

British Land First Quarter Report to 30 June 2008



Financial summary:

- **Underlying earnings per share¹ 14 pence for the quarter, up 8% on the quarter to March 2008** (Q1 2007: 14 pence)
 - Dividend 9.375 pence per share for the quarter, up 7%, payable in November
 - IFRS loss per share 111 pence (Q1 2007: IFRS earnings per share 53 pence)
- **Underlying pre-tax profit¹ £74 million for the quarter** (Q1 2007: £76 million)
 - Underlying profits up 23% excluding the receipt of a Songbird dividend in Q1 2007
 - IFRS pre-tax loss on ordinary activities £572 million (Q1 2007: IFRS pre tax profit £266 million)
- **Portfolio valuation down 5.0% this quarter**
 - Portfolio net equivalent yield now 5.8% (true equivalent² yield 6.0%), 22 bps higher than March 2008
 - Gross (top-up)³ initial yield 5.7%
- **Net Asset Value⁴ per share 1212 pence, down 10% for the quarter**
 - “Triple Net Asset Value”⁵ per share 1352 pence (reflecting valuable debt structure: average interest rate 5.3%; maturity 12.9 years), down 6.0%
 - IFRS Net Assets £6.3 billion
 - Properties owned or managed £16.5 billion

Business resilient and activist customer-led strategy capturing value in tough markets:

- Like-for-like rental income growth 6.3% versus Q1 2007, IPD 3.3%
- Rental value (ERV) growth for Retail 0.5%, Offices -2.1%. Rent review settlements this quarter averaging 4% higher than applicable ERV
- Property portfolio 98% let⁶, with 352,000 sq ft new lettings in the quarter
- Lease lengths average 13.6 years with just 5% up for renewal in the next 3 years
- £669 million (gross) additional disposals since March 2008

Investment markets reflect challenging economic and market environment:

- Economic concerns and inflation tensions on long-term interest rates an important factor
- Prime property in long-term ‘fair value’ territory; however it is likely that markets overshoot
- Substantial capital waiting on the sidelines for ‘cheap’ opportunities
- Value apparent in sector share prices as many investors overreact to near-term news flow

Chris Gibson-Smith, Chairman comments:

“These first quarter results demonstrate British Land’s resilience in the face of a weak economy and gloomy market sentiment. While values are marked down in a thin market, our prime assets – buildings and customer contracts – provide strength in difficult times and opportunity when the cycle turns.”

¹ see note 1 to the accounts

² after notional purchaser’s costs and based on rents received quarterly in advance (reflecting true cash flow profile)

³ yield to British Land (without notional purchaser’s costs) adding back rent frees and contracted rental uplifts

⁴ EPRA (European Public Real Estate Association) basis - note 1 to the accounts

⁵ see Table A

⁶ includes accommodation subject to asset management initiatives and under offer

Review by the Chief Executive, Stephen Hester

British Land's first quarter results showcase the Company's operating resilience and the fruits of our activist, customer focused strategy. They also reflect the pressures of a challenging external environment as asset valuations continue their decline and previously above trend rental growth moves prospectively to below trend. But remember – our prime property assets will see out many economic cycles with a dependability few businesses can match. As spring follows winter, so too will property markets, in due course, see better times again.

From an operating perspective, we are pleased to report underlying earnings per share growth of 8% versus the March quarter. EPS is flat versus Q1 a year ago as rental growth and earnings enhancing disposals offset lower dividend income. As described herein, 'business-as-usual' continues with new lettings, successful rent reviews, lease restructurings, development activity and portfolio reshaping. Like for like rental income growth of 6.3% and rent reviews settled on average 4% above estimated rental values (ERV) emphasise the customer appeal of our buildings.

Successful asset sales totalling £669 million (gross) in the quarter have kept gearing down; 40% LTV (debt/assets), 47% including Funds and Joint Ventures. Our debt structure (average interest rate 5.3%, maturity 12.9 years, 'war-chest' £2.6 billion) remains a unique 'asset' highlighted by its £810 million "mark-to-market" 'value' relative to that reflected in our stated Net Asset Value.

The stresses of the external environment are reflected in a 5% property valuation decline and resultant 10% Net Asset Value decline. While cash rents grow, prospective growth is softening reflecting the economic cycle – during the quarter ERV growth remained positive in Retail, while showing a decline in Offices.

Management Focus

British Land's management priorities remain as set out at the start of the year. The stressed economic and market outlook and the uncertain depth and duration of downturn reinforces this position.

- **Business as usual for the Company** – staying close to customers – active asset management in leasing space, capturing rental values and building future growth potential.
- **Enhancing, preserving and benefiting from defensive strength** – the actions of recent years have given us exceptional asset strengths and liability structure – prime property, long leases, high occupancy – no refinancing needs, fixed, low interest costs. In uncertain times, the ability to sustain these advantages and to reassure investors with their tangible value is key.
- **Disciplined approach to capturing future value** – tough times throw up opportunities to invest – in our own assets and securities, in distressed assets of others – we plan to be disciplined in assessing competing uses for capital and patient in timing, whilst awake to opportunities.

