British Land

News Release

The British Land Company PLC

Half year results for the six months ended 30 September 2020

18 November 2020

The British Land Company PLC Half Year Results

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Chris Grigg, CEO said: "I am immensely proud of what we have achieved in my time at British Land. Today, despite the unprecedented situation brought about by Covid, our business is more financially resilient, our focus on mixed use London campuses is clear and we have an unrivalled pipeline of opportunities. We are closer to our customers and our expertise in creating and managing space that reflects their needs has never been more important. Under Simon's leadership the business is well placed to build on these advantages, navigate the short term challenges and thrive in the long term."

Simon Carter, incoming CEO said: "I take on the role of CEO at a unique time, but what I've seen since returning to British Land, especially over the last six months, reinforces my belief in the strength of our business and gives me confidence in the future.

The quality of our office business has been clearly demonstrated, with rent collection of 97% and occupancy of 95%. Many of our customers have seen that their people can work more flexibly, but they are clear that great office space, such as we deliver at our mixed use campuses, will continue to play a crucial role in their success, by promoting innovation, collaboration, training and culture. Investors are increasingly taking a similar long term perspective, looking through Covid, to acquire prime London offices at pricing close to pre-pandemic levels.

Our first half results naturally reflect the challenges in retail. Against this backdrop, we remain focused on active asset management, working to maximise rent collection and keeping our units occupied with successful retailers. There is a clear preference from shoppers and retailers for out of town, open air retail parks. Our approach and attractive asset mix means that prior to the November lockdown, we were delivering significant outperformance on footfall and retailer sales and a steady improvement in rent collection levels.

We remain thoughtful and active in terms of capital allocation, executing £675m of sales since April, enhancing the strength and resilience of our balance sheet. We have also resumed the dividend on the basis of a fixed percentage payout of underlying earnings to provide maximum strategic and financial flexibility.

Going forward, we have four clear priorities for our business: realising the potential of mixed use; progressing value accretive development; addressing the challenges in retail; and active capital recycling."

Performance summary

- **Financial performance: reflecting the impact of Covid-19**
  - Underlying EPS reduced 34.8% primarily reflecting an increase in provisions for rent receivables
  - Portfolio value down 7.3%; Offices down 3.1%; Retail down 14.9%; Developments broadly flat
  - EPRA Net Tangible Assets (NTA) reduced 10.3% to 693p
- **Strong and flexible balance sheet, dividend resumed**
  - £456m retail assets sold since April 2020, 6.7% ahead of book value
  - £219m of standalone offices sold in November, including Clarges Mayfair for £177m (which was 7.6% ahead of book value)
  - £1bn undrawn facilities and cash with no requirement to refinance until 2024
  - LTV at 35.7%; 42% headroom to Group debt covenants
  - Interim dividend of 8.4p per share, representing 80% of underlying EPS
  - Fitch Ratings affirmed unsecured credit rating at 'A'
- **Continued strong performance on Sustainability benchmarks**
  - 100 Liverpool Street completed, with embodied carbon under 400 kg CO_2e per m^2, ahead of 2030 targets
  - GRESB 4* and awarded a green star rating for the 10th consecutive year
  - AAA MSCI rating, ranking within the top 9% overall

Strategic priorities

We will remain focused on enhancing our core mixed use, London business. We have four clear priorities:

- **Realising the potential of mixed use:**
    - Offices portfolio 95% occupied; 65,000 sq ft of deals greater than one year; lettings and renewals on the standing portfolio 9% ahead of ERV
    - Under offer on 313,000 sq ft of leasing and in negotiation on a further 361,000 sq ft
    - Recently completed and committed developments 57% pre-let (89% ex. Norton Folgate); generating £65m of future rent when 100 Liverpool Street, 1 Triton Square and Norton Folgate are fully let
    - 97% of September quarter office rent collected
    - Storey operational across 325,000 sq ft; first stand-alone location launched at Haggerston
- **Progressing value accretive development**
    - Commitment to develop 336,000 sq ft mixed use scheme at Norton Folgate, adjacent to Broadgate
    - Secured planning for our 53 acre scheme at Canada Water; headlease drawdown expected end 2020
    - Commenced enabling works for first phase of our Canada Water masterplan
- **Addressing the challenges in retail**
    - All retail assets open, 86% of stores open prior to regional restrictions and the November lockdown
    - Portfolio 95% occupied; 161,000 sq ft of deals greater than one year; 11% below previous passing rent
    - 278,000 sq ft of short and temporary deals
    - Footfall in September and October 82% of the same period last year; retailer sales 85% of last year
    - 48% of retail assets are open air retail parks: significantly outperforming benchmarks
    - 62% of September quarter rent collected
- **Active capital recycling**
    - £2.1bn assets sold since 2018, including £1.2bn in retail
    - Innovative transactions including superstore carve outs at retail centres
    - Reinvesting proceeds into development opportunities including Norton Folgate and Canada Water

Summary performance

	HY 2019/20	HY 2020/21	Change
Income statement			
Underlying earnings per share[2]	16.1p	10.5p	(34.8)%
Underlying Profit	£152m	£107m	(29.6)%
IFRS (loss) after tax	£(404)m	£(730)m	
IFRS basic earnings per share	(42.9)p	(78.7)p	
Dividend per share	15.97p	8.40p	
Total accounting return[2]	(3.7)%	(10.3)%	
Balance sheet	**31 Mar 2020**	**30 Sept 2020**	
Portfolio at valuation (proportionally consolidated)	£11,157m	£10,315m	(7.3)%[1]
EPRA Net Tangible Assets per share[2]	773p	693p	(10.3)%
IFRS net assets	£7,147m	£6,373m	
Loan to value ratio (proportionally consolidated)	34.0%	35.7%	
Operational Statistics	**HY 2019/20**	**HY 2020/21**	
Lettings and renewals over 1 year	0.8m sq ft	0.2m sq ft	
Total lettings and renewals	1.2m sq ft	0.6m sq ft	
Gross investment activity	£0.5bn	£0.6bn	
Committed and recently completed development	1.6m sq ft	1.2m sq ft	
Sustainability Performance			
MSCI ESG	AAA rating	AAA rating	
GRESB	4* and Green Star	4* and Green Star	

[1] Valuation movement during the period (after taking account of capex) of properties held at the balance sheet date, including developments (classified by end use), purchases and sales
[2] See Note 2 to the condensed interim set of financial statements

Results Presentation Conference Call
A presentation of the results will be broadcast via conference call and slides to accompany the call will be displayed along with a live audio broadcast via the website (Britishland.com) at 8.30am on 18 November 2020. The details for the conference call and weblink are as follows:

UK Toll Free Number:	0800 640 6441
Access code:	194307
Click for access:	Audio weblink

A dial in replay will be available later in the day for 7 days. The details are as follows:

Replay number:	020 3936 3001
Passcode:	345194

The accompanying slides will be made available at britishland.com just prior to the event starting.

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CHIEF EXECUTIVE'S REVIEW

Throughout this unprecedented time, the safety and wellbeing of our colleagues, customers, suppliers and local communities has been our priority. Across our business, our team have worked tirelessly to provide secure environments for people to work, shop, live and visit and we thank them all for their commitment and effort throughout the last six months.

Covid Impact & Response

Since the start of the pandemic, we have focused on supporting our customers and the communities in which we operate. We benefit from an in-house property management team, who have kept our campuses and retail places safe and secure, both inside and outside the buildings and across the broader environment.

In Offices, we worked with our occupiers to help them return over the summer so they are now well placed to adjust as and when the restrictions which were introduced in November are relaxed. Rent collection has been strong, at 97% for September. In Retail, our targeted approach included forgiving rents to those most affected, primarily smaller, independent customers with strong underlying businesses but who were negatively impacted by Covid-19. This support, and the flexibility provided to some larger occupiers through commercial negotiation, totalled £14m of rents. We have supported retailers with their reopening plans and today all of our assets remain open to provide access to essential stores or those providing click and collect services. We have now collected 62% of retail rent due for the September quarter, putting the figure for the whole portfolio at 77%. We have seen a significant improvement in June rent collection figures which now stand at 81% with offices at 98% and retail at 69%.

We are working proactively with those customers who continue to have rent outstanding to maximise collection rates but recognise that some rent due may not be recovered. Accordingly, we have made provisions in the period totalling £32m against outstanding rents and service charges with a further £13m against rent deferred in March and June.

The work we have done over many years to establish strong relationships with our local communities has been clearly evident over recent months. We have provided specific support by increasing our charitable donations to grassroots organisations such as Time & Talents, to support their food bank close to Canada Water and The 1928 Project at St Mary's Hospital Paddington, supplying NHS workers with quality food. We have also funded strategic coaching and advice through The Business School (formerly Cass) to selected community partners to help them navigate the impact of Covid-19 and supported the work of the National Literacy Trust. As the wider impact on employment has become clearer, we are adapting our approach, for example through virtual re-employment training and are scoping five projects at our places. One example of this virtual approach is at Regent's Place, where we brought local schoolchildren together with professionals from the campus and the surrounding area for a week long work experience programme, including interactive seminars and group sessions.

Leasing & Operational Performance

Occupancy at our London Offices remains high at 95% and following our commitment to the development of Norton Folgate, completed and committed developments are 57% pre let by ERV. Excluding Norton Folgate, 89% are pre-let. However, leasing activity was understandably subdued, with occupiers more focused on the short-term operational challenges. In London, we leased 65,000 sq ft of office space, with lettings and renewals on our standing portfolio 9% ahead of March ERV. Of the 220,000 sq ft we had under offer in May, 136,000 sq ft remains under offer and 37,500 sq ft has exchanged, with a further 29,000 sq ft of short term deals agreed. Only 17,000 sq ft has fallen away and we have gone under offer on a further 177,000 sq ft. In total therefore, we are currently under offer on 313,000 sq ft and in negotiations on a further 361,000 sq ft. We are seeing good interest from legal and financial businesses on our new space and these are typically businesses which face lease events in 3-5 years' time.

Covid-19 will undoubtedly cause many businesses to consider how to use their offices most productively and safely. So far, our conversations suggest that high quality, sustainable and well managed space enables companies to perform at their best and will therefore remain key. Our focus on campuses and our ability to safely manage the space inside and between our buildings is a key advantage in that respect. However, in the context of significant macro headwinds, occupiers are understandably postponing commitments to new space and reflecting these concerns, we saw a 3.1%

decline in the value of our Offices portfolio. However, values within the investment market have proved resilient, with pricing of prime London offices close to pre-pandemic levels as investors look through the pandemic and remain positive on the long term role of the office and global appeal of London.

Covid-19 has had a significant impact on retail, which was already facing structural challenges as a result of the growth of online. Accordingly, the value of the Retail portfolio was down 14.9%. Over the half, a further 16 of our occupiers have entered CVA or administration accounting for 80 units. Of these, 13 units have closed, 62 have seen reduced rents and 5 were unaffected, overall resulting in a £11.6m reduction in annualised rents. Occupancy across our retail portfolio remains high at 95%, with all assets open; 86% of stores were open prior to the regional restrictions and November lockdown and we were encouraged by the pace at which footfall recovered, which in September and October, was 82% of the same period last year. Leasing activity has been understandably subdued, with 161,000 sq ft of deals greater than one year signed 11% below previous passing rent and 8% below ERV. Our approach has been both pragmatic and proactive to maximise occupancy and rent collection. We are working with successful, financially strong retailers who are additive to our places to agree leasing structures that are appropriate to their business models, potentially including an element of turnover-linked rent and deliver sustainable, long term cash flows. Whilst rents on new lettings and renewals are below previous passing levels, in a very low interest rate environment, this approach of improving the quality of our cash flow will in the long run underpin the appeal of our assets to buyers.

At Canada Water, we were delighted to secure full planning permission for our 53-acre mixed use scheme. However, the September valuation does not reflect the drawdown of the headlease which is expected by the end of the calendar year. As a result, and due to valuation falls across the existing assets - which are predominately retail - and an increase in anticipated masterplan costs, the value of Canada Water fell 6.0%. We successfully overcame the Judicial Review process with the claim being dismissed by the High Court in October. Onsite, we have maintained momentum, with enabling works for the first phase underway and we would expect to be in a position to place the main build contract in Spring 2021, market conditions permitting.

Capital Allocation & Investments

Our financial position remains strong. Our leverage has increased marginally to 35.7% as valuation falls were partially offset by asset disposals and retained earnings, and we continue to benefit from the focus we have had for several years on the strength of our balance sheet. We have £1bn in undrawn facilities and cash and no requirement to refinance until 2024. We retain significant headroom to our debt covenants, meaning the Group could withstand a further fall in asset values across the portfolio of 42% prior to taking any mitigating actions. Fitch Ratings affirmed our unsecured credit rating ‘A’ in August, with stable outlook.

We are focused on recycling capital out of retail and mature office assets into value accretive development. We have sold £456m of retail assets since 1 April, on average 6.7% ahead of book value. Part of these proceeds will be recycled into Norton Folgate, a 336,000 sq ft office led, mixed use development close to our Broadgate campus. In a market focused on high quality, modern and sustainable space, we expect Norton Folgate will let up well closer to completion and are therefore confident progressing this on a speculative basis.

Management Changes

As we announced in September, our CFO, Simon Carter, assumes the role of CEO today. The Board are well progressed in their search for a new CFO and we will announce the outcome of this process in due course. In the meantime, we are pleased to announce the appointment of David Walker as Interim CFO; David will perform this role and join ExCo until a new CFO joins. David is currently the Head of Investor Relations, a role he has performed for over 3 years. Alongside this, we are also pleased to announce that our Head of Investment, Kelly Cleveland, will join ExCo with immediate effect, continuing to report to Simon Carter. Kelly has been at British Land since 2011 and is responsible for all aspects of our investment process across the business.

Rebecca Worthington who was appointed to the British Land Board in January 2018 and became Chair of the Audit Committee in 2019 will step down on 31 December 2020 following her appointment as Chief Financial Officer of Canary Wharf Group, commencing May 2021. The Board is grateful for her contribution and wish her well for the future. The Board will now commence a search for a replacement and Preben Prebensen will join and chair the Audit Committee in the interim period beginning 1 January 2021. Irvinder Goodhew and Laura Wade-Gery will both join the Nomination Committee with effect from 18 November 2020.

Outlook & Dividend

In Offices, as a result of Covid-19 and Brexit related uncertainty, leasing volumes are likely to be lower as we expect customers to continue to defer decisions and extend existing leases where they can. Longer term, occupiers will focus on modern, high quality and sustainable space which allows people to work more flexibly, collaborate more effectively and supports training, innovation and culture. Already, we are seeing good interest in potential new space, from occupiers with demands three to five years in the future where supply is limited. In this context, our focus on mixed use London campuses, with a range of space and uses and where we are continuing to develop, positions us well for this opportunity. We are seeing encouraging signs that overseas investors are looking through the pandemic and are positive on London as a place to invest and the long-term role of offices. We see increasing activity in investment markets for prime stock and would expect this to strengthen as and when travel restrictions are lifted.

Retail occupational markets are tough. Occupiers will remain under pressure and will continue to focus only on the best quality space which supports an online offer. We will continue to be pragmatic in our approach to maximise occupancy and improve the sustainability of rents, which we expect longer term to restore investor confidence in the asset class. This is more easily achieved at retail parks, which are aligned to retailers' online and reopening strategies, and where operational performance is ahead of market. With retail parks accounting for 48% of our retail portfolio, we are relatively well positioned in this respect. Despite the macro backdrop, there are already clear signs that investment markets are rewarding long term, secure income. To that end, we will continue to engage proactively but pragmatically with occupiers, to maximise occupancy, deliver sustainable cashflows and progress our strategy of reducing our retail exposure.

In March, we took the difficult decision to temporarily suspend the dividend, given the unprecedented circumstances and the uncertainty of outlook. Like many businesses, we continue to face challenges as a result of Covid-19, but we also recognise the importance of the dividend to shareholders and our obligations as a REIT. We benefit from a strong financial position and a world-class portfolio of real estate and have been reassured by the productivity of our assets when restrictions were relaxed. As a result, we are pleased to confirm that we will be resuming dividend payments with an interim dividend of 8.4p per share, which is set at 80% of Underlying EPS. Going forward, dividends will be paid semi-annually as opposed to quarterly, to be announced at the interim and full year results based on the most recently completed six-month period. This policy ensures dividends will reflect the impact of development completions, acquisitions, disposals and trading conditions as they change over time. Crucially, it maximises future strategic and financial flexibility.

Finally, it has been a privilege to lead British Land over the last 11 years and I am immensely proud of what we have achieved in that time. Today, our business is more resilient, our focus on London is clear and we have an unrivalled pipeline of opportunities. We are closer to our customers and our expertise in creating and managing space that reflects their needs has never been more important. Simon is the right person to build on these advantages. He is a proven, growth-oriented business leader, with significant real estate experience and expertise across various asset classes and I wish him and the team all the best.

MARKET BACKDROP

Macro-economic context

The lockdown which started in March severely impacted economic activity in the UK, with GDP falling by 20% in the quarter to June but rallying 15.5% in the September quarter as restrictions were lifted. This uptick in activity was reflected in stronger retail sales which increased for the five consecutive months to September. Since September however, following a rise in cases, a series of regional restrictions were put in place followed by a one month national lockdown in England in November. As a result, consumer confidence remains fragile and, although unemployment has been somewhat controlled to date by the Government's job retention schemes, it has increased to 4.8%. The Bank of England's projection is for unemployment to peak at 7.75% in 2021 and interest rates have fallen to all-time lows. Over and above Covid-19 related issues, uncertainty related to Brexit continues, with terms of the UK's departure yet to be agreed.

London office market

The London investment market was understandably subdued over the period with transactions of £2bn, around one third of the long term average of £6.4bn. However, more recently, overseas investors have shown an increased readiness to look through the pandemic and invest in prime central London real estate, reflecting its long term, secure income stream, and attractive yields compared to other global cities, particularly in the context of low interest rates. This activity is in spite of the logistical challenges of travelling and viewing properties. Pricing for deals in the period has generally been within 5% of pre-Covid levels with prime yields at around 4.0%.

In the occupational market, with businesses more focused on near term operational challenges, and more cautious on the macro environment, decisions regarding the take up of new space have been delayed. Covid-19 related restrictions have also affected viewings and as a result, Central London take up was 65% below the long term average. Headline rents were generally flat, albeit on low volumes and incentives have increased. "Grey" space has increased, and vacancy is up to 6.5% in central London. However, there remains good interest in new space, particularly from businesses with requirements three to five years out, and 43% of development under construction is currently pre-let. Looking forward, the pipeline is expected to reduce as developers postpone commitments pending greater clarity which should be supportive of rents for new space.

Retail market

Activity in Retail investment markets was subdued, with total volumes of £1.5bn. However, the pandemic has underlined the important role that out of town retail can play in online fulfilment and investor interest in this space has started to increase. In particular, the market for assets which are small-to-medium in lot size, with secure, sustainable income streams, has seen more activity. Demand for standalone superstores was good throughout the period, again reflecting their security of income, and there remains good investor appetite for assets with alternative use potential. The market for shopping centres, which are typically, of a larger lot size, remains subdued.

The impact of Covid-19 on the retail occupational market has been significant, compounding the structural challenge of the growth of online shopping. As a result, more operators have entered CVA or administration and stronger retailers have been more cautious on committing to new space given the uncertainty of outlook. Retailers are increasingly focused on how best to align their models to the growth of online, with many, including Next and M&S identifying out of town retail park stores as playing a key role.

BUSINESS REVIEW

Key metrics

As at:	31 Mar 2020	30 Sept 2020
Portfolio valuation	**£11,157m**	**£10,315m**
Occupancy	**96.6%[1]**	**95.1%[1]**
Weighted average lease length to first break	**5.8 yrs**	**5.5 yrs**
6 months to:	**30 Sept 2019**	**30 Sept 2020**
Total property return	**(2.3)%**	**(5.5)%**
• Yield shift	**+17 bps**	**+17 bps**
• ERV growth	**(2.3)%**	**(4.9)%**
• Valuation movement	**(4.3)%**	**(7.3)%**
Lettings/renewals (sq ft) over 1 year	**806,000**	**239,000**
Lettings/renewals over 1 year vs ERV	**+1.9%**	**(4.3)%**
Gross investment activity	**£517m**	**£565m**
• Acquisitions	**£51m**	**-**
• Disposals	**£(292)m**	**£(456)m**
• Capital investment	**£174m**	**£109m**
Net investment/(divestment)	**£(67)m**	**£(347)m**

On a proportionally consolidated basis including the Group's share of joint ventures and funds

[1] Where occupiers have entered CVA or administration but are still liable for rates, these are treated as occupied. If units expected to become vacant are treated as vacant, then the occupancy rate would reduce from 95.1% to 93.7%

Portfolio performance

At 30 September 2020	Valuation £m	Valuation movement %	ERV movement %	Yield shift bps	Total property return %
Offices	6,651	(3.1)	0.7	+8	(1.6)
Retail	3,175	(14.9)	(10.9)	+33	(12.2)
Residential	135	(9.1)	(7.8)	+17	(9.7)
Canada Water	354	(6.0)	na	na	(4.7)
Total	10,315	(7.3)	(4.9)	+17	(5.5)

The value of the portfolio was down 7.3%. The value of the Offices portfolio was down 3.1%, primarily due to concerns about future occupier demand, given the uncertainty of economic outlook and potential changes due to Covid-19. Coupled with lower investment market activity, yields therefore moved out 8 bps although ERV was marginally up. Developments again outperformed the standing portfolio but values were marginally down 0.9%.

