British Land

We create Places People Prefer

Annual Report
and Accounts 2017

THE QUEEN'S AWARDS FOR ENTERPRISE: 2016

The Queen's Award for Enterprise

British Land was awarded the UK's highest accolade for business success, for economic, social and environmental achievements over five years.

We are a leading UK commercial property company focused on high quality retail and London offices

Our objective is to deliver sustainable long term value for all our stakeholders

We do this by creating Places People Prefer

Key metrics for the year

Portfolio valuation (proportionally consolidated[1])	£13.9bn	2016: £14.6bn
EPRA NAV per share[1]	915p	2016: 919p
Dividend per share	29.2p	2016: 28.36p
Underlying Profit[1]	£390m	2016: £363m
Underlying EPS[1]	37.8p	2016: 34.1p
Carbon intensity reduction (index score since 2009)	44%	2016: 40%
Total property return[1]	3.1%	2016: 11.3%
IFRS net assets	£9,476m	2016: £9,619m
Total accounting return[1]	2.7%	2016: 14.2%
IFRS profit before tax	£195m	2016: £1,331m
IFRS EPS	18.8p	2016: 131.2p
Customer satisfaction[1]	8.1/10	2016: 7.9/10

[1] See Glossary for definitions.

For more information

You will find links throughout this Report to guide you to further reading or relevant information.

For more information visit our website **www.britishland.com**

Feedback

We value your feedback. Please contact us at:

Our corporate website **www.britishland.com/contacts**

Follow us on Twitter **@BritishLandPLC**

Integrated reporting

We integrate social and environmental information throughout this Report in line with the International Integrated Reporting Framework. This reflects how sustainability is integrated into our placemaking strategy, governance and business operations. Our industry-leading sustainability strategy is a powerful tool to deliver lasting value for all our stakeholders.

For more information visit **www.britishland.com/sustainability**

THE QUEEN'S AWARDS FOR ENTERPRISE: 2016

Places People Prefer
Curating the environment inside and out, using our scale and placemaking expertise

Customer Orientation
Responding to changing lifestyles

We use our insight into customers' needs and identify major long term trends to create environments in tune with changing lifestyles.

Right Places
Creating great environments, inside and out

We design engaging, sustainable places which bring people together through the right mix of occupiers, services and activities.

Capital Efficiency
Disciplined use of capital

We allocate our capital, manage our finances and partner with like-minded organisations to deliver sustainable long term value.

Expert People
The knowledge and skills to deliver

We employ Expert People and work with specialist partners to create insight, develop skills and build capability.

Contents

Presentation of financial information
The Group financial statements are prepared under IFRS where the Group's interests in joint ventures and funds are shown as a single line item on the income statement and balance sheet and all subsidiaries are consolidated at 100%.

Management considers the business principally on a proportionally consolidated basis when setting the strategy, determining annual priorities, making investment and financing decisions and reviewing performance. This includes the Group's share of joint ventures and funds on a line-by-line basis and excludes non-controlling interests in the Group's subsidiaries. The financial key performance indicators are also presented on this basis. Refer to the Financial review for a discussion of the IFRS results.

Our placemaking expertise delivers buildings and environments that reflect the way people work, shop and live

Total portfolio

We provide buildings and environments which cater to the changing needs of the people who use them. Our properties bring businesses and people together; they are functional and authentic with the right mix of occupiers, services and activities and we use our placemaking framework to enhance not just individual buildings but the overall environment.

£19.1bn[1, 3]
assets under management

£13.9bn[2]
British Land owned

28m sq ft[1]
of floor space

£636m[2, 3]
contracted rent

98%[3]
occupancy rate

8.3 years[3]
weighted average unexpired lease term

To read more information about our performance, go to pages 28 to 37.

[1] Includes 100% of the assets owned by the Group's joint ventures and funds.
[2] Includes the Group share of joint ventures and funds and excludes non-controlling interests in the Group's subsidiaries.
[3] See Glossary for definitions.

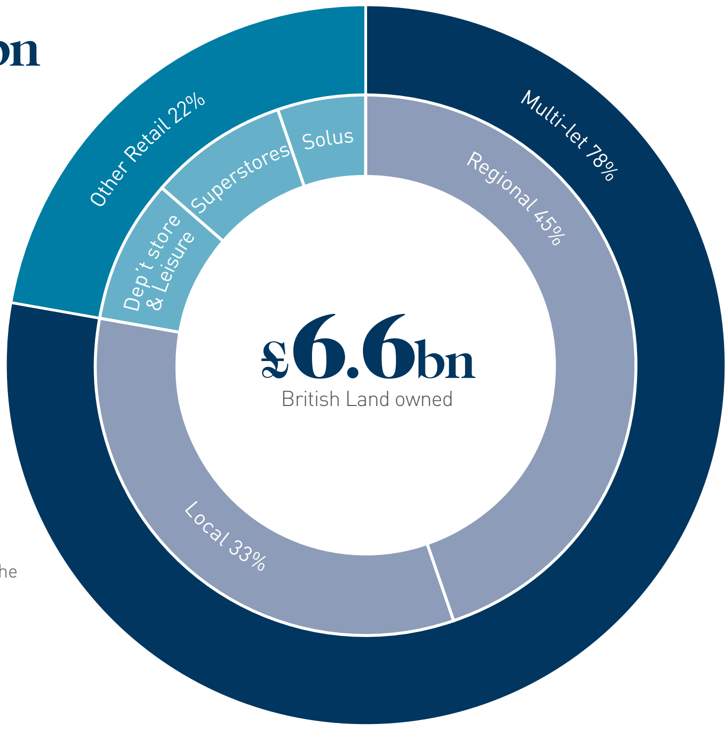
Retail

Our Retail portfolio is focused on a network of multi-let Regional and Local centres, reflecting modern consumer lifestyles. We provide high quality retail and leisure with best in class services meeting a range of consumer needs. We provide places to shop, eat and be entertained; places which are convenient and accessible and which connect with local communities.

Highlights

- 1.3 million sq ft of lettings and renewals 11% ahead of ERV
- Multi-let ERV up 2.4%
- Portfolio valuation down 1.8%
- Over £1 billion of capital activity, refining our focus on our multi-let portfolio

£9.0bn
assets under management



Our portfolio has the potential to reach

60%
of the population

Drake Circus

Our Regional centre in Plymouth. This year on its tenth anniversary we extended our ownership by acquiring the New George Street Estate linking the retail centre and the proposed leisure scheme, enhancing our control of the environment and providing further scope for asset management.

www.britishland.com/DrakeCircus

To read more information about our Retail portfolio, go to pages 32 to 34.

1,200
different organisations, ranging from international brands to local start-ups are based at our properties.

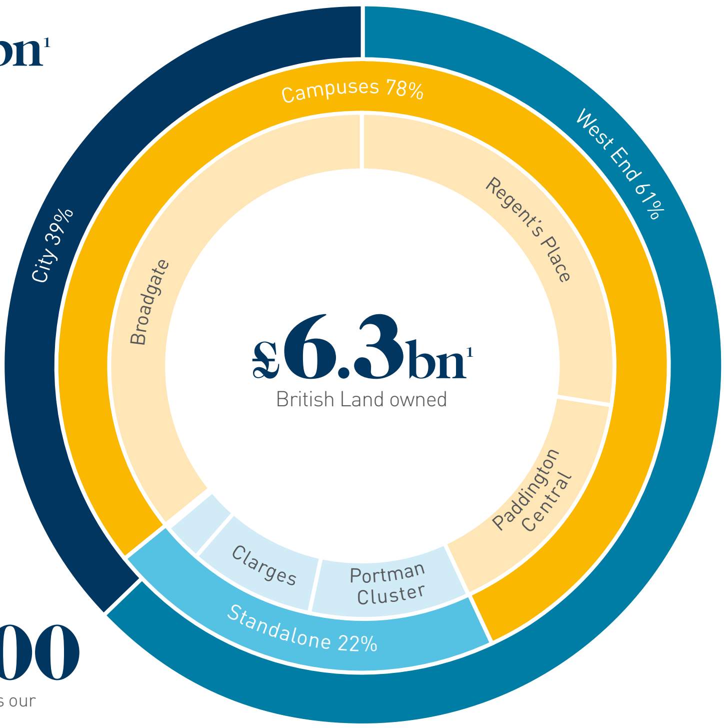
Offices

Our Offices portfolio is focused on our London campuses which also include a mix of retail, leisure and residential to create attractive and engaging environments. They reflect the lifestyle of today's workforce and appeal to a broad range of occupiers. Outside our campuses, we own a number of high quality standalone buildings in well-connected and well-managed locations.

Highlights

- Exchanged on the sale of 50% interest in The Leadenhall Building for a headline price of £1.15 billion (100%)
- 279,000 sq ft of lettings and renewals 1.4% ahead of ERV in the year
- Over 700,000 sq ft of lettings under offer or in advanced negotiations
- Portfolio valuation down 0.7%

£8.5bn[1]
assets under management



65,000
people work across our Offices portfolio

100 Liverpool Street, Broadgate

Our plans at 100 Liverpool Street significantly increase the retail offer at Broadgate and provide high quality, flexible workspace appealing to a broad range of occupiers. This redevelopment, at the gateway to the campus, adjacent to the new Crossrail station progresses our vision to create a world-class, vibrant, mixed use destination at Broadgate.

www.britishland.com/100LiverpoolStreet

To read more information about our Offices portfolio, go to pages 35 to 37.

[1] Following disposal of 50% interest in The Leadenhall Building completing after the year end.

Our places are increasingly mixed use

Across our portfolio, we are broadening the mix of uses to better reflect people's changing lifestyles. Our plans will add cinemas, hotels, events space and broader commercial uses, in addition to an expanding retail and dining offer.

Canada Water

We are developing our masterplan for Canada Water, our 46 acre opportunity in London, which will be a mixed use urban centre from the start. Working with the London Borough of Southwark and the local community, our proposals feature green and community spaces and a network of pedestrian links and waterways, drawing on the heritage of the area. Our plans include a broad mix of potential uses including retail, leisure, entertainment, higher education and workspace alongside up to 3,500 new homes.

www.britishland.com/CanadaWater

Eden Walk

Eden Walk, our 538,000 sq ft mixed use, regeneration scheme in Kingston upon Thames will comprise 40 new retail and restaurant units, 380 new homes and 35,000 sq ft of high quality, modern and flexible office space, as well as a cinema and public spaces for events.

www.britishland.com/EdenWalk

We have led our sector in a number of outstanding deals reflecting the quality of our portfolio

John Gildersleeve
Non-Executive Chairman

Total accounting return[1]

2.7%

2016: 14.2%

Dividend per share

29.2p

2016: 28.36p

>33%

women's representation across Executive Committee members and direct reports[2]

97%

of all electricity we purchase comes from renewable sources, working towards 100% as an RE100 partner

1 Please see the Glossary for definition.
2 Hampton-Alexander Review, November 2016.

Not many people predicted the political outcomes seen over the last 12 months, not only in the UK, but around the world. It was certainly an eventful year.

But good businesses become stronger when they are put to the test and I am delighted to report that, despite uncertainty caused by the UK's decision to leave the EU, we have not only demonstrated the resilience of our business but also shown how our strategic approach enables us to respond to such issues.

In the weeks following the EU referendum there was a peak of uncertainty around the full impacts that would be felt by businesses and the UK as a whole. For us in very broad terms, we considered the potential impact on consumer confidence affecting our retail business and what the result could do to business confidence, in particular the choice of global organisations to locate large parts of their businesses in London.

The Queen's Award for Enterprise

THE QUEEN'S AWARDS FOR ENTERPRISE: 2016

British Land was awarded the UK's highest accolade for business success, for economic, social and environmental achievements over five years.

Our strategic approach is based on long term trends. We track consumer and occupier expectations and key themes impacting our business to ensure we address these in creating Places People Prefer. As the worlds of work and leisure become increasingly connected this has led to our assets becoming more mixed use, so that people can fulfil the needs of multiple demands on their time. Our London office campus approach and multi-let retail centre focus has proved to be a real differentiator in this respect, creating not only outstanding buildings but enabling us to make substantial improvements to the overall environments in which they sit.

Many of our investments over the year have been to structure our portfolio around these themes and of course work on the majority of them started before 23 June 2016. We had already positioned our business to respond.

So despite the uncertainty caused, British Land has performed well and I would like to thank everyone who works for and with us for their contribution during this unpredictable time. Underlying Profit for the year was £390 million up 7.4%. The valuation of our portfolio was marginally down 1.4% with EPRA NAV down just 0.4% at 915 pence per share with both occupier and investor demand remaining good over the year. Significantly, valuation performance in the second half was stronger than the first.

The Board has recommended a fourth quarter dividend of 7.3 pence per share making a total of 29.2 pence for the year. Together with the movement in net asset value, this brings total accounting return to 2.7%. We have proposed a first quarter dividend of 7.52 pence per share and 30.08 pence for the financial year ending 31 March 2018 representing a further 3% increase, signalling our confidence in growing income over the medium term.

Last year I commented that macro-economic and political risks had affected the FTSE 100. Shares in real estate have been significantly impacted by uncertainty. As a largely domestically focused business operating in sterling, UK REITs are more exposed to the implications of Brexit on the UK economy than the majority of the FTSE 100. Experience also shows that gaps between share price and reported values expand during times of uncertainty and there continues to be a wide range of views on the potential impact of the UK's decision to leave Europe on our markets.

So while our business is in good shape we acknowledge that the environment is more uncertain. We have led our sector in a number of outstanding deals reflecting the quality of our portfolio. Just a couple of weeks after the EU referendum we exchanged on the sale of Debenhams' flagship store on Oxford Street for £400 million, on terms agreed before the vote. And in March 2017, together with our JV partners

Oxford Properties, we exchanged contracts for the sale of The Leadenhall Building for a headline price of £1.15 billion, the most expensive building ever sold in the City of London.

We've also had good letting activity over the year; solid evidence that our properties are delivering what our customers want. As a result our portfolio is virtually full at 98%. In a changing world, sustainable places are becoming increasingly sought after and continue to create value as they are both resilient and well positioned to respond to changing customer needs. We are proactively designing new buildings with a focus on health, wellbeing and productivity of the consumers and employees who will use those buildings. In addition, initiatives to deliver our Local Charter make positive local contributions and help our places become part of their local communities.

As the Government's Minimum Energy Efficiency Standards have the potential to affect property values, our award-winning efficiency programme has positioned our portfolio well and we have become a partner of RE100, committed to using 100% electricity from renewable sources. Our target for 3% of our UK supplier workforce to be apprentices by 2020 also aligns with Government ambitions and our Supply Chain Charter supported our first Modern Slavery Act Disclosure.

We continue to be recognised for our leading stance on sustainability issues, following our 2016 Queen's Award for Enterprise: Sustainable Development. Our industry-leading energy and carbon reductions resulted in British Land being named European Sector Leader in the 2016 Global Real Estate Sustainability Benchmark for the third year running, and winning the CIBSE Test of Time Award 2017. We have cut energy intensity by 35% and carbon intensity by 44% across our portfolio since 2009, as we make strong progress towards our challenging 55% reduction target by 2020.

Details of the changes to our Board and Committees during the year, and since the year end, are set out in the governance reports which begin on page 60.

John Gildersleeve
Non-Executive Chairman

For the Chairman's governance review, see pages 60 to 66.

Global Real Estate Sustainability Benchmark 2016 – European sector leader for retail/offices (listed)

GRESB®
Sector Leader 2016

Highlights of the year

1

1.3m sq ft of lettings across our Retail portfolio, 11% ahead of ERV

Attracting new occupiers, upsizing existing retailers and increasing leisure and food & beverage. Continued outperformance of footfall and sales growth benchmarks.

2

Progressed 1m sq ft of lettings across our Office portfolio

279,000 sq ft of lettings completed with over 700,000 sq ft under offer or in advanced negotiations; this includes 140,000 sq ft of lettings at 7 Clarges Street and 4 Kingdom Street shortly after completion on terms ahead of pre-referendum ERVs.

3

Exchanged £1.5bn of asset sales, 9% ahead of valuation

Including our 50% interest in The Leadenhall Building for £575m, the £400m disposal of Debenhams, Oxford Street and £226m of superstores, reducing superstore weighting in the portfolio to 4%.

4

Progressing our development pipeline with 2.3m sq ft of planning consents secured and a further 1.3m sq ft submitted

Includes planning secured at Eden Walk, Blossom Street and 2&3 Finsbury Avenue and submissions for Meadowhall Leisure and 1 Triton Square.

5

Established our Bright Lights skills and employment programme for our suppliers, occupiers and local communities

Includes 70 placements on our Starting Out in Retail programme, with 75% moving into long term employment. 1.7% apprentices in our tier 1 supply chain pilot study as we work towards our 2020 target of 3%.

Our results reflect the significant demand from both occupiers and investors for the places we create

Chris Grigg
Chief Executive Officer

Underlying Profit growth[1]

7.4%
to £390m (2016: £363m)

Valuation movement[1]

-1.4%
0.4% reduction in EPRA NAV per share[1] to 915p (2016: 919p)

Customer satisfaction[1]

8.1/10
(2016: 7.9/10)

Community programme beneficiaries

35,600
including jobseekers, apprentices and schoolchildren (2016: 29,500)

[1] Please see the Glossary for definitions.

We have delivered good results despite challenges in our markets following the EU referendum. Our markets were stronger than many anticipated and our strategy, which positions us to benefit from long term trends, is delivering. Rising consumer expectations, the blurring of work and leisure time and the transforming impact of technology are the key themes shaping demand for our space. Nearly one year after the EU referendum, we see clear signs that the impact of these trends is accelerating, driving polarisation in our markets. Our leasing performance has been good, contributing to strong earnings growth; we have intensified our focus on where our placemaking expertise can enhance value, attracting a broader range of occupiers; and we have sold well, providing the capital to exploit opportunities we have within our portfolio.

Our strategy is to differentiate our space by providing places which reflect people's changing lifestyles. We use our placemaking expertise to create great environments both inside and outside our buildings – creating Places People Prefer. This underpins our focus on our multi-let retail properties and our London campuses which are increasingly mixed use.

Investment markets were weaker in the first half, reflecting uncertainty both before and after the EU referendum, but improved in the second half as the UK economy proved resilient. Overall, our EPRA net asset value was down just 0.4% to 915 pence per share. Retail and Offices valuations were down 1.8% and 0.7% respectively, with both sectors experiencing yield expansion in the first half but modest contraction in the second half. Our disposals provide clear evidence to support these valuations.

Our portfolio is virtually full with occupancy of 98%. Despite the low level of vacancy, we signed 1.7 million sq ft of lettings and renewals in the year, on average 8.0% ahead of ERV. In both the retail and office markets we are seeing an increasing focus on the best space in the best locations.

In Offices, where the result of the EU referendum created greater uncertainty, we have seen occupiers continuing to commit, but often after longer and more thoughtful decision making processes. Our leasing performance was strong, with space let or terms renewed on 279,000 sq ft of space in the year, on average 1.4% ahead of ERV. This included the remaining space at The Leadenhall Building and Marble Arch House. At 7 Clarges Street, the office space was over 80% let just four months after launch. In addition, we have 700,000 sq ft of space under offer or in advanced negotiations across our development pipeline. This includes 102,000 sq ft at 4 Kingdom Street where almost 80% of the office space was under offer within a week of completion in April 2017, on terms ahead of pre-referendum ERVs, and 1 Triton Square where we are under offer on 310,000 sq ft representing all of the office space on the proposed redevelopment.

Our focus on London remains. We expect London to continue as a leading global city reflecting its diverse pool of intellectual capital and reputation for innovation, as well as its culture, language and strong regulatory and legal framework. Our activity this year is testament to the quality of our space which reflects the needs of today's occupiers. By providing space which reflects the evolving way people are working and blending their work and leisure time, we help our occupiers attract and retain key talent. Our newest spaces are more flexible, catering to the demands of big and small companies with the option of shorter lease term arrangements. This year, we will be launching a branded flexible workspace offer which enables us to capture incremental demand from the increasing number of small businesses taking space in London as well as meeting a growing need amongst our existing occupiers for flexible space for specific projects and teams. We have already agreed our first flexible workspace letting at 2 Finsbury Avenue, extending our relationship with an existing occupier at Paddington Central for their digital team.

In Retail, demand remained firm in the year, despite wider uncertainty for consumers and retailers alike. We let more space on better terms to a wider range of occupiers than in the previous year. This amounted to 1.3 million sq ft of leasing, on average 10.8% ahead of ERV. Consumer spending was resilient in the months following the EU referendum, but weaker sales data in recent months suggests that consumers are becoming more cautious with higher prices impacting disposable incomes. Retailers are also anticipating a more challenging environment, with import cost inflation, higher business rates in some areas and the National Living Wage putting pressure on margins.

These dynamics have increased retailers' focus on space which allows them to trade profitably across a range of channels. Our Regional and Local portfolio supports their strategy. Our Regional centres provide a broader offering, suited to larger, flagship stores and attracting visitors from a wide catchment for a longer dwell time. Our Local centres are convenient and accessible and so they work well for click and collect and more targeted shopping trips, as well as providing a range of amenities for local communities. Our placemaking activities and our community engagement encourage new and repeat visits to our sites and this has driven continued outperformance in both footfall (ahead of benchmark by 240 bps) and retailer in-store sales growth (220 bps ahead).

We have made good progress on our development pipeline. As well as completions at 4 Kingdom Street and the offices element of Clarges, we committed to the redevelopment of 100 Liverpool Street at Broadgate and works commenced there in December. UBS have now vacated 800,000 sq ft of space across the campus on completion of their occupancy of 5 Broadgate. Located at the gateway to our Broadgate campus and adjacent to the new Liverpool Street Crossrail station, this development progresses our vision to create a world class, mixed use destination at Broadgate providing a range of space, including significant additional retail and restaurants.

Gross investment activity since the start of the year totalled £2.0 billion and included the exchange of our 50% interest in The Leadenhall Building, which is due to complete later this month, reflecting our disciplined approach to capital allocation. This project has delivered annualised returns of 25% for us and our JV partner since our commitment in 2010 and demonstrates how our standalone office properties provide liquidity, allowing us to develop and trade opportunistically. On the retail side, we sold £881 million of single-let and non-core retail assets, including Debenhams, Oxford Street for £400 million and £226 million of superstores, reducing the weighting of superstores within our portfolio to 4%. Our £195 million of acquisitions were focused on adjacencies to existing holdings, notably the New George Street Estate in Plymouth (£64 million) which complements Drake Circus and 10-40 The Broadway (£49 million), adjacent to Ealing Broadway.

The net impact of our activity was a 7.4% increase in Underlying Profits to £390 million. Like-for-like income growth of 2.9%, together with lower finance costs reflected in a further reduction of our weighted average interest rate to 3.1%, has more than offset the impact of disposals. Diluted underlying EPS was up 10.9% at 37.8 pence per share. The final dividend payment will be 7.3 pence per share, bringing the full year dividend to 29.2 pence per share, an increase of 3.0% and contributing to a total accounting return of 2.7%. The Board is proposing a quarterly dividend of 7.52 pence per share or 30.08 pence for the coming year, a further increase of 3.0%. The impact of recent sales and expiries on future profits, our target payout ratio, and the uncertain environment influenced the Board's thinking, as well as the opportunities that we have within the portfolio to grow income over the medium term.

The impact of our investment activity has been to reduce our proportionally consolidated LTV to 29.9% at March 2017 from 32.1% in March 2016. This falls further to 26.9% pro forma for the sale of The Leadenhall Building. With our completed developments substantially let, and good progress on planning and pre-let discussions across the pipeline, we are well placed to exploit the optionality we have to create value and grow income. We have identified near term and medium term opportunities that enable us to apply our development and placemaking expertise in progressing the delivery of our strategy.

Last week, we obtained approval from the London Borough of Camden on the redevelopment of 1 Triton Square at Regent's Place, where we are under offer on all of the office space. We expect to commit to this, as well as refurbishments of 135 Bishopsgate and 1 Finsbury Avenue at Broadgate in the coming months with an associated cost of c.£300 million.

Looking further ahead, our medium term pipeline covers a range of uses, including office-led development in London and retail and mixed use development across the country, notably Eden Walk in Kingston where we received planning permission for our 538,000 sq ft mixed use regeneration during the year. We will maintain an appropriate level of development risk; for our office-led developments commitment is likely to be influenced by the progress of pre-let discussions. We have a disciplined approach to capital allocation and retain flexibility to respond to the changing environment.

In addition, we are making progress at Canada Water where we are working closely with key stakeholders including the London Borough of Southwark. We held our fourth public consultation in May 2017 and are targeting submission of a planning application around the end of this financial year. We have held discussions with a wide range of potential occupiers and have been encouraged by the response.

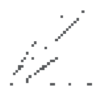
British Land received the Queen's Award for Enterprise in 2016, the UK's highest accolade for business success. One year on, we are continuing to deliver strong economic, social and environmental performance. Our industry-leading energy and carbon reductions resulted in British Land being named European Sector Leader in the Global Real Estate Sustainability Benchmark for the third year running and in the CDP Climate A List, we rank in the top 9% of global companies tackling climate change. We have launched Bright Lights, our skills and employment programme helping a wide range of people into work within our industry. That includes within British Land. I was also particularly pleased to announce that we had updated our policy on Shared Parental Pay to provide equal enhanced benefits for all parents, one example of how we are promoting the development of a diverse and inclusive team.

Outlook

Looking forward, the picture is a mixed one. The Brexit process has begun but uncertainty will continue for some considerable time. Though the UK economy has performed well since the vote, we can expect more inflation and increasing pressure on disposable incomes. This will impact consumer behaviour and retailer profitability. London occupiers, particularly financial institutions, are making contingency plans but there is a wide range of possible outcomes here. Our conversations with occupiers tell us that a large majority continue to value London and believe in its place as a global centre, as we do.

Although we are seeing businesses taking longer to commit and being more thorough in assessing options, we see polarisation of both occupier and investor demand accelerating with an increasing focus on the best quality space. Our results show that our space continues to be attractive to occupiers and investors alike, with strong leasing across the portfolio, profitable disposals and material outperformance on our Retail operating metrics. This reflects the continuing execution of our strategy, providing space that responds to changing lifestyles and really fulfils customers' needs.

In this uncertain environment, we expect to benefit from the resilience of our business, the quality of our portfolio and the strength of our finances. We also look forward with cautious optimism as we believe that we can generate incremental returns by allocating capital to development opportunities we have created, whilst keeping risk at an appropriate level and flexibility to respond to changes in our markets.



Chris Grigg
Chief Executive Officer

For more information on Our business model, see pages 10 and 11.

For more information on our 2017 full year results presentation see **www.britishland.com/results**

For more information on our approach to sustainability see **www.britishland.com/sustainability**

Our priorities for the year ahead

Customer Orientation
- Further develop customer insights
- Deliver technology driven innovations

Right Places
- Deliver next steps of the Broadgate Masterplan
- Submit Canada Water planning
- Deliver flexible workspace offer

Capital Efficiency
- Beat budget and achieve leasing targets
- Recycle capital to improve returns

Expert People
- Promote an inclusive, performance driven culture
- Create a more customer focused organisation

Q&A

with Chris Grigg

Q How is British Land responding to BREXIT?

A We run British Land to take advantage of long term trends but also to be resilient, so we are positioned to operate in a range of market conditions – property is a cyclical business. The quality of the assets we own and the strength of our finances serve us well as we face the potential challenges of Brexit.

Brexit is just one factor impacting our markets. Technology is at the heart of many far-reaching changes we are seeing. In London, Brexit is accelerating the trends we are already responding to: how people work and live, the growth in creative and tech industries, and the relative decline in demand from traditional banks.

We continue to believe in London in the long term and are encouraged by the demand we are seeing from occupiers and investors for our buildings since the vote. However, we have planned for a period of uncertainty: we have moderated our speculative development risk and have continued to diversify our office occupier base. We have made good progress on leasing discussions and this puts us in a strong position to commit to new developments to generate incremental returns, while keeping risk at a sensible level.

Sales over the last year, including The Leadenhall Building, have reduced our leverage further putting us in a strong position to take advantage of investment opportunities we have created within our portfolio.

"Understanding these different stakeholders and the reasons why they prefer one location to another is what creating Places People Prefer is about."

Our values

Our values underpin everything we do. They are:

- **Do what is right, not what is easy**
- **Work efficiently as one team**
- **Make commercial decisions that create long term value**
- **Make things happen**

Q What makes British Land different?

A We have a clear purpose at British Land to create Places People Prefer and this drives the business. We have a relentless focus on customers so we create the places they want; not just individual buildings but external environments too – it's something I refer to as 'inside and out'. And, we have the scale and capabilities to deliver on this long term approach.

This means we invest heavily in data and insights to understand what customers really want, informing where we allocate our capital. This ensures our properties reflect the changing way people live their lives and provide what businesses need to thrive.

By investing in well located schemes we can create great spaces alongside the broad range of amenities, experiences and services people want as their work and home lives becoming increasingly blurred. This is why our London campuses and multi-let retail centres are becoming more diverse and mixed use.

Our operational scale, expertise and long term approach mean we have the capacity and skills to make the investments required and to deliver the benefits.

It is the combination of all these things which makes us different.

Q You talk a lot about customer focus – why is this important to a property investment company?

A Successful businesses understand and deliver what their customers want. For us the interesting conversation has been defining who our customers are. It's not just the businesses who lease space at our retail centres and offices but also the people who work in them, the people who choose to shop and spend time there and the local communities who live in and around them. Understanding these different stakeholders and the reasons why they prefer one location to another is what creating Places People Prefer is about.

An outstanding place caters for all and often increases the connection between them. If your customers prefer your place then your business is well positioned for success. That's why we focus on long term trends affecting how we work, shop and live and invest in our properties to ensure they remain relevant to our customers.

This means people not only want to be in and around our properties but want to stay there longer too. Our new Leisure Quarter at Glasgow Fort comprises restaurants, green public spaces and children's pocket parks in which to gather, socialise and play. More car parking was also added in response to shopper feedback. This, with other investments, is changing the demographic of people shopping at the centre and the retailers we attract. In turn, footfall has continued to increase and this is fuelling rental growth.

We are changing our London campuses too. Broadgate, once home to predominantly large City financial institutions, is becoming a seven-day-a-week location. It is the largest pedestrianised commercial space in London and is responding to the changing needs of office occupiers, benefiting from its position in a dynamic part of London and the opening of Crossrail. The way we are configuring buildings and offering more flexible space on more flexible terms mean we are already appealing to a wider range of occupiers. By adding more restaurants, shops and events we are broadening the appeal well beyond the employees of the businesses based there.

For more on Chris' views see **www.britishland.com/CEOblog**

*We apply our **placemaking** expertise to our **high quality portfolio** to generate **enduring demand** from a broad range of occupiers*

Inputs

Capital Efficiency

We finance our business with a combination of equity and debt. We manage the balance to adjust the scale and risk profile of the Company.

Our scale brings operational efficiencies, influence and access to opportunities, as well as the capacity to invest in our portfolio.

We have choices over how to allocate our capital. We can invest in the existing portfolio, develop new properties or purchase properties. We evaluate the prospective returns of each option to inform our allocation of capital. We also consider returning surplus capital to shareholders.

We can choose to sell properties to crystallise the value that we create. This provides capital for reinvestment into opportunities with greater prospective returns for shareholders. We monitor opportunities to dispose of assets which are not aligned with our strategic priorities or do not meet our return aspirations on an ongoing basis.

For more information on Capital Efficiency see pages 22 and 23.

Expert People

We have proven expertise in the areas required to deliver most value from our portfolio. As well as established property skill sets such as asset management and development, we are investing in capabilities required to ensure our properties meet the changing ways that people work, shop and live including data analytics and insights, marketing and customer service.

For more information on Expert People see pages 24 and 25.

Our relationships and partners

Our relationships with a range of stakeholders including our customers, investment partners and the communities in which we operate are key to our success.

For more information on our stakeholders see page 15.

How we create value

*We apply our **placemaking** expertise to create great places for modern lifestyles. These are **Places People Prefer.***

Customer Orientation

We understand our customers' preferences and identify major long term trends impacting our markets, to ensure that the places we create and operate respond to people's changing lifestyles.

For more information on Customer Orientation see pages 16 and 17.

We undertake around

44,000

customer surveys each year to understand what our occupiers and their customers and employees want from our places

Positive outcomes for our stakeholders reinforce our relationships

£50m

invested in enhancing environments across the portfolio in the last year

Right Places

Our understanding of long term trends and our customers has driven a focus on places in well connected locations where we can control the broader environment to deliver a better experience. We apply our **placemaking framework** to create **Places People Prefer**.

For more information on Right Places see pages 18 to 21.

We have assembled a high quality portfolio on a large scale. We focus on **multi-let retail** across the UK and **office-led campuses** in London which are increasingly mixed use. Our customer focus and our actions to enhance our places drive **enduring demand** for our properties from a **broad range of occupiers**.

We benefit from our scale and operate our assets over the long term to create sustainable value for all stakeholders.

Positive outcomes for our customers reinforce demand for our places

Outputs

Financial performance

Rental income from our properties, less operating and finance costs, is recognised as our Underlying Profit. As a Real Estate Investment Trust (REIT) we are required to distribute at least 90% of tax exempt property income to shareholders as dividends.

Other income, expenses and movements in the valuation of our properties translate to movement in our net asset value.

For more information on our financial performance see pages 39 to 42.

Positive outcomes for our stakeholders

- Dividends and long term capital growth for shareholders
- Enjoyable, convenient experiences which promote wellbeing for the users of our properties
- Improving sales performance and productivity for our occupiers
- Attractive sustainable environments, events, jobs and skills development for our local communities
- Profitable, collaborative business for our suppliers
- Enjoyable, challenging, rewarding work for our employees

MARKET TRENDS AND HOW WE ARE RESPONDING

Our business is positioned to benefit from long term trends

Key long term trends

The UK's changing role in global markets

London will remain a leading global city, but will face near term uncertainty as the terms on which the UK leaves the EU are negotiated. We may see increased pressure on employment in financial services and related sectors as businesses assess whether London and the UK remain the best location for them. The weaker currency translates to higher input costs for retailers, with consumers potentially facing lower disposable incomes as inflation increases.

Population growth and urbanisation

The UK population is expected to grow from 65 million in 2015 to over 74 million in 2040. Much of the increase is expected to be in its largest cities, particularly London, where there is an increasing emphasis on attractive mixed use environments.

Transformative impact of technology

Technology is not only driving changes in how we work and shop, it is having a profound impact on the space we occupy. The ability to work remotely changes how we use office space, increasing the demand for flexible and co-working space. In response to online, retailers are developing sophisticated omni-channel strategies, and are using technology to respond to changing consumer behaviour.

Evolving worker and consumer expectations

The distinction between work and leisure time is increasingly blurred so people expect a range of amenities and services, and a choice of leisure and entertainment activities to form an integral part of the places where they work, shop and live. This is increasing demand for mixed use environments which are well integrated with local communities and provide a superior and differentiated offer.

Wellbeing and sustainability

People's wellbeing is strongly influenced by the places where they spend time. Increasingly, companies are focusing on providing workspaces which promote wellbeing and increase productivity. The quality of workspace has become a tool to attract and retain key talent and retailers are choosing to locate their stores in environments which encourage customer loyalty. There is also a growing expectation that buildings should reflect environmental concerns.

We focus on our customers and curate the environment inside and out using our scale and placemaking expertise.”

How we are responding

Investing in London

The impact on London of the UK's departure from the EU is unclear, but its capacity to evolve is well established. We believe that the ease of doing business, its intellectual capital, culture, diversity and reputation for innovation underpins London's long term appeal as a global business and cultural centre. 58% of our portfolio is located here, and £4 billion of our assets are in close proximity to Crossrail stations, reflecting the importance of well-connected space to our customers.

Getting closer to our customers

Our strategy is focused on our occupiers and their customers and employees. We have invested in the skills and resources we need to better understand their preferences. In Retail, our data profiles the demographics of local catchments and our shoppers, as well as when and how people use our centres, highlighting the potential of each scheme. In Offices, we survey office workers and engage with key decision makers from a range of businesses, providing important insight into how to improve our work spaces.

Creating great environments

Across our business, our strategy is to control the wider environment on both our multi-let retail centres and our London campuses, enabling us to deliver places which are attractive and authentic but also functional and efficient. Our environments are designed to reflect people's changing lifestyles, where the distinction between work and leisure time is increasingly blurred. We target a mix of occupiers and services which reflect the local catchment and provide events which enliven our places and bring communities together.

Maintaining a flexible development pipeline

Development has been an important driver of returns and we have assembled a pipeline of opportunities across a range of uses. In the more uncertain environment, our appetite for speculative development has moderated, but we are well placed to progress our plans when the time is right. The majority of the development opportunities in our portfolio enhance existing assets.

Promoting health and wellbeing

We are focused on delivering environments which promote wellbeing and improve productivity. Social places, green spaces and initiatives which encourage active living, such as cycle racks and fitness centres are incorporated where possible and wellbeing activities form an important part of our events programme across both our Retail and Offices portfolios. At 100 Liverpool Street, we are targeting the WELL Building Standard which supports wellbeing innovations that help create healthier, more productive offices.

For more information on Our strategy see pages 14 and 15.

For more information on sustainability see **www.britishland.com/sustainability**

Our strategy for creating Places People Prefer

Our strategy determines how we create Places People Prefer and informs our annual priorities

For our priorities for the year ahead go to page 8.

For more information on how we performed in the last year go to page 26 and 27.

Places People Prefer

Customer Orientation

Responding to changing lifestyles

- Expand the use of data and analytics to drive insight
- Leverage technology to develop high quality, value-added services for our occupiers
- Develop our brand to be recognised for creating Places People Prefer

Right Places

Creating great environments, inside and out

- Focus on mixed use, lifestyle real estate
- Position our places to appeal to a wider range of occupiers
- Invest in existing assets and emerging locations which benefit from regeneration and growth

Capital Efficiency

Disciplined use of capital

- Recycle capital to maximise performance
- Manage our development exposure and financial leverage while maintaining the benefits of scale

Expert People

The knowledge and skills to deliver

- Maintain and enhance key skills sets, particularly in technology, customer service and insights
- Promote an inclusive and diverse culture
- Leverage expertise through cross-team collaboration

Our sustainability focus areas are aligned to our strategic priorities:

Wellbeing	Community
Future-proofing	Skills and opportunity

For more information see www.britishland.com/sustainability

Creating Places People Prefer **drives enduring demand** for our properties

This **generates long term growth** in rents and capital value

Together with an optimal capital structure this **delivers sustainable long term value**

Our objective is to deliver sustainable long term value for all our stakeholders
We do this by creating Places People Prefer

Investment partners
- Access to high quality real estate
- Access to our data-driven insights and capabilities
- Asset management and development skills
- Strong relationships including with local authorities and communities
- Scale of investment and financing

Investors
- Access to high quality, liquid real estate investment
- Stable, growing dividend
- Sustainable long term returns

For more information on our financial performance go to pages 39 to 42.

Suppliers
- A fundamental role as partners in delivering placemaking
- Regular communication and transparency
- Consistent commercial terms for profitable partnership
- Shared insights, innovation and skills development

For our Supply Chain Charter go to **www.britishland.com/suppliers**

Occupiers
- High quality, vibrant environments which drive footfall and customer loyalty, and encourage employee retention
- Flexible space which can adapt to changing needs
- Affordable and efficient buildings

For more information on our major occupiers, see the table on page 166.

Local communities
- Inclusive places with a sense of community
- Meaningful local relationships
- Facilities and services that connect with and enhance the overall area
- Places which support local jobs and skills

For our Local Charter go to **www.britishland.com/community**

Consumers
- Convenience and a mix of occupiers
- Outstanding customer services and facilities
- High quality environments which promote wellbeing
- Choice of leisure and entertainment activities

To read more on Customer Orientation go to pages 16 and 17.

Employees
- Potential to develop skills and opportunities
- Working with some of the best people across the most exciting projects in the sector
- An inclusive environment
- Opportunities to make a positive difference

To read more on Expert People go to pages 24 and 25.

Customer Orientation

Responding to changing lifestyles

We use our insight into customers' needs and identify major long term trends to create environments which reflect changing lifestyles

Who are our customers?

Our customers are the end users of our properties as well as our occupiers. We engage with the people who visit our Retail centres and our Office properties, as well as the employees and residents who work and live, in and around them, to provide buildings and environments which meet their changing needs.

How we understand our customers

Our Insight team operates across the business, collecting and analysing data to develop our understanding of who our customers are, how they behave, what they experience and what their preferences are. This knowledge and the long term trends impacting our business (set out on page 12 to 13) inform our approach for each asset within our portfolio.

In **Retail** we use this information to understand the preferences of people visiting our centres and others within our catchments. This helps us to balance our space appropriately between retail, leisure and food & beverage and guides which brands we should be targeting. It provides valuable feedback on what people like about our services and environments and where we can improve, and helps us assess the impact of enhancements we undertake. We collect data on trading and occupancy cost ratios so we can identify occupiers who are under or over trading and locate them in the most appropriate space. For each centre, we are able to map the shopper missions the centre serves and understand the potential range of consumer journeys it can capture. This informs our vision of how to position the centre and what changes we should make to profitably grow footfall and consumer spend for our occupiers.

The main structural shift impacting UK spending habits in recent years has been the increasing role of the internet. We create places that enable our occupiers to trade profitably across a range of channels. To help us better understand the role of physical space in each channel, we partnered with retail consultancy GlobalData to quantify the True Value of Stores.

Understanding our Retail customers

- We collect geographic and demographic data on local catchments, including online data from c.3 million individuals
- We collect operational data including footfall, dwell time and sales on the majority of our multi-let assets
- We undertake 40,000 shopper surveys each year
- We collect data from c.12 million visits to our Retail centre websites each year

Our research (shown in the chart below) shows that click and collect and store browsing boosts physical sales by 5%, rising to 9% for non-grocery spend. Click and collect customers are incredibly valuable because they spend around 50% more than the average shopper, including spend in addition to the items being collected.

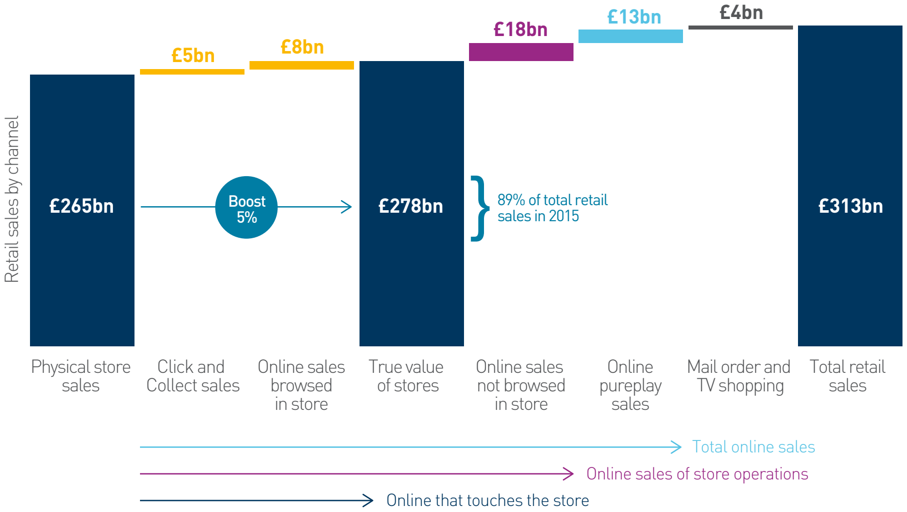
89%

of all UK retail sales touch a physical store

As well as benefiting from this, retailers also save on delivery costs and create additional opportunities to engage consumers. The volume of click and collect transactions in the UK is forecast to double over the next five years. Our Local centres already capture 46% more click and collect transactions than the national average evidencing how the combination of convenient locations, free car parking and quality environments appeal to the click and collect shopper.

In **Offices** our focus is on understanding perspectives on the workplace of today's office workers. This year we launched the Office Agenda, a website where we engage with senior decision makers amongst current and prospective occupiers on issues which matter to them. Today's occupiers see their workspace as a tool to attract and retain key talent so our first area of focus was on what made a great place to work, with particular emphasis on 'millennials' who will be the principal users of our space over the coming decades. Our survey of over 1,000 office workers revealed that location and transport links were the most important factors, and in London, 93% of millennials said the 'buzz' of a location was also important. Around 90% of London millennials want food & beverage and retail options nearby, illustrating

True Value of Stores research



Source: GlobalData/British Land, July 2016

For more information see **www.britishland.com/TrueValueofStores**

Understanding our Office customers

- We surveyed 1,000 office workers and decision makers on what makes a great place to work and a further 1,000 on 'smart' office technology
- We surveyed 1,500 visitors and 250 employees across our campuses on their experience
- We measure footfall across our campuses
- We run focus groups with existing and prospective occupiers about what they need from a campus

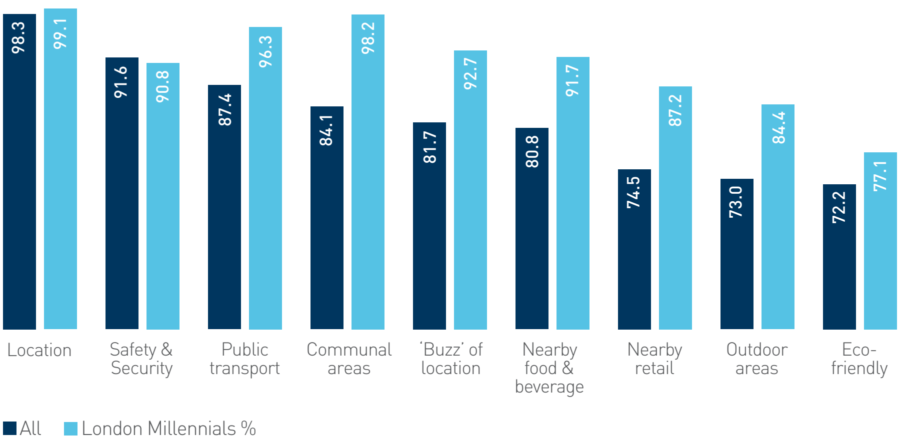
just how closely work and social lives now overlap. This insight supports our focus on campus environments with a mix of retail and leisure uses and influences the way we design and configure new buildings.

Surveys across our campuses were also supportive of our approach. Customer satisfaction levels were high scoring 4 out of 5, with architecture and landscaping, overall atmosphere and safety all scoring particularly well. The combined net promoter score for all of our campuses (a measure of willingness among office workers to recommend their place to work) was above the benchmark for London. We will monitor this on an ongoing basis to assess our performance in meeting customer needs.

Looking forward, technology is providing the capacity to make our buildings 'smarter', with systems that can adapt automatically, for example moderating lighting and temperature to individual needs. This was the second area of focus in the Office Agenda and our surveys showed that 87% of decision makers would require smart technology in their office next time they moved. This will be a focus for us in the coming years and we will be making 100 Liverpool Street 'smart from the start'.

The Office Agenda is available at **http://officeagenda.britishland.com**

British Land workplace survey: What makes an ideal office?



From a survey of over 1,000 UK office workers conducted in December 2015 and January 2016.

Insight provided by our data attracted occupiers to new formats and locations.

To read about how we create places which reflect customer preferences using our placemaking framework, go to pages 18 to 21.

How we engage with our occupiers

We aim to develop collaborative long term relationships with our occupiers. We have a structured client relationship management programme and are happy to share our insights on consumer behaviours and today's workforce with our customers. This is particularly beneficial in leasing discussions as we position our assets to appeal to a broader range of occupiers.

In **Retail** we use our detailed understanding of local catchments, demographics, spending patterns and consumer preferences to effectively target new occupiers. Across our portfolio, we can identify areas where retailers are under-represented, and where our catchments match the profile of their target shopper. Combined with persuasive footfall and sales data, and the modern, attractive environments at our centres, we are successfully attracting occupiers to geographies and retail formats in which they have not previously operated.

In **Offices** we have established a consistent approach to our relationships with all levels of occupier; from our day-to-day contacts

Reflecting customer needs
At Glasgow Fort, we have responded to customer feedback by increasing car park capacity and the range of restaurants. In the year we completed the development of a 600 space multi-storey car park incorporating a further four restaurants with gardens featuring natural play elements for children. These enhancements contribute to an environment which has enabled us to attract operators including Superdry, Wahaca and Smiggle.

through to key strategic decision makers. We share trends we have identified and research we have collected around how workers would like to and do use their office space. This helps our occupiers meet the changing needs of today's workforce and improve their overall wellbeing. In turn, this approach helps us to refine our own proposition.

One new area of focus for us is flexible workspace. Technology is driving change in people's working patterns, creating demand for quality space which is flexible in terms of both the configuration of the physical space and the lease arrangements. Our campus-based office portfolio positions us well to address this growing need, whether in respect of small and expanding businesses or larger companies requiring added flexibility. We have established a small in-house team to deliver against these needs, so in June 2017 we will launch our first flexible workspace at Broadgate with plans to roll out this offer across our campuses.

Broadgate Estates

We provide a consistent and high standard of customer service across our portfolio through our property management company Broadgate Estates, which is responsible for the day-to-day operation of our assets as well as those of third parties. In autumn 2016 we completed the transition of the management of our Retail assets to Broadgate Estates. Having a single organisation responsible for all assets enables us to rapidly capture and transfer best practice learnings across our portfolio. 'World Host' training and accreditation has been rolled out across our campuses and multi-let retail centres, improving the quality of customer service across the portfolio. Further initiatives to enhance the experience of customers at our places are planned.

For more information on Broadgate Estates, go to **www.broadgateestates.co.uk**

Right Places

Creating great environments, inside and out

We design engaging, sustainable places which bring people together through the right mix of occupiers, services and activities.

Our strategic focus

Together with the long term trends (see pages 12 and 13) we have identified, it is our understanding of our customers that guides our strategic focus on creating Places People Prefer.

In **Retail** our approach reflects our understanding of the consumer, so we provide places where people can shop, eat, and be entertained; places which are convenient and accessible, and which connect with local communities. We classify our multi-let retail centres as 'Regional' which attract visitors from a wide catchment, and 'Local' which reflect the needs of local communities. Our research tells us that convenience is the most important consideration in any shopping trip, so we concentrate on assets which are well served by public infrastructure and where parking is widely available. Our strategy is to own and operate assets which are the preferred destination for the journeys they serve within their catchments. We are active in disposing of single-let retail assets which don't provide opportunities for us to deploy our placemaking expertise.

In **Offices** our main focus is on office-led campuses which also include a mix of retail, leisure and residential to create attractive and engaging environments. They reflect the lifestyle of today's workforce and appeal to a broad range of occupiers. Together our three London campuses, Broadgate, Regent's Place and Paddington Central account for 78% of our office portfolio (following the sale of The Leadenhall Building). We also own standalone assets and small clusters of assets in strong locations with well-managed environments. These provide liquidity in the Offices portfolio, allowing us to develop and trade more opportunistically.

Our strategic focus

Offices
Lifestyle orientated mixed use offices

Campuses
Large, office-led mixed use lifestyle campuses

Standalone
Single assets and small clusters

Retail
Multi-let lifestyle centres

Regional
Attracting visitors from a wide catchment for a planned trip

Local
Fitting into the daily life of local communities

The importance of London

We expect London to remain a leading global City. It plays host to an ecosystem of interrelated businesses and its unique attractions including the ease of doing business, its intellectual capital, culture, diversity and reputation for innovation underpin its long term appeal. We believe it will continue to benefit from population growth and urbanisation, driving long term demand for our places. In the months following the EU referendum several leading global businesses from a range of sectors, including technology and finance, reaffirmed their commitment to London with significant leases, providing a strong vote of confidence in the City.

Deploying our capital

Our focus on Right Places informs our investment decisions – what to acquire, what to develop, which capital projects to invest in and what to sell. All properties that we purchase must be aligned with our strategic focus and have the potential to meet the evolving needs of changing lifestyles. We are active in selling those properties within our portfolio which do not meet these criteria. Development and capital projects are the main ways that we can enhance our properties to better meet customers' evolving demands and have been an important driver of returns. We discuss our approach to managing our capital further in 'Capital Efficiency' on pages 22 and 23.

Creating Places People Prefer

Our understanding of our customers helps us assess the potential of our assets. For each asset, we create a business plan of how to achieve that potential. Our **placemaking framework** provides a consistent approach to enhancing our assets as We Connect, We Design, We Enhance and We Enliven.

Connect is about providing places which are convenient and easily accessible, with car parking or public transport nearby; it is also about connecting with people through our branding and marketing and leveraging technology to engage with users of our places efficiently and with impact. Importantly, it is also about our connections within the community and occupiers. We work with community organisations, local people and employers to ensure our places meet their needs and foster a sense of community.

Right Places is about identifying the best locations and using our ***placemaking expertise*** *to deliver* ***Places People Prefer.***"

Retail

	Regional	Local
	Missions include leisure-dominated trips, family day out and the big ticket shop	Missions include local neighbourhood shopper, convenient leisure and single item pick-up
	Typically >30 occupiers	Typically 15-30 occupiers
	Footfall >10 million, spend >£100 million per annum	Footfall often <8 million, spend <£100 million per annum
	Drive-time >20 minutes	Drive-time <15 minutes
	Dwell >60 minutes	Dwell <60 minutes
	Retail offer covers multiple categories with depth of choice in each	Retail offer covers multiple categories and includes local services and amenities
	Significant leisure and food & beverage, e.g. restaurants, cinema	Convenient leisure and food & beverage, e.g. gym and coffee shops

Offices

The benefits of campuses

- Our campuses account for 78% of our Offices portfolio
- Office-led, mixed use environments reflecting changing lifestyles
- Placemaking enhances and enlivens environments, appealing to a broader range of occupiers
- Benefit from strong and improving infrastructure
- Provide a range of flexible accommodation for occupiers
- Drive long term growth through development

The role of standalone assets

- Small clusters and more opportunistic single site assets
- Strong locations within well-managed environments
- Benefit from regeneration or infrastructure improvements
- Provide future refurbishment and development potential
- Shorter investment time horizon providing portfolio liquidity
- Provide greater location flexibility for occupiers

Animating our space
'Umbrella Street' was an innovative, eye-catching public art installation created from dozens of multi-coloured umbrellas, helping to enliven SouthGate, our Regional retail centre in Bath. In its first week, sales and footfall at SouthGate increased by 20%. It was enjoyed by five million people and was a popular fixture on social media, reaching more than 200,000 Twitter users and 40,000 Facebook users.

Our focus on **design** is about creating places which are both functional and attractive, and which complement the surrounding area. We consult extensively with local people before any development. At Canada Water for example we launched our fourth public consultation in May this year ahead of submitting planning.

The next step in our framework is to **enhance** our places with the right mix of uses – retail, office, residential, places to eat, drink and be entertained and to target an occupier mix which is appropriate for the catchment. We use our data to guide everything from the occupiers we target to their optimal location at our schemes. It also informs where and how we invest in enhancements to secure the best return.

Finally, our programme of events, the hospitality we show our customers and the distinctive features of our properties **enliven** our buildings and their environments, making them places people enjoy visiting, spending time and returning to. Our partnership with organisations such as the National Literacy Trust both strengthens our links with local communities and helps enliven our spaces. Our work with the New Diorama Theatre at Regent's Place is a good example of how we are engaging with local communities at our campuses. We have made more than 40,000 sq ft of rehearsal space available to them on a temporary basis, creating one of the largest performing arts spaces of its kind in London.

Placemaking is how we create attractive and engaging real estate

We Connect

Communication
Digital connectivity, branding and marketing

Accessibility
Convenience and access

Community
Supporting communities for local people and occupiers

Community and creativity
121 young carers from our communities explored their creativity this year through our award-winning art:space initiative with arts charity Create. They worked with professional artists at Eden Walk in Kingston, Paddington Central, SouthGate in Bath, Surrey Quays, Whiteley in Fareham and at our head office to deliver creative activities, enlivening our places.

90%
of our car parking spaces are free

Funding community projects
The Regent's Place Community Fund, a joint initiative between British Land and our occupiers has invested £30,000 this year in local community projects including a jobs club for people at risk of homelessness, a health club for the over 60s, mentoring for students and accessible theatre performances for local residents.

52%
of our London assets are close to Crossrail stations

Attracting new brands
Our £60 million refurbishment of Meadowhall is on track to complete by the end of 2017. The improvements have already helped attract new brands to Meadowhall including Neal's Yard, Nespresso, Hawes & Curtis, Flannels and Ghost London.

Improvements driving performance
We invested £6 million enhancing the environment at our Local centre Tollgate in Colchester, reconfiguring the car park, improving landscaping and signage, adding a playground and installing a series of mosaics including one designed by local schoolchildren. ERV growth in the year following completion of the works was 14%.

We Design

Form
Efficient and effective buildings and spaces

Authenticity
How our users feel and interact with the space

Function
Facilities and safety

Promoting wellbeing
We have completed our programme of public realm improvements at Paddington Central, timed to coincide with the launch of 4 Kingdom Street. Landscaped areas and outdoor seating create places to relax and spend time outside the office and an art installation "Message from the Unseen World", a tribute to computer scientist Alan Turing, now spans the width of Bishops Bridge Road enlivening the space underneath the bridge.

We Enhance

Occupier mix
Occupiers and campus community

Segment mix
Balance of different segments and uses

Occupier service
Supporting occupiers and British Land value add

Over 10%

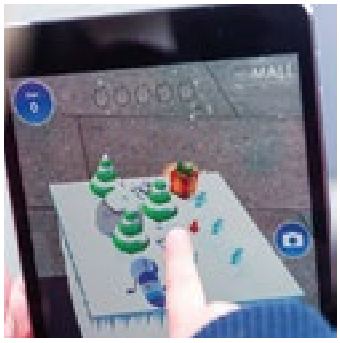
target retail, food & beverage allocation at Broadgate. Currently less than 4%

A broader range of uses
Our plans for the redevelopment of 100 Liverpool Street at Broadgate will add 90,000 sq ft of retail space including a rooftop restaurant. This builds on the success of Broadgate Circle, which brought 11 new brands to this part of the City, and is instrumental in creating a vibrant, mixed use destination at Broadgate.

Upgrading the offer
Since acquiring Ealing Broadway in 2013, we have re-let 30% of the centre to new occupiers. This includes brands attracted by the enhanced environment following our £15 million refurbishment such as Smiggle and Clas Ohlson. We have transformed the dining offer with new brands including Wagamama, Wasabi, Limeyard, Turtle Bay and Chicken Shop.

Innovating to drive footfall
This year we expanded 'Eats from the Street', our pop-up dining concept which saw the British Land Routemaster bus visit 10 of our Regional and Local retail centres serving the best in British street food. The concept was extended later in the year, with 'Street Style', a fashion and beauty event, which ran across seven retail centres. These initiatives widen our retail, dining and leisure offering, and create more dynamic shopping environments.

Bringing people together
Seasonal events at Broadgate included ice skating at Christmas, which attracted 24,000 skaters and live screening of sporting events, over the summer, such as the Olympics and Wimbledon. Our regular events include Broadgate Live, our weekly music session and our artisan food markets which are held twice monthly.



Leveraging technology to entertain
We launched Freezy's Christmas Adventure, an app-based children's game, at 21 Regional and Local centres across our portfolio. The virtual present hunt ran over six weeks and was one of the UK's largest ever augmented reality games in retail property. The app was downloaded almost 6,000 times generating over 16,500 competition entries.

We Enliven

Customer service
On site hospitality and customer service

Events
Bringing people together and attracting visitors

Memorable experience
Creating lasting, positive impressions

OUR STRATEGY – CAPITAL EFFICIENCY

Capital Efficiency

Disciplined use of capital

We allocate capital, manage our finances and partner with like-minded organisations to deliver sustainable long term value.

Capital allocation

We take a disciplined approach to allocating our capital. We forecast returns for each of our properties annually and we are active in selling assets with lower prospective returns, providing capital for reinvestment into opportunities with greater returns for shareholders. Assets with lower prospective returns are generally those where we do not have the opportunity to apply our placemaking expertise to create value. This includes single-let retail assets and those assets where the greatest opportunities for us to add value have already been realised, such as completed, well-let developments. These properties are often attractive to investors who wish to take a more passive approach to property ownership or who attribute greater value to stable income over a longer time horizon.

We have choices over how to invest our capital and assess the returns available both on opportunities within the portfolio and acquiring new properties. Often investments within the portfolio, or acquiring properties adjacent to our existing holdings, result in complementary benefits, enhancing returns. This is particularly the case on our campuses. Risk on investments within the portfolio is also moderated by our existing knowledge of properties and stakeholders such as occupiers and planning authorities.

Developments have delivered some of our strongest returns, but are inherently higher risk, particularly when pursued on a speculative basis. We manage our development exposure carefully, limiting it to 15% of the total portfolio by value with a maximum of 8% to be developed speculatively (i.e. without a pre-let or sale) at any time.

Our development exposure moves within this range depending on our appetite in the prevailing market conditions. Reflecting the uncertainty leading up to the EU referendum and since its result our speculative development exposure has moderated to just 4%.

The scale and nature of our portfolio and our actions to create optionality in the last few years mean that we have a range of value enhancing development opportunities available to us. We believe that we will maximise returns over the medium term by retaining flexibility to pursue many of these opportunities when market demand justifies it. The benefits to shareholders of a more immediate capital return are an important consideration for the Board and this is assessed periodically alongside other uses of capital.

For more information on our development pipeline, see tables on pages 29 to 31.

Debt and leverage

We employ both debt and equity financing. We manage the mix between them to balance the benefits of leverage, including a greater income return, against the risks, including a magnification of the impact of property valuation movements. Loan to value (LTV) on a proportionally consolidated basis is our primary measure of leverage. We aim to manage our LTV through the property cycle such that our financial position would remain robust in the event of a significant fall in property values. This means we do not adjust our approach to leverage based on changes in property market yields.

The scale of our business, the quality of our assets and the security of our rental stream enable us to access a broad range of debt finance on attractive terms. We raise debt from a variety of sources across a spread of maturities to ensure the Group and its joint ventures and funds are appropriately financed with actively managed refinancing risk. We also maintain significant undrawn revolving loan facilities to provide flexibility and support current and future requirements of the business.

For more on our approach to financing, see pages 43 to 45 for our Financial policies and principles.

"Over the last five years we have sold £4.8 billion of assets and reinvested £4.2 billion in acquisitions and developments better aligned with our strategic priorities."

Superstore sales
We have continued to dispose of superstores with £226 million of sales since March 2016. Standalone superstores are now 4% of our portfolio, down from 13% in 2012.

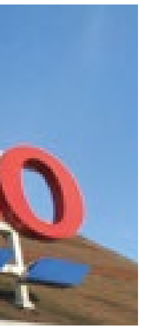
Recycling capital
We sold Debenhams' flagship Oxford Street store for £400 million in July 2016 on terms agreed ahead of the referendum. This disposal reflects the results of our capital allocation process and our strategic focus on multi-let assets where we can control the wider environment.

Investing in partnership
Together with GIC our joint venture partner, we are investing in Broadgate to create a vibrant, world class, mixed use destination. In 2015 we completed the redevelopment of Broadgate Circle and in 2016, UBS took occupation of 5 Broadgate. We have now commenced the 520,000 sq ft redevelopment of 100 Liverpool Street, which includes 90,000 sq ft of retail.

40%
of assets in joint ventures and funds

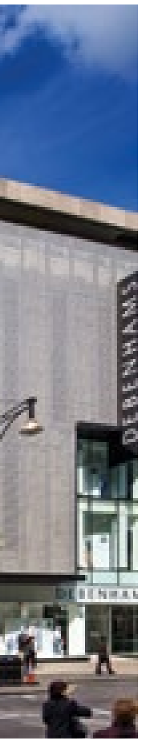
Making sense of BREEAM
Our analysis shows that the additional investment to achieve BREEAM Excellent sustainability ratings on our office schemes is less than 1% of design and construction costs. In our experience, buildings with strong sustainability ratings are easier to rent and achieve higher occupancy levels. We also believe that they perform better over time, providing high quality spaces that promote wellbeing and are futureproofed against climate change regulations.

4m sq ft
of BREEAM Excellent offices, shops, homes and leisure space



Crystallising value from development
Along with our partners Oxford Properties, we exchanged on the sale of The Leadenhall Building this year. This decision to sell reflected that the greatest value creation opportunities from development and leasing had been realised. The price, which was ahead of valuation, crystallised an annualised IRR of 25% since our commitment to develop in 2010 and demonstrates investors' continuing appetite for well let, well located buildings in London.

£378m
invested in development and acquisitions



£1.5bn
assets sold since March 2016

Reducing our footprint
We are fitting 24,000 sq ft of solar panels at Serpentine Green, Peterborough, following the success of a pilot at St Stephen's, Hull. This installation is expected to generate a return on investment of 13% over 25 years and save 3,300 tonnes of carbon, as well as reducing reliance on the National Grid.

97%
of all electricity we purchase across our portfolio comes from renewable sources, working towards 100% as an RE100 partner

Strategic partnerships

We use strategic partnerships to achieve benefits of scale and spread risk. Around 40% of our owned assets by value are in joint ventures and funds, including Broadgate and Meadowhall. Within these structures, we typically provide asset management, development, corporate and finance services, for which we earn fees, enhancing our overall returns and strengthening our relationships with partners, key customers and suppliers.

Energy efficient by design

We focus on achieving high sustainability standards on our developments, optimising energy efficiency and generating renewable energy on site, rather than buying offsets for carbon neutrality. Our approach delivers cost savings for occupiers, well managed buildings for the people who work, shop and live in them and better assets for investors. We have delivered energy savings for occupiers of £13 million over six years, at the same time as optimising lighting, temperatures and air quality for wellbeing and efficiency. We are also improving energy modelling and piloting Soft Landings to close the gap between efficient design and performance.

For more information on carbon reduction, see page 38.

Expert People

3%

we are working towards apprentices making up 3% of our UK supplier workforce by 2020

The knowledge and skills to deliver

We employ Expert People and work with specialist partners to create insight, develop skills and build capacity.

Our 650 employees are split between British Land and our property management business Broadgate Estates. The scale of our operations has enabled us to attract an expert team, with the range of capabilities required to own and operate real estate successfully, and respond to the changing needs of our markets. We have access to a broad network of contacts, spanning occupiers, planners, Government and local authorities, strategic partners and investors, so we see many of the most attractive investment opportunities as well as partnering and funding possibilities. We work closely with industry experts and specialists so we develop buildings which benefit from the latest technologies and provide spaces that promote wellbeing and productivity.

Our people strategy focuses on creating a team who can deliver Places People Prefer. Nurturing talent and supporting development is an important part of the culture at British Land. We have a formal annual appraisal process for each member of our team and empower all employees to progress their careers with personal development plans. We operate a range of online resources to help employees develop their skills and work with Cambridge University to run a Leadership in Real Estate programme. Forty of our staff have benefited from this programme since it was launched in 2014. We are also rolling out training focused on pitching and negotiating skills, recognising the importance of these aspects of customer engagement as well as people management. This year we have embedded new capabilities, particularly in customer-focused research and marketing, where we are using data analytics to generate insights into customer behaviour and digital resources to keep them up to date with activities around the portfolio. We are investing in technology across the business, upgrading our core operational systems, and using artificial intelligence solutions to help ensure our network is better protected. We are mindful of cyber security and have enhanced our security position as well as rolling out cyber awareness training across both British Land and Broadgate Estates. As our business becomes increasingly mixed use, we are also improving the way we work across our teams leveraging skills from different parts of the business across the whole. Our Insight team now works across the portfolio and we are increasingly integrating operations across our core team at British Land and Broadgate Estates in functions such as technology, HR and finance.

We are focused on creating a culture which encourages diversity and inclusion, so the policy throughout British Land is to employ the best candidates available in every position regardless of sex, race, ethnic origin, nationality, colour, age, religion or philosophical belief, sexual orientation, marriage or civil partnership, pregnancy, maternity, gender reassignment or disability. We are a member of People in Property, a forum for Human Resources directors in real estate, and a signatory to their guidelines on diversity and inclusion in recruitment. We are also working towards the National Equality Standard, which sets out equality, diversity and inclusion criteria against which businesses are assessed annually.

For the second year running, Chris Grigg was ranked in the top 20 Ally Executives by Outstanding and the Financial Times and we are pleased that BL Pride, our lesbian, gay, bisexual, transgender (LGBT) and allies network established in November 2015 marched in the 2016 London Pride Parade in support of the Albert Kennedy Trust.

