The British Land Company PLC

Press Release

20 May 2008

THE BRITISH LAND COMPANY PLC

PRELIMINARY ANNOUNCEMENT - RESULTS FOR THE YEAR TO 31 MARCH 2008

Financial summary:

- **Q4 results show underlying profits up; valuation down but at a markedly slower rate than in Q3**
  - Underlying earnings per share[1] up 18%; underlying pre-tax profit[1] up 10%
  - Portfolio valuation down 2.2%; net asset value[2] per share down 4%
- **Portfolio valuation down 10.0% for the year**
  - Business outperforming IPD (+1.9% on Capital Return[2]) due to attractive rental growth
  - Portfolio net equivalent yield now 5.6% (92bps higher than March 2007)
- **Net Asset Value[3] per share 1344 pence, down 20% over the year**
  - "Triple Net Asset Value"[4] per share 1438 pence, down 15%, reflecting valuable debt structure
  - IFRS Net assets £6.8 billion. Properties owned or managed £17.9 billion
- **Underlying pre-tax profit[1] up 11% at £284 million for the year**
  - IFRS pre-tax loss on ordinary activities £1,609 million (2007: pre-tax profit £1,440 million)
- **Underlying earnings per share[1] up 23% at 53 pence for the year**
  - IFRS loss per share 303 pence (2007: earnings per share 470 pence)
  - Dividends up 72% at 35 pence per share (Q4 8.75 pence)
  - Next year's aggregate dividend targeted at 37.5 pence, up 7%

Exceptional balance sheet strength and sector leading income resilience:

- Property portfolio 99% let[6], 14.7 years average lease length
- Debt 100% fixed rate at 5.29% with 12.9 years average maturity[5]
- £2.4 billion committed undrawn bank lines available

Activist strategy adding value even in tough markets:

- £3.2 billion (gross) sales in the year, at 4.1% net initial yield overall
- Like for like rental income growth of 5.7%, ahead of IPD at 2.5%
- Underlying rental value growth (ERV) of 6.2%, ahead of IPD at 4.0%
- Product quality and location capturing customer demand in both Offices and Retail; 2.4 million sq ft of new lettings[7] and 210 rent reviews settled at 5.7% above ERV
- 745,000 sq ft of City office developments profitably completed, remaining development programme well spaced and benefitting from British Land's strength

Investment market conditions remain challenging:

- UK real estate prices adjusted fastest to global "credit crunch"; IPD capital values down 14.2% since June 2007 (outward yield shift of 109 bps)
- Decline in property values continues but has slowed in 2008 to date; still a range of possible outcomes
- Increased signs of investor interest at current levels; however, sentiment remains volatile
- Strategic management action ahead of market decline significantly reduced adverse impact on British Land

[1] see Note 2 to the accounts (uplift compared to prior year)
[2] IPD calculate Capital Return (excluding Europe) based on average capital employed and excluding capitalised interest
[3] EPRA (European Public Real Estate Association) basis – Note 2 to the accounts
[4] see Table A
[5] includes share of Funds and Joint Ventures
[6] includes accommodation subject to asset management initiatives and under offer
[7] including development pre-lets

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Chris Gibson-Smith, Chairman comments:
In a year of contrasts, profits and dividends rose whilst property valuations fell. It's a time for cool heads, long-term clarity, a robust business model and 'business as usual' for our management team, focused on customers and striving to outperform. Our business principles – prime property, strong customers, long leases, high occupancy and a strong balance sheet – will continue to prove their worth.

Stephen Hester, Chief Executive comments:
In 2007/8 British Land's portfolio outperformed the property market indices, benefiting from attractive rental growth. Nevertheless values fell, driven by broader market turbulence. We remain in a stressed economic and market environment. However, British Land has never been in better shape to weather the downturn and emerge with growth prospects intact or even enhanced. The anchor of our business – strong, secure cash flow, exceptional balance sheet security – is firmly in place.

An interview with Stephen Hester is available at http://www.britishland.com/resultsday.htm.

British Land will host a results presentation at 9.30 am today, 20 May 2008, which will be webcast at http://www.britishland.com/resultsday.htm.

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Notes to Editors:

British Land is the UK's second largest Real Estate Investment Trust with total assets owned or under management of £17.9 billion, as at 31 March 2008.

The hallmark of the business is a focus on customers, leading to a portfolio of circa 38 million sq ft of investment properties in prime locations around the UK and, a newer activity, in western Europe. Active management of these assets, purchases and sales and an extensive development activity tailor the property holdings to meet the needs of occupiers and the communities of which they form part.

Retail assets account for 57% of the portfolio, 80% of which is in out-of-town locations. Offices account for 41% of the portfolio, of which 98% is in central London. A 4.5 million sq ft office and retail development pipeline complements these holdings. The portfolio has the longest leases (average 14.7 years) and the highest occupancy rates (99%) of the major UK REITs.

The company has recently collected three industry awards: PMA Landlord of the Year, Developer of the Year and Sustainable Developer of the Year.

With sustainability at the core of its business – from community involvement in the planning process, through development, refurbishment and management – the aim is to provide attractive buildings that minimise resource use and meet the needs of occupiers today and tomorrow.

CHAIRMAN'S STATEMENT

What a difference a year makes! A year ago, real estate markets were close to all time highs, all capital markets similarly, and in the UK we were celebrating entry to the new REIT regime. Today, doom and gloom is widespread and fears of the impact of the global 'credit crunch' are not yet receding.

Like the proverbial curate's egg, the true position is more complex. In British Land's case, while clearly hit by these external forces, the position is also more reassuring. But I was prophetic in anticipating 'more exacting market conditions' in this letter to you a year ago.

Results

As we detail elsewhere, on many measures British Land reported fine results for 2007/8. Underlying Earnings per share were strongly up on the back of good customer demand, high occupancy, rising rents and controlled costs. Reflecting this and our new REIT status, dividends rose 72% to 35 pence per share for the year just ended and we intend to target 37.5 pence for the current year, a further 7% increase.

However, our property values and their translation through to Net Asset Value per share fell materially as the global market turmoil re-priced most investment assets negatively. The share price reaction was even worse, anticipating a scale of asset declines not yet seen, and which may never be seen.

We overtly prepare British Land to ride out market cyclicality. While it is true that the current down cycle has been unusually fast and severe in its effects, the principles of our business model are holding true. Prime property, strong customers, long-leases, high occupancy, strong balance sheet.

Global Markets and the Property Industry

Many aspects of global investment markets and the underlying economic drivers are being held up to question in current turbulent times. Real estate, and the REIT model itself are being tested in three ways.

Scared investment markets, reacting to higher risk premia across all asset classes, are pushing yields on real estate assets out and prices down – the rational limits to this process are clearly there, but temporarily obfuscated by negative sentiment and investor funding constraints.

The potential feed through to the 'real economy' of financial shock raises fears of customer weakness with concomitant threat to rental growth and occupancy. This to date is more fear than reality but may become real to some extent in due course.

The liquidity and price transparency of quoted equities – ie the REIT format of real estate ownership – in the short run have anticipated and exaggerated market moves and fears. Share price falls have dwarfed the recorded falls in underlying asset value.

However, at British Land we feel it important to hold our nerve, not to be pushed into knee-jerk response in the face of these pressures and to look through market and economic turmoil to focus on fundamentals. Real estate is one of the world's most certain and dependable asset classes. The longevity of asset life, security of cash flow and position of relative scarcity in a densely populated island like the UK are enduring characteristics that investors will return to as value certainty comes to prevail over fear and emotion.

Modern business needs modern well located space. British Land's assets exemplify this maxim. As a result our customers are strong, our leases are long and the future for the industries and locations we serve is robust, whatever the near-term cycles.

As to the REITs business model of quoted real estate ownership - it is axiomatic, as in other industries, that if public markets get values wrong by enough for long enough, private markets will offer a corrective alternative. However, if anything, current financial market shocks owe their roots to misvaluation of illiquid, unquoted and untransparent assets. The public market disciplines of transparency and liquidity are features that are likely to rise in esteem as the dust settles. In many cases investors in unquoted real estate vehicles, by contrast, are temporarily trapped, without a price at which they can choose to sell or not.

Therefore, we believe that British Land is well placed as the flagship UK REIT to provide a continuing and attractive vehicle for all types of real estate and public equity investor. While, as with other industries, the market environment sets the operating backdrop, the role of management in value-added is an indispensible counterweight. This remains the bedrock principle of our activist strategies.

REITs

So, a year on, can we conclude that REITs are a success? Well not yet – all markets need time to prove themselves, especially when the birth coincides with 'once in a generation' financial turbulence. But what is clear is that our net asset values are higher than they would have been as a normal tax payer. Our freedom to actively manage our property portfolio without fiscal drag is enhanced and has been actively utilised over the past year. And our dividends are higher by 72%.

REITs have stood the test of time across real estate markets globally. They will too in the UK.

Sustainability

The theme of our Annual Report's visuals this year is sustainability. Many of today's economic and even political concerns have within them the challenges of wrestling with a resource constrained world. As an industry with resource intensive assets which will stand for many decades, sustainability is of particular relevance to the real estate business. We are proud, at British Land, to provide industry leadership in these areas. We continue to achieve a range of peer recognition, winning industry awards and, more importantly, customer support for the value of our efforts.

The Board

The process of change in our business and industry continues to be ably supported and exemplified at Board level at British Land. During the year we bid farewell to Bob Bowden who retired after 15 years' sterling service, latterly as investment director. More tragically John Travers who had newly joined as a non-executive director passed away. We were just one of many to feel that loss. And finally David Michels, who has served as a non-executive since 2003 and latterly as Senior Independent Director, will shortly step down to fulfil increased commitments elsewhere. David has been a huge source of support and well judged advice which we shall miss. His replacement will be announced in due course.

This coming year will be challenging. It's a time for cool heads, long-term clarity, a robust business model and 'business as usual' for our management team, focused on customers and striving to outperform. British Land will endeavour to fulfil these needs.

Chris Gibson-Smith, Chairman
May 2008

CHIEF EXECUTIVE'S REPORT

In difficult times, it is popular to retreat to the maxim that real estate (actually substitute the name of any industry you like) is a long-term business and should be judged as such. Well it may be popular, but it's also true. Nevertheless, while we manage for value creation over multiple years, we also need to deal effectively with the short term. This Annual Report seeks to highlight both perspectives.

We are in a stressed economic and market environment. The feed through to commercial real estate of stress elsewhere is direct and significant to the investment values of our assets, and indirectly to near term rental growth prospects. Nevertheless, British Land has never been in better shape to weather the downturn and emerge with growth prospects intact or even enhanced. The anchor of our business – strong, secure cash flow, exceptional balance sheet security – is firmly in place. Our management actions ahead of market declines have significantly reduced their impact on the Company. Even in tough markets our goal of activist management, adding value to our property assets, is seeing fulfilment. And we have the financial and human capacity to take advantage of opportunities that may present themselves in the latter part of current market distress.

2007/8 Results

Underlying earnings per share grew 23% to 53 pence on the back of record underlying pre-tax profits of £284 million.

Our asset values declined by 10% which translated to a 20% decline in EPRA Net Assets per Share (to 1344 pence). The valuation decline reflected the impact of broader global market declines. In fact, at the asset level our management actions resulted in a 1.9% outperformance of capital values versus IPD. And while valuations are constantly moving and not an exact science, the realism of ours was tested by £3.2 billion gross of disposals during the year across every operating sector, on average at or above the preceding quarter's valuation. There are many competitors who have not so tested their valuations.

The results overall were positively affected by like-for-like rental growth ahead of the market, falling interest costs which are fixed at an average 5.29% rate (the lowest in our sector) and reduced management/administration costs which at 10.9% of net rents and 0.5% of assets are the lowest of comparable companies.

British Land's Strategy and Positioning

British Land's strategy is clear and designed to weather market cycles. We are focused on customer needs and intent on delivering outperformance for shareholders in areas where we have or can build competitive advantage. We seek to add value at each level of the business from an activist approach to:

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

In many cases, the fruits of implementing this strategy can be seen year by year. The outperformance of rents and property values versus IPD and the debt structuring highlighted above are examples.

In other cases, strategic decisions are implemented whose effect may be seen over multiple years, not for some years or as avoidance of a negative. An example, apposite to current times, is financial gearing.

Property's predictable cash flows and asset backing lend themselves to gearing which is an essential tool to achieve competitive returns on equity for public markets. Across cycles, property returns (rental yield plus rental growth) exceed the cost of debt, and so gearing clearly boosts returns. However in the occasional down market (last one for property was early 1990's) gearing works negatively, amplifying asset value reductions despite growing cash flow. Correctly, we saw markets as expensive and brought gearing down from a peak 59% debt/assets in 2005 to 41% in June 2007 (incidentally its lowest level since 1995) before market declines set in. However that decision represents partial avoidance of a negative, and the residual gearing still amplifies our Net Asset decline, though not by as much as it boosted Net Assets in prior years and will again in the future.

Importantly, contracted leases that are the longest, vacancy rates among the lowest, fixed interest costs and debt maturities the furthest out in our sector are all essential complements to gearing, ensuring resilience in the face of market cyclicality – the benefits of which are crystal clear in the current stressed environment.

A similar example of strategy in action is the reduction in the weighting of Offices in our portfolio from 50% in 2002 (the end of the last up-cycle for Offices) to 41% currently, achieved through £2.7 billion of asset sales 2005-8. In the long-run we believe that the industries powering London office occupation will grow faster than others. Coupled with a steeply rising replacement cost of buildings and increased density in London, it's not a sector to ignore. But at this moment in time, the cycle that boosted London office valuations over 20% in the 24 months to September 2007 will go backwards by an amount.

So, despite market turmoil and uncertainty, the activist strategy, built on enduring fundamentals of prime property, customer focus, predictable cash flows and careful risk management, remains the right approach. Short term pain can be mitigated but not avoided. And, with significant interest in British Land equity ourselves, your management team are completely aligned with shareholders and clearly motivated to deliver enduring value.

Real Estate Markets

What is happening in real estate markets represents collateral damage from re-pricing of risk, liquidity fears and economic pressures more broadly. As such, the answer to when and at what level prices settle cannot be accurately given until the broader picture clears. But meanwhile, unlike most industries, the comfort of buildings that stand for decades, cash flow from upward only leases averaging nearly 15 years in duration and no refinancing requirements, is not to be sniffed at.

We believe that property pricing is now generally much more supportable than at the market peaks when we were large scale sellers and that the worst of yield correction 'should' be behind us. The slowdown of price declines in the last quarter supports this view. However, markets have often been known to overshoot in both directions and we do expect a further decline in the current year. And it is still possible that governments don't take sufficient avoiding action and stabilisation in financial markets is postponed. The extent of the feed-through of market turbulence to the 'real' economy and thereby to our customers is now an important risk factor.

So we have our tin hats on and are busy toiling in the trenches, both to further strengthen our defences and to lay the ground for appropriate offensive when the opportunity arises.

There is plenty of upside to aim for. Our management efforts can produce outperformance, our balance sheet leverages that result with security, we have capacity to take on new challenges if cheap, our customers and locations will give us long-term growth – and last but far from least, our stock price which currently exaggerates gloom can just as easily provide outperformance as gloom recedes.

Our People

These times are punishing on our people, working hard in unforgiving markets. We have continued our determined efforts to renew management and to engrain an activist, performance culture. In short to ask more and get more from our people. My thanks go to all of them for rising to the challenge and for their work, past and future.

Stephen Hester, Chief Executive
May 2008

FINANCIAL SUMMARY

Data includes share of Funds and Joint Ventures (Table A), unless otherwise stated. 'Group' excludes share of Funds and Joint Ventures.

