, net rental income, operating result, assets and capital expenditure, being the measures of segment revenue, segment result and segment assets used by the management of the business, are set out below. Revenue is derived from the rental of buildings. Operating result is the net of net rental income, fee income and administration expenses. No customer exceeded 10% of the Group's revenues in either year.

SEGMENT RESULT

	Offices		Retail		Other/unallocated		Total	
	2013 £m	2012 £m	**2013 £m**	2012 £m	**2013 £m**	2012 £m	**2013 £m**	2012 £m
Revenue								
British Land Group	**85**	87	**176**	184	**33**	29	**294**	300
Share of joint ventures and funds	**83**	82	**190**	189	**–**	1	**273**	272
Total	**168**	169	**366**	373	**33**	30	**567**	572
Net rental income								
British Land Group	**82**	77	**167**	175	**32**	34	**281**	286
Share of joint ventures and funds	**80**	80	**180**	180	**–**	–	**260**	260
Total	**162**	157	**347**	355	**32**	34	**541**	546
Operating result								
British Land Group	**72**	77	**159**	174	**(7)**	(18)	**224**	233
Share of joint ventures and funds	**80**	80	**175**	172	**1**	2	**256**	254
Total	**152**	157	**334**	346	**(6)**	(16)	**480**	487
Reconciliation to underlying profit before taxation								
British Land Group								
Total operating result							**480**	487
British Land Group net financing costs							**(80)**	(77)
Share of joint ventures and funds net financing costs							**(126)**	(141)
Capital and other							**(14)**	210
Total profit on ordinary activities before tax							**260**	479

Of the total revenues above, £19m (2011/12: £17m) was derived from outside the UK.

NOTES TO THE ACCOUNTS CONTINUED

22 SEGMENT INFORMATION continued

SEGMENT ASSETS

	Offices		Retail		Other/unallocated		Total	
	2013 £m	2012 £m	2013 £m	2012 £m	2013 £m	2012 £m	2013 £m	2012 £m
Property assets (includes head leases liabilities)								
British Land Group	2,033	2,017	3,071	2,946	450	451	5,554	5,414
Share of joint ventures and funds	1,684	1,545	3,256	3,372	5	6	4,945	4,923
Total	3,717	3,562	6,327	6,318	455	457	10,499	10,337
Segment assets								
British Land Group	2,039	2,023	3,080	2,949	814	995	5,933	5,967
Share of joint ventures and funds	1,839	1,628	3,367	3,517	12	14	5,218	5,159
Total	3,878	3,651	6,447	6,466	826	1,009	11,151	11,126
Other assets								
British Land Group	–	–	–	–	363	533	363	533
Share of joint ventures and funds	155	83	107	137	7	8	269	228
Total	155	83	107	137	370	541	632	761
Capital expenditure								
British Land Group	391	148	315	27	47	347	753	522
Share of joint ventures and funds	109	113	26	83	–	–	135	196
Total	500	261	341	110	47	347	888	718

Other assets include other investments of £76m (2011/12: £28m), debtors of £60m (2011/12: £95m), liquid investments of £nil (2011/12: £200m), cash and short-term deposits of £135m (2011/12: £137m) and derivatives of £92m (2011/12: £73m).

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:

	2013 £m	2012 £m
British Land (includes share of development loan facility see note 24)	221	470
Share of joint ventures	176	25
Share of funds	1	1
	398	496

24 RELATED PARTY TRANSACTIONS

The Company has chosen to provide a development loan facility of up to £320m to the Broadgate joint venture, secured against the development, 5 Broadgate. The loan, which is assignable and on commercial terms, includes an interest cost of 3% per annum above LIBOR and market based fees. As at 31 March 2013 £53m (2011/12: £nil) has been drawn by the joint venture.

Details of transactions with joint ventures and funds are given in notes 4, 7 and 25. During the year the Group recognised performance and management fees receivable from funds of £4m (2011/12: £5m) and joint venture management fees of £6m (2011/12: £7m). Interest earned on the commercial loan to Bluebutton Properties Ltd was £1m (2011/12: £nil). Commitment fees received from Bluebutton during the year was £3m (2011/12: £2m).

Details of Directors' remuneration are given in the Remuneration Report on pages 92 to 108. Details of transactions with key management personnel are provided in note 9.

Details of transactions with The British Land Group of Companies Pension Scheme, and other smaller pension schemes, are given in note 10.

During the year, the Company entered into transactions, in the normal course of business, with other related parties as follows:

John Gildersleeve is Deputy Chairman of Carphone Warehouse Group plc. Rental income of £2m (2011/12: £2m) on a proportionally consolidated basis was earned from Carphone Warehouse Group plc, and there is an associated debtor balance at 31 March 2013 £0.2m (2011/12: £nil).

Chris Gibson-Smith is Chairman of the London Stock Exchange. Administrative expenses of £0.2m (2011/12: £0.1m) on a proportionally consolidated basis were paid to the London Stock Exchange, and there is an associated balance at 31 March 2013 of £nil (2011/12: £nil).

William Jackson is the Managing Partner of Bridgepoint and serves on a number of Bridgepoint portfolio boards. He is currently Chairman of the Board of Pret A Manger. Rental income of £0.3m (2011/12: £0.2m) on a proportionally consolidated basis was earned from Pret A Manger, and there is an associated balance at 31 March 2013 of £nil (2011/12: £nil).

25 CONTINGENT LIABILITIES

The Group has contingent liabilities in respect of legal claims, guarantees and warranties arising in the ordinary course of business. It is not anticipated that any material liabilities will arise from 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 £30m (2011/12: £30m) and recourse is only to the partnership assets.

26 AUDIT EXEMPTIONS TAKEN FOR SUBSIDIARIES

The following subsidiaries are exempt from the requirements of the Companies Act 2006 relating to the audit of individual accounts by virtue of Section 479A of that Act.

BF Propco (No 2) Limited
BF Propco (No 6) Limited
BF Propco (No 7) Limited
BF Propco (No 8) Limited
BF Propco (No 9) Limited
BF Propco (No 11) Limited
BF Propco (No 14) Limited
BF Propco (No 15) Limited
BF Propco (No 16) Limited
BF Propco (No 17) Limited
BF Propco (No 18) Limited
BF Propco (No 20) Limited
BF Propco (No 21) Limited
BF Propco (No 22) Limited
BF Propco (No 23) Limited

REPORT OF THE AUDITOR

INDEPENDENT AUDITOR'S 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 2013 which comprise the consolidated income statement, consolidated statement of comprehensive income, consolidated balance sheet, consolidated statement of cash flows, consolidated statement of changes in equity, and the related notes 1 to 26. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 auditor's 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 AUDITOR

As explained more fully in the Directors' Responsibilities Statement, the Directors are responsible for the preparation of the Group financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the Group financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

OPINION ON FINANCIAL STATEMENTS

In our opinion the Group financial statements:

- give a true and fair view of the state of the Group's affairs as at 31 March 2013 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the IAS Regulation.

OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion the information given in the Directors' Report for the financial year for which the Group financial statements are prepared is consistent with the Group financial statements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

- the Directors' statement, contained within the Corporate Governance section, in relation to going concern;
- the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review; and
- certain elements of the report to shareholders by the Board on Directors' remuneration.

OTHER MATTER

We have reported separately on the parent company financial statements of The British Land Company PLC for the year ended 31 March 2013 and on the information in the Directors' Remuneration Report that is described as having been audited.

Richard Muschamp (Senior statutory auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom

13 May 2013

SUPPLEMENTARY DISCLOSURES
UNAUDITED

TABLE A: SUMMARY INCOME STATEMENT AND BALANCE SHEET

SUMMARY INCOME STATEMENT BASED ON PROPORTIONAL CONSOLIDATION FOR THE YEAR ENDED 31 MARCH 2013

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

	Year ended 31 March 2013			Year ended 31 March 2012		
	Group £m	Joint ventures and funds £m	Proportionally consolidated £m	Group £m	Joint ventures and funds £m	Proportionally consolidated £m
Gross rental income	294	273	567	300	272	572
Property operating expenses	(13)	(13)	(26)	(14)	(12)	(26)
Net rental income	281	260	541	286	260	546
Administrative expenses	(72)	(4)	(76)	(69)	(7)	(76)
Fees and other income	15	–	15	16	1	17
Ungeared income return	224	256	480	233	254	487
Net interest	(80)	(126)	(206)	(77)	(141)	(218)
Underlying profit before taxation	144	130	274	156	113	269
Underlying tax	(1)	–	(1)	(2)	(2)	(4)
Underlying profit after taxation	143	130	273	154	111	265
Underlying earnings per share – diluted basis			30.3p			29.7p
Valuation movement			26			215
Other capital and tax (net)[1]			(4)			13
Capital and other			22			228
Total return			295			493

The underlying earnings per share is calculated on underlying profit before taxation of £274m, tax attributable to underlying profits of £1m and 901m shares on a diluted basis, for the year ended 31 March 2013.