Retail values were down 14.9%, driven by a 10.9% fall in ERV reflecting ongoing negative sentiment around the sector as well as the elevated level of CVAs and administrations. Shopping centres, which have been particularly impacted by Covid-19 were down 18.1% and Retail Parks were down 13.1%. Yields expanded by 33 bps.

The value of Canada Water was down 6.0% reflecting a fall in the value of the existing assets - which are predominately retail - as well as a higher anticipated masterplan costs.

Our offices underperformed both All Offices and Central London Offices in the MSCI benchmark due to the relative strength of provincial offices, and weaker performance in the West End (which accounts for more than 60% of our offices portfolio). Our Retail also underperformed the MSCI All Retail benchmark as superstores continued to perform strongly and shopping centres underperformed. As a result, and reflecting the continued strength of industrials where we have no exposure, the portfolio underperformed the MSCI All Property total return index by 390 bps over the period.

Rent collection – September quarter[1]

Our active discussions with retailers have led to an increase in the rent collection for the September quarter over the past month and we expect to see continued improvement in the coming weeks. As at 10 November, we have collected 77% of rent due between 29 September and 10 November. Of the remainder, 2% is being paid monthly and 21% is outstanding.

See supplementary tables for full disclosure on rent collection for the June and March quarters.

Rent due between 29 September and 10 November	Offices	Retail[2]	Total
Received	97%	62%	77%
Rent deferrals	-	-	-
Rent forgiven	-	1%	-
Customer paid monthly	1%	2%	2%
Outstanding	2%	35%	21%
Total[4]	**100%** **£48m**	**100%** **£64m**	**100%** **£112m**
Collection of adjusted billing[3]	98%	64%	78%

[1] As at 10 November

[2] Includes non-office customers located within our London campuses

[3] Total billed rents exclusive of rent deferrals, rent forgiven and tenants moved to monthly payments

[4] The amount billed is less than what was billed in March and June due to the exclusion of Scottish quarter date amounts which are due to be billed on 28 November and monthly amounts due for December which will be billed later in the quarter.

Capital activity

From 1 April 2020	Offices	Retail	Residential	Canada Water	Total
	£m	£m	£m	£m	£m
Purchases	-	-	-	-	-
Sales	-	(456)	-	-	(456)
Development Spend	57	2	-	11	70
Capital Spend	21	18	-	-	39
Net Investment	**78**	**(436)**	**-**	**11**	**(347)**
Gross Investment	**78**	**476**	**-**	**11**	**565**

On a proportionally consolidated basis including the Group's share of joint ventures and funds

The total gross value of our investment activity since 1 April 2020 was £565m with retail disposals accounting for £456m overall 6.7% ahead of book, on a blended NIY of 6.3%. The most significant transactions were the sale of two Tesco superstores at our centres in Milton Keynes and Peterborough together totalling £149m and four standalone B&Q stores totalling £100m. We sold part of our Beaumont Leys shopping centre, comprising a Tesco and Aldi supermarket for £63m, as well as our share of a portfolio of reversionary interests in Sainsbury's superstores for £102m and a standalone Tesco in Brislington for £42m.

We are also under offer on the final residential unit at Clarges. In addition to the above, in November, we completed on the sale of the offices and retail building at Clarges, Mayfair for £177m. This scheme has delivered profits of more than £200m and is an excellent example of our ability to source and manage complex projects and deliver exceptional products. Also, in November we sold Yalding House for £42m.

Strategic priorities

Going forward, we will remain focused on enhancing our core mixed use, London business. We will remain alert to address challenges in our markets while positioning the business to capitalise on new opportunities to drive sustainable long term growth.

In doing so, we build on a number of key attributes which clearly differentiate our business. We have a best in class, fully integrated operating platform, with skills across planning and development, asset management, property management, sustainability, finance and technology. We have a proven ability to innovate at pace; the way in which we have built out Storey and repositioned Broadgate are good examples of that. We are the partner of choice for international capital; our joint ventures with GIC at Broadgate and Norges at Meadowhall are just two examples. Finally, but critically, our unique London mixed use campuses and attractive development pipeline are a key advantage.

Building on this, we have identified four clear priorities for our business:

- ***Realising the potential of mixed use*** – mixed use is highly complementary to our skill set; it's what our customers want and it enables us to tilt our offer to sectors that are in demand. We have done this successfully at Broadgate, where we have attracted a broader range of occupier across media and technology, including FinTech, and will explore similar opportunities at Regent's Place, which is well placed in London's Knowledge Quarter, to benefit from demand from life sciences.
- ***Progressing value accretive development*** – we have created attractive options for development we can progress when market conditions are favourable. Our commitment to Norton Folgate is the latest example of this but we are also on site with enabling works at Canada Water and would expect to be in a position to place building contracts in Spring 2021.
- ***Addressing the challenges in retail*** – we have a clear plan to reduce our exposure to retail and have made good progress since April with £456m of asset sales. At the same time, we are focused on managing these assets, keeping them full with the right occupiers to drive footfall and sales and deliver sustainable cash flows, underpinning their liquidity.
- ***Active capital recycling*** – we will crystallise value from mature assets or those not aligned to our campus focus and will explore the sales of standalone offices as well as retail assets. This will allow us to further progress our London development.

Sustainability

Sustainability is fundamental to how we do business at British Land. In May, building on the success of our 2020 strategy, we launched our 2030 Sustainability Strategy, focusing on two key commitments: making our whole portfolio net zero carbon and partnering to maximise social value and wellbeing in the communities in which we operate.

100 Liverpool Street, is our lowest ever embodied carbon building at 390 kg CO_2e per m^2, comfortably below our 2030 target of 500 kg CO_2e per m^2, reflecting our ability to retain much of the previous structure. We are now targeting a BREEAM Outstanding certification on this building; we are on track for a Well Gold certification for wellbeing and achieved a Wiredscore Platinum rating for internet connectivity. At 1 Triton Square, which completes in April 2021 we are on track for a BREEAM Outstanding rating; it is a great example of our policy to recycle first. We retained much of the façade, including refurbishing 3,500m^2 of glass panels, which contributed to avoiding c.62,000 tonnes of carbon over 20 years.

At Norton Folgate, we will also re-use part of the existing structure, meaning that embodied carbon is low at 540kg CO_2e per m^2. The development also compares well on an operational basis. We are targeting an operational performance in landlord areas of 80 kWh_{eq} per m^2 (based on net lettable area), benchmarking well against the UK GBC energy performance targets for 2020- 2025 of 90 kWh_{eq} per m^2 (net lettable area).

To support our transition to a net zero carbon portfolio, we established an innovative Transition Vehicle, to finance the retrofitting of our standing portfolio. This will be funded by an internal carbon price of £60 per tonne of embodied carbon in new developments; around one third of this will be used to offset the residual embodied carbon of each development, with the majority allocated to the Transition Vehicle. To date, £2m has been allocated from 100 Liverpool Street and 1 Triton Square with a further £1.4m to come from Norton Folgate. Following the internal launch of the Transition Vehicle in October £317,000 of projects have been identified, generating £118,000 annual energy savings and saving 460 tonnes of carbon pa. In the coming months, we will commence asset level audits to highlight opportunities for retrofitting and two pilot projects have already been undertaken. At our London campuses, we have also started to transition our gas contracts to renewable tariffs.

We have commissioned research to deepen our understanding of the social and economic issues in the communities around 25 of our places. This will help shape our place-based approach at each of our places, bringing people and organisations together around priority issues and opportunities where we can create greater value for more people. To deepen our understanding of local challenges and strengths further, we have interviewed over 50 people at our places and in our local communities including Estate Directors, Centre Managers, community partners, and local community champions. These interviews have identified opportunities to embed our place-based approach into our business operations and highlighted potential initiatives for our asset management, marketing, leasing, procurement, HR and community teams to pilot. We will be completing the research later this year and sharing the findings across our business.

We have provided support to grassroots organisations dealing with the immediate impact of Covid-19, funded by the decision of the Board to waive a portion of their salaries. We have supported the work of the National Literacy Trust at 22 British Land locations, provided strategic coaching for community partners to help them navigate the crisis through The Business School (formerly Cass); and increased our charitable donations to provide direct support to grassroots organisations supporting local responses to Covid-19. We have also donated to organisations such as Time & Talents, to support their food bank close to Canada Water and The 1928 Project at St Mary's Hospital Paddington, supplying NHS workers with quality food.

Recognising that the ways in which we can support our local communities have changed in the wake of Covid-19, we are scoping three programmes at our retail places and two at our campuses, focusing on virtual re-employment training for those who have become unemployed or are struggling to re-enter the job market as a result of the pandemic. One example of this virtual approach is at Regent's Place, where we brought together experienced professionals from local businesses and the wider area, with students from local schools for a week long work experience programme; we explored areas like planning, marketing, community engagement, risk assessment and budgeting through an imagined campus event.

REAL ESTATE PERFORMANCE REVIEW

Campus focused London Offices

Key metrics

As at:	31 March 2020	30 Sept 2020
Portfolio Valuation (BL share)	**£6,773m**	**£6,651m**
• *Of which campuses*	***£5,518m***	***£5,436m***
Occupancy	**97.3%**	**94.7%**
Weighted average lease length to first break	**5.7 yrs**	**5.6 yrs**
6 months to:	**30 Sept 2019**	**30 Sept 2020**
Total property return	**+2.1%**	**(1.6)%**
• Yield shift	**0 bps**	**+8 bps**
• ERV growth	**+0.9%**	**+0.7%**
• Valuation movement	**+0.4%**	**(3.1)%**
Total lettings/renewals (sq ft)	**553,000 sq ft**	**130,000 sq ft**
Lettings/renewals (sq ft) over 1 year	**420,000 sq ft**	**65,000 sq ft**
Lettings/renewals over 1 year vs ERV	**+6.8%**	**+9.4%**

On a proportionally consolidated basis including the Group's share of joint ventures and funds

Campus operational and financial highlights

- Offices down 3.1%, with the City down 4.0% and the West End down 2.5%
- 8 bps yield expansion, more pronounced in the West End (+11 bps); City (+3 bps)
- ERVs marginally up, up 2.2% in the West End, down 1.7% in the City
- Activity generating like-for-like income growth of 4.0%
- Leasing activity subdued at 65,000 sq ft (deals greater than one year)
- Total lettings and renewals at 130,000 sq ft
- Under offer on a further 313,000 sq ft and in negotiations on a further 361,000 sq ft
- Investment lettings and renewals over 1 year 9.4% ahead of ERV
- 247,000 sq ft rent reviews agreed 10% ahead of passing rent adding £1.1m to rents
- Occupancy of 95%
- Rent collection high at 97% for the September quarter; 98% for both March and June quarters

Campus operational review

82% of our Offices are located on our three central London campuses, which we manage through our in-house property management business to deliver modern, safe and engaging environments. As we work with our occupiers to make our places Covid-safe, this important advantage will enable people to return to work confidently, when they can. Importantly, each campus benefits from excellent transport infrastructure, including numerous underground and mainline stations, enabling many to arrive at their office in a single journey. As the way people work changes and the nature of demand evolves our mixed use campuses position us well to tilt our offer towards sectors of growth, for example at Broadgate where we have attracted a broader range of occupier across media and technology, including FinTech and at Regent's Place, where we are well positioned to benefit from the strength of life sciences.

The offices portfolio is virtually full, with occupancy of 95%. We benefit from a diverse portfolio of high quality occupiers and their focus on financial, corporate and media & technology sectors has meant they were typically less impacted by Covid-19. As a result, rent collection rates have been high, at 97% for the September quarter.

Broadgate

In an understandably subdued six months, leasing activity covered 38,000 sq ft across three deals. TP ICAP signed for a further 20,000 sq ft at 135 Bishopsgate, as they relocate from their existing space, further underlining their commitment to Broadgate. Western Asset Management signed for 12,000 sq ft at 10 Exchange Square. Both deals were under offer at the time of our full year results and have signed during the pandemic. We also renewed a 6,000 sq ft lease at 10 Exchange Square to the London Grid for Learning Trust, a community of schools and local authorities committed to using technology to enhance teaching and learning across London. Rent reviews were agreed on 99,000 sq ft, 2.3% ahead of passing rent.

At 100 Liverpool Street, we had already made good progress letting the retail space, with 17 out of 19 retail units pre let. A number of these were due to open ahead of Christmas, but that will now be dependent upon Government restrictions.

We continue to modernise our existing space with asset management initiatives across the campus, the largest of which is at 155 Bishopsgate (£35m our share). Other projects are at Exchange House, Broadwalk House and 10 Exchange Square, together totalling £34m (our share). This investment ensures that existing as well as new space is well positioned as demand further polarises towards high quality, modern offices. We are also investing in the public realm, with plans to transform Exchange Square into a new public park covering 1.5 acres. Enabling works are underway and the site works will commence in December.

The campus saw a valuation fall of 3.4% reflecting mild yield expansion of 3 bps and ERV decline of 1.5%. Occupancy is 93.6%.

We have seen our Broadgate occupiers collaborate to share their experiences of working through the pandemic. The Mental Health Network, which includes 21 of our occupiers has continued to meet monthly on a virtual basis, providing guidance and support on the challenges of working from home and impact on mental health. Forums such as these are increasingly part of our campus appeal to new occupiers.

Paddington Central

At Paddington, cyber security software company Trend Micro extended their 7,000 sq ft lease at 2 Kingdom Street by a further two years.

The campus is virtually full with occupancy of 96.4%. It saw a valuation fall of 2.1%, reflecting yield expansion of 7 bps but ERV growth of 0.6%.

Following their discussions on the Black Lives Matter movement, our occupier-led Diversity and Inclusion Network set up a working group specifically focusing on Black History Month, allowing customers to collaborate, cross-promote plans and share knowledge and insights. Two thirds of customers at Paddington Central are involved in this diversity and inclusion network, which meets quarterly.

Regent’s Place

At Regent’s Place, no new leases were signed, but rent reviews were agreed on 33,000 sq ft, 21% ahead of passing rent.

Our proposed public realm improvements were given full planning consent earlier this year. This coincided with the rebranding of Regent’s Place as a more sustainable campus drawing on its links to London’s Knowledge Quarter. This unique part of London, between Kings Cross, Euston Road and Bloomsbury is home to over 100 academic, cultural, research, scientific and media organisations. Here, we are well positioned to benefit from the growing demand from life sciences businesses for space in London.

The campus was down 2.0% in value, reflecting yield expansion of 15 bps partially offset by ERV growth of 3.7%. Occupancy is 96.2%.

As part of REGEN, the Sustainability Network at Regent's Place, we partnered with Dentsu Aegis Network and the WWF in the delivery of an exclusive workshop called on 'Our Planet, Our Business'. The event included a virtual panel Q&A and attracted almost 150 attendees from over 50 different organisations.

Storey: our flexible workspace brand

Storey is now operational across 325,000 sq ft, with the addition of 6 Orsman Road in Haggerston adding 40,000 sq ft. A further 48,000 sq ft is in development at 100 Liverpool Street, of which 13,000 sq ft will be our second Storey Club, offering meeting and events space for Broadgate.

The Storey concept was launched in 2017 as a response to the changing ways of working and has proved resilient in the face of today's challenges. Inevitably activity slowed during lockdown as some occupiers postponed decision-making pending further clarity, but the deals we are signing are on attractive terms and we have a healthy pipeline of enquiries. 37,000 sq ft of leasing activity occurred during the 6 months, comprising 33,000 sq ft of completed deals (of which 20,000 sq ft were over one year) with a further 4,000 sq ft under offer. The leasing activity comprised 40% lettings to new occupiers with the remaining 60% to existing Storey occupiers renewing or extending their leases.

Occupancy on the stabilised portfolio reduced to 78% from 92% as at March. This reflected a combination of planned move outs and some customers making a short term decision to leave as a result of Covid-19, but often with a longer term expectation of returning when the outlook has stabilised. At the same time we continued to achieve rents on new lettings and renewals of more than 30% ahead of traditional leases, with an average lease length of 26 months term certain.

We benefit from a strong customer base, with corporate HQs, representing 77% of total space. As a result, rent collection at Storey space is high at 97%. A small number of rent deferrals were agreed in exchange for either the removal of break options or the extension of the lease term. We agreed two rent reductions for our smaller occupiers to help them survive this challenging period.

Smaller, more focused Retail

Key metrics

As at:	31 Mar 2020	30 Sept 2020
Portfolio valuation (BL share)	**£3,873m**	**£3,175m**
• *Of which Retail Parks*	***£1,839m***	***£1,506m***
• *Of which Shopping Centres*	***£1,510m***	***£1,248m***
Occupancy[1]	**95.7%**	**95.5%**
Weighted average lease length to first break	**5.9 yrs**	**5.4 yrs**
6 months to:	**30 Sept 2019**	**30 Sept 2020**
Total property return	**(8.4)%**	**(12.2)%**
• Yield shift	**+37 bps**	**+33 bps**
• ERV growth	**(4.8)%**	**(10.9)%**
• Valuation movement	**(10.7)%**	**(14.9)%**
Total lettings/renewals (sq ft)	**605,000**	**439,000**
Lettings/renewals (sq ft) over 1 year	**382,000**	**161,000**
Lettings/renewals over 1 year vs ERV	**(11.0)%**	**(7.8)%**

On a proportionally consolidated basis including the Group's share of joint ventures and funds

[1] Where occupiers have entered CVA or administration but are still liable for rates, these are treated as occupied. If units expected to become vacant are treated as vacant, then the occupancy rate for Retail would reduce from 95.5% to 92.7%

Retail operational and financial highlights

- Total Retail portfolio value down 14.9% reflecting the ongoing impact of Covid-19 and higher vacancies due to CVA and administrations
- Yield expansion of 33 bps overall; ERVs down 10.9%
- Like for like income down 10.3% including the impact of CVAs and administrations
- Lettings and renewals over 1 year covering 161,000 sq ft; deals under one year 278,000 sq ft; Lettings and renewals 11% below passing rent
- Under offer on a further 495,000 sq ft and in negotiations on a further 557,000 sq ft
- Further 92,000 sq ft of rent reviews agreed 5.8% ahead of passing rent
- High occupancy maintained at 95.5%
- Footfall for September and October, 82% of the period last year, 21 pp ahead of benchmark; like for like sales 85% of the period last year, 11 pp ahead of benchmark
- £456m non-core assets sold since April 2020
- 62% of September rent collected; 69% of June quarter rent and 46% of March quarter rent now collected

Performance review

Operational performance

Our priority in Retail, has been on keeping our centres full with the right mix of retailers who are additive to our places. We are pragmatic and proactive in our approach, working with successful, financially strong retailers to ensure leasing structures are appropriate and deliver sustainable cash flows. At times, this has meant accepting lower rents which are below previous passing rents, but in a very low interest rate environment, this approach underpins the liquidity of our assets.

Retail leasing volumes are low compared to last year, with 161,000 sq ft of lettings and renewals, on average 11% below previous passing rent and 8% below ERV. The average lease term is 6.6 years, with incentives of 6 months, but we also have done a greater proportion of temporary deals (less than one year) particularly where retailers have been impacted by CVA or administration, leasing 278,000 sq ft of space (63% of total leasing). Deals in the half include new leases to Tapi Carpets at Nugent, Orpington (10,000 sq ft) and Iceland at Studlands, Newmarket (10,000 sq ft). We re-negotiated a 40,000 sq ft lease to Currys at Elk Mill, Oldham, securing the income over the next ten years. We renegotiated four leases with Sports Direct, at Woodfields, Bury (15,000 sq ft), St. Peter's, Mansfield (12,000 sq ft) and Broughton, Chester (7,000 sq ft) and Deepdale Preston (15,000 sq ft), extending lease terms.

As of 12 November, all of our retail assets were open, and 42% of our retail stores were open including retail deemed essential and those providing click and collect services. Prior to the regional restrictions and November lockdown, 86% of our retail stores were open. We have been encouraged by the pace at which footfall recovered over the summer, which in September and October stood at 82% of the same period last year (21pp ahead of benchmark), with like-for-like retail sales 85% of the same period last year, 11pp ahead of benchmark (based on stores that were open as well as temporarily closed for trading). For stores that have continued to trade during lockdown, sales in our portfolio were 87% of the period last year. For the half year as a whole, footfall was 56% of the same period last year, 17pp ahead of benchmark and retail sales were 57% of the same period last year, 14 pp ahead of benchmark.