Our women's network had a very successful year, hosting four career management workshops for women, as well as four 'In Conversation' events which are open to everyone. Parental leave coaching has been introduced and the mentoring scheme we piloted last year for women has now been rolled out across the company, offering guidance and support to both male and female employees. We currently have three female Directors on the Board, Lucinda Bell, Chief Financial Officer, and Lynn Gladden and Laura Wade-Gery, both Non-Executive Directors. As at 31 March 2017, 47% of employees across British Land and Broadgate Estates were female, including three out of 10 of our Executive Committee. This placed us in the top 20 of FTSE 100 companies having at least 33% women's representation across Executive Committee members and their direct reports as reported in the Hampton-Alexander Review in November 2016.

Promoting health and wellbeing across the business is an important part of our culture. This year we launched a Wellbeing Committee which will focus on mental health and personal wellbeing and we have updated our policy on Shared Parental Pay to provide equal enhanced benefits for all parents following the birth or adoption of a child. We also set out new flexible working guidelines and are leveraging technology to enhance both productivity and employee wellbeing. We encourage the recruitment of underrepresented ethnic minorities through our support for initiatives such as Pathways to Property, Budding Brunels and UrbanPlan UK. These schemes all encourage young people from a wide range of backgrounds to consider careers in real estate. Our volunteering programme offers our staff opportunities to connect with local communities and develop their skills, particularly through skills-based volunteering for example as charity trustees and school governors. 90% of British Land staff took part in volunteering activities and 16% undertook skills-based volunteering throughout the year.

Both British Land and Broadgate Estates participate in the 'Best Companies' survey published in The Sunday Times. This survey provides an objective measure of employee

"Being an apprentice at Meadowhall and then progressing into a permanent role here, every day is different and I am always faced with something new, which I enjoy."

Chloe Simmonite, Customer Service Assistant at Meadowhall

Developing future talent
Over 100 apprentices have worked on the construction of Clarges and 4 Kingdom Street through our Bright Lights skills and employment programme.

Royal College of Art
Postgraduate Art & Design

Encouraging creativity
We entered a new design partnership with the Royal College of Art, the world's number one art and design university, challenging students to produce creative responses to development opportunities across our portfolio. This year, the first of a three year partnership, has seen students consider opportunities to innovate in the residential and office markets.

satisfaction and valuable feedback on how we can focus our actions in this area to improve further. As part of our continuous programme of employee engagement, both British Land and Broadgate Estates host company meetings where directors update the team on business activities, financial results and strategy. Colleagues at all levels of the business are offered the opportunity to participate in our well-established all-employee share schemes, aligning their interests with those of shareholders.

We have long recognised the importance of developing the skilled workforce of tomorrow for our business and markets. Through our Bright Lights skills programme, we partner with occupiers, suppliers and local authorities to support apprenticeships, training, work experience, internships and employment at our places. We support the Pathways to Property scheme, and are pleased to have recruited one of the graduates to join our own graduate scheme, starting in September 2017. Over 21,500 people benefited from our skills, employment and educational initiatives this year. Our Supply Chain Charter sets out 12 principles we require our suppliers to work towards and we partner with occupiers and suppliers on fair working practices including the Living Wage Foundation.

Our respect for human rights is embedded in how we do business. We are a signatory to the UN Global Compact which supports a core set of values, including human rights, and have made appropriate disclosures in respect of the Modern Slavery Act. We are also a member of APRES, an action programme on responsible and ethical sourcing across the construction industry.

Our gender split

	2017		2016	
	M	**F**	M	F
British Land	**52%**	**48%**	52%	48%
Broadgate Estates	**53%**	**47%**	52%	48%
Group total	**53%**	**47%**	52%	48%

Read more about our Expert People and their views at **www.britishland.com/blogs**
To read more about skills development go to **www.britishland.com/skills**

For our Supply Chain Charter go to **www.britishland.com/suppliers**

For more information on the Board of Directors see pages 56 to 59.

For our Modern Slavery Act Disclosure go to **www.britishland.com/msa**

British Land is in the

Top 20

of FTSE 100 companies having at least 33% women's representation across executive committee members and direct reports, as reported in the Hampton-Alexander Review, November 2016

Helping women succeed
Our women's network hosted conversation events with Nicola Shaw, CEO of High Speed I, Natasha Stromberg, Founder of Genderbuzz and architect Amanda Levete, who designed the Museum of Art, Architecture and Technology in Lisbon and the entrance, gallery and courtyard of the V&A.

BRIGHT LIGHTS

Providing training, skills and employment
Through our Bright Lights programme, we helped around 70 young people embark on careers in retail and hospitality this year. We delivered Bright Lights Starting Out in Retail and Hospitality in partnership with our retail and leisure occupiers and The Source Skills Academy, which we established with Sheffield City Council in 2003.

75%
of Bright Lights retail and hospitality trainees progressed into employment

British Land

Supporting vulnerable young people
We partner with the Albert Kennedy Trust, a charity which provides accommodation and support for vulnerable LGBT people. We sponsor a room in their safe house and this year seven British Land volunteers spent time at the safe house helping with decorating and gardening.

OUR KEY PERFORMANCE INDICATORS

How we performed over the past year

Our objective

Deliver sustainable long term value for all our stakeholders

Our priorities in the year were

What we have achieved

Customer Orientation

- Improve understanding of our customers
- Provide spaces reflecting evolving customer needs

- Attracting retailer and leisure occupiers to new formats and new locations
- Providing the flexibility for existing occupiers to upsize
- 30,000 customers surveyed as part of our True Value of Stores research
- Around 40,000 shopper surveys conducted across our Retail portfolio each year
- Nearly 4,000 office workers surveyed on their perspectives on the workplace
- Office Agenda website launched to engage with key decision makers at current and potential occupiers
- Commenced fit out of 25,000 sq ft of flexible workspace pilot at Broadgate for the digital team of an existing occupier
- Committed to both the WELL standard for Wellbeing and the WiredScore Platinum rating for internet connectivity and infrastructure at 100 Liverpool Street
- 84% shopper score for perception of wellbeing at our Retail assets and 89% occupier score for sense of pride in office space at our campuses

Right Places

- Use placemaking to deliver improved customer experience
- Accelerate delivery of multi-let Regional and Local lifestyle retail
- Progress Canada Water vision and masterplan

- 1.7m sq ft of leasing across Retail and Offices, 8% ahead of ERV
- Over 700,000 sq ft of space under offer or in advanced negotiations across office developments
- 85,000 sq ft of space let on a short term or meanwhile basis, which enliven our campuses and address lease expiries while preserving optionality for redevelopment
- Progressing our vision at Broadgate: on site at 100 Liverpool Street (520,000 sq ft); planning submitted on a refurbishment of 1 Finsbury Avenue (288,000 sq ft) and 135 Bishopsgate (325,000 sq ft), with increased retail and leisure provision at both; planning achieved on a redevelopment of 2&3 Finsbury Avenue (563,000 sq ft)
- Entire 310,000 sq ft of office space under offer for a pre-let at 1 Triton Square redevelopment, Regent's Place
- Public realm improvements completed at Paddington Central ahead of launch of 4 Kingdom Street
- In the West End, office space at our recently completed developments at 4 Kingdom Street, 7 Clarges Street and Yalding House are now around 80% let or under offer at rents ahead of pre-referendum ERVs on a net effective basis
- Planning submitted on 322,000 sq ft Leisure Hall at Meadowhall; on track to complete £60m refurbishment before the end of 2017
- Planning achieved for 538,000 sq ft mixed use re-development of Eden Walk, Kingston
- Completed Glasgow Fort leisure quarter and on site with a leisure extension at New Mersey, Speke
- Progressing plans at Canada Water with public consultation in May 2017; on track to submit planning around the end of the financial year
- Applying our Local Charter so our places become part of their local community
- £1.7m community programme benefiting 35,600 people (2016: £1.7m and 29,500) including children and jobseekers
- Augmented reality games across retail portfolio and established programme of events at our campuses

Capital Efficiency

- Deliver budget
- Progress developments alongside material pre-lets
- Continue to sell single-let and non-core Retail

- 7.4% increase in Underlying Profit to £390m
- £1.5bn of asset sales exchanged 9% ahead of valuation
- £881m retail disposals including £400m Debenhams Oxford Street and £226m superstores, increasing multi-let % of retail portfolio to 78% (March 2016: 71%)
- Sale of our 50% interest in The Leadenhall Building, ahead of valuation (£1.15bn, 100%)
- Acquisition of New George Street Estate, adjacent to Drake Circus and proposed leisure scheme
- Acquisition of 10-40 The Broadway adjacent to Ealing Broadway Local retail centre
- Increased our ownership of Hercules Unit Trust to 76.5% (2016: 75.3%)
- LTV reduced to 29.9% (26.9% proforma for sale of The Leadenhall Building) from 32.1% at March 2016; no requirement to refinance until early 2021
- 2.3m sq ft of planning consents secured with a further 1.3m sq ft of planning applications submitted
- 93% of developments on track to achieve BREEAM Excellent for offices and Excellent or Very Good for retail (2016: 82%; 2020 target: 100%)
- 35% reduction in landlord energy intensity and 44% reduction in carbon intensity versus 2009, index scored (2016: 38% and 40% respectively; 2020 target: 55%)
- 98% of waste diverted from landfill (2016: 98%; 2020 target: 100%)

Expert People

- Improve Company organisational effectiveness
- Embed placemaking across the business

- Organisational design initiatives and IT improvements implemented to improve efficiency
- Combining British Land and Broadgate Estates resources into Centres of Excellence for Technology, HR and finance operations, leveraging best practice and generating efficiencies
- Bright Lights skills and employment programme launched, working with our occupiers and suppliers to build people's skills and help them find employment
- 29 people benefited from pitching and negotiating training
- Continuing focus on creating an inclusive culture which celebrates diversity; successful year for our Women's Network and BL Pride with Wellbeing Committee formed in the year
- Ranked in the top 20 of FTSE 100 companies having at least 33% women's representation across Exco and direct reports, per Hampton-Alexander Review
- 100% of employees and 72% of supplier workforce at our managed properties paid the Living Wage Foundation Wage (2016: 100% and 72% respectively)
- 1.7% apprentices in pilot study of tier 1 suppliers and 3.1% for tier 2 development suppliers (2020 target: 3%)
- 90% British Land employee volunteering and 16% skills-based volunteering in local communities (2016: 84% and 16%; 2020 targets: 90% and 20% respectively)
- Policy on Shared Parental Pay updated to provide equal enhanced benefits to all parents

For definitions see Glossary on pages 177 to 179.

Our KPIs – how we measure up

Risk indicators and incentive measures

Total accounting return (TAR)

LTIP AI

2017	2.7%
2016	14.2%
2015	24.5%

- Total accounting return is our overall measure of performance. It is the dividend paid plus the growth in EPRA NAV per share
- During the year, we generated a TAR of 2.7%. Our dividend increased by 3.0% to 29.2 pence per share and our EPRA NAV decreased by 0.4% to 915 pence per share

Risk indicators we monitor:
- Forecast GDP
- The margin between property yields and long term borrowing costs
- Property capital growth and ERV growth forecasts

Management compensation linked to:
- Total accounting return relative to relevant comparator groups

Customer satisfaction

AI

Out of **10**

2017	8.1
2016	7.9
2015	7.8

We extensively survey the users of our places to assess our performance and identify opportunities for improvement.

Sustainability performance

AI

- Dow Jones Sustainability Index World and Europe 2016: 95th percentile
- FTSE4Good 2016: 95th percentile
- Global Real Estate Sustainability Benchmark 2016: European Sector Leader Diversified

We use industry-recognised indices to track our sustainability performance. We were pleased to have been awarded the Queen's Award for Enterprise: Sustainable Development 2016.

Risk indicators we monitor:
- Consumer confidence
- Employment forecasts for relevant sectors
- Market letting risk (vacancies, expiries, speculative development)

Management compensation linked to:
- Company reputation with all stakeholders
- Supporting the delivery of sustainability objectives

Total property returns

LTIP AI

		vs IPD
2017	3.1%	-150bps
2016	11.3%	in line
2015	18.4%	+130bps

We have underperformed the IPD benchmark this year reflecting our lack of exposure to Industrial, the strongest performing category. Our Retail and Offices portfolios each outperformed their respective benchmarks by 70 basis points and 10 basis points respectively.

Speculative development commitment

		% of standing investments
2017	£0.5bn	3.7%
2016	£0.5bn	3.8%
2015	£0.6bn	4.3%

Development supports value and future income growth, but adds risk. We keep our committed development exposure at less than 15% of our investment portfolio, with a maximum of 8% developed speculatively.

Risk indicators we monitor:
- Property capital return and ERV growth forecasts
- Total and speculative development exposure
- Progress of developments against plan

Management compensation linked to:
- Total property returns relative to IPD
- Execution of targeted acquisitions and disposals
- Progress on key projects including developments

Loan to value (LTV) – proportionally consolidated

2017	29.9%
2016	32.1%
2015	35.3%

We manage our leverage such that LTV should not exceed a maximum threshold if market yields were to rise to previous peaks.

Weighted average interest rate – proportionally consolidated

AI

2017	3.1%
2016	3.3%
2015	3.8%

Our low cost of finance supports our financial performance and we have had success in reducing it.

Risk indicators we monitor:
- Covenant headroom
- Period until refinancing is required
- Percentage of debt at fixed interest rates

Management compensation linked to:
- Execution of debt financings
- Progress on strengthening the dividend

Best Companies survey

AI

2017	One to watch
2016	One star
2015	One star

The Best Companies survey published by The Sunday Times provides an extensive and objective measure of employee engagement

Risk indicators we monitor:
- Unplanned executive departures

Management compensation linked to:
- Quality of people and management renewal

Links to remuneration

LTIP Long-term Incentive Plan

AI Annual Incentive award

For our Remuneration Report see pages 73 to 88.

For how we manage risk in delivering Our strategy see pages 46 to 53.

Our high quality portfolio continues to generate strong income streams with high occupancy and long leases; we also have optionality to create value from our development pipeline

£13.9bn
portfolio valuation

3.1%
total property return

1.1%
ERV growth

-1.4%
valuation movement

8.3 years
weighted average unexpired lease term

98%
occupancy rate

44%
carbon intensity reduction since 2009 (index score)

Market and strategy

It is nearly one year since the UK voted to leave the European Union. In that time, the economy has outperformed expectations, with GDP projections for 2017 revised upwards to an average of 2% and unemployment below 5%, its lowest in over 40 years. However, we have entered a prolonged period of uncertainty and businesses will face a number of headwinds. Mindful of this background, but facing a clear need to move forward, occupiers are continuing to make decisions, but plans are taking longer to come to fruition.

This is reflected in our markets. IPD capital return fell 2.4% in the three months immediately following the referendum but since then, six months of positive capital returns totalling 2.0% have partially reversed this position.

On the investment side, overall volumes are down year on year. However, London offices saw a pick-up in activity towards the end of 2016, and momentum was sustained into 2017, with a number of high profile transactions, concluded at tight yields, generally ahead of valuation. This included our exchange of The Leadenhall Building, which demonstrates the continuing appeal of high quality, well located properties in London. In retail, activity has been subdued with a lack of quality stock being brought to the market. This has resulted in limited transactional activity in multi-let retail, although long term, secure income assets remain attractive to a range of investors.

We expect Brexit-related headwinds to impact our occupational markets. In offices, it will be some years before we have clarity on the impact of proposed regulatory changes which may affect occupier demand, particularly in financial services. However, demand from more creative sectors, which has accounted for a growing share of activity in recent years, has held up well, and we are encouraged that a number of leading global companies have reaffirmed their commitment to London since the referendum. Vacancy rates have risen from low levels to marginally above long term averages in both the City and West End following recent development completions. We expect further supply to apply downward pressure on market rents, but our experience today is that the right space in strong locations continues to command rents around pre-referendum levels. Central London development is forecast to be at elevated levels, but we are increasingly seeing plans being deferred or cancelled, and a significant proportion of the supply proposed in 2019 and 2020 remains uncommitted.

Retailers are facing a more challenging environment with cost pressures from a number of sources including the National Living Wage, business rates in some areas and import cost inflation. These factors will heighten their focus on the best space, where to date, demand has held up well. On the consumer side, confidence will be vulnerable to political and economic uncertainties and we have seen some evidence of softening retail spend in the first part of 2017 with inflation impacting disposable income.

Our view is that Brexit will accelerate polarisation in our markets. In recent years we have positioned our business to benefit from the long term trends driving demand for space, by providing places which reflect people's changing lifestyles. Our data-driven approach to understanding how people use our properties guides investment and placemaking activities across our portfolio, as well as our approach to targeting an increasingly broad range of occupiers. We provide places with a blend of uses and a mix of services in attractive environments, accommodating the preferences of our occupiers, their customers and employees. This is most effective where we control the wider surroundings, underpinning our focus on our multi-let retail properties and our London campuses.

Portfolio performance

Our portfolio saw a valuation fall of 1.4% over the year. The decline of 2.8% in the first half was primarily due to outward yield shift of 19 bps. This was partially offset by a valuation increase of 1.6% in the second half when yields moved inwards by 5 bps and we benefited from the impact of sales, particularly our 50% interest in The Leadenhall Building which exchanged in the year. Valuations were also supported by continuing ERV growth.

The value of our Retail portfolio was down 1.8% reflecting total outward yield shift of 14 bps, with 18 bps movement in the first half partially offset by 3 bps contraction in the second half. We saw variation within Retail, with the strongest ERV growth on our multi-let portfolio at 2.4%. This was 2.5% at our Local centres, marginally ahead of our Regional centres at 2.3%. We saw a valuation fall on superstores of 5.2%, reflecting a fall in ERVs of 4.0%, but a stronger performance across our other single-let assets with valuations up more than 5%. This reflected the sale of Debenhams, Oxford Street and lease extensions and rent increases agreed across our Homebase portfolio.

Offices were down 0.7% with outward yield movement of 15 bps for the full year, as 21 bps expansion in the first half was partially offset by 6 bps contraction in the second half. We saw

Year ended 31 March 2017	Valuation £m	Valuation movement %	ERV growth %	Total property return %
Retail	6,654	(1.8)	1.6	3.5
Offices & Residential	7,015	(0.5)	0.5	3.0
Canada Water	271	(10.8)	0.9	(8.1)
Total	**13,940**	**(1.4)**	**1.1**	**3.1**

the largest valuation falls on assets with near term expiries, particularly those properties vacated by UBS at Broadgate. Conversely, UBS's new building 5 Broadgate gained in value benefiting from a long lease with RPI linked uplifts. The value of The Leadenhall Building also increased reflecting the sale price agreed 24% above valuation.

The value of Canada Water fell 10.8% reflecting the valuer's reassessment of development risk and returns, particularly on residential, as well as planning and feasibility costs not recovered. This 46-acre regeneration opportunity is valued at £6 million per acre. The next major value creation step is expected to be on securing planning.

Our portfolio outperformed IPD at the sector level, with Retail and Offices 60 bps and 40 bps ahead on a capital returns basis. Overall we underperformed the IPD universe which comprises 20% industrial assets which performed well this year, by 110 bps on a capital return basis and by 150 bps on a total return basis.

£2.0bn
gross investment activity

£1.5bn
disposals

£0.5bn
acquisitions and capital expenditure

1.7m sq ft
lettings and renewals

+8%
lettings and renewals ahead of ERV

Investment and development activity

The gross value of our investment activity since 1 April 2016, as measured by our share of acquisitions, disposals, capital spend on developments and other capital projects was £2.0 billion. This includes £1.5 billion of sales on average 9% ahead of valuation, at an average yield of 4%. Net divestment was £1.1 billion.

Offices sales included our 50% interest in The Leadenhall Building, which exchanged in March for a headline price of £1.15 billion (100%). The sale, to C C Land, is conditional upon C C Land shareholder approval. A Special General Meeting of the shareholders of C C Land has been convened on 18 May 2017 to approve the transaction. We expect the transaction to complete shortly thereafter. This transaction is a good example of how our standalone office assets provide liquidity allowing us to develop and trade opportunistically. At our campuses we focus on delivering sustainable returns over the long term.

In Retail, we made £881 million of disposals, 3% ahead of valuation, comprising £709 million of single-let properties and £172 million of multi-let assets which were not aligned with our strategic goals. The largest sale was Debenhams, Oxford Street for a price of £400 million. We sold £226 million (£410 million gross value) of superstores including £116 million as part of our Tesco JV swap transaction which exchanged and completed after the year end, resulting in the termination of the last of our five Tesco joint ventures. In aggregate, our Tesco joint ventures delivered an annualised return of over 10% since the first one was established in 1997. Over the last five years, we have now sold over £900 million of superstores, reducing their weighting in the Retail portfolio from 22% to 8% and in the overall portfolio from 13% to 4%. Multi-let retail now accounts for 78% of the Retail portfolio increasing from 71% at the start of the year.

We have progressed sales at each of our residential schemes with £56 million exchanged over the year, on average 4.5% ahead of valuation with a further £27 million reserved at prices in line with March 2017 valuations. Sales at Aldgate Place were exchanged at prices in line with valuation, leaving just one apartment to sell. At The Hempel Collection, sales accelerated following the launch in March 2017, and a reduction in prices by 10%. At Clarges, Mayfair we intend to market the remaining 11 apartments following completion in late 2017 but we agreed the sale of one of the larger apartments in the year ahead of valuation following a one-off approach. This activity reduces our residential properties to sell to £210 million of which £150 million is at Clarges.

Our £195 million of acquisitions in the year were focused on adjacencies to existing holdings, notably our £64 million acquisition of the New George Street Estate in Plymouth which lies between Drake Circus and our proposed leisure scheme and our £49 million purchase of 10-40 The Broadway, Ealing which is adjacent to our Ealing Broadway Local retail centre. In both cases these acquisitions complement and enhance our existing plans.

Development spend totalled £183 million in the year. We completed almost 200,000 sq ft of office space at 4 Kingdom Street, Paddington Central and 7 Clarges Street and 187 apartments at Aldgate Place (Phase 1) and The Hempel Collection. Capital expenditure enhancing our assets was £109 million, including extensions and unit reconfigurations at our multi-let retail assets with directly associated income uplifts. We have invested £44 million improving our retail environments, notably at Meadowhall which accounted for £23 million, as part of our £60 million (100%) refurbishment. This completes at the end of 2017, and is the most significant investment in the centre since it opened in 1990, ensuring that it continues to meet consumers' evolving expectations. We are already seeing a good response from occupiers with 37 long term lettings and renewals signed here in the year. We have also invested £5 million enhancing the public realm at our London campuses, primarily Paddington Central, as part of a £12 million investment programme.

Following development completions, our speculative development exposure has reduced to below 4%. This is well within our internal risk threshold for speculative development. This threshold was reduced to 8% of overall portfolio value from 10% in the year, reflecting a moderation of our appetite for speculative development risk given uncertainty in our markets. Our most significant commitment is 100 Liverpool Street at Broadgate; totalling 520,000 sq ft, including 90,000 sq ft of retail. It is due to complete at the end of 2019, with costs to come of £152 million (British Land share). We also commenced a 66,000 sq ft leisure development at New Mersey, Speke which is largely pre-let and expect to complete the residential element of Clarges, Mayfair later this year.

Construction cost forecasts continue to suggest a slowdown in the rate of growth over this year and next, despite increasing pressure on input costs. Our experience suggests that cost inflation is marginally lower than it has

From 1 April 2016	Retail £m	Offices £m	Residential £m	Canada Water £m	Total £m
Purchases[1]	187	–	–	8	195
Sales[1,2]	(881)	(609)	(56)	–	(1,546)
Development Spend	20	132	21	10	183
Capital Spend	91	18	–	–	109
Net Investment	**(583)**	**(459)**	**(35)**	**18**	**(1,059)**
Gross Investment	**1,179**	**759**	**77**	**18**	**2,033**

On a proportionally consolidated basis including the Group's share of joint ventures and funds
1 Includes £43m acquisitions and £116m disposals that exchanged and completed post year end as part of the Tesco JV swap transaction resulting in a net £73m disposal of superstore assets; also includes a further £49m acquisition that exchanged and completed post year end.
2 Of which, £575m Offices sales and £19m Residential sales completing post year end.

PERFORMANCE REVIEW CONTINUED

Developments

At 31 March 2017	Sq ft '000	Current value £m	Cost to complete £m	ERV £m	ERV let/ under offer £m	Residential exchanged £m	Spec dev.[1] %
		British Land share					
Completed in year	489	343	37	16	11	–	
Committed	690	478	218	21	1	278	4%
Near term	1,083	345	338	43	25	–	6%
Medium term	3,031						
Canada Water	5,500						

On a proportionally consolidated basis including the Group's share of joint ventures and funds (except area which is shown at 100%).

1 Speculative development is defined as valuation plus costs to come less percentage pre-sold/pre-let as a proportion of the investment portfolio value. The near term figure quoted is the current position pro forma for commitment of near term opportunities.

been over the last two years. However, we continue to take a cautious view and maintain prudent allowances within project budgets to reflect specific sectors and locations. 90% of the costs on our committed development programme have been fixed.

Our divestments, totalling £1.5 billion this year, our planning activity and progress on leasing discussions improve our optionality and leave us well placed to make timely decisions on commitments in our development pipeline. Our completed developments are substantially let, with almost 80% of the office space at 4 Kingdom Street under offer, and over 80% of the office space at 7 Clarges Street let. Leasing discussions on our committed pipeline are progressing and we are under offer on all of the office space at our proposed redevelopment of 1 Triton Square. This activity enables us to progress developments whilst keeping speculative commitments at an appropriate level. We secured planning consents totalling 2.3 million sq ft in the year across the portfolio and submitted planning applications on a further 1.3 million sq ft. This provides for a much wider range of opportunities in the near and medium term than we had at the start of the year.

In our near term pipeline, we expect to commit to the refurbishments of 1 Finsbury Avenue (288,000 sq ft) and 135 Bishopsgate (325,000 sq ft) at Broadgate, in the coming months following receipt of planning and agreement with our joint venture partner. Our plans at both include increasing retail and leisure space by 88,000 sq ft including a cinema and roof terrace being added to 1 Finsbury Avenue. Royal Bank of Scotland will be surrendering their lease at 135 Bishopsgate in June 2017 ahead of expiry in 2019 and we will receive a payment of £34 million (100%) compensating for the remaining lease term and dilapidations; we are already seeing good interest on a significant portion of the space here. At 1 Triton Square we are currently under offer on all of the office space, and have received approval from the London Borough of Camden for our redevelopment. Subject to completion of the planning process and the pre-let, we expect to commit and to start on site in March next year. This will coincide with the expiry of short term leases agreed to maintain optionality for the redevelopment of this site while mitigating holding costs. On the retail side, we are refining our plans for a 104,000 sq ft leisure scheme at Drake Circus in Plymouth and we expect to start on site next year. In total, these commitments amount to £338 million of spend and would take our speculative development commitment to 6%.

Looking further ahead, our medium term pipeline covers a range of uses, including office-led development in London, and retail and mixed use developments across the country and at Canada Water. The majority of these projects are income producing, (including 2&3 Finsbury Avenue and Eden Walk) or are held at low cost (Blossom Street and the proposed leisure scheme at Meadowhall) providing us with real optionality on the timing and nature of our commitment. The total potential cost associated with these opportunities is £1.4 billion plus Canada Water. We will maintain an appropriate level of development risk, and so on our office-led developments, commitment is likely to be influenced by the progress of pre-let discussions. We have a disciplined approach to capital allocation and retain the flexibility to respond to the changing environment.

Opportunities at our campuses include the 105,000 sq ft Gateway Building at Paddington Central, where we are in advanced negotiations with an operator for a boutique hotel on the site of the current management suite. We expect to proceed if these discussions are successful, subject to planning. We are also working to enhance the existing consent for a 240,000 sq ft office building at the site of 5 Kingdom Street. In the meantime, we have let space on a short term basis to Pergola Paddington Central, who are creating an 850-capacity pop up dining concept which benefits the broader campus. At Broadgate, we have secured planning for a 563,000 sq ft redevelopment of 2&3 Finsbury Avenue; UBS have vacated 2 Finsbury Avenue and we have secured short term lettings on 90% of this space whilst their lease at 3 Finsbury Avenue remains in place (break in late 2018). Looking further forward, we expect to take vacant possession of 1-2 Broadgate in summer 2019 and are working up our plans for a 375,000 sq ft scheme which will include a substantial retail element. At Blossom Street, we have secured full consent on a 340,000 sq ft office-led mixed use development.

Our retail opportunities include a 322,000 sq ft leisure extension at Meadowhall. We have submitted our plans and expect a decision over the summer with a view to starting on site in 2018. Our plans envisage a multi-level Leisure Hall with dining and entertainment options alongside high quality internal and external spaces for events and community use, including new restaurants, a new cinema, café court and gym.

Eden Walk is a 538,000 sq ft mixed use, regeneration scheme in Kingston, which we own in joint venture with USS. In March 2017, we achieved consent for our development, which includes 40 new retail and restaurant units, 380 new homes and 35,000 sq ft of high quality, modern and flexible office space. Our proposal will create an estimated 600 additional jobs for local people. We are progressing our plans to secure vacant possession of the site, and expect to commence development in 2019, but in the meantime the scheme is income producing with a yield of 3.4%.

Canada Water is the most significant development opportunity in our medium term pipeline; the shopping centre and leisure scheme remain income producing with a yield of 2.8%. We are working closely with the London Borough of Southwark, the Greater London Authority, Transport for London and the local community on our masterplan for the 46 acre site, with plans for up to 5.5 million sq ft of space across a wide range of uses. This includes 2 million sq ft of workspace and 1 million sq ft of retail and leisure space alongside educational and cultural uses and up to 3,500 new homes. These will include a mix of affordable and market priced housing as well as a more targeted provision, including student accommodation. The revised masterplan integrates principles of sustainability and wellbeing which will create a new urban centre for London. Our active programme of engagement with the local community and other stakeholders includes our fourth public consultation which started earlier this month and we are targeting submission of a planning application around the end of the financial year. We will evaluate phasing of the project and potential funding structures as we move closer to securing planning. In the meantime, we have been engaging with a wide range of potential occupiers and are encouraged by the interest. In the short term, we have created an exciting new events space at the Printworks to raise the public profile of the area and to generate income, as well as testing the appetite for this kind of facility within our plans. The space has already played host to Secret Cinema and Mulberry in London fashion week, and now regularly hosts cultural events. In total, almost 100,000 people have attended events there.

More details on the portfolio, property performance, individual developments and assets sold and acquired during the year can be found in the detailed supplementary tables on pages 162 to 171.

Our actions this year have positioned us to exploit optionality we have created in our development pipeline

Committed

100 Liverpool Street, Broadgate

520,000 sq ft

Completing: 2019
Office led development at the gateway of our Broadgate campus, adjacent to new Liverpool Street Crossrail station. Plans include 90,000 sq ft of retail and leisure.

Clarges, Mayfair (residential)

34 apartments

Completing: 2017
Mixed use development comprising 34 luxury apartments of which 60% pre-sold (by value), 11 apartments to sell on completion.

New Mersey, Speke (leisure)

66,000 sq ft

Completing: 2018
Leisure extension, 64% pre-let and anchored by an 11-screen Cineworld.

Near term

1 Finsbury Avenue, Broadgate

288,000 sq ft

Target commitment: 2017
Refurbishment with a mix of retail and leisure at ground floor, including a cinema, with more flexible office space on the upper floors and roof terrace.

1 Triton Square, Regent's Place

366,000 sq ft

Target commitment: 2017
Redevelopment of existing building adding 125,000 sq ft of office space. Under offer for pre-let of entire office space.

Drake Circus, Plymouth (leisure)

104,000 sq ft

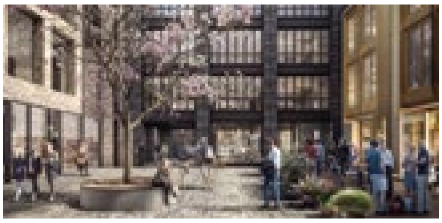
Target commitment: 2018
Leisure extension will include a 12-screen Cineworld, 13 restaurant units and 420 car park spaces.

Medium term

Gateway Building, Paddington Central

105,000 sq ft

Target planning submission: 2017
Boutique hotel and leisure scheme, providing a new use to Paddington Central.



Blossom Street, Shoreditch

340,000 sq ft

Planning obtained: 2016
Mixed use development in Shoreditch. Our plans envisage character offices with a mix of floorplates alongside retail and residential, retaining much of the original fabric of the buildings.

Canada Water

5.5m sq ft

Target planning submission: end of the financial year
46 acre mixed use regeneration opportunity in London. Our masterplan, covering 5.5 million sq ft, envisages a broad mix of workspace, retail and leisure, residential and community use. Existing uses provide an income yield of 3%.

We've had a successful year. We have leased well, our operational metrics continue to outperform and we've grown our rents, particularly where we have invested

Charles Maudsley
Head of Retail and Leisure

Our Retail business has had a successful year, evidenced by our continued strong leasing, our operational metrics which are outperforming and our ERV growth which is ahead of the market, particularly where we have invested. This is our tenth consecutive year of outperformance on a total returns basis. This is testament to our strategy, which is to create outstanding places for modern consumer lifestyles.

The growth of online has driven polarisation in retail, as occupiers are increasingly focused on the best, and the most appropriate space to profitably grow sales across all channels. We expect this trend to accelerate in the coming years, as retailers face a range of headwinds such as cost inflation and weaker consumer spending while the terms on which the UK leaves the EU are negotiated. For many of our occupiers, the best space means a number of flagship or "hub" stores supplemented by a network of more convenient outlets which ensure sufficient coverage and are an important part of online fulfilment networks, including click and collect. This mirrors our strategy in Retail which is to operate both Regional centres, attracting visitors from a wide catchment for planned trips, with a breadth and depth of retail and leisure, and Local centres which fit into the daily life of communities and are more convenient and accessible.

Retail highlights of the year

Our Retail portfolio

£6.6bn
portfolio valuation (British Land share)

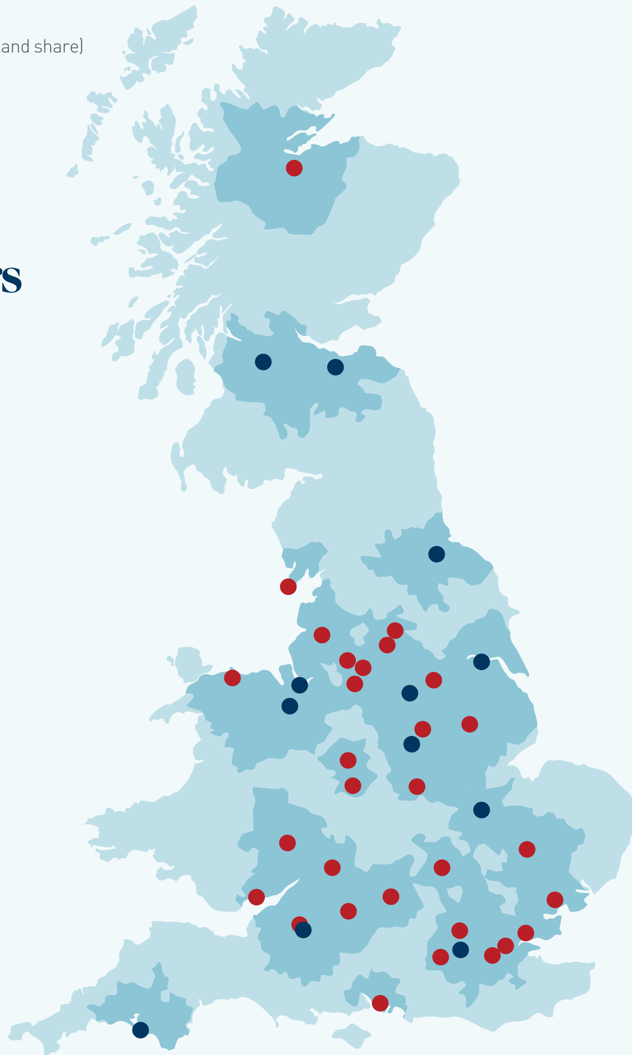
98%
occupancy rate

8.6 years
lease length to first break

312m
annual footfall

Our portfolio has the potential to reach

60%
of the population



Key
- Regional centres
- Local centres
- Asset catchment areas

Source: CACI Retail Footprint 2016

Our focus is on our occupiers and their customers and we use a range of sources to understand needs. We engage with consumers directly through shopper surveys and collect data on their online interactions, generating insights about how, when and where people like to shop. This guides everything from our investment in the portfolio to the occupiers we are targeting, enabling us to position our centres to be the best in their catchment, for the range of shopper missions they serve. A high level of customer services is a key element of our offering and we now manage our retail assets in-house through Broadgate Estates; this transition was completed in the year and we have been very pleased with how this has enabled us to deliver a consistent and a high standard of service across our retail portfolio.

This year, footfall and in-store sales (which exclude click and collect and the boost to online from physical stores), outperformed their benchmarks by 240 bps and 220 bps respectively, but both were flat overall. Differing dynamics were evident across our portfolio, with footfall at our Regional centres down 1.9% but sales up 0.3% illustrating how people are visiting these larger centres less frequently, but spending more. At our Local centres, footfall was up 2.1% but in-store sales were down 0.7% reflecting greater click and collect usage at these sites which is not included within in-store sales. Our True Value of Stores research, conducted in the year with retail consultancy GlobalData illustrated the important role physical stores play in boosting sales across other channels, including click and collect. On average, click and collect usage is 46% greater at our Local centres than the national average and click and collect customers spend around 50% more than the average shopper. This outperformance illustrates that in a polarising market, our centres are attracting a disproportionate share of consumer demand.

This year, despite a more uncertain trading environment, and with the portfolio virtually full at 98%, we let more space, on better terms, to a wider range of occupiers than in the previous year. Lettings and renewals totalling 1.3 million sq ft were signed in the year, on average 10.8% ahead of ERV. Our Regional centres accounted for approximately two-thirds of this activity but both Regional and Local centres achieved leasing terms which were strongly ahead of ERV.

Our leasing covered a broad range of sectors, but we were particularly successful in fashion, homewares and food & beverage which accounted for 25%, 27% and 15% of leasing respectively. Reflecting our customers' preferences, our plans are to increase the leisure and food & beverage allocation across our portfolio from the current position of 10% (up from 6% four years ago), and we made good progress on this in the year with 133,000 sq ft of lettings. We are particularly pleased that several of our occupiers have chosen our assets for their first out of town locations including Thaikhun, Wahaca, Smiggle, Superdry, Charles Clinkard and Pret-A-Manger. This success reflects an

Over 5,000 children took part in the Young Readers Programme organised in partnership with the National Literacy Trust across 22 centres in our portfolio enlivening our spaces and strengthening links with local communities. This is the sixth year of our partnership.

increasingly sophisticated pitching process which leverages our insights to help prospective occupiers understand our offer and positioning within our catchments. A number of operators, including Primark, JD Sports, Sports Direct and Schuh chose to locate more of their flagship stores with us in the year, by adding to their existing space at our Regional centres. At our Local centres, we saw new lettings to Wilko, River Island, Nando's and more community focused occupiers such as Explore Learning and local gyms. We are also appealing to more premium brands, particularly where we have invested and Meadowhall is a good example of this. Neal's Yard, Nespresso, Hawes & Curtis, Flannels and Ghost London all signed in the year as our £60 million (100%) refurbishment programme nears completion.

This strong demand for our space is reflected in the re-letting of 90% of the 247,000 sq ft of space returned to us following BHS' administration, with long term leases at levels significantly in excess of previous passing rent.

Like-for-like rental growth (excluding surrender premiums) was 2.0%, driven by our strong leasing activity as well as rent reviews with over 120 reviews settled on average 3.4% ahead of passing rent and ahead of valuation assumptions. This year we renewed eight Homebase leases, totalling 283,000 sq ft extending the lease term to 15 years, increasing rents and providing a significant capital uplift for our single-let portfolio.

ERV growth across our multi-let properties was 2.4% and this performance provides strong evidence that our strategy is working. Investment in our assets, guided by our insights has driven demand for our space, bringing our portfolio to near full occupancy, and generating the demand tension needed to drive rents. We are particularly pleased that ERV growth across assets benefiting from our investment was 3.2%, which was ahead of the portfolio average. At Colchester ERV growth was nearly 14% following completion of our £6 million investment to improve the public realm there, including a new playground, the addition of public art and reconfiguration of the car park.

Local – Mayflower, Basildon

156,000 sq ft

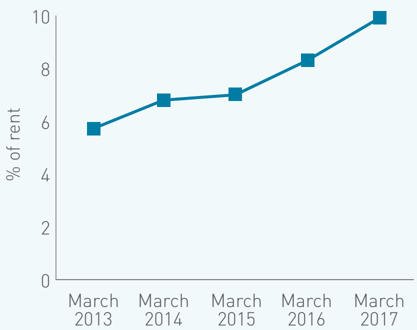
3m
annual footfall

Regional – Fort Kinnaird, Edinburgh

560,000 sq ft

13m
annual footfall

Growing food & beverage and leisure across our multi-let portfolio



RETAIL PLACEMAKING CONTINUED

"The changes British Land is making to its centres will make them some of the very best around. The concept of continually updating the experience, improving the public realm and getting the balance right between retail and leisure is so important. The investment in their assets is spot on."

Timothy Melgund, CEO Paperchase

Enlivening our places
Events such as the live screening of sports, theatre and film, drive footfall to our centres including SouthGate, Bath.

1.3m sq ft
of retail lettings and renewals

+11%
lettings and renewals ahead of ERV

240bps
footfall growth ahead of the benchmark

220bps
in-store sales growth ahead of the benchmark

70
work placements with our occupiers on our Starting out in Retail programme, part of Bright Lights

21
of our centres providing customers with augmented reality games during the year

46%
more click and collect usage at our Local centres than the national average

3.5%
total property return

-1.8%
valuation movement

1.6%
ERV growth

£1.2bn
gross investment activity

£881m
retail disposals at average yield of 4.3%

790kw
of solar panels across five centres, with more planned

Development spend in the year was £20 million and included a new leisure quarter at Glasgow Fort, with four new restaurants and a multi-storey car park adding 600 spaces and increasing car park capacity by over 30% to accommodate growing visitor numbers. This follows leisure and retail extensions in 2013 and 2015 which have underpinned improved operational performance at the centre. The centre is now ranked top in its category by CACI in Scotland. Our leisure extension at New Mersey, Speke, where construction commenced this year will add an 11-screen cinema, pre-let to Cineworld, and six restaurant units, significantly enhancing the leisure offering at this centre. Opening in summer 2018, we have already pre-let restaurants to Wagamama's, Nando's and TGI Friday. This year we achieved planning consents on 840,000 sq ft, covering a range of activity from large mixed use developments to small-scale improvements to existing properties, providing optionality for the future.

This year, capital spend in the Retail portfolio totalled £91 million of which just over half were initiatives delivering an immediate increase in income. The remainder were initiatives to enhance environments with longer term benefits for our assets. The refurbishment programme at Meadowhall was the most significant of these, accounting for £23 million (British Land share). This is part of our £60 million (100%) upgrade completing in late 2017. At Teesside, we are on site with a £30 million refurbishment programme to coincide with the centre's 25th anniversary. Our improvements focus on the public realm and customer service facilities and will deliver more flexible space for our occupiers.

Our insight has also guided our placemaking activities across the portfolio. This year we staged a virtual Christmas present hunt at 21 Local and Regional centres, the largest ever augmented reality game in UK retail property. Eats from the Street, showcasing the best in UK street food returned to ten of our centres and we launched Street Style a fashion and beauty event which ran across seven of our assets. Our Young Readers Programme, run in partnership with the National Literacy Trust and retail occupiers, is in its sixth year and we are pleased that over 5,000 children took part this year. Our Bright Lights skills programme provided work placements with our retail and leisure occupiers for 70 local unemployed young people of which 75% moved into permanent jobs soon after. Initiatives such as these help enliven our places, attracting new and repeat visitors to our centres and foster stronger connections with local communities and our occupiers. The people who live in and around our assets are an important part of our catchment and their loyalty is increasingly relevant as customers have greater choices around how and where they shop.

We've had a strong year. We have made good progress letting space across our development pipeline and our campuses are appealing to a broader range of occupiers than ever before

Tim Roberts
Head of Offices and Residential

Our Offices business has had a strong year. The portfolio is virtually full and we have made good progress letting space across our recently completed, committed and near term pipeline. In line with our strategy to create outstanding places for modern professional and consumer lifestyles we are increasing the mix of uses across our campuses, to appeal to a broader range of occupiers.

Office take up in central London has been led by the technology and media sectors, which are now the most significant component of demand, accounting for nearly one third of activity in 2016. With its pool of international talent and reputation for innovation, London has proved to be a magnet for these new and growing companies. This trend is driving a change in the type of space which is succeeding, with a growing emphasis on flexibility, co-working and wellbeing, as well as environments which are compatible with the way people's work and leisure time overlap. Financial services accounted for under 20% of take up, less than half the figure in 2010. This trend may accelerate further with regulatory and policy changes following Brexit, but the feedback we have is that the preference of financial services companies is to retain the majority of their operations in London because overwhelmingly this is where their employees want to live and work.

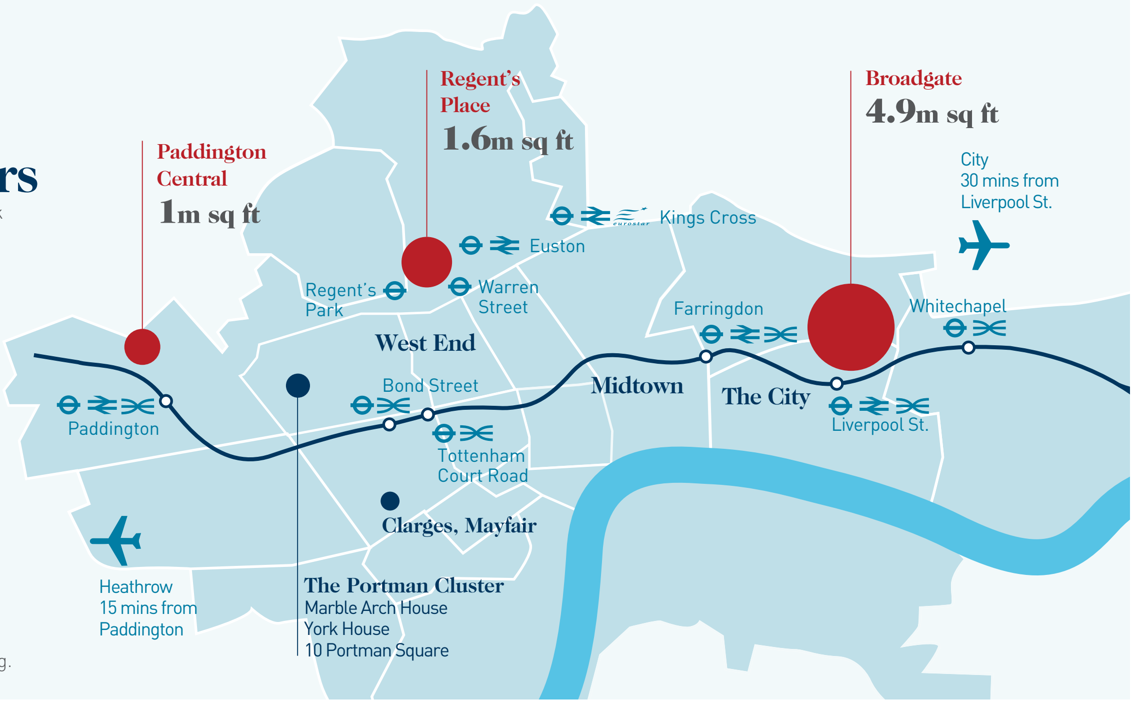
Our Offices portfolio in London

£6.3bn[1]
portfolio valuation (British Land share)

98%
occupancy rate

7.8 years
lease length to first break

Key
Campus
Standalone assets
Crossrail
(Launching 2017-2018)



[1] Pro forma for sale of The Leadenhall Building.

OFFICES PLACEMAKING CONTINUED

Our campuses

Broadgate (50% interest)

Regent's Place

Paddington Central

Standalone

7 Clarges Street, Mayfair

Our strategy focuses on providing the right space, the right services, and the right environments to meet this broader spectrum of demand. We have engaged more actively with the users of our space, and this year, launched the 'Office Agenda' an online platform where we share key insights with workers and decision makers on topical issues including the role of real estate in attracting and retaining talent and 'smart' offices. Our surveys of nearly 4,000 office workers and decision makers provided valuable insight into what makes a great place to work, helping our occupiers refine their office strategy and enabling us to better reflect their needs.

At the portfolio level, this includes broadening the range of uses on our campuses with a higher allocation to retail and leisure, as well as delivering more flexible office space with floorplates which are easily divisible, enabling us to target a wider range of occupiers. At the campus level, we are applying our placemaking framework by enhancing and enlivening our assets with a comprehensive programme of events including exhibitions, art installations, concerts, wellbeing activities, pop-up shops, bars, markets and restaurants, and live screening of sports, theatre and film. We also partner with our occupiers on community initiatives, such as the Regent's Place Community Fund, where our partnership with occupiers has invested £30,000 this year to support local community projects, making a positive difference and strengthening our links with local communities. We survey occupiers across our campuses and our results show that satisfaction levels are high, and have improved over the last two years, particularly amongst key decision makers.

> *"They aren't just landlords. They take a real interest in the campus."*
>
> **Harry Tsakalotos, EBRD**

2.8%
total property return

-0.7%
valuation movement

0.5%
ERV growth

The success of our approach is demonstrated by our leasing activity, which this year totalled 279,000 sq ft, 1.4% ahead of ERV. 33,000 sq ft related to retail, leisure or community space. We have let a further 85,000 sq ft on a short term or meanwhile basis, adding uses which enliven our campuses and address lease expiries while preserving optionality for redevelopment. We were pleased that a number of our major occupiers re-committed to our campuses in the year, including Facebook who have agreed terms to further extend their occupation of 106,000 sq ft at 10 Brock Street. At 20 Triton Street, Dimensional Fund Advisors have agreed to a re-gear, taking their term to 10 years (original expiry June 2020), with an additional 12,000 sq ft and Credit Agricole have agreed to extend their 140,000 sq ft lease at Broadwalk House from 2019 to 2025. This activity, as well as the final lettings at Marble Arch House and The Leadenhall Building has increased like-for-like rent across the office portfolio by 4.5%.

We are also letting well across our recently completed and near term pipeline whilst successfully expanding our mix of uses. At 4 Kingdom Street, Paddington Central, we were almost 80% under offer on the office space within a week of completion in April. In aggregate, these leases are on terms 3% ahead of pre-referendum net effective ERVs and over 25% ahead of our Investment Committee assumptions at commitment in 2014. We have signed a two year lease with Pergola Paddington Central for an 850-capacity pop-up dining destination on the site of 5 Kingdom Street. The venue will feature some of London's most popular restaurants and bars, including Patty & Bun, DF / Mexico and Raw Press and the offering will change each season. At Broadgate, we are addressing vacancies at 2 Finsbury Avenue with 90,000 sq ft of short term lettings, including to Theatre Delicatessen, a fintech company and an architecture practice.

We started on site at 100 Liverpool Street in the year. It sits at the gateway to our Broadgate campus, adjacent to Liverpool Street station where the first Crossrail services will commence next year. It covers 520,000 sq ft (an increase of 140,000 sq ft) and is designed to be divisible into units as small as 3,000 sq ft with shared facilities catering to demand from smaller businesses. 90,000 sq ft is allocated to retail and restaurants, and we are committed to both the WELL standard for wellbeing and the WiredScore Platinum rating for internet connectivity and infrastructure. This development is a good illustration of our strategy in Offices to deliver buildings which meet evolving customer needs and appeal to a broader range of occupiers. The redevelopment is expected to more than double rents at the building.

The next phase of development will see the mix of uses continue to evolve. Our revised plans for a 288,000 sq ft refurbishment at 1 Finsbury Avenue include a cinema, retail and restaurants at ground floor, and our proposals at 135 Bishopsgate allocate 43,000 sq ft to retail. We have submitted plans for refurbishment of these buildings, and are in discussions with prospective occupiers on nearly half of the combined space. We expect to commit to both refurbishments in the coming months with an associated cost of £90 million. At Paddington Central, we are in advanced negotiations with an operator to pre-let a boutique hotel and all day dining concept on the site of the existing management suite (the Gateway Building). At Regent's Place we are pleased that we are under offer on 310,000 sq ft representing all of the office space at our proposed redevelopment of 1 Triton Square, and received approval from the London Borough of Camden last week.

This means that across our campuses, we are under offer or in advanced negotiations on over 700,000 sq ft of space with significant discussions ongoing across the London business with potential occupiers on a further 850,000 sq ft of space, which could trigger further development commitments.

As part of our campus offering we will shortly launch a branded flexible workspace offer which enables us to capture incremental demand from the increasing number of small businesses taking space in London as well as meeting a growing need amongst our existing occupiers for flexible space for specific projects and teams. Our first flexible deal is on 25,000 sq ft at 2 Finsbury Avenue, extending our relationship with an existing occupier at Paddington Central, who need additional space for their digital team. This initiative strengthens existing relationships and attracts new occupiers to our campus, potentially our core occupiers of the future. We have allocated further space across our campuses including at 4 Kingdom Street, and we have commenced fit-out across 80,000 sq ft.

Following the exchange of The Leadenhall Building, our standalone office portfolio accounts for 22% of Offices. At 7 Clarges Street, the 51,000 sq ft office element of our mixed use development in Mayfair, we were pleased that over 80% of the space was let or under offer just four months after its launch in September. We achieved an average rent of £113 psf, on terms in line with pre-referendum net effective ERVs, demonstrating the continuing demand for quality office space in London. At Yalding House (29,000 sq ft) we have let four of the six floors and are under offer on the final two. Like The Leadenhall Building, these are buildings where we can develop and trade opportunistically, to provide liquidity in our portfolio and enhance returns.

279,000 sq ft
lettings and renewals

+1.4%
lettings vs ERV

£1.15bn
headline sale price of The Leadenhall Building (100%)

£150m
development and capital spend

700,000 sq ft
of lettings under offer or in advanced negotiations across our campuses

Enlivening our campuses
Pergola, an 850-seater outdoor dining concept at Paddington Central, will host some of London's most popular bars and restaurants.

In a changing climate, our futureproofing programme creates commercial opportunities and helps us anticipate regulation, resource constraints and stakeholder expectations

Carbon reporting

We actively manage greenhouse gas emissions across our business. Our energy efficiency programme has saved occupiers £13 million gross over six years and we're committed to using 100% electricity from renewable sources.

British Land was included in the CDP Climate A List of the top 9% of global companies tackling climate change.

Our target to cut carbon intensity by 55% by 2020 versus 2009 (index scored) exceeds science-based targets, reflecting our support for the COP21 commitment to limit global warming to 2°C.

We have reported on all emission sources required under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013. These sources fall within our consolidated financial statement and relate to head office activities and controlled emissions from our managed portfolio. Scope 1 and 2 emissions covers 97% of our multi-let managed portfolio by value. We have used purchased energy consumption data, the GHG Protocol Corporate Accounting and Reporting Standard (revised edition) and emission factors from the UK Government's GHG Conversion Factors for Company Reporting 2016.

Emission from combustion of fuels has increased by 1%, largely due to weather affecting gas use in Offices. Emissions from purchased electricity has decreased by 12%, largely due to changes in UK grid emission factors and changes in our portfolio.

For consistency with previous years, carbon data in this Report is calculated using the location based methodology. When the market based methodology is applied, our carbon emissions reduce by 28,000 tonnes, factoring in that most of the electricity we purchase comes from renewable sources (REGO backed).

As the graph opposite shows, Scope 3 emissions associated with our places are significantly larger than the Scope 1 and 2 emissions that we have more influence over. Scope 3 emissions come from activities that we don't directly manage, such as visitors travelling by car to shopping destinations, occupiers' energy use in the space they lease from us and the manufacture of construction materials for developments. By understanding and monitoring Scope 3, we identify and prepare for future risks from shifts in energy and carbon regulation and, at the same time, take steps to reduce our impact on climate change.

Scope 1 and 2 emissions intensity (tonnes CO_2e)

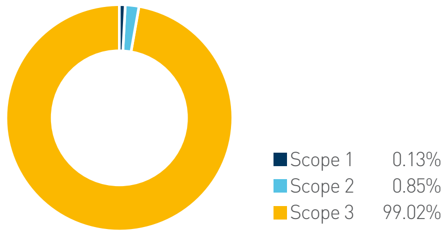
Year ended 31 March	**2017**	2016	2009
Per m² – Offices (net lettable area)	**0.069**	0.075	0.118
Per m² – Retail: enclosed	**0.067**	0.073	0.174
Per parking space – Retail: open air	**0.064**	0.063	0.106
Per £m – Gross rental and related income from managed portfolio[1]	**67.39**	79.48	–

Absolute Scope 1 and 2 emissions (tonnes CO_2e)

Year ended 31 March	**2017**	2016	2009
Combustion of fuel: Managed portfolio gas use and fuel use in British Land owned vehicles	**7,348**	7,284	5,156
Operation of facilities: Managed portfolio refrigerant loss from air conditioning	**261**	644	–
Purchase of electricity, heat, steam and cooling for our own use: Managed portfolio electricity use	**34,149**	38,710	41,186

1 Gross Rental Income (GRI) from the managed portfolio comprises Group GRI of £442 million (2016: £451 million), plus 100% of the GRI generated by joint ventures and funds of £437 million (2016: £451 million), less GRI generated by assets outside the managed portfolio of £259 million (2016: £315 million).

Our carbon footprint[1]



1 Based on 2012 and 2016 data.

For market based data, see our Sustainability Accounts 2017 at **www.britishland.com/data**

Opportunities and risks

We commissioned a review of climate related opportunities and risks in 2017. Our portfolio is well positioned through our futureproofing focus.

Opportunities include:

- Anticipating occupier demand for climate resilient properties
- Delivering energy and carbon cost savings (2017: £13m gross)
- Generating on site energy (2017: 2,588MWh)
- Outperforming Building Regulations (2012-2017: 21.2% better on average)

Risks include:

- Rising energy costs
- Energy and carbon taxation, such as the CRC Energy Efficiency Scheme
- Climate legislation, such as Minimum Energy Efficiency Standards (2017: 4% of portfolio at risk
- Flood risks, impacting on asset value and insurance costs (2017: 3% of portfolio high risk)
- Cost increases linked with carbon-intensive construction materials

For our full methodology, explanation of changes and PwC's independent assurance, see our 2017 Sustainability Accounts at **www.britishland.com/data**

It's been an active year with £2 billion of capital activity, increasing financial capacity and providing flexibility to invest in opportunities within the portfolio

Lucinda Bell
Chief Financial Officer

£390m
Underlying Profit[1,2]

£195m
IFRS profit before tax

37.8p
Underlying earnings per share[1]

29.20p
Dividend per share

915p
EPRA net asset value per share[1,2]

£9.5bn
IFRS net assets

29.9%
LTV[1,4,5]

3.1%
Weighted average interest rate[5]

2.7%
Total accounting return[1,3]

1 See Glossary for definitions.
2 See Table B within supplementary disclosure for reconciliations to IFRS metrics.
3 See Note 2 within financial statements for calculation.
4 See Note 17 within financial statements for calculation and reconciliation to IFRS metrics.
5 On a proportionally consolidated basis including the Group's share of joint ventures and funds

Overview

We delivered a good set of results especially in the context of an uncertain environment, with Underlying Profit growth of 7.4% and underlying earnings per share (EPS) growth of 10.9%.

EPRA net asset value per share (NAV) decreased by 0.4% reflecting a portfolio valuation fall of 1.4% on a proportionally consolidated basis. It also includes the impact of no longer treating the 1.5% convertible bond as dilutive, as the share price was below the exchange price of 693 pence at the year end. Excluding this adjustment, NAV decreased by 1.7%.

We have been active, with £2.0 billion of gross capital activity (£1.1 billion of net capital activity). This comprises £1.5 billion of disposals of primarily single-let Retail assets and our 50% interest in The Leadenhall Building which completes after the year end. We have reinvested £0.3 billion in our developments and capital expenditure across the portfolio, and made £0.2 billion of acquisitions, primarily of assets adjacent to existing holdings.

The net proceeds from this activity improve our financial resilience and provide capacity for reinvestment into our portfolio, particularly on the broad range of development opportunities within our existing pipeline. The proportionally consolidated loan to value ratio (LTV) has decreased to 29.9% from 32.1% at March 2016. Our actions have reduced the proportionally consolidated weighted average interest rate to 3.1% from 3.3% at March 2016. Adjusting for the receipt of proceeds from the sale of our 50% interest in The Leadenhall Building, LTV is 26.9% and the weighted average interest rate is 3.4%.

Underlying Profit increased by 7.4% to £390 million; the impact of net sales has been more than offset by like-for-like rental growth, financing activity and a reduction in administrative expenses. The Group's operating cost ratio has reduced by 100 bps to 15.6% (2015/16: 16.6%).

IFRS profit before tax for the year of £195 million is lower than the prior year profit of £1,331 million, primarily due to the negative property valuation movement in the year.

As previously announced in May 2016, we increased the dividend for the year ended 31 March 2017 by 3.0%. Looking forward to next year we intend to increase the dividend by a further 3.0% to 30.08 pence per share, with a quarterly dividend of 7.52 pence per share.

Presentation of financial information

The Group financial statements are prepared under IFRS where the Group's interests in joint ventures and funds are shown as a single line item on the income statement and balance sheet and all subsidiaries are consolidated at 100%.

Management considers the business principally on a proportionally consolidated basis when setting the strategy, determining annual priorities, making investment and financing decisions and reviewing performance. This includes the Group's share of joint ventures and funds on a line-by-line basis and excludes non-controlling interests in the Group's subsidiaries. The financial key performance indicators are also presented on this basis.

FINANCIAL REVIEW CONTINUED

A summary income statement and summary balance sheet which reconcile the Group income statements to British Land's interests on a proportionally consolidated basis are included in Table A within the supplementary disclosures.

Management monitors Underlying Profit as this more accurately reflects the Group's financial performance and the underlying recurring performance of our core property rental activity, as opposed to IFRS metrics which include the non-cash valuation movement on the property portfolio. It is based on the Best Practices Recommendations of the European Public Real Estate Association (EPRA) which are widely used alternate metrics to their IFRS equivalents.

Management also monitors EPRA NAV as this provides a transparent and consistent basis to enable comparison between European property companies. Linked to this, the use of Total Accounting Return allows management to monitor return to shareholders based on movements in a consistently applied metric, being EPRA NAV, and dividends paid.

Loan to value (proportionally consolidated) is also monitored by management as a key measure of the level of debt employed by the Group to meet its strategic objectives, along with a measurement of risk. It also allows comparison to other property companies who similarly monitor and report this measure.

Income statement

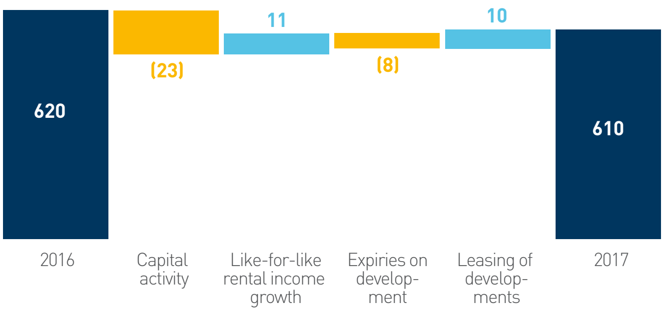
1. Underlying Profit

Underlying Profit is the measure that is used internally to assess income performance. No company adjustments have been made in the current or prior year and therefore this is the same as the pre-tax EPRA earnings measure which includes a number of adjustments to the IFRS reported profit before tax. This is presented below on a proportionally consolidated basis:

	Section	2016[1] £m	**2017 £m**
Gross rental income		654	**643**
Property operating expenses		(34)	**(33)**
Net rental income	1.1	620	**610**
Net fees and other income		17	**17**
Administrative expenses	1.3	(94)	**(86)**
Net financing costs	1.2	(180)	**(151)**
Underlying Profit		363	**390**
Non-controlling interests in Underlying Profit		14	**14**
EPRA adjustments[1]		954	**(209)**
IFRS profit before tax	2	1,331	**195**
Underlying EPS	1.4	34.1p	**37.8p**
IFRS basic EPS	2	131.2p	**18.8p**
Dividend per share	3	28.36p	**29.20p**

1 EPRA adjustments consist of investment and development property revaluations, gains/losses on investment and trading property disposals, changes in the fair value of financial instruments and associated close out costs. These items are presented in the 'capital and other' column of the consolidated income statement.

1.1 Net rental income (£m)



The £10 million decrease in net rental income during the year was the result of like-for-like growth and leasing of developments partially offsetting the impact of capital activity and lease expiries.

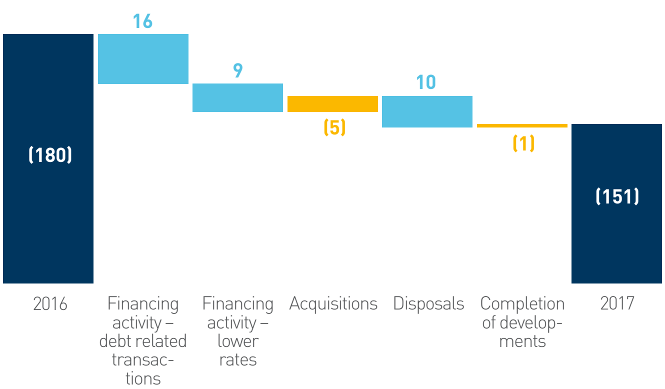
Like-for-like rental income growth was 2.9% excluding the impact of surrender premia. Retail growth was 2.0% (1.6% including the impact of surrender premia). This was driven by strong leasing activity, asset management activities, such as splitting units, and additional turnover and car park income.

Office and Residential like-for-like growth was 4.5%; just over half of this was due to the letting up of completed developments that are now in the like-for-like portfolio, predominantly The Leadenhall Building and Marble Arch House which are both now full. The remainder is attributable to strong rent review activity, particularly at Regent's Place.

Lease expiries relating to properties in our development pipeline reduced net rents by £8 million, including £3 million at 100 Liverpool Street where we are on site and £3 million at 1 Triton Square which is under offer for redevelopment on a pre-let basis; we have received approval for this development from the London Borough of Camden. The successful letting of our recently completed development programme provided £10 million of additional rent this year. This brings the net impact of developments on net rental income to £2 million.

Looking ahead to next year, we expect transactions completing post year end to reduce rent by £18 million and future lease expiries relating to properties in the development pipeline to reduce rent by £6 million. Rental income growth will be driven by the letting up of developments and like-for-like growth.

1.2 Net financing costs (£m)



Financing costs were £29 million lower this year.

Debt related transactions over the last two years, including the £350 million zero coupon convertible bond, reduced costs by £16 million this year. In the current year, we used sales proceeds to repay unsecured revolving credit facilities and we completed the early repayment of the £295 million TBL Properties Limited secured loan. We agreed one year extensions on a total of £1.4 billion of our unsecured facilities and agreed a new £100 million bilateral facility. Our liability management, which is NPV positive, reduced NAV by 4 pence per share.

Our approach to interest rate management remains an important factor in reducing interest costs. The decision to keep a portion of our debt at floating rates has seen us benefit from lower market rates which has resulted in a reduction in financing costs of £9 million. The proportion of our projected debt held at fixed rates is 60% on average over the next five years. At 31 March 2017, our debt pro forma for the sale of the Leadenhall Building was 78% fixed on a spot basis.

1.3 Administration expenses

Administrative expenses decreased by £8 million this year as a result of managing down our cost base and lower variable pay. The Group's operating cost ratio has reduced by 100 bps to 15.6% (2015/16: 16.6%).

1.4 Underlying EPS

Underlying EPS was 37.8 pence (2015/16: 34.1 pence) based on Underlying Profit after tax of £390 million (2015/16: £363 million). The increase in underlying EPS of 10.9% is more than the increase in Underlying Profit of 7.4% as the 1.5% convertible bond is no longer dilutive. As the share price was below the 693 pence exchange price at year end, no dilution adjustment was made (2015/16: £6 million interest added back and shares increased by 57.8 million), in line with EPRA guidance.

2. IFRS profit before tax

The main difference between IFRS profit before tax and Underlying Profit is that it includes the valuation movement on investment and development properties and the fair value movements of financial instruments. In addition, the Group's investments in joint ventures and funds are equity accounted in the IFRS income statement but are included on a proportionally consolidated basis within Underlying Profit.