1 Includes other comprehensive income, movement in dilution of share options and the movement in items excluded for EPRA NAV.

SUPPLEMENTARY DISCLOSURES CONTINUED UNAUDITED

TABLE A continued

SUMMARY BALANCE SHEET BASED ON PROPORTIONAL CONSOLIDATION AS AT 31 MARCH 2013

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

	Group £m	Share of joint ventures and funds £m	Share options £m	Deferred tax £m	Mark-to-market of interest rate swaps £m	Head leases £m	Valuation surplus on trading properties £m	EPRA net assets 2013 £m	EPRA net assets 2012 £m
Retail properties	3,080	3,260	–	–	–	(13)	–	6,327	6,318
Office properties	2,039	1,684	–	–	–	(6)	–	3,717	3,562
Other properties	451	5	–	–	–	(11)	10	455	457
Total properties	5,570	4,949	–	–	–	(30)	10	10,499	10,337
Investments in joint ventures and funds	2,336	(2,336)	–	–	–	–	–	–	–
Other investments	76	(23)	–	–	–	–	–	53	28
Other net (liabilities) assets	(258)	(163)	58	14	–	30	–	(319)	(294)
Net debt	(2,037)	(2,427)	–	–	198	–	–	(4,266)	(4,690)
Net assets	5,687	–	58	14	198	–	10	5,967	5,381
EPRA NAV per share (note 2)	–	–	–	–	–	–	–	596p	595p

EPRA NET ASSETS MOVEMENT

	Year ended 31 March 2013 £m	Year ended 31 March 2013 Pence per share	Year ended 31 March 2012 £m	Year ended 31 March 2012 Pence per share
Opening EPRA NAV	5,381	595	5,101	567
Income return	273	30	265	29
Capital return	22	2	228	25
Dividend paid in cash	(202)	(27)	(213)	(26)
Dilution due to issues of shares	493	(4)	–	–
Closing EPRA NAV	5,967	596	5,381	595

TABLE B: EPRA PERFORMANCE MEASURES

EPRA PERFORMANCE MEASURES SUMMARY TABLE

	2013		2012	
	£m	Pence per share	£m	Pence per share
EPRA earnings	268	29.7	262	29.4
EPRA NAV	5,967	596	5,381	595
EPRA NNNAV	5,522	552	5,148	569
EPRA net initial yield		5.5%		5.2%
EPRA 'topped-up' net initial yield		5.7%		5.8%
EPRA vacancy rate		3.4%		2.4%

CALCULATION OF EPRA EARNINGS AND EPRA EARNINGS PER SHARE

	2013 £m	2012 £m
Profit for the year after taxation	284	480
Exclude:		
Group – non-underlying current tax	(9)	–
Group – deferred tax	(16)	(3)
Joint ventures and funds – non-underlying current tax	(2)	(1)
Joint ventures and funds – deferred tax	(1)	(1)
Group – net valuation movement (including result on disposals)	(79)	(146)
Joint ventures and funds – net valuation movement (including result on disposals)	62	(72)
Amortisation of intangible assets	1	–
Changes in fair value of financial instruments and associated close-out costs	28	5
EPRA earnings[1]	**268**	262
Mark-to-market on/profit on disposal of liquid investments (held for trading assets)	(9)	3
Mark-to-market adjustment on convertible bond	7	–
Non-recurring items[2]	7	–
Underlying earnings	**273**	265

	2013 Number million	2012 Number million
Weighted average number of shares	907	899
Adjustment for treasury shares	(11)	(11)
Adjustment for ESOP shares	(1)	(1)
Weighted average number of shares (basic)	**895**	887
Dilutive effect of share options	2	2
Dilutive effect of ESOP shares	4	3
Weighted average number of shares (diluted)	**901**	892

	2013 Pence	2012 Pence
Earnings per share (basic)	31.7	54.1
Earnings per share (diluted)	31.5	53.8
Underlying earnings per share (diluted)	30.3	29.7
EPRA earnings per share	**29.7**	29.4

1 Comparatives have been re-presented in line with updated EPRA guidance.

2 Non-recurring items for the year ended 31 March 2013 relate to £7m of issue costs for the convertible bond.

SUPPLEMENTARY DISCLOSURES CONTINUED UNAUDITED

TABLE B continued

NET ASSETS PER SHARE

	2013		2012	
	£m	Pence per share	£m	Pence per share
Balance sheet net assets	5,687	–	5,104	–
Deferred tax arising on revaluation movements	14	–	31	–
Mark-to-market on effective cash flow hedges and related debt adjustments	198	–	189	–
Dilution effect of share options	58	–	57	–
Surplus on trading properties	10	–	–	–
EPRA NAV	5,967	596	5,381	595
Deferred tax arising on revaluation movements	(14)	–	(31)	–
Mark-to-market on effective cash flow hedges and related debt adjustments	(198)	–	(189)	–
Mark-to-market on debt	(233)	–	(13)	–
EPRA NNNAV	5,522	552	5,148	569

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

EPRA NET INITIAL YIELD AND 'TOPPED-UP' NET INITIAL YIELD

	2013 £m	2012 £m
Investment property – wholly-owned	5,554	5,414
Investment property – share of joint ventures and funds	4,945	4,923
Less developments, residential and land	(1,340)	(835)
Completed property portfolio	9,159	9,502
Allowance for estimated purchasers' costs	552	521
Gross up completed property portfolio valuation	9,711	10,023
Annualised cash passing rental income	541	531
Property outgoings	(11)	(8)
Annualised net rents	530	523
Rent expiration of rent-free periods and fixed uplifts[1]	27	57
'Topped-up' net annualised rent	557	580
EPRA net initial yield	5.5%	5.2%
EPRA 'topped-up' net initial yield	5.7%	5.8%
Including fixed/minimum uplifts received in lieu of rental growth	26	27
Total 'topped-up' net rents	583	607
Overall 'topped-up' net initial yield	6.0%	6.1%
'Topped-up' net annualised rent	557	580
ERV vacant space	19	14
Reversions	(13)	(18)
Total ERV	563	576
Net reversionary yield	5.8%	5.7%

1 The period over which rent-free periods expire is 2 years (2011/12: 3 years).

TABLE B continued

EPRA NET INITIAL YIELD (NIY) BASIS OF CALCULATION

EPRA NIY is calculated as the annualised net rent (on a cash flow basis), divided by the gross value of the completed property portfolio. The valuation of our completed property portfolio was determined by our external valuers as at 31 March 2013, plus an allowance for estimated purchaser's costs. Estimated purchaser's costs are determined by the relevant stamp duty liability, plus an estimate by our valuers of agent and legal fees on notional acquisition. The net rent deduction allowed for property outgoings is based on our valuers' assumptions on future recurring non-recoverable revenue expenditure.

In calculating the EPRA 'topped-up' NIY, the annualised net rent is increased by the total contracted rent from expiry of rent-free periods and future contracted rental uplifts where defined as not in lieu of growth. Overall 'topped-up' NIY is calculated by adding any other contracted future uplift to the 'topped-up' net annualised rent.

The net reversionary yield is calculated by dividing the total estimated rental value (ERV) for the completed property portfolio, as determined by our external valuers, by the gross completed property portfolio valuation.

The EPRA vacancy rate is calculated as the ERV of the un-rented, lettable space as a proportion of the total rental value of the completed property portfolio.

