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British Land

PLACES PEOPLE PREFER

Annual Report
and Accounts 2014

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COMPANIES HOUSE

PEOPLE HAVE A CHOICE WHERE THEY WORK, SHOP AND LIVE. WE AIM TO CREATE OUTSTANDING PLACES WHICH MAKE A POSITIVE DIFFERENCE TO PEOPLE'S EVERYDAY LIVES.

PLACES PEOPLE PREFER

Place /pleɪs/ **noun** an area or location

An office campus or building, shopping centre or park, retail outlet, venue or residential building

People / pɪ p(ə)l/ **noun** persons in general or considered collectively

Customers (occupiers), users (office workers, shoppers and visitors), residents, local community, intermediaries (e g agents) and other related stakeholders

Prefer /prɪ f ə / **verb** like better than any other

Tend to choose because it meets your needs

FOR MORE INFORMATION
You ll find links throughout this Report, to guide you to further reading or relevant information

Find more information on our website
www britishland com

See page title
P00–00

FEEDBACK
We value your feedback
Please contacts us at

Our corporate website
www britishland com

Our iPad app
British Land investor relations

Follow us on Twitter
@BritishLandPLC

CORPORATE RESPONSIBILITY
We believe that operating sustainably and behaving responsibly are fundamental to creating long-term value Information relating to social environmental and ethical issues is therefore integrated throughout this Report This provides the reader with insight into the critical linkages in our thinking and activity It also shows more directly how we create value not just for our investors but for our other key stakeholders and the society in which we operate

HIGHLIGHTS OF THE YEAR

- Portfolio returns boosted by our actions and strengthening markets
- Increased letting activity driven by improving occupier demand
- Significant development returns as 2010 West End programme completes along with further pre-lets
- Significant investment adding to core income and replenishing development pipeline
- Taking advantage of stronger debt markets to raise £1 5 billion of new finance

EPRA NET ASSET VALUE PER SHARE

688p

Up 15 4%

DIVIDEND PER SHARE

27.0p

Up 2 3%, in line with previous announcements

TOTAL ACCOUNTING RETURN

20.0%

Reflecting the increase in our Net Asset Value per share and income yield from the dividend

PORTFOLIO VALUATION[1]

£12.0bn

Up 8 3% with asset management and development contributing half the uplift

UNDERLYING PROFIT BEFORE TAX

£297m

Up 8 4% reflecting the accretive investment of our equity placing proceeds development lettings and higher like-for-like growth

UNDERLYING EPS

29.4p

Down 3% primarily as a result of disposals made last year

1 Our share of UK portfolio excluding £89 million of assets held in Europe

CARBON EMISSIONS

–36% since 2009

We have reduced our Scope 1 and 2 carbon emissions across our like-for-like portfolio by 36% since 2009

CUSTOMER SATISFACTION

7.8/10

In our biennial independent customer satisfaction survey our occupiers scored us 7 8 out of 10 for satisfaction with landlord outperforming the industry average of 5 1 out of 10

EMPLOYEE SATISFACTION

One Star

We achieved a One Star rating in The Sunday Times Best Companies to Work For survey 2014 (2013 One Star)

EPRA PERFORMANCE MEASURES

As at 31 March (£m)	2014	2013	2012
EPRA earnings	**295**	268	262
EPRA NAV	**7,027**	5,967	5,381
EPRA NNNAV	**6,700**	5,522	5,148

As at 31 March (%)	2014	2013	2012
EPRA net initial yield	**4 8**	5 5	5 2
EPRA Topped-up net initial yield	**5 3**	5 7	5 8
EPRA vacancy rate	**5 2**	3 4	2 4

IFRS PERFORMANCE MEASURES

As at 31 March (£m)	2014	2013	2012
IFRS profit before tax	**1,110**	260	479
IFRS net assets	**7,117**	5 687	5 104

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WHAT WE DO

We are

one of Europe's largest publicly-listed real estate companies We manage, develop and finance a £17 8 billion portfolio of properties of which our share is £12 0 billion Our portfolio is focused on high-quality retail locations around the UK and London offices

Our portfolio P18–21

REIT Legislation P16

Our markets P16–17

Our objective is

to deliver long-term and sustainable total returns to our shareholders We do this by creating **places people prefer**

Business model P14–15

Our strategy is

to create and operate **places** that **people** will **prefer** when making a decision where to work, shop and live We are **customer-oriented**, enabling us to develop a deep understanding of what is important to people who use our places, we employ a lean team of **expert people** who translate this understanding into the creation of the **right places** to meet peoples needs, and our **capital efficiency** means we can effectively finance our portfolio

RIGHT PLACES P18–23

CUSTOMER ORIENTATION P24–25

CAPITAL EFFICIENCY P26–27

EXPERT PEOPLE P28–29

Our scale

gives us significant advantages Operationally, we benefit from the breadth of our occupier relationships and our ability to develop and leverage best practice across our portfolio Financially, our scale gives us a cost of capital advantage We are able to access a broad range of debt providing us with flexible and competitively priced financing

Customer orientation P24–25

Financing P26–27

Our team

is small and agile, best able to react quickly to opportunities Although we manage a large property portfolio, we are a team of 242 employees Our employees focus on the most highly-skilled and value-added activities It keeps our operating costs low and allows us to be more flexible

People P28–29

Our partners

are some of the best known property investors and food retail businesses Partnerships are an important part of our business, allowing us access to attractive investment opportunities, the ability to share risk, and work with people with complementary skills

Strategic partnerships P26

Our values

underpin everything we do We believe behaving responsibly and managing social and environmental issues are core to our ability to deliver long-term value

Governance P59–81

Corporate responsibility P42

INTEGRITY
We do what is right not what is easy

ONE TEAM
Working collaboratively both with internal and external stakeholders

EXCELLENCE
We are the best we can be and have a growth mindset

COMMERCIAL ACUMEN
We take the lead in our field

OUR PORTFOLIO

Our properties are home to over 1,000 different organisations and are places where over 99,000 people work or live They are visited around 300 million times each year

UK RETAIL AND LEISURE
As the UK s largest listed owner and manager of retail space, our portfolio is well matched to the different ways people shop today, from major regional shopping centres to single occupier locations We are focused on being the preferred destination for retailers and their customers by being the best provider of spaces and services

LONDON OFFICE AND RESIDENTIAL
Our Offices and Residential portfolio is focused on London reflecting its position as a leading global city, a place where people want to work, live and visit We have an attractive mix of high-quality buildings in well-managed environments and a pipeline of development projects which will add significantly to our portfolio Increasingly, our offices are in mixed-use environments which include retail and residential elements

£17.8bn
ASSETS UNDER MANAGEMENT

£12.0bn
OF WHICH WE OWN

31.9m sq ft
OF FLOOR SPACE

£608m
CONTRACTED RENT

96.1%
OCCUPANCY RATE

10.3 years
WEIGHTED AVERAGE LEASE LENGTH

£10.4bn
ASSETS UNDER MANAGEMENT

£6.9bn
OF WHICH WE OWN

24.6m sq ft
OF FLOOR SPACE

15
SHOPPING CENTRES

66
RETAIL PARKS

85
FOOD SUPERSTORES

Retail and Leisure portfolio P20

Retail and Leisure performance review P47–48

£7.4bn
ASSETS UNDER MANAGEMENT

£5.1bn
OF WHICH WE OWN

7.3m sq ft
OF FLOOR SPACE

3
OFFICE-LED, MIXED-USE CAMPUSES OVER 54 ACRES WITH 33 BUILDINGS (INCLUDING DEVELOPMENTS)

54
STAND-ALONE OFFICE BUILDINGS

8
OFFICE AND RESIDENTIAL DEVELOPMENTS

Offices and Residential P21

Offices and Residential performance review P49–50

Whiteley Shopping Hampshire

The Leadenhall Building London

How do you keep retail relevant in an online world?

WHITELEY SHOPPING, HAMPSHIRE

PLACES PEOPLE PREFER

The way people are shopping is clearly changing but physical space remains a core part of the buying experience for consumers Our understanding of consumers and what they want ensures we continue to create the very best environments where people choose to shop and spend their time and where retailers want to be Getting the right food and leisure offer is playing an increasingly important role in attracting shoppers and encouraging them to stay longer, helping our occupiers to generate sales and achieve their goals

Our recently opened Whiteley Shopping is a great example of how we can bring together insights and best practice from across our business It is why we were able to attract leading high street brands such as Fat Face and Joules who chose to open their first out-of-town stores at Whiteley Shopping It is why the cinema and all restaurant units in our forthcoming leisure extension are already pre-let or under offer, 12 months before opening Whiteley Shopping has rapidly become a preferred destination for retailers and shoppers It was voted 'Best Medium Sized Shopping Centre Development in Europe' by the International Council of Shopping Centres in 2014

4.7m
ANNUALISED FOOTFALL

65 minutes
AVERAGE LENGTH OF VISIT

1.25m
PEOPLE IN CATCHMENT AREA

87%
OF VISITORS ARE IN THE AFFLUENT ACHIEVERS' DEMOGRAPHIC

1,355
FREE PARKING SPACES

Excellent
BREEAM SUSTAINABILITY RATING

"The architecture has an extra level of quality, which combined with the environmental credentials rang true with our brand, and therefore is what appeals to our customers"

TIM MOODY
HEAD OF PROPERTY, FAT FACE

Whiteley Shopping
www.whiteleyshopping.co.uk

www.britishland.com/shoppingcentres

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How do you attract leading global companies to your offices?

REGENT'S PLACE, LONDON

PLACES PEOPLE PREFER

Companies from around the world are choosing London as a place to do business Great working environments, particularly those which have good transport links, are increasingly important in attracting and retaining the best people As well as good buildings to work in, great environments have places to shop and enjoy leisure time People are also choosing to live in the best of these environments

Regent's Place is a great example of how we are able to create outstanding work environments for London by understanding our occupiers' needs and working closely with the local community Its high-quality offices, well served by major transport links, are enhanced by restaurants, shops, a health club, a theatre, art studios, a children's nursery and landscaped open space As a result, this 13-acre campus has attracted a broad range of businesses from around the world from banking to oil and gas, to media and technology, including one of our newest occupiers, Facebook We have also provided 150 high-end apartments for people to buy along with 160 more affordable homes for people to rent

15,000
WORKERS AND RESIDENTS

45
DIFFERENT COMPANIES

98%
OCCUPANCY RATE

6.4%
ANNUAL INCREASE IN VALUE SINCE 2009

Excellent
BREEAM SUSTAINABILITY RATING

"We are delighted to be moving to Regent's Place and joining a vibrant business community Our new office space will transform the way we work together as a company"

SIMON REES
CEO DIGITAL CINEMA MEDIA

Regent s Place
www regentsplace com

www britishland com/offices

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CHAIRMAN'S STATEMENT

Reflecting upon my first full year as Chairman, it is notable how active British Land has been two major acquisitions, a new joint venture partner at Broadgate, a substantial new retail opening, and a significant new landmark on the London skyline, to name just a few of the highlights of the past 12 months This was achieved while continuing to deliver strong operational performance and maintaining a robust balance sheet

20.0%
TOTAL ACCOUNTING RETURN

688p +15.4%
EPRA NET VALUE PER SHARE

27.0p +2.3%
DIVIDEND PER SHARE

Overall, this is testament to the management team s commitment to operational excellence and delivery of total shareholder returns

Underlying pre-tax profit of £297 million was up 8 4% reflecting the successful investment of our equity placing proceeds rents from recently completed developments and higher like-for-like rental growth The value of our portfolio now stands at £12 0 billion and NAV is up to 688 pence per share The Board has recommended a fourth quarter dividend of 6 75 pence per share making a total of 27 0 pence per share for the year an increase of 2 3% over the prior year For 2014/15 we are proposing a dividend increase of 2 5% The combination of NAV growth and dividend gives a total accounting return of 20 0%

Over the past four years, the management team has been reshaping our business and the strong results we reported this year are evidence of this strategic direction We have greater weighting to London and the South East, and importantly within London we are well positioned with more assets in the West End and up-and-coming areas As the retail environment continues to evolve we have been investing in and future proofing our own retail portfolio to better reflect the way people shop Finally we completed eight developments in the last 12 months and have been active in replenishing the pipeline with a combination of new and existing assets that offer significant potential

Strategically during the period we invested the proceeds of our equity placing carefully, but ahead of plan We bolstered our development portfolio which will provide the business with opportunities out into the medium term

Our acquisition of Paddington Central in July to me, encapsulates all the qualities of British Land This was a complex transaction, with multiple vendors and issues to resolve British Land s ability to rapidly understand and address them combined with our significant financing resources meant we were able to acquire a very attractive asset at a highly competitive price It is the combination of skill and scale that allows British Land to extract significant value from opportunities that very few others could With our strong asset management experience, in particular that developed at Regent s Place and Broadgate, we are confident in our ability to add further value by creating an attractive environment in which people want to work, live and shop

The achievements of the year are all the more notable given they have been delivered by a very small team in FTSE 100 terms of just over 240 employees With a rigorous focus on operational efficiencies British Land is comprised of a small but highly-effective team of industry experts As part of our commitment to our employees we have continued to invest in training our staff to hone their skills and develop their careers I would like to take this opportunity to thank the team for their hard work during the year

The importance of good corporate governance cannot be understated As a Board we focus continually on enhancing our effectiveness as well as embracing the changes to the UK Corporate Governance Code and the changes to it that have come into force during the year

In September Richard Pym stood down as Non-Executive Director and Chairman of the Audit Committee We appointed Tim Score to the Board in March as a Non-Executive Director and Chairman of the Audit Committee His experience and insights given his role as CFO of a leading FTSE 100 company, will further strengthen the expertise and composition of the Board I would like to thank Aubrey Adams for his role as Chairman of the Company s Audit Committee during the interim period and the extremely valuable contribution he made

Further developments in our governance structure during the year included the establishment of a new management committee, the Operations Committee which has been formed to improve the flow of information between the Executive Committee and the wider Company and improve the quality of strategic and tactical decisions that are made

Our business does not operate in isolation our performance is underpinned by strong relationships with our occupiers partners, suppliers employees and the communities in which we operate Our occupiers are some of the best businesses globally with whom we work closely to understand their requirements and create places they, their employees and customers want to use Our partners are some of the most respected investors and retailers Partnerships with the likes of Norges Bank and GIC further enable us to make the most of significant large-scale opportunities

Full-year results 2014 video
www britishland com/investors

Chief Executive s review
P10–13

Chairman s governance review
P60–61

Managing our social, environmental and economic impacts is central to how we do business adding value to our assets and delivering value to our shareholders All members of our Executive Committee have a corporate responsibility target linked to their variable remuneration We continue our efforts to improve understanding of how social and environmental factors add value We are working with The Prince s Accounting for Sustainability Project to put sustainability at the heart of business decision making, strategy and reporting Our latest research highlights the social benefits and commercial results of our 30-year involvement at Regent s Place and our partnership with the local community and Camden Council

As we emerge from the shadow of global recession we remain confident for the prospects for the business in our chosen markets and locations Against an improving economic backdrop, British Land is well positioned for the future with a highly attractive portfolio of assets, extensive and resilient financing capacity and a highly-motivated and committed team of experts I look towards the coming year as we continue to build upon our successes

John Gildersleeve
Non-Executive Chairman

CHIEF EXECUTIVE'S REVIEW
OUR YEAR

"The business is in good shape and we've delivered a strong set of results We have benefited from strengthening occupational and investment markets but the decisions and actions we have taken both this year and in previous years have been a significant contributor to our performance, driving around half our valuation uplift"

£1,970m
GROSS INVESTMENT ACTIVITY

14.2%
TOTAL PROPERTY RETURNS OUTPERFORMING IPD BY 60 BPS

2.3m sq ft
LETTINGS/RENEWALS 6 3% AHEAD OF ERV

It has been a good year for British Land and our business is performing well We have executed well against the plan we set out last year The decisions and actions we have taken both this year and in previous years continue to be a key driver of our performance along with the strengthening of our markets

During our 2014 financial year we successfully invested the proceeds of our equity placing ahead of schedule, acquiring attractive assets at good prices Assets such as Paddington Central where we can create attractive environments places people prefer to work, shop and live in and which are integrated into their local communities We made major strides replenishing our London development potential giving us a significant pipeline of near and medium-term opportunities In Retail we took advantage of stronger investment markets to sell mature assets redeploying the capital into properties with more attractive prospective returns such as SouthGate Bath We took advantage of improving debt markets to raise new competitively priced finance providing us with additional flexible capital to support the future growth of the business

As economic confidence has improved in the UK and debt finance more broadly available, the market environment has become significantly more favourable, particularly in the second half of our financial year Domestic and international investors were more active, driving a higher volume of transactions with a consequent tightening of yields Capital returns outside London strengthened, although London continued to outperform all other markets, driven both by stronger investment and occupational markets The UK retail market materially improved, particularly from an investment perspective Retailers are now undoubtedly more positive, not only in the outlook for consumer spending but also the place that physical space plays in their omni-channel strategies

Our underlying pre-tax profits were 8 4% ahead at £297 million as we invested the placing proceeds benefited from development lettings and like-for-like rental growth improved Underlying EPS at 29 4 pence was 3 0% lower, primarily as the result of the disposals we made last year Our dividend is 2 3% up at 27 0 pence, in line with previous announcements, reflecting our successful investment of the placing proceeds and success in letting up developments EPRA Net Asset Value increased by 15 4% to 688 pence per share Taking into account the impact of the dividend, and the increase in Net Asset Value, we delivered an overall total accounting return for the period of 20 0% Reflecting our confidence in the coming year the Board is proposing a quarterly dividend of 6 92 pence per share or 27 68 pence per share for the full-year an increase of 2 5%

We generated total property returns of 14 2% and capital returns of 8 9%, once again outperforming the IPD benchmark by 60 bps and 140 bps respectively Our UK portfolio valuation uplift was 8 3% with our actions – asset management and development – driving around half the uplift and the balance coming from market yield shift The strengthening performance was especially notable within our London Office and Residential portfolio where values were 14 5% higher Our Retail valuations were 4 4% ahead reflecting our active asset management and improving market sentiment Across our portfolio, rental values were 3 0% ahead of 2013, compared with 1 7% for the market as a whole

Underpinning our business is the quality and sustainability of our rental income It is these rental streams that enable us to support and increase the dividend and grow our business Our customer orientation focus on landlord services and asset management ensure we continue to attract and retain high quality occupiers We signed over 2 3 million sq ft of lettings and lease extensions during the year with investment lettings signed on average 6 3% ahead of ERV Our like-for-like occupancy was 130 bps ahead reflecting the strength of our letting activity Overall occupancy was down at 96 1% as we completed West End developments which were moved into the standing portfolio

Within our Retail business our operational metrics strengthened reflecting the quality of the portfolio and our strong asset management We signed 1 7 million sq ft of lettings and renewals with investment lettings and renewals 4 9% ahead of ERV With occupancy up 110 bps to 98 5%, our portfolio is now virtually fully let Footfall was flat for the year as a whole and up 1 2% in the second half significantly outperforming the market

Full-year results presentation
www britishland com/results

Full-year results 2014 video
www britishland com/investors

Performance review
P43–55

In Offices we made good progress with increased letting activity broadly balanced between standing investments and developments Overall, investment deals were signed at 8 4% ahead of ERV At Regent s Place we completed our development of 10–30 Brock Street 10 Brock Street was fully let less than three months after practical completion to a diverse range of occupiers and the campus itself is now virtually full At Paddington Central, within our first months of ownership we have increased occupancy and are already making good progress on our plans to improve the campus Post our year-end we have seen an increase in occupier interest across our portfolio with over 150,000 sq ft of space let or under offer on attractive rental terms

Our 2010 development programme is nearing completion and has been substantially de-risked through lettings and residential sales It has now generated £608 million of profit with a further £45 million estimated to come We have been actively replenishing our pipeline including through the acquisition of development sites at Paddington Central and an option agreement to develop at Blossom Street Shoreditch These take our recently committed and near-term pipeline to almost 2 million sq ft We also have significant medium-term opportunities at existing sites including at Eden Walk Harmsworth and Surrey Quays

Access to flexible and cost effective financing is a key differentiator for British Land It allows us to respond quickly to opportunities Our financial flexibility not only allows us to have ready access to financing to fund growth, but also allows us to access the capital markets at the optimal time so taking advantage of improving financing terms Since 1 April 2013 we have raised £1 5 billion of new unsecured financing from a diverse range of lenders on competitive terms These included a £200 million US Private Placement with a 12-year term and a £785 million five-year revolving credit facility

KEY HIGHLIGHTS OF THE YEAR

TIMELY INVESTMENT	▪ Gross investment of £1 3 billion focused on London and the South East ▪ Placing proceeds invested ahead of plan accretive to EPS and NAV
PROFITABLE DEVELOPMENT	▪ Completed five of our 2010 London developments on schedule – total estimated profits of £636 million ▪ Replenished development pipeline
RESHAPING RETAIL PORTFOLIO	▪ Sale of £391 million mature UK retail assets ahead of valuation ▪ Invested in high-quality preferred retail destinations
STRENGTHENING OCCUPATIONAL METRICS	▪ 2 3 million sq ft of lettings and renewals ▪ Like-for-like occupancy up 130 bps

CHIEF EXECUTIVE'S REVIEW LOOKING FORWARD

"We have positioned our business behind several key themes and invested accordingly These trends have enduring relevance which leave us well positioned going forward to take advantage of London's continuing success and improving demand for the best retail space"

POSITIONING OUR BUSINESS FOR FUTURE GROWTH

Over recent years we have worked hard to build more growth into our business We have actively invested more capital into improving occupational and investment markets while at the same time re-shaping our portfolio We have positioned our business around several key themes identified these trends early and invested accordingly

In total we have undertaken £4 6 billion of gross investment activity over the last four years made up of over £3 billion of acquisitions and development spend along with £1 6 billion of disposals These trends have enduring relevance which we believe leaves our business well positioned as we look ahead

1 ATTRACTIVE ENVIRONMENTS

Occupiers are much more focused on the environments in which they operate This is a theme right across our business That is why we talk about Places People Prefer It is why we are investing at our office campuses at Paddington Central Broadgate and Regent s Place and why we are investing to improve the environments at our retail destinations such as Glasgow Fort and Whiteley Shopping

2 LONDON AS A LEADING GLOBAL CITY

London has become one of a small number of what are called global cities where people are choosing to locate their business activities, to live and visit From a property perspective, we believe London will remain strong both operationally and from an investment perspective over the longer-term and this will also benefit its immediate hinterland in the South East Around 75% of our investment in the last four years has been in London and the South East As a result it has increased from 50% of our business four years ago to over 60% today on a pro forma basis

3 IMPORTANCE OF TRANSPORT INFRASTRUCTURE

Public transport will become more and more important in London Crossrail which opens in 2018, is going to have a big impact We now own more than £3 billion of real estate within a stone s throw of Crossrail stations At our Broadgate campus the entrance to the station will be on the doorstep of 100 Liverpool Street, where we are planning a major refurbishment of the building Paddington Central will be just two minutes from Bond Street on Crossrail, effectively edging it into the West End

4 KEY ROLE OF HIGH-QUALITY PHYSICAL RETAIL

Shops will remain critical to retailers even in an increasingly digitally enabled world But success factors are changing As retailers continue to focus their stores on the best space, it is our view that these locations will generate better sustainable long-term returns than other locations That is why we have been so active buying selling and developing and with £2 3 billion of activity in total over the last four years, we believe our retail business is much better placed as a result

5 PROFITABLE DEVELOPMENT

Developing prime property remains a fundamental driver of value in our business Our 2010 programme has generated significant returns for our shareholders and we have made great progress replenishing our pipeline We have committed to a number of these schemes, notably Clarges Mayfair and expect to commit to developing a new building 4 Kingdom Street at Paddington Central later this year But we have also kept plenty of optionality, recognising that things can change

OUTLOOK

Looking to the next year overall we remain positive about our property markets Across the UK as a whole we are still in the early stages of an economic recovery and real wages are only just starting to increase

From a property perspective the differential between property and bond yields is still wide by historical standards With interest rates expected to remain at low levels for the foreseeable future property will remain an attractive source of income return However we have seen tightening of property yields earlier than many people expected particularly in London, and so we see our key markets as having rather different dynamics

In London offices, yields have tightened significantly and in the core markets are close to their ten year lows However occupational demand is strengthening at a time when development completions are relatively limited So we continue to expect the market to perform but for this performance to be driven primarily by rental growth With significant development space to let, we are well positioned to capture this growth

In prime residential we have already sold nearly all of the apartments developed as part of our 2010 programme generating significant profits Price growth has slowed but we are comfortable with our position given the bulk of our exposure is now at Clarges Mayfair which we bought in 2012 and where we are already on site Located on Piccadilly near the Ritz, and with spectacular views over Green Park, this is an exceptional scheme and we expect to generate good returns for shareholders

In retail, away from London the cycle is at an earlier stage Investor appetite is strengthening with demand from both domestic and international investors Looking at our portfolio we are still significantly off trough yields particularly for some of our larger assets From an occupational point of view, retailers are both more confident about the outlook for consumer spending and are clearer about the central role that physical space plays within their omni-channel strategies So while they are looking to take more space, they are becoming ever more discerning about the space they are willing to take Overall therefore we are more positive about the potential for further yield compression in retail and expect rents for high quality space to benefit over time as consumer spending continues to improve

In terms of investment we expect to be more balanced in our acquisitions and disposals in the coming year We will continue to take advantage of market strength to sell more mature retail assets and we have a number of assets under offer or in the market Although the market remains competitive we believe we can continue to take advantage of more complex situations to make attractive acquisitions We will also move forward progressively with our new development programme and expect to commit to 4 Kingdom Street at Paddington in the coming year

There are, of course risks to all this Political risks both at home and abroad are arguably greater than they were a year ago These of course may have an impact, but we draw considerable comfort from the strength of our business and we look to the future with confidence

Chris Grigg
Chief Executive

OUR PRIORITIES FOR THE YEAR AHEAD

- Drive like-for-like income through active asset management
- Progress our existing development programme
  - deliver Leadenhall and 5 Broadgate, and
  - lease up our remaining space in recently completed developments, and selectively pre-let office space and pre-sell residential units in our current developments
- Maintain strong occupier satisfaction, driven by our market-leading service
- Accelerating our development pipeline
  - commit to new sites, such as 4 Kingdom Street at Paddington,
  - progress our medium and long-term developments, such as Blossom Street in Shoreditch, Surrey Quays and Harmsworth Quays, and
  - continue to build our pipeline by identifying new opportunities both within and outside our portfolio
- Employ our property and deal making skills to access more complex property acquisitions as well as assets close to our existing properties
- Continue to reshape our Retail portfolio
  - enhance our existing portfolio to meet the evolving needs of occupiers and consumers,
  - take advantage of market strength to sell more mature assets, and
  - invest in retail schemes which are preferred destinations or have the ability to be
- Exit Europe
- Maintain our financial gearing within our 40% to 50% LTV range LTV may fall below this level due to phasing of recycling
- Invest in our capabilities for the medium-term
  - in particular, invest in people, processes, analytics, technology and marketing
- Maintain our One Star rating in the Best Companies to Work For survey

OUR BUSINESS MODEL

WE CREATE

PLACES PEOPLE PREFER

People have a choice about where they live, work and shop It is our aim to create outstanding places which make a positive difference to everyday lives
British Land: Creating Places People Prefer.