The IFRS profit before tax for the year was £195 million, compared to a profit before tax for the prior year of £1,331 million. This reflects the valuation movement on the Group's properties which was £760 million less than the prior year and the valuation movement on the properties held in joint ventures and funds which was £338 million less than the prior year, in both cases resulting from outward yield shift and a lower level of ERV growth in the current year.

IFRS basic EPS was 18.8 pence per share, compared to 131.2 pence per share in the prior year, driven principally by property valuation movements. The basic weighted average number of shares in issue during the year was 1,029 million (2015/16: 1,025 million).

3. Dividends

In line with the intention announced in May 2016, we increased the dividend by 3.0% for the year to March 2017 which gives a full year dividend of 29.20 pence per share.

The fourth interim dividend payment for the quarter ended 31 March 2017 will be 7.30 pence per share. Payment will be made on 4 August 2017 to shareholders on the register at close of business on 30 June 2017.

The increase in Underlying EPS of 10.9% resulted in a reduction in the dividend pay-out ratio to 77% (2015/16: 83%).

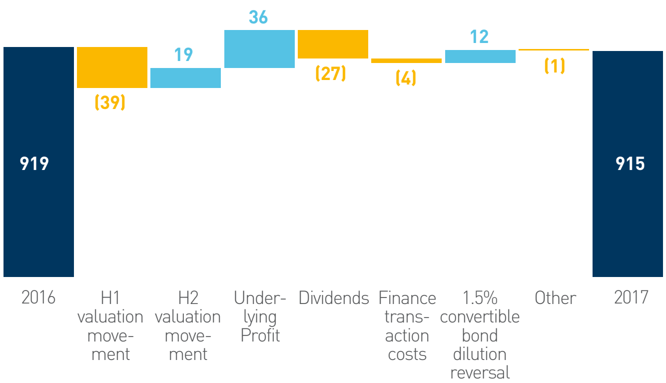
In proposing the dividend for the coming year, the Board took into account the current market environment, our target payout range and drivers of next year's profits. It is the Board's intention to increase the dividend by 3.0% in 2017/18 to 30.08 pence per share, with a quarterly dividend of 7.52 pence per share, reflecting confidence in our ability to grow income over the medium term.

Balance sheet

	Section	2016 £m	**2017 £m**
Properties at valuation		14,648	**13,940**
Other non-current assets		138	**156**
		14,786	**14,096**
Other net current liabilities		(257)	**(364)**
Adjusted net debt	6	(4,765)	**(4,223)**
Other non-current liabilities		(90)	**(11)**
EPRA net assets (undiluted)		9,674	**9,498**
Dilution impact of convertible bond		400	**–**
EPRA net assets (diluted)		10,074	**9,498**
EPRA NAV per share	4	919p	**915p**
Non-controlling interests		277	**255**
1.5% convertible bond dilution		(400)	**–**
Other EPRA adjustments[1]		(332)	**(277)**
IFRS net assets	5	9,619	**9,476**

[1] EPRA net assets exclude the mark-to-market on effective cash flow hedges and related debt adjustments, the mark-to-market on the convertible bonds as well as deferred taxation on property and derivative revaluations. They include the valuation surplus on trading properties and are adjusted for the dilutive impact of share options. 2015/16 also includes an adjustment for the dilutive impact of the 1.5% convertible bond maturing in 2017. No dilution adjustment is made for the £350 million zero coupon convertible bond maturing in 2020. Details of the EPRA adjustments are included in Table B within the supplementary disclosures.

4. EPRA net asset value per share (p)



The 0.4% decrease in EPRA NAV per share reflects a valuation decline of 1.4%. Values fell by 2.8% in the first six months, followed by an upward revaluation of 1.6% in the second half of the year. The movement in the year reflected outward yield movement of 15 bps, partially offset by ERV growth of 1.1%. Net sales exchanged of over £1.5 billion, including Debenhams, Oxford Street and The Leadenhall Building, provided a positive contribution to the portfolio capital return of 0.9%.

FINANCIAL REVIEW CONTINUED

Retail valuations were down 1.8% with outward yield movement of 14 bps partially offset by ERV growth of 1.6%; the multi-let portfolio saw stronger ERV growth of 2.4%, driven by good leasing activity. Further information on Retail valuation performance can be found on page 32.

Office and Residential valuations were down 0.5% with outward yield movement of 15 bps partially offset by ERV growth of 0.5%; We agreed the sale of The Leadenhall Building at a price 24% ahead of the 30 September 2016 valuation and the valuers have recognised the majority of this increase in the 31 March 2017 valuation. Further information on Office & Residential valuation performance can be found on page 35.

The 4 pence impact of finance transaction costs primarily relates to early repayment of term debt and termination of associated interest rate swaps.

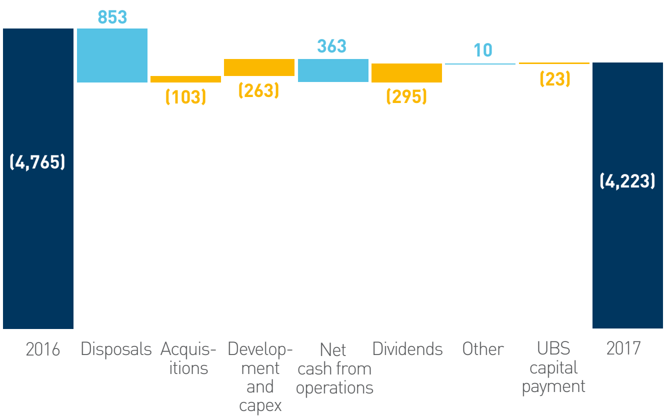
There is a 12 pence benefit to EPRA NAV due to the reversal of the 1.5% convertible bond dilution included in the 2015/16 results. As the share price was below the 693 pence exchange price at year end, no dilution adjustment was made (2015/16: £400 million debt deducted from net asset value and diluted number of shares increased by 57.8 million). Excluding this adjustment, NAV decreased by 1.7%.

5. IFRS net assets

IFRS net assets at 31 March 2017 were £9,476 million, a decrease of £143 million from 31 March 2016. This was primarily due to IFRS profit before tax of £195 million being less than the dividends paid in the year of £296 million.

Cash flow, net debt and financing

6. Adjusted net debt (£m)[1]



1 Adjusted net debt is a proportionally consolidated measure. It represents the Group net debt as disclosed in Note 17 and the Group's share of joint venture and funds' net debt excluding the mark-to-market on effective cash flow hedges and related debt adjustments and non-controlling interests. A reconciliation between the Group net debt and adjusted net debt is included in Table A within the supplementary disclosures.

Capital activity reduced debt by £0.5 billion in the year. Completed disposals during the year included the sale of Debenhams, Oxford Street for £400 million, a portfolio of non-core Retail assets for £191 million and eight superstores totalling £111 million (British Land share). Acquisitions completed in the year included the New George Street Estate in Plymouth for £64 million which will now be managed as an integrated part of Drake Circus. Other investments included development expenditure of £189 million and capital expenditure of £74 million related to asset management on the standing portfolio.

Net divestment including transactions completing after the year end increased to £1.1 billion. This includes the expected completion of the sale of The Leadenhall Building sale for £575 million (British Land share) and the completion of the Tesco JV swap transaction resulting in a net divestment of £73 million of superstore assets.

We received a £10 million capital payment received in December 2016 from UBS in relation to the development and occupation of 5 Broadgate, and subsequent exit of 100 Liverpool Street, including 8-10 Broadgate.

7. Financing

	Group		Proportionally consolidated	
	2016	**2017**	2016	**2017**
Net debt/adjusted net debt[1]	£3,617m	**£3,094m**	£4,765m	**£4,223m**
Principal amount of gross debt	£3,552m	**£3,069m**	£5,089m	**£4,520m**
Loan to value	25.2%	**22.6%**	32.1%	**29.9%**
Weighted average interest rate	2.6%	**2.4%**	3.3%	**3.1%**
Interest cover	3.3	**4.5**	3.0	**3.6**
Weighted average debt maturity	7.2 years	**6.9 years**	8.1 years	**7.7 years**

1 Group data as presented in note 17 of the financial statements. The proportionally consolidated figures include the Group's share of joint venture and funds' net debt and exclude the mark-to-market on effective cash flow hedges and related debt adjustments and non-controlling interests.

The balance sheet remains resilient. LTV and weighted average interest rate on drawn debt were reduced and interest cover improved. Our proportionally consolidated LTV was 29.9% at 31 March 2017, down 220 bps from 32.1% at March 2016 mainly reflecting the impact of disposals. This reduces by a further 300 bps to 26.9% pro forma for the sale of The Leadenhall Building. Note 17 of the financial statements sets out the calculation of the Group and proportionally consolidated LTV.

The strength of the Group's balance sheet is reflected in British Land's senior unsecured credit rating which continues to be rated by Fitch at A- with the Outlook upgraded to 'Positive'.

Our proportionally consolidated weighted average interest rate reduced to 3.1% at 31 March 2017 from 3.3% at 31 March 2016. This reflects a 60 bps reduction principally as a result of our financing activity and decisions, partially offset by a rise of 40 bps due to repayment of cheaper facilities with sales proceeds received. This increases to 3.4% pro forma for the sale of The Leadenhall Building.

Our weighted average debt maturity is eight years.

British Land has £1.8 billion of committed unsecured revolving banking facilities. Of these facilities, £1.7 billion have maturities of more than two years and £1.3 billion was undrawn at 31 March 2017. Based on our current commitments, these facilities and scheduled debt maturities, we have no requirement to refinance until early 2021 regardless of whether our convertible bonds are cash or equity settled.

Further information on our approach to financing is provided in the Financial policies and principles section on pages 43 to 45.

Lucinda Bell
Chief Financial Officer

We focus on having an appropriate balance of debt and equity funding which enables us to deliver our property strategy

Leverage

We manage our use of debt and equity finance to balance the benefits of leverage against the risks, including a magnification of property valuation movements. A loan to value ratio ('LTV') measures our leverage, primarily on a proportionally consolidated basis including our share of joint ventures and funds and excluding non-controlling interests. At 31 March 2017, our proportionally consolidated LTV of 29.9% was higher than the Group measure of 22.6%.

We aim to manage our LTV through the property cycle such that our financial position would remain robust in the event of a significant fall in property values. This means we do not adjust our approach to leverage based on changes in property market yields. Consequently our LTV may be higher in the low point in the cycle and will trend downwards as market yields tighten.

Debt finance

The scale of our business combined with the quality of our assets and rental income means that we are able to approach a diverse range of debt providers to arrange finance on attractive terms. Good access to the capital and debt markets is a competitive advantage, allowing us to take opportunities when they arise.

The Group's approach to debt financing for British Land is to raise funds predominantly on an unsecured basis with our standard financial covenants (set out on page 45). This provides flexibility and low operational cost. Our joint ventures and funds are each financed in 'ring-fenced' structures without recourse to British Land for repayment and are secured on the relevant assets.

Presented on the following page are the five guiding principles that govern the way we structure and manage debt.

Monitoring and controlling our debt

We monitor our debt requirement by focusing principally on current and projected borrowing levels, available facilities, debt maturity and interest rate exposure. We undertake sensitivity analysis to assess the impacts of proposed transactions, movements in interest rates and changes in property values on key balance sheet, liquidity and profitability ratios. We also consider the risks of a reduction in the availability of finance, including a temporary disruption of the debt markets.

Based on our current commitments and available facilities, the Group has no requirement to refinance until early 2021 (irrespective of whether the settlement of the 1.5% 2012 convertible bond is with equity or debt). British Land's committed bank facilities total £1.8 billion, of which £1.3 billion was undrawn at 31 March 2017.

For more on managing our risks, including financial risks, see pages 46 to 53.

Managing interest rate exposure

We manage our interest rate profile independently from our debt, considering the sensitivity of underlying earnings to movements in market rates of interest over a five year period. The Board sets appropriate ranges of hedged debt over that period and the longer term.

Our debt finance is raised at both fixed and variable rates. Derivatives (primarily interest rate swaps and caps) are used to achieve the desired interest rate profile across proportionally consolidated net debt. Currently 60% on average of projected net debt is hedged over the next five years, with a decreasing profile over that period. The use of derivatives is managed by a Derivatives Committee, using delegated authority from the Board. The interest rate management of joint ventures and funds is considered separately by each entity's Board, taking into account appropriate factors for its business.

Counterparties

We monitor the credit standing of our counterparties to minimise our risk exposure in placing cash deposits and arranging derivatives. Regular reviews are made of the external credit ratings of the counterparties.

Foreign currency

Our policy is to have no material unhedged net assets or liabilities denominated in foreign currencies.

When attractive terms are available, the Group may choose to borrow in currencies other than Sterling, and will fully hedge the foreign currency exposure.

FINANCIAL POLICIES AND PRINCIPLES CONTINUED

Our five guiding principles

Diversify our sources of finance

We monitor finance markets and seek to access different sources of finance when the relevant market conditions are favourable to meet the needs of our business and, where appropriate, those of our joint ventures and funds. The scale and quality of our business enables us to access a broad range of unsecured and secured, recourse and non-recourse debt.

We develop and maintain long term relationships with banks and debt investors. We aim to avoid reliance on particular sources of funds and borrow from a large number of lenders from different sectors in the market across a range of geographical areas, with a total of 30 debt providers in bank facilities and private placements alone. We work to ensure that debt providers understand our business, adopting a transparent approach to provide sufficient disclosures to enable them to evaluate their exposure within the overall context of the Group. These factors increase our attractiveness to debt providers, and in the last five years we have arranged £4.6 billion (British Land share £3.9 billion) of new finance in unsecured and secured bank loan facilities, US Private Placements and convertible bonds. In addition we have existing long dated debentures and securitisation bonds. A European Medium Term Note programme has also been maintained to enable us to access Sterling/Euro unsecured bond markets when it is appropriate for our business.

£4.5bn
total drawn debt (proportionally consolidated)

Phase maturity of debt portfolio

The maturity profile of our debt is managed with a spread of repayment dates, reducing our refinancing risk in respect of timing and market conditions. We monitor the various debt markets so that we have the ability to act quickly to arrange new finance as opportunities arise which meet our business needs. As a result of our financing activity, we are comfortably ahead of our preferred refinancing date horizon of not less than two years.

The current range of debt maturities is within one to 19 years. In accordance with our usual practice, we expect to refinance facilities ahead of their maturities.

7.7 years
average debt maturity (proportionally consolidated)

Maintain liquidity

In addition to our drawn debt, we always aim to have a good level of undrawn, committed, unsecured revolving bank facilities. These facilities provide financial liquidity, reduce the need to hold resources in cash and deposits, and minimise costs arising from the difference between borrowing and deposit rates, while reducing credit exposure.

We arrange these revolving credit facilities in excess of our committed and expected requirements to ensure we have adequate financing availability to support business requirements and new opportunities.

£1.3bn
undrawn revolving credit facilities

Maintain flexibility

Our facilities are structured to provide valuable flexibility for investment activity execution, whether sales, purchases, developments or asset management initiatives. Our revolving credit facilities provide full operational flexibility of drawing and repayment (and cancellation if we require) at short notice without additional cost. These are arranged with standard terms and financial covenants and generally have maturities of five years. Alongside this unsecured revolving debt our secured term debt in debentures has good asset security substitution rights, where we have the ability to move assets in and out of the security pool.

£1.8bn
total revolving credit facilities

Maintain strong balance sheet metrics

We use both debt and equity financing. We aim to manage LTV through the property cycle such that our financial position would remain robust in the event of a significant fall in property values and we do not adjust our approach to leverage based on changes in property market yields.

We manage our interest rate profile independently from our debt, setting appropriate ranges of hedged debt over a five year period and the longer term.

29.9%
LTV (proportionally consolidated)

A-
senior unsecured credit rating

3.6x
interest cover (proportionally consolidated)

Group borrowings

Unsecured financing for the Group includes bilateral and syndicated revolving bank facilities (with initial terms usually of five years, often extendable); US Private Placements with maturities up to 2027; and the convertible bonds maturing in 2017 and 2020.

Secured debt for the Group (excluding debt in Hercules Unit Trust which is covered under 'Borrowings in our joint ventures and funds') is provided by debentures with longer maturities up to 2035.

Unsecured borrowings and covenants

The same financial covenants apply across each of the Group's unsecured facilities. These covenants, which have been consistently agreed with all unsecured lenders since 2003, are:

- Net Borrowings not to exceed 175% of Adjusted Capital and Reserves
- Net Unsecured Borrowings not to exceed 70% of Unencumbered Assets

No income or interest cover ratios apply to these facilities, and there are no other unsecured debt financial covenants in the Group.

The Unencumbered Assets of the Group, not subject to any security, stood at £6.6 billion as at 31 March 2017.

Although secured assets are excluded from Unencumbered Assets for the covenant calculations, unsecured lenders benefit from the surplus value of these assets above the related debt and the free cash flow from them. During the year ended 31 March 2017, these assets generated £49 million of surplus cash after payment of interest. In addition, while investments in joint ventures do not form part of Unencumbered Assets, our share of free cash flows generated by these ventures are regularly passed up to the Group.

Secured borrowings

Secured debt with recourse to British Land is provided by debentures at fixed interest rates with long maturities and limited amortisation. These are secured against a combined pool of assets with common covenants; the value of those assets is required to cover the amount of these debentures by a minimum of 1.5 times and net rental income must cover the interest at least once. We use our rights under the debentures to withdraw, substitute or add properties (or cash collateral) in the security pool, in order to manage these cover ratios effectively and deal with any asset sales.

Secured debt without recourse to British Land comprises a fixed rate debenture of £30 million for BLD Property Holdings Ltd to 2020 secured by a small portfolio of properties.

The £295 million secured bank loan for TBL Properties Limited (and its subsidiaries) was repaid early on 30 September 2016.

Borrowings in our joint ventures and funds

External debt for our joint ventures and funds has been arranged through long dated securitisations or secured bank debt, according to the requirements of the business of each venture.

Hercules Unit Trust and its joint ventures have term loan facilities maturing in 2019 and 2020 arranged for their business and secured on property portfolios, without recourse to British Land. These loans include LTV ratio (with maximum levels ranging from 40% to 65%) and income based covenants.

The securitisations of Broadgate (£1,616 million), Meadowhall (£670 million) and the Sainsbury's Superstores portfolio (£367 million), have weighted average maturities of 11.4 years, 9.7 years, and 5.9 years respectively. The key financial covenant applicable is to meet interest and scheduled amortisation (equivalent to 1 times cover); there are no LTV covenants. These securitisations have quarterly amortisation with the balance outstanding reducing to approximately 20% to 30% of the original amount raised by expected final maturity, thus mitigating refinancing risk.

There is no obligation on British Land to remedy any breach of these covenants in the debt arrangement of joint ventures and funds.

Unsecured financial covenants

At 31 March	2013 %	2014 %	2015 %	2016 %	**2017 %**
Net borrowings to adjusted capital and reserves[1]	31	40	38	34	**29**
Net unsecured borrowings to unencumbered assets[2]	23	31	28	29	**26**

Highest during the year to 31 March 2017:
[1] 34%
[2] 29%

Effective risk management is integral to our objective of delivering sustainable long term value

Lucinda Bell
Chair of the Risk Committee

For British Land, effective risk management is a cornerstone of delivering our strategy and integral to the achievement of our objective of delivering sustainable long term value. We maintain a comprehensive risk management process which serves to identify, assess and respond to the principal risks facing our business, including those risks that could threaten the Group's solvency and liquidity, as well as identifying emerging risks. Our approach is not intended to eliminate risk entirely, but instead to manage our risk exposures across the business, whilst at the same time making the most of our opportunities.

Our risk management framework

Our integrated approach combines a top down strategic view with a complementary bottom up operational process outlined in the diagram on page 47.

The Board is responsible for the overall approach to risk management with a particular focus on determining the nature and extent of exposure to principal risks it is willing to take in achieving its strategic objectives. This is assessed in the context of the core strengths of our business (as summarised on the right) and the external environment in which we operate – this is our risk appetite.

The Audit Committee takes responsibility for overseeing the effectiveness of risk management and internal control systems on behalf of the Board, and also advises the Board on the principal risks facing the Group including those that would threaten its solvency or liquidity.

The Executive Directors are responsible for delivering the Company's strategy and managing risk. Our risk management framework categorises our risks into external, strategic and operational risks and the Risk Committee (comprising the Executive Directors and chaired by the Chief Financial Officer) is responsible for managing the principal risks in each category in order to achieve the Group's performance goals.

Whilst responsibility for oversight of risk management rests with the Board, the effective day-to-day management of risk is embedded within our operational business units and forms an integral part of how we work. This bottom up approach ensures potential risks are identified at an early stage and escalated as appropriate with mitigations put in place to manage such risks. Each business unit maintains a comprehensive risk register which is reviewed quarterly by the Risk Committee, with significant and emerging risks escalated to the Audit Committee.

To read more about the Board and Audit Committee's risk oversight, go to pages 65 and 70.

British Land core strengths

- High quality portfolio focused on multi-let retail across the UK and office-led campuses in London
- Placemaking to create Places People Prefer
- Customer orientation to respond to changing lifestyles
- Diverse and high quality occupier base
- High occupancy and long lease lengths provides secure cash flows
- Mixed use development expertise
- Ability to source and execute attractive investment deals
- Efficient capital structure with good access to capital and debt markets
- Sustainability embedded in our strategy

To read more about Our business model, go to pages 10 and 11.

Our risk appetite

Principal internal risks	Key risk indicators (including current optimal thresholds)	Change in risk appetite in the year
1 Investment strategy	– Execution of targeted acquisitions and disposals in line with plan (overseen by Investment Committee) – Review of overall portfolio prospective performance (IRRs) – Percentage of portfolio in non-core sectors	⇔
2 Development strategy	– Total development exposure <15% of portfolio – Speculative development exposure <8% of portfolio (2016: <10%) – Progress on execution of key development projects against plan	↓
3 People	– Unplanned executive departures – Employee engagement ('Best Companies' survey)	⇔
4 Capital structure	– LTV should not exceed a maximum threshold in an economic downturn if market yields were to rise to previous peak levels – Covenant headroom	⇔
5 Finance strategy	– Period until refinancing is required of not less than two years – Percentage of debt at fixed interest rates over next five years	⇔
6 Income sustainability	– Market letting risk including vacancies, upcoming expiries, and breaks and speculative development – Weighted average unexpired lease term – Concentration of exposure to individual occupiers or sectors	⇔

Our risk management framework

Top down Strategic risk management		Bottom up Operational risk management
Review external environment – Robust assessment of principal risks – Set risk appetite and parameters – Determine strategic action points	BOARD/ AUDIT COMMITTEE	Assess effectiveness of risk management systems – Report on principal risks and uncertainties
Identify principal risks – Direct delivery of strategic actions in line with risk appetite – Monitor key risk indicators	RISK COMMITTEE/ EXECUTIVE DIRECTORS	Consider completeness of identified risks and adequacy of mitigating actions – Consider aggregation of risk exposures across the business
Execute strategic actions – Report on key risk indicators	BUSINESS UNITS	Report current and emerging risks – Identify, evaluate and mitigate operational risks recorded in risk register

Our risk appetite

The Group's risk appetite is reviewed annually as part of the annual strategy review process and approved by the Board. This evaluation guides the actions we take in executing our strategy. We have identified a suite of Key Risk Indicators (KRIs) to monitor the Group's risk profile (as summarised on the left), which are reviewed quarterly by the Risk Committee, to ensure that the activities of the business remain within our risk appetite and that our risk exposure is well matched to changes in our business and our markets. These include the most significant judgements affecting our risk exposure, including our asset selection and investment strategy; the level of occupational and development exposure and our financial leverage.

The Board has considered the Group's risk appetite in light of the outcome of the UK's referendum on continued membership of the EU. Our strategy, which is based on long term trends, endures; we had already positioned the business for a range of outcomes with modest development exposure, high occupancy and robust finances. However, we have a range of tactical levers to address the evolving political and economic uncertainties.

We have moderated our development activity, reflecting increased uncertainty. We reduced our internal risk metric for the maximum we will develop speculatively from 10% of the portfolio to 8%, although our current exposure is much lower at 4%.

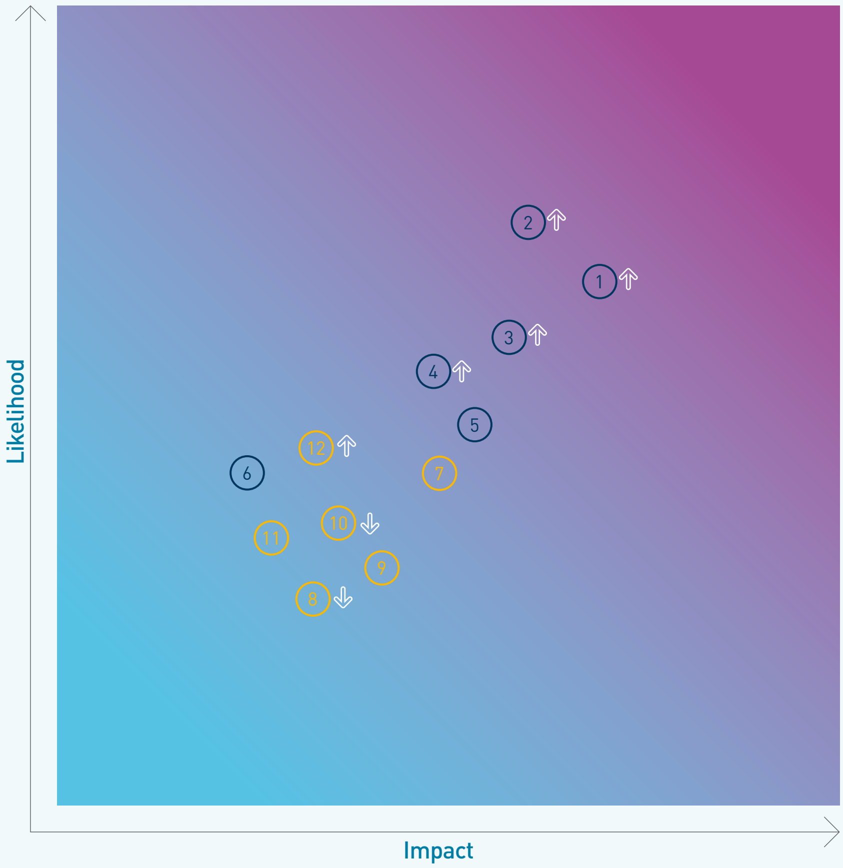
Our financial position is strong; our proportionally consolidated LTV has reduced to 29.9% reflecting asset sales and our financing has an average term of eight years on drawn debt with no requirement to refinance until early 2021.

The Board considers that the Group's risk appetite is appropriate to achieve our strategic objectives. Our business is both resilient and well placed to capture value in the long term.

MANAGING RISK IN DELIVERING OUR STRATEGY CONTINUED

Our risk assessment

Principal risks	Key strategic priorities affected	Change in risk assessment in year
External risks		
1 Economic outlook	Customer Orientation, Right Places, Capital Efficiency	Increased
2 Political and regulatory outlook	Customer Orientation, Right Places, Capital Efficiency	Increased
3 Commercial property investor demand	Right Places, Capital Efficiency	Increased
4 Occupier demand and tenant default	Customer Orientation, Right Places	Increased
5 Availability and cost of finance	Capital Efficiency	Unchanged
6 Catastrophic business event	Customer Orientation, Right Places	Unchanged
Internal risks		
7 Investment strategy	Customer Orientation, Right Places, Capital Efficiency	Unchanged
8 Development strategy	Right Places, Capital Efficiency	Reduced
9 People	Expert People	Unchanged
10 Capital structure	Capital Efficiency	Reduced
11 Finance strategy	Capital Efficiency	Unchanged
12 Income sustainability	Right Places, Capital Efficiency	Increased



Note: The above illustrates principal risks which by their nature are those which have the potential to significantly impact the Group's strategic objectives, financial position or reputation.

Key

Strategic priorities
- Customer Orientation
- Right Places
- Capital Efficiency
- Expert People

Change year on year
- Unchanged
- Increased
- Reduced

Our changing risks and focus

The Board has undertaken a robust assessment of the principal risks and uncertainties that the Group is exposed to in light of the long term trends we are facing (see pages 12 and 13) and in light of the EU referendum result. Several of our principal risks are elevated as a result of the increased political and economic uncertainty (as shown by the risk heat map above).

Looking forward, risks that also could be impacted while the terms and timing of exit are negotiated, and potentially beyond are: investor and occupier demand, availability of finance, execution of investment strategy and income sustainability. We remain mindful of potential headwinds going forward and our risk appetite and tactical decisions will reflect the evolving environment to ensure the business remains both resilient and well positioned to capture upside in the future.

Also, several of our principal risks have evolved in nature; the regulatory environment is now recognised within a broader 'Political and Regulatory Outlook' risk; and the 'Development Strategy' risk has been expanded to include development cost inflation.

Other areas of focus for the Risk Committee during the year included:
- Culture
- Cyber security
- Asset level crisis plan
- Fraud and whistleblowing
- Effectiveness review of our risk process

During the year, we have undertaken an effectiveness review of our risk management process, as well as an internal audit. Our risk management process appropriately supports the effective management of risks, whilst maintaining a practical approach and meeting the requirements of the UK Corporate Governance Code.

We have built on our existing process by embedding risk management discussions in the relevant business unit management committees and provided training for our risk specialists across the business.

This year we hosted a major civil contingencies exercise simulating a large scale critical incident at one of our multi-let retail assets. This was undertaken with support from several police forces, fire and ambulance and other national agencies and enabled us to test our capabilities and preparedness in the event of a significant emergency.

The principal risks facing British Land are summarised on pages 50 to 53, including an assessment of the potential impact and likelihood and how the risks have changed in the year, together with how they relate to our strategic priorities.

The Strategic Report was approved by the Board on 16 May 2017 and signed on its behalf by:

Lucinda Bell
Chief Financial Officer

Viability statement

Assessment of prospects

The Group's annual corporate planning process includes the completion of a strategic review, reassessing the Group's risk appetite and updating the Group's forecasts.

The Group's strategy provides the focus for our annual priorities and is formally reviewed annually. This process is led by the Chief Executive through the Executive Committee and includes the active engagement of the Board. Part of the Board's role is to consider whether the strategy takes appropriate account of the Group's principal risks. The latest updates to the strategic plan and Group's risk appetite were approved by the Board in March 2017.

The strategy and risk appetite drive the Group's forecasts. These cover a five year period and consist of a base case forecast which includes committed transactions only, and a forecast which also includes non-committed transactions the Board expects the Group to make in line with the Group's strategy. A five year forecast is considered to be the optimal balance between the Group's long term business model to create Places People Prefer and the fact that property investment is a long term business (with weighted average lease lengths and debt maturities in excess of five years), offset by the progressively unreliable nature of forecasting in later years, particularly given the historically cyclical nature of the UK property industry.

Assessment of viability

For the reasons outlined above, the period over which the Directors consider it feasible and appropriate to report on the Group's viability is the five year period to 31 March 2022.

The assumptions underpinning these forecast cash flows and covenant compliance forecasts were sensitised to explore the resilience of the Group to the potential impact of the Group's significant risks, or a combination of those risks.

The principal risks table which follows on pages 50 to 53 summarises those matters that could prevent the Group from delivering on its strategy. A number of these principal risks, because of their nature or potential impact, could also threaten the Group's ability to continue in business in its current form if they were to occur.

The Directors paid particular attention to the risk of a deterioration in economic outlook which could impact property fundamentals, including investor and occupier demand which would have a negative impact on valuations, and give rise to a reduction in the availability of finance. The remaining principal risks, whilst having an impact on the Group's business model, are not considered by the Directors to have a reasonable likelihood of impacting the Group's viability over the five year period to 31 March 2022.

The sensitivities performed were designed to be severe but plausible; and to take full account of the availability of mitigating actions that could be taken to avoid or reduce the impact or occurrence of the underlying risks relating to a single 'downturn scenario':

- Downturn in economic outlook: Key assumptions including occupancy, void periods, rental growth and yields were sensitised in the 'downturn scenario' to reflect reasonably likely levels associated with an economic downturn, including:
  - a reduction in occupier demand, with a fall in occupancy rate of 5% and Offices and Retail ERV declines of 25% and 5% respectively
  - a reduction in investment property demand to the level seen in the last severe downturn in 2008/2009, with outward yield shift to 8% net initial yield
- Restricted availability of finance: based on the Group's current commitments and available facilities there is no requirement to refinance until early 2021. In the normal course of business, financing is arranged in advance of expected requirements and the Directors have reasonable confidence that additional or replacement debt facilities will be put in place. In the 'downturn scenario', the following sensitivity of this assumption was conducted:
  - a reduction in the availability of finance, for the final two years of the five year assessment in tandem with the Group's refinancing date

The outcome of the 'downturn scenario' was that the Group's covenant headroom based on existing debt (i.e. the level by which investment property values would have to fall before a financial covenant breach occurs) decreases from the current 58% to, at its lowest level, 11%, indicating covenants on existing facilities would not be breached.

In the 'downturn scenario', mitigating actions would be required to enable the Group to meet its future liabilities at the refinancing date, principally through asset sales, which would allow the Group to continue to meet its liabilities over the assessment period.

Viability statement

Having considered the forecast cash flows and covenant compliance and the impact of the sensitivities in combination in the 'downturn scenario', the Directors confirm that they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period to 31 March 2022.

Going concern

The Directors also considered it appropriate to prepare the financial statements on the going concern basis, as explained in the Governance review.

To read more information on going concern, go to page 65.

PRINCIPAL RISKS

External risks

Risks and impacts		How we monitor and manage the risk	Change in the year
Economic outlook	**The UK economic climate and future movements in interest rates present risks and opportunities in property and financing markets and the businesses of our occupiers which can impact both the delivery of our strategy and our financial performance.**	– The Risk Committee reviews the economic environment in which we operate quarterly to assess whether any changes to the economic outlook justify a re-assessment of the risk appetite of the business – Key Indicators include **forecast GDP growth**, employment rates, business and consumer confidence, interest rates and inflation/deflation are considered, as well as central bank guidance and government policy updates – We stress test our business plan against a downturn in economic outlook to ensure our financial position is sufficiently flexible and resilient – Our resilient business model focuses on a high quality portfolio, with secure income streams and robust finances	The UK economy has remained robust and fared better than many expected following the EU referendum, with economic activity improving in the second half of 2016, albeit we have seen some evidence of softening retail spend in the first part of 2017. There is continuing uncertainty associated with the UK's future exit from the EU and other geopolitical changes, with a wide spectrum of views about future economic performance. Equity and foreign exchange markets have been volatile. Interest rates have remained low; but UK inflation is increasing, partly driven by the devaluation of sterling. We remain mindful of potential headwinds and have the flexibility to scale our development activity and risk exposures up or down to respond to market conditions, to ensure the business remains both resilient and well positioned to capture upside in the future.
Political and regulatory outlook	**Significant political events and regulatory changes, including the decision to leave the EU, brings risks principally in two areas:** – reluctance of investors and businesses to make investment and occupational decisions whilst the outcome remains uncertain and – on determination of the outcome, the impact on the case for investment in the UK, and on specific policies and regulation introduced, particularly those which directly impact real estate or our customers	– Whilst we are not able to influence the outcome of significant political events, we do take the uncertainty related to such events and the range of possible outcomes into account when making strategic investment and financing decisions – Internally we review and monitor proposals and emerging policy and legislation to ensure that we take the necessary steps to ensure compliance. Additionally we engage public affairs consultants to ensure that we are properly briefed on the potential policy and regulatory implications of political events. Where appropriate, we act with other industry participants and representative bodies to contribute to the debate on regulatory changes	There remains uncertainty about the nature of Britain's exit from and future relations with the EU, alongside how this could impact the UK economy. Furthermore, the global geopolitical and trade environment remains uncertain. We are confident that the natural resilience of our business, with its long leases, high occupancy and robust financial position, together with the actions we have taken, leaves our business well positioned.
Commercial property investor demand	**Reduction in investor demand for UK real estate may result in falls in asset valuations and could arise from variations in:** – the health of the UK economy – the attractiveness of investment in the UK – availability of finance and – relative attractiveness of other asset classes	– The Risk Committee reviews the property market quarterly to assess whether any changes to the market outlook present risks and opportunities which should be reflected in the execution of our strategy and our capital allocation plan. The Committee considers indicators such as **margin between property yields and borrowing costs** and **property capital growth forecasts** which are considered alongside the Committee members' knowledge and experience of market activity and trends – We focus on prime assets and sectors which we believe will be less susceptible over the medium term to a reduction in occupier and investor demand – Strong relationships with agents and direct investors active in the market – We stress test our business plan for the effect of a change in property yields	Investment volumes were lower in 2016, although there has been a pick-up in activity more recently, particularly in central London offices. UK property continues to appeal to certain investors underpinned by the relatively wide yield gap between property yields and long term interest rates, further supported by currency movements. The market for the most attractive assets remains liquid and in the central London office market there have been a number of high profile transactions including our sale of The Leadenhall Building. Prime yields have remained broadly stable, although market pricing is becoming increasingly polarised with some softening in demand for more secondary assets. We have continued to be active and successfully exchanged on the sale of £1.5 billion of assets, overall 9% ahead of valuation.

Key

Change from last year

Risk exposure has increased

No significant change in risk exposure

Risk exposure has reduced

Our principal Key Risk Indicators are **highlighted** within 'How we monitor and manage the risk'.

Risks and impacts		How we monitor and manage the risk	Change in the year
Occupier demand and tenant default	**Underlying income, rental growth and capital performance could be adversely affected by weakening occupier demand and occupier failures resulting from variations in the health of the UK economy and corresponding weakening of consumer confidence, business activity and investment.** Changing consumer and business practices including the growth of internet retailing, flexible working practices, and demand for energy efficient buildings, new technologies, new legislation and alternative locations may result in earlier than anticipated obsolescence of our buildings if evolving occupier and regulatory requirements are not met.	– The Risk Committee reviews indicators of occupier demand quarterly including **consumer confidence surveys,** and **employment and ERV growth forecasts**, alongside the Committee members' knowledge and experience of occupier plans, trading performance and leasing activity in guiding execution of our strategy – We have a high quality, diversified occupier base and monitor concentration of exposure to individual occupiers or sectors. We perform rigorous occupier covenant checks ahead of approving deals and on an ongoing basis so that we can be proactive in managing exposure to weaker occupiers – Ongoing engagement with our occupiers. Through our Key Occupier Account programme we work together with our occupiers to find ways to best meet their evolving requirements – Our sustainability strategy links action on occupier health and wellbeing, energy efficiency, community and sustainable design to our business strategy. Our social and environmental targets help us comply with new legislation and respond to customer demands; for example, we expect all office developments to be BREEAM Excellent	In retail, demand remained firm in the year, despite wider uncertainty from consumers and retailers alike. However, retailers are facing a more challenging environment with cost pressures from a number of sources including the National Living Wage, the recent business rates revaluation, import cost inflation due to the weakening pound and from the requirements of establishing omni-channel platforms. These pressures mean that retailers are increasingly focusing on the most profitable stores, where they can grow sales with lower occupancy costs. Our continued upgrading of environments at our retail properties and targeted engagement with occupiers, positions us well to benefit from increasing polarisation. While occupier demand in the London office market has been more cautious post-referendum, take-up has picked up with overall take-up over the year in line with the ten year average. London's broad appeal means that demand has continued to originate from a range of industries including strong demand from the creative and technology sectors. We have seen vacancy rates rising in both the City and West End following recent development completions and expect this to apply downward pressure on market rents; however accelerating polarisation towards higher quality places will provide support for rents in the best locations. As well as policy and regulatory changes arising from the UK's departure from the EU, such as migration controls and passporting, office occupiers also face challenges as they adapt to economic, social and technology changes. Our focus is on London campuses which provide attractive and engaging environments and are increasingly flexible to suit the changing requirements and scale of central London office occupiers. These position us well to benefit from any shift in demand.
Availability and cost of finance	**Reduced availability of finance may adversely impact ability to refinance debt and/or drive up cost. These factors may also result in weaker investor demand for real estate.** Regulation and capital costs of lenders may increase cost of finance.	– **Market borrowing rates** and **real estate credit availability** are monitored by the Risk Committee quarterly and reviewed regularly in order to guide our financing actions in executing our strategy – We monitor our projected LTV and our debt requirements using several internally generated reports focused on borrowing levels, debt maturity, available facilities and interest rate exposure – We maintain good long term relationships with our key financing partners – The scale and quality of our business enables us to access a diverse range of sources of finance with a spread of repayment dates. We aim always to have a good level of undrawn, committed, unsecured revolving facilities to ensure we have adequate financing availability to support business requirements and opportunities – We work with industry bodies and other relevant organisations to participate in any debate on emerging finance regulations where our interests and those of our industry are affected	There has been market volatility reacting to macro-economic and political uncertainties. However, there remains good availability of finance in debt and capital markets (secured and unsecured) to UK REITs and other good quality real estate investors. Development finance without pre-lets is more difficult to obtain. We have continued to achieve attractive financings and agreed one year extensions on a total of £1.4 billion of our unsecured facilities and agreed a new £100 million bilateral facility in the year.
Catastrophic business event	**An external event such as a civil emergency, including a large-scale terrorist attack, cyber crime, extreme weather occurrence, environmental disaster or power shortage could severely disrupt global markets (including property and finance) and cause significant damage and disruption to British Land's portfolio and operations.**	– We maintain a comprehensive crisis response plan across all business units as well as a head office business continuity plan – The Risk Committee monitors the **Home Office terrorism threat levels** and we have access to security threat information services – Asset emergency procedures are regularly reviewed and scenario tested. Physical security measures are in place at properties and development sites – Our Sustainability Committee monitors environmental and climate change risks. Asset risk assessments are carried out to assess a range of risks including security, flood, environmental, health and safety – We have implemented corporate cyber security systems which are supplemented by incident management, disaster recovery and business continuity plans, all of which are regularly reviewed to be able to respond to changes in the threat landscape and organisational requirements – We also have appropriate insurance in place across the portfolio	The Home Office threat level from international terrorism remains 'Severe'. Our business continuity plans and asset emergency procedures have been reviewed and enhanced where appropriate. We are mindful of cyber security risks and have enhanced our security position as well as rolling out cyber awareness training across both British Land and Broadgate Estates. We continue to monitor the cyber threat landscape including the impact on our supply chain and any implications of new regulations.

Internal risks

Risks and impacts		How we monitor and manage the risk	Change in the year
Investment strategy **Responsible executives:** Chris Grigg, Charles Maudsley, Tim Roberts	**In order to meet our strategic objectives we aim to invest in and exit from the right properties at the right time. Underperformance could result from changes in market sentiment as well as inappropriate determination and execution of our property investment strategy, including:** – sector selection and weighting – timing of investment and divestment decisions – exposure to developments – asset, tenant, region concentration – co-investment arrangements	– Our investment strategy is determined to be consistent with our target risk appetite and is based on the evaluation of the external environment – Progress against the strategy and continuing alignment with our risk appetite is discussed at each Risk Committee with reference to the property markets and the external economic environment – The Board carries out an annual strategic review of the overall corporate strategy including the Group's current and prospective asset portfolio – Individual investment decisions are subject to robust risk evaluation overseen by our Investment Committee including consideration of returns relative to risk adjusted hurdle rates – Review of prospective performance of individual assets and their business plans – We foster collaborative relationships with our co-investors and enter into ownership agreements which balance the interests of the parties	Whilst the outlook in our markets will remain uncertain for some time, we have an enduring strategy which is based on long term trends and this positions our high quality portfolio to benefit from increasing polarisation and to attract a broader range of occupiers. In line with our strategic priorities, we have accelerated our focus on lifestyle oriented real estate; we have recycled capital to maximise returns and we are getting closer to our customers. During the year we have exchanged on £1.5 billion of asset disposals at 9% above valuation. We have been disciplined in our investment activity, with £195 million of acquisitions, primarily of properties which are complementary to existing assets and £292 million capital spend on developments and placemaking.
Development strategy **Responsible executives:** Chris Grigg, Charles Maudsley, Tim Roberts	**Development provides an opportunity for outperformance but usually brings with it elevated risk.** **This is reflected in our decision-making process around which schemes to develop, the timing of the development, as well as the execution of these projects.** Development strategy addresses several development risks that could adversely impact underlying income and capital performance including: – development letting exposure – construction timing and costs (including construction cost inflation) – major contractor failure – adverse planning judgements	– We manage our levels of **total and speculative development exposure** as a proportion of the investment portfolio value within a target range taking into account associated risks and the impact on key financial metrics. This is monitored quarterly by the Risk Committee along with **progress of developments against plan** – Prior to committing to a development, the Group undertakes a detailed appraisal overseen by our Investment Committee including consideration of returns relative to risk adjusted hurdle rates – Pre-lets are used to reduce development letting risk where considered appropriate – Competitive tendering of construction contracts and, where appropriate, fixed price contracts entered into – Detailed selection and close monitoring of contractors including covenant reviews – Experienced development management team closely monitors design, construction and overall delivery process – Early engagement and strong relationships with planning authorities – We also actively engage with the communities in which we operate, as detailed in our Local Charter, to ensure that our development activities consider the interests of all stakeholders – We manage environmental and social risks across our development supply chain by engaging with our suppliers, including through our Supply Chain Charter, Sustainability Brief for Developments and Health and Safety Policy	Development has been an important driver of returns and we have assembled a pipeline of development opportunities with the optionality to progress when the time is right. In a more uncertain environment, we have moderated our current speculative development exposure to only 4% of the portfolio. We are progressing planning and pre-let discussions across the pipeline and positioned ourselves to make timely decisions on our developments going forward. For more on our development programme, see pages 29 to 31.

Key

Change from last year

Risk exposure has increased

No significant change in risk exposure

Risk exposure has reduced

Our principal Key Risk Indicators are **highlighted** within 'How we monitor and manage the risk'.

Risks and impacts		How we monitor and manage the risk	Change in the year
People **Responsible executives:** Chris Grigg	**A number of critical business processes and decisions lie in the hands of a few people.** Failure to recruit, develop and retain staff and Directors with the right skills and experience may result in significant underperformance or impact the effectiveness of operations and decision-making, in turn impacting business performance.	– Our HR strategy is designed to minimise risk through: – informed and skilled recruitment processes – talent, performance management and succession planning for key roles – highly competitive compensation and benefits – people development and training – The risk is measured through employee engagement surveys (including the 'Best Companies' survey), employee turnover and retention metrics. We monitor this through the number of **unplanned executive departures** in addition to conducting exit interviews – We engage with our suppliers to make clear our requirements in managing key risks including health and safety, fraud and bribery and other social and environmental risks, as detailed in our Supply Chain Charter	Expert People is one of the four core focus areas of our strategy. We empower our people to make the most of their potential. During the year, we have introduced a number of initiatives to improve organisational effectiveness across the business and to promote wellbeing and health, including offering enhanced Shared Parental Pay to employees. Also, we are focused on creating a culture which encourages diversity and inclusion and are working towards the National Equality Standard. For more on our Expert People, see pages 24 and 25.
Capital structure – leverage **Responsible executives:** Lucinda Bell	**Our capital structure recognises the balance between performance, risk and flexibility.** – Leverage magnifies capital returns, both positive and negative – An increase in leverage increases the risk of a breach of covenants on borrowing facilities and may increase finance costs	– We manage our use of debt and equity finance to balance the benefits of leverage against the risks, including a magnification of the impact of property valuation movements – We aim to manage our LTV through the property cycle such that our financial position would remain robust in the event of a significant fall in property values. This means we do not adjust our approach to leverage based on changes in property market yields – We manage our investment activity, the size and timing of which can be uneven, as well as our development commitments to ensure that our LTV level remains appropriate – We leverage our equity and achieve benefits of scale while spreading risk through joint ventures and funds which are typically partly financed by debt without recourse to British Land	Balance sheet metrics remain strong. Our LTV and weighted average interest rate on drawn debt have reduced and interest cover has improved. The impact of investment activity in the year was a net decrease in debt of £0.5 billion. The strength of the Group's balance sheet is reflected in our senior unsecured credit rating which was reaffirmed by Fitch at A- and outlook was upgraded to 'Positive'. For more on our financial policies, see pages 43 to 45.
Finance strategy **Responsible executives:** Lucinda Bell	**Finance strategy addresses risks both to continuing solvency and profits generated.** Failure to manage refinancing requirements may result in a shortage of funds to sustain the operations of the business or repay facilities as they fall due.	– We have five key principles guiding our financing which are employed together to manage the risks in this area: diversify our sources of finance, phase maturity of debt portfolio, maintain liquidity, maintain flexibility, and maintain strong balance sheet metrics – We monitor the **period until refinancing is required**, which is a key determinant of financing activity, and regularly evaluate the **financial covenant headroom** – We are committed to maintaining and enhancing relationships with our key financing partners – We are mindful of relevant emerging regulation which has the potential to impact the way that we finance the Group	Given the quality of our business, we have continued to achieve attractive financings which improve earnings and liquidity. As well as being well priced, our financing is robust with an average term of eight years on drawn debt and no requirement for the Group to refinance until early 2021. Our committed bank facilities total £1.8 billion of which £1.3 billion was undrawn at 31 March 2017. For more on our financial policies, see pages 43 to 45.
Income sustainability **Responsible executives:** Lucinda Bell, Charles Maudsley, Tim Roberts	**We are mindful of maintaining sustainable income streams which underpin a stable and growing dividend and provide the platform from which to grow the business.** We consider sustainability of our income streams in: – execution of investment strategy and capital recycling, notably timing of reinvestment of sale proceeds – nature and structure of leasing activity – nature and timing of asset management and development activity	– We undertake comprehensive profit and cash flow forecasting incorporating scenario analysis to model the impact of proposed transactions – Pro-active asset management approach to maintain strong occupier line-up. We monitor our **market letting exposure** including vacancies, upcoming expiries and breaks and speculative development as well as our **weighted average unexpired lease term** – We have a high quality and diversified occupier base and monitor concentration of exposure to individual occupiers or sectors – We are proactive in addressing key lease breaks and expiries to minimise periods of vacancy – We actively engage with the communities in which we operate, as detailed in our Local Charter, to ensure we provide buildings that meet the needs of all relevant stakeholders	Despite the uncertainty, the quality of our portfolio and environments has continued to attract strong occupier interest with good leasing performance. Our income streams are secure; underpinned by a high quality, diverse occupier base with 98% occupancy and an average lease length of 8.3 years. We actively manage the impact of our investment strategy and office lease expiries on our income profile. Looking forward, we're conscious of potential headwinds for our occupiers, however we continue to expect our high quality portfolio to benefit from increasing polarisation.

Governance and remuneration

SouthGate, Bath (right)


laura
ashley
FATFACE

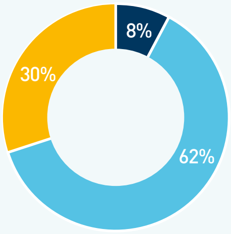
BOARD OF DIRECTORS

Our Board develops strategy and leads British Land to achieve long term success

About the Board

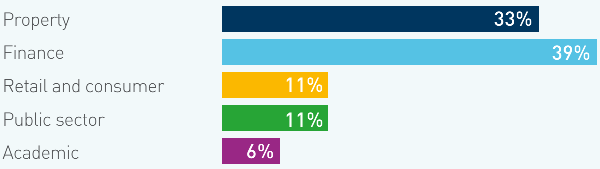
Board Composition as at 31 March 2017

Board of Directors



- Non-Executive Chairman
- Independent Non-Executive Directors
- Executive Directors

Directors' core areas of expertise[1]



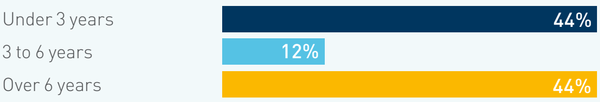
[1] Some Directors are represented in more than one category.

Executive Directors' appointments

50% appointed internally

50% appointed externally

Length of Non-Executive Directors' tenures



Board Committee membership key

(A) Audit Committee member

(R) Remuneration Committee member

(N) Nomination Committee member

○ Chairman of a Board Committee

Non-Executive Chairman

John Gildersleeve (N)

Appointed as a Non-Executive Director in September 2008 and as Chairman on 1 January 2013.

Skills and experience: John is deputy chairman and senior independent director of Spire Healthcare Group plc and deputy chairman of TalkTalk Telecom Group PLC. He was formerly chairman of Carphone Warehouse Group, New Look Retail Group, EMI Group and Gallaher Group; a non-executive director of Dixons Carphone plc, Lloyds TSB Bank PLC, Vodafone Group and Pick n Pay Stores (South Africa) and an executive director of Tesco plc. (B.3.1) ✓.

Executive Directors

Chris Grigg

Chief Executive

Appointed to the Board in January 2009.

Skills and experience: Chris has more than 30 years' experience in the real estate and financial industries in a range of leadership roles. Until November 2008, Chris was chief executive of Barclays Commercial Bank, having joined Barclays in 2005. Prior to that, Chris spent 20 years at Goldman Sachs. Chris is a non-executive director of BAE Systems plc, a member of the board of the British Property Federation and of the executive board of the European Public Real Estate Association.

Executive Directors

Lucinda Bell
Chief Financial Officer
Appointed to the Board in March 2011 and as Chief Financial Officer in May 2011.
Skills and experience: Lucinda is a chartered accountant with over 25 years of industry experience. She is Chairman of Broadgate Estates Limited, British Land's property management business. Lucinda is a non-executive director of Rotork plc, where she is Chair of the Audit Committee and a member of the Nomination and Remuneration Committees. She is a member of the Accounting for Sustainability CFO Leadership Network.

Tim Roberts
Head of Offices and Residential
Appointed to the Board in July 2006.
Skills and experience: Before joining British Land in 1997, Tim was a partner at Drivers Jonas, in the Investment Agency team. He was formerly a non-executive director of Songbird Estates. Tim is Trustee of LandAid, the property industry charity, and Chair of their Grants Committee.

Charles Maudsley
Head of Retail and Leisure
Appointed to the Board in February 2010.
Skills and experience: Charles joined British Land from LaSalle Investment Management where he was Co-Head of Europe, Managing Director of the UK business, a member of the Management Board and an International Director. Prior to joining LaSalle he was with AXA Real Estate Investment Managements for seven years where he was Head of Real Estate Fund Management in the UK.

Senior Independent Director

Lord Turnbull R N
Senior Independent Director
Appointed as a Non-Executive Director in April 2006.
Skills and experience: Lord Turnbull entered the House of Lords in 2005 as a Crossbench Life Peer. He retired as Secretary of the Cabinet and Head of the Home Civil Service in July 2005. Lord Turnbull previously held the positions of Permanent Secretary of HM Treasury and Permanent Secretary at the Department of the Environment. He was formerly a non-executive director of Prudential PLC, Arup Group and Frontier Economics Ltd and chairman of BH Global Limited. Lord Turnbull will step down from the Board at the end of the 2017 AGM.

BOARD OF DIRECTORS CONTINUED

Non-Executive Directors

Aubrey Adams A

Appointed as a Non-Executive Director in September 2008.

Skills and experience: Aubrey is group chair of L&Q, the housing association and residential developer. He is also chairman of the board of trustees of Wigmore Hall. Aubrey was formerly head of property within RBS's Restructuring Division, and has variously been a non-executive director of Pinnacle Regeneration Group Limited, senior independent director of Associated British Ports PLC, non-executive chairman of Unitech Corporate Parks PLC, Air Partner PLC and Max Property Group PLC and chief executive of Savills PLC.

Simon Borrows A

Appointed as a Non-Executive Director in March 2011.

Skills and experience: Simon is the chief executive of 3i Group plc and a member of the supervisory board of Peer Holdings BV, the Dutch holding company for 3i's investment in Action, the non-food discount retailer. He worked for 28 years in the banking and finance industry, most recently as chairman of Greenhill & Co. International LLP. He was also chief executive officer of Baring Brothers International Limited, the corporate finance division of ING Barings and was a non-executive director of Inchcape plc. Simon will step down from the Board at the end of the 2017 AGM.

Lynn Gladden R

Appointed as a Non-Executive Director in March 2015.

Skills and experience: Lynn is Shell Professor of Chemical Engineering at the University of Cambridge, commissioner of the Royal Commission for the Exhibition of 1851, a fellow of the Royal Society and the Royal Academy of Engineering and a non-executive director of IP Group plc. She was formerly a member of the Council of the Engineering and Physical Sciences Research Council and held the position of pro-vice-chancellor for research at the University of Cambridge until the end of 2015.

William Jackson R N

Appointed as a Non-Executive Director in April 2011.

Skills and experience: William is Managing Partner of Bridgepoint, one of Europe's leading private equity groups, which he has led since 2002. He also serves as chairman of the board of Pret A Manger and president of Dorna Sports SL, the rights holder to the Moto GP world motorcycling championships. He has served on a range of boards during his career and has extensive operational and transactional experience. William will become Senior Independent Director at the end of the 2017 AGM.

Laura Wade-Gery R

Appointed as a Non-Executive Director in May 2015.
Skills and experience: Laura is a trustee of the Royal Opera House and Aldeburgh Music and a member of the Government Digital Strategy Advisory Board. Between July 2011 and September 2016 Laura was executive director Multi Channel at Marks and Spencer Group plc. Previously, Laura served in a number of senior positions at Tesco PLC and was a non-executive director of Trinity Mirror plc.

Tim Score A N [1]

Appointed as a Non-Executive Director in March 2014.
Skills and experience: Tim is a non-executive director of Pearson plc and HM Treasury, an independent member of the Football Association's audit committee and a senior advisor to Brunswick Group on financial matters. He was chief financial officer of ARM Holdings PLC from 2002 to 2015 and has held senior financial positions at Rebus Group Limited, William Baird plc, LucasVarity plc and BTR plc. From 2005 to 2014, he was a non-executive director of National Express Group PLC, including time as interim chairman and six years as senior independent director.

[1] As from 1 April 2017.

Lord Macpherson of Earl's Court A [2]

Appointed as a Non-Executive Director in December 2016.
Skills and experience: Lord Macpherson is chairman of C. Hoare & Co and a director of The Scottish American Investment Company PLC. He was the Permanent Secretary to the Treasury for over 10 years from 2005 to March 2016, leading the department through the financial crisis and the subsequent period of banking reform. Lord Macpherson trained as an economist working at both the CBI and Peat Marwick Consulting.

[2] As from 1 April 2017.

Company Secretary

Elaine Williams

Skills and experience: Elaine was appointed Company Secretary and General Counsel in 2015. She was formerly Deputy Group Company Secretary at HSBC Holdings plc and, prior to that, a partner at Freshfields Bruckhaus Deringer.

CHAIRMAN'S GOVERNANCE REVIEW

Welcome to the Corporate Governance and Remuneration sections of our Annual Report

John Gildersleeve
Non-Executive Chairman

Directors' meeting attendance during the year ended 31 March 2017 (A.1.2)

	Board meetings
John Gildersleeve	7/7
Chris Grigg	7/7
Aubrey Adams	7/7
Lucinda Bell	7/7
Simon Borrows	7/7
Lynn Gladden	7/7
William Jackson	7/7
Lord Macpherson[1]	3/3
Charles Maudsley	7/7
Tim Roberts	7/7
Tim Score	7/7
Lord Turnbull	7/7
Laura Wade-Gery[2]	6/7

1 Lord Macpherson was appointed to the Board on 19 December 2016.
2 Laura Wade-Gery was unable to attend one Board meeting due to travel disruption.

As reported in the Chief Executive's review, we have delivered good results in an eventful year as we have continued with our strategy of differentiating our space by providing places which reflect people's changing lifestyles. The design and delivery of our strategy continues to be supported by our robust governance structure which ensures effective decision-making based on the right information. The Board plays a valuable role in encouraging debate about our strategy and its implementation and overseeing the identification and management of key risks.

More information on Our strategy can be found on pages 14 and 15.

British Land has a highly effective Board, as once again confirmed by this year's Board evaluation. Lord Macpherson, formerly Permanent Secretary to HM Treasury, was appointed as a Non-Executive Director in December 2016 and we have recently announced that Preben Prebensen, Chief Executive of Close Brothers Group plc, will join the Board on 1 September 2017. These appointments will further strengthen the diverse mix of skills and experience of our Directors.

Lord Turnbull and Simon Borrows will retire from the Board at the end of the 2017 AGM. Lord Turnbull has served as a Director for more than 11 years and Simon for two three year terms. I would like to thank them both for their valuable contribution as Board members. Lord Turnbull will also step down as Senior Independent Director and will be succeeded by William Jackson.

All Directors, other than Lord Turnbull and Simon Borrows, will stand for election or re-election at the 2017 AGM. We recognise the value that Directors who serve for many years bring to the Board and are delighted that Aubrey Adams, who will have served as a Non-Executive Director for almost nine years by the time of our 2017 AGM, has agreed to serve for a further one year term as an independent Non-Executive Director. Aubrey's considerable experience in the property sector is an important part of the mix of skills and knowledge on our Board. The process is under way to recruit an additional Director with property sector experience to further strengthen the Board.

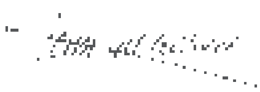
Read our Board biographies on pages 56 to 59.

Corporate culture is increasingly an area of focus for investors, governance advisory bodies, our customers and other stakeholders. The Board is committed to influencing and shaping British Land's culture and believes that setting the 'tone from the top' and strong governance underpin a healthy inclusive culture, which is a key part of delivering long term business success. The Board has supported the executive team in the significant amount of work that has been done this year in reinforcing the behaviours that are expected of British Land employees, increasing employee engagement and continuing to develop a more diverse and inclusive culture at British Land.

Read about our diversity and inclusion initiatives on pages 24 and 25.

The Board will continue to focus this year on monitoring British Land's culture and promoting good governance that supports openness and accountability throughout the business, including open engagement with stakeholders. Further details on the impact on culture of strategic and financial decisions can be found on page 62.

We welcome feedback from shareholders. Your feedback helps us shape our governance structure and the way we do business, I look forward to hearing your views at, and in advance of, our 2017 AGM.



John Gildersleeve
Non-Executive Chairman

Board

Board of Directors
- Responsible for long term success of the Company
- Develops strategy
- Determines nature and extent of significant risks
- Approves major transactions

Non-Executive Chairman
- Leads the Board and ensures it operates effectively
- Maintains a culture of openness and debate
- Ensures effective dialogue between the Board and shareholders

Independent Non-Executive Directors
- Work with and challenge Executive Directors
- Provide an independent, external perspective
- Contribute with a broad range of experience and expertise

Chief Executive and Executive Directors
- Day-to-day management of the business and implementation of strategy
- Overall responsibility lies with the Chief Executive, with specific areas delegated to the Executive Directors (Retail, Finance, Offices)

Board Committees – report on their activities to the Board

Audit Committee
- Oversees financial and narrative reporting
- Provides assurance to the Board on effectiveness of internal control, risk management systems and audit processes
- Reviews effectiveness and objectivity of external and internal auditors

Audit Committee Report see pages 67 to 70.

Nomination Committee
- Leads process for Board appointments and succession planning
- Ensures Board and senior management have appropriate skills, knowledge and experience to operate effectively and deliver strategy

Nomination Committee Report see pages 71 and 72.

Remuneration Committee
- Sets remuneration policy and remuneration of the Chairman and Executive Directors
- Approves annual and long term performance objectives and awards

Remuneration Report see pages 73 to 88.

Management Committees – report on their activities to the Board and its committees as appropriate

Executive Committee
- Considers day-to-day operational matters for running the business
- Reviews performance of the Group's assets and development programme
- Reports to the Board
- Members are the Executive Directors and senior executives, chaired by the Chief Executive Officer

Investment Committee
- Reviews, approves or recommends capital transactions
- Recommends major transactions for Board approval
- Reports to the Board
- Members are the Executive Directors, chaired by the Chief Executive

Risk Committee
- Manages strategic and operational risk in achieving the Company's performance goals
- Recommends appropriate risk appetite levels and monitors risk exposure
- Reviews operation of risk management processes
- Reports to the Audit Committee
- Members are the Executive Directors, chaired by the Chief Financial Officer

Health and Safety Committee
- Reviews performance against targets and drives actions in pursuit of the Company's health and safety goals
- Reports to the Risk Committee
- Three subcommittees: Construction, Managed Portfolio and Head Office

Sustainability Committee
- Reviews performance and monitors progress against sustainability targets and key initiatives
- Assesses emerging social, environmental and ethical issues, assessing associated risks and consideration of mitigating actions
- Reports to the Risk Committee

Community Investment Committee
- Oversees the strategic management of the Community Investment Fund
- Approves and monitors all spend under the Community Investment Fund
- Reports to the Risk Committee

Our governance structure is an integral part of the way we design and deliver our strategy

Compliance with the Code

The Board has continued to apply good governance practices during the year and considers that the Company has fully complied with the UK Corporate Governance Code (the Code). This section of the Annual Report outlines how we have applied the Code's principles and provisions throughout the year. We are reporting against the Code which applies to companies with reporting periods beginning on or after 1 October 2014. A copy of the Code is available at **www.frc.org.uk**

For ease of reference, this is how we demonstrate our compliance throughout the Governance and remuneration section of the 2017 Annual Report:

- A. Leadership
- B. Effectiveness
- C. Accountability
- D. Remuneration
- E. Relations with shareholders

Leadership

The Board's core responsibilities include setting British Land's strategic aims and leading the Company as it works to achieve these aims and attain long term success. The focus on strategy by the Board continues throughout the year with annual Strategy Days providing an opportunity to discuss, challenge and develop the Company's strategy as explained in the box below. Progress in delivery of the agreed strategy is considered at Board meetings during the year. The strategy is kept under review in light of Company performance and changes to the external environment.

Strategy Days

The annual Strategy Days provide Non-Executive Directors in particular with a focused opportunity to consider, develop and challenge the Company's strategy. As well as considering the Group as a whole, consideration is given to key parts of the Group's current and prospective asset portfolio.

In 2017, the annual Strategy Days were held at the beginning of March. The Executive Directors, senior executives and external guests delivered a number of presentations to attendees providing in-depth analysis on aspects of the business and the external environment. The days were carefully structured to achieve a balance between presentations, debate and discussion.

Areas focused on at the 2017 Strategy Days included: corporate strategy, Canada Water, Office strategy, Retail strategy, technology opportunities and challenges.

The division of responsibilities between the Chairman (who is responsible for running the Board) and the Chief Executive (who is responsible for running the Company's business) is set out in writing and approved by the Board (A.2.1).

The Board delegates authority for ensuring that the business is run in accordance with the agreed strategy to the Chief Executive, with responsibility for specific areas of the business delegated to the other Executive Directors. The Executive Directors are involved in, or aware of, all major activities and are therefore extremely well placed to ensure that actions taken align with strategy.

The major decisions reserved for Board approval and other decisions delegated to the Executive Directors are formally documented and reviewed regularly (A.1.1). The Executive Directors make decisions within these predefined parameters although any activities outside the ordinary course of business may still be taken to the full Board for consideration and approval where this is considered appropriate, even if they fall within those parameters.

The parameters and controls set by the Board within which the management undertake the day-to-day running of the business ensure that decisions are taken by people with the correct authority to make these decisions. Management Committees deal with their specific areas of responsibility before making decisions (where authority has been granted) or before recommending actions for Board-level approval.

The Chairman meets with individual Directors outside formal Board meetings as part of each Director's continuing contribution to the Company (A.4.2). This process allows for open, two-way discussion about the effectiveness of the Board, its Committees and individual Directors. In this way, the Chairman remains mindful of the views of individual Directors and can act as necessary to deal with any issues relating to Board effectiveness before they become a risk to the Company.

Culture and composition of the Board

The composition of the Board is fundamental to its success in providing strong and effective leadership; the breadth of knowledge, skills and experience of our Non-Executive Directors is detailed in their biographies on pages 56 to 59. The Nomination Committee is responsible for reviewing the composition of the Board and its Committees and assessing whether the balance of skills, experience, knowledge and independence is appropriate to enable them to operate effectively (B.2.2).

Following recommendations by the Nomination Committee, Lord Macpherson was appointed a Non-Executive Director in December 2016 and we have recently announced that Preben Prebensen will join as a Non-Executive Director and member of the Remuneration Committee in September 2017. These appointments will further strengthen the mix of skills and experience on the Board.

William Jackson will succeed Lord Turnbull as the Senior Independent Director at the end of the 2017 AGM when Lord Turnbull retires as a Director and as Senior Independent Director. Simon Borrows will also step down as a Director at the end of the 2017 AGM.

