

**British Land**  
**Interim Report**  
**Six months to 30 September 2007**



## Financial Highlights

- **Net Asset Value<sup>1</sup> per share unchanged at 1682 pence (Q2 down 3%)**
  - EPRA Net Assets<sup>1</sup> £8.7 billion
  - IFRS Net Assets £8.6 billion
  - Properties owned or managed £20 billion
- **“Triple Net Asset Value” per share 1745 pence, up 4% (Q2 down 3%)**
  - Adjusts debt and derivatives to market value, and deducts deferred tax
- **Underlying pre-tax profit<sup>2</sup> £143 million, up 10% (Q2 £67 million up 18%)**
  - IFRS loss on ordinary activities before tax £35 million
- **Underlying earnings per share<sup>2</sup> 26 pence, up 30% (Q2 12 pence up 33%)**
  - IFRS earnings per share nil
  - Dividend 8.75 pence per share for the quarter to September 2007 (payable February 2008) making 17.5 pence for the six months, more than treble that of last year (and consistent with 35 pence full year target)
  - £250 million share buyback programme announced and underway, £125 million completed up to 30 September
- **Exceptional balance sheet resilience**
  - Portfolio 99% let<sup>3</sup> with 14.4 years average lease length
  - Debt 100% fixed rate at 5.3% average cost and average maturity of 12.7 years
- **Portfolio valuation decrease of 0.5% for the six months (Q2 1.9% decrease)**
  - Capital return<sup>4</sup> -0.5%, ahead of IPD Benchmark at -0.9%, due to outperformance on rental value growth (ERV)
  - Like for like rental value growth of 4.2% versus IPD 2.4%
  - Outward yield shift of 21bps overall (Offices 25bps, Retail 20bps)
  - Valuations decreased principally within the Retail portfolio, down 2.9%; Offices (including developments) show 3.6% increase with ERV growth offsetting outward yield shift

### Activist strategy progressing well:

- £1.9 billion (gross) disposals since March 2007, overall 3% above valuation
- Good occupancy demand, driving rents forward in both Office and Retail sectors
- Development programme on schedule
- Over 710,000 sq ft Office lettings and 740,000 sq ft Retail lettings since March 2007, including development pre-lets, capturing occupier demand and lowering risk

<sup>1</sup> EPRA (European Public Real Estate Association) basis – Note 1 to the accounts

<sup>2</sup> see Note 1

<sup>3</sup> includes accommodation subject to asset management initiatives and under offer

<sup>4</sup> calculated by IPD for our UK assets on average capital employed and excluding capitalised interest

**Chris Gibson-Smith, Chairman comments:**

The interim results are ahead on underlying profit and rents and unchanged from the start of our financial year at the Net Asset Value per share level. The property market correction, currently ongoing, has led to valuation mark-downs in Q2 offsetting progress in Q1. British Land is not immune from the wider market but we are facing those difficult conditions from an advantaged position. Our strategy is settled and clear, our buildings appeal to customers and our balance sheet is robust.

**Stephen Hester, Chief Executive Officer comments:**

We entered the property market correction with significant positives – a strong balance sheet, 100% fixed interest rates, and among the highest occupancy rates and lease lengths in our industry. Customer focus and our activist strategy are helping us outperform at the rental level and we firmly believe that an investment in British Land offers clear value. However, more than one quarter is likely to be needed to complete the market correction which may well be uneven in timing and across participants.

**British Land contacts:**

Laura De Vere	- Media	020 7467 2920 / 07739 292920
Amanda Jones	- Investors	020 7467 2946 / 07921 884017

**Finsbury:**

Faeth Birch	020 7251 3801 / 07768 943171
Ed Simpkins	020 7251 3801 / 07947 740551

## REVIEW BY THE CHIEF EXECUTIVE, STEPHEN HESTER

In the first half of our financial year we are pleased to report good progress from the customer side of our business. As a result we have delivered rental rises ahead of the market and higher underlying profits. However in terms of Net Asset Value (NAV) per share it seems that we have been running hard to stand still. The combination of interest rate rises and more recent debt market turmoil left real estate pricing vulnerable to the correction now underway. While we could not predict the debt market problems, we consistently highlighted the changing interest rate/yield relationship and tried to position our strategy in that light.

The NAV picture masks considerable strengths and accomplishments. During the six months we harvested some of the fruits of the activist and customer focused strategy adopted in recent years. The appeal of our buildings, new and old, captured notable new lettings with rental growth again outstripping the market overall. Developments remain a source of distinctive value and we were pleased to profitably complete and let buildings, giving reality to our carefully managed risk profile and allowing the commencement of new projects for future years.

Our portfolio reshaping saw a further £1.9 billion of disposals, making £6.1 billion gross since 2005. We believe this has added value through weeding out our most likely under-performers, by asset and by sector, whilst reducing gearing in the face of a vulnerable market.

British Land's strategy is clear – we set it out two years ago and have been executing against those goals. We anticipated the end of the bull market and the consequent need for added-value from active portfolio recycling and asset management and development – all in the context of a disciplined risk management culture. We reaped gains from property price inflation with acquisitions taking gearing to its highest ever level in 2005 (59% Loan to Value - LTV) and brought it down again to the lowest level since 1995 in June this year before the property market had turned. Our entire balance sheet was refinanced to give us 100% fixed interest rates, the lowest cost of debt (5.3%) in our sector and average maturities of 12.7 years – with some £2 billion of additional undrawn committed financing should opportunities present themselves. Gearing counts against us when asset values fall but, over a cycle, remains an important positive for our business.

Our 99% occupancy rate and 14.4 year lease lengths also give strong defensive attributes but just as important underpin our growth prospects by confirming that our properties are in demand. Rental growth at British Land has outstripped the market since March 2006.

In sectoral terms, we have used our active management mandate to substantially withdraw from weaker customer markets in industrial, provincial offices and in-town retail whilst expanding in Europe and indexed leases. Even in the strong markets of London Offices and Out of town Open A1 Retail, we top-sliced holdings in key assets, in particular cutting our office exposure to make room for profitable development delivery without further increasing exposure to sector cyclicity.

### Markets

As is often the case, real estate's customer markets do not align perfectly with investment market pricing. By and large those sectors and sub-sectors where customers are enjoying business success continue to show strong occupancy and consequent rental growth. London Offices and Out of town Retail, British Land's key picks, showed annualised ERV growth rates of 18.2% and 3.3% respectively in the first half.

If anything, Retail customer demand is better than commonly presumed, at least for scarce out of town space where sales densities are rising. The picture in London Offices has been even stronger given its cyclical boost. It is premature to know how much the debt market turmoil of recent weeks will dent this picture. We believe the market outcome may have parallels to 1998 when customer demand recovered within the next 12 months –

but inevitably there will be uncertainty for a period. While the City/Canary Wharf are in theory most directly impacted, if at all, rents are much cheaper and the market rather deeper than large parts of the core West End market where we have little presence.

Clearly the greatest discussion point is what is currently occurring in investment markets. These are suffering a price correction brought on by the combination of interest rate rises until July followed by increases in the risk premia demanded by investors following the debt market turmoil which started in August. Because property's asset backed cash flow growth can be projected over many years, relatively small rises in required return brought about by price adjustments in other investment classes can have a significant negative price effect.

We believe that the likely scale of price correction is limited by real estate's defensive cash flows and risk adjusted prospective returns – but inevitably it remains hard to predict as other markets move and investor sentiment is volatile. Given the limited current transaction data available to valuers, there could well be uneven price changes and yield movements across different valuers and companies for comparable assets into which little can be read until clearer hard evidence is available. Hence the price correction seems likely to take more than one quarter to be accomplished.

To put current events in context, remember, British Land's NAV per share has risen 59% in the last three years, outperforming its peers, even after this quarter's results – and underlying pre-tax profit has doubled over the same period. We perceive value in our shares and have already completed half of the £250 million share buyback announced in July with that in mind.

## Activity during the six months

### Portfolio reshaping

Total purchases and sales in the first six months reached some £2.3 billion gross. We seek to add value through this activity in two ways: to improve future performance by selling low growth or riskier assets and sectors (and vice versa); and to manage financial gearing in the light of perceived market risk.

In **London Offices** the strong investment market earlier this year enabled us to achieve high sale prices for assets where we saw (risk adjusted) growth prospects as lower than those expected from reinvesting the proceeds into our office development programme. The sale of **One Exchange Square**, a landmark building on the Broadgate Estate, for £406 million is in line with this strategy.

**Blythe Valley Park**, Solihull, was sold in September for a total consideration of up to £161 million. The extensive site was developed by British Land (with Solihull Metropolitan Borough council) to provide c.500,000 sq ft of office accommodation, and outline planning consent was achieved for a major extension to the park of up to 2 million sq ft of offices. This sale concentrates the focus on our core office investments in London.

In the **Retail sector**, the portfolio has been pruned further by:

- enhancing our retail warehouse park profile through sales of assets with slower rental growth prospects
- the sale of the **East Kilbride** Shopping Centre, owned in partnership with Land Securities
- sales of more high street shops, reducing our in town investments.

Disposal of a number of industrial properties reflects our continuing strategy of focusing on higher growth sectors.

A disappointment was the withdrawal from partial sale of Meadowhall, our 1.5 million sq ft regional shopping centre at Sheffield, in September; a victim of adverse investment market conditions. The asset is a resilient one with good customer appeal and disposals elsewhere preclude any need to sell below fair value.

