

Statement by the Chairman, John Ritblat

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British Land now has over £18 billion of assets owned and under management, and an annualised gross income of some £700 million. In the half-year just ended we have been comprehensively engaged in all the principal activities of a property company – buying, building, leasing and selling – with a multitude of asset-enhancing initiatives and financing as well.

Our excellent half-year results are set out in this Report. I am very pleased that they more than justify continuation of our longstanding growth in dividends at market leading rates – and with plenty of room to spare! The interim dividend is increasing by 8.3% to 5.2p per share.

Growth

British Land's focus has always been on generating growth with security. Our six months total return of 12.3%, coming after the pre-exceptional 22.1% total return for the year to 31 March 2005, reflects the effective operation of the Company's long-term base model, which unites property of quality with managed gearing. We continually refine our portfolio, as a vibrant business should, and we now manage over 36 million sq ft of space.

We welcome our new Pillar colleagues and the new Fund Management activity they have brought to augment our own asset team, together with substantial holdings in retail warehouses. We have long been accustomed to managing joint ventures in partnership with, for example, Tesco and House of Fraser. Pillar's business is a logical extension of our existing activity in looking after property for others while retaining up to a 50% stake ourselves, so that our interests are aligned with our partners and we share in the growth we achieve.

Development

Our development programme extends to over six million sq ft and is focused on London. Both 51 Lime Street, EC3, the new headquarters building for Willis Group, and the York Building, W1, which will be available for letting, are already well advanced in construction. Going forward, our programme includes 201 Bishopsgate, EC2; 122 Leadenhall Street, EC3; and Ludgate West, EC4. In the West End of London we aim to add over one million sq ft to the major redevelopment of the 14 acre Regent's Place Estate.

Looking forward

Our market has remained attractive, with a sustained yield correction and improving rents. We are not in a boom, but discriminating investors now see the case for a more appropriate property weighting as it again becomes established as an asset class of choice. The recent 50 year Indexed Gilt tranche yielding only 1.1%, surely implies that the property market has some way still to go. Property's yield and its growing income stream, coupled with the backing of real assets, are substantive merits. Moreover, those investors confused – one might say thwarted – by the impenetrable oddities of the new International Financial Reporting Standards – the majority of us I suspect – can derive some solace from the presence on the balance sheet of bricks and mortar, or nowadays, glass and steel.

In one sense perhaps we should be grateful to this Standard, because its convolutions by contrast serve to emphasise that property is a lot easier to grapple with. The hoped-for introduction of Real Estate Investment Trusts (REITs) will add still further to property's attraction for investors, who already appreciate through ownership of

their own homes that property enjoys effective hedging qualities.

Not surprisingly we are less than enthusiastic about any charge on development – a Planning Gain Supplement. Entrepreneurial ventures need encouragement in Britain not new taxes – we have plenty of them already! Development is currently being strangled by waves of bureaucracy, which in British Land's case, as reported in our March 2005 Report and Accounts, can waste £5 million in additional costs for a single building in the City of London. The Government is currently looking at ways to reduce over-regulation, and here is an easy route. The additional administration of this further tax imposition should be cut out before it begins.

Board changes

We are sorry to say farewell to Lord Burns on his appointment as Chairman Elect of Marks & Spencer plc, and our Deputy Chairman, Sir Derek Higgs, who has become Chairman of Alliance & Leicester plc and will be departing from us in due course. They are both highly effective non-executive directors and their perceptive and informed contributions will be missed.

Greatly to our regret, Nicholas Ritblat decided that he wished to stand down as an executive director. We will miss him. The Board is grateful to him for the many financial innovations he has introduced during the 18 years he has served the Company. We wish him well.

John Ritblat Chairman
23 November 2005