Lord Macpherson joined the Audit Committee and Tim Score joined the Nomination Committee on 1 April 2017.

Our rigorous and transparent procedures for appointing new Directors are led by the Nomination Committee. Non-Executive Directors are appointed for specified terms and all continuing Directors offer themselves for election or re-election by shareholders at the AGM each year, if the Board, on the recommendation of the Nomination Committee, deems it appropriate that they do so (B.7.1).

Aubrey Adams will have served as a Non-Executive Director for almost nine years by the time of our 2017 AGM. When a Non-Executive Director's tenure goes beyond nine years, their independence is carefully reviewed and monitored. Following a particularly rigorous review of Aubrey's contributions and independence by the Nomination Committee, the Board determined that he remains independent in character and judgement.

The Board has approved the recommendation of the Nomination Committee that it is appropriate for Aubrey Adams to remain in office as an independent Non-Executive Director, and a member of the Audit Committee, for a further year, notwithstanding the length of his service. Aubrey's considerable expertise in the property sector is an important part of the mix of skills and experience on our Board and we recognise the importance of continuity and the value that Directors who serve for many years bring to the Board. We are delighted he has agreed to stand for re-election. The recruitment process to recruit an additional director with property sector experience is ongoing.

The Board considers that Aubrey Adams, Simon Borrows, Lynn Gladden, William Jackson, Tim Score, Lord Turnbull, Laura Wade-Gery and Lord Macpherson are independent. In making this determination, the Board has reviewed the Nomination Committee's assessment of whether each Director remains independent in character and judgement and whether there are relationships or circumstances which are likely to affect, or could appear to affect, that judgement (B.1.1).

The Board believes that the Non-Executive Directors are of the stature and have the experience required to perform their roles as independent Directors properly. Following this year's Board evaluation, the Board believes each Non-Executive Director standing for re-election at the 2017 AGM continues to fulfil effectively and remains committed to their role within British Land. The terms and conditions of appointment of Non-Executive Directors are available for inspection at the Company's registered office and at the AGM (B.3.2).

The Board culture is one of openness and constructive debate; the Directors voice their opinions in a relaxed and respectful environment, allowing coherent discussion. The Chairman is responsible for maintaining this culture. He does so by ensuring information of an appropriate quality is provided in a timely manner before Board meetings which leads to focused discussion in the boardroom. When running Board meetings the Chairman maintains a collaborative atmosphere and ensures that all Directors contribute to debates. The Chairman arranges informal meetings and events throughout the year to help build constructive relationships between the Board members.

We continue to have a strong mix of experienced individuals on the Board with the majority being independent Non-Executive Directors who are able to offer an external perspective on the business, and constructively challenge the Executive Directors, particularly when developing the Company's strategy (B.1.2). The Non-Executive Directors scrutinise the performance of management in meeting their agreed goals and objectives, and monitor the reporting of performance.

The high calibre of debate and the participation of all Directors, Executive and Non-Executive, allow the Board to utilise the experience and skills of the individual Directors to their maximum potential and make decisions that are in the best interest of the Company.

Culture

British Land recognises that:

- the behaviours and attitudes exhibited in the way British Land conducts business and in its relations with stakeholders are a key indicator of, and have a material impact on, our culture and
- alignment of our business decisions with our culture, values and strategy is key to demonstrating our commitment to developing a long term sustainable business

The Board takes account of these factors when considering strategic and financial decisions.

Effectiveness

Regular Board and Committee meetings are scheduled throughout the year and the Directors ensure that they allocate sufficient time to discharge their duties effectively. Occasionally, Board meetings may be held at short notice when Board-level decisions of a time-critical nature need to be made.

For meeting attendance, see the table on page 60.

Non-Executive Directors' letters of appointment set out the time commitments expected and each Director's attendance record is considered when assessing whether they should stand for re-election by shareholders. The Nomination Committee considers that all the Directors continue to devote sufficient time to discharging their duties to the required high standard.

British Land's policy is to allow Executive Directors to take one non-executive directorship at another FTSE company, subject to British Land Board approval. External appointments of the Directors are disclosed in their biographies and fees earned by Executive Directors are disclosed on page 86 of the Remuneration Report (D.1.2). The Directors are required to notify the Company of any potential conflicts of interest that may affect them in their roles as Directors of British Land. All potential conflicts of interest are authorised by the Board at the earliest opportunity and the register of Directors interests is reviewed by the full Board at least annually.

GOVERNANCE REVIEW CONTINUED

Key areas considered by the Board during the year:

- outcomes of the annual Strategy Days and progress towards agreed outcomes
- consideration and approval of risk appetite
- principal risks faced by the Company
- Brexit and its affect on the Group
- reports of the activities of the Audit (including risk), Remuneration and Nomination Committees
- updates on the business, external environment and investor relations
- updates on the portfolio, including possible developments, acquisitions and disposals
- updates on financing and capital structure
- results of the Board performance evaluation
- election and re-election of Directors at the AGM and Committee membership
- conflicts of interest
- approval of year end and half year financial results, the Annual Report and the Notice of AGM
- approval of the dividend policy and declaration of quarterly interim dividends
- culture
- people including training and development and succession planning
- health and safety
- sustainability
- cyber security and information technology

The Non-Executive Directors are kept well informed of the key developments in the business through regular reports including a Management Report delivered by the Chief Executive at each Board meeting, a Finance Report and regular updates on the activities of the Risk and Sustainability Committees. Throughout the year presentations and reports on specific aspects of the business and individual assets are also delivered, along with updates on the regulatory and external environment. Specific input from the Non-Executive Directors is also sought when significant investment decisions and strategic initiatives are reviewed and discussed.

Care is taken to ensure that information is circulated in good time before Board and Committee meetings whenever possible, and that reports are presented clearly and contain the appropriate level of detail to enable the Board to discharge its duties. It is the Company Secretary's role to facilitate effective information flows between the Board and its Committees, and between senior management and Non-Executive Directors. As a result, the Non-Executive Directors are able effectively to monitor management of the business and the implementation of the strategic aims as well as being able to assess the performance of the Chairman and Executive Directors (B.5.1) ✓.

The Company Secretary is responsible, through the Chairman, for advising the Board on all aspects of governance (B.5.2) ✓.

Board training and development

British Land provides all Non-Executive Directors with a tailored and thorough induction which includes briefings on Directors' duties, Group strategy, one-to-one meetings with Executive Directors and other senior executives. They are also provided with the opportunity to visit key properties and developments (B.4.1) ✓.

The Chairman reviews training and development needs with the Directors annually (B.4.2) ✓. Board members are provided with opportunities to update and refresh their knowledge throughout the year, ensuring that they are able to fulfil their role as members of the Board and its Committees effectively. During the year ended 31 March 2017, the Board considered papers and presentations on legal and regulatory developments, technology opportunities and challenges and sustainability-related developments as well as receiving regular briefings on the views of stakeholders, the external environment and regulatory matters.

Board evaluation

The effectiveness of the Board and its Committees is reviewed annually, with an independent, externally facilitated review being conducted at least once every three years. The next external review will be undertaken in 2018 (B.6.2) ✓.

In 2017, an internal evaluation of the Board and its Committees was conducted by the Company Secretary and General Counsel (B.6.1) ✓. In addition to the formal evaluation, the Chairman met each Non-Executive Director individually during the year to discuss their contribution to the Board. The Senior Independent Director led the appraisal of the Chairman's performance by the Non-Executive Directors, with the views of the Executive Directors also being taken into consideration (B.6.3) ✓.

The Chairman and Chief Executive presented their appraisals of the performance of the Chief Executive and other Executive Directors respectively. These appraisals were taken into account when considering the performance of the Board as a whole as well as in relation to annual and long term incentive awards.

The evaluation of the Board and its Committees concluded that the Board and its Committees continued to operate effectively with a high standard of performance throughout the year.

Accountability

The Board is responsible for preparing the Annual Report and confirms in the Directors' responsibility statement set out on page 91 that they believe that this Annual Report, taken as a whole, is fair, balanced and understandable, and provides the information necessary to assess British Land's position, performance, business model and strategy (C.1.1) ✓. The basis on which the Company creates and preserves value over the long term is described in the Strategic Report (C.1.2) ✓.

The content of the Annual Report is prepared by the relevant responsible individuals across the business. Specific sections are reviewed by Department Heads and Executive Committee members as appropriate, ensuring that key stakeholders are involved throughout the process. The Executive Directors are closely involved in drafting and reviewing their sections of the Annual Report. A detailed and robust due diligence process is conducted to verify key statements made within the Annual Report prior to its thorough review by the Audit Committee and presentation to the Board for consideration and approval.

The procedure undertaken to enable the Board to provide the fair, balanced and understandable confirmation to shareholders has been reviewed by the Audit Committee. Meetings to review and document the key considerations undertaken to ensure that information presented is fair, balanced and understandable are held between the Chief Financial Officer, Head of Investor Relations and the Group Financial Controller and other appropriate employees. A detailed report is then presented to the Audit Committee which includes a summary of the process undertaken to satisfy management that the confirmation to be given is appropriate and accurate.

Risk management and internal control

The Board determines the extent and nature of the risks it is prepared to take in order to achieve the Company's strategic objectives.

The Board has responsibility for the Company's overall approach to risk management and internal control. The Board's responsibilities include ensuring the design and implementation of appropriate risk management and internal control systems. Oversight of the effectiveness of these systems is delegated to the Audit Committee which undertakes regular reviews to ensure that the Group is identifying, considering and mitigating, as far as practicable, the most appropriate risks for the business (C.2.3).

As well as complying with the Code, the best practice recommendations in 'Guidance for Risk Management, Internal Control and Related Financial and Business Reporting' have been adopted and the Company's internal control framework has been assessed against the internationally recognised COSO Internal Control Integrated Framework. The latter assessment showed that all key control elements are in place.

British Land's approach to risk, including the roles of the Board, the Audit Committee and the Executive Risk Committee in setting risk appetite and monitoring risk exposure, is detailed in the "Managing risk in delivering our strategy" section on pages 46 to 49 (C.2.1).

Formal and transparent arrangements exist for considering how corporate reporting, risk management and internal control principles are applied and for maintaining an appropriate relationship with the Company's auditor.

The Group's internal control system is built on the following fundamental principles, and is subject to review by internal audit:

- a defined schedule of matters reserved for approval by the Board
- a detailed authorisation process: no material commitments are entered into without thorough review and approval by more than one authorised person
- formal documentation of all significant transactions
- a robust system of business and financial planning: including cash flows and profitability forecasting, with scenario analysis performed on major corporate, property and financing proposals
- a robust process for property investment appraisals
- monitoring of key outcomes, particularly expenditure and performance of significant investments, against budget and forecast
- clearly defined policies and review of actual performance against policies
- benchmarking of property performance against external sources such as Investment Property Databank
- key controls testing
- a comprehensive property and corporate insurance programme and a formal whistle-blowing policy

The Audit Committee reviews the effectiveness of the Group's system of internal control annually, including the systems of control for material joint ventures and funds. During the course of its review of the risk management and internal control systems during the year ended 31 March 2017, and to the date of this Report, the Audit Committee has not identified, nor been advised of, a failing or weakness which it has determined to be significant (C.2.3).

A number of policies and procedures have been adopted by the Group to ensure that we not only meet our legal obligations, but also behave ethically, act with integrity and protect our assets from the unlawful activities of others. These include policies on anti-bribery and corruption and fraud awareness and know-your-client procedures. All employees are made aware of the Group's policies and receive training appropriate to their roles and responsibilities.

Viability and going concern

The viability statement is set out on page 49 (C.2.2).

The Group has considerable undrawn debt facilities and cash deposits in excess of current drawn banking facilities. There is substantial headroom against the covenants for its unsecured banking facilities. It also benefits from a diverse and secure income stream from leases with long average lease terms.

Having assessed the principal risks and other matters discussed in connection with the viability statement, the Directors believe that the Group is well placed to manage its financing and other business risks satisfactorily, and have a reasonable expectation that the Company and the Group have adequate resources to continue in operation for at least 12 months from the date of the Annual Report. They therefore consider it appropriate to adopt the going concern basis of accounting in preparing the financial statements (C.1.3).

Taxation

Our principles of good governance extend to our responsible approach to tax. It remains important to our stakeholders that this is aligned to the long term values and strategy of the Group. The Chief Financial Officer, with close involvement of the other Executive Directors and senior management, is responsible for developing the Group's approach to tax. A tax update is presented to the Audit Committee annually.

Community investment

British Land's approach to community investment is set out in our Local Charter which details how we build trust by making positive contributions locally. Our Community Funding Guidelines set out how we allocate funding, with a particular focus on initiatives close to our assets that provide opportunities to local people through education, employment and training. Both documents can be found on our website at **www.britishland.com/policies**

Our financial donations to good causes during the year totalled £1,351,000 (2016: £1,371,000). Our Community Investment Committee approves all expenditure from our Community Investment Fund and reports to the Executive Committee on an annual basis.

In addition to funding projects approved by our Community Investment Committee, the Company also supports fundraising and payroll giving for causes that matter to staff. This support includes:

- 50% uplift of staff payroll giving contributions (capped at £5,000 per person and £50,000 per annum for the whole organisation) and
- a staff matched funding pledge, matching money raised for charity by staff up to £750 per person per year

GOVERNANCE REVIEW CONTINUED

We also support fundraising by the on site teams managing our retail and office properties around the UK by:

- matching up to £750 for two site fundraising initiatives per year, per location and
- extending our staff matched funding pledge to on site employees of Broadgate Estates Limited, our wholly-owned subsidiary

British Land does not make donations to political organisations.

Remuneration

The Directors' Remuneration Report is set out on pages 73 to 88.

The Remuneration Policy was approved by shareholders at the 2016 AGM and is summarised on page 75. The full policy is available on our website: **www.britishland.com/committees.** We are not making any changes to the Remuneration Policy this year.

Relations with shareholders

The Board remains committed to maintaining open channels of communication with shareholders. It is important that we clearly explain the Company's strategy and objectives and that feedback is listened to and any issues and questions appropriately considered.

British Land has a dedicated Investor Relations team which reports to the Chief Financial Officer. Investors and analysts receive regular communications from the Company throughout the year, including Investor Relations events (see box to the right), one-to-one and group meetings with Executive Directors and property or asset tours, as well as regular contact with the Investor Relations team. During the year, the Chief Executive, Chief Financial Officer and our Investor Relations team met with representatives from over 205 institutions. We periodically commission an independent investor perception study which is presented to the Board.

The Chairman encourages all Directors to attend the AGM, providing retail shareholders in particular with an opportunity to hear from the Board and to question the Directors in person.

Significant emphasis is placed on the importance of feeding shareholder views, both positive and negative, back to the Board. The Chief Executive provides a written report to the Board at each scheduled meeting which includes direct market feedback on activity during the period. (E.1.1) ✓ (E.1.2) ✓.

British Land aims to be informative and accessible to all shareholders. Announcements relating to the Group's financial results and other key matters are provided in a timely manner to both retail and institutional shareholders. Our website also provides a number of case studies for stakeholders' information covering topics from asset profiles to sustainability activities. Shareholders are also able to contact the Company directly via the contacts page on our website: **www.britishland.com/contacts**

We are pleased with the level of engagement with shareholders achieved during the year and the Board also recognises the important contribution of providers of capital other than shareholders, namely our lenders and bondholders. We maintain a regular and open dialogue with our debt providers to help us understand their investment appetite and criteria.

As ever, our Senior Independent Director remains available to address any concerns shareholders may wish to raise, other than via the usual channels of the Chairman, Chief Executive or other Executive Directors (A.4.1) ✓.

Key investor relations activities during the year included

May 2016	– Full year results presentation – Full year roadshow, London – Investor property conference, Netherlands – Private client investor roundtable, London
June 2016	– Investor roadshow, Edinburgh – Investor property conference, London – Investor property tour, Paddington Central
July 2016	– Analyst roundtable, Retail strategy, London – Q1 trading update – AGM – US Private Placement investor briefing, teleconference
September 2016	– Investor property conference, London – Investor roadshow, US – Private client roadshow, London
November 2016	– Half year results presentation – Half year roadshow, London – Investor property conference, London
December 2016	– Direct investor roadshow, Canada – Investor property conference, South Africa
January 2017	– Q3 trading update – Investor property conference,London – Analyst and investor property tour, Clarges, Mayfair
February 2017	– Investor roadshow, Netherlands
March 2017	– Investor sustainability workshop, London – Investor property conference, London – Private client roadshow, London and Edinburgh – Investor roadshow, Edinburgh

We monitor the quality and integrity of the financial reporting and valuation processes

Tim Score
Chairman of the Audit Committee

Audit Committee members' attendance for the year ended 31 March 2017

Tim Score (Chairman) (A.1.2)	**5/5**
Aubrey Adams	**5/5**
Simon Borrows	**5/5**

Terms of reference

The Committee's role and responsibilities are set out in the terms of reference which can be found on our website at **www.britishland.com/committees** (C.3.1) (C.3.2) (C.3.3)

I am pleased to present the report of the Audit Committee for the year ended 31 March 2017.

This year, the key areas of focus for the Committee have been:

- scrutinising the valuation of investment and development properties
- monitoring the effectiveness of the new internal auditor and reviewing the internal audit plan
- agreeing a best practice policy for the appointment of the Company's external valuers
- reviewing the appropriateness of continuing to publish interim management statements and
- monitoring the quality, consistency and integrity of the Company's financial reporting, including assessing whether the Annual Report is fair, balanced and understandable

Committee composition and governance

During the year, the Committee was wholly composed of independent Non-Executive Directors, being Aubrey Adams, Simon Borrows and myself as Committee Chairman. With effect from 1 April 2017 Lord Macpherson joined the Committee.

British Land has announced that Simon Borrows will retire from the Board, and this Committee, at the conclusion of the 2017 AGM. I would like to thank Simon for his valuable contribution as a member of this Committee.

The Board remains satisfied that each of the Committee members is appropriately qualified and experienced to undertake their roles. For the purposes of the Code, I am deemed to meet the specific requirement of having significant, recent and relevant financial experience (C.3.1).

By invitation, members of management attend Committee meetings. These include the Chief Financial Officer, Chief Executive Officer, Company Secretary and General Counsel, Group Financial Controller, Head of Investor Relations, Head of Financial Reporting and Head of Planning and Analysis as well as representatives of both external and internal auditors. The Committee met privately with both external and internal auditors three times during the year and is satisfied that neither is being unduly influenced by management.

As Committee Chairman, I additionally hold regular meetings with the Chief Financial Officer and other members of management. These meetings provide me with a better understanding of key issues and identify those matters which require meaningful discussion at Committee meetings. I also meet the external audit partner, internal audit partner and representatives from each of the valuers to discuss any matters or concerns they have.

During the year, the Committee received reports from management, external and internal auditors, external valuers and the Risk Committee. These reports have allowed the Committee to scrutinise and ask questions where further clarification or discussion was required. Further details on the work undertaken by the Committee are set out in the section on 'Key activities during the year' on page 68.

Role and responsibilities

The principal responsibilities of the Committee are:

1 **External audit** – Oversight and remuneration of the external auditor, assessing effectiveness and making recommendations to the Board on the appointment of, and the policy for, non-audit services provided by the external auditor

2 **Financial reporting** – Monitoring the integrity of the Company's financial statements and any formal announcements relating to financial performance, and considering significant financial reporting issues, judgements and estimates

3 **Investment and development property valuations** – Considering the valuation process and the effectiveness of the Company's valuers

4 **Risk management and internal controls** – Reviewing the system of internal control and risk management

5 **Internal audit** – Monitoring and reviewing reports on the work performed by the internal auditor and reviewing effectiveness, audit plans and resourcing

Key activities during the year

The key activities undertaken by the Committee are set out below.

1. External audit

The Committee is responsible for overseeing the relationship with the external auditor and for considering their terms of engagement, remuneration, effectiveness, independence and continued objectivity. The Committee annually reviews the audit requirements of the Group, for the business and in the context of the external environment, placing great importance on ensuring a high quality, effective external audit process. In particular, during the year, the Committee reviewed and approved the annual audit plan and reviewed the findings of the external audit and management's responsiveness to those findings.

In accordance with best practice and its own terms of reference, the Committee undertakes an annual review of the performance of the external auditor. During this review, the Committee considered the external auditor's technical competence, strategic knowledge, reporting, their independence, and compliance with relevant statutory, regulatory and ethical standards. (C.3.8) ✓.

The Committee noted the results of the Financial Reporting Council's Audit Quality Review (AQR) of PwC's audit of the Company, along with their performance on other audits of listed companies.

The Committee reviewed PwC's performance during the year ended 31 March 2017 and was content with the quality of the audit work undertaken and the knowledge and competence of the audit team. The external auditor confirmed to the Committee that it maintains appropriate internal safeguards to ensure its independence and objectivity. The Committee considered and approved PwC's assessment of its independence and has recommended to the Board that a resolution for the reappointment of PwC as external auditor be put to shareholders at the 2017 AGM (C.3.7) ✓.

British Land undertook a tender of external audit services in 2014 resulting in the appointment of PwC as external auditor. This is the third year that PwC have audited the Annual Report. The Committee will consider the need for a competitive tender for the role of external auditor every five years, with a competitive tender taking place at least every ten years. There are no contractual obligations which would restrict the selection of a different auditor. The Committee will also ensure that the rotation of audit partner is undertaken as required by legislation to the extent that this is not undertaken earlier by PwC.

Provision of non-audit services (C.3.8) ✓

The Committee has adopted a policy for the provision of non-audit services by the external auditor. The policy helps to safeguard the external auditor's independence and objectivity and was reviewed and updated during the year. The policy allows the external auditor to provide the following non-audit services to British Land where they are considered to be the most appropriate provider:

- Audit related services: including formal reporting relating to borrowings, shareholder and other circulars and work in respect of acquisitions and disposals. In some circumstances, the external auditor is required to carry out the work because of their office. In other circumstances, selection would depend on which firm was best suited to provide the services required
- Sustainability assurance: PwC currently provides an assurance opinion to the Company over selected sustainability data. This appointment is reviewed annually.

In addition, the protocols that apply to non-audit fees are:

- Total non-audit fees are limited to 70% of the audit fees in any one year. Details of the audit and non-audit fees paid during the year are set out in Note 5 on page 109. The audit and non-audit fees for the three year average are calculated in line with the methodology set out in the 2014 EU Regulations and include fees for joint ventures and funds
- Committee approval is required where there might be doubts as to whether the external auditor had a conflict of interest and
- Pre-approval by the Audit Committee Chairman is required for each additional project or incremental fee over £25,000 (previously £100,000) and Committee approval required for any additional projects over £100,000

During the year one engagement relating to Sustainability assurance required approval. This was approved by the Audit Committee Chairman on the basis that PwC were best placed to provide this service and that it created no conflict of interest with their role as external auditor.

2. Financial reporting

At the request of the Board the Committee reviewed the content and tone of the preliminary results press release, Annual Report and half year results as well as the quarterly trading updates.

The Committee received a broad outline of the Annual Report structure and content early in the process. Further drafts of the Annual Report were reviewed by the Committee prior to formal consideration by the Board, with sufficient time to allow feedback. The Committee considered the key messages included in the Annual Report, half year results and the trading updates issued during the year. As well as content and tone of results, the Committee paid particular attention to financial reporting matters it considers to be important by virtue of size, complexity, level of judgement required and potential impact on the financial statements and wider business model. Identification of the issues deemed to be significant took place following open and frank discussion between the Committee, Chief Financial Officer, PwC, internal audit and other relevant British Land employees.

Following the Committee's review, and receipt of an external audit opinion from PwC, the Committee has satisfied itself that controls over the accuracy and consistency of the information presented in the Annual Report are robust. The Committee recommended to the Board that the Annual Report presented a fair, balanced and understandable overview of the business of the Group and that it provides stakeholders with the necessary information to assess the Group's position, performance, business model and strategy (C.3.4) ✓.

The Committee also considered the continuing use of interim management statements between the full and half year announcements. Having taken into account the views of investors, the Committee recommended to the Board that the Company should cease publishing interim management statements from 1 April 2017.

The significant issues considered by the Committee during the year ended 31 March 2017 and the actions taken to address these issues, are set out in the table below (C.3.8).

Significant issues in relation to financial statements considered by the Committee during the year		How these issues were addressed by the Committee
Viability statement	Whether the assessment undertaken by management regarding the Group's long term viability appropriately reflects the prospects of the Group and covers an appropriate period of time.	The Committee considered whether the assessment performed by management adequately reflected the Group's risk appetite and principal risks as disclosed on pages 50 to 53; whether the period covered by the statement was reasonable given the strategy of the Group and the environment in which it operates; and whether the assumptions and sensitivities identified and stress tested represented severe but plausible scenarios in the context of solvency or liquidity. Following this evaluation, along with consideration of the external auditor's report, the Committee agreed with management's assessment and recommended the viability statement for approval by the Board. The viability statement, together with further details on the assessment undertaken, is set out on page 49 of the Strategic Report.
Going concern statement	The appropriateness of preparing the Group financial statements on a going concern basis.	The Committee reviewed management's analysis supporting the going concern basis of preparation, including consideration of forecast cash flows, availability of committed debt facilities and expected covenant headroom. The Committee also received a report from the external auditor on the results of the testing undertaken on management's analysis. As a result of the assessment undertaken, the Committee satisfied itself that the going concern basis of preparation remained appropriate. The going concern statement is set out on page 65 of the Corporate Governance Report.
Valuation of property portfolio	The valuation of investment and development properties conducted by external valuers is inherently subjective as it is undertaken on the basis of assumptions made by the valuers which may not prove to be accurate. The outcome of the valuation is significant to the Group in terms of investment decisions, results and remuneration.	The external valuers presented their reports to the Committee prior to the half year and full year results, providing an overview of the UK property market and summarising the performance of the Group's assets. Significant judgements were also highlighted. The Committee analysed the reports and reviewed the valuation outcomes, challenging assumptions where thought fit. In particular this year, the effect of the EU referendum on property valuations and market sentiment was examined in detail. The Committee was satisfied with the valuation process and the effectiveness of the Company's valuers. The Committee also approved the relevant valuation disclosures to be included in the Annual Report.
Accounting for significant transactions	The accounting treatment of significant property acquisitions, disposals and financing transactions, is a recurring risk for the Group with non-standard accounting entries required, and in some cases management judgement applied.	The Committee reviewed management papers on key judgements, including those for significant transactions, as well as the external auditor's findings on these matters. In particular, the Committee considered the accounting treatment of The Leadenhall Building transaction, the disposal of Debenhams, Oxford Street and the impact of share price movements on the accounting treatment of the 2012 convertible bond, including the change in dilutive impact on the Company's key metrics. The external auditor confirmed that management's judgements in relation to these transactions were appropriate. The Committee agreed with this conclusion.
REIT status	Maintenance of the Group's REIT status through compliance with certain conditions has a significant impact on the Group's results.	The Committee reviewed the Company's compliance with the REIT tests. Management presented details of the methodology and results of their process for REIT testing, highlighting any change in long term trends and the current level of headroom. The external auditor presented the conclusions of their review of the REIT tests performed by management and the Committee concluded that the Company's REIT status had been maintained in the year.
Revenue recognition	For certain transactions, judgement is applied by management as to whether, and to what extent, they should be treated as revenue for the financial year.	The Committee and the external auditor considered the appropriateness of the accounting treatment applied by management in relation to revenue recognition. In particular the Committee considered the accounting of significant payments received in the year in relation to the development and occupation of 5 Broadgate and were satisfied with their treatment as capital items. The Committee considered the scope of the accounting standard and agreed with the reasonableness of the judgement made.

REPORT OF THE AUDIT COMMITTEE CONTINUED

3. Investment and development property valuations
The external valuation of British Land's portfolio is a key determinant of the Group's balance sheet, performance and senior management's remuneration. In accordance with its terms of reference, the Committee adopts a rigorous approach to monitoring and reviewing the valuation process and the effectiveness of the Group's valuers, Knight Frank, CBRE and Jones Lang LaSalle. The Committee reviews the effectiveness of the external valuers bi-annually; focusing on a quantitative analysis of capital values, yield benchmarking, availability of comparable market evidence and major outliers to subsector movements, with an annual qualitative review of the level of service received from each valuer.

The valuers attended the Committee meetings which considered the half year and annual results, and presented their reports including providing confirmation of the valuation process, market conditions and significant judgements made. PwC reviewed the valuations and valuation process, having had full access to the valuers to determine that due process had been followed and appropriate information used. It reported its findings to the Committee. The valuation process was also subject to regular review by internal audit.

British Land has fixed fee arrangements in place with the valuers in relation to the valuation of wholly-owned assets, in line with the recommendations of the Carsberg Committee Report. Copies of the valuation certificates of Knight Frank, CBRE and JLL can be found on the corporate website at **www.britishland.com/reports**

The Company has adopted a best practice policy on the appointment of external valuers. The policy covers duration of appointments and the number of valuers engaged across the portfolio. Implementation of the policy will commence during the year ending 31 March 2018 and further details will be given in the 2018 Annual Report.

4. Risk management and internal controls
The Committee is responsible for overseeing the effectiveness of the Group's risk management and internal control systems on behalf of the Board. This Committee has oversight of the activities of the Risk Committee, receiving minutes of all Risk Committee meetings and discussing any significant matters. Prior to the announcement of full year and half year results the Committee reviews the Group's principal risks. This includes a commentary on how risk exposures have changed during the period and any emerging risks in the Company's risk register. In particular, consideration has been given to the effect on the Company's external economic and internal strategic aims following the EU referendum result, geopolitical unrest and capital growth forecasts. The Committee reviewed management's response to these matters including impact on near term budgeting and future investment and development strategy. The Committee considered and recommended the Group's risk appetite to the Board for approval, ensuring that it was set at an appropriate level to achieve strategic goals without taking undue risk. The Committee reviewed the status of key risk indicators throughout the year against the risk appetite set, with focus on those that were outside optimal ranges.

Half-yearly, the internal auditor reports to the Committee on the effectiveness of management's internal controls, including a thematic analysis of control issues identified by management. Internal audit and the Risk Committee work closely together to ensure that identified risk areas are incorporated in the internal audit plan and similarly, the findings of internal audits are taken into account when identifying and evaluating risks within the business. For the year ended 31 March 2017, the internal auditor confirmed that the system of risk management and internal controls had been effective.

Further details of the Company's internal control systems can be found on page 65 of the Corporate Governance Report.

5. Internal audit
As set out in the 2016 Annual Report, a formal tender of internal audit services was undertaken during the first quarter of 2016. A selection panel was established which I chaired, comprising the Chief Financial Officer, Company Secretary and General Counsel and senior members of the Finance team. The principal criteria considered by the panel included the skills and experience of the proposed teams, cultural fit with British Land, insight and external perspectives to add value and expected fee arrangements. Ernst & Young LLP (EY) were identified as the preferred candidate and appointed to the role following approval by the Board on the Committee's recommendation.

The Committee reviewed and approved the internal audit plan for the year, including a consideration of its alignment to the principal risks of the Group and its joint ventures. EY have attended all Committee meetings during the year to present their observations arising from the audits undertaken and the status of any resulting management actions.

Internal audits undertaken by EY and reviewed by the Committee in the year included: property development including procurement, third party contract management, property valuations and statistics, property management contract acquisitions, property disposals and the wider risk management process, treasury, payroll and human resources. The audits revealed no significant issues however a number of process and control improvements were suggested and implemented in the year by management. EY also provided assurance over the effectiveness of key financial controls in the year and a number of advisory reviews were conducted over business continuity and IT processes including the ongoing design and implementation of a new finance general ledger system.

The performance of internal audit was monitored throughout the year through the review, challenge and discussion of EY's findings. The Committee reviewed the internal audit charter which defines EY's role and responsibilities. A formal review of the effectiveness of the internal auditor was undertaken and, as a result of this review, the Committee believed that EY discharged its duties effectively (C.3.6) during the year ended 31 March 2017.

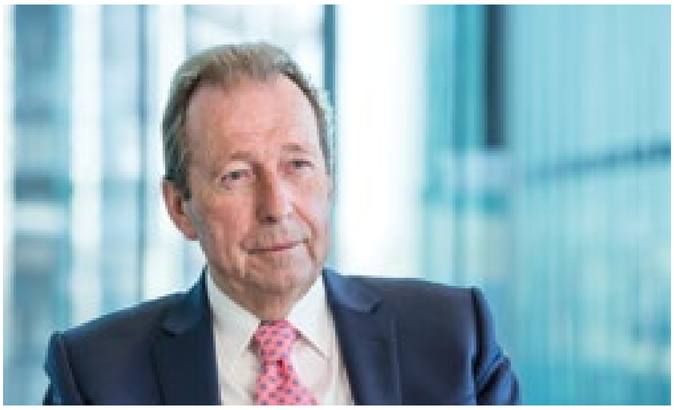
Other matters discussed and reviewed by the Committee

In addition to the key areas set out above, the Committee considered the following matters during the year ended 31 March 2017:

Reporting and external audit	– Changes to accounting policies – Annual audit plan and external auditor's remuneration
Risk and internal control	– Review of the Treasury Policy including liquidity, interest rate and foreign currency management – Anti-fraud and anti-bribery and corruption policies and procedures – Whistleblowing arrangements (C.3.5) – Cyber security – Risk exposure and reward outcome – Insurance for corporate, property and development risks
Internal audit	– Annual internal audit plan – Internal audit charter setting out its role and responsibilities
Other	– Reviewing the Committee's terms of reference – Annual tax update and approach to tax – Evaluation of the Committee's effectiveness

Tim Score
Chairman of the Audit Committee

The Committee leads the process for Board appointments



John Gildersleeve
Chairman of the Nomination Committee

Nomination Committee members' attendance for the year ended 31 March 2017

John Gildersleeve (Chairman) (A.1.2) ✓	**2/2**
William Jackson	**2/2**
Lord Turnbull	**2/2**

Role and responsibilities

The Committee's role and responsibilities are set out in its terms of reference found on the Company's website at **www.britishland.com/committees** (B.2.1) ✓.

The Committee's principal responsibilities are:

- reviewing the structure, size and composition of the Board and its Committees and recommending changes to the Board
- considering succession planning for Directors and other senior executives
- reviewing the independence and time commitment requirements of Non-Executive Directors and
- making recommendations as to the Directors standing for election or re-election at the AGM

Welcome to the report of the Nomination Committee.

The Committee considers that the Board consists of individuals with the right balance of skills, experience and knowledge to provide strong and effective leadership of the Company. The majority of the Board are independent Non-Executive Directors, and the Board's collective experience covers a range of relevant sectors, as illustrated on page 56. As well as a breadth of property and financial experience, many Board members have personal experience of working in the retail and corporate environments that are typical of many of our occupiers.

In December 2016 Lord Macpherson was appointed as a Non-Executive Director, In addition, on 1 September 2017 Preben Prebensen will join the Board and the Remuneration Committee. Details of our appointment process are given on page 72.

We recognise the importance of continuity and the value that Directors who serve for many years bring. Aubrey Adams will be approaching the end of his ninth year as a Non-Executive Director by the time of our 2017 AGM.

Aubrey's considerable expertise in the property sector is an important part of the mix of skills and experience on our Board. The Committee undertook a rigorous review of Aubrey's contributions to the Board and the Audit Committee and his independence and determined that Aubrey remained independent in character and judgement. We are delighted to recommend that Aubrey be invited to serve as an independent Non-Executive Director for a further one year term. The process to recruit an additional Non-Executive Director with property sector experience is under way (B.2.3) ✓.

Committee composition and governance

Membership of the Committee remained unchanged during the year to 31 March 2017 and comprised William Jackson, Lord Turnbull and myself as Committee Chairman. With effect from 1 April 2017, Tim Score, Chairman of the Audit Committee joined the Committee.

We announced in March that Lord Turnbull will retire from the Board, and its Committees, at the conclusion of the 2017 AGM. I would like to thank Lord Turnbull for the support and advice he has provided to the Nomination Committee during his tenure. His guidance and experience will be missed.

The Committee met twice during the year. By invitation, Tim Score and Chris Grigg, Chief Executive, attended both meetings.

Key activities during the year

During the year, the Committee has undertaken each of its principal responsibilities as set out on page 71.

Composition of the Board and Committees

The Committee reviewed the composition of the Board, and considered whether the range of skills, experience and knowledge that the Directors bring continue to provide strong and effective leadership of the Company, and their length of tenure.

The Zygos Partnership (Zygos), an external search agency, was engaged by the Committee to assist with the recruitment process in relation to Lord Macpherson and Preben Prebensen. Zygos' role included the preparation of detailed role specifications, searching for and benchmarking suitable candidates, and producing detailed personal profiles for the Committee's consideration. Other than the provision of recruitment consultancy services, Zygos does not have any connection with British Land (B.2.4).

The Board's collective experience covers a range of relevant sectors, as illustrated on pages 56 to 59. The Committee considered the skills, experience and knowledge of each candidate as well as their ability to provide the appropriate level of scrutiny and challenge expected of independent Non-Executive Directors.

Throughout the year, the membership of the Audit, Remuneration and Nomination Committees comprised independent Non-Executive Directors to the extent required by the Code (B.2.1). William Jackson succeeded Lord Turnbull as Chairman of the Remuneration Committee following the 2016 AGM when Lord Turnbull retired from that role. Lord Turnbull remains a member of the Remuneration Committee until the conclusion of the 2017 AGM when he will stand down as a Director and Senior Independent Director. William Jackson will succeed Lord Turnbull as the Senior Independent Director at that time.

On 1 April 2017, Lord Macpherson was appointed to the Audit Committee and Tim Score joined the Nomination Committee.

The Committee undertook a detailed review of the continued independence of each of the Non-Executive Directors, the time commitment required and whether it was in the best interests of the Company for each Director to be recommended for re-appointment. Detailed consideration was given to each Non-Executive Director's contribution to the Board and its Committees, together with the overall balance of knowledge, skills, experience and diversity on the Board.

In accordance with the Code, all continuing Directors will retire at the Annual General Meeting in 2017 and submit themselves for election, in the case of Lord Macpherson, or re-election by shareholders. Following their review, the Committee is of the opinion that each Director continues to demonstrate commitment to his or her role as a member of the Board and its Committees, discharges his or her duties effectively and that each makes a valuable contribution to the leadership of the Company for the benefit of all stakeholders.

Succession

The Committee regularly reviews the adequacy of succession arrangements for the Board, including the Chief Executive, and other members of senior management. The Chief Executive is responsible for developing succession plans for the remaining Executive Directors and senior management which are presented to and commented on by the Committee. The Chairman is responsible for developing the succession plan for the Chief Executive, which is considered at least annually by the Committee.

Board diversity

British Land pays full regard to the benefits of diversity, including gender diversity, both when the Nomination Committee is searching for candidates for Board appointments and when the Company is searching for candidates for other appointments.

British Land currently has three female Board members; Lynn Gladden and Laura Wade-Gery, both Non-Executive Directors, and Lucinda Bell, Chief Financial Officer. This represents 23% female Board membership (2016: 25%). The percentage of female Board members is expected to return to 25% once the announced Board changes have taken place.

Achieving a more diverse Board, including increasing in the percentage of female Board members, will be subject to the availability of suitable candidates; the Board must ensure that appointments are of the candidates best able to promote the success of the Company. Subject to this requirement, the Board remains committed to further strengthening diversity, including female representation, at Board and senior management level.

Focus for the coming year

For the coming year, the Committee will continue to review and develop succession planning for Executive Directors and senior management and will oversee the triennial externally facilitated Board evaluation.

John Gildersleeve
Chairman of the Nomination Committee

Our Remuneration Policy aligns management incentives with our strategy

William Jackson
Chairman of the Remuneration Committee

Remuneration Committee members' attendance during the year ended 31 March 2017 (A.1.2)

William Jackson (Chairman)[1]	4/4
Lynn Gladden	4/4
Lord Turnbull[1]	4/4
Laura Wade-Gery	4/4

1 William Jackson succeeded Lord Turnbull as Chairman with effect from the conclusion of the 2016 AGM.

Role and responsibilities

The Committee's role and responsibilities are set out in the terms of reference found on the Company's website at **www.britishland.com/committees** (D.2.1) (D.2.2)
The Committee's key areas of responsibility are:

- Setting the remuneration policy for Executive Directors and the Company Chairman; reviewing the remuneration policy and strategy for members of the Executive Committee and other members of executive management whilst having regard to pay and employment conditions across the Group
- Determining the total individual remuneration package of the Company Chairman, each Executive Director, Executive Committee member and other members of management
- Monitoring performance against conditions attached to all annual and long-term incentive awards to Executive Directors, Executive Committee and other members of management and approving the vesting and payment outcomes of these arrangements
- Selecting, appointing and setting the terms of reference of any independent remuneration consultant or consultants

Dear Shareholder

On behalf of the Board, I am pleased to present the Directors' Remuneration Report for the year ended 31 March 2017.

This is my first report as Chairman of British Land's Remuneration Committee, having succeeded Lord Turnbull at the 2016 AGM. I would like to thank Lord Turnbull for his stewardship over the last few years and am grateful that he has remained on the Committee until this year's AGM and continued to offer his knowledge and experience of remuneration matters within British Land. We look forward to welcoming Preben Prebensen, who will join as a Non-Executive Director and a member of this Committee on 1 September 2017.

British Land operates to high standards of remuneration practice. We would like to thank shareholders for reflecting this with their support for the Remuneration Policy at the 2016 AGM. Over 97% supported the new Remuneration Policy and over 96% supported the Directors' Remuneration Report.

The performance measures that determine the levels of variable pay for Executive Directors are fully aligned with the Company's business strategy. These measures are mainly relative and have the objective of incentivising the Directors to deliver higher returns than the market. This means that if in any year the Company delivers weaker performance on a relative basis, variable pay is lower, and if it delivers stronger performance, variable pay is higher.

Over the year under review, despite the Company delivering good financial results in an eventful year, our relative property sector performance has been slightly above or just below market level rather than delivering the clear outperformance we aspire to achieve. As a result, payouts from our annual incentive plans are lower than last year. We expect the LTIP maturing this year will lapse as will half of the MSP awards vesting in June 2017. The Committee believes that this outcome shows that the Company's remuneration policies are working correctly in the interests of shareholders and other stakeholders.

We are not making any revisions to the approved Remuneration Policy this year. However, we are aware of the current debate on remuneration practice and regularly review and challenge target setting for Executive Directors. We ensure this complies with best practice but also that the targets set align management actions with our strategy and the long term interests of shareholders and other stakeholders. During the year we have continued to take into account the views of our shareholders, investor representative bodies and governance advisory organisations in the way the Remuneration Policy is applied. In particular we have responded to feedback about the importance of simplifying executive pay and remuneration reporting as well as ensuring that remuneration is aligned with our strategy.

REMUNERATION REPORT: LETTER FROM THE CHAIRMAN OF THE REMUNERATION COMMITTEE CONTINUED

When our Remuneration Policy was introduced in 2016 we moved to one single long term incentive arrangement and selected three performance measures which closely align with our strategy (see full details on page 77). In 2017 we are continuing to simplify our remuneration structure by reducing the number of quantitative measures for the annual incentive arrangements, from five to two, and introducing weightings for the proportion of maximum annual incentive award opportunity represented by each measure. The three measures that will no longer apply are adequately covered by the remaining measures in the Annual Incentive Plan and LTIP. The remaining performance measures, set out in full on page 76, better align the annual incentive awards made to Executive Directors with British Land's strategic focus on creating Places People Prefer and delivering sustainable long term value for all stakeholders.

In this Remuneration Report, we have also further enhanced our disclosure of how we assess Executive Directors' performance for annual incentive purposes.

Our continuing focus on better alignment of remuneration with strategy is reflected in our decision to use the Investment Property Databank (IPD) March Annual Universe benchmark when assessing performance against the Total Property Returns measure for annual incentive awards and LTIP awards for the year commencing 1 April 2017. The March Annual Universe benchmark is more appropriate for this purpose as the companies from which asset related information is sourced are more representative of our peer group. In addition measuring our performance against this benchmark, which includes sales, acquisitions and developments and so takes account of active asset management, positively supports achievement of the Company's strategy. We weight this benchmark to reflect the sectors in which our assets are classified.

Remuneration in respect of the year ended 31 March 2017

Remuneration within British Land continues to be closely tied to the financial performance of the Group and the extent to which both short and long term strategic objectives are met.

The annual incentive plan payout is based on performance against unlevered capital return, total property return and profit growth, together with qualitative measures supporting Places People Prefer and individual objectives. However, the quantitative objectives of total accounting return vs property majors and ERV growth against IPD were both below median and as a result, do not contribute to the award. The result of our performance gives an award of around one-third of the maximum, equivalent to approximately 50% of basic salary. This is a significant reduction over earlier years and shows that our pay structure is truly variable and reflects performance achieved.

The LTIP awards granted in 2014 and vesting in June 2017 are based on relative performance for the three years ended 31 March 2017. These are expected to lapse in full. In addition, only half of the MSP award made in respect of 2014 is expected to vest. Once again these significant reductions in share-based variable pay show how the structure is aligned to performance outcomes over the longer term.

Remuneration in respect of the year commencing 1 April 2017

Salary and fees

The Committee has discussed and reviewed the Company's annual salary process for all employees. It has also reviewed the basic salaries of the Executive Directors and the Chairman's annual fee and concluded that these should remain unchanged for the coming year.

Annual incentives

We have simplified the performance measures for the annual incentive awards and introduced strict weightings to each measure. For the coming year, 70% of any potential award will be dependent on successfully achieving financial targets with 20% based on achieving qualitative and 10% on individual targets. Our decision to reduce the number of quantitative measures will produce clearer targets. Further information is provided on page 76.

Long-term incentives

The first long-term incentive awards under the Remuneration Policy approved in 2016 will be granted during this coming year.

Diversity and inclusion

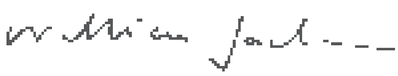
The Committee carefully monitors the Company's strategic focus on diversity and inclusion and has undertaken preparatory analyses for the disclosure requirements of gender pay reporting. Full disclosures will be published on our website when complete. Diversity data is given in the Strategic Report on pages 24 and 25.

Remuneration consultants

In early 2017 a tender of remuneration advisory services was undertaken. A panel was established to oversee the tender on behalf of the Committee whose members included Chris Grigg, Lord Turnbull, and Ann Henshaw (HR Director). I chaired the panel. Several providers were invited to present to the panel and, after due process and deliberation, the Committee appointed Korn Ferry Hay Group Limited to be its remuneration adviser with effect from 21 March 2017. We would like to thank FIT Remuneration Consultants LLP, and Alan Judes in particular, for the advice, guidance and support provided over the years. We wish Alan a good retirement.

Recommendation

British Land continues to strive to apply best practice in its remuneration policies and to listen carefully to shareholder feedback. We therefore hope that you all show your support for our approach to remuneration by voting for the Directors Remuneration Report at the 2017 AGM.

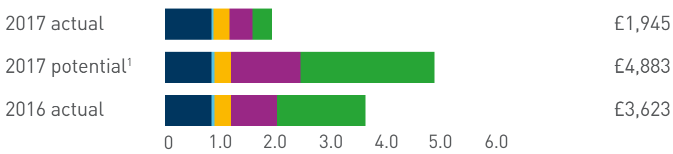


William Jackson
Chairman of the Remuneration Committee

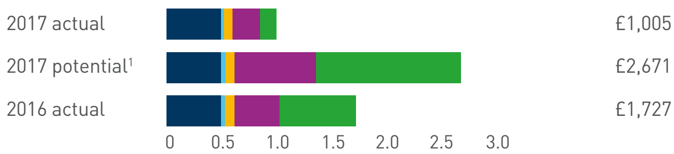
Executive Directors' Remuneration

The charts below show the 2017 actual remuneration against potential opportunity for the year ended 31 March 2017 and 2016 actual remuneration for each Executive Director. Full disclosure of the single total figure of remuneration for each of the Directors is set out in the table on page 78.

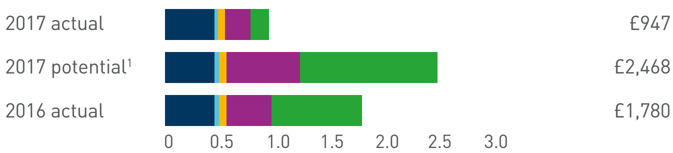
Chris Grigg
Chief Executive — £'000



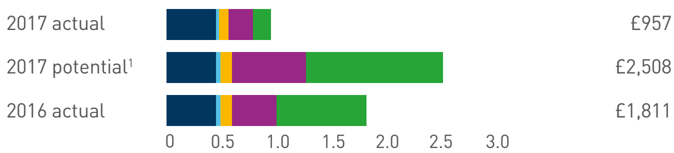
Lucinda Bell
Chief Financial Officer — £'000



Charles Maudsley
Head of Retail and Leisure — £'000



Tim Roberts
Head of Offices and Residential — £'000



■ Salary ■ Benefits ■ Pension ■ Annual Incentive ■ Long-term Incentives

[1] 2017 potential assumes that both annual and long-term incentives pay out in full.

Summary of Remuneration Policy

The Remuneration Policy summarised below was approved by shareholders on 19 July 2016. The Policy is effective until the third anniversary of its approval or a revised policy is approved, whichever is the sooner. The Remuneration Policy is set out in full in the 2016 Annual Report and is available on our website **www.britishland.com/committees**

Element of remuneration		Link to strategy	Framework
Fixed	Basic salary	Attracts and retains Expert People with the appropriate degree of expertise and experience to deliver agreed strategy.	Maximum level cannot be greater than the upper quartile of the comparator group. Reviewed annually and increases typically in line with inflation and general salary increases throughout the Group. Maximum fee of £1,500 p.a. in aggregate for all qualifying appointments to subsidiary boards
	Benefits		Benefits are restricted to a maximum of £20,000 p.a. for car allowance and the amount required to continue providing other taxable and non-taxable benefits at a similar level year-on-year.
	Pension contribution		Defined benefit scheme – target benefit is the pension that can be provided by the 31 March 2012 lifetime allowance (£1.8 million) uplifted by RPI. Defined contribution arrangements – cash allowances in lieu of pension are made at between 15-35% of salary.
Variable	Annual incentive	Performance measures related to British Land's strategic focus and the Executive Director's individual area of responsibility are set by the Committee at the beginning of the financial year.	Maximum opportunity is 150% of basic salary. Two-thirds is paid in cash when granted with the remaining one-third (net of tax) used to purchase shares on behalf of the Executive Director (Annual Incentive Shares) which must be held for a further three years from the date of grant whether or not they remain an employee of British Land.
	Long-term incentive	– Total Property Return (TPR) links reward to gross property performance. – Total Accounting Return (TAR) links reward to net property performance and shareholder distributions. – Total Shareholder Return (TSR) directly correlates reward with shareholder returns.	Maximum value of an LTIP award is 300% of basic salary which may be in the form of performance shares or market value options or a combination of both.

How we intend to apply our Remuneration Policy during the year commencing 1 April 2017

The following pages set out how the Committee intends to apply the Remuneration Policy during the coming year.

Executive Directors' Remuneration

Basic salaries

Basic salaries have been set at the following unchanged levels for the year commencing 1 April 2017.

Director	Basic salary £
Chris Grigg	840,000
Lucinda Bell	493,000
Charles Maudsley	446,250
Tim Roberts	446,250

Annual Incentive awards

The maximum bonus opportunity for Executive Directors remains at 150% of salary. The performance measures for the Annual Incentive awards have been selected to reflect a range of quantitative and qualitative goals that support the Company's key strategic objectives. The performance measures and weightings for the year commencing 1 April 2017 will be as follows:

Measure		Proportion of annual incentive as a percentage of maximum opportunity
Quantitative measures		**70%**
	Total property return relative to IPD (sector reweighted)	42%
	Profit growth relative to budget	28%
Qualitative measures		**20%**
Right Places	– Progress on key projects including developments	5%
Customer Orientation	– Company reputation with all stakeholders	5%
Capital Efficiency	– Execution of targeted acquisitions and disposals – Progress on strengthening the dividend	5%
Expert People	– Promoting an inclusive, performance driven culture	5%
Individual objectives	Performance against individual success factors	**10%**

The Committee has set targets for the quantitative measures and will disclose these in the 2018 Remuneration Report as they are felt to be commercially sensitive. In assessing how the Executive Directors performed during the year commencing 1 April 2017, the Committee will take into account their performance against all of the measures and make an assessment in the round to ensure that performance warrants the level of award determined by the table above.

During the year, the Committee considered whether the current Investment Property Databank (IPD) benchmarks against which the performance of annual and long-term incentive awards is assessed were the most appropriate measures. Following discussion with the Committee's adviser, management and our own deliberations, the Committee agreed that the sector weighted IPD March Annual Universe benchmark which includes sales, acquisitions and developments and so takes into account active asset management as well as being a more representative peer group, would be most suitable.

As a result of this decision, from 1 April 2017, the disclosed performance against IPD metrics for the annual incentive plan will be based on IPD estimates. These estimates will be adjusted once the IPD March Annual Universe data becomes available. No annual incentive payments will be made, or LTIP awards granted, to Executive Directors until the IPD March Annual Universe data is available and the final out-turn known. The final awards under the annual incentive plan will be detailed in the next Remuneration Report.

Long-Term incentive awards

The first LTIP award under the new Remuneration Policy will be made to Executive Directors during the year commencing 1 April 2017. It is anticipated that the grant size of LTIP awards to be made in the year commencing 1 April 2017 will be 250% of salary for each Executive Director. This is below the maximum available under the policy of 300% of salary approved by shareholders last year.

The performance measures that apply to this, and any future, LTIP award will be as follows:

Measure	Link to strategy	Measured relative to	Weighting
Total Property Return (TPR) The change in capital value, less any capital expenditure incurred, plus net income. TPR is expressed as a percentage of capital employed over the LTIP performance period and is calculated by IPD.	The TPR measure is designed to link reward to strong performance at the **gross** property level.	TPR performance will be assessed against the performance of an IPD benchmark.	40%
Total Accounting Return (TAR) The growth in British Land's EPRA NAV per share plus dividends per share paid over the LTIP performance period.	The TAR measure is designed to link reward to performance at the **net** property level that takes account of gearing and our distributions to shareholders.	TAR will be measured relative to a comparator group consisting of the 17 largest FTSE property companies that use EPRA accounting (including British Land).	40%
Total Shareholder Return (TSR) The growth in value of a British Land shareholding over the LTIP performance period, assuming dividends are reinvested to purchase additional shares.	The TSR measure is designed to directly correlate reward with the return delivered to shareholders.	50% of the TSR measure will be measured relative to the performance of the FTSE 100 and 50% of the TSR measure will be measured relative to the performance of a comparator group consisting of the 17 largest FTSE property companies that use EPRA accounting (including British Land).	20%

Performance against the LTIP measures will be assessed over a period of three years. 100% of the proportion of the award attached to each measure will vest if British Land's performance is at least at the upper quartile level. If performance against a measure is equal to the median, 20% of the proportion attached to that measure will vest and if performance is below median the proportion attached to that measure will lapse. There will be straight-line vesting between median and upper quartile performance for each measure.

Chairman's and Non-Executive Directors' fees

Fees paid to the Chairman and Non-Executive Directors are positioned around the median of our comparator group of companies (FTSE 100 companies with broadly similar market capitalisations to British Land) with the aim of attracting individuals with the appropriate degree of expertise and experience. The fee structure set out below was adopted at the 2016 AGM and no changes are proposed for the year commencing 1 April 2017.

Chairman's annual fee	£369,340
Non-Executive Director's annual fee	£61,000
Senior Independent Director's annual fee	£10,000
Audit Committee or Remuneration Committee Chairman's annual fee	£20,000
Audit Committee or Remuneration Committee member's annual fee	£8,000
Nomination Committee member's annual fee	£4,000

How we applied our Remuneration Policy during the year ended 31 March 2017

The following pages set out how we implemented the Directors' Remuneration Policy during the year ended 31 March 2017 and the remuneration received by each of the Directors.

Single total figure of remuneration (audited information)

The following tables detail all elements of remuneration receivable by British Land's Directors in respect of the year ended 31 March 2017 and show comparative figures for the year ended 31 March 2016.

	Salary/fees	Taxable benefits	Other items in the nature of remuneration	Pension or pension allowance	Annual incentives	Long term incentives	Total
Executive Directors	**2017 £000**	**2017 £000**	**2017 £000**	**2017 £000**	**2017 £000**	**2017[1] £000**	**2017 £000**
Chris Grigg	**840**	**23**	**14**	**294**	**418**	**356**	**1,945**
Lucinda Bell	**493**	**23**	**13**	**78**	**245**	**153**	**1,005**
Charles Maudsley	**446**	**23**	**13**	**67**	**231**	**167**	**947**
Tim Roberts	**448**	**23**	**12**	**85**	**222**	**167**	**957**
	2016 £000	2016 £000	2016 £000	2016 £000	2016 £000	2016[2] £000	2016 £000
Chris Grigg	840	21	33	294	840	1,595	3,623
Lucinda Bell	493	21	28	82	410	693	1,727
Charles Maudsley	446	22	17	67	410	818	1,780
Tim Roberts	448	21	19	106	400	817	1,811

1 The LTIP awards granted to Executive Directors in June 2014 will vest on 23 June 2017. These LTIP awards are expected to lapse in full. The MSP awards granted to Executive Directors in June 2014 will vest on 30 June 2017. The TSR element of the 2014 award is expected to lapse in full while the GIG element is expected to vest at 100%. Full details, including details of the performance conditions, are set out on page 81.

2 The LTIP awards granted to Executive Directors in June 2013 vested on 5 August 2016. These LTIP awards were subject to the same performance conditions as the LTIP awards granted in 2014 (see page 81). In the 2016 Annual Report, we disclosed that the TPR element of the 2013 LTIP award was expected to vest at 69% while the TAR element was expected to vest at 44%. The actual vesting percentages were confirmed in July 2016 as 69% for TPR and 43.7% for TAR. The 2016 comparative numbers set out in the above table reflect the actual vesting values of the awards, replacing the estimated vesting values disclosed in the 2016 Annual Report. The MSP awards granted to Executive Directors in June 2013 vested on 2 August 2016. These MSP awards were subject to the same performance conditions as the MSP awards granted in 2014 (see page 81). As disclosed in the 2016 Annual Report, the TSR element of the 2013 award did not vest while the GIG element was expected to vest at 100%. The vesting percentage for the GIG element was confirmed by the Committee in July 2016. In the 2016 Annual Report the share price for the period 1 January to 31 March 2016 was used. This has now been replaced by the actual price on the date of vesting.

	Fees		Taxable benefits[3]		Total	
Chairman and Non-Executive Directors	**2017 £000**	2016 £000	**2017 £000**	2016 £000	**2017 £000**	2016 £000
John Gildersleeve (Chairman)	**369**	369	**49**	60	**418**	429
Aubrey Adams	**69**	68	**–**	–	**69**	68
Simon Borrows	**69**	68	**–**	–	**69**	68
Lynn Gladden	**69**	67	**1**	1	**70**	68
William Jackson	**87**	70	**–**	–	**87**	70
Lord Macpherson[4]	**17**	–	**–**	–	**17**	–
Tim Score	**89**	88	**–**	1	**89**	89
Lord Turnbull	**89**	97	**–**	–	**89**	97
Laura Wade-Gery	**69**	44	**–**	–	**69**	44

3 Taxable benefits include the Chairman's chauffeur cost and expenses incurred by other Non-Executive Directors. The Company provides the tax gross up on these benefits and the figures shown above are the grossed up values.

4 Lord Macpherson was appointed as a Director on 19 December 2016.

Notes to the single total figure of remuneration table

Executive Directors

Fixed Pay (audited information)

Taxable benefits: Taxable benefits include car allowance, private medical insurance and subsidised gym membership. The Company provides the tax gross-up on subsidised gym membership for employees and the figures included on the previous page are the grossed up values.

Other items in the nature of remuneration include life assurance, permanent health insurance, annual medical check-ups, professional subscriptions, the value of shares awarded under the all-employee Share Incentive Plan and any notional gain on exercise for Sharesave options that matured during the year. During the year ended 31 March 2017 there were no maturities of Sharesave awards held by Executive Directors.

Pensions: Neither Chris Grigg nor Charles Maudsley participate in any British Land pension plan and instead receive cash allowances of 35% and 15% of basic salary respectively in lieu of pension. For the year ended 31 March 2017, these payments amounted to £294,000 for Chris Grigg and £66,938 for Charles Maudsley.

Lucinda Bell and Tim Roberts are both members of the British Land defined benefit pension scheme. The table below details the defined benefit pensions accrued at 31 March 2017.

Executive Director	Defined benefit pension accrued at 31 March 2017[1] £000	Normal retirement age
Lucinda Bell	**105**	60
Tim Roberts	**86**	60

1 The accrued pension is based on service to the year end and final pensionable salary at that date.

There are no additional benefits that will become receivable by a Director in the event that a Director retires early.

REMUNERATION REPORT: ANNUAL REPORT ON REMUNERATION CONTINUED

Variable Pay

Annual Incentive

The level of Annual Incentive award is determined by the Committee based on British Land's performance and each individual Executive Director's performance against their individual targets during the year. For the year ended 31 March 2017 the Committee's assessment and outcomes are set out below.

Range of performance between 25% and 100%

Quantitative Measures		Weighting	25% pay-out (no pay-out below this point)	50% pay-out (performance in line with expectations)	100% pay-out (no increased pay-out above this maximum pay-out point)	Outcome	Outcome as % of salary	Performance achieved against target range
Property returns	Unlevered Property capital return vs IPD	14%				4.00%	6.00%	– **Target range of matching sector weighted Index to outperforming it by 1%.** Capital growth of -1.0%, outperforming weighted IPD Index by 30bps; Retail outperformed by 40bps and Offices outperformed by 10bps their sector indices
	Total property returns vs IPD	14%				3.67%	5.50%	– **Target range of matching sector weighted Index to outperforming it by 1%.** Total property return of 3.3% outperforming weighted IPD Index by 20bps, Retail outperformed by 60bps and Offices matched their sector indices
Accounting returns	Total accounting return vs property majors	14%				0.00%	0.00%	– **Target range of median to top rank.** Total accounting return of 2.7%, below the estimated median of the property majors by 30bps
Rental growth	ERV growth vs IPD	14%				0.00%	0.00%	– **Target range of matching the sector weighted Index to outperforming it by 1%.** ERV growth of 1.1% underperforming weighted IPD Index by 30 bps; Retail outperformed its sector by 70bps, Offices underperformed by 150bps
Underlying Profit performance	Profit vs budget	14%				8.00%	12.00%	– **Target range of matching the budget to outperforming it by a significant margin.** Profit materially ahead of budget. (This target is commercially sensitive so has not been disclosed)
Sub-total		70%			**Sub-total**	15.67%	23.50%	
Qualitative Measures								**Performance achieved against measures**
Right Places	Progress on key projects including developments; and Execution of targeted acquisitions and disposals	5%				5.00%	7.50%	– Contracts exchanged for The Leadenhall Building – Sale of 334 – 338 Debenhams store (value £400m), Chiswick and Croydon Sainsbury's – Planning success at Blossom Street, Eden Walk, Kingston s106 signed – Planning for Meadowhall submitted and 1 Triton Square – Progress on Canada Water vision and plan – Clarges 80% let. 100 Liverpool Street redevelopment started on site
Customer Orientation	Company reputation with all stakeholders; and Supporting delivery of sustainability objectives	5%				2.50%	3.75%	– Customer satisfaction score maintained at 8.1/10 – Maintained inclusion in our four target ESG Indices (Dow Jones Sustainability Indices 2016 World and Europe, FTSE4Good Index 2016 and GRESB 2016) – Significant footfall and sales outperformance of benchmarks by just over 200bps
Capital Efficiency	Progress on strengthening the dividend; and Execution of debt financings	5%				2.50%	3.75%	– Ahead on Profit vs Budget – Remain top quartile position of WAIR (3.1%) vs average spread to swap rate maintained
Expert People	Quality of people and management renewal	5%				2.50%	3.75%	– Recruitment of Head of Campus Regents Place, Director of Leasing, Director of Marketing, HR Director – Best Companies One to Watch – One of the first FTSE 100 companies to introduce Paid Shared Parental Leave
Sub-total		20%			**Sub-total**	12.50%	18.75%	
					Quantitative and qualitative	28.17%	42.25%	
Individual Measures		10%				5.00%	7.50%[1]	
					Total	33.17%	49.75%	

[1] Out of the 10% opportunity the Committee assessed the individual contribution against a series of preset objectives closely aligned to the qualitative measures set out in the table above. The Committee determined that the level of award would be 7.50% of basic salary for each Executive Director except for Charles Maudsley who received an additional 2% of basic salary reflecting his personal performance and that of the Retail business.

Long-term incentives (audited information)

The information in the long-term incentives column in the single total figure of remuneration table (see page 78) relates to vesting of awards granted under the following schemes, including, where applicable, dividend equivalent payments on those awards and interest accrued on those dividend equivalents.

Long-term Incentive Plan (LTIP)

The awards granted to Executive Directors on 23 June 2014, and which will vest on 23 June 2017, were subject to two equally weighted performance conditions over the three year period to 31 March 2017. The first measured British Land's TPR relative to the funds in the December IPD UK Annual Property Index (the Index), while the second measured TAR relative to a comparator group of British Land and 16 other property companies.

The TPR element is expected to vest at 0% based on British Land's adjusted TPR of 10.7% compared to the funds in the Index of 11.9%. The TAR element is expected to vest at 0%. The actual vesting rate of the TAR element can only be calculated once results have been published by all of the companies within the comparator group. The actual percentage vesting will be confirmed by the Committee in due course and included in the 2018 Remuneration Report.

Executive Director	Number of performance shares awarded in 2014	Estimated value of award on vesting £000	Estimated dividend equivalent and interest £000
Chris Grigg	233,804	0	0
Lucinda Bell	135,898	0	0
Charles Maudsley	124,208	0	0
Tim Roberts	124,208	0	0

Matching Share Plan (MSP)

The performance conditions for the MSP Matching awards granted on 30 June 2014 were (i) TSR relative to a comparator group of British Land and 16 other property companies and (ii) British Land's gross income growth (GIG) relative to the IPD Quarterly Universe (the Universe). These performance conditions are equally weighted. The MSP Matching awards will vest on 30 June 2017.

Aon Hewitt has confirmed that the TSR element of the award will not vest as British Land's TSR performance over the period was 1.5% compared to a median of 12.7% for the comparator group. The GIG part is expected to vest at 100% as British Land's annualised GIG over the period is expected to exceed the growth of the Universe by more than the upper hurdle of 1.5%. As a result, 50% of the MSP Matching awards granted in June 2014 is expected to vest. As disclosed for the 2014 LTIP above, the actual percentage vesting will be confirmed by the Committee and included in the 2018 Remuneration Report.

Executive Director	Number of Matching Shares awarded in 2014	Estimated value of award on vesting £000	Estimated dividend equivalent £000
Chris Grigg	101,766	309	47
Lucinda Bell	43,816	133	20
Charles Maudsley	47,584	145	22
Tim Roberts	47,584	145	22

Share scheme interests awarded during the year (audited information)

LTIP

The total value of each Executive Director's LTIP award for the year ended 31 March 2017 was equivalent to 200% of basic salary at grant. At grant each Director can indicate a preference as to the proportion of the award that they wish to receive as either performance shares or market value options. The share price used to determine the face value of performance shares and the fair value of options, and thereby the number of performance shares or options awarded, is the average over the three dealing days immediately prior to the day of award. For the award granted on 22 June 2016, this share price was 730.5 pence. The performance conditions attached to these awards are identical to those for the awards granted in 2014 which vest in June 2017 and are set out on page 81.

Performance shares

Executive Director	Grant date	Number of performance shares granted	Face value £000	End of performance period	Vesting date	Percentage vesting on achievement of minimum performance threshold %
Chris Grigg	22/06/2016	229,979	1,680	31/03/2019	22/06/2019	25
Lucinda Bell	22/06/2016	134,976	986	31/03/2019	22/06/2019	25
Charles Maudsley	22/06/2016	122,176	892	31/03/2019	22/06/2019	25
Tim Roberts	22/06/2016	61,088	446	31/03/2019	22/06/2019	25

Market Value Options

Executive Director	Grant date	Number of options granted	Face value £000	Fair value £000[1]	Exercise price pence	End of performance period	Vesting date	Percentage vesting on achievement of minimum performance threshold %
Tim Roberts	22/06/2016	244,353	1,785	446	730.5	31/03/2019	22/06/2019	25

1 Options are currently valued (fair value) at one quarter of the face value of a performance share.

MSP

The MSP awards made to Executive Directors in June 2016 were the final awards which would be made under this Plan.