<b>Sales</b>	<b>Price, £m</b>	<b>BL Share, £m</b>	<b>Gain, %<sup>1</sup></b>
6 months to September 2007			
<b>Retail:</b>			
East Kilbride Shopping Centre <sup>2</sup>	387	193	(2.8)
50% share of Fort Kinnaird Shopping Park <sup>3</sup>	240	87	-
8 retail warehouse properties	228	202	5.5
50% share of New Mersey Shopping Park <sup>4</sup>	209	76	5.3
10 High Street shops	115	115	4.1
<b>Offices:</b>			
One Exchange Square, Broadgate	406	406	5.6
Blythe Valley Park, Phases I & II <sup>5</sup>	161	161	4.0
<b>Other:</b>			
7 industrial properties	86	86	2.7
Cardigan Fields, Leeds	40	40	(1.6)
8 other properties	6	6	-
	<b>1,878</b>	<b>1,372</b>	<b>3.2</b>
<b>Since 30 September 2007</b>			
2 retail warehouses <sup>6</sup>	24	6	1.3
Debenhams, Luton	11	11	(4.6)
	<b>35</b>	<b>17</b>	<b>(2.4)</b>
	<b>1,913</b>	<b>1,389</b>	<b>3.1</b>

<sup>1</sup> sale price versus latest year end valuation (March 2007)  
<sup>2</sup> Scottish Retail Property Limited Partnership – JV with Land Securities  
<sup>3</sup> Gibraltar Limited Partnership – JV between Hercules Unit Trust (HUT) and The Crown Estate  
<sup>4</sup> Speke Unit Trust – JV between HUT and Bank of Ireland Private Banking Limited  
<sup>5</sup> including conditional deferred elements of the sale consideration (gain calculated on estimated present value)  
<sup>6</sup> Hercules Income Fund (HIF)

<b>Purchases</b>	<b>Price, £m</b>	<b>BL Share, £m</b>
6 months to September 2007		
Nueva Condomina, Murcia, Spain <sup>1</sup>	237	118
50% share of Gallagher and The Shires retail parks <sup>2</sup>	100	36
50% share of Whiteley Village factory outlet centre <sup>3</sup>	55	28
Others	34	18
	<b>426</b>	<b>200</b>

<sup>1</sup> jointly with PREF: completed July 2007, following conditional exchange in March 2007 (as per year end report)  
<sup>2</sup> Gibraltar Limited Partnership – JV between HUT and The Crown Estate  
<sup>3</sup> JV with Universities Superannuation Scheme

The purchase of Spain's prime regional shopping centre and retail park in **Murcia, Nueva Condomina**, for €350 million, was completed jointly with Pillar Retail Europark Fund (PREF), where British Land acts as property adviser and has an effective interest of 40%, confirming British Land/PREF's position as the largest owner of out of town retail parks in Europe.

Two new joint ventures involving the Hercules Unit Trust (where British Land acts as property adviser and has an interest of 36.3%) have been established. The first with the Crown Estate incorporates three properties – HUT's **Fort Kinnaird Shopping Park** in Edinburgh, and the Crown Estate's **Gallagher Retail Park** in Cheltenham and the **Shires Retail Park** in Leamington Spa. The second is between HUT and Bank of Ireland Private Banking, into which HUT sold **New Mersey Shopping Park** in Liverpool. These transactions provide the opportunity for recycling capital and leveraging our management added-value, while retaining exposure to premier out of town locations.

A further new joint venture, with the Universities Superannuation Scheme (USS), involved the acquisition of a factory outlet centre in **Whiteley Village**, near Fareham in Hampshire, which shows good potential for asset management and development.

**St Stephen's Shopping Centre**, Hull, opened for trading in September. The development was forward purchased by British Land in July 2005 at £135 million (with completion of the acquisition later this year). The Centre, anchored by a 146,000 sq ft Tesco Extra, includes a wide covered 'street' with a further 420,000 sq ft of retail and leisure accommodation. Completed and under offer lettings (in total 83%) include the major fashion retailers and discussions are taking place for the remaining space.

In addition to these purchases we have incurred £180 million of expenditure on development projects in the six months.

### Development programme

Committed developments	PC <sup>1</sup>	Sq ft '000	Cost £m <sup>2</sup>		Value Sept 07 £m	Notional Interest £m <sup>3</sup>	Rent pa £m <sup>4</sup>	Let/Pre-let £m <sup>4</sup>	Sales £m <sup>5</sup>
			Total	To complete					
<b>London Offices:</b>									
Ludgate West	Q4 2007	127	50	9	98	-	6.3	4.3	-
201 Bishopsgate	Q1 2008	420	128	51	235	5	20.3	15.2 <sup>8</sup>	-
Broadgate Tower	Q3 2008	400	190	73	276	7	22.0	8.3 <sup>9</sup>	-
Ropemaker Place	Q2 2009	593	229	189	209	25	32.0	-	-
Osnaburgh Street <sup>6</sup>	Q3 2009	490	258	225	101	18	21.5	-	52
The Leadenhall Building	Q1 2011	612	407	357	138	36	38.2	-	-
<b>Total Offices</b>		<b>2,642</b>	<b>1,262</b>	<b>904</b>	<b>1,057</b>	<b>91</b>	<b>140.3</b>	<b>27.8</b>	<b>52</b>
<b>Retail Parks</b>									
Puerto Venecia, Zaragoza <sup>7</sup>	Q4 2007/ Q4 2010	2,159	109	99	87	8	9.6	1.1	22
Giltbrook, Nottingham	Q2 2008	199	46	35	20	4	3.8	-	1
<b>Total</b>		<b>5,000</b>	<b>1,417</b>	<b>1,038</b>	<b>1,164</b>	<b>103</b>	<b>153.7</b>	<b>28.9</b>	<b>75</b>

<sup>1</sup> estimated practical completion of construction

<sup>2</sup> estimated construction cost

<sup>3</sup> from 1 October 2007 to PC

<sup>4</sup> current estimated headline rent (excludes provision for tenants' incentives)

<sup>5</sup> parts of development expected to be sold, no rent allocated – see also footnote 6 below

<sup>6</sup> Regent's Place, development includes 110,000 sq ft residential, expected to be sold

<sup>7</sup> joint venture (Eurofund Investments Zaragoza) – BL share 50%

<sup>8</sup> excludes further 74,000 sq ft under tenants' options (Henderson and Mayer Brown). Mayer Brown also have the option (until December 2007) to assign to British Land their lease of 55,000 sq ft of existing City offices, in which event there will be a compensating reduction in the rent free period on their new accommodation at 201 Bishopsgate

<sup>9</sup> excludes further 26,000 sq ft under tenants' options

Data for Group and its share of Funds and Joint Ventures (except areas shown at 100%)

The Basinghall Street City office development pre-sold by City of London Office Unit Trust (British Land share 35.9%) completed as scheduled in Q2 2007.

### 2.6 million sq ft London Office developments

Our London Office development programme represents an added-value way for us to meet customer needs, producing high quality buildings of architectural merit in the right locations, offering flexible, efficient floor plates and an attractive working environment.

Strong progress has been made in the first six months of this year, with construction of all projects progressing broadly on schedule. **Lettings of 537,000 sq ft** (plus 100,000 sq ft under tenants' options) have been achieved since March 2007, representing 57% (or 67% if

the options are exercised) of our London office developments due to be completed in 2007 and 2008, capturing occupier demand and confirming the appeal of our new buildings.

Projects completing in 2007 and 2008:

**201 Bishopsgate and The Broadgate Tower**, London EC2, are well advanced and on programme for completion in 2008, together representing the largest City development built neither with pre-lets nor by an occupier. Lettings have been concluded:

- in May to Henderson Group plc for 123,000 sq ft and in June to Mayer, Brown, Rowe & Maw LLP for 184,000 sq ft, plus options to them over a further 74,000 sq ft. These agreements cover 75% of the offices at 201 Bishopsgate (or 93% if the options are exercised);
- in September to Reed Smith Richards Butler LLP for 142,000 sq ft plus options over a further 26,000 sq ft, at the 35-storey Broadgate Tower, at rents of £62.50 per sq ft for the top floors (and an average initial rent overall of £58 per sq ft). This letting represents 36% of the offices in the Tower (or 42% if the options are taken up).

At **Ludgate West**, London EC4, an agreement to lease has been exchanged with solicitors Charles Russell LLP over 88,000 sq ft, representing 69% of the whole.

2009 onwards:

The developments at **Ropemaker Place**, London EC2, **Osnaburgh Street**, **Regent's Place**, London NW1 and **The Leadenhall Building**, London EC3 are also going to plan. Whilst construction is still at the earlier stages, substantial proportions (67%) of the construction costs in these three projects have been locked-in.

At **Leadenhall**, demolition of the existing building is well advanced to prepare for construction of a new striking City office tower, which we consider will be seen as London's finest such tower. Innovative engineering is enabling the piling and foundation works for the new building to progress concurrently with the ongoing demolition, attracting considerable interest in the process.

Our development of the **Regent's Place** estate has redefined this area of London's West End, creating a new working environment with modern office floorplates, together with retail and public spaces – meeting occupier demand with accommodation not otherwise available in the crowded West End, and generating rental growth. At Osnaburgh Street, construction is proceeding well on a mixed use scheme of 380,000 sq ft offices and 110,000 sq ft of residential accommodation. At the North East Quadrant planning approval is awaited for a further 384,000 sq ft of offices and 124,000 sq ft of residential units.

The Building Research Establishment Environmental Assessment Method (BREEAM) evaluates a broad range of the environmental impacts of new buildings. All our London office developments have target or provisional **BREEAM ratings of Excellent** (i.e. at the top of the scale). As examples of these environmental factors, the appeal of The Broadgate Tower and 201 Bishopsgate is enhanced by their use of recycled materials and their energy efficiency (they are expected to produce a 29% lower level of CO<sub>2</sub> emissions than is stipulated by current building regulations) and the design of Ropemaker Place also incorporates highly efficient plant to reduce energy use and emissions.

#### **2.4 million sq ft Retail projects in UK and Spain**

**Giltbrook Retail Park**, Nottingham was purchased in mid-2006. We redesigned the project, achieved a revised planning consent and are proceeding with a 199,000 sq ft mixed used scheme of retail and industrial space, with improved environmental attributes. Construction of the retail park is progressing well with access for tenants expected mid-2008. Over 90% of the new park is under offer, at rents in excess of projections, to tenants including BHS, Comet, Argos, Mamas & Papas and Starbucks.

At **Puerto Venecia, Zaragoza** (our 2.2 million sq ft retail scheme joint venture in Spain) development continues apace with completion due to occur on a phased basis between the end of 2007 and 2010. As previously reported significant lettings have already been achieved with continuing good interest from major retailers. The IKEA store opened in May 2007, anchoring the retail park, and we have contracted with El Corte Inglés, Spain's largest department store operator, to anchor the shopping centre with an owner occupied store of distinctive design, providing over 400,000 sq ft. Other tenants for the retail park include Leroy Merlin, Conforama, Porcelanosa and most recently PC City as well as several Spanish multiple retailers which means that over 85% of the retail park has been pre-let, pre-sold or is under offer, with units planned to begin opening from Easter 2008. We are in the process of further design enhancement for the retail and leisure centre, with good interest from major occupiers.