Markets

Occupancy markets are now beginning to reflect the effects on customers of the economic slowdown. However it's still relatively early in the cycle with limited impact to date. There will be sharp contrasts in the resilience of prime versus secondary property, not yet priced into the market fully. In Offices, subdued new leasing activity is leaving prospective rents to drift downwards somewhat while in Retail rental growth remains positive but slowing. British Land's prime assets, strong customer base, high occupancy and long lease lengths provide comfort in the face of these trends.

Investment markets are thin, nervous and negative in tone. Generally long-term value for UK prime property is seen at yields in the range 5-6%. However, as with all market cycles, assets are likely to need to be 'priced cheap' before tempting much of the substantial capital waiting on the sidelines. In that context, British Land values highly its asset and liability strengths and consequent ability to hold assets for the long-term where merited. At the same time we keep closely in touch with investor sentiment and seek to capture consequent opportunity whether as buyer or seller.

Sector and Asset Selection

Sales 3 months to 30 June 2008	Price £m	BL Share £m	Gain/ (Loss) % ¹
Offices:			
Willis Building, Lime Street, EC3 ²	400	400	(7.9)
Two Moorfields, Liverpool	11	11	(6.5)
Retail:			
Peacocks, Woking	116	116	(1.4)
10 High Street Shops	95	95	(2.0)
Colne Valley Retail Park, Watford ³	45	16	(14.4)
Other:	2	1	(5.1)
Total	669	639	(6.1)
Average net initial yield on disposals 2.2%, 5.8% assuming top up of rent free periods.			
¹ sale price versus last year end valuation, March 2008			
² contract provides for top up of rent free period to minimum uplift (NPV £60m) – loss calculated net			
³ HUT (Hercules Unit Trust)			

The sale of the Willis Building realised a healthy development profit and underlined our record of successfully delivering and letting significant development projects. The Peacocks sale achieved an attractive price for a disposal in line with our strategy to focus the retail portfolio on those assets which will continue to show growth from our asset management efforts. These disposals also allowed us to recycle capital and manage gearing.

There were no purchases contracted in the quarter.

Asset Management

In the first three months of this financial year, our asset managers have continued to capture rental income growth and improve the quality of our earnings.

Over 352,000 sq ft of lettings in the quarter, achieved at an average of 3.5% above ERV, have added £7.8 million to our annual rent roll. In addition, 56 rent reviews were agreed on 485,000 sq ft across the portfolio during the quarter, overall at 4.0% above applicable ERV; confirming the continuing demand from customers for our properties. These include:

- 700,000 sq ft of lettings and rent reviews across our **retail portfolio**, adding £5.7 million per annum of new rent. Examples are a new letting at Silverlink Retail Park in Newcastle at 16% above the previous ERV, establishing a new rental tone for the park and creating a capital value uplift, and the creation of a new fashion line up at Stafford Shopping Park across the five units which were vacant on our acquisition of the asset earlier this year;
- 47,000 sq ft of rent reviews agreed at 350 Euston Road, **Regent's Place**, NW1 at an average of £56 per sq ft, 10% above ERV and positive for the Estate;
- £3.5 million per annum of further lettings at **201 Bishopsgate and The Broadgate Tower**, EC2, totalling 62,000 sq ft at an average of £56 per sq ft. At 201 Bishopsgate, 36,000 sq ft representing the entire 7th floor has been let to Landesbank Baden-Wuerttemberg and, in the Tower, Reed Smith LLP has taken up 13,000 sq ft under an option plus a further 13,000 sq ft; and
- 30,000 sq ft of lettings and rent reviews of retail accommodation in the City completed in the quarter. Retail is an important element of Broadgate, providing services to occupiers and enhancing our investment.

We are continuing to invest in improving our major assets, preserving and enhancing income growth and potential:

- the £12 million refurbishment at 338 Euston Road, **Regent's Place** of 20,000 sq ft of the offices over three floors, common services and reception areas, is progressing well, contributing to the upgrading of the Estate. One of the three vacant floors has already been let;
- in conjunction with the new developments at 201 Bishopsgate and The Broadgate Tower, we are improving the links between Broadgate and these developments to incorporate them into the Estate. The existing Broadgate Estate is being improved through selective surrenders and refurbishments such as 56,000 sq ft at 6 Broadgate which will be taken back to be refurbished and then marketed in late 2009;
- at **Meadowhall** where overall retailer performance continues to be good, the former food hall is currently being reconfigured to create larger more regular shaped units, improving the overall appeal; and
- over 250,000 sq ft of **retail park extensions** are planned, which will expand their offer and further enhance asset quality.

Visitor numbers at Meadowhall and at a number of retail parks where we have monitored traffic consistently have increased in the first 6 months of this year compared to the same period of last year.

Development

Following the recent practical completion of **201 Bishopsgate** and the additional letting of its 7th floor, 84% of this office development is let. **The Broadgate Tower** is due to reach practical completion shortly and is currently 42% let after the recent agreements with Reed Smith LLP.

Ropemaker, our City office development, and **Osnaburgh Street**, Regent's Place are progressing on programme with some 90% of the construction costs contracted. The residential units at Osnaburgh Street are attracting considerable interest (despite market conditions) with more than 75% of the 62 open market units reserved by purchasers following the initial phase of marketing, at prices overall above current valuation. The social housing has been pre-sold to a Housing Association.