Out-of-town retail parks, which comprise 48% of our retail assets have played a key role in retailers' reopening strategies post-lockdown. Next reported that their retail park stores were significantly less impacted by the pandemic than their shopping centre or city centre stores and saw them as a "relative strength", and this is reflected in our own experience. Our retail parks are well connected and affordable to retailers so they play an important role in a successful online strategy by facilitating click & collect and enabling returns as well as supporting mission-based shopping. We have seen this trend accelerate, as rates of online shopping have increased, with shoppers more confident visiting open-air locations they can access by car, where social distancing can be more easily managed. As a result, in September and October, prior to the November lockdown, footfall on our retail parks was 88% of the same period last year and like for like sales were 86% of the same period last year (based on stores that were open as well as temporarily closed for trading). For stores that have continued to trade during lockdown, sales at our retail parks were 92% of the same period last year.

Inevitably, Covid-19 and related restrictions affected the cash flow of many of our occupiers and hence their ability to pay rent. We are pleased that in the September quarter, 62% of rents have now been collected (see Supplementary Tables for full disclosure). We have engaged, on a case by case basis with customers who have strong businesses but have been disproportionately affected by Covid-19. We have agreed pragmatic solutions which typically involved moves to monthly rents, deferrals and partial settlement of outstanding rents for the period of closure in return for lease extensions, reduced incentives, commitments to additional space and the removal of lease breaks.

CVAs and administrations
Over the six months, there has been an increase in CVAs and Administrations across the retail market. We have seen 16 occupiers enter into CVAs or Administration accounting for 80 units. Of these units, 13 have closed, 62 have seen reduced rents and 5 were unaffected. Overall, this has resulted in a £11.6m reduction in annualised rents.

DEVELOPMENT

At 30 September 2020	Sq ft '000	Current Value £m	Cost to complete £m	ERV £m	ERV Let £m
Recently completed	520	400	-	19.3	15.5
Committed	701	525	290	46.0	21.8
Near term	682	121	318	27	-
Medium term	6,935				

On a proportionally consolidated basis including the Group's share of joint ventures and funds (except area which is shown at 100%)

Portfolio

Developments are a key element of our investment case as a fundamental driver of sustainable value and growth for the long term. In this context, we are delighted to have committed to our Norton Folgate development, covering 336,000 sq ft, adjacent to our Broadgate campus. Recently completed and committed developments now total 1.2m sq ft and are 57% pre let, securing £37m of future rent. Excluding Norton Folgate, which we are progressing on a speculative basis, completed and committed developments are 89% pre let. Total development exposure is now 7.3% of portfolio gross asset value with speculative exposure still low at 3.7%.

The majority of space in our development pipeline is either income producing or held at low cost, enhancing our flexibility, so we have attractive options we can progress as and when appropriate. If we were to commit to our near term pipeline, our speculative exposure would increase to 8.3% of portfolio gross asset value. We continue to create options for development across our portfolio with 1.4m sq ft of planning permissions achieved in the period (in addition to the Canada Water Masterplan) and a further 700,000 sq ft under consideration.

Despite ongoing disruption to the global supply chains, construction cost inflation remains relatively low at c.1%, with volatility typically project specific. Looking forward, the pipeline is expected to shift outwards, with competition driving down prices, but with some upward pressure likely given reduced labour availability and fluctuating material costs as a result of Covid-19 and Brexit. Overall, inflation is expected to be flat for 2021. In terms of our own development pipeline, we are planning for a range of possible outcomes with respect to Brexit.

Campus developments: further enhancing the mix of uses

Our long term strategy focuses on our London campuses. Development is an important part of how we deliver that, enabling us to provide modern space, in new or refurbished buildings, built around the evolving needs of our customers. More than ever, the ability to deliver this into environments which are safe and engaging will be an advantage, generating a positive impact beyond the individual buildings.

Completed developments

We reached practical completion at 100 Liverpool Street (520,000 sq ft) in the period. The building is 89% let including 48,000 sq ft allocated to Storey (80% excluding Storey), with occupiers including SMBC Europe, Peel Hunt and Milbank Tweed. Space has been handed over to occupiers, with fit out to be completed over the course of next year.

Committed developments

Our committed pipeline now stands at 701,000 sq ft, comprising 1 Triton Square at Regent's Place and Norton Folgate, adjacent to our Broadgate campus which we have now committed to. It is a 336,000 sq ft scheme, comprising 258,000 sq ft of offices space, alongside retail and leisure space creating a mixed use development which is in keeping with the historic fabric of the area. Benefitting from its location in Shoreditch, close to Shoreditch High Street and Spitalfields market, this building is ideally suited to technology and media firms and we expect to generate higher rents closer to completion when the building can be viewed. The building will be one of the most sustainable we have delivered, with embodied carbon low at 540 kg CO_2e per m^2, in line with our 2030 target. This building will also be one of our most operationally efficient, with an expected base build operational efficiency of 80 kWh_{eq} per m^2 (based on net lettable area). Demolition has been completed and pre-construction and enabling works are at an advanced stage; we expect to place the main build contract in the coming months.

At 1 Triton Square, Regent's Place, we are fully pre-let on the office space to Dentsu Aegis Network on a 20-year lease. Working within social distancing guidelines we have managed to increase productivity and are now targeting completion in April 2021.

Near Term pipeline

Our near term pipeline now covers 682,000 sq ft of which 1 Broadgate, on our Broadgate campus accounts for 539,000 sq ft. This building is designed flexibly to accommodate changes in demand but currently envisages c.50,000 sq ft of retail, leisure and dining space with a further 45,000 sq ft available for retail or flexible office use. Embodied carbon is above our 2030 target at 950 kg CO_2e per m^2 but we would aim to improve on this during construction and its design dramatically improves the building's operational efficiency. Energy efficiency is expected to be around 45 kWh_{eq} per m^2 for landlord areas which is in line with our 2030 targets. Consistent with our approach to re-use wherever possible, we will be repurposing granite from the façade for use in the flooring throughout the offices. We are actively seeking a pre let and would most likely secure one before committing to this development.

Phase 2 of our mixed use development at Aldgate accounts for the remaining 143,000 sq ft. This phase will deliver 159 homes with 19,000 sq ft of offices space as well as retail accommodation. We have planning consent for the building and will be in a position to start on site in mid-2021.

Medium Term Pipeline

We have three campus developments in the medium term pipeline, together covering more than 1m sq ft. These buildings progress our mixed use campus vision and support future income growth.

The most significant scheme is 2-3 Finsbury Avenue at Broadgate where we have consent for a 563,000 sq ft office-led scheme, adding 313,000 sq ft to the existing space. However, we recently submitted a revised application, with a new design covering around 700,000 sq ft. This will be consistent with the goals set out under our 2030 Sustainability Strategy and will target the BREEAM 'Outstanding' certification in construction. The building is currently generating an income through short term, more flexible lettings, including 40,000 sq ft allocated to Storey.

At 5 Kingdom Street, Paddington Central, our planning application to increase our consented scheme from 206,000 sq ft to 438,000 sq ft was approved by the Mayor in October. The scheme includes the opportunity to develop a former Crossrail works site which reverts to British Land on completion of Crossrail, providing 80,000 sq ft of community, retail, leisure and one of London's biggest affordable workspaces, reflecting feedback from focus groups and residents who we consulted on how this space could best be used. At the Gateway Building, Paddington, we have consent for a 105,000 sq ft premium hotel.

Retail & mixed use development: enhancing and repositioning our portfolio for the future

Reflecting our longer term view on retail, we are unlikely to undertake standalone retail development in the near term. However, we have a number of mixed use opportunities at our retail centres which align well to our strategy and we continue to progress these opportunities to preserve optionality and enhance value.

Mixed use opportunities, medium term pipeline

At Ealing Broadway, we will complete the refurbishment of 54 The Broadway, our first office scheme in Ealing, at the end of the calendar year. We are working up plans for a refurbishment of International House, which is returned to us next year as well as a more comprehensive redevelopment of 10-40 The Broadway, an office led mixed use scheme covering 303,000 sq ft that will sit adjacent to our Ealing Broadway shopping centre, outside the new Crossrail entrance. At Eden Walk, Kingston (jointly owned with USS) our consented mixed use development plans include 380 new homes, alongside shops, restaurants and 35,000 sq ft of flexible office space.

We are scoping the broader retail portfolio for alternative and additional use opportunities. Our initial assessment is that there is scope to convert c. 460,000 sq ft of retail space and 620,000 sq ft of surrounding land into 2.4m sq ft of logistics, residential and office space. The surrounding land at Meadowhall is one such example, where 440,000 sq ft of land could potentially be repurposed as logistics space. This project is at an early stage and we would not expect to progress all these opportunities ourselves; some may be more suitably progressed in partnership or by other parties.

Canada Water: 53 acre masterplan for a new urban centre in Central London

Highlights

- Secured planning for our Canada Water Masterplan, a 5m sq ft mixed use scheme in May 2020
- Successfully overcame the Judicial Review process; claim dismissed in the High Court in October
- Expect to draw down the headlease by the end of the calendar year
- Net valuation movement down 6.0% to £354m due to lower values on existing assets and additional costs associated with the masterplan

At Canada Water, we are working with the London Borough of Southwark to deliver a 5m sq ft mixed use scheme, including 3,000 new homes alongside a mix of commercial, retail and community space. The site is located on the Jubilee line and the London Overground, making it easily accessible from London Bridge, the West End, Canary Wharf, Shoreditch and South West London. It will also be an indirect beneficiary of Crossrail, which will free up capacity on the Jubilee Line between Canary Wharf and Bond Street. It covers 53 acres including the dock area, providing 48 acres of developable land.

In May 2020 we secured outline planning permission on the entire 5m sq ft masterplan, including detailed consent on the first three buildings, covering 580,000 sq ft. The only JR claim was dismissed by the High Court in October. We anticipate drawing down the headlease by the end of the calendar year. The headlease will combine the ownership of our assets at Canada Water into a single 500-year headlease, with Southwark Council as the Lessor. At that point, British Land will own 80% of the scheme with Southwark Council owning the remaining 20% and going forward, they will be able to participate in the development, up to a maximum of 20% with returns pro-rated accordingly.

The first three buildings will deliver 265 homes, of which 35% will be affordable (split 70:30 between social rent and intermediate housing), as well as offices, retail, a new leisure centre, public spaces and improved pedestrian connections. As part of our commitment to the early delivery of affordable housing, building K1 (62,000 sq ft) which is solely residential forms part of Phase 1. There are two other buildings in the first phase which will follow: A1 (272,000 sq ft) is a mixed use building comprising flexible workspace over five floors, and a 35 storey residential tower. Here, we are targeting a Wiredscore Platinum rating on the residential as well as the offices element and a BREEAM Outstanding certification. A2 (246,000 sq ft) is a modern, waterfront offices building, providing adaptable workspace on large, flexible floorplates and includes the new leisure centre for Southwark Council. This building targets a Wiredscore Platinum rating and a BREEAM Excellent certification.

We have commenced enabling works for the first phase and are likely to commit to the first building in the Spring, market conditions permitting. In parallel, we will advance plans to bring in partners to support the delivery of the wider scheme. We are exploring a range of alternative uses, including healthcare, senior living and higher education, and already our higher education provider, TEDI-London a global partnership with King’s College London, Arizona State University and UNSW Sydney, is delivering their engineering curriculum from here. Our planning permission at Canada Water is deliberately flexible to take account of changes in demand through the cycle, so we can amend our offices, residential and retail allocations as appropriate. It is also well placed to respond to challenges posed by Covid-19 in terms of the future of cities, the role of the workplace and increasing demand for development which supports health and wellbeing.

We are excited to be making progress at Canada Water and we recognise that developing such a large part of London carries real responsibilities to the community that lives and works in and around the area, as well as the environment. We worked with Southwark Council to develop a Social Regeneration Charter to capture local residents’ priorities for the development, which commits us to working in partnership to deliver on these. This approach is now a model for development across the Borough. We are already delivering on a range of initiatives to support the local community and grassroots organisations like Thrive, our partnership with Tree Shepherd to deliver affordable workspace to help people trying to start and grow new businesses and support local start-ups. Our partnership with Construction Youth Trust has enabled over 1,000 individual students from eight local secondary schools to have meaningful interaction with employers which aim to raise awareness of careers in the built environment and build the skills to access these. In addition, we have continued to support local charities such as Time & Talents, who run a food bank close to Canada Water.

The net valuation movement for Canada Water over the year showed a fall of 6.0% to £354m due to lower values on existing assets and an increase in costs associated with the masterplan. The September valuation does not reflect the drawdown of the headlease.

FINANCE REVIEW

Six months to	30 September 2019	30 September 2020
Underlying earnings per share[1,2]	16.1p	10.5p
Underlying Profit[1,2]	£152m	£107m
IFRS profit/(loss) after tax	£(404)m	£(730)m
Dividend per share	15.97p	8.40p
Total accounting return[1,3]	(3.7%)	(10.3%)
As at	**31 March 2020**	**30 September 2020**
EPRA Net Tangible Assets per share[1,2]	773p	693p
IFRS net assets	£7,147m	£6,373m
LTV [1,4,5]	34.0%	35.7%
Weighted average interest rate [5]	2.5%	2.5%

[1]See Glossary on website for definitions. [2]See Table B within supplementary disclosure for reconciliations to IFRS metrics. [3]See Note 2 within condensed interim financial statements for calculation. [4]See Note 11 within condensed interim financial statements for calculation and reconciliation to IFRS metrics. [5]On a proportionally consolidated basis including the Group's share of joint ventures and funds.

Overview

Financial performance for the period has been significantly impacted by Covid-19 and an already challenged retail environment. Underlying earnings per share (EPS) are down 34.8% at 10.5p, while Underlying Profit is down 29.6% at £107m.

Underlying Profit

	£m
Underlying Profit for the six months ended 30 September 2019	**152**
Like-for-like rent (incl. CVA and administrations)	(6)
Provisions for outstanding rents, service charge and deferred rents[1]	(44)
Provisions for tenant incentives	(2)
Cost savings	8
Net divestment	(2)
Developments	2
Other income	(1)
Underlying Profit for the six months ended 30 September 2020	**107**

[1] *The period on period impact of provisions for outstanding rents, service charge and deferred rents was £44m. This reflects the difference between the £45m charge to the income statement in the six-month period to 30 September 2020 (as disclosed in Note 1 of condensed interim financial statements) and the £1m charge in the six-month period to 30 September 2019.*

Underlying Profit decreased by £45m, primarily due to provisions for outstanding rent, service charge and rent deferrals made in light of Covid-19 and like for like decline in income. Cost control, lower market interest rates and financing activities increased underlying profit by £8m.

The impact of sales was fully offset by income from developments as proceeds from sales are deployed into our value accretive development programme. The recently completed and committed schemes are expected to generate earnings accretion of £41m, of which 57% is already pre-let. Excluding Norton Folgate, which we are progressing on a speculative basis, completed and committed developments are 89% pre let.

Since April 2020, we have completed £0.6bn of gross capital activity. This includes £456m of retail disposals, primarily the sale of three Tesco superstores totalling £191m and four standalone B&Q stores totalling £100m. We sold part of our Beaumont Leys shopping centre, comprising a Tesco and Aldi supermarket for £63m, as well as our share of a portfolio of reversionary interests in Sainsbury's superstores for £102m.

In addition to the above, in November, we completed on the sale of the offices and retail building at Clarges, Mayfair for £177m. This scheme has delivered profits of more than c.£200m and is an excellent example of our ability to source and manage complex projects and deliver exceptional products. Also, in November we sold Yalding House for £42m.

This period, the Group has adopted the new EPRA NAV metrics; Net Reinvestment Value (NRV), Net Tangible Assets (NTA) and Net Disposal Value (NDV). We are reporting NTA in place of the previous EPRA net asset value (NAV). Similarly, NDV replaces the previous EPRA triple net asset value measure (NNNAV). The total accounting return is now calculated based on EPRA NTA. Definitions of these metrics are shown in Table B of supplementary disclosures.

Valuations have reduced by 7.3% on a proportionally consolidated basis resulting in an overall EPRA NTA per share decline of 10.3%.

Our financial position remains strong with £1bn of undrawn facilities and cash and no requirement to refinance until 2024. We retain significant headroom to our debt covenants, meaning the Group could withstand a further fall in asset values across the portfolio of 42% prior to taking any mitigating actions. LTV has increased by 170bps during the period to 35.7%. The primary drivers of the movement were valuation declines contributing 270bps and development spend contributing 70bps. These movements are partially offset by the impact of asset disposals and retained earnings which reduced LTV by 200bps.

Fitch Ratings as part of the annual review in August 2020 affirmed all our credit ratings, including our senior unsecured rating as ‘A’, with a Stable Outlook.

Presentation of financial information

The Group financial statements are prepared under IFRS where the Group’s interests in joint ventures and funds are shown as a single line item on the income statement and balance sheet and all subsidiaries are consolidated at 100%.

Management considers the business principally on a proportionally consolidated basis when setting the strategy, determining annual priorities, making investment and financing decisions and reviewing performance. This includes the Group’s share of joint ventures and funds on a line-by-line basis and excludes non-controlling interests in the Group’s subsidiaries. The financial key performance indicators are also presented on this basis.

A summary income statement and summary balance sheet which reconcile the Group income statement and balance sheet to British Land’s interests on a proportionally consolidated basis are included in Table A within the supplementary disclosures.

Management monitors Underlying Profit as this more accurately reflects the underlying recurring performance of our core property rental activity, as opposed to IFRS metrics which include the non-cash valuation movement on the property portfolio. It is based on the Best Practices Recommendations of the European Public Real Estate Association (EPRA) which are widely used alternate metrics to their IFRS equivalents.

Management also monitors EPRA NTA as this provides a transparent and consistent basis to enable comparison between European property companies. Linked to this, the use of Total Accounting Return allows management to monitor return to shareholders based on movements in a consistently applied metric, being EPRA NTA, and dividends paid.

Loan to value (proportionally consolidated) is also monitored by management as a key measure of the level of debt employed by the Group to meet its strategic objectives, along with a measurement of risk. It also allows comparison to other property companies who similarly monitor and report this measure.

Income statement

1. Underlying Profit

Underlying Profit is the measure that we use to assess income performance. This is presented below on a proportionally consolidated basis. No company adjustments have been made in the current or prior period and therefore this is the same as the pre-tax EPRA earnings measure which includes a number of adjustments to the IFRS reported profit before tax.

Six months to	Section	30 September 2019 £m	30 September 2020 £m
Gross rental income		275	268
Property operating expenses		(32)	(77)
Net rental income	1.2	**243**	**191**
Net fees and other income		7	6
Administrative expenses	1.3	(41)	(38)
Net financing costs	1.4	(57)	(52)
Underlying Profit		**152**	**107**
Underlying tax charge		-	(9)
Non-controlling interests in Underlying Profit		6	3
EPRA adjustments[1]		(562)	(831)
IFRS profit/(loss) after tax	2	**(404)**	**(730)**
Underlying EPS	1.1	16.1p	10.5p
IFRS basic EPS	2	(42.9)p	(78.7)p
Dividend per share	3	15.97p	8.40p

[1] *EPRA adjustments consist of investment and development property revaluations, gains/losses on investment and trading property disposals, changes in the fair value of financial instruments and associated close out costs. These items are presented in the 'capital and other' column of the consolidated income statement.*

1.1 Underlying EPS

Underlying EPS is 10.5p, a decline of 34.8% on the prior period. This reflects the Underlying Profit decline of 29.6% and an underlying tax charge of £9m, partially offset by the impact of share buybacks which added 0.2p in the period. The tax charge follows the temporary suspension of the dividend which is anticipated to result in a shortfall in our REIT property income distributions, creating a corporation tax liability.

1.2 Net rental income

	£m
Net rental income for the six months ended 30 September 2019	**243**
Net divestment	(3)
Developments and other	3
Like-for-like rent (incl. CVA and administrations)	(6)
Provisions for outstanding rents and service charge[1]	(31)
Provisions for deferred rents	(13)
Provisions for tenant incentives	(2)
Net rental income for the six months ended 30 September 2020	**191**

[1] *The period on period impact of provisions for outstanding rents and service charge was £31m. This reflects the difference between the £32m charge to the income statement in the six-month period to 30 September 2020 (as disclosed in Note 1 of condensed interim financial statements) and the £1m charge in the six-month period to 30 September 2019.*

Net sales of income producing assets over the last 18 months reduced rents by £3m in the period. Proceeds from sales are being reinvested in the development pipeline which is expected to deliver £65m in rents in future years and including the recent commitment of Norton Folgate, is already 57% pre-let (£37m).

Retail like-for-like net rental decline is 10.3% in the period. This reflects the impact of CVAs and admins, declining ERVs, longer void periods and reduced car park income over the closure period. The offices portfolio saw like-for-like growth of 4.0%, which was primarily driven by letting activity at 1 Finsbury Avenue and 338 Euston Road. In addition, office developments contributed a further £3m of new income, with 135 Bishopsgate completing earlier in the year.

