Financial results, year to 31 March 2005

Our asset management, development and investment activity has contributed to a strong financial performance:

	March 2005	March 2004	% increase
Revenue:			
Gross rental income	**£619.9m**	£565.6m	**9.6%**
Net rental income	**£571.8m**	£523.0m	**9.3%**
Underlying profit before tax[1]	**£174.8m**	£149.4m	**17.0%**
Underlying earnings per share[1,2]	**34.3p**	31.2p	**9.9%**
Dividends per share	**15.7p**	14.5p	**8.3%**
Capital growth and total return:			
NAV per share[2]	**1111p**	966p	**15.0%**
Total return[3] per share	**161p**	122p	
Total return[3]	**16.6%**	14.1%	
Pre-exceptional total return[3,4]	**22.4%**	14.1%	

[1] excludes £180m exceptional charge relating to the refinance of Broadgate and profits on asset disposals (notes 3, 5 to the Financial Statements (FS))
[2] adjusted, diluted (notes 6, 21 FS)
[3] growth in adjusted, diluted net asset value per share plus dividends per share
[4] excludes exceptional charge (note 3 FS) and the removal of Stamp Duty exemption for disadvantaged areas (£166m)

Our financial results are discussed below on the basis which includes our 50% share of joint ventures. Note 3 to the accounts shows pro-forma information in more detail.

Revenue returns

Gross rental income for the year increased by 9.6% to £619.9 million. Net rental income rose 9.3% to £571.8 million. The gross rents for the year were increased by £43 million due to the purchases and reduced by £10 million due to sales in the year. New lettings added £23 million.

Interest costs rose £15.8 million to £352 million (2004: £336.2 million) reflecting the cost of the acquisitions, the full year effect of acquiring our partner's share of BL Universal in November 2003, and the conversion into equity of the 6% £150 million Convertible Bond in July 2004. Net rents covered interest 1.6 times (2004: 1.5 times).

Our administrative expenses, which fell last year, have risen this year by £7.6 million to £51.2 million, due to increased staff and other costs following major acquisitions and key personnel recruitment. Our administration costs remain low at only 0.4% of the value of the portfolio, a competitive advantage we intend to maintain. These costs include all management and staff incentives charged at full fair value.

Broadgate was refinanced by a new £2.08 billion securitisation (details of which are set out later in this review) resulting in an exceptional accounting charge against pre-tax profits in the second half of the year of £180 million, mainly due to the difference between the redemption value and book value of the existing Broadgate debt. The effect on net asset value is a reduction of 24 pence per share after tax. The impact on British Land's NNNAV ("triple net" asset value), broadly the NAV if debt was valued at market rates and with deferred tax provided on unrealised capital gains, is a reduction of less than 3 pence per share.

Underlying profits before tax (excluding the exceptional charge and profits on asset disposals) were up by 17.0% to £174.8 million. Significant contributions to this increase were the additional rental income from new lettings and the interest saving following the redemption of the Convertible Bonds.

Profits on asset disposals amounted to £27.0 million, representing sales proceeds less sales costs and the relevant properties' valuation at March 2004. After the exceptional charge of £180 million, **profits before tax** were £21.8 million.

The **pre-exceptional tax rate** this year is 8.5% (2004: 7.8%). This low rate arises principally through resolution of prior year items. The exceptional charge arising on the Broadgate refinancing has been used to relieve profits in the current year. The balance is being carried forward for use in 2006 and later years.

Earnings per share were also affected by the exceptional charge and are more comparable on an underlying, pre-exceptional basis:

Diluted earnings per share:	March 2005	March 2004	
Underlying[1]	**34.3 pence**	31.2 pence	+9.9%
Reported	**11.3 pence**	34.5 pence	-67.2%

[1] adjusted and excludes exceptional item and profits on asset disposals (Note 6 FS)

Growth in the dividend is maintained again this year; a final dividend of 10.9 pence is proposed, making a total dividend for the year of 15.7 pence per share, up 8.3% on the year, covered 2.2x by the profits for the year after tax and before the exceptional item. This continues our policy of progressive dividend growth, delivered consistently for over 20 years.

Capital growth and total return

The effects of portfolio value growth and retained profits significantly **increased net assets** this year:

Adjusted diluted:	March 2005	March 2004	
Net assets[1]	**£5,823.6m**	£5,035.4m	+15.7%
Net assets per share[1]	**1111 pence**	966 pence	+15.0%

[1] Note 21 FS

The underlying increase in the portfolio valuation was 8% before the re-imposition of Stamp Duty in disadvantaged areas, which reduced values by £166 million, or 32 pence per share, such that the valuation increase became 6.5%.

As we restrict the amount of equity financing the business, the capital growth attributable to shareholders is more than double the growth in the portfolio valuation.