Also at Regent's Place, planning consent has been obtained for our proposed development of the North East Quadrant, and we are on site to prepare for the next phase of offices and residential on this Estate.

At **122 Leadenhall** demolition and preparation of the sub-structure is proceeding satisfactorily; however, we are reviewing timing of construction and target completion in order to optimise cost and occupational demand.

The master planning at **Meadowhall** has been completed for the proposed mixed use scheme adjacent to our Meadowhall Shopping Centre and a planning application was lodged in May.

Planning has also been submitted for the new office tower in the centre of Birmingham's prime business area, at Colmore Row.

Our retail developments at **Giltbrook, Nottingham** and at **Puerto Venecia, Zaragoza, Spain**, are also on programme and proceeding in accordance with our year end report. At the recently completed Puerto Venecia retail park, further lettings contracted include 40,000 sq ft to Media Markt for a new flagship store. Tenant interest also continues to be positive for the Puerto Venecia shopping centre (under construction) where more than 60% is pre-sold, leased or under offer.

Portfolio Valuation

The table below shows the principal valuation movements by sector for Q1, overall a 5.0% decline.

The capital return from the portfolio at -5.0% for the quarter, as measured by IPD (calculated for our UK assets on average capital employed and excluding capitalised interest) was behind the IPD Benchmark at -4.1%. The capital return from our Retail was slightly ahead of IPD; the overall portfolio difference arises primarily due to our higher weighting in City Offices. In particular the office developments have seen greater capital value decreases than the Benchmark this quarter. Over the last six months the portfolio capital return has outperformed the Benchmark.

Also due to the City Offices weighting, like for like rental value (ERV) movement for the overall portfolio was -0.5% for the quarter, against the IPD Benchmark showing no change. Retail produced rental growth at 0.5% (IPD 0.1%), while the rental value decline for our City Offices was -2.9% (IPD -2.5%).

The net equivalent yield (after notional purchaser's costs) on the portfolio at 5.8% moved out 22 bps over the quarter.

The main valuation impacts over the quarter were:

- **City Offices**, including developments at 29.1% of the portfolio, saw outward equivalent yield shift of 20 bps on the investments which, coupled with the decline in ERV of -2.9%, contributed to an overall decrease in valuation of 7.2%. The gross (top-up) initial yield moved out to 6.1%;
- **West End Offices**, including developments at 9.3% of the portfolio, had rental value growth of 0.1% and outward yield shift of 19 bps on the investments, decreasing valuation by 4.3%;
- **Retail warehouses**, representing 25.3% of the portfolio, saw outward yield shift of 30 bps, offset by ERV growth of 0.5%, resulting in the valuation reducing by 4.9%; and
- **Shopping centres**, being 16.3% of the portfolio, showed a fall in value of 3.2%, with an outward yield shift of 20 bps against ERV growth of 0.7%.

Valuation by Sector	Group £m	Funds/JVs ¹ £m	Total £m	Portfolio %	Change ² %
Retail					
Retail warehouses	1,845	1,261	3,106	25.3	(4.9)
Superstores	151	1,128	1,279	10.4	(1.9)
Shopping centres ³	1,661	341	2,002	16.3	(3.2)
Department stores	605	128	733	6.0	(3.9)
High street	82	-	82	0.6	(5.8)
All retail	4,344	2,858	7,202	58.6	(3.8)
Offices⁴					
City ⁵	3,577	-	3,577	29.1	(7.2)
West End ⁶	1,142	-	1,142	9.3	(4.3)
Provincial	40	12	52	0.4	(10.1)
All offices	4,759	12	4,771	38.8	(6.6)
Industrial, distribution, leisure, other	295	20	315	2.6	(3.2)
Total⁷	9,398	2,890	12,288	100.0	(5.0)

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

² change in value for three months, includes valuation movement in developments, purchases and sales, net of capital expenditure

³ Meadowhall Shopping Centre valuation down 2.7% to £1,468 million; ERV £86 million; net equivalent yield 5.45%

⁴ includes Developments in City, West End and provincial: total value £840 million, 6.8% of Portfolio, 10.3% decline for the quarter (201 Bishopsgate, EC2 now included in Broadgate and valued as investment)

⁵ Broadgate valuation down 6.4% to £2,845 million; headline ERV range £46-55 per sq ft (average headline ERV has fallen 4.5% to £50 psf); net initial yield 5.9% (assuming top up of rent free periods and guaranteed minimum uplifts to first review); net equivalent yield 6.0%

⁶ Regent's Place valuation down 3.2% to £680 million; headline ERV range £35-61 per sq ft; net initial yield 5.3% (assuming top up of rent free periods and guaranteed minimum uplifts to first review); net equivalent yield 6.0%

⁷ annualised net rents £604 million (excluding developments) (net rental income under IFRS differs from annualised net rents which are cash based, due to accounting items such as spreading lease incentives and contracted future rental uplifts, as well as direct property costs); portfolio initial yield (gross to British Land, without notional purchaser's costs) 5.4%; reversionary yield (gross, five years) 6.1%.

