



BRITISH LAND IS WELL PLACED FOR CONTINUING SUCCESS

2006/7 was a notable year for British Land. We reported strong financial results. The election to REIT status was successfully made. Our overhaul of the Company to boost future prospects is being well executed. And most importantly, our customer-led strategies are producing high occupancy of our buildings, profitable delivery of more and attractive rising rental streams as testimony to the appeal of our real estate. British Land is well placed for continuing success.

2006/7 Results

Underlying earnings per share grew 22% to 43 pence on the back of record underlying profits of £257m and headline pre-tax profits of £1,270m. The headline figures are distorted by REIT related charges which saw a balance sheet offset in the release of £1.6 billion in deferred tax provisions to boost statutory net assets.

EPRA net asset value was 1682 pence per share (up 20% before charges for REIT conversion and refinancings). EPRA net assets are £8.9 billion.

Our profit growth was driven by three factors: like-for-like rental growth ahead of the market overall; strong income from asset management fees and our Canary Wharf investment; lower average interest rates reflecting debt refinancings. Total rents fell slightly as a result of asset sales but more than offset by associated falls in interest cost.

Our growth in asset value was driven by property valuation gains and profits on asset disposals. Rental growth prospects drove our valuations along with development profits and yield shift – the latter now largely complete. These gains translated to outperformance at the Net Asset level as a result of our efficient gearing policy.

British Land's total return (Net Asset growth plus dividends pre-charges) was 21.3%.

British Land's Strategy

We are focused on delivering outperformance for shareholders. With real estate markets increasingly customer driven, we are building our business around meeting their needs and thereby capturing the superior total return resulting from high occupancy and rental growth.

We seek to 'add value' at each level of the business from an activist approach to:

- sector and market selection
- asset creation and selection
- asset management
- balance sheet management
- partnership and structuring.

Superimposed upon all this are the twin disciplines of attention to shareholder value creation and concentration on markets where we have or can build competitive advantage.

Delivery on our promises

The implementation of our strategy and continued strengthening of our capability to outperform were clearly visible in our 2006/7 activities.

Our market leadership in prime retail and office property was made more distinctive by increased focus on London offices and out-of-town retail, including the leadership position we have built in Europe in this latter category since 2005.

An intense pace of activity saw over £3 billion of asset sales and purchases to improve the growth prospects of our assets and ensure our capital is working hard. The development programme is the biggest in our history with successful pipeline building, starts and completions to deliver space at the forefront of customer appeal.

Throughout the business, asset management initiatives honed the appeal of our buildings and contributed to rental growth outperformance.

All of this rests on the capabilities of our people. The year saw a continuation of our substantive management renewal process and further embedding of a strong 'performance driven' culture.

Our activity enabled the financial outperformance British Land delivered in 2006/7. But perhaps of greater import, it gives us good prospects to deliver more in the future.

Real estate markets

Real estate markets produced another strong year as the repricing of the asset class by investment markets in relation to other financial assets was completed. Real estate's growing cash flows and strong downside protection position it between bonds and equities in the hierarchy of total return prospects. Superimpose the benefits of active management, development and gearing and you have, in British Land, an attractive equity vehicle, defensibly priced.

Markets' relative relationships fluctuate in response to changes in investor sentiment and movements in other asset classes which are hard to accurately predict. Real estate's current positioning seems to represent a fair equilibrium on which to build fundamental value, though rises in long-term interest rates may have an impact if sustained.

Real estate markets are now reverting, therefore, to a more normal position as occupier driven markets where quality and location of space capture occupancy and rental growth, which in turn drives asset values forward. The UK is a densely populated island, with concomitant scarcity of modern space. The service industries that are powering economic growth and employment are the real drivers of property values.

We are pleased that the appeal of British Land's space drove rents forward in 2006/7 which in turn underpinned the quality of our asset valuation growth in greater measure than the market overall.

Looking ahead

2007/8 will be one of our most active years as we capitalise on REIT status to accelerate portfolio repositioning whilst driving home the strategic themes discussed above. The investment market is likely to be more challenging than last year, underlining the importance of value creation from rental growth.

We believe in the Company's strategy and capabilities. Our size and shape will be an outcome of value creation from our property dealings. We expect our industry leading position, our market leadership positions and our efforts to make the assets perform well to combine and continue to present British Land as 'the company of choice' in our sector.

As ever, we would have achieved nothing this year without the efforts of our people. My thanks and gratitude, on shareholders' behalf, go to them.

Stephen Hester
Chief Executive
21 May 2007