Development prospects		Sq ft '000	Cost £m <sup>1</sup>	Value, Sept 2007	Notional Interest <sup>2</sup> £m	Rent £m pa <sup>3</sup>	Sales £m	Planning
Regent's Place	NE Quadrant	508	246	51	18	18.8	66	Submitted
Colmore Row	Provincial Office	284	87	27	9	9.4	-	Pending
New Century Park <sup>4</sup>	Business Park/Distribution	582	76	11	2	4.0	6	Detailed
Meadowhall additional land	Mixed use	1,270	289	25	10	22.4	38	Pending
Theale	Residential	204	33	16	2	4.3	-	Detailed
Preston	Deepdale Retail Park	67	14	3	-	1.2	-	Detailed
4 Broadgate	City Office	407	207	118	16	26.2	-	Pending
Euston Station <sup>5</sup>	West End Retail, office, residential )							Pending
Canada Water <sup>6</sup>	Mixed use )							Outline

<sup>1</sup> estimated construction cost to complete

<sup>2</sup> during construction to PC

<sup>3</sup> current estimated headline rent (excluding cost of tenant incentives)

<sup>4</sup> joint venture with Goodman Real Estate (UK) Limited

<sup>5</sup> in partnership with Network Rail

<sup>6</sup> joint venture with Canada Quays Limited

In February British Land was selected by Network Rail as its development partner for a major mixed use redevelopment of **Euston Station**. We are working with Network Rail to prepare a masterplan for the creation of a landmark station interchange. The 15 acre site will accommodate up to 4 million sq ft of mixed use development including retail, office, residential and a new station, realising its commercial potential and assisting with the on-going regeneration of the area. Following settlement of legal agreements and completion of the outline design process, a planning application is expected to be submitted in early 2009.

We are also working with Sheffield City Council for the master-planning of the land we own adjacent to **Meadowhall** Shopping Centre. The proposals, including offices, residential and car showroom facilities have attracted interest from potential commercial occupiers.

### Proactive Asset Management

The focus of our management teams on customer requirements is continuing to add value to our properties through a range of asset management activities including facilitating change in customer space needs and initiating improvements by better design or configuration or planning use. Examples during the six months include:

- **Broadgate**, where we contracted in May to relocate Henderson from 4 Broadgate to 124,000 sq ft in our development at 201 Bishopsgate, providing them with new space suitable to their current requirements whilst releasing 4 Broadgate for a high rise redevelopment with potential to commence in 2009 as part of our Broadgate '2020' master plan;

- **Dartford**, where HUT acquired a 40,000 sq ft two unit retail warehouse scheme let to Focus and Halfords early in 2007. A surrender of the Focus unit was negotiated and relet to Allied Carpets and MFI, which enabled their relocation from the larger 216,000 sq ft Prospect Place Retail Park at Dartford. The former Allied Carpet space has been relet to Marks & Spencer and the former MFI space relet to Asda Living, both at increased rents;
- **Deepdale Shopping Park, Preston**, a 230,000 sq ft scheme owned by HUT, where a surrender of units occupied by Birthdays and Brantano was agreed, and the units extended and relet as two units of 5,500 sq ft each to River Island and JD, creating a new high rent for the park. We relocated Brantano into a larger 6,500 sq ft unit which was created by negotiating the surrender of a 10,000 sq ft unit occupied by Holiday Hypermarket and subdividing the space into two units, with the smaller unit relet to Holiday Hypermarket. At the same location we demolished a public house to construct a 9,700 sq ft food court for restaurants and cafes such as KFC and Costa Coffee, and as part of the planning negotiation for the new food court an amended consent was agreed for the 19,500 sq ft Marks & Spencer unit to enable food retailing;
- **Orbital Shopping Park, Swindon**, where units let to Homebase and to Comet were subdivided to allow a halving of their requirements (though at increased rents per sq ft). The vacant space created has been let to Marks & Spencer on attractive terms, boosting the overall prospective performance of the Park.

We also continue to seek value enhancement to our assets through selective capital expenditure, as shown by the following examples:

- improvements at the 700,000 sq ft **Eastgate Shopping Centre, Basildon**, where a reconfiguration of the food terrace and general refurbishment works currently under way will result in a more modern environment, attractive to retailers and their customers alike;
- at 338 Euston Road, a 111,000 sq ft multi-let office building within our **Regent's Place** estate, a major refurbishment of potential and existing vacant space together with common services is underway to result in more attractive space for both existing and potential occupiers.

There is ongoing demand from customers across our portfolio; 175,000 sq ft of our central London office space has been let since 31 March 2007, in addition to the letting of development projects referred to above. This includes lettings at:

- **York House** in Seymour Street, W1 (British Land's head office) where Government of Singapore Investment Corporation has taken 33,700 sq ft and Moor Park Capital Partners has taken 4,800 sq ft; terms have been agreed on a further 9,000 sq ft of office space (the majority of the remaining space). Rents achieved via these lettings reflect the building's premium design and location;
- **155 Bishopsgate**, where Sempra Energy has taken the entire 38,000 sq ft level 5, comprising refitted Category A space, on a lease term to 2019 at an initial rent of £57.50 per sq ft, a new high at Broadgate; we have also retained RCM at 155 Bishopsgate with a lease re-gear for 13,881 sq ft for 12 years at £54.50 per sq ft, a substantial enhancement on rents passing;
- **Plantation Place South**, where Axis Specialty Europe, a leading diversified specialty insurance and reinsurance business, has taken level 4, comprising 19,011 sq ft on a 15 year lease at £51 per sq ft;

all contributing to establishing rental growth.

Our **leadership in the retail park market** is underscored by British Land/HUT accounting for 20% of the total retail park take up from occupiers over the calendar year to September, including one third of take up from high street retailers. Since 31 March 2007 some 1.2 million sq ft of retail warehouse space has been let or is under offer at an annual rent totalling some £34 million. These are predominantly to household names such as Allied Carpets, Asda, Body Shop, Carpetright, Carphone Warehouse, Laura Ashley, Marks & Spencer, New Look, Next, River Island, and TK Maxx.

New lettings and lease renewals (including Funds and Joint Ventures)	Number	Sq ft '000	Rent, £m pa	
			New total	BL share of increase
Retail Warehouses	63	540	14.0	5.3
Shopping Centres	45	136	6.0	2.9
High Street	13	68	2.1	0.7
Central London Offices	21	175	9.1	7.3
Other	61	125	2.6	1.1
	<b>203</b>	<b>1,044</b>	<b>33.8</b>	<b>17.3</b>
Development pre-lets, London Offices	4	537	27.8	27.8
	<b>207</b>	<b>1,581</b>	<b>61.6</b>	<b>45.1</b>

Headline rents, before tenants' incentives (rent frees) and including unconditional contracts exchanged with forward completions

During the six months we have also made good progress with rent reviews concluding 113 reviews at overall 6% above the external valuer's applicable ERV, generating an increase in current rental income to British Land of over £8 million per annum.

Rent reviews (including Funds and Joint Ventures)	Number	Rent, £m pa		
		New total	Increase	BL share of increase
Retail Warehouses	44	17.1	5.0	3.2
Superstores	5	7.3	1.3	1.0
Shopping Centres	31	6.6	0.7	0.6
High Street	11	5.1	0.7	0.7
Central London Offices	3	24.5	2.7	2.7
Other	19	1.0	0.2	0.2
	<b>113</b>	<b>61.6</b>	<b>10.6</b>	<b>8.4</b>

During the six month period we settled rent reviews at some of our larger properties at significantly higher than their estimated rental values. At 2 & 3 Triton Square, **Regent's Place**, rents payable by Abbey on their 199,000 sq ft head office increased to c. £47 per sq ft, 29% above the previous rent passing and 16% above the ERV. We were helped in achieving this by a lease renewal with Regus at 338 Euston Road which set a new rental high for the estate of £50 per sq ft.

At **Meadowhall** visitor numbers have been consistently better than the national footfall index for shopping locations throughout the UK (per the British Retail Consortium). Following flooding in June, 130 stores on the lower level have been refitted. Together with a number of key new lettings to retailers such as All Saints, Hobbs, Puma, Henleys and The Pier, this has created a broader and more exciting retail offer than ever before – and terms have been agreed with Topshop for a new 40,000 sq ft flagship store. In addition a brand new 165,000 sq ft two level mall, known as The Gallery, opened in September attracting leading retail names and housing the major new stores for Next and Primark.

## Portfolio Valuation

The investment market is currently difficult following recent financial market turmoil, with the consequent lack of liquidity and higher interest rates resulting in a reduced number of transactions whilst investors wait to assess the changing conditions. Our valuers have reflected this uncertainty in a negative (upwards) adjustment to investment yields though clear supporting transaction evidence is not readily available at present. This process is continuing as seen in data since September from CBRE and other sources (see note 8 to table below).

The table shows the principal valuation movements by sector for the three and six month periods to 30 September 2007, totalling **0.5% decline** for the 6 months (Q2 -1.9%).

The **capital return from the portfolio at -0.5%**, as measured by IPD (calculated for our UK assets on average capital employed and excluding capitalised interest) compared favourably with the IPD Benchmark at -0.9% (Q2 British Land -1.9%, IPD -2.0%).

Contributing to this performance was like for like growth in rental value (ERV) for the portfolio over the six months at 4.2%, ahead of the market in each sector (IPD Benchmark 2.4%). The net equivalent yield (after notional purchaser's costs) on the portfolio moved out 21bps (like for like) to 4.9% over the six months, a slightly larger shift than that applicable to the IPD Benchmark of 20bps. Given the prime nature of our portfolio, underpinned by its occupancy, lease lengths and rental growth, we would expect that widening risk premia will be reflected in valuations elsewhere, reversing the relative yield movement versus IPD in time.