Yield Profile	Net equivalent ¹	True equivalent ²	Gross (top-up) initial ³
All Retail	5.6%	5.8%	5.5%
All Offices	6.0%	6.2%	6.0%
Total	5.8%	6.0%	5.7%

¹ after notional purchaser's costs and based on rents received annually in arrears

² after notional purchaser's costs and based on rents received quarterly in advance (reflecting true cash flow profile)

³ yield to British Land (without notional purchaser's costs) adding back rent frees and contracted rental uplifts

Financial Results

Results for the first quarter to 30 June 2008 show **resilience in the Group's underlying profit**. In the prior first quarter to June 2007 a dividend was received from our investment in Songbird Estates plc (of £16 million underlying) while no such dividend was received this quarter; these items by their nature are variable in amount and timing. Excluding this dividend, our underlying pre-tax profit has risen by 23%, as growth in high quality recurrent rental income has replaced more variable dividend investment income. **Underlying earnings per share are unchanged at 14 pence** against the corresponding period last year. A further reduction in the property portfolio valuation of 5.0% overall for the quarter is reflected in the IFRS loss of £565 million and the reduction in EPRA NAV per share to 1212 pence.

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

The Group has been a net disinvestor and the property sales programme is reflected in the income statement, reducing both rents and finance costs. **Gross rental income** for the quarter reduced by £19 million as a result of the sales, while new lettings and rent reviews have generated increased income of £8 million. Overall, gross rental income has reduced to £169 million against £180 million in the corresponding period last year, a reduction of 6.1%.

Due to the sales including properties with higher non-recoverable expenses, net rental income has reduced by only 3.0% against the June 2007 comparative quarter.

On a **like for like basis rental income growth was 6.3%**, with an overall reduction in void carrying costs. While the climate remains challenging for some of our customers, our exposure to occupiers in administration represents only c.0.3% of total rent.

Underlying **fees and other income** at £5 million was substantially lower than the figure of £22 million in the corresponding period last year. The principal movement relates to the dividend from Songbird Estates plc of £16 million recognised in underlying profit; Songbird has no regular dividend policy and none was received this quarter.

Administrative expenses have decreased to £17 million, 22.7% lower than the corresponding period last year, reflecting principally the benefits of REIT restructuring (in 2007) and the reduced charge of share incentives due to current market conditions.

Net financing costs for the quarter at £76 million are 16.5% lower, reflecting our reduced level and cost of debt following property disposals.

Balance Sheet

EPRA net assets at 30 June 2008 were £6.25 billion or 1212 pence per share, a decrease of 10% against 31 March 2008. This resulted principally from the reduction in property valuations referred to above offset by retained underlying profit earned (net of dividends paid) in the period.

On a **triple net asset value basis** (after adjusting debt and derivatives to market value, and deducting deferred tax) EPRA net assets amount to 1352 pence per share. This is significantly above our EPRA NAV per share and is principally due to the favourable mark to market adjustment of 157 pence per share. Our weighted average interest rate remains at 5.3%, despite higher market interest rates and credit spreads, due to all our debt being maintained at fixed rates.

Net debt at the quarter end, including share of Funds and Joint Ventures, amounted to £5.8 billion, with a weighted average debt maturity of 12.9 years, £572 million lower than at the beginning of the quarter; the proceeds from our continued property disposal programme have been significantly higher than the costs incurred on our developments.

In addition, the Group has **committed undrawn facilities of £2.6 billion**.

The net impact of our property disposals, the development programme and the reduction in property investment values is that the 30 June 2008 **loan to value** ratio (including our share of Funds and Joint Ventures) has remained steady at 47%. The Group loan to value ratio has reduced slightly to 40% from 41% at 31 March 2008.

Cash Flow Statement

The cash flow statement shows a net increase in cash and cash equivalents of £335 million, the major contributing factor being proceeds from property sales of £684 million offsetting property development and other capital expenditure of £155 million.

Dividend

The first quarter dividend of 9.375 pence per share, totalling £48 million, is payable on 14 November 2008 to shareholders on the register at close of business on 17 October 2008. The property income distribution (PID) element of this dividend is 6.7 pence per share (see Note 7 to the accounts). This is consistent with the expected total dividend for the financial year of 37.5 pence, a **7% increase** over the 2007/8 total of 35 pence.

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Consolidated Income Statement for the three month period ended 30 June 2008

Underlying pre tax* £m	Capital and other £m	Total £m	Year ended 31 March 2008		Three months ended 30 June 2008		Three months ended 30 June 2007	
			Audited		Unaudited		Unaudited	
			Underlying pre tax* £m	Capital and other £m	Underlying pre tax* £m	Capital and other £m	Underlying pre tax* £m	Capital and other £m
645		645		146		160		160
Gross rental and related income								
561		561		127		141		141
40	30	70		5		22	30	52
	(15)	(15)		(4)			(4)	(4)
40	(346)	(306)		14	(118)	9	19	28
(67)		(67)		(15)		(20)		(20)
	(1,562)	(1,562)	2	(524)		145		145
Net valuation movement (includes profits and losses on disposals)								
Net financing costs								
26		26		2		6		6
(316)		(316)		(59)		(82)		(82)
(290)		(290)		(57)		(76)		(76)
284	(1,893)	(1,609)		74	(646)	76	190	266
(Loss) profit on ordinary activities before taxation								
Taxation								
		46						(1)
		46						10
								9
(Loss) profit for the period after taxation attributable to shareholders of the Company								
		(305) p	1					53 p
		(303) p	1					53 p