Total returns to shareholders, the increase in net assets plus the dividend, grew significantly this year, both pre and post the exceptional charge and the impact of the re-imposition of Stamp Duty on disadvantaged areas:

Adjusted diluted:	March 2005	March 2004
Total return	**+16.6**	+14.1%
Pre-exceptional and Stamp Duty	**+22.4**	+14.1%

The performance in the year builds on our **strong record of value creation**, with total returns of 14.7% per annum and 12.6% per annum over the last three and five years, outperforming the average of our major peers by 48% and 31% over those periods. We have also generated shareholder returns above the average of our major peers and above the FTSE Real Estate Index over the three and five years.

Cash flows

Net cash flow from operating activities has grown strongly, reflecting growing rents and the effects of consolidating the former BL Universal JV for a full year. A reduced level of cash dividend received from JVs against the particularly high 2004 receipts and an extra interest payment due to the timing of the Broadgate refinancing have led to the £34 million reduction in pre investment and financing cash flows. Notwithstanding this reduction cash dividends paid during the year have been covered over 1.6 times. The increased investment and development cash flows in the year represent the Group's significant net investment in assets, these investments being principally financed by increased borrowings.

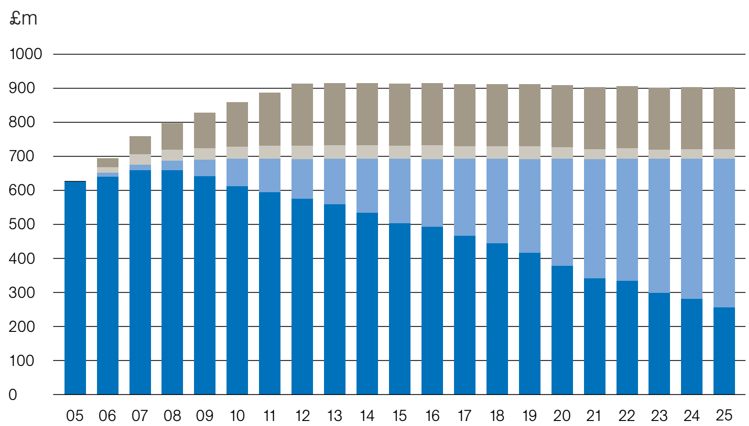
	March 2005 £m	March 2004 £m
Net cash flow from operating activities	**462.2**	381.4
Net cash flow after JV dividends, interest, tax and working capital movements	**125.2**	163.1
Net investment cash flows	**(526.5)**	(185.6)
Financing	**440.0**	136.5
Dividends	**(76.6)**	(67.0)

Strong contracted income growth

Our cash flow is generated from the rental income profile of our portfolio. Annualised net rents, including our share of joint ventures, were £625.6 million at the year end. This income is generated from long leases to strong tenants, with a weighted average unexpired lease term of 15.9 years. The resulting cash flow is robust and long term: 69.8% (2004: 72.1%) of the current rent roll remains in place in ten years' time, March 2015.

Income quality has been measured by IPD using the Experian Stress Score and shows 88% of our current rental income is receivable from tenants rated negligible, low and low/medium risk.

Rental income profile (assuming no rental value growth)
as at 31 March 2005



- **Annualised net rents** of £625.6m at 31 March 2005 are shown to decrease on the first to occur of lease expiry or tenant's break. Annualised net rents are increased for the contracted reversions of £66.9m receivable over the next five years.
- **Renewal of leases on expiry or break.** Leases are assumed to renew on the date of expiry/break at the present annualised net rent*.
- **Reversionary income** (5 years) of £103.5m is based upon estimated rental values (ERV) by our external valuers at 31 March 2005. Reversions have been reduced for the contracted reversions of £66.9m as the rent is received over the next five years*.
- **Development programme committed and prospective** when completed and let has an estimated rent at 31 March 2005 of £182.4m*, assumed to be realised evenly over the next seven years.

The graph provides a snapshot of committed income and estimated income based on ERV at 31 March 2005, including our share of joint ventures. Upward only rent reviews across the portfolio protect rental income from falling below passing rent (prior to expiry/break).

In addition, no account is taken of future acquisitions, disposals, expenditures or other events. Rental income will be affected by such transactions and future opportunities; the graph is not a forecast.

Annualised net rents are gross rents plus, where rent reviews are outstanding, any increases to estimated rental value (as determined by the Group's external valuers), less any ground rents payable under head leases.

* No rental value growth is assumed

Strong growth in rental income is expected within the next five years from the existing portfolio and from the committed development programme. At current market rental values, without projecting any growth or inflation, this would add a further £134.8 million per annum. Some £90.4 million of this cash flow growth is already contracted as at March 2005, being £66.9 million from expiry of rent free periods and minimum rental uplifts, plus £23.5 million from pre-let agreements on developments. There is also further potential for income growth from the development prospects.

Rental growth – £90.4m contracted

	Total £m	of which contracted £m
Annualised net rents, 31 March 2005	625.6	625.6
Reversion*, 5 years	103.5	66.9
Committed developments†	31.3	23.5
Development prospects†	151.1	
Total	911.5	**716.0**

* includes rent reviews, expiry of rent free periods, lease break/expiry and letting of vacant space at ERV (as determined by external valuers)

† to achieve income from developments the Group will incur construction and associated costs, which are not shown here – further details are set out in the Development Programme.