Valuation by sector	Group £m	Funds/JVs <sup>1</sup> £m	Total £m	Portfolio %	Change <sup>2</sup> %	
					3 mths	6 mths
<b>Retail</b>						
Retail Warehouses	2,285	1,496	3,781	23.8	(2.9)	(1.9)
Superstores	1,589	614	2,203	13.8	(3.3)	(2.4)
Shopping Centres <sup>3</sup>	1,927	406	2,333	14.7	(4.2)	(4.5)
Department Stores	765	144	909	5.7	(4.0)	(3.9)
High Street	203	-	203	1.3	(3.2)	(2.7)
<b>All retail</b>	<b>6,769</b>	<b>2,660</b>	<b>9,429</b>	<b>59.3</b>	<b>(3.4)</b>	<b>(2.9)</b>
<b>Offices<sup>4</sup></b>						
City <sup>5</sup>	4,805	-	4,805	30.2	0.1	2.9
West End <sup>6</sup>	1,156	-	1,156	7.3	3.1	7.7
Provincial	93	13	106	0.6	-	(0.1)
<b>All offices</b>	<b>6,054</b>	<b>13</b>	<b>6,067</b>	<b>38.1</b>	<b>0.6</b>	<b>3.6</b>
Industrial, distribution, leisure, other	376	38	414	2.6	(4.2)	(3.0)
<b>Total<sup>7</sup></b>	<b>13,199</b>	<b>2,711</b>	<b>15,910</b>	<b>100.0</b>	<b>(1.9)</b>	<b>(0.5)</b>

<sup>1</sup> Group's share of properties in Funds and Joint Ventures

<sup>2</sup> change in value for 3 months and 6 months to 30 September 2007, includes valuation movement in developments, purchases and sales, net of capital expenditure

<sup>3</sup> Meadowhall Shopping Centre valuation down 4.8% (£79 million) to £1,575 million; ERV £83 million; net equivalent yield 4.87% (true equivalent yield 5.02%)

<sup>4</sup> includes Developments in City, West End and provincial: total value £1.3 billion, 8.1% of Portfolio, 7.9% uplift for the 6 months

<sup>5</sup> Broadgate valuation up 1.2% to £3,085 million (4 Broadgate included in Development); headline ERV range £49 - £57.50 per sq ft (average headline ERV has risen 7.4% to £52 psf); net initial yield 4.77% (assuming top up of rent free periods and guaranteed minimum uplifts to first review); net equivalent yield 5.08%

<sup>6</sup> Regent's Place valuation up 6.9% to £696 million; headline ERV range £24.00 - £56.00 per sq ft; net initial yield 4.6% (assuming top up of rent free periods and guaranteed minimum uplifts to first review); net equivalent yield 5.08%

<sup>7</sup> annualised net rents £621 million (excluding developments) (net rental income under IFRS differs from annualised net rents which are cash based, due to accounting items such as spreading lease incentives and contracted future rental uplifts, as well as direct property costs); portfolio initial yield (gross to British Land, without notional purchaser's costs) 4.3%; initial yield adding back rent frees 4.6%; reversionary yield (gross, five years) 5.1%.

<sup>8</sup> CB Richard Ellis equivalent yields for prime investment property:

	Retail Parks (Open User)	Shopping Centres	City Offices	West End Offices
September 2007	4.00%	4.75%	4.50%	3.75%
November 2007	4.50%	5.00%	5.00%	4.25%

The main sector impacts on the valuation movements over the six months were:

- London Offices including developments, comprising 37.5% of the portfolio, saw outward yield shift of 25bps but value rose by 3.7% as a result of 8.7% ERV growth on the investments, reflecting continuing strength in the occupational market, demonstrated by the recent lettings in the developments and strong rent review settlements;
- Retail warehouse parks, at 23.8% of the portfolio, saw outward yield shift of 18bps and valuation reduced by 1.9%, less than the decline on the IPD Benchmark for the segment, due to ERV growth of 2.1% on the British Land investments above 0.8% IPD;
- Superstore valuations, which represent 13.8% of the portfolio, reduced by 2.4% (a 15bps outward yield shift), reflecting less rental growth being established in this six months due to a limited number of market transactions;
- Shopping centres, being 14.7% of the portfolio, showed a fall in value of 4.5% (a 24bps outward yield shift) due to several factors: the small loss on sale at East Kilbride, provision for the full refurbishment expenditure at Basildon, and, of greater impact, a 24bps outward yield shift on Meadowhall Shopping Centre. This positions the Centre at the most conservative yield valuation relative to other comparables it has ever had since purchase in 1999. Trading is good but the asset scale makes valuation here inevitably part art, part science.

Our investment in Songbird Estates providing a 'look through' 10.8% economic interest in Canary Wharf produced a further dividend of £46 million in June 2007 bringing the total amount of cash dividends received from Songbird to £113 million to date. Our remaining investment was valued for accounting purposes at 30 September 2007 at £225 million.

## Financial results

Highlights for the 6 months ended:	September 2007	September 2006	Change
<b>Income Statement</b>	<b>£m</b>	£m	%
Underlying pre-tax profit <sup>1</sup>	<b>143</b>	130	+10
Gross rental income	<b>300</b>	291	+3
- proportional basis <sup>2</sup>	<b>355</b>	353	+1
Net interest costs	<b>149</b>	157	-5
- proportional basis <sup>2</sup>	<b>179</b>	188	-5
	<b>pence</b>	pence	
IFRS diluted earnings per share <sup>1</sup>	<b>0</b>	111	-100
Underlying diluted earnings per share <sup>1</sup>	<b>26</b>	20	+30
Dividend per share	<b>17.5</b>	5.6	+213
<b>As at:</b>	<b>September 2007</b>	March 2007	
<b>Balance Sheet</b>			
Net Assets	<b>£8,621m</b>	£8,747m	-1
EPRA <sup>1</sup> NAV per share	<b>1682 pence</b>	1682 pence	-
EPRA <sup>2</sup> NNAV per share	<b>1745 pence</b>	1683 pence	+4

<sup>1</sup> see Note 1

<sup>2</sup> see Table A (non-statutory proportional consolidation, including share of Funds and Joint Ventures)

The above table illustrates continuing growth in underlying pre-tax profits, as well as (on an IFRS basis) the negative impact of the downward overall valuation for the last quarter outweighing the valuation gains in the first quarter – and resulting in no change in net asset value per share for the six months.

**Income Statement** (data presented on a proportionally consolidated basis – table A)

Gross rental income for the six months amounted to £355 million, fractionally up against the corresponding period last year as new lettings offset net sales activity. Slightly higher net rental income of £334 million, together with reduced administrative expenses at £41 million and reduced net interest costs of £179 million contributed to the underlying profit before taxation of £143 million for the six months – up 10% against the corresponding period last year.

Like for like rental income (based on investment properties without fixed or minimum rental uplifts owned throughout the current and prior period) increased in the six months by 5.5% compared with the corresponding period last year. This includes a 4.3% uplift on office rents driven by new lettings; retail was up 6.3%, including a 9.8% increase for retail warehouses due to rent reviews and new lettings.

The underlying profit includes £16 million from the June dividend from Songbird. The additional £30 million received has been recorded as a capital not an underlying item, and an offsetting reduction in Songbird carrying value booked.

The most significant movement in the IFRS income statement during the six months was the valuation reduction (less profits on disposals) of £207 million, being a net loss of £365 million for the quarter ended 30 September 2007 offset by a net gain of £158 million recorded for the quarter ended 30 June 2007. Overall, this has resulted in a headline pre-tax loss for the six months of £32 million. Net tax credits reduce this figure to a loss after taxation for the six months of £2 million.

Underlying diluted earnings per share amounted to 26 pence for the six months, an increase of 30% over the corresponding period in the previous year.

**Balance Sheet**

EPRA net assets at 30 September 2007 were £8.70 billion, compared with £8.86 billion six months before. This gives a net asset value per share of 1682 pence – unchanged from 31 March 2007 due to the reduced number of shares in issue as a result of the share buy back programme, with £125 million having been spent during the six month period.

On a triple net asset value basis (after adjusting debt and derivatives to market value, and deducting deferred tax) EPRA net assets amount to 1745 pence per share – an increase of 4% against 31 March 2007. With underlying profits and the benefit of share buy backs being balanced by the valuation reduction (less gains on property disposals) and the dividend, the increase during the six months arises largely from the beneficial mark to market of debt and derivatives, at a time when market interest rates have been rising.

Total properties owned at 30 September 2007, including share of Funds and Joint Ventures, were £15.9 billion, or £20 billion including properties under management.

**Cash Flow Statement**

The cash flow statement shows a net increase in cash and cash equivalents of £259 million, or £422 million before repayment of bank and other borrowings. A major contributing factor to the increase is £1,123 million receipts from property sales, less £118 million of purchases and £217 million of development and other capital expenditure. Other significant outgoings from non-operating activities include the share buy backs of £125 million and the REIT conversion charge paid of £291 million.

## Dividend

The second quarter dividend of 8.75 pence per share, totalling £45 million, is payable on 15 February 2008 to shareholders on the register at close of business on 18 January 2008. This is in addition to the first quarter dividend of 8.75 pence per share, making a total of 17.5 pence for the half year - consistent with the expected total dividend for the financial year of 35 pence. These dividends represent a significant increase compared with the 2006/7 total dividend of 20.35 pence and 17 pence for the year 2005/6, the last financial year before British Land became a REIT.

The dividend consists of a property income distribution (PID) of 4.25 pence and a non-PID element of 4.5 pence as explained in note 7 of the accounts.

**Total return** (NAV growth plus dividends) for the six month period was 0.9%.

## Financing Activity

Financing statistics	30 September 2007	31 March 2007
<b>Group:</b>		
Net debt	<b>£5,968m</b>	£6,404m
Weighted average debt maturity	<b>14.0 yrs</b>	14.1yrs
Weighted average interest rate	<b>5.27%</b>	5.32%
% of net debt at fixed/capped interest rates	<b>100%</b>	96%
Interest cover <sup>1</sup>	<b>1.83</b>	1.70
Loan to value <sup>2</sup>	<b>40%</b>	41%
Unsecured debt to unencumbered assets	<b>26%</b>	28%
Undrawn committed facilities	<b>£1,855m</b>	£1,657m
<b>Group and share of Funds and Joint Ventures:</b>		
Net debt <sup>3</sup>	<b>£7,123m</b>	£7,741m
Weighted average debt maturity	<b>12.7 yrs</b>	12.7 yrs
Weighted average interest rate	<b>5.30%</b>	5.36%
Interest cover <sup>1</sup>	<b>1.80</b>	1.69
Loan to value <sup>2</sup>	<b>44%</b>	45%

<sup>1</sup> Underlying profit before interest and tax / net interest excluding refinancing charges

<sup>2</sup> debt to property and investments

<sup>3</sup> see Table A

Over the past three years we have taken the opportunity of then favourable conditions in the banking market to replace short-term, higher margin facilities with longer-dated lower margin lines. Since the year end we continued that programme by arranging new bank loans of £950 million in total, including a £620 million seven-year syndicated multi-currency revolving facility at 42.5 basis points over Libor completed in August 2007, and a £250 million bi-lateral facility completed in October 2007, in spite of the recent uncertainties in the financial markets. Following these transactions, we have a total of more than **£3 billion of committed bank lines, with only £275 million due to expire over the next three years**. Within these lines, nearly £2 billion are presently undrawn, providing ample capacity for our development programme and for opportunities that may arise in the market.

Despite rising market rates our weighted average interest rate has fallen from 5.36% at 31 March 2007 to 5.30% at 30 September 2007 (Group and share of Funds and Joint Ventures). This has resulted from the repayment, following sales, of floating-rate debt at higher rates of interest, whilst retaining fixed-rate debt at lower rates. We have also hedged the interest rate applicable to the borrowing required to finance our development programme, so are not exposed to rising costs in this respect.

In July 2007 we arranged a bank facility of €220 million to assist with the acquisition jointly by British Land and PREF of Nueva Condomina, our major shopping centre in Murcia, Spain.