The total face value of the MSP Matching Share award granted to each Executive Director was equal to two-thirds of their gross annual incentive award in respect of the year ended 31 March 2016. The share price used to determine the number of Matching Shares awarded was 599.6 pence, being the market value of the Company's shares on the day the proportion of the annual incentive was deferred.

Matching Shares

Executive Director	Award date	Percentage of basic salary	Number of Matching Shares awarded	Face value £000	End of performance period	Vesting date	Percentage vesting on achievement of minimum performance threshold %
Chris Grigg	29/06/2016	67%	96,718	560	31/03/2019	29/06/2019	25
Lucinda Bell	29/06/2016	55%	47,206	273	31/03/2019	29/06/2019	25
Charles Maudsley	29/06/2016	61%	47,206	273	31/03/2019	29/06/2019	25
Tim Roberts	29/06/2016	60%	46,056	266	31/03/2019	29/06/2019	25

The performance conditions attached to these awards are identical to those for the MSP awards vesting in June 2017 detailed on the previous page.

Directors' shareholdings and share interests (audited information)

Directors' shareholdings at 31 March 2017

The following table shows the Directors' interests in fully paid ordinary British Land shares including shares held by connected persons and, for Executive Directors, including MSP Bonus Shares and shares held in the Share Incentive Plan (SIP). All interests are beneficial.

Director	Holding at 31 March 2017	Holding at 31 March 2016
Chris Grigg	**1,257,368**	1,118,090
Lucinda Bell	**226,098**	162,894
Charles Maudsley	**230,383**	158,887
Tim Roberts	**244,714**	173,042
John Gildersleeve	**5,220**	5,220
Aubrey Adams	**30,000**	20,000
Simon Borrows	**300,000**	300,000
Lynn Gladden	**7,837**	1,665
William Jackson	**123,858**	120,304
Lord Macpherson[1]	**2,300**	n/a
Tim Score	**22,415**	12,693
Lord Turnbull	**21,258**	20,471
Laura Wade-Gery	**4,831**	1,670

1 Lord Macpherson was appointed as a Director on 19 December 2016 and purchased shares in the market on 16 March 2017.

Shareholding guidelines

The minimum shareholding guidelines require Executive Directors to hold ordinary shares with a value equal to a set percentage of salary.

There is no set timescale for Executive Director to reach the prescribed target but they are expected to retain net shares received on the vesting of long term incentive awards until the target is achieved. Shares that count towards the holding guideline are unfettered and beneficially owned by the Executive Directors and their connected persons. Deferred annual incentive shares, MSP Bonus Shares, SIP matching, dividend and free shares and all unvested awards do not count towards the requirement.

The guideline shareholdings for the year commencing 1 April 2017 are shown below:

Executive Director	Guideline as percentage of basic salary	Guideline holding[1]	Unfettered holding at 31 March 2017	Unfettered holding as percentage of basic salary at 31 March 2017	Total shareholding at 31 March 2017[2]	Total holding as a percentage of basic salary at 31 March 2017
Chris Grigg	225%	309,836	1,176,870	855%	1,257,368	913%
Lucinda Bell	150%	121,230	186,806	231%	226,098	280%
Charles Maudsley	150%	109,734	190,589	261%	230,383	315%
Tim Roberts	150%	109,734	203,290	278%	244,714	335%

1 Calculated on a share price of 610 pence on 31 March 2017

2 See Directors' shareholdings table above which include MSP Bonus Shares and all shares held in the SIP.

The shareholding guidelines for Executive Directors were last increased with effect from 1 April 2015 when the holding requirement for each Director was increased by 25% of basic salary. The Committee continues to review the guidelines and the Directors' shareholdings.

Although there are no shareholding guidelines for Non-Executive Directors, they are each encouraged to hold shares in British Land. The Company facilitates this by offering Non-Executive Directors the ability to purchase shares quarterly using their post-tax fees. During the year ended 31 March 2017, Lynn Gladden, William Jackson, Tim Score, Lord Turnbull and Laura Wade-Gery have each received shares in full or part satisfaction of their Non-Executive Directors' fees.

REMUNERATION REPORT: ANNUAL REPORT ON REMUNERATION CONTINUED

Acquisitions of ordinary shares after the year end

The Executive Directors have purchased or been granted the following fully paid ordinary British Land shares under the terms of the partnership, matching and dividend elements of the Share Incentive Plan:

Executive Director	Date of purchase or award	Purchase price	Partnership shares	Matching shares	Dividend shares
Chris Grigg	18/04/2017	646.274	23	46	
	05/05/2017	658.974			93
	15/05/2017	672.674	22	44	
Lucinda Bell	18/04/2017	646.274	23	46	
	05/05/2017	658.974			193
	15/05/2017	672.674	22	44	
Charles Maudsley	18/04/2017	646.274	24	48	
	05/05/2017	658.974			71
	15/05/2017	672.674	22	44	
Tim Roberts	18/04/2017	646.274	23	46	
	05/05/2017	658.974			180
	15/05/2017	672.674	22	44	

In addition, on 5 April 2017, the following Non-Executive Directors were allotted shares at a price of 601 pence per share in full or part satisfaction of their fees:

Non-Executive Director	Shares allotted
Lynn Gladden	1,883
William Jackson	1,063
Tim Score	2,999
Laura Wade-Gery	831

Unvested share awards

Executive Director		Date of grant	Number outstanding at 31 March 2017	Subject to performance measures	End of performance period[1]	Vesting date
Chris Grigg	LTIP performance shares	23/06/14	233,804	Yes	31/03/17	23/06/17
	LTIP performance shares	22/06/15	154,949	Yes	31/03/18	22/06/18
	LTIP performance shares	22/06/16	229,979	Yes	31/03/19	22/06/19
	MSP Matching Shares	30/06/14	101,766	Yes	31/03/17	30/06/17
	MSP Matching Shares	29/06/15	94,348	Yes	31/03/18	29/06/18
	MSP Matching Shares	29/06/16	96,718	Yes	31/03/19	29/06/19
Lucinda Bell	LTIP performance shares	23/06/14	135,898	Yes	31/03/17	23/06/17
	LTIP performance shares	22/06/15	121,254	Yes	31/03/18	22/06/18
	LTIP performance shares	22/06/16	134,976	Yes	31/03/19	22/06/19
	MSP Matching Shares	30/06/14	43,816	Yes	31/03/17	30/06/17
	MSP Matching Shares	29/06/15	40,950	Yes	31/03/18	29/06/18
	MSP Matching Shares	29/06/16	47,206	Yes	31/03/19	29/06/19
Charles Maudsley	LTIP performance shares	23/06/14	124,208	Yes	31/03/17	23/06/17
	LTIP performance shares	22/06/15	109,756	Yes	31/03/18	22/06/18
	LTIP performance shares	22/06/16	122,176	Yes	31/03/19	22/06/19
	MSP Matching Shares	30/06/14	47,584	Yes	31/03/17	30/06/17
	MSP Matching Shares	29/06/15	44,226	Yes	31/03/18	29/06/18
	MSP Matching Shares	29/06/16	47,206	Yes	31/03/19	29/06/19
Tim Roberts	LTIP performance shares	23/06/14	124,208	Yes	31/03/17	23/06/17
	LTIP performance shares	22/06/15	109,756	Yes	31/03/18	22/06/18
	LTIP performance shares	22/06/16	61,088	Yes	31/03/19	22/06/19
	MSP Matching Shares	30/06/14	47,584	Yes	31/03/17	30/06/17
	MSP Matching Shares	29/06/15	46,682	Yes	31/03/18	29/06/18
	MSP Matching Shares	29/06/16	46,056	Yes	31/03/19	29/06/19

[1] The LTIP and MSP awards granted in June 2014 are also included within the "2017 Long term incentives" column of the single total figure of remuneration table on page 78. The degree to which performance measures have been, or are expected to be, achieved, and the resultant proportions of the awards that are expected to vest, are detailed on page 81.

Unvested option awards (not available to be exercised)

Executive Director		Date of grant	Number outstanding at 31 March 2017	Option price pence	Subject to performance measures	End of performance period[1]	Date becomes exercisable	Exercisable until
Chris Grigg	LTIP options	22/06/15	206,599	824.5	Yes	31/03/18	22/06/18	22/06/25
Lucinda Bell	Sharesave options	23/06/14	1,567	574.0	No	n/a	01/09/17	28/02/18
	Sharesave options	22/06/15	1,291	697.0	No	n/a	01/09/18	28/02/19
Tim Roberts	Sharesave options	19/06/13	2,348	511.0	No	n/a	01/09/18	28/02/19
	Sharesave options	23/06/14	3,135	574.0	No	n/a	01/09/19	29/02/20
	LTIP options	22/06/16	244,353	730.5	Yes	31/03/19	22/06/19	22/06/26

Vested option awards (available to be exercised)

Executive Director		Date of grant	Number outstanding at 31 March 2017	Option price pence	Exercisable until
Chris Grigg	LTIP options	29/06/09	7,751	387	29/06/19
	LTIP options	11/06/10	1,073,825	447	11/06/20
	LTIP options	28/06/11	695,652	575	28/06/21
	LTIP options	14/09/12	743,494	538	14/09/22
Lucinda Bell	LTIP options	11/06/10	67,952	447	11/06/20
	LTIP options	14/12/10	11,764	510	14/12/20
	LTIP options	14/09/12	138,289	538	14/09/22
	LTIP options	05/08/13	154,742	601	05/08/23

Other disclosures

Service contracts

All Executive Directors have rolling service contracts with the Company which have notice periods of 12 months on either side (D.1.5) ✓.
The letters of appointment of Non-Executive Directors are subject to renewal on a triennial basis.

Director	Date of service contract	Normal notice period to be given by Company	Normal notice period to be given by Director
Chris Grigg	19/12/2008	12 months	12 months
Lucinda Bell	10/03/2011	12 months	12 months
Charles Maudsley	03/11/2009	12 months	12 months
Tim Roberts	14/11/2006	12 months	12 months

Director	Unexpired term of appointment at 31 March 2017
John Gildersleeve (Chairman)	21 months
Aubrey Adams	5 months
Simon Borrows[2]	36 months
Lynn Gladden	12 months
William Jackson[1]	1 month
Lord Macpherson	32 months
Tim Score	36 months
Lord Turnbull[2]	12 months
Laura Wade-Gery	13 months

1 On 23 March 2017 the Board approved the renewal of William Jackson's appointment for a further three year term, effective from 11 April 2017.
2 Simon Borrows and Lord Turnbull will both retire from the Board at the conclusion of the 2017 AGM.

In accordance with the Code, all continuing Directors stand for election or re-election by the Company's shareholders on an annual basis (B.7.1) ✓. The Directors' service contracts and letters of appointment are available for inspection during normal business hours at the Company's registered office and will also be made available prior to the AGM (B.3.2) ✓.

REMUNERATION REPORT: ANNUAL REPORT ON REMUNERATION CONTINUED

The Company may terminate an Executive Director's appointment with immediate effect without notice or payment in lieu of notice under certain circumstances, prescribed within each Director's service contract. The appointment of the Chairman or any Non-Executive Director may be terminated immediately without notice if they are not reappointed by shareholders or if they are removed from the Board under the Company's Articles of Association or if they resign and do not offer themselves for re-election. In addition, their appointments may be terminated by either the individual or the Company giving three months' written notice of termination (or, for the Chairman, six months' written notice of termination). Neither the Chairman nor the Non-Executive Directors are entitled to any compensation (other than accrued and unpaid fees and expenses for the period up to the termination) for loss of office for any reason.

Executive Directors' external appointments

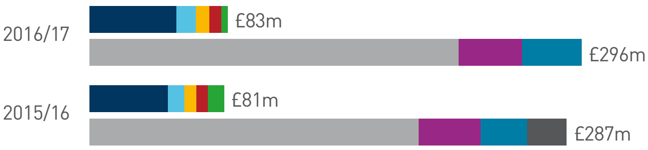
Executive Directors may take up one non-executive directorship at another FTSE company, subject to British Land Board approval.

Chris Grigg was appointed a non-executive director of BAE Systems plc on 1 July 2013. During the year to 31 March 2017, Chris Grigg received a fee of £84,000 (including £9,000 of expenses) from BAE Systems plc, which he retained in full (2016: £86,495). Lucinda Bell was appointed a non-executive director of Rotork plc on 10 July 2014. During the year to 31 March 2017, Lucinda Bell received a fee of £47,910 from Rotork plc, which she retained in full (2016: £43,625) (D.1.2) ✓.

Relative importance of spend on pay

The graph below shows the amount spent on remuneration of all employees (including Executive Directors) relative to the amount spent on distributions to shareholders for the years to 31 March 2017 and 31 March 2016. The remuneration of employees increased by 2.5% relative to the prior year, while distributions to shareholders increased by 3.1%. Distributions to shareholders include ordinary and, where offered, scrip dividends. No scrip alternative was offered during the year ended 31 March 2017. The graph also shows the split between property income distributions (PID) and non-property income distributions (non-PID).

Relative importance of spend on pay



Remuneration of employees including Directors:
- Wages and salaries
- Annual Incentives
- Social security costs
- Pension costs
- Equity-settled share-based payments

Distributions to shareholders:
- PID cash dividends paid to shareholders
- PID tax withholding
- Non-PID cash dividends paid to shareholders
- Net cash equivalent of new shares issued under PID Scrip dividends

Total Shareholder Return and Chief Executive's remuneration

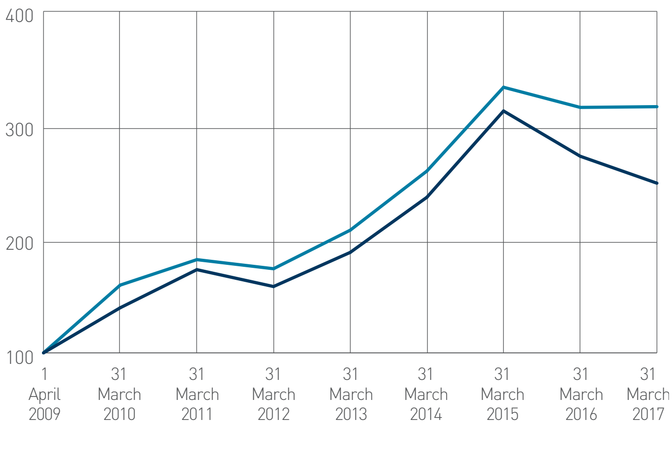
The graph opposite shows British Land's Total Shareholder Return for the eight years from 1 April 2009 to 31 March 2017 against that of the FTSE Real Estate Investment Trusts (REIT) Total Return Index for the same period. The graph shows how the total return on a £100 investment in the Company made on 1 April 2009, would have changed over the eight year period measured, compared with the total return on a £100 investment in the FTSE REIT Total Return Index. The FTSE REIT Total Return Index has been selected as a suitable comparator because it is the index in which British Land's shares are classified.

The base point, required by the regulations governing Remuneration Report disclosures, was close to the bottom of the property cycle at 1 April 2009. Since British Land's share price had not fallen as much as the average share price of the FTSE REITs Sector at that time a higher base point for subsequent growth was set.

The table below sets out the total remuneration of Chris Grigg, Chief Executive, over the same period as the Total Shareholder Return graph. The quantum of Annual Incentive awards granted each year and long term incentive vesting rates are given as a percentage of the maximum opportunity available.

Total Shareholder Return

Rebased to 100, 1 April 2009



Source: Aon Hewitt

Chief Executive	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17
Chief Executive's single total figure of remuneration (£000)	2,082	2,329	5,353	4,810	5,398	6,551	3,623	1,945
Annual incentive awards against maximum opportunity (%)	67	83	75	75	90	96	67	33
Long term incentives awards vesting rate against maximum opportunity (%)	n/a	n/a	99	63	98	93	54	15

Chief Executive's remuneration compared to remuneration of British Land employees

The table below shows the percentage changes in different elements of the Chief Executive's remuneration relative to the previous financial year and the average percentage changes in those elements of remuneration for employees based at British Land's head office over the same period. Head office employees have been chosen as an appropriate comparator group for this purpose as employees based at British Land's head office carry out work of the most similar nature to the Chief Executive.

Remuneration element	**Value of Chief Executive remuneration 2017 £000**	Value of Chief Executive remuneration 2016 £000	Change in Chief Executive remuneration %	Average change in remuneration of British Land employees %
Salary	**840**	840	0	5.4
Taxable benefits	**23**	21	10.9	14.3
Annual Incentive	**418**	840	-50.2	-15.6

Remuneration Committee membership

Membership of the Committee remained unchanged during the year and, as at 31 March 2017, the Committee was comprised wholly of independent Non-Executive Directors, namely Lynn Gladden, William Jackson, Laura Wade-Gery and Lord Turnbull. Attendance by each member at Committee meetings is set out on page 73.

During the year ended 31 March 2017, Committee meetings were attended by Chris Grigg (Chief Executive), Elaine Williams (Company Secretary and General Counsel), Ann Henshaw (HR Director) and Joff Sharpe (Head of Operations), other than for any item relating to their own remuneration.

The Committee Chairman holds regular meetings with the Chairman, Chief Executive and HR Director to discuss all aspects of remuneration within British Land. He also meets the Committee's independent remuneration advisers prior to each substantive meeting to discuss matters of governance, remuneration policy and any concerns they may have.

How the Committee discharged its responsibilities during the year

In addition to the Committee's key areas of responsibility, during the year ended 31 March 2017, the Committee also considered the following matters:

- Reviewing and recommending to the Board the Remuneration Report to be presented for shareholder approval
- Consultation with major investors and deliberation of outcomes in relation to amendments to the LTIP
- Appraisal of the Chairman's annual fee; remuneration of the Executive Directors including achievement of corporate and individual performance; and pay and annual incentive awards below Board-level
- Analysis of competitors' remuneration structure and outcomes
- Setting performance measures for annual incentive awards
- Granting discretionary share awards, considering the extent to which performance measures have been met and, where appropriate, approving the vesting of annual incentive and long-term incentive awards
- Reviewing and updating the Committee terms of reference
- Considering gender pay and future reporting requirements
- Receiving updates and training on corporate governance and remuneration matters from the independent remuneration consultant
- Reviewing and tendering the role of independent adviser to the Committee

REMUNERATION REPORT: ANNUAL REPORT ON REMUNERATION CONTINUED

Remuneration consultants (D.2.1)

Alan Judes provided independent remuneration advice to the Committee prior to August 2016 when his firm, Strategic Remuneration, merged with FIT Remuneration Consultants LLP. Following the merger, the Committee received independent remuneration advice from FIT Remuneration Consultants LLP. The merged firm is a member of the Remuneration Consultants Group and adheres to that group's Code of Conduct. Strategic Remuneration and FIT Remuneration Consultants LLP also provide advice to British Land on human resources and share plan matters. Strategic Remuneration was appointed as remuneration adviser by the Committee following a competitive tender process. The Committee assesses the advice given by its advisers to satisfy itself that it is objective and independent. The adviser has a private meeting with the Committee Chairman once a year in accordance with the Code of Conduct of the Remuneration Consultants Group. Fees, which are charged on a time basis, were £126,765 (excluding VAT) (2016: £48,400 excluding VAT).

With effect from 21 March 2017, Korn Ferry Hay Group Limited were appointed to provide independent remuneration advice to the Committee. Korn Ferry Hay Group Limited did not charge any fees for the period from their appointment to 31 March 2017.

Voting at the Annual General Meeting

The results of the shareholder votes on the Directors' Remuneration Policy and Directors' Remuneration Report at the AGM held on 19 July 2016 are set out in the table below.

Resolution	Votes for	% for	Votes against	% against	Total votes cast	Votes withheld
Approval of Directors' Remuneration Report	715,113,263	96.01	29,690,657	3.99	744.803,920	11,704,372
Approval of Directors' Remuneration Policy	727,144,638	97.13	21,494,166	2.87	748,638,804	7,869,489

This Remuneration Report was approved by the Board on 16 May 2017.

William Jackson
Chairman of the Remuneration Committee

Directors' Report and additional disclosures

The Directors present their Report on the affairs of the Group, together with the audited financial statements and the report of the auditor for the year ended 31 March 2017. Information that is relevant to this Report, and which is incorporated by reference, including information required in accordance with the UK Companies Act 2006 and Listing Rule 9.8.4R, can be located in the following sections:

Information	Section in Annual Report	Page
Future developments of the business of the Company	Strategic Report	6 to 25
Risk factors and principal risks	Strategic Report	46 to 53
Financial instruments – risk management objectives and policies	Strategic Report	43
Dividends	Strategic Report	41
Sustainability governance	Strategic Report	38
Greenhouse gas emissions	Strategic Report	38
Viability statement	Strategic Report	49
Going concern statement	Governance review	65
Governance arrangements	Governance review	62 to 88
Employment policies and employee involvement	Strategic Report	24 to 25
Capitalised interest	Financial statements	115 to 116
Additional unaudited financial information	Other information unaudited	160 to 173

Annual General Meeting (AGM)

The Annual General Meeting of The British Land Company PLC will be held at The Hyatt Regency London – The Churchill, 30 Portman Square, London W1H 7BH on 18 July 2017 at 11.00am. Further information is available in the Notice of AGM (E.2.4) ✓.

The AGM is the principal occasion when shareholders are able to ask questions of the Board and main Committee chairmen (E.2.3) ✓.

Board of Directors

The names and biographical details of the current Directors and details of the Board Committees of which they are members, are set out on pages 56 to 59.

The Service Agreements of the Executive Directors and the Letters of Appointment of the Non-Executive Directors are summarised in the Directors' Remuneration Report on pages 85 and 86 and are available for inspection at the Company's registered office.

In accordance with best practice, all continuing Directors will retire at the AGM and will offer themselves for election or re-election, as required.

Directors' interests in contracts and conflicts of interest

No contract existed during the year in relation to the Company's business in which any Director was materially interested.

Directors have a statutory duty to avoid situations in which they have, or may have, interests that conflict with those of British Land unless that conflict is first authorised by the Board. The Company has adopted procedures for managing conflicts of interest and the Articles of Association also contain provisions which allow the Directors to authorise potential conflicts of interest.

Directors must notify the Chairman and the Company Secretary of all new outside interests and actual or perceived conflicts of interest as they arise. New interests or conflicts are considered by the full Board at the next meeting and the full register of interests is reviewed at least annually. Furthermore, the Board reviews the policy on Directors' interests on an annual basis. Following the last review in November 2016, the Board concluded that the policy continued to operate effectively.

Directors' liability insurance and indemnity

The Company has indemnified each Director against any liability incurred in relation to acts or omissions arising in the ordinary course of their duties. The indemnity arrangements are qualifying indemnity provisions under the Companies Act 2006.

The Company also has in place appropriate Directors' and Officers' liability insurance cover in respect of potential legal action against its Directors (A.1.3) ✓.

Share capital

The Company has one class of shares, being ordinary shares of 25 pence each, all of which are fully paid. At 31 March 2017 there were 1,041,035,058 ordinary shares in issue. Further details relating to share capital, including movements during the year, are set out in note 20 to the financial statements.

At the AGM in 2016, the Directors were given the power by the shareholders to make market purchases of ordinary shares representing up to 10% of its issued capital at that time and to allot shares within certain limits. These authorities will expire at the AGM in July 2017 and renewals of those authorities will be sought.

The Company has not purchased any of its own shares under the authority given at the 2016 AGM. Therefore, during the whole of the year ended 31 March 2017, the Company held 11,266,245 ordinary shares in treasury.

Waiver of dividends

Blest Limited is a shareholder who acts as trustee (Trustee) of the Company's discretionary Employee Share Trust (EST). The EST holds and, from time to time, purchases British Land ordinary shares in the market, for the benefit of employees, including to satisfy outstanding awards under the Company's various employee share plans. A dividend waiver is in place from the Trustee in respect of all dividends payable by the Company on shares which it holds in trust.

DIRECTORS' REPORT AND ADDITIONAL DISCLOSURES CONTINUED

Substantial interests
As at 31 March 2017, the Company had been notified under the Disclosure and Transparency Rules (DTR 5) of the following interests in its ordinary shares:

	Interests in ordinary shares	Percentage of ordinary shares as at 31 March 2017
Blackrock, Inc.	86,222,399	8.373
Norges Bank	51,439,045	4.995
APG Asset Management NV	51,212,198	4.973
GIC Private Limited	41,121,137	3.993

No changes to the above information were received during the period from 1 April 2017 to the date of signing this Report. Notifications made to British Land under DTR 5 are available on the Investors section of our website.

Articles of Association
The Company's Articles of Association may only be amended by special resolution at a general meeting of shareholders.

Subject to applicable law and the Company's Articles of Association, the Directors may exercise all powers of the Company.

Significant agreements
There are no significant agreements to which the Company is party that take effect, alter or terminate upon a change of control of the Company.

Payments policy
We recognise the importance of good supplier relationships to the overall success of our business. We manage dealings with suppliers in a fair, consistent and transparent manner and have signed up to the UK Government's Prompt Payment Code.

Events after the balance sheet date
There were no reportable events after the balance sheet date.

Political donations
The Company made no political donations during the year (2016: nil).

Health and Safety
We have retained formal recognition of our focus on health and safety through a successful audit of our OHSAS 18001 accreditation. We continue to improve our approach to health and safety management to ensure that we consistently achieve best practice across all activities in the business (construction, managed portfolio and head office) to deliver Places People Prefer to our employees and our customers.

RIDDOR* Year ended 31 March 2017

	Total RIDDOR Accidents		Accident Frequency Rate		
	2017	2016	**2017**	2016	
Construction	**2**	3	**0.08**	0.14	per 100,000 hours worked
Retail	**20**	23	**0.01**	0.01	per 100,000 footfall
Offices	**8**	6	**23.51**	18.85	per 100,000 workers
Head Office	**0**	0	**0**	0	per 100,000 full time equivalents

* Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 2013.

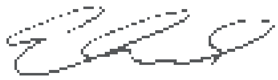
Auditor and disclosure of information
Each of the Directors at the date of approval of this Report confirms that:

- so far as the Director is aware, there is no relevant audit information that has not been brought to the attention of the auditor and
- the Director has taken all reasonable steps to make himself/herself aware of any relevant audit information and to establish such information was provided to the auditor

PwC has indicated its willingness to remain in office and, on the recommendation of the Audit Committee, a resolution to reappoint PwC as the Company's auditor will be proposed at the 2017 AGM.

The Company confirms that it has complied with The Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Processes and Audit Committee Responsibilities) Order 2014 (Article 7.1), published by the CMA on 26 September 2014.

The Directors' Report was approved by the Board on 16 May 2017 and signed on its behalf by:



Elaine Williams
Company Secretary and General Counsel
The British Land Company PLC

Company Number: 00621920

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors are responsible for preparing the Annual Report, the Directors' Remuneration Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, and the parent Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

Under Company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently
- make judgements and accounting estimates that are reasonable and prudent
- state whether IFRSs as adopted by the European Union and applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Group and parent Company financial statements respectively and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Directors consider that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

Each of the Directors, whose names and functions are listed on pages 56 to 59, confirm that to the best of their knowledge:

- the Group financial statements, which have been prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the Group and
- the Strategic Report and the Directors' Report include a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces

By order of the Board.

Lucinda Bell
Chief Financial Officer

16 May 2017

Financial statements and other information

Yalding House, W1 (right)

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE BRITISH LAND COMPANY PLC

Report on the financial statements

Our opinion

In our opinion:

- the British Land Company PLC's Group financial statements and Company financial statements (the 'financial statements') give a true and fair view of the state of the Group's and of the Company's affairs as at 31 March 2017 and of the Group's profit and cash flows for the year then ended
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union
- the Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation

What we have audited

The financial statements, included within the Annual Report, comprise:

- the Consolidated Balance Sheet as at 31 March 2017
- the Company Balance Sheet as at 31 March 2017
- the Consolidated Income Statement and Consolidated Statement of Comprehensive Income for the year then ended
- the Consolidated Statement of Cash Flows for the year then ended
- the Consolidated Statement of Changes in Equity for the year then ended
- the Notes to the Accounts, which include a summary of significant accounting policies and other explanatory information

Certain required disclosures have been presented elsewhere in the Annual Report, rather than in the notes to the financial statements. These are cross-referenced from the financial statements and are identified as audited.

The financial reporting framework that has been applied in the preparation of the Group financial statements is IFRSs as adopted by the European Union, and applicable law. The financial reporting framework that has been applied in the preparation of the Company financial statements is United Kingdom Accounting Standards, comprising FRS 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice), and applicable law.

Our audit approach

Overview

Our 2017 audit was planned and executed having regard to the fact that the Group's operations were largely unchanged in nature from the previous year. Additionally, there have been no significant changes to the valuation methodology and accounting standards relevant to the Group. In light of this, our approach to the audit in terms of scoping and areas of focus was largely unchanged.

A full scope audit was performed by the Group team for all subsidiaries of the Group, and the following joint ventures: Broadgate, Meadowhall and Leadenhall.

Materiality

- Overall Group materiality: £135 million (FY16: £138 million) which represents 1% of total assets
- Specific Group materiality, applied to Underlying Profit; £19.4 million (FY16: £18 million) which represents 5% of underlying pre-tax profit

Areas of focus

- Valuation of investment and development properties
- Revenue recognition
- Accounting for transactions
- Taxation

The scope of our audit and our areas of focus

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ('ISAs (UK & Ireland)').

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we looked at where the Directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud.

The risks of material misstatement that had the greatest effect on our audit, including the allocation of our resources and effort, are identified as 'areas of focus' in the table below. We have also set out how we tailored our audit to address these specific areas in order to provide an opinion on the financial statements as a whole, and any comments we make on the results of our procedures should be read in this context. This is not a complete list of all risks identified by our audit.

Area of focus	How our audit addressed the area of focus
Valuation of investment and development properties Refer to pages 67 and 70 (Report of the Audit Committee), pages 105 to 107 (Accounting policies) and pages 115 to 119 (Notes). The Group's investment property portfolio is split between office and residential properties in central London, retail and leisure properties across the UK, and the assets at the Canada Water site in East London. The valuation in the Consolidated Balance Sheet is £9,073 million. The valuation of the Group's investment property portfolio is inherently subjective due to, among other factors, the individual nature of each property, its location and the expected future rentals for that particular property. For developments, factors include projected costs to complete and timing of practical completion. The valuations were carried out by third party valuers, CB Richard Ellis, Jones Lang LaSalle and Knight Frank (the 'valuers'). The valuers were engaged by the Directors, and performed their work in accordance with the Royal Institute of Chartered Surveyors ('RICS') Valuation – Professional Standards. The valuers used by the Group have considerable experience of the markets in which the Group operates. In determining a property's valuation the valuers take into account property-specific information such as the current tenancy agreements and rental income. They apply assumptions for yields and estimated market rent, which are influenced by prevailing market yields and comparable market transactions, to arrive at the final valuation. For developments, the residual appraisal method is used, by estimating the fair value of the completed project using a capitalisation method less estimated costs to completion and a risk premium. The significance of the estimates and judgements involved, coupled with the fact that only a small percentage difference in individual property valuations, when aggregated, could result in a material misstatement, warrants specific audit focus in this area. There were also certain specific factors affecting the valuations in the year: – the nature of the Canada Water site, which the Group are currently master planning as a combined large scale, mixed use development site, resulted in our audit paying particular focus to the relevant valuations – properties under development, completed developments that are now valued as standing investment properties and standing investment properties that have been reclassified to development properties, continue to be an area of focus	We read the valuation reports for all the properties and confirmed that the valuation approach for each was in accordance with RICS standards and suitable for use in determining the carrying value for the purpose of the financial statements. We assessed the valuers' qualifications and expertise and read their terms of engagement with the Group to determine whether there were any matters that might have affected their objectivity or may have imposed scope limitations upon their work. We also considered fee arrangements between the valuers and the Group and other engagements which might exist between the Group and the valuers. We found no evidence to suggest that the objectivity of the valuers in their performance of the valuations was compromised. We obtained details of every property held by the Group and set an expected range for yield and capital value movement, determined by reference to published benchmarks and using our experience and knowledge of the market. We compared the investment yields used by the valuers with the range of expected range of yields and the year on year capital movement to our expected range. We also considered the reasonableness of other assumptions that are not so readily comparable with published benchmarks, such as Estimated Rental Value. We attended meetings with management and the valuers, at which the valuations and the key assumptions therein were discussed. Our work covered the valuation of every property in the Group, but the discussions with management and the valuers focused on the largest properties in the portfolio, properties under development or where the valuation basis has changed in the year, the Canada Water site and those where the yields used and/or year on year capital value movement suggested a possible outlier versus externally published market data for the relevant sector. Where assumptions were outside the expected range or otherwise appeared unusual, and/or valuations showed unexpected movements, we undertook further investigations and, when necessary, held further discussions with the valuers and obtained evidence to support explanations received. The valuation commentaries provided by the valuers and supporting evidence, enabled us to consider the property specific factors that may have had an impact on value, including recent comparable transactions where appropriate. We saw evidence that alternative assumptions had been considered and evaluated by management and the valuers, before determining the final valuation. We concluded that the assumptions used in the valuations were supportable in light of available and comparable market evidence. We performed testing on the standing data in the Group's information systems concerning the valuation process. We carried out procedures, on a sample basis, to satisfy ourselves of the accuracy of the property information supplied to the valuers by management. For developments, we confirmed that the supporting information for construction contracts and budgets, which was supplied to the valuers, was also consistent with the Group's records for example by inspecting original construction contracts. For developments, capitalised expenditure was tested on a sample basis to invoices, and budgeted costs to complete compared with supporting evidence (for example construction contracts). It was evident from our interaction with management and the valuers, and from our review of the valuation reports, that close attention had been paid to each property's individual characteristics at a granular, tenant by tenant level, as well as considering the overall quality, geographic location and desirability of the asset as a whole. No issues were identified in our testing.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE BRITISH LAND COMPANY PLC CONTINUED

Area of focus	How our audit addressed the area of focus
Revenue recognition Refer to pages 67 to 70 (Report of the Audit Committee), pages 105 to 107 (Accounting policies) and page 109 (Notes). Revenue for the Group consists primarily of rental income. Rental income is based on tenancy agreements where there is a standard process in place for recording revenue, which is system generated. There are certain transactions within revenue that warrant additional audit focus because of an increased inherent risk of error due to their non-standard nature. These include spreading of tenant incentives and guaranteed rent increases – these balances require adjustments made to rental income to ensure revenue is recorded on a straight line basis over the course of the lease.	We carried out tests of controls over the cash and accounts receivable processes and the related IT systems to obtain evidence that postings to these accounts were reliable. For rental income balances, we then used data-enabled audit techniques to identify all standard revenue journals posted using these systems and processes. The remaining journals related to non-standard transactions. These included reclassifications within revenue, accrued income, and bad debt provisions. For each category of non-standard revenue summarised above, we have understood the nature and assessed the reasonableness of journals being generated, and performed substantive testing over a sample of these items. There have been no exceptions arising from our testing over non-standard revenue transactions. For balances not included within rental income, such as service charge income, we performed substantive testing on a sample basis. No issues were identified in our testing.
Accounting for transactions Refer to pages 67 to 70 (Report of the Audit Committee), pages 105 to 107 (Accounting policies) and pages 108 to 143 (Notes to the Accounts). There have been a number of transactions during the year. These warranted additional audit focus due to the magnitude of transactions and the potential for complex contractual terms that introduce judgement into how they were accounted for. Key transactions subject to additional audit focus were: – acquisitions of investment properties for £88 million – disposals of investment properties for £670 million, including the disposal of Debenhams Oxford Street for £397 million – exchange of contracts for the Sale of Interest in the Leadenhall Holding Co (Jersey) Limited Joint Venture which has been accounted for as a joint venture held for sale valued at £540 million – advanced funds received on exchange of contracts for the sale of shares in the Leadenhall Joint venture recorded as a financial asset and corresponding financial liability for £144 million – amount of £10 million received from UBS in relation to the development and occupation of 5 Broadgate, and subsequent vacation of 100 Liverpool Street	For each transaction, we understood the nature of the transaction and assessed the proposed accounting treatment in relation to the Group's accounting policies and relevant IFRSs. For all acquisitions and disposals, we obtained and reviewed the key supporting documentation such as Sales and Purchase Agreements and completion statements. Consideration received or paid was agreed to bank statements. No material issues were found as a result of these procedures. For the Leadenhall transaction which has been accounted for as a joint venture held for sale, we assessed the accounting treatment in relation to IFRS 5 Non-current Assets Held for Sale and Discontinued Operations and IAS28 Investments in Associates and Joint Ventures. We have reviewed the sale and purchase agreement and agree that the exchange of contracts to sell the shares in the joint venture meet the criteria for recognition as held for sale under IFRS 5. We have audited the carrying value of the joint venture at March 2017, including the valuation of the underlying investment property. No material issues were found in relation to the carrying value. We have confirmed receipt of the advanced funds received on exchange of contracts, and tied this to the balances listed within the sale and purchase agreement and to confirmations from the Group's lawyers. The monies received are held in a client account held by the Group's lawyers and receipt is conditional on the completion of the sale. We agree with the recognition as a financial asset and corresponding liability. For the £10 million payment from UBS we have reviewed the original lease agreement and the amended lease agreement that details the payment. We have agreed receipt of the amount received to bank statements. We concur with the treatment adopted.
Taxation Refer to pages 67 to 70 (Report of the Audit Committee), pages 105 to 107 (Accounting policies) and pages 111 and 126 (Notes). The Group's status as a REIT underpins its business model and shareholder returns. For this reason, it warrants special audit focus. The obligations of the REIT regime include requirements to comply with balance of business, dividend and income cover tests. The Broadgate joint venture is also structured as a REIT and as such, REIT compliance is also of relevance for this joint venture in addition to the overall Group. Tax provisions are in place to account for the risk of challenge of certain of the Group's tax provisions. Given the subjective nature of these provisions, additional audit focus was placed on tax provisions.	We re-performed the Group's and annual REIT compliance tests, as well as those tests for the Broadgate REIT. Based on our work performed, we agreed with management's assessment that all REIT compliance tests had been met to ensure that the Group and Broadgate maintain their REIT status. We evaluated the tax provisions and potential exposures as at 31 March 2017. We used our knowledge of tax circumstances and by reading relevant correspondence between the Group and Her Majesty's Revenue & Customs and the Group's external tax advisors are satisfied that the assumptions and judgements used by the Group are reasonable.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the geographic structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

The Group and Company financial statements are produced using a single consolidation system that has a direct interface with the general ledger. We performed our audit procedures over the general ledger system and tested the interface with the consolidation system.

A full scope audit was performed by the Group audit team for all subsidiaries of the Group, and the following joint ventures: Broadgate, Meadowhall and Leadenhall. This gives coverage over substantially all of the Group.

In establishing the overall approach to our audit, we assessed the risk of material misstatement, taking into account the nature, likelihood and potential magnitude of any misstatement. Following this assessment, we applied professional judgement to determine the extent of testing required over each balance in the financial statements.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall Group materiality	£135 million (2016: £138 million).
How we determined it	1% of total assets.
Rationale for benchmark applied	A key determinant of the Group's value is direct property investments. Due to this, the key area of focus in the audit is the valuation of investment properties. On this basis, we set an overall Group materiality level based on total assets.

In addition, we set a specific materiality level of £19.4 million (2016: £18 million) for items within underlying pre-tax profit. This equates to 5% of profit before tax adjusted for capital and other items. In arriving at this judgement we had regard to the fact that the underlying pre-tax profit is a secondary financial indicator of the Group (Refer to Note 2 of the financial statements page 108 where the term is defined in full).

We agreed with the Audit Committee that we would report to them misstatements identified during our audit of underlying pre-tax items above £1 million (2016: £1 million) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons. We agreed with the Audit Committee that we would report to them, any misstatements identified during our audit of capital and other items above £6.7 million (2016: £6.9 million) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Going concern

Under the Listing Rules we are required to review the Directors' statement, set out on page 65, in relation to going concern. We have nothing to report having performed our review.

Under ISAs (UK & Ireland) we are required to report to you if we have anything material to add or to draw attention to in relation to the Directors' statement about whether they considered it appropriate to adopt the going concern basis in preparing the financial statements. We have nothing material to add or to draw attention to.

As noted in the Directors' statement, the directors have concluded that it is appropriate to adopt the going concern basis in preparing the financial statements. The going concern basis presumes that the Group and Company have adequate resources to remain in operation, and that the Directors intend them to do so, for at least one year from the date the financial statements were signed. As part of our audit we have concluded that the Directors' use of the going concern basis is appropriate. However, because not all future events or conditions can be predicted, these statements are not a guarantee as to the Group's and Company's ability to continue as a going concern.

Other required reporting

Consistency of other information and compliance with applicable requirements

Companies Act 2006 reporting

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements

In addition, in light of the knowledge and understanding of the Group, the Company and their environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Directors' Report. We have nothing to report in this respect.

ISAs (UK & Ireland) reporting

Under ISAs (UK & Ireland) we are required to report to you if, in our opinion:

– information in the Annual Report is: – materially inconsistent with the information in the audited financial statements – apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group and Company acquired in the course of performing our audit – otherwise misleading	We have no exceptions to report.
– the statement given by the directors on page 64, in accordance with provision C.1.1 of the UK Corporate Governance Code (the 'Code'), that they consider the Annual Report taken as a whole to be fair, balanced and understandable and provides the information necessary for members to assess the Group's and Company's position and performance, business model and strategy is materially inconsistent with our knowledge of the Group and Company acquired in the course of performing our audit	We have no exceptions to report.
– the section of the Annual Report on page 69 as required by provision C.3.8 of the Code, describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee	We have no exceptions to report.

The Directors' assessment of the prospects of the Group and of the principal risks that would threaten the solvency or liquidity of the Group

Under ISAs (UK & Ireland) we are required to report to you if we have anything material to add or to draw attention to in relation to:

– the Directors' confirmation on page 65 of the Annual Report, in accordance with provision C.2.1 of the Code, that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity	We have nothing material to add or to draw attention to.
– the disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated	We have nothing material to add or to draw attention to.
– the Directors' explanation on page 49 of the Annual Report, in accordance with provision C.2.2 of the Code, as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions	We have nothing material to add or to draw attention to.

Under the Listing Rules we are required to review the Directors' statement that they have carried out a robust assessment of the principal risks facing the Group and the Directors' statement in relation to the longer-term viability of the Group. Our review was substantially less in scope than an audit and only consisted of making inquiries and considering the Directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the Code; and considering whether the statements are consistent with the knowledge acquired by us in the course of performing our audit. We have nothing to report having performed our review.

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit
- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Directors' Remuneration Report – Companies Act 2006 opinion

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Other Companies Act 2006 reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of Directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Corporate governance statement

Under the Listing Rules we are required to review the part of the Corporate Governance Statement relating to ten further provisions of the Code. We have nothing to report having performed our review.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the Directors

As explained more fully in the Directors' Responsibilities Statement set out on page 91, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Group's and the Company's circumstances and have been consistently applied and adequately disclosed
- the reasonableness of significant accounting estimates made by the Directors
- the overall presentation of the financial statements

We primarily focus our work in these areas by assessing the Directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report. With respect to the Strategic Report and Directors' Report, we consider whether those reports include the disclosures required by applicable legal requirements.

John Waters (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

16 May 2017

- The maintenance and integrity of The British Land Company PLC website is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
- Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 MARCH 2017

	Note	2017 Underlying[1] £m	2017 Capital and other £m	2017 Total £m	2016 Underlying[1] £m	2016 Capital and other £m	2016 Total £m
Revenue	3	**556**	**33**	**589**	569	21	590
Costs	3	**(122)**	**(26)**	**(148)**	(128)	(11)	(139)
	3	**434**	**7**	**441**	441	10	451
Joint ventures and funds (see also below)	11	**132**	**(80)**	**52**	135	262	397
Administrative expenses		**(84)**	**–**	**(84)**	(93)	–	(93)
Valuation movement	4	**–**	**(144)**	**(144)**	–	616	616
(Loss) profit on disposal of investment properties and investments		**–**	**(5)**	**(5)**	–	35	35
Net financing costs							
– financing income	6	**2**	**42**	**44**	5	65	70
– financing charges	6	**(80)**	**(29)**	**(109)**	(111)	(34)	(145)
		(78)	**13**	**(65)**	(106)	31	(75)
Profit on ordinary activities before taxation		**404**	**(209)**	**195**	377	954	1,331
Taxation	7		**1**	**1**		33	33
Profit for the year after taxation				**196**			1,364
Attributable to non-controlling interests		**14**	**(11)**	**3**	14	5	19
Attributable to shareholders of the Company		**390**	**(197)**	**193**	363	982	1,345
Earnings per share:							
– basic	2			**18.8p**			131.2p
– diluted[2]	2			**14.7p**			119.7p

All results derive from continuing operations.

	Note	2017 Underlying[1] £m	2017 Capital and other £m	2017 Total £m	2016 Underlying[1] £m	2016 Capital and other £m	2016 Total £m
Results of joint ventures and funds accounted for using the equity method							
Underlying Profit		**132**	**–**	**132**	135	–	135
Valuation movement	4	**–**	**(93)**	**(93)**	–	245	245
Capital financing costs		**–**	**(6)**	**(6)**	–	–	–
Profit on disposal of investment properties, trading properties and investments		**–**	**18**	**18**	–	18	18
Taxation		**–**	**1**	**1**	–	(1)	(1)
	11	**132**	**(80)**	**52**	135	262	397

[1] See definition in Glossary.
[2] Prior year diluted EPS has been restated. See note 1.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2017

	2017 £m	2016 £m
Profit for the year after taxation	**196**	1,364
Other comprehensive (loss) income:		
Items that will not be reclassified subsequently to profit or loss:		
Net actuarial loss on pension schemes	**(12)**	(1)
Valuation movements on owner-occupied properties	**–**	19
	(12)	18
Items that may be reclassified subsequently to profit or loss:		
(Losses) gains on cash flow hedges		
– Group	**(21)**	(24)
– Joint ventures and funds	**1**	(3)
	(20)	(27)
Transferred to the income statement (cash flow hedges)		
– Foreign currency derivatives	**–**	2
– Interest rate derivatives	**16**	10
	16	12
Exchange differences on translation of foreign operations		
– Hedging and translation	**–**	(3)
– Other	**–**	3
	–	–
Deferred tax on items of other comprehensive income	**–**	(15)
Other comprehensive loss for the year	**(16)**	(12)
Total comprehensive income for the year	**180**	1,352
Attributable to non-controlling interests	**3**	19
Attributable to shareholders of the Company	**177**	1,333

CONSOLIDATED BALANCE SHEET

AS AT 31 MARCH 2017

	Note	2017 £m	2016 £m
ASSETS			
Non-current assets			
Investment and development properties	10	**9,073**	9,643
Owner-occupied properties	10	**94**	95
		9,167	9,738
Other non-current assets			
Investments in joint ventures and funds	11	**2,766**	3,353
Other investments	12	**154**	142
Deferred tax assets	16	**4**	3
Interest rate and currency derivative assets	17	**217**	167
		12,308	13,403
Current assets			
Joint venture held for sale	11	**540**	–
Trading properties	10	**334**	325
Debtors	13	**171**	33
Cash and short term deposits	17	**114**	114
		1,159	472
Total assets		**13,467**	13,875
LIABILITIES			
Current liabilities			
Short term borrowings and overdrafts	17	**(464)**	(74)
Creditors	14	**(458)**	(218)
Corporation tax		**(30)**	(18)
		(952)	(310)
Non-current liabilities			
Debentures and loans	17	**(2,817)**	(3,687)
Other non-current liabilities	15	**(78)**	(122)
Interest rate and currency derivative liabilities	17	**(144)**	(137)
		(3,039)	(3,946)
Total liabilities		**(3,991)**	(4,256)
Net assets		**9,476**	9,619
EQUITY			
Share capital		**260**	260
Share premium		**1,298**	1,295
Merger reserve		**213**	213
Other reserves		**(97)**	(93)
Retained earnings		**7,547**	7,667
Equity attributable to shareholders of the Company		**9,221**	9,342
Non-controlling interests		**255**	277
Total equity		**9,476**	9,619
EPRA NAV per share[1]	2	**915p**	919p

1 As defined in Glossary.

John Gildersleeve
Chairman

Lucinda Bell
Chief Financial Officer

The financial statements on pages 100 to 143 were approved by the Board of Directors and signed on its behalf on 16 May 2017.
Company number 621920

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2017

	Note	2017 £m	2016 £m
Rental income received from tenants		**464**	435
Fees and other income received		**64**	58
Operating expenses paid to suppliers and employees		**(149)**	(152)
Cash generated from operations		**379**	341
Interest paid		**(92)**	(124)
Interest received		**8**	11
Corporation taxation repayments received		**9**	8
Distributions and other receivables from joint ventures and funds	11	**59**	58
Net cash inflow from operating activities		**363**	294
Cash flows from investing activities			
Development and other capital expenditure		**(225)**	(256)
Purchase of investment properties		**(87)**	(243)
Sale of investment and trading properties		**761**	564
Payments received in respect of future trading property sales		**8**	40
Purchase of investments		**(19)**	–
Indirect taxes paid in respect of investing activities		**(1)**	–
Investment in and loans to joint ventures and funds		**(50)**	(241)
Capital distributions and loan repayments from joint ventures and funds		**83**	366
Net cash inflow from investing activities		**470**	230
Cash flows from financing activities			
Issue of ordinary shares		**3**	5
Purchase of own shares		**(8)**	–
Dividends paid	19	**(295)**	(235)
Dividends paid to non-controlling interests		**(14)**	(16)
Acquisition of units in Hercules Unit Trust		**(11)**	(61)
Closeout of interest rate derivatives		**(13)**	15
Cash collateral transactions		**–**	(24)
Decrease in bank and other borrowings		**(526)**	(919)
Drawdowns on bank and other borrowings		**31**	373
Drawdown of zero coupon 2015 convertible bond		**–**	344
Net cash outflow from financing activities		**(833)**	(518)
Net increase in cash and cash equivalents		**–**	6
Cash and cash equivalents at 1 April		**114**	108
Cash and cash equivalents at 31 March		**114**	114
Cash and cash equivalents consists of:			
Cash and short term deposits	17	**114**	114

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2017

	Share capital £m	Share premium £m	Hedging and translation reserve[1] £m	Re-valuation reserve £m	Merger reserve £m	Retained earnings £m	**Total £m**	Non-controlling interests £m	**Total equity £m**
Balance at 1 April 2016	**260**	**1,295**	**(107)**	**14**	**213**	**7,667**	**9,342**	**277**	**9,619**
Profit for the year after taxation	**–**	**–**	**–**	**–**	**–**	**193**	**193**	**3**	**196**
Losses on cash flow hedges	**–**	**–**	**(21)**	**–**	**–**	**–**	**(21)**	**–**	**(21)**
Exchange and hedging movements in joint ventures and funds	**–**	**–**	**–**	**1**	**–**	**–**	**1**	**–**	**1**
Reclassification of gains on cash flow hedges									
– Foreign currency derivatives	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
– Interest rate derivatives	**–**	**–**	**16**	**–**	**–**	**–**	**16**	**–**	**16**
Net actuarial loss on pension schemes	**–**	**–**	**–**	**–**	**–**	**(12)**	**(12)**	**–**	**(12)**
Other comprehensive (loss) income	**–**	**–**	**(5)**	**1**	**–**	**(12)**	**(16)**	**–**	**(16)**
Total comprehensive income for the year	**–**	**–**	**(5)**	**1**	**–**	**181**	**177**	**3**	**180**
Share issues	**–**	**3**	**–**	**–**	**–**	**–**	**3**	**–**	**3**
Fair value of share and share option awards	**–**	**–**	**–**	**–**	**–**	**2**	**2**	**–**	**2**
Purchase of own shares	**–**	**–**	**–**	**–**	**–**	**(8)**	**(8)**	**–**	**(8)**
Purchase of units from non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(11)**	**(11)**
Gain on purchase of units from non-controlling interests	**–**	**–**	**–**	**–**	**–**	**1**	**1**	**–**	**1**
Dividends payable in year (28.8p per share)	**–**	**–**	**–**	**–**	**–**	**(296)**	**(296)**	**–**	**(296)**
Dividends payable by subsidiaries	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(14)**	**(14)**
Balance at 31 March 2017	**260**	**1,298**	**(112)**	**15**	**213**	**7,547**	**9,221**	**255**	**9,476**
Balance at 1 April 2015	258	1,280	(76)	(6)	213	6,563	8,232	333	8,565
Profit for the year after taxation	–	–	–	–	–	1,345	1,345	19	1,364
Losses on cash flow hedges	–	–	(24)	–	–	–	(24)	–	(24)
Revaluation of owner-occupied property	–	–	–	19	–	–	19	–	19
Exchange and hedging movements in joint ventures and funds	–	–	–	(3)	–	–	(3)	–	(3)
Reclassification of (losses) gains on cash flow hedges									
– Foreign currency derivatives	–	–	2	–	–	–	2	–	2
– Interest rate derivatives	–	–	10	–	–	–	10	–	10
Exchange differences on translation of foreign operations	–	–	(3)	3	–	–	–	–	–
Net actuarial loss on pension schemes	–	–	–	–	–	(1)	(1)	–	(1)
Deferred tax on items of other comprehensive income	–	–	(16)	1	–	–	(15)	–	(15)
Other comprehensive (loss) income	–	–	(31)	20	–	(1)	(12)	–	(12)
Total comprehensive income for the year	–	–	(31)	20	–	1,344	1,333	19	1,352
Share issues	2	15	–	–	–	(12)	5	–	5
Fair value of share and share option awards	–	–	–	–	–	8	8	–	8
Purchase of units from non-controlling interests	–	–	–	–	–	–	–	(59)	(59)
Loss on purchase of units from non-controlling interests	–	–	–	–	–	(1)	(1)	–	(1)
Dividends payable in year (28.0p per share)	–	–	–	–	–	(287)	(287)	–	(287)
Dividends payable by subsidiaries	–	–	–	–	–	–	–	(16)	(16)
Adjustment for scrip dividend element	–	–	–	–	–	52	52	–	52
Balance at 31 March 2016	260	1,295	(107)	14	213	7,667	9,342	277	9,619

1 The balance at the beginning of the current year includes £9m in relation to translation and (£116m) in relation to hedging (2015/16: £10m and (£86m)).

1 Basis of preparation, significant accounting policies and accounting judgements

The financial statements for the year ended 31 March 2017 have been prepared on the historical cost basis, except for the revaluation of properties, investments held for trading and derivatives. The financial statements have also been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and interpretations issued by the IFRS Interpretations Committee (IFRS IC), and therefore comply with article 4 of the EU IAS regulation, and in accordance with the Companies Act 2006. In the current financial year the Group has adopted a number of minor amendments to standards effective in the year issued by the IASB and endorsed by the EU, none of which have had a material impact on the Group. The accounting policies used are otherwise consistent with those contained in the Group's previous Annual Report and Accounts for the year ended 31 March 2016.

A number of new standards and amendments to standards and interpretations have been issued but are not yet effective for the current accounting period. None of these are expected to have a material impact on the consolidated financial statements of the Group.

Certain standards which could be expected to have an impact on the consolidated financial statements are discussed in further detail below.

- IFRS 9 – Financial Instruments (effective year ending 31 March 2019). The new standard addresses the classification, measurement and recognition of financial assets and financial liabilities. It simplifies the existing categories of financial instruments, introduces an expected credit loss model and redefines the criteria required for hedge effectiveness. On adoption of the new standard, these changes are not expected to have a material impact on the consolidated financial statements of the Group. There will however be limited changes to presentation and disclosure.
- IFRS 15 – Revenue from contracts with customers (effective year ending 31 March 2019). The new standard combines a number of previous standards, setting out a five step model for the recognition of revenue and establishing principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. The new standard does not apply to gross rental income, but does apply to service charge income, management and performance fees and trading property disposals. The impact of the new standard on these items of revenue is not expected to have a material impact on the consolidated financial statements of the Group.
- IFRS 16 – Leases (effective year ending 31 March 2020). For lessees, it will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases will be removed. The accounting for lessors will however not significantly change. As a result on adoption of the new standard, these changes are not expected to have a material impact on the consolidated financial statements of the Group.

The Group conducted an impact assessment of the above new standards in the year, and concluded that whilst adoption of these new standards based on the Group's current activities would lead to some limited changes to presentation and disclosure, they are not expected to have a material impact on the consolidated financial statements.

Restatement
The IFRS diluted earnings per share for the year ended 31 March 2016 has been restated to reflect the full dilutive impact of the 1.5% 2012 convertible bond. This restatement reduces the diluted earnings per share measure from 124.1 pence to 119.7 pence shown on the Consolidated Income Statement and within the associated notes. This is the only financial measure within these financial statements impacted by this restatement.

Going concern
The financial statements are prepared on a going concern basis as explained in the corporate governance section on page 65.

Subsidiaries, joint ventures and associates (including funds)
The consolidated accounts include the accounts of the British Land Company PLC and all subsidiaries (entities controlled by British Land). Control is assumed where British Land is exposed, or has the rights, to variable returns from its involvement with investees and has the ability to affect those returns through its power over those investees.

The results of subsidiaries, joint ventures or associates acquired or disposed of during the year are included from the effective date of acquisition or up to the effective date of disposal. Accounting policies of subsidiaries, joint ventures or associates which differ from Group accounting policies are adjusted on consolidation.

Business combinations are accounted for under the acquisition method. Any excess of the purchase price of business combinations over the fair value of the assets, liabilities and contingent liabilities acquired and resulting deferred tax thereon is recognised as goodwill. Any discount received is credited to the income statement in the period of acquisition.

All intra-Group transactions, balances, income and expenses are eliminated on consolidation. Joint ventures and associates, including funds, are accounted for under the equity method, whereby the consolidated balance sheet incorporates the Group's share (investor's share) of the net assets of its joint ventures and associates. The consolidated income statement incorporates the Group's share of joint venture and associate profits after tax. Their profits include revaluation movements on investment properties.

Distributions and other receivables from joints ventures and associates (including funds) are classed as cash flows from operating activities, except where they relate to a cash flow arising from a capital transaction, such as a property or investment disposal. In this case they are classed as cash flows from investing activities.

Properties
Properties are externally valued on the basis of fair value at the balance sheet date. Investment and owner-occupied properties are recorded at valuation whereas trading properties are stated at the lower of cost and net realisable value.

Any surplus or deficit arising on revaluing investment properties is recognised in the capital and other column of the income statement.

Any surplus arising on revaluing owner-occupied properties above cost is recognised in other comprehensive income, and any deficit arising in revaluation below cost for owner-occupied and trading properties is recognised in the capital and other column of the income statement.

The cost of properties in the course of development includes attributable interest and other associated outgoings including attributable development personnel costs. Interest is calculated on the development expenditure by reference to specific borrowings, where relevant, and otherwise on the weighted average rate interest rate of British Land PLC borrowings. Interest is not capitalised where no development activity is taking place. A property ceases to be treated as a development property on practical completion.

Investment property disposals are recognised on completion. Profits and losses arising are recognised through the capital and other column of the income statement. The profit on disposal is determined as the difference between the net sales proceeds and the carrying amount of the asset at the commencement of the accounting period plus capital expenditure in the period.

Trading properties are initially recognised at cost less impairments, and trading property disposals are recognised in line with the revenue policies outlined below.

Where investment properties are appropriated to trading properties, they are transferred at market value. If properties held for trading are appropriated to investment properties, they are transferred at book value. In determining whether leases and related properties represent operating or finance leases, consideration is given to whether the tenant or landlord bears the risks and rewards of ownership.

Financial assets and liabilities

Trade debtors and creditors are initially recognised at fair value and subsequently measured at amortised cost and discounted as appropriate.

Other investments include loans and receivables held at amortised cost and investments held for trading classified as fair value through profit or loss. Amortised cost of loans and receivables is measured using the effective interest method, less any impairment. Interest is recognised by applying the effective interest rate. Investments held for trading are initially recorded at fair value and are subsequently externally valued on the same basis at the balance sheet date. Any surplus or deficit arising on revaluing investments held for trading is recognised in the capital and other column of the income statement.

Where an investment property is held under a head lease, the head lease is initially recognised as an asset, being the sum of the premium paid on acquisition plus the present value of minimum ground rent payments. The corresponding rent liability to the head leaseholder is included in the balance sheet as a finance lease obligation.

Debt instruments are stated at their net proceeds on issue. Finance charges including premia payable on settlement or redemption and direct issue costs are spread over the period to redemption, using the effective interest method. Exceptional finance charges incurred due to early redemption (including premiums) are recognised in the income statement when they occur.

Convertible bonds are designated as fair value through profit or loss and so are initially recognised at fair value with all subsequent gains and losses, including the write-off of issue costs, recognised in the capital and other column of the income statement as a component of net financing costs. The interest charge in respect of the coupon rate on the bonds has been recognised within the underlying component of net financing costs on an accruals basis.

As defined by IAS 39, cash flow and fair value hedges are initially recognised at fair value at the date the derivative contracts are entered into, and subsequently remeasured at fair value. Changes in the fair value of derivatives that are designated and qualify as effective cash flow hedges are recognised directly through other comprehensive income as a movement in the hedging and translation reserve. Changes in the fair value of derivatives that are designated and qualify as effective fair value hedges are recorded in the capital and other column of the income statement, along with any changes in the fair value of the hedged item that is attributable to the hedged risk. Any ineffective portion of all derivatives is recognised in the capital and other column of the income statement. Changes in the fair value of derivatives that are not in a designated hedging relationship under IAS 39 are recorded directly in the capital and other column of the income statement. These derivatives are carried at fair value on the balance sheet.

Cash equivalents are limited to instruments with a maturity of less than three months.

Revenue

Revenue comprises rental income and surrender premia, service charge income, management and performance fees and proceeds from the sale of trading properties.

Rental income, including fixed rental uplifts, from investment property leased out under an operating lease is recognised as revenue on a straight-line basis over the lease term. Lease incentives, such as rent-free periods and cash contributions to tenant fit-out, are recognised on the same straight-line basis being an integral part of the net consideration for the use of the investment property. Any rent adjustments based on open market estimated rental values are recognised, based on management estimates, from the rent review date in relation to unsettled rent reviews. Contingent rents, being those lease payments that are not fixed at the inception of the lease, including for example turnover rents, are recognised in the period in which they are earned.

Surrender premia for the early determination of a lease are recognised as revenue immediately upon receipt, net of dilapidations and non-recoverable outgoings relating to the lease concerned.

Service charge income is recognised as revenue in the period to which it relates.

Management and performance fees receivable are recognised as revenue in the period to which they relate. Performance fees are recognised at the end of the performance period when the fee amount can be estimated reliably and it is virtually certain that the fee will be received.

Proceeds from the sale of trading properties are recognised when the risks and rewards of ownership have been transferred to the purchaser. This generally occurs on completion. Proceeds from the sale of trading properties are recognised as revenue in the capital and other column of the income statement. All other revenue described above is recognised in the underlying column of the income statement.

Taxation

Current tax is based on taxable profit for the year and is calculated using tax rates that have been enacted or substantively enacted at the balance sheet date. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are not taxable (or tax deductible).

Deferred tax is provided on items that may become taxable in the future, or which may be used to offset against taxable profits in the future, on the temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes, and the amounts used for taxation purposes on an undiscounted basis. On business combinations, the deferred tax effect of fair value adjustments is incorporated in the consolidated balance sheet.

Employee costs

The fair value of equity-settled share-based payments to employees is determined at the date of grant and is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares or options that will eventually vest. In the case of options granted, fair value is measured by a Black-Scholes pricing model.

Defined benefit pension scheme assets are measured using fair values. Pension scheme liabilities are measured using the projected unit credit method and discounted at the rate of return of a high quality corporate bond of equivalent term to the scheme liabilities. The net surplus (where recoverable by the Group) or deficit is recognised in full in the consolidated balance sheet. Any asset resulting from the calculation is limited to the present value of available refunds and reductions in future contributions to the plan.

The current service cost and gains and losses on settlement and curtailments are charged to operating profit. Actuarial gains and losses are recognised in full in the period in which they occur and are presented in the consolidated statement of comprehensive income.

Contributions to the Group's defined contribution schemes are expensed on the basis of the contracted annual contribution.

Accounting judgements and estimates

In applying the Group's accounting policies, the Directors are required to make judgements and estimates that affect the financial statements.

Significant areas of estimation are:

Valuation of properties and investments held for trading: The Group uses external professional valuers to determine the relevant amounts. The primary source of evidence for property valuations should be recent, comparable market transactions on an arms-length basis. However, the valuation of the Group's property portfolio and investments held for trading are inherently subjective, as they are made on the basis of assumptions made by the valuers which may not prove to be accurate.

Other less significant areas of estimation include the valuation of fixed rate debt and interest rate derivatives, the determination of share-based payment expense, and the actuarial assumptions used in calculating the Group's retirement benefit obligations.

The key areas of accounting judgement are:

REIT status: British Land is a Real Estate Investment Trust (REIT) and does not pay tax on its property income or gains on property sales, provided that at least 90% of the Group's property income is distributed as a dividend to shareholders, which becomes taxable in their hands. In addition, the Group has to meet certain conditions such as ensuring the property rental business represents more than 75% of total profits and assets. Any potential or proposed changes to the REIT legislation are monitored and discussed with HMRC. It is Management's intention that the Group will continue as a REIT for the foreseeable future.

Accounting for joint ventures and funds: In accordance with IFRS 10 'Consolidated financial statements', IFRS 11 'Joint arrangements', and IFRS 12 'Disclosures of interests in other entities' an assessment is required to determine the degree of control or influence the Group exercises and the form of any control to ensure that the financial statement treatment is appropriate.

Interest in the Group's joint ventures is commonly driven by the terms of the partnership agreements which ensure that control is shared between the partners. These are accounted for under the equity method, whereby the consolidated balance sheet incorporates the Group's share of the net assets of its joint ventures and associates. The consolidated income statement incorporates the Group's share of joint venture and associate profits after tax.

Accounting for transactions: Property transactions are complex in nature and can be material to the financial statements. Assessment is required to determine the most appropriate accounting treatment of assets acquired and of potential contractual arrangements in the legal documents for both acquisitions and disposals. Management consider each transaction separately and, when considered appropriate, seek independent accounting advice.

Held for sale asset: On 1 March 2017 the Group exchanged conditional contracts on an agreement to sell its interest in Leadenhall Holding Co (Jersey) Limited, a joint venture with Oxford Properties. The net investment in the joint venture has been reclassified as a held for sale asset within current assets on the Group balance sheet, and the carrying amount is disclosed separately from the investment in joint ventures and funds within note 11 to the financial statements.

Prior to exchange, held for sale criteria were not deemed to be met since the transaction relates to an illiquid asset and is subject to significant uncertainty prior to agreement of terms. However, upon exchange the sale is deemed highly probable as detailed terms have been agreed upon by relevant parties. At this point management expect the carrying amount of the Group's investment in the venture to be recovered principally through a sale transaction rather than continuing operations.

2 Performance measures

Earnings per share

The Group measures financial performance with reference to underlying earnings per share, the European Public Real Estate Association (EPRA) earnings per share and IFRS earnings per share. The relevant earnings and weighted average number of shares (including dilution adjustments) for each performance measure are shown below, and a reconciliation between these is shown within the supplementary disclosures (Table B).

EPRA earnings per share is calculated using EPRA earnings, which is the IFRS profit after taxation attributable to shareholders of the Company excluding investment and development property revaluations, gains/losses on investing and trading property disposals, changes in the fair value of financial instruments and associated close-out costs and their related taxation. In the current year, diluted EPRA earnings per share did not include the dilutive impact of the 2012 convertible bond, as the Group's share price was below the exchange price of 693 pence. IFRS diluted earnings per share includes the dilutive impact as IAS 33 ignores this hurdle to conversion. In the prior year, both measures included the dilutive impact of the 2012 convertible bond, as the Group's share price was above the exchange price.

Underlying earnings per share is calculated using Underlying Profit adjusted for underlying taxation (see note 7). Underlying Profit is the pre-tax EPRA earnings measure, with additional Company adjustments. No Company adjustments were made in either the current or prior year.