Income Statement	**Year ended 31 March 2008**	Year ended 31 March 2007
Gross rental income	**£709m**	£706m
Net rental income	**£667m**	£661m
Net interest costs	**£350m**	£370m
Underlying profit before taxation[1]	**£284m**	£257m
Valuation movement[2]	**£(1,916)m**	£1,424m
Profit (loss) before taxation	**£(1,611)m**	£1,270m
Underlying earnings per share[3]	**53 pence**	43 pence
IFRS earnings (loss) per share[3]	**(303) pence**	470 pence
Dividend per share[4]	**35 pence**	20.35 pence

Balance Sheet	**31 March 2008**	31 March 2007
Total properties	**£13,471m**	£16,903m
IFRS Net assets	**£6,790m**	£8,747m
EPRA net assets[1]	**£6,936m**	£8,862m
EPRA net asset value per share[1]	**1344 pence**	1682 pence
Group:		
Net debt[5]	**£5,032m**	£6,404m
Loan to value[6]	**41%**	41%
Including share of Funds and Joint Ventures:		
Net debt	**£6,413m**	£7,741m
Loan to value[6]	**47%**	45%
Total return[7]	**(18.1)%**	21.3%

[1] see Note 2
[2] see Note 5
[3] see Note 2
[4] see Note 15
[5] see Note 14
[6] debt to property and investments
[7] increase (decrease) in EPRA NAV plus dividends paid, Note 2

PORTFOLIO HIGHLIGHTS

Valuation by Sector	Group £m	Funds/JVs[1] £m	Total £m	Portfolio %	Change[2] % 3 mths	Change[2] % 12 mths
Retail						
Retail warehouses	1,939	1,331	3,270	24.3	(3.1)	(13.9)
Superstores	120	1,147	1,267	9.4	(0.5)	(10.7)
Shopping centres[3]	1,826	358	2,184	16.2	(0.8)	(10.3)
Department Stores	665	131	796	5.9	(1.0)	(13.6)
High street	144	-	144	1.1	(3.8)	(9.9)
All retail	**4,694**	**2,967**	**7,661**	**56.9**	**(1.7)**	**(12.1)**
Offices[4]						
City[5]	4,251	-	4,251	31.6	(3.2)	(8.2)
West End[6]	1,164	-	1,164	8.6	0.3	0.8
Provincial	77	13	90	0.7	(8.5)	(4.0)
All offices	**5,492**	**13**	**5,505**	**40.9**	**(2.6)**	**(6.4)**
Industrial, distribution, leisure, other	283	22	305	2.2	(7.4)	(10.1)
Total	**10,469**	**3,002**	**13,471[7]**	**100.0**	**(2.2)**	**(10.0)**

[1] Group's share of properties in Funds and Joint Ventures
[2] change in value for 3 months and 12 months to 31 March 2008, includes valuation movement in developments, purchases and sales, net of capital expenditure
[3] Meadowhall Shopping Centre valuation down over 12 months 9.6% (£160 million) to £1,505 million; ERV £86 million; net equivalent yield 5.26%
[4] includes Developments in City, West End and provincial: total value £1,301 billion, 9.7% of Portfolio, 4.2% decline for the 12 months
[5] Broadgate valuation down 11.5% over 12 months to £2,698 million; headline ERV range £46-57.50 per sq ft (average headline ERV has risen 8% to £52 per sq ft); net initial yield 5.54% (assuming top up of rent free periods and minimum uplifts at first review); net equivalent yield 5.8%
[6] Regent's Place valuation up 1.3% over 12 months to £702 million; headline ERV range £35-61 per sq ft; net initial yield 5.05% (assuming top up of rent free periods and minimum uplifts at first review); net equivalent yield 5.98%
[7] Portfolio valued by external valuers on the basis of Market Value in accordance with the Appraisal and Valuation Standards published by The Royal Institution of Chartered Surveyors: Knight Frank LLP £11,533 million and CB Richard Ellis Ltd £1,938 million

Portfolio Yields (excluding developments)	Annualised net rents[1] £m	Reversionary income[2] (5 years) £m	Initial yield[3] %	Top-up Initial Yield[3,6] %	Reversionary yield[3] (5 years) %	Net Equivalent yield[4] %
All retail	378	54	5.0	5.2	5.7	5.4
All offices	206	50	4.9	5.6	6.1	5.8
Other	19	4	6.1	6.8	7.4	7.3
Total	**603**	**108[5]**	**5.0**	**5.4**	**5.9**	**5.6**

Data for Group and its share of Funds and Joint Ventures
[1] 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
[2] 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
[3] gross yield to British Land (without notional purchaser's costs)
[4] after purchaser's costs
[5] £49m contracted under expiry of rent free periods and minimum rental increases
[6] adding back rent frees and minimum rental uplifts

Leases and occupancy (excluding developments)	Average lease term, years to first break	Underlying[1] occupancy rate %	Occupancy rate %
All retail	16.3	99.1	97.5
All Offices	11.5	99.7	98.7
Total	**14.7**	**99.2**	**97.9**

[1] the underlying occupancy rate includes accommodation subject to asset management initiatives and under offer

BUSINESS REVIEW

Objectives and Strategy

British Land's primary objective is to produce superior, sustained and secure long-term shareholder returns from management of our chosen real estate activities and their financing.

Our strategy aims to deliver returns through the **high occupancy** and **rental growth** which results from successfully building our business around customer needs. We seek to do this in a number of ways. Property sales and purchases adjust the market and sector mix of our property portfolio to best capture trends in **customer demand**. Within our selected markets we also recycle capital, buying and selling buildings to improve the appeal and growth prospects of our holdings. And we look to create more value from new development in areas where demand for the best new space is highest. Our occupancy and rental growth prospects are further enhanced by **active asset management** to hone our buildings' customer appeal.

The importance of the investment markets which interlink with our occupier markets also dictates that **financial management**, partnerships and deal-doing complement our property based strategies to capture and translate **property returns** most efficiently to our shareholders.

In executing these strategies our "bedrock" disciplines are:

- a focus on areas where we have or can build competitive advantage
- clarity that our business success will come from serving customers well
- a bias to high-quality assets, with long lease profiles and favourable demand and supply characteristics
- strong integrated risk management skills – blending leasing, development, asset and liability risk into a single attractive and secure growth proposition for shareholders
- a confident, entrepreneurial, performance-driven culture
- particular regard for long-term income/cash flow growth
- an appreciation of the importance of sustainability to our customers and other stakeholders in the built environment on which we operate.

British Land's Activity in 2007/8

This was a year dominated by the global 'credit crunch' and its actual and possible impacts on real estate markets. British Land continued implementation of our 'activist strategy' producing outperformance at property level, in rental growth and underlying profits. We also mitigated market-led damage to our business by reducing gearing ahead of price falls, by exceptional balance sheet and debt structuring and by moving our property portfolio to reduce exposure to assets with weaker occupancy and growth prospects. None of these actions came at the cost of future growth.

However, despite our actions, activity at the customer and investment market level clearly slowed as the year progressed. And market declines hit our asset valuations which we strive to keep 'realistic' in the face of significant adverse moves. We have every confidence in our strategies and the Company's robustness in the face of external stress. Growth and upside will return and we plan to capture it. But for the present, we need to weather the passing storm.

The commentary in this Review highlights the actions we have taken in our aim to outperform and in line with the strategy we describe above. These actions rest on the effectiveness of our people and as before, much work has gone into building still further our human capital and a performance culture with which to execute our business plans.

Under “Sector and Asset Selection” we report on over £3.7 billion (gross) property purchases and sales. These reduced our total exposure to a property market we judged expensive. We also adjusted holdings in market sectors and individual assets where we forecast weaker customer demand and reinforced our market leadership positions where prospects are strong. It also shows how, even in favoured markets, we keep capital working hard by investing in property best placed to capture demand trends, whilst reducing our holdings in more mature assets where we cannot do much more to improve them.

We update on our newer initiatives in Europe which leverage our existing retail market skills into areas where customer demand can drive growth and we perceive rental growth prospects to be attractive.

Under “Asset Management” we show the range of work we undertake to better tailor our existing buildings to areas of greatest customer demand. In turn this results in the above market rental growth we delivered again this year.

The “Development” section reviews one of our more distinctive added-value areas. By creating new buildings at the forefront of modern service industry needs, we use our property skills and financial strength to target incremental return.

Our “Property Sectoral Outlook” and market commentaries explain in more detail the implementation of strategy and its rationale.

In the “Financial Performance”, “Financing” and “Partnerships” sections, the ways we have added value to supplement our property activity are described alongside an explanation of the financial results of this activity and the KPIs that show its effectiveness. Our balance sheet and debt management continue to be distinctive strengths, particularly relevant in these stressed financial market times. And by working with others, inter alia through Joint Ventures and Unit Trusts, we earn valuable extra income, leverage our skills and capital and increase manoeuvrability in the property markets.

We also highlight, in our Corporate Responsibility Report, our actions on sustainability including the commitment to lead our industry and become carbon neutral. We are a business of the built environment. Our careful use of scarce resources and our buildings’ impact in improving our communities and facilitating growth remain integral to our business success. The CR Report may be viewed in full on our website www.britishland.com/crReport/2007/.

Sector and Asset Selection

The prospects and expected performance of each asset in our portfolio are regularly reviewed in light of changing market conditions; part of the ongoing process of concentrating on markets, sectors and properties with positive medium-term supply/demand characteristics to best capture trends in customer demand and rental growth, and disposing of lower growth or riskier assets.

Within our selected markets we recycle capital – buying and selling properties to refine the focus on those assets with better potential for increases in rent or with opportunities for us to improve growth through asset management. Even where our sector view is positive, there are assets which reach a point where there is little we can do to improve them further and a sale may make sense.

Having identified last year that the property investment market was likely to become more challenging, we **increased the emphasis on sales** managing down financial gearing, overall reducing our exposure to a market which we considered fully priced. All sectors have been reduced this year. Over the 12 months to March 2008, despite a tough market, property sales have amounted to over £3.2 billion gross, at prices overall in line with or above the then current quarterly valuation - these include £900 million achieved in the last financial quarter, since 31 December 2007.

The transactions are summarised in the table below. It should be noted that this data (in keeping with our past practice) compares all sales in the year against the previous March 2007 year end valuations and, given the mark down in market pricing, shows certain sales which contracted in the second half of the year producing losses against that March 2007 valuation.

Sales	**Price £m**	**BL Share £m**	**Gain/ (Loss) %[1]**
12 months to 31 March 2008			
Retail:			
50% share of 39 superstores portfolio[2]	595	595	(15.0)
East Kilbride Shopping Centre[3]	387	193	(2.8)
3 UK Retail Parks and 14 Retail Warehouses	307	263	(2.7)
50% share of Fort Kinnaird[4]	240	87	-
50% share of New Mersey Shopping Park[5]	209	76	5.3
16 High Street shops	151	151	0.1
7 European Retail Parks[6]	132	40	14.8
41.25% share in Nueva Condomina, Murcia, Spain[7]	105	32	-
3 Superstores	87	87	(10.6)
	2,213	**1,524**	**(7.3)**
Offices:			
One Exchange Square, Broadgate, EC2	406	406	5.6
Blythe Valley Park, Phases I & II[8]	161	161	4.0
Plantation Place South, EC3[9]	126	126	(10.7)
Ludgate West, London EC4[9,10]	112	112	15.2
95/99 Baker Street, W1	17	17	33.9
High Street, Nottingham	6	6	(12.7)
	828	**828**	**3.9**
Others:			
9 industrial properties	140	140	(2.5)
Great Eastern Hotel, EC2[11]	16	16	24.0
12 other properties	47	47	(1.1)
Total	**3,244**	**2,555**	**(3.4)**

[1] sale price versus last year end valuation, March 2007
[2] new JV with J Sainsbury plc
[3] Scottish Retail Property Limited Partnership – JV with Land Securities
[4] HUT (Hercules Unit Trust) – JV with The Crown Estate
[5] HUT – JV with Bank of Ireland Private Banking Limited
[6] PREF (Pillar Retail Europark Fund)
[7] 50% of PREF's holding
[8] including conditional deferred elements of the sale consideration - gain calculated on estimated present value
[9] subject to price deduction at completion to reflect unexpired rent frees and (for a limited period) remaining vacant space – gain calculated net
[10] completed after 31 March 2008
[11] sale of British Land's 50% share to its former JV partner

Retail

The portfolio has been changed by:

- enhancing our **retail park growth profile** through sales of assets with slower rental growth prospects;
- sales of more in town investments, high street shops in total £151 million and the East Kilbride Shopping Centre at £387 million; and
- a reduction in our investment in **Superstores,** principally as part of the creation of a joint venture to generate opportunities to increase capital values by improving the assets (through extension, developments and other initiatives) in co-operation with our customer, **Sainsbury's**.

Two new joint ventures involving Hercules Unit Trust ("HUT"), where British Land acts as property adviser and has an interest of 36.3%, provided opportunities for recycling capital and our management added-value, while retaining overall exposure to premier out of town locations. In a joint venture with The Crown Estate, HUT effectively exchanged a 50% share in its Fort Kinnaird Shopping Park, Edinburgh for a 50% share of both Gallagher Retail Park, Cheltenham and Shires Retail Park, Leamington Spa. HUT also sold a 50% share of New Mersey Shopping Park, Liverpool by forming a joint venture with Bank of Ireland Private Banking Limited. In each case HUT retained the asset management.

Offices

The strong investment market earlier in the year enabled us to achieve sale prices overall ahead of valuation:

- to continue to reduce the weighting in our investment portfolio of City offices at this point in the cycle;
- for assets where we saw the growth prospects as lower with limited value-add; and
- to capture the value-add from successful development.

These sales included **One Exchange Square**, a landmark building in the Broadgate Estate, EC2, occupied by EBRD for £406 million in June 2007. We are continuing our active asset management of Broadgate, in keeping with our ambition to maintain and extend its status as the leading office campus in the City – and are pleased to have the new owner of One Exchange Square, KanAm Grund (a leading German fund manager) as a stakeholder.

Ludgate West, EC4, is our recently completed 127,000 sq ft City office development, which we pre-let as to 69% to solicitors Charles Russell LLP. Prior to completion the sale was agreed in November 2007, at a gross price of £112 million, realising a development surplus.

Plantation South, EC3, is also one of our developments; 160,000 sq ft of city offices completed in 2004. The sale was agreed in January 2008 at £126 million, above the December 2007 valuation (although below the March 2007 valuation as shown in the table).

Blythe Valley Park, Solihull, was sold in September 2007 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 prior to the sale for a major extension to the park of up to 2 million sq ft of offices.

The sale of Blythe Valley Park and of a number of industrial and leisure properties, including our interest in the **Great Eastern Hotel**, reflects our continuing strategy of focusing on higher growth sectors.

Purchases	**Price £m**	**BL Share £m**
12 months to 31 March 2008		
Nueva Condomina, Murcia, Spain[1]	237	118
50% share of Gallagher and The Shires retail parks[2]	100	36
50% share of Whiteley Village factory outlet centre[3]	55	28
Queens Retail Park, Stafford[4]	40	15
2 European[5] and 1 UK Retail Park	39	13
Vista Alegre Retail Park, Zamora, Spain[5]	19	6
Others	8	8
	498	**224**

[1] jointly with PREF (and PREF subsequently sold 41.25% to HERALD, see Sales table)
[2] HUT - JV with The Crown Estate, see also sale to JV of HUT interest in Fort Kinnaird
[3] JV with Universities Superannuation Scheme
[4] HUT
[5] PREF

Purchases of Nueva Condomina, Gallagher and The Shires retail parks as shown above are part of larger (or a series of) transactions over the year; please see the notes to the table. Our net purchases in the year amounted to less than £200 million.

A joint venture was formed in May 2007 with the Universities Superannuation Scheme providing the opportunity to work with this partner in respect of the **Whiteley Village** outlet centre near Fareham. This 168,000 sq ft scheme provides 52 retail units, a restaurant and a Tesco food store, with a further adjoining site for possible residential development. It is intended that the existing retail space will be redeveloped to provide a modern town centre shopping and mixed use scheme, for which we have started the consultation and planning process.

Queen's Retail Park is the premier out of town park serving Stafford. This recent purchase, by HUT, is an example of our market position enabling us to perform quickly and purchase well, meeting a seller's requirement for a transaction in a short time frame. The 170,000 sq ft 13 unit park has open A1 use, in line with our sector preference, and has significant opportunities for improvement under our management. We expect to be able to upgrade the older units, improve the tenant mix and grow the rents, building upon the initial 6% yield.

Investment in European Retail

Through both direct investment and our effective 40% investment in PREF, where British Land acts as property advisor, we have become market leaders in Europe's growing out of town retail park market. This leverages the management infrastructure and expertise we have established in the UK and the European team built up since 2004.

Features supporting this investment include the under provision of modern out of town retail parks in many of the major countries in Europe and the lower rents and higher initial yields than in the UK, together with similar customer preference trends which indicate that the market will develop and grow. This is already in evidence with increasing international investor interest contributing to the European market closing the yield gap towards convergence with the UK (albeit with lower interest rates applicable in Europe). Prospects for further rental growth in out of town European retail continue to be good, with rents still at some 50% of the level seen in the UK. As a result, our assets in Europe have performed well over this financial year.

During the year British Land and PREF jointly acquired a new prime regional shopping centre and retail park, Nueva Condomina in Murcia, Spain; the property was acquired for €350 million (£237 million) with completion in July 2007. The 120,000 sq m (1.3 million sq ft) scheme includes a two-storey enclosed shopping centre, a retail park, a multiplex cinema and a hypermarket, all now 97% let to major international and Spanish retail brands.

In December 2007 PREF sold to HERALD, the Henderson European Retail Property Fund, a portfolio of five retail parks in Europe and one-half of its interest in Nueva Condomina, overall at above valuation. The transaction anticipated the potential for market weakness, followed our UK strategy of divesting assets with weaker growth prospects and enables PREF to focus on its core countries, Spain, Portugal, France and Italy, recycling its capital into purchasing opportunities.

In addition to these transactions, PREF purchased three smaller retail parks in Spain, France and Portugal, on favourable yields with low base rents, and sold two PC City properties in Madrid and Palma.

Asset Management

Proactive enhancement of the portfolio

We have sought throughout the year to concentrate on our customers' requirements – and by providing attractive and well configured properties we generate new demand resulting in increasing rental values. This is achieved not just by good stock selection followed by experienced property management, but also through appropriate tenancy changes, lease restructuring, initiating improvements by better design or configuration or planning use, refurbishments and redevelopment.

This has been a year of great activity for our asset managers. Since 31 March 2007 we have exchanged agreements for **338 new lettings and lease renewals** achieving overall rents at **4% above the external valuer's ERV**.

New lettings and lease renewals (including Funds and Joint Ventures)	**Number**	**Sq ft 000s**	**Rent, £m pa**	
			New total[1]	**BL share of increase**[2]
Retail Warehouses	118	1,125	30.8	11.0
Shopping Centres	80	396	15.1	7.0
High Street	21	52	2.3	1.5
London Offices	20	178	10.1	8.3
Development (London Offices)	4	550	28.5	28.5
Other	95	152	3.0	1.3
Total	**338**	**2,453**	**89.8**	**57.6**

[1] headline rent, before tenant incentives
[2] above previous passing rent

There have been similar successes with rent reviews during the year, with **210 rent reviews** settled at overall **7% above the external valuer's applicable ERV**, generating an increase in rental income of £11.7 million per annum. At our West End offices at **Triton Square, Regent's Place**, for example, significant rent reviews have settled at c. £47 per sq ft, 16% above the ERV, following a lease renewal at 338 Euston Road at £50 per sq ft. In the Superstores portfolio rent reviews included a settlement establishing a new high level for a store outside Central London.

Rent reviews (including Funds and Joint Ventures)	**Number**	**Rent, £m pa**		
		New total	**Increase**	**BL share of increase**
Retail Warehouses	81	28.5	7.3	4.7
Superstores	9	9.8	1.6	1.3
Shopping Centres	59	12.8	1.2	1.1
High Street	22	6.8	0.9	0.9
London Offices	10	30.3	3.4	3.4
Other	29	1.9	0.3	0.3
Total	**210**	**90.1**	**14.7**	**11.7**

A number of other specific examples of our asset management activities are commented on below.