In light of Covid-19, provisions made against rental debtors and service charge increased by £31m compared to the prior period. This primarily relates to outstanding rents due over period from March to September, as well as £5m of impairments against outstanding service charge income. The March quarter rent we deferred is held as accrued income, and an impairment of £13m was made to account for risk to recoverability over the next five quarters

We take a systematic approach to provisioning for rental receivables, based on both aging profile and credit quality. We are provided at 39% on rent receivables and 32% for service charge based on balances outstanding at period end. When taking into account post period end receipts of £46m this increases to 60% for rent receivables and 70% for service charge. Further detail on balances, provisions and the charge in HY21 made against them are set out in the table below:

Receivables	**Balance sheet category**	**Debtor balance**	**Provision balance**	**% provided for**	**HY 21 impact**
Less than 90 days	Trade debtor	£48m	£12m	25%	£12m
90 – 190 days	Trade debtor	£41m	£18m	44%	£15m
Over 190 days	Trade debtor	£7m	£7m	100%	-
Outstanding rent		**£96m**	**£37m**	**39%**	**£27m**
Service charge	Trade debtor	£22m	£7m	32%	£5m
Trade debtors		**£118m**	**£44m**	**37%**	**£32m**
Deferred rents	Accrued income	£25m	£13m	52%	£13m
Total		**£143m**	**£57m**	**40%**	**£45m**

A further £2m was provided against tenant incentive balances primarily within the retail portfolio.

1.3 Administrative expenses

Administrative expenses decreased 7.3% in the period. The Group’s operating cost ratio increased to 38.7% (2019/20: 21.7%) as a result of a significant increase in property outgoing expenses due to provisions made in respect of rental debtors and accrued income as well as lower rental income following sales activity. Excluding provisions made in respect of tenant debtors, accrued income and tenant incentives, the Group’s operating cost ratio is 20.3%.

1.4 Net financing costs

	£m
Net financing costs for the six months ended 30 September 2019	**(57)**
Financing activity	1
Finance impact of lower market rates	4
Net divestment	1
Other	(1)
Net financing costs for the six months ended 30 September 2020	**(52)**

Financing activity undertaken over the last 18 months has reduced costs by £1m in the period, predominantly as a result of prior year debt liability management, partially offset by the maturity of the £350m zero coupon convertible bond in June.

We have a balanced approach to interest rate risk management. At 30 September 2020, we had interest rate hedging on 88% of our debt (spot), and on 73% of our projected debt on average over the next five years. Our use of interest rate caps as part of our hedging means that around half of our debt benefits if market rates remain low and, compared to the prior period, we've seen a £4m reduction in finance costs from the impact of lower market rates. As a result our weighted average interest rate remained low at 2.5%.

The reduction in finance costs as a result of proceeds from net divestment includes the repayment of £86m (BL share) of secured Sainsbury's JV bonds on the sale of a portfolio of superstores.

2. IFRS profit before tax

The main difference between IFRS profit before tax and Underlying Profit is that IFRS includes the valuation movement on investment and trading properties, fair value movements on financial instruments and capital financing costs. In addition, the Group's investments in joint ventures and funds are equity accounted in the IFRS income statement but are included on a proportionally consolidated basis within Underlying Profit.

The IFRS loss after tax for the year was £730m, compared with a loss after tax for the prior period of £404m. As a result, IFRS basic EPS was (78.7)p per share, compared to (42.9)p per share in the prior period. This primarily reflects an increase in downward valuation movement on the Group's properties to £625m, and an increase in the capital and other income loss from joint ventures and funds to £250m. This was driven principally by outward yield shift of 17bps and ERV decline of 4.9% in the portfolio resulting in a valuation a decline of 7.3%. In addition, prior period sales at Clarges generated profits of £10m compared with nil in this period.

The basic weighted average number of shares in issue during the period was 927m (H1 2019/20: 941m).

3. Dividends

In October we announced the intention to resume paying dividends semi-annually, fixed at 80% of Underlying EPS based on the most recently completed six-month period. Today the Board are declaring an interim dividend for the six-month period ending 30 September 2020 of 8.40 pence per share. Payment will be made on Friday 19 February 2021 to shareholders on the register at close of business on Friday 8 January 2021. The interim dividend will be a Property Income Distribution and no SCRIP alternative will be offered.

Balance sheet

As at	Section	31 March 2020 £m	30 September 2020 £m
Property assets		11,177	10,328
Other non-current assets		131	6
		11,308	**10,334**
Other net current liabilities		(252)	(173)
Adjusted net debt	6	(3,854)	(3,696)
Other non-current liabilities		-	-
EPRA Net Tangible Assets		**7,202**	**6,465**
EPRA NTA per share	4	**773p**	**693p**
Non-controlling interests		112	78
Other EPRA adjustments[1]		(167)	(170)
IFRS net assets	5	**7,147**	**6,373**

Proportionally consolidated basis

[1] *EPRA Net Tangible Assets NTA is a proportionally consolidated measure that is based on IFRS net assets excluding the mark-to-market on derivatives and related debt adjustments, the carrying value of intangibles, the mark-to-market on the convertible bonds, as well as deferred taxation on property and derivative valuations. The metric includes the valuation surplus on trading properties and is adjusted for the dilutive impact of share options. Details of the EPRA adjustments are included in Table B within the supplementary disclosures.*

4. EPRA Net Tangible Assets per share

	pence
EPRA NTA per share at 31 March 2020	**773**
Valuation performance	(91)
Underlying Profit	11
Property disposals	2
Other	(2)
EPRA NTA per share at 30 September 2020	**693**

The 10.3% decrease in EPRA NTA per share reflects a valuation decrease of 7.3%.

Office valuations were down 3.1%, primarily due to concerns about future occupier demand, given the uncertainty of economic outlook and potential changes as a result of Covid-19. As a result, and coupled with less investment market activity, yields moved out 8bps although ERV was marginally up. Developments again outperformed the standing portfolio and delivered a small valuation loss of 0.9%.

Valuations in Retail are down 14.9%, with outward yield shift of 33 bps and ERV decline of 10.9%. These values reflect ongoing structural challenges faced by occupiers, compounded by Covid-19. Across our largest assets, yields have moved between 20-50bps. For smaller retail parks, we are seeing signs of liquidity in the market which have provided some valuation evidence.

Our external valuers have now removed the "material valuation uncertainty" declaration present in our valuation reports at 31 March 2020, concluding that there was an adequate quantum of market evidence upon which to base their opinions of value. They have highlighted the market context under which their opinions have been prepared and, in recognition of the uncertainty of Covid-19, the importance of the valuation date. The current market uncertainty has been reflected in the valuations in a number of ways, depending on the relevant property sub-market. For retail, as well as adjusting yields and reflecting agreed concessions, our valuers have reduced assumed turnover rent and deducted 3-6 months rent as a capital sum where no concessions have been agreed. For offices, the uncertainty has principally been reflected through assumed void periods and incentive packages.

5. IFRS net assets

IFRS net assets at 30 September 2020 were £6,373m, a decrease of £774m from 31 March 2020. This was primarily due to IFRS loss after tax of £730m.

Cash flow, net debt and financing

6. Adjusted net debt[1]

	£m
Adjusted net debt at 31 March 2020	**(3,854)**
Disposals	250
Acquisitions	-
Development and capex	(124)
Net cash from operations	62
Withholding tax	(10)
Other	(20)
Adjusted net debt at 30 September 2020	**(3,696)**

[1] *Adjusted net debt is a proportionally consolidated measure. It represents the Group net debt as disclosed in Note 11 to the interim financial statements and the Group's share of joint venture and funds' net debt excluding the mark-to-market on derivatives, related debt adjustments and non-controlling interests. A reconciliation between the Group net debt and adjusted net debt is included in Table A within the supplementary disclosures.*

Net sales reduced debt by £250m whilst development spend totalled £80m with a further £44m on capital expenditure related to asset management on the standing portfolio. The value of recently completed and committed developments is £925m, with £290m costs to come. Speculative development exposure is 3.7% of the portfolio. There are 682,000 sq ft of developments in our near term pipeline with anticipated cost of £318m.

Post period end, we completed three retail asset sales contributing a further £212m of cash proceeds.

7. Financing

	Group		**Proportionally consolidated**	
	31 March 2020	**30 September 2020**	**31 March 2020**	**30 September 2020**
Net debt / adjusted net debt [1]	£3,247m	£3,079m	£3,854m	£3,696m
Principal amount of gross debt	£3,294m	£3,128m	£4,158m	£3,985m
Loan to value	28.9%	30.2%	34.0%	35.7%
Weighted average interest rate	1.9%	1.9%	2.5%	2.5%
Interest cover	5.8	4.6	3.8	3.1
Weighted average maturity of drawn debt	6.8 years	7.4 years	7.5 years	7.8 years

[1] *Group data as presented in note 11 of the condensed interim financial statements. The proportionally consolidated figures include the Group's share of joint venture and funds' net debt and exclude the mark-to-market on derivatives and related debt adjustments and non-controlling interests.*

At 30 September 2020, our proportionally consolidated LTV was 35.7%, up from 34.0% at 31 March 2020. Valuation declines contributed 270 bps of this increase, and development spend contributed 70bps. This was partially offset by the impact of asset disposals and retained earnings which reduced LTV by 200 bps. Note 11 of the condensed interim financial statements sets out the calculation of the Group and proportionally consolidated LTV.

During the period, we extended £650m of RCFs with 10 banks, by a further year to 2025. Our £350m convertible bond was repaid at its scheduled maturity in June as planned using RCFs.

Fitch Ratings, as part of their annual review in August 2020 affirmed all our credit ratings, including our senior unsecured rating as ‘A’, with a Stable Outlook.

In May 2020, one of the bank facilities in HUT which was due to mature in September 2020 was refinanced with an extended £200m facility to December 2023.

Our debt management activity and interest rate management approach has enabled us to maintain our weighted average interest rate at a low of 2.5%. Our use of interest rate caps as part of our hedging means that around half of our debt benefits while market rates remain low.

At 30 September 2020, British Land had £1.8bn of committed unsecured revolving bank facilities; undrawn facilities and cash amounted to £1.0bn. Based on our current commitments, these facilities and debt maturities, we have no requirement to refinance until 2024.

The current uncertain environment reinforces the importance of a strong balance sheet.

Simon Carter
Chief Financial Officer

Notes to Editors

About British Land

Our portfolio of high quality UK commercial property is focused on London Offices and Retail around the UK. We own or manage a portfolio valued at £13.7bn (British Land share: £10.3bn) as at 30 September 2020 making us one of Europe's largest listed real estate investment companies.

Our strategy is to provide places which meet the needs of our customers and respond to changing lifestyles - Places People Prefer. We do this by creating great environments both inside and outside our buildings and use our scale and placemaking skills to enhance and enliven them. This expands their appeal to a broader range of occupiers, creating enduring demand and driving sustainable, long term performance.

Our Offices portfolio comprises three office-led campuses in central London as well as high quality standalone buildings and accounts for 65% of our portfolio. Our Retail portfolio is focused on retail parks and shopping centres, and accounts for 31% of our portfolio. Increasingly our focus is on providing a mix of uses and this is most evident at Canada Water, our 53 acre redevelopment opportunity where we have plans to create a new neighbourhood for London.

Sustainability is embedded throughout our business. Our places, which are designed to meet high sustainability standards, become part of local communities, provide opportunities for skills development and employment and promote wellbeing. In April 2016 British Land received the Queen's Award for Enterprise: Sustainable Development, the UK's highest accolade for business success for economic, social and environmental achievements over a period of five years.

Further details can be found on the British Land website at www.britishland.com

RISK MANAGEMENT AND PRINCIPAL RISKS

At British Land, effective risk management is fundamental to how we do business and represents a cornerstone of executing our strategy and delivering sustainable long term value for all of our stakeholders. The Group's risk appetite and its integrated approach to managing risk is unchanged from that set out on pages 78-80 of the Annual Report and Accounts published in May 2020.

The last six months has been one of the most uncertain and challenging operating environments business has had to face. In May, due to the onset of the Covid-19 crisis and risk associated with the ongoing Brexit process, we assessed the majority of our principal risks as having increased to elevated levels. Most of the principal risks continue to be elevated today and the risks related to political and regulatory outlook, income sustainability and occupier demand and tenant default are slightly more raised, as a result of the challenging external environment; particularly as the pandemic and associated restrictions have lasted longer than initially anticipated, with a second lockdown in England. Covid-19 is an overarching risk rather than a single principal risk and has had a material negative impact on our business, in particular resulting in reduced rent collection in our Retail business, an increase in failures amongst our retailer customer base and reduced physical occupancy at our office-led assets. Changes in Government regulation and their intervention in leasing contracts have occurred which also present a risk to our business, such as the rent moratorium. We have also seen changes in the way businesses and their people use their office space, with a significant number of people working from home for sustained periods of time. These challenges are exacerbated by the continued political and economic uncertainty associated with the UK's departure from the European Union, currently expected to happen on 31 December 2020, but with no deal for the terms of the exit yet agreed.

Having taken account of these factors, the Board believes that, despite, the continuing heightened risk environment, the existing mitigating factors and actions remain appropriate (as set out on pages 82-87 of the Annual Report and Accounts 2020).

Whilst it is not possible to predict fully the impact Brexit will have on our business and our markets, the Board has undertaken a comprehensive Brexit review to understand the key risks to our business. The Board and executive team have taken appropriate action to ensure our business is both resilient and responsive in the short term, and well positioned for the long term. The key operational steps taken include maintaining sufficient liquidity and financial resilience, working with our development contractors to minimise cost and delay risk to our development programme, increasing stocks of spare parts to ensure the continued operation of our assets and updating our Crisis Management Plans to improve our response to unpredictable events.

In response to the Covid-19 crisis, we took significant steps to safeguard our assets, our people, the supply chain and financial resilience. We implemented our robust Crisis Management Plans with the Executive Committee meeting regularly to assess the risks and set up appropriate Covid-19 working groups across the business to co-ordinate the Group's response to mitigate the impact on our business. The Board met fortnightly in the initial period of the pandemic and continues to receive regular updates. The key actions taken to mitigate the effect on the Group and our stakeholders include:

- Preparation and implementation of detailed plans at each asset to manage the closure of non-essential stores, whilst ensuring that customers could continue to access essential stores.
- Prepared and implemented a comprehensive plan to enable reopening of stores safely in accordance with Government restrictions. Comprehensive guidelines for reoccupation were developed working closely with our occupiers to ensure these were successfully implemented on a site by site basis with no major issues. We have worked with our occupiers to help them return to the office over the Summer so they are now well placed to adjust as and when the current restrictions are relaxed.
- Implemented arrangements to enable effective working from home for all our employees who did not need to be on-site. Government guidance has been followed and our offices have been made Covid-19 secure with new procedures put in place to manage a gradual return to work.
- We continue to carefully monitor employees' mental and physical wellbeing and the health and safety of our employees remains a top priority.

- For committed developments, construction teams prepared actions plans with contingency to deal with material imports and maintain programmes already underway with a clear focus on social distancing and safety procedures.
- We have undertaken extensive forecasting, stress testing and modelling of various scenarios to ensure our financial position remains strong and we keep various strategic actions under review.
- Active capital recycling, executing £456m sales in the period, enhancing the strength and resilience of our balance sheet. We have also enhanced our financial strength and flexibility by extending £650m of our unsecured Revolving Credit Facilities (RCF) by a further year to 2025.
- Our asset management approach has been pragmatic and proactive to maximise occupancy and rent collection.
- Worked closely with our customers, partners, local communities and organisations associated with our places so we are able to respond quickly and effectively providing help where it is most needed.
- Temporarily suspended dividend payments to ensure we could best support our customers, while protecting the financial position of the business.

We are mindful of the continued high levels of uncertainty; in this context we will benefit from the resilience of our business, the quality of our portfolio and the strength of our financial position.

A summary of the Group's principal risks for the second half of the year is provided below.

Principal External Risks

Economic outlook – The UK economic climate and future movements in interest rates present risks and opportunities in property and financing markets and the businesses of our occupiers which can impact both the delivery of our strategy and our financial performance.

Political and regulatory outlook – Significant political events and regulatory changes, including the UK's decision to leave the EU, or potential Government policy response to the pandemic, bring risks both in terms of uncertainty until the outcome is known, and the impact of policies introduced. This could impact the businesses of our occupiers as well as our own business.

Commercial property investor demand – Reduction in investor demand for UK real estate may result in falls in asset valuations and could arise from variations in the health of the UK economy, the attractiveness of investment in the UK, availability of finance and the relative attractiveness of other asset classes.

Occupier demand and tenant default – Underlying income, rental growth and capital performance could be adversely affected by weakening occupier demand and occupier failures resulting from variations in the health of the UK economy and corresponding weakening of consumer confidence, business activity and investment. Changing consumer and business practices including the growth of internet retailing, flexible working practices (including more working from home) 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. Some or all of these trends could be accelerated by the pandemic.

Availability and cost of finance – Reduced availability of finance may adversely impact British Land's ability to refinance debt and/or drive up cost. These factors may also result in weaker investor demand for real estate. Regulation and capital costs of lenders may increase cost of finance, as could increased risk in terms of the UK economic outlook.

Catastrophic business event – An external event such as a civil emergency, including a large-scale terrorist attack, pandemic disease, cyber crime, extreme weather occurrence, environmental disaster or power shortage could severely disrupt global markets (including property and finance) and cause significant damage and disruption to British Land's portfolio, operations, customers and people.

Principal Internal Risks

Investment strategy – In order to meet our strategic objectives, we aim to invest in and exit from the right properties at the right time. Underperformance could result from changes in market sentiment as well as inappropriate determination and execution of our property investment strategy, including sector selection and weighting; timing of investment and divestment decisions; exposure to developments; asset, tenant, region concentration; and co-investment arrangements.

Development strategy – Development provides an opportunity for outperformance but usually involves elevated risk. This is reflected in our decision-making process around which schemes to develop, the timing of the development, as well as the execution of these projects. Development strategy addresses several development risks that could adversely impact underlying income and capital performance including: development letting exposure; construction timing and costs (including construction cost inflation); major contractor failure; and adverse planning judgements.

Capital structure – leverage – Our capital structure recognises the balance between performance, risk and flexibility. Leverage magnifies capital returns, both positive and negative. An increase in leverage increases the risk of a breach of covenants on borrowing facilities and may increase finance costs.

Finance strategy – Finance strategy addresses risks both to continuing solvency and profits generated. Failure to manage refinancing requirements may result in a shortage of funds to sustain the operations of the business or repay facilities as they fall due.

People – A number of critical business processes and decisions lie in the hands of a few people. Failure to recruit, develop and retain staff and Directors with the right skills and experience may result in significant underperformance or impact the effectiveness of operations and decision making, in turn impacting business performance.

Income sustainability – We are mindful of maintaining sustainable income streams which underpin shareholder returns and provide the platform from which to grow the business. We 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.

Statement of directors' responsibilities

The directors confirm that these condensed interim financial statements have been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and that the interim management report includes a fair review of the information required by DTR 4.2.7 and DTR 4.2.8, namely:

- An indication of important events that have occurred during the first six months and their impact on the condensed set of financial statements, and a description of the principal risks and uncertainties for the remaining six months of the financial year; and

- Material related party transactions in the first six months and any material changes in the related-party transactions described in the last annual report.

The directors of British Land plc are listed on the company website www.britishland.com
By order of the Board

Simon Carter
Chief Financial Officer
17 November 2020

Independent review report to British Land Company PLC

Report on the interim financial statements

Our conclusion

We have reviewed British Land Company PLC's interim financial statements (the "interim financial statements") in the Half year results for the six months ended 30 September 2020 of British Land Company PLC for the 6 month period ended 30 September 2020. Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34, ‘Interim Financial Reporting’, as adopted by the European Union and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom’s Financial Conduct Authority.

What we have reviewed

The interim financial statements comprise:

- the Consolidated balance sheet as at 30 September 2020;
- the Consolidated Income Statement and Consolidated Statement of Comprehensive Income for the period then ended;
- the Consolidated Statement of Cash Flows for the period then ended;
- the Consolidated Statement of Changes in Equity for the period then ended; and
- the explanatory notes to the interim financial statements.

The interim financial statements included in the Half year results for the six months ended 30 September 2020 have been prepared in accordance with International Accounting Standard 34, ‘Interim Financial Reporting’, as adopted by the European Union and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom’s Financial Conduct Authority.

As disclosed in note 1 to the interim financial statements, the financial reporting framework that has been applied in the preparation of the full annual financial statements of the Group is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Responsibilities for the interim financial statements and the review

Our responsibilities and those of the directors

The Half year results for the six months ended 30 September 2020, including the interim financial statements, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the Half year results for the six months ended 30 September 2020 in accordance with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom’s Financial Conduct Authority.

Our responsibility is to express a conclusion on the interim financial statements in the Half year results for the six months ended 30 September 2020 based on our review. This report, including the conclusion, has been prepared for and only for the company for the purpose of complying with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom’s Financial Conduct Authority and for no other purpose. We do not, in giving this conclusion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What a review of interim financial statements involves

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, ‘Review of Interim Financial Information Performed by the Independent Auditor of the Entity’ issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

We have read the other information contained in the Half year results for the six months ended 30 September 2020 and considered whether it contains any apparent misstatements or material inconsistencies with the information in the interim financial statements.