Earnings per share	2017 Relevant earnings £m	2017 Relevant number of shares million	2017 Earnings per share pence	2016 Relevant earnings £m	2016 Relevant number of shares million	2016 Earnings per share pence
Underlying						
Underlying basic	**390**	**1,029**	**37.9**	365	1,025	35.6
Underlying diluted	**390**	**1,033**	**37.8**	371	1,089	34.1
EPRA						
EPRA basic	**390**	**1,029**	**37.9**	365	1,025	35.6
EPRA diluted	**390**	**1,033**	**37.8**	371	1,089	34.1
IFRS						
Basic	**193**	**1,029**	**18.8**	1,345	1,025	131.2
Diluted[1]	**160**	**1,091**	**14.7**	1,303	1,089	119.7

1 Prior year diluted EPS has been restated. See note 1.

Net asset value

The Group measures financial position with reference to EPRA net asset value (NAV) per share and EPRA triple net asset value (NNNAV) per share. The net asset value and number of shares for each performance measure is shown below. A reconciliation between IFRS net assets and EPRA net assets, and the relevant number of shares for each performance measure, is shown within the supplementary disclosures (Table B). EPRA net assets is a proportionally consolidated measure that is based on IFRS net assets excluding the mark-to-market on effective cash flow hedges and related debt adjustments, the mark-to-market on the convertible bonds as well as deferred taxation on property and derivative valuations. They include the valuation surplus on trading properties and are adjusted for the dilutive impact of share options.

As at 31 March 2017, EPRA NAV and EPRA NNNAV did not include the dilutive impact of the 2012 convertible bond, as the Group's share price was below the exchange price of 693 pence. IFRS net assets includes the dilutive impact following the treatment of IFRS earnings per share. In the prior year period, both measures included the dilutive impact of the 2012 convertible bond, as the Group's share price was above the exchange price.

Net asset value per share	2017 Relevant net assets £m	2017 Relevant number of shares million	2017 Net asset value per share pence	2016 Relevant net assets £m	2016 Relevant number of shares million	2016 Net asset value per share pence
EPRA						
EPRA NAV	**9,498**	**1,038**	**915**	10,074	1,096	919
EPRA NNNAV	**8,938**	**1,038**	**861**	9,640	1,096	880
IFRS						
Basic	**9,476**	**1,029**	**921**	9,619	1,029	935
Diluted	**9,876**	**1,096**	**901**	10,019	1,096	914

Total accounting return

The Group also measures financial performance with reference to total accounting return. This is calculated as the increase in EPRA net asset value per share and dividend paid in the year as a percentage of the EPRA net asset value per share at the start of the year.

	2017 Decrease in NAV per share pence	2017 Dividend per share paid pence	2017 Total accounting return	2016 Increase in NAV per share pence	2016 Dividend per share paid pence	2016 Total accounting return
Total accounting return	**(4)**	**28.78**	**2.7%**	90	28.02	14.2%

3 Revenue and costs

	2017			2016		
	Underlying £m	Capital and other £m	Total £m	Underlying £m	Capital and other £m	Total £m
Rent receivable	449	–	449	437	–	437
Spreading of tenant incentives and guaranteed rent increases	(9)	–	(9)	12	–	12
Surrender premia	2	–	2	2	–	2
Gross rental income	442	–	442	451	–	451
Trading property sales proceeds	–	33	33	–	21	21
Service charge income	62	–	62	72	–	72
Management and performance fees (from joint ventures and funds)	9	–	9	8	–	8
Other fees and commissions	43	–	43	38	–	38
Revenue	556	33	589	569	21	590
Trading property cost of sales	–	(26)	(26)	–	(11)	(11)
Service charge expenses	(62)	–	(62)	(72)	–	(72)
Property operating expenses	(25)	–	(25)	(26)	–	(26)
Other fees and commissions expenses	(35)	–	(35)	(30)	–	(30)
Costs	(122)	(26)	(148)	(128)	(11)	(139)
	434	7	441	441	10	451

The cash element of net rental income recognised during the year ended 31 March 2017 from properties which were not subject to a security interest was £276m (2015/16: £229m). Property operating expenses relating to investment properties that did not generate any rental income were £2m (2015/16: £1m). Contingent rents of £2m (2015/16: £3m) were recognised in the year.

4 Valuation movements on property

	2017 £m	2016 £m
Consolidated income statement		
Revaluation of properties	(144)	616
Revaluation of properties held by joint ventures and funds accounted for using the equity method	(93)	245
	(237)	861
Consolidated statement of comprehensive income		
Revaluation of owner-occupied properties	–	19
	(237)	880

5 Auditors' remuneration – PricewaterhouseCoopers LLP

	2017 £m	2016 £m
Fees payable to the Company's auditors for the audit of the Company's annual accounts	0.2	0.2
Fees payable to the Company's auditors for the audit of the Company's subsidiaries, pursuant to legislation	0.4	0.4
Total audit fees	0.6	0.6
Audit-related assurance services	0.1	0.1
Total audit and audit-related assurance services	0.7	0.7
Other fees		
Tax advisory services	–	–
Other services	0.1	0.1
Total	0.8	0.8

In addition to the above, PricewaterhouseCoopers LLP were remunerated for non-audit fees in PREF, an equity accounted property fund (see note 11). The Group's share of fees totalled £0.1m (2015/16: £0.2m). PricewaterhouseCoopers LLP are not the external auditors to PREF.

6 Net financing costs

	2017 £m	2016 £m
Underlying		
Financing charges		
Bank loans, overdrafts and derivatives	(3)	(30)
Other loans	(83)	(88)
Obligations under head leases	(2)	(2)
	(88)	(120)
Development interest capitalised	8	9
	(80)	(111)
Financing income		
Deposits, securities and liquid investments	2	3
Loans to joint ventures	–	2
	2	5
Net financing charges – underlying	(78)	(106)
Capital and other		
Financing charges		
Valuation movements on translation of foreign currency debt	–	2
Hedging reserve recycling	–	(2)
Valuation movements on fair value derivatives	51	54
Valuation movements on fair value debt	(48)	(53)
Recycling of fair value movement on close-out of derivatives	(10)	(6)
Capital financing costs[1]	(15)	(29)
Fair value movement on non-hedge accounted derivatives	(7)	–
	(29)	(34)
Financing income		
Fair value movement on convertible bonds	42	64
Fair value movement on non-hedge accounted derivatives	–	1
	42	65
Net financing income – capital	13	31
Net financing costs		
Total financing income	44	70
Total financing charges	(109)	(145)
Net financing costs	(65)	(75)

1 Primarily debenture bonds redemption and tender offer and purchase costs.

Interest payable on unsecured bank loans and related interest rate derivatives was £13m (2015/16: £19m). Interest on development expenditure is capitalised at the Group's weighted average interest rate of 2.4% (2015/16: 2.6%). The weighted average interest rate on a proportionately consolidated basis at 31 March 2017 was 3.1% (2015/16: 3.3%).

7 Taxation

	2017 £m	2016 £m
Taxation income (expense)		
Current taxation:		
UK corporation taxation: 20% (2015/16: 20%)	**(3)**	(15)
Adjustments in respect of prior years	**4**	17
Total current taxation income	**1**	2
Deferred taxation on revaluations and derivatives	**–**	31
Group total taxation	**1**	33
Attributable to joint ventures and funds	**1**	(1)
Total taxation income	**2**	32

	2017 £m	2016 £m
Taxation reconciliation		
Profit on ordinary activities before taxation	**195**	1,331
Less: profit attributable to joint ventures and funds[1]	**(52)**	(397)
Group profit on ordinary activities before taxation	**143**	934
Taxation on profit on ordinary activities at UK corporation taxation rate of 20% (2015/16: 20%)	**(29)**	(187)
Effects of:		
REIT exempt income and gains	**28**	161
Taxation losses	**(2)**	11
Deferred taxation on revaluations and derivatives	**–**	31
Adjustments in respect of prior years	**4**	17
Group total taxation income	**1**	33

[1] A current taxation expense of £nil (2015/16: charge of £1m) and a deferred taxation credit of £1m (2015/16: expense of £nil) arose on profits attributable to joint ventures and funds. The low tax charges reflects the Group's REIT status.

Taxation expense attributable to Underlying Profit for the year ended 31 March 2017 was a £nil (2015/16: £2m). Corporation taxation payable at 31 March 2017 was £30m (2015/16: £18m) as shown on the balance sheet.

8 Staff costs

Staff costs (including Directors)	2017 £m	2016 £m
Wages and salaries	**64**	57
Social security costs	**8**	7
Pension costs	**7**	7
Equity-settled share-based payments	**4**	10
	83	81

The average monthly number of employees of the Company during the year was 261 (2015/16: 260). The average monthly number of Group employees, including those employed directly at the Group's properties and their costs recharged to tenants, was 771 (2015/16: 692). The average monthly number of employees of the Company within each category of persons employed was as follows: Retail: 54; Offices & Residential: 71; Canada Water: 7; Support Functions: 129.

The Executive Directors and Non-Executive Directors are the key management personnel. Their emoluments are summarised below and further detail is disclosed in the Remuneration Report on pages 73 to 88.

Directors' emoluments	2017 £m	2016 £m
Short term employee benefits	**5.0**	5.4
Service cost in relation to defined benefit pension schemes	**0.2**	0.2
Equity-settled share-based payments	**1.9**	5.9
	7.1	11.5

8 Staff costs continued

Staff costs

The Group's equity-settled share-based payments comprise the Long-Term Incentive Plan (LTIP) the Matching Share Plan (MSP), the Fund Managers' Performance Plan (FMPP) and various savings related share option schemes.

The Company expenses an estimate of how many shares are likely to vest based on the market price at the date of grant on (22 June 2016) taking account of expected performance against the relevant performance targets and service periods which are discussed in further detail in the Remuneration Report.

For all schemes except the Company's Long-Term Incentive Plan share options, the fair value of awards are equal to the market value at grant date. The key inputs used to value share options using a Black-Scholes model granted under the Company's Long-Term Incentive Plan are shown below.

Long-Term Incentive Plan: Awards in the year ended 31 March 2017	22 June 2016
Share price and exercise price at grant date	**731p**
Expected option life in years	**5**
Risk free rate	**1.1%**
Expected volatility	**22%**
Expected dividend yield	**4%**
Value per option	**83p**

Movements in shares and options are given in note 20.

9 Pensions

The British Land Group of Companies Pension Scheme ('the scheme') is the principal defined benefit pension scheme in the Group. The assets of the scheme are held in a trustee-administered fund and kept separate from those of the Company. It is not contracted out of SERPS (State Earnings-Related Pension Scheme) and it is not planned to admit new employees to the scheme. The Group has three other small defined benefit pension schemes. There is also a Defined Contribution Pension Scheme. Contributions to this scheme are at a flat rate of 15% of salary for non-Directors and are paid by the Company.

The total net pension cost charged for the year was £7m (2015/16: £7m), of which £4m (2015/16: £4m) relates to defined contribution plans and £3m (2015/16: £3m) relates to the current service cost of the defined benefit schemes.

A full actuarial valuation of the scheme was carried out at 31 March 2015 by consulting actuaries, AON Hewitt Associates Ltd. The employer's contributions will be paid in the future at the rate recommended by the actuary of 72.9% per annum of basic salaries. The best estimate of employer contributions expected to be paid during the year to 31 March 2018 is £5m. The major assumptions used for the actuarial valuation were:

	2017 % pa	2016 % pa	2015 % pa	2014 % pa	2013 % pa
Discount rate	**2.4**	3.2	3.1	4.4	4.1
Salary inflation	**4.9**	4.8	4.8	5.2	4.7
Pensions increase	**3.3**	3.2	3.2	3.5	3.1
Price inflation	**3.4**	3.3	3.3	3.7	3.2

The mortality assumptions are based on standard mortality tables which allow for future mortality improvements. The assumptions are that a member currently aged 60 will live on average for a further 29.7 years if they are male and for a further 31.7 years if they are female. For a member who retires in 2037 at age 60, the assumptions are that they will live on average for a further 31.7 years after retirement if they are male and for a further 33.2 years after retirement if they are female.

Composition of scheme assets

	2017 £m	2016 £m
Equities	**60**	52
Diversified growth funds	**84**	77
Other assets	**10**	8
Total scheme assets	**154**	137

The vast majority of the scheme assets are quoted in an active market.

9 Pensions continued

The amount included in the balance sheet arising from the Group's obligations in respect of its defined benefit scheme is as follows:

	2017 £m	2016 £m	2015 £m	2014 £m	2013 £m
Present value of defined scheme obligations	(167)	(143)	(145)	(125)	(119)
Fair value of scheme assets	154	137	139	131	120
Irrecoverable surplus	–	–	–	(6)	(1)
Liability recognised in the balance sheet	(13)	(6)	(6)	–	–

The sensitivities of the defined benefit obligation in relation to the major actuarial assumptions used to measure scheme liabilities are as follows:

		Increase/(decrease) in defined scheme obligations	
Assumption	Change in assumption	2017 £m	2016 £m
Discount rate	+0.5%	(18)	(14)
Salary inflation	+0.5%	1	1
Pensions increase	+0.5%	15	12
Price inflation	+0.5%	17	13

History of experience gains and losses

	2017 £m	2016 £m	2015 £m	2014 £m	2013 £m
Total actuarial loss recognised in the consolidated statement of comprehensive income[1]					
Amount[2]	(12)	(1)	(5)	(2)	(4)
Percentage of present value on scheme liabilities	7.2%	0.7%	3.6%	1.6%	3.1%

1 Movements stated after adjusting for irrecoverability of any surplus.
2 Cumulative loss recognised in the statement of comprehensive income is £49m (2015/16: £37m).

9 Pensions continued

Movements in the present value of defined benefit obligations were as follows:

	2017 £m	2016 £m
At 1 April	**(143)**	(145)
Current service cost	**(3)**	(3)
Interest cost	**(5)**	(5)
Actuarial (loss) gain		
(Loss) gain from change in financial assumptions	**(29)**	4
Gain on scheme liabilities arising from experience	**6**	3
Benefits paid	**7**	3
At 31 March	**(167)**	(143)

Movements in the fair value of the scheme assets were as follows:

	2017 £m	2016 £m
At 1 April	**137**	139
Interest income on scheme assets	**4**	4
Contributions by employer	**7**	4
Actuarial gain (loss)	**11**	(7)
Benefits paid	**(5)**	(3)
At 31 March	**154**	137

Through its defined benefit plans, the Group is exposed to a number of risks, the most significant of which are detailed below:

Asset volatility
The liabilities are calculated using a discount rate set with a reference to corporate bond yields; if assets underperform this yield, this will create a deficit. The scheme holds a significant portion of growth assets (equities and diversified growth funds) which, although expected to outperform corporate bonds in the long term, create volatility and risk in the short term. The allocation to growth assets is monitored to ensure it remains appropriate given the scheme's long term objectives.

Changes in bond yields
A decrease in corporate bond yields will increase the value placed on the scheme's liabilities for accounting purposes, although this will be partially offset by an increase in the value of the scheme's bond holdings.

Inflation risk
The majority of the scheme's benefit obligations are linked to inflation, and higher inflation will lead to higher liabilities (although, in most cases, caps on the level of inflationary increases are in place to protect against extreme inflation). The majority of the assets are either unaffected by or only loosely correlated with inflation, meaning that an increase in inflation will also increase the deficit.

Life expectancy
The majority of the scheme's obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the liabilities.

10 Property

Property reconciliation for the year ended 31 March 2017

	Investment							
	Retail Level 3 £m	Offices & residential Level 3 £m	Canada Water Level 3 £m	Developments Level 3 £m	**Investment and development properties Level 3 £m**	Trading properties £m	Owner-occupied Level 3 £m	**Total £m**
Carrying value at 1 April 2016	**5,617**	**3,436**	**256**	**334**	**9,643**	**325**	**95**	**10,063**
Additions								
– property purchases	80	–	8	–	88	–	–	88
– development expenditure	12	4	10	55	81	56	–	137
– capitalised interest and staff costs	–	–	2	3	5	5	–	10
– capital expenditure on asset management initiatives	82	9	1	–	92	–	–	92
	174	13	21	58	266	61	–	327
Depreciation	–	–	–	–	–	–	(1)	(1)
Disposals	(624)	(39)	–	(7)	(670)	(26)	–	(696)
Reclassifications	–	271	27	(271)	27	(27)	–	–
Revaluations included in income statement	(105)	(57)	(18)	36	(144)	–	–	(144)
Movement in tenant incentives and contracted rent uplift balances	(41)	(8)	–	–	(49)	1	–	(48)
Carrying value at 31 March 2017	**5,021**	**3,616**	**286**	**150**	**9,073**	**334**	**94**	**9,501**
Head lease liabilities (note 15)								(64)
Valuation surplus on trading properties								83
Group property portfolio valuation at 31 March 2017								**9,520**
Non-controlling interests								(310)
Group property portfolio valuation at 31 March 2017 attributable to shareholders								**9,210**

10 Property continued

Property reconciliation for the year ended 31 March 2016

	Investment Retail Level 3 £m	Investment Offices & residential Level 3 £m	Canada Water Level 3 £m	Developments Level 3 £m	**Investment and development properties Level 3 £m**	Trading properties £m	Owner-occupied £m	**Total £m**
Carrying value at 1 April 2015	5,584	2,902	249	385	**9,120**	274	60	**9,454**
Additions:								
– property purchases	4	234	–	–	**238**	–	–	**238**
– development expenditure	4	6	1	43	**54**	59	–	**113**
– capitalised interest and staff costs	–	–	1	3	**4**	5	–	**9**
– capital expenditure on asset management initiatives	91	24	1	–	**116**	–	–	**116**
	99	264	3	46	**412**	64	–	**476**
Depreciation	–	–	–	–	**–**	–	(1)	**(1)**
Disposals	(372)	(130)	–	(7)	**(509)**	(11)	–	**(520)**
Reclassifications	135	22	–	(172)	**(15)**	(2)	17	**–**
Revaluations included in income statement	161	369	4	82	**616**	–	–	**616**
Revaluation included in OCI	–	–	–	–	**–**	–	19	**19**
Movement in tenant incentives and contracted rent uplift balances	10	9	–	–	**19**	–	–	**19**
Carrying value at 31 March 2016	5,617	3,436	256	334	**9,643**	325	95	**10,063**
Head lease liabilities (note 15)								**(37)**
Valuation surplus on trading properties								**85**
Group property portfolio valuation at 31 March 2016								**10,111**
Non-controlling interests								**(324)**
Group property portfolio valuation at 31 March 2016 attributable to shareholders								**9,787**

Property valuation

The different valuation method levels are defined below:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

These levels are specified in accordance with IFRS 13 'Fair Value Measurement'. Property valuations are inherently subjective as they are made on the basis of assumptions made by the valuer which may not prove to be accurate. For these reasons, and consistent with EPRA's guidance, we have classified the valuations of our property portfolio as Level 3 as defined by IFRS 13. The inputs to the valuations are defined as 'unobservable' by IFRS 13 and these are analysed in a table on the following page. There were no transfers between levels in the period.

The Group's total property portfolio was valued by external valuers on the basis of fair value, in accordance with the RICS Valuation – Professional Standards 2014, ninth edition, published by The Royal Institution of Chartered Surveyors.

The information provided to the valuers, and the assumptions and valuations models used by the valuers are reviewed by the property portfolio team, the Head of Offices, the Head of Retail and the Chief Financial Officer. The valuers meet with the external auditors and also present directly to the Audit Committee at the interim and year end review of results. Further details of the Audit Committee's responsibilities in relation to valuations can be found in the Report of the Audit Committee (on pages 67 to 70).

Investment properties, excluding properties held for development, are valued by adopting the 'investment method' of valuation. This approach involves applying capitalisation yields to current and future rental streams net of income voids arising from vacancies or rent-free periods and associated running costs. These capitalisation yields and future rental values are based on comparable property and leasing transactions in the market using the valuers' professional judgement and market observation. Other factors taken into account in the valuations include the tenure of the property, tenancy details and ground and structural conditions.

10 Property continued

In the case of ongoing developments, the approach applied is the 'residual method' of valuation, which is the investment method of valuation as described above, with a deduction for all costs necessary to complete the development, including a notional finance cost, together with a further allowance for remaining risk. Properties held for development are generally valued by adopting the higher of the residual method of valuation, allowing for all associated risks, or the investment method of valuation for the existing asset.

Copies of the valuation certificates of Knight Frank LLP, CBRE and Jones Lang LaSalle can be found at **www.britishland.com/reports**

A breakdown of valuations split between the Group and its share of joint ventures and funds is shown below:

	2017			2016		
	Group £m	Joint ventures and funds £m	Total £m	Group £m	Joint ventures and funds £m	Total £m
Knight Frank LLP	7,031	2,883	9,914	7,529	3,576	11,105
CBRE	2,489	1,380	3,869	2,582	1,361	3,943
Jones Lang LaSalle	–	538	538	–	–	–
Total property portfolio valuation	9,520	4,801	14,321	10,111	4,937	15,048
Non-controlling interests	(310)	(71)	(381)	(324)	(76)	(400)
Total property portfolio valuation attributable to shareholders	9,210	4,730	13,940	9,787	4,861	14,648

Information about fair value measurements using unobservable inputs (Level 3) for the year ended 31 March 2017

Investment	Fair value at 31 March 2017 £m	Valuation technique	ERV per sq ft Min £	ERV per sq ft Max £	ERV per sq ft Average £	Equivalent Yield Min %	Equivalent Yield Max %	Equivalent Yield Average %	Costs to complete per sq ft Min £	Costs to complete per sq ft Max £	Costs to complete per sq ft Average £
Retail	4,987	Investment methodology	2	77	22	4	11	5	–	48	6
Offices[1,2]	3,695	Investment methodology	7	117	54	4	7	5	–	150	20
Canada Water	271	Investment methodology	15	25	22	2	5	3	–	18	10
Developments[2]	150	Residual methodology	18	72	54	2	6	4	–	616	508
Total	9,103										
Trading properties at fair value	417										
Group property portfolio valuation	9,520										

1 Includes owner-occupied.
2 Includes Residential with an average capital value per sq ft of £981 including developments at end value and mixed use.

10 Property continued

Information about fair value measurements using unobservable inputs (Level 3) for the year ended 31 March 2016

Investment	Fair value at 31 March 2016 £m	Valuation technique	ERV per sq ft Min £	ERV per sq ft Max £	ERV per sq ft Average £	Equivalent Yield Min %	Equivalent Yield Max %	Equivalent Yield Average %	Costs to complete per sq ft Min £	Costs to complete per sq ft Max £	Costs to complete per sq ft Average £
Retail	5,608	Investment methodology	2	75	22	3	11	5	–	45	8
Offices [1,2]	3,492	Investment methodology	4	136	53	1	8	4	–	150	15
Canada Water	250	Investment methodology	15	25	22	1	5	3	–	5	4
Developments[2]	343	Residual methodology	65	107	73	4	5	4	–	664	447
Total	9,693										
Trading properties at fair value	418										
Group property portfolio valuation	10,111										

1 Includes owner-occupied.
2 Includes Residential with an average capital value per sq ft of £1,028 including developments at end value and mixed use.

Information about the impact of changes in unobservable inputs (Level 3) on the fair value of the Group's property portfolio for the year ended 31 March 2017

	Fair value at 31 March 2017 £m	**Impact on valuations +5% ERV £m**	**Impact on valuations -5% ERV £m**	**Impact on valuations -25bps NEY £m**	**Impact on valuations +25bps NEY £m**	**Impact on valuations -5% costs £m**	**Impact on valuations +5% costs £m**
Retail	**4,987**	276	(246)	359	(317)	n/a	n/a
Offices[1]	**4,112**	284	(274)	393	(352)	n/a	n/a
Canada Water	**271**	11	(11)	20	(17)	n/a	n/a
Developments	**150**	9	(13)	–	(3)	5	(9)
Group property portfolio valuation	**9,520**	580	(544)	772	(689)	5	(9)

1 Includes trading properties at fair value.

Information about the impact of changes in unobservable inputs (Level 3) on the fair value of the Group's property portfolio for the year ended 31 March 2016

	Fair value at 31 March 2016 £m	Impact on valuations +5% ERV £m	Impact on valuations -5% ERV £m	Impact on valuations -25bps NEY £m	Impact on valuations +25bps NEY £m	Impact on valuations -5% costs £m	Impact on valuations +5% costs £m
Retail	5,608	136	(124)	206	(187)	n/a	n/a
Offices[1]	3,910	318	(304)	470	(420)	n/a	n/a
Canada Water	250	11	(11)	23	(19)	n/a	n/a
Developments	343	24	(24)	9	(8)	12	(12)
Group property portfolio valuation	10,111	489	(463)	708	(634)	12	(12)

1 Includes trading properties at fair value.

10 Property continued

All other factors being equal:

- a higher equivalent yield or discount rate would lead to a decrease in the valuation of an asset;
- an increase in the current or estimated future rental stream would have the effect of increasing the capital value; and
- an increase in the costs to complete would lead to a decrease in the valuation of an asset.

However, there are interrelationships between the unobservable inputs which are partially determined by market conditions, which would impact on these changes. There were no transfers between valuation levels in the period.

Additional property disclosures – including covenant information

At 31 March 2017, the Group property portfolio valuation of £9,520m (2015/16: £10,111m) comprises freeholds of £5,576m (2015/16: £6,184m); virtual freeholds of £809m (2015/16: £906m); and long leaseholds of £3,135m (2015/16 £3,021m). The historical cost of properties was £6,024m (2015/16: £6,544m).

The property valuation does not include any investment properties held under operating leases (2015/16: £nil).

Cumulative interest capitalised against investment, development and trading properties amounts to £95m (2015/16: £88m).

Properties valued at £1,882m (2015/16: £2,559m) were subject to a security interest and other properties of non-recourse companies amounted to £1,158m (2015/16: £1,244m), totalling £3,040m (2015/16: £3,803m).

Included within the property valuation is £62m (2015/16: £110m) in respect of accrued contracted rental uplift income. The balance arises through the IFRS treatment of leases containing such arrangements, which requires the recognition of rental income on a straight-line basis over the lease term, with the difference between this and the cash receipt changing the carrying value of the property against which revaluations are measured.

11 Joint ventures and funds

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

	Joint ventures £m	Funds £m	**Total £m**	Equity £m	Loans £m	**Total £m**
At 1 April 2016	3,109	244	**3,353**	2,833	520	**3,353**
Additions	59	3	**62**	13	49	**62**
Disposals	(30)	–	**(30)**	–	(30)	**(30)**
Share of profit on ordinary activities after taxation	44	8	**52**	52	–	**52**
Distributions and dividends:						
– Capital	(73)	–	**(73)**	(73)	–	**(73)**
– Revenue	(45)	(14)	**(59)**	(59)	–	**(59)**
Hedging and exchange movements	1	–	**1**	1	–	**1**
Reclassification of venture as held for sale asset (see page 124)	(540)	–	**(540)**	(355)	(185)	**(540)**
At 31 March 2017	2,525	241	**2,766**	2,412	354	**2,766**

Additional investments in joint ventures and funds covenant information

At 31 March 2017 the investments in joint ventures included within the total investments in joint ventures and funds and joint venture held for sale was £3,299m (2015/16: £3,348m), being the £2,766m total investment shown above, plus the £540m joint venture held for sale, less the net investment of £7m (2015/16: £5m) in PREF, a property fund in Continental Europe.

11 Joint ventures and funds

The summarised income statements and balance sheets below and on the following page show 100% of the results, assets and liabilities of joint ventures and funds. Where necessary these have been restated to the Group's accounting policies.

Joint ventures' and funds' summary financial statements for the year ended 31 March 2017

	Broadgate REIT Ltd[1]	MSC Property Intermediate Holdings Ltd	BL Sainsbury Superstores Ltd	Tesco Joint Ventures[2]
Partners	Euro Bluebell LLP (GIC)	Norges Bank Investment Management	J Sainsbury plc	Tesco PLC
Property sector	City Offices Broadgate	Shopping Centres Meadowhall	Superstores	Superstores
Group share	50%	50%	50%	50%
Summarised income statements	£m	£m	£m	£m
Revenue[7]	245	99	49	19
Costs	(52)	(23)	–	–
	193	76	49	19
Administrative expenses	–	–	–	(2)
Net interest payable	(82)	(35)	(21)	(9)
Underlying Profit	111	41	28	8
Net valuation movement	(185)	(1)	(46)	(29)
Capital financing costs	–	–	(12)	–
Profit on disposal of investment properties and investments	–	–	3	(3)
(Loss) profit on ordinary activities before taxation	(74)	40	(27)	(24)
Taxation	–	–	–	2
(Loss) profit on ordinary activities after taxation	**(74)**	**40**	**(27)**	**(22)**
Other comprehensive income	1	–	–	1
Total comprehensive income	**(73)**	**40**	**(27)**	**(21)**
British Land share of total comprehensive (expense) income	**(37)**	**20**	**(15)**	**(10)**
British Land share of distributions payable	32	17	55	4
Summarised balance sheets	£m	£m	£m	£m
Investment and trading properties	4,478	1,842	769	325
Current assets	2	5	–	–
Cash and deposits	290	37	17	2
Gross assets	**4,770**	**1,884**	**786**	**327**
Current liabilities	(88)	(41)	(22)	(2)
Bank and securitised debt	(1,794)	(668)	(367)	(185)
Loans from joint venture partners	(357)	(317)	–	–
Other non-current liabilities	(56)	(23)	–	(4)
Gross liabilities	**(2,295)**	**(1,049)**	**(389)**	**(191)**
Net assets	**2,475**	**835**	**397**	**136**
British Land share of net assets less shareholder loans	**1,237**	**417**	**199**	**68**

1 Included within the Broadgate REIT net valuation movement is a £20m payment received in December 2016 from UBS A.G. in relation to the development and occupation of 5 Broadgate, and subsequent vacation of 100 Liverpool Street, including 8-10 Broadgate.
2 Tesco joint ventures include BLT Holdings (2010) Limited as at 31 March 2017.
3 USS joint ventures include the Eden Walk Shopping Centre Unit Trust and the Fareham Property Partnership.
4 The Leadenhall column shows the equity accounted profit and loss for the period. Due to the transaction which exchanged in March 2017, the net investment in this venture was reclassified as a held for sale asset (see page 124).
5 Hercules Unit Trust joint ventures and sub-funds includes 50% of the results of Deepdale Co-Ownership Trust, Gibraltar Limited Partnership and Valentine Co-Ownership Trust and 41.25% of Birstall Co-Ownership Trust. The balance sheet shows 50% of the assets of these joint ventures and sub-funds.
6 Included in the column headed 'Other joint ventures and funds' are contributions from the following: BL Goodman Limited Partnership, The Aldgate Place Limited Partnership, Bluebutton Property Management UK Limited, City of London Office Unit Trust and Pillar Retail Europark Fund (PREF). The Group's ownership share of PREF is 65%, however as the Group is not able to exercise control over significant decisions of the fund, the Group equity accounts for its interest in PREF.
7 Revenue includes gross rental income at 100% share of £437m (2015/16: £451m).

The SouthGate Limited Partnership	USS Joint Ventures[3]	Leadenhall Holding Co (Jersey) Ltd[4]	Hercules Unit Trust joint ventures and sub-funds[5]	Other joint ventures and funds[6]	**Total 2017**	**Total Group share 2017**
Aviva Investors	Universities Superannuation Scheme Group PLC	Oxford Properties				
Shopping Centres	Shopping Centres	City Offices Leadenhall	Retail Parks			
50%	50%	50%	Various			

£m	£m	£m	£m	£m	**£m**	**£m**
17	14	43	35	1	**522**	**260**
(5)	(5)	(10)	(4)	(1)	**(100)**	**(50)**
12	9	33	31	–	**422**	**210**
(1)	–	–	–	(1)	**(4)**	**(2)**
(1)	–	–	(4)	–	**(152)**	**(76)**
10	9	33	27	(1)	**266**	**132**
(6)	(7)	107	(16)	–	**(183)**	**(93)**
–	–	–	–	–	**(12)**	**(6)**
–	–	–	–	34	**34**	**18**
4	2	140	11	33	**105**	**51**
–	–	–	–	–	**2**	**1**
4	**2**	**140**	**11**	**33**	**107**	**52**
–	–	–	–	–	**2**	**1**
4	**2**	**140**	**11**	**33**	**109**	**53**
2	**1**	**70**	**5**	**17**	**53**	
1	–	5	14	4	**132**	

£m	£m	£m	£m	£m	**£m**	**£m**
264	247	–	603	1	**8,529**	**4,265**
1	1		3	52	**64**	**32**
8	7	–	10	28	**399**	**200**
273	**255**	–	**616**	**81**	**8,992**	**4,497**
(4)	(6)	–	(10)	(19)	**(192)**	**(96)**
–	–	–	(139)	–	**(3,153)**	**(1,577)**
–	(22)	–	–	(12)	**(708)**	**(354)**
(28)	–	–	(4)	–	**(115)**	**(58)**
(32)	**(28)**	–	**(153)**	**(31)**	**(4,168)**	**(2,085)**
241	**227**	–	**463**	**50**	**4,824**	**2,412**
121	**114**	–	**231**	**25**	**2,412**	

The borrowings of joint ventures and funds and their subsidiaries are non-recourse to the Group. All joint ventures are incorporated in the United Kingdom, with the exception of Broadgate REIT Limited, the Eden Walk Shopping Centre Unit Trust and Leadenhall Holding Co (Jersey) Limited which are incorporated in Jersey. Of the funds, the Hercules Unit Trust (HUT) joint ventures and sub-funds are incorporated in Jersey and PREF in Luxembourg.

These financial statements include the results and financial position of the Group's interest in the Fareham Property Partnership, the Aldgate Place Limited Partnership, the BL Goodman Limited Partnership, the Auchinlea Partnership and the Gibraltar Limited Partnership. Accordingly, advantage has been taken of the exemptions provided by Regulation 7 of the Partnership (Accounts) Regulations 2008, not to attach the partnership accounts to these financial statements.

11 Joint ventures and funds continued

The summarised income statements and balance sheets below and on the following page show 100% of the results, assets and liabilities of joint ventures and funds. Where necessary these have been restated to the Group's accounting policies.

Joint ventures' and funds' summary financial statements for the year ended 31 March 2016

	Broadgate REIT Ltd	MSC Property Intermediate Holdings Ltd	BL Sainsbury Superstores Ltd	Tesco Joint Ventures[1]
Partners	Euro Bluebell LLP (GIC)	Norges Bank Investment Management	J Sainsbury plc	Tesco PLC
Property sector	City Offices Broadgate	Shopping Centres Meadowhall	Superstores	Superstores
Group share	50%	50%	50%	50%
Summarised income statements	£m	£m	£m	£m
Revenue[5]	244	102	56	19
Costs	(48)	(23)	(1)	–
	196	79	55	19
Administrative expenses	–	–	–	–
Net interest payable	(86)	(36)	(24)	(9)
Underlying Profit	110	43	31	10
Net valuation movement	334	50	(36)	(9)
Profit on disposal of investment properties and investments	–	–	2	–
Profit on ordinary activities before taxation	444	93	(3)	1
Taxation	–	–	–	1
Profit on ordinary activities after taxation	**444**	**93**	**(3)**	**2**
Other comprehensive income (expenditure)	5	–	–	3
Total comprehensive income	**449**	**93**	**(3)**	**5**
British Land share of total comprehensive income	**225**	**46**	**(2)**	**3**
British Land share of distributions payable	44	17	11	4
Summarised balance sheets	£m	£m	£m	£m
Investment and trading properties	4,622	1,786	946	354
Current assets	4	5	2	–
Cash and deposits	293	32	80	6
Gross assets	**4,919**	**1,823**	**1,028**	**360**
Current liabilities	(77)	(31)	(30)	(3)
Bank and securitised debt	(1,842)	(694)	(462)	(184)
Loans from joint venture partners	(331)	(261)	–	–
Other non-current liabilities	(65)	(24)	–	(15)
Gross liabilities	**(2,315)**	**(1,010)**	**(492)**	**(202)**
Net assets	**2,604**	**813**	**536**	**158**
British Land share of net assets less shareholder loans	**1,302**	**407**	**268**	**79**

The SouthGate Limited Partnership	USS Joint Ventures[2]	Leadenhall Holding Co (Jersey) Ltd	Hercules Unit Trust joint ventures and sub-funds[3]	Other joint ventures and funds[4]	**Total 2016**	**Total Group share 2016**
Aviva Investors	Universities Superannuation Scheme Group PLC	Oxford Properties				
Shopping Centres	Shopping Centres	City Offices Leadenhall	Retail Parks			
50%	50%	50%	Various			
£m	£m	£m	£m	£m	**£m**	**£m**
19	12	35	38	6	**531**	**266**
(6)	(3)	(10)	(7)	(1)	**(99)**	**(44)**
13	9	25	31	5	**432**	**222**
(1)	–	(1)	(6)	(2)	**(10)**	**(5)**
(1)	–	–	(8)	–	**(164)**	**(82)**
11	9	24	17	3	**258**	**135**
4	12	124	4	7	**490**	**245**
–	–	–	–	30	**32**	**18**
15	21	148	21	40	**780**	**398**
–	–	–	–	(3)	**(2)**	**(1)**
15	**21**	**148**	**21**	**37**	**778**	**397**
–	–	–	(2)	–	**6**	**3**
15	**21**	**148**	**19**	**37**	**784**	**400**
8	**11**	**74**	**10**	**25**	**400**	
4	6	3	59	31	**179**	

£m	£m	£m	£m	£m	**£m**	**£m**
267	252	942	612	108	**9,889**	**4,944**
2	1	–	4	14	**32**	**18**
5	7	5	9	33	**470**	**239**
274	**260**	**947**	**625**	**155**	**10,391**	**5,201**
(4)	(6)	(6)	(7)	(51)	**(215)**	**(111)**
–	–	–	(139)	–	**(3,321)**	**(1,660)**
–	(20)	(365)	–	(63)	**(1,040)**	**(520)**
(28)	–	–	(4)	(18)	**(154)**	**(77)**
(32)	**(26)**	**(371)**	**(150)**	**(132)**	**(4,730)**	**(2,368)**
242	**234**	**576**	**475**	**23**	**5,661**	**2,833**
121	**117**	**288**	**239**	**12**	**2,833**	

11 Joint ventures and funds continued

Joint venture held for sale

On 1 March 2017 the Group exchanged conditional contracts on an agreement to sell its interest in Leadenhall Holding Co (Jersey) Limited, a joint venture with Oxford Properties. The transaction is expected to complete in the first half of the next financial year, and therefore the net investment in the joint venture has been recognised as a held-for-sale asset from the date of exchange. The net investment as at 31 March 2017 is summarised below.

Joint venture held for sale – summarised balance sheet for the year ended 31 March

	Leadenhall Holding Co (Jersey) Limited	
	2017 £m	2016 £m
Investment property	**1,075**	–
Current assets	**17**	–
Current liabilities	**(13)**	–
Loans from joint venture partners	**(371)**	–
Net assets	**708**	–
British Land share of net assets less shareholder loans	**355**	–

Operating cash flows of joint ventures and funds (Group share)

	2017 £m	2016 £m
Rental income received from tenants	**207**	208
Fees and other income received	**–**	1
Operating expenses paid to suppliers and employees	**(20)**	(18)
Cash generated from operations	**187**	191
Interest paid	**(84)**	(86)
Interest received	**1**	1
UK corporation tax paid	**(2)**	(3)
Foreign tax paid	**–**	(1)
Cash inflow from operating activities	**102**	102
Cash inflow from operating activities deployed as:		
Surplus cash retained within joint ventures and funds	**43**	44
Revenue distributions per consolidated statement of cash flows	**59**	58
Revenue distributions split between controlling and non-controlling interests		
Attributable to non-controlling interests	**4**	4
Attributable to shareholders of the Company	**55**	54

12 Other investments

	2017			2016		
	Investment held for trading £m	**Loans, receivables and other £m**	**Total £m**	Investment held for trading £m	Loans, receivables and other £m	Total £m
At 1 April	**101**	**41**	**142**	99	280	379
Additions	**–**	**25**	**25**	–	35	35
Disposals	**–**	**(2)**	**(2)**	–	(272)	(272)
Revaluation	**(8)**	**–**	**(8)**	2	–	2
Depreciation	**–**	**(3)**	**(3)**	–	(2)	(2)
At 31 March	**93**	**61**	**154**	101	41	142

The investment held for trading comprises interests as a trust beneficiary. The trust's assets comprise freehold reversions in a pool of commercial properties, comprising Sainsbury's superstores. The interest was categorised as Level 3 in the fair value hierarchy, is subject to the same inputs as those disclosed in note 10, and its fair value was determined by the Directors, supported by an external valuation.

13 Debtors

	2017 £m	2016 £m
Trade and other debtors	22	24
Deposits received relating to held for sale asset[1]	144	–
Prepayments and accrued income	5	9
	171	33

[1] Relates to deposit received on held for sale joint venture transaction (see note 11) recognised as a financial asset, the realisation of which is conditional and not guaranteed as at the balance sheet date.

Trade and other debtors are shown after deducting a provision for bad and doubtful debts of £14m (2015/16: £16m). The charge to the income statement in relation to bad and doubtful debts was £1m (2015/16: £1m).

The Directors consider that the carrying amount of trade and other debtors is approximate to 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 rent in advance.

As at 31 March, trade and other debtors outside their payment terms yet not provided for are as follows:

			Outside credit terms but not impaired		
	Total £m	Within credit terms £m	0-1 month £m	1-2 months £m	More than 2 months £m
2017	22	7	9	4	2
2016	24	12	11	1	–

14 Creditors

	2017 £m	2016 £m
Trade creditors	127	39
Deposits received relating to held for sale asset[1]	144	–
Other taxation and social security	32	34
Accruals	83	72
Deferred income	72	73
	458	218

[1] Relates to deposit received on held for sale joint venture transaction (see note 11) recognised as a financial liability, the realisation of which is conditional and not guaranteed as at the balance sheet date.

Trade creditors are interest-free and have settlement dates within one year. The Directors consider that the carrying amount of trade and other creditors is approximate to their fair value.

15 Other non-current liabilities

	2017 £m	2016 £m
Other creditors	1	70
Head leases[1]	64	46
Net pension liabilities	13	6
	78	122

[1] Includes £nil in relation to head lease liabilities on trading properties held at cost (2015/16: £9m).

16 Deferred tax

The movement on deferred tax is as shown below:

Deferred tax assets year ended 31 March 2017

	1 April 2016 £m	Credited to income £m	Credited (debited) to equity £m	Transferred to corporation tax £m	31 March 2017 £m
Interest rate and currency derivative revaluations	**5**	**(1)**	**–**	**–**	**4**
Other timing differences	**6**	**1**	**–**	**–**	**7**
	11	**–**	**–**	**–**	**11**

Deferred tax liabilities year ended 31 March 2017

	£m	£m	£m	£m	£m
Property and investment revaluations	**(7)**	**–**	**–**	**–**	**(7)**
Interest rate and currency derivative revaluations	**–**	**–**	**–**	**–**	**–**
Other timing differences	**(1)**	**–**	**–**	**1**	**–**
	(8)	**–**	**–**	**1**	**(7)**
Net deferred tax assets	**3**	**–**	**–**	**1**	**4**

Deferred tax assets year ended 31 March 2016

	1 April 2015 £m	Credited to income £m	Credited (debited) to equity £m	Transferred to joint ventures £m	31 March 2016 £m
Interest rate and currency derivative revaluations	–	–	5	–	5
Other timing differences	–	6	–	–	6
	–	6	5	–	11

Deferred tax liabilities year ended 31 March 2016

	£m	£m	£m	£m	£m
Property and investment revaluations	(5)	–	(2)	–	(7)
Interest rate and currency derivative revaluations	(4)	25	(21)	–	–
Other timing differences	(3)	–	–	2	(1)
	(12)	25	(23)	2	(8)
Net deferred tax (liability) assets	(12)	31	(18)	2	3

The following corporation tax rates have been substantively enacted; 19% effective from 1 April 2017 reducing to 17% effective from 1 April 2020. The deferred tax assets and liabilities have been calculated at the tax rate effective in the period that the tax is expected to crystallise.

The Group has recognised a deferred tax asset calculated at 17% (2015/16: 18%) of £5m (2015/16: £6m) in respect of capital losses from previous years available for offset against future capital profit. Further unrecognised deferred tax assets in respect of capital losses of £129m (2015/16: £60m) exist at 31 March 2017.

The Group has recognised deferred tax assets on derivative revaluations to the extent that future matching taxable profits are expected to arise.

At 31 March 2017, the Group had an unrecognised deferred tax asset calculated at 17% (2015/16: 18%) of £50m (2015/16: £51m) in respect of UK revenue tax losses from previous years.

Under the REIT regime, development properties which are sold within three years of completion do not benefit from tax exemption. At 31 March 2017, the value of such properties is £176m (2015/16: £967m) and if these properties were to be sold and no tax exemption was available, the tax arising would be £13m (2015/16: £56m).

17 Net debt

	Footnote	2017 £m	2016 £m
Secured on the assets of the Group			
9.125% First Mortgage Debenture Stock 2020	1.1	**34**	34
5.264% First Mortgage Debenture Bonds 2035		**377**	371
5.0055% First Mortgage Amortising Debentures 2035		**99**	100
5.357% First Mortgage Debenture Bonds 2028		**348**	349
6.75% First Mortgage Debenture Stock 2020		**–**	62
Bank loans	1.2, 1.3	**475**	733
Loan notes		**2**	2
		1,335	1,651
Unsecured			
5.50% Senior Notes 2027		**102**	101
3.895% Senior US Dollar Notes 2018	2	**32**	28
4.635% Senior US Dollar Notes 2021	2	**181**	165
4.766% Senior US Dollar Notes 2023	2	**113**	105
5.003% Senior US Dollar Notes 2026	2	**73**	69
3.81% Senior Notes 2026		**114**	113
3.97% Senior Notes 2026		**117**	116
1.5% Convertible Bond 2017		**406**	445
0% Convertible Bond 2020		**331**	334
Bank loans and overdrafts		**477**	634
		1,946	2,110
Gross debt	3	**3,281**	3,761
Interest rate and currency derivative liabilities		**144**	137
Interest rate and currency derivative assets		**(217)**	(167)
Cash and short term deposits	4,5	**(114)**	(114)
Total net debt		**3,094**	3,617
Net debt attributable to non-controlling interests		**(103)**	(104)
Net debt attributable to shareholders of the Company		**2,991**	3,513

[1] These are non-recourse borrowings with no recourse for repayment to other companies or assets in the Group:

	2017 £m	2016 £m
1.1 BLD Property Holdings Ltd	**34**	34
1.2 Hercules Unit Trust	**475**	443
1.3 TBL Properties Limited and subsidiaries	**–**	290
	509	767

[2] Principal and interest on these borrowings were fully hedged into Sterling at a floating rate at the time of issue.
[3] The principal amount of gross debt at 31 March 2017 was £3,069m (2015/16: £3,552m). Included in this is the principal amount of secured borrowings and other borrowings of non-recourse companies of £1,238m of which the borrowings of the partly-owned subsidiary, Hercules Unit Trust, not beneficially owned by the Group is £112m.
[4] Included within cash and short term deposits is the cash and short term deposits of Hercules Unit Trust, of which £9m is the proportion not beneficially owned by the Group.
[5] Cash and deposits not subject to a security interest amount to £99m (2015/16: £93m).

17 Net debt continued

Maturity analysis of net debt

	2017 £m	2016 £m
Repayable: within one year and on demand	**464**	74
Between: one and two years	**31**	504
two and five years	**1,283**	1,491
five and ten years	**783**	807
ten and fifteen years	**332**	500
fifteen and twenty years	**388**	385
twenty and twenty five years	**–**	–
	2,817	3,687
Gross debt	**3,281**	3,761
Interest rate and currency derivatives	**(73)**	(30)
Cash and short term deposits	**(114)**	(114)
Net debt	**3,094**	3,617

1.5% Convertible bond 2012 (maturity 2017)

On 10 September 2012, British Land (Jersey) Limited (the 2012 Issuer), a wholly-owned subsidiary of the Group, issued £400 million 1.5% guaranteed convertible bonds due 2017 (the 2012 bonds) at par. The 2012 Issuer is fully guaranteed by the Company in respect of the 2012 bonds.

Subject to their terms, the 2012 bonds are convertible into preference shares of the 2012 Issuer which are automatically transferred to the Company in exchange for ordinary shares in the Company or, at the Company's election, any combination of ordinary shares and cash. Bondholders may exercise their conversion right at any time up to (but excluding) the 20th dealing day before 10 September 2017 (the maturity date).

The initial exchange price was 693.07 pence per ordinary share. The exchange price is adjusted based on certain events.

From 25 September 2015, the Company has the option to redeem the 2012 bonds at par if the Company's share price has traded above 130% of the exchange price for a specified period, or at any time once 85% by nominal value of the 2012 bonds have been converted, redeemed, or purchased and cancelled. The 2012 bonds will be redeemed at par on 10 September 2017 (the maturity date) if they have not already been converted, redeemed or purchased and cancelled. No redemption of the bonds occurred in the year.

0% Convertible bond 2015 (maturity 2020)

On 9 June 2015, British Land (White) 2015 Limited (the 2015 Issuer), a wholly-owned subsidiary of the Group, issued £350 million zero coupon guaranteed convertible bonds due 2020 (the 2015 bonds) at par. The 2015 Issuer is fully guaranteed by the Company in respect of the 2015 bonds.

Subject to their terms, the 2015 bonds are convertible into preference shares of the 2015 Issuer which are automatically transferred to the Company in exchange for ordinary shares in the Company or, at the Company's election, any combination of ordinary shares and cash. From 20 July 2015 up to and including 29 June 2018, a bondholder may exercise its conversion right if the share price has traded at a level exceeding 130% of the exchange price for a specified period. Thereafter, and up to but excluding the 7th dealing day before 9 June 2020 (the maturity date), a bondholder may convert at any time.

The initial exchange price was 1103.32 pence per ordinary share. The exchange price is adjusted based on certain events (such as the Company paying dividends in any quarter above 3.418 pence per ordinary share). As at 31 March 2017 the exchange price was 1063.79 pence per ordinary share.

From 30 June 2018, the Company has the option to redeem the 2015 bonds at par if the Company's share price has traded above 130% of the exchange price for a specified period, or at any time once 85% by nominal value of the 2015 bonds have been converted, redeemed, or purchased and cancelled. The 2015 bonds will be redeemed at par on 9 June 2020 (the maturity date) if they have not already been converted, redeemed or purchased and cancelled.

17 Net debt continued

Fair value and book value of net debt

	2017			2016		
	Fair value £m	**Book value £m**	**Difference £m**	Fair value £m	Book value £m	Difference £m
Debentures and unsecured bonds	**1,682**	**1,590**	**92**	1,637	1,613	24
Convertible bonds	**737**	**737**	**–**	779	779	–
Bank debt and other floating rate debt	**963**	**954**	**9**	1,384	1,369	15
Gross debt	**3,382**	**3,281**	**101**	3,800	3,761	39
Interest rate and currency derivative liabilities	**144**	**144**	**–**	137	137	–
Interest rate and currency derivative assets	**(217)**	**(217)**	**–**	(167)	(167)	–
Cash and short term deposits	**(114)**	**(114)**	**–**	(114)	(114)	–
Net debt	**3,195**	**3,094**	**101**	3,656	3,617	39
Net debt attributable to non-controlling interests	**(105)**	**(103)**	**(2)**	(106)	(104)	(2)
Net debt attributable to shareholders of the Company	**3,090**	**2,991**	**99**	3,550	3,513	37

The fair values of debentures, unsecured bonds and the convertible bonds have been established by obtaining quoted market prices from brokers. The bank debt and other floating rate debt has been valued assuming it could be renegotiated at contracted margins. The derivatives have been valued by calculating the present value of expected future cash flows, using appropriate market discount rates, by an independent treasury advisor.

Short term debtors and creditors and other investments have been excluded from the disclosures on the basis that the fair value is equivalent to the book value. The fair value hierarchy level (as defined in note 10) of debt held at amortised cost whose fair value is disclosed is level 2.

Group loan to value (LTV)

	2017 £m	2016 £m
Group loan to value (LTV)	**22.6%**	25.2%
Principal amount of gross debt	**3,069**	3,552
Less debt attributable to non-controlling interests	**(112)**	(109)
Less cash and short term deposits (balance sheet)	**(114)**	(114)
Plus cash attributable to non-controlling interests	**9**	8
Total net debt for LTV calculation	**2,852**	3,337
Group property portfolio valuation (note 10)	**9,520**	10,111
Investments in joint ventures and funds (note 11)	**2,766**	3,353
Joint venture held for sale (note 11)	**540**	–
Other investments (note 12)	**154**	142
Less property and investments attributable to non-controlling interests	**(364)**	(384)
Total assets for LTV calculation	**12,616**	13,222

Proportionally consolidated loan to value (LTV)

	2017 £m	2016 £m
Proportionally consolidated loan to value (LTV)	**29.9%**	32.1%
Principal amount of gross debt	**4,649**	5,217
Less debt attributable to non-controlling interests	**(128)**	(128)
Less cash and short term deposits	**(323)**	(353)
Plus cash attributable to non-controlling interests	**9**	9
Total net debt for proportional LTV calculation	**4,207**	4,745
Group property portfolio valuation (note 10)	**9,520**	10,111
Share of property of joint ventures and funds (note 10)	**4,801**	4,937
Other investments (note 12)	**154**	142
Less other investments attributable to joint ventures and funds	**(3)**	(4)
Less property attributable to non-controlling interests	**(381)**	(400)
Total assets for proportional LTV calculation	**14,091**	14,786

17 Net debt continued

British Land Unsecured Financial Covenants

The two financial covenants applicable to the Group unsecured debt including convertible bonds are shown below:

	2017 £m	2016 £m
Net Borrowings not to exceed 175% of Adjusted Capital and Reserves	**29%**	34%
Principal amount of gross debt	**3,069**	3,552
Less the relevant proportion of borrowings of the partly-owned subsidiary/non-controlling interests	**(112)**	(109)
Less cash and deposits (balance sheet)	**(114)**	(114)
Plus the relevant proportion of cash and deposits of the partly-owned subsidiary/non-controlling interests	**9**	8
Net Borrowings	**2,852**	3,337
Share capital and reserves (balance sheet)	**9,476**	9,619
EPRA deferred tax adjustment (EPRA Table A)	**3**	5
Trading property surpluses (EPRA Table A)	**83**	93
Exceptional refinancing charges (see below)	**274**	287
Fair value adjustments of financial instruments (EPRA Table A)	**155**	198
Less reserves attributable to non-controlling interests (balance sheet)	**(255)**	(277)
Adjusted Capital and Reserves	**9,736**	9,925

In calculating Adjusted Capital and Reserves for the purpose of the unsecured debt financial covenants, there is an adjustment of £274m (2015/16: £287m) to reflect the cumulative net amortised exceptional items relating to the refinancings in the years ended 31 March 2005, 2006 and 2007.

	2017 £m	2016 £m
Net Unsecured Borrowings not to exceed 70% of Unencumbered Assets	**26%**	29%
Principal amount of gross debt	**3,069**	3,552
Less cash and deposits not subject to a security interest (being £99m less the relevant proportion of cash and deposits of the partly owned subsidiary/non-controlling interests of £3m)	**(96)**	(88)
Less principal amount of secured and non-recourse borrowings	**(1,238)**	(1,563)
Net Unsecured Borrowings	**1,735**	1,901
Group property portfolio valuation (note 10)	**9,520**	10,111
Investments in joint ventures and funds (note 11)	**2,766**	3,353
Joint venture held for sale (note 11)	**540**	–
Other investments (note 12)	**154**	142
Less investments in joint ventures and joint venture held for sale (note 11)	**(3,299)**	(3,348)
Less encumbered assets (note 10)	**(3,040)**	(3,803)
Unencumbered Assets	**6,641**	6,455

17 Net debt continued

Reconciliation of movement in Group net debt for the year ended 31 March 2017

	2016	Cash flows	Transfers[3]	Foreign exchange	Fair value	Arrangement costs amortisation	2017
Short term borrowings	**74**	**(74)**	**464**	**–**	**–**	**–**	**464**
Long term borrowings	**3,687**	**(423)**	**(464)**	**49**	**(36)**	**4**	**2,817**
Derivatives[1]	**(30)**	**1**	**–**	**(48)**	**4**	**–**	**(73)**
Total liabilities from financing activities	**3,731**	**(496)**	**–**	**1**	**(32)**	**4**	**3,208**
Cash and cash equivalents	**(114)**	**–**	**–**	**–**	**–**	**–**	**(114)**
Net debt	**3,617**	**(496)**	**–**	**1**	**(32)**	**4**	**3,094**

Reconciliation of movement in Group net debt for the year ended 31 March 2016

	2015	Cash flows	Transfers[3]	Foreign exchange	Fair value	Arrangement costs amortisation	2016
Short term borrowings	102	(104)	74	2	–	–	74
Long term borrowings	3,847	(98)	(74)	14	(9)	7	3,687
Derivatives[2]	(13)	22	–	(13)	(26)	–	(30)
Total liabilities from financing activities	3,936	(180)	–	3	(35)	7	3,731
Cash and cash equivalents	(108)	(6)	–	–	–	–	(114)
Net debt	3,828	(186)	–	3	(35)	7	3,617

1 Cash flows on derivatives include £14m of net receipts on derivative interest.
2 Cash flows on derivatives include £7m of net receipts on derivative interest.
3 Transfers comprises debt maturing from long term to short term borrowings.

17 Net debt continued

Fair value hierarchy

The table below provides an analysis of financial instruments carried at fair value, by the valuation method. The fair value hierarchy levels are defined in note 10.

	2017				2016			
	Level 1 £m	Level 2 £m	Level 3 £m	Total £m	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Interest rate and currency derivative assets	–	(217)	–	(217)	–	(167)	–	(167)
Other investments – available for sale	(14)	–	–	(14)	–	–	–	–
Other investments – held for trading	–	–	(93)	(93)	–	–	(101)	(101)
Assets	(14)	(217)	(93)	(324)	–	(167)	(101)	(268)
Interest rate and currency derivative liabilities	–	144	–	144	–	137	–	137
Convertible bonds	737	–	–	737	779	–	–	779
Liabilities	737	144	–	881	779	137	–	916
Total	723	(73)	(93)	557	779	(30)	(101)	648

Categories of financial instruments

	2017 £m	2016 £m
Financial assets		
Fair value through income statement		
Other investments – held for trading	93	101
Derivatives in designated hedge accounting relationships	215	164
Derivatives not in designated hedge accounting relationships	2	3
Loans and receivables		
Debtors	166	24
Cash and short term deposits	114	114
Other investments – loans and receivables	61	41
	651	447
Financial liabilities		
Fair value through income statement		
Convertible bonds	(737)	(779)
Derivatives in designated hedge accounting relationships	(143)	(137)
Derivatives not in designated accounting relationships	(1)	–
Amortised cost		
Gross debt	(2,544)	(2,982)
Head leases payable	(64)	(46)
Creditors	(373)	(133)
	(3,862)	(4,077)
Total	(3,211)	(3,630)

Gains and losses on financial instruments, as classed above, are disclosed in note 6 (net financing costs), note 13 (debtors), note 4 (valuation movements on property), the consolidated income statement and the consolidated statement of comprehensive income. The Directors consider that the carrying amounts of other investments and head leases payable are approximate to their fair value, and that the carrying amounts are recoverable.

17 Net debt continued

Capital risk management

The capital structure of the Group consists of net debt and equity attributable to the equity holders of The British Land Company PLC, comprising issued capital, reserves and retained earnings. Risks relating to capital structure are addressed within Managing risk in delivering Our strategy on pages 46 to 49. The Group's objectives, policies and processes for managing debt are set out in the Financial policies and principles on pages 43 to 45.

Interest rate risk management

The Group uses interest rate swaps to hedge exposure to the variability in cash flows on floating rate debt, such as revolving bank facilities and floating rate bonds caused by movements in market rates of interest.

At 31 March 2017, the fair value of these derivatives is a net liability of £143m. Interest rate swaps with a fair value of £143m have been designated as cash flow hedges under IAS 39.

The ineffectiveness recognised in the income statement on cash flow hedges in the year ended 31 March 2017 was £nil (2015/16: £nil).

The cash flows occur and are charged to profit and loss until the maturity of the hedged debt. The table below summarises variable rate debt hedged at 31 March 2017.

Cash flow hedged debt

		2017 £m	2016 £m
Outstanding:	at one year	**450**	413
	at two years	**450**	663
	at five years	**250**	250
	at ten years	**250**	250

Fair value hedged debt

The Group uses interest rate swaps to hedge exposure on fixed rate financial liabilities caused by movements in market rates of interest.

At 31 March 2017, the fair value of these derivatives is a net asset of £216m. Interest rate swaps with a fair value of £215m have been designated as fair value hedges under IAS 39 (2015/16: asset of £164m).

The cross currency swaps of the 2018/2021/2023/2026 US Private Placements fully hedge the foreign exchange exposure at an average floating rate of 146 basis points above LIBOR. These have been designated as fair value hedges of the US Private Placements.

Interest rate profile – including effect of derivatives

	2017 £m	2016 £m
Fixed or capped rate	**1,604**	2,372
Variable rate (net of cash)	**1,490**	1,245
	3,094	3,617

All the debt is effectively Sterling denominated except for £11m (2015/16: £10m) of Euro debt of which £11m is at a fixed rate (2015/16: £10m).

At 31 March 2017 the weighted average interest rate of the Sterling fixed rate debt is 3.3% (2015/16: 3.5%). The weighted average period for which the rate is fixed is 8.3 years (2015/16: 9.1 years). The floating rate debt is set for periods of the Company's choosing at the relevant LIBOR (or similar) rate.

The proportion of net debt at fixed or capped rates of interest was 78% at 31 March 2017 on a spot basis, pro forma for the Leadenhall transaction (see page 124). The proportion of net debt at fixed or capped rates of interest as an average over the next five year forecast period, on a proportionally consolidated basis, was 60% at 31 March 2017. Based on the Group's interest rate profile, at the balance sheet date, a 576 bps increase in interest rates would decrease annual profits by £87m (2015/16: £72m decrease). Similarly, a 34 bps reduction would increase profits by £5m (2015/16: £7m increase). The change in interest rates used for this sensitivity analysis is based on the largest annual change in three month Sterling LIBOR over the last ten years. The impact assumes LIBOR does not fall below 0%.

17 Net debt continued

Interest rate profile – including effect of derivatives continued

Upward movements in medium and long term interest rates, associated with higher interest rate expectations, increase the value of the Group's interest rate swaps that provide protection against such moves. The converse is true for downward movements in the yield curve. The majority of the Group's interest rate swaps which provide such protection qualify as effective cash flow hedges under IAS 39 therefore movements in the fair value are recognised directly in equity rather than the income statement. A 204 bps shift represents the largest annual change in the seven year Sterling swap rate over the last ten years. At 31 March 2017 a 204 bps parallel upward shift in swap rates would increase the value of these interest rate swaps by £82m (2015/16: £151m). A 204 bps downward shift in swap rates would reduce the value of these interest rate swaps by £131m (2015/16: £197m). Because the interest rate swaps are matched by floating rate debt, the overall effect on Group cash flows of such movements is minimal.

The 1.5% 2012 Convertible Bond and 0% 2015 Convertible Bond are both designated as fair value through profit or loss. Principal components of the market value of both bonds include British Land's share price and its volatility, and market interest rates.

The fair value of the 1.5% 2012 Convertible Bond at 31 March 2017 was a £406m liability. At 31 March 2017 a 204 bps parallel upward shift in interest rates would reduce the fair value liability by £4m, and a 204 bps downward shift in interest rates would increase the fair value liability by £4m.

The fair value of the 0% 2015 Convertible Bond at 31 March 2017 was a £331m liability. At 31 March 2017 a 204 bps parallel upward shift in interest rates would reduce the fair value liability by £21m, and a 204 bps downward shift in interest rates would increase the fair value liability by £22m.

Foreign currency risk management

The Group's policy is to have no material unhedged net assets or liabilities denominated in foreign currencies. The currency risk on overseas investments is hedged via foreign currency denominated borrowings and derivatives. The Group has adopted net investment hedging in accordance with IAS 39 and therefore the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in equity. The ineffective portion of the gain or loss on the hedging instrument is recognised immediately in the income statement.

The table below shows the carrying amounts of the Group's foreign currency denominated assets and liabilities. Provided contingent tax on overseas investments is not expected to occur it will be ignored for hedging purposes, as is the requirement to fair value interest rate swaps. Based on the 31 March 2017 position a 33% appreciation (largest annual change over the last ten years) in the Euro relative to Sterling would result in a £nil change (2015/16: £nil) in reported profits.

	Assets		Liabilities	
	2017 £m	2016 £m	**2017 £m**	2016 £m
Euro denominated	**11**	10	**11**	10

Credit risk management

The Group's approach to credit risk management of counterparties is referred to in the Financial policies and principles on pages 43 to 45 and the risks addressed within Managing risk in delivering Our strategy on pages 46 to 49. The carrying amount of financial assets recorded in the financial statements represents the Group's maximum exposure to credit risk without taking account of the value of any collateral obtained.

Cash and short term deposits at 31 March 2017 amounted to £114m (2015/16: £114m). Deposits and interest rate deposits were placed with financial institutions with BBB+ or better credit ratings.

At 31 March 2017, the fair value of all interest rate derivative assets was £217m (2015/16: £167m).

At 31 March 2017, prior to taking into account any offset arrangements, the largest combined credit exposure to a single counterparty arising from money market deposits, liquid investments and derivatives was £120m (2015/16: £85m). This represents 0.9% (2015/16: 0.6%) of gross assets.

The deposit exposures are with UK banks and UK branches of international banks.

The Group's exposure to credit risk in respect of its trade receivables is analysed in note 13. Provisions are made taking account historic credit losses and the creditworthiness of debtors.

Liquidity risk management

The Group's approach to liquidity risk management is discussed in the Financial policies and principles on pages 43 to 45, and the risks addressed within Managing risk in delivering Our strategy on pages 46 to 49.

The following table presents a maturity profile of the contracted undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal flows. Where the interest payable is not fixed, the amount disclosed has been determined by reference to the projected interest rates implied by yield curves at the reporting date. For derivative financial instruments that settle on a net basis (e.g. interest rate swaps) the undiscounted net cash flows are shown and for derivatives that require gross settlement (e.g. cross currency swaps) the undiscounted gross cash flows are presented. Where payment obligations are in foreign currencies, the spot exchange rate ruling at the balance sheet date is used. Trade creditors and amounts owed to joint ventures, which are repayable within one year, have been excluded from the analysis.

17 Net debt continued

Liquidity risk management continued

The Group expects to meet its financial liabilities through the various available liquidity sources, including a secure rental income profile, asset sales, undrawn committed borrowing facilities and, in the longer term, debt refinancings.

The Group leases out all its investment properties under operating leases with a weighted average lease length of eight years. This secure income profile is generated from upward only rent reviews, long leases and high occupancy rates. The future aggregate minimum rentals receivable under non-cancellable operating leases is also shown in the table below. Income from joint ventures and funds is not included below. Additional liquidity will arise from letting space in properties under construction as well as from distributions received from joint ventures and funds.

	2017				
	Within one year £m	**Following year £m**	**Three to five years £m**	**Over five years £m**	**Total £m**
Debt[1]	**459**	**33**	**1,240**	**1,420**	**3,152**
Interest on debt	**89**	**86**	**235**	**468**	**878**
Derivative payments	**12**	**44**	**189**	**263**	**508**
Head lease payments	**2**	**2**	**7**	**254**	**265**
Total payments	**562**	**165**	**1,671**	**2,405**	**4,803**
Derivative receipts	**(26)**	**(61)**	**(255)**	**(251)**	**(593)**
Net payment	**536**	**104**	**1,416**	**2,154**	**4,210**
Operating leases with tenants	**405**	**382**	**984**	**1,750**	**3,521**
Liquidity surplus (deficit)	**(131)**	**278**	**(432)**	**(404)**	**(689)**
Cumulative liquidity surplus (deficit)	**(131)**	**147**	**(285)**	**(689)**	

	2016				
	Within one year £m	Following year £m	Three to five years £m	Over five years £m	Total £m
Debt[1]	76	461	1,471	1,577	3,585
Interest on debt	103	100	268	538	1,009
Derivative payments	13	14	77	395	499
Head lease payments	2	2	6	239	249
Total payments	194	577	1,822	2,749	5,342
Derivative receipts	(23)	(25)	(104)	(383)	(535)
Net payment	171	552	1,718	2,366	4,807
Operating leases with tenants	437	419	1,133	2,389	4,378
Liquidity surplus (deficit)	266	(133)	(585)	23	(429)
Cumulative liquidity surplus (deficit)	266	133	(452)	(429)	

1 Gross debt of £3,281m (2015/16: £3,761m) represents the total of £3,152m, less unamortised issue costs of £15m (2015/16: £19m), plus fair value adjustments to debt of £144m (2015/16: £195m).