Retail parks

HUT (Hercules Unit Trust) acquired a 40,000 sq ft retail warehouse at **Dartford Heath Retail Park** 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, Dartford**. The former Allied Carpet space has been relet to Marks & Spencer and the former MFI space relet to Asda, both at increased rents; this also enhances the attractiveness of Prospect Place to retailers and their customers, whilst increasing overall estimated rental value, covenant strength and thus the value of the Park.

At **Deepdale Shopping Park, Preston,** a 230,000 sq ft scheme owned by HUT, asset management transactions included: agreement of a surrender of two units occupied by Birthdays and Brantano which were extended and relet to River Island and JD, creating a new high rent for the park; relocation of Brantano into a larger unit created by negotiating the surrender of a 10,000 sq ft unit occupied by Holiday Hypermarket and dividing the space into two, with the smaller unit relet to Holiday Hypermarket; demolition of a public house to construct a 9,700 sq ft food court for restaurants and cafes; and, as part of the planning negotiation, an amended consent was agreed for the 19,500 sq ft Marks & Spencer food unit.

At **Orbital Shopping Park, Swindon,** 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.

At **St James Retail Park, Northampton**, lettings were completed to JJB Sports, Mothercare and Land of Leather following a subdivision of the former Courts 46,000 sq ft unit. A refurbishment of the Park was completed which included a reconfiguration and regearing of the 30,000 sq ft Bhs unit and the addition of 20,000 sq ft of space which is part let to Laura Ashley with the remainder under offer.

At **Glasgow Fort Shopping Park**, HUT has lodged a planning application for a second phase of the scheme, working with the Glasgow East Regeneration Agency to improve the Easterhouse town centre.

Overall at our retail parks, since 31 March 2007 **1.1 million sq ft has been let and a further 400,000 sq ft is under offer**. 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. The retail portfolio has also shown continuing **rental growth** – the estimated rental value of our retail warehouse portfolio grew by 3.6% in the 12 months to 31 March 2008, compared with the IPD sector index of 1.5%.

Shopping centres

We continue to look for value enhancement to our assets through selective capital expenditure. This includes improvements at the 700,000 sq ft **Eastgate Shopping Centre, Basildon**, where a reconfiguration of the food terrace and general refurbishment works has resulted in a more modern environment, attractive to retailers and their customers alike.

At **Meadowhall,** our 1.5 million sq ft regional shopping centre at Sheffield, leasing activity has included over 30 new lettings and lease renewals covering more than 240,000 sq ft. Following the exceptional flooding in the Sheffield area in June 2007, 130 stores on the lower level have been refitted and the cinema complex has been refurbished. 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. The new 165,000 sq ft two level mall, known as The Gallery, opened in September 2007 attracting leading retail names, including major new stores for Next and Primark. Growth in the rental value of Meadowhall of 2.9% has been achieved over the year.

London offices

At **Broadgate** we contracted in May to relocate Henderson from 4 Broadgate to our development at 201 Bishopsgate, providing them with new space suitable to their requirements whilst releasing 4 Broadgate for a high rise redevelopment with potential to commence in 2009 as part of our Broadgate ‘2020’ master plan.

There has been continuing demand from customers across our portfolio. Over 750,000 sq ft of our central London office space has been let since 31 March 2007 or is under offer. In addition to the ongoing letting of development projects, 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, Bunzl plc 9,000 sq ft, Moor Park Capital Partners 4,800 sq ft, and the final 3,500 sq ft of office space has been let to Hurley Palmer Flatt. The retail units have also been let, such that all of the accommodation has been taken up in just over a year since completion of the development. The rents achieved via these lettings, including up to £79 per sq ft for the offices, reflect the building's premium design and location;

- **155 Bishopsgate**, where we have let the entire 38,000 sq ft level 5 refitted space at an initial rent of £57.50 per sq ft, a new high at Broadgate; we were also pleased to retain RCM at 155 Bishopsgate with a lease re-gear at £54.50 per sq ft, increasing rents passing;

- **Plantation Place South**, where we completed the letting of the offices we developed (and recently sold) with a new lease of level 4 at £51 per sq ft;

all contributing to establishing rental growth.

Our 111,000 sq ft multi-let office building at **338 Euston Road, Regent's Place** is undergoing a £12 million major refurbishment of three vacant office floors, common services and reception areas due to complete this summer. The project will create more attractive accommodation for both existing and potential occupiers and will increase rental value. Our expectations have been confirmed in this respect by a recent agreement for the letting of one floor of c. 7,000 sq ft at a new high rent for Regent's Place of £61 per sq ft.

Also at Regent's Place, the letting of the **Euston Tower** and its Podium to the Secretary of State for Communities and Local Government has been rearranged, to create new leases for a further 15 years (subject to a tenant break option at 13 years). The initial rent for the Tower will increase to £32.50 per sq ft, well above the previous passing rent and ERV. The Tower will have fixed rental increases in 2012 and 2017, while the Podium will be subject to upward only open market rent reviews every 7 years. This lease regearing has resulted in a material improvement in the value of this investment.

At our 4 million sq ft **Broadgate** estate, the only available office accommodation is 8,000 sq ft in 155 Bishopsgate. We have no other vacant offices in the City other than that within our development programme. The recently completed offices at 201 Bishopsgate are 75% let (and being fitted out) with only some 65,000 sq ft remaining available, and the Broadgate Tower under construction is 39% let. These, together with the sale of Ludgate West, result in **70% of our London office developments** with completions **in 2007 and 2008 being pre-let or sold**.

Retail units at our London office developments have also been letting well, contributing to the amenity of the working environments. In addition to the units at York House, at 10 Exchange Square, Broadgate we have completed a letting to the Piccolino restaurant, its first City position, and at Lime Street (the Willis Building) all four of the retail units have been let. In total these units provide 21,000 sq ft and add over £1 million per annum to our rental income.

Residential

British Land also creates value from the residential elements of mixed use portfolios and developments. Our small team of residential asset managers deals with projects including the sale of assets acquired as part of wider commercial portfolios, refurbishment of central London mixed-used blocks, negotiation of leasehold extensions, preparation of the residential element of mixed use schemes for sale, and rent reviews on a small number of residential units that British Land retain. Similar asset management services are undertaken for third parties; at the year end residential assets valued at nearly £500 million were under management on behalf of external clients.

Customer focus

Our focus on customer needs during the financial year has included increased contact with occupiers on property management issues, proactive management of the performance of our managing agents, and identification of ways to provide better value for money from the service charge.

We were pleased to win recognition of our efforts by being awarded 2007 **Landlord of the Year** by the Property Managers Association (nominated by the major UK retailers) and by achieving a top quartile position in the REAL SERVICE Best Practice Index.

Development

Development is a lever of value creation. It combines our skills in the development process, from planning and design to construction management, with our customer and market focused real estate knowledge, to create distinctive added value. Since it involves higher risk than our standing investment properties, development needs careful management - balancing risk and reward, while considering cycles across time and in the broader Company context.

Important elements of development projects include the transport and other infrastructure attributes of the location, quality of specification, configuration and flexibility of accommodation, and timing of delivery into market demand. Emphasis is also placed on working with talented architects to create well designed and sustainable buildings that enhance their location – all contributing to appeal to occupiers.

British Land received the award of **"Sustainable Developer of the Year"** as part of the 2007 Building magazine Sustainability Awards for environmental excellence in the construction industry. British Land was also named **"Developer of the Year"** at Property Week's industry awards in April 2008, noting our development and letting success in the City, particularly at 201 Bishopsgate.

Completed Projects (since 31 March 2007)	**Sq ft 000**	**Rent £m pa** Total[1]	Let/ pre-let	**Site cost £m**	**Construction cost + interest £m**	**Value March 2008 £m**	**Project Uplift %**
Ludgate West, EC4	127	6.3	4.3	26	54	105	31
201 Bishopsgate, EC2[2]	419	20.8	15.2	35	151	300	61
	546	27.1	19.5	61	205	405	
Basinghall Street, EC2 (CLOUT[3] – forward sold)	199	-	-	12	25	43	16

[1] current estimated headline rent (excludes provision for tenants' incentives)
[2] completed in April 2008, included in Developments valuation (and not included in investment portfolio analysis)
[3] BL share 35.9%
Data for Group and its share of Funds and Joint Ventures (except areas which are shown at 100%)

Three projects totalling 745,000 sq ft of City offices have been completed since 31 March 2007, on schedule and with significant profits.

201 Bishopsgate, London, EC2, the 13-storey office development adjoining The Broadgate Tower, is the first of the two imposing new buildings on the Broadgate Estate to reach practical completion. Pre-lets have been concluded with Henderson Group plc for 123,000 sq ft and Mayer Brown International LLP for 184,000 sq ft of the offices. These agreements cover 75% of the offices at 201 Bishopsgate, which are now being fitted out.

Construction of **Ludgate West**, London, EC4, completed in November 2007. Prior to completion, contracts were exchanged for the sale of the development, realising a significant profit. The offices were 69% pre-let to Charles Russell LLP.

We have a good track record of delivering and letting developments profitably, and of achieving sales of the projects to recycle capital. Over the last four years we have completed some 2 million sq ft of major London office projects and sold some 1 million sq ft of these.

Committed Developments	**PC[1]**	**Sq ft '000**	**Cost £m[2] Total**	**Cost £m[2] To complete**	**Value March 08 £m**	**Notional Interest £m[3]**	**Rent £m[4] Total pa**	**Rent £m[4] Let/ Pre-let**	**Sales £m[5]**
London Offices:									
Broadgate Tower	Q3 2008	400	191	43	270	4	22.0	9.0	-
Ropemaker	Q3 2009	586	228	146	228	18	32.1	-	-
Osnaburgh Street[6]	Q3 2009	490	267	202	121	14	21.5	-	53
The Leadenhall Building	Q3 2011	612	437	364	97	45	38.3	-	-
Total Offices		**2,088**	**1,123**	**755**	**716**	**81**	**113.9**	**9.0**	**53**
Retail Parks									
Puerto Venecia, Zaragoza[7]	Q2 2008/ Q1 2010	2,233	131	103	119	4	9.9	3.1	25
Giltbrook, Nottingham	Q3 2008	199	46	24	32	4	3.9	2.1	2
Total		**4,520**	**1,300**	**882**	**867**	**89**	**127.7**	**14.2**	**80**

[1] estimated practical completion of construction
[2] estimated construction cost
[3] from 1 April 2008 to PC
[4] current estimated headline rent (excludes provision for tenants' incentives)
[5] parts of development expected to be sold, no rent allocated
[6] Regent's Place, development includes 110,000 sq ft residential, expected to be sold
[7] joint venture (Eurofund Investments Zaragoza) – BL share 50%
Data for Group and its share of Funds and Joint Ventures (except areas shown at 100%)

London office developments

The Broadgate Tower, EC2, the 35 storey tower at Broadgate, is on target for completion in Q3 2008. 155,000 sq ft, 39% of the offices, has been pre-let to Reed Smith Richards Butler LLP at rents of £62.50 per sq ft for the top floors and an average rent overall of £58 per sq ft including an additional 13,000 sq ft recently taken up under their option.

Ropemaker, London EC2, and **Osnaburgh Street**, Regent's Place, London NW1, are also progressing on schedule for completion in 2009. The Ropemaker office development, on a prominent 1.2 acre City site close to Moorgate and Liverpool Street, will rise to 20 storeys. Osnaburgh Street is a mixed use scheme, comprising 380,000 sq ft of offices and 110,000 sq ft of residential accommodation, on a 2.5 acre site on the west side of the Regent's Place estate in the West End of London. In the current market of increasing construction costs, we are pleased to have placed contracts for a substantial 78% of the costs of these two projects.

At **Leadenhall, London EC3,** demolition of the existing building is nearing completion in parallel with foundation piling as preparation for the construction of a new striking 47-storey City office tower, which we consider will be seen as London's finest such tower.

The Building Research Establishment Environmental Assessment Method (BREEAM) evaluates a broad range of the environmental impacts of new building. All our London office developments have target or provisional **BREEAM ratings** of **Excellent** (i.e. at the top of the scale).

Retail developments in UK and Spain

Giltbrook Retail Park, Nottingham is being developed as a mixed use scheme of retail and industrial space, 199,000 sq ft overall. The 127,000 sq ft retail park remains on target to open in the autumn. Contracts have now been exchanged for lettings to CS Lounge Suites, Barker & Stonehouse, Pets at Home, SCS and Bhs, representing 60% of the floor area. The remainder of the retail scheme is fully under offer. Rents are above those anticipated at the time of acquisition, confirming our expectation that Giltbrook will be an important regional retail destination.

At **Puerto Venecia, Zaragoza**, our 2.2 million sq ft retail scheme development joint venture in Spain will provide one of the largest retail and leisure destinations in Europe. Infrastructure works are complete and development continues with completion of the retail park element (900,000 sq ft) due on a phased basis from June through to autumn 2008. Sales to owner occupier retailers, signed leases and Heads of Terms for lettings together now total some 87% for the retail park with the latest lettings being at rental levels among the highest achieved in Spain. Tenants will include Leroy Merlin, Conforama, PC City, Porcelanosa, Menaje del Hogar and Casa. The IKEA store (300,000 sq ft) which anchors the retail park has been open since May 2007 and is reported to be trading 20% above expectations with a current estimated footfall of over 300,000 a month.

The target opening date for the covered Shopping Centre (760,000 sq ft), anchored principally by El Corte Inglés, is Q1 2010 and groundworks are scheduled to commence imminently. Tenant interest for the shopping centre is strong with the significant second anchor signing of Primark on 67,000 sq ft (their largest unit signing to date in Spain) and other lettings to well-known international and national operators expected this year.

The **considerable success in achieving lettings** and sales of these projects has resulted in completed and committed developments with PC in 2007/8 being **78% pre-let, sold or under offer**.

Going forward, across our development programme, the maximum unlet space to be delivered in any two year period is equivalent to only 3.5% of British Land's total portfolio.

Development Prospects		**Sq ft 000**	**Cost £m[1]**	**Value, Mar 08 £m**	**Notional Interest[2] £m**	**Rent £m pa[3]**	**Sales £m**	**Planning**
Regent's Place NE Quadrant	West End office/residential	501	246	48	16	20	68	Resolution to grant
4 Broadgate	City Office	389	200	81	15	24	-	Pending
Colmore Row	Provincial Office	284	93	17	13	10	-	Submitted
Meadowhall additional land	Mixed use	1,139	285	19	10	21	62	Pending
Euston Station[4]	Mixed Use	Master planning in progress						Pending
Canada Water[5]	Mixed Use	Master planning in progress						Outline
Theale	Residential	Potential land sale						Detailed
New Century Park[6]	Mixed Use	Potential land sale						Detailed

[1] estimated construction cost to complete
[2] during construction to PC
[3] current estimated headline rent (excluding cost of tenant incentives)
[4] in partnership with Network Rail
[5] joint venture with Canada Quays Limited
[6] joint venture with Goodman Real Estate (UK) Limited
Data for Group and its share of Joint Ventures (except areas shown at 100%)

At the **Regent's Place**, NW1 estate, the next phase of development will be the North East Quadrant. A resolution to grant planning consent has been obtained for the 379,000 sq ft of offices and 122,000 sq ft of residential accommodation.

British Land and Network Rail are working together to prepare a masterplan for the proposed redevelopment of area around and including **Euston Station**. The 15 acre site has potential for more than 3 million sq ft of mixed use development, including office, retail, residential and a new landmark station interchange, intended to realise its commercial potential and assist with the on-going regeneration of the area.

We continue to work 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 and will boost the economic activity and amenity of the area.

The **'Broadgate 2020'** master planning exercise is progressing for Broadgate – presently a relatively low rise and low density estate. We are exploring the possibilities of higher rise development in certain areas and adding extra floors to some existing buildings. In particular, 4 Broadgate has potential for a redevelopment with substantially increased total floor areas.

Portfolio Valuation

The global 'credit crunch' has reduced values across many asset classes including commercial real estate. This results from widening risk premia, increased cost and reduced availability of finance, low investor confidence and fears of the effect of weaker economies on customer business and rental growth. This environment is particularly challenging for property valuers given low transaction volume and fast moving sentiment. Nevertheless, we believe in trying to achieve transparency and 'realism' in our (quarterly) portfolio valuations, both as a guide to our investors and to support capital allocation disciplines. To that end our valuers recommended an overall mark-down of property values for the year of -10.0%, which we support.

The table below shows the principal valuation movements by sector for the year and for Q4. The valuation movement in Q4 at -2.2% reflects a slowing of the rate of market pricing adjustment from that seen in Q3 (-8.9%).

The capital return from the portfolio at -11.5% for the year, as measured by IPD (calculated for our UK assets on average capital employed and excluding capitalised interest) was ahead of the IPD Benchmark at -13.2%. This is the second successive year of such outperformance.

Like for like rental value (ERV) growth for the portfolio was 6.2% over 12 months, ahead of the IPD Benchmark at 4.0%.

The net equivalent yield (after notional purchaser's costs) on the portfolio at 5.6% has moved out 92 bps over the year (Q4 18bps).