BY FOCUSING ON

RIGHT PLACES

- Well located
- Great environments
- Modern buildings
- Adaptable space
- Efficient buildings
- Sustainable
- Integrated into the community

Right places
P18–23

CUSTOMER ORIENTATION

- Strong occupier relationships
- Best customer service
- Occupier and consumer insights
- Engaged communities

Customer orientation
P24–25

CAPITAL EFFICIENCY

- Scale
- Low cost debt
- Flexible financing

Capital efficiency
P26–27

EXPERT PEOPLE

- Experts in their field
- Lean flexible operating structure
- Values led

Expert people
P28–29

WHICH ENSURES

ENDURING DEMAND FROM OCCUPIERS AND INVESTORS IN PROPERTY

- High-quality occupiers
- Attractive lease terms
- High occupancy
- Strong cash flows

ALONG WITH AN OPTIMAL CAPITAL STRUCTURE

- Appropriate leverage
- Growing dividend

AND DELIVERS

SUSTAINABLE TOTAL RETURNS

AS MEASURED BY

GROWTH IN NET ASSET VALUE (NAV)

+15.4%

EPRA net asset value per share was up 15 4% to 688 pence

INCOME FROM DIVIDEND

+2.3%

Quarterly dividend of 6 75 pence brings total dividend for the year to 27 pence a 2 3% increase year-on-year

TOTAL ACCOUNTING RETURN

20.0%

As a result of the increased dividend and our NAV we reported a total accounting return of 20 0%

CREATING VALUE

ECONOMICALLY

OUR INVESTORS

Our shares are widely owned from large institutions with global footprints UK local authority pension funds to small individual investors Over the last three years we have generated total accounting returns of 35 4% for our investors Of this the income return through our regular quarterly dividend payment has been 14%

OUR OCCUPIERS

By creating the right spaces we help our occupiers thrive, with productive workforces in our office properties and popular brands at our retail destinations

SUPPLIERS

Our five-year development programme is contributing £1 2 billion to the UK economy gross value added, boosting business for thousands of firms around the UK

LOCAL COMMUNITIES

Every £1 million we spend on construction generates an estimated 31 jobs Our five-year development programme is creating 32,300 jobs during construction

SOCIALLY

LOCAL COMMUNITIES

98 apprentices are learning while they earn at our properties and developments supported or part-funded by us and our suppliers We have contributed over £39 4 million to communities through the planning process over the last three years creating affordable homes improving public spaces enhancing pedestrian links and delivering community facilities

OUR PEOPLE

We again achieved a One Star accreditation in The Sunday Times Best Companies to Work For survey We ranked in the top five FTSE 100 companies for reporting wellness and engagement of employees in the Business in the Community Workwell Benchmark 2013

ENVIRONMENTALLY

OUR INVESTORS

We create green buildings that stand the test of time and we believe deliver better returns for our investors

OUR OCCUPIERS

We have cut landlord-influenced energy across our like-for-like portfolio by 34% over the last five years, saving our occupiers £6 9 million

PEOPLE WHO WORK, SHOP OR LIVE IN OUR BUILDINGS

Our green buildings are designed to enhance the experience of those who use them All our office developments are certified BREEAM **Excellent** for sustainability and 94% of our major retail developments are **Excellent** or **Very Good**

Strategic Report 2–42
Performance review 43–58
Governance and remuneration 59–108
Financial statements and other information 109–180

THE MARKETS WE OPERATE IN

OVERVIEW

The UK has a large commercial property market which attracts a broad range of domestic and international investors

It has strong, established property rights, long-term leases with upwards only rent reviews with occupiers generally responsible for repairs maintenance and insurance, and a transparent valuation system

Today it is one of the top markets globally for international investors in property

THE SHAPE OF THE MARKET

Because of the diversity of ownership, there is no definitive or regular measurement of the total market

The British Property Federation estimated that the commercial market was worth around £569 billion in 2012 which split into three main sectors retail office and industrial, along with a number of smaller specialist sectors The commercial residential market is currently a small part of the institutional investment market but it is expected to grow significantly

MEASURING MARKET PERFORMANCE

The Investment Property Databank (IPD) aggregates the valuation performance of around £121 billion of commercial property providing monthly quarterly and annual performance information These are the benchmarks against which many property companies including British Land measure themselves At British Land our properties are valued on a semi-annual basis by external professionals

COMPETITIVE LANDSCAPE

British Land competes for capital and properties with a diverse range of investors – private, public and institutional A number of our equity shareholders also invest alongside us in specific assets and compete with us for investment opportunities The most notable examples are GIC and Norges Bank who are both top 10 shareholders and are our joint venture partners at Broadgate and Meadowhall respectively

INVESTING IN PROPERTY

There are many different ways of investing in the commercial property market

- in publicly-listed property companies such as British Land
- in a wide variety of listed and unlisted funds, or
- directly in the property itself

Publicly-listed real estate companies account for around 15% of the commercial market in the UK – British Land accounts for around 11% of the UK-listed real estate market by market capitalisation More than 75% of listed property companies in the UK are REITs

PROPERTY REGULATION

Property management and development is closely governed by local and national laws and regulation which cover a whole range of important activities including building planning roads parking public transport and fire Of these planning has the most material impact on the value development chain in so far as planning regulates both the development of the building itself and the purpose for which it is used Changes in the planning environment can have a significant impact on value and this is one of the key ways that British Land creates value

In recent years the Government has introduced new legislation to simplify the complex local and national planning processes and rules in England, with the aim of boosting investment and sustainable development

REIT LEGISLATION

REITs are globally recognised investment structures which exist in 34 countries around the world REITs are required to distribute a significant proportion of the rental profits from their REIT operations to their shareholders The broad intention is to replicate the tax treatment of a direct investment in property effectively removing the double-layer of tax payable by both the company and the shareholder Instead tax is payable at the shareholder level

The UK REIT regime was launched in 2007 and British Land became a REIT in that year Changes to the REIT rules were introduced in 2012 which in effect, were designed to make it easier for companies to become REITs and attract institutional investment

KEY MARKET TRENDS

OUR MARKETS

Our focus areas – retail and offices account for over 60% of the total commercial property market in the UK We have chosen to focus on these areas because they are large and liquid markets with in our view the best long-term growth potential for rents and capital values We believe they are highly complementary We also have property in sectors which complement our core business, principally leisure and residential, and increasingly new developments are mixed-use

Historically, retail has produced more stable returns than London offices this reflects office development cycles which at times, has created significant supply or demand imbalances

IPD TOTAL UK ALL PROPERTY RETURN

Growth (%)	2012	2013	2014
Retail	5 0	2 1	**10 1**
Offices	7 9	4 6	**18.5**
Industrial	6 4	3 0	**16.6**
Other	9 2	6 2	**10 3**
UK market	6 3	3 2	**13 6**

Source IPD

RETAIL

The retail market continues to evolve with the growth of e-commerce and mobile technologies The UK is the most developed market in the world for online shopping which accounts for around 11% of the total market The role that physical shopping environments play is changing significantly as a result Consumers are expecting much more from the places they shop more convenience in more attractive environments, with better facilities – food, drink and increasingly some kind of leisure offer whether it be a children s play area or a cinema and bowling alley Many retailers are increasingly viewing their physical stores as an integral part of their overall marketing effort and key to their internet offer through Click and Collect

Poor quality space which does not conform to shoppers requirements in this new world is becoming functionally or economically obsolete, as retailers focus their physical space on a smaller number of more highly-performing locations and operators with weak business models fail The impact of this can clearly be seen on retail rents As shown on the chart on the left, in the last three years secondary rents have fallen by 3 2% per annum compared to an increase of 1 4% per annum for prime rents We have already benefited from focusing on those locations where we can create destinations which are preferred by retailers and their customers

Retail and Leisure review for 2013/14 market overview P47–48

LONDON

Our increased focus on London in recent years reflects its growing status as one of the most important cities globally, a place where people are choosing to locate their businesses live visit and invest Looking forward London is expected to retain its status as a world-class city with population forecast to grow to just over nine million people by 2023 International investors have become an important part of the market including in residential where they have played a key role in the emergence of a super-prime sector in the West End Large areas of London are being improved or regenerated by property and infrastructure investment, the most significant of which is Crossrail a £14 8 billion rail line due to open in 2018 Running from Heathrow through the West End to the City and Canary Wharf it will dramatically cut journey times

Offices and Residential review for 2013/14 market overview P49–50

MOST IMPORTANT GLOBAL CITIES NOW AND IN 10 YEARS

Growth (%)	Now	In 10 years
London	**1**	1
New York	**2**	2
Hong Kong	**3**	6
Paris	**4**	7
Singapore	**5**	5
Miami	**6**	11
Geneva	**7**	9
Shanghai	**8**	4
Beijing	**9**	3
Berlin	**10**	10
São Paulo	**11**	8

Source Knight Frank Wealth Report

As people increasingly want to work and live in environments with a broad range of amenities nearby, including high-quality public spaces, cafes and restaurants and retail and leisure facilities the boundaries between offices, retail residential and leisure are becoming blurred To meet this growing requirement our business in London is increasingly focused on creating and managing great environments often in campuses which are mixed-use

CUSTOMER ORIENTATION

CAPITAL EFFICIENCY

EXPERT PEOPLE

Our business integrates the entire value-creation chain in property from investment (buying and selling) to development and property management

WE CREATE HIGH-QUALITY, ADAPTABLE ASSETS

- Properties and locations with enduring appeal both to occupiers and investors
- Adaptable buildings that can evolve to the needs of our customers
- Sustainable and resilient buildings

IN ATTRACTIVE ENVIRONMENTS

- Environments with a broad amenity offer
- Well-connected locations

WITH BEST-IN-CLASS SERVICE

- Focus on continuous improvement of our service offering and delivery
- Services supported by latest technologies

THAT OFFER GOOD VALUE FOR MONEY

- Attractive and affordable locations

WHERE WE INVEST

Our ability to create value requires us both to identify long-term trends and to ensure that we manage the risk and opportunities created through economic and property cycles Property is a cyclical market with returns sensitive to changes in supply and demand, both from occupiers and investors

We invest in places where we see good or the potential for good lasting demand from occupiers and investors Attracting high-quality occupiers on longer lease terms generates sustainable and growing rental income which drives increases in the capital value of our properties over time The right space tends to perform better over the long-term than average or poorer quality property reflecting the benefits of enduring demand from occupiers and investors

Within the UK property market we focus on investing, developing and managing high-quality retail and London offices This is because these markets are large and liquid and, in our view, have the best long-term growth potential for rents and capital values (see the markets we operate in on page 16) Although we report them separately they are highly complementary and we run them closely together Today an increasing amount of the spaces we are creating are mixed-use The substantial retail cash flows enable us to flex our investment in the more cyclical London office market and invest in significant development projects

We optimise and flex the allocation of our capital across these sectors including between investment and development activities We regularly review our property portfolio and recycle capital out of mature assets Our investment strategy is considered alongside the risk parameters agreed by the Board (see page 40)

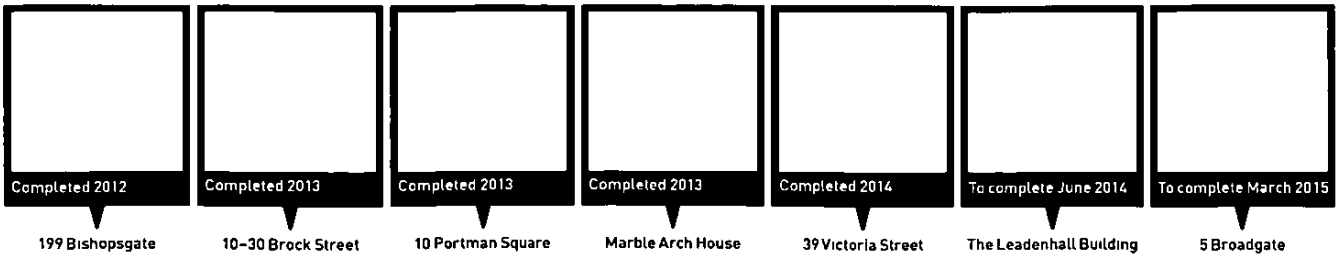
We believe our ability to source and structure deals is a competitive advantage allowing us to access high-quality investments and development opportunities at attractive prices We are able to do this because our extensive network of market contacts, property and corporate finance expertise and financial strength which enables us to take on large complex transactions

OUR PORTFOLIO

Our portfolio comprises assets with a range of lease lengths and different ages including those which are newly developed and those which are scheduled for major refurbishment or development This allows us to drive returns through asset management initiatives development and recycling of capital from mature assets into those with better growth potential

DEVELOPMENT – 2010 PROGRAMME

2010 London programme 2 7 million sq ft



GLASGOW FORT

As one of our largest shopping parks, we have been investing to improve the experience for the 12 million people who visit Glasgow Fort each year Our investment in an eight-screen Vue cinema and five restaurants to add to the existing line-up of over 60 retail brands at the park has delivered outstanding results Footfall grew by 8% dwell time rose to 102 minutes We have recently obtained planning permission for a 112 000 sq ft extension which includes a 80,000 sq ft store pre-let to M&S

Glasgow Fort
www glasgowfort com

www britishland com/retailparks

DRIVING PERFORMANCE THROUGH ASSET MANAGEMENT

We look to drive performance from the portfolio through active management of the spaces we own, both the buildings themselves and the environments around them Proactive asset management adds significantly to the value of an asset over time by increasing rental income Asset management covers a broad range of activities including

- new lettings, rent reviews and lease renewals,
- providing high levels of service to occupiers
- changing planning consents, and
- changing configurations, refurbishment and extensions to meet customer requirements

We have 31 asset management specialists in the business They are responsible for making strategic decisions on the occupier mix leasing renewal or extension of leases We utilise our scale and customer relationships to drive value through our active asset management

Our asset management specialists work with our local property teams to deliver attractive and vibrant environments – places that are well integrated into the surrounding area, with the right mix of amenities and pleasant public spaces

DEVELOPMENT

Development forms an important part of our business We have a strong and established track record for delivering large-scale development and refurbishment projects Development offers the opportunity to create value by delivering the right product at the right point in the supply and demand cycle The amount of development we undertake varies depending on our view of the prospective returns Development returns are generally considered higher risk than those available from existing income-producing properties and we target returns that are commensurately higher as a result The risk principally arises from the length of time the development takes from inception to completion the risks include letting the building and increases in construction costs This can be mitigated through pre-letting and fixed-cost contracts As part of our overall management of risks we maintain a maximum limit of total development exposure (both pre-let and speculative) of not more than 15% of our investment portfolio Our current committed developments are over 70% pre-let and 77% of our costs are fixed

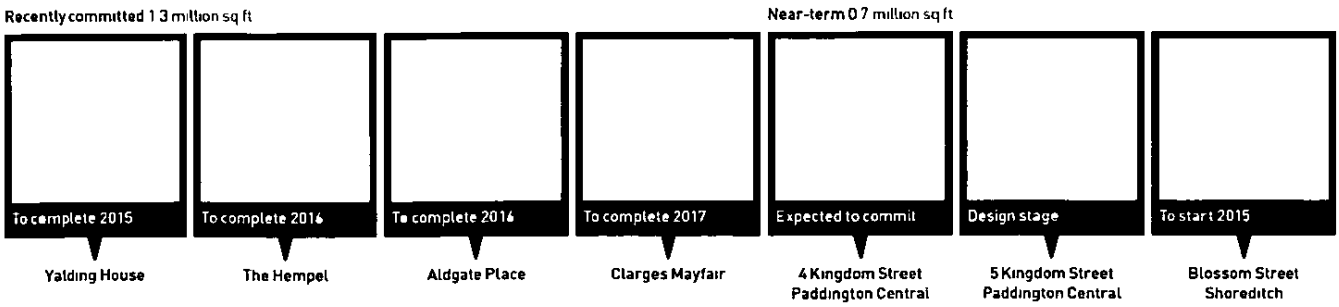
In recent years we have been one of only a few companies with the financial resources and expertise to exploit a scarcity of high-quality London office space

In 2010, we committed to a £1 5 billion development programme focused on London, which has delivered over £600 million of profit with a further £45 million estimated to come It is expected to be a key driver of our rental income growth, adding an estimated £85 million to our contracted rent As this programme is nearing completion and we see development returns remaining attractive, we have replenished our development pipeline We have recently committed to 1 3 million sq ft of new development projects and have a further 719 000 sq ft of projects in our near-term pipeline Of these we expect to commit to 4 Kingdom Street later this year

Business review for Development
P44–50

Supplementary information for Development
P172–173

DEVELOPMENT RECENTLY COMMITTED AND NEAR-TERM PIPELINE



RIGHT PLACES | CUSTOMER ORIENTATION | CAPITAL EFFICIENCY | EXPERT PEOPLE

OUR UK RETAIL AND LEISURE PORTFOLIO

UK'S LARGEST LISTED LANDLORD – ASSETS UNDER MANAGEMENT

£10.4bn

FOCUSED ON HIGH-QUALITY PROPERTIES IN WELL-LOCATED RETAIL LOCATIONS

24.6m sq ft

HIGH-QUALITY OCCUPIERS GENERATING HIGH-QUALITY CASH FLOWS – CONTRACTED RENT

£397m

OCCUPANCY RATE

98.5%

ACTIVELY RESHAPING OUR PORTFOLIO TO BEST POSITION FOR GROWTH WITH

£2.3bn

of gross investment activity over the past four years

Our portfolio is well balanced to the different ways consumers shop We own some of the best retail locations in the country, whether experiential shopping where you may go for a whole day out convenient destination shopping where you regularly shop for a couple of hours or functional shopping, which meets everyday or basic needs, such as a food shop

Our scale and strong relationships gives us competitive advantage, ensuring that we have an unparalleled landlord s view of our occupiers and consumers behaviour The adaptability of our portfolio is key the majority of our assets benefit from flexible planning consents and are easily adapted allowing us to respond to changing requirements and deliver the most attractive space to retailers and consumers

Our asset management activities are focused on leveraging existing retailer relationships improving the retail mix and targeting a broader range of retailers, increasing the food and beverage offer, unit configuration and flexibility including mezzanines and improving the retail environment including upgrading and extending our assets

RETAIL STRATEGY

Our aim is to be the preferred destination for retailers and consumers by owning and creating retail assets that reflect how the consumer shops and meets the needs of retailers In a fast-changing retail environment we focus on

Detailed understanding of the consumer
We undertake extensive research including over 50 000 exit surveys conducted over the last 12 months, to provide us with detailed knowledge on how people shop at each of our key assets

Providing the right services to attract both the retailer and consumer
Services cover a broad range including digital Click and Collect marketing and community engagement and are becoming an increasingly important part of British Land s Retail offer

Creating the right space in an environment where people want to shop and retailers can thrive
We continually look to invest in our assets whether through great shop fit-outs or major refurbishments and extensions to provide retailers with high-quality, flexible modern space at affordable prices

RETAIL DEVELOPMENT

We have a 372 000 sq ft retail development programme which is primarily focused on upgrading and extending our existing assets and increasing our food and leisure offer to improve the overall environment, which will deliver good near-term returns

PERFORMANCE OVERVIEW

Our Retail portfolio has consistently outperformed IPD All Retail over the last one three and five years with each major sub sector outperforming its benchmark over the same period This underlines the quality and resilience of our portfolio and our ability to evolve our Retail offer in a rapidly changing marketplace

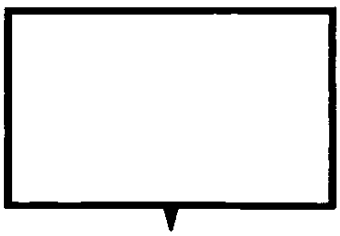
BRITISH LAND RETAIL TOTAL PROPERTY RETURN VERSUS IPD

	1 year	3 years	5 years
British Land Retail	10 7%	7 1%	11 5%
IPD	10 1%	5 7%	9 6%
Performance versus IPD All Retail	+60 bps	+140 bps	+190 bps

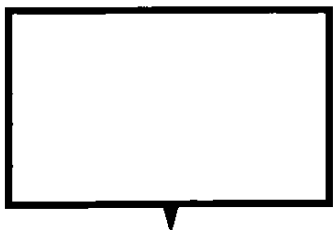
Retail and Leisure review for 2013/14
P47–48