40		40		14		9		9
	(354)	(354)		14	(127)	14	13	13
	(3)	(3)					(2)	(2)
	9	9					9	9
	1	1					(1)	(1)
	1	1						
	(346)	(306)	4	14	(118)	9	19	28

* As defined in note 1

Consolidated Balance Sheet as at 30 June 2008

31 March 2008 Audited £m		Note	30 June 2008 Unaudited £m	30 June 2007 Unaudited £m
Assets				
Non-current assets				
9,389	Investment properties	3	8,393	12,810
1,062	Development properties	3	980	873
53	Owner-occupied property	3	51	50
<u>10,504</u>			<u>9,424</u>	<u>13,733</u>
Other non-current assets				
1,532	Investments in funds and joint ventures	4	1,442	1,621
196	Other investments		179	236
39	Intangible assets		36	46
<u>12,271</u>			<u>11,081</u>	<u>15,636</u>
Current assets				
133	Debtors		202	315
244	Cash and short-term deposits	5	581	389
<u>377</u>			<u>783</u>	<u>704</u>
<u>12,648</u>	Total assets		<u>11,864</u>	<u>16,340</u>
Liabilities				
Current liabilities				
(111)	Short-term borrowings and overdrafts	5	(108)	(65)
<u>(450)</u>	Creditors		<u>(439)</u>	<u>(737)</u>
<u>(561)</u>			<u>(547)</u>	<u>(802)</u>
Non-current liabilities				
(5,151)	Debentures and loans	5	(4,892)	(6,209)
(38)	Other non-current liabilities		(71)	(37)
<u>(108)</u>	Deferred tax liabilities		<u>(94)</u>	<u>(158)</u>
<u>(5,297)</u>			<u>(5,057)</u>	<u>(6,404)</u>
<u>(5,858)</u>	Total liabilities		<u>(5,604)</u>	<u>(7,206)</u>
<u>6,790</u>	Net assets		<u>6,260</u>	<u>9,134</u>
Equity				
131	Share capital	6	131	130
1,269	Share premium	6	1,270	1,265
335	Other reserves	6	412	573
5,055	Retained earnings	6	4,447	7,166
<u>6,790</u>	Total equity attributable to shareholders of the Company		<u>6,260</u>	<u>9,134</u>
<u>1344</u> p	EPRA NAV per share*	1	<u>1212</u> p	<u>1730</u> p

* As defined in note 1

Consolidated Statement of Recognised Income and Expense

for the three month period ended 30 June 2008

Year ended 31 March 2008 Audited £m		Note	Three months ended 30 June 2008 Unaudited £m	Three months ended 30 June 2007 Unaudited £m
(1,563)	(Loss) profit for the period after taxation		(565)	275
	Valuation movements			
57	- on development properties	2	(44)	60
3	- on owner-occupied property	2	(1)	
(70)	- on other investments	2	(17)	(30)
(10)			(62)	30
	Gains on cash flow hedges			
(53)	- Group		115	103
(20)	- Funds and joint ventures		25	12
(10)	Actuarial loss on pension scheme			
25	Tax on items taken directly to equity		6	11
(68)	Net gain (loss) recognised directly in equity		84	156
	Transferred to the income statement (cash flow hedges)			
1	- foreign currency derivatives			1
(28)	- interest rate derivatives		(7)	(4)
(27)			(7)	(3)
(1,658)	Total recognised income and expense for the period		(488)	428

Reconciliation of Movements in Shareholders' Funds			Three months ended 30 June 2008 Unaudited £m	Three months ended 30 June 2007 Unaudited £m
Year ended 31 March 2008 Audited £m				
	Capital items			
7	- Shares issued		1	2
(151)	- Purchase of own shares			(12)
11	- Adjustment for share and share option awards		2	3
(166)	- Dividends paid in the period		(45)	(34)
(299)			(42)	(41)
(1,658)	Total recognised income and expense for the period		(488)	428
(1,957)	Movement in shareholders' funds for the period		(530)	387
8,747	Opening equity shareholders' funds		6,790	8,747
6,790	Closing equity shareholders' funds		6,260	9,134

