

REPORT OF THE DIRECTORS

The directors submit their Report and Accounts for the year ended 31 March 2007.

Results and dividends

The results for the year are set out in the consolidated income statement on page 82.

The directors recommend the payment of a final dividend of 8.25 pence per share, payable on 17 August 2007 to ordinary shareholders on the register at the close of business on 20 July 2007.

Activities

The Group operates in the fields of property investment and development, finance and investment.

Business review

The information that fulfils the requirements of Section 234ZZB of the Companies Act 1985 can be found in the operating and financial review on pages 13 to 37 and in the corporate responsibility disclosures on pages 40 to 43, which are incorporated in this report by reference.

Properties

Changes in properties during the year and details of property valuations at 31 March 2007 are shown in note 10 to the financial statements on page 93.

Purchase of own shares

The Company was granted authority at the Annual General Meeting in 2006 to purchase its own shares up to a total aggregate value of 10% of the issued nominal capital. That authority expires at this year's Annual General Meeting and a resolution will be proposed for its renewal. The Company did not purchase any of its own shares during the year.

Directors' interests in contracts

Except as stated in note 25 on page 106, no contract existed during the year in relation to the Company's business in which any director was materially interested.

Directors' liability insurance and indemnity

The Company has arranged insurance cover in respect of legal action against its directors. To the extent permitted by UK law, the Company also indemnifies the directors.

Charitable donations

£177,093 (2006: £67,640) was donated during the year. No contributions were made for political purposes.

Reappointment of directors

The directors listed on page 60 constituted the Board during the year, except for Sir Derek Higgs, Patrick Vaughan and John Weston Smith who retired from the Board on 14 July 2006; Sir John Ritblat who retired on 31 December 2006; and Andrew Jones and Tim Roberts who were appointed directors on 14 July 2006. Clive Cowdery and John Travers were appointed as directors on 10 May 2007 and Michael Cassidy will be retiring from the Board at the close of this year's Annual General Meeting. Robert Bowden, Clive Cowdery and John Travers offer themselves for re-election in accordance with the Articles.

The Board consider that Clive Cowdery and John Travers bring valuable wide-ranging business experience, as seen from their biographies on page 60, strengthening the non-executive membership of the Board.

Biographies can be found on page 60.

Share and loan capital

The issued share capital has been increased since 1 April 2006 by fully paid issues as follows:

		No of ordinary shares of 25p
11 April 2006, 10 July 2006, 11 October 2006 and 10 January 2007	Shares in lieu of directors' fees	5,163
17 July 2006 to 6 December 2006	On exercise of Rollover options	595,819
14 July 2006 to 30 March 2007	On exercise of options under the Long-Term Incentive Plan	1,436,827
13 July 2006 to 8 March 2007	On exercise of options under the Sharesave Scheme	75,259

Substantial interests

As at 21 May 2007 the Company had been notified of the following major interests in its issued ordinary share capital, disclosed to it in accordance with Sections 198 to 208 of the Companies Act 1985:

	No of shares (m)	% of issued capital
ABP Investments for Stichting Pensioenfonds ABP	25.0	4.8
Legal and General Group PLC	18.5	3.5

Payments policy

In the absence of dispute, amounts due to trade and other suppliers are settled as expeditiously as possible within their terms of payment. As at 31 March 2007, there were 26 (2006: 33) suppliers' days outstanding.

Financial instruments

Details of the use by the Company and its subsidiaries of financial instruments can be found in the Financing Policy and Principal Debt Instruments section on pages 74 to 77.

Auditors

A resolution to reappoint Deloitte & Touche LLP as the Company's auditors and a resolution concerning their remuneration will be proposed at the forthcoming Annual General Meeting.

Disclosure of information to Auditors

Each of the persons who is a director at the date of approval of this report confirms that:

- (1) so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- (2) the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985.

Share Incentive Plan

All full-time and part-time employees, including executive directors, with more than 18 months' continuous service are eligible to participate in The British Land Share Incentive Plan ('SIP'), which is approved by the Inland Revenue under the terms of the Income Tax (Earnings and Pensions) Act 2003. Under this Plan participants receive an annual grant of ordinary shares of 25p each ('Free Shares'), and are also able to participate in a monthly purchase of ordinary shares ('Partnership Shares'), which British Land matches on a 2:1 basis ('Matching Shares'). Dividends on these shares are re-invested as 'Dividend Shares'. Shares under this Plan are generally released to the individual after five years. 1,344 'Free Shares' were allocated to the executive directors in August 2006. The executive directors have also purchased 557 'Partnership Shares' and been awarded 1,114 'Matching Shares' and 159 'Dividend Shares' in the year to 31 March 2007. All these shares are included in the total number of shares in which the executive directors have a beneficial interest shown on page 69.

Sharesave Scheme

Under The British Land Sharesave Scheme, executive directors and employees who have served the Company for at least 18 months may be offered options to purchase shares, tied to a savings contract, over a three or five year period. Options are held by 214 employees and executive directors to purchase a total of 241,618 fully paid ordinary shares at prices of 359p, 377p, 383p, 443p, 472p, 648p, 701p, 804p, 1,007p and 1,236p per share, and normally exercisable during certain six month periods between 1 September 2007 and 31 August 2012. The options held by directors under this scheme are shown on page 70.

Performance Share Schemes

Details of the current Performance Share Plans in operation (Long-Term Incentive Plan, Fund Managers' Performance Plan and Matching Share Plan) can be found in the remuneration report on pages 70 to 72.

Employment policy

The Group places emphasis on employee involvement and keeps employees informed through formal and informal briefings. The Company has well established all-employee share schemes which are described above.

In the United Kingdom separate pension fund reports are made available to members.

The Company maintains a policy of employing the best candidates available in every position, regardless of gender, ethnic group or background.

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicants concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Group continues and that appropriate training is arranged. It is the policy of the Group that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Health and safety

The Board is committed to achieving the highest standards of care in its attention to health, safety and fire prevention. The Board requires safe working practices to ensure that employees, tenants and the general public are not harmed by the Company's activities.

This report was approved by the Board on 21 May 2007.



Anthony Braine
Secretary