More detail on our properties
www britishland com/our-properties

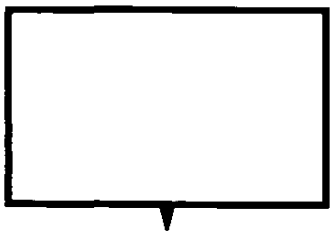
KEY RETAIL ASSETS



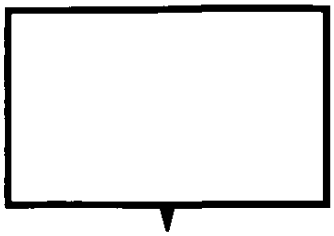
Meadowhall Shopping Centre



Tesco and Sainsbury s food superstores



Teesside Shopping Park



Drake Circus Shopping Centre, Plymouth

OUR LONDON OFFICE AND RESIDENTIAL PORTFOLIO

PORTFOLIO FOCUSED ON TRANSPORT AND INFRASTRUCTURE HUBS AND UP-AND-COMING AREAS

7.3m sq ft

WE CREATE ATTRACTIVE ENVIRONMENTS AND PLACES

3 campuses

HIGH-QUALITY STANDING INVESTMENTS – CONTRACTED RENT

£211m

OCCUPANCY RATE

92.1%

WEIGHTED AVERAGE LEASE LENGTH TO FIRST BREAK

8.4 years

OFFICE PORTFOLIO DEVELOPED IN LAST FIVE YEARS

Around 40%

STRONG PIPELINE OF COMMITTED DEVELOPMENT

£1.2bn

Our Office and Residential businesses focused on London, reflect the Capital s position as a leading global City one of the world s largest centres for financial and business services, and increasingly where people are choosing to work live and visit

We own, manage and develop modern high-quality and well-located office accommodation, supported by outstanding customer service, which meets the needs of a broad range of organisations Our portfolio comprises an attractive mix of high-quality buildings in well-managed environments and a significant pipeline of development projects Increasingly, our office properties and campuses include retail and residential elements

Residential plays an important role in our office developments in the West End and is also a profitable business in its own right We focus on high-end properties in London and our approach is to recycle capital quickly, as we develop and look to sell the majority of the units before schemes complete

In Offices, our asset management activities are focusing on leveraging our strong occupier relationships, attracting new occupiers, actively managing our lease expiries and improving the working environment

OFFICE STRATEGY

Our aim is to create offices in London which have enduring appeal to occupiers, by virtue of their location, design, overall costs to occupy environment and the way in which we manage and maintain them In order to achieve this we focus on

Understanding our occupiers' needs
Our understanding of occupier needs is the key to the quality and sustainability of our buildings, ensuring that they are both well-let and stand the test of time

Ensure our estates appeal to a broad range of occupiers
We support our occupiers to attract and retain talent by offering places with strong transport links excellent public spaces and an attractive working environment enhanced by restaurants shops and leisure facilities

Best-in-class services
We focus on world-class property management covering everything from day-to-day services to the development of new buildings

OFFICE AND RESIDENTIAL DEVELOPMENT

In 2010 we took the decision to commit to a significant London development programme totalling 2 3 million sq ft of office and residential space One million sq ft of this has now completed with the remainder to complete over the next 12 months We remain positive on the outlook for development returns over the coming year we have successfully replenished our pipeline and we have committed to a number of new projects, totalling a further 485 000 sq ft, including Clarges, The Hempel and Aldgate Place

More information on our developments
www britishland com/development

PERFORMANCE OVERVIEW

Our London Office portfolio has delivered strong total returns of 14 9% per annum over the last five years and consistently outperformed IPD All offices reflecting our focus on London and the quality of our buildings

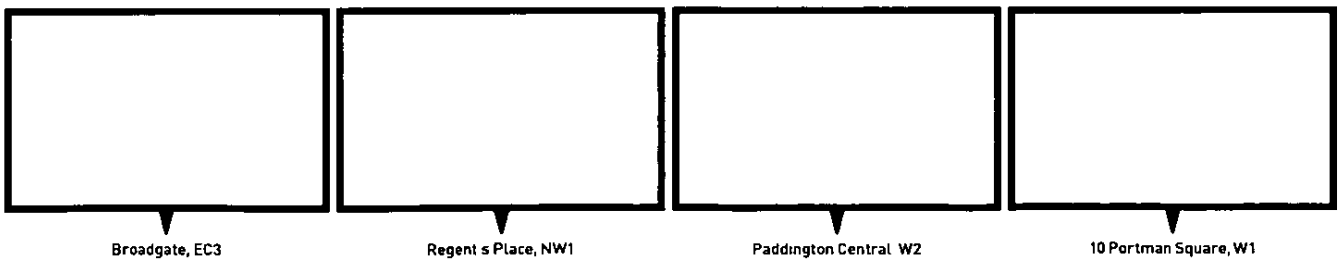
BRITISH LAND OFFICE TOTAL PROPERTY RETURN VERSUS IPD

	1 year	3 years	5 years
British Land Office	19 3%	13 6%	14 9%
IPD	18 5%	10 2%	11 5%
Performance versus IPD All Offices	+80 bps	+340 bps	+340 bps

Office and Residential review for 2013/14
P49–50

More detail on our properties
www britishland com/our-properties

KEY LONDON OFFICE ASSETS



Broadgate, EC3 | Regent s Place, NW1 | Paddington Central W2 | 10 Portman Square, W1

CUSTOMER ORIENTATION

CAPITAL EFFICIENCY

EXPERT PEOPLE

ENVIRONMENTAL EXCELLENCE

Efficient, modern buildings are more cost effective to run and less at risk from emerging issues, such as new climate change legislation rising energy costs, changing occupier demands and potential reputational damage Sustainable buildings are also better protected and future proofed against physical risks caused by increased flooding and rising temperatures There are growing indications to support our view that sustainability particularly energy efficiency help protect and grow capital value over the medium to long-term

Occupiers and people who work, shop and live in our buildings increasingly prefer energy efficient low-carbon buildings Our stakeholders expect us to lead on energy efficiency to reduce costs and future proof our buildings

Reducing our carbon footprint is an important part of our effort to manage buildings efficiently and develop sustainable buildings We actively manage greenhouse gas emissions across our business We have participated in the Carbon Disclosure Project for eight years We are joint top of the FTSE 350 Carbon Performance Leadership Index 2013 and have been recognised in the Disclosure Leadership Index for the third year running

The UK government aims to reduce emissions by 80% by 2050 and is introducing legislation to drive reductions in the built environment which is responsible for around half the UK s carbon emissions We aim to reduce our like-for-like emissions (Scope 1 and 2) by 40% by 2015 compared to 2009 To date we have achieved a 36% reduction In support of this reduction, we have a number of other targets including improvements in waste management and water efficiency

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 We do not have responsibility for any emissions that are not included in our consolidated statement We have used the GHG Protocol Corporate Accounting and Reporting Standard (revised edition), data gathered to fulfil our requirements under the CRC Energy Efficiency Scheme, and emission factors from the UK Government s GHG Conversion Factors for Company Reporting 2013

For full details of the methodology used to calculate these emissions and for PwC s independent assurance, please see our Corporate Responsibility Full Data Report 2014 www britishland com/crdata

Scope 3 emissions
P174

www britishland com/responsibility

ENVIRONMENTAL AWARDS INCLUDE

CIBSE Client Energy Management Award and Building Performance Award 2014

World Green Business Council – Business Leadership in Sustainability Award 2013

NARE IT Global Recognition – Leader in the Light Award 2013

Property Week Sustainability Achievement Award 2013

ABSOLUTE SCOPE 1 AND 2 EMISSIONS (TONNES CO_2E)

Year ended 31 March	2014	2013	2009
Combustion of fuel			
Managed portfolio gas use and fuel use in British Land owned vehicles	**5,406**	5,722	5,015
Operation of facilities			
Managed portfolio refrigerant loss from air conditioning	**1,677**	1 076	653
Purchase of electricity, heat, steam and cooling for our own use			
Managed portfolio electricity use	**36,264**	37 295	42 339

SCOPE 1 AND 2 EMISSIONS INTENSITY (TONNES CO_2E)[1]

Year ended 31 March	2014	2013	2009
Per m² – Offices	**0 048**	0 045	0 079
Per m² – Shopping centres	**0 021**	0 024	0 039
Per m² – Retail parks	**0 004**	0 004	0 007
Per £m – gross rental and related income	**59 41**	61 99	–

1 Heating and cooling degree day adjusted to normalise for weather

COMMUNITY SUPPORT

As well as listening to the requirements of our occupiers we work with local communities to understand their needs and help address local issues, for instance by supporting local employment, training and apprenticeships We know that local people prefer places created with their collaboration – the right mix of retail, restaurants and leisure, new jobs much-needed community facilities better public spaces safer walking routes and amenities such as accessible toilets and baby changing facilities Places which are integrated well into the surrounding area become part of the local community It adds richness, life a sense of community and diversity to our places, which makes them more attractive for occupiers We are making good progress on our Community Charter which we launched in 2011 This sets out ten commitments to the people who live near our major properties and developments These commitments cover our approach to community engagement, and to local issues such as training employment and education

Our strong reputation for community support makes us more likely to become the partner of choice for local authorities and others It means our planning proposals are more likely to be in tune with what local communities want, helping us achieve better quality planning permissions, more quickly

www britishland com/responsibility

COMMUNITY AWARDS INCLUDE

Business in the Community Awards 2014
Reaccreditations 2013 in Glasgow Hull and London

Business in the Community Awards 2013 in Glasgow Hull Rotherham and London

REGENT S PLACE

Since 2007, we have invested over £50 million of cash and in-kind contributions to local infrastructure and initiatives through our community programme As a key member in the West Euston Partnership we were able to better understand the issues the local community faced and work to address them The statistics available for the period from 2004 to 2010 show that the area around Regent s Place has benefited from a substantial reduction in levels of deprivation – in the top 1% of all London areas Improvements in the local community have gone hand-in-hand with commercial growth with property values increasing twice as much as the rest of the West End office market since 2009

Our experience at Regent s Place has shaped our vision of what good community engagement across our entire portfolio can and will look like

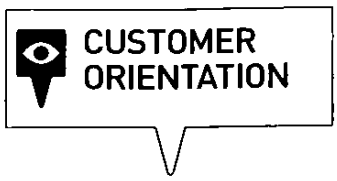
Regent s Place at 30
www britishland com/regentsplace30

Regent s Place
www regentsplace com

www britishland com/offices

APPRENTICESHIPS

Bruce Ewen is one of 98 apprentices who learnt while they earned at our assets last year, supported or part-funded by us and our suppliers as part of our focus on employment and training Over 100 local jobseekers have also gained sustainable employment with our suppliers at Broadgate in the City, through our Skills into Work programme with community partner the East London Business Alliance



Close relationships with our occupiers, along with a deep understanding of the people who use the spaces, forms the basis of all our activities This underpins our ability to generate high-quality, secure cash flows

Our approach is firmly grounded in strong relationships and research Our scale in retail and office markets gives us broad reach across our markets We undertake extensive shopper research programmes across around 80% of our multi-tenanted assets – in the last 12 months we have interviewed over 50,000 people

We also work hard to ensure our relationships with our occupiers are strong In Retail we have had over 500 meetings over the last 12 months Every two years, we commission extensive independent customer satisfaction surveys across our business to help us better understand our occupiers needs and identify opportunities for further improvements

Our fifth biennial customer survey in 2013 confirmed that we continue to significantly outperform industry averages for occupier satisfaction

www britishland com/occupiers

We attract some of the highest-quality occupiers to our properties The quality of our properties and our customer focus means that our occupiers want to stay with us They commit to long leases and then extend them they also sign up for more space and grow with us

The quality and diversity of our occupiers high occupancy levels, strong rents and long leases give us significant security of income which enhance the value of our properties No single occupier accounts for more than 8% of our total revenues Our average lease length at 10 3 years is longer than the industry average of 10 years

FINANCIALLY STRONG OCCUPIERS

In addition to benefiting from a high-quality and diversified portfolio of occupiers, we take a rigorous approach to managing and monitoring their financial positions We review the financial covenants of all new occupiers with rent over a certain threshold before agreeing any lettings and paying incentives We also assess the financial covenant strength of all our major occupiers on a periodic basis and we monitor those we consider may be experiencing financial difficulty Over the last year occupiers in administration have fallen from 0 9% to 0 1% of our total rent reflecting the quality of our portfolio Our occupancy which is high at 96 1% also includes some vacant space at recently completed London offices We have good levels of interest in this space and are confident about letting prospects

HIGH-QUALITY OCCUPIERS TOP 10

	% Rent
Tesco	7 7
Sainsbury s	6 0
Debenhams	5 8
UBS	3 2
Home Retail Group	2 7
Kingfisher (B&Q)	2 7
HM Government	2 5
Next plc	2 4
Virgin Active	2 0
Arcadia Group	2 0

ATTRACTING NEW RETAIL OCCUPIERS OUT-OF-TOWN

Our stronger understanding of the consumer is allowing us to target a broader range of retailer It helped us attract Nike to take space at Chester and Rotherham and Fat Face and Phase Eight to take their first out-of-town stores at Whiteley Shopping

www britishland com/retail

RETAINING OFFICE OCCUPIERS ON OUR HIGH-QUALITY CAMPUSES

Our occupiers choose to stay and grow with us Across our office portfolio existing occupiers such as Herbert Smith, F&C Tullet Prebon Close Asset Management and Premier Oil have signed close to 1 7 million sq ft of lease extensions with us over the last three years

Broadgate
www broadgate co uk

www britishland com/offices

LONG LEASES AND HIGH OCCUPANCY

	Weighted average lease length[1]	Underlying occupancy	Like-for-like change[2]
Retail	11 3 years	98 5%	+100 bps
Offices	8 4 years	92 1%	+190 bps
Total	**10 3 years**	**96 1%**	**+130 bps**

1 To first break

2 Occupancy movement on the same group of properties over the past 12 months by excluding sales purchases and newly completed developments

PROPERTY MANAGEMENT

In Offices, day-to-day facilities management is undertaken by Broadgate Estates a wholly-owned subsidiary, whose team also provides facilities management and other services to third-party clients The fact that Broadgate Estates also acts for other occupiers and investors helps them to deliver best-in-class occupier services to the British Land Office portfolio

In Retail we outsource the day-to-day operational management of most of our retail properties including maintenance and cleaning to external agents Outsourcing day-to-day management to expert agents, who manage on a large scale, helps us to minimise operational costs for us and our occupiers gives us significant operational flexibility and further broadens our insights into occupier and consumer trends We work closely with our managing agents and proactively monitor their performance against our customer-focused standards

SAFE AND HEALTHY ENVIRONMENTS

British Land is committed to providing safe and healthy environments for all users of the buildings and places we manage We aim to be a leader in our industry and to apply best practice in meeting applicable health and safety requirements We perform regular risk assessments across the portfolio and set ourselves ambitious targets for resolving identified risks to achieve continuous improvement Performance against these targets and accident reporting are monitored by our Health and Safety Committee which, in turn, reports performance to the Risk Committee

PROPERTY AWARDS INCLUDE

Whiteley Shopping in Hampshire won the ICSC New Development Award 2014 (Medium sized category)

St Stephen s Shopping Centre in Hull won the Retail Week Retail Destination of the Year 2013

Meadowhall
www meadowhall co uk

www britishland com/offices

PROVIDING THE RIGHT SERVICES IN RETAIL

Provision of Click and Collect services is increasingly important Consumers ability to get in and out of a retail destination really matters and the free car parking in a large proportion of our schemes is a real benefit At Meadowhall Shopping Centre in Sheffield Click and Collect and pioneering technologies such as virtual gift cards are attracting shoppers

www britishland com/shoppingcentres

MEETING OUR OFFICE OCCUPIERS NEEDS

"If I was asked who was the best landlord that we deal with, every time it would be British Land"

NICK BENBOW OF REGUS
OCCUPIER AT THE BROADGATE TOWER AND 338 EUSTON ROAD REGENT S PLACE

RIGHT PLACES | CUSTOMER ORIENTATION | CAPITAL EFFICIENCY | EXPERT PEOPLE

Capital efficiency means achieving the right risk/return balance of equity and borrowings to support the asset side of our balance sheet and enhance shareholder returns

STRATEGIC PARTNERSHIPS

The equity to finance the £18 billion property portfolio we manage comes from our shareholders and our co-investors in joint ventures and funds The strategic alliances we develop with our partners enable us to leverage our equity achieve benefits of scale and spread risk

OUR MAIN PARTNERS

Partner	Property
GIC	Broadgate
Norges Bank	Meadowhall Shopping Centre
Tesco	34 superstores 3 shopping centres 3 retail parks
Sainsbury s	33 superstores
Oxford Properties	The Leadenhall Building
USS	Whiteley Shopping Eden Walk Shopping Centre
Aviva	SouthGate Shopping Centre

The use of partnerships is an integral part of our business and a key way in which we extend our capital base They also enable us to access attractive investment opportunities alongside like-minded partners with complementary skills Around half of our owned assets by value are in joint ventures or funds including our two largest single assets the City office campus at Broadgate and Meadowhall Shopping Centre Our recent City development projects, i e those in our 2010 development programme have been developed within joint ventures

Our partnerships are based on developing deep and long-term relationships In the majority of cases, we provide asset management development, corporate and financial services and we earn performance and management fees This enhances our overall returns strengthens our relationships with key customers and suppliers and keeps us close to our markets

THE LEADENHALL BUILDING

At 736 ft high and with over 610,000 sq ft of lettable floor space over 46 floors, The Leadenhall Building is the tallest office tower in the City of London Its development is an excellent example of British Land s ability to form strategic partnerships with leading institutional investors Working closely with Oxford Properties, the real estate arm of OMERS (Ontario Municipal Employees Retirement System) we have respective scale to undertake this significant development opportunity while sharing the associated risks The strength of the design and desirable location has meant that the building is already 53% pre-let at terms overall accretive to value

The Leadenhall Building
www theleadenhallbuilding com

www britishland com/offices

DEBT FINANCE

We focus on having sufficient competitively priced and flexible borrowings available to deliver our property strategy

The scale of our business, combined with the quality, security and stability of our rental income, means that we are attractive to a broad range of debt providers and able to arrange finance on attractive terms Good access to the capital and debt markets is a competitive advantage both reducing our cost of funding and allowing us to take opportunities when they arise

Debt financing involves risk from adverse changes in the property and financing markets In arranging and monitoring our financing we include important risk disciplines, ensuring that relevant risks are fully evaluated and managed We choose the appropriate gearing level and follow five guiding principles which govern the way we structure and manage our debt These principles are outlined on the opposite page and explained on page 57

GEARING

In deciding our gearing level we weigh up the potential increased returns obtainable from greater leverage (through borrowing to buy property) against the risks of having more debt We use a loan to value ratio (debt as a percentage of the value of our assets, LTV) to measure our gearing and settle on an LTV range which reflects the strength of our operational business and reliability of cash flows, where we are comfortable that overall returns will be enhanced without exposing the Group to undue risk

STRENGTH OF BALANCE SHEET METRICS

Proportionately consolidated	31 March 2014	31 March 2013
Loan to value (LTV)	**40%**	40%
Average interest rate	**4 1%**	4 6%
Interest cover	**2 5x**	2 3x
Group		
Loan to value (LTV)	**29%**	24%
Average interest rate	**3 5%**	4 4%
Interest cover	**3 2x**	2 8x

Financial policies and principles
P56–58

Our preferred LTV range is between 40% and 50% on a proportionally consolidated basis, i e including our share of joint ventures and funds At 31 March 2014, this ratio was 40% From time to time we may fall below this as a result of phasing of recycling activity or valuation increases we would not increase gearing as a result of market improvements in investment yields

We leverage our scale through joint ventures and funds which are financed with debt, in securitisations and loans which are non-recourse to British Land In doing so, the LTV at 40% on a proportionally consolidated basis is higher than the Group measure for our unsecured lenders which is around 30% Accordingly we can operate with a higher level of gearing on a proportionally consolidated basis without putting pressure on the British Land credit profile

OUR APPROACH

We monitor the markets and seek to access different types of finance when the relevant market conditions are favourable to meet the needs of our business including our joint ventures and funds We aim to avoid reliance on any particular source of funds and borrow both on unsecured and secured bases from a large number of lenders from different market sectors and geographical areas

Our unsecured revolving credit facilities provide flexibility to support the operations of our business with the ability to draw and repay at short notice without additional cost Undrawn committed facilities are maintained for immediate available liquidity

Maturities of different facilities are well spread, from debentures with terms up to 2035 US Private Placements at circa 12 years and a range of bank facilities with terms usually of five years This spread reduces our refinancing risk in respect of timing and market conditions

We aim to have no requirement to refinance in British Land with a two year horizon and continue to review the debt markets to arrange new finance as opportunities arise

The same two financial covenants (set out on page 56) apply to all British Land unsecured borrowings Our consistent approach has helped us build the long-term relationships with debt providers which we encourage and value

OUR FIVE FINANCING PRINCIPLES

MAINTAIN LIQUIDITY

£2.0bn

Undrawn committed facilities[2]

EXTEND AND STRETCH MATURITY OF DEBT PORTFOLIO

8.7 years

Average debt maturity

MAINTAIN FLEXIBILITY

£2.6bn

Of revolving credit facilities to draw and repay at no additional cost[2]

MAINTAIN STRONG BALANCE SHEET METRICS

40%

LTV (proportionally consolidated)

2.5x

Interest cover (proportionally consolidated)

4.1%

Weighted average interest rate

A–

Rating from Fitch

1 HUT s debt shown at our share (£0 3 billion) within joint ventures and funds

2 British Land facilities pro forma for the new £785 million revolving credit facility

Our team of 242 people is small for a FTSE 100 company We believe that this is the best of both worlds Our approach is to recruit small teams of experts in their fields who buy in additional, external resources as they need them

As part of British Land s first Community Week 180 volunteers worked together on community projects close to some of our key assets One team of volunteers hosted a day of entertainment at Age UK s centre in Camden

92% of our staff said volunteering activities were effective for team building Here two of our volunteers are working on the garden area at Richard House Children s Hospice in Newham

OUR VALUES

INTEGRITY
We do what is right not what is easy

ONE TEAM
We work collaboratively with both internal and external stakeholders

EXCELLENCE
We are the best we can be and we have a growth mindset

COMMERCIAL ACUMEN
We take the lead in our field

Our lean team makes our business entrepreneurial, fast and flexible For our people this also means that each individual has the chance to get involved to work alongside industry leaders and to have a real impact in our business and beyond

Our skills give us considerable competitive advantage in a fast paced, changing environment Our outsourced model and scale also mean that we have the lowest operating costs of the major UK REITs

We are a values-based organisation Our people are good to deal with they are talented and professional, have integrity and work well with others Our people and values are part of what make us different and drive a high performance culture They make us a good organisation to do business with, so we are often a partner of choice for customers, suppliers joint ventures and regeneration projects They are also at the heart of our employer brand The smallest big company you ll ever work for which helps us attract and grow the best talent

Our Board consists of expert individuals with experience from a number of relevant sectors, as detailed in their biographies on pages 66 and 67 The Board draws on its diverse range of skills and breadth of knowledge when developing British Land s strategy and provides strong leadership as that strategy is implemented

Over the last year our HR strategy has focused on two key areas

- nurturing talent – so we get more out of our people and so they grow and develop and
- optimising our organisation – so we are as dynamic as possible and have the capabilities we need for the future

We believe that staff engagement is a competitive advantage We have a full formal and informal staff programme to increase engagement One of the benefits of the relatively small size of our head office team is that we are able to get all our employees together in one room We make the most of this opportunity holding all-staff conferences each year and all-staff meetings every month where people from different areas of our business are able to update our whole team on relevant developments and respond to questions

We also offer a wide range of volunteering opportunities many of which are designed to encourage team-building and develop staff competencies and skills that will be useful in the workplace, at the same time as helping to address community issues We also have a broad range of social activities which many staff participate in

In 2013, we participated in our third annual staff satisfaction survey through The Sunday Times Best Companies to Work For survey We achieved a One Star rating for the third year running

WELLBEING

We are committed to the wellbeing of our staff recognising our obligations as an employer and the benefits this brings to our business We provide a safe working environment access to healthcare services and an employee assistance scheme which includes a counselling service We promote and support active lifestyles through subsidised gym membership, provision of cycling facilities membership of the Government s Cycle to Work Scheme and regular sporting activities arranged through our social programme

HUMAN RIGHTS AND FAIRNESS IN THE WORKPLACE

We treat our staff and suppliers with fairness dignity and respect We support the protection of internationally recognised human rights and have been a signatory to the United Nations Global Compact which promotes absolute respect for human rights, since 2009 British Land supports the United Nations Guiding Principles on Business and Human Rights, also known as the Ruggie Framework We are developing a Supply Chain Charter to ensure that these principles are implemented throughout our supply chain

British Land treats all job applicants and employees equally and conducts business in an honest way Measures to deliver on these commitments include our Equal Opportunities Policy Anti-Bribery and Corruption Policy, Competition Policy and Fraud Awareness Policy

We have been a signatory to the UK Government s Prompt Payment Code since it launched in 2010 We paid 97% of invoices by value within 30 days this year excluding disputed invoices

DIVERSITY

Our recruitment practices have long included a commitment to diversity and gender equality The Board s Diversity Policy is detailed in the Report of the Nomination Committee on pages 79 to 81 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, and pregnancy maternity, gender reassignment or disability

We currently have two female Directors on the Board, Dido Harding a Non-Executive Director and Lucinda Bell Finance Director This currently represents 18% female Board membership As at 31 March 2014 of the 34 senior management at British Land and our subsidiaries 21% were female Of the 526 employees at British Land and our subsidiaries, 48% were female We report diversity in line with the UK s new narrative reporting regulations Senior management therefore includes employees of British Land and our subsidiaries who have responsibility for planning, directing or controlling the activities of the Company or a strategically significant part of the Company

Report of the Nomination Committee
P79–81 Diversity Policy
P81 Developing people at British Land

Governance review
P66–67 Board of Directors
P73 Employees

AWARDS INCLUDE

We won a National Payroll Giving Excellence Award 2013 with 23% of staff signed up to our new scheme, an impressive rise from 2% in 2011

We rank in the top five FTSE 100 companies for reporting wellness and engagement of employees, in the Business in the Community Workwell Benchmark 2014

PADDINGTON CENTRAL

The strengths of our people in deal making delivered results in our £470 million acquisition of Paddington Central in July 2013, an off-market transaction with a complex ownership structure On a net initial yield once fully let of 6 2% on the existing properties and development sites at a price of £175 per sq ft, we believe this is a very attractive entry price into a well-located, major West End office

Paddington Central
www paddingtoncentral com

www britishland com/offices

DELIVERING OUR STRATEGY HOW WE PERFORMED IN THE YEAR

Creating places people prefer drives enduring demand for our properties from occupiers and investors This generates the long-term growth in our rental income and capital which, together with an optimal capital structure, delivers value for our shareholders

CREATING

PLACES PEOPLE PREFER

DRIVING DEMAND

for our properties from occupiers and investors

GENERATING LONG-TERM GROWTH

in our rental income and capital

DELIVERING VALUE

for our shareholders

Our priorities ensure that we focus our efforts on the most value creating activities.