Consolidated Cash Flow Statement

for the period ended 30 June 2008

Year ended 31 March 2008 Audited £m		Three months ended 30 June 2008 Unaudited £m	Three months ended 30 June 2007 Unaudited £m
536	Rental income received from tenants	117	131
32	Fees and other income received	17	21
(91)	Operating expenses paid to suppliers and employees	(21)	(30)
<u>477</u>	Cash generated from operations	<u>113</u>	<u>122</u>
(373)	Interest paid	(53)	(93)
19	Interest received	2	4
(3)	UK corporation tax paid	(1)	(2)
(1)	Foreign tax paid		
47	Distributions received: funds and joint ventures	6	32
16	Songbird Estates		16
<u>182</u>	Net cash inflow from operating activities	<u>67</u>	<u>79</u>
	Cash flows from investing activities		
(119)	Purchase of investment properties		(98)
(523)	Development and other capital expenditure	(155)	(110)
1,460	Sale of investment properties	684	742
(291)	REIT conversion charge paid	(6)	
2	Sale of investments		2
32	Indirect taxes in respect of investing activities		(20)
272	Establishment of BL Sainsbury Superstores Joint Venture		
(90)	Investment in and loans to funds and joint ventures	(4)	(35)
88	Capital distributions received: funds and joint ventures	2	40
30	Songbird Estates		30
(4)	Purchase of subsidiary companies (net of cash acquired)		
<u>857</u>	Net cash inflow from investing activities	<u>521</u>	<u>551</u>
	Cash flows from financing activities		
7	Issue of ordinary shares	1	2
(151)	Purchase of own shares		(12)
(161)	Dividends paid	(45)	(34)
	Movement in other financial liabilities	55	
(686)	Decrease in bank and other borrowings	(264)	(397)
<u>(991)</u>	Net cash outflow from financing activities	<u>(253)</u>	<u>(441)</u>
48	Net increase in cash and cash equivalents	335	189
191	Opening cash and cash equivalents	239	191
<u>239</u>	Closing cash and cash equivalents	<u>574</u>	<u>380</u>
	Cash and cash equivalents consists of:		
244	Cash and short-term deposits	581	389
(5)	Overdrafts	(7)	(9)
<u>239</u>		<u>574</u>	<u>380</u>

Notes to the accounts (unaudited)

1. Performance measures

Year ended		Three months ended		Three months ended	
31 March 2008		30 June 2008		30 June 2007	
Earnings	Pence per share	Earnings	Pence per share	Earnings	Pence per share
£m	share	£m	share	£m	share
284		74		76	
(8)		(1)		(3)	
276	53 p	73	14 p	73	14 p
Underlying earnings per share					
Exceptional item net of tax					
Refinancing charges and realisation of cash flow hedges					
Tax and other items					
289	56 p	73	14 p	83	16 p
(1,563)	(303) p	(565)	(111) p	275	53 p
(Loss) profit for the period after taxation					

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

Underlying earnings consists of the EPRA earnings measure, with additional company adjustments. Adjustments include reversal of refinancing charges, realisation of cash flow hedges and prior year tax items.

The weighted average number of shares in issue for the three month period was: basic: 509m (30 June 2007: 521m; 31 March 2008: 512m); diluted for the effect of share options: 511m (30 June 2007: 523m; 31 March 2008: 516m). Basic earnings per share (undiluted) for the period were (111)p (30 June 2007: 53p; 31 March 2008: (305)p). Earnings per share shown in the table above are diluted.

31 March 2008		30 June 2008		30 June 2007	
£m		£m		£m	
6,790		6,260		9,134	
102		85		149	
(3)		(136)		(214)	
47		43		50	
6,936		6,252		9,119	
1344	p	1212	p	1730	p
EPRA NAV per share					

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

At 30 June 2008, the number of shares in issue was: basic: 509m (30 June 2007: 522m; 31 March 2008: 509m); diluted for the effect of share options: 516m (30 June 2007: 527m; 31 March 2008: 516m).

Total return per share of minus 9.2% represents a reduction in EPRA NAV per share of 132p net of dividends paid of 8.75p (see note 7) in the three months to 30 June 2008. Total return per share for the year ended 31 March 2008 was minus 18.1%.

2. Income statement notes

Year ended 31 March 2008 £m		Three months ended 30 June 2008 £m	Three months ended 30 June 2007 £m
Gross and net rental income			
547	Rent receivable	120	141
46	Spreading of tenant incentives and guaranteed rent increases	12	10
3	Surrender premiums		2
596	Gross rental income	132	153
49	Service charge income	14	7
645	Gross rental and related income	146	160
(49)	Service charge expenses	(14)	(7)
(35)	Property operating expenses	(5)	(12)
561	Net rental and related income	127	141
Fees and other income			
21	Performance and management fees (from funds and joint ventures)	3	4
16	Dividend received from Songbird Estates		16
3	Other fees and commission	2	2
40	Underlying	5	22
30	Capital dividend received from Songbird Estates		30
70		5	52
Net revaluation gains on property and investments			
Income statement			
(1,588)	Revaluation of properties	(482)	129
26	Result on property disposals	(42)	16
(1,562)		(524)	145
(354)	Share of (losses) gains of funds and joint ventures (note 4)	(127)	13
(1,916)		(651)	158
Consolidated statement of recognised income and expense			
57	Revaluation of development properties	(44)	60
3	Revaluation of owner-occupied property	(1)	
(70)	Revaluation of investments	(17)	(30)
(1,926)		(713)	188
Tax expense (income)			
3	Current tax: UK corporation tax (28%)	1	2
1	Foreign tax		
4		1	2
(4)	Adjustments in respect of prior periods		(1)
	Total current tax expense	1	1
(46)	Deferred tax on revaluations	(8)	(10)
(46)	Group total taxation (net)	(7)	(9)
(2)	Attributable to funds and joint ventures	(9)	1
(48)	Total taxation	(16)	(8)

Tax attributable to underlying profits for the three months ended 30 June 2008 was £1m (June 2007: £3m, March 2008: £8m).