Valuation by Sector	Group £m	Funds/JVs[1] £m	Total £m	Portfolio %	Change[2] % 3 mths	Change[2] % 12 mths
Retail						
Retail warehouses	1,939	1,331	3,270	24.3	(3.1)	(13.9)
Superstores	120	1,147	1,267	9.4	(0.5)	(10.7)
Shopping centres[3]	1,826	358	2,184	16.2	(0.8)	(10.3)
Department Stores	665	131	796	5.9	(1.0)	(13.6)
High street	144	-	144	1.1	(3.8)	(9.9)
All retail	**4,694**	**2,967**	**7,661**	**56.9**	**(1.7)**	**(12.1)**
Offices[4]						
City[5]	4,251	-	4,251	31.6	(3.2)	(8.2)
West End[6]	1,164	-	1,164	8.6	0.3	0.8
Provincial	77	13	90	0.7	(8.5)	(4.0)
All offices	**5,492**	**13**	**5,505**	**40.9**	**(2.6)**	**(6.4)**
Industrial, distribution, leisure, other	283	22	305	2.2	(7.4)	(10.1)
Total	**10,469**	**3,002**	**13,471**[7]	**100.0**	**(2.2)**	**(10.0)**

[1] Group's share of properties in Funds and Joint Ventures

[2] change in value for 3 months and 12 months to 31 March 2008, includes valuation movement in developments, purchases and sales, net of capital expenditure

[3] Meadowhall Shopping Centre valuation down over 12 months 9.6% (£160 million) to £1,505 million; ERV £86 million; net equivalent yield 5.26%

[4] includes Developments in City, West End and provincial: total value £1,301 billion, 9.7% of Portfolio, 4.2% decline for the 12 months

[5] Broadgate valuation down 11.5% over 12 months to £2,698 million; headline ERV range £46-57.50 per sq ft (average headline ERV has risen 8% to £52 per sq ft); net initial yield 5.5% (assuming top up of rent free periods and minimum uplifts at first review); net equivalent yield 5.8%

[6] Regent's Place valuation up 1.3% over 12 months to £702 million; headline ERV range £35-61 per sq ft; net initial yield 5.1% (assuming top up of rent free periods and minimum uplifts at first review); net equivalent yield 6.0%

[7] Portfolio valued by external valuers on the basis of Market Value in accordance with the Appraisal and Valuation Standards published by The Royal Institution of Chartered Surveyors: Knight Frank LLP £11,533 million and CB Richard Ellis Ltd £1,938 million

The main valuation impacts over the year were:

- Retail warehouses, at 24.3% of the portfolio saw outward shift in equivalent yield of 100bps, reducing valuation by 13.9%, despite ERV growth of 3.6%;
- London offices, including developments comprising 40.2% of the portfolio, saw outward shift in equivalent yield of the investments of 95 bps and a value decline of 6.5% offset by ERV growth of 11.9%
- Superstore valuations, which represent 9.4% of the portfolio, declined by 10.7% (an outward yield shift of 87 bps). The proportion of the total portfolio held in this sector has reduced primarily as a result of the effective sale of a 50% share in the Sainsbury's superstores upon the formation of our new joint venture with J Sainsbury plc;
- Shopping Centres, being 16.2% of the portfolio, showed a fall in value of 10.3%, with an outward yield shift of 70 bps. This sector includes Meadowhall Shopping Centre valued at an equivalent yield of 5.26%;
- the value of our investment in Songbird Estates plc, which provides a 'look through' 10.8% economic interest in Canary Wharf, the London Dockland premier office estate, has been marked down for accounting purposes at 31 March 2008 by 27.5% to £185 million.

Portfolio Yields (excluding developments)	Annualised net rents[1] £m	Reversionary income[2] (5 years) £m	Initial yield[3] %	Top-up Initial Yield[3,6] %	Reversionary yield[3] (5 years) %	Net Equivalent yield[4] %
Retail						
Retail Warehouses	152	28	4.8	5.0	5.7	5.3
Superstores	66	5	5.2	5.2	5.6	5.2
Shopping Centres	110	14	5.0	5.2	5.7	5.4
Department Stores	42	6	5.3	6.1	6.1	5.9
High Street	8	1	5.5	5.6	6.5	5.9
All retail	**378**	**54**	**5.0**	**5.2**	**5.7**	**5.4**
Offices						
City	156	40	4.9	5.8	6.2	5.8
West End	48	10	4.8	5.2	5.9	5.7
Provincial	2	-	6.0	6.0	6.4	6.3
All offices	**206**	**50**	**4.9**	**5.6**	**6.1**	**5.8**
Industrial, distribution, leisure, other	19	4	6.1	6.8	7.4	7.3
Total	**603**	**108[5]**	**5.0**	**5.4**	**5.9**	**5.6**

Data for Group and its share of Funds and Joint Ventures
[1] 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
[2] 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
[3] gross yield to British Land (without notional purchaser's costs)
[4] after purchaser's costs
[5] £49m contracted under expiry of rent free periods and minimum rental increases
[6] adding back rent frees and minimum rental uplifts

At current market values, and without projecting any growth or inflation, achievement of the reversionary income in the investment portfolio would add £108 million per annum to our annual passing rent. Included in this are contracted increases of £49 million per annum due from expiry of rent free periods and fixed/minimum uplifts. (It should be noted that accounting policies under IFRS require that portions of these contracted rents are anticipated in the Group's income statement.)

Leases and occupancy (excluding developments)	Average lease term, years to first break	Underlying[1] occupancy rate %	Occupancy rate %
Retail			
Retail Warehouses	13.4	99.2	96.9
Superstores	20.3	100.0	100.0
Shopping Centres	12.9	98.7	96.4
Department Stores	29.9	100.0	100.0
High Street	12.0	94.8	94.8
All retail	**16.3**	**99.1**	**97.5**
Offices			
City	11.4	99.7	99.5
West End	11.4	99.8	96.4
Provincial	18.0	97.1	97.1
All offices	**11.5**	**99.7**	**98.7**
Industrial, distribution, leisure, other	23.4	95.8	94.4
Total	**14.7**	**99.2**	**97.9**

[1] the underlying occupancy rate includes accommodation subject to asset management initiatives and under offer

Our portfolio income is strong and secure, from leases with an overall weighted average term of 14.7 years to first break (16.0 years to expiry). If no other management action is taken (and if any tenant with a break clause chooses to exercise it) only 10% of the passing rental income will expire in the next five years.

The weighted average lease term in the West End offices shown in the table has been increased in the year primarily due to the rearrangement of the lease to the Government at the Euston Tower, Regent's Place.

Occupancy is exceptionally high, across all sectors, with the only significant accommodation available to let being in the development programme.

Property Sectoral Outlook

Retail sector

Leadership in Retail
- **£7.7 billion invested**
- **£11.5 billion total property under management**

Our strategy for the retail portfolio is determined by our customer-led focus. We have built good relationships with the larger retailers and continue to aim to provide them with the right space in the locations they prefer. This is being achieved through rigorous reshaping of the retail portfolio and recycling of capital into selected assets with the best prospects, to enhance retailer mix and drive rental growth.

Our prime portfolio has **strong defensive qualities**:
- high occupancy of 99%;
- an average lease length of 16 years unexpired; and
- 14% reversionary income;

an excellent position on which we can continue to apply our management.

Since March 2007 we have continued the repositioning of our portfolio, with £2.2 billion of sales of assets where we anticipated weaker potential for growth in market rental value or with few asset management prospects to enable us to create growth. This is consistent with our strategy of making asset specific decisions on whether to buy, sell or hold. We are discriminating between individual assets; for example, not all out of town is expected to perform well and in town shopping centres and high streets have widely differing appeal.

Out of town – 80% of the retail portfolio, £6.2 billion:
- 203 retail schemes, including the Superstores and Meadowhall shopping centre;
- providing a total of 21 million sq ft;
- arranged in 1,761 retail units;
- with an average lease length to first break of 15 years.

Our portfolio has a particular bias to out of town retail with emphasis on **retail parks** with Open A1 planning use (82%). Such use classification permits a wide range of retail operations, from food to fashion, and enables us to be flexible in offering asset management initiatives to deliver the size and configuration of trading space required. We also aim to be responsive to changes in those requirements as the retailers amend their formats to meet their own customers' preferences. For example, there has been increasing retailer demand for smaller units in out of town shopping parks and we have been active in changing unit sizes (extending or subdividing) and providing imaginative new formats for customer services, perfecting the tenant mix, and including new and varied catering outlets.

We are the largest owner of UK **superstores**, other than the operators themselves. The operators are gaining an increasing share of consumer expenditure through broadening product ranges, especially non food, while maintaining their customer appeal of convenience and accessibility. In an increasingly restrictive planning and regulatory environment, which is limiting new supply of these assets, the retailers are committed to full lease lengths of over 20 years. The superstore investment profile of rental growth with secure income flow is an attractive element of the portfolio.

The **Meadowhall** shopping centre of 1.5 million sq ft is also an important component of our out of town portfolio – probably the best scheme of its kind in the UK with exceptionally strong ongoing customer appeal. We are building on these strengths, positioning Meadowhall for attractive low risk growth through active management and ongoing refurbishment and development.

In town – 20% of the retail portfolio, £1.5 billion:
- 6 shopping centres, in total 2.2 million sq ft;
- 36 department stores, in total 5.6 million sq ft;
- 23 high street shops;
- 11 supermarkets.

Our in town **shopping centres** are located within large catchment populations, well anchored and generally the dominant retail scheme in the area, and of sufficient size to enable proactive asset management, including new income generating customer facilities and possible future development. The **department stores** are fully let to Debenhams and House of Fraser with an average lease term of over 30 years. Income growth from these assets is underpinned by provisions in the leases for guaranteed increases in rent; gross rents will increase by some £6 million (14%) over the next five years since the year end, continuing our refinement of the portfolio, we are continuing to sell stores where ERV growth is expected to be muted.

Asset management

Our active management has continued this year to drive rental growth. We have achieved:
- 1.1 million sq ft of retail park lettings at 10% above ERV, including a high proportion in the second half of the year, and we have some 400,000 sq ft more under offer;
- 450,000 sq ft of lettings at shopping centres, including over 240,000 sq ft at Meadowhall with a new flagship store for Topshop and new lettings to New Look and Sportsworld;
- 171 rent reviews agreed at 4.6% above ERV and producing an overall uplift in passing rent of 24%;
- across the retail portfolio a 7.1% like for like income growth (versus IPD of 3.5%), led by retail warehouse parks at 11%; and
- 2.9% ERV growth overall compared to IPD of 2.1%

and we will continue this intense focus on management in the current year.

Investment Market

The early part of the financial year saw considerable activity, when we contracted sales of £1.2 billion, before the onset of the credit market turmoil which effectively put the market into a 'no bid' position while investors reassessed their positions. Since the beginning of 2008 purchasers have started to return to the market, particularly 'high net worth' individuals and 'special purchasers', with some selective activity from funds which have particular positions to cover or are able to take advantage of opportunities. However, there is still considerable uncertainty in the market, and the flow of transactions is at much reduced levels as the lack of availability and/or higher pricing of debt takes effect. However, in our Q4 we sold over £750 million of retail assets (included in the £2.2 billion total for the year).

These market conditions and resulting significant stock availability have contributed to all retail subsectors seeing outward yield shift over the year. Prime Open A1 out of town retail parks have been hardest hit, despite their better supply/demand characteristics and rental growth prospects, since the same adjustment applied to their lower starting yield level represents a larger percentage resultant mark down in value.

The similar level of yield shift which has been applied in the market to both prime and secondary assets does not, in our view, reflect their different prospects. While we expect some further degree of outward yield movement in the market overall, this should apply less to prime as investors reflect on pricing of the relative prospects for growth and the downside risks of secondary assets, such as the supply/demand dynamics with increased competition and reletting concerns. And we note that initial yields are increasingly the primary concern as investors require certainty of income.

The market repricing may provide us with some acquisition opportunities; we shall continue to be involved in the market on a selective individual asset basis. Prime is still the best place to be, although not immune from market uncertainties. Prime retail has stronger occupational demand, better retailer trading, stronger tenant covenants, higher occupancy and longer leases.

Occupier market

The retailers are finding the current market challenging; sales overall are still growing but under pressure in a competitive trading environment where performance is mixed. The bright spots at present are the food and entertainment subsectors, while DIY, furniture and electricals are having a tougher time. The fashion market is rather fickle with retailers seeing markedly different results.

Occupational demand for bulky or solus retail warehousing is subdued and there is a greater supply of this space which will at best dampen growth prospects and quite possibly lead to rental value reductions. In town units are also subject to thinner demand where greater supply from new shopping centre development, lease expiries and some tenant failures is eroding the supply/demand tension. Larger incentives to attract tenants and higher levels of voids are the result. However, the best accommodation across all retail sectors will continue to attract customers. Retailers continue to adjust their requirements; migrating from the high street to out of town and ‘right-sizing’ their accommodation in line with their changing business models. Our objective is to stay in close communication with the retailers and assist their strategies - so we all maximise performance.

Going forward, outperformance will require continuing asset specific repositioning to reflect customer demand. The potential for asset management initiatives will be the principal route to deliver rental growth and so improving asset values. While the rental growth performance of our portfolio in our chosen subsectors has been ahead of IPD, having pursued our strategy of rebalancing the retail portfolio this outperformance should become more visible over the current year.

Office Sector

Leadership in London Offices - £5.4 billion invested

Our **strategy for the offices portfolio** is to concentrate on prime assets in the City and West End of London where there are favourable supply and demand imbalances, fuelled by increasing occupational density and steeply rising building replacement costs. Despite recent credit market turbulence, London’s global position as a business centre is well established and we consider London is the right place to be over the medium term.

Our customer focus is on providing the right accommodation to meet the requirements of the financial and business services based in the capital. We build on this by offering ‘best in class’ property management, from estate services through to development of new accommodation. Proactive asset management aims to tailor what we offer to customers’ changing needs.

In allocating and recycling our capital we recognise that the office market is cyclical. We manage our exposure accordingly and, in anticipation of the current point in the cycle, have sold some £2.7 billion of office investments over the last three years, taking advantage of the previously strong market to achieve sale prices ahead of valuation. After offsetting this by purchases and development spend, we made a net disinvestment over that period of some £1.2 billion, overall boosting our performance.

As a result, our office portfolio weighting in the City has been managed at 77% and increased in the West End to 21%.

The reshaping leaves us with a **well positioned prime London office portfolio**:

- 4.5 million sq ft in the City;
- 1.5 million sq ft in the West End;
- investments over 99% occupied;
- weighted average lease length of over 11 years (to first break);
- valued on the basis of a net equivalent yield of 5.8%;
- 9% reversionary income (in addition to rent frees and minimum uplifts);
- an average rent of only £45 per sq ft, against an average headline ERV of £51 per sq ft, so we expect to achieve value added rental growth;
- plus our investment in the Canary Wharf office estate, through our shareholding in Songbird Estates.

The **principal assets within the office investment portfolio** are:

- Broadgate, EC2, the premier 4 million sq ft City of London office estate, valued at £2.7 billion. Broadgate comprises 15 office buildings plus the recently completed 201 Bishopsgate and the site on which we are developing The Broadgate Tower – a distinctive environment for some of the world's largest corporations and leading professional practices. Each building provides efficient working space of the highest standard while providing flexibility to allow occupiers to change floor layouts or install new technology. A wide range of retail outlets and excellent public transport connections contributes to Broadgate's appeal to our customers;

- Regents Place, NW1, at the north of the West End, valued at £702 million. A distinctive mix of five buildings provides nearly 1 million sq ft of office accommodation, complemented by public spaces, retail and leisure elements, with significant public transport links;

- The Willis Building, EC3, a 496,000 sq ft office development recently completed by British Land. The 23 storey building occupies a prime City site opposite Lloyds of London and is let to the Willis Group;

- York House, W1, a development completed by us in early 2007 providing 90,000 sq ft of offices with adaptable and efficient floor plates, fully let within a year of its completion.

Asset management

We have worked hard during the year to add to performance.

Sales of £828 million have been achieved at an average net equivalent yield of 5.0% (net initial yield of 3.1%), primarily aimed at managing our weighting in the City at this point in the cycle.

1.1m sq ft of **lettings and lease regears**, including notable prelets at our City office developments recently completed or due for completion during 2008, and achieving record rents at Broadgate, Regent's Place and York House.

Rent reviews in respect of over 1 million sq ft across the office portfolio have been agreed since March 2007, settled at well above ERV and producing an 11% increase in rent. These include agreement since the year end of a package of rent reviews, including elements of lease variation, in respect of 450,000 sq ft in three buildings at Finsbury Avenue, Broadgate, to show a £1.8 million per annum uplift equivalent to around £4 per sq ft.

Our **office development activity** during the year has both de-risked and realised profits from the programme. We have completed three City projects this year: Ludgate West, 201 Bishopsgate and Basinghall Street, together 745,000 sq ft of office accommodation, generating significant profits on cost.

In addition to the success in letting these projects mentioned above, we have achieved sales of the completed Ludgate West and Basinghall Street, such that 70% of the London office development projects with completions in 2007 and 2008 have already been pre-let or sold.

The Broadgate Tower will complete later this year. The office accommodation remaining available to let in the Tower and at 201 Bishopsgate (together with the 8,000 sq ft available at Broadgate) represents in the region of just 5% of our office portfolio.

The Ropemaker and Osnaburgh Street developments (details of which are shown in other sections of this report) are on schedule for completion in 2009, producing high quality buildings in both the City and the West End. We are also pleased to have received a resolution to grant planning consent for 501,000 sq ft of offices and residential at the North East quadrant, Regents Place, a project which will further assist in our ambition to have a balance in the office portfolio between the City and the West End.

Investment Market

The first half of 2007 saw high levels of investment activity in offices, with yields at relatively low levels. Later in the year, turnover slumped and there was little activity as investors reviewed their positions in the changing financial market conditions. Prime yields moved out some 100 bps, reflecting views of increased risk factors across most assets. The early part of 2008, our Q4, saw some activity return to the market and yield compression has slowed. In these market conditions, it was no mean feat for us to carry out sales across the year of £828 million and overall nearly 4% above March 2007 valuation.

The direction and size of yield movements going forward is uncertain as sentiment continues to be volatile, in respect of both the credit market and the occupier market which are the main determinants. On a positive note, significant pools of capital are seeking investment opportunities in London offices, including from overseas. Investors generally see the sharp increase in yields as a buying opportunity and share our belief in the prospects for prime offices over the medium term, due to London's competitive advantages in attracting financial and business services. The growth in these sectors, and so their requirement for the best office accommodation, is likely to outstrip overall levels of growth in the economy. And prime London offices offer significant investment liquidity.

Secondary assets will be at greater risk of higher levels of outward yield shift. Investors will analyse the relative risk weighted returns and prospects of prime versus secondary, including refurbishment voids and reletting costs required.

British Land's office portfolio is prime and offers strong cash flows, valued on a gross initial yield, topped up for rent free periods and minimum rental uplifts at first review, of 5.8% in the City and 5.2% in the West End.