OUR KEY PRIORITIES IN 2013/14

- Continue to increase our weighting to London and the South East
  - focus on up-and-coming areas with strong infrastructure links, and
  - replenish our London development pipeline
- Fully deploy the proceeds of our equity placing
  - the net impact of placing and investment to be accretive to earnings by the end of the financial year on an annualised basis
- Deliver and de-risk our 2010 development programme
  - complete all our developments in the West End, and
  - de-risk through pre-letting office space and pre-selling residential units
- Exiting Europe
- Continue to drive corporate efficiencies
- Reshape our Retail portfolio
  - reshape our existing portfolio to meet the evolving needs of occupiers and consumers,
  - take advantage of market strength to sell more mature assets,
  - invest in retail schemes which are preferred destinations or have the ability to be, and
  - build the Retail team to extend our consumer-facing skills and activities
- Maintain our financial gearing within our 40% to 50% LTV range
  - access debt markets to meet the evolving needs of the business
- Maintain our One Star rating in The Sunday Times Best Companies to Work For survey
- Deliver our corporate responsibility goals

HOW WE ASSESS OUR PERFORMANCE

We measure how we are delivering against our strategy at the Group level through our **key performance indicators** We monitor our exposure to each of our principal risks through our **key risk indicators** By remaining within agreed parameters, we ensure that our actions are consistent with the risk appetite of the business Our **incentives** are closely aligned with the delivery of our strategy and with the intention of matching the interests of management with our shareholders The incentives are based on a range of financial and non-financial measures

DELIVERING OUR STRATEGY DELIVERING SUSTAINABLE TOTAL SHAREHOLDER RETURNS

Our objective is to deliver long-term sustainable total returns for our shareholders through the increase in the value of our shares and the income we distribute by way of the dividend

KEY PERFORMANCE INDICATORS

TOTAL ACCOUNTING RETURN

20.0%

As a result of the increased dividend and our NAV we reported a total accounting return of 20 0%

GROWTH IN NET ASSET VALUE (NAV)

+15.4%

EPRA net asset value per share was up 15 4% to 688 pence

INCOME FROM DIVIDEND

+2.3%

Quarterly dividend of 6 75 pence brings total dividend for the year to 27 pence a 2 3% increase year-on-year

TOTAL ACCOUNTING RETURN

As a business we are focused on maximising total shareholder returns Over time, we expect our total accounting returns to be a good proxy for total shareholder returns and this is the key performance indicator we use to track our overall progress

Our total accounting return is the overall return we generate including the impact of debt commonly called the levered property return It is calculated based upon a combination of the net income distributed to shareholders in the form of the dividend plus the percentage growth in Net Asset Value per share (NAV)

During the year we generated a total accounting return of 20 0% Our dividend was increased by 2 3% to 27 0 pence per share and our NAV increased by 15 4% to 688 pence per share

KEY RISK INDICATORS

The biggest driver of our returns are the economic environment and the appeal of investment in property within that The primary key risk indicators that we monitor in this area are

- forecast GDP growth, and
- the margin between property yields and borrowing costs

KEY INCENTIVE MEASURES

The management team s compensation and incentivisation is linked to

- total accounting returns

Managing risk
P36–41

Remuneration Policy
P84–93

CUSTOMER ORIENTATION

CAPITAL EFFICIENCY

EXPERT PEOPLE

KEY PERFORMANCE INDICATORS

PROPERTY RETURNS

14.2%

vs IPD

+60 bps
+320 bps
+200 bps

How we allocate our capital manage existing assets and develop properties is core to our ability to generate returns We compare our total property returns with the Investment Property Databank s (IPD) UK benchmark

DEVELOPMENT COMMITMENT

£1.4bn

Development is an important contributor to our income and value growth but it also adds risk We aim to keep our committed development exposure at less than 15% of our investment portfolio

OUR ACHIEVEMENTS IN THE YEAR

- We have had an active year with total gross investments of £2 0 billion, made up of
  - £1,033 million of acquisitions,
  - £710 million of disposals, and
  - £227 million of development spend
- As a result, we successfully deployed the proceeds of our March 2013 equity placing, ahead of the schedule we set out The placing was accretive to EPS by 0 5 pence and NAV by 6 pence
- We invested £787 million in London focusing on the West End and up-and-coming areas with strong transport links These sites included Paddington Central and Blossom Street, Shoreditch
- These investments have significantly replenished our development pipeline We now have £1 1 billion of recently committed or near-term developments primarily focused on London
- As a result, London and the South East now accounts for over 60% of our total portfolio up from 50% four years ago
- We made significant progress with our 2010 development programme with eight of the projects now completed In offices we completed all the West End developments including our 500 000 sq ft office and residential development at Regent s Place The Office programme is now 73% pre-let securing £54 million of rent Over 96% of the residential units are pre-sold or under offer
- In Retail, we opened Whiteley Shopping in May 2013 For details see page 4
- We continued to reshape our Retail properties Since 1 April 2013 we have sold £391 million of more mature retail assets ahead of book value, we invested over £500 million in strong, locally-preferred locations such as SouthGate Bath increased our stake in HUT, one of the highest-quality shopping park portfolios in the UK and bought a 26% equity stake in a portfolio of Sainsbury s Superstores

Performance review
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KEY RISK INDICATORS

The primary key risk indicators which we monitor to guide our strategic decisions to invest in the right places are

- property capital and ERV growth forecasts
- total and speculative development exposure, and
- progress of developments against plan

KEY INCENTIVE MEASURES

The management team s compensation and incentivisation is linked to

- property returns,
- successes on purchase and sales, and
- successful progress on development

Managing risk
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Remuneration Policy
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RIGHT PLACES | CUSTOMER ORIENTATION | CAPITAL EFFICIENCY | EXPERT PEOPLE

KEY PERFORMANCE INDICATORS

CUSTOMER SATISFACTION

7.8 out of 10
(industry average 5.1 out of 10)

Our customer orientation helps us to attract and retain occupiers who are willing to commit to long leases for the right building and best-in-class landlord services Our biennial survey helps us track our performance and identify opportunities for further improvements Our next biennial independent customer survey will be in 2015

DOW JONES SUSTAINABILITY SCORE (DJSI)

70%

Managing our social environmental and economic impacts is central to how we do business and deliver long-term value to our shareholders The DJSI is a key sustainability reference point for our occupiers as well as investors Our DJSI score influences the annual incentive remuneration of those on our Executive Committee 2014 results will be available in September 2014

OUR ACHIEVEMENTS IN THE YEAR

- We had a good year in Retail agreeing 1 7 million sq ft of lettings and renewals, 4 9% ahead of estimated rental value, with strong demand from a broad range of occupiers
- In London we successfully tapped increasing demand for high-quality office space, letting 632,000 sq ft of office space including 323,000 sq ft to the growing TMT and insurance sectors (51%)

Performance review
P44–55

- We also formed a new joint venture partnership at Broadgate with GIC who is also one of our largest shareholders
- Over the past year we completed or started significant leisure-focused extensions on five of our key assets Glasgow Fort Broughton Park Chester Fort Kinnaird Edinburgh Whiteley Shopping Hampshire and Kingston Centre, Milton Keynes
- This will increase our leisure offer in multi-tenanted assets to over 7 0% Within our experiential assets this figure is 9 0%
- As part of our focus on our customers we significantly expanded our consumer insights by extending our shopper survey to over 50 000 users on our major shopping centres and retail parks within the last 12 months
- We strengthened our digital platform with free wi-fi in 11 of our shopping centres and free wi-fi hot spots at six of our major retail parks, with further roll out planned over the next six months
- We delivered £2 million energy cost savings for occupiers in the year bringing total savings over the last five years to £6 9 million

KEY RISK INDICATORS

The primary key risk indicators which we monitor to ensure that our business is aligned with the needs of our customers and resilient to variations in occupier demand are

- consumer confidence,
- employment forecasts for relevant sectors
- market letting risk (vacancies expiries administrations) and
- weighted average lease length

KEY INCENTIVE MEASURES

The management team s compensation and incentivisation is linked to

- gross income growth

Managing risk
P36–41

Remuneration Policy
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KEY PERFORMANCE INDICATORS

LOAN TO VALUE (LTV)

Debt plays an important role in enabling us to take advantage of market opportunities Our 40% to 50% LTV range balances the rewards of owning more property with the risk inherent in debt financing

WEIGHTED AVERAGE INTEREST RATE (WAIR)

4.1%

Our low cost of debt finance is a key contributor to our overall performance and a competitive advantage At 4 1% we have one of the lowest WAIR of the UK REITs combined with one of the longest average debt maturities at 8 7 years

COST RATIO

16.2%

Controlling our costs so we maximise the amount of rent which flows through as profits and dividends is a key focus of the business Our small head office and outsourced business model helps to keep costs low

OUR ACHIEVEMENTS IN THE YEAR

- We maintained our loan to value (LTV) within our 40% to 50% range
- We have continued to demonstrate our ability to take opportunities to access capital and debt markets to meet the requirements of our business
- During the last 12 months we have been successful in raising £1 5 billion of unsecured debt finance for British Land on competitive terms from a broad range of sources, including
  - £310 million five-year revolving credit facility, signed in May 2013 with a syndicate of eight banks at an initial margin of 135 bps per annum
  - £200 million US Private Placements with 12-year maturity, signed with New York Life and Pricoa Capital Group in August 2013 The two sterling fixed rate notes were swapped to an effective floating rate of 103 bps per annum above LIBOR This funding closed as scheduled in March 2014 the deferred drawdown date enabled us to continue to utilise our lower cost bank facilities (arranged in earlier years) between signing and closing
  - £785 million revolving credit facility provided by a syndicate of 14 banks signed in April 2014, with an initial margin of 115 bps per annum The initial committed term of the facility is five years which may be extended to a maximum maturity of seven years at our request and on each bank s approval for its commitment
- All these facilities include our standard unsecured financial covenants
- These transactions have taken advantage of market conditions and added further flexibility and term to our already strong and diversified debt portfolio such that we are well ahead of our preferred two-year refinancing date horizon
- British Land s senior unsecured credit rating has been maintained at A– (Fitch)

Financial policies and principles
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- We have been investing in growing our capabilities and this is one of the reasons our operating costs are higher in the year However our costs remain one of the lowest among our REIT peers

KEY RISK INDICATORS

The primary key risk indicators which we monitor to manage the risks relating to our capital structure are

- LTV
- likelihood of covenant breach, and
- period until refinancing is required

KEY INCENTIVE MEASURES

The management team s compensation and incentivisation is linked to

- operating costs as a percentage of rent and assets,
- successful execution of financings and
- progress of strengthening the dividend

Managing risk
P36–41

Remuneration Policy
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RIGHT PLACES | CUSTOMER ORIENTATION | CAPITAL EFFICIENCY | EXPERT PEOPLE

KEY PERFORMANCE INDICATORS

THE SUNDAY TIMES BEST COMPANIES TO WORK FOR SURVEY

One Star

Our people are a key asset and we believe that staff engagement is a competitive advantage that distinguishes us from our peers The Sunday Times annual survey is one of the most extensive benchmarks of employee engagement with nearly 900 organisations participating

British Land characterises itself as The smallest big company you ll ever work for We have fewer than 250 direct employees in our core business and they manage over £17 billion in assets Our goal is to leverage our financial strength while enjoying the entrepreneurial benefits of a compact organisation This translates to a rewarding employee experience

OUR ACHIEVEMENTS IN THE YEAR

- 95% of employees participated in this year s Sunday Times Best Companies survey scoring us 76% for I love working for this organisation We maintained our One Star rating for the third year in a row
- During the year we launched a new peer-led recognition programme called Hats Off which focuses on our company values The majority of the organisation nominated colleagues for their achievements The five top prize winners participated in a two week sustainable leadership programme in Antarctica reinforcing the Group s values
- Community engagement remained an important part of our culture with 77% of our staff volunteering time to local initiatives We also won an award for our payroll giving scheme which allows many of our employees to contribute directly to charities of their choice
- Our focus on training and development increased this year with specialist appointments in our HR function and a suite of new competency-based programmes rolled-out at all levels of the business
- Detailed compensation studies were used to ensure that our rewards remain highly competitive including comprehensive healthcare pension and other benefits Employee satisfaction with reward is also measured through the Best Companies survey and we continue to score highly
- We leveraged our property and financial skills to secure highly attractive assets Nearly all the acquisitions we made during the year were complex off-market transactions involving significant commercial judgements

KEY RISK INDICATORS

The primary key risk indicator which we monitor in managing our people risks is

- unplanned executive departures

KEY INCENTIVE MEASURES

The management team s compensation and incentivisation is linked to

- quality of people and management renewal, and
- company reputation

Managing risk
P36–41

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P84–93

MANAGING RISK IN DELIVERING OUR STRATEGY

The strengthening economic environment has improved the outlook for our performance however our risk appetite remains broadly unchanged

The most significant judgements affecting our risk exposure include our property sector selection our level of development risk and our gearing We maintain our focus on sectors where we see outperformance over the medium term, that is high-quality UK retail and London offices and we want to increase further our exposure to London and the South East As our 2010 development programme lets up we continue to replenish our pipeline of opportunities to maintain an appropriate level of risk exposure – commensurate with our return aspirations Our approach to gearing is unchanged but we see our LTV being towards the lower end of and possibly below our target range as valuations increase

OUR APPROACH TO RISK MANAGEMENT

At British Land we take the view that our assessment of risk is a cornerstone of our strategy and our embedded risk management is fundamental to its delivery Our integrated approach combines a top-down strategic view with a complementary bottom-up operational process

The top-down approach involves a review of the external environment in which we operate to guide an assessment of the risks which we are comfortable exposing the business to in pursuit of our performance objectives – this is our **risk appetite** This evaluation frames the determination of the actions we take in executing our strategy **Key risk indicators** (KRIs) have been identified for each of our **principal risks** and are used to monitor our risk exposure The KRIs are reviewed quarterly by the Risk Committee to ensure that the activities of the business remain within agreed risk appetite tolerances

The bottom-up approach involves identification, management and monitoring of risks in each area of our business meaning that risk management is embedded in our everyday operations Control of this process is provided through maintenance of risk registers in each area These risk registers are aggregated and reviewed by the Risk Committee with significant and emerging risks escalated for Board consideration as appropriate

This process complements the top-down view by informing the identification of our principal risks, ensuring that operational risks are fully considered in determining the risk appetite and the corresponding strategy of the business

Our principal risks are detailed in the table that follows This year, we recognise the increasing risks associated with upcoming political events, such as the UK general election, by expanding the risk of Economic Outlook to be Economic and Political Outlook

OUR APPROACH TO RISK IN PRACTICE

Development exposure

Development has been a key source of returns and outperformance for British Land in recent years We continue to believe that development can deliver good risk adjusted returns in the years to come and so we maintain our appetite for risk in this area Our letting progress on our 2010 development programme has provided us with the confidence to commit to several new developments and we continue to replenish our pipeline through acquisition activity and progression of opportunities within the portfolio We monitor the development exposure of the business as a proportion of the portfolio both currently and on a prospective basis with reference to a target range and this guides the pace and quantum of replenishment of the pipeline noting also the risks to timing and delivery of these opportunities including planning and construction cost inflation

> We determine our **risk appetite** based on our assessment of the economic environment that we are operating in and our performance aspirations We use **key risk indicators** to monitor the external environment as well as the risks across the business These provide clear thresholds covering areas such as gearing, sector selection, target development exposure and the sustainability of our income Remaining within these thresholds ensures that our actions are consistent with our agreed risk appetite
>
> **LUCINDA BELL**
> CHAIR OF THE RISK COMMITTEE

RISK GOVERNANCE

The Board takes overall responsibility for risk management with a particular focus on determining the nature and extent of significant risks it is willing to take in achieving its strategic objectives The Audit Committee assesses the principal risks facing the Company including those that would threaten its solvency or liquidity Their evaluation of these solvency risks is described further in the Going Concern section on page 72 and a description of how these risks are managed and mitigated is included in the Financial Strategy Execution risk in the table of principal risks which follows

The Audit Committee takes responsibility for overseeing the effectiveness of sound risk management and internal control systems and more information on the system of internal controls can be found on page 76

The Executive Directors are responsible for delivering the Company s strategy and managing operational risk and a **Risk Committee** has been established to provide a forum to fulfil these responsibilities

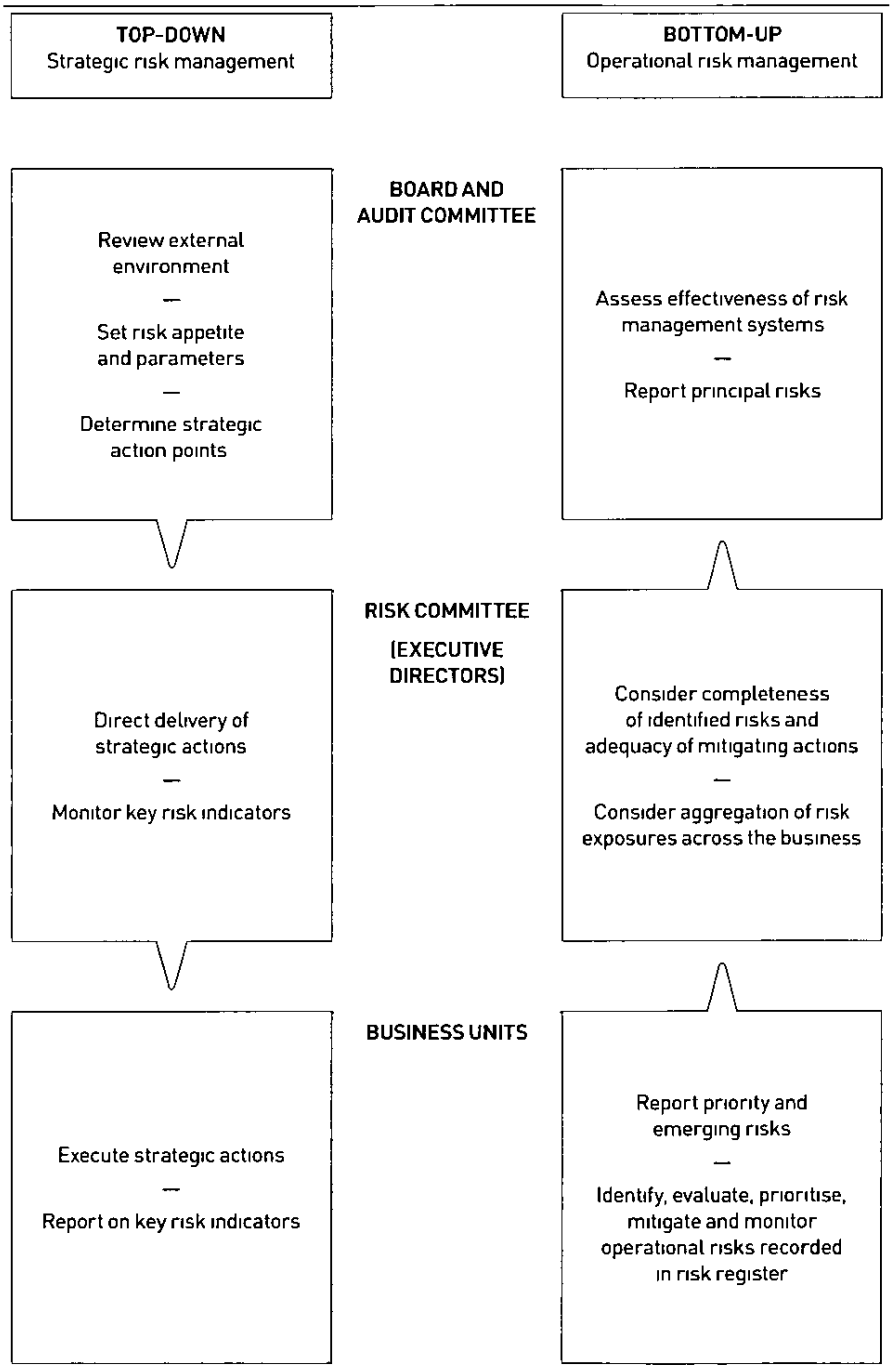
The Directors in turn place reliance on their teams to monitor and manage operational risks on an ongoing basis as well as identifying emerging risks The risk registers provide a framework for all staff to feed into this process recognising their shared responsibility for effective management of risk in delivering our strategy

Our governance structure
The Risk Committee P65

Report of the Audit Committee
P74-78

RISK MANAGEMENT AT A GLANCE

The diagram below summarises the complementary top-down and bottom-up aspects of our integrated approach to risk management



PRINCIPAL RISKS

Managing our social and environmental impacts is central to how we do business and deliver value to our shareholders To reflect this rather than reporting social and environmental factors separately we have integrated them within the principal risks disclosure which follows as indicated by these social and environmental icons

Our principal key risk indicators are **highlighted** within How we manage the risk