Any short term liquidity gap between the net payments required and the rentals receivable can be met through other liquidity sources available to the Group. The Group currently holds cash and short term deposits of £114m of which £99m is not subject to a security interest (see footnote 5 to net debt table on page 127). Further liquidity can be achieved through sales of property assets or investments and debt refinancings.

The Group's property portfolio is valued externally at £9,520m and the share of joint ventures and funds' property is valued at £4,801m. The undrawn committed borrowing facilities available to the Group are a further source of liquidity. The maturity profile of committed undrawn borrowing facilities is shown overleaf.

17 Net debt continued

Maturity of committed undrawn borrowing facilities

		2017 £m	2016 £m
Maturity date:	over five years	**125**	–
	between four and five years	**1,110**	1,113
	between three and four years	**58**	95
Total facilities available for more than three years		**1,293**	1,208
Between two and three years		**149**	85
Between one and two years		**–**	–
Within one year		**2**	60
Total		**1,444**	1,353

The above facilities are comprised of British Land undrawn facilities of £1,322m, plus undrawn facilities of Hercules Unit Trust totalling £122m.

18 Leasing

Operating leases with tenants

The Group leases out all of its investment properties under operating leases with a weighted average lease length of eight years (2015/16: nine years).

The future aggregate minimum rentals receivable under non-cancellable operating leases are as follows:

	2017 £m	2016 £m
Less than one year	**405**	437
Between one and two years	**382**	419
Between three and five years	**984**	1,133
Between six and ten years	**980**	1,241
Between eleven and fifteen years	**460**	626
Between sixteen and twenty years	**181**	357
After twenty years	**129**	165
Total	**3,521**	4,378

The Group's leasehold investment properties are typically under non-renewable leases without significant restrictions. Finance lease liabilities are payable as follows; no contingent rents were payable in either period.

	2017			2016		
	Minimum lease payments £m	Interest £m	Principal £m	Minimum lease payments £m	Interest £m	Principal £m
British Land Group						
Less than one year	**2**	**2**	**–**	2	2	–
Between one and two years	**2**	**2**	**–**	2	2	–
Between two and five years	**7**	**7**	**–**	6	6	–
More than five years	**269**	**205**	**64**	239	193	46
Total	**280**	**216**	**64**	249	203	46
Less future finance charges	**(216)**			(203)		
Present value of lease obligations	**64**			46		
More than five years	**64**			46		
Present value of lease obligations	**64**			46		

19 Dividend

The fourth quarter interim dividend of 7.30 pence per share, totalling £75m (2015/16: 7.09 pence per share, totalling £73m) was approved by the Board on 16 May 2017 and is payable on 4 August 2017 to shareholders on the register at the close of business on 30 June 2017.

The Board will announce the availability of the Scrip Dividend Alternative, if available, via the Regulatory News Service and on its website (**www.britishland.com/dividends**), no later than four business days before the ex-dividend date of 30 June 2017. The Board expects to announce the split between Property Income Distributions (PID) and non-PID income at that time. Any Scrip Dividend Alternative will not be enhanced. PID dividends are paid, as required by REIT legislation, after deduction of withholding tax at the basic rate (currently 20%), where appropriate. Certain classes of shareholders may be able to elect to receive dividends gross. Please refer to our website **www.britishland.com/dividends** for details.

Payment date	Dividend	Pence per share	**2017 £m**	2016 £m
Current year dividends				
05.08.2017	2017 4th interim	7.30		
06.05.2017	2017 3rd interim	7.30		
12.02.2017	2017 2nd interim	7.30	**75**	
06.11.2016	2017 1st interim	7.30	**75**	
		29.20		
Prior year dividends				
05.08.2016	2016 4th interim	7.09[1]	**73**	
06.05.2016	2016 3rd interim	7.09	**73**	
12.02.2016	2016 2nd interim	7.09		73
06.11.2015	2016 1st interim	7.09		72
		28.36		
07.08.2015	2015 4th interim	6.92[2]		71
06.05.2015	2015 3rd interim	6.92		71
Dividends in consolidated statement of changes in equity			**296**	287
Dividends settled in shares			**–**	(52)
Dividends settled in cash			**296**	235
Timing difference relating to payment of withholding tax			**(1)**	–
Dividends in cash flow statement			**295**	235

1 Dividend split half PID, half non-PID.
2 Scrip alternative treated as non-PID for this dividend.

20 Share capital and reserves

	2017	2016
Number of ordinary shares in issue at 1 April	**1,040,562,323**	1,031,788,286
Share issues	**472,735**	8,774,037
At 31 March	**1, 041,035,058**	1,040,562,323

Of the issued 25p ordinary shares, 7,783 shares were held in the ESOP trust (2015/16: 627), 11,266,245 shares were held as treasury shares (2015/16: 11,266,245) and 1,029,761,030 shares were in free issue (2015/16: 1,029,295,541). No treasury shares were acquired by the ESOP trust during the year. All issued shares are fully paid.

Hedging and translation reserve
The hedging and translation reserve comprises the effective portion of the cumulative net change in the fair value of cash flow and foreign currency hedging instruments, as well as all foreign exchange differences arising from the translation of the financial statements of foreign operations. The foreign exchange differences also include the translation of the liabilities that hedge the Company's net investment in a foreign subsidiary.

Revaluation reserve
The revaluation reserve relates to owner-occupied properties and investments in joint ventures and funds.

Merger reserve
This comprises the premium on the share placing in March 2013. No share premium is recorded in the Company's financial statements, through the operation of the merger relief provisions of the Companies Act 2006.

20 Share capital and reserves continued

At 31 March 2017, options over 7,535,161 ordinary shares were outstanding under employee share option plans. The options had a weighted average life of 6.6 years. Details of outstanding share options and shares awarded to employees including Executive Directors are set out below and on the following pages:

Date of grant	At 1 April 2016	Granted	Vested but not exercised	Exercised/ Vested	Lapsed	At 31 March 2017	Exercise price pence	Exercise dates From	Exercise dates To
Share options Sharesave Scheme									
01.07.11	7,172	–	–	(7,172)	–	**–**	473.00	01.09.16	28.02.17
26.06.12	42,698	–	–	–	–	**42,698**	392.00	01.09.17	01.03.18
19.06.13	34,792	–	–	(31,658)	(2,817)	**317**	511.00	01.09.16	28.02.17
19.06.13	15,202	–	–	–	–	**15,202**	511.00	01.09.18	01.03.19
23.06.14	137,254	–	–	(2,855)	(17,862)	**116,537**	574.00	01.09.17	01.03.18
23.06.14	127,192	–	–	(5,268)	(23,474)	**98,450**	574.00	01.09.19	01.03.20
22.06.15	76,167	–	–	(193)	(36,769)	**39,205**	697.00	01.09.18	01.03.19
22.06.15	58,350	–	–	–	(37,968)	**20,382**	697.00	01.09.20	01.03.21
20.06.16	–	112,820	–	–	(20,719)	**92,101**	608.00	01.09.19	01.03.20
20.06.16	–	78,344	–	–	(19,044)	**59,300**	608.00	01.09.21	01.03.22
	498,827	191,164	–	(47,146)	(158,653)	**484,192**			
Long-Term Incentive Plan – Options Vested, Not Exercised									
29.06.09	14,472	–	–	(4,139)	–	**10,333**	387.00	29.06.12	29.06.19
21.12.09	72,454	–	–	(2,744)	–	**69,710**	446.00	21.12.12	21.12.19
11.06.10	1,208,357	–	–	(1,204)	–	**1,207,153**	447.00	11.06.13	11.06.20
14.12.10	69,667	–	–	(9,095)	(639)	**59,933**	510.00	14.12.13	14.12.20
28.06.11	1,084,233	–	–	(260,007)	(973)	**823,253**	575.00	28.06.14	28.06.21
19.12.11	95,575	–	–	(17,562)	(1,187)	**76,826**	451.00	19.12.14	19.12.21
14.09.12	1,116,710	–	–	(45,027)	(15,776)	**1,055,907**	538.00	14.09.15	14.09.22
20.12.12	120,317	–	–	(33,324)	(9,648)	**77,345**	563.00	20.12.15	20.12.22
05.08.13	6,716	663,678	–	(24,822)	(312,544)	**333,028**	601.00	05.08.16	05.08.23
05.12.13	5,766	402,600	–	(4,269)	(196,082)	**208,015**	600.00	05.12.16	05.12.23
23.06.14	7,890	–	–	–	(7,890)	**–**	684.33	23.06.17	23.06.24
	3,802,157	1,066,278	–	(402,193)	(544,739)	**3,921,503**			
Long-Term Incentive Plan – Unvested Options									
05.08.13	663,678	–	(663,678)	–	–	**–**	601.00	05.08.16	05.08.23
05.12.13	402,600	–	(402,600)	–	–	**–**	600.00	05.12.16	05.12.23
23.06.14	829,708	–	–	–	(65,854)	**763,854**	684.33	23.06.17	23.06.24
12.12.14	26,127	–	–	–	–	**26,127**	757.83	12.12.17	12.12.24
22.06.15	1,109,207	–	–	–	(87,354)	**1,021,853**	824.50	22.06.18	22.06.25
22.06.16	–	1,333,924	–	–	(16,562)	**1,317,362**	730.50	22.06.19	22.06.26
	3,031,320	1,333,924	(1,066,278)	–	(169,770)	**3,129,196**			
Total	7,332,304	2,591,366	(1,066,278)	(449,339)	(873,162)	**7,534,891**			
Weighted average exercise price of options (pence)	599	668	601	557	638	**621**			

20 Share capital and reserves continued

Date of grant	At 1 April 2016	Granted	Exercised/ Vested	Lapsed	**At 31 March 2017**	Share price at grant date pence	Vesting date
Performance Shares Long-Term Incentive Plan							
05.08.13	1,036,453	–	(583,167)	(453,286)	**–**	601.00	05.08.16
05.12.13	230,226	–	(124,902)	(105,324)	**–**	600.00	05.12.16
23.06.14	1,359,223	–	–	(56,869)	**1,302,354**	684.00	23.06.17
12.12.14	4,354	–	–	–	**4,354**	757.83	12.12.17
22.06.15	1,199,762	–	–	(48,563)	**1,151,199**	824.50	22.06.18
22.06.16	–	1,288,356	–	(14,602)	**1,273,754**	730.50	22.06.19
	3,830,018	1,288,356	(708,069)	(678,644)	**3,731,661**		
Fund Managers' Performance Plan							
02.08.13	179,664	–	(178,330)	(1,334)	**–**	599.00	02.08.17
	179,664	–	(178,330)	(1,334)	**–**		
Matching Share Plan							
02.08.13	348,890	–	(174,445)	(174,445)	**–**	609.66	02.08.16
30.06.14	289,560	–	–	–	**289,560**	702.40	30.06.17
29.06.15	282,170	–	–	–	**282,170**	806.00	29.06.18
29.06.16	–	318,932	–	–	**318,932**	807.00	29.06.19
	920,620	318,932	(174,445)	(174,445)	**890,662**		
Total	4,930,302	1,607,288	(1,060,844)	(854,423)	**4,622,323**		
Weighted average price of shares (pence)	697	746	602	623	**749**		

21 Segment information

The Group allocates resources to investment and asset management according to the sectors it expects to perform over the medium term. Its three principal sectors are Offices, Retail and Canada Water. The Office sector includes residential, as this is often incorporated into Office schemes. The Offices sector also includes the British Land share of the Leadenhall joint venture (see note 11). The Retail sector includes leisure, as this is often incorporated into Retail schemes.

The relevant gross rental income, net rental income, operating result and property assets, being the measures of segment revenue, segment result and segment assets used by the management of the business, are set out below. Management reviews the performance of the business principally on a proportionally consolidated basis, which includes the Group's share of joint ventures and funds on a line-by-line basis and excludes non-controlling interests in the Group's subsidiaries. The chief operating decision maker for the purpose of segment information is the Executive Committee.

Gross rental income is derived from the rental of buildings and the sale of trading properties. Operating result is the net of net rental income, fee income and administrative expenses. No customer exceeded 10% of the Group's revenues in either year.

21 Segment information continued

Segment result

	Offices		Retail		Canada Water		Other/unallocated		Total	
	2017 £m	2016 £m	2017 £m	2016 £m	2017 £m	2016 £m	2017 £m	2016 £m	2017 £m	2016 £m
Gross rental income										
British Land Group	139	133	279	291	9	8	–	–	427	432
Share of joint ventures and funds	116	114	100	104	–	–	–	4	216	222
Total	255	247	379	395	9	8	–	4	643	654
Net rental income										
British Land Group	131	124	265	277	8	7	(1)	–	403	408
Share of joint ventures and funds	112	110	95	99	–	–	–	3	207	212
Total	243	234	360	376	8	7	(1)	3	610	620
Operating result										
British Land Group	127	112	255	260	5	7	(50)	(46)	337	333
Share of joint ventures and funds	109	109	96	102	–	–	(1)	(1)	204	210
Total	236	221	351	362	5	7	(51)	(47)	541	543

Reconciliation to Underlying Profit	2017 £m	2016 £m
Operating result	541	543
Net financing costs	(151)	(180)
Underlying Profit	390	363
Reconciliation to profit on ordinary activities before taxation		
Underlying Profit	390	363
Capital and other	(209)	954
Underlying Profit attributable to non-controlling interests	14	14
Total profit on ordinary activities before taxation	195	1,331

Of the total revenues above, £nil (2015/16: £4m) was derived from outside the UK.

Segment assets

	Offices		Retail		Canada Water		Other/unallocated		Total	
	2017 £m	2016 £m	2017 £m	2016 £m	2017 £m	2016 £m	2017 £m	2016 £m	2017 £m	2016 £m
Property assets										
British Land Group	4,223	4,181	4,716	5,323	271	283	–	–	9,210	9,787
Share of joint ventures and funds	2,792	2,843	1,938	2,018	–	–	–	–	4,730	4,861
Total	7,015	7,024	6,654	7,341	271	283	–	–	13,940	14,648

21 Segment information continued

Reconciliation to net assets

British Land Group	2017 £m	2016 £m
Property assets	**13,940**	14,648
Other non-current assets	**156**	138
Non-current assets	**14,096**	14,786
Other net current liabilities	**(364)**	(257)
Adjusted net debt	**(4,223)**	(4,765)
Other non-current liabilities	**(11)**	(90)
EPRA net assets (undiluted)	**9,498**	9,674
Convertible dilution	**–**	400
EPRA net assets (diluted)	**9,498**	10,074
Non-controlling interests	**255**	277
EPRA adjustments	**(277)**	(732)
Net assets	**9,476**	9,619

22 Capital commitments

The aggregate capital commitments to purchase, construct or develop investment property, for repairs, maintenance or enhancements, or for the purchase of investments which are contracted for but not provided, are set out below:

	2017 £m	2016 £m
British Land and subsidiaries (includes share of development loan facility)	**86**	174
Share of joint ventures	**19**	40
Share of funds	**2**	2
	107	216

23 Related party transactions

In the prior year the Group had provided a development loan of up to £320m to the Broadgate joint venture, secured against the 5 Broadgate development. The loan was fully repaid in the prior year and interest and commitment fees earned on the loan in the prior year were £4m.

Details of transactions with joint ventures and funds are given in notes 3, 6 and 11. During the year the Group recognised joint venture management fees of £9m (2015/16: £8m). Details of Directors' remuneration are given in the Remuneration Report on pages 73 to 88. Details of transactions with key management personnel are provided in note 8. Details of transactions with The British Land Group of Companies Pension Scheme, and other smaller pension schemes, are given in note 9.

24 Contingent liabilities

Group, joint ventures and funds

The Group, joint ventures and funds have contingent liabilities in respect of legal claims, guarantees and warranties arising in the ordinary course of business. It is not anticipated that any material liabilities will arise from contingent liabilities.

25 Subsidiaries with material non-controlling interests

Set out below is summarised financial information for each subsidiary that has non-controlling interests that are material to the Group. The information below is the amount before intercompany eliminations, and represents the consolidated results of the Hercules Unit Trust group.

Summarised income statement for the year ended 31 March

	Hercules Unit Trust	
	2017 £m	2016 £m
Profit on ordinary activities after taxation	10	59
Attributable to non-controlling interests	3	19
Attributable to the shareholders of the Company	7	40

Summarised balance sheet as at 31 March

	Hercules Unit Trust	
	2017 £m	2016 £m
Total assets	1,509	1,490
Total liabilities	(531)	(469)
Net assets	978	1,021
Non-controlling interests	(255)	(277)
Equity attributable to shareholders of the Company	723	744

Summarised cash flows

	Hercules Unit Trust	
	2017 £m	2016 £m
Net increase (decrease) in cash and cash equivalents	10	(5)
Cash and cash equivalents at 1 April	30	35
Cash and cash equivalents at 31 March	40	30

The Hercules Unit Trust is a publicly listed Unit Trust. The unit price at 31 March 2017 is £684 (2015/16: £719). Non-controlling interests collectively own 23.5% of units in issue. The British Land Company PLC owns 76.5% of units in issue, each of which confer equal voting rights, therefore is deemed to exercise control over the trust.

26 Subsequent events

There have been no significant events since the year end.

27 Audit exemptions taken for subsidiaries

The following subsidiaries are exempt from the requirements of the Companies Act 2006 relating to the audit of individual accounts by virtue of Section 479A of that Act.

Name	Companies House reg number	Name	Companies House reg number
BF Propco (No 13) Limited	5270274	Pillar Retail Parks Limited	2725163
Apartpower Limited	2832059	Pillar Speke Limited	3074360
Pillarcaisse Management Limited	2941307	Wates City of London Properties Limited	1788526
Number 80 Cheapside Limited	634498	Meadowhall Opportunities GP Limited	97253
BL HC Property Holdings Limited	6894046	Adamant Investment Corporation Limited	225149
BL Health Clubs PH No 1 Limited	5643248	Osnaburgh Street Limited	5886735
BL Health Clubs PH No 2 Limited	5643261	British Land Property Advisers Limited	2793828
British Land Hercules No 1 Limited	3527580	British Land Hercules No 4 Limited	3108851
PillarStore Limited	2850422	Broadgate (PHC 8) Limited	3707220
Parwick Investments Limited	454239	British Land In Town Retail Limited	3325066
Hempel Holdings Limited	5341380	Drake Circus Leisure Limited	9190208
Hilden Properties Limited	NI062887	Diomedes Property No 2 Limited	5303624
20 Brock Street Limited	7401697	Ivoryhill Limited	2307407
BL Clifton Moor Limited	7508019	Pardev (Broadway) Limited	2891851
BL (Maidenhead) Company Limited	7667834	Parinv Northern Limited	2523037
Bayeast Property Co Limited	635800	Pillar (Kirkcaldy) Limited	3074412
Boldswitch Limited	2307096	BL (Bursledon) Limited	3854557
Paddington Central I (GP) Limited	3891376	Shopping Centres Limited	2230056
Paddington Central II (GP) Limited	5092409	BL Broadgate Fragment 1 Limited	9400407
TPP Investments Limited	4843814	BL Broadgate Fragment 2 Limited	9400541
BL Osnaburgh St Residential Ltd	6874523	BL Broadgate Fragment 3 Limited	9400411
Moorage (Property Developments) Limited	1185513	BL Broadgate Fragment 4 Limited	9400409
39 Victoria Street Limited	7037133	BL Broadgate Fragment 5 Limited	9400413
Lancaster General Partner Limited	5452195	BL Broadgate Fragment 6 Limited	9400414
Teesside Leisure Park Limited	2672136		
Cavendish Geared Limited	2779045		

The following partnerships are exempt from the requirements to prepare, publish and have audited individual accounts by virtue of regulation 7 of The Partnerships (Accounts) Regulations 2008. The results of these partnerships are consolidated within these Group accounts.

Name	Name
Bl Shoreditch Limited Partnership	Hereford Shopping Centre Limited Partnership
Bl Chess No 1 Limited Partnership	Bl Lancaster Limited Partnership
Paddington Central I LP	Paddington Block A LP
Paddington Central II LP	Paddington Block B LP
Meadowhall Opportunities Limited Partnership	Paddington Kiosk LP
BL CW Upper LP	

COMPANY BALANCE SHEET

PREPARED IN ACCORDANCE WITH FRS 101 AS AT 31 MARCH 2017

	Note	2017 £m	2016[1] £m
Fixed assets			
Investments and loans to subsidiaries	D	**27,518**	27,518
Investments in joint ventures	D	**431**	395
Other investments	D	**35**	17
Interest rate derivative assets	E	**217**	167
Deferred tax assets		**–**	1
		28,201	28,098
Current assets			
Debtors	G	**7**	14
Cash and short term deposits	E	**49**	36
		56	50
Current liabilities			
Short term borrowings and overdrafts	E	**(63)**	(74)
Creditors	H	**(105)**	(77)
Amounts due to subsidiaries		**(19,410)**	(18,446)
		(19,578)	(18,597)
Net current liabilities		**(19,522)**	(18,547)
Total assets less current liabilities		**8,679**	9,551
Non-current liabilities			
Debentures and loans	E	**(1,978)**	(2,216)
Interest rate derivative liabilities	E	**(134)**	(119)
Amounts due to subsidiaries		**(331)**	(779)
Deferred tax and other non-current liabilities		**(3)**	–
		(2,446)	(3,114)
Net assets		**6,233**	6,437
Equity			
Called up share capital	I	**260**	260
Share premium		**1,298**	1,295
Other reserves		**(134)**	(120)
Merger reserve		**213**	213
Retained earnings		**4,596**	4,789
Total equity		**6,233**	6,437

The profit after taxation for the year ending 31 March 2017 for the Company was £121m (year ending 31 March 2016: £171m).

John Gildersleeve
Chairman

Lucinda Bell
Chief Financial Officer

Approved by the Board on 16 May 2017

Company number 621920

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2017

	Share capital £m	Share premium £m	Other reserves £m	Merger reserve £m	Profit and loss account £m	**Total equity £m**
Balance at 1 April 2016	260	1,295	(120)	213	4,789	**6,437**
Share issues	–	3	–	–	–	**3**
Dividend paid	–	–	–	–	(296)	**(296)**
Fair value of share and share option awards	–	–	–	–	2	**2**
Purchase of own shares	–	–	–	–	(8)	**(8)**
Net actuarial loss on pension schemes	–	–	–	–	(12)	**(12)**
Profit for the year after taxation	–	–	–	–	121	**121**
Derivative valuation movement	–	–	(14)	–	–	**(14)**
Balance at 31 March 2017	260	1,298	(134)	213	4,596	**6,233**
Balance at 1 April 2015	258	1,280	(94)	213	4,858	6,515
Share issues	2	15	–	–	(12)	5
Adjustment for scrip dividend element	–	–	–	–	52	52
Dividend paid	–	–	–	–	(287)	(287)
Fair value of share and share option awards	–	–	–	–	8	8
Net actuarial loss on pension schemes	–	–	–	–	(1)	(1)
Profit for the year after taxation	–	–	–	–	171	171
Derivative valuation movement	–	–	(26)	–	–	(26)
Balance at 31 March 2016	260	1,295	(120)	213	4,789	6,437

The value of distributable reserves within the profit and loss account is £2,911m (2015/16: £3,336m).

NOTES TO THE FINANCIAL STATEMENTS

(A) Accounting policies

The financial statements for the year ended 31 March 2017 have been prepared on the historical cost basis, except for the revaluation of derivatives. These financial statements have also been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ('FRS 101'). The amendments to FRS 101 (2015/16 Cycle) issued in July 2016 and effective immediately have been applied.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ('Adopted IFRSs'), but makes amendments where necessary in order to comply with the Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

The Company has taken advantage of the following disclosure exemptions under FRS 101:

(a) the requirements of IAS 1 to provide a Balance Sheet at the beginning of the period in the event of a prior period adjustment;
(b) the requirements of IAS 1 to provide a Statement of cash flows for the period;
(c) the requirements of IAS 1 to provide a statement of compliance with IFRS;
(d) the requirements of IAS 1 to disclose information on the management of capital;
(e) the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to disclose new IFRSs that have been issued but are not yet effective;
(f) the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly-owned by such a member;
(g) the requirements of paragraph 17 of IAS 24 Related Party Disclosures to disclose key management personnel compensation;
(h) the requirements of IFRS 7 to disclose financial instruments; and
(i) the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement to disclose information of fair value valuation techniques and inputs.

Going concern

The financial statements are prepared on the going concern basis as explained in the corporate governance section on page 65.

Investments and loans

Investments and loans in subsidiaires and joint ventures are stated at cost less provision for impairment.

Significant judgements and sources of estimation uncertainty

The key source of estimation uncertainty relates to the Company's investments in subsidiaries and joint ventures. In estimating the requirement for impairment of these investments, management make assumptions and judgements on the value of these investments using inherently subjective underlying asset valuations, supported by independent valuers.

(B) Dividends

Details of dividends paid and proposed are included in note 19 of the consolidated financial statements.

(C) Employee information

Employee costs include wages and salaries of £37m (2015/16: £35m), social security costs of £5m (2015/16: £5m) and pension costs of £5m (2015/16: £6m). Details of the Executive Directors' remuneration are disclosed in the Remuneration Report.

Audit fees in relation to the parent Company only were £0.2m (2015/16: £0.2m).

(D) Investments in subsidiaries and joint ventures, loans to subsidiaries and other investments

	Shares in subsidiaries £m	Loans to subsidiaries £m	Investments in joint ventures £m	Other investments £m	**Total £m**
On 1 April 2016	20,268	7,250	395	17	**27,930**
Additions	31	2,155	36	21	**2,243**
Disposals	(535)	(1,593)	–	(3)	**(2,131)**
Provision for Impairment	(58)	–	–	–	**(58)**
As at 31 March 2017	19,706	7,812	431	35	**27,984**

The historical cost of shares in subsidiaries is £20,025m (2015/16: £20,529m). Investments in joint ventures of £431m (2015/16: £395m) includes £245m (2015/16: £216m) of loans to joint ventures by the Company. Results of the joint ventures are set out in note 11 of the consolidated financial statements. The historical cost of other investments is £48m (2015/16: £87m).

(E) Net debt

	2017 £m	2016 £m
Secured on the assets of the Company		
5.264% First Mortgage Debenture Bonds 2035	**377**	371
5.0055% First Mortgage Amortising Debentures 2035	**99**	100
5.357% First Mortgage Debenture Bonds 2028	**348**	349
6.75% First Mortgage Debenture Bonds 2020	**–**	62
Loan notes	**–**	2
	824	884
Unsecured		
5.50% Senior Notes 2027	**102**	101
3.895% Senior US Dollar Notes 2018[1]	**32**	28
4.635% Senior US Dollar Notes 2021[1]	**181**	165
4.766% Senior US Dollar Notes 2023[1]	**113**	105
5.003% Senior US Dollar Notes 2026[1]	**73**	69
3.81% Senior Notes 2026	**114**	113
3.97% Senior Notes 2026	**117**	116
Fair value of options to issue under 1.5% convertible bond 2017	**5**	48
Fair value of options to issue under 0% convertible bond 2020	**3**	27
Bank loans and overdrafts	**477**	634
	1,217	1,406
Gross debt	**2,041**	2,290
Interest rate and currency derivative liabilities	**134**	119
Interest rate and currency derivative assets	**(217)**	(167)
Cash and short term deposits	**(49)**	(36)
Net debt	**1,909**	2,206

1 Principal and interest on these borrowings were fully hedged into Sterling at a floating rate at the time of issue.

1.5% Convertible bond 2012 (maturity 2017)

On 10 September 2012, British Land (Jersey) Limited (the 2012 Issuer), a wholly-owned subsidiary of the Company, issued £400 million 1.5% guaranteed convertible bonds due 2017 (the 2012 bonds) at par. The 2012 Issuer is fully guaranteed by the Company in respect of the 2012 bonds.

Subject to their terms, the 2012 bonds are convertible into preference shares of the 2012 Issuer which are automatically transferred to the Company in exchange for ordinary shares in the Company or, at the Company's election, any combination of ordinary shares and cash. Bondholders may exercise their conversion right at any time up to (but excluding) the 20th dealing day before 10 September 2017 (the maturity date).

The initial exchange price was 693.07 pence per ordinary share. The exchange price is adjusted based on certain events.

(E) Net debt continued

From 25 September 2015, the Company has the option to redeem the 2012 bonds at par if the Company's share price has traded above 130% of the exchange price for a specified period, or at any time once 85% by nominal value of the 2012 bonds have been converted, redeemed, or purchased and cancelled. The 2012 bonds will be redeemed at par on 10 September 2017 (the maturity date) if they have not already been converted, redeemed or purchased and cancelled. No redemption of the bonds occurred in the year.

The intercompany loan between the Issuer and the Company arising from the transfer of the loan proceeds was initially recognised at fair value, net of capitalised issue costs, and is accounted for using the amortised cost method. In addition to the intercompany loan, the Company has entered into a derivative contract relating to its guarantee of the obligations of the Issuer in respect of the Bonds and the commitment to provide shares or a combination of shares and cash on conversion of the Bonds. This derivative contract is included within the balance sheet as a liability carried at fair value through profit and loss.

0% Convertible bond 2015 (maturity 2020)

On 9 June 2015, British Land (White) 2015 Limited (the 2015 Issuer), a wholly-owned subsidiary of the Company, issued £350 million zero coupon guaranteed convertible bonds due 2020 (the 2015 bonds) at par. The 2015 Issuer is fully guaranteed by the Company in respect of the 2015 bonds.

Subject to their terms, the 2015 bonds are convertible into preference shares of the 2015 Issuer which are automatically transferred to the Company in exchange for ordinary shares in the Company or, at the Company's election, any combination of ordinary shares and cash. From 20 July 2015 up to and including 29 June 2018, a bondholder may exercise its conversion right if the share price has traded at a level exceeding 130% of the exchange price for a specified period. Thereafter, and up to but excluding the 7th dealing day before 9 June 2020 (the maturity date), a bondholder may convert at any time.

The initial exchange price was 1103.32 pence per ordinary share. The exchange price is adjusted based on certain events (such as the Company paying dividends in any quarter above 3.418 pence per ordinary share). As at 31 March 2017 the exchange price was 1063.79 pence per ordinary share.

From 30 June 2018, the Company has the option to redeem the 2015 bonds at par if the Company's share price has traded above 130% of the exchange price for a specified period, or at any time once 85% by nominal value of the 2015 bonds have been converted, redeemed, or purchased and cancelled. The 2015 bonds will be redeemed at par on 9 June 2020 (the maturity date) if they have not already been converted, redeemed or purchased and cancelled.

The intercompany loan between the Issuer and the Company arising from the transfer of the loan proceeds was initially recognised at fair value, net of capitalised issue costs, and is accounted for using the amortised cost method. In addition to the intercompany loan, the Company has entered into a derivative contract relating to its guarantee of the obligations of the Issuer in respect of the bonds and the commitment to provide shares or a combination of shares and cash on conversion of the bonds. This derivative contract is included within the balance sheet as a liability carried at fair value through profit and loss.

Maturity analysis of net debt

	2017 £m	2016 £m
Repayable within one year and on demand	**63**	74
between: one and two years	**33**	109
two and five years	**442**	414
five and ten years	**782**	807
ten and fifteen years	**332**	500
fifteen and twenty years	**389**	386
	1,978	2,216
Gross debt	**2,041**	2,290
Interest rate derivatives	**(83)**	(48)
Cash and short term deposits	**(49)**	(36)
Net debt	**1,909**	2,206

(F) Pension

The British Land Group of Companies Pension Scheme and the Defined Contribution Pension Scheme are the principal pension schemes of the Company and details are set out in note 9 of the consolidated financial statements.

(G) Debtors

	2017 £m	2016 £m
Trade and other debtors	**3**	9
Prepayments and accrued income	**4**	5
	7	14

(H) Creditors

	2017 £m	2016 £m
Trade creditors	**12**	3
Corporation tax	**29**	18
Other taxation and social security	**32**	29
Accruals and deferred income	**32**	27
	105	77

(I) Share capital

	£m	Ordinary shares of 25p each
Issued, called and fully paid		
At 1 April 2016	260	1,040,562,323
Issued	–	472,735
At 31 March 2017	**260**	**1,041,035,058**

	£m	Ordinary shares of 25p each
Issued, called and fully paid		
At 1 April 2015	258	1,031,788,286
Issued	2	8,774,037
At 31 March 2016	260	1,040,562,323

(J) Contingent liabilities, capital commitments and related party transactions

The Company has contingent liabilities in respect of legal claims, guarantees and warranties arising in the ordinary course of business. It is not anticipated that any material liabilities will arise from the contingent liabilities.

At 31 March 2017, the Company has £1m of capital commitments (2015/16: £13m).

Related party transactions are the same for the Company as for the Group. For details refer to note 23 of the consolidated financial statements.

(K) Related undertakings

Disclosures relating to subsidiary undertakings

The Company's subsidiaries and other related undertakings at 31 March 2017 are listed below. All Group entities are included in the consolidated financial results.

Unless otherwise stated, the Company holds 100% of the voting rights and beneficial interests in the shares of the following subsidiaries, partnerships, associates and joint ventures. Unless otherwise stated, the subsidiaries and related undertakings are registered in the United Kingdom.

The share capital of each of the Companies, where applicable, comprises of ordinary shares unless otherwise stated.

The Company holds the majority of its assets in UK companies, although some are held in overseas companies. In recent years we have reduced the number of overseas companies in the Group.

Unless noted otherwise as per the following key, the registered address of each company is York House, 45 Seymour Street, London, W1H 7LX.

1 13-14 Esplanade, St. Helier, JE1 1BD, Jersey.
2 1585 Broadway,37th Floor, New York NY 10036-8293, United States.
3 47 Esplanade, St Helier, Jersey, JE1 0BD, Jersey.
4 62 Bucks Road, Douglas, Isle of Man.
5 69 route d'Esch, Luxembourg, L-2953.
6 Lefebvre House, Lefebvre Street, St Peter Port, GY1 3TF, Guernsey.
7 Leidsekade 102, 1017 PP, Amsterdam, Netherlands.
8 Ogier House, The Esplanade, St Helier, JE4 9WG, Jersey
9 The Corporation Trust Company, 1209 Orange Street, Wilmington DE 19801, United States.

Direct holdings

Company Name	UK/Overseas Tax Resident Status
BL Bluebutton 2014 Limited	UK Tax Resident
BL Davidson Limited	UK Tax Resident
BL Exempt Insurance Services Limited	UK Tax Resident
BL Intermediate Holding Company Limited	UK Tax Resident
BLSSP (Funding) Limited	UK Tax Resident
Bluebutton Property Management UK Limited (50% interest)	UK Tax Resident
Boldswitch (No 1) Limited	UK Tax Resident
Boldswitch Limited	UK Tax Resident
British Land (Jersey) Limited (Jersey) (Founder Shares)[3]	UK Tax Resident
British Land City	UK Tax Resident
British Land City 2005 Limited	UK Tax Resident
British Land City Offices Limited	UK Tax Resident
British Land Financing Limited	UK Tax Resident
British Land Investments Netherlands Holding B.V. (Netherlands)[7]	Overseas Tax Resident
British Land Properties Limited	UK Tax Resident
British Land Real Estate Limited	UK Tax Resident
British Land Securities Limited	UK Tax Resident
British Land Securitisation 1999	UK Tax Resident
Broadgate (Funding) PLC	UK Tax Resident
Broadgate Estates Insurance Mediation Services Limited	UK Tax Resident
Hyfleet Limited	UK Tax Resident
Kingsmere Productions Limited	UK Tax Resident
Linestair Limited	UK Tax Resident
London and Henley Holdings Limited	UK Tax Resident
Meadowhall Pensions Scheme Trustee Limited	UK Tax Resident
MSC Property Intermediate Holdings Limited (50% interest)	UK Tax Resident
Plantation House Limited	UK Tax Resident
Priory Park Merton Limited	UK Tax Resident
Real Asset Insurance Limited (in liquidation) (Guernsey)[6]	Overseas Tax Resident
Regis Property Holdings Limited	UK Tax Resident
The British Land Corporation Limited	UK Tax Resident
Vitalcreate	UK Tax Resident

Indirect holdings

Company Name	UK/Overseas Tax Resident Status
1 & 4 & 7 Triton Limited	UK Tax Resident
10 Brock Street Limited	UK Tax Resident
10 Portman Square Unit Trust (Jersey) (Units)[3]	Overseas Tax Resident
10 Triton Street Limited	UK Tax Resident
17-19 Bedford Street Limited	UK Tax Resident
18-20 Craven Hill Gardens Limited	UK Tax Resident
20 Brock Street Limited	UK Tax Resident
20 Triton Street Limited	UK Tax Resident
338 Euston Road Limited	UK Tax Resident
35 Basinghall Street First Limited	UK Tax Resident
35 Basinghall Street Second Limited	UK Tax Resident
350 Euston Road Limited	UK Tax Resident
39 Victoria Street Limited	UK Tax Resident
8-10 Throgmorton Avenue Limited	UK Tax Resident
Adamant Investment Corporation Limited	UK Tax Resident
Adshilta Limited	UK Tax Resident
Aldgate Place (GP) Limited (50% interest)	UK Tax Resident
Apartpower Limited	UK Tax Resident
Ashband Limited	UK Tax Resident
B.L.C.T. (12697) Limited (Jersey)[3]	UK Tax Resident
B.L.C.T. (21500) Limited (Jersey)[3]	UK Tax Resident
B.L.C.T. (29900) Limited (Jersey)[3]	UK Tax Resident
B.L.U. (11193) Limited (Jersey)[3]	UK Tax Resident
Balsenia Limited	UK Tax Resident
Barnclass Limited	UK Tax Resident
Barndrill Limited	UK Tax Resident
Bayeast Property Co Limited	UK Tax Resident
Bexile Limited	UK Tax Resident
BF Propco (No 1) Limited	UK Tax Resident
BF Propco (No 13) Limited	UK Tax Resident
BF Propco (No 19) Limited	UK Tax Resident
BF Propco (No 3) Limited	UK Tax Resident
BF Propco (No 4) Limited	UK Tax Resident
BF Propco (No 5) Limited	UK Tax Resident
BF Properties (No 4) Limited	UK Tax Resident
BF Properties (No 5) Limited	UK Tax Resident
Birstall Co-Ownership Trust (Member Interest) (41.25% interest)	UK Tax Resident
BL & N Acquisition Limited	UK Tax Resident
BL (Maidenhead) Company Limited	UK Tax Resident
BL (SP) Cannon Street Limited	UK Tax Resident
BL (SP) Investment (1) Limited	UK Tax Resident
BL (SP) Investment (2) Limited	UK Tax Resident
BL (SP) Investment (3) Limited	UK Tax Resident
BL (SP) Investment (4) Limited	UK Tax Resident
BL Baker Co 2012 Limited (Jersey)[3]	Overseas Tax Resident
BL Bradford Forster Limited	UK Tax Resident

Company Name	UK/Overseas Tax Resident Status
BL Brislington Limited	UK Tax Resident
BL Broadgate Fragment 1 Limited	UK Tax Resident
BL Broadgate Fragment 2 Limited	UK Tax Resident
BL Broadgate Fragment 3 Limited	UK Tax Resident
BL Broadgate Fragment 4 Limited	UK Tax Resident
BL Broadgate Fragment 5 Limited	UK Tax Resident
BL Broadgate Fragment 6 Limited	UK Tax Resident
BL Chess Limited	UK Tax Resident
BL Chess No. 1 Limited Partnership (Partnership Interest)	UK Tax Resident
BL City Offices Holding Company Limited	UK Tax Resident
BL Clifton Moor Limited	UK Tax Resident
BL CW Developments Limited	UK Tax Resident
BL CW Holdings Limited	UK Tax Resident
BL CW Lower GP Company Limited	UK Tax Resident
BL CW Lower Limited Partnership	UK Tax Resident
BL CW Lower LP Company Limited	UK Tax Resident
BL CW Upper GP Company Limited	UK Tax Resident
BL CW Upper Limited Partnership	UK Tax Resident
BL CW Upper LP Company Limited	UK Tax Resident
BL Cwmbran Limited	UK Tax Resident
BL Debs Limited (Jersey)[3]	Overseas Tax Resident
BL Department Stores Holding Company Limited	UK Tax Resident
BL Doncaster Wheatley Limited	UK Tax Resident
BL Ealing Limited	UK Tax Resident
BL Eden Walk J2012 Limited (Jersey)[3]	Overseas Tax Resident
BL Eden Walk Limited	UK Tax Resident
BL ESOP Limited (Isle of Man)[4]	Overseas Tax Resident
BL European Fund Management LLP (Member Interest)	UK Tax Resident
BL European Holdings Limited	UK Tax Resident
BL Fixed Uplift Fund Limited Partnership	UK Tax Resident
BL Fixed Uplift Fund Nominee 1 Limited	UK Tax Resident
BL Fixed Uplift Fund Nominee 2 Limited	UK Tax Resident
BL Fixed Uplift Fund Nominee No.1 Limited (Jersey)[3]	Overseas Tax Resident
BL Fixed Uplift Fund Nominee No.2 Limited (Jersey)[3]	Overseas Tax Resident
BL Fixed Uplift General Partner Limited	UK Tax Resident
BL FW Limited	UK Tax Resident
BL Goodman (General Partner) Limited (50% interest)	UK Tax Resident
BL Goodman (LP) Limited	UK Tax Resident
BL GP Chess No. 1 Limited	UK Tax Resident
BL Guaranteeco Limited (Limited by Guarantee)	UK Tax Resident
BL HB Investments Limited	UK Tax Resident
BL HC (DSCH) Limited	UK Tax Resident
BL HC (DSCLI) Limited	UK Tax Resident
BL HC Dollview Limited	UK Tax Resident
BL HC Hampshire PH LLP (Member Interest)	UK Tax Resident
BL HC Health And Fitness Holdings Limited	UK Tax Resident
BL HC Invic Leisure Limited	UK Tax Resident
BL HC PH CRG LLP (Member Interest)	UK Tax Resident
BL HC PH LLP (Member Interest)	UK Tax Resident
BL HC PH No 1 LLP (Member Interest)	UK Tax Resident
BL HC PH No 2 LLP (Member Interest)	UK Tax Resident
BL HC PH No 3 LLP (Member Interest)	UK Tax Resident
BL HC Property Holdings Limited	UK Tax Resident
BL Health Clubs PH No 1 Limited	UK Tax Resident
BL Health Clubs PH No 2 Limited	UK Tax Resident

Company Name	UK/Overseas Tax Resident Status
BL High Street and Shopping Centres Holding Company Limited	UK Tax Resident
BL Lancaster Investments Ltd	UK Tax Resident
BL Lancaster Limited Partnership (Partnership Interest)	UK Tax Resident
BL Leadenhall (Jersey) Ltd (Jersey)[3]	Overseas Tax Resident
BL Leadenhall Holding Co (Jersey) Ltd (Jersey)[3]	Overseas Tax Resident
BL Leisure and Industrial Holding Company Limited	UK Tax Resident
BL Mayfair Offices Limited	UK Tax Resident
BL Meadowhall Holdings Limited	UK Tax Resident
BL Meadowhall Limited	UK Tax Resident
BL Meadowhall No 4 Limited	UK Tax Resident
BL Office (Non-City) Holding Company Limited	UK Tax Resident
BL Office Holding Company Limited	UK Tax Resident
BL Osnaburgh St Residential Ltd	UK Tax Resident
BL Piccadilly Residential Limited	UK Tax Resident
BL Piccadilly Residential Management Co Limited	UK Tax Resident
BL Piccadilly Residential Retail Limited	UK Tax Resident
BL Residential General Partner Limited (50% interest)	UK Tax Resident
BL Residential No. 1 Limited	UK Tax Resident
BL Residential No. 2 Limited	UK Tax Resident
BL Residual Holding Company Limited	UK Tax Resident
BL Retail Holding Company Limited	UK Tax Resident
BL Retail Investments Limited	UK Tax Resident
BL Retail Warehousing Holding Company Limited	UK Tax Resident
BL Sainsbury Superstores Limited (50% interest)	UK Tax Resident
BL Shoreditch General Partner Limited	UK Tax Resident
BL Shoreditch Limited Partnership (Partnership Interest)	UK Tax Resident
BL Shoreditch No. 1 Limited	UK Tax Resident
BL Shoreditch No. 2 Limited	UK Tax Resident
BL Superstores Holding Company Limited	UK Tax Resident
BL Triton Building Residential Limited	UK Tax Resident
BL Unit Trust (Jersey)[3]	Overseas Tax Resident
BL Unitholder No. 1 (J) Limited (Jersey)[3]	Overseas Tax Resident
BL Unitholder No. 2 (J) Limited (Jersey)[3]	Overseas Tax Resident
BL Universal Limited	UK Tax Resident
BL Wardrobe Court Holdings Limited	UK Tax Resident
BL West (Watling House) Limited	UK Tax Resident
Blackglen Limited	UK Tax Resident
Blackwall (1)	UK Tax Resident
Blaxmill (Thirty) Limited	UK Tax Resident
Blaxmill (Twenty-nine) Limited	UK Tax Resident
BLD (A) Limited	UK Tax Resident
BLD (Ebury Gate) Limited	UK Tax Resident
BLD (SJ) Investments Limited	UK Tax Resident
BLD (SJ) Limited	UK Tax Resident
BLD Land Limited	UK Tax Resident
BLD Properties Limited	UK Tax Resident
BLD Property Holdings Limited	UK Tax Resident
BLT Holdings 2010 Ltd (50% interest)	UK Tax Resident
BLU Estates Limited	UK Tax Resident
BLU Property Management Limited	UK Tax Resident
BLU Securities Limited	UK Tax Resident
British Land (Joint Ventures) Limited	UK Tax Resident

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

Company Name	UK/Overseas Tax Resident Status
British Land (White) 2015 Limited (Jersey) (Founder Shares)[3]	UK Tax Resident
British Land Acquisitions Limited	UK Tax Resident
British Land Aqua Partnership (2) Limited	UK Tax Resident
British Land Aqua Partnership Limited	UK Tax Resident
British Land Company Secretarial Limited	UK Tax Resident
British Land Construction Limited	UK Tax Resident
British Land Department Stores Limited	UK Tax Resident
British Land Developments Limited	UK Tax Resident
British Land Fund Management Limited	UK Tax Resident
British Land Hercules Limited	UK Tax Resident
British Land Hercules No.1 Limited	UK Tax Resident
British Land Hercules No.3 Limited	UK Tax Resident
British Land Hercules No.4 Limited	UK Tax Resident
British Land HIF Limited	UK Tax Resident
British Land In Town Retail Limited	UK Tax Resident
British Land Industrial Limited	UK Tax Resident
British Land Investment Management Limited	UK Tax Resident
British Land Investments N V (Netherlands)[7]	UK Tax Resident
British Land Leisure Limited	UK Tax Resident
British Land Offices (Non-City) Limited	UK Tax Resident
British Land Offices (Non-City) No. 2 Limited	UK Tax Resident
British Land Offices Limited	UK Tax Resident
British Land Offices No.1 Limited	UK Tax Resident
British Land Property Advisers Limited	UK Tax Resident
British Land Property Management Limited	UK Tax Resident
British Land Regeneration Limited	UK Tax Resident
British Land Retail Warehouses Limited (in liquidation)	UK Tax Resident
British Land Superstores (Non Securitised) Number 2 Limited	UK Tax Resident
Broadgate (PHC 8) Limited	UK Tax Resident
Broadgate Adjoining Properties Limited	UK Tax Resident
Broadgate Business Centre Limited	UK Tax Resident
Broadgate City Limited	UK Tax Resident
Broadgate Court Investments Limited	UK Tax Resident
Broadgate Estates Limited	UK Tax Resident
Broadgate Estates People Management Limited	UK Tax Resident
Broadgate Estates Retail Management Limited	UK Tax Resident
Broadgate Exchange Square	UK Tax Resident
Broadgate Investment Holdings Limited	UK Tax Resident
Broadgate REIT Limited (Jersey) (50% interest)[1]	UK Tax Resident
Broadgate Square Limited	UK Tax Resident
Broughton Retail Park Limited (Jersey) (75.31% interest)	UK Tax Resident
Broughton Unit Trust (Jersey) (Units) (75.31% interest)[3]	Overseas Tax Resident
Brunswick Park Limited	UK Tax Resident
BVP Developments Limited	UK Tax Resident
Canada Water Offices Limited	UK Tax Resident
Casegood Enterprises	UK Tax Resident
Caseplane Limited	UK Tax Resident
Cavendish Geared II Limited	UK Tax Resident
Cavendish Geared Limited	UK Tax Resident
Caymall Limited	UK Tax Resident
Chantway Limited	UK Tax Resident
Cheshine Properties Limited	UK Tax Resident
Chrisilu Nominees Limited	UK Tax Resident

Company Name	UK/Overseas Tax Resident Status
City of London Office Unit Trust (Jersey) (Units) (35.94% interest)[3]	Overseas Tax Resident
Clarges Estate Property Management Co Limited	UK Tax Resident
Comgenic Limited	UK Tax Resident
Cornish Residential Properties Trading Limited	UK Tax Resident
Cornish Residential Property Investments Limited	UK Tax Resident
Crescent West Properties	UK Tax Resident
Deepdale Co-Ownership Trust (Member Interest) (37.66% interest)	UK Tax Resident
Derby Investment Holdings Limited	UK Tax Resident
Dinwell Limited	UK Tax Resident
Diomedes Property No.1 Limited	UK Tax Resident
Diomedes Property No.2 Limited	UK Tax Resident
Diomedes Property No.3 Limited	UK Tax Resident
Diomedes Property No.4 Limited	UK Tax Resident
Diomedes Property No.5 Limited	UK Tax Resident
Diomedes Property No.6 Limited	UK Tax Resident
Diomedes Property No.7 Limited	UK Tax Resident
Diomedes Property No.8 Limited	UK Tax Resident
Drake Circus GP, L.L.C. (United States)[2]	Overseas Tax Resident
Drake Circus Leisure Limited	UK Tax Resident
Drake Circus Limited Partnership (United States) (Partnership Interest)[9]	Overseas Tax Resident
Drake Circus Unit Trust (Jersey) (Units)[3]	Overseas Tax Resident
Drake Property Holdings Limited	UK Tax Resident
Drake Property Nominee (No. 1) Limited	UK Tax Resident
Drake Property Nominee (No. 2) Limited	UK Tax Resident
Eden Walk Shopping Centre General Partner Limited (50% interest)	UK Tax Resident
Eden Walk Shopping Centre Unit Trust (Jersey) (Units) (50% interest)[8]	Overseas Tax Resident
Edinburgh Fort Unit Trust (Jersey) (Units) (75.31% interest)[3]	Overseas Tax Resident
Elementvirtue Limited	UK Tax Resident
Elk Mill Oldham Limited	UK Tax Resident
Euston Tower Limited	UK Tax Resident
Exchange House Holdings Limited	UK Tax Resident
Finsbury Avenue Estates Limited	UK Tax Resident
Four Broadgate Limited	UK Tax Resident
FRP Group Limited	UK Tax Resident
Garamead Properties Limited	UK Tax Resident
Gardenray Limited	UK Tax Resident
Gibraltar General Partner Limited (37.66% interest)	UK Tax Resident
Gibraltar Nominees Limited (37.66% interest)	UK Tax Resident
Giltbrook Retail Park Nottingham Limited	UK Tax Resident
Glenway Limited	UK Tax Resident
Hempel Holdings Limited	UK Tax Resident
Hempel Hotels Limited	UK Tax Resident
Hercules Property Limited Partnership (Partnership Interest) (40.68% interest)	UK Tax Resident
Hercules Property UK Holdings Limited	UK Tax Resident
Hercules Property UK Limited	UK Tax Resident
Hercules Unit Trust (Jersey) (Units) (75.31% interest)[3]	Overseas Tax Resident
Hereford Old Market Limited	UK Tax Resident
Hereford Shopping Centre GP Limited	UK Tax Resident
Hereford Shopping Centre Limited Partnership (Partnership Interest)	UK Tax Resident
Hilden Properties Limited	UK Tax Resident

Company Name	UK/Overseas Tax Resident Status
Horndrift Limited	UK Tax Resident
HUT Investments Limited (Jersey) (75.31% interest)[3]	Overseas Tax Resident
Industrial Real Estate Limited	UK Tax Resident
Insistmetal 2 Limited	UK Tax Resident
Ivorydell Limited	UK Tax Resident
Ivorydell Subsidiary Limited	UK Tax Resident
Ivoryhill Limited	UK Tax Resident
Jetbloom Limited	UK Tax Resident
L & H Developments Limited	UK Tax Resident
Lancaster General Partner Limited	UK Tax Resident
Lancaster Unit Trust (Jersey) (Units)[3]	Overseas Tax Resident
Leadenhall Holding Co (Jersey) Ltd (Jersey) (50% interest)[1]	Overseas Tax Resident
Liverpool One Management Company Limited (50% interest)	UK Tax Resident
Liverpool One Management Services Limited	UK Tax Resident
London and Henley (UK) Limited	UK Tax Resident
London and Henley Limited	UK Tax Resident
Lonebridge UK Limited	UK Tax Resident
Longford Street Residential Limited	UK Tax Resident
Ludgate Investment Holdings Limited	UK Tax Resident
Ludgate West Limited	UK Tax Resident
Manbrig Properties	UK Tax Resident
Marble Arch House Unit Trust (Jersey) (Units)[3]	Overseas Tax Resident
Mayfair Properties	UK Tax Resident
Mayflower Retail Park Basildon Limited	UK Tax Resident
Meadowbank Retail Park Edinburgh Limited	UK Tax Resident
Meadowhall Centre (1999) Limited	UK Tax Resident
Meadowhall Centre Limited	UK Tax Resident
Meadowhall Centre Pension Scheme Trustees Limited	UK Tax Resident
Meadowhall Estates (UK) Limited	UK Tax Resident
Meadowhall Group (MLP) Limited	UK Tax Resident
Meadowhall Holdings Limited	UK Tax Resident
Meadowhall Opportunities Nominee 1 Limited	UK Tax Resident
Meadowhall Opportunities Nominee 2 Limited	UK Tax Resident
Meadowhall Training Limited	UK Tax Resident
Mercari	UK Tax Resident
Mercari Holdings Limited	UK Tax Resident
Minhill Investments Limited	UK Tax Resident
Moorage (Property Developments) Limited	UK Tax Resident
Moorfields Nominee 1 Limited	UK Tax Resident
Moorfields Nominee 2 Limited	UK Tax Resident
Nugent Shopping Park Limited	UK Tax Resident
Number 80 Cheapside Limited	UK Tax Resident
OM Investments Limited (Jersey)[3]	Overseas Tax Resident
One Hundred Ludgate Hill	UK Tax Resident
One Sheldon Square Limited (Jersey)[3]	Overseas Tax Resident
Orbital Shopping Park Swindon Limited	UK Tax Resident
Osnaburgh Street Limited	UK Tax Resident
Paddington Block A (GP) Ltd	UK Tax Resident
Paddington Block A LP (Partnership Interest)	UK Tax Resident
Paddington Block B (GP) Ltd	UK Tax Resident
Paddington Block B LP (Partnership Interest)	UK Tax Resident
Paddington Central I (GP) Limited	UK Tax Resident
Paddington Central I LP (Partnership Interest)	UK Tax Resident
Paddington Central I Nominee Limited	UK Tax Resident
Paddington Central I Unit Trust (Jersey) (Units)[3]	Overseas Tax Resident
Paddington Central II (GP) Limited	UK Tax Resident
Paddington Central II LP	UK Tax Resident
Paddington Central II Unit Trust (Jersey) (Units)[3]	Overseas Tax Resident
Paddington Central IV Unit Trust (Jersey) (Units)[3]	Overseas Tax Resident
Paddington Central Management Company Limited (87.50% interest)	UK Tax Resident
Paddington Kiosk (GP) Ltd	UK Tax Resident
Paddington Kiosk LP	UK Tax Resident
Pardev (Broadway) Limited	UK Tax Resident
Pardev (Luton) Limited	UK Tax Resident
Parinv Northern Limited	UK Tax Resident
Parwick Holdings Limited	UK Tax Resident
Parwick Investments Limited	UK Tax Resident
PC Baltic Wharf Limited	UK Tax Resident
PC Canal Limited	UK Tax Resident
PC Lease Nominee Ltd	UK Tax Resident
PC Partnership Nominee Ltd	UK Tax Resident
Piccadilly Residential Limited	UK Tax Resident
Pillar (Beckton) Limited	UK Tax Resident
Pillar (Birstall) Limited	UK Tax Resident
Pillar (Cricklewood) Limited	UK Tax Resident
Pillar (Dartford) Limited	UK Tax Resident
Pillar (Fulham) Limited	UK Tax Resident
Pillar (Kirkcaldy) Limited	UK Tax Resident
Pillar Auchinlea Limited	UK Tax Resident
Pillar Broadway Limited	UK Tax Resident
Pillar Cheetham Hill Limited	UK Tax Resident
Pillar City Plc	UK Tax Resident
Pillar Dartford No.1 Limited	UK Tax Resident
Pillar Denton Limited	UK Tax Resident
Pillar Developments Limited	UK Tax Resident
Pillar Estates Limited	UK Tax Resident
Pillar Estates No.2 Limited	UK Tax Resident
Pillar Europe Management Limited	UK Tax Resident
Pillar Farnborough Limited	UK Tax Resident
Pillar Fort Limited	UK Tax Resident
Pillar Fulham No.2 Limited	UK Tax Resident
Pillar Gallions Reach Limited	UK Tax Resident
Pillar Glasgow 1 Limited	UK Tax Resident
Pillar Glasgow 2 Limited	UK Tax Resident
Pillar Glasgow 3 Limited	UK Tax Resident
Pillar Hercules No.2 Limited	UK Tax Resident
Pillar Kinnaird Limited	UK Tax Resident
Pillar Nugent Limited	UK Tax Resident
Pillar Projects Limited	UK Tax Resident
Pillar Property Group Limited	UK Tax Resident
Pillar Retail Europark Fund (Pref) (Luxembourg) (Member Interest) (65.30% interest)[5]	Overseas Tax Resident
Pillar Retail Parks Limited	UK Tax Resident
Pillar Speke Limited	UK Tax Resident
PillarCaisse Management Limited (50% interest)	UK Tax Resident
Pillarman Limited	UK Tax Resident
PillarStore Limited	UK Tax Resident
PillarStore No.3 Limited	UK Tax Resident
Plymouth Retail Limited	UK Tax Resident
Power Court GP Limited	UK Tax Resident

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

Company Name	UK/Overseas Tax Resident Status
Power Court Luton Limited Partnership (Partnership Interest)	UK Tax Resident
Power Court Nominee Limited	UK Tax Resident
Power Court Nominees No. 2 Limited	UK Tax Resident
PREF Management Company SA (Luxembourg)[5]	Overseas Tax Resident
Project Sunrise Investments Limited	UK Tax Resident
Project Sunrise Limited	UK Tax Resident
Project Sunrise Properties Limited	UK Tax Resident
Reboline Limited	UK Tax Resident
Regent's Place Holding Company Limited	UK Tax Resident
Regents Place Management Company Limited	UK Tax Resident
Renash	UK Tax Resident
Rigphone Limited	UK Tax Resident
Ritesol	UK Tax Resident
Rohawk Properties Limited	UK Tax Resident
Salmax Properties	UK Tax Resident
Seymour Street Homes Limited	UK Tax Resident
Shopping Centres Limited	UK Tax Resident
Six Broadgate Limited	UK Tax Resident
Southgate General Partner Limited (50% interest)	UK Tax Resident
Southgate Property Unit Trust (Jersey) (Units) (50% interest)[3]	Overseas Tax Resident
Speke Unit Trust (Jersey) (Units) (65.9% interest)[3]	Overseas Tax Resident
Sprint 1118 Limited	UK Tax Resident
St James Parade (43) Limited	UK Tax Resident
St James Retail Park Northampton Limited	UK Tax Resident
St. Stephens Shopping Centre Limited	UK Tax Resident
Stockton Retail Park Limited	UK Tax Resident
Surrey Quays Limited	UK Tax Resident
Sydale	UK Tax Resident
T (Partnership) Limited	UK Tax Resident
Tailress Limited	UK Tax Resident
TBL (Brent Park) Limited	UK Tax Resident
TBL (Bromley) Limited	UK Tax Resident
TBL (Bursledon) Limited	UK Tax Resident
TBL (Bury) Limited	UK Tax Resident
TBL (Ferndown) Limited	UK Tax Resident
TBL (Lisnagelvin) Limited	UK Tax Resident
TBL (Maidstone) Limited	UK Tax Resident
TBL (Milton Keynes) Limited	UK Tax Resident
TBL (Peterborough) Limited	UK Tax Resident
TBL Holdings Limited	UK Tax Resident
TBL Properties Limited	UK Tax Resident
Teesside Leisure Park Limited (51% interest)	UK Tax Resident
The Aldgate Place Limited Partnership (Partnership Interest) (50% interest)	UK Tax Resident
The Dartford Partnership (Member Interest) (50% interest)	UK Tax Resident
The Gibraltar Limited Partnership (37.66% interest)	UK Tax Resident
The Liverpool Exchange Company Limited	UK Tax Resident
The Mary Street Estate Limited	UK Tax Resident
The Meadowhall Education Centre (Limited by Guarantee) (50% interest)	UK Tax Resident
The Retail and Warehouse Company Limited	UK Tax Resident
The TBL Property Partnership (Partnership Interest)	UK Tax Resident
The Whiteley Co-Ownership Trust (Member Interest) (50% interest)	UK Tax Resident

Company Name	UK/Overseas Tax Resident Status
Tollgate Centre Colchester Limited	UK Tax Resident
TPP Investments Limited	UK Tax Resident
Tweed Premier 1 Limited	UK Tax Resident
Tweed Premier 2 Limited	UK Tax Resident
Tweed Premier 4 Limited	UK Tax Resident
Union Property Corporation Limited	UK Tax Resident
Union Property Holdings (London) Limited	UK Tax Resident
United Kingdom Property Company Limited	UK Tax Resident
Urban Estates Management Limited (in liquidation)	UK Tax Resident
Valentine Co-ownership Trust (Member interest) (37.66% interest)	UK Tax Resident
Valentine Unit Trust (Jersey) (Units) (75.31% interest)[3]	Overseas Tax Resident
Vicinitee Limited	UK Tax Resident
Vintners' Place Limited	UK Tax Resident
Wardrobe Court Limited	UK Tax Resident
Wardrobe Holdings Limited	UK Tax Resident
Wardrobe Place Limited	UK Tax Resident
Wates City of London Properties Limited	UK Tax Resident
Wates City Point Limited	UK Tax Resident
Wates City Property Management Limited	UK Tax Resident
Westbourne Terrace Partnership (Partnership Interest)	UK Tax Resident
Westside Leeds Limited	UK Tax Resident
Whiteley Shopping Centre Unit Trust (Jersey) (Units)[3]	Overseas Tax Resident
WK (Austral House) First Limited	UK Tax Resident
WK (Austral House) Second Limited	UK Tax Resident
WK Holdings Limited	UK Tax Resident
York House W1 Limited	UK Tax Resident

Table A: Summary income statement and balance sheet

Summary income statement based on proportional consolidation for the year ended 31 March 2017

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 joint ventures and funds included on a line-by-line basis and excluding non-controlling interests.

	Year ended 31 March 2017				Year ended 31 March 2016			
	Group £m	Joint ventures and funds £m	Less non-controlling interests £m	Proportionally consolidated £m	Group £m	Joint ventures and funds £m	Less non-controlling interests £m	Proportionally consolidated £m
Gross rental income	442	220	(19)	643	451	231	(28)	654
Property operating expenses	(25)	(10)	2	(33)	(26)	(9)	1	(34)
Net rental income	417	210	(17)	610	425	222	(27)	620
Administrative expenses	(84)	(2)	–	(86)	(93)	(5)	4	(94)
Net fees and other income	17	–	–	17	16	–	1	17
Ungeared Income Return	350	208	(17)	541	348	217	(22)	543
Net financing costs	(78)	(76)	3	(151)	(106)	(82)	8	(180)
Underlying Profit	272	132	(14)	390	242	135	(14)	363
Underlying taxation	–	–	–	–	2	–	–	2
Underlying Profit after taxation	272	132	(14)	390	244	135	(14)	365
Valuation movement				(237)				861
Other capital and taxation (net)[1]				(433)				48
Capital and other				(670)				909
Total return				(280)				1,274

[1] Includes other comprehensive income, movement in dilution of share options and the movement in items excluded for EPRA NAV.

Summary balance sheet based on proportional consolidation as at 31 March 2017

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 the joint venture and fund assets and liabilities included on a line-by-line basis, and excluding non-controlling interests, and assuming full dilution.

	Group £m	Share of joint ventures & funds £m	Less non-controlling interests £m	Share options £m	Deferred tax £m	Mark-to-market on effective cash flow hedges and related debt adjustments £m	Head leases £m	Valuation surplus on trading properties £m	EPRA Net assets 31 March 2017 £m	EPRA Net assets 31 March 2016 £m
Retail properties	5,066	2,021	(381)	–	–	–	(52)	–	6,654	7,341
Office properties	4,155	2,792	–	–	–	–	(15)	83	7,015	7,024
Canada Water properties	280	–	–	–	–	–	(9)	–	271	283
Other properties	–	–	–	–	–	–	–	–	–	–
Total properties	9,501	4,813	(381)	–	–	–	(76)	83	13,940	14,648
Investments in joint ventures and funds	2,766	(2,766)	–	–	–	–	–	–	–	–
Joint venture held for sale	540	(540)	–	–	–	–	–	–	–	–
Other investments	154	(3)	–	–	–	–	–	–	151	138
Other net (liabilities) assets	(391)	(101)	7	36	3	–	76	–	(370)	(347)
Net debt	(3,094)	(1,403)	119	–	–	155	–	–	(4,223)	(4,765)
Dilution due to convertible bond	–	–	–	–	–	–	–	–	–	400
Net assets	9,476	–	(255)	36	3	155	–	83	9,498	10,074
EPRA NAV per share (note 2)									915p	919p

SUPPLEMENTARY DISCLOSURES CONTINUED

UNAUDITED

Table A continued

EPRA Net Assets Movement

	Year ended 31 March 2017		Year ended 31 March 2016	
	£m	**Pence per share**	£m	Pence per share
Opening EPRA NAV	**10,074**	**919**	9,035	829
Income return	**390**	**36**	365	34
Capital return	**(670)**	**(13)**	909	77
Dividend paid	**(296)**	**(27)**	(235)	(21)
Closing EPRA NAV	**9,498**	**915**	10,074	919

Table B: EPRA Performance measures

EPRA Performance measures summary table

		2017		2016	
		£m	**Pence per share**	£m	Pence per share
EPRA Earnings	– basic	**390**	**37.9**	365	35.6
	– diluted	**390**	**37.8**	371	34.1
EPRA Net Initial Yield			**4.3%**		4.1%
EPRA 'topped-up' Net Initial Yield			**4.5%**		4.5%
EPRA Vacancy Rate			**4.8%**		2.0%

	2017		2016	
	Net assets	**Net asset value per share pence**	Net assets	Net asset value per share pence
EPRA NAV	**9,498**	**915**	10,074	919
EPRA NNNAV	**8,938**	**861**	9,640	880

Calculation and reconciliation of EPRA/IFRS earnings and EPRA/IFRS earnings per share

	2017 £m	2016 £m
Profit attributable to the shareholders of the Company	**193**	1,345
Exclude:		
Group – current taxation	**(1)**	(2)
Group – deferred taxation	**–**	(31)
Joint ventures and funds – current taxation	**–**	1
Joint ventures and funds – deferred taxation	**(1)**	–
Group – valuation movement	**144**	(616)
Group – loss (profit) on disposal of investment properties and investments	**5**	(35)
Group – profit on disposal of trading properties	**(7)**	(10)
Joint ventures and funds – net valuation movement (including result on disposals)	**75**	(263)
Joint ventures and funds – capital financing costs	**6**	–
Changes in fair value of financial instruments and associated close-out costs	**(13)**	(31)
Non-controlling interests in respect of the above	**(11)**	5
Underlying Profit	**390**	363
Group – underlying current taxation	**–**	2
EPRA earnings – basic	**390**	365
Dilutive effect of 2012 convertible bond	**–**	6
EPRA earnings – diluted	**390**	371

Profit attributable to the shareholders of the Company	**193**	1,345
Dilutive effect of 2012 convertible bond[1]	**(33)**	(42)
IFRS earnings – diluted[1]	**160**	1,303

1 The 2016 comparative figures for the dilutive effect of the 2012 convertible bond and IFRS diluted earnings have been restated – see Note 1.

