

# High levels of occupancy, rental value growth and rental income growth are strong indicators that our prime properties are in demand.

## Key performance indicators

The leading indicators measuring our performance against the key elements of our objectives and strategy are:

Year to March 2008	British Land	IPD Benchmark
Occupancy rate	97.9% <sup>1</sup>	92.7%
Like-for-like rental value (ERV) growth	6.2%	4.0%
Like-for-like rental income growth	5.7%	2.5%
Portfolio capital return, per IPD	(11.5)%	(13.2)%
Rent review settlements versus ERV	7% above	
Customer satisfaction survey		
– REAL SERVICE Best Practice Index	Top quartile	

<sup>1</sup> 99.2% including accommodation subject to asset management initiatives and under offer

Financial Performance Indicator	One year	Three Years	Five Years
<b>Total shareholder return<sup>1</sup></b>			
– British Land	(38.2)%	6.5%	20.0%
– Peer group <sup>2</sup>	(27.8)%	7.5%	18.2%
– FTSE Real Estate Index	(33.3)%	6.8%	19.8%
– Ranking in peer group	5	3	2
<b>Total Return<sup>3</sup></b>			
– British Land	(18.1)%	10.7%	12.8%
– Peer group	(1.0)%	14.7%	13.3%
– Ranking	5	5	3
<b>Earnings per share growth<sup>4</sup></b>			
– British Land	23.3%	25.2%	14.4%
– Peer group	18.4%	9.4%	6.6%
– Ranking	2	1	1

<sup>1</sup> Total shareholder return represents growth in share price plus dividends per share (assuming reinvested)

<sup>2</sup> Average of major peers – Land Securities, Hammerson, Liberty and SEGRO (some differences in year ends)

<sup>3</sup> Total return (pre-exceptional) represents growth in adjusted, diluted net asset value per share plus dividends per share

<sup>4</sup> Adjusted diluted earnings per share (excluding exceptional items, profits on asset disposals and revaluation gains)

Source: Datastream, company reports

The high levels of occupancy, rental value growth and rental income growth are strong indicators of our continued selection of prime properties that are in demand, and that this converts over time into growing profits.

Our outperformance at a capital level versus IPD is encouraging, reflecting again the prime nature of the portfolio. However, clearly prime property is not immune from market forces and so the capital return is negative.

Compared with our valuers' assessment of market rents at the nearest date to rent reviews, the rent increases achieved on average were 7% higher, reflecting good out-turns for those negotiations.

We successfully achieved a top quartile position for customer satisfaction, an important feedback from our many tenants.

On valuation measures – total shareholder return and total return – the higher level of gearing compared with our peers has worked to the detriment of performance in the current year and this in turn is reflected in a lower relative ranking on returns to second and third place over a five-year horizon.

On income measures, we retain strong leadership over a three and five-year time horizon and despite a 23.3% increase in earnings per share, we were ranked second over a one year view.

## Risk management

British Land generates returns to shareholders through long-term investment decisions requiring the Company to evaluate opportunities arising in the following core areas:

- demand for space from occupiers against available supply;
- differential pricing for premium locations and buildings;
- alternative use for buildings;
- demand for returns from investors in property, compared to other asset classes;
- economic cycles, including their impact on tenant covenant quality, interest rates, inflation and property values;
- price differentials for capital to finance the business;
- legislative changes, including planning consents and taxation; and
- construction pricing and programming.

These opportunities also represent risks, the most significant being changes to the value of the property portfolio. This risk has high visibility to senior executives and is considered and managed on a continuous basis. Executives use their knowledge and experience to knowingly accept a measured degree of market risk.

The **principal business risks**, which are predominantly external, are summarised in the following table.

These and other risks are identified within British Land's formal risk management process, which defines risk areas and includes a risk scoring methodology based on the assessed impact of the risk event and the likelihood of its occurrence. The principal risks identified are considered and reviewed at various stages in the process, culminating in consideration of and discussion by the Executive Directors, the Audit Committee and the Board. Internal procedures to mitigate risks are the focus of assurance work performed by the Group's Internal Audit function.