PricewaterhouseCoopers LLP
Chartered Accountants
London
17 November 2020

Consolidated Income Statement

For the six months ended 30 September 2020

	Note	Six months ended 30 September 2020 Unaudited Underlying pre-tax[1] £m	Capital and other £m	Total £m	Six months ended 30 September 2019 Unaudited Underlying pre-tax[1] £m	Capital and other £m	Total £m
Revenue	3	255	–	255	275	53	328
Costs[2]	3	(105)	–	(105)	(81)	(43)	(124)
Operating profit	3	150	–	150	194	10	204
Joint ventures and funds (see also below)	8	29	(250)	(221)	38	(154)	(116)
Administrative expenses		(38)	–	(38)	(41)	–	(41)
Valuation movement	4	–	(625)	(625)	–	(436)	(436)
Profit on disposal of investment properties and investments		–	19	19	–	10	10
Net financing costs							
– financing income	5	–	–	–	–	3	3
– financing charges	5	(31)	(11)	(42)	(33)	(31)	(64)
		(31)	(11)	(42)	(33)	(28)	(61)
Profit (loss) on ordinary activities before taxation		110	(867)	(757)	158	(598)	(440)
Taxation	6			(6)		(1)	(1)
Loss for the period after taxation				(763)			(441)
Attributable to non-controlling interests		3	(36)	(33)	6	(43)	(37)
Attributable to shareholders of the Company		107	(837)	(730)	152	(556)	(404)
Earnings per share:							
– basic	2			(78.7)p			(42.9p)
– diluted	2			(78.7)p			(42.9p)

All results derive from continuing operations.

	Note	Six months ended 30 September 2020 Unaudited Underlying pre-tax[1] £m	Capital and other £m	Total £m	Six months ended 30 September 2019 Unaudited Underlying pre-tax[1] £m	Capital and other £m	Total £m
Results of joint ventures and funds accounted for using the equity method							
Underlying Profit		29	–	29	38	–	38
Valuation movement	4	–	(250)	(250)	–	(140)	(140)
Capital financing costs		–	–	–	–	(15)	(15)
Profit on disposal of investment properties, trading properties and investments		–	–	–	–	1	1
Taxation		–	–	–	–	–	–
	8	29	(250)	(221)	38	(154)	(116)

1. See definition in note 2 and a reconciliation between underlying profit and IFRS profit in note 13.
2. Included within 'Costs' is a provision charge against trade receivables and accrued income of £38m (Six months ended 30 September 2019: £1m). This is disclosed in further detail in note 3 to the income statement.

Consolidated Statement of Comprehensive Income

For the six months ended 30 September 2020

	Six months ended 30 September 2020 Unaudited £m	Six months ended 30 September 2019 Unaudited £m
Loss for the period after taxation	**(763)**	(441)
Other comprehensive (expense) income:		
Items that will not be reclassified subsequently to profit or loss:		
Net actuarial (loss) gain on pension scheme	**(2)**	1
Contribution to pension scheme	**(10)**	–
Valuation movements on owner-occupied properties	**(2)**	(2)
	(14)	(1)
Items that may be reclassified subsequently to profit or loss:		
Gains on cash flow hedges		
– Group	**2**	–
– Joint ventures and funds	**–**	–
	2	–
Items recycled through the consolidated income statement (cash flow hedges)		
– Interest rate derivatives – joint ventures	**–**	(1)
	–	(1)
Deferred tax on items of other comprehensive income	**(1)**	–
Other comprehensive expense for the period	**(13)**	(2)
Total comprehensive expense for the period	**(776)**	(443)
Attributable to non-controlling interests	**(33)**	(37)
Attributable to shareholders of the Company	**(743)**	(406)

Consolidated balance sheet

As at 30 September 2020

	Note	30 September 2020 Unaudited £m	31 March 2020 Audited £m
ASSETS			
Non-current assets			
Investment and development properties	7	**7,512**	8,188
Owner-occupied property	7	**63**	68
		7,575	8,256
Other non-current assets			
Investments in joint ventures and funds	8	**2,171**	2,358
Other investments	9	**18**	125
Property, plant and equipment		**6**	6
Interest rate and currency derivative assets	11	**219**	231
		9,989	10,976
Current assets			
Trading properties	7	**20**	20
Debtors	10	**101**	56
Cash and short term deposits	11	**196**	193
		317	269
Total assets		**10,306**	11,245
LIABILITIES			
Current liabilities			
Short term borrowings and overdrafts	11	**(170)**	(637)
Creditors		**(262)**	(253)
Corporation tax		**(20)**	(17)
		(452)	(907)
Non-current liabilities			
Debentures and loans	11	**(3,145)**	(2,865)
Other non-current liabilities		**(155)**	(156)
Deferred tax liabilities		**(2)**	(1)
Interest rate and currency derivative liabilities	11	**(179)**	(169)
		(3,481)	(3,191)
Total liabilities		**(3,933)**	(4,098)
Net assets		**6,373**	7,147
EQUITY			
Share capital		**234**	234
Share premium		**1,307**	1,307
Merger reserve		**213**	213
Other reserves		**37**	38
Retained earnings		**4,504**	5,243
Equity attributable to shareholders of the Company		**6,295**	7,035
Non-controlling interests		**78**	112
Total equity		**6,373**	7,147
EPRA NTA per share*		**693p**	774p

* See definition in note 2.

Consolidated Statement of Cash Flows

For the six months ended 30 September 2020

	Note	Six months ended 30 September 2020 Unaudited £m	Six months ended 30 September 2019 Unaudited £m
Rental income received from tenants		138	211
Fees and other income received		17	30
Operating expenses paid to suppliers and employees		(64)	(90)
Sale of trading properties		–	50
Cash generated from operations		91	201
Interest paid		(38)	(40)
Interest received		–	4
Corporation tax payments		(1)	(4)
Distributions and other receivables from joint ventures and funds	8	10	24
Net cash inflow from operating activities		62	185
Cash flows from investing activities			
Development and other capital expenditure		(74)	(130)
Sale of investment properties		142	21
Sale of investments		108	5
Purchase of investments		(2)	(4)
Purchase of remaining share of Aldgate JV		–	(21)
Investment in and loans to joint ventures and funds		(52)	(80)
Capital distributions from joint ventures and funds		4	90
Indirect taxes (paid) received in respect of investing activities		(4)	4
Net cash inflow (outflow) from investing activities		122	(115)
Cash flows from financing activities			
Issue of ordinary shares		–	4
Purchase of ordinary shares		–	(125)
Dividends paid		–	(132)
Withholding tax paid		(10)	(20)
Dividends paid to non-controlling interests		–	(7)
Decrease in lease liabilities		(3)	–
Capital payments in respect of interest rate derivatives		(1)	(6)
Decrease in bank and other borrowings		(475)	(550)
Drawdown on bank and other borrowings		308	684
Net cash outflow from financing activities		(181)	(152)
Net increase (decrease) in cash and cash equivalents		3	(82)
Cash and cash equivalents at 1 April		193	242
Cash and cash equivalents at 30 September		196	160
Cash and cash equivalents consists of:			
Cash and short-term deposits		196	160

Consolidated Statement of Changes in Equity

For the six months ended 30 September 2020

Six month movements in equity

	Share capital £m	Share premium £m	Hedging and translation reserve £m	Re-valuation reserve £m	Merger reserve £m	Retained earnings £m	**Total £m**	Non-controlling interests £m	**Total equity £m**
Balance at 1 April 2020	**234**	**1,307**	**12**	**26**	**213**	**5,243**	**7,035**	**112**	**7,147**
Total comprehensive expense for the period	**–**	**–**	**2**	**(3)**	**–**	**(742)**	**(743)**	**(33)**	**(776)**
Fair value of share and share option awards	**–**	**–**	**–**	**–**	**–**	**3**	**3**	**–**	**3**
Dividends paid to non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(1)**	**(1)**
Balance at 30 September 2020	**234**	**1,307**	**14**	**23**	**213**	**4,504**	**6,295**	**78**	**6,373**
Balance at 1 April 2019	240	1,302	11	26	213	6,686	8,478	211	8,689
Total comprehensive expense for the period	–	–	–	(3)	–	(403)	(406)	(37)	(443)
Share issues	–	3	–	–	–	–	3	–	3
Purchase of own shares	(6)	–	–	–	–	(119)	(125)	–	(125)
Dividends paid in period (15.50p per share)	–	–	–	–	–	(147)	(147)	–	(147)
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	(6)	(6)
Balance at 30 September 2019	234	1,305	11	23	213	6,017	7,803	168	7,971

Prior year movements in equity

	Share capital £m	Share premium £m	Hedging and translation reserve £m	Re-valuation reserve £m	Merger reserve £m	Retained earnings £m	Total £m	Non-controlling interests £m	Total equity £m
Balance at 1 April 2019	240	1,302	11	26	213	6,686	8,478	211	8,689
Total comprehensive expense for the period	–	–	1	–	–	(1,027)	(1,026)	(86)	(1,112)
Share issues	–	5	–	–	–	–	5	–	5
Fair value of share and share option awards	–	–	–	–	–	(2)	(2)	–	(2)
Purchase of own shares	(6)	–	–	–	–	(119)	(125)	–	(125)
Dividends paid in period (31.47p per share)	–	–	–	–	–	(295)	(295)	–	(295)
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	(13)	(13)
Balance at 31 March 2020	234	1,307	12	26	213	5,243	7,035	112	7,147

Notes to the Accounts

For the six months ended 30 September 2020

1 Basis of preparation

The financial information for the period ended 30 September 2020 does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. A copy of the statutory accounts for the year ended 31 March 2020 has been delivered to the Registrar of Companies. The auditors' report on those accounts was not qualified, but included a reference to matters to which the auditor drew attention by way of emphasis without qualifying the report, in relation to the material uncertainty clause attached to the valuation of investment and development properties, either held directly or through joint ventures as at 31 March 2020. The auditors' report did not contain statements under section 498(2) or (3) of the Companies Act 2006.

The financial information included in this announcement has been prepared on a going concern basis using accounting policies consistent with International Financial Reporting Standards (IFRS) as adopted by the European Union, in accordance with IAS 34 Interim Financial Reporting, and in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority. The current period financial information presented in this document has been reviewed, not audited.

The condensed interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 March 2020, which have been prepared in accordance with IFRS as adopted by the European Union.

The same accounting policies are followed in the half year report as applied in the Group's latest annual audited financial statements, with the exception of the tax policy, which for the interim period is as follows: The current tax charge is calculated on profits arising in the period and in accordance with legislation which has been enacted or substantially enacted at the balance sheet date.

The Group has considered amendments to standards endorsed by the European Union effective for the current accounting period and determined that these do not have a material impact on the consolidated financial statements of the Group in the period ended 30 September 2020. These amendments are as follows: References to Conceptual Framework in IFRSs (amended); IAS 1 and IAS 8 (amended) – Definition of Material; IFRS 3 (amended) – Definition of a Business; and IFRS 16 (amended) – Covid-19 related Rent Concessions.

A number of new standards and amendments to standards and interpretations have been issued but are not yet effective for the current accounting period. None of these are expected to have a material impact on the consolidated financial statements of the Group. The new standards and amendments are as follows:

IFRS 17 – Insurance Contracts; IAS 1 (amended) – Classification of liabilities as current or non-current; and IFRS 10 and IAS 28 (amended) – sale of contribution of assets between an investor and its associate of joint venture.

The general risk environment in which the Group operates remained heightened during the period, which is largely due to the continued level of uncertainty associated with the impact of Covid-19, the impact of the UK's exit from the EU, the significant deterioration in the UK retail market and relatively weak investment markets.

The Group's key sources of estimation uncertainty are consistent with those disclosed in the Group's latest audited financial statements, with the exception of impairment testing of trade receivables and tenant incentives which are now considered to be a significant estimate. The impact of Covid-19 has given rise to an increase in rental debtors due from tenants as a result of delays in receiving payment. Consequently, the impairment provisions, calculated using the expected credit loss model within IFRS 9, are higher than in previous periods.

The key assumptions within the expected credit loss model include tenants' risk categories and the probability of default assumed for each risk category. The probability of default for a given risk category is also dependent on the ageing profile of outstanding debtors, however, in the current environment, as a result of Covid-19, more weighting is given to risk rating when determining expected credit losses. Risk ratings are determined by management, taking into consideration information available surrounding a tenant's credit rating, financial position, historical default rates, the current impact of Covid-19, and its potential impact over the next 12 months, on their business and industry trends. Tenants are classified as high, medium or low risk based on this information. The probabilities of default for these risk categories are reviewed at each balance sheet date.

The first table below summarises the ageing profile for debtors outstanding from tenants and amounts provided against these outstanding balances at the balance sheet date. The second table below summarises the movement in provisioning in the six months ended 30 September 2020.

Provisions against bad and debts	Group					Proportionally consolidated
	Service charge £m	< 90 days past due £m	90 – 190 days past due £m	> 190 days past due £m	Total £m	Total £m
Tenant debtors	14	39	33	6	92	118
Provisions made against tenant debtors	(5)	(9)	(17)	(6)	(37)	(44)
Net tenant debtors	9	30	16	–	55	74
Accrued income[1]	–	–	20	–	20	25
Provisions made against accrued income	–	–	(11)	–	(11)	(13)
Net accrued income	–	–	9	–	9	12

1. Accrued income relates to concessions offered to tenants in the form of the deferral of rental payments. Rental income relating to the six months ended 30 September 2020, which has not yet been invoiced, is recognised on an accruals basis in accordance with the underlying lease.

1 Basis of preparation continued

	Group £m	Proportionally consolidated £m
Movement in provisions against bad debts		
Provisions against rental debtors and accrued income as at 31 March 2020	14	17
Write-offs of rental debtors	(4)	(5)
Increase in provision against rental debtors	23	27
Increase in provision against service charge debtors	4	5
Increase in provision against accrued income	11	13
Total increase in provision charge recognised in income statement	38	45
Provisions against rental debtors and accrued income as at 30 September 2020	48	57

The financial statements are prepared on a going concern basis. The balance sheet shows that the company has net current liabilities, mainly as a result of the Senior Loan notes of $220m that are reaching maturity within the next twelve months. The Directors have worked consistently over several years to ensure that British Land has a strong and robust financial footing and the Group is now benefiting from this. As the Group has access to £1.0bn of undrawn facilities and cash in addition to proceeds from sales completed post period end, the Directors believe that the Group will be able to meet these current liabilities as they fall due. In making this assessment the directors took into account the headroom on Group debt covenants, equivalent to a 42% fall in property values, and the absence of interest cover covenants on the unsecured facilities. Before factoring in any income receivable, the facilities and cash would also be sufficient to cover forecast capital expenditure, property operating costs, administrative expenses, maturing debt and interest over the next 12 months from the approval date of the financial statements at 30 September 2020.

Having assessed the Principal Risks, the Directors believe that the Group is well placed to manage its financing and other business risks satisfactorily despite the uncertain economic climate, and have a reasonable expectation that the Company and the Group have adequate resources to continue in operation for at least 12 months from the signing date of these interim financial statements. They therefore consider it appropriate to adopt the going concern basis of accounting in preparing the interim financial statements.

The interim financial information was approved by the Board on 17 November 2020.

2 Performance measures

Earnings per share

The Group measures financial performance with reference to underlying earnings per share, the European Public Real Estate Association (EPRA) earnings per share and IFRS earnings per share. The relevant earnings and weighted average number of shares (including dilution adjustments) for each performance measure are shown below, and a reconciliation between these is shown within the supplementary disclosures (Table B).

EPRA earnings per share is calculated using EPRA earnings, which is the IFRS loss after taxation attributable to shareholders of the Company excluding investment and development property revaluations, gains/losses on investing and trading property disposals, changes in the fair value of financial instruments and associated close-out costs and their related taxation. The 2015 convertible bond was repaid in the current period. In the prior period, diluted EPRA earnings per share did not include the dilutive impact of the 2015 convertible bond, as the Group's share price was below the exchange price. IFRS diluted earnings per share would have included the dilutive impact as IAS 33 ignores this hurdle to conversion, however due to the prior period loss, this would have been anti-dilutive and therefore no adjustment was made.

Underlying earnings per share is calculated using Underlying Profit adjusted for underlying taxation (see note 6). Underlying Profit is the pre-tax EPRA earnings measure, with additional Company adjustments. No Company adjustments were made in either the current or prior period.

	Six months ended 30 September 2020			Six months ended 30 September 2019		
	Relevant earnings £m	**Relevant number of shares million**	**Earnings per share pence**	Relevant earnings £m	Relevant number of shares million	Earnings per share pence
Underlying						
Underlying pre-tax profit attributable to shareholders of the Company – income statement	**107**	**–**	**–**	152	–	–
Tax charge relating to underlying profit	**(9)**	**–**	**–**	–	–	–
Underlying basic	**98**	**927**	**10.6**	152	941	16.2
Underlying diluted	**98**	**930**	**10.5**	152	944	16.1
EPRA						
EPRA basic	**98**	**927**	**10.6**	152	941	16.2
EPRA diluted	**98**	**930**	**10.5**	152	944	16.1
IFRS						
Basic	**(730)**	**927**	**(78.7)**	(404)	941	(42.9)
Diluted	**(730)**	**927**	**(78.7)**	(404)	941	(42.9)

Net asset value

The Group adopted the EPRA issued new best practice reporting guidelines in the period ending 30 September 2020, incorporating the three new measures of net asset value: EPRA Net Tangible Assets (NTA), Net Reinvestment Value (NRV) and Net Disposal Value (NDV). EPRA NTA is considered to be the most relevant measure for the Group and is now the primary measure of net assets, replacing the previously reported EPRA Net Asset Value metric. The total accounting return is now calculated based on EPRA NTA. Further detail on the adopted metrics is included in the Additional Disclosures.

The 2015 convertible bond was repaid in the current period. In the prior period, the EPRA net asset metrics did not include the dilutive impact of the 2015 convertible bond, as the Group's share price was below the exchange price.

The net assets and number of shares for each performance measure is shown below. A reconciliation between IFRS net assets and the three EPRA net asset valuation metrics, and the relevant number of shares for each performance measure, is shown within the supplementary disclosures (Table B). EPRA NTA is a measure that is based on IFRS net assets excluding the mark-to-market on derivatives and related debt adjustments, the carrying value of intangibles, the mark-to-market on the convertible bonds, as well as deferred taxation on property and derivative valuations. The metric includes the valuation surplus on trading properties and is adjusted for the dilutive impact of share options.

	30 September 2020			31 March 2020		
	Relevant net assets £m	**Relevant number of shares million**	**Net asset value per share pence**	Relevant net assets £m	Relevant number of shares million	Net asset value per share pence
EPRA						
EPRA NTA	**6,465**	**933**	**693**	7,202	932	773
EPRA NDV	**6,003**	**933**	**643**	6,762	932	726
EPRA NRV	**7,082**	**933**	**759**	7,872	932	845
IFRS						
Basic	**6,373**	**927**	**687**	7,147	927	771
Diluted	**6,373**	**933**	**683**	7,147	932	767

2 Performance measures continued

Total accounting return

The Group also measures financial performance with reference to total accounting return. This is calculated as the movement in EPRA Net Tangible Assets per share and dividend paid in the period as a percentage of the EPRA Net Tangible Assets per share at the start of the period.

	Six months ended 30 September 2020			Six months ended 30 September 2019		
	Decrease in NTA per share pence	Dividend per share paid pence	Total accounting return	Decrease in NTA per share pence	Dividend per share paid pence	Total accounting return
Total accounting return	(80)	–	(10.3%)	(49)	15.50	(3.7%)

3 Revenue and costs

	Six months ended 30 September 2020			Six months ended 30 September 2019		
	Underlying £m	Capital and other £m	Total £m	Underlying £m	Capital and other £m	Total £m
Rent receivable	200	–	200	221	–	221
Spreading of tenant incentives and guaranteed rent increases	1	–	1	(8)	–	(8)
Surrender premia	1	–	1	–	–	–
Gross rental income	202	–	202	213	–	213
Trading property sales proceeds	–	–	–	–	53	53
Service charge income	40	–	40	47	–	47
Management and performance fees (from joint ventures and funds)	4	–	4	5	–	5
Other fees and commissions	9	–	9	10	–	10
Revenue	255	–	255	275	53	328
Trading property cost of sales	–	–	–	–	(43)	(43)
Service charge expenses	(38)	–	(38)	(47)	–	(47)
Property operating expenses	(22)	–	(22)	(25)	–	(25)
Provisions for trade receivables and accrued income	(38)	–	(38)	(1)	–	(1)
Other fees and commissions expenses	(7)	–	(7)	(8)	–	(8)
Costs	(105)	–	(105)	(81)	(43)	(124)
	150	–	150	194	10	204

The provision for doubtful debts is calculated as an expected credit loss on trade and other debtors recognised at the balance sheet date in accordance with IFRS 9. The charge to the income statement for the period in relation to provisions for trade receivables and accrued income was £38m (Six months ended 30 September 2019: £1m). Within this charge, £5m (Six months ended 30 September 2019: £nil) represents provisions made against receivable balances related to billed rental income due on the 29th September rent quarter day. Rental income is recognised on a straight line basis over the lease term in accordance with IFRS 16. The majority of rental income relating to the 29th September rent quarter day has therefore, not yet been recognised in the income statement in the current period and is instead recognised as deferred income, within current liabilities as at 30 September 2020. As the rent due on the 29th September has been billed to the tenant, however, the Group is required to provide for expected credit losses at the balance sheet date in accordance with IFRS 9. This creates a mismatch in the period between the recognition of rental income and the impairment of the associated rent receivable.