Occupier market

During this current year demand from office occupiers is expected to reduce. Employment in the financial and business services sectors is estimated (by CEBR, April 2008) to fall by around 2% in 2008/9 and then grow again by c. 3% per annum through to 2012. Vacancy rates for London offices are expected to rise in the short term as developments underway are completed over the next couple of years, at the same time as the phase of weakening occupier demand.

It is positive that this will be based on low current vacancy rates for Grade A accommodation in the West End and in the City, both at 2.6%, a level which is well below the 10 year average. Also, take up in the first quarter of 2008 was at a reasonable level and enquiries indicate a continuing level of occupier interest.

Accordingly, it is unlikely that we will see a repeat of occupier market conditions and vacancy rates seen in London offices during 2002/3, since the majority of customers are operating in offices at full occupancy and with limited scope, at present, for release by them of accommodation in the market. In addition, the new accommodation produced from developments not yet started is likely to be curtailed, as the financial market turmoil and reduced availability of debt, together with rising construction costs, will reduce their viability.

This limitation on supply, coupled with the forecast pickup in City employment is producing a more encouraging outlook for 2010 onwards.

So we have a reasonably positive outlook for the occupier market in the medium term, although in the short term we do expect letting incentives to increase and there are the first signs in the City of headline rents softening.

As to occupier preferences between City and West End locations, affordability will become an issue for some whose first preference would be the core West End. Rents there are at a high, in the region of double the rents for fringe West End and City. Occupiers are likely to reconsider their requirements for such central West End positions and perhaps look at moving to the City or mid town locations.

British Land's office portfolio has very high occupancy levels, of 99.7% in the City and 99.8% in the West End, including the small amounts of accommodation we have subject to asset management initiatives and under offer. As noted above, 70% of our 2007/8 completions of London office developments have been pre-let or sold, and we have limited areas available for letting. Our ongoing developments are well spread both as to timing and between the City and West End.

On this sound base we will continue to concentrate our efforts, in a market where competition for occupiers will be tighter, on providing the best space to the market. We are well positioned to ride out this cycle and we remain positive regarding London's competitive advantages as a global financial and services centre.

Financial Performance

Introduction

The results for the year are dominated by the significant reduction in property values, masking a strong increase in underlying profits, which are more closely correlated to rental income growth and operating cash flow. These profits have been achieved as a result of our focus on asset management including new lettings and the resultant rental growth, good housekeeping and reduction of administration costs. In addition, our financing programme and hedging policy provide borrowings at below "current market" interest rates.

The performance for the year should be viewed in context. Viewing the recent property and interest rate cycle over a three year time horizon since our renewed strategy was announced in May 2005, we have improved underlying profits by £103 million, an increase of 57%. The reasons lie in the following key areas:

- £5.9 billion of sales, at yields on average below our marginal cost of borrowing;
- complete refinancing of our debt to capture the lowest point in the interest cycle, including locking in low margins on unsecured debt and fixing rates on 100% of debt;
- above market rental growth;
- additional contributions from the successful lettings of developments;
- a vigorous approach to cost control, where administration costs are now only 0.5% of property values.

In turn we have been able to more than double the dividend paid from 15.7 pence to 35 pence over the same period.

This is our first full financial year as a REIT (Real Estate Investment Trust) from which we benefit by operating largely on a tax exempt basis.

Income Statement

A proportionally consolidated Income Statement is included in Table A to the accounts for the benefit of Stakeholders who wish to see the results of British Land's interest in Funds and Joint Ventures on a look-through basis. The following commentary refers to financial information of the Group as reported under IFRS where the after tax results of Funds and Joint Ventures are shown as a single line on the Income Statement unless stated otherwise.

Despite the significant amount of sales in the year, **gross rental and related income** for the year has decreased by less than 1% from £649 million to £645 million, the changes being summarised in the table below.

Gross rental and related income	**£m**
Year ended 31 March 2007	649
Purchases	26
Sales	(57)
Letting of completed developments	22
Lease determinations to enable redevelopment	(4)
Like for like growth	19
Reduction in surrender premiums received	(7)
Reduction in service charge income	(3)
Year ended 31 March 2008	645

Gross rental income, which excludes service charge income of £49 million, decreased only fractionally from £597 million to £596 million; this includes the effects of sales, purchases and development lettings. On a like for like basis rental income (including our share of Joint Ventures and Unit Trusts) showed growth of 5.7%, which derived predominately from our retail properties and is ahead of the market overall (IPD at 2.5%).

Net rental and related income has remained constant at £561 million (2007: £561 million) and represents 94% of gross rental income; with property operating expenses showing a small improvement at £35 million (2007: £36 million).

Underlying **fees and other income** were £40 million (2007: £50 million) and include dividends from our investment in Songbird Estates plc of £16 million (2007: £18 million), performance fees from our fund management business of £9 million (2007: £17 million) and management fees from the Funds and Joint Ventures of £12 million (2007: £13 million). The further capital dividend from Songbird Estates of £30 million (2007: £33 million) results in total reported fees and other income of £70 million.

The performance fees for HUT, our largest fund, are earned by exceeding stretching targets in a calendar year and are measured against the relevant benchmark. Only half of the performance fee earned is recognised immediately, while the balance is released over a vesting period at the rate of 50% of the undistributed amount, provided there is no significant underperformance against the benchmark in each subsequent year. There is no clawback of released income. Once again HUT outperformed its relevant IPD benchmark, but due to the valuation downturn no new performance fees were earned in the year, the fees included in the Income Statement are a release of fees earned in previous periods. At 31 March 2008 fees of £7 million have been deferred and are subject to potential clawback.

Our fund management fees are based on a percentage of the portfolio value. The third party element only of fees earned is recognised in the Income Statement.

The contribution to underlying profits from **Funds and Joint Ventures** is £40 million, an increase of £3 million from the previous year principally reflecting improved rents across the portfolio. As required by IFRS the reported results for Funds and Joint Ventures are included on a post tax basis as a single line with the Group's share of results totalling a loss of £306 million, the major difference between this figure and the underlying profit of £40 million referred to above being the share of valuation write downs of £354 million.

Underlying **administration expenses** amount to £67 million, a significant reduction from £78 million in the previous year. This is a result of a less complex corporate structure due to our reorganisation at the start of the 2007 calendar year when British Land converted to REIT status and good housekeeping generally, enabling us to reduce compliance and operating costs, the savings from which have more than offset salary and other cost inflation.

Underlying **net finance costs** represent net interest payable of £290 million (2007: £313 million), reflecting our reduced level of debt following property disposals during this year and last.

Underlying pre-tax profit has increased by 11% from £257 million in 2007 to £284 million in 2008. The £27 million increase is due to the following factors:

	£m
New lettings and rent reviews (net of £5m lease determinations/expiries)	20
Effect of purchases and sales	12
Reduction in fund performance fee	(9)
Interest cost on REIT conversion charge	(10)
Interest savings from refinancings	8
Administration cost savings (including £1m in Funds)	12
Other	(6)
Increase	**27**

After adjustment for capital and other items (principally the net valuation losses totalling £1,916 million), the **IFRS loss on ordinary activities before taxation** amounted to £1,609 million.

Following the conversion to REIT status with a conversion charge and costs of £338 million, the amount for **taxation** included in the Income Statement for the year amounts to a credit of £46 million, leaving a **loss for the year after taxation** of £1,563 million.

Earnings per share

Underlying earnings per share have risen by 23% from 43 pence to 53 pence, due to both the increase in underlying profits before taxation described above and the significantly reduced tax charge as a result of a full year's REIT status. After adjustment for capital and other items, principally the valuation write down, diluted earnings per share, on an IFRS basis, amount to a negative 303 pence.

Balance Sheet

A proportionally consolidated Balance Sheet is also included in Table A to the accounts for the benefit of Stakeholders who wish to see the net asset make-up of the Group's interest in Funds and Joint Ventures on a look-through basis. British Land's interests in Funds and Joint Ventures are shown in more detail under 'Partnerships' below.

The **EPRA net assets** shown in Table A of £6.9 billion compare with £8.9 billion at 31 March 2007. This gives a net asset value per share of 1344 pence, 20% lower over the year due to the valuation mark down. The principal components of the 338 pence reduction in EPRA NAV per share are as follows:

	Pence per share
At 31 March 2007	1682
Revaluation of properties, investments and gains/(losses) on asset disposals	(366)
Underlying profit after tax	53
Dividend paid	(32)
Other	7
NAV per share at 31 March 2008	**1344**

On a triple net asset basis (after adjusting debt and derivatives to market value and deducting deferred tax) EPRA net assets per share amount to 1438 pence. This significant difference above the 1344 pence NAV per share shown in the table principally arises due to a favourable mark to market adjustment of debt of £582 million, reflecting the benefit of the refinancings carried out between 2005 and 2007.

The balance sheet reported under IFRS shows our net investment in funds and joint ventures grouped together and not disaggregated. On this basis **IFRS net assets** at 31 March 2008 totalled £6.8 billion, comprising £10.5 billion of group properties and £1.5 billion of net investment in funds and joint ventures, less net debt of £5.0 billion and £0.2 billion of other net liabilities.

These figures show a significant change from the year before, when (on the IFRS basis) net assets of £8.7 billion comprised £14.0 billion of group properties and £1.6 billion of net investment in funds and joint ventures, less net debt of £6.4 billion and £0.5 billion of other net liabilities. The principal changes from these to the current year figures have arisen from the valuation write down combined with the high level of property sales, resulting in a reduction of the amount of properties and the amount of group debt. As a result, our Group **loan to value ratio** (debt as a proportion of property and investments) has remained steady at 41%.

Cash flows

The consolidated cash flow statement shows a net repayment of borrowings of £734 million as compared with £68 million in the previous year.

	March 2008 £m	March 2007* £m
Rental income and fees less expenses	477	494
Interest paid less interest and distributions received	(295)	(275)
Net cash flow from operating activities	182	219
Sales & other income less purchases, development & other expenditure	1,148	(54)
REIT conversion charge	(291)	-
Net purchase of shares	(144)	(6)
Dividends paid	(161)	(91)
Net repayment of borrowings	734	68

* re-presented under the direct method

As set out in the table above, cash generated from operations (rental income and fees less expenses) has reduced by £17 million to £477 million, and net cash flow from operating activities by £37 million to £182 million. The most significant movement in the cash flow statement giving rise to the repayment of borrowings has been the cash inflow from investing activities (sales and other income less purchases, development and other expenditure) , a net disinvestment of £1,148 million, compared with a net outflow of £54 million in the previous year.

Dividends

In November 2006 we announced a move to a quarterly dividend cycle, which mirrors rental cash inflows, as rents are typically settled quarterly. The proposed dividend for the fourth quarter is 8.75 pence per share, totalling £45 million, and will be payable on 15 August 2008 to shareholders on the register at the close of business on 18 July 2008. The dividend consists of a property income distribution (PID) of 8.75 pence as explained in note 15 to the accounts.

Together with the proposed fourth quarter dividend, our total dividend for the year will amount to £179 million, 35 pence per share, an increase of 72% on the previous year.

Dividends	**2008, pence**	**2007, pence**
November	8.75	
February	8.75	5.60
May	8.75	6.50
August	8.75	8.25
	35.00	20.35

Total Return

Due to the fall in property values the Group’s total return for the year was a negative 18.1%, and compares with a positive 21.3% in the previous year. Over five years, our annualised total return has been 12.8% (pre-exceptional charges).

	March 2008	March 2007	% increase/ (decrease)
NAV per share[1]	**1344p**	1682p	(20)
Underlying earnings per share[2]	**53p**	43p	23
Dividends payable per share	**35p**	20.35p	72
Total return per share[1,3]	**(18.1)%**	21.3%	

[1] EPRA basis - note 2 to the accounts
[2] Note 2 to the accounts
[3] before charges for REIT conversion and refinancings

Accounting Judgements

The most significant judgements made in preparing these accounts relate to the carrying value of properties and investments which are stated at open market value. The Group uses external professional valuers to determine the relevant amounts.

Significant accounting policy judgements are highlighted in Note 1 to the Accounts (Basis of preparation).

Financing and capital structure

British Land is managed on an integrated basis to produce secure and attractive risk-adjusted returns to Shareholders. **Risk management** is a distinctive skill at British Land where the mix of assets, leases, developments and debt are managed together to ensure the most effective result. Overall, the Group's prime assets and their secure long term contracted rental income, primarily with upward only rent review clauses, present lower risks than many other property portfolios, enabling the returns to be enhanced over the medium term using financial leverage. A 45-55% loan to value ratio (LTV) is targeted, subject to the Board's view of markets, the prospects of and risks within the portfolio and the recurring cash flows of the business. Earlier in this year we considered the markets fully valued and brought gearing down through sales such that, despite the mark downs in the valuation of the portfolio over the year, at 31 March 2008 LTV was 41%, 47% proportionally consolidated (2007: 43% and 47% respectively, pro forma for payment of REIT conversion charge).

In seeking to maximise shareholder returns, we prefer to avoid equity issuance, except where the commercial opportunity clearly merits it. We also would expect to return capital to Shareholders if over the medium term surplus funds arise over and above that which we believe can be attractively deployed in the business. We spent £139 million on share buybacks during the year to take advantage of share prices below net asset value and to highlight management's view that buybacks remain an option to be considered alongside other competing uses of capital.

Debt is raised from a variety of sources with a spread of maturity dates. Longer term debt is raised principally through securitisations and debentures. Securitisations have a range of benefits, including long maturities at competitive rates with no recourse to other companies or assets in the Group, and without financial covenants by British Land. Debentures benefit from long maturities and bullet repayment.

Unsecured revolving bank facilities provide flexibility of drawing and repayment and are committed for terms of five to ten years. We aim to spread the maturities of the different facilities from a wide range of banks. Other unsecured funding includes US private placements, with terms of up to 20 years.

The Group borrows at fixed and floating rates and uses derivatives to achieve the desired interest rate profile; currently the policy is to maintain around 85% (subject to 5% tolerance) of debt at fixed or capped rates taking into account prospective transactions, including development costs to be funded by further drawings under committed facilities. This interest rate profile is closely monitored as part of our management of the overall financial effects of transactions. The year end position of debt being 100% at fixed rate results from the repayment of floating rate debt following sales and our retention of existing interest rate derivatives at favourable rates which will hedge the increased debt arising from borrowing to fund expenditure in respect of the development programme; accordingly, we are not exposed to rising interest rates in this respect.

The Funds and Joint Ventures are separately financed, and have their own interest rate derivatives, all with no recourse to British Land.

Financing statistics	**31 March 2008**	31 March 2007
Group:		
Net debt	**£5,032m**	£6,404m
Weighted average debt maturity	**14.6 yrs**	14.1 yrs
Weighted average interest rate	**5.27%**	5.32%
% of net debt at fixed/capped interest rates	**100%**	96%
Interest cover[1]	**1.8**	1.7
Loan to value[2]	**41%**	41%[4]
Unsecured debt to unencumbered assets	**22%**	28%
Undrawn committed facilities	**£2,433m**	£1,657m
Group and share of Funds and Joint Ventures:		
Net debt[3]	**£6,413m**	£7,741m
Weighted average debt maturity	**12.9 yrs**	12.7 yrs
Weighted average interest rate	**5.29%**	5.36%
Interest cover[1]	**1.8**	1.7
Loan to value[2]	**47%**	45%[4]

[1] Underlying profit before interest and tax / net interest excluding refinancing charges
[2] debt to property and investments
[3] see Table A
[4] proforma for payment of REIT conversion charge (made July 2007) 43% Group and 47% including share of Funds and Joint Ventures

This has been another good year for refinancings and **raising new finance** for the business, in each case **reducing future interest costs** and increasing distributable income. In spite of the uncertainties emerging in the financial markets, we arranged:

- in early August 2007 a £620 million seven-year syndicated multi-currency revolving loan facility at 42.5bps over LIBOR;
- in October 2007 a £250 million bi-lateral loan and guarantee facility;
- a further £85 million of new and extended bi-laterals during the year; and
- in July 2007 a €220 million bank facility to assist with the acquisition jointly by PREF and British Land of Nueva Condomina, the major shopping centre in Murcia, Spain.

Over the last three calendar years we have taken advantage of financial market opportunities to refinance all British Land's secured and securitised debt of some £4.9 billion, and have agreed new or renewed bank facilities overall of £3.5 billion. These refinancings have replaced more expensive shorter-term facilities with lower margin longer-dated lines, reducing our interest costs going forward. The average margin over LIBOR applicable to our bank facilities is now 48 bps per annum.

The combination of these transactions and the interest rate derivatives to fix the applicable LIBOR has (despite recent rising market rates) reduced our weighted average interest rate from 6.49% at 31 December 2004 to **5.29% at 31 March 2008**.

British Land has current total committed bank facilities of £3.2 billion, of which some £2.4 billion is undrawn. Only £190 million of these facilities expire in the next two years and £1.8 billion are for a term of more than five years.