## Property sectoral outlook

- Retail - **£9.4 billion invested**
- **£9.9 billion including completed value of committed developments and contracted purchases in Europe**
- **83% of which is out of town**

Our retail portfolio is largely positioned in **prime assets which best capture occupier demand**, with 83% in out of town locations, of which more than 85% have the favourable open A1/open restricted planning uses. These allow us to align ourselves with our customers and deliver the space they require, also enabling us to offer active asset management initiatives, to generate rental growth and increase value. For example, there is increasing retailer requirement in out of town for smaller units where we have responded by changing unit sizes, permitting installation of mezzanines and providing imaginative new formats for customer services, including new catering outlets. The results are parks attracting a greater variety of retailers that generate increased footfall, shopper dwell times and spend – factors which in turn drive up turnover and so affordable rents. We expect to continue to deliver these improvements and see a positive outlook for continued rental growth in this chosen sub-sector.

These value added strengths are building upon the **strong defensive qualities** of our prime portfolio: high occupancy of 99%, an average lease length of 16 years and 15% reversionary income, including fixed uplifts and expiry of rent free periods. Since March 2007 we have reduced exposure to bulky goods and solus retail warehouses, and in town units, with total sales of £1.2 billion, overall at 1.9% above valuation. Lettings of 540,000 sq ft have been concluded at our retail parks plus 136,000 sq ft at our shopping centres. Together with rent reviews over the same period these captured reversions and will deliver a £14 million increase to the retail rent roll. In addition, we have 2.4 million sq ft of retail developments in the UK and in Spain, progressing well.

The difficulties in the financial markets and the overall increase in the cost of borrowing for debt buyers have effectively produced a “no bid” position in the **investment market**, except for ‘special’ purchasers. As a result, despite significant stock availability, there are very few transactions and yields have moved out, and are continuing to do so. The net equivalent yield on our retail portfolio overall has increased over the six months to September by 20bps (4.4%) and we note that CBRE prime yields for open A1 shopping parks have moved out from 4.0% in September to 4.5% in November. We have also seen evidence of slowing rental growth, particularly on second tier retail warehouse parks. Prime assets, such as our open A1 retail parks, Meadowhall regional shopping centre and the best superstores, although not immune from these market factors, are better placed; they have higher growth prospects due to strong trading, accordingly increased retailer demand, which against restricted supply results in improving rents. Going forward, although it is likely that the market will see more outward yield shift, these retail assets should benefit from **greater differentiation in yield levels** versus more secondary investments to reflect their relative prospects.

The **occupational market**, which will continue to be a key influence in setting values, has a relatively positive outlook. Despite some disappointing figures from a handful of retailers, the general retail market is **proving more resilient** than most forecasts – and commentators are beginning to note this evidence. Retail sales data (from ONS) shows an increase in value of 3.8% for the three months to September 2007 over the three months to September 2006, while forecasts (from Verdict) indicate growth at 2.9% per annum over the next five years.

The UK food retail sub-sector remains robust, with major operators reporting healthy results and sales growth. These operators are continuing to require larger sales areas, as well as trialling new non-food formats, while supply remains highly restricted so maintaining competition for any available sites. The open A1 retail schemes are also seeing continued strong occupier demand, with the trend for high street retailers to extend their operations or explore new formats in out of town positions. The bulky goods occupier market is more subdued but there are pockets of demand from furniture and home retailers who are expanding or exploring new concept stores. However, there is greater supply of these parks

which will tend to dampen rental growth. Demand is thinner for in town trading and there is greater supply (often from developments) which removes the demand/supply tension, resulting in larger incentives to attract tenants and higher levels of voids.

We have continued our strategy of disposals to reduce exposure to more “mature” assets with limited opportunities to create rental growth and established British Land’s **market leadership** in prime retail investments, primarily out of town, which are best positioned to reflect customer demand.

- Offices** - **£6.1 billion invested**
- **£7.4 billion including completed value of committed developments**
- **99% of which is Central London**

Over the course of the first half of this year, by profitably selling our main provincial office holding, Blythe Valley Business Park, as reported earlier for a price of up to £161 million, our office portfolio is now **effectively fully focused on London**. This is where we want to be - we have market leadership in London and it is where we expect outperformance.

Our strategy of **providing occupiers with the right accommodation** and ‘best in class’ property and management services, coupled with a healthy occupational market, has paid off. With 537,000 sq ft of lettings (plus options), our near term development programme is now majority pre-let, and our existing office portfolio has almost complete occupancy at over 99%. The rents agreed on recent lettings at both of our major estates, Regent’s Place and Broadgate, have set new rental highs, helping to prove rental growth. We also enjoy good security of income with a weighted average lease length of more than 10 years.

The **development** pre-lets achieved have taken advantage of a strong occupational London market and simultaneously partially **de-risked the programme**, allowing us to recognise some profit, with more to come. We are also significantly hedged against the effects of construction cost inflation on our developments.

The net increase in valuation of the office portfolio of 3.6% has been the result primarily of the **rental growth** generated in our investments, plus our active asset management and development programme. These have been partially offset by the negative impact of outward yield shift of 25bps seen across the office portfolio during the first half of the year.

As far as the **medium term outlook** is concerned we remain positive. The London office market has had solid take-up over the summer (we signed over 240,000 sq ft of new lettings in August and September alone) and year to date take up in both of our key markets, the City and the West End, has been well above trend. Vacancy rates across the Capital are low and the feedback from our customers is that they are intensely occupying and using their accommodation, with little or no slack for expansion - not a bad starting point to be at.

However, behind these positive indicators, there is a sign that the recent turmoil in credit markets is creating **hesitancy from occupiers** in the financial and business services sectors. It is too early to say whether this will be merely a pause, as it was in 1998. If it does follow a similar pattern, then take up will dip and job growth will flatten, and rents will level out. In the medium term we believe that the competitive advantages that London has as a world financial centre remain intact, and the demand from occupiers will endure. Indeed, the market uncertainty, together with rising construction and finance costs, might limit some of the anticipated increases in supply that we have been watchful of, especially in the City, at the end of this decade and beyond.

In the meantime, the **investment market is sitting and watching** for signs of how supply and demand will react. The hold-up in the frantic pace of investment activity seen in the early part of the year, plus more scrutiny of risk versus return, means that yields have already softened. We suspect the areas which are particularly vulnerable to more correction are secondary “riskier” assets or absolute prime where the retail funds have until recently been

competing fiercely with each other to invest their unitholders' money, and now on the whole have no further buying requirements.

We have taken the opportunity over the last two years to sell over £1 billion of our lower growth office properties. At 30 September our top quality investment portfolio is showing average net equivalent yields in the City at 5.1% and the West End at 5%, comparing conservatively to absolute prime yields (per CBRE for September) of 4.5% in the City and 3.75% in the West End (CBRE prime yields for November are 5.0% City, 4.25% West End). Our developments for completion in 2007/8 are already 57% let and the projects for completion in 2009 onwards are well positioned to capture demand. The locations of those projects are balanced between City and West End, spread as to timing, and we believe favourably placed in relation to the competition. Consequently we have a **strong yet defensive prime London office portfolio**, with the potential to add value and outperform.

## Further portfolio analysis

Current reversions (excluding developments)	Annualised net rents <sup>1</sup> £m	Reversionary income <sup>2</sup> (5 years) £m	Initial yield <sup>3</sup> %	Reversionary yield <sup>3</sup> (5 years) %	Net Equivalent yield <sup>4</sup> %
<b>Retail</b>					
Retail Warehouses	146	30	4.0	4.8	4.5
Superstores	100	5	4.5	4.8	4.4
Shopping Centres	104	18	4.5	5.2	5.0
Department Stores	42	6	4.6	5.3	5.2
High Street	10	1	5.0	5.4	5.0
<b>All retail</b>	<b>402</b>	<b>60</b>	<b>4.3</b>	<b>4.9</b>	<b>4.7</b>
<b>Offices</b>					
City	152	50	4.1	5.4	5.1
West End	42	12	4.2	5.4	5.0
Business Parks & Provincial	2	-	5.2	5.6	5.6
<b>All offices</b>	<b>196</b>	<b>62</b>	<b>4.1</b>	<b>5.4</b>	<b>5.1</b>
Industrial, distribution, leisure, other	23	3	5.4	6.3	6.2
<b>Total</b>	<b>621</b>	<b>125<sup>5</sup></b>	<b>4.3<sup>6</sup></b>	<b>5.1</b>	<b>4.9</b>

<sup>1</sup> net rental income under IFRS differs from annualised net rents which are cash based, due to accounting items such as spreading lease incentives and contracted future rental uplifts, as well as direct property costs

<sup>2</sup> includes rent reviews and lease break/expiry and letting of vacant space at current ERV (as determined by external valuers) within 5 years, plus expiry of rent free periods

<sup>3</sup> gross yield to British Land (without notional purchaser's costs)

<sup>4</sup> after purchaser's costs

<sup>5</sup> £61m contracted under expiry of rent free periods and minimum rental increases

<sup>6</sup> initial yield after adding back rent frees 4.6%

Leases and occupancy (excluding developments)	Average lease term, years to first break	Underlying <sup>1</sup> occupancy rate %	Occupancy rate %
<b>Retail</b>			
Retail Warehouses	12.7	99.3	98.8
Superstores	19.9	100.0	100.0
Shopping Centres	12.5	98.1	96.0
Department Stores	29.3	100.0	100.0
High Street	9.2	98.4	98.3
<b>All retail</b>	<b>16.0</b>	<b>99.2</b>	<b>98.4</b>
<b>Offices</b>			
City	10.4	99.2	98.9
West End	10.4	99.5	94.7
Business Parks & Provincial	16.6	97.5	97.5
<b>All offices</b>	<b>10.5</b>	<b>99.2</b>	<b>98.0</b>
Industrial, distribution, leisure, other	24.6	96.1	94.1
<b>Total</b>	<b>14.4</b>	<b>99.1</b>	<b>98.1</b>

<sup>1</sup> the underlying occupancy rate includes accommodation subject to asset management initiatives and under offer

### **Principal Risks and Uncertainties for the remaining six months of the financial year**

The most significant risks to British Land's business relate to either property or financing.

Over the remaining six months of this financial year, the most significant risk within the former category is the future value to be placed on property assets in a climate of uncertainty among investors. These conditions have affected our valuation at the half year, and the prevailing investment market sentiment will impact the independent valuer's assessment of our property portfolio (upwards or downwards) and our resultant net asset value for the third quarter and full year accordingly. The high quality of British Land's portfolio and the continuing tenant demand for our product should help to mitigate any further downward movement.

Financing within British Land is not considered a risk or uncertainty with substantial liquidity available under committed facilities, borrowings 100% fixed and a weighted average debt expiry of 12.7 years.