EPRA VACANCY RATE

	2013 £m	2012 £m
Annualised potential rental value of vacant premises	19	14
Annualised potential rental value for the completed property portfolio	563	576
EPRA vacancy rate	3.4%	2.4%

TABLE C: GROSS RENTAL INCOME AND ACCOUNTING RETURN

CALCULATION OF GROSS RENTAL INCOME

	Year ended 31 March 2013 £m	Year ended 31 March 2012 £m
Rent receivable	538	533
Spreading of tenant incentives and guaranteed rent increases	28	38
Surrender premia	1	1
Gross rental income	567	572

TOTAL ACCOUNTING RETURN

	Year ended 31 March 2013 £m	Year ended 31 March 2012 £m
Total accounting return	4.6%	9.5%

COMPANY BALANCE SHEET

Prepared in accordance with UK GAAP as at 31 March 2013

	Note	2013 £m	2012[1] £m
Non-current assets			
Investments and loans to subsidiaries	D	24,459	23,938
Investments in joint ventures	D	816	700
Intangible assets	D	3	6
Other investments	D	119	17
Interest rate derivative assets	E	92	73
		25,489	24,734
Current assets			
Debtors	G	273	345
Liquid investments	E	–	200
Cash and short-term deposits	E	108	109
		381	654
Current liabilities			
Short-term borrowings and overdrafts	E	(45)	(50)
Creditors	H	(98)	(93)
Amounts due to subsidiaries		(19,270)	(18,526)
		(19,413)	(18,669)
Net current liabilities		(19,032)	(18,015)
Total assets less current liabilities		6,457	6,719
Non-current liabilities			
Debentures and loans	E	(1,681)	(2,500)
Interest rate derivative liabilities	E	(86)	(92)
		(1,767)	(2,592)
Net assets		4,690	4,127
Equity			
Called up share capital	I	249	225
Share premium	J	1,245	1,240
Other reserves	J	(61)	(69)
Merger reserves	J	213	–
Retained earnings	J	3,044	2,731
Equity shareholders' funds		4,690	4,127

1 Comparatives have been re-presented, see note A.

John Gildersleeve
Chairman

Lucinda Bell
Finance Director

Approved by the Board and authorised for issue on 13 May 2013.

Company number 621920

(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 and liquid 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 the going concern basis as explained in the corporate governance section on page 85.
- **Re-presented balance sheet**
  The balance sheet has been re-presented to show interest rate derivative liabilities on the face of the balance sheet, in accordance with FRS 3. Comparatives on the balance sheet and in the notes to the accounts have been re-presented accordingly. The tax witheld on dividends, previously disclosed within corporation tax creditor, has been re-presented in other taxation and social security.
- **Liquid investments**
  Liquid investments are shown at fair value and held as held for trading financial assets. Gains and losses from the changes in fair value are recorded in the income statement.
- **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.
- **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.
- **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 PROFIT FOR THE FINANCIAL YEAR AFTER TAX

The Company has not presented its own profit and loss account as permitted by Section 408 of the Companies Act 2006. The profit after tax for the year was £257m (2011/12: profit £298m).

The average monthly number of employees of the Company during the year was 217 (2011/12: 205).

Employee costs include wages and salaries of £29m (2011/12: £26m), social security costs of £4m (2011/12: £3m) and pension costs of £4m (2011/12: £4m). Details of the Executive Directors' remuneration are disclosed in the Remuneration Report.

Audit fees in relation to the parent company only were £0.2m (2011/12: £0.2m).

COMPANY BALANCE SHEET CONTINUED

Prepared in accordance with UK GAAP as at 31 March 2013

(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 2012	18,240	5,698	700	6	17	24,661
Additions	141	992	155	–	123	1,411
Disposals	(437)	(309)	(48)	(3)	(20)	(817)
Write back of (provision for) impairment	134	–	9	–	(1)	142
At 31 March 2013	18,078	6,381	816	3	119	25,397

Shares in subsidiaries are included at cost or Directors' valuation in 1977, 1995, 1997 and 1999 to 2010 inclusive; their historical cost is £22,089m (2011/12: £22,385m). The amount of £816m (2011/12: £700m) includes £227m (2011/12: £129m) of loans to joint ventures by the Company. The Company has a 50% interest in Bluebutton Properties Limited (Jersey), MSC Property Intermediate Holdings Limited and Shopping Centres Limited, which are registered and operate 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 £128m (2011/12: £25m).

The Group comprises a large number of companies so has taken advantage of the exemption under Section 410(2) of the Companies Act 2006 in providing information only in relation to subsidiary undertakings whose results or financial position, in the opinion of Directors, principally affect the financial statements. The principal subsidiaries, wholly-owned and, except where stated, registered and operating in England and Wales, are:

Executive Property

The British Land Corporation Limited

Finance, Investment and Management

British Land Property Management Limited
BLD Property Holdings Limited
BL European Fund Management LLP
British Land (Joint Ventures) Limited
Linestair Limited
British Land Investment Netherlands Holdings BV (Netherlands)

Property

British Land Retail Warehouses Limited
20 Triton Street Limited
1 & 4 & 7 Triton Limited
10 Brock Street Limited
10 Portman Square Unit Trust (Jersey)
20 Brock Street Limited
Stockton Retail Park Limited
Drake Circus Limited Partnership (United States)
Euston Tower Limited
The Mary Street Estate Limited
BF Propco (No 10) Limited
British Land Ealing BV (Netherlands)

(E) NET DEBT

	2013 £m	2012 £m
Secured on the assets of the Company		
5.264% first mortgage debenture bonds 2035	345	341
5.0055% first mortgage amortising debentures 2035	101	102
5.357% first mortgage debenture bonds 2028	334	322
6.75% first mortgage debenture bonds 2020	194	196
	974	961
Unsecured		
5.50% senior notes 2027	98	98
6.30% senior US dollar notes 2015[1]	101	96
Series A 3.895% senior US dollar notes 2018[2]	28	26
Series B 4.635% senior US dollar notes 2021[2]	158	145
Series C 4.766% senior US dollar notes 2023[2]	98	89
Series D 5.003% senior US dollar notes 2026[2]	62	57
Fair value of options to issue under 1.5% convertible bond 2017	28	–
Bank loans and overdrafts	179	1,078
	752	1,589
Gross debt	1,726	2,550
Interest rate derivatives: liabilities	86	92
Interest rate derivatives: assets	(92)	(73)
	1,720	2,569
Liquid investments		
4.405% RBS medium term note 2015	–	(100)
4.395% Lloyds medium term note 2015	–	(100)
	–	(200)
Cash and short-term deposits	(108)	(109)
Net debt	1,612	2,260

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

2 Principal and interest on these borrowings were fully hedged into sterling at a floating rate at the time of issue.

On 10 September 2012 British Land (Jersey) Limited (the Issuer) – a wholly-owned subsidiary of the Company – issued £400m 1.5 per cent guaranteed convertible bonds due 2017 (the bonds) at par. The proceeds have been loaned to the Company and the Company has unconditionally and irrevocably guaranteed the due and punctual performance by the Issuer of all of its obligations (including payments) in respect of the bonds and the obligations of the Company, as guarantor, constitute direct, unsubordinated, unconditional and unsecured obligations of the Company.

Subject to their terms, the bonds are convertible into preference shares of the Issuer which are automatically transferred to the Company in exchange for ordinary shares in the Company or, at the Company's election, any combination of ordinary shares and cash.

The intercompany loan between the Issuer and the Company arising from the transfer of the loan proceeds was initially recognised at fair value, net of capitalised issue costs and is accounted for using the amortised cost method.

In addition to the intercompany loan, the Company has entered into a derivative contract relating to its guarantee of the obligations of the Issuer in respect of the bonds and the commitment to provide shares or a combination of shares and cash on conversion of the bonds. This derivative contract is included within the balance sheet as a liability carried at fair value through profit and loss.

See note 18 for further details about the convertible bond.

COMPANY BALANCE SHEET CONTINUED

(E) NET DEBT continued

MATURITY ANALYSIS OF NET DEBT

	2013 £m	2012 £m
Repayable within one year and on demand	45	50
between: one and two years	145	406
two and five years	145	734
five and ten years	407	390
ten and fifteen years	603	260
fifteen and twenty years	5	332
twenty and twenty-five years	376	378
	1,681	2,500
Gross debt	1,726	2,550
Interest rate derivatives	(6)	19
Liquid investments	–	(200)
Cash and short-term deposits	(108)	(109)
Net debt	1,612	2,260

(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

	2013 £m	2012 £m
Trade and other debtors[1]	4	25
Amounts owed by subsidiaries	216	253
Amounts due from joint ventures	40	57
Corporation tax	10	4
Prepayments and accrued income	3	6
	273	345

1 Included within this balance is deferred consideration of £4m (2011/12: £4m) arising on the sale of investment properties. The timing of the receipt is uncertain and may fall due after one year.

Comparatives have been re-presented, see note A.