Key Performance Indicators

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

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

[1] 99.2% including accommodation subject to asset management initiatives and under offer

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

[1] total shareholder return represents growth in share price plus dividends per share (assuming reinvested)
[2] average of major peers – Land Securities, Hammerson, Liberty and SEGRO (some differences in year ends)
[3] total return (pre-exceptional) represents growth in adjusted, diluted net asset value per share plus dividends per share
[4] adjusted diluted earnings per share (excluding exceptional items, profits on asset disposals and revaluation gains)
Source: Datastream, company reports

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

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

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

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

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

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

Risk Management

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

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

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

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

Risk:	Principal Mitigations:
Property Market	
Market pricing and other changes such as those caused by the current 'credit crunch' affecting property value, including:	Regular investment appraisals assess prospects and identify properties for disposal where justified
• Change in investor and occupier demand	Upward only long leases on good quality well located buildings
• Letting risk on speculative development	Occupier led development strategies with a phased pipeline of projects
• Environmentally unsustainable buildings	New developments built in line with a formal Sustainability Brief
• Tenant default	Spread of tenants with strong financial covenants and regular covenant review process
Debt and Financing	
Reduced availability or increased cost of finance	Sufficient lines maintained for spending commitments
Gearing covenants/constraints	Leverage regularly reviewed Covenant headroom maintained
Counterparty credit risk	Spread of sources and maturities of facilities
Adverse interest rate movements	Active interest rate management policy with high level of hedging
Currency exchange movement	Foreign currency assets financed by matching currency borrowings
Development	
Poor control of design and construction programme	Contractor performance closely monitored within project management process
Construction cost inflation	Regular monitoring against budget and forecasting of project costs Early procurement strategy
Contractor failure leading to cost overruns and programme delays	Contractor financial covenant reviewed Overall development exposure regularly reviewed
Reputation	
Health and safety	Health and Safety Policy and defined responsibilities and reporting throughout the Group
Non-compliance with regulation	Independent compliance auditing programme
People	
Retention of key staff	Career development and succession planning for key executive positions Key man insurance Remuneration structure reviewed and benchmarked
Financial Administration	
Loss of REIT status due to non-compliance with requirements	Quarterly re-forecast and review of 'balance of business' tests
Overseas fiscal compliance and execution risk	Review and oversight by BL team Professional local advice and administration obtained Compliance reporting
Monetary fraud or accounting irregularity	Access controls and dual payment signatories Extensive review of accounting procedures

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

Partnerships

British Land's net investment in Funds and Joint Ventures is £1,532 million (2007: £1,610 million) at 31 March 2008. This investment is principally in three active funds and 14 active Joint Ventures, which hold in total £6.9 billion (2007: £7.0 billion) of properties in retail, offices and development. The Funds and Joint Ventures are financed by £3.3 billion (2007: £3.1 billion) of external debt, all of which is without recourse to British Land.

The Funds provide British Land with interests in properties in our key sectors. British Land acts as property adviser to the Funds and receives performance and management fees.

Fund	Portfolio	Value £m	Net Rent £m[1]	Finance £m	BL Share %	BL Interest £m
Hercules Unit Trust ('HUT')	Retail Shopping Parks	2,601	113	961	36.27	592
Pillar Retail Europark Fund ('PREF')	European Retail Parks	456	21	210	30.26[2]	77
Hercules Income Fund ('HIF')	Retail Warehouses	125	7	10	26.12	30

[1] annualised
[2] will increase to 38.7% when committed new equity fully contributed

HUT
Hercules Unit Trust ("HUT") was established in 2000 as a Jersey based closed ended property unit trust with a fixed life to September 2010, subject to extension with consent of unitholders. During the year, the unitholders approved proposals for the extension of the Trust to 2020. HUT's aim is to acquire and own retail warehouse and shopping park investment properties throughout the UK, with a view to providing an annual total return on the portfolio in excess of the IPD Retail Warehouse Quarterly Universe over the life of the Trust.

Although the Trust return for the year to 31 December 2007 was -17.3%, the three year annualised return is 11.2% per annum. At the property level, without the effect of gearing, the portfolio returned -9.5% for the year, but this compares favourably with the IPD Retail Warehouse Quarterly Universe (excluding HUT) of -10.3% for the same period. This is attributable to:

- rental value growth of the portfolio of 2.8% over the year (IPD Retail Warehouse Quarterly Universe) 1.5%)
- low vacancy rate at 1.3% (IPD Retail Warehouse Quarterly Universe 4.0%).

In the year to December 2007:

- the distribution yield has risen from 1.3% to 2.2%
- there was a net repayment of debt of £250 million following sales

At 31 December 2007, gearing had reduced to 31.5% of the aggregate Trust value, well within the Trust's limit of 60%.

The secondary market has continued to be active, with no new units issued in the year. A total of 52,968 units were traded over the year with a total value of £86 million. The units traded at a discount of 0.8% to their net asset value during the year.

British Land is HUT's property adviser, and Schroder Property Managers (Jersey) Ltd is the Fund Manager.

PREF
Pillar Retail Europark Fund ("PREF") was created in March 2004 as a closed-end Luxembourg based Fonds Commun de Placement to invest in out of town retail parks in the Eurozone and Switzerland and in particular France, Spain, Portugal and Italy. Including outstanding contracted acquisitions, the portfolio reached €1.1 billion in value in autumn 2007 following the purchase of Nueva Condomina Shopping Centre, Murcia (in conjunction with British Land). In January 2008, five non-core assets, together with half of PREF's holding in Nueva Condomina, were sold in a portfolio transaction with a combined value of €300 million.

The annualised total return for the year to 31 December 2007 was 9.3%. Gearing at 31 December 2007 remained at 58% but was significantly reduced in early 2008 by the portfolio sale. PREF gears up to 60% loan to value with debt provided by a syndicate of banks.

The Investment Manager is BL European Fund Management LLP, in which British Land had a 70% interest, and which increased to 100% during the year.

HIF
Hercules Income Fund ("HIF") was established in September 2004 as a Jersey based closed ended property unit trust with a fixed life of 10 years, subject to extension with unitholder consent. Its objective is to target smaller retail park assets, and with an emphasis on a higher distributable yield.

The Trust return for the year to 31 December 2007 was -13.5% and the property return was -10.0% compared with the IPD Annual Retail Warehouse Universe of -9.7%. HIF's loan to value is currently very low at 8%, which is considered appropriate in the current market conditions.

In the year to December 2007:
- one scheme was acquired
- two schemes were sold.

British Land is the property adviser, and Pillar Property Management (Jersey) Ltd is the Fund Manager.

The Joint Ventures provide British Land with access to desirable properties (often off market) and enable us to create further opportunities to deliver capital value. A separate entity is formed for the purpose, controlled on a 50:50 basis by a board carrying equal representation from each partner. The entities are able to raise finance on the strength of their assets, usually with no support from the partners, thereby significantly lowering the initial equity investments and enhancing returns on capital. The enterprise is shared by the partners, over a specific agreed lifetime for the venture.

Activity since 31 March 2007 included:
- the formation of our new joint venture with J Sainsbury plc in respect of a £1.2 billion portfolio of 38 Sainsbury's stores and 1 Waitrose store;
- a new joint venture with the Universities Superannuation Scheme for the acquisition of a factory outlet centre in Whiteley Village, near Fareham in Hampshire;
- The Scottish Retail Property Limited Partnership sold the East Kilbride Shopping Centre; and
- distributions to British Land from the Joint Ventures of a total of £77 million.

Although some of the Joint Ventures have different year ends from British Land, the accounting periods recognised are aligned to the Group's March year end using management accounts, to assist the requirements of quarterly reporting.

Summary details of the principal Joint Ventures in which we have a 50% share are shown below.

Joint Venture Portfolio	JV Partner	Portfolio Valuation £m	Net Rent £m[1]	Finance £m	BL interest £m[2]
BLT Properties Ltd 1 retail park, 8 Tesco superstores	Tesco PLC	316	16	185	79
Tesco BL Holdings Ltd 2 retail parks, 2 shopping centres each anchored by Tesco, 5 Tesco superstores	Tesco PLC	601	31	315	144
Tesco British Land Property Partnership district shopping centre anchored by Tesco	Tesco PLC	112	7	45	23
Tesco Aqua Limited Partnership 21 Tesco superstores	Tesco PLC	594	29	487	48
The Scottish Retail Property Limited Partnership shopping centre in Aberdeen	Land Securities PLC	252	15	119	70
BL Fraser Ltd 12 department stores	House of Fraser Limited	262	14	126	67
Eurofund Investments Zaragoza SL[3] Puerto Venecia, out of town shopping scheme	Private Investors and Copcisa Corp	239	-	46	85
Whiteley Village, Fareham factory outlet shopping centre	Universities Superannuation Scheme	45	3	-	24
BL Sainsbury Superstores Ltd 38 Sainsbury superstores, 1 Waitrose superstore	J Sainsbury plc	1,190	61	722	232

[1] annualised net rent
[2] BL share of net assets
[3] development project

People

Individuals are essential ingredients in our long term success. It is important that we retain and attract motivated and skilled professionals able to deliver our strategy and work effectively in a small and focused team.

The business model is people light and asset heavy – it leverages the work, skill and judgement of a relatively small staff over a large value of efficiently financed assets. The strategy and business changes introduced in 2005 are designed to emphasise the “human value added” in order to lift performance at the property level, whilst retaining efficient translation to profits and net asset value via financial and fiscal structure. This is all the more important in a market where outperformance is going to be delivered through superior rental growth and an activist approach to asset selection and management.

Corporate Responsibility

Our full Corporate Responsibility Report 2007/8 may be viewed at www.britishland.com/crReport/2007/. It is designed to be accessible and easy to navigate for users. The switch to on line reporting, rather than circulation of full printed copies, is part of our efforts to improve our environmental performance.

Business Review

We have provided herein a commentary on our markets, activities and prospects. Where we make **forward looking statements** they reflect our current views; future results will depend on many factors and interactions which may cause outcomes to differ from those anticipated.

Supplementary information regarding the Portfolio Description and the Development Programme is available on our website www.britishland.com

Directors' Responsibility Statement

We confirm that to the best of our knowledge:

(a) the financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the undertakings included in the consolidation taken as a whole; and

(b) the management report, or 'Business Review', includes a fair review of the development and performance of the business and the position of the company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

By order of the Board, Graham Roberts, Finance Director

Glossary of Terms

Annualised net rents are gross rents as at the reporting date plus, where rent reviews are outstanding, any increases to estimated rental value (as determined by the Group's external Valuers), less any ground rents payable under head leases.

Development construction cost is the total cost of construction of a project to completion, excluding site values and finance costs.

EPRA is the European Public Real Estate Association.

EPRA earnings is the profit after taxation excluding investment property revaluations and gains/losses on disposals, intangible asset movements and their related taxation.

EPRA net assets (EPRA NAV) are the balance sheet net assets excluding the mark to market on effective cash flow hedges and related debt adjustments, deferred taxation on revaluations and diluting for the effect of those shares potentially issuable under employee share schemes.

EPRA NAV per share is EPRA NAV divided by the diluted number of shares at the period end.

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

Estimated rental value (ERV) is the Group's external Valuers' opinion as to the open market rent, which on the date of valuation, could reasonably be expected to be obtained on a new letting or rent review of a property.

Equivalent yield is a weighted average of the initial yield and reversionary yield and represents the return a property will produce based upon the timing of the income received. In accordance with usual practice, the equivalent yields (as determined by the Group's external Valuers) assume rent received annually in arrears and values after deducting prospective purchasers' costs.

Group is The British Land Company PLC and its subsidiaries and excludes its share of funds and joint ventures.

Initial yield is the annualised net rents generated by the portfolio expressed as a percentage of the portfolio valuation, excluding development properties.

Interest cover is the number of times net interest payable is covered by underlying profit before net interest payable and taxation.

IPD is the Investment Property Databank Ltd which produces an independent benchmark of property returns.

Like-for-like ERV growth is the increase in ERV over a period on the standing investment properties expressed as a percentage of the ERV at the start of the period.

Like-for-like rental income growth is the growth in gross rental income on properties owned throughout the current and previous periods under review. This growth rate includes revenue recognition and lease accounting adjustments but excludes properties held for development in either period, properties with guaranteed rent reviews, asset management determinations surrender premiums and back rent adjustments.

Loan to Value (LTV) is the ratio of gross debt less cash and short-term deposits to the aggregate value of properties and investments.

Mark-to-market is the difference between the book value of an asset or liability and its market value.

Market Value in relation to property assets is an opinion of the best price at which the sale of an interest in the property would complete unconditionally for cash consideration on the date of valuation (as determined by the Group's external Valuers – see Valuation Certificate). In accordance with usual practice, the Group's external Valuers' report valuations net, after the deduction of the prospective purchaser's costs, including stamp duty, agent and legal fees.

Net rental income is the rental income receivable in the period after payment of ground rents and net property outgoings. Net rental income will differ from annualised net rents and passing rent due to the effects of income from rent reviews, net property outgoings and accounting adjustments for fixed and minimum guaranteed rent reviews and lease incentives.

Occupancy rate is estimated rental value of let units expressed as a percentage of the total estimated rental value of the portfolio, excluding development properties.

Open A1 is a planning consent enabling the sale of a wide range of goods, including food, fashion, footwear, books, electronics and household goods – as set out in The Town and Country Planning (Use Classes) Order 1987.

Passing rent is the gross rent, less any ground rent payable under head leases.

Planning Consent gives consent for a development, and covers matters such as use and design. Full details of the development scheme must be provided in an application for full planning consent, including detailed design, external appearance and landscaping before a project can proceed. Outline planning consent establishes the broad outline of the scheme and is subject to the later approval of the details of the design.

Property Income Distribution (PID). As a REIT the Group is now obliged to distribute 90% of the tax exempt profits. These dividends, which are referred to as PIDs, are subject to withholding tax at the basic rate of income tax. Certain classes of shareholders may qualify to receive the dividend gross. See our website (www.britishland.com) for details. The Group can also make other (normal) dividend payments which are taxed in the usual way.

Real Estate Investment Trust (REIT). A listed property company which qualifies for and has elected into a tax regime, which exempts qualifying UK property rental income and gains on investment property disposals from corporation tax. British Land converted to REIT status on 1 January 2007.

Reversion is the increase in rent estimated by the Group's external Valuers, where the passing rent is below the current estimated rental value. The increases to rent arise on rent reviews, letting of vacant space and expiry of rent free periods.

Reversionary yield is the anticipated yield, which the initial yield will rise to once the rent reaches the estimated rental value.

Tenant (or lease) incentives are any incentives offered to occupiers to enter into a lease. Typically the incentive will be an initial rent-free period, or a cash contribution to fit-out or similar costs. Under accounting rules the value of lease incentives given to tenants is amortised through the income statement on a straight-line basis to the earliest lease termination date.

Total return is the growth in EPRA NAV per share plus dividends paid expressed as a percentage of EPRA NAV per share at the beginning of the period. It may be stated before net refinancing charges or other exceptional items (pre-exceptional).

Total shareholder return is the growth in value of a shareholding over a specified period, assuming that dividends are reinvested to purchase additional units of stock.

Underlying earnings per share (EPS) consists of underlying profit after tax divided by the diluted weighted average number of shares in issue during the period.

Underlying profit before tax is the profit for the period before taxation after excluding amortisation of intangible assets and impairment charges, net valuation gains/losses (including disposals), other receivables of a capital nature, net refinancing charges and costs relating to REIT conversion.

Yield shift is a movement (negative or positive) in the equivalent yield of a property asset.

Consolidated Income Statement for the year ended 31 March 2008

	Note	2008 Underlying pre tax * £m	2008 Capital and other £m	2008 Total £m	2007 Underlying pre tax * £m	2007 Capital and other £m	2007 Total £m
Gross rental and related income	3	**645**		**645**	649		649
Net rental and related income	3	**561**		**561**	561		561
Fees and other income	4	**40**	**30**	**70**	50	33	83
Amortisation of intangible asset			**(15)**	**(15)**		(15)	(15)
Funds and joint ventures (see also below)	9	**40**	**(346)**	**(306)**	37	422	459
Administrative expenses		**(67)**		**(67)**	(78)	(13)	(91)
Net valuation movement (includes profits and losses on disposals)	5		**(1,562)**	**(1,562)**		1,167	1,167
Goodwill impairment						(106)	(106)
Net financing costs							
financing income		**26**		**26**	41		41
financing charges		**(316)**		**(316)**	(354)		(354)
refinancing charges						(305)	(305)
	6	**(290)**		**(290)**	(313)	(305)	(618)
(Loss) profit on ordinary activities before taxation		**284**	**(1,893)**	**(1,609)**	257	1,183	1,440
Taxation							
REIT conversion charge							(277)
current tax income							1
deferred tax income				**46**			1,289
	7			**46**			1,013
(Loss) profit for the year after taxation attributable to shareholders of the Company				**(1,563)**			2,453
(Loss) earnings per share: basic	2			**(305) p**			472 p
diluted	2			**(303) p**			470 p

Share of results of funds and joint ventures	Note	2008 Underlying pre tax £m	2008 Capital and other £m	2008 Total £m	2007 Underlying pre tax £m	2007 Capital and other £m	2007 Total £m
Underlying profit pre-tax		**40**		**40**	37		37
Net valuation movement (includes profits and losses on disposals)			**(354)**	**(354)**		257	257
Goodwill impairment			**(3)**	**(3)**		(5)	(5)
REIT conversion charge and non-recurring items			**9**	**9**		(48)	(48)
Current tax			**1**	**1**		(19)	(19)
Deferred tax			**1**	**1**		237	237
	9	**40**	**(346)**	**(306)**	37	422	459

* As defined in note 2.

Consolidated Balance Sheet as at 31 March 2008

	Note	2008 £m	2007 £m
Assets			
Non-current assets			
Investment properties	8	**9,389**	12,891
Development properties	8	**1,062**	1,106
Owner-occupied property	8	**53**	50
		10,504	14,047
Other non-current assets			
Investments in funds and joint ventures	9	**1,532**	1,610
Other investments	10	**196**	267
Intangible assets	10	**39**	50
		12,271	15,974
Current assets			
Debtors	11	**133**	208
Cash and short-term deposits	14	**244**	198
		377	406
Total assets		**12,648**	16,380
Liabilities			
Current liabilities			
Short-term borrowings and overdrafts	14	**(111)**	(54)
Creditors	12	**(450)**	(746)
		(561)	(800)
Non-current liabilities			
Debentures and loans	14	**(5,151)**	(6,617)
Other non-current liabilities	13	**(38)**	(37)
Deferred tax liabilities	7	**(108)**	(179)
		(5,297)	(6,833)
Total liabilities		**(5,858)**	(7,633)
Net assets		**6,790**	8,747
Equity			
Share capital	17	**131**	130
Share premium	17	**1,269**	1,263
Other reserves	17	**335**	532
Retained earnings	17	**5,055**	6,822
Total equity attributable to shareholders of the Company		**6,790**	8,747
EPRA NAV per share*	2	**1344 p**	1682 p

The financial information in this preliminary announcement was approved by the Board on 19 May 2008.