### **Responsibility Statement**

We confirm that to the best of our knowledge:

- (a) the condensed set of financial statements has been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting"; and
- (b) the interim management report includes a fair review of the information required by Sections DTR 4.2.7R and DTR 4.2.8R of the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

By order of the Board

Graham Roberts  
Finance Director



## Consolidated Balance Sheet as at 30 September 2007

31 March 2007 Audited £m		Note	30 September 2007 Unaudited £m	30 September 2006 Unaudited £m	30 June 2007 Unaudited £m
<b>Assets</b>					
<b>Non-current assets</b>					
12,891	Investment properties	3	12,216	12,540	12,810
1,106	Development properties	3	961	800	873
50	Owner-occupied property	3	57		50
14,047			13,234	13,340	13,733
<b>Other non-current assets</b>					
1,610	Investments in funds and joint ventures	4	1,614	1,204	1,621
267	Other investments		236	252	236
50	Intangible assets		45	57	46
	Goodwill			105	
15,974			15,129	14,958	15,636
<b>Current assets</b>					
	Trading properties	3		49	
208	Debtors		210	129	315
198	Cash and short-term deposits	5	453	195	389
406			663	373	704
16,380	<b>Total assets</b>		15,792	15,331	16,340
<b>Liabilities</b>					
<b>Current liabilities</b>					
(54)	Short-term borrowings and overdrafts	5	(117)	(140)	(65)
(746)	Creditors		(484)	(482)	(737)
(800)			(601)	(622)	(802)
<b>Non-current liabilities</b>					
(6,617)	Debentures and loans	5	(6,385)	(6,420)	(6,209)
(37)	Other non-current liabilities		(42)	(47)	(37)
(179)	Deferred tax liabilities		(143)	(1,615)	(158)
(6,833)			(6,570)	(8,082)	(6,404)
(7,633)	<b>Total liabilities</b>		(7,171)	(8,704)	(7,206)
8,747	<b>Net assets</b>		8,621	6,627	9,134
<b>Equity</b>					
130	Share capital	6	130	130	130
1,263	Share premium	6	1,266	1,255	1,265
532	Other reserves	6	501	274	573
6,822	Retained earnings	6	6,724	4,968	7,166
8,747	<b>Total equity attributable to shareholders of the Company</b>		8,621	6,627	9,134
1682 p	<b>EPRA NAV per share*</b>	1	1682 p	1624 p	1730 p

\* As defined in note 1

## Consolidated Statement of Recognised Income and Expense

for the period ended 30 September 2007

Year ended 31 March 2007 Audited £m	Note	Three months ended 30 September		Six months ended 30 September	
		2007 Unaudited £m	2006 £m	2007 Unaudited £m	2006 £m
2,453	(Loss) profit for the period after taxation	(277)	163	(2)	578
	Valuation movements				
184	- on development properties	34	59	94	107
	- on owner-occupied property	7		7	
22	- on other investments		5	(30)	5
206		41	64	71	112
	(Losses) gains on cash flow hedges				
93	- Group	(83)	(23)	20	11
21	- Funds and joint ventures	(16)	(1)	(4)	5
8	Actuarial gain on pension scheme				3
	Fair value adjustment on consolidation				
(7)	of former joint venture		(7)		(7)
16	Tax on items taken directly to equity	(9)	(12)	2	(45)
337	<b>Net (loss) gain recognised directly in equity</b>	(67)	21	89	79
	Transferred to the income statement				
	(cash flow hedges)				
21	- foreign currency derivatives	1	3	2	13
(1)	- interest rate derivatives	(7)		(11)	2
20		(6)	3	(9)	15
2,810	<b>Total recognised income and expense for the period</b>	(350)	187	78	672

### Reconciliation of Movements in Shareholders' Funds

Year ended 31 March 2007 Audited £m		Three months ended 30 September		Six months ended 30 September	
		2007 Unaudited £m	2006 £m	2007 Unaudited £m	2006 £m
	Capital items				
10	- Shares issued	1	2	3	2
(16)	- Purchase of ESOP shares		(9)	(12)	(13)
	- Ordinary shares purchased and held as Treasury shares	(125)		(125)	
18	- Adjustment for share and share option awards	4	9	7	11
(91)	- Dividends paid in the period	(43)	(61)	(77)	(61)
(79)		(163)	(59)	(204)	(61)
2,810	Total recognised income and expense for the period	(350)	187	78	672
2,731	Movement in shareholders' funds for the period	(513)	128	(126)	611
6,016	Opening equity shareholders' funds	9,134	6,499	8,747	6,016
8,747	<b>Closing equity shareholders' funds</b>	8,621	6,627	8,621	6,627

# Consolidated Cash Flow Statement

for the period ended 30 September 2007

Year ended 31 March 2007*	Audited £m	Three months ended 30 September 2007		Six months ended 30 September 2007	
		Unaudited £m	2006* £m	Unaudited £m	2006* £m
568	Rental income received from tenants	123	126	254	260
36	Fees and other income received	4	10	25	30
(110)	Operating expenses paid to suppliers and employees	(23)	(34)	(53)	(55)
494	<b>Cash generated from operations</b>	104	102	226	235
(334)	Interest paid	(87)	(100)	(180)	(158)
11	Interest received	6	4	10	8
	UK corporation tax (paid) received		(2)	(2)	7
(2)	Foreign tax paid	(1)		(1)	
32	Distributions received: funds and joint ventures	6	7	38	23
18	Songbird Estates			16	18
219	<b>Net cash inflow from operating activities</b>	28	11	107	133
	<b>Cash flows from investing activities</b>				
(309)	Purchase of investment properties	(20)	(44)	(118)	(81)
(346)	Development and other capital expenditure	(107)	(70)	(217)	(156)
711	Sale of investment properties	381	239	1,123	285
	REIT conversion charge paid	(291)		(291)	
(8)	Purchase of investments				
10	Sale of investments			2	
(15)	Indirect taxes in respect of investing activities	52	5	32	(1)
(203)	Investment in and loans to funds and joint ventures	(50)	(8)	(85)	(106)
80	Capital distributions received: funds and joint ventures	10	80	50	85
33	Songbird Estates			30	
6	Sale of shares and loans repaid by funds and joint ventures				
(13)	Purchase of subsidiary companies (net of cash acquired)		4		4
(54)	<b>Net cash (outflow) inflow from investing activities</b>	(25)	206	526	30
	<b>Cash flows from financing activities</b>				
10	Issue of ordinary shares	1	2	3	2
(16)	Purchase of ESOP shares		(9)	(12)	(13)
	Purchase of Treasury shares	(125)		(125)	
(91)	Dividends paid	(43)	(61)	(77)	(61)
840	Issue of Meadowhall Finance PLC securitised debt				
(897)	Redemption of MSC (Funding) PLC securitised debt				
263	Issue of British Land debentures		221		221
(240)	Amounts paid on exchange of British Land debentures		(201)		(201)
(20)	Redemption of British Land debentures		(20)		(20)
(305)	Repayment of debt acquired with subsidiary companies		(296)		(296)
354	Increase (decrease) in bank and other borrowings	234	142	(163)	272
(102)	<b>Net cash inflow (outflow) from financing activities</b>	67	(222)	(374)	(96)
63	Net increase (decrease) in cash and cash equivalents	70	(5)	259	67
128	Opening cash and cash equivalents	380	200	191	128
191	<b>Closing cash and cash equivalents</b>	450	195	450	195
	<b>Cash and cash equivalents consists of:</b>				
198	Cash and short-term deposits	453	195	453	195
(7)	Overdrafts	(3)		(3)	
191		450	195	450	195

\* Re-presented under the direct method (note 11).

## Consolidated Income Statement for the period ended 30 September 2007

Year ended 31 March 2007 Audited				Three months ended 30 September 2007 Unaudited			Three months ended 30 September 2006 Unaudited			
Underlying pre tax* £m	Capital and other £m	Total £m		Note	Underlying pre tax* £m	Capital and other £m	Total £m	Underlying pre tax* £m	Capital and other £m	Total £m
649		649	<b>Gross rental and related income</b>	2	166		166	160		160
561		561	<b>Net rental and related income</b>	2	141		141	138		138
50	33	83	Fees and other income	2	7		7	9		9
	(15)	(15)	Amortisation of intangible assets			(1)	(1)		(4)	(4)
37	422	459	Funds and joint ventures (see also below)		10	(71)	(61)	13	64	77
(78)	(13)	(91)	Administrative expenses		(18)		(18)	(21)		(21)
	1,167	1,167	Net valuation movement and gains on disposal	2		(296)	(296)		281	281
	(106)	(106)	Goodwill impairment							
			Net financing costs							
41		41	financing income		8		8	15		15
(354)		(354)	financing charges		(81)		(81)	(97)		(97)
	(305)	(305)	refinancing charges						(228)	(228)
(313)	(305)	(618)			(73)		(73)	(82)	(228)	(310)
257	1,183	1,440	<b>Profit (loss) on ordinary activities before taxation</b>		67	(368)	(301)	57	113	170
			Taxation							
		(277)	REIT conversion charge							
		1	current tax (expense) income							(1)
		1,289	deferred tax income (expense)				24			(6)
		1,013		2			24			(7)
		2,453	<b>(Loss) profit for the period after taxation attributable to shareholders of the Company</b>				(277)			163
	472 p		Earnings per share: basic	1			(54) p			31 p
	470 p		diluted	1			(54) p			31 p

### Share of results of funds and joint ventures

37		37	Underlying profit before taxation		10		10	13		13
	257	257	Net valuation movement and gains on disposal			(69)	(69)		74	74
	(5)	(5)	Goodwill impairment							
	(48)	(48)	REIT conversion charge							
	(19)	(19)	Current tax			(2)	(2)			
	237	237	Deferred tax					(10)		(10)
37	422	459			10	(71)	(61)	13	64	77

\* As defined in note 1

## Notes to the accounts (unaudited)

### 1. Performance measures

Year ended 31 March 2007		Earnings per share (diluted)	Three months ended 30 September				Six months ended 30 September			
Earnings £m	Pence per share		2007		2006		2007		2006	
Earnings £m	Pence per share		Earnings £m	Pence per share	Earnings £m	Pence per share	Earnings £m	Pence per share	Earnings £m	Pence per share
257		Underlying pre tax profit - income statement	67		57		143		130	
(31)		Tax charge relating to underlying profit	(3)		(12)		(6)		(26)	
226	43 p	<b>Underlying earnings per share</b>	64	12 p	45	9 p	137	26 p	104	20 p
		Exceptional item net of tax			(160)				(160)	
(305)		Refinancing charges and realisation of cash flow hedges					9			
71		Gains on trading property appropriations and disposals							3	
(13)		Tax and other items	1		(48)		2		(47)	
(21)	(4) p	<b>EPRA earnings per share</b>	65	12 p	(163)	(31) p	148	28 p	(100)	(19) p
2,453	470 p	<b>(Loss) profit for the period after taxation</b>	(277)	(54) p	163	31 p	(2)	0 p	578	111 p

The European Public Real Estate Association (EPRA) issued Best Practices Policy Recommendations in November 2006, which gives guidelines for performance measures. The **EPRA earnings measure** excludes investment property revaluations and gains on disposals, intangible asset movements and their related taxation and the REIT conversion charge.

