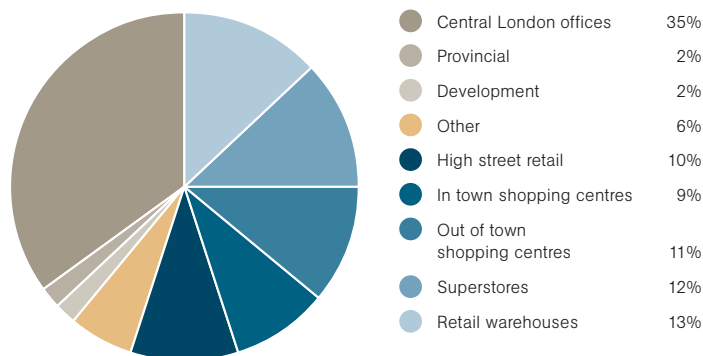


### Portfolio split by value



### Portfolio valuation, up 6.5% in the year (8% underlying)

**Our portfolio focus is:**  
**Retail 55% – with emphasis on out of town, representing 68% of total retail**  
**Offices 39% – 94% in Central London**

The British Land property portfolio has increased in value by £1.87 billion over the year to March 2005 to £12.5 billion, £770 million from growth of 6.5% and the balance £1.1 billion from net additions to the portfolio.

The removal by the Chancellor of Stamp Duty relief applicable to properties in disadvantaged areas reduced the valuation of the British Land portfolio by £166 million, or 1.5%, at a stroke. If that additional potential cost of transactions had not been imposed, the underlying growth in the portfolio would have been 8%.

All commercial sectors improved in value this year. The tables on pages 28 and 29 set out details of the valuation. Further details of the principal investment portfolios are shown after this review.

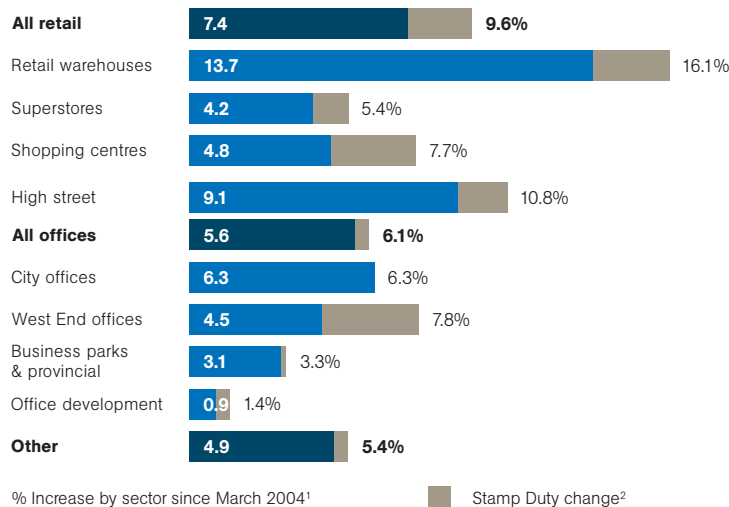
Meadowhall Shopping Centre, Sheffield, was up £22 million, or 1.6%, after an adverse Stamp Duty change of some £59 million on this property alone. Activity continues apace at this prime shopping centre, examples include: taking back the Alders, Sainsbury's and part of Boots space for reconfiguration; letting alternative adjoining space to Boots; installing a mezzanine level in the 9,290 sq m (100,000 sq ft) ex-Sainsbury unit to create over 50% more space; then splitting the unit for reletting – all expected to result in a significant uplift in income.

Superstores rose by 4.2%, a little disappointing following the increase of 15.1% last year. We are making more good progress with rent reviews and expect further growth.

Retail warehouses performed well, up 13.7% this year, building on a rise of 15.1% last year.

Broadgate, our prime City of London office estate, has risen in value by £98 million, 3.6%, due to a small yield shift and expiry of rent free periods. The offices are well let with a low vacancy rate of only 2%. Broadgate is low rise and low density, with 372,000 sq m (4 million sq ft) on 12 hectares (30 acres) excluding the station; the plot ratio is only 3:1. We have started a masterplanning exercise looking into the long term future of the estate, where we believe we can significantly increase the density.

### Valuation uplift



<sup>1</sup> Including valuation movements in developments, purchases and capital expenditure, and excluding sales

<sup>2</sup> Effect of the removal of Stamp Duty exemption for disadvantaged areas

Plantation Place is up 25.3%, which reflects the completion of the building and the successful letting of all the offices and substantially all the retail. (Plantation Place South is being marketed for letting.)

A small uplift was seen at Regent's Place; this property was hit by the Stamp Duty changes but benefited from a yield shift.

Our in town retail investments, shops, shopping centres and department stores, have increased in value overall by 9.5%.

Our investment in Songbird Estates plc has been independently valued at £140 million, an increase over the year of 44% on cost. This investment also includes a 'D' share which gives a prior return to British Land on the performance of the Canary Wharf retail assets.

#### Performance against IPD index

For several years the Group has used Investment Property Databank ('IPD') to provide independent benchmarking of property returns as one tool in assessing portfolio performance.

The statistics below show the ungeared total property returns of the Group, including our share of joint venture properties and excluding overseas properties, in comparison to the index of fund performance.

Ungeared returns: Year to March 2005	British Land %	IPD <sup>1</sup> %	Relative %
<b>All retail</b>	<b>13.8</b>	<b>18.4</b>	<b>-3.9</b>
Retail warehouses	20.2	22.0	-1.4
Shopping centres	9.1	14.8	-5.0
High street	13.8	19.2	-4.6
<b>All offices</b>	<b>11.3</b>	<b>14.8</b>	<b>-3.0</b>
City	11.7	12.9	-1.1
West End	9.8	17.9	-6.8
<b>Total portfolio</b>	<b>12.6</b>	<b>16.9</b>	<b>-3.7</b>
<b>Of which Stamp Duty change</b>	<b>-1.5</b>	<b>-0.5<sup>2</sup></b>	<b>-1.0</b>

<sup>1</sup> IPD December Universe (extrapolated to March 2005) unfrozen

<sup>2</sup> IPD estimate based on monthly index in March 2005

British Land's leveraged total returns outperformed the index at 22.4% on a pre-exceptional basis and were similar at 16.6% on a headline basis. However, at the ungeared level there was a shortfall versus the index of 2.7% after adjusting for stamp duty changes.

In considering the shortfall it is important to note that we target absolute risk adjusted total return and are not an index tracker. We do not mirror the composition of the benchmark assets; indeed we select concentrations of assets significantly different from the benchmark. This will give rise to volatility in relative returns in any given period.

The principal reason for the difference in 2004/5 performance when measured against IPD is that the IPD benchmark portfolio has a greater mix of secondary assets than British Land. Secondary property, not forming a significant part of the British Land portfolio, has performed particularly well in the year as investors have had to search for acquisitions in a competitive market and the risk factors normally associated with secondary property have been discounted. Approximately 4.3% of the IPD benchmark total return is accounted for by the additional yield shift on secondary properties. British Land's higher weighting in prime City offices has also tended to lower its comparative ungeared performance in this period. We expect these factors to adjust favourably for British Land going forward, as City offices move further into recovery and as investors reassess the relative risks of prime and secondary.

British Land's leveraged total returns outperformed the IPD index at 22.4% on a pre-exceptional basis.