

Operating and Financial Review

Highlights of the year to 31 March 2005

Net Asset Value per share¹ increased by 15.0% to 1111 pence, up 20.8% underlying^{3,4}

Underlying profit before tax up 17.0% to £174.8 million^{2,3}

Underlying earnings per share¹ up 9.9% to 34.3 pence^{2,3}

Introduction

British Land has delivered to shareholders exceptional growth and value creation over the year reviewed herein. This stems from the combination of an outstanding portfolio of prime assets and the successful application of intense management activity in leasing, development, asset management and financing.

At the same time, British Land is positioning itself clearly and actively for future success. Our new Chief Executive has led a review of strategy, output of which is being implemented. The portfolio mix is moving to underpin future growth and a significant refinancing has reduced costs and increased flexibility moving forward.

The investment property market has remained strong with growth based on robust fundamentals relative to other asset classes. This looks set to continue, albeit perhaps at a slower pace overall.

Objectives

British Land's primary objective is to produce superior, sustained and secure long-term shareholder returns from management of our chosen real estate activities and their financing.

The bedrock of our strategy is:

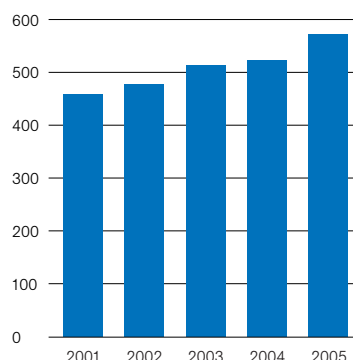
- to focus on areas of competitive advantage
- a bias to high quality assets, with long lease profiles and favourable demand and supply characteristics, complemented by an efficient capital structure
- a distinctive ability to add value through purchases, disposals and partnerships
- excellent integrated risk management skills – blending leasing, development, asset and liability risk into a single attractive and secure growth proposition for shareholders
- superior long-term income/cash flow growth
- a confident, entrepreneurial and, where justified, contrarian culture.



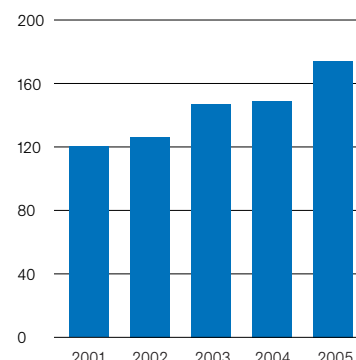
The DCMS is responsible for 500,000 listed buildings, 17,700 ancient monuments and 8,500 conservation areas. On behalf of the Government it also administers the Heritage Lottery Fund which, in the past decade, has awarded £3 billion to more than 15,000 projects across the UK.

In flagrante delicto Two Italianate divas glance coyly away as Lucy Ryan blows away the dust of centuries. This spring clean is part of the restoration of Stowe School's magnificent great dome.

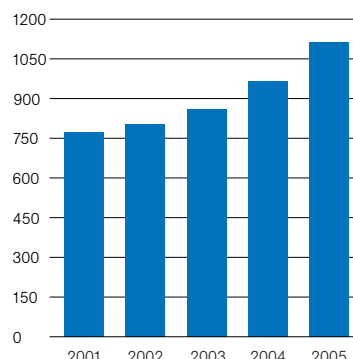
Net rental income⁵
year ended 31 March
£m



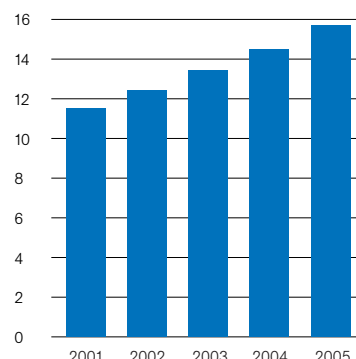
Underlying profit before tax^{2,3}
year ended 31 March
£m



Net asset value per share¹
as at 31 March
pence



Dividends per share
year ended 31 March
pence



How British Land will evolve

We plan to develop further:

- the intensity of our asset management activities, with increasing focus on our customers
- the disciplined process of regular review of our assets' prospective performance, as individual properties and the portfolio composition, making changes as appropriate
- our human capital, managing change and renewal, while maintaining focus on performance for shareholders
- the Company's positioning at the forefront of investor friendly behaviour

and so to build on our strong record of value creation for shareholders.

¹ adjusted, diluted (notes 6, 21 to the Financial Statements (FS))

² excludes profits on asset disposals (note 3 FS) for underlying profit before tax

³ before exceptional charge of £180m relating to refinancing of Broadgate, net of tax where relevant (note 5 FS)

⁴ without the removal of Stamp Duty exemption for disadvantaged areas

⁵ (note 3 FS)

All figures in this Operating and Financial Review include British Land's share of joint ventures unless stated otherwise.