EXTERNAL RISKS

	RISKS AND IMPACTS	HOW WE MANAGE THE RISK	MOVEMENT IN THE PERIOD
ECONOMIC AND POLITICAL OUTLOOK	▪ The economic recovery and the prospect of increasing interest rates present risks and opportunities in property and financing markets and the businesses of our occupiers ▪ Significant upcoming political events bring risks in two areas – reluctance of investors and businesses to make investment decisions while the outcome remains uncertain and – on determination of the outcome the impact on the case for investment in the UK, and of specific policies and regulation introduced – particularly those which directly impact real estate	▪ The Risk Committee reviews the economic environment on a quarterly basis to assess whether any changes to the economic outlook present risks or opportunities which should be reflected in the execution of our strategy Indicators such as **forecast GDP growth** unemployment business and consumer confidence interest rates and inflation are considered as well as central bank guidance and government policy updates ▪ We are not able to influence the outcome of significant political events but take the uncertainty related to such events and the range of possible outcomes into account when making strategic investment and financing decisions ▪ 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 to influence the debate on these policies	▼ The UK recorded strong GDP growth and falling unemployment in 2013 with these trends forecast to continue in 2014 This is anticipated to result in increased consumer demand and to be beneficial for the businesses of our occupiers Risks to this recovery remain including the prospect of rising interest rates geo-political conflicts and a slowdown of economic growth in emerging markets ▲ Political European Parliament elections the referendum on Scottish independence and the UK general election are all scheduled within the next 12 months Beyond that there is the possibility of a UK referendum on membership of the EU Each of these events has the potential to impact the appeal and performance of investment in the UK in general and real estate in particular both through the related uncertainty and resultant implementation of policies and regulation
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 ▪ attractiveness of investment in the UK ▪ availability of finance and ▪ relative attractiveness of other asset classes	▪ The Risk Committee reviews the property market on a quarterly basis to assess whether any changes to the market outlook present risks or opportunities which should be reflected in the execution of our strategy The Committee considers indicators such as the **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 maintain a focus on those sectors which we believe will deliver outperformance over the medium term benefitting from continuing occupier demand and consequently investor appetite	▼ The weight of money seeking investment opportunities in UK commercial property both from international and traditional institutional sources continues to grow Investor appetite has been further enhanced by the improving economic outlook and increasing availability of finance at low rates with interest now extending beyond prime properties and locations
CATASTROPHIC BUSINESS EVENT	An external event such as a civil emergency including a large-scale terrorist attack extreme weather occurrence or environmental disaster could severely disrupt global markets (including property and finance) and cause significant damage and disruption to British Land s portfolio and operations	▪ Asset risk assessments (e g security flood environmental health and safety) ▪ Regular security threat information service ▪ Physical security measures at properties and development sites ▪ Asset emergency procedures reviewed and scenario tested ▪ Head office business continuity plan in place and regularly tested ▪ Comprehensive insurance	◄► The evaluation of the likely impact of this risk on the performance of the Group has not changed since the prior year The Home Office threat level from international terrorism remains substantial The portfolio has remained resilient to the storms and flooding experienced in the year with minimal damage and disruption experienced

KEY

CHANGE FROM LAST YEAR

- ▲ Risk exposure has increased
- ◄► No significant change in risk exposure
- ▼ Risk exposure has reduced

EXTERNAL RISKS

	RISKS AND IMPACTS	HOW WE MANAGE THE RISK	MOVEMENT IN THE PERIOD
OCCUPIER DEMAND AND TENANT DEFAULT	• Underlying income rental growth and capital performance could be adversely affected by weakening occupier demand resulting from variations in the health of the UK economy and corresponding weakening of consumer confidence and business activity and investment • Occupier failures may adversely impact underlying income and capital performance • 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 regularly reviews indicators of occupier demand including **consumer confidence surveys, employment forecasts for relevant occupier sectors** and **ERV growth forecasts** These are considered alongside the Committee members knowledge and experience of occupier plans trading and leasing activity in guiding execution of our strategy • We have a Key Occupier Account programme through which we work together with our occupiers to find ways to best meet their evolving requirements – including understanding how our stores fit with their omni-channel offer • We perform rigorous occupier covenant checks and review these on an ongoing basis so that we can be proactive in managing exposure to weaker occupiers • We are constantly assessing how best to future proof our buildings and maintain sustainability briefs across the investment portfolio as well as on acquisitions and developments • British Land prides itself on taking a leadership position on defining and responding to environmental legislation impacting the built environment All our office developments are BREEAM Excellent and 94% of our major retail developments are BREEAM Very Good or Excellent We have achieved significant landlord-influenced energy reductions benefitting our occupiers (see page 22 for further details)	▼ We are seeing improving demand for office space in London underpinned by increasing take up from TMT occupiers In retail occupiers are becoming more confident in the role of physical space in an omni-channel world With a reduced number of administrations as the economy recovers we are seeing signs of increasing demand for flexible space in the best locations
AVAILABILITY AND COST OF FINANCE	• Reduced availability of property financing may adversely impact British Land s ability to refinance facilities and result in weaker investor demand for real estate • Increasing finance costs would reduce British Land s underlying income	• Benchmark borrowing rates and measures of real estate credit availability are monitored by the Risk Committee on a quarterly basis and considered alongside Committee members awareness of financing activity in the industry to guide our financing actions in executing our strategy • We maintain strong relationships with our key financing partners and advisors to maintain an awareness of financing market activity • We maintain a diverse range of sources of finance to provide flexibility to access funding as required • We closely monitor relevant emerging banking regulation working with industry bodies and other relevant organisations to participate in the debate where our interests are affected In the current year we contributed to the Vision for Real Estate Finance in the UK recommendations which were drafted by a cross-industry real estate finance group	▼ We have seen a continuing increase in the availability of finance to commercial property across a range of sources Financing costs remain near historic lows but are expected to increase

PRINCIPAL RISKS CONTINUED

Our principal key risk indicators are **highlighted** within How we manage the risk

INTERNAL RISKS

	RISKS AND IMPACTS	HOW WE MANAGE THE RISK	MOVEMENT IN THE PERIOD
INVESTMENT STRATEGY	In order to meet our strategic objectives we must invest in and exit from the right properties at the right time Significant underperformance could result from inappropriate determination and execution of our property investment strategy including • sector selection and weighting • timing of investment and divestment decisions • exposure to developments • sector asset tenant region concentration and • co-investment arrangements **Responsible Executive** Chris Grigg **Strategic focus** RIGHT PLACES	• Our investment strategy is determined to be consistent with our target risk appetite based on the evaluation of the external environment • Progress against the strategy and continuing alignment with our risk appetite is monitored at each Risk Committee by reviewing relevant indicators including a comparison of forecast portfolio returns against the IPD benchmark • Individual investment decisions are subject to robust risk evaluation overseen by our Investment Committee including consideration of returns relative to risk-adjusted hurdle rates • We foster collaborative relationships with our co-investors and enter into ownership agreements which balance the interests of the parties	Chris Grigg commented "We have been active in delivering our investment strategy in the year We have increased our exposure to London and the South East taking advantage of strengthening investor interest in retail across the UK to rebalance our portfolio As our 2010 development programme concludes we have been replenishing our development pipeline We remain confident that our chosen sector focus will deliver outperformance over the medium term although our outperformance against benchmarks may narrow in the short-term as a result of strengthening investor demand in secondary property and other sectors As investor appetite intensifies we will remain disciplined in our investment approach" Our strategy for investing in the right places is outlined on pages 18 to 23
DEVELOPMENT	Development provides an opportunity for outperformance but this brings with it elevated risk The care with which we make our decisions around which schemes to develop when as well as our execution of these projects, must reflect this Development risks could adversely impact underlying income and capital performance including • development letting exposure • construction timing and costs and • adverse planning judgements **Responsible Executives** Charles Maudsley, Tim Roberts **Strategic focus** RIGHT PLACES	• We maintain 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** • For each project we make a judgement about apportionment of construction risk Where we retain this risk we fix costs early in the process subject to other market factors with key contractors subject to financial covenant review • Pre-let targets are used to reduce development letting risk where considered appropriate • We actively engage with the communities in which we operate as detailed in our Community Charter to ensure that our development activities consider the interests of all stakeholders • We manage social and environmental risks across our development supply chain by engaging with our suppliers including through our Sustainability Brief for Developments and Health and Safety Policy	Tim Roberts commented We are now well advanced on our 2010 development programme and have achieved considerable letting success Reducing the risk exposure on this programme has provided us with the confidence to commit to further developments including the residential-led Clarges Estate on Piccadilly and we are continuing to progress opportunities to further replenish our pipeline We are conscious of the prospect of rising construction costs in evaluating these opportunities The balance of these risks is managed within overall development exposure metrics which are monitored across the organisation" For more on our development programme see page 19
PEOPLE	British Land runs a heavily outsourced model which means that 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 **Responsible Executive** Chris Grigg **Strategic focus** EXPERT PEOPLE	Our HR strategy is designed to minimise risk through • informed and skilled recruitment processes • highly competitive compensation and benefits • people development and training • employee engagement surveys and other initiatives and • monitoring of **unplanned executive departures** and conducting exit interviews Our supply chain strategy is designed to manage key social and environmental risks with our outsourced suppliers including health and safety, fraud and bribery	Chris Grigg commented Our expert people are a key asset and their decisions and actions drive our performance We remain confident in our appeal as an employer but are conscious that competition for the best people is escalating in our industry, mirroring the increased level of investor activity We were pleased to appoint an HR Director and launch a new HR Strategy in the year to continue to improve our attractiveness as an employer and our capacity to develop our staff Our high level of staff engagement was recognised by the award of a One Star rating in The Sunday Times Best Companies to Work For survey"

KEY

CHANGE FROM LAST YEAR

- ▲ Risk exposure has increased
- ◄► No significant change in risk exposure
- ▼ Risk exposure has reduced

INTERNAL RISKS

	RISKS AND IMPACTS	HOW WE MANAGE THE RISK	MOVEMENT IN THE PERIOD
INCOME SUSTAINABILITY	We must be mindful of maintaining sustainable income streams in order to continue to generate returns for our shareholders and provide the platform from which to grow the business through development and capital appreciation 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 and ▪ nature and timing of asset management and development activity **Responsible Executives** Charles Maudsley Tim Roberts **Strategic focus** **CUSTOMER ORIENTATION**	▪ We monitor our **market letting exposure** including vacancies upcoming expiries and breaks and tenants in administration as well as our **weighted average lease length** ▪ We undertake comprehensive profit and cash flow forecasting incorporating scenario analysis to model the impact of proposed transactions ▪ We perform rigorous occupier covenant checks and review these on an ongoing basis so that we can be proactive in managing exposure to weaker occupiers ▪ We are proactive in addressing key lease breaks and expiries to minimise periods of vacancy ▪ We have a diversified occupier base and monitor concentration of exposure to individual occupiers or sectors ▪ We actively engage with the communities in which we operate as detailed in our Community Charter to ensure that we provide buildings that meet the needs of all relevant stakeholders	▼ Charles Maudsley commented In a challenging market we have demonstrated the enduring appeal of our retail properties with lettings above ERV footfall above benchmarks and improving occupancy throughout the year We are investing further in our properties including with the provision of wi-fi and increased food and beverage options to ensure that they continue to meet the evolving needs of our occupiers and their customers Tim Roberts commented "Occupier demand across our Office portfolio is robust supported by the increasingly diverse range of occupiers which our buildings appeal to Nowhere is this better demonstrated than at Regent s Place where 10 Brock Street was fully let within three months of completion to a broad range of occupiers including Debenhams Facebook, Manchester City Football Club and Whitefoord LLP For more on how we manage our portfolio see pages 24 to 25
CAPITAL STRUCTURE – EXECUTION	We must maintain a capital structure which recognises the balance between performance risk and flexibility ▪ Gearing magnifies returns both positive and negative ▪ An increase in the gearing level increases the risk of a breach of covenants on borrowing facilities and may increase finance costs **Responsible Executive** Lucinda Bell **Strategic focus** **CAPITAL EFFICIENCY**	▪ We set the LTV range to reflect the strength of our portfolio and the longevity of our cash flows management of our debt book and our refinancing risk ▪ We monitor our **LTV** on an ongoing basis and manage gearing levels over the cycle ▪ We manage our investment activity which can be lumpy as well as our development commitments to ensure that we will remain within an appropriate range of LTV	◄► Lucinda Bell commented During the year our LTV has been in the lower half of our range as we successfully invested the proceeds from our March 2013 placing sold retail assets and benefited from valuation increases As values increase we will continue our rigorous assessment of the appropriate LTV which may fall below 40% and will not gear up on market yield shift For more on our financial policies see pages 56 to 58
FINANCE STRATEGY EXECUTION	We must be judicious in the management of our financing as our strategy here addresses risks both to our continuing solvency and the stability of our profits Failure to manage the refinancing requirement may result in a shortage of funds to sustain the operations of the business or repay facilities as they fall due This and a breach of financing covenant limits are considered to be the most significant risks to the continuing operation of British Land as a going concern See page 72 for further consideration of going concern **Responsible Executive** Lucinda Bell **Strategic focus** **CAPITAL EFFICIENCY**	▪ We have five key principles guiding the financing of the Group which together are employed to manage the risks in this area diversify our sources of finance maintain liquidity extend and stretch maturity of debt portfolio maintain flexibility maintain strong balance sheet metrics See page 57 for further details ▪ We closely monitor the **period until refinancing is required** which is a key determinant of financing activity, and use scenario modelling tools to evaluate the **likelihood of covenant breach** ▪ We are committed to maintaining and enhancing relationships with our key financing partners ▪ We closely monitor relevant emerging regulation which has the potential to impact the way that we finance the Group and to introduce operating constraints As with other regulatory and public affairs matters which impact us we engage with Government and other industry participants to influence the debate	◄► Lucinda Bell commented "We were again successful in raising finance from a range of sources in the year including unsecured corporate facilities and a US Private Placement The attractive terms of these arrangements mean that we continue to operate an efficient debt book which provides both flexibility to effect our property investment activity and in conjunction with our hedging policy stability of financing costs " For more on our financial policies see pages 56 to 58

CORPORATE RESPONSIBILITY AT BRITISH LAND

DEAR SHAREHOLDER,

I am delighted to have taken the lead for corporate responsibility at British Land, an area that I have always been interested in It is in keeping with our mindset that the person responsible for finance is also responsible for social, environmental and ethical issues Our commitment to these issues helps us to create places people prefer, and so to deliver long-term value

Our customers and their stakeholders prefer efficient, modern places which are integrated well into the surrounding area and are often developed in collaboration with local communities This enhances people s daily lives at work, at home or out shopping These places also benefit from the actions we take to future proof against physical risks caused by increased flooding and rising temperatures

At British Land we have worked very hard to ensure that corporate responsibility is integrated into our business with social, environmental and ethical factors considered and managed at every level That is why, this year, we have integrated corporate responsibility information throughout this Report reflecting how we not only create value for our investors but make a broader contribution for our other key stakeholders and the society in which we operate

Our size and substance demand a responsible approach to business Across all our activities, we take great care to try to ensure that our impacts are positive, for our occupiers, local communities investors suppliers and the wider environment

Our properties attract over 300 million visits each year and are places where almost 100 000 people work or live Through our five-year development programme, we are supporting a further 32,300 jobs, fuelling growth and engaging with local communities We work with our supply chain to create apprenticeships giving people the chance to learn while they earn at our assets at the same time as developing the workforce of tomorrow for our sector Our community programme also stands out for the high level of staff involvement, with over three quarters of our people volunteering this year

In addition, we work closely with our supply chain to manage carbon emissions and other environmental impacts at our properties and developments I continue to be pleased with the substantial reductions we have achieved in landlord-influenced energy costs for occupiers This reflects the way we run our business, with our customer orientation and environmental emphasis

We identify the social environmental and ethical issues that matter most by working with people across the business engaging with external stakeholders, consulting experts, reviewing best practice, benchmarking our performance monitoring the external context and carrying out risk assessments This year, 750 stakeholders completed an online survey exploring social and environmental issues related to our business, over 100 experts appraised our approach to carbon and energy management, and many participated in independently facilitated workshops on key social and environmental issues

Different stakeholders have markedly different priorities and we need to strike a balance So, alongside our other stakeholder engagement activities our Corporate Responsibility Panel, chaired by Chris Grigg, includes external experts who provide market insights on changing trends in their fields and challenge our approach Through our Corporate Responsibility Committee, we then develop and implement our strategy and monitor performance

Our long-term social and environmental targets will conclude in March 2015 We have made good progress on these during the year, as detailed in our Full Data Report 2014 During the coming year we will continue to focus on delivering these targets and will also implement our supply chain plan to address key social and environmental issues, notably increasing our focus on human rights We are working with The Prince s Accounting for Sustainability Project to put sustainability at the heart of business decision making, strategy and reporting Areas that have proved challenging this year that we will continue to focus on both directly and through our supply chain include local procurement and employment, renewable energy in existing buildings and embodied carbon on developments

I look forward to working with our team and expert partners to develop our strategy further and set new long-term targets in the coming year

Lucinda Bell, Finance Director
Chair of the Corporate Responsibility Committee

Corporate responsibility information is integrated throughout this Report

Our strategy and carbon data
P22–23

Risks
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The Corporate Responsibility Committee
P65

EPRA Sustainability Reporting
P174

For more detail on our strategy
www britishland com/responsibility

For more detail on our performance
www britishland com/crdata

STRATEGIC REPORT APPROVAL

The Strategic Report, outlined on pages 2 to 42 incorporates what we do, our portfolio places people prefer Chairman s review Chief Executive s review business model, markets, strategy, KPIs, managing risks and corporate responsibility

By order of the Board

Tony Braine
Company Secretary
13 May 2014

PERFORMANCE REVIEW

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- Office and Residential review 49

Financial review 51
Financial policies and principles 56

BUSINESS REVIEW
PORTFOLIO OVERVIEW

UK PORTFOLIO VALUATION

£11,951m

TOTAL PROPERTY RETURN

14.2%

ERV GROWTH

3.0%

CAPITAL RETURN

8.9%

LETTINGS/RENEWALS VERSUS ERV

6.3%

OCCUPANCY RATE

96.1%

LEASE LENGTH TO FIRST BREAK

10.3 years

GROSS INVESTMENT ACTIVITY

£1,970m

COMMITTED DEVELOPMENTS CAPEX

£227m

ACQUISITIONS

£1,033m

DISPOSALS

£710m

OVERVIEW

Until this year, the UK property market has been sharply polarised between the London market which emerged from the recession sooner and saw significant inflows of international capital and the rest of the country Over the past year increasing confidence in the outlook of the UK economy and increased availability of debt has benefited the broader UK property market Nevertheless, London continued to generate the strongest total returns reflecting improving occupational demand and continued strong investment flows

Our portfolio performed strongly during the year as we benefited both from actions we have taken this year and in previous years and from rising markets Our investment activity during the year was materially accretive to our property performance notably the investment of our March 2013 equity placing along with our retail recycling where we have been taking advantage of market strength to sell more mature properties We also continued to benefit from our decision in 2010 to commit to a £1 5 billion development programme, focused on London Along with more recently committed projects our developments contributed a third of our valuation uplift

Today London and the South East accounts for 61% of our portfolio on a pro forma basis (including the estimated completed value of committed and near-term developments), up from 50% four years ago On the same basis, within London, the West End now accounts for 60% of our Offices business, up from 35% four years ago We continue to have a substantial pipeline of developments both near and medium-term, focused on London Our UK Retail portfolio comprising 53% of the total portfolio, focuses on the best environments where people choose to spend their time and retailers want to be

Overall our UK portfolio generated a total property return of 14 2%, made up of an income return of 4 9% and a capital return of 8 9% We continued to outperform the IPD benchmarks, by 60 bps on total returns and 140 bps on capital returns

The value of our UK portfolio increased by 8 3% to £12 0 billion with a 6 6% uplift in our investment portfolio and a 20 9% uplift from developments Our investment portfolio was a more important contributor to portfolio performance than in recent years driven by a combination of tightening market yields and our asset management activity The performance of our Office and Residential portfolio was particularly strong up 14 5% over the year reflecting the strength of the London markets along with our development programme Our UK Retail performance continued to improve with a valuation uplift of 4 4% with an acceleration in performance in the second half of the year

There was a marked improvement in rental values across our UK portfolio which were 3 0% ahead (2013 1 0%) This compares with growth of 1 7% for the property market as a whole At 31 March 2014, our portfolio net equivalent yield was 5 5% compared to 6 4% for the market

UK PORTFOLIO PERFORMANCE

		Valuation uplift		
Year ended 31 March 2014	Valuation £m	Investment portfolio %	Developments %	Total portfolio %
Retail and Leisure	6 852	4 4	2 2	4 4
Offices and Residential	5 099	11 4	22 3	14 5
Total	**11,951**	**6 6**	**20 9**	**8 3**

INVESTMENT ACTIVITY

The gross value of our investment activity since 1 April 2013 as measured by our share of acquisitions disposals and capital investment in developments was £2 0 billion

Again we were able to successfully access transactions to grow our portfolio by taking advantage of our financial flexibility and our ability to source deals, move quickly and deal with complexity The majority of the acquisitions we made during the year, including Paddington Central and SouthGate, Bath, were secured off market Our acquisitions were focused on both core income producing assets with good growth prospects from asset management and developments Overall, we completed or exchanged £1 033 million of acquisitions with income generating properties adding annual rental income of £46 million with an average net initial yield of 5 4% This includes over £100 million of potential development sites

In UK Retail, we continued to sell mature assets where we believe the future returns will be below our internal hurdle rates of return In Offices and Residential, the majority of our disposals were residential units sold after practical completion of our West End developments We also sold two of our largest assets in Continental Europe in line with our aim of exiting from that market, and successfully outsourced the management of the remaining assets Europe now accounts for less than 1% of our total portfolio Overall, disposals completed or exchanged raised £710 million and were sold on an average NIY of 6 2% and at 4 2% ahead of book value

ACQUISITIONS AND DISPOSALS

From 1 April 2013	Price (gross) £m	British Land share £m	Annual passing rent £m
Acqusitions			
Retail	604	502	24
Offices	499	499	22
Residential	51	32	–
Total acquisitions	**1,154**	**1,033**	**46**
Disposals			
Retail	507	391	26
Offices	30	30	1
Residential	142	142	–
Europe	281	147	9
Total disposals	**960**	**710**	**36**

BUSINESS REVIEW PORTFOLIO REVIEW CONTINUED

DEVELOPMENT

In 2010, we committed to a major development programme to deliver 2 7 million sq ft of space, principally in London Well-timed to deliver high quality offices along with high-end residential units into a supply constrained London market along with a number of retail projects the programme in total has generated £608 million of profit to date with a further £45 million estimated to come (based on valuers estimates) This is more than double the estimate at the time we started the programme, reflecting strong market growth, leasing and pre-sales ahead of plan and release of contingencies The total estimated annual rental value has increased from £79 0 million to £85 0 million over the same period 76% of the space is already let or under offer and 96% of the residential units have been sold or are under offer

We remain positive about the prospects for development returns in London, so as the 2010 programme has been completing, we have been replenishing our development potential both for the near-term and also for our longer-term pipeline We have already committed to a number of new projects We will continue to manage our development exposure within our self-imposed limit of committed development being not more than 15% of our investment portfolio and for our exposure to the London residential market to remain below £500 million (total cost net of pre-sales)

During the year, the purchase of development sites mainly at Paddington Central and our agreement with the City of London Corporation to become their development partner on Blossom Street Shoreditch added 1 1 million sq ft to our pipeline This brings total development opportunities acquired over the last two years to 1 6 million sq ft We obtained planning permission on 1 0 million sq ft of office, residential and retail development during the year

As a result of our activity, despite completing over 1 2 million sq ft of developments this year we have 2 5 million sq ft of committed development under construction We have contracted 77% of the costs of our committed developments Excluding projects which are due to complete over the next year, principally 5 Broadgate and The Leadenhall Building, we have 43% of our costs contracted

We have a further 719,000 sq ft in our near-term pipeline which are projects we could commit to over the next year to eighteen months As we complete further projects and the outlook for the market remains positive, we anticipate committing to more development in the coming year, including 4 Kingdom Street Paddington If we were to commit to all these projects over that time frame our total capital commitment, including land would be £1 2 billion with an anticipated profit to come of around £300 million In terms of capital commitment, the majority of our recently committed projects are London residential, the most significant of which is the residential element at Clarges Mayfair

Further out we have a number of potential development projects primarily in up and coming areas of London and including mixed-use schemes

More details on the portfolio, property performance, individual developments and assets acquired during the year can be found in the Retail and Leisure and Offices and Residential reviews on pages 47 to 50 and in the detailed other information on pages 166 to 173