* As defined in note 2.

Consolidated Statement of Recognised Income and Expense

for the year ended 31 March 2008

	Note	**2008 £m**	2007 £m
(Loss) profit for the year after taxation		**(1,563)**	2,453
Valuation movements			
- on development properties	5	**57**	184
- on owner occupied property	5	**3**	
- on other investments	5	**(70)**	22
		(10)	206
(Losses) gains on cash flow hedges			
- Group		**(53)**	93
- Funds and joint ventures		**(20)**	21
Actuarial (loss) gain on pension scheme		**(10)**	8
Fair value adjustment on consolidation of former joint venture			(7)
Tax on items taken directly to equity		**25**	16
Net (loss) gain recognised directly in equity		**(68)**	337
Transferred to the income statement (cash flow hedges)			
- foreign currency derivatives		**1**	21
- interest rate derivatives		**(28)**	(1)
		(27)	20
Total recognised income and expense for the year		**(1,658)**	2,810

Reconciliation of Movements in Shareholders' Funds

	2008 £m	2007 £m
Capital items		
- Shares issued	**7**	10
- Purchase of own shares	**(151)**	(16)
- Adjustment for share and share option awards	**11**	18
- Dividends paid in the year	**(166)**	(91)
	(299)	(79)
Total recognised income and expense for the year	**(1,658)**	2,810
Movement in shareholders' funds for the year	**(1,957)**	2,731
Opening equity shareholders' funds	**8,747**	6,016
Closing equity shareholders' funds	**6,790**	8,747

Consolidated Cash Flow Statement

for the year ended 31 March 2008

		Note	2008 £m	2007 + £m
Rental income received from tenants			**536**	568
Fees and other income received			**32**	36
Operating expenses paid to suppliers and employees			**(91)**	(110)
Cash generated from operations			**477**	494
Interest paid			**(373)**	(334)
Interest received			**19**	11
UK corporation tax paid			**(3)**	
Foreign tax paid			**(1)**	(2)
Distributions received:	funds and joint ventures		**47**	32
	Songbird Estates		**16**	18
Net cash inflow from operating activities			**182**	219
Cash flows from investing activities				
Purchase of investment properties			**(119)**	(309)
Development and other capital expenditure			**(523)**	(346)
Sale of investment properties			**1,460**	711
REIT conversion charge paid			**(291)**	
Purchase of investments				(8)
Sale of investments			**2**	10
Indirect taxes in respect of investing activities			**32**	(15)
Establishment of BL Sainsbury Superstores Joint Venture			**272**	
Investment in and loans to funds and joint ventures			**(90)**	(203)
Capital distributions received:	funds and joint ventures		**88**	80
	Songbird Estates		**30**	33
Sale of shares and loans repaid by funds and joint ventures				6
Purchase of subsidiary companies (net of cash acquired)			**(4)**	(13)
Net cash inflow (outflow) from investing activities			**857**	(54)
Cash flows from financing activities				
Issue of ordinary shares			**7**	10
Purchase of own shares			**(151)**	(16)
Dividends paid			**(161)**	(91)
Issue of Meadowhall Finance PLC securitised debt				840
Redemption of MSC (Funding) PLC securitised debt				(897)
Issue of British Land debentures				263
Amounts paid on exchange of British Land debentures				(240)
Redemption of British Land debentures				(20)
Repayment of debt acquired with subsidiary companies				(305)
(Decrease) increase in bank and other borrowings			**(686)**	354
Net cash outflow from financing activities			**(991)**	(102)
Net increase in cash and cash equivalents			**48**	63
Opening cash and cash equivalents			**191**	128
Closing cash and cash equivalents			**239**	191

	2008 £m	2007 + £m
Cash and cash equivalents consists of:		
Cash and short-term deposits	**244**	198
Overdrafts	**(5)**	(7)
	239	191

+ Re-presented under the direct method (see Note 1)

Notes to the accounts for the year ended 31 March 2008

1. Basis of preparation

The financial information set out above does not constitute the company's statutory accounts for the years ended 31 March 2008 or 2007, but is derived from those accounts. Statutory accounts for 2007 have been delivered to the Registrar of Companies and those for 2008 will be delivered following the company's annual general meeting. The auditors have reported on those accounts; their reports were unqualified, did not draw attention to any matters by way of emphasis and did not contain statements under s237(2) or (3) of the Companies Act 1985.

The financial statements for the year ended 31 March 2008 have been prepared on the historical cost basis, except for the revaluation of properties, investments and derivatives. The financial statements have also been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and therefore comply with Article 4 of the EU IAS Regulation.

The accounting policies used are consistent with those contained in the Group's last annual report and accounts for the year ended 31 March 2007, with the exception of the adoption of IFRS 7: Financial Instruments: Disclosures; the early adoption of IFRS 8: Operating Segments and the presentation of the cashflow under the direct method. These changes have no impact on the Group's net assets or profits before tax and the comparative results have been restated on a consistent basis.

2. Performance measures

(Loss) earnings per share (diluted)	2008 (Loss) earnings £m	2008 Pence per share	2007 (Loss) earnings £m	2007 Pence per share
Underlying pre tax profit - income statement	**284**		257	
Tax charge relating to underlying profit	**(8)**		(31)	
Underlying earnings per share	**276**	**53 p**	226	43 p
Refinancing charges			(305)	
Tax and other items	**13**		58	
EPRA earnings (loss) per share	**289**	**56 p**	(21)	(4) p
(Loss) profit for the period after taxation	**(1,563)**	**(303) p**	2,453	470 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 or losses 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, realisation of cash flow hedges and REIT-related transactions, none of which occurred in the current year.

The weighted average number of shares in issue for the year was: basic: 512m (2007: 520m); diluted for the effect of share options: 516m (2007: 522m). Basic undiluted (loss) earnings per share for the year was (305)p (2007: 472p).

Net asset value (NAV)	2008 £m	2007 £m
Balance sheet net assets	**6,790**	8,747
Deferred tax arising on revaluation movements, capital allowances and derivatives	**102**	168
Mark to market on effective cash flow hedges and related debt adjustments	**(3)**	(99)
Dilution effect of share options	**47**	46
EPRA NAV	**6,936**	8,862
EPRA NAV per share	**1344 p**	1682 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 31 March 2008, the number of shares in issue was: basic: 509m (2007: 521m); diluted for the effect of share options: 516m (2007: 527m).

Total return per share of minus 18.1% represents a reduction in EPRA NAV per share of 338p net of dividends paid of 32.25p (see note 15). Total return per share (before charges for REIT conversion and refinancings) for the year ended 31 March 2007 was 21.3%.

3. Gross and net rental income

	2008 £m	2007 £m
Rent receivable	**547**	551
Spreading of tenant incentives and guaranteed rent increases	**46**	37
Surrender premiums	**3**	9
Gross rental income	**596**	597
Service charge income	**49**	52
Gross rental and related income	**645**	649
Service charge expenses	**(49)**	(52)
Property operating expenses	**(35)**	(36)
Net rental and related income	**561**	561

Net rental income for the year ended 31 March 2008 from properties which were subject to a security interest or held by non recourse companies was £409m (2007: £409m). Property operating expenses relating to investment properties that did not generate any rental income were £1m (2007: £3m).

4. Fees and other income

	2008 £m	2007 £m
Performance and management fees (from funds and joint ventures)	**21**	30
Dividend received from Songbird Estates	**16**	18
Other fees and commission	**3**	2
Underlying	**40**	50
Capital dividend received from Songbird Estates	**30**	33
	70	83

The £21m (2007: £30m) performance and management fees comprise £9m (2007: £17m) performance fees and £12m (2007: £13m) management fees from funds and joint ventures.

The performance fee receivable from HUT for the year ended 31 December 2007 is £nil. In the year ended 31 December 2006 the fee was £27m, of which the third party element available to the Group was £17m. 50% of the undistributed performance fee is payable each year provided there is no clawback. In the current year fees of £7m (2007: £16m) have been recognised and £6m (2007: £13m) is deferred to later years. The net performance fee receivable from HIF for the year ended 31 December 2007 is £nil (2006: £1m).

Following the capital restructuring of Songbird Estates plc a capital dividend of £30m (2007: £33m) was received in the year.

5. Net revaluation (losses) gains on property and investments

	2008 £m	2007 £m
Income statement		
Revaluation of properties	**(1,588)**	1,053
Gains on property disposals	**26**	115
Other revaluations and gains		(1)
	(1,562)	1,167
Share of (losses) gains of funds and joint ventures (note 9)	**(354)**	257
	(1,916)	1,424
Consolidated statement of recognised income and expense		
Revaluation of development properties	**57**	184
Revaluation of owner-occupied property	**3**	
Revaluation of investments	**(70)**	22
	(1,926)	1,630

6. Net financing costs

	2008 £m	2007 £m
Interest payable on:		
Bank loans and overdrafts	**71**	75
Other loans	**280**	284
Loans from joint ventures	**1**	
Obligations under finance leases	**2**	2
	354	361
Development interest capitalised	**(43)**	(37)
	311	324
Interest receivable on:		
Deposits and securities	**(20)**	(11)
Other finance (income) costs:		
Expected return on pension scheme assets	**(5)**	(4)
Interest on pension scheme liabilities	**4**	4
Valuation movements on fair value debt		(5)
Valuation movements on fair value hedges		5
Valuation movements on translation of foreign currency debt	**(1)**	(21)
Hedging reserve recycling	**1**	21
Net financing expenses	**290**	313
Refinancing charges		
Debenture refinancings		266
Meadowhall Shopping Centre securitisation		39
		305
Net financing costs	**290**	618

	2008 £m	2007 £m
Total financing income	**(26)**	(41)
Total financing expenses	**316**	659
Net financing costs	**290**	618

Interest on development expenditure is capitalised at a rate of 6% (2007: 5.5%), with current year tax relief of £nil (2007: £8m).

7. Taxation

	2008 **£m**	2007 £m
Tax expense (income)		
Current tax		
UK corporation tax (30%)	**3**	(8)
Foreign tax	**1**	3
	4	(5)
Adjustments in respect of prior years	**(4)**	4
Total current tax (income)		(1)
REIT conversion charge		277
Deferred tax on income and revaluations	**(46)**	(1,289)
Group total taxation (net)	**(46)**	(1,013)
Tax reconciliation		
(Loss) profit on ordinary activities before taxation	**(1,609)**	1,440
Less: loss (profit) attributable to funds and joint ventures	**306**	(459)
Group (loss) profit on ordinary activities before taxation	**(1,303)**	981
Tax on (loss) profit on ordinary activities at UK corporation tax rate of 30% (2007: 30%)	**(391)**	294
Effects of:		
REIT conversion charge		277
REIT conversion on investment gains		(1,458)
REIT conversion on capital allowance provisions		(134)
REIT exempt income and gains	**390**	(10)
Goodwill impairment and amortisation of intangibles	**4**	31
Tax losses and other timing differences	**(45)**	19
Expenses not deductible for tax purposes		(36)
Adjustments in respect of prior years	**(4)**	4
Group total taxation	**(46)**	(1,013)

Corporation tax payable at 31 March 2008 was £25m (2007: £283m) as shown in note 12. Deferred tax is calculated on temporary differences under the liability method using a tax rate of 28% (2007: 30%). The movement on deferred tax is as shown below:

Deferred taxation

	1 April 2007 £m	**Charged (credited) to income £m**	**Charged (credited) to reserves £m**	**31 March 2008 £m**
Property and investment revaluations	**160**	**(42)**	**(25)**	**93**
Other timing differences	**4**			**4**
Intangible assets	**15**	**(4)**		**11**
	179	**(46)**	**(25)**	**108**

Under the REIT regime development properties which are sold within three years of completion do not benefit from tax exemption. At 31 March 2008 the value of properties under development is £1,806m (2007: £1,220m) and if these properties were to be sold and tax exemption was not available the tax arising would be £73m (2007: £100m). No provision is made for this amount as the Group has no current plans to sell these properties.

8. Property

		Investment £m	Development £m	Owner-occupied £m	Total £m
Carrying value at 1 April 2007		**12,891**	**1,106**	**50**	**14,047**
Additions:	property purchases	**115**			**115**
	other capital expenditure	**253**	**292**		**545**
		368	**292**		**660**
Disposals		**(2,694)**	**(24)**		**(2,718)**
Reclassifications		**360**	**(360)**		
Revaluations:					
included in income statement		**(1,569)**	**(19)**		**(1,588)**
included in statement of recognised income and expense			**57**	**3**	**60**
Increase in tenant incentives and guaranteed rent uplift balances		**33**	**10**		**43**
Carrying value at 31 March 2008		**9,389**	**1,062**	**53**	**10,504**
Head lease liabilities (note 13)					**(35)**
Total Group property portfolio valuation					**10,469**

At 31 March 2008, the book value of owner-occupied property is £53m (2007: £50m) after charging £nil (2007: £nil) depreciation to the income statement for the year.

At 31 March 2008, the Group book value of properties of £10,469m (2007: £14,047m) comprises freeholds of £9,357m (2007: £13,118m); virtual freeholds of £303m (2007: £106m); long leaseholds of £802m (2007: £820m) and short leaseholds of £7m (2007: £3m). The historical cost of properties was £7,315m (2007: £8,879m).

The Group's total property portfolio was valued by external valuers on the basis of Market Value in accordance with the Appraisal and Valuation Standards published by The Royal Institution of Chartered Surveyors. Knight Frank LLP valued properties to an aggregate value of £10,466m (2007: £14,015m); other valuers £3m (2007: £2m).

Properties valued at £7,162m (2007: £9,194m) were subject to a security interest and other properties of non-recourse companies amounted to £2m (2007: £128m).

Cumulative interest capitalised in investment and development properties amounts to £33m and £84m (2007: £28m and £46m) respectively.

9. Funds and joint ventures

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

	2008 £m	2007 £m
Gross rental income	**113**	109
Service charge income	**4**	6
Gross rental and related income	**117**	115
Net rental and related income	**106**	100
Other income and expenditure	**(6)**	(6)
Net financing costs	**(60)**	(57)
Underlying profit before taxation	**40**	37
Net valuation and disposal movements	**(354)**	257
Non-recurring items	**9**	
Goodwill impairment	**(3)**	(5)
(Loss) profit on ordinary activities before taxation	**(308)**	289
REIT conversion charge		(48)
Current tax	**1**	(19)
Deferred tax	**1**	237
(Loss) profit on ordinary activities after taxation	**(306)**	459

Summary movement for the year of the investments in funds and joint ventures

		Equity £m	Loans £m	**Total £m**
At 1 April 2007		1,560	50	**1,610**
Additions		360	11	**371**
Disposals		(8)	(21)	**(29)**
Share of loss after taxation		(306)		**(306)**
Distributions and dividends:	capital	(67)		**(67)**
	revenue	(55)		**(55)**
Hedging movements		8		**8**
At 31 March 2008		**1,492**	**40**	**1,532**

At 31 March 2008 the investment in Joint Ventures included within the total investment in Funds and Joint Ventures was £833m (2007: £780m).

Distributions in the year include the receipt of £43m (£38m capital) from The Scottish Retail Property Limited Partnership; £34m (£17m capital) from Tesco Joint Ventures; £28m from HUT and £12m (capital) from CLOUT.

At 31 March 2008 the Group's share of funds and joint ventures properties is £3,002m (2007: £2,886m) of which £nil (2007: £153m) is carried at directors' valuation; external net debt is £1,378m (2007: £1,238m) and the mark to market adjustment for external debt is £74m asset (2007: £8m asset).