The expected credit loss is recognised on initial recognition of a debtor and is reassessed at each reporting period. In order to calculate the expected credit loss, the Group applies a forward-looking outlook to historic default rates. In the current reporting period, the forward-looking outlook has also considered the likely impacts that Covid-19 and the current status of Brexit negotiations have had on our tenants and subsequently, the recoverability of debtors.

A 10% increase / decrease in the charge in the period would result in a £4m decrease / increase in Underlying Profit and £3m increase / decrease in the Group's loss after tax.

4 Valuation movements on property

	Six months ended 30 September 2020 £m	Six months ended 30 September 2019 £m
Consolidated income statement		
Revaluation of properties	**(625)**	(436)
Revaluation of properties held by joint ventures and funds accounted for using the equity method	**(250)**	(140)
	(875)	(576)
Consolidated statement of comprehensive income		
Revaluation of owner-occupied properties	**(2)**	(2)
	(877)	(578)

5 Net financing costs

	Six months ended 30 September 2020 £m	Six months ended 30 September 2019 £m
Underlying		
Financing charges		
Bank loans and overdrafts	**(12)**	(12)
Derivatives	**17**	15
Other loans	**(38)**	(38)
Obligations under head leases	**(2)**	(2)
	(35)	(37)
Development interest capitalised	**4**	4
	(31)	(33)
Financing income		
Deposits, securities and liquid investments	**–**	–
Net financing charges – underlying	**(31)**	(33)
Capital and other		
Financing charges		
Valuation movements on fair value debt	**19**	(55)
Valuation movements on fair value derivatives	**(18)**	56
Close-out of derivatives	**(1)**	–
Fair value movement on convertible bonds	**(3)**	(3)
Fair value movement on non-hedge accounted derivatives	**(8)**	(29)
	(11)	(31)
Financing income		
Capital financing income	**–**	3
	–	3
Net financing charges – capital	**(11)**	(28)
Total financing income	**–**	3
Total financing charges	**(42)**	(64)
Net financing costs	**(42)**	(61)

Interest on development expenditure is capitalised at the Group's weighted average interest rate of 1.9% (Six months ended 30 September 2019: 2.1%). The weighted average interest rate on a proportionately consolidated basis at 30 September 2020 was 2.5% (Six months ended 30 September 2019: 2.7%).

6 Taxation

	Six months ended 30 September 2020 £m	Six months ended 30 September 2019 £m
Taxation expense		
Current taxation		
Underlying profit		
Current period UK corporation taxation (30 September 2020: 19%; 30 September 2019: 19%)[1]	**(5)**	–
Underlying profit adjustments in respect of prior periods[2]	**(4)**	–
Total current underlying profit taxation expense	**(9)**	–
Capital profit:		
Current period UK corporation taxation (30 September 2020: 19%; 30 September 2019: 19%)	**–**	(1)
Capital profit adjustments in respect of prior periods	**3**	–
Total current capital profit taxation expense	**3**	(1)
Total current taxation expense	**(6)**	(1)
Deferred taxation on revaluations and derivatives	**(1)**	–
Group total taxation	**(7)**	(1)
Attributable to joint ventures and funds	**–**	–
Total taxation expense	**(7)**	(1)

1. Includes the £5m corporation tax charge in relation to the six months ended 30 September 2020, discussed below.
2. Includes the £10m corporation tax charge in relation to the year ended 31 March 2020, discussed below, offset by other credits in respect of prior periods of £6m. The £6m release relates to tax provisions in respect of historic taxation matters and points of uncertainty.

Taxation expense attributable to Underlying Profits for the six months ended 30 September 2020 was £9m (Six months ended 30 September 2019: £nil). Taxation income attributable to Capital and other profits was £3m (Six months ended 30 September 2019: expense of £1m).

A REIT is required to pay Property Income Distributions (PIDs) of at least 90% of the taxable profits from its UK property rental business within twelve months of the end of each accounting period.

Following the temporary suspension of dividends to best ensure we could effectively support our customers who were hardest hit and protect the long term value of the business as a result of Covid-19, HMRC agreed to an extension of the required distribution period in respect of the year to 31 March 2020. The anticipated balance of the required PID not paid by the extended due date is instead subject to corporation tax. Following the announced resumption of the dividend, it is anticipated that there will be a shortfall in PID distribution required for the 2020 and 2021 tax years, resulting in an estimated corporate tax liability of £15m of which £10m relates to 2020 and £5m relates to the six month period ended 30 September 2020. A further £5m of corporate tax liability is expected to be incurred on profits earned over the remaining period to 31 March 2021 which will be accrued in the next six months.

Following the resumption of the dividend, it is expected that the full PID will be paid for the year to 31 March 2022 and subsequent years.

7 Property

Property reconciliation

	Six months ended 30 September 2020				Year ended 31 March 2020			
	Investment and development properties Level 3 £m	**Trading properties £m**	**Owner-occupied Level 3 £m**	**Total £m**	Investment and development properties Level 3 £m	Trading properties £m	Owner-occupied Level 3 £m	Total £m
Carrying value at the start of the period/year	**8,188**	**20**	**68**	**8,276**	8,931	87	73	9,091
Additions								
– property purchases	**–**	**–**	**–**	**–**	94	–	–	94
– development expenditure	**45**	**–**	**–**	**45**	156	–	–	156
– capitalised interest and staff costs	**5**	**–**	**–**	**5**	9	–	–	9
– capital expenditure on asset management initiatives	**24**	**–**	**–**	**24**	92	–	–	92
– right of use assets	**2**	**–**	**–**	**2**	74	–	–	74
	76	**–**	**–**	**76**	425	–	–	425
Depreciation	**–**	**–**	**–**	**–**	–	–	(1)	(1)
Disposals	**(133)**	**–**	**–**	**(133)**	(58)	(67)	–	(125)
Reclassifications	**3**	**–**	**(3)**	**–**	5	–	(5)	–
Revaluations included in income statement	**(625)**	**–**	**–**	**(625)**	(1,105)	–	–	(1,105)
Revaluations included in OCI	**–**	**–**	**(2)**	**(2)**	–	–	1	1
Movement in tenant incentives and contracted rent uplift balances	**3**	**–**	**–**	**3**	(10)	–	–	(10)
Carrying value at the end of the period/year	**7,512**	**20**	**63**	**7,595**	8,188	20	68	8,276
Lease liabilities				**(162)**				(163)
Less valuation surplus on right of use assets[1]				**(13)**				(20)
Valuation surplus on trading properties				**12**				13
Group property portfolio valuation at the end of the period/year				**7,432**				8,106
Non-controlling interests				**(152)**				(185)
Group property portfolio valuation at the end of the period/year attributable to shareholders				**7,280**				7,921

1. Relates to properties held under leasing agreements. The fair value of right-of-use assets is determined by calculating the present value of net rental cashflows over the term of the lease agreements. IFRS 16 right-of-use assets are not externally valued, their fair value is determined by management, and are therefore not included in the Group property portfolio valuation of £7,432m above.

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 2014, ninth edition, published by The Royal Institute of Chartered Surveyors. The information provided to the valuers, and the assumptions and valuation models used by the valuers are reviewed by the property portfolio team, the Head of Real Estate and the Chief Financial Officer. The valuers meet with the external auditors and also present directly to the Audit Committee on a half yearly basis.

Property valuations are inherently subjective as they are made on the basis of significant unobservable inputs, including assumptions made by the valuer which may not prove to be accurate. For these reasons, and consistent with EPRA's guidance, we have classified the valuations of our property portfolio as Level 3 as defined by IFRS 13. There were no transfers between levels in the period. Inputs to the valuation, including equivalent yields, rental values and costs to complete, are 'unobservable' as defined by IFRS 13.

The general risk environment in which the Group operates remained heightened during the period, which is largely due to the impact of Covid-19, uncertainty regarding the impact of the UK's exit from the EU, the significant deterioration in the UK retail market and weak investment markets. This environment has had, and may continue to have, a significant impact upon property valuations.

The Covid-19 pandemic has continued to impact global financial markets and market activity in many sectors, with some real estate markets having experienced lower levels of transactional activity and liquidity. Nevertheless, as at the valuation date some property markets have started to function again, with transaction volumes and other relevant evidence returning to levels which our valuers consider to be an adequate quantum of market evidence upon which to base their opinions of value. Accordingly, and for the avoidance of doubt, our valuers have not reported their valuations as being subject to `material valuation uncertainty` as defined by VPS 3 and VPGA 10 of the RICS Valuation- Global Standards. Our valuers have, however, highlighted the market context under which their opinions have been prepared and, in recognition of the potential for market conditions to move rapidly in response to changes in the control or future spread of Covid-19, the importance of the valuation date.

7 Property continued

In preparing their valuations, our valuers have considered the impact of concessions agreed with tenants at the balance sheet date, which mainly relate to rent deferrals and rent free periods, on valuations, primarily of retail assets. They have also given consideration to occupiers in higher risk sectors, and those assumed to be at risk of default, in determining the appropriate yields to apply.

In light of market conditions, and in response to FRC guidance, we include sensitivity tables, below, to illustrate the impact of changes in unobservable inputs on the fair value of the Group's property portfolio. At 31st March 2020 all of our external valuation reports included a "material valuation uncertainty" declaration, which emphasised that less certainty – and a higher degree of caution – should be attached to the valuations than would normally be the case. In light of this, we reviewed the ranges used for our sensitivity analysis, and adopted expanded ranges to reflect this increased uncertainty. No such declaration was included in our valuation reports at 30 September 2020, with our external valuers concluding that there was an adequate quantum of market evidence upon which to base opinions of value. Consequently, we have determined it appropriate to revert to the ranges adopted in previous reporting periods, +/-5% for ERV, +/-25bps for NEY and +/-5% for development costs.

There has been no change in the valuation methodology used for investment property as a result of Covid-19.

A provision of £19m (31 March 2020: £17m) has been made against tenant incentives and contracted rent uplift balances.

Information about the impact of changes in unobservable inputs (Level 3) on the fair value of the Group's property portfolio including share of joint ventures and funds for the six months ended 30 September 2020

	Fair value at 30 September 2020 £m	Impact on valuations		Impact on valuations		Impact on valuations	
		+5% ERV £m	-5% ERV £m	-25bps NEY £m	+25bps NEY £m	-5% costs £m	+5% costs £m
Retail	**3,150**	**140**	**(132)**	**128**	**(111)**	**2**	**(2)**
Offices[1]	**5,609**	**280**	**(284)**	**429**	**(379)**	**20**	**(19)**
Canada Water	**354**	**3**	**(3)**	**4**	**(3)**	**31**	**(31)**
Residential	**94**	**1**	**(1)**	**2**	**(2)**	**–**	**–**
Developments	**1,108**	**58**	**(60)**	**86**	**(78)**	**13**	**(13)**
Group property portfolio valuation including share of joint ventures and funds	**10,315**	**482**	**(480)**	**649**	**(573)**	**66**	**(65)**

1. Includes trading properties at fair value

Information about the impact of changes in unobservable inputs (Level 3) on the fair value of the Group's property portfolio including share of joint ventures and funds for the year ended 31 March 2020

	Fair value at 31 March 2020 £m	Impact on valuations		Impact on valuations		Impact on valuations	
		+10% ERV £m	-10% ERV £m	-50bps NEY £m	+50bps NEY £m	-10% costs £m	+10% costs £m
Retail	3,848	297	(287)	322	(276)	4	(4)
Offices[1]	5,800	553	(530)	878	(678)	26	(27)
Canada Water	364	7	(7)	8	(6)	136	(133)
Residential	99	2	(2)	4	(3)	–	–
Developments	1,046	129	(128)	198	(155)	19	(19)
Group property portfolio valuation including share of joint ventures and funds	11,157	988	(954)	1,410	(1,118)	185	(183)

1. Includes trading properties at fair value

All other factors being equal:

- a higher equivalent yield or discount rate would lead to a decrease in the valuation of an asset
- an increase in the current or estimated future rental stream would have the effect of increasing the capital value
- an increase in the costs to complete would lead to a decrease in the valuation of an asset.

However, there are interrelationships between the unobservable inputs which are partially determined by market conditions, which would impact on these changes.

Additional property covenant information

Properties valued at £1,008m (year ended 31 March 2020: £961m) were subject to a security interest and other properties of non-recourse companies amounted to £641m (year ended 31 March 2020: £772m), totalling £1,649m (year ended 31 March 2020: £1,733m).

8 Joint ventures and funds

Summary movement for the period of the investments in joint ventures and funds

	Joint ventures £m	Funds £m	**Total £m**	Equity £m	Loans £m	**Total £m**
At 1 April 2020	2,188	170	**2,358**	1,659	699	**2,358**
Additions	62	1	**63**	2	61	**63**
Share of loss after taxation	(204)	(17)	**(221)**	(221)	–	**(221)**
Distributions and dividends:						
– Capital	(4)	–	**(4)**	(4)	–	**(4)**
– Revenue	(22)	(3)	**(25)**	(25)	–	**(25)**
Hedging and exchange movements	–	–	**–**	–	–	**–**
At 30 September 2020	2,020	151	**2,171**	1,411	760	**2,171**

Summary income statement for the period of the investments in joint ventures and funds

	Six months ended 30 September 2020		Six months ended 30 September 2019	
	£m 100%	**£m BL Share**	£m 100%	£m BL Share
Revenue	**191**	**94**	198	99
Costs	**(85)**	**(42)**	(72)	(37)
	106	**52**	126	62
Administrative expenses	**–**	**–**	–	–
Net financing costs	**(46)**	**(23)**	(48)	(24)
Underlying Profit before taxation	**60**	**29**	78	38
Valuation movement	**(515)**	**(250)**	(280)	(140)
Capital financing costs	**–**	**–**	(30)	(15)
Profit on disposal of investment properties, trading properties and investments	**–**	**–**	2	1
Loss on ordinary activities before taxation	**(455)**	**(221)**	(230)	(116)
Taxation	**–**	**–**	–	–
Loss on ordinary activities after taxation	**(455)**	**(221)**	(230)	(116)
Loss split between controlling and non-controlling interests				
Attributable to non-controlling interests		**(4)**		(5)
Attributable to shareholders of the Company		**(217)**		(111)

Operating cash flows of joint ventures and funds (Group share)

	Six months ended 30 September 2020 £m	Six months ended 30 September 2019 £m
Rental income received from tenants	**52**	68
Operating expenses paid to suppliers and employees	**(13)**	(17)
Cash generated from operations	**39**	51
Interest paid	**(23)**	(30)
UK corporation tax paid	**(1)**	(2)
Cash inflow from operating activities	**15**	19
Cash inflow from operating activities deployed as:		
Cash surplus (deficit) following revenue distributions	**5**	(5)
Revenue distributions per consolidated statement of cash flows	**10**	24
Revenue distributions split between controlling and non-controlling interests		
Attributable to non-controlling interests	**–**	1
Attributable to shareholders of the Company	**10**	23

9 Other investments

	30 September 2020 £m	31 March 2020 £m
Fair value through profit or loss	**4**	111
Amortised cost	**2**	3
Intangible assets	**12**	11
	18	125

The amount included in the fair value through profit or loss relates to private equity / venture capital investments of £4m (2019/20: £2m) which are categorised as Level 3 in the fair value hierarchy and government bonds of £nil (2019/20: £17m) which are classified as Level 1. The fair value of private equity / venture capital investments are determined by the Directors.

As at 31 March 2020, fair value through profit or loss included £93m comprising interests as a trust beneficiary. The trust's assets comprise freehold reversions in a pool of commercial properties, comprising Sainsburys superstores. This interest was sold for £102m in the current period ending 30 September 2020.

10 Debtors

	30 September 2020 £m	31 March 2020 £m
Trade and other debtors	**67**	29
Prepayments and accrued income	**17**	10
Rental deposits	**17**	17
	101	56

Trade and other debtors are shown after deducting a provision for bad and doubtful debts of £37m (2019/20: £14m). Prepayments and accrued income are shown after deducting a provision for bad and doubtful debts of £11m (2019/20: £nil). The provision for doubtful debts is calculated as an expected credit loss on trade and other debtors in accordance with IFRS 9.

The charge to the income statement in relation to provisions made against doubtful debts for the six months ended 30 September 2020 was £38m, as disclosed in note 3. The increase in provisions against trade debtors and accrued income in the six months ended 30 September of £34m is equal to the charge to the income statement of £38m, less write-offs of trade debtors of £4m.

11 Net debt

11.1 Fair value and book value of net debt

	30 September 2020			31 March 2020		
	Fair value £m	**Book value £m**	**Difference £m**	Fair value £m	Book value £m	Difference £m
Debentures and unsecured bonds	**2,042**	**1,939**	**103**	2,022	1,964	58
Convertible bonds	**–**	**–**	**–**	347	347	–
Bank debt and other floating rate debt	**1,382**	**1,376**	**6**	1,197	1,191	6
Gross debt	**3,424**	**3,315**	**109**	3,566	3,502	64
Interest rate and currency derivative liabilities	**179**	**179**	**–**	169	169	–
Interest rate and currency derivative assets	**(219)**	**(219)**	**–**	(231)	(231)	–
Cash and short term deposits	**(196)**	**(196)**	**–**	(193)	(193)	–
Net debt	**3,188**	**3,079**	**109**	3,311	3,247	64
Net debt attributable to non-controlling interests	**(80)**	**(80)**	**–**	(107)	(107)	–
Net debt attributable to shareholders of the Company	**3,108**	**2,999**	**109**	3,204	3,140	64
Lease liabilities	**161**	**161**	**–**	163	163	–
Net debt (including lease liabilities)	**3,269**	**3,160**	**109**	3,367	3,303	64
Net debt attributable to non-controlling interests (including lease liabilities)	**(85)**	**(85)**	**–**	(112)	(112)	–
Net debt attributable to shareholders of the Company (including lease liabilities)	**3,184**	**3,075**	**109**	3,255	3,191	64

The fair values of debentures, unsecured bonds and the convertible bonds have been established by obtaining quoted market prices from brokers. The bank debt and other floating rate debt has been valued assuming it 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 advisor. Short-term debtors and creditors and other investments (see note 9) have been excluded from the disclosures on the basis that the fair value is equivalent to the book value.

11.2 Loan to value

Group loan to value (LTV)

	30 September 2020 £m	31 March 2020 £m
Group loan to value (LTV)	**30.2%**	28.9%
Principal value of gross debt	**3,128**	3,294
Less debt attributable to non-controlling interests	**(86)**	(113)
Less cash and short term deposits (balance sheet)	**(196)**	(193)
Plus cash attributable to non-controlling interests	**6**	6
Total net debt for LTV calculation	**2,852**	2,994
Group property portfolio valuation (Note 7)	**7,432**	8,106
Investments in joint ventures and funds (Note 8)	**2,171**	2,358
Other investments and property, plant and equipment (balance sheet)	**24**	131
Less property and investments attributable to non-controlling interests	**(189)**	(221)
Total assets for LTV calculation	**9,438**	10,374

Proportionally consolidated loan to value (LTV)

	30 September 2020 £m	31 March 2020 £m
Proportionally consolidated loan to value (LTV)	**35.7%**	34.0%
Principal value of gross debt	**4,072**	4,271
Less attributable to non-controlling interests	**(86)**	(113)
Less cash and short term deposits	**(302)**	(322)
Plus cash attributable to non-controlling interests	**6**	6
Total net debt for proportional LTV calculation	**3,690**	3,842
Group property portfolio valuation (Note 7)	**7,432**	8,106
Share of property of joint ventures and funds	**3,072**	3,272
Other investments and property, plant and equipment (balance sheet)	**24**	131
Less property attributable to non-controlling interests	**(189)**	(221)
Total assets for proportional LTV calculation	**10,339**	11,288

11 Net debt continued

11.3 British Land Unsecured Financial Covenants

The two financial covenants applicable to the Group unsecured debt including convertible bonds are shown below:

	30 September 2020 £m	31 March 2020 £m
Net Borrowings not to exceed 175% of Adjusted Capital and Reserves	**43%**	40%
Principal amount of gross debt	**3,128**	3,294
Less the relevant proportion of borrowings of the partly-owned subsidiary / non-controlling interests	**(86)**	(113)
Less cash and deposits (balance sheet)	**(196)**	(193)
Plus the relevant proportion of cash and deposits of the partly-owned subsidiary / non-controlling interests	**6**	6
Net Borrowings	**2,852**	2,994
Share capital and reserves (balance sheet)	**6,373**	7,147
EPRA deferred tax adjustment (EPRA Table A)	**6**	6
Trading property surpluses (EPRA Table A)	**12**	13
Exceptional refinancing charges (see below)	**194**	199
Fair value adjustments of financial instruments (EPRA Table A)	**148**	141
Less reserves attributable to non-controlling interests (balance sheet)	**(78)**	(112)
Adjusted Capital and Reserves	**6,655**	7,394

In calculating Adjusted Capital and Reserves for the purpose of the unsecured debt financial covenants, there is an adjustment of £194m (31 March 2020: £199m) to reflect the cumulative net amortised exceptional items relating to the refinancings in the years ended 31 March 2005, 2006 and 2007.