(H) CREDITORS

	2013 £m	2012 £m
Trade creditors	29	25
Amounts due to joint ventures	–	9
Corporation tax	2	3
Other taxation and social security	17	13
Accruals and deferred income	50	43
	98	93

Interest rate derivative liabilities are presented on the face of the balance sheet in 2013.

Comparatives have been re-presented, see note A.

(I) SHARE CAPITAL

	£m	Ordinary shares of 25p each
Issued, called and fully paid		
At 1 April 2012	225	900,199,638
Issued	24	97,491,850
At 31 March 2013	**249**	**997,691,488**

In March 2013, the Company issued ordinary shares. Refer to note 21.

(J) SHARE CAPITAL AND RESERVES

	Share capital £m	Share premium £m	Other reserves £m	Merger reserve £m	Profit and loss account £m	Total £m
At 1 April 2012	225	1,240	(69)	–	2,731	**4,127**
Share issues	24	5	–	464	–	**493**
Transfer to retained earnings	–	–	–	(251)	251	**–**
Dividend paid	–	–	–	–	(202)	**(202)**
Adjustment for share and share option award	–	–	–	–	9	**9**
Pension scheme movements	–	–	–	–	(2)	**(2)**
Retained profit (loss)	–	–	–	–	257	**257**
Derivative valuation movement	–	–	6	–	–	**6**
Exchange movements on net investments	–	–	2	–	–	**2**
At 31 March 2013	249	1,245	(61)	213	3,044	**4,690**

The value of distributable reserves within the profit and loss account is £1,751m (2011/12: £1,490m).

(K) CONTINGENT LIABILITIES, CAPITAL COMMITMENTS AND RELATED PARTY TRANSACTIONS

The Company has contingent liabilities in respect of legal claims, guarantees and warranties arising in the ordinary course of business. It is not anticipated that any material liabilities will arise from the contingent liabilities.

At 31 March 2013, the Company had £172m of capital commitments (2011/12: £414m).

The Company has chosen to provide a development loan facility of up to £320m to the Broadgate joint venture secured against the development, 5 Broadgate. The loan, which is assignable and on commercial terms, includes an interest cost of 3% per annum above LIBOR and market based fees. As at 31 March 2013 £53m had been drawn by the joint venture (2011/12: £nil).

Related party transactions are the same for the Company as for the Group. For details refer to note 24 of the consolidated financial statements.

The Company has used the exemption under FRS8 where disclosure is not required of transactions with fellow subsidiary undertakings 100% of whose voting rights are controlled within the Group. 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 AUDITOR

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE BRITISH LAND COMPANY PLC

We have audited the parent company financial statements of The British Land Company PLC for the year ended 31 March 2013 which comprise the parent company balance sheet, and the related notes A to K. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 auditor's 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 AUDITOR

As explained more fully in the Directors' Responsibilities Statement, the Directors are responsible for the preparation of the parent company financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the parent company financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

OPINION ON FINANCIAL STATEMENTS

In our opinion the parent company financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2013;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the parent company financial statements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

OTHER MATTER

We have reported separately on the Group financial statements of The British Land Company PLC for the year ended 31 March 2013.

Richard Muschamp (Senior statutory auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom

13 May 2013

SUPPLEMENTARY INFORMATION
UNAUDITED

SUPPLEMENTARY INFORMATION AND OTHER INFORMATION

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SUPPLEMENTARY INFORMATION
UNAUDITED

PORTFOLIO NET YIELDS[1]

At 31 March 2013 (excluding developments)	EPRA net initial yield %	EPRA topped up net initial yield %[2]	Overall topped up net initial yield %[3]	Net reversionary yield %	Net equivalent yield %
Retail:					
Retail parks	5.5	5.7	5.8	5.9	5.9
Superstores	5.2	5.2	5.2	5.1	5.2
Shopping centres	5.6	5.8	5.8	5.6	5.9
Department stores	5.7	5.8	8.3	4.8	6.4
UK Retail	**5.5**	**5.6**	**5.9**	**5.6**	**5.8**
Europe Retail	6.6	6.6	6.6	8.4	8.0
All Retail	**5.5**	**5.6**	**5.9**	**5.7**	**5.9**
Offices:					
City	5.4	6.1	6.1	6.1	5.8
West End	4.6	5.1	5.3	5.7	5.6
Provincial	7.3	7.3	7.3	5.9	6.6
All Offices	**5.1**	**5.7**	**5.8**	**5.9**	**5.7**
Other	7.7	7.7	9.0	6.0	8.5
UK total	**5.4**	**5.7**	**6.0**	**5.7**	**5.9**
Total	**5.5**	**5.7**	**6.0**	**5.8**	**5.9**

1 Including notional purchaser's costs.

2 Including rent contracted from expiry of rent-free periods and fixed uplifts not in lieu of growth.

3 Including fixed/minimum uplifts (excluded from EPRA definition).

ANNUALISED RENT AND ESTIMATED RENTAL VALUE (ERV)

	Annualised rent (valuation basis) £m[1]			ERV £m	Average rent £ per sq ft	
At 31 March 2013 (excluding developments)	Group	Joint ventures and funds	Total	Total	Contracted[2]	ERV[2]
Retail:						
Retail parks	102	44	146	156	22.5	23.3
Superstores	8	63	71	71	21.6	21.6
Shopping centres	50	58	108	114	25.6	26.3
Department stores	29	–	29	24	13.3	11.0
UK Retail	**189**	**165**	**354**	**365**	**21.9**	**22.3**
Europe Retail	–	21	21	24	8.3	9.7
All Retail	**189**	**186**	**375**	**389**	**20.1**	**20.7**
Offices:						
City	4	77	81	91	47.1	45.4
West End	54	–	54	67	43.4	44.2
Provincial	6	–	6	5	27.1	21.9
All Offices	**64**	**77**	**141**	**163**	**44.3**	**43.5**
Other	28	–	28	23	13.4	10.8
Total	**281**	**263**	**544**	**575**	**22.8**	**23.1**

1 Gross rents plus, where rent reviews are outstanding, any increases to ERV (as determined by the Group's external valuers), less any ground rents payable under head leases, excluding contracted rent subject to rent-free and future uplift.

2 Office average rent £ per sq ft is based on office space only.

GROSS RENTAL INCOME[1]

	12 months to 31 March 2013			Annualised as at 31 March 2013		
Accounting basis	Group £m	Joint ventures and funds £m	Total £m	Group £m	Joint ventures and funds £m	Total £m
Retail:						
Retail parks	102	44	146	99	44	143
Superstores	8	63	71	8	62	70
Shopping centres	35	64	99	50	58	108
Department stores	32	–	32	33	–	33
UK Retail	**177**	**171**	**348**	**190**	**164**	**354**
Europe Retail	–	19	19	–	21	21
All Retail	**177**	**190**	**367**	**190**	**185**	**375**
Offices:						
City	25	83	108	5	82	87
West End	53	–	53	53	–	53
Provincial	6	–	6	6	–	6
All Offices	**84**	**83**	**167**	**64**	**82**	**146**
Other	33	–	33	32	–	32
Total	**294**	**273**	**567**	**286**	**267**	**553**

1 Gross rental income (accounting basis) will differ from annualised rents (valuation basis) due to accounting adjustments for fixed and minimum contracted rental uplifts and lease incentives.