9. Funds and joint ventures continued: Joint Ventures' summary financial statements

All disclosures have been restated to British Land accounting policies under IFRS.	BL Sainsbury Superstores Ltd	BLT Properties Ltd	The Tesco British Land Property Partnership	Tesco BL Holdings Ltd	The Tesco Aqua Limited Partnership	BL Fraser Ltd	The Scottish Retail Property Limited Partnership
Partners	J Sainsbury plc	Tesco plc	Tesco plc	Tesco plc	Tesco plc	House of Fraser plc	Land Securities Group PLC
Group share 2008	50:50 JV	50:50 JV	50:50 JV	50:50 JV	50:50 JV	50:50 JV	50:50 JV
Group share 2007	50:50 JV	50:50 JV	50:50 JV	50:50 JV	50:50 JV	50:50 JV	50:50 JV
Date established	March 2008	November 1996	February 1998	November 1999	March 2007	July 1999	March 2004
Accounting period	5 days ended 31 Mar 2008	Year ended 31 Mar 2008	Year ended 31 Mar 2008	Year ended 31 Mar 2008	Year ended 31 Mar 2008	Year ended 31 Mar 2008	Year ended 31 Mar 2008
Summarised income statements	£m	£m	£m	£m	£m	£m	£m
Gross rental and related income	1	16	5	30	29	14	30
Net rental and related income	1	16	5	30	29	14	19
Other income and expenditure						(1)	(2)
Net interest - External	(1)	(11)	(3)	(15)	(27)	(8)	(11)
- Shareholders		1					
Net interest payable	(1)	(10)	(3)	(15)	(27)	(8)	(11)
Underlying profit before taxation		6	2	15	2	5	6
(Deficit) surplus on revaluation		(49)	(12)	(104)	(58)	(35)	(57)
Disposal of fixed assets							(15)
Goodwill impairment							
Non-recurring items							15
(Loss) profit on ordinary activities before taxation		(43)	(10)	(89)	(56)	(30)	(51)
REIT conversion charge							
Current tax		7		(1)		(1)	
Deferred tax							
Profit on ordinary activities after taxation		(36)	(10)	(90)	(56)	(31)	(51)
Summarised balance sheets							
Investment properties	1,190	316	112	601	594	263	263
Development properties							
Total properties	1,190	316	112	601	594	263	263
Current assets	5	7	10	11			5
Upstream loans to joint venture shareholders		17					
Cash and deposits	47	7	2	13	13	5	16
Gross assets	1,242	347	124	625	607	268	284
Current liabilities	(58)	(5)	(34)	(21)	(26)	(8)	(14)
Bank debt falling due within one year						(4)	
Bank debt falling due after one year		(185)	(45)	(315)	(485)	(122)	
Securitised debt	(719)						(119)
Obligations under finance leases							(11)
Deferred tax							
Gross liabilities	(777)	(190)	(79)	(336)	(511)	(134)	(144)
Net external assets	465	157	45	289	96	134	140
Represented by:							
Shareholder loans	24		2		52	1	14
Ordinary shareholders' funds / Partners' capital	441	157	43	289	44	133	126
Total investment	465	157	45	289	96	134	140
Capital commitments		10		5			

9. Funds and joint ventures continued: Joint ventures' and Funds' summary financial statements

All disclosures have been restated to British Land accounting policies under IFRS.	Hercules Unit Trust	Hercules Income Fund	Pillar Retail Europark Fund	Other Joint Ventures and Funds *	**JV & Fund TOTAL Group share 2008**	JV & Fund TOTAL Group share 2007
Group share 2008	36.27%	26.12%	30.26% +	At Group Share		
Group share 2007	36.27%	26.12%	22.35%			
Date established	Sep 2000	Sep 2004	Mar 2004			
Accounting period	Year ended 31 Mar 2008	Year ended 31 Mar 2008	Year ended 31 Dec 2007			
Summarised income statements	£m	£m	£m	£m	**£m**	£m
Gross rental and related income	107	7	34	4	**117**	115
Net rental and related income	99	6	29	3	**106**	100
Other income and expenditure	(4)		(11)		**(6)**	(6)
Net interest - External	(47)	(1)	(12)	(2)	**(61)**	(59)
- Shareholders					**1**	2
Net interest payable	(47)	(1)	(12)	(2)	**(60)**	(57)
Underlying profit before taxation	48	5	6	1	**40**	37
(Deficit) Surplus on revaluation	(514)	(31)	17	(20)	**(367)**	224
Disposal of fixed assets	4			19	**13**	33
Goodwill impairment				(3)	**(3)**	(5)
Non-recurring items				2	**9**	
(Loss) profit on ordinary activities before taxation	(462)	(26)	23	(1)	**(308)**	289
REIT conversion charge						(48)
Current tax				(1)	**1**	(19)
Deferred tax	7		(6)		**1**	237
(Loss) profit on ordinary activities after taxation	(455)	(26)	17	(2)	**(306)**	459

Summarised balance sheets

	Hercules Unit Trust	Hercules Income Fund	Pillar Retail Europark Fund	Other Joint Ventures and Funds *	**JV & Fund TOTAL Group share 2008**	JV & Fund TOTAL Group share 2007
Investment properties	2,601	125	456	105	**2,889**	2,815
Development properties				119	**119**	77
Total properties	2,601	125	456	224	**3,008**	2,892
Current assets	18	3	26	23	**57**	113
Upstream loans to joint venture shareholders				15	**23**	28
Cash and deposits	28	1	50	25	**102**	80
Gross assets	2,647	129	532	287	**3,190**	3,113
Current liabilities	(49)	(4)	(40)	(52)	**(166)**	(158)
Bank debt falling due within one year					**(2)**	(29)
Bank debt falling due after one year	(21)	(10)	(207)	(63)	**(712)**	(721)
Securitised debt	(948)				**(763)**	(581)
Obligations under finance leases				(1)	**(6)**	(6)
Deferred tax			(29)		**(9)**	(8)
Gross liabilities	(1,018)	(14)	(276)	(116)	**(1,658)**	(1,503)
Net external assets	1,629	115	256	171	**1,532**	1,610
Represented by:						
Shareholder loans				14	**60**	50
Ordinary shareholders' funds / Partners' capital	1,629	115	256	157	**1,472**	1,560
Total investment	1,629	115	256	171	**1,532**	1,610
Capital commitments	40		156	10	**79**	132

* Comprises smaller joint ventures and funds including Eurofund Investments Zaragoza SL - a development joint venture - and Group adjustments.

\+ When the fund is fully invested, this will reach approximately 40%

10. Other non-current assets

	Other investments £m	Intangible assets £m
At 1 April 2007	267	50
Additions		4
Disposals	(1)	
Revaluation	(70)	
Amortisation		(15)
At 31 March 2008	**196**	**39**

Other investments include the Group's investment in Songbird Estates plc which was acquired for £98m in June 2004 and is valued by a major independent firm of Chartered Accountants on the basis of market value at £185m as at 31 March 2008 (2007: £255m). The investment represents 17.8% of the share capital of Songbird Estates plc which in turn owns 60.8% of Canary Wharf Group plc. In view of the control rights of other shareholders, the investment is not equity accounted.

Intangible assets relate to fund management contracts which are amortised over the expected remaining life of each contract, which ranged from 6 to 10 years at acquisition. The original fair value was £79m (2007: £75m) with accumulated amortisation at 31 March 2008 being £40m (2007: £25m).

11. Debtors

	2008 £m	2007 £m
Trade and other debtors	**101**	95
Prepayments and accrued income	**15**	16
Defined benefit pension scheme asset (non-current)		9
Interest rate derivatives*	**17**	88
	133	208

* Includes contracted cash flow with a maturity greater than one year at fair value.

Trade and other debtors are shown after deducting a provision for bad and doubtful debts of £9m (2007: £5m). The charge to the income statement was £4m (2007: £2m).

The directors consider that the carrying amount of trade and other debtors approximates their fair value. There is no concentration of credit risk with respect to trade debtors as the Group has a large number of customers, who are paying their rental in advance.

12. Creditors

	2008 £m	2007 £m
Trade creditors	**90**	85
Amounts owed to joint ventures	**29**	32
Corporation tax	**25**	283
Other taxation and social security	**13**	15
Accruals and deferred income	**262**	312
Interest rate derivatives*	**31**	19
	450	746

* Includes contracted cash flow with a maturity greater than one year at fair value.

Trade payables are interest free and have settlement dates within one year. The directors consider that the carrying amount of trade and other payables approximates their fair value.

13. Other non-current liabilities

	2008 £m	2007 £m
Obligations under finance leases	**35**	30
Minority interest	**3**	7
	38	37

14. Net debt

	Footnote	2008 £m	2007 £m
Secured on the assets of the Group			
Class A1 4.986% Bonds 2037	1.1	**602**	602
Class A2 Floating Rate Bonds 2037	1.1	**60**	60
Class B 4.988% Bonds 2037	1.1	**171**	174
Class A4 4.821% Bonds 2036	1.2	**396**	396
Class C2 5.098% Bonds 2035	1.2	**217**	217
Class B 4.999% Bonds 2033	1.2	**365**	365
Class A3 4.851% Bonds 2033	1.2	**174**	174
Class A1 Floating Rate Bonds 2032	1.2	**224**	224
Class A2 4.949% Bonds 2031	1.2	**295**	302
Class A2 4.482% Bonds 2030	1.3, 2		257
Class M1 Floating Rate Bonds 2030	1.3, 2		82
Class B2 5.270% Bonds 2030	1.3, 2		239
Class B3 5.578% Bonds 2030	1.3, 2		49
Class C1 Floating Rate Bonds 2030	1.3, 2		70
Class D1 Floating Rate Bonds 2030	1.3, 2		43
Class D Floating Rate Bonds 2025	1.2	**130**	144
Class C1 Floating Rate Bonds 2022	1.2	**235**	234
5.264% First Mortgage Debenture Bonds 2035		**327**	327
5.0055% First Mortgage Amortising Debentures 2035		**105**	106
5.357% First Mortgage Debenture Bonds 2028		**307**	307
9.125% First Mortgage Debenture Stock 2020	1.4	**40**	40
6.75% First Mortgage Debenture Bonds 2020		**204**	205
6.125% First Mortgage Debenture Stock 2014	1.4	**45**	45
10.3125% First Mortgage Debenture Stock 2011	1.4	**44**	45
6.75% First Mortgage Debenture Bonds 2011		**100**	100
Floating Rate Secured Loan Notes 2035		**256**	256
Loan notes		**5**	5
		4,302	5,068
Unsecured			
5.50% Senior Notes 2027		**98**	98
6.30% Senior US Dollar Notes 2015	3	**77**	78
10.25% Bonds 2012			2
Bank loans and overdrafts		**785**	1,425
		960	1,603
Gross debt	4	**5,262**	6,671
Interest rate derivatives: liabilities		**31**	19
Interest rate derivatives: assets		**(17)**	(88)
		5,276	6,602
Cash and short-term deposits	5	**(244)**	(198)
Net debt		**5,032**	6,404

		2008 £m	2007 £m
1	These borrowings are obligations of ring-fenced, special purpose companies, with no recourse to other companies or assets in the Group:		
1.1	Meadowhall Finance PLC	**833**	836
1.2	Broadgate Financing PLC	**2,036**	2,056
1.3	BL Superstores Finance PLC		740
1.4	BLD Property Holdings Ltd	**129**	130

2 On 26 March 2008 the BL Superstores Finance PLC securitisation group was transferred to BL Sainsbury Superstores Limited, a joint venture with J Sainsbury PLC.

3 Principal and interest on this borrowing was fully hedged into Sterling at the time of issue.

4 The principal amount of gross debt at 31 March 2008 was £5,275m (2007: £6,684m). Included in this, the principal amount of secured borrowings and other borrowings of non-recourse companies was £4,294m (2007: £5,061m).

5 Cash and deposits not subject to a security interest amount to £78m (2007: £27m).

14. Net debt (continued)

Interest rate profile - including effect of derivatives

	2008	2007
	£m	£m
Fixed rate	**5,248**	6,061
Capped rate		100
Variable rate (net of cash)	**(216)**	243
Net debt	**5,032**	6,404

Maturity analysis of net debt

	2008	2007
	£m	£m
Repayable:		
within one year and on demand	**111**	54
between:		
one and two years	**51**	122
two and five years	**712**	1,422
five and ten years	**1,117**	1,212
ten and fifteen years	**613**	797
fifteen and twenty years	**943**	906
twenty and twenty five years	**912**	1,244
twenty five and thirty years	**803**	914
	5,151	6,617
Gross debt	**5,262**	6,671
Interest rate derivatives	**14**	(69)
Cash and short term deposits	**(244)**	(198)
Net debt	**5,032**	6,404

Total borrowings where any instalments are due after five years is £3,084m (2007: £3,260m).

14. Net debt (continued)

Maturity of committed undrawn borrowing facilities

	2008 **£m**	2007 £m
Expiring:		
within one year	**77**	50
between:		
one and two years	**80**	40
two and three years	**221**	130
three and four years	**709**	707
four and five years	**80**	322
over five years	**1,266**	408
Total	**2,433**	1,657

The above facilities are those freely available to be drawn for Group purposes. There are additional undrawn 364 day revolving liquidity facilities of £185m and £75m which are only available for requirements of the Broadgate and Meadowhall securitisations, respectively.

Comparison of market values and book values at 31 March 2008

	Market Value £m	**Book Value £m**	**Difference £m**
Securitisations	**2,495**	**2,869**	**(374)**
Debentures and unsecured bonds	**1,213**	**1,347**	**(134)**
Bank debt and other floating rate debt	**1,046**	**1,046**	
Cash and short-term deposits	**(244)**	**(244)**	
	4,510	**5,018**	**(508)**
Other financial (assets) liabilities:			
interest rate derivative assets	**(17)**	**(17)**	
interest rate derivative liabilities	**31**	**31**	
	14	**14**	
Total	**4,524**	**5,032**	**(508)**

Short-term debtors and creditors have been excluded from the disclosures.

The fair values of securitised debt and debentures have been established by obtaining quoted market prices from brokers. The bank debt and loan notes have been valued assuming they could be renegotiated at contracted margins. The derivatives have been valued by calculating the present value of future cash flows, using appropriate market discount rates, by an independent treasury advisor.

15. Dividend

The proposed final dividend of 8.75 pence per share, totalling £45m (2007: 8.25 pence per share, totalling £43m) was approved by the Board on 19 May 2008 and is payable on 15 August 2008 to shareholders on the register at the close of business on 18 July 2008. The final dividend is 100% property income distribution (PID).

The PID element of the dividend may vary over time and is paid, as required by REIT legislation, after deduction of withholding tax at the basic rate (22% for 2007/2008 and 20% for 2008/2009). However, certain classes of shareholder may be able to claim exemption from deduction of withholding tax. Please refer to our website (www.britishland.com) for details. The non-PID element will be treated as a normal dividend.

Payment Date	**Dividend**	**Pence per share PID**	**Non-PID**	**Total**	**2008 £m**	2007 £m
Current year dividends						
15.08.2008	2008 Final	8.75		8.75		
15.05.2008	2008 3rd interim	4.25	4.50	8.75		
15.02.2008	2008 2nd interim	4.25	4.50	8.75	**44**	
16.11.2007	2008 1st interim	4.25	4.50	8.75	**45**	
		21.50	13.50	35.00		
Prior year dividends						
17.08.2007	2007 Final		8.25	8.25	**43**	
18.05.2007	2007 2nd interim		6.50	6.50	**34**	
16.02.2007	2007 1st interim		5.60	5.60		30
			20.35	20.35		
18.08.2006	2006 Final		11.80	11.80		61
Dividends in Reconciliation of Movement in Shareholders' Funds					**166**	91
Withholding tax paid after 31 March 2008					**(5)**	
Dividends in Cash Flow Statement					**161**	91

16. 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 (2007: £23m) and recourse is only to the partnership assets.

17. Share capital and reserves

	Number of shares m	Share capital £m	Share premium £m	Other reserves £m	Retained earnings £m	Total £m
At 1 April 2007	521	130	1,263	532	6,822	8,747
Total recognised income and expense				(197)	(1,461)	(1,658)
Share issues	1	1	6			7
Purchase of own shares					(151)	(151)
Adjustment for share and share option awards					11	11
Dividends paid in the year					(166)	(166)
At 31 March 2008	**522**	**131**	**1,269**	**335**	**5,055**	**6,790**

The authorised share capital is 800,000,000 25p ordinary shares (2007: 800,000,000).
The number of shares held in Treasury is 11,266,245 (2007: nil).

Other reserves

Other reserves comprise the following reserve accounts:

(i) Hedging reserve - The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow and foreign currency hedging instruments.

(ii) Translation reserve - The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations as well as the translation of the liabilities that hedge the Company's net investment in a foreign subsidiary.

(iii) Revaluation reserve - The revaluation reserve relates to development properties and other investments.

(iv) Equity reserve - represented the equity component of the irredeemable convertible bonds, which were converted during the year ended 31 March 2005, net of the related deferred tax asset.

Table A

Summary income statement based on proportional consolidation
for the year ended 31 March 2008

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 funds and joint ventures consolidated on a line by line, i.e. proportional basis. The underlying profit before tax and total profit after tax are the same as presented in the consolidated income statement.

	Q4	Q3	Q2	Q1		
	3 months ended				Year ended	
	31 Mar 2008 £m	31 Dec 2007 £m	30 Sep 2007 £m	30 Jun 2007 £m	**31 Mar 2008 £m**	31 Mar 2007 £m
Gross rental income	180	174	175	180	**709**	706
Net rental income	166	167	167	167	**667**	661
Fees and other income	4	7	7	22	**40**	51
Administrative expenses	(15)	(17)	(19)	(22)	**(73)**	(85)
Net interest costs	(86)	(85)	(88)	(91)	**(350)**	(370)
Underlying profit before taxation	69	72	67	76	**284**	257
Debt refinancing costs				9	**9**	(305)
Net valuation movement (includes profits and losses on disposal)	(318)	(1,391)	(365)	158	**(1,916)**	1,424
Amortisation of intangible asset	(7)	(3)	(1)	(4)	**(15)**	(15)
Songbird dividend (capital)				30	**30**	33
Goodwill impairment	(1)			(2)	**(3)**	(111)
REIT conversion costs						(13)
(Loss) profit on ordinary activities before taxation	(257)	(1,322)	(299)	267	**(1,611)**	1,270
Tax charge relating to underlying profit	0	(2)	(3)	(3)	**(8)**	(31)
REIT conversion charge						(325)
Deferred tax benefit	8	5	24	10	**47**	1,673
Other taxation	6	1	1	1	**9**	(134)
(Loss) profit for the period after taxation	(243)	(1,318)	(277)	275	**(1,563)**	2,453
Underlying earnings per share - diluted basis	13p	14p	12p	14p	**53p**	43p

The underlying earnings per share is calculated on underlying pre tax profit of £284m (2007: £257m), tax attributable to underlying profits of £8m (2007: £31m) and fully diluted shares numbering 516m (2007: 522m). Gross rental income excludes service charge receivable.

Table A (continued)

Pro forma summary balance sheets based on proportional consolidation

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 share of funds and joint venture assets and liabilities included on a line by line, i.e. proportional basis and assuming full dilution.

	2008 £m	2007 £m
Retail properties	**7,661**	10,173
Office properties	**5,505**	6,165
Other properties	**305**	565
Total properties	**13,471**	16,903
Other investments	**197**	267
Intangible assets	**39**	50
Other net liabilities	**(358)**	(617)
Net debt	**(6,413)**	(7,741)
EPRA NAV	**6,936**	8,862
EPRA NAV per share (note 2)	**1344 p**	1682 p

Calculation of EPRA NNNAV per share

EPRA NAV	**6,936**	8,862
Deferred tax arising on revaluation movements, capital allowances and derivatives	**(102)**	(168)
Mark to market on effective cash flow hedges and related debt adjustments	**3**	99
Mark to market on debt	**582**	75
EPRA NNNAV	**7,419**	8,868
EPRA NNNAV per share	**1438 p**	1683 p

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

Total property valuations including share of funds and joint ventures

	2008 £m	2007 £m
British Land Group	**10,469**	14,017
Share of funds and joint ventures		
Investment properties	**2,889**	2,815
Development properties	**119**	77
Head lease liabilities	**(6)**	(6)
	3,002	2,886
Total property portfolio valuation	**13,471**	16,903