3. Property

Total property interests are £12,288m at 30 June 2008 comprising properties held by the Group of £9,398m, share of properties held by funds of £1,093m and share of properties held by joint ventures of £1,797m. Properties were valued on the basis of market value, supported by market evidence, in accordance with the Appraisal and Valuation Standards published by The Royal Institution of Chartered Surveyors.

31 March 2008 £m		30 June 2008 £m	30 June 2007 £m
9,389	Investment properties	8,393	12,810
1,062	Development properties	980	873
53	Owner-occupied property	51	50
10,504	Carrying value of properties on balance sheet	9,424	13,733
(35)	Head lease liabilities	(26)	(29)
10,469	Total British Land Group property portfolio valuation	9,398	13,704

At 30 June 2008 Group properties valued at £6,465m were subject to a security interest (30 June 2007: £8,893m, 31 March 2008: £7,162m) and other properties of non-recourse companies amounted to £2m (30 June 2007: £33m, 31 March 2008: £2m).

4. Funds and joint ventures

Summary of British Land's share of investments in funds and joint ventures at 30 June 2008

	Underlying profit (three months) £m	Net Investment £m	Gross assets £m	Gross liabilities £m
Share of funds	6	648	1,141	(493)
Share of joint ventures	8	794	1,929	(1,135)
Total	14	1,442	3,070	(1,628)

At 30 June 2008 the investment in Joint Ventures included within the total net investment in Funds and Joint Ventures was £817m (March 2008: £833m).

Amounts owed to joint ventures at 30 June 2008 were £29m (30 June 2007: £23m, 31 March 2008: £29m).

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

Year ended 31 March 2008 £m		Three months ended 30 June 2008 £m	Three months ended 30 June 2007 £m
113	Gross rental income	37	27
106	Net rental and related income	35	26
(6)	Other income and expenditure	(2)	(2)
(60)	Net financing costs	(19)	(15)
40	Underlying profit before taxation	14	9
(354)	Net valuation and disposal movements	(127)	13
9	Non-recurring items		9
(3)	Goodwill impairment		(2)
(308)	(Loss) profit on ordinary activities before taxation	(113)	29
1	Current tax	6	(1)
1	Deferred tax	3	
(306)	(Loss) profit on ordinary activities after taxation	(104)	28

5. Net Debt

31 March 2008		30 June 2008	30 June 2007
£m		£m	£m
2,869	Securitisations	2,857	3,625
1,172	Debentures	1,172	1,175
785	Bank loans and overdrafts	535	1,038
436	Other bonds and loan notes	436	436
5,262	Gross debt	5,000	6,274
31	Interest rate and currency derivative liabilities	22	19
(17)	Interest rate and currency derivative assets	(117)	(189)
5,276		4,905	6,104
(244)	Cash and short-term deposits	(581)	(389)
5,032	Net debt	4,324	5,715

Gross debt includes £108m due within one year at 30 June 2008 (30 June 2007: £65m; 31 March 2008: £111m).

The principal amount of gross debt at 30 June 2008 was £5,014m (30 June 2007: £6,289m; 31 March 2008: £5,275m). Included in this, the principal amount of secured borrowings and other borrowings of non-recourse companies was £4,282m (30 June 2007: £5,053m; 31 March 2008: £4,294m).

Cash and short term deposits not subject to a security interest at 30 June 2008 amount to £242m (30 June 2007: £33m; 31 March 2008: £78m). Undrawn committed bank facilities amounted to £2.6 billion (30 June 2007: £2.1 billion; 31 March 2008: £2.4 billion).

6. Reserves

	Share capital £m	Share premium £m	Other reserves £m	Retained earnings £m	Total £m
At 1 April 2007	130	1,263	532	6,822	8,747
Total recognised income and expense			41	387	428
Share issues		2			2
Purchase of own shares				(12)	(12)
Adjustment for share and share option awards				3	3
Dividends paid in the three month period				(34)	(34)
At 30 June 2007	130	1,265	573	7,166	9,134
At 1 April 2007	130	1,263	532	6,822	8,747
Total recognised income and expense			(197)	(1,461)	(1,658)
Share issues	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	131	1,269	335	5,055	6,790
At 1 April 2008	131	1,269	335	5,055	6,790
Total recognised income and expense			77	(565)	(488)
Share issues		1			1
Adjustment for share and share option awards				2	2
Dividends paid in the three month period				(45)	(45)
At 30 June 2008	131	1,270	412	4,447	6,260

At 30 June 2008, of the issued 25p ordinary shares, 2m shares were held in the ESOP Trust (30 June 2007: 3m, 31 March 2008: 2m), 11m shares were held as Treasury shares (30 June 2007: nil, 31 March 2008: 11m) and 509m shares were in free issue (30 June 2007: 519m, 31 March 2008: 509m). All issued shares are fully paid.

7. Dividends

The proposed first interim dividend of 9.375 pence per share, totalling £48m, was approved by the Board on 13 August 2008 and is payable on 14 November 2008 to shareholders on the register at the close of business on 17 October 2008. The dividend will consist of two components: a property income distribution (PID) as required by REIT legislation of 6.7 pence per share and a non-PID of 2.675 pence per share. The PID element of the dividend may vary over time and is paid after deduction of withholding tax at the basic rate (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.