COMMITTED AND NEAR-TERM DEVELOPMENT PIPELINE

		British Land share					
At 31 March 2014	Sq ft 000	Current value £m	Cost to complete £m	ERV £m	Pre let ERV £m	Residential end value £m	Pre-sold residential £m
Completed	1,354	897	19	46 9	29 1	165	143
Under construction	1 315	516	92	38 1	28 2	–	–
Total 2010 programme	**2,669**	**1,413**	**111**	**85 0**	**57 3**	**165**	**143**
Completed	21	5	–	0 3	0 3	–	–
Under construction	1 232	417	335	17 2	6 7	664	5
Total recently committed	**1,253**	**422**	**335**	**17 5**	**7 0**	**664**	**5**
Total committed	**2,547**	**933**	**427**	**55 3**	**34 9**	**664**	**5**
Total near-term pipeline	**719**	**79**	**351**				

BUSINESS REVIEW
RETAIL AND LEISURE REVIEW

Charles Maudsley
Head of Retail and Leisure

PORTFOLIO VALUATION (BRITISH LAND SHARE)

£6,852m

TOTAL PROPERTY RETURN

10.7%

ERV GROWTH

1.5%

CAPITAL RETURN

4.6%

LETTINGS/RENEWALS VERSUS ERV

4.9%

OCCUPANCY RATE

98.5%

LEASE LENGTH TO FIRST BREAK

11.3 years

Retail and Leisure
P20

More detail on British Land properties
www britishland com/retail

MARKET OVERVIEW

The tentative signs we saw of an improving UK retail market at the beginning of 2013 have strengthened over the last 12 months underpinned by better than expected economic growth and growing consumer confidence Retailers have become noticeably more confident not only in the outlook for the market but also the role that physical space will play in their omni-channel strategies While appetite for high quality space in the best locations has improved retailers continue to reduce their exposure to more secondary locations which in many cases are becoming functionally and economically obsolete Rental values in more secondary locations continued to decline while prime rental values rose modestly

There was a marked improvement in the retail investment market, particularly in the second half of the year, reflecting increased interest and demand from a broad range of domestic and international investors including Sovereign Wealth Funds The volume of transactions during the year was significantly higher than the prior year with yields across the retail market tightening, particularly on secondary assets where the greater volume of transactions took place Market evidence for prime remained limited given the scarcity of available product, with owners reluctant to sell, and yields were more stable as a result

We continued to actively reposition and upgrade our portfolio focusing on preferred destinations for both retailers and shoppers through investment in our existing properties and through recycling This brings the total investment in the business over the last four years to £1 5 billion (acquisitions and capital spend) with £0 8 billion of disposals, being mainly smaller properties

PORTFOLIO PERFORMANCE

Our retail and leisure portfolio grew in value to £6 9 billion, a 4 4% uplift over the year Performance was driven by yield compression (26 bps), reflecting the significant improvement in the retail investment market complemented by our asset management actions The portfolio continued to outperform the market by 40 bps on a capital returns basis, although not at the same level as previous years, reflecting the improvement in secondary asset valuations particularly in the second half There was a particularly strong performance from our department stores and leisure portfolio, with yield compression driven by appetite for fixed uplift backed income Our retail parks, shopping centres and superstores also benefited from positive rental growth but with lesser yield compression due to a relative lack of transactional evidence This was particularly the case for superstores with open-market rent reviews

Our occupational metrics improved further during the year reflecting the strength of our offer With good demand our portfolio is now virtually fully let with occupancy ahead of March 2013 by 110 bps to 98 5% There was a notable reduction in units in administration down from 0 9% to 0 1% of total rent as we successfully let up units previously in administration Footfall improved over the second half of the year up 1 2% and was broadly flat over the year We significantly outperformed the market where footfall was down 2 6% in the year Our retail ERVs were 1 5% up compared with the market which was flat Since the trough in June 2010 our rental values have now grown by over 3 3% compared with a fall of 1 0% for the market reflecting the ongoing polarisation between the performance of the best space where retailers want to trade and less attractive, more secondary space Our like-for-like rental income grew by 3 0% in part benefiting from the successful letting of units previously in administration along with surrender premiums

ASSET MANAGEMENT

We had a stronger period for leasing with higher levels of letting volumes and an improvement in the breadth and quality of occupiers and on enhanced terms, particularly from fashion home wares and leisure operators We continued to benefit from retailers looking to take space in the best quality locations Overall, we signed 1 7 million sq ft of lettings and renewals across the portfolio during the year, on average 4 9% ahead of ERV within the standing investment portfolio Rent reviews were signed on average 5 0% above previous passing rent with particularly good uplifts being achieved at superstores on average 11% ahead of previous passing rent Although our portfolio is nearly fully let and we see an improving outlook for rental growth although given our high levels of occupancy and no major developments coming on stream our overall leasing volumes are likely to reduce through the coming year We currently have 273 000 sq ft of space under offer at terms overall ahead of ERV

Our asset management activities remained focused on evolving and improving our overall retail offer attracting new and existing occupiers to our properties as well as upgrading the physical environment and expanding the range of services we offer Our increased investment in consumer surveys continued to provide valuable insights and feedback

BUSINESS REVIEW
RETAIL AND LEISURE REVIEW
CONTINUED

We leveraged our existing strong retail relationships signing five long-term deals each with Next and Arcadia totalling 140 000 sq ft which for Arcadia included two out of town Outfit stores We also worked successfully with retailers to expand new and existing formats, for example opening first out of town stores for Patisserie Valerie at Fort Kinnaird Retail Park, and Joules and Fat Face at Whiteley

Quality physical environments are becoming increasingly important in creating the right places We undertook and committed to almost 200 capital projects during the year to improve shop fascias and fit-outs and to refurbish and extend our existing schemes Major projects completed during the year included the refit of Debenhams flagship store in Oxford Street and the creation of a new out of town store for Next Home & Garden at Camberley We also continued to expand our food and leisure offer with 148 000 sq ft of deals signed with catering and leisure operators On our larger more experiential assets we now have 9% of rent from food and beverage up from 8%

Our digital strategy is to enhance the occupier and consumer experience at our retail assets and is an integral part of the physical experience, increasing convenience and widening our reach At the beginning of the year we signed a long-term deal with BT to provide free wi-fi on our shopping centres and retail parks We now have free wi-fi in 11 of our shopping centres and free wi-fi hotspots at six of our major retail parks with further rollout planned over the next six months Along with our customer exit surveys this means we can monitor and improve the experience of consumers, increasing dwell time which will support our occupiers sales

INVESTMENT ACTIVITY

We continued to reshape our portfolio with £953 million of gross investment activity across our Retail and Leisure portfolio including investment in developments since the 1 April 2013 We have taken advantage of the strength of the investment markets to sell £391 million of more mature assets and have invested both in our existing portfolio and in acquisitions where we believe we can generate higher returns

Our largest disposals during the year included Eastgate Shopping Centre, Basildon Bon Accord shopping centre in Aberdeen, and St James Retail Park Northampton We also sold seven smaller retail parks and six small food stores On average these sales were 2 4% ahead of book value Post the year-end, we sold Cwmbran Retail Park for a net initial yield of 6 4%

We made £502 million of acquisitions over the period This included a 50% interest in SouthGate the main shopping destination in the centre of Bath, for £101 million, reflecting a fully let yield of 5 7% The acquisition price was significantly below the original sum invested in constructing the newly built 430 000 sq ft, prime open air retail scheme With a large and affluent catchment and an impressive occupier line up the scheme has a high annual footfall of around 18 million visitors It is anchored by Debenhams, H&M, Topshop and Boots and has attracted several new high profile retailers to the city including Hollister Apple, Urban Outfitters All Saints and Superdry

We increased our ownership of Hercules Unit Trust (HUT) from 41 2% to 59 8% through the purchase of £154 million of units since the beginning of the year On an average 4 2% below NAV, this represents an effective net initial yield of 6 0% (based on actual acquisition costs) This investment increased our share of gross assets by £262 million reflecting the discount to NAV and the leverage within the HUT structure HUT is the UK s largest specialist retail park property unit trust with a portfolio totalling £1 5 billion We believe that HUT s portfolio is well positioned from a development perspective and to take advantage of the projected growth in Click and Collect which is increasingly a core component of retailers strategies We remain the property manager of the HUT assets

We also acquired a 26% equity interest in a portfolio of Sainsbury s superstores for £83 million, at a reversionary yield of 5 7% Held in a geared structure, the portfolio consists of 26 high quality superstores in affluent areas primarily in the South East All rental income until maturity will be used to pay interest on the bonds and partially amortise the securitised debt At maturity it is anticipated that the superstores will either be refinanced or sold to repay the outstanding debt We expect to generate attractive returns from the investment and have already seen an uplift of more than 10% This investment should be viewed in conjunction with the sale of smaller food stores within an overall objective of focusing our superstore portfolio on the highest quality locations

Over the coming year, we expect to make further disposals We currently have over £150 million of properties either under offer or in the market

DEVELOPMENT

We have completed nearly 700 000 sq ft of developments over the last year including the 305 000 sq ft Old Market scheme in Hereford shortly after the year-end

Our largest development completion was at Whiteley Shopping in Hampshire, where we opened a new 321,000 sq ft retail and leisure shopping scheme in May 2013 Combining the configuration, set up and experience of high quality shopping centres and the accessibility and convenience of retail parks Whiteley Shopping has quickly become the preferred destination for retailers and consumers in the area, attracting over 4 million shopper visits since opening Whiteley Shopping is over 96% let to a strong mix of prominent national retail brands including YO! Sushi, Wagamama Fat Face and Joules In April 2014, it won the ICSC European Shopping Centre New Development Award 2014 and is rated BREEAM Excellent for sustainability

In September, we opened a 46 000 sq ft leisure extension at our existing asset at Glasgow Fort Shopping Park The development was fully pre-let to a multiplex Vue Cinema and 24 000 sq ft of restaurant space let to TGI Friday s, Prezzo Harvester, Chiquito and Pizza Express Since opening, the Glasgow Fort has seen significant uplifts in footfall, dwell time and average consumer spend

Post the year-end, we completed our 305 000 sq ft retail and leisure development in the centre of Hereford It is already 96% let/under offer with a strong line-up of fashion retailers including H&M, Fat Face, Next, Outfit and an 85,000 sq ft Debenhams, the City s only department store Leisure comprising a multi-screen cinema along with seven restaurant and cafe units, accounts for 21% of the scheme creating an evening economy and extending the centre s trading hours

We have recently committed to 372 000 sq ft of new development primarily focused on upgrading and extending our existing assets, and increasingly our food and leisure offer, to improve the overall environment This includes leisure extensions at Whiteley Shopping Fort Kinnaird, Edinburgh and Broughton Park in Chester We are also on site building a new Next Home and Garden at Meadowhall and a major extension to Glasgow Fort anchored by an 80,000 sq ft M&S

BUSINESS REVIEW
OFFICE AND RESIDENTIAL REVIEW

Tim Roberts
Head of Offices and Residential

PORTFOLIO VALUATION
£5,099m

TOTAL PROPERTY RETURN
19.4%

ERV GROWTH
5.8%

CAPITAL RETURN
15.5%

LETTINGS/RENEWALS VERSUS ERV
8.4%

OCCUPANCY RATE
92.1%

LEASE LENGTH TO FIRST BREAK
8.4 years

Office and Residential
P21

More detail on British Land properties
www britishland com/offices

OVERVIEW

London retained its position over the year as the property market of choice reflecting its ongoing global attractions as a place to work, live and visit More domestic and international businesses are choosing to locate in London drawing on its highly skilled workforce and quality working environments More people want to live in London closer to where they work or with shorter commute times Our increased investment in London has positioned our business well to take advantage of both the present market strength and longer-term trends serving the changing needs of its growing population Accordingly, we are focused on mixed-use campuses with strong transport connections which include retail and residential elements These great working environments are increasingly important in attracting and retaining the best people – not just good buildings to work in – but places to live, shop and enjoy leisure time

The London property market had a strong year Although the economic recovery started to take hold across the UK, London continued to outpace the regional markets, with all sectors performing strongly – offices, retail and residential – and with the second half noticeably stronger than the first In the prime residential market in London, where our residential development is focused, international investors remained active although price increases were generally lower than in recent years

The office market saw continued strong investment flows driven both by international investors along with the re-emergence of domestic investors This strong investor demand led to prime office yields tightening further Occupationally after two years of more subdued demand, the leasing market was markedly busier, particularly in the second half with occupiers more willing to look in a number of different submarkets across London to find the right quality of space

TMT and insurance occupiers remained the most active but there was also increased take-up from other sectors, notably financial services Overall letting activity in Central London was around 50% ahead of the previous year With little new supply coming onto the market vacancy rates declined particularly for high quality Grade A space Accordingly, rents grew across London with growth in prime headline rents of 10% along with a reduction in incentives

PORTFOLIO PERFORMANCE

Our Offices and Residential portfolio is well positioned to benefit from the strengthening London market and our greater exposure to up and coming areas The value of our portfolio grew by over £1 2 billion to £5 1 billion reflecting both the investments made during the year along with a 14 5% overall uplift in valuation our West End portfolio was up by 16 6% and the City by 11 8% The portfolio produced a total property return of 19 4% with our Offices outperforming the IPD sector benchmark by 80 bps

In Offices our standing investments contributed around 60% of the uplift driven by a 40 bps compression in yields along with asset management ERVs were 5 8% ahead with a 7 9% increase in the City reflecting improving market conditions and increased opportunity from potential refurbishments Our office and mixed-use development programme continues to deliver strong returns, generating profits of £252 million over the year, and a valuation uplift of 23 0% This uplift was driven by a combination of factors including pre-lets signed ahead of ERV, profit release as we complete our 2010 London development programme and improving market conditions Our stand-alone residential portfolio was up 15 4% driven primarily by increased sales values

ASSET MANAGEMENT

The strengthening occupational market was reflected in our leasing activity during the year We signed 632,000 sq ft of lettings and renewals across our investment and development portfolio with investment lettings and renewals at an average of 8 4% above ERV Our activity was primarily focused on new lettings with 289,000 sq ft of deals signed in our investment portfolio and 237,000 sq ft of development lettings

We continued to see healthy demand across our portfolio from a range of occupiers from financial and professional services through to media, retail and technology companies not only attracted by the quality of our buildings and built environments, but also our high levels of customer service We were particularly successful in tapping demand from the growing technology and media sectors and the insurance sector which represented 51% of lettings Driven by our leasing success our like-for-like occupancy was 190 bps ahead although overall it is lower at 92 1% reflecting our newly completed West End developments moving into the investment portfolio Post our year-end we have seen an increase in occupier interest across our portfolio with over 150 000 sq ft of space let or under offer on attractive rental terms Our vacant space is virtually all new Grade A accommodation, so we feel positive about the letting prospects in a strengthening occupational environment

We made significant progress with the on-going re-positioning of our office-led campuses and strengthening of their income profiles At Regent s Place we completed our 505 000 sq ft office and residential development 10–30 Brock Street We continued to see strong demand for both the offices and residential units As a result all the office space at

BUSINESS REVIEW
OFFICE AND RESIDENTIAL REVIEW
CONTINUED

10 Brock Street, which is the largest of the buildings was let within three months of practical completion to a strong and diverse range of occupiers including Facebook and Manchester City Football Club achieving a new rental high on the campus of £71 per square foot This added £18 8 million of annual rent on a weighted average lease of 15 7 years 98% of the residential units at 20 Brock Street have been profitably sold or are under offer The Brock Street development has completed Regent s Place, a vibrant 2 million sq ft mixed-use campus where around 15 000 work and live With an occupancy of over 98% it is well served by major transport links and is enhanced by restaurants shops, a health club, a theatre art studios, a children s nursery and landscaped open space

At Paddington Central, which we acquired in July, we have let or put under offer 35,000 sq ft, at terms ahead of our acquisition assumptions, bringing occupancy on the campus to 94 2% We are confident that we will further improve occupancy We are also looking to improve on the existing planning consents at 4 and 5 Kingdom Street (see following development section) and public space in addition to works to the entrance of the campus and an introduction of a greater variety of uses and occupiers

Broadgate is our largest campus with almost 4 million sq ft of office, retail and leisure space We have a strong vision of how Broadgate will develop as a vibrant mixed-use environment in the heart of the City and expect it to benefit from its position around one of London s most important transport hubs and from the completion of Crossrail in 2018 In December, we signed a joint venture agreement for Broadgate with GIC, the investment arm of the Government of Singapore, following their purchase of Blackstone s 50% stake As one of our largest shareholders and with a long history in direct real estate investment we look forward to working with them to deliver our vision

We continued to make good progress both on our near-term and long-term plans at Broadgate At 199 Bishopsgate a building we recently fully refurbished, we let a further 63 000 sq ft of space so the building is now 56% let We signed over 89,000 sq ft of lettings on space surrendered by UBS at 1 and 2 Broadgate These lettings tie in with the extension we signed with ICAP last year enabling us to review options for refurbishment or redevelopment of the whole building in 2019 In the near term, activity is centred around Broadgate South where we are developing a new office for UBS at 5 Broadgate, alongside a full redevelopment of Broadgate Circle, to provide a more vibrant retail and restaurant offer (see development section) The next phase will include a major refurbishment of 100 Liverpool Street, which will be well timed to benefit from the advent of Crossrail, and more widespread improvements to the surrounding area We are working up a scheme and aim to put in a planning application by the end of financial year 2015

INVESTMENT ACTIVITY

Our strategic aim has been to grow the level of investment in London through acquisitions and development We invested £531 million in attractive, mainly off-market acquisitions, not only adding core income to the portfolio but also replenishing the development pipeline

At £470 million Paddington Central an office led campus in the West End was our most significant acquisition and our largest since 2005 Acquired on a net initial yield of 5 3% rising to 6 2% once fully let, the campus comprises 610,000 sq ft of income generating properties along with 355,000 sq ft of consented space at 4 and 5 Kingdom Street and an additional 80,000 sq ft of potential development This acquisition increases our exposure to an up and coming part of the West End market which is expected to benefit from the opening of Crossrail As our success at Regent s Place demonstrates this is an asset which plays to all of our strengths in managing large mixed-use schemes in London delivering value through well-planned asset management and development It is still early days but we are confident we can deliver significant value at Paddington Central

We also entered into an option agreement with The City of London Corporation for the re-development of Blossom Street Shoreditch further increasing our near-term development pipeline and broadening our access to occupiers in the vibrant and growing TMT sector Blossom St comprises three sites covering 2 acres fronting onto Shoreditch High Street just north of the core City of London market and which will be close to the new Liverpool Street Crossrail station The sites have potential for around 320,000 sq ft of office retail and residential accommodation in a mix of new retained and refurbished buildings We have the option to draw down a development agreement, subject to securing revised planning consent on the sites and on practical completion will be granted a long leasehold interest in the sites

During the year, we achieved planning consent on, and consequently also completed the purchase of Aldgate Place, a potential 365 000 sq ft residential development programme We have committed to Phase 1 at Aldgate Place a joint venture with Barratt Homes, in a fast changing area close to the City for 220,000 sq ft of residential including 154 private units

Our sales activity was primarily focused on the residential development programme both within our mixed-use and residential-led schemes where we have continued to actively recycle capital and crystallise development profits During the year we sold a further £41 million of residential units 31% ahead of book value

DEVELOPMENT

Within our 2010 development programme the office space is now 73% let or under offer with a weighted average lease length of 15 9 years Having sold 114 units and with a further three under offer we now have 96% sold or under offer We also have a significant pipeline of potential development projects both from sites we have acquired in the last two years and from within our existing portfolio

Over the year, we completed 820 000 sq ft of our West End developments including 10-30 Brock Street 10 Portman Square Marble Arch House and 39 Victoria Street, generating an overall profit on cost of over 65% In the City the Leadenhall Building is on track to reach completion in the summer We were pleased with our recent letting of Level 30 to Servcorp on a rent of £72 50 psf and with a further 13,500 sq ft under offer, we remain positive about the letting prospects for the remaining upper and smaller floor plates 5 Broadgate was successfully topped out at the end of March and will be ready for UBS to take delivery of the building in early 2015 subject to fit-out

We made good progress on our recently committed development projects having secured planning for Clarges Mayfair, Yalding House and residential schemes at The Hempel and Aldgate Place The majority of this development is residential and we will limit any future residential development until we have made further inroads with our forward sales Although it is early days we are seeing encouraging levels of interest Demolition is progressing at Clarges Mayfair with construction expected to start early in the summer Following a successful planning application we also committed to Yalding House, a refurbishment of 29 000 sq ft of office space in the West End and have recently started on site

In terms of our near-term pipeline we are progressing with planning to put ourselves in the position to be able to start as early as possible while retaining the optionality on whether to commit At Paddington, we have made improvements to the design of 4 Kingdom Street and anticipate being on site by the end of the year On 5 Kingdom Street as part of a wider master planning exercise for the whole campus we are looking to resubmit planning for an improved, larger scheme next year At Blossom Street Shoreditch, we have appointed four architects to develop the design and we expect to submit a planning application in the Autumn

FINANCIAL REVIEW

2014 was another active year for British Land as we continued to deliver our strategic objectives both driving strong results during the year as well as building more growth and opportunity into our portfolio for tomorrow

Lucinda Bell
Finance Director

ACCOUNTING RETURN
20.0%

NET ASSET VALUE PER SHARE
688p

DIVIDEND PER SHARE
27.0p

NET RENTAL INCOME
£562m

UNDERLYING PROFIT BEFORE TAX
£297m

UNDERLYING EPS
29.4p

LTV
40%

AVERAGE WEIGHTED INTEREST RATE
4.1%

NEW FINANCE RAISED
£1.5bn

AVAILABLE FACILITIES
£2.0bn

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More detail on British Land properties
www.britishland.com/our-properties

FINANCIAL REVIEW CONTINUED

We generated total accounting returns of 20 0% for the year which was significantly driven by our decisions and actions, not just at the property level but also financially And here we benefited both from our capital structure as well our ability to access competitively priced finance Our NAV, which was up 15 4% at 688p, was driven by an 8 3% increase in our valuation and our dividend was 2 3% ahead at 27 0 pence per share in line with our previous announcements It is measure of the Board s confidence in the prospects of the business that we are announcing our intention to increase the dividend by 2 5% for the 2014/15 financial year

Over the year we continued to develop our financial and deal management and skills both in pricing property risk and managing complex situations This enabled us to access transactions with few other competitive bidders We successfully deployed the proceeds of our March 2013 equity placing ahead of the schedule we set ourselves This was accretive to our earnings and net asset value performance during the year after taking into account the dilutive effects of the share placing Rental income from our 2010 development programme where all of our West End office projects completed during the year significantly offset the income we have forgone through the sale of Ropemaker Place at the end of the 2013 financial year By selling more mature assets and investing in ones with better long-term prospects, we have deliberately given up near-term income for longer-term total returns This is likely to continue as we further reshape our Retail portfolio

Despite this significant activity all our financial metrics remain robust Our LTV is unchanged over the year at 40% at the bottom of our range and our average weighted interest rate is lower at 4 1% We have taken advantage of improving debt markets to raise £1 5 billion of new finance at competitive rates This included a £785 million revolving facility our largest single bank facility with the lowest margin in the last 7 years, which is a great example of both our capabilities and the strength of our banking relationships Our financing structure, which is flexible and low cost, continues to provide the business with the resources and liquidity to deliver its strategy

INCOME STATEMENT

The group financial statements are prepared under IFRS where the after tax results of joint ventures and funds are shown as a single line item on the income statement, and the net investment in joint ventures and funds is shown as a single line on the balance sheet Management reviews the performance of the business principally on a proportionally consolidated basis (i e on a line-by-line basis) and comments on movements in the income statement provided in the financial review below are made on this basis Income statements and balance sheets which show British Land s interests on this basis are also included in Table A within the supplementary disclosures (pages 159 and 160)

Net rental income including our share of joint ventures and funds, increased by £21 million to £562 million for the year (2013 £541 million) The £690 million of investment in income producing assets following the placing added £31 million to full-year rent This was offset by a reduction of £26 million due to disposals made in the last financial year principally Ropemaker All our West End 2010 developments completed during the year and contributed materially to our income, adding £13 million during the year