**Underlying earnings** consists of the EPRA earnings measure, with additional company adjustments. Adjustments include reversal of refinancing charges and realisation of cash flow hedges, gains on trading property appropriations and disposals and their related taxation, costs relating to REIT conversion and prior year tax items.

The weighted average number of shares in issue for the six month period was: basic: 519m (three months ended 30 September 2007: 516m; year ended 31 March 2007: 520m; six months ended 30 September 2006: 519m; three months ended 30 September 2006: 520m); diluted for the effect of share options: 520m (three months ended 30 September 2007: 517m; year ended 31 March 2007: 522m; six months ended 30 September 2006: 522m; three months ended 30 September 2006: 523m). Basic earnings per share (undiluted) for the six month period were 0p (three months ended 30 September 2007: (54p); year ended 31 March 2007: 472p; six months ended 30 September 2006: 111p; three months ended 30 September 2006: 31p).

31 March 2007	Net asset value (NAV)	30 September	30 September	30 June
£m		2007	2006	2007
		£m	£m	£m
8,747	<b>Balance sheet net assets</b>	<b>8,621</b>	6,627	9,134
168	Deferred tax arising on revaluation movements, capital allowances and derivatives	<b>134</b>	1,908	149
(99)	Goodwill		(105)	
	Mark to market on effective cash flow hedges and related debt adjustments	<b>(108)</b>		(214)
	Surplus arising on trading and finance lease properties		78	
46	Dilution effect of share options	<b>49</b>	53	50
8,862	<b>EPRA NAV</b>	<b>8,696</b>	8,561	9,119
1682 p	<b>EPRA NAV per share</b>	<b>1682 p</b>	1624 p	1730 p

The **EPRA NAV per share** excludes the mark to market on effective cash flow hedges and related debt adjustments, deferred taxation on revaluations and is calculated on a fully diluted basis.

At 30 September 2007, the number of shares and potential shares in issue (on a fully diluted basis) was 517m (30 June 2007: 527m; 31 March 2007: 527m; 30 September 2006: 527m).

**Total return per share** of 0.9% represents growth per share in EPRA NAV of 0p plus dividends paid of 15p (see note 7) in the six months to 30 September 2007. Total return per share (before charges for REIT conversion and refinancings) for the year ended 31 March 2007 was 21.3%.

## 2. Income statement notes

Year ended 31 March 2007 £m		Three months ended 30 September		Six months ended 30 September	
		2007 £m	2006 £m	2007 £m	2006 £m
	<b>Gross and net rental income</b>				
551	Rent receivable	135	134	276	263
37	Spreading of tenant incentives and guaranteed rent increases	11	12	21	23
9	Surrender premiums	1		3	5
597	<b>Gross rental income</b>	147	146	300	291
52	Service charge income	19	14	26	24
649	<b>Gross rental and related income</b>	166	160	326	315
(52)	Service charge expenses	(19)	(14)	(26)	(25)
(36)	Property operating expenses	(6)	(8)	(18)	(16)
561	<b>Net rental and related income</b>	141	138	282	274
	<b>Fees and other income</b>				
30	Performance and management fees (from funds and joint ventures)	6	7	11	11
18	Dividend received from Songbird Estates			16	18
2	Other fees and commission	1	2	2	4
50	Underlying	7	9	29	33
33	Capital dividend received from Songbird Estates			30	
83		7	9	59	33
	<b>Net revaluation gains on property and investments</b>				
	<b>Income statement</b>				
1,053	Revaluation of properties	(312)	267	(191)	607
115	Gains on property disposals	16	14	40	36
(1)	Other revaluations and gains				
1,167		(296)	281	(151)	643
257	Share of gains of funds and joint ventures (note 4)	(69)	74	(56)	167
1,424		(365)	355	(207)	810
	<b>Consolidated statement of recognised income and expense</b>				
184	Revaluation of development properties	34	59	94	107
	Revaluation of owner-occupied property	7		7	
22	Revaluation of investments		5	(30)	5
1,630		(324)	419	(136)	922
	<b>Tax expense (income)</b>				
(8)	Current tax: UK corporation tax (30%)	1	1	3	5
3	Foreign tax				1
(5)		1	1	3	6
4	Adjustments in respect of prior periods	(1)		(2)	
(1)	Total current tax expense (income)		1	1	6
277	REIT conversion charge				
(1,289)	Deferred tax on income and revaluations	(24)	6	(34)	86
(1,013)	<b>Group total taxation (net)</b>	(24)	7	(33)	92
(170)	Attributable to funds and joint ventures	2	10	3	32
(1,183)	<b>Total taxation</b>	(22)	17	(30)	124

Tax attributable to underlying profits for the six months ended 30 September 2007 was £6m (three months to 30 September 2007: £3m, year to 31 March 2007: £31m, six months to 30 September 2006: £26m, three months to 30 September 2006: £12m).

### 3. Property

Total property interests are £15,910m at 30 September 2007 comprising properties held by the Group of £13,199m, share of properties held by funds of £1,349m and share of properties held by joint ventures of £1,362m. Properties were valued on the basis of market value, supported by market evidence, in accordance with the Appraisal and Valuation Standards published by The Royal Institution of Chartered Surveyors.

31 March 2007 £m		30 September 2007 £m	30 September 2006 £m	30 June 2007 £m
12,891	Investment properties	12,216	12,540	12,810
1,106	Development properties	961	800	873
50	Owner-occupied property	57		50
	Trading properties at cost		49	
14,047	Carrying value of properties on balance sheet	13,234	13,389	13,733
	External valuation surplus on trading properties		73	
(30)	Head lease liabilities	(35)	(33)	(29)
14,017	<b>Total British Land Group property portfolio valuation</b>	<b>13,199</b>	<b>13,429</b>	<b>13,704</b>

At 30 September 2007 Group properties valued at £8,762m were subject to a security interest (30 June 2007: £8,893m, 31 March 2007: £9,194m, 30 September 2006: £8,993m) and other properties of non-recourse companies amounted to £12m (30 June 2007: £33m, 31 March 2007: £128m, 30 September 2006: £8m).

### 4. Funds and joint ventures

#### Summary of British Land's share of investments in funds and joint ventures at 30 September 2007

	Underlying profit (three months) £m	Underlying profit (six months) £m	Net Investment £m	Gross assets £m	Gross liabilities £m
<b>Share of funds</b>	5	9	871	1,393	(522)
<b>Share of joint ventures</b>	5	10	743	1,503	(760)
<b>Total share of investments</b>	10	19	1,614	2,896	(1,282)

The total investment in joint ventures is £748m, which also incorporates £5m being City of London Office Unit Trust (CLOUT) and its associated ventures, which is included within share of funds.

Amounts owed to joint ventures at 30 September 2007 were £28m (30 June 2007: £28m, 31 March 2007: £32m, 30 September 2006: £31m).

#### British Land's share of the results of funds and joint ventures

Year ended 31 March 2007 £m		Three months ended 30 September		Six months ended 30 September	
		2007 £m	2006 £m	2007 £m	2006 £m
109	<b>Gross rental income</b>	28	31	55	62
100	Net rental income	26	28	52	56
(6)	Other income and expenditure	(1)	(1)	(3)	(3)
(57)	Net financing costs	(15)	(14)	(30)	(31)
37	<b>Underlying profit before taxation</b>	10	13	19	22
257	Net valuation movement and gains on disposal	(69)	74	(56)	167
	Realisation of cash flow hedges (on property disposals)			9	
(5)	Goodwill impairment			(2)	(2)
289	<b>(Loss) profit on ordinary activities before taxation</b>	(59)	87	(30)	187
(48)	REIT conversion charge				
(19)	Current tax	(2)		(3)	(2)
237	Deferred tax		(10)		(30)
459	<b>(Loss) profit on ordinary activities after taxation</b>	(61)	77	(33)	155

## 5. Net debt

31 March 2007 £m		30 September 2007 £m	30 September 2006 £m	30 June 2007 £m
3,632	Securitisations	3,612	3,668	3,625
1,175	Debentures	1,175	1,138	1,175
1,425	Bank loans and overdrafts	1,279	1,324	1,038
439	Other bonds and loan notes	436	430	436
6,671	Gross debt	6,502	6,560	6,274
19	Interest rate and currency derivative liabilities	22	49	19
(88)	Interest rate and currency derivative assets	(103)	(34)	(189)
6,602		6,421	6,575	6,104
(198)	Cash and short-term deposits	(453)	(195)	(389)
6,404	<b>Net debt</b>	<b>5,968</b>	<b>6,380</b>	<b>5,715</b>

Gross debt includes £117m due within one year at 30 September 2007 (30 June 2007: £65m; 31 March 2007: £54m; 30 September 2006: £140m).

The principal amount of gross debt at 30 September 2007 was £6,519m. Included in this, the principal amount of secured borrowings and other borrowings of non-recourse companies was £5,041m.

Cash and short-term deposits not subject to a security interest at 30 September 2007 amount to £90m (30 June 2007: £33m; 31 March 2007: £27m; 30 September 2006: £39m). Undrawn committed bank facilities amounted to £1,855m (30 June 2007: £2,093m; 31 March 2007: £1,657m; 30 September 2006: £1,600m).