The 2008 final dividend of 8.75 pence per share, totalling £45m, is payable on 15 August 2008.

The reconciliation of movements in shareholders' funds shows total dividends paid in the period of £45m being the third 2008 interim dividend of 8.75 pence per share paid on 19 May 2008.

The Company offers shareholders the option to reinvest their cash dividends automatically in the Company's shares through the Dividend Reinvestment Plan (DRIP). The DRIP will apply to both the PID and non-PID elements of the dividend for those shareholders who have elected to participate in the plan. Further details of the DRIP can be found on the Company's website (www.britishland.com) or by calling Equiniti's DRIP helpline on 0871 384 2268.

8. Segment information

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

	Offices		Retail		Other		Total	
	2008	2007	2008	2007	2008	2007	2008	2007
	£m	£m	£m	£m	£m	£m	£m	£m
Three months ended 30 June								
Revenue	71	105	73	97	7	10	151	212
Net rental income	61	56	61	78	5	7	127	141
Segment assets	4,791	6,089	5,786	8,796	1,287	1,455	11,864	16,340
Capital expenditure	137	243	16	35	-	-	153	278

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

9. Contingent liabilities

TPP Investments Limited, a wholly owned ring-fenced special purpose subsidiary, is a partner in The Tesco British Land Property Partnership and, in that capacity, has entered into a secured bank loan under which its liability is limited to £23m (30 June 2007: £23m, 31 March 2008: £23m) and recourse is only to the partnership assets.

10. Related party transactions

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

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

11. Basis of preparation

The financial information for the period ended 30 June 2008 does not constitute statutory accounts as defined in section 240 of the Companies Act 1985. A copy of the statutory accounts for that year has been delivered to the Registrar of Companies. The auditors' report on those accounts was not qualified and did not contain statements under section 237(2) or (3) of the Companies Act 1985.

The financial information included in this announcement has been prepared using accounting policies consistent with International Financial Reporting Standards (IFRS) and in accordance with IAS 34 'Interim Financial Reporting'. The same accounting policies, estimates, presentation and methods of computation are followed in the quarterly report as applied in the Group's latest annual audited financial statements. The current period financial information presented in this document is unaudited.

The interim financial information was approved by the Board on 13 August 2008.

Table A**Summary income statement based on proportional consolidation
for the period ended 30 June 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 its share of the results of funds and joint ventures included on a line by line, i.e. proportional basis. The underlying profit before taxation and total profit after taxation are the same as presented in the consolidated income statement.

Year ended 31 March 2008 <u>£m</u>		Three months ended 30 June 2008 <u>£m</u>	Three months ended 30 June 2007 <u>£m</u>
709	Gross rental income	169	180
667	Net rental income	162	167
40	Fees and other income	5	22
(73)	Administrative expenses	(17)	(22)
(350)	Net interest costs	(76)	(91)
284	Underlying profit before taxation	74	76
9	Debt refinancing items		9
(1,916)	Net valuation movement (includes profits and losses on disposal)	(651)	158
(15)	Amortisation of intangible assets	(4)	(4)
30	Songbird Estates dividend (capital)		30
(3)	Goodwill impairment		(2)
(1,611)	(Loss) profit on ordinary activities before taxation	(581)	267
(8)	Tax charge relating to underlying profit	(1)	(3)
47	Deferred tax	11	10
9	Other taxation	6	1
(1,563)	(Loss) profit for the period after taxation	(565)	275
53p	Underlying earnings per share - diluted basis	14 p	14 p

The underlying earnings per share is calculated on underlying profit before taxation of £74m, tax attributable to underlying profits of £1m and 511m shares on a diluted basis, for the three months ended 30 June 2008.

Table A (continued)**Summary balance sheet based on proportional consolidation
as at 30 June 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 composition of the EPRA net assets of the Group, with its share of the net assets of funds and joint ventures included on a line by line, i.e. proportional basis and assuming full dilution.

31 March 2008 £m		30 June 2008 £m	30 June 2007 £m
7,661	Retail properties	7,202	9,775
5,505	Office properties	4,771	6,076
305	Other properties	315	497
13,471	Total properties	12,288	16,348
197	Other investments	180	237
39	Intangible assets	36	46
(358)	Other net liabilities	(411)	(648)
(6,413)	Net debt	(5,841)	(6,864)
6,936	EPRA NAV (note 1)	6,252	9,119
1344 p	EPRA NAV per share (note 1)	1212 p	1730 p
Total property valuations including share of funds and joint ventures			
10,469	British Land Group	9,398	13,704
Share of funds and joint ventures			
2,889	Investment properties	2,777	2,566
119	Development properties	119	84
(6)	Head lease liabilities	(6)	(6)
3,002		2,890	2,644
13,471	Total property portfolio valuation	12,288	16,348
Calculation of EPRA NNNAV per share			
6,936	EPRA NAV	6,252	9,119
(102)	Deferred tax arising on revaluation movements	(85)	(149)
3	Mark to market on effective cash flow hedges and related debt adjustments	136	214
582	Mark to market on debt	674	305
7,419	EPRA NNNAV	6,977	9,489
1438 p	EPRA NNNAV per share	1352 p	1801 p

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