LEASE LENGTH AND OCCUPANCY

	Average lease length Years		Occupancy rate %	
At 31 March 2013 (excluding developments)	To expiry	To break	Occupancy	Occupancy (overall)[1]
Retail:				
Retail parks	9.8	9.0	94.6	95.8
Superstores	15.4	15.4	100.0	100.0
Shopping centres	9.9	9.2	95.8	97.5
Department stores	28.2	24.9	99.6	99.6
UK Retail	**12.5**	**11.6**	**96.3**	**97.4**
Europe Retail	10.5	4.3	86.7	88.5
All Retail	**12.4**	**11.2**	**95.7**	**96.8**
Offices:				
City	9.9	7.9	95.2	96.0
West End	9.9	7.6	96.5	96.5
Provincial	9.3	8.9	100.0	100.0
All Offices	**9.9**	**7.8**	**95.9**	**96.3**
Other	21.6	21.5	98.9	98.9
UK Total	**12.1**	**11.0**	**96.3**	**97.1**
Total	**12.1**	**10.7**	**95.9**	**96.8**

1 Including accommodation under offer or subject to asset management.

SUPPLEMENTARY INFORMATION CONTINUED
UNAUDITED

COMMITTED DEVELOPMENTS

At 31 March 2013	British Land share %	Sq ft '000	Practical completion calendar year	Current value £m	Cost to complete £m[1]	Notional interest £m[1,2]	ERV £m[3]	Pre-let[5] £m	Residential end value £m[4]
Offices:									
5 Broadgate	50	700	Q4 2014	163	103	18	19.2	19.2	–
The Leadenhall Building	50	610	Q2 2014	159	69	13	18.6	5.6	–
Broadgate Circle	50	45	Q4 2014	6	9	1	1.2	–	–
10–30 Brock Street, Regent's Place[6]	100	500	Q2 2013	390	16	2	19.8	10.3	113
10 Portman Square[7]	100	134	Q2 2013	149	9	–	9.7	4.1	–
Marble Arch House[8]	100	86	Q4 2013	44	20	2	3.9	–	15
39 Victoria Street	100	93	Q3 2013	49	17	2	4.9	–	–
Total Offices		**2,168**		**960**	**243**	**38**	**77.3**	**39.2**	**128**
Retail:									
Whiteley, Fareham	50	320	Q2 2013	33	6	–	2.6	2.4	–
Glasgow Fort (Leisure)	41	46	Q3 2013	4	2	–	0.5	0.5	–
Hereford	100	310	Q3 2014	17	59	9	5.8	2.4	–
Total Retail		**676**		**54**	**67**	**9**	**8.9**	**5.3**	**–**
Total Residential		**50**		**47**	**17**	**3**	**–**	**–**	**70**
Total committed		**2,894**		**1,061**	**327**	**50**	**86.2**	**44.5**	**198**

Data includes Group's share of properties in joint ventures and funds (except area which is shown at 100%).

1 From 1 April 2013 to practical completion (PC).
2 Based on a notional cost of finance of 6%.
3 Estimated headline rental value net of rent payable under head leases (excluding tenant incentives).
4 Parts of residential development expected to be sold, no rent allocated – of which £107m completed or exchanged.
5 A further £4.4m of pre-lets were under offer at the year end including a £3.0m letting to Amlin at The Leadenhall Building.
6 Includes 126,000 sq ft of residential.
7 Excludes 25,000 sq ft of off-site residential and retail (95–99 Baker Street), which was sold in the previous financial year.
8 Includes 10,500 sq ft of residential.

NEAR-TERM PROSPECTIVE DEVELOPMENTS

At 31 March 2013	Sector	British Land share	Sq ft '000	Total cost £m[1]	Status
The Clarges Estate	Mixed-use	100	194	388	Planning submitted
Yalding House	Offices	100	29	22	Pre-submission
Milton Keynes, Kingston Centre	Retail	50	21	4	Planning granted
Surrey Quays (extension)	Retail	100	98	24	Planning granted
Fort Kinnaird, Edinburgh	Retail	21	84	5	Planning submitted
Meadowhall Surrounding Land	Retail	50	22	6	Planning submitted
Broughton Park, Chester	Retail	41	54	7	Planning submitted
The Hempel Hotel	Residential	100	40	62	Planning submitted
Aldgate Place	Residential	50	422	96	Planning submitted
Total near-term prospective			**964**	**614**	

1 Total cost including site value and notional interest at 6% per annum.

MEDIUM-TERM PROSPECTIVE DEVELOPMENTS

At 31 March 2013	Sector	British Land share	Sq ft '000	Status
100 Liverpool Street	Offices	50	496	Pre-submission
Glasgow Fort (Retail)	Retail	41	142	Planning submitted
Power Court, Luton	Retail	100	158	Pre-submission
Lancaster	Retail	100	n/a	Pre-submission
Whiteley Phase 2	Retail	50	59	Pre-submission
Deepdale, Preston	Retail	21	73	Planning submitted
Harmsworth Quays	Residential	100	n/a	Pre-submission
Wardrobe Court	Residential	100	74	Pre-submission
Total medium-term prospective			**1,002**	

RECENTLY COMPLETED DEVELOPMENTS

At 31 March 2013	British Land share %	Sq ft '000	Practical completion calendar year	Current value £m	Cost to complete £m[1]	ERV £m[2]	Let £m	Residential end value £m[3]	Sold £m
Offices:									
199 Bishopsgate	50	144	Q3 2012	46	3	3.5	0.7	–	–
Total Offices		**144**		**46**	**3**	**3.5**	**0.7**	**–**	**–**
Retail:									
Puerto Venecia, Zaragoza	50	1,370	Q3 2012	94	4	7.7	6.9	–	–
Total Retail		**1,370**		**94**	**4**	**7.7**	**6.9**	**–**	**–**
Total Residential		**–**		**–**	**–**	**–**	**–**	**–**	**–**
Total recently completed		**1,514**		**140**	**7**	**11.2**	**7.6**	**–**	**–**

Data includes Group's share of properties in joint ventures and funds (except area which is shown at 100%).

1 From 1 April 2013.
2 Estimated headline rental value net of rent payable under head leases (excluding tenant incentives).
3 Parts of residential development expected to be sold, no rent allocated.

SUPPLEMENTARY INFORMATION CONTINUED UNAUDITED

JOINT VENTURES

As at 31 March 2013	Joint venture partner	Portfolio value £m	Rent[1] £m	Finance[2] £m
Bluebutton Properties Limited Broadgate, City offices	Blackstone Group L.P. funds	3,042	175	1,812
Leadenhall Holding Co (Jersey) Limited The Leadenhall Building, City offices[3]	Oxford Properties	318	–	–
MSC Property Intermediate Holdings Limited Meadowhall Shopping Centre, Sheffield	Norges Bank Investment Management	1,525	83	768
BL Sainsbury Superstores Limited 33 Sainsbury superstores	J Sainsbury plc	1,203	65	610
Tesco BL Holdings Limited Two retail parks, two shopping centres each anchored by Tesco, four Tesco superstores	Tesco plc	516	30	279
Tesco Aqua Limited Partnership 21 Tesco superstores	Tesco plc	634	34	487
BLT Properties Limited Nine Tesco superstores	Tesco plc	354	19	185
Shopping Centres Limited Clifton Moor Retail Park	Tesco plc	85	5	–
Tesco British Land Property Partnership District Shopping Centre anchored by Tesco	Tesco plc	111	7	60
Eurofund Investments Zaragoza SL Puerto Venecia Shopping Centre, Zaragoza, Spain	Orion Capital Managers LLP	242	16	60
Whiteley Co-Ownership Trust[3] Fareham, out-of-town shopping centre	Universities Superannuation Scheme	82	1	–
Eden Walk Shopping Centre Unit Trust Eden Walk Shopping Centre, Kingston upon Thames	Universities Superannuation Scheme	82	5	–

1 Annualised contracted rent (including expiry of rent-free periods and fixed uplifts).
2 Principal amount of debt.
3 Development project.

FUNDS

As at 31 March 2013	Value[1] £m	Rent[1] £m	Finance £m	British Land share %
Hercules Unit Trust	1,496	89	629	41.2
Pillar Retail Europark Fund	204	19	137	65.3

1 Hercules Unit Trust share where assets are in joint arrangements.
2 Annualised rent.

SUSTAINABILITY PERFORMANCE MEASURES

The data below follows EPRA best practice recommendations on sustainability reporting for managed properties. It also includes additional developments data to provide a comprehensive picture of resource use across our business. It covers 69% of our total investment portfolio of £16.4bn, as we focus on our managed portfolio and developments, where we can influence performance.