## 6. Reserves

	Share capital £m	Share premium £m	Other reserves £m	Retained earnings £m	Total £m
At 1 April 2006	130	1,253	176	4,457	6,016
Total recognised income and expense			67	418	485
Purchase of ESOP shares				(4)	(4)
Adjustment for share and share option awards				2	2
At 30 June 2006	130	1,253	243	4,873	6,499
Total recognised income and expense			31	156	187
Share issues		2			2
Purchase of ESOP shares				(9)	(9)
Adjustment for share and share option awards				9	9
Dividends paid in the period				(61)	(61)
Movement in six months to 30 September 2006		2	98	511	611
At 30 September 2006	130	1,255	274	4,968	6,627
Total recognised income and expense			258	1,880	2,138
Share issues		8			8
Purchase of ESOP shares				(3)	(3)
Adjustment for share and share option awards				7	7
Dividends paid in the period				(30)	(30)
Movement in year to 31 March 2007		10	356	2,365	2,731
At 31 March 2007	130	1,263	532	6,822	8,747
Total recognised income and expense			41	387	428
Share issues		2			2
Purchase of ESOP shares				(12)	(12)
Adjustment for share and share option awards				3	3
Dividends paid in the period				(34)	(34)
At 30 June 2007	130	1,265	573	7,166	9,134
Total recognised income and expense			(72)	(278)	(350)
Share issues		1			1
Purchase of ESOP shares				(125)	(125)
Ordinary shares purchased and held as Treasury shares				4	4
Adjustment for share and share option awards				(43)	(43)
Dividends paid in the period				(98)	(126)
Movement in six months to 30 September 2007		3	(31)	(98)	(126)
<b>At 30 September 2007</b>	<b>130</b>	<b>1,266</b>	<b>501</b>	<b>6,724</b>	<b>8,621</b>

At 30 September 2007, of the issued 25p ordinary shares, 3m shares were held in the ESOP Trust (30 June 2007: 3m, 31 March 2007: 3m, 30 September 2006: 3m), 10m shares were held as Treasury shares (30 June 2007, 31 March 2007, 30 September 2006: nil) and 509m shares were in free issue (30 June 2007: 518m, 31 March 2007: 518m, 30 September 2006: 517m). All issued shares are fully paid.

## 7. Dividends

The proposed second 2008 interim dividend of 8.75 pence per share, totalling £45m, was approved by the Board on 14 November 2007 and is payable on 15 February 2008 to shareholders on the register at the close of business on 18 January 2008. The dividend will consist of two components: a property income distribution (PID) as required by REIT legislation of 4.25 pence per share and a non-PID of 4.50 pence per share. The PID element of the dividend may vary over time and is paid after deduction of withholding tax at the basic rate (22% for 2007/2008). However, certain classes of shareholder may be able to claim exemption from deduction of withholding tax. Please refer to our website ([www.britishland.com](http://www.britishland.com)) for details. The non-PID element will be treated as a normal dividend.

The first 2008 interim dividend of 8.75 pence per share, totalling £45m, is payable on 16 November 2007.

The reconciliation of movements in shareholders' funds shows total dividends paid in the six month period to 30 September 2007 of £77m being the second 2007 interim dividend of £34m (6.5 pence per share) paid on 18 May 2007 and the 2007 final dividend of £43m (8.25 pence per share) paid on 17 August 2007.

The Company offers shareholders the option to reinvest their cash dividends automatically in the Company's shares through the Dividend Reinvestment Plan (DRIP). The DRIP will apply to both the PID and non-PID elements of the dividend for those shareholders who have elected to participate in the plan. Further details of the DRIP can be found on the Company's website ([www.britishland.com](http://www.britishland.com)) or by calling Equiniti's DRIP helpline on 0870 241 3018.

## 8. Segment information

Since the UK is the predominant location of the Group's property portfolio, these financial statements and related notes represent the results and financial position of the Group's primary business segment. The secondary reporting format by property use is shown below:

	Offices		Retail		Other		Total	
	2007	2006	2007	2006	2007	2006	2007	2006
	£m	£m	£m	£m	£m	£m	£m	£m
<b>Six months ended 30 September</b>								
Net rental income: Group only	112	116	157	146	13	12	282	274
Capital expenditure	342	138	60	299	16	17	418	454
Segment assets	6,066	5,635	8,379	8,585	1,347	1,111	15,792	15,331
<b>Three months ended 30 September</b>								
Net rental income: Group only	56	57	79	74	6	7	141	138
Capital expenditure	99	69	25	251	16		140	320

Segment assets include the Group's investment in funds and joint ventures.

## 9. Contingent liabilities

TPP Investments Limited, a wholly owned ring-fenced special purpose subsidiary, is a partner in The Tesco British Land Property Partnership and, in that capacity, has entered into a secured bank loan under which its liability is limited to £23m (30 June 2007, 31 March 2007, 30 September 2006: £23m) and recourse is only to the partnership assets.

## 10. Related party transactions

Details of transactions with funds and joint ventures including debt guarantees by the Company are given in notes 2 and 9. Amounts owed to joint ventures are detailed in note 4.

There have been no material changes in the related party transactions described in the last annual report.

## 11. Basis of preparation

The financial information for the year ended 31 March 2007 does not constitute statutory accounts as defined in section 240 of the Companies Act 1985. A copy of the statutory accounts for that year has been delivered to the Registrar of Companies. The auditors' report on those accounts was not qualified and did not contain statements under section 237(2) or (3) of the Companies Act 1985.

The financial information included in this announcement has been prepared using accounting policies consistent with International Financial Reporting Standards (IFRS) and in accordance with IAS 34 'Interim Financial Reporting'. The same accounting policies, presentation and methods of computation are followed in the quarterly report as applied in the Group's latest annual audited financial statements, with the exception of the cash flow statement which is now presented under the direct method. This is regarded by the IASB as the preferred method of presenting cash flows and has been adopted for improved transparency. The prior year audited figures have been re-presented on a consistent basis. The current period financial information presented in this document is unaudited.

The interim financial information was approved by the Board on 14 November 2007.

**Table A****Summary income statement based on proportional consolidation  
for the period ended 30 September 2007**

The following pro forma information is unaudited and does not form part of the consolidated primary statements or the notes thereto. It presents the results of the Group, with its share of the results of funds and joint ventures included on a line by line, i.e. proportional basis. The underlying profit before taxation and total profit after taxation are the same as presented in the consolidated income statement.

Year ended 31 March 2007 <u>£m</u>		Three months ended		Six months ended	
		30 September 2007 <u>£m</u>	30 June 2007 <u>£m</u>	30 September 2007 <u>£m</u>	2006 <u>£m</u>
706	<b>Gross rental income</b>	175	180	355	353
661	<b>Net rental income</b>	167	167	334	330
51	Fees and other income	7	22	29	34
(85)	Administrative expenses	(19)	(22)	(41)	(46)
(370)	Net interest costs	(88)	(91)	(179)	(188)
257	<b>Underlying profit before taxation</b>	67	76	143	130
(305)	Debt refinancing items		9	9	(228)
1,424	Net valuation movement and gains on disposal	(365)	158	(207)	810
(15)	Amortisation of intangible assets	(1)	(4)	(5)	(8)
33	Songbird Estates dividend (capital)		30	30	
(111)	Goodwill impairment		(2)	(2)	(2)
(13)	REIT conversion costs				
1,270	<b>(Loss) profit on ordinary activities before taxation</b>	(299)	267	(32)	702
(31)	Tax charge relating to underlying profit	(3)	(3)	(6)	(26)
(325)	REIT conversion charge				
1,673	Deferred tax benefit	24	10	34	
(134)	Other taxation	1	1	2	(98)
2,453	<b>(Loss) profit for the period after taxation</b>	(277)	275	(2)	578
43p	<b>Underlying earnings per share - diluted basis</b>	12p	14p	26p	20p

The underlying earnings per share is calculated on underlying profit before taxation of £143m, tax attributable to underlying profits of £6m and 520m shares on a diluted basis, for the six months ended 30 September 2007 and underlying profit before taxation of £67m, tax attributable to underlying profits of £3m and 517m shares on a diluted basis, for the three months ended 30 September 2007.

**Table A (continued)****Summary balance sheet based on proportional consolidation  
as at 30 September 2007**

The following pro forma information is unaudited and does not form part of the consolidated primary statements or the notes thereto. It presents the composition of the EPRA net assets of the Group, with its share of the net assets of funds and joint ventures included on a line by line, i.e. proportional basis and assuming full dilution.

31 March 2007 <u>£m</u>		<b>30 September 2007 <u>£m</u></b>	30 September 2006 <u>£m</u>	30 June 2007 <u>£m</u>
10,173	Retail properties	<b>9,429</b>	9,770	9,775
6,165	Office properties	<b>6,067</b>	5,619	6,076
565	Other properties	<b>414</b>	508	497
16,903	Total properties	<b>15,910</b>	15,897	16,348
267	Other investments	<b>237</b>	253	237
50	Intangible assets	<b>45</b>	57	46
(617)	Other net liabilities	<b>(373)</b>	(262)	(648)
(7,741)	Net debt	<b>(7,123)</b>	(7,384)	(6,864)
8,862	EPRA NAV (note 1)	<b>8,696</b>	8,561	9,119
1682 p	<b>EPRA NAV per share (note 1)</b>	<b>1682 p</b>	1624 p	1730 p
<b>Total property valuations including share of funds and joint ventures</b>				
14,017	British Land Group	<b>13,199</b>	13,429	13,704
Share of funds and joint ventures				
2,815	Investment properties	<b>2,630</b>	2,379	2,566
77	Development properties	<b>87</b>	83	84
	Trading and finance lease properties at valuation		12	
(6)	Head lease liabilities	<b>(6)</b>	(6)	(6)
2,886		<b>2,711</b>	2,468	2,644
16,903	<b>Total property portfolio valuation</b>	<b>15,910</b>	15,897	16,348
<b>Calculation of EPRA NNNAV per share</b>				
8,862	EPRA NAV	<b>8,696</b>	8,561	9,119
(168)	Deferred tax arising on revaluation movements	<b>(134)</b>	(1,820)	(149)
99	Mark to market on interest rate swaps	<b>108</b>		214
75	Mark to market on debt	<b>350</b>	(148)	305
	Tax relief arising thereon		44	
8,868	EPRA NNNAV	<b>9,020</b>	6,637	9,489
1683 p	<b>EPRA NNNAV per share</b>	<b>1745 p</b>	1259 p	1801 p

EPRA NNNAV is the EPRA NAV adjusted to reflect the fair value of the debt and derivatives and to include the deferred taxation on revaluations.

## **INDEPENDENT REVIEW REPORT TO THE BRITISH LAND COMPANY PLC**

### **Introduction**

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2007 which comprises the consolidated income statement, the consolidated balance sheet, the consolidated statement of recognised income and expense, the reconciliation of movement in shareholders' funds, the consolidated cash flow statement and related notes 1 to 11. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with International Standard on Review Engagements (UK and Ireland) 2410 issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the Company those matters we are required to state to them in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, for our review work, for this report, or for the conclusions we have formed.

### **Directors' responsibilities**

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority. As disclosed in note 11, the annual financial statements of the group are prepared in accordance with International Financial Reporting Standards as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting," as adopted by the European Union.

### **Our responsibility**

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

### **Scope of Review**

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report is not prepared, in all material aspects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

### **Deloitte & Touche LLP**

Chartered Accountants

London

14 November 2007