	30 September 2020 £m	31 March 2020 £m
Net Unsecured Borrowings not to exceed 70% of Unencumbered Assets	**33%**	30%
Principal amount of gross debt	**3,128**	3,294
Less cash and deposits not subject to a security interest (being £192m less the relevant proportion of cash and deposits of the partly owned subsidiary of £5m)	**(187)**	(169)
Less principal amount of secured and non-recourse borrowings	**(1,033)**	(1,156)
Net Unsecured Borrowings	**1,908**	1,969
Group property portfolio valuation (Note 7)	**7,432**	8,106
Investments in joint ventures and funds (Note 8)	**2,171**	2,358
Other investments and property, plant and equipment (balance sheet)	**24**	131
Less investments in joint ventures (Note 8)	**(2,171)**	(2,358)
Less encumbered assets (Note 7)	**(1,649)**	(1,733)
Unencumbered Assets	**5,807**	6,504

11 Net debt continued

11.4 Convertible bond

0% Convertible bond 2015 (maturity 2020)

On 9 June 2020, the £350 million convertible bonds were redeemed at par in cash. On 9 June 2015 British Land (White) 2015 Limited (the 2015 Issuer), a wholly owned subsidiary of the Group, issued £350 million zero coupon guaranteed convertible bonds due 2020 at par.

11.5 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).

	30 September 2020				31 March 2020			
	Level 1 £m	**Level 2 £m**	**Level 3 £m**	**Total £m**	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Interest rate and currency derivative assets	**–**	**(219)**	**–**	**(219)**	–	(231)	–	(231)
Other investments – fair value through profit and loss	**–**	**–**	**(4)**	**(4)**	(16)	–	(95)	(111)
Assets	**–**	**(219)**	**(4)**	**(223)**	(16)	(231)	(95)	(342)
Interest rate and currency derivative liabilities	**–**	**179**	**–**	**179**	–	169	–	169
Convertible bonds	**–**	**–**	**–**	**–**	347	–	–	347
Liabilities	**–**	**179**	**–**	**179**	347	169	–	516
Total	**–**	**(40)**	**(4)**	**(44)**	331	(62)	(95)	174

There have been no transfers between levels in the period. Further disclosures in relation to the valuation of the other investments are included within note 9.

12 Dividend

As announced on 9 October 2020, the dividend has resumed following its temporary suspension in March. The dividend will be paid semi-annually, fixed at 80% of Underlying EPS based on the most recently completed six-month period.

The interim dividend payment for the six-month period ending 30 September 2020 will be 8.40p. Payment will be made on 19 February 2021 to shareholders on the register at close of business on 8 January 2021. The interim dividend will be a Property Income Distribution and no SCRIP alternative will be offered.

A REIT is required to pay Property Income Distributions (PIDs) of at least 90% of the taxable profits from its UK property rental business within twelve months of the end of each accounting period and we have agreed an extension to this deadline for the year ended 31 March 2020 with HMRC. We have agreed with HMRC that we will remain compliant with the REIT regime requirements through the payment of corporation tax at 19% on any underpayment of the PID requirement, provided that it arises as a consequence of Covid-19. The corporation tax anticipated to be due for the years ended 31 March 2020 and the six months ended 30 September 2020 has therefore been provided for (see Note 6 Taxation). The Group comfortably passes all other REIT tests and intends to remain a REIT for the foreseeable future.

13 Segment information

Operating segments

The Group allocates resources to investment and asset management according to the sectors it expects to perform over the medium term. Its three principal sectors are Offices, Retail and Canada Water. The Retail sector includes leisure, as this is often incorporated into Retail schemes. The Other/unallocated sector includes residential properties.

The relevant gross rental income, net rental income, operating result and property assets, being the measures of segment revenue, segment result and segment assets used by the management of the business, are set out below. Management reviews the performance of the business principally on a proportionally consolidated basis, which includes the Group's share of joint ventures and funds on a line-by-line basis and excludes non-controlling interests in the Group's subsidiaries. The chief operating decision maker for the purpose of segment information is the Executive Committee.

Gross rental income is derived from the rental of buildings. Operating result is the net of net rental income, fee income and administrative expenses. No customer exceeded 10% of the Group's revenues in either period.

Segment result

	Six months ended 30 September									
	Offices		Retail		Canada Water		Other/unallocated		Total	
	2020 £m	2019 £m	**2020 £m**	2019 £m	**2020 £m**	2019 £m	**2020 £m**	2019 £m	**2020 £m**	2019 £m
Gross rental income										
British Land Group	**83**	82	**105**	117	**4**	4	**2**	2	**194**	205
Share of joint ventures and funds	**40**	34	**32**	36	**–**	–	**–**	–	**72**	70
Total	**123**	116	**137**	153	**4**	4	**2**	2	**266**	275
Net rental income										
British Land Group	**72**	69	**62**	106	**3**	4	**–**	2	**137**	181
Share of joint ventures and funds	**32**	29	**20**	33	**–**	–	**–**	–	**52**	62
Total	**104**	98	**82**	139	**3**	4	**–**	2	**189**	243
Operating result										
British Land Group	**70**	69	**62**	107	**1**	2	**(24)**	(25)	**109**	153
Share of joint ventures and funds	**32**	26	**18**	30	**–**	–	**–**	–	**50**	56
Total	**102**	95	**80**	137	**1**	2	**(24)**	(25)	**159**	209

Reconciliation to Underlying Profit before taxation	**Six months ended 30 September 2020 £m**	Six months ended 30 September 2019 £m
Operating result	**159**	209
Net financing costs	**(52)**	(57)
Underlying Profit	**107**	152
Reconciliation to profit on ordinary activities before taxation		
Underlying Profit	**107**	152
Capital and other	**(867)**	(598)
Underlying Profit attributable to non-controlling interests	**3**	6
Total loss on ordinary activities before taxation	**(757)**	(440)

Of the operating result above, £nil (six months ended 30 September 2019: £nil) was derived from outside the UK.

13 Segment information continued

Segment assets

	Offices		Retail		Canada Water		Other / unallocated		Total	
	30 September 2020 £m	31 March 2020 £m	**30 September 2020 £m**	31 March 2020 £m	**30 September 2020 £m**	31 March 2020 £m	**30 September 2020 £m**	31 March 2020 £m	**30 September 2020 £m**	31 March 2020 £m
Property assets										
British Land Group	**4,380**	4,470	**2,424**	2,960	**354**	364	**135**	147	**7,293**	7,941
Share of funds and joint ventures	**2,284**	2,323	**751**	913	**–**	–	**–**	–	**3,035**	3,236
Total	**6,664**	6,793	**3,175**	3,873	**354**	364	**135**	147	**10,328**	11,177

Reconciliation to net assets – Unaudited

British Land Group	30 September 2020 £m	31 March 2020 £m
Property assets	**10,328**	11,177
Other non-current assets	**6**	131
Non-current assets	**10,334**	11,308
Other net current liabilities	**(173)**	(252)
Adjusted net debt	**(3,696)**	(3,854)
Other non-current liabilities	**–**	–
EPRA net tangible assets	**6,465**	7,202
Non-controlling interests	**78**	112
EPRA adjustments	**(170)**	(167)
Net assets	**6,373**	7,147

14 Related party transactions

There have been no material changes in the related party transactions described in the last annual report.

15 Contingent liabilities

The Group, joint ventures and funds have 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.

16 Share capital and reserves

	£m	Ordinary shares of 25p each
Issued, called and fully paid		
At 1 April 2020	**234**	937,938,097
Issues	**–**	19,887
Repurchased and cancelled	**–**	–
At 30 September 2020	**234**	937,957,984

At 30 September 2020, of the issued 25p ordinary shares, 7,376 shares were held in the ESOP trust (31 March 2020: 7,376), 11,266,245 shares were held as treasury shares (31 March 2020: 11,266,245) and 926,684,363 shares were in free issue (31 March 2020: 926,664,476). No treasury shares were acquired by the ESOP trust during the year. All issued shares are fully paid.

17 Subsequent events

After the period end, the Group exchanged and completed on the sale of a number of properties within the Retail and Offices segments. In Retail, the Group exchanged and completed on the sale of three properties for a total consideration of £212m. In Offices, the Group exchanged and completed on the sale of Clarges, Mayfair for £177m and the sale of Yalding House for £42m.

Supplementary Disclosures

Unaudited

Table A: Summary income statement and balance sheet

Summary income statement based on proportional consolidation for the six months ended 30 September 2020

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 basis and excluding non-controlling interests.

	Six months ended 30 September 2020				Six months ended 30 September 2019			
	Group £m	**Joint ventures and funds £m**	**Less non-controlling interests £m**	**Proportionally consolidated £m**	Group £m	Joint ventures and funds £m	Less non-controlling interests £m	Proportionally consolidated £m
Gross rental income[2]	**204**	**72**	**(8)**	**268**	213	70	(8)	275
Property operating expenses	**(60)**	**(20)**	**3**	**(77)**	(26)	(8)	2	(32)
Net rental income	**144**	**52**	**(5)**	**191**	187	62	(6)	243
Administrative expenses	**(38)**	**–**	**–**	**(38)**	(41)	–	–	(41)
Net fees and other income	**6**	**–**	**–**	**6**	7	–	–	7
Ungeared Income Return	**112**	**52**	**(5)**	**159**	153	62	(6)	209
Net financing costs	**(31)**	**(23)**	**2**	**(52)**	(33)	(24)	–	(57)
Underlying Profit	**81**	**29**	**(3)**	**107**	120	38	(6)	152
Underlying taxation	**(9)**	**–**	**–**	**(9)**	–	–	–	–
Underlying Profit after taxation	**72**	**29**	**(3)**	**98**	120	38	(6)	152
Valuation movement				**(875)**				(576)
Other capital and taxation (net)[1]				**145**				172
Result attributable to shareholders of the Company				**(730)**				(404)

1. Includes other comprehensive income, movement in dilution of share options and the movement in items excluded for EPRA NAV
2. Group gross rental income includes £2m of all inclusive rents relating to service charge income

Summary balance sheet based on proportional consolidation as at 30 September 2020

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 basis and excluding non-controlling interests.

	Group £m	Share of joint ventures & funds £m	Less non-controlling interests £m	Share options £m	Deferred tax £m	Mark-to-market on derivatives and related debt adjustments £m	Head leases £m	Valuation surplus on trading properties £m	Intangibles £m	**EPRA NTA 30 September 2020 £m**	EPRA NTA 31 March 2020 £m
Retail properties	2,635	803	(189)	–	–	–	(74)	–	–	**3,175**	3,873
Office properties	4,435	2,285	–	–	–	–	(68)	12	–	**6,664**	6,793
Canada Water properties	390	–	–	–	–	–	(36)	–	–	**354**	364
Other properties	135	–	–	–	–	–	–	–	–	**135**	147
Total properties[1]	7,595	3,088	(189)	–	–	–	(178)	12	–	**10,328**	11,177
Investments in joint ventures and funds	2,171	(2,171)	–	–	–	–	–	–	–	**–**	–
Other investments	18	–	–	–	–	–	–	–	(12)	**6**	125
Other net (liabilities) assets	(332)	(42)	1	16	6	–	178	–	–	**(173)**	(246)
Net debt	(3,079)	(875)	110	–	–	148	–	–	–	**(3,696)**	(3,854)
Net assets	6,373	–	(78)	16	6	148	–	12	(12)	**6,465**	7,202
EPRA NTA per share (Note 2)										**693p**	773p

1. Included within the total property value of £10,328m are right-of-use assets net of lease liabilities of £13m, which in substance, relates to properties held under leasing agreements. The fair value of the right-of-use asset is determined by calculating the present value of net rental cashflows over the term of the lease agreements.

Table A continued

	30 September 2020		31 March 2020	
	£m	Pence per share	£m	Pence per share
Opening EPRA NTA	7,202	773	8,639	904
Income return	98	11	306	33
Capital return	(835)	(91)	(1,323)	(139)
Dividend paid	–	–	(295)	(31)
Purchase of own shares	–	–	(125)	6
Closing EPRA NTA	6,465	693	7,202	773

Table B: EPRA Performance measures

EPRA Performance measures summary table

	Six months ended 30 September 2020		Six months ended 30 September 2019	
	£m	Pence per share	£m	Pence per share
EPRA Earnings – basic	98	10.6	152	16.2
– diluted	98	10.5	152	16.1
EPRA Net Initial Yield		4.5%		4.5%
EPRA 'topped-up' Net Initial Yield		5.0%		4.8%
EPRA Vacancy Rate		8.0%		5.6%

	30 September 2020		31 March 2020	
	Net tangible assets £m	Net assets per share pence	Net tangible assets £m	Net assets per share pence
EPRA NTA	6,465	693p	7,202	773p
EPRA NRV	7,082	759p	7,872	845p
EPRA NDV	6,003	643p	6,762	726p

Calculation and reconciliation of EPRA/IFRS earnings and EPRA/IFRS earnings per share

	Six months ended 30 September 2020 £m	Six months ended 30 September 2019 £m
Loss attributable to the shareholders of the Company	(730)	(404)
Exclude:		
Group – non-underlying taxation	(3)	1
Group – valuation movement	625	436
Group – profit on disposal of investment properties and investments	(19)	(10)
Group – profit on disposal of trading properties	–	(10)
Joint ventures and funds – valuation movement (including result on disposals)	250	139
Joint ventures and funds – capital financing costs	–	15
Changes in fair value of financial instruments and associated close-out costs	11	28
Non-controlling interests in respect of the above	(36)	(43)
EPRA earnings – basic	98	152
Dilutive effect of 0% convertible bond	–	–
EPRA earnings – diluted	98	152

Loss attributable to the shareholders of the Company	(730)	(404)
Dilutive effect of 0% convertible bond	–	–
IFRS earnings – diluted	(730)	(404)

Table B continued

	Six months ended 30 September 2020 Number million	Six months ended 30 September 2019 Number million
Weighted average number of shares	938	952
Adjustment for Treasury shares	(11)	(11)
IFRS/EPRA weighted average number of shares (basic)	**927**	**941**
Dilutive effect of share options	–	–
Dilutive effect of ESOP shares	3	3
EPRA weighted average number of shares (diluted)	**930**	**944**
Remove dilutive effect of anti-dilutive share options	(3)	(3)
IFRS weighted average number of shares (diluted)	**927**	**941**

Net assets per share

EPRA published its latest Best Practices Recommendations in October 2019 which included three new Net Asset Valuation metrics, EPRA Net Reinstatement Value (NRV), EPRA Net Tangible Assets (NTA) and EPRA Net Disposal Value (NDV). These metrics are effective from 1 January 2020 and have been adopted in the current period. A reconciliation between the new EPRA net asset valuation metrics and the previous measures is shown on the following page.

	30 September 2020		31 March 2020	
	£m	Pence per share	£m	Pence per share
Balance sheet net assets	**6,373**		**7,147**	
Deferred tax arising on revaluation movements	6		6	
Mark-to-market on derivatives and related debt adjustments	148		141	
Dilution effect of share options	16		18	
Surplus on trading properties	12		13	
Intangible assets	(12)		(11)	
Less non-controlling interests	(78)		(112)	
EPRA Net Tangible Assets (NTA)	**6,465**	**693**	**7,202**	**773**
Intangible assets	12		11	
Purchasers' costs	605		659	
EPRA Net Reinstatement Value (NRV)	**7,082**	**759**	**7,872**	**845**
Deferred tax arising on revaluation movements	(8)		(9)	
Purchasers' costs	(605)		(659)	
Mark-to-market on derivatives and related debt adjustments	(148)		(141)	
Mark-to-market on debt	(318)		(301)	
EPRA Net Disposal Value (NDV)	**6,003**	**643**	**6,762**	**726**

EPRA NTA is considered to be the most relevant measure for the Group and is now the primary measure of net assets, replacing the previously reported EPRA NAV metric. EPRA NTA assumes that entities buy and sell assets, thereby crystallising certain levels of unavoidable deferred tax. Due to the Group's REIT status, deferred tax is only provided at each balance sheet date on properties outside the REIT regime. As a result deferred taxes are excluded from EPRA NTA for properties within the REIT regime. For properties outside of the REIT regime, deferred tax is included to the extent that it is expected to crystallise, in accordance with the second recommended option per EPRA Best Practice Recommendations. EPRA NRV reflects what would be needed to recreate the Group through the investment markets based on its current capital and financing structure.

	30 September 2020 Number million	31 March 2020 Number million
Number of shares at period/year end	938	938
Adjustment for treasury shares	(11)	(11)
IFRS/EPRA Number of shares (basic)	**927**	**927**
Dilutive effect of share options	3	3
Dilutive effect of ESOP shares	3	2
IFRS/ EPRA number of shares (diluted)	**933**	**932**

Table B continued

Reconciliation of new EPRA net asset valuation metrics to previous metrics

	30 September 2020 £m	31 March 2020 £m
EPRA Net Tangible Assets	6,465	7,202
Adjustment for:		
Intangibles	12	11
EPRA Net Asset Value	6,477	7,213
Per share measure	694p	774p

	30 September 2020 £m	31 March 2020 £m
EPRA Net Reinstatement Value	7,082	7,872
Adjustment for:		
Purchasers' costs	(605)	(659)
EPRA Net Asset Value	6,477	7,213
Per share measure	694p	774p

As the Group's EPRA NDV is the same as the EPRA NNNAV, there are no reconciling items.

	30 September 2020 £m	31 March 2020 £m
EPRA Net Disposal Value	6,003	6,762
EPRA NNNAV	6,003	6,762
Per share measure	643p	726p

EPRA Net Initial Yield and 'topped-up' Net Initial Yield

	30 September 2020 £m	30 September 2019 £m
Investment property – wholly-owned	6,791	8,434
Investment property – share of joint ventures and funds	3,524	3,289
Less developments, residential and land	(801)	(1,255)
Completed property portfolio	9,514	10,468
Allowance for estimated purchasers' costs	684	673
Gross up completed property portfolio valuation (A)	10,198	11,141
Annualised cash passing rental income	485	521
Property outgoings	(27)	(17)
Annualised net rents (B)	458	504
Rent expiration of rent-free periods and fixed uplifts[1]	50	35
'Topped-up' net annualised rent (C)	508	539
EPRA Net Initial Yield (B/A)	4.5%	4.5%
EPRA 'topped-up' Net Initial Yield (C/A)	5.0%	4.8%
Including fixed/minimum uplifts received in lieu of rental growth	8	5
Total 'topped-up' net rents (D)	516	544
Overall 'topped-up' Net Initial Yield (D/A)	5.1%	4.9%
'Topped-up' net annualised rent	508	539
ERV vacant space	47	34
Reversions	24	22
Total ERV (E)	579	595
Net Reversionary Yield (E/A)	5.7%	5.3%

1. The weighted average period over which rent-free periods expire is 1 year (30 September 2019: 1 year).

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 is determined by our external valuers as at 30 September 2020, 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

	30 September 2020 £m	30 September 2019 £m
Annualised potential rental value of vacant premises	**47**	34
Annualised potential rental value for the completed property portfolio	**586**	605
EPRA Vacancy Rate	**8.0%**	5.6%

EPRA Cost Ratios

	Six months ended 30 September 2020 £m	Six months ended 30 September 2019 £m
Property operating expenses	**57**	24
Administrative expenses	**38**	41
Share of joint ventures and funds expenses	**20**	8
Less: Performance & management fees (from joint ventures and funds)	**(4)**	(5)
Net other fees and commissions	**(2)**	(2)
Ground rent costs and operating expenses de facto included in rents	**(10)**	(8)
EPRA Costs (including direct vacancy costs) (A)	**99**	58
Direct vacancy costs	**(17)**	(12)
EPRA Costs (excluding direct vacancy costs) (B)	**82**	46
Gross Rental Income less ground rent costs and operating expenses de facto included in rents	**184**	197
Share of joint ventures and funds (Gross Rental Income less ground rent costs)	**72**	70
Total Gross Rental Income (C)	**256**	267
EPRA Cost Ratio (including direct vacancy costs) (A/C)	**38.7%**	21.7%
EPRA Cost Ratio (excluding direct vacancy costs) (B/C)	**32.0%**	17.2%
Impairment of tenant debtors, tenant incentives and accrued income (D)	**47**	4
Adjusted Cost ratio (including direct vacancy costs and excluding impairment of tenant debtors, tenant incentives and accrued income) (A-D)/C	**20.3%**	20.2%
Overhead and operating expenses capitalised (including share of joint ventures and funds)	**3**	3

In the current and prior periods employee costs in relation to staff time on development projects are capitalised into the base cost of relevant development assets.