		2012/13	2011/12	2010/11	Scope (number of assets)
EPRA best practice recommendations across our managed portfolio					
3.1: Energy consumption from electricity (kWh)[1]		**175,062,977**	190,840,045	206,267,428	420/430
3.2: Energy consumption from district heating and cooling (kWh)[1]		**348,506**	134,662	198,534	1/1
3.3: Energy consumption from fuels (kWh)[1]		**29,789,499**	25,840,122	33,746,087	42/45
3.4: Building energy intensity (kWh per m²)	Offices	**274.73**	300.93	315.38	25/25
	Shopping centres	**56.65**	54.10	64.76	11/11
	Retail parks	**10.00**	10.35	10.86	56/56
3.5: Direct greenhouse gas emissions (tonnes CO_2e)		**8,035**	6,635	8,239	42/45
3.6: Indirect greenhouse gas emissions (tonnes CO_2e)		**102,177**	110,799	119,833	420/430
3.7: Greenhouse gas intensity from building energy (tonnes CO_2e per m²)[2]	Offices	**0.149**	0.163	0.169	25/25
	Shopping centres	**0.030**	0.030	0.033	11/11
	Retail parks	**0.005**	0.006	0.006	56/56
3.8: Water withdrawal by source (m³)[1]		**662,954**	699,503	655,494	102/105
3.9: Building water intensity (m³ per m²)[2]	Offices	**0.66**	0.75	0.67	26/26
	Shopping centres	**0.26**	0.24	0.21	10/10
	Retail parks	**0.28**	0.31	0.28	20/20
3.10 and 3.11: Waste by disposal route (tonnes and %)	Recycled	**10,660 (61%)**	10,326 (57%)	8,644 (52%)	76/80
	Incinerated	**5,153 (29%)**	5,555 (31%)	5,289 (32%)	76/80
	Landfilled	**1,739 (10%)**	2,238 (12%)	2,748 (16%)	76/80
Additional developments data					
Site energy use (kWh)		**5,925,005**	6,619,047	–	33/34
Site water use (m³)		**54,302**	27,369	–	29/34
Site waste by disposal route (tonnes)	Recycled or re-used	**428,588**	196,053	99,920	34/34
	Landfilled	**22,070**	4,538	5,086	34/34
Site waste by disposal route (%)	Recycled or re-used	**95%**	98%	95%	34/34
	Landfilled	**5%**	2%	5%	34/34

1 As per EPRA best practice recommendations, this data covers energy and water procured by British Land.
2 Intensity ratings cover whole building usage for offices and common parts usage for shopping centres and retail parks.

For developments carbon data, please see page 61.

For more detailed data on all these indicators and additional indicators, please see our Full Data Report 2013: www.britishland.com/crdata.

TEN YEAR RECORD
UNAUDITED

The table below summarises the last ten years' results, cash flows and balance sheets. Figures for 2005 onwards are prepared under IFRS. Figures for 2004 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
	2013 £m	2012 £m	2011 £m	2010 £m	2009 £m	2008 £m	2007 £m[5]	2006 £m	2005 £m	2004 £m
Income										
Gross rental income[1]	**567**	572	541	561	650	709	706	751	630	566
Net rental income	**541**	546	518	545	598	667	661	701	585	523
Fees and other income	**15**	17	18	15	20	40	50	50	9	6
Interest expense (net)	**(206)**	(218)	(212)	(246)	(292)	(350)	(370)	(436)	(360)	(336)
Administrative expense	**(76)**	(76)	(68)	(65)	(58)	(73)	(84)	(87)	(53)	(44)
Underlying profit	**274**	269	256	249	268	284	257	228	181	149
Exceptional costs (not included in underlying profit)[4]	**–**	–	–	–	(119)	–	(305)	(122)	(180)	–
Dividends declared	**234**	231	231	225	198	179	107	88	84	71
Summarised balance sheets										
Total properties at valuation[1,3]	**10,499**	10,337	9,572	8,539	8,625	13,471	16,903	14,414	12,507	10,639
Net debt	**(4,266)**	(4,690)	(4,173)	(4,081)	(4,941)	(6,413)	(7,741)	(6,684)	(6,538)	(5,397)
Other assets and liabilities	**(266)**	(266)	(298)	(51)	(297)	(122)	(300)	72	(56)	(157)
EPRA NAV/fully diluted adjusted net assets	**5,967**	5,381	5,101	4,407	3,387	6,936	8,862	7,802	5,913	5,085
Cash flow movement – Group only										
Cash generated from operations	**197**	211	182	248	406	477	494	455	464	381
Cash outflow from operations	**(7)**	(5)	28	(112)	(201)	(295)	(275)	(351)	(338)	(218)
Net cash inflow from operating activities	**190**	206	210	136	205	182	219	104	126	163
Cash (outflow) inflow from capital expenditure, investments, acquisitions and disposals	**(202)**	(547)	(240)	(39)	418	857	(54)	986	(527)	(186)
Equity dividends paid	**(203)**	(212)	(139)	(154)	(188)	(161)	(91)	(84)	(77)	(67)
Cash (outflow) inflow from management of liquid resources and financing	**213**	630	157	(485)	(58)	(830)	(11)	(1,025)	459	137
Increase (decrease) in cash[6]	**(2)**	77	(12)	(542)	377	48	63	(19)	(19)	47
Capital returns										
Growth in net assets[2]	**10.9%**	5.5%	15.7%	30.1%	(51.1%)	(21.6%)	13.6%	31.9%	15.5%	12.7%
Total return[4]	**4.5%**	9.5%	17.7%	33.5%	(61.6%)	(18.1%)	14.3%	33.2%	17.2%	14.0%
Total return – pre-exceptional	**4.5%**	9.5%	17.7%	33.5%	(60.3%)	(18.1%)	21.3%	34.6%	20.8%	14.0%
Per share information[8]										
Net asset value per share	**596p**	595p	567p	504p	398p	1,114p	1,394p	1,231p	935p	808p
Memorandum:										
Dividends declared in the year	**26.4p**	26.1p	26.0p	26.0p	29.8p	29.0p	16.9p	14.1p	13.0p	12.0p
Dividends paid in the year	**26.3p**	26.0p	26.0p	27.3p	30.0p	26.7p	14.4p	13.3p	12.3p	11.4p
Diluted earnings:										
Underlying earnings per share	**30.3p**	29.7p	28.5p	28.4p	41.0p	44.3p	35.9p	29.4p	22.2p	28.6p
IFRS earnings (loss) per share[4,7]	**31.5p**	53.8p	95.2p	132.6p	(614.1p)	(251.0p)	389.4p	188.3p	104.3p	n/a

1 Including share of joint ventures and funds.
2 Represents movement in diluted EPRA NAV from 2006 onwards and adjusted diluted net assets for 2005 and before.
3 Including surplus over book value of trading and development properties.
4 Including exceptional finance costs in 2005: £180m, 2006: £122m, 2007: £305m and 2009: £119m.
5 Restated for IFRS. The UK GAAP accounts shows gross rental income of £620m and underlying profit of £175m.
6 Represents movement in cash and cash equivalents under IFRS and movements in cash under UK GAAP.
7 Under UK GAAP the revaluation of investment properties is not included in earnings per share.
8 Adjusted for the rights issue of 341m shares in March 2009.

SHAREHOLDER INFORMATION

FINANCIAL CALENDAR

2012/13	
Fourth quarter ex-dividend date	3 July 2013
Fourth quarter dividend paid	9 August 2013

2013/14	
First quarter Interim Management Statement announced	24 July 2013
First quarter ex-dividend date	October 2013
First quarter dividend paid	November 2013
Half year results announced	13 November 2013
Second quarter ex-dividend date	January 2014
Second quarter dividend paid	February 2014
Third quarter Interim Management Statement	January 2014
Third quarter ex-dividend date	April 2014
Third quarter dividend paid	May 2014
Full year results announced	May 2014
Fourth quarter ex-dividend date	July 2014
Fourth quarter dividend paid	August 2014

The Board will announce the availability of a Scrip Alternative for each dividend via the Regulatory News Service and on the Group's website (www.britishland.com), no later than four business days before each ex-dividend date. For the fourth quarter dividend of 2012/13, the Board expects to announce the split between PID and non-PID income at the same time. Any Scrip Alternative will not be enhanced.

ANALYSIS OF SHAREHOLDERS – 31 MARCH 2013

Range	Number of holdings	%	Balance as at 31 March 2013[1]	%
1–1,000	6,998	54.60	3,159,708	0.32
1,001–5,000	4,174	32.56	9,148,822	0.93
5,001–20,000	824	6.43	7,854,895	0.80
20,001–50,000	218	1.70	6,850,978	0.69
50,001–Highest	604	4.71	959,410,840	97.26
Total	**12,818**	**100**	**986,425,243**	**100**

Holder name				
Individual	7,385	57.61	12,174,183	1.23
Nominee and institutional investors	5,433	42.39	974,251,060	98.77
Total	**12,818**	**100**	**986,425,243**	**100**

1 Excluding 11,266,245 shares held in treasury.

OVERVIEW UNDERSTANDING OUR STRATEGY OUR PERFORMANCE GOVERNANCE FINANCIAL STATEMENTS AND OTHER INFORMATION

SHAREHOLDER INFORMATION CONTINUED

REGISTRARS

British Land's Share Registrars are Equiniti, who can be contacted at: Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA.