Table B continued

	2017 Number million	2016 Number million
Weighted average number of shares	1,040	1,036
Adjustment for Treasury shares	(11)	(11)
IFRS/EPRA Weighted average number of shares (basic)	1,029	1,025
Dilutive effect of share options	1	2
Dilutive effect of ESOP shares	3	4
Dilutive effect of 2012 convertible bond	58	58
IFRS Weighted average number of shares (diluted)	1,091	1,089
Dilutive effect of 2012 convertible bond	(58)	–
EPRA Weighted average number of shares (diluted)	1,033	1,089

Net assets per share

	2017		2016	
	£m	Pence per share	£m	Pence per share
Balance sheet net assets	9,476		9,619	
Deferred tax arising on revaluation movements	3		5	
Mark-to-market on effective cash flow hedges and related debt adjustments	155		198	
Dilution effect of share options	36		36	
Surplus on trading properties	83		93	
Convertible bond adjustment	–		400	
Less non-controlling interests	(255)		(277)	
EPRA NAV	9,498	915	10,074	919
Deferred tax arising on revaluation movements	(19)		(24)	
Mark-to-market on effective cash flow hedges and related debt adjustments	(155)		(153)	
Mark-to-market on debt	(386)		(257)	
EPRA NNNAV	8,938	861	9,640	880

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 and derivatives.

	2017 Number million	2016 Number million
Number of shares at year end	1,040	1,040
Adjustment for treasury shares	(11)	(11)
IFRS/EPRA number of shares (basic)	1,029	1,029
Dilutive effect of share options	3	2
Dilutive effect of ESOP shares	6	7
Dilutive effect of 2012 convertible bond	58	58
IFRS number of shares (diluted)	1,096	1,096
Dilutive effect of 2012 convertible bond	(58)	–
EPRA number of shares (diluted)	1,038	1,096

SUPPLEMENTARY DISCLOSURES CONTINUED

UNAUDITED

Table B continued

EPRA Net Initial Yield and 'topped-up' Net Initial Yield

	2017 £m	2016 £m
Investment property – wholly-owned	9,210	9,787
Investment property – share of joint ventures and funds	4,730	4,861
Less developments, residential and land	(798)	(894)
Completed property portfolio	13,142	13,754
Allowance for estimated purchasers' costs	897	985
Gross up completed property portfolio valuation (A)	14,039	14,739
Annualised cash passing rental income	607	607
Property outgoings	(9)	(8)
Annualised net rents (B)	598	599
Rent expiration of rent-free periods and fixed uplifts[1]	30	63
'Topped-up' net annualised rent (C)	628	662
EPRA Net Initial Yield (B/A)	4.3%	4.1%
EPRA 'topped-up' Net Initial Yield (C/A)	4.5%	4.5%
Including fixed/minimum uplifts received in lieu of rental growth	11	24
Total 'topped-up' net rents (D)	639	686
Overall 'topped-up' Net Initial Yield (D/A)	4.6%	4.7%
'Topped-up' net annualised rent	628	662
ERV vacant space	34	14
Reversions	38	42
Total ERV (E)	700	718
Net Reversionary Yield (E/A)	5.0%	4.9%

1 The weighted average period over which rent-free periods expire is 1 year (2015/16: 1 year).

The above is stated for the UK portfolio only.

EPRA Net Initial Yield (NIY) basis of calculation

EPRA NIY is calculated as the annualised net rent (on a cash flow basis), divided by the gross value of the completed property portfolio. The valuation of our completed property portfolio is determined by our external valuers as at 31 March 2017, plus an allowance for estimated purchaser's costs. Estimated purchaser's costs are determined by the relevant stamp duty liability, plus an estimate by our valuers of agent and legal fees on notional acquisition. The net rent deduction allowed for property outgoings is based on our valuers' assumptions on future recurring non-recoverable revenue expenditure.

In calculating the EPRA 'topped-up' NIY, the annualised net rent is increased by the total contracted rent from expiry of rent-free periods and future contracted rental uplifts where defined as not in lieu of growth. Overall 'topped-up' NIY is calculated by adding any other contracted future uplift to the 'topped-up' net annualised rent.

The net reversionary yield is calculated by dividing the total estimated rental value (ERV) for the completed property portfolio, as determined by our external valuers, by the gross completed property portfolio valuation.

The EPRA vacancy rate is calculated as the ERV of the unrented, lettable space as a proportion of the total rental value of the completed property portfolio.

EPRA Vacancy Rate

	2017 £m	2016 £m
Annualised potential rental value of vacant premises	34	14
Annualised potential rental value for the completed property portfolio	710	728
EPRA Vacancy Rate	4.8%	2.0%

The above is stated for the UK portfolio only. A discussion of significant factors affecting vacancy rates is included within the Strategic Report (pages 28 to 30).

Table B continued

EPRA Cost Ratios

	2017 £m	2016 £m
Property operating expenses	23	25
Administrative expenses	84	90
Share of joint ventures and funds expenses	12	13
Less: Performance and management fees (from joint ventures and funds)	(9)	(9)
Net other fees and commissions	(8)	(8)
Ground rent costs	(2)	(3)
EPRA Costs (including direct vacancy costs) (A)	**100**	108
Direct vacancy costs	(12)	(11)
EPRA Costs (excluding direct vacancy costs) (B)	**88**	97
Gross Rental Income less ground rent costs	412	429
Share of joint ventures and funds (GRI less ground rent costs)	229	222
Total Gross Rental Income less ground rent costs (C)	**641**	651
EPRA Cost Ratio (including direct vacancy costs) (A/C)	**15.6%**	16.6%
EPRA Cost Ratio (excluding direct vacancy costs) (B/C)	**13.7%**	14.9%
Overhead and operating expenses capitalised (including share of joint ventures and funds)	5	4

In the current year, employee costs in relation to staff time on development projects have been capitalised into the base cost of relevant development assets.

Table C: Gross rental income

	2017 £m	2016 £m
Rent receivable	633	615
Spreading of tenant incentives and guaranteed rent increases	8	36
Surrender premia	2	3
Gross rental income	**643**	654

The current and prior year information is presented on a proportionally consolidated basis, excluding non-controlling interests.

Table D: Property related capital expenditure

	2017			2016		
	Group	Joint ventures and funds	Total	Group	Joint ventures and funds	Total
Acquisitions	88	–	88	238	–	238
Development	131	14	145	104	58	162
Like-for-like portfolio	67	47	114	99	6	105
Other	20	2	22	25	15	40
Total property related capex	**306**	**63**	**369**	466	79	545

The above is presented on a proportionally consolidated basis, excluding non-controlling interests and business combinations. The 'Other' category contains amounts owing to tenant incentives of £10m (2015/16: £27m), capitalised staff costs of £5m (2015/16: £4m) and capitalised interest of £7m (2015/16: £9m).

Other information

Glasgow Fort (right)

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Acquisitions and Disposals

Acquisitions

From 1 April 2016	Sector	Price (Gross) £m	Price (British Land share) £m	Annual Passing Rent £m[4]
Completed				
New George Street Estate, Plymouth	Retail	64	64	5
10-40 The Broadway, Ealing[1]	Retail	49	49	2
Harlech, Newport – Tesco exchange[2]	Retail	41	20	1
Tesco, Brislington – Tesco exchange[2]	Retail	46	23	2
Hercules Unit Trust unit purchase[3]	Retail	18	18	1
Teesside Leisure Park	Retail	13	13	1
Dock Offices	Canada Water	8	8	–
Total		**239**	**195**	**12**

1 Property acquisition exchanged and completed post year end.
2 Property acquisitions exchanged and completed post year end as part of a Tesco JV swap transaction resulting in a net £73m disposal of superstore assets.
3 Units purchased over the course of the year. £18m represents purchased GAV.
4 British Land share of annualised rent topped up for rent frees.

Disposals

From 1 April 2016	Sector	Price (Gross) £m	Price (British Land share) £m	Annual Passing Rent £m[3]
Completed				
Debenhams, Oxford Street	Retail	400	400	13
Superstores[1]	Retail	410	226	12
Portfolio of retail assets (Debenhams Manchester, York Clifton Moor, Wakefield Westgate)	Retail	191	191	12
Ebury Gate	Offices	34	34	2
Dumfries Cuckoo Bridge	Retail	20	20	1
56 – 70 Putney High Street	Retail	20	20	1
Lisnagelvin, Londonderry	Retail	15	15	1
Luton Power Court	Retail	9	9	–
The Hempel Collection	Residential	14	14	–
Aldgate Place	Residential	46	23	–
Exchanged[2]				
The Leadenhall Building	Offices	1,150	575	17
Clarges, Mayfair	Residential	19	19	–
Total		**2,328**	**1,546**	**59**

1 Of which £116m (British Land share) exchanged and completed post year end as part of a Tesco JV swap transaction resulting in a net £73m disposal of superstore assets.
2 Sales completing post year end.
3 British Land share of annualised rent topped up for rent frees.

Portfolio Valuation[1]

At 31 March 2017	Group £m	JVs & Funds £m	Total £m	Change %[2] H1	H2	FY
Regional Lifestyle	1,120	1,834	2,954	(2.8)	1.0	(1.8)
Local Lifestyle	1,671	477	2,148	(4.8)	0.4	(4.5)
Multi-lets	**2,791**	**2,311**	**5,102**	**(3.7)**	**0.7**	**(3.0)**
Department Stores & Leisure	574	1	575	3.2	3.1	5.1
Superstores	106	526	632	(3.0)	(2.5)	(5.2)
Solus/Other	345	–	345	3.7	1.8	5.5
Retail	**3,816**	**2,838**	**6,654**	**(2.4)**	**0.7**	**(1.8)**
West End	3,960	–	3,960	(2.4)	1.7	(0.6)
City	108	2,776	2,884	(4.9)	4.4	(0.8)
Offices	**4,068**	**2,776**	**6,844**	**(3.5)**	**2.8**	**(0.7)**
Residential[3]	156	15	171	–	5.4	4.2
Offices & Residential	**4,224**	**2,791**	**7,015**	**(3.3)**	**2.9**	**(0.5)**
Canada Water	**271**	**–**	**271**	**(2.1)**	**(9.0)**	**(10.8)**
Total	**8,311**	**5,629**	**13,940**	**(2.8)**	**1.6**	**(1.4)**
Standing Investments	**7,821**	**5,487**	**13,308**	**(2.8)**	**1.3**	**(1.6)**
Developments	**490**	**142**	**632**	**(3.0)**	**4.8**	**1.7**

1 On a proportionally consolidated basis including the Group's share of joint ventures and funds.
2 Valuation movement during the year (after taking account of capital expenditure) of properties held at the balance sheet date, including developments (classified by end use), purchases and sales.
3 Standalone residential.

Gross Rental Income[1,2]

	12 months to 31 March 2017			Annualised as at 31 March 2017		
Accounting Basis	Group £m	JVs & Funds £m	Total £m	Group £m	JVs & Funds £m	Total £m
Regional Lifestyle	60	86	146	61	86	147
Local Lifestyle	98	27	125	88	26	114
Multi-lets	**158**	**113**	**271**	**149**	**112**	**261**
Department Stores & Leisure	48	–	48	38	–	38
Superstores	9	32	41	6	32	38
Solus/Other	20	–	20	20	–	20
Retail	**235**	**145**	**380**	**213**	**144**	**357**
West End	129	–	129	125	–	125
City	5	116	121	4	104	108
Offices	**134**	**116**	**250**	**129**	**104**	**233**
Residential[3]	4	–	4	4	–	4
Offices & Residential	**138**	**116**	**254**	**133**	**104**	**237**
Canada Water	**9**	**–**	**9**	**8**	**–**	**8**
Total	**382**	**261**	**643**	**354**	**248**	**602**

1 Gross rental income will differ from annualised rents due to accounting adjustments for fixed and minimum contracted rental uplifts and lease incentives.
2 On a proportionally consolidated basis including the Group's share of joint ventures and funds.
3 Standalone residential.

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Portfolio Yield and ERV Movements[1]

At 31 March 2017	NEY[3] %	ERV Growth %[2] H1	ERV Growth %[2] H2	ERV Growth %[2] FY	NEY Yield Movement bps[3] H1	NEY Yield Movement bps[3] H2	NEY Yield Movement bps[3] FY
Regional Lifestyle	4.9	1.3%	1.0%	2.3%	16	(4)	12
Local Lifestyle	5.4	1.3%	1.2%	2.5%	29	(1)	27
Multi-lets	**5.1**	**1.3%**	**1.1%**	**2.4%**	**22**	**(3)**	**18**
Department Stores & Leisure	5.9	0.4%	(0.1%)	0.4%	4	(18)	(15)
Superstores	5.5	(3.0%)	(1.0%)	(4.0%)	8	13	21
Solus/Other	5.2	4.8%	0.0%	4.8%	9	(9)	(4)
Retail	**5.2**	**0.9%**	**0.7%**	**1.6%**	**18**	**(3)**	**14**
West End	4.5	0.3%	0.4%	0.7%	16	(1)	15
City[4]	4.5	(0.2%)	0.4%	0.2%	27	(13)	15
Offices	**4.5**	**0.1%**	**0.4%**	**0.5%**	**21**	**(6)**	**15**
Canada Water	**3.4**	**0.9%**	**(0.1%)**	**0.9%**	**4**	**5**	**9**
Total	**4.8**	**0.5%**	**0.6%**	**1.1%**	**19**	**(5)**	**15**

1 On a proportionally consolidated basis including the Group's share of joint ventures and funds. Excluding committed developments and residential assets.
2 As calculated by IPD.
3 Including notional purchaser's costs.
4 City NEY is 4.6% pro forma for sale completion of our 50% interest in The Leadenhall Building which exchanged in the year.

Retail Portfolio Valuation – Previous Classification Basis[1]

At 31 March 2017	Valuation £m	Change %[2] H1	Change %[2] H2	Change %[2] FY	ERV Growth %[3] H1	ERV Growth %[3] H2	ERV Growth %[3] FY	NEY Yield Movement bps H1	NEY Yield Movement bps H2	NEY Yield Movement bps FY
Shopping Parks	3,167	(4.1)	0.7	(3.3)	1.6%	0.8%	2.4%	26	(4)	20
Shopping Centres	2,276	(2.1)	0.8	(1.3)	1.3%	1.3%	2.6%	14	(3)	12
Superstores	632	(3.0)	(2.5)	(5.2)	(3.0%)	(1.0%)	(4.0%)	8	13	21
Department Stores	166	5.6	3.0	6.7	0.4%	0.3%	0.7%	3	(10)	(8)
Leisure	413	(0.5)	3.2	2.7	0.4%	(0.2%)	0.2%	4	(21)	(17)
Retail	**6,654**	**(2.4)**	**0.7**	**(1.8)**	**0.9%**	**0.7%**	**1.6%**	**18**	**(3)**	**14**

1 On a proportionally consolidated basis including the Group's share of joint ventures and funds.
2 Valuation movement during the year (after taking account of capital expenditure) of properties held at the balance sheet date, including developments (classified by end use), purchases and sales.
3 As calculated by IPD.

Portfolio Net Yields[1,2,3]

At 31 March 2017	EPRA net initial yield %	EPRA topped up net initial yield %[4]	Overall topped up net initial yield %[5]	Net equivalent yield %	Net reversionary yield %
Regional Lifestyle	4.5	4.6	4.7	4.9	5.0
Local Lifestyle	5.1	5.2	5.3	5.4	5.4
Multi-lets	**4.7**	**4.9**	**4.9**	**5.1**	**5.2**
Department Stores & Leisure	6.0	6.0	7.2	5.9	4.4
Superstores	5.6	5.6	5.6	5.5	5.3
Solus/Other	5.6	5.6	5.6	5.2	4.8
Retail	**4.9**	**5.1**	**5.2**	**5.2**	**5.1**
West End	3.5	3.7	3.8	4.5	4.8
City[6]	3.7	4.1	4.1	4.5	5.1
Offices	**3.6**	**3.9**	**3.9**	**4.5**	**4.9**
Canada Water	**2.8**	**2.9**	**2.9**	**3.4**	**3.5**
Total	**4.3**	**4.5**	**4.6**	**4.8**	**5.0**

1 On a proportionally consolidated basis including the Group's share of joint ventures and funds.
2 Including notional purchaser's costs.
3 Excluding committed developments and residential assets.
4 Including rent contracted from expiry of rent-free periods and fixed uplifts not in lieu of rental growth.
5 Including fixed/minimum uplifts (excluded from EPRA definition).
6 City net equivalent yield is 4.6% and EPRA net initial yield is 4.2% pro forma for sale completion of our 50% interest in The Leadenhall Building which exchanged in the year.

Retail Portfolio Net Yields[1,2,3] – Previous Classification Basis

At 31 March 2017	EPRA net initial yield %	EPRA topped up net initial yield %[4]	Overall topped up net initial yield %[5]	Net equivalent yield %	Net reversionary yield %
Shopping parks	4.9	5.1	5.1	5.2	5.2
Shopping centres	4.5	4.7	4.7	5.0	5.1
Superstores	5.6	5.6	5.6	5.5	5.3
Department stores	5.1	5.1	6.6	5.0	3.9
Leisure	6.3	6.3	7.4	6.2	4.7
Retail	**4.9**	**5.1**	**5.2**	**5.2**	**5.1**

1 On a proportionally consolidated basis including the Group's share of joint ventures and funds.
2 Including notional purchaser's costs.
3 Excluding committed developments.
4 Including rent contracted from expiry of rent-free periods and fixed uplifts not in lieu of rental growth.
5 Including fixed/minimum uplifts (excluded from EPRA definition).

Total Property Return (as calculated by IPD)[1]

	Retail		Offices		Total	
Full Year to 31 March 2017	British Land %	IPD %	British Land %	IPD %	British Land %	IPD %
Capital Return	(1.7)	(2.3)	(0.6)	(1.0)	(1.2)	(0.1)
– ERV Growth	1.6	0.9	0.5	2.0	1.1	1.9
– Yield Expansion[2]	14 bps	12 bps	15 bps	13 bps	15 bps	4 bps
Income Return	5.3	5.1	3.5	3.8	4.3	4.7
Total Property Return	**3.5**	**2.8**	**2.8**	**2.8**	**3.1**	**4.6**

1 On a proportionally consolidated basis including the Group's share of joint ventures and funds.
2 Net equivalent yield movement.

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Occupiers Representing over 0.5% of Total Contracted Rent[1]

At 31 March 2017	% of total rent		% of total rent
Tesco plc[2]	5.4	Vodafone	0.9
J Sainsbury plc	4.8	Asda Group	0.9
UBS AG	3.4	Aon Plc	0.9
Debenhams	3.3	SportsDirect	0.9
Kingfisher (B&Q)	2.8	Microsoft	0.9
HM Government	2.6	JD Sports	0.8
Next plc	2.4	Deutsche Bank	0.8
Virgin Active	1.9	Reed Smith	0.8
Facebook	1.8	H&M	0.7
Dentsu Aegis	1.7	Mayer Brown	0.7
Spirit Group	1.7	Mothercare	0.7
M&S plc	1.6	TGI Fridays	0.6
Wesfarmers (Homebase/Bunnings)	1.6	ICAP Plc	0.6
Alliance Boots	1.6	River Island	0.6
Visa Inc	1.5	MS Amlin Plc	0.6
Dixons Carphone	1.4	Credit Agricole	0.6
Arcadia Group	1.3	Pets at Home	0.5
Herbert Smith	1.3	Henderson	0.5
RBS	1.2	Primark	0.5
TK Maxx	1.0	Aramco	0.5
Gazprom	1.0	House of Fraser	0.5
New Look	1.0	Steinhoff	0.5

1 On a proportionally consolidated basis including the Group's share of joint ventures and funds.
2 4.7% pro forma for post year end net disposal of £73m in a Tesco JV swap transaction.

Major Holdings

At 31 March 2017	British Land share %	Sq ft '000	Rent £m pa[1]	Occupancy rate %[2]	Lease length yrs[3]
Broadgate	50	4,850	190	98.3	8.2
Regent's Place	100	1,590	76	99.1	7.4
Paddington Central	100	958	33	94.1	6.8
Meadowhall, Sheffield	50	1,500	84	97.9	6.4
The Leadenhall Building[4]	50	603	40	99.9	10.3
Sainsbury's Superstores[5]	51	2,184	48	100.0	10.4
Teesside, Stockton[6]	100	569	17	96.9	5.6
Drake's Circus, Plymouth[7]	100	1,132	21	95.9	8.9
Glasgow Fort	77	510	21	98.3	5.9
Ealing Broadway	100	470	13	93.7	5.9

1 Annualised EPRA contracted rent including 100% of Joint Ventures & Funds.
2 Including accommodation under offer (including post year transactions at 2 Finsbury Avenue and 4 Kingdom Street) or subject to asset management (including space being prepared for flexible working) or assets being readied for development in the near term (1 Finsbury Avenue).
3 Weighted average to first break.
4 Sale exchanged in March 2017 with completion due post year end.
5 Comprises standalone stores.
6 Includes Teesside Leisure Park acquired in the year.
7 Includes New George Street Estate, Plymouth acquired during the year.

Lease Length & Occupancy[1]

At 31 March 2017	Average lease length years		Occupancy rate %	
	To expiry	To break	EPRA Occupancy	Occupancy[2]
Regional Lifestyle	7.9	6.7	97.3	97.7
Local Lifestyle	7.9	6.8	97.3	97.9
Multi-lets	**7.9**	**6.8**	**97.3**	**97.8**
Department Stores & Leisure	17.4	17.4	99.8	99.8
Superstores	11.7	11.3	100.0	100.0
Solus/Other	12.5	12.3	100.0	100.0
Retail	**9.5**	**8.6**	**97.9**	**98.3**
West End	9.0	7.3	93.0	97.0
City[3]	9.8	8.5	91.1	98.6
Offices	**9.4**	**7.8**	**92.1**	**97.7**
Canada Water	**6.8**	**6.5**	**97.6**	**98.8**
Total	**9.4**	**8.3**	**95.2**	**98.0**

1 On a proportionally consolidated basis including the Group's share of joint ventures and funds.
2 Including accommodation under offer (including post year transactions at 2 Finsbury Avenue and 4 Kingdom Street) or subject to asset management (including space being prepared for flexible working) or assets being readied for development in the near term (1 Finsbury Avenue).
3 City average lease length to break is 8.2 years pro forma for sale completion of our 50% interest in The Leadenhall Building.

Portfolio Weighting[1]

At 31 March	2016 %	2017 (current) %	2017 (current) £m	2017 (pro forma[2]) %
Regional Lifestyle	19.4	21.3	2,954	21.6
Local Lifestyle	16.3	15.4	2,148	16.1
Multi-lets	**35.7**	**36.7**	**5,102**	**37.7**
Department Stores & Leisure	6.9	4.1	575	4.2
Superstores	5.3	4.5	632	3.9
Solus/Other	2.3	2.5	345	2.5
Retail	**50.2**	**47.8**	**6,654**	**48.3**
West End	26.6	28.4	3,960	29.8
City	19.7	20.7	2,884	18.7
Offices	**46.3**	**49.1**	**6,844**	**48.5**
Residential[3]	1.6	1.2	171	1.2
Offices & Residential	**47.9**	**50.3**	**7,015**	**49.7**
Canada Water	**1.9**	**1.9**	**271**	**2.0**
Total	**100.0**	**100.0**	**13,940**	**100.0**
Of which London	**58%**	**58%**	**8,050**	**58%**

1 On a proportionally consolidated basis including the Group's share of joint ventures and funds.
2 Pro forma for developments under construction and committed developments at estimated end value (as determined by the Group's external valuers) and post year end transactions including the expected sale completion of our 50% interest in The Leadenhall Building and the Tesco JV swap transaction.
3 Standalone residential.

Annualised Rent and Estimated Rental Value (ERV)[1]

At 31 March 2017	Annualised rent (valuation basis) £m[2] Group	JVs & Funds	Total	ERV £m Total	Average rent £psf Contracted[3]	ERV
Regional Lifestyle	61	87	148	164	31.1	33.1
Local Lifestyle	90	28	118	126	24.9	26.1
Multi-lets	**151**	**115**	**266**	**290**	**28.0**	**29.6**
Department Stores & Leisure	36	–	36	28	14.9	11.4
Superstores	6	32	38	36	21.3	20.1
Solus/Other	20	–	20	17	19.8	17.0
Retail	**213**	**147**	**360**	**371**	**24.5**	**24.6**
West End[4]	132	–	132	179	54.2	62.2
City[4,5]	4	103	107	150	52.5	60.2
Offices[4]	**136**	**103**	**239**	**329**	**53.4**	**61.2**
Residential[6]	4	–	4	4		
Offices & Residential	**140**	**103**	**243**	**333**		
Canada Water	**8**	**–**	**8**	**10**	**16.4**	**21.0**
Total	**361**	**250**	**611**	**714**	**30.3**	**33.2**

1 On a proportionally consolidated basis including the Group's share of joint ventures and funds.
2 Gross rents plus, where rent reviews are outstanding, any increases to ERV (as determined by the Group's external valuers), less any ground rents payable under head leases, excludes contracted rent subject to rent free and future uplift.
3 Annualised rent, plus rent subject to rent free .
4 £psf metrics shown for office space only.
5 City average rent psf on a contracted basis is £50.1 and on an ERV basis is £57.4 pro forma for sale completion of our 50% interest in The Leadenhall Building.
6 Standalone residential.

Rent Subject to Open Market Rent Review[1]

At 31 March 2017

For year to 31 March	2018 £m	2019 £m	2020 £m	2021 £m	2022 £m	2018-20 £m	2018-22 £m
Regional Lifestyle	13	17	12	18	13	42	73
Local Lifestyle	24	17	10	11	6	51	68
Multi-lets	**37**	**34**	**22**	**29**	**19**	**93**	**141**
Department Stores & Leisure	–	–	–	–	–	–	–
Superstores	4	7	10	12	3	21	36
Solus/Other	–	–	–	–	–	–	–
Retail	**41**	**41**	**32**	**41**	**22**	**114**	**177**
West End	24	20	15	10	9	59	78
City	4	14	14	15	1	32	48
Offices	**28**	**34**	**29**	**25**	**10**	**91**	**126**
Canada Water	**1**	**1**	**–**	**–**	**–**	**2**	**2**
Total	**70**	**76**	**61**	**66**	**32**	**207**	**305**

1 On a proportionally consolidated basis including the Group's share of joint ventures and funds.

Rent Subject to Lease Break or Expiry[1]

At 31 March 2017 For year to 31 March	2018 £m	2019 £m	2020 £m	2021 £m	2022 £m	2018-20 £m	2018-22 £m
Regional Lifestyle	19	10	14	10	15	43	68
Local Lifestyle	8	7	10	9	11	25	45
Multi-lets	**27**	**17**	**24**	**19**	**26**	**68**	**113**
Department Stores & Leisure	–	–	–	–	–	–	–
Superstores	–	–	–	–	–	–	–
Solus/Other	–	1	–	–	–	1	1
Retail	**27**	**18**	**24**	**19**	**26**	**69**	**114**
West End	6	10	3	17	21	19	57
City	7	11	11	9	2	29	40
Offices	**13**	**21**	**14**	**26**	**23**	**48**	**97**
Canada Water	**1**	**1**	**–**	**1**	**–**	**2**	**3**
Total	**41**	**40**	**38**	**46**	**49**	**119**	**214**
% of contracted rent	**6.3%**	**6.3%**	**6.0%**	**7.1%**	**7.7%**	**18.6%**	**33.4%**

1 On a proportionally consolidated basis including the Group's share of joint ventures and funds.

Superstores

	Standalone Superstores[1]				In Multi-let assets[2]				Total Exposure[1,2,3]			
Store Size '000 sq ft	No of Stores	Valuation (British Land share) £m	Capital Value psf	Lease length[4]	No of Stores	Valuation (British Land share) £m	Capital Value psf	Lease length[4]	No of Stores	Valuation (British Land share) £m	Capital Value psf	Lease length[4]
>100	6	152	340	11.1	4	286	419	11.1	10	438	388	11.1
75-100	10	171	384	11.3	3	73	274	15.0	13	244	342	12.5
50-75	12	179	364	10.8	–	–	–	–	12	179	364	10.8
25-50	3	15	272	8.1	3	32	456	18.5	6	47	375	14.7
0-25	2	6	138	8.1	21	98	465	10.2	23	104	409	10.0
March 2017	**33**	**523**	**352**	**10.9**	**31**	**489**	**397**	**12.6**	**64**	**1,012**	**373**	**11.7**
March 2016	**47**	**763**	**383**	**13.9**	**28**	**537**	**482**	**12.7**	**75**	**1,301**	**419**	**13.5**

Geographical spread		Gross Rent (British Land share)		Lease Structure	
London & South	58%	Tesco	£29m	RPI and Fixed	10%
Rest of UK	42%	Sainsbury's	£26m	OMRR	90%
		Other	£5m		

Table includes £43m acquisitions and £116m disposals that exchanged and completed post year end as part of a Tesco JV swap transaction resulting in a net £73m disposals of superstore assets
1 Excludes £13m non-foodstore occupiers in superstore led assets.
2 Excludes non-food format stores e.g. Asda Living.
3 Excludes £93m of investments held for trading comprising freehold reversions in a pool of Sainsbury's Superstores.
4 Weighted average lease length to first break.

Recently Completed and Committed Developments[1]

At 31 March 17	Sector	British Land share %	Sq ft '000	PC Calendar Year	Current Value £m[2]	Cost to Come £m[3]	ERV £m[4]	Let & Under Offer £m
4 Kingdom Street	Office	100	147	Q2 2017	151	18	9.5	7.0
Clarges Mayfair – Offices	Office	100	51	Q2 2016	135	6	5.6	4.3
Glasgow Fort Leisure Quarter	Retail	77	12	Q3 2016	8	–	0.4	0.2
The Hempel Phase 1	Residential	100	25	Q4 2016	4	3	–	–
The Hempel Phase 2	Residential	100	33	Q4 2016	45	3	–	–
Aldgate Place Phase 1	Residential	50	221	Q2 2016	–	7	–	–
Total Completed in Year			**489**		**343**	**37**	**15.5**	**11.5**
100 Liverpool Street	Office	50	520	Q4 2019	112	152	18.6	–
Speke (Leisure)	Retail	67	66	Q2 2018	4	14	1.2	0.8
Clarges Mayfair – Retail and Residential[5]	Mixed Use	100	104	Q4 2017	362	52	0.8	–
Total Committed			**690**		**478**	**218**	**20.6**	**0.8**
Retail Capex[6]						111		

1 On a proportionally consolidated basis including the Group's share of joint ventures and funds (except area which is shown at 100%).
2 Excludes completed sales of £120m.
3 From 1 April 2017. Cost to come excludes notional interest as interest is capitalised individually on each development at our capitalisation rate.
4 Estimated headline rental value net of rent payable under head leases (excluding tenant incentives).
5 Current value includes units exchanged and not completed of £278m.
6 Capex committed and underway within our investment portfolio relating to leasing and asset management.

Near Term Development Pipeline[1]

At 31 March 17	Sector	British Land share %	Sq ft '000	Expected Start On Site	Current Value £m[2]	Cost to Come £m[3]	ERV £m[4]	Status
135 Bishopsgate	Office	50	325	2017	107	55	9.4	Submitted
1 Triton Square	Office	100	366	2018	161	200	23.3	Resolution to grant
1 Finsbury Avenue	Office	50	288	2017	77	35	7.7	Submitted
Plymouth (Leisure)	Retail	100	104	2018	–	48	3.1	Consented
Total Near Term			**1,083**		**345**	**338**	**43.5**	
Retail Capex[4]						75		

1 On a proportionally consolidated basis including the Group's share of joint ventures and funds (except area which is shown at 100%).
2 From 1 April 2017. Cost to come excludes notional interest as interest is capitalised individually on each development at our capitalisation rate.
3 Estimated headline rental value net of rent payable under head leases (excluding tenant incentives).
4 Forecast capital commitments within our investment portfolio over the next 12 months relating to leasing and asset enhancement.

Medium Term Development Pipeline

At 31 March 17	Sector	British Land share %	Sq ft '000	Status
2&3 Finsbury Avenue	Office	50	563	Consented
1-2 Broadgate	Office	50	375	Pre-submission
Blossom Street	Office	100	340	Consented
5 Kingdom Street[1]	Office	100	332	Consented
Gateway Building	Office	100	105	Pre-submission
Meadowhall (Leisure)	Retail	50	322	Submitted
Peterborough (Leisure)	Retail	100	182	Pre-submission
Teesside (Leisure)	Retail	100	80	Pre-submission
Bradford (Leisure)	Retail	100	49	Pre-submission
Aldgate Place Phase 2	Residential	50	145	Consented
Eden Walk Retail & Residential	Mixed Use	50	538	Consented
Total Medium Term excl. Canada Water			**3,031**	
Canada Water[2]	Mixed Use	100	5,500	Pre-submission

1 Planning consent for previous 240,000 sq ft scheme.
2 Assumed net area based on gross area of up to 7m sq ft.

Residential development programme[1]

At 31 March 17	British Land share %	Sq ft '000	Total No. Units	No. Units to sell	PC Date	Current Value[2] £m	Cost to Come[3] £m	Sales Exchanged & not Completed[2,4] £m	Value to sell £m
Clarges Mayfair	100	94	34	11	Q4 2017	347	52	278	150
The Hempel Phase 1	100	25	15	1	Q4 2016	4	3	–	7
The Hempel Phase 2	100	33	18	13	Q4 2016	45	3	–	46
Aldgate Place Phase 1	50	221	154	1	Q2 2016	–	7	–	7
Total Committed Residential		**373**	**221**	**26**		**396**	**65**	**278**	**210**

1 On a proportionally consolidated basis including the Group's share of joint ventures and funds (except area which is shown at 100%).
2 Excludes completed sales of £120m.
3 From 1 April 2017. Cost to come excludes notional interest as interest is capitalised individually on each development at our capitalisation rate.
4 At agreed sales price.

UNAUDITED CONTINUED

Sustainability performance measures

Aligned to our corporate strategy, our 2020 sustainability strategy is built around four focus areas, which address major social, economic and environmental trends to create value for our stakeholders and the business.

The data below covers up to 97% of our multi-let managed portfolio by value (71% of assets under management) and 100% of development projects, except for EPC and flood risk data, where the scope covers 100% of assets under management. Please see the scope column for indicator specific reporting coverage.

Selected data has been independently assured for a decade. Selected data for 2017 has been independently assured by PwC in accordance with ISAE 3000 (Revised) and ISAE 3410. In prior years, selected data was assured by PwC and other providers. For the 2017 PwC assurance statement, more detailed data on all these indicators and additional indicators, please see our Sustainability Accounts 2017: **www.britishland.com/data**

British Land has been a signatory to the United Nations Global Compact since 2009. For our 2017 Communication on Progress, visit **www.britishland.com/sustainabilityreport**

			Performance		Scope
		2020 target	2017	2016	(assets or units)
Wellbeing					
Deliver WELL certified commercial office to shell and core, and set corporate policy for future developments		Deliver	On track	Target established	–
Develop and pilot retail wellbeing specification		Deliver	On track	Target established	–
Increase the sense of wellbeing for shoppers, retailers and occupiers at our places		Increase	On track	Baseline established	–
Define and trial methodology for measuring productivity in offices		Deliver	On track	Target established	–
Research and publish on how development design impacts public health outcomes		Deliver	On track	Target established	–
Community					
Implement our Local Charter at all staffed assets and major developments		100%	n/r	n/r	–
British Land employee volunteering		90%	90%	84%	–
British Land employee skills-based volunteering		20%	16%	16%	–
Community programme beneficiaries		n/a	35,625	29,482	–
Futureproofing (also see Carbon Reporting on page 38 and EPRA on page 173)					
Developments on track to achieve BREEAM Excellent for offices and Excellent or Very Good for retail		100%	93%	82%	13/13
Carbon (scope 1 and 2) intensity reduction versus 2009 (index score)		55%	44% 56/100	40% 60/100	67/73
Landlord energy intensity reduction versus 2009 (index score)		55%	35% 65/100	38% 62/100	67/73
Landlord embodied carbon intensity reduction per m^2 on projects over £50m versus 2015		15%	n/r	n/r	–
Waste diverted from landfill: managed properties and developments		100%	98%	98%	104/121
Energy Performance Certificates rated F or G		n/a	4%	3%	2296/2389
On site renewable energy income		n/a	£89,000	£39,000	3/3
Portfolio at high risk of flood (by value)		n/a	3%	5%	252/259
Skills and opportunity (also see diversity data on pages 25 and 72)					
Tier 1 and 2 contracts Supply Chain Charter compliant (for prioritised contracts)		100%	n/r	n/r	–
Tier 2 supply chain spend within 25 miles	Managed properties	n/a	63%	81%	94/104
	Developments	n/a	60%	60%	7/7
Prioritised supplier workforce who are apprentices – based on pilot study	Tier 1 suppliers	3%	1.7%	n/r	–
	Tier 2 development suppliers	3%	3.1%	n/r	–
Employees paid Living Wage Foundation wage		100%	100%	100%	–
Supplier workforce paid Living Wage Foundation wage at managed properties		n/a	72%	72%	98/104
Supplier workforce living within 25 miles of our places		n/a	70%	67%	105/112

Sustainability performance measures continued

British Land has received EPRA Gold Awards for sustainability reporting five years running.

		2017	2016	2015	Scope (assets or units)
EPRA best practice recommendations on sustainability reporting[1]					
Total electricity consumption (MWh)		**172,127**	172,238	171,619	91/105
Total district heating and cooling consumption (MWh)		**0**	0	0	0/0
Total fuel consumption (MWh)		**39,319**	38,234	36,399	46/48
Building energy intensity (kWh)	Offices (per m^2)	**158.70**	155.64	150.45	27/29
	Retail – enclosed (per m^2)	**161.89**	156.97	177.08	5/7
	Retail – open air (per car parking space)	**150.01**	133.66	124.88	35/37
Total direct (Scope 1) greenhouse gas emissions (tonnes CO_2e)		**7,609**	7,927	7,519	98/112
Total indirect (Scope 2) greenhouse gas emissions (tonnes CO_2e)		**34,149**	38,710	42,503	98/112
Greenhouse gas intensity from building energy consumption (tonnes CO_2e)	Offices (per m^2)	**0.069**	0.075	0.076	27/29
	Retail – enclosed (per m^2)	**0.067**	0.073	0.088	5/7
	Retail – open air (per car parking space)	**0.064**	0.063	0.063	35/37
Total water consumption (m^3)		**663,541**	653,490	557,041	60/65
Building water intensity (m^3 per FTE or 10,000 visitors)	Offices	**14.59**	15.08	14.96	24/27
	Retail – enclosed	**9.47**	10.29	10.23	6/7
	Retail – open air	**2.86**	1.79	1.94	18/20
Total waste by disposal route (tonnes and %)	Re-used and recycled	**12,166 (56.8%)**	12,899 (60.8%)	11,212 (60.3%)	65/77
	Incinerated	**9,236 (43.0%)**	8,132 (38.3%)	6,701 (36.0%)	65/77
	Landfilled	**35 (0.2%)**	184 0.9%)	680 (3.7%)	65/77
Sustainably certified assets – Energy Performance Certificates (% by value)	A to B	**32%**	30%	22%	2296/2389
	C to E	**64%**	67%	75%	2296/2389
	F to G	**4%**	3%	3%	2296/2389

1 As per EPRA best practice recommendations, total energy and water data covers energy and water procured by British Land. Energy and carbon intensity data covers common parts and shared services for Offices and common parts for Retail. Water intensity data covers whole buildings for Offices and common parts for Retail. Intensity data for previous years has been restated to align with our intensity index methodology. Per m^2 comprises net internal areas for Offices and common parts for Retail. Waste data for previous years has been restated to apportion Material Recovery Facility handled waste to recycling, incineration and/or landfill as appropriate.

For our full methodology and more detailed data on all these indicators and additional indicators, please see our Sustainability Accounts 2017: **www.britishland.com/data**

TEN YEAR RECORD

The table below summarises the last ten years' results, cash flows and balance sheets.

	2017 £m	2016 £m	2015 £m	2014 £m	2013 £m	2012 £m	2011 £m	2010 £m	2009 £m	2008 £m[5]
Income[1]										
Gross rental income	**643**	654	618	597	567	572	541	561	650	709
Net rental income	**610**	620	585	562	541	546	518	545	598	667
Net fees and other income	**17**	17	17	15	15	17	18	15	20	40
Interest expense (net)	**(151)**	(180)	(201)	(202)	(206)	(218)	(212)	(246)	(292)	(350)
Administrative expense	**(86)**	(94)	(88)	(78)	(76)	(76)	(68)	(65)	(58)	(73)
Underlying Profit	**390**	363	313	297	274	269	256	249	268	284
Exceptional costs (not included in Underlying Profit)[4]	**–**	–	–	–	–	–	–	–	(119)	–
Dividends declared	**296**	287	277	266	234	231	231	225	198	179
Summarised balance sheets										
Total properties at valuation[1,3]	**13,940**	14,648	13,677	12,040	10,499	10,337	9,572	8,539	8,625	13,471
Net debt	**(4,223)**	(4,765)	(4,918)	(4,890)	(4,266)	(4,690)	(4,173)	(4,081)	(4,941)	(6,413)
Other assets and liabilities	**(219)**	191	276	(123)	(266)	(266)	(298)	(51)	(297)	(122)
EPRA NAV/Fully diluted adjusted net assets	**9,498**	10,074	9,035	7,027	5,967	5,381	5,101	4,407	3,387	6,936
Cash flow movement – Group only										
Cash generated from operations	**379**	341	318	243	197	211	182	248	406	477
Cash outflow from operations	**(16)**	(47)	(33)	(24)	(7)	(5)	28	(112)	(201)	(295)
Net cash inflow from operating activities	**363**	294	285	219	190	206	210	136	205	182
Cash inflow (outflow) from capital expenditure, investments, acquisitions and disposals	**470**	230	(111)	(660)	(202)	(547)	(240)	(39)	418	857
Equity dividends paid	**(295)**	(235)	(228)	(159)	(203)	(212)	(139)	(154)	(188)	(161)
Cash (outflow) inflow from management of liquid resources and financing	**(538)**	(283)	20	607	213	630	157	(485)	(58)	(830)
Increase (decrease) in cash[6]	**–**	6	(34)	7	(2)	77	(12)	(542)	377	48
Capital returns										
(Reduction) growth in net assets[2]	**(5.7%)**	11.5%	28.6%	17.8%	10.9%	5.5%	15.7%	30.1%	(51.1%)	(21.6%)
Total return	**2.7%**	14.2%	24.5%	20.0%	4.5%	9.5%	17.7%	33.5%	(61.6%)	(18.1%)
Total return – pre-exceptional	**2.7%**	14.2%	24.5%	20.0%	4.5%	9.5%	17.7%	33.5%	(60.3%)	(18.1%)
Per share information[7]										
EPRA net asset value per share	**915p**	919p	829p	688p	596p	595p	567p	504p	398p	1,114p
Memorandum										
Dividends declared in the year	**29.2p**	28.4p	27.7p	27.0p	26.4p	26.1p	26.0p	26.0p	29.8p	29.0p
Dividends paid in the year	**28.8p**	28.0p	27.3p	26.7p	26.3p	26.0p	26.0p	27.3p	30.0p	26.7p
Diluted earnings										
Underlying EPRA earnings per share	**37.8p**	34.1p	30.6p	29.4p	30.3p	29.7p	28.5p	28.4p	41.0p	44.3p
IFRS earnings (loss) per share[4]	**14.7p**	119.7p	167.3p	110.2p	31.5p	53.8p	95.2p	132.6p	(614.1p)	(251.0p)

1 Including share of joint ventures and funds.
2 Represents movement in diluted EPRA NAV.
3 Including surplus over book value of trading and development properties.
4 Including restatement in 2016 (see note 2 to the financial statements), and exceptional finance costs in 2009: £119 million.
5 2008 restated for IFRS. The UK GAAP accounts shows gross rental income of £620 million and Underlying Profit of £175 million.
6 Represents movement in cash and cash equivalents under IFRS and movements in cash under UK GAAP.
7 Adjusted for the rights issue of 341 million shares in March 2009.

Financial calendar

2017/18	
Fourth quarter ex-dividend date	29 June 2017
Fourth quarter dividend payment date	4 August 2017
First quarter ex-dividend date	05 October 2017
First quarter dividend payment date	10 November 2017
Half year results	16 November 2017
Second quarter ex-dividend date	January 2018
Second quarter dividend payment date	February 2018
Third quarter ex-dividend date	March 2018
Third quarter dividend payment date	May 2018
Full year results	May 2018
Fourth quarter ex-dividend date	June 2018
Fourth quarter dividend payment date	August 2018

If offered, the Board will announce the availability of a Scrip dividend alternative via the Regulatory News Service no later than four business days before each ex-dividend date. Scrip dividend alternatives will not be enhanced. The split between PID and non-PID income for each dividend will be announced at the same time.

Reflecting the long term nature of our business, we will cease publication of first and third quarter trading updates going forward. We will continue to provide trading updates ahead of our AGM each year. The next AGM is scheduled for 18 July 2017 and we will continue to provide timely updates on the business as appropriate.

Analysis of shareholders – 31 March 2017

Range	Number of holdings	%	Balance as at 31 March 2017[1]	%
1–1,000	5,835	55.87	2,541,358	0.24
1,001–5,000	3,060	29.30	6,775,826	0.65
5,001–20,000	662	6.34	6,413,736	0.62
20,001–50,000	238	2.28	7,554,711	0.73
50,001–Highest	649	6.21	1,017,749,427	97.76
Total	10,444	100.00	1,041,035,058	100.00

Holder type	Number of holders	%	Balance as at 31 March 2017[1]	%
Individuals	6,410	61.37	11,740,359	1.13
Nominee and institutional investors	4,034	38.63	1,029,294,699	98.87
Total	10,444	100.00	1,041,035,058	100.00

1 Excluding 11,266,245 shares held in treasury.

SHAREHOLDER INFORMATION CONTINUED

Registrars
British Land has appointed Equiniti Limited (Equiniti) to administer its shareholder register. Equiniti can be contacted at:

Aspect House, Spencer Road,
Lancing, West Sussex BN99 6DA
Tel: 0371 384 2143 (UK callers)
Tel: +44 (0)121 415 7047 (Overseas callers)

Lines are open from 8:30am to 5:30pm Monday to Friday excluding public holidays.

Equiniti's website is: **www.shareview.co.uk**
By registering with Shareview, shareholders can:

- view your British Land shareholding online;
- update your details; and
- elect to receive shareholder mailings electronically.

Equiniti is also the Registrar for the BLD Property Holdings Limited Stock.

British Land's Debentures Registrar is Capita and can be contacted at:

The Registry
34 Beckenham Road,Beckenham, Kent
BR3 4TU
Tel: 0871 664 0300

Calls cost 10 pence per minute plus network extras. Lines are open from 9.00am to 5.30pm, Monday to Friday excluding public holidays.

Share dealing facilities
By registering with Shareview, Equiniti also provides existing and prospective UK shareholders with a share dealing facility for buying and selling British Land shares online or by phone.

For more information, contact Equiniti at **www.shareview.co.uk/dealing** or call 03456 037 037. Lines are open Monday to Friday, 8.00am to 4.30pm. Existing British Land shareholders will need the reference number given on your share certificate to register.

Similar share dealing facilities are provided by other brokers, banks and financial services.

Registered office
The registered office of The British Land Company PLC is situated at:

York House
45 Seymour Street
London W1H 7LX
Tel: +44 (0)20 7486 4466
Website: **www.britishland.com**

Annual General Meeting
The Annual General Meeting of The British Land Company PLC will be held at The Hyatt Regency London – The Churchill, 30 Portman Square, London W1H 7BH on 18 July 2017 at 11.00am.

Dividends
As a REIT, British Land pays Property Income Distribution (PID) and non-Property Income Distribution (non-PID) dividends. More information on REITs and PIDs can be found in the Glossary on page 177 or in the Investors section of our website at **www.britishland.com/dividends**

British Land dividends can be paid directly into your bank or building society account instead of being despatched by cheque. More information about the benefits of having dividends paid directly into your bank or building society account, and the mandate form to set this up, can be found in the Investors section of our website at **www.britishland.com/dividends**

Scrip Dividend Scheme
British Land may offer shareholders the opportunity to participate in the Scrip Dividend Scheme by offering a Scrip Alternative to a particular dividend from time to time. The Scrip Dividend Scheme allows participating shareholders to receive additional shares instead of a cash dividend. More information is available on the Investors section of our website at **www.britishland.com/scrip-dividend-scheme**

Website and shareholder communications
The British Land corporate website contains a wealth of material for shareholders, including the current share price, press releases and information dividends. The website can be accessed at **www.britishland.com**

British Land encourages its shareholders to receive shareholder communications electronically. This enables shareholders to receive information quickly and securely as well as in a more environmentally friendly and cost-effective manner. If you would like further information, please visit **www.shareview.co.uk** or telephone the Shareholder Helpline.

Shareholder fraud warning
Shareholders are reminded to be very vigilant of share fraud. This might include unsolicited telephone calls or letters offering free investment advice or offers to buy and sell shares at discounted or inflated prices.

The Financial Conduct Authority (FCA) has published lots of useful advice on how to protect yourself from investment scams. This information is available on the FCA website **www.fca.org.uk/scams** or by calling the Consumer Helpline on 0800 111 6768.

ShareGift
Shareholders with a small number of shares, the value of which makes it uneconomic to sell them, may wish to consider donating their shares to charity. ShareGift is a registered charity (No. 1052686) which collects and sells unwanted shares and uses the proceeds to support a wide range of UK charities. A ShareGift donation form can be obtained from Equiniti and further information is available at:

ShareGift
The Orr Mackintosh Foundation Limited,
17 Carlton House Terrace,
London SW1Y 5AH
Tel: +44 (0)20 7930 3737
Website: **www.sharegift.org**

Unsolicited mail
British Land is required by law to make its share register available on request to other organisations. This may result in the receipt of unsolicited mail. To limit this, shareholders may register with the Mailing Preference Service. For more information, or to register, visit: **www.mpsonline.org.uk**

Honorary President
In recognition of his work building British Land into the industry leading company it is today, Sir John Ritblat was appointed as Honorary President on his retirement from the Board in December 2006.

Tax
The Group elected for REIT status on 1 January 2007, paying a £308m conversion charge to HMRC in the same year. As a consequence of the Group's REIT status, tax is not levied within the corporate group on the qualifying property rental business but is instead deducted from distributions of such income as Property Income Distributions to shareholders. Any income which does not fall within the REIT regime is subject to tax within the Group in the usual way. This includes profits on property trading activity, property related fee income and interest income. We continue to comfortably pass all REIT tests ensuring that our REIT status is maintained.

We work proactively and openly to maintain a constructive relationship with HMRC. We discuss matters in real-time with HMRC and disclose all relevant facts and circumstances, particularly where there may be tax uncertainty or the law is unclear. HMRC assigns risk ratings to all large companies. We have a low appetite for tax risk and HMRC considers us to be 'Low Risk' (a status we have held since 2007 when the rating was first introduced by HMRC).

Adjusted net debt is the Group net debt and the Group's share of joint venture and funds' net debt excluding the mark-to-market on effective cash flow hedges and related debt adjustments and non-controlling interests. A reconciliation between Group net debt and adjusted net debt is included in Table A within the supplementary disclosures.

AGM is the Annual General Meeting of The British Land Company PLC. The 2017 AGM will be held on 18 July 2017 at The Hyatt Regency London – The Churchill, 30 Portman Square, London W1H 7BH commencing at 11.00am.

Annualised rent is the gross property rent receivable on a cash basis as at the reporting date. Additionally, it includes the external valuers' estimate of additional rent in respect of unsettled rent reviews, turnover rent and sundry income such as that from car parks and commercialisation, less any ground rents payable under head leases.

Assets under management is the full value of all assets owned and managed by British Land and includes 100% of the value of all assets owned by joint ventures and funds.

BREEAM (Building Research Establishment Environmental Assessment Method) assesses the sustainability of buildings against a range of social and environmental criteria.

Capital return is calculated as the change in capital value of the portfolio, less any capex incurred, expressed as a percentage of capital employed (start value plus capital expenditure) over the period, as calculated by IPD. Capital returns are calculated monthly and indexed to provide a return over the relevant period.

Contracted rent is the annualised rent adjusting for the inclusion of rent subject to rent free periods.

Customer satisfaction combines survey results on overall experience ratings from decision makers, property directors, store managers and visitors across our retail and office businesses.

Developer's profit is the profit on cost estimated by the valuers that a developer would expect. The developer's profit is typically calculated by the valuers to be a percentage of the estimated total development costs, including land and notional finance costs.

Development cost is the total cost of construction of a project to completion, excluding site values and finance costs (finance costs are assumed by the valuers at a notional rate of 5% per annum).

Development uplift is the total increase in the value (after taking account of capex and capitalised interest) of properties held for development during the period. It also includes any developer's profit recognised by valuers in the period.

EPRA is the European Public Real Estate Association, the industry body for European REITs.

EPRA cost ratio (including direct vacancy costs) is a proportionally consolidated measure of the ratio of net overheads and operating expenses against gross rental income (with both amounts excluding ground rents payable). Net overheads and operating expenses relate to all administrative and operating expenses, net of any service fees, recharges or other income specifically intended to cover overhead and property expenses.

EPRA cost ratio (excluding direct vacancy costs) is the ratio calculated above, but with direct vacancy costs removed from the net overheads and operating expenses balance.

EPRA earnings is the IFRS profit after taxation attributable to shareholders of the Company excluding investment and development property revaluations, gains/losses on investing and trading property disposals, changes in the fair value of financial instruments and associated close-out costs and their related taxation. These items are presented in the capital and other column of the income statement. A reconciliation between profit attributable to shareholders of the Company and EPRA earnings is included in Table B within the supplementary disclosures.

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

EPRA net asset value (EPRA NAV) is a proportionally consolidated measure, representing the IFRS net assets excluding the mark-to-market on effective cash flow hedges and related debt adjustments, the mark-to-market on the convertible bonds as well as deferred taxation on property and derivative valuations. It includes the valuation surplus on trading properties and is adjusted for the dilutive impact of share options. A reconciliation between IFRS net assets and EPRA NAV is included in Table B within the Supplementary Disclosures.

EPRA net initial yield is the annualised rents generated by the portfolio, after the deduction of an estimate of annual recurring irrecoverable property outgoings, expressed as a percentage of the portfolio valuation (adding notional purchaser's costs), excluding development and residential properties.

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

EPRA occupancy rate is the ERV of occupied space divided by ERV of the whole portfolio, excluding developments and residential property.

EPRA topped-up net initial yield is the current annualised rent, net of costs, topped-up for contracted uplifts, where these are not in lieu of rental growth, expressed as a percentage of capital value (adding notional purchaser's costs).

EPRA vacancy rate is the ERV of vacant space divided by ERV of the whole portfolio, excluding developments and residential property.

Estimated rental value (ERV) is the external valuers' opinion of 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.

ERV growth is the change in ERV over a period on the standing investment properties expressed as a percentage of the ERV at the start of the period. ERV growth is calculated monthly and compounded for the period subject to measurement, as calculated by IPD.

Fair value movement is the accounting adjustment to change the book value of an asset or liability to its market value.

Footfall is the estimated annualised number of visitors entering our assets.

Footfall growth is the like-for-like movement in footfall against the same period in the prior year, on properties owned throughout both comparable periods, aggregated at British Land's ownership share for each asset.

Gross investment activity is our share of acquisitions, sales and capital expenditure on investments and development.

Gross rental income is the gross accounting rent receivable (quoted either for the period or on an annualised basis) prepared under IFRS which requires that rental income from fixed / minimum guaranteed rent reviews and tenant incentives is spread on a straight-line basis over the lease period to earliest termination date. This can result in income being recognised ahead of cash flow.

GLOSSARY CONTINUED

Group is The British Land Company PLC and its subsidiaries and excludes its share of joint ventures and funds (where not treated as a subsidiary) on a line-by-line basis (i.e. not proportionally consolidated).

Headline rent is the contracted gross rent receivable which becomes payable after all the tenant incentives in the letting have expired.

IFRS are the International Financial Reporting Standards as adopted by the European Union.

Income return is calculated as net income expressed as a percentage of capital employed over the period, as calculated by IPD. Income returns are calculated monthly and indexed to provide a return over the relevant period.

Interest cover is the number of times net financing costs are covered by Underlying Profit before net financing costs and taxation.

IPD is a brand of real estate indices, owned by MSCI, which produce independent benchmarks of property returns and British Land UK portfolio returns.

Lettings and lease renewals are compared both to the previous passing rent as at the start of the financial year and the ERV immediately prior to letting. Letting performance against ERV compares of achieved letting terms on long term lettings and renewals against valuation assumptions on like-for-like space, calculated on a net effective basis, aggregated at British Land's ownership share for each asset.

Leverage see loan to value (LTV).

Like-for-like rental income growth is the growth in net rental income on properties owned throughout the current and previous periods under review. This growth rate includes revenue recognition and lease incentive adjustments but excludes properties held for development in either period and lease accounting adjustments related to fixed and minimum rent reviews.

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

Managed portfolio consists of multi-let properties where we have control of facilities and utilities management.

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

Net development value is the estimated end value of a development project as determined by the external valuers when the building is completed and fully let (taking into account tenant incentives and notional purchaser's costs). It is based on the valuer's view on ERVs, yields, letting voids and tenant incentives.

Net effective rent is the contracted gross rent receivable taking into account any rent-free period or other tenant incentives. The incentives are treated as a cost-to-rent and spread over the lease period to the earliest termination date.

Net equivalent yield (NEY) is the time weighted average return (after adding notional purchasers costs) that a property will produce. In accordance with usual practice, the equivalent yield (as determined by the external valuers) assume rent is received annually in arrears.

Net initial yield (NIY) is the current annualised rent, net of costs, expressed as a percentage of capital value, after adding notional purchaser's costs.

Net rental income is the rental income receivable in the period after payment of direct property outgoings which typically comprise ground rents payable under head leases, void costs, net service charge expenses and other direct irrecoverable property expenses. Net rental income is quoted on an accounting basis. Net rental income will differ from annualised net cash rents and passing rent due to the effects of income from rent reviews, net property outgoings and accounting adjustments for fixed and minimum contracted rent reviews and lease incentives.

Net reversionary yield (NRY) is the anticipated yield to which the initial yield will rise (or fall) once the rent reaches the estimated rental value.

Occupancy rate is the estimated rental value of let units as a percentage of the total estimated rental value of the portfolio, excluding development and residential properties. It includes accommodation under offer, subject to asset management (where they have been taken back for refurbishment and are not available to let as at the measurement date) or occupied by the Group.

Omni-channel retailing seeks to provide the customer with a seamless shopping experience across channels, including stores, online and mobile. This empowers customers to switch between channels during the shopper journey according to their preferences. For example, they can use mobile in-store to research or make a purchase, buy online and collect in-store, or they can buy in-store and initiate a return online.

Over rented is the term used to describe when the contracted rent is above the estimated rental value.

Overall topped-up net initial yield (TUNIY) is the EPRA topped-up net initial yield, adding all contracted uplifts to the annualised rents.

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

Property income distributions (PIDs) are profits distributed to shareholders which are subject to tax in the hands of the shareholders as property income. PIDs are normally paid net of withholding tax, currently at 20%, which the REIT pays to the tax authorities on behalf of the shareholder. Certain types of shareholder (e.g. pension funds) are tax exempt and receive PIDs without withholding tax. REITs also pay out normal dividends, called non-PIDs, which are taxed in the same way as dividends received from non REIT companies; these are not subject to withholding tax and for UK individual shareholders qualify for the tax free dividend allowance.

Portfolio valuation is reported by the Group's external valuers. In accordance with usual practice, they report valuations net, after the deduction of notional purchaser's costs, including stamp duty land tax, agent and legal fees.

Proportionally consolidated measures include the Group's share of joint ventures and funds and exclude non-controlling interests in the Group's subsidiaries.

Rack rented is the term used to describe when the contracted rent is in line with the estimated rental value, implying nil reversion.

Rent-free period see Tenant (or lease) incentives.

REITs are property companies that allow people and organisations to invest in commercial property and receive benefits as if they directly owned the properties themselves. The rental income, after costs, is passed directly to shareholders in the form of dividends. In the UK REITs are required to distribute at least 90% of their tax exempt property income to shareholders as dividends. As a result, over time, a significant proportion of the total return for shareholders is likely to come from dividends. The effect is that taxation is moved from the corporate level to the investor level as investors are liable for tax as if they owned the property directly. British Land became a REIT in January 2007.

Rent reviews take place at intervals agreed in the lease (typically every five years) and their purpose is usually to adjust the rent to the current market level at the review date. For upwards-only rent reviews, the rent will either remain at the same level or increase (if market rents have increased) at the review date.

Rents with fixed and minimum uplifts are either where rents are subject to contracted uplifts at a level agreed at the time of letting; or where the rent is subject to an agreed minimum level of uplift at the specified rent review.

Retailer sales growth is the like-for-like movement in retailer in-store sales against the same period in the prior year, on occupiers remaining in the same unit, providing sales data throughout both comparable periods, aggregated at British Land's ownership share for each asset.

Retail planning consents are separated between A1, A2 and A3 – as set out in The Town and Country Planning (Use Classes) Order. Within the A1 category, Open A1 permission allows for the majority of types of retail including fashion to be accommodated, while Restricted A1 permission places limits on the types of retail that can operate (for example, a restriction that only bulky goods operators are allowed to trade at that site).

Class	Description	Use for all/any of the following purposes
A1	Shops	Shops, retail warehouses, hairdressers, undertakers, travel and ticket agencies, post offices, pet shops, sandwich bars, showrooms, domestic hire shops dry cleaners, funeral directors and internet cafes.
A2	Financial and professional services	Financial services such as banks and building societies, professional services (other than health and medical services) and including estate and employment agencies. It does not include betting offices or pay day loan shops – these are now classed as "sui generis" uses.
A3	Restaurants and cafes	For the sale of food and drink for consumption on the premises – restaurants, snack bars and cafes.
D2	Assembly and leisure	Cinemas, music and concert halls, bingo and dance halls (but not night clubs), swimming baths, skating rinks, gymnasiums or areas for indoor or outdoor sports and recreations.

Reversion is change in rent estimated by the external valuers, where the passing rent is different to the estimated rental value. The increase or decrease of rent arises on rent reviews and letting of vacant space or re-letting of expiries.

Scrip dividend For certain periods, British Land offers its shareholders the opportunity to receive dividends in the form of shares instead of cash. This is known as a Scrip dividend.

Standing investments are assets which are not in the course of, or held for, development.

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

The residual site value of a development is calculated as the estimated net development value, less development profit, all development construction costs, finance costs (assumed at a notional rate) of a project to completion and notional site acquisition costs. The residual is determined to be the current site value.

Topping out is a traditional construction ceremony to mark the occasion when the structure of the building reaches the highest point.

Total property return is calculated as the change in capital value, less any capex incurred, plus net income, expressed as a percentage of capital employed over the period, as calculated by IPD. Total property returns are calculated monthly and indexed to provide a return over the relevant period.

Total accounting return is the growth in EPRA NAV per share plus dividends paid, and this can be expressed as a percentage of EPRA NAV per share at the beginning of the period.

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

Total tax contribution is a more comprehensive view of tax contributions than the accountancy-defined tax figure quoted in most financial statements. It comprises taxes and levies paid directly, as well as taxes collected from others which we administered.

Turnover rent is where all or a portion of the rent is linked to the sales or turnover of the occupier.

Under rented is the term used to describe when the contracted rent is below the estimated rental value (ERV), implying a positive reversion.

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 is the pre-tax EPRA earnings measure with additional Company adjustments. No Company adjustments were made in either the current or prior period.

Valuation movement is the change in the portfolio valuation and sales receipts of properties sold during the period, net of capital expenditure, capitalised interest and development team costs, and transaction costs incurred, expressed as a percentage of the portfolio valuation at the start of the period plus net capex, capitalised interest and development team costs, and transaction costs.

Virtual freehold represents a long leasehold tenure for a period of up to 999 years. A 'peppercorn', or nominal, rent is paid annually.

Weighted average debt maturity is calculated by multiplying each tranche of debt by the remaining period to its maturity, with the sum of the results being divided by total debt in issue at the period end.

Weighted average interest rate is the loan interest and net derivative costs per annum at the period end, divided by total debt in issue at the period end.

Weighted average unexpired lease term is the average lease term remaining to first break, or expiry, across the portfolio weighted by contracted rental income (including rent-frees). The calculation excludes residential leases and properties allocated as developments.

Yield on cost is the estimated annual rent of a completed development divided by the total cost of development including site value and notional finance costs to the point of assumed rent commencement, expressed as a percentage return.

Yield shift is a movement (usually expressed in bps) in the net equivalent yield of a property asset, or like-for-like portfolio, over a given period, weighted by net capital value.

Forward-looking statements

This Annual Report contains certain 'forward-looking' statements. Such statements reflect current views on, among other things, our markets, activities, projections, objectives and prospects. Such 'forward-looking' statements can sometimes, but not always, be identified by their reference to a date or point in the future or the use of 'forward-looking' terminology, including terms such as 'believes', 'estimates', 'anticipates', 'expects', 'forecasts', 'intends', 'due', 'plans', 'projects', 'goal', 'outlook', 'schedule', 'target', 'aim', 'may', 'likely to', 'will', 'would', 'could', 'should' or similar expressions or in each case their negative or other variations or comparable terminology. By their nature, forward-looking statements involve inherent risks, assumptions and uncertainties because they relate to future events and depend on circumstances which may or may not occur and may be beyond our ability to control or predict. Forward-looking statements should be regarded with caution as actual results may differ materially from those expressed in or implied by such statements.

Important factors that could cause actual results, performance or achievements of British Land to differ materially from any outcomes or results expressed or implied by such forward-looking statements include, among other things: (a) general business and political, social and economic conditions globally, (b) the consequences of the referendum on Britain leaving the EU, (c) industry and market trends (including demand in the property investment market and property price volatility), (d) competition, (e) the behaviour of other market participants, (f) changes in government and other regulation, including in relation to the environment, health and safety and taxation (in particular, in respect of British Land's status as a Real Estate Investment Trust), (g) inflation and consumer confidence, (h) labour relations and work stoppages, (i) natural disasters and adverse weather conditions, (j) terrorism and acts of war, (k) British Land's overall business strategy, risk appetite and investment choices in its portfolio management, (l) legal or other proceedings against or affecting British Land, (m) reliable and secure IT infrastructure, (n) changes in occupier demand and tenant default, (o) changes in financial and equity markets including interest and exchange rate fluctuations, (p) changes in accounting practices and the interpretation of accounting standards and (q) the availability and cost of finance. The Company's principal risks are described in greater detail in the section of this Annual Report headed Risk Management and Principal Risks. Forward-looking statements in this Annual Report, or the British Land website or made subsequently, which are attributable to British Land or persons acting on its behalf should therefore be construed in light of all such factors.

Information contained in this Annual Report relating to British Land or its share price or the yield on its shares are not guarantees of, and should not be relied upon as an indicator of, future performance, and nothing in this Annual Report should be construed as a profit forecast or profit estimate. Any forward-looking statements made by or on behalf of British Land speak only as of the date they are made. Such forward-looking statements are expressly qualified in their entirety by the factors referred to above and no representation, assurance, guarantee or warranty is given in relation to them (whether by British Land or any of its associates, directors, officers, employees or advisers), including as to their completeness, accuracy or the basis on which they were prepared.

Other than in accordance with our legal and regulatory obligations (including under the UK Financial Conduct Authority's Listing Rules, Disclosure and Transparency Rules and the Market Abuse Regulations), British Land does not intend or undertake to update or revise forward-looking statements to reflect any changes in British Land's expectations with regard thereto or any changes in information, events, conditions or circumstances on which any such statement is based. This document shall not, under any circumstances, create any implication that there has been no change in the business or affairs of British Land since the date of this document or that the information contained herein is correct as at any time subsequent to this date.

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