Table C: Gross rental income

	Six months ended 30 September 2020 £m	Six months ended 30 September 2019 £m
Rent receivable	**262**	284
Spreading of tenant incentives and guaranteed rent increases	**2**	(10)
Surrender premia	**4**	1
Gross rental income	**268**	275

The current and prior period information is presented on a proportionally consolidated basis, excluding non-controlling interests.

Table D: Property related capital expenditure

	Six months ended 30 September 2020			Year ended 31 March 2020		
	Group	**Joint ventures and funds**	**Total**	Group	Joint ventures and funds	Total
Acquisitions	**–**	**–**	**–**	94	54	148
Development	**45**	**25**	**70**	156	126	282
Investment properties						
Incremental lettable space	**1**	**–**	**1**	1	–	1
No incremental lettable space	**21**	**17**	**38**	82	20	102
Tenant incentives	**2**	**1**	**3**	9	6	15
Other material non-allocated types of expenditure	**3**	**–**	**3**	5	1	6
Capitalised interest	**2**	**2**	**4**	4	4	8
Total property related capex	**74**	**45**	**119**	351	211	562
Conversion from accrual to cash basis	**5**	**–**	**5**	9	11	20
Total property related capex on cash basis	**79**	**45**	**124**	360	222	582

The above is presented on a proportionally consolidated basis, excluding non-controlling interests and business combinations. The 'Other material non-allocated types of expenditure' category contains capitalised staff costs of £3m (31 March 2020: £6m).

SUPPLEMENTARY TABLES

Data includes Group's share of Joint Ventures and Funds (includes Hercules Unit Trust)

September rent collection[1]

Rent due between 29 September and 10 November	Offices	Retail[2]	Total
Received	97%	62%	77%
Rent deferrals	-	-	-
Rent forgiven	-	1%	-
Customer paid monthly	1%	2%	2%
Outstanding	2%	35%	21%
Total[4]	**100%** **£48m**	**100%** **£64m**	**100%** **£112m**
Collection of adjusted billing[3]	98%	64%	78%

June rent collection[1]

Rent due between 24 June and 28 September	Offices	Retail[2]	Total
Received	98%	69%	81%
Rent deferrals	1%	4%	2%
Rent forgiven	-	6%	4%
Moved to monthly	-	-	-
Outstanding	1%	21%	13%
Total	**100%** **£57m**	**100%** **£80m**	**100%** **£137m**
Collection of adjusted billing[3]	99%	77%	86%

March rent collection[1]

Rent due between 2 March and 23 June	Offices	Retail[2]	Total
Received	98%	46%	68%
Rent deferrals	1%	28%	17%
Rent forgiven	1%	12%	7%
Moved to monthly	-	-	-
Outstanding	-	14%	8%
Total	**100%** **£58m**	**100%** **£77m**	**100%** **£135m**
Collection of adjusted billing[3]	100%	77%	89%

[1] *As at 10 November*
[2] *Includes non-office customers located within our London campuses*
[3] *Total billed rents exclusive of rent deferrals, rent forgiven and tenants moved to monthly payments*
[4] *The amount billed is less than what was billed in March and June due to the exclusion of Scottish quarter date amounts which are due to be billed on 28 November and monthly amounts due for December which will be billed later in the quarter.*

Since 1 April 2020		Price (100%)	Price (BL Share)	Annual Passing Rent
Sales	**Sector**	**£m**	**£m**	**£m[1]**
Completed				
Portfolio of Sainsbury's stores[2]	Retail	102	102	-
Tesco, Brislington	Retail	42	42	3
B&Qs, Various	Retail	100	100	8
Tescos, Milton Keynes & Peterborough[3]	Retail	149	149	9
Beaumont Leys (part-sale)[3]	Retail	63	63	5
Total		**456**	**456**	**25**

[1] BL share of annualised rent topped up for rent frees

[2] The portfolio was the indirect ownership (25.5%) of the reversionary interest of 26 Sainsbury's stores.

[3] Exchanged and completed post period end.

Portfolio Valuation by Sector

At 30 September 2020	Group	JVs & Funds	Total	H1 Change[1]	
	£m	£m	£m	%	£m
West End	4,071	45	4,116	(2.5)	(105)
City	297	2,238	2,535	(4.0)	(106)
Offices	**4,368**	**2,283**	**6,651**	**(3.1)**	**(211)**
Retail Parks	898	608	1,506	(13.1)	(243)
Shopping Centre	634	614	1,248	(18.1)	(276)
Superstores	46	-	46	(0.2)	-
Department Stores	22	-	22	(34.3)	(11)
High Street	116	-	116	(14.0)	(19)
Leisure	218	19	237	(11.3)	(30)
Retail	**1,934**	**1,241**	**3,175**	**(14.9)**	**(579)**
Residential[2]	**135**	**-**	**135**	**(9.1)**	**(14)**
Canada Water	**354**	**-**	**354**	**(6.0)**	**(23)**
Total	**6,791**	**3,524**	**10,315**	**(7.3)**	**(827)**
Standing Investments	***6,010***	***3,512***	***9,522***	***(8.1)***	***(816)***
Developments	***781***	***12***	***793***	***(0.9)***	***(11)***

[1] 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

[2] Stand-alone residential

Gross Rental Income[1]

Accounting Basis £m	6 months to 30 September 2020			Annualised as at 30 September 2020		
	Group	JVs & Funds	Total	Group	JVs & Funds	Total
West End	77	1	78	140	2	142
City	8	39	47	6	68	74
Offices	**85**	**40**	**125**	**146**	**70**	**216**
Retail Parks	46	27	73	76	52	128
Shopping Centre	27	24	51	54	44	98
Superstores	2	1	3	3	1	4
Department Stores	1	-	1	2	-	2
High Street	2	-	2	6	-	6
Leisure	7	-	7	14	1	15
Retail	**85**	**52**	**137**	**155**	**98**	**253**
Residential[2]	**2**	**-**	**2**	**1**	**-**	**1**
Canada Water	**4**	**-**	**4**	**7**	**-**	**7**
Total	**176**	**92**	**268**	**309**	**168**	**477**

[1] Gross rental income will differ from annualised valuation rents due to accounting adjustments for fixed & minimum contracted rental uplifts and lease incentives

[2] Stand-alone residential

Portfolio Net Yields[1,2]

As at 30 September 2020	EPRA net initial yield %	EPRA topped up net initial yield %[3]	Overall topped up net initial yield %[4]	Net equivalent yield %	Net equivalent yield movement bps	Net reversionary yield %	ERV Growth %[5]
West End	3.5	4.1	4.2	4.4	11	5.0	2.2
City	2.9	3.8	3.8	4.5	3	5.2	(1.7)
Offices	**3.3**	**4.0**	**4.0**	**4.4**	**8**	**5.1**	**0.7**
Retail Parks	7.6	7.8	7.9	7.3	26	7.2	(11.6)
Shopping Centre	6.4	6.5	6.7	6.8	41	6.8	(11.9)
Superstores	7.9	7.9	7.9	5.8	(12)	6.0	0.2
Department Stores	8.3	8.3	8.3	9.4	(4)	12.1	(7.2)
High Street	4.3	4.5	4.5	5.7	27	6.1	(9.2)
Leisure	5.7	5.8	6.4	6.3	57	5.5	(1.2)
Retail	**6.9**	**7.0**	**7.2**	**6.9**	**33**	**6.9**	**(10.9)**
Canada Water	**3.3**	**3.2**	**3.2**	**4.0**	**3**	**4.0**	**(3.9)**
Total	**4.5**	**5.0**	**5.1**	**5.3**	**17**	**5.7**	**(4.9)**

On a proportionally consolidated basis including the Group's share of joint ventures and funds

[1] Including notional purchaser's costs

[2] Excluding committed developments, assets held for development and residential assets

[3] Including rent contracted from expiry of rent-free periods and fixed uplifts not in lieu of rental growth

[4] Including fixed/minimum uplifts (excluded from EPRA definition)

[5] As calculated by MSCI

Total Property Return (as calculated by MSCI)

6 months to 30 September 2020	Offices		Retail		Total	
%	British Land	MSCI	British Land	MSCI	British Land	MSCI
Capital Return	(3.0)	(2.4)	(15.0)	(8.4)	(7.3)	(3.7)
- ERV Growth	0.7	(0.5)	(10.9)	(5.4)	(4.9)	(2.0)
- Yield Movement[1]	8 bps	9 bps	33 bps	26 bps	17 bps	11 bps
Income Return	1.4	1.8	3.2	2.6	1.9	2.2
Total Property Return	**(1.6)**	**(0.6)**	**(12.2)**	**(6.0)**	**(5.5)**	**(1.6)**

On a proportionally consolidated basis including the Group's share of joint ventures and funds
[1] Net equivalent yield movement

Top 20 Tenants by Sector

As at 30 September 2020	% of retail rent		% of office rent
Retail		**Offices**	
Tesco[1]	7.8	Facebook	7.4
Next	5.0	Government	6.2
Walgreens (Boots)	4.0	Dentsu Aegis[2]	4.3
M&S Plc	3.5	Visa	3.9
J Sainsbury	3.0	Herbert Smith Freehills	3.1
Dixons Carphone	2.8	TP ICAP Plc	3.0
JD Sports	2.4	Gazprom	2.5
Frasers Grp	2.4	Microsoft Corp	2.4
TJX (Tk Maxx)	2.4	SMBC	2.2
Asda Group	1.9	Vodafone	2.0
Arcadia Grp	1.8	Deutsche Bank	1.9
Virgin	1.8	Henderson	1.6
TGI Fridays	1.6	Reed Smith	1.6
Hutchison Whampoa Ltd	1.6	The Interpublic Group (McCann)	1.5
H&M	1.5	Mayer Brown	1.4
DFS Furniture	1.5	Bank of Montreal	1.4
Primark	1.3	Ctrip.com (Skyscanner)	1.3
Homebase	1.3	Mimecast Ltd	1.2
Pets at Home	1.2	Capula Mgmnt	1.2
River Island	1.2	Credit Agricole	1.2

[1] Includes £3.4m at Surrey Quays Shopping Centre
[2] Taking into account their pre-let of 310,000 sq ft at 1 Triton Square, % of contracted rent would rise to 8.7%.

Major Holdings

As at 30 September 2020	BL Share %	Sq ft '000	Rent (100%) £m pa[1,4]	Occupancy rate %[2,4]	Lease length yrs[3,4]
Broadgate	50	4,468	187	93.6	7.5
Regent's Place	100	1,740	78	96.2	4.1
Paddington Central	100	958	45	96.4	5.4
Meadowhall, Sheffield	50	1,500	77	95.3	4.5
Drake's Circus, Plymouth	100	1,190	16	90.9	5.7
Glasgow Fort	78	510	19	97.8	5.5
Ealing Broadway	100	540	14	91.0	3.4
Portman Square	100	134	10	98.4	4.9
Teesside, Stockton	100	569	15	96.2	3.4
New Mersey, Speke	68	502	13	93.8	5.2

[1] Annualised EPRA contracted rent including 100% of Joint Ventures & Funds

[2] Includes accommodation under offer or subject to asset management

[3] Weighted average to first break

[4] Excludes committed and near term developments

Lease Length & Occupancy

As at 30 September 2020	Average lease length yrs		Occupancy rate %	
	To expiry	To break	EPRA Occupancy	Occupancy[1,2,3]
West End	6.0	4.6	96.3	96.4
City	8.6	7.2	82.3	92.2
Offices	**7.0**	**5.6**	**90.6**	**94.7**
Retail Parks	6.4	5.0	93.8	96.1
Shopping Centre	6.1	4.8	93.0	94.3
Superstores	7.0	6.8	100.0	100.0
Department Stores	15.3	7.7	98.1	98.1
High Street	4.7	3.9	92.9	93.6
Leisure	14.0	13.7	96.2	96.9
Retail	**6.8**	**5.4**	**93.7**	**95.5**
Canada Water	**4.7**	**4.6**	**98.1**	**98.6**
Total	**6.8**	**5.5**	**92.1**	**95.1**

[1] Space allocated to Storey is shown as occupied where there is a Storey tenant in place otherwise it is shown as vacant. Total occupancy would rise from 95.1% to 96.2% if Storey space were assumed to be fully let.
[2] Includes accommodation under offer or subject to asset management
[3] Where occupiers have entered administration or CVA but are still liable for rates, these are treated as occupied. Reflecting units currently occupied but expected to become vacant, then the occupancy rate for Retail would reduce from 95.5% to 92.7%, and total occupancy would reduce from 95.1% to 93.7%

Portfolio Weighting

As at 30 September	2019	2020	2020
	%	%	£m
West End	34.7	39.9	4,116
City	20.2	24.6	2,535
Offices	**54.9**	**64.5**	**6,651**
Retail Parks	19.5	14.6	1,506
Shopping Centre	16.0	12.1	1,248
Superstores	1.1	0.5	46
Department Stores	0.5	0.2	22
High Street	1.3	1.1	116
Leisure	2.5	2.3	237
Retail	**40.9**	**30.8**	**3,175**
Residential[1]	**1.2**	**1.3**	**135**
Canada Water	**3.0**	**3.4**	**354**
Total	**100.0**	**100.0**	**10,315**
London Weighting	**65%**	**74%**	**7,664**

[1] Stand-alone residential

Annualised Rent & Estimated Rental Value (ERV)

As at 30 September 2020	Annualised rent (valuation basis) £m[1]			ERV £m	Average rent £psf	
	Group	JVs & Funds	Total	Total	Contracted[2]	ERV
West End[3]	134	3	137	195	62.9	71.5
City[3]	7	70	77	135	53.8	58.6
Offices[3]	**141**	**73**	**214**	**330**	**59.2**	**65.9**
Retail Parks	79	55	134	120	23.6	21.0
Shopping Centre	55	46	101	102	26.6	26.4
Superstores	4	-	4	3	18.9	14.4
Department Stores	3	-	3	4	2.9	4.2
High Street	6	-	6	8	12.7	16.8
Leisure	14	1	15	15	17.1	16.1
Retail	**161**	**102**	**263**	**252**	**22.1**	**20.9**
Residential[4]	**1**	**-**	**1**	**3**	**9.4**	**34.5**
Canada Water[5]	**7**	**-**	**7**	**9**	**16.7**	**19.7**
Total	**310**	**175**	**485**	**594**	**29.6**	**32.9**

[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, excludes contracted rent subject to rent free and future uplift

[2] Annualised rent, plus rent subject to rent free

[3] £psf metrics shown for office space only

[4] Stand-alone residential

[5] Reflects standing investment only

Rent Subject to Open Market Rent Review

For period to 31 March As at 30 September 2020	2021 £m	2022 £m	2023 £m	2024 £m	2025 £m	2021-23 £m	2021-25 £m
West End	1	8	23	7	15	32	54
City	9	1	1	15	11	11	37
Offices	**10**	**9**	**24**	**22**	**26**	**43**	**91**
Retail Parks	8	10	13	6	6	31	43
Shopping Centre	3	6	12	7	4	21	32
Superstores	-	-	1	1	-	1	2
Department Stores	-	-	-	-	-	-	-
High Street	-	-	1	-	-	1	1
Leisure	-	1	-	-	1	1	2
Retail	**11**	**17**	**27**	**14**	**11**	**55**	**80**
Residential	**-**	**1**	**-**	**-**	**-**	**-**	**1**
Canada Water[1]	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total	**21**	**27**	**51**	**36**	**37**	**99**	**172**

On a proportionally consolidated basis including the Group's share of joint ventures and funds

[1] Reflects standing investment only

Rent Subject to Lease Break or Expiry[1]

For period to 31 March As at 30 September 2020	2021 £m	2022 £m	2023 £m	2024 £m	2025 £m	2021-23 £m	2021-25 £m
West End	8	30	25	14	15	63	92
City	5	6	3	14	6	14	35
Offices	**13**	**36**	**28**	**28**	**21**	**77**	**126**
Retail Parks	12	13	14	23	12	39	74
Shopping Centre	10	15	14	10	8	39	57
Superstores	-	-	2	-	-	2	2
Department Stores	-	1	-	-	1	1	2
High Street	1	2	1	1	-	4	5
Leisure	-	-	-	-	-	-	-
Retail	**23**	**31**	**31**	**34**	**21**	**85**	**140**
Residential	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Canada Water	**1**	**1**	**1**	**2**	**-**	**3**	**5**
Total	**37**	**68**	**60**	**64**	**42**	**165**	**271**
% of contracted rent	**6.8**	**12.3**	**11.2**	**11.7**	**7.6**	**30.3**	**49.6**

On a proportionally consolidated basis including the Group's share of joint ventures and funds

[1] Reflects standing investment only

Recently Completed and Committed Developments

As at 30 September 2020	Sector	BL Share %	100% sq ft '000	PC Calendar Year	Current Value £m	Cost to come £m[1]	ERV £m[2]	Pre-let £m
100 Liverpool Street	Office	50	520	Q3 2020	400	-	19.3	15.5
Total Recently Completed			**520**		**400**	**-**	**19.3**	**15.5**
1 Triton Square[3]	Office	100	365	Q2 2021	426	38	22.6	21.8
Norton Folgate	Office	100	336	Q3 2023	99	252	23.4	-
Total Committed			**701**		**525**	**290**	**46.0**	**21.8**
Other Capital Expenditure[4]						47		

[1] From 1 October 2020. Cost to come excludes notional interest as interest is capitalised individually on each development at our capitalisation rate

[2] Estimated headline rental value net of rent payable under head leases (excluding tenant incentives)

[3] ERV let & under offer of £21.8m represents space taken by Dentsu Aegis. As part of this letting, Dentsu Aegis have an option to return their existing space at 10 Triton Street in 2021. If this option is exercised, there is an adjustment to the rent free period in respect of the letting at 1 Triton Square to compensate British Land

[4] Capex committed and underway within our investment portfolio relating to leasing and asset management

Near Term Development Pipeline

As at 30 September 2020	Sector	BL Share %	100% sq ft '000	Earliest Start on Site	Current Value £m	Cost to Come £m[1]	ERV £m[2]	Let & Under Offer £m	Planning Status
1 Broadgate	Office	50	539	Q2 2021	91	224	20.0	-	Consented
Aldgate Place, Phase 2	Residential	100	143	Q3 2021	30	94	7.0	-	Consented
Total Near Term			**682**		**121**	**318**	**27.0**	**-**	
Other Capital Expenditure [3]						70			

[1] From 1 October 2020. Cost to come excludes notional interest as interest is capitalised individually on each development at our capitalisation rate

[2] Estimated headline rental value net of rent payable under head leases (excluding tenant incentives)

[3] Forecast capital commitments within our investment portfolio over the next 12 months relating to leasing and asset enhancement

Medium Term Development Pipeline

As at 30 September 2020	Sector	BL Share %	100% Sq ft '000	Planning Status
5 Kingdom Street	Office	100	438	Consented
2-3 Finsbury Avenue	Office	50	563	Consented
Eden Walk Retail & Residential	Mixed Use	50	452	Consented
Ealing – 10-40 The Broadway	Mixed Use	100	303	Pre-submission
Gateway Building	Leisure	100	105	Consented
Canada Water – Plot A1[1]	Mixed Use	100	272	Consented
Canada Water – Plot A2[1]	Mixed Use	100	246	Consented
Canada Water – Plot K1[1]	Mixed Use	100	62	Consented
Canada Water – Remaining plots[1]	Mixed Use	100	4,494	Consented
Total Medium Term			**6,935**	

[1] On drawdown of the Master Development Agreement, ownership reduces to 80% with LBS owning 20%. LBS ownership will adjust over time depending on level of investment by Southwark

Forward-looking statements

This Press Release contains certain (and we may make other verbal or written) ‘forward-looking’ statements. These forward-looking statements include all matters that are not historical fact. Such statements reflect current views, intentions, expectations, forecasts and beliefs of British Land concerning, among other things, our markets, activities, projections, strategy, plans, initiatives, objectives, performance, financial condition, liquidity, growth and prospects, as well as assumptions about future events. Such ‘forward-looking’ statements can sometimes, but not always, be identified by their reference to a date or point in the future, the future tense, or the use of ‘forward-looking’ terminology, including terms such as ‘believes’, ‘considers’, ‘estimates’, ‘anticipates’, ‘expects’, ‘forecasts’, ‘intends’, ‘continues’, ‘due’, 'potential', 'possible', ‘plans’, ‘seeks’, ‘projects’, 'budget', ‘goal’, 'guidance', 'trends', 'future', ‘outlook’, ‘schedule’, ‘target’, ‘aim’, ‘may’, ‘likely to’, ‘will’, ‘would’, ‘could’, ‘should’ or similar expressions or in each case their negative or other variations or comparable terminology. By their nature, forward-looking statements involve inherent known and unknown risks, assumptions and uncertainties because they relate to future events and circumstances and depend on circumstances which may or may not occur and may be beyond our ability to control, predict or estimate. Forward-looking statements should be regarded with caution as actual outcomes or results, or plans or objectives, may differ materially from those expressed in or implied by such statements. Recipients should not place reliance on, and are cautioned about relying on, any forward-looking statements.

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