Equiniti's shareholder enquiry line is: 0871 384 2143. Calls cost 8p per minute plus network extras. Lines are open from 8.30am to 5.30pm, Monday to Friday.

The general enquiries number for overseas callers is: +44 (0)121 415 7047.

The Registrar's website is: **www.shareview.co.uk**. Registering on this site will enable you, amongst other features, to view your British Land shareholding online, to update your details and to opt to receive shareholder mailings electronically.

In addition to being our Share Registrar, Equiniti are also Registrars for the BLD Property Holdings Limited Stock.

Bank of New York (operating through Capita) are Registrars of British Land's Debentures. They can be contacted at: The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU.

The bondholder enquiry line is: 0871 664 0300 (calls cost 10p per minute plus network extras. Lines are open from 9.00am to 5.30pm, Monday to Friday).

SHARE DEALING SERVICE

Equiniti offer Shareview dealing, a service which allows you to buy or sell British Land shares if you are a UK resident.

You can deal in your shares on the internet or by phone. Log on to **www.shareview.co.uk/dealing** or call 0845 603 7037 between 8.30am and 4.30pm, Monday to Friday, for more information about this service and for details of the rates. If you are an existing shareholder, you will need your account/shareholder reference number which appears on your share certificate.

DIVIDENDS

As a REIT, British Land pays Property Income Distribution (PID) and non-Property Income Distribution (non-PID) dividends. More information on REITs and property income distributions can be found in the glossary on page 173, or in the Investors section of our website at **www.britishland.com**.

PAYMENT OF DIVIDENDS

British Land dividends can be directly mandated into your bank or building society account instead of being despatched to you in paper cheque form. More information about the benefits of having dividends paid directly into your bank or building society account, and the mandate form to set this up, can be found in the Investors section of our website at **www.britishland.com**.

SCRIP DIVIDEND SCHEME

British Land offers shareholders the opportunity to participate in the Scrip Dividend Scheme. This enables participating shareholders to receive shares instead of cash, when a Scrip Alternative is offered for a particular dividend. For more information and for details of how to sign up to the Scrip Dividend Scheme, please visit the Investors section of our website at **www.britishland.com**.

The Dividend Reinvestment Plan (DRIP) was suspended when the Scrip Dividend Scheme was introduced.

HONORARY PRESIDENT

Sir John Ritblat became Managing Director of British Land in 1970 and Chairman in 1971. He retired from the Board in December 2006 and was appointed Honorary President, in recognition of his work building British Land into the industry leading Company it is today.

WEBSITE

The British Land corporate website contains a wealth of material for shareholders, including the current share price, press releases and the Investors Section which contains detailed information on, among other things, REITs and dividends. The website can be accessed at **www.britishland.com**.

WEBSITE DELIVERY OF SHAREHOLDER COMMUNICATIONS

If you currently receive paper copies of shareholder communications, you may prefer to receive electronic copies via the British Land website instead. When a document is produced for shareholders you will receive an email containing a link directly to the new document. If you would like further information, or would like to elect for website delivery of shareholder communications, please visit **www.shareview.co.uk** or telephone Equiniti's shareholder enquiry line on 0871 384 2143 (calls cost 8p per minute plus network extras. Lines are open from 8.30am to 5.30pm, Monday to Friday).

ANNUAL GENERAL MEETING

The AGM of The British Land Company PLC will be held at The Ocean Room, The Cumberland Hotel, Great Cumberland Place, London W1H 7DL on Friday 19 July 2013, at 11.00 am.

SHAREGIFT

Shareholders with a small number of shares, the value of which makes it uneconomic to sell them, may wish to consider donating them to the charity ShareGift (registered charity 1052686), which specialises in using such holdings for charitable benefit.

A ShareGift transfer form can be obtained from:
Equiniti
Aspect House
Spencer Road
Lancing
West Sussex BN99 6DA

For further information, contact:
ShareGift
17 Carlton House Terrace
London SW1Y 5AH
Telephone: +44 (0)20 7930 3737
Website: **www.sharegift.org**

UNSOLICITED MAIL

On request, British Land is legally required to make its share register available to other organisations. The Mailing Preference Service is an independent organisation offering free services to help reduce the amount of unsolicited mail you receive. For more information, or to register, visit: **www.mpsonline.org.uk**, telephone 0845 703 4599 or write to:
The Mailing Preference Service
FREEPOST 29
LON 20771
London W1E 0ZT

REGISTERED OFFICE

The address of British Land's head office and registered office is:
York House
45 Seymour Street
London W1H 7LX
Telephone: +44 (0)20 7486 4466
Fax: +44 (0)20 7935 5552

GLOSSARY OF TERMS

Annualised rent is the gross property rent receivable on a cash basis as at the reporting date. Additionally, it includes the external valuers' estimate of additional rent in respect of unsettled rent review, turnover rent and sundry income such as that from car parks and commercialisation, less any ground rents payable under head leases.

Assets under management is the full value of all assets managed by British Land and includes 100% of the value of assets managed but not fully owned.

BREEAM (Building Research Establishment Environmental Assessment Method) assesses the sustainability of buildings against a range of criteria.

Capital return is calculated as the change in capital value of the UK portfolio, less any capital expenditure incurred, expressed as a percentage of capital employed over the period, as calculated by IPD. Capital returns are calculated monthly and indexed to provide a return over the relevant period.

Capped rents are subject to a maximum level of uplift at the specified rent reviews as agreed at the time of letting.

Collar rents are subject to a minimum level of uplift at the specified rent reviews as agreed at the time of letting.

Developer's profit is the profit on cost estimated by the valuers. The developer's profit is typically calculated by the valuers to be a percentage of the estimated total development costs, including land and notional finance costs.

Development uplift is the total increase in the value (after taking account of capital expenditure and capitalised interest) of properties held for development during the period. It also includes any developer's profit recognised by valuers in the period.

Development construction cost is the total cost of construction of a project to completion, excluding site values and finance costs (finance costs are assumed by the valuers at a notional rate of 6% per annum).

EPRA is the European Public Real Estate Association, the industry body for European REITs.

EPRA earnings is the profit after taxation excluding investment and development property revaluations and gains/losses on disposals, changes in the fair value of financial instruments and associated close-out costs and their related taxation.

EPRA NAV per share is EPRA NAV divided by the diluted number of shares at the period end.

EPRA net assets (EPRA NAV) are the balance sheet net assets excluding the mark-to-market on effective cash flow hedges and related debt adjustments and deferred taxation on revaluations.

EPRA net initial yield is the annualised rents generated by the portfolio, after the deduction of an estimate of annual recurring irrecoverable property outgoings, expressed as a percentage of the portfolio valuation (adding notional purchaser's costs), excluding development properties.

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

EPRA vacancy rate is the estimated market rental value (ERV) of vacant space divided by ERV of the whole portfolio, excluding developments. This is the inverse of the occupancy rate.

Estimated Rental Value (ERV) is the external valuers' opinion as to the open market rent which, on the date of valuation, could reasonably be expected to be obtained on a new letting or rent review of a property.

Fair value movement is accounting adjustment to change the book value of an asset or liability to its market value.

Gearing see loan to value (LTV).

Gross investment activity as measured by our share of acquisitions, sales and investment in committed development.

Gross rental income is the gross accounting rent receivable (quoted either for the period or on an annualised basis) prepared under IFRS which requires that rental income from fixed/minimum guaranteed rent reviews and tenant incentives is spread on a straight-line basis over the entire lease to first break. This can result in income being recognised ahead of cash flow.

Gross Value Added (GVA) provides a snapshot of a company's overall contribution to the UK economy, both directly through activities and indirectly through spending.

Group is The British Land Company PLC and its subsidiaries and excludes its share of joint ventures and funds on a line-by-line basis (i.e. not proportionally consolidated).

Headline rent is the contracted gross rent receivable which becomes payable after all the tenant incentives in the letting have expired.

IFRS are the International Financial Reporting Standards as adopted by the European Union.

Income return is calculated as net income expressed as a percentage of capital employed over the period, as calculated by IPD.

Interest cover is the number of times net interest payable is covered by underlying profit before net interest payable and taxation.

IPD is Investment Property Databank Ltd which produces an independent benchmark of property returns.

Lettings and lease renewals are divided between short-term (less than two years' lease length) and long-term (over two years' lease length). Lettings and renewals are compared both to the previous passing rent as at the start of the financial year and the ERV immediately prior to letting. Both comparisons are made on a net effective basis.

Like-for-like ERV growth is the change in ERV over a period on the standing investment properties expressed as a percentage of the ERV at the start of the period. Like-for-like ERV growth is calculated monthly and compounded for the period subject to measurement, as calculated by IPD.

Like-for-like rental income growth is the growth in net rental income on properties owned throughout the current and previous periods under review. This growth rate includes revenue recognition and lease accounting adjustments but excludes properties held for development in either period and properties with guaranteed rent reviews.

GLOSSARY OF TERMS CONTINUED

Loan to value (LTV) is the ratio of principal value of gross debt less cash, short-term deposits and liquid investments to the aggregate value of properties and investments.

Mark-to-market is the difference between the book value of an asset or liability and its market value.

Net Development Value is the estimated end value of a development project as determined by the external valuers for when the building is completed and fully let (taking into account tenant incentives and notional purchaser's costs). It is based on the valuers view on ERVs, yields, letting voids and rent-frees.

Net effective rent is the contracted gross rent receivable taking into account any rent-free period or other tenant incentive. The incentives are treated as a cost-to-rent and spread over the lease to the earliest termination date.

Net equivalent yield is the weighted average income return (after allowing for notional purchaser's costs) a property will produce based upon the timing of the income received. In accordance with usual practice, the equivalent yields (as determined by the external valuers) assume rent is received annually in arrears.

Net operating costs are property operating expenses and administrative expenses net of fees and other income.

Net rental income is the rental income receivable in the period after payment of direct property outgoings which typically comprise ground rents payable under head leases, void costs, net service charge expenses and other direct irrecoverable property expenses. Net rental income is quoted on an accounting basis. Net rental income will differ from annualised net cash rents and passing rent due to the effects of income from rent reviews, net property outgoings and accounting adjustments for fixed and minimum contracted rent reviews and lease incentives.

Net reversionary yield is the anticipated yield to which the initial yield will rise (or fall) once the rent reaches the estimated rental value.

Occupancy rate is the estimated rental value of let units as a percentage of the total estimated rental value of the portfolio, excluding development properties. It includes accommodation under offer or subject to asset management (where they have been taken back for refurbishment and are not available to let as at the balance sheet date).

Over rented is the term used to describe when the contracted rent is above the estimated rental value (ERV).

Overall 'topped-up' net initial yield is the EPRA Net 'topped-up' Initial Yield, adding all contracted uplifts to the annualised rents.

Passing rent is the gross rent, less any ground rent payable under head leases.

Portfolio valuation movement is the increase in value of the portfolio (after taking account of capital expenditure and capitalised interest) of properties held at the balance sheet date and sales during the period, expressed as a percentage of the capital value at the start of the period plus net capital expenditure.

Property Income Distributions (PIDs) are profits distributed to shareholders which are subject to tax in the hands of the shareholders as property income. PIDs are normally paid net of withholding tax currently at 20% which the REIT pays to the tax authorities on behalf of the shareholder. Certain types of shareholder (i.e. pension funds) are tax exempt and receive PIDs without withholding tax. Property companies also pay out normal dividends, called non-PIDs, which are treated as normal dividends and not subject to withholding tax.

Property valuation is reported by the Group's external valuers. In accordance with usual practice, they report valuations net, after the deduction of the notional purchaser's costs, including stamp duty land tax, agent and legal fees.

Rack rented is the term used to describe when the contracted rent is in line with the estimated rental value (ERV), implying a nil reversion.

Rent-free period see Tenant (or lease) incentives.

Rent reviews take place at intervals agreed in the lease (typically every five years) and their purpose is usually to adjust the rent to the current market level at the review date. For upwards only rent reviews, the rent will either remain at the same level or increase (if market rents have increased) at the review date.

Rents with fixed and minimum uplifts are either where rents are subject to contracted uplifts at a level agreed at the time of letting; or where the rent is subject to an agreed minimum level of uplift at the specified rent review.

Retail planning consents are separated between A1, A2 and A3 – as set out in The Town and Country Planning (Use Classes) Order 2005. Within the A1 consent category, Open A1 consent grants planning for any type of retail, while Restricted A1 consent places limits on the types of retail that can operate (this is typically a restriction that only bulky goods operators are allowed to trade at that site).

Class	Description	Use for all/any of the following purposes
A1	Shops	Retail sale of goods other than hot food; post office; sale of tickets or as a travel agency; sale of sandwiches or other cold food off the premises; hairdressing; direction of funerals; display of goods for sale; hiring out of domestic or personal goods/articles; the reception of goods to be washed, cleaned or repaired; a retail warehouse club being a retail club where goods are sold, or displayed for sale, only to persons who are members of that club; or as a night club.
	Financial and professional services	Financial services; professional services (other than health or medical); or other services (including betting) appropriate for a shopping area.
D2	Assembly and leisure	Cinemas, music and concert halls, bingo and dance halls (but not night clubs), swimming baths, skating rinks, gymnasiums or area for indoor or outdoor sports and recreations.

Reversion is the increase in rent estimated by the external valuers, where the passing rent is below the estimated rental value. The increases to rent arise on rent reviews and lettings.

Scrip dividend British Land offers its shareholders the opportunity to receive dividends in the form of shares instead of cash. This is known as a Scrip dividend.

Tenant (or lease) incentives are incentives offered to occupiers to enter into a lease. Typically this will be an initial rent-free period, or a cash contribution to fit-out. Under accounting rules the value of lease incentives is amortised through the income statement on a straight-line basis to the earliest lease termination date.

The residual site value of a development is calculated as the estimated (net) development value, less development profit, all development construction costs, finance costs (assumed at a notional rate) of a project to completion and notional site acquisition costs. The residual is determined to be the current site value.

Topping out is a traditional construction ceremony to mark the occasion when the structure of the building reaches the highest point.

Total property return is calculated as the change in capital value, less any capital expenditure incurred, plus net income, expressed as a percentage of capital employed over the period, as calculated by IPD.

Total return (total accounting return) is the growth in EPRA NAV plus dividends paid, and this can be expressed as a percentage of EPRA NAV per share at the beginning of the period.

Total Shareholder Return is the growth in value of a shareholding over a specified period, assuming dividends are reinvested to purchase additional units of stock.

Total tax contribution is a more comprehensive view of tax contributions than the accountancy-defined tax figure quoted in most financial statements. It comprises taxes and levies paid directly, as well as taxes collected from others which we administered.

Turnover rents is where all or a portion of the rent is linked to the sales or turnover of the occupier.

Under rented is the term used to describe when the contracted rent is below the estimated rental value (ERV), implying a positive reversion.

Underlying earnings per share (EPS) consists of underlying profit after tax divided by the diluted weighted average number of shares in issue during the period.

Underlying profit before tax is the pre-tax EPRA earnings measure with additional Company adjustments. Adjustments include mark-to-market adjustments on, or profits on disposal of, held for trading assets, mark-to-market adjustments on the convertible bond and issue costs of the convertible bond.

Virtual freehold represents a long leasehold tenure for a period up to 999 years. A 'peppercorn', or nominal, rent is paid annually.

Weighted average debt maturity – each tranche of Group debt is multiplied by the remaining period to its maturity and the result is divided by total Group debt in issue at the period end.

Weighted average interest rate is the Group loan interest and derivative costs per annum at the period end, divided by total Group debt in issue at the period end.

Weighted average lease term is the average lease term remaining to first break, or expiry, across the portfolio weighted by contracted rental income (including rent-frees). The calculation excludes short-term lettings, residential leases and properties allocated as developments.

Yield on cost is the estimated annual rent of the completed development divided by the total cost of development including site value and finance costs, accruing at a rate of 4% per annum to the point of assumed rent commencement, expressed as a percentage return.

Yield shift is a movement (usually expressed in bps) in the yield of a property asset, or like-for-like portfolio, over a given period. Yield compression is a commonly-used term for a reduction in yields.

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W
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Head office and registered office
York House
45 Seymour Street
London
W1H 7LX
Telephone +44 (0)20 7486 4466
Fax +44 (0)20 7935 5552

www.britishland.com
info@britishland.com

@BritishLandPLC

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FSC
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MIX
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CERTIFIED CARBON NEUTRAL® company
CarbonNeutral.com

The British Land Company PLC

Head office and registered office
York House
45 Seymour Street
London
W1H 7LX
Telephone +44 (0)20 7486 4466
Fax +44 (0)20 7935 5552

www.britishland.com
info@britishland.com

@BritishLandPLC