INCOME STATEMENT

	2014			2013		
Year ended 31 March	Group[1] £m	Joint ventures and funds[1] £m	Proportionally consolidated £m	Group £m	Joint ventures and funds £m	Proportionally consolidated £m
Gross rental income	331	266	597	294	273	567
Property outgoings	(21)	(14)	(35)	(13)	(13)	(26)
Net rental income	**310**	**252**	**562**	**281**	**260**	**541**
Net financing costs	(79)	(123)	(202)	(80)	(126)	(206)
Net rental income less finance	**231**	**129**	**360**	**201**	**134**	**335**
Fees and other income	15		15	15		15
Joint ventures and funds underlying profit	123			130		
Administrative expenses	(72)	(6)	(78)	(72)	(4)	(76)
Joint ventures and funds underlying profit		123			130	
Underlying profit before tax	**297**		**297**	**274**		**274**
Underlying EPS	29 4p		29 4p	30 3p		30 3p
Dividend per share	27 0p		27 0p	26 4p		26 4p

1 2014 Group and joint ventures and funds results are presented after elimination of HUT non-controlling interest

Net rental income increased by 2 2% on a like-for-like basis, adding £6 million The retail portfolio like-for-like growth was 3 0%, driven by asset management initiatives and letting of units which became void following prior year administrations Lettings in the year increased occupancy rates from 97 4% to 98 5% In offices like-for-like rental income increased 0 4%, reflecting new lettings in the City offset by the impact of lease extensions generating long-term income streams

Net financing costs on a proportionally consolidated basis were £202 million, a decrease of £4 million compared to the prior year The sale of Ropemaker and associated swap close-outs reduced our interest charge by £8 million and interest on completed West End developments added £5 million Underlying profit before tax increased by £23 million, or 8 4%, to £297 million The increase in underlying profit before tax is summarised in the table below

MOVEMENT IN UNDERLYING PROFIT BEFORE TAX

	£m
Year ended 31 March 2013	274
Placing investments	30
Completion of 2010 developments	8
Like-for-like rental income	6
Disposal of Ropemaker	(18)
Other movements	(3)
Year ended 31 March 2014	**297**

Recycling was neutral to profits in the year, despite being active in reshaping our retail portfolio We sold high yielding ex-growth assets and invested in assets which offer opportunity to add value through asset management initiatives or development

We have a competitive advantage with our efficient operating model Our EPRA cost ratio (including direct vacancy costs) for the year was 16 2% (2013 15 3%) This EPRA metric is substantially the same as the cost ratio the group has previously presented Our EPRA cost ratio (excluding direct vacancy costs) for the year was 13 9% (2013 12 8%) The increase was driven by the sale of Ropemaker and our continued investment in our people and infrastructure

Underlying profits from joint ventures and funds for the year were £124 million During the year we increased our ownership of Hercules Unit Trust (HUT) to 58 6% as at 31 March 2014 and to 59 8% post our financial year-end As a result HUT is treated as a subsidiary and fully consolidated in British Land s accounts in line with international accounting standards This includes HUT s debt all of which is non-recourse to British Land We therefore now include 100% of its results and financial position on a line by line basis in the financial statements A deduction is then made for the equity in the subsidiary not attributable to the Group i e the non-controlling interest The change in basis of consolidation has had no impact on our KPIs

Underlying diluted earnings per share for the year ended 31 March 2014 was 29 4 pence (2013 30 3 pence) based on underlying profit after tax of £295 million (2013 £273 million) and weighted average diluted number of shares of 1,004 million (2013 901 million) As expected the relative dilution of EPS in the year is a consequence of the sale of Ropemaker at the end of the prior year The equity placing was been accretive to earnings by 0 5 pence per share in the current year after taking into account of the additional shares in issue ahead of the target set at the time of the placing

IFRS profit after tax for the full-year was £1 116 million (2013 £284 million), including £377 million from investments in joint ventures and funds (2013 £67 million) In addition to underlying profits the most significant item impacting IFRS profit was the net valuation increase of £580 million for the Group and £258 million for our share of joint ventures and funds

CASH FLOW

Net cash inflow from operating activities for the year was £249 million on a proportionally consolidated basis The table below provides a summary of the increase in EPRA net debt on the same basis for the year

MOVEMENT IN NET DEBT

Year ended 31 March 2014	£m
Opening net debt	4,266
Investment acquisitions	1,009
Disposals	(592)
Development and other capital expenditure	292
Net cash from operations	(249)
Dividend paid	159
Other	5
Closing net debt	**4,890**

Acquisitions absorbed £1,009 million, significant purchases being the investment of the placing proceeds at Paddington Central and the acquisition of SouthGate, Bath Disposals generated £592 million, with retail recycling at Bon Accord Aberdeen and Basildon Eastgate Centre, in addition to the sale of Puerto Venecia, Zaragoza

£292 million was utilised on development and capital expenditure, reflecting spend on our committed development programme and on replenishing the development pipeline We anticipate prospective development spend of £399 million over the next three years on our 2010 and recently committed development programmes and £307 million on our near term prospective programme Our investment portfolio has strong rental growth potential giving a platform for future growth which the table below summarises

ANNUALISED GROSS RENTS

	Cash flow basis £m	Accounting basis £m
Current passing rent	557	
Expiry of rent-free periods	51	584
Fixed minimum uplifts	13	
2010 non-completed developments pre-let	28	25
Recently committed developments pre-let	7	5
Total contracted	**656**	**614**
Developments – 2010 committed developments to let	28	23
Developments – recently committed	11	9
Developments – near-term to let	31	25
Investments – RPI and rent review uplifts	12	12
Investments – letting of expiries and vacancies	21	18
Potential rent in five years	**759**	**701**
Increase	**36%**	**20%**

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FINANCIAL REVIEW CONTINUED

Current cash rent is £557 million with potential to grow by around £200 million over the next five years We already have around £100 million of further rent contracted and when fully let the balance of the 2010 programme will add £28 million to rents Recently committed developments and the near term pipeline should add a combined further £42 million of rent The investment portfolio benefits from around 10% of rents being subject to RPI and letting of vacancies will add £21 million

DIVIDENDS

The quarterly dividend was increased to 6 75 pence per share in the year, bringing the total dividend declared for the current financial year to 27 0 pence per share This is in line with the announcement made by the Board in July 2013 The dividend paid in the financial year was 26 7 pence (2013 26 4 pence) The fourth quarter dividend of 6 75 pence per share totalling £68 million was approved by the Board on 13 May 2014 and is payable on 8 August 2014 to shareholders on the register at the close of business on 4 July 2014 The Board will announce the availability of the Scrip Dividend Alternative via the Regulatory News Service and on our website (www britishland com) no later than four business days before the ex-dividend date of 2 July 2014 The Board expects to announce the split between PID and non-PID income at that time In respect of the 2014 third quarter dividend of 6 75 pence per share totalling £68 million 30% of shareholders elected for the scrip alternative in lieu of £48 million in cash dividends It is the Board s intention that for the 2014/15 financial year the dividend will be increased 2 5% to not less than 6 92 pence per share per quarter reflecting confidence in future cash flows

BALANCE SHEET

At 31 March 2014, EPRA Net Asset Value per share was 688 pence per share, an increase of 15 4% compared to the prior year (2013 596 pence per share)

At 31 March 2014 40% of the property portfolio and 41% of net debt was held within joint ventures and funds The IFRS balance sheet shows our investment in joint ventures and funds grouped together and shown net

On this basis our net investment at 31 March 2014 was £2 634 million up from £2,463 million at the previous year-end reflecting the increase in the property portfolio valuations and our investment in developments

MOVEMENT IN EPRA NET ASSET VALUE PER SHARE[1]

	p
At 31 March 2013	**596**
Valuation movement	
Offices	**36**
Retail	**29**
Developments	**27**
Underlying profit after tax	**29**
Dividends	**(27)**
Other	**(2)**
At 31 March 2014	**688**

1 EPRA net assets exclude the mark-to-market on effective cash flow hedges and related debt adjustments, as well as deferred taxation on revaluations

BALANCE SHEET

	As at 31 March 2014			As at 31 March 2013		
	Group £m	Joint ventures and funds £m	Proportionally consolidated £m	Group £m	Joint ventures and funds £m	Proportionally consolidated £m
Properties at valuation[1]	7 194	4 846	12 040	5 554	4 945	10 499
Investment in joint ventures and funds	2 634			2 463		
Other non-current assets	262	(68)	194	76	(23)	53
	10 090	4 778	12 234	8 093	4,922	10,552
Other net current liabilities	(191)	(113)	(304)	(158)	(116)	(274)
Net debt	(2 877)	(2 013)	(4 890)	(1 963)	(2 303)	(4 266)
Other non-current liabilities	5	(18)	(13)	(5)	(40)	(45)
Joint ventures and funds net assets		2,634			2,463	
EPRA net assets	**7,027**		**7,027**	**5,967**		**5,967**
Non-controlling interest[2]			371			
EPRA adjustments[3]			(281)			(280)
IFRS net assets[3]			**7,117**			**5,687**
EPRA NAV per share			**688p**			**596p**

1 Includes European portfolio of £89 million and UK portfolio of £11 951 million

2 The EPRA net asset figures are presented after elimination of HUT non-controlling interest

3 EPRA net assets exclude the mark-to-market on effective cash flow hedges and related debt adjustments as well as deferred taxation on revaluations It also includes trading properties at fair value and is diluted for the impact of share options

The 15 4% increase in EPRA NAV reflects the 8 3% valuation increase and is spread almost equally across developments, offices and retail and evenly split between the impact of our actions and yield compression Standing investment delivered 7% uplift, development 21% The robust NAV growth and increase in the dividend in the year have translated into a strong total accounting return for the year ended 31 March 2014 of 20 0%

NET DEBT AND FINANCING

Our balance sheet metrics remain strong Net debt (EPRA) at 31 March 2014 was £2 9 billion for the Group and £4 9 billion including our share of joint ventures and funds The principal value of gross debt excluding cash short-term deposits and liquid investments was £3 0 billion for the Group and £5 2 billion on a proportionally consolidated basis The strength of the Group s balance sheet has been reflected in British Land s senior unsecured credit rating which remains rated by Fitch at A-

Our weighted average interest rate at 4 1% on a proportionally consolidated basis is lower than the previous year s 4 6% and 4 2% at 30 September 2013 Average debt maturity has decreased from the prior year s 9 9 years in part due to our choosing to draw on lower cost facilities which are towards the end of their agreed terms The proportionally consolidated LTV held at 40% at 31 March 2014 (40% at 31 March 2013), at the bottom of our 40 to 50% range

We continue to achieve attractive financings which improve liquidity We have raised over £1 5 billion of debt finance in the last 12 months, on competitive terms from a broad range of sources adding further flexibility and term to our already strong and well diversified debt portfolio Most recently in April 2014 we signed a £785 million unsecured revolving credit facility with a syndicate of 14 banks at an initial margin of 115 bps per annum The facility has a maturity of five years which may be extended to a maximum of seven years on our request and on each bank s approval for its participation

At the end of March 2014, we drew down as scheduled on the 12-year £200 million USPP fixed rate notes, swapped to an effective floating rate of 103 bps per annum over LIBOR, which we had signed in August 2013 In May 2013 we signed a £310 million unsecured revolving credit facility with an initial margin of 135 bps per annum All these unsecured borrowings include our standard financial covenants

British Land has £2 6 billion of committed banking facilities, including the £785 million facility signed in April 2014 and £142 million of cash and short-term deposits Of these facilities, £2 3 billion have maturities of more than two years

We continue to manage our interest rate exposure in accordance with our policy and currently an average 73% of projected net debt (including our share of joint ventures and funds) over the next five years is fixed This significantly mitigates the potential impact of increasing interest rates while retaining valuable flexibility

FINANCING STATISTICS

Full-year to 31 March 2014	Group	Proportionally consolidated
EPRA net debt[1]	£2 877m	£4 890m
Principal value of gross debt[1]	£2 990m	£5 198m
Loan to value[2]	29%	40%
Weighted average interest rate of drawn debt	3 5%	4 1%
Interest cover[3]	3 2	2 5
Weighted average debt maturity	8 2 years	8 7 years

1 Group EPRA net debt and principal value of gross debt presented after elimination of HUT non-controlling interest

2 Debt to property and investments

3 Underlying profit before interest and tax/net interest

ACCOUNTING JUDGEMENTS

In preparing these financial statements, the key accounting judgement relates to the carrying value of the properties and investments which are stated at fair value 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 is inherently subjective as it is made on the basis of assumptions made by the valuers which may not prove to be accurate

REIT status the Company has elected for REIT status To continue to benefit from this regime, the Group is required to comply with certain conditions as defined in the REIT legislation Management intends that the Group should continue as a REIT for the foreseeable future

Accounting for joint ventures and funds an assessment is required to determine the degree of control or influence the Group exercises and the form of any control to ensure that 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 upon elimination of upstream transactions

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

Lucinda Bell
Finance Director

FINANCIAL POLICIES AND PRINCIPLES

We focus on having sufficient competitively priced and flexible borrowings available to deliver our property strategy

DEBT FINANCE

The scale of our business combined with the quality security and stability of our rental income means that we are attractive to a broad range of debt providers and able to arrange finance on attractive terms Good access to the capital and debt markets is a competitive advantage both reducing our cost of funding and allowing us to take opportunities when they arise

Debt financing involves risk from adverse changes in the property and financing markets In arranging and monitoring our financing we include important risk disciplines, ensuring that relevant risks are fully evaluated and managed We choose the appropriate gearing level and follow five guiding principles explained on the opposite page that govern the way we structure and manage our debt

Managing risk
P36–41

GEARING

In deciding our gearing level we weigh up the potential increased returns obtainable from greater leverage (through borrowing to buy property) against the risks of having more debt We use a loan to value ratio (debt as a percentage of the value of our assets, LTV) to measure our gearing and settle on an LTV range which reflects the strength of our operational business and reliability of cash flows where we are comfortable that overall returns will be enhanced without exposing the Group to undue risk

Our preferred LTV range is between 40% and 50% on a proportionally consolidated basis i e including our share of joint ventures and funds At 31 March 2014 this ratio was 40% From time to time we may fall below this as a result of phasing of recycling activity or valuation increases we would not increase leverage as a result of market improvements in investment yields

Overall, and subject to transaction activity we aim to manage the level of gearing over the property cycle such that when values are rising from the low part of the cycle, LTV will be at a higher level in the range, while when values are around the high point of the cycle, LTV will be in the lower level of the range It is in the nature of real estate that transactions are often large in size which can cause significant movements in LTV within our range

We leverage our scale through joint ventures and funds which are financed with debt, in securitisations and loans which are non-recourse to British Land In doing so, the LTV at 40% on a proportionally consolidated basis is higher than the Group measure for our unsecured lenders, which is around 30% Accordingly we can operate with a higher level of gearing on a proportionally consolidated basis without putting pressure on the British Land credit profile

GROUP BORROWINGS

Unsecured financing for the Group is raised through bilateral and syndicated unsecured revolving bank facilities, most with terms of five years US Private Placements with maturities up to 2027 and the convertible bond maturing in 2017

Secured debt is provided by debentures with longer maturities up to 2035 at fixed rates of interest

Unsecured borrowings

The same unsecured 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 and
- Net Unsecured Borrowings not to exceed 70% of Unencumbered Assets

COVENANT RATIO

At 31 March	2010 %	2011 %	2012 %	2013 %	2014 %
Net borrowings to adjusted capital and reserves[1]	37	36	44	31	**40**
Net unsecured borrowings to unencumbered assets[2]	14	25	34	23	**31**

Highest during the year to 31 March 2014
1 43% and
2 36%

No income/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 £5 1 billion as at 31 March 2014

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 2014 these assets generated £44 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 profits 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 no amortisation These are secured against a single 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

Debentures without recourse to British Land and secured by specific properties comprise two fixed rate debentures of £73 million in total

Borrowings in our joint ventures and funds

Our joint ventures and funds are each financed in ring-fenced structures without recourse to British Land for repayment and secured on the assets of the relevant entity where gearing can often be satisfactorily maintained at a higher level than Group debt

External debt for these entities has been arranged through long dated securitisations or bank debt, according to the requirements of the business of each venture

Hercules Unit Trust has term loan facilities maturing in calendar years 2016 and 2017 arranged for its business and secured on its property portfolios without recourse to British Land These loans include value and income based covenants

The securitisations of the Broadgate Estate (£1,765 million) Meadowhall (£747 million) and the Sainsbury s Superstores portfolio (£589 million) have weighted average maturities of 13 3 years, 11 6 years, and 8 0 years respectively The only financial covenant applicable to these securitisations is that income must cover interest and scheduled amortisation (1 times) there are no loan to value covenants These securitisations provide for quarterly principal repayments with the balance outstanding reducing to approximately 20% to 30% of the original amount raised by expected final maturity, thus mitigating refinancing risk

Other debt arrangements with banks and other lenders include loan to value ratio covenants with levels ranging from 40% to 90%, and most have rental income to interest or debt service cover requirements There is no obligation on British Land to remedy any breach of these covenants and any remedy needed would be considered by the parties on a case-by-case basis

OUR FIVE GUIDING PRINCIPLES

DIVERSIFY OUR SOURCES OF FINANCE

We monitor the finance markets and seek to access different types of finance when the relevant market conditions are favourable to meet the needs of our business The scale and quality of the Group s business enables us to access a broad range of secured and unsecured recourse and non-recourse debt We arrange our finance across different types of debt to meet our own and where appropriate, our partner s needs

We enjoy and encourage 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 and a range of geographical areas, with a total of 41 debt providers of bank facilities and private placements alone We also aim to ensure that potential debt providers understand our business and we adopt a transparent approach so that lenders can understand the level of their exposure within the overall context of the Group These factors increase our attractiveness to debt providers, and since 1 April 2011 we have arranged £4 billion (British Land share £3 5 billion) of new finance in unsecured and secured bank loan facilities US Private Placements and convertible bonds

TOTAL DEBT PORTFOLIO

£7.2bn

MAINTAIN LIQUIDITY

In addition to our drawn term debt we aim always 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 opportunities

UNDRAWN COMMITTED FACILITIES

£2.0bn

EXTEND AND STRETCH MATURITY OF DEBT PORTFOLIO

The maturity profile of our debt is managed by spreading the repayment dates and extending or renewing facilities We monitor the various debt markets so that we have the ability to act quickly to arrange new finance as opportunities arise Maturities of different types of debt are well spread taking into account term debt and undrawn revolving facilities reducing our refinancing risk in respect of timing and market conditions As a result of our financing activity we are comfortably ahead of our preferred two year re-financing date horizon The range of debt maturities is one to 21 years

AVERAGE DEBT MATURITY

8.7 years

MAINTAIN FLEXIBILITY

We negotiate flexibility into our debt facilities to support the operations of our business across investment development and asset management Our bank revolving credit facilities provide full 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 are committed for terms of generally five years Operational flexibility is maintained with our combination of this unsecured revolving debt and secured term debt with good substitution rights, where we have the ability to move assets in and out of our debentures

REVOLVING CREDIT FACILITIES

£2.6bn

MAINTAIN STRONG BALANCE SHEET METRICS

British Land s operational metrics are strong The strength of our property portfolio is emphasised by the quality of our cash flows, high occupancy (96 1%) the in-built growth of our portfolio (28 9% with fixed or RPI linked uplifts) low levels of lease expiries over the next three years (12 4% of income) and managed levels of development risk (with £64 2 million already contracted future income from pre-lets)

The strength of our debt portfolio and low refinancing risk is illustrated by the range of debt maturities the diversified pool of finance confirming our avoidance of reliance on single debt sources our efficiency with a weighted average interest rate of 4 1% our interest cover of 2 5 times proportionally consolidated our use of non-recourse debt and the operational flexibility, supported by our continued success at raising debt at competitive prices

LTV (PROPORTIONALLY CONSOLIDATED)

40%

FINANCIAL POLICIES AND PRINCIPLES CONTINUED

MONITORING AND CONTROLLING OUR DEBT

We monitor our projected LTV and our debt requirement using several key internally generated reports focused principally on borrowing levels debt maturity covenant headroom and interest rate exposure We also undertake sensitivity analysis to assess the impact of proposed transactions, movements in interest rates and changes in property values on the key balance sheet liquidity and profitability ratios

In assessing our ongoing debt requirements, including those of our development programme, we consider potential downside scenarios such as an unexpected fall in valuations and the effect that might have on our covenants

MANAGING INTEREST RATE EXPOSURE

We manage our interest rate risk independently from our debt The Board sets an appropriate maximum level of sensitivity of underlying earnings and cash flows to movements in market rates of interest over a rolling five-year period The proportion of fixed rate debt required to remain within the target sensitivity varies with the levels of gearing and interest cover

Our debt finance is raised at both fixed and variable rates Derivatives (primarily interest rate swaps) are used to achieve the desired interest rate profile across proportionally consolidated net debt Currently 73% of projected net debt (including our share of joint ventures and funds) is at fixed rate over the five year policy time period

The use of derivatives is managed by a Derivatives Committee The interest rate management of joint ventures and funds is addressed by each entity for its business

COUNTERPARTIES

We monitor the credit standing of our counterparties to minimise our risk exposure in respect of placing cash deposits and 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 freely available currencies other than sterling, and will fully hedge the foreign currency exposure

TAX

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 we distribute as a dividend at least 90% of our property income to shareholders which becomes taxable in their hands In addition, we have to meet certain conditions such as ensuring our property rental business represents more than 75% of our total profits and assets We are subject to tax on overseas properties depending on the requirements of each jurisdiction Any UK income that does not qualify as property income within the REIT rules (such as fees and interest) is subject to tax in the normal way We also collect VAT and withholding tax on the dividends, as well as employment taxes on behalf of HMRC

We administer the tax compliance for 466 companies covering Group and joint ventures and funds (377 UK companies and 89 overseas companies) details of which are shown in our annual return filed with Companies House on 28 February 2014

HMRC continue to award us a Low Risk tax rating which is in part a reflection of our REIT status together with our transparent approach where we keep them informed Also, we maintain a regular dialogue with HMRC and in complex areas where there is a range of ways in which a transaction could be undertaken, we seek clearance from HMRC for what we do We also discuss with HMRC potential or proposed changes in the taxation system that might affect us, particularly those relating to REIT legislation

In the year to 31 March 2014, British Land paid and collected more than £200 million across all taxes to HMRC

GOVERNANCE AND REMUNERATION

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The sections from Strategic Report to Governance and Remuneration make up the Directors Report for the purposes of the Companies Act 2006

CHAIRMAN'S GOVERNANCE REVIEW

DEAR SHAREHOLDER,

Welcome to the Corporate Governance section of our Annual Report

This Annual Report marks the end of my first full-year as Chairman of British Land During the year I have visited a wide range of the Company s assets and developments, including the Grade A office space of the Leadenhall Building, scheduled to achieve practical completion in mid-2014 and the opening of Whiteley Shopping, witnessing our vision of next generation retail come to life I have also had the opportunity to meet with a number of our major shareholders to discuss British Land s performance, strategy and objectives, and take on board their comments

The Board has continued to apply good governance practices throughout the year operating in compliance with the UK Corporate Governance Code (the Code) and embracing the changes to the Code that have come into force, including stating the Board s Diversity Policy (page 79), enhanced disclosures in the Report of the Audit Committee (page 74) and confirmation from the Board that they believe that this Annual Report is fair, balanced and understandable The process undertaken to enable the Board to provide this confirmation to shareholders is described in the Accountability section on page 71

This year s Remuneration Report has been prepared in accordance with new regulations and includes a specific statement of our Remuneration Policy which will be presented to shareholders for approval at the 2014 AGM We have endeavoured to provide a clear and in-depth description of our approach to Directors remuneration and explain how the different elements are carefully designed to support our strategic objectives and reward performance that will benefit shareholders over the long-term

Good governance is about much more than sitting in a boardroom While the Chief Executive and Executive Directors take responsibility for day-to-day management, the entire Board must have sufficient engagement with the business to allow us to lead the Company with an in-depth understanding of its strengths and capabilities and the challenges it faces

Delegation of responsibilities to Board-level and Management Committees within our governance structure ensures that the Board has sufficient oversight of all key aspects of the business, with well-established reporting lines allowing all necessary information to flow from the Committees to the Board

