

Operating and Financial Review

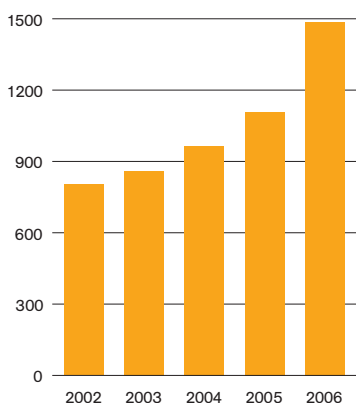
**Net Asset Value¹ per share
increased by 32% to 1486 pence**

**Underlying pre-tax profit²
up 26% to £228 million**

**Properties owned or managed
up 33% to £18.5 billion**

Net asset value per share*

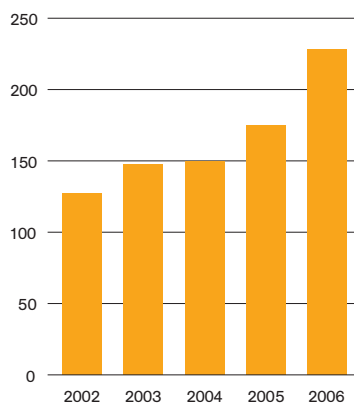
as at 31 March
pence



*adjusted, diluted

Underlying pre-tax profit²

year ended 31 March
£m



¹ EPRA – note 2

² See note 2 on page 85

All figures in this Review include British Land's share of Funds and Joint Ventures unless stated otherwise.

2002, 2003 and 2004 are as reported under UK GAAP and have not been restated under IFRS.

Violet Manners, Duchess of Rutland 1856–1937

Albumen cabinet card, c 1892, by Michele Schemboche

The absence of formal training was no handicap for an artist of the Duchess's pedigree, and her prospects were further boosted when her relative, Sir Coutts Lindsay, opened the Grosvenor Gallery in 1877. Sensitive portraits in silverpoint were her oeuvre but her private life was considerably more lively and colourful. Having provided the Duke with heirs, she decamped for the bohemian life. Aligning herself (and her generous private income) with a group of avant-garde exquisites known as the 'Souls', the Duchess became muse to G F Watts; there is general agreement that his talents exceeded her own.

Introduction

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

At the same time, British Land is positioning itself for future success. The strategy presented 12 months ago is being implemented as promised. Our asset mix has been reshaped to promote future growth and refinancing has reduced costs and increased flexibility moving forward. Our acquisition of Pillar has gone well, enhancing shareholder value and helping to underpin the changes at British Land.

The investment property market has remained strong with growth based on robust fundamentals relative to other asset classes. However, this growth rate looks increasingly due to slow down.

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 focus on meeting customer needs pro-actively, as the best route to occupancy and rental growth
- a distinctive ability to add value through purchases, disposals, partnerships and Fund Management
- 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.

Delivering the capability to outperform

Beyond the results achieved in 2005/6, our activity during the year focused on repositioning of the Company and strengthening its capabilities to outperform for shareholders in the years to come.

The property market will pass from its period of 'super-normal' returns and future success will be determined by the ability to add value in a lower growth, more demanding environment.

Therefore British Land's first priority is building still further our human capital. The right resources, talents and 'performance culture' are pre-requisites of success and were an area of great focus over the year.

In turn our people's skills have been actively employed in repositioning our real estate portfolio to trim out underperformers and build distinctive leadership positions in the two sectors expected