Our governance framework and each Committee s responsibilities are regularly reviewed to monitor their effectiveness and improvements are made as necessary to meet the changing requirements of the Company The financial year ended 31 March 2013 saw the establishment of the Risk Committee reporting into the Audit Committee with the specific remit of focusing on the management of strategic and operational risk This year a new management committee the Operations Committee has been formed to improve the flow of information between the Executive Committee and the wider Company, to improve the strategic and tactical decisions that are made

The design of our governance structure ensures that the right people have access to the right information Internally this means that matters can be discussed and agreed at the appropriate level of the business in the appropriate level of detail allowing the business to operate with maximum efficiency Stringent systems of control are in place to ensure that decisions are taken by people with the appropriate authority to do so and that all relevant information is reported to the Board

Major decisions taken by the Board during the year include the acquisition of the majority of Paddington Central which increased our exposure to London and replenished our development pipeline and the sale of our stake in Puerto Venecia Zaragoza a significant part of our exit from Europe – both of which are fully aligned with the Company s strategy

It is essential that our strategy is understood throughout the Company, to enable our people to work to source and deliver opportunities such as these Monthly Company meetings presented by Executive Directors and senior executives tailored training sessions and an annual Company conference are all used to share our vision and objectives with employees

These opportunities are also used to seek employees ideas and feedback, which help the Board further develop the Company vision and improve the running of the business

We re proud to employ highly-skilled individuals throughout British Land with the competencies and expertise necessary to implement the Board s strategy to its maximum effect During the year a number of initiatives have been implemented which focus on developing and growing talent within the Company, detailed in the Report of the Nomination Committee on page 81 This is particularly important from the perspective of succession planning, as the Board and Nomination Committee identify people with the potential to fill Board, senior executive and executive vacancies which may arise in the future

Externally, our governance structure facilitates open, two-way dialogue with shareholders This is another key element in the successful development of our vision, shareholder views and preferences set the boundaries in which the Board constructs strategy Conversation with shareholders is ongoing throughout the year and shareholder views are conveyed to the Board as a whole The Executive Directors regularly communicate with investors through meetings and conference calls, with the Chief Executive relaying shareholder opinions back to the full Board both positive and negative Together with the rest of the Board I look forward to addressing shareholders at the AGM and responding to any comments or questions they may have in person The AGM also presents an opportunity for all shareholders to meet Tim Score who was appointed a Non-Executive Director of British Land on 20 March 2014 Details of Tim Score s appointment process can be found in the Report of the Nomination Committee on page 80

Communication with other key stakeholders is another important aspect of our governance framework This includes maintaining a regular and open dialogue with our lenders to help us understand their appetite and investment criteria, and building close relationships with our occupiers to develop a deeper understanding of their requirements This accumulation of knowledge and experience is fundamental if we are to create places people prefer and meet our objective of generating long-term sustainable total returns for our shareholders

On a final note, Tony Braine who has been with British Land since 1987 and has been Group Secretary since 1995, will be retiring in July 2014 The Board wishes Tony a long and happy retirement with sincere thanks for his support and diligent service over the years

John Gildersleeve
Non-Executive Chairman

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OUR GOVERNANCE STRUCTURE

THE BOARD

THE BOARD

Develops strategy and leads British Land to achieve long-term success

Comprises the Chairman, the Chief Executive six independent Non-Executive Directors and three further Executive Directors

The Board delegates certain responsibilities to Board-level and Management Committees Defined terms of reference for Board-level Committees formal documentation of powers delegated to Executive Directors and clear reporting lines ensure that the Board receives all relevant information about the business and that decisions are made by people at the right level with the authority to do so

Board biographies P66–67

Business model P14–15

Delivering our strategy P30–35

BOARD-LEVEL COMMITTEES

Reports on activities to the Board

AUDIT COMMITTEE

Oversight of financial and narrative reporting, internal control, risk management systems, internal and external audit processes

Comprises independent Non-Executive Directors Tim Score (Committee Chairman) Aubrey Adams and Simon Borrows

Report of the Audit Committee P74–78

Terms of Reference www britishland com/about-us/governance/committees

Reports on activities to the Board

REMUNERATION COMMITTEE

Sets the remuneration of the Chairman, Chief Executive and Executive Directors

Comprises independent Non-Executive Directors Lord Turnbull (Committee Chairman) Dido Harding and William Jackson

Remuneration Report P82–107

Terms of Reference www britishland com/about-us/governance/committees

MANAGEMENT COMMITTEES

Biannual reports to the Audit Committee

RISK COMMITTEE

Manages strategic and operational risk in achieving the Company s performance goals

Comprises Executive Directors
Chaired by Lucinda Bell

Supports the Executive Committee

OPERATIONS COMMITTEE

Supports the Executive Committee with operational matters

Comprises Executive Committee members and senior individuals who head specific functions within the Retail Offices Investment Development Finance Residential Strategy Investor Relations Corporate Communications and Information Systems departments
Chaired by Chris Grigg

Managing risk in delivering our strategy P36–37

Principal risks P38–41

Responsibilities of the Board and Management Committees are outlined on the following pages

Reports on activities to the Board

NOMINATION COMMITTEE

Leads the process for Board appointments and evaluates composition of the Board

Comprises the Chairman John Gildersleeve (Committee Chairman) and independent Non-Executive Directors Lord Turnbull and Dido Harding

Report of the Nomination Committee
P79–81

Terms of Reference
www.britishland.com/about-us/governance/committees

Chief Executive presents a regular Management Report on Management s activities to the Board

EXECUTIVE COMMITTEE

Deals with the ongoing management of the Group

Comprises Executive Directors and five senior executives Nigel Webb Head of Developments Jean Marc Vandevivere Head of Residential Simon Carter Head of Strategy, Tony Braine Group Secretary and Joff Sharpe Human Resources Director
Chaired by Chris Grigg

Executive Committee biographies
www.britishland.com/about-us/leadership/executive-committee

Recommends transactions for Board approval

INVESTMENT COMMITTEE

Reviews and approves capital transactions

Comprises Executive Directors
Chaired by Chris Grigg

Attended by senior executives from the Executive Committee and the executives responsible for the transaction under consideration

Investment Sticking to our strategy
P69

Presents quarterly CR updates to the Board plus an annual review of CR strategy

CORPORATE RESPONSIBILITY COMMITTEE

Acts as a custodian for corporate responsibility strategy

Comprises Lucinda Bell Committee Chair and four executives with defined areas of responsibility Justin Snoxall Head of Business Group responsible for our managed portfolio and reporting, Sarah Cary Sustainable Developments Executive responsible for developments Anna Devlet Head of Community responsible for our community programme and Helen Wyeth Group Reporting Manager responsible for financial control

Corporate responsibility at British Land
P42

www.britishland.com/responsibility

OUR GOVERNANCE STRUCTURE CONTINUED

OVERVIEW OF RESPONSIBILITIES OF THE BOARD

THE BOARD

- The Board develops British Land s strategy and leads the Company with the aim of achieving long-term success
- The Board determines the nature and extent of the significant risks it is willing to take in achieving its strategic objectives
- The Board establishes control mechanisms to ensure that the business is effectively managed
- The Board presents an accurate representation of the Company s performance and future plans to shareholders in a way that is fair, balanced and understandable, and ensures that a satisfactory level of dialogue with shareholders takes place

THE CHAIRMAN

- The Chairman leads the Board and ensures that it operates effectively, this includes setting appropriate agendas for Board meetings and ensuring that all matters are given due consideration
- The Chairman maintains a culture of openness and debate in the boardroom and builds constructive relationships between Executive and Non-Executive Directors to allow in-depth discussion to take place with participation from all Directors
- The Chairman ensures effective dialogue takes place between shareholders and the Board, with the full Board being made aware of shareholder views

NON-EXECUTIVE DIRECTORS

- Non-Executive Directors work with and challenge the Executive Directors in the development of the Company s strategy
- Non-Executive Directors provide an independent, external perspective on the business and contribute a broad range of experience and expertise to the Board
- Board-level Committees, each of which has been delegated specific responsibilities by the Board and operates in accordance with defined terms of reference, are formed of Non-Executive Directors

THE CHIEF EXECUTIVE AND EXECUTIVE DIRECTORS

- The Chief Executive is responsible for the day-to-day management of the business and for ensuring that the Board s strategy is implemented
- The management of the business is undertaken by the Chief Executive and the Executive Directors exercising powers delegated to them by the Board

Certain decisions may be made by the Executive Directors or by the Management Committees on which they sit

- The Chief Executive and Executive Directors are responsible for updating the Board and Board-level Committees on the overall performance of the Company and on specific aspects of the business, as required
- Executive Directors areas of responsibility within the business are shown below

CHRIS GRIGG
- Corporate performance
- Implementing strategy
- Communications
- Public affairs
- Human resources

LUCINDA BELL
- Finance
- Risk
- Investor relations
- Corporate responsibility
- Health and safety

CHARLES MAUDSLEY
- Retail portfolio
- Leisure portfolio
- Investments
- Developments
- Property performance

TIM ROBERTS
- Office portfolio
- Residential portfolio
- Investments
- Developments
- Property performance

Our Board and Committee structure is detailed on the previous page

OVERVIEW OF MANAGEMENT COMMITTEES

Executive Committee
The Executive Committee generally meets twice each month and its purpose is to deal with the ongoing management of the Group

The Committee considers day-to-day operational matters for running the business and reviews the performance of the Group s assets and development programme Internal procedures and cost control are also considered by the Committee

Matters are often considered and discussed by the Executive Committee before being recommended to the Board or Board-level Committees for approval in accordance with the schedule of delegated authorities Principal matters relating to planning, directing and controlling activities are reserved for Board approval

The Committee receives and reviews reports from across the business and discusses emerging trends These reports include key performance metrics for Retail, Offices Residential Leisure and Finance

Operations Committee
The Operations Committee was established during the year and now meets at least quarterly to assist the Executive Committee with operational matters arising in the day-to-day management of the business

The Operations Committee forms a link between the Executive Committee and wider teams of employees at British Land Heads of business functions are members of the Operations Committee and act as conduits for information between their teams and the Executive Committee members This helps increase the flow of information throughout the Company (both upwards and downwards) to improve overall understanding of the business and the reasoning behind and impacts of the strategic and tactical decisions that are taken

Risk Committee
The Risk Committee meets at least quarterly and reports to the Audit Committee twice a year

The Committee manages strategic and operational risk in achieving the Company s performance goals and recommends appropriate risk appetite levels to the Board

The Committee monitors the Company s risk exposure against the Board s target risk appetite and reviews the effective operation of risk management processes including risk identification, monitoring and mitigation

Health and Safety Committee
A Health and Safety Committee comprising staff with relevant responsibilities from across the business and chaired by Lucinda Bell meets quarterly to review performance against targets and drive forward actions in pursuit of the Company s health and safety goals The Health and Safety Committee reports health and safety performance to the Risk Committee and contributes to the Management Report to the Board

Investment Committee
The Investment Committee meets as required to review, approve or recommend capital transactions

- acquisition and disposal of assets
- investment in other companies, partnerships and joint ventures, and
- proposed capital expenditure above £20 million

Major transactions require approval of the Board following the initial recommendation for approval by the Investment Committee in accordance with the approval limits established by the Board

Other formal Board approvals may also be required, for example for proposed joint venture expenditure

Corporate Responsibility Committee
The Corporate Responsibility (CR) Committee provides quarterly updates on CR to the Board alongside an annual review of CR strategy During the year Lucinda Bell was appointed as Chair of the Committee

The Committee acts as a custodian for CR strategy reviewing performance and monitoring progress against targets and key initiatives The Committee assesses emerging social environmental and ethical issues to determine whether a response is required and considers social environmental and governance risks and the mitigating actions that are in place The Committee also reviews CR communications activity Any proposed changes in CR strategy are presented to the Executive Committee for approval

Corporate Responsibility Panel
A separate Corporate Responsibility Panel, comprising four independent experts and chaired by Chris Grigg, meets twice annually alongside relevant internal representatives from British Land The Panel receives and provides expert comment on emerging social environmental and ethical issues and challenges British Land s CR strategy

BOARD OF DIRECTORS

AUBREY ADAMS
Non-Executive Director

Appointment to the Board Aubrey was appointed a Non-Executive Director of the Company in September 2008

Committee membership Audit Committee

External appointments Aubrey is Head of Property within RBS s Global Restructuring Group and Non-Executive Chairman of Max Property Group PLC He is Chairman of the Board of Trustees of Wigmore Hall

Previous experience Until May 2008, Aubrey was Chief Executive of Savills PLC He was formerly 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 and Non-Executive Chairman of Air Partner PLC

LUCINDA BELL
Finance Director

Appointment to the Board Lucinda joined the Executive Committee in 2010, joined the Board in March 2011 and became Finance Director in May 2011

Committee membership Executive Committee, Investment Committee, Operations Committee and Chair of the Risk Committee and Corporate Responsibility Committee

Previous experience Lucinda is a Chartered Accountant with over 20 years of industry experience She has held a range of roles in real estate finance including Director of Financial Planning Tax Director and Head of Accounting (with HR responsibility for a quarter of the Company s people) In 2006 she was the only company representative on the H M Treasury appointed working party which designed the successful implementation of the REIT regime

SIMON BORROWS
Non-Executive Director

Appointment to the Board Simon was appointed a Non-Executive Director of the Company in March 2011

Committee membership Audit Committee

External appointments Simon is Chief Executive of 3i Group plc and a Non-Executive Director of Inchcape plc

Previous experience Before joining 3i Simon worked for 28 years in the banking and finance industry most recently as Chairman of Greenhill & Co International LLP, having previously served as Co-Chief Executive Officer of the firm and Co-President Prior to Greenhill Simon held the position of Chief Executive Officer of Baring Brothers International Limited the corporate finance division of ING Barings

WILLIAM JACKSON
Non-Executive Director

Appointment to the Board William was appointed a Non-Executive Director of the Company in April 2011

Committee membership Remuneration Committee

External appointments William is Managing Partner of Bridgepoint, a leading private equity firm William has served on a number of Bridgepoint portfolio Boards He is currently Chairman of Pret A Manger and President of Dorna Sports SL

Previous experience William began his career in NatWest s investment banking arm before working extensively on private equity transactions in Europe He was appointed Managing Partner of Bridgepoint, formerly NatWest Equity Partners in 2001

CHARLES MAUDSLEY
Head of Retail and Leisure

Appointment to the Board Charles joined the Board in February 2010 He has responsibility for the Retail and Leisure sectors of the Company s portfolio

Committee membership Executive Committee Investment Committee Operations Committee and Risk Committee

Previous 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 Managers for seven years where he was Head of Real Estate Fund Management in the UK

TIM ROBERTS
Head of Offices and Residential

Appointment to the Board Tim was appointed to the Executive Committee in August 2005 and elected as an Executive Director in July 2006 He has responsibility for the Office and Residential sectors of the Company s portfolio

Committee membership Executive Committee Investment Committee Operations Committee and Risk Committee

External appointments Tim is a Trustee and Board Member of LandAid the property industry charity

Previous experience Before joining British Land in 1997 Tim was a partner at Drivers Jonas in the Investment Agency team

JOHN GILDERSLEEVE
Non-Executive Chairman

Appointment to the Board John became a Non-Executive Director in September 2008 He was Senior Independent Director from November 2010 until he was appointed Chairman of the Company on 1 January 2013

Committee membership Chairman of the Nomination Committee

External appointments John is Deputy Chairman of Carphone Warehouse Group PLC and a Non-Executive Director of TalkTalk Telecom Group PLC

Previous experience Until 2004, John was a Director of Tesco plc He was formerly Chairman of New Look Retail Group Limited, EMI Group Gallaher Group and Carphone Warehouse Group and was also a Non-Executive Director of Lloyds TSB Bank PLC and Vodafone Group

CHRIS GRIGG
Chief Executive

Appointment to the Board Chris joined British Land as Chief Executive in January 2009

Committee membership Chairman of the Executive Committee, the Investment Committee and the Operations Committee and member of the Risk Committee

External appointments Chris is a member of the Executive Board of EPRA the European Public Real Estate Association a Non-Executive Director of BAE Systems plc and a Board member of the British Property Federation

Previous experience Chris was Chief Executive of Barclays Commercial Bank until November 2008, having joined the bank in 2005 as Group Treasurer Prior to Barclays he held a broad range of leadership positions at Goldman Sachs, where his career spanned 20 years rising to partner Chris held the position of President of the British Property Federation for the year ended July 2013

DIDO HARDING
Non-Executive Director

Appointment to the Board Dido was appointed a Non-Executive Director of the Company in January 2010

Committee membership Remuneration Committee and Nomination Committee

External appointments Dido is Chief Executive Officer of TalkTalk Telecom Group PLC and is also a trustee of charity Go ON UK, which aims to make the UK the most digitally skilled nation in the world

Previous experience Prior to joining TalkTalk in early 2010, Dido was Sainsbury s Convenience Director and a member of J Sainsbury plc s Operating Board Dido previously held senior management positions within Tesco plc Kingfisher Plc and Thomas Cook Ltd

TIM SCORE
Non-Executive Director

Appointment to the Board Tim was appointed a Non-Executive Director of the Company on 20 March 2014

Committee membership Chairman of the Audit Committee

External appointments Tim is Chief Financial Officer of ARM Holdings PLC, a position he has held since joining the company in 2002

Previous experience Prior to joining ARM, Tim held senior financial positions at Rebus Group Limited, William Baird plc, Lucas Varity plc and BTR plc From 2005 to 2014 Tim was a Non-Executive Director of National Express Group PLC He was Chairman of the Audit Committee and also a member of the Remuneration and Safety Committees Tim was interim Chairman of National Express from December 2008 to April 2009 and was Senior Independent Director of National Express from 2008 to 2014

LORD TURNBULL
Senior Independent Director (SID)

Appointment to the Board Andrew was appointed a Non-Executive Director in April 2006 and became SID in January 2013

Committee membership Nomination Committee and Chairman of the Remuneration Committee

External appointments Andrew is a Non-Executive Director of Prudential PLC and Frontier Economics Ltd He entered the House of Lords in 2005 as a Crossbench Life Peer

Previous experience Andrew retired as Secretary of the Cabinet and Head of the Home Civil Service in July 2005 He had previously held the positions of Permanent Secretary of HM Treasury and Permanent Secretary at the Department of the Environment Andrew was a Non-Executive Director of the Arup Group from 2006–07 and Chairman of BH Global Limited for five years until January 2013

ANTHONY BRAINE
Group Secretary

Tony joined British Land in 1987 as Assistant Secretary and became Group Secretary in 1995 He is retiring in July 2014

There are four additional members of the Executive Committee that are not on the Board please see the website for full information

Executive Committee biographies
www britishland com/about-us/leadership/executive-committee

GOVERNANCE REVIEW

The 2012 UK Corporate Governance Code (the Code) is the standard against which we were required to measure ourselves during the year

This section of the Corporate Governance Report outlines how we have applied the Code s principles and provisions, a copy of the Code is available to view at www frc org uk

The Board considers that the Company has fully complied with the Code throughout the year ended 31 March 2014

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, lasting success The Board focuses on strategy throughout the year the annual Strategy Days, described in the box on the facing page, provide a principal opportunity to do this Progress against, and the appropriateness of, the agreed strategy are considered at Board meetings during the year in light of Company performance and changes to the external environment

To ensure that no one individual has unfettered powers of decision there is a written division of responsibilities between the Chairman (responsible for leading the Board) and the Chief Executive (responsible for running the business) which has been approved by the Board

Responsibilities of the Board
P64

The Executive Directors, led by the Chief Executive are responsible for ensuring that the business is run in accordance with the Board s strategy The relatively small number of employees at British Land means that the Executive Directors are involved in or aware of, all major activities of the Group – hence they are extremely well placed to ensure that actions are aligned with the Board s strategy This is exemplified in the process by which investment opportunities are appraised, see Investment sticking to our strategy on the facing page

The Board sets the parameters and controls in which the Company s management may operate when undertaking the day-to-day running of the business These controls ensure that decisions are taken by people with the correct authority to do so

The division between major decisions reserved for Board approval and other decisions delegated to the Executive Directors is formally documented The Executive Directors make decisions within these predefined parameters Decisions that would normally fall within these parameters may still be taken to the full Board for approval where such decisions relate to activities outside the ordinary course of business Specialised Management Committees deal with their specific areas of responsibility, before making decisions (where they have authority to do so), or recommending actions for Board-level approval, if this is required A key consideration when making each decision hinges on whether the proposed action is aligned with the strategy the Board has developed

Management Committees
P65

The Chairman meets with individual Directors outside of formal Board meetings, as part of each Director s continuing contribution to the delivery of the Company s strategy to achieve superior returns for shareholders This process also allows for open, two-way discussion about the effectiveness of the Board, its Committees and individual Directors, both Executive and Non-Executive By these means, the Chairman is continually aware 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 any Board is fundamental if it is to provide strong and effective leadership, our Non-Executive Directors provide a breadth of knowledge, skills and experience, as detailed in their biographies The Nomination Committee is responsible for reviewing the composition of the Board and Board-level Committees to assess whether the balance of skills, experience, knowledge and independence is appropriate and enables them to operate effectively During the year the Committee identified the need to appoint a new independent Non-Executive Director to take on the role of Chairman of the Audit Committee leading to the appointment of Tim Score The procedure for the appointment of new Directors is rigorous and transparent more detail on Tim Score s appointment can be found in the Report of the Nomination Committee

KEY ACTIVITIES OF THE BOARD 2013/14

Regular agenda items included

- Outcomes of the Board Strategy Days and feedback
- Reports of the activities of the Audit Remuneration and Nomination Committees
- Chief Executive s Management Reports, quarterly updates on the business
- Updates on the portfolio, including developments, acquisitions and disposals
- Updates on financing
- Risk appetite
- Results of the Board performance appraisal and feedback
- Reappointment of Directors at the 2013 AGM
- Conflicts of interest
- Approval of year-end results the Annual Report and Accounts the AGM Circular and dividends
- Succession planning

Key agenda items also considered in the year included

- Acquisitions, including
  - the majority of Paddington Central, and
  - 50% of SouthGate Shopping Centre Bath
- Sales including
  - Puerto Venecia, Zaragoza,
  - Bon Accord and St Nicholas Shopping Centre Aberdeen, and
  - Eastgate Shopping Centre, Basildon
- Financings of £1 5 billion
  - US Private Placements, and
  - syndicated bank facilities, including £785 million revolving credit facility signed in April 2014
- Future-proofing the Retail portfolio
- Launch of Whiteley Shopping Hampshire
- Development pipeline
- Corporate responsibility

Board biographies
P66–67

Tim Score s appointment
P80

Non-Executive Directors are appointed for specified terms and all Directors offer themselves for election or re-election by shareholders at the Annual General Meeting each year, if the Board, on the recommendation of the Nomination Committee deems it appropriate that they remain in office

We continue to have a strong mix of experienced individuals on the Board with the majority being Non-Executive Directors who are independent and can offer an external perspective on the business and constructively challenge the Executive Directors particularly when developing the Company s strategy The Non-Executive Directors scrutinise the performance of management in meeting their agreed goals and objectives and monitor the reporting of performance They satisfy themselves of the integrity of financial information and that financial controls and systems of risk management are robust and defensible

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 the opportunity to properly consider such information in advance 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

The high calibre of debate and the participation of all Directors, Executive and Non-Executive is a quality that was highlighted in our most recent external Board evaluation and reiterated in the two subsequent internal Board evaluations These characteristics allow the Board to utilise the experience and skills of the individual Directors to their maximum potential and make well-considered decisions that are in the best interest of the Company

THE STRATEGY DAYS

The annual Strategy Days are attended by the full Board and the Executive Committee

The Executive Directors and senior executives deliver a number of presentations to the Board providing an in-depth analysis on all aspects of the business and the external environment The Strategy Days are an opportunity to discuss challenge and develop the Company s strategy

As well as considering the Group as a whole and the overall corporate strategy consideration is given to each part of the Group s current and prospective portfolio, and to Group financing

The days are carefully structured to achieve a balance between presentations and time for debate and discussion

The Strategy Days also provide an opportunity for the full Board to consider succession planning at Board-level and cascaded down through the senior executive and executive levels of the Company

Areas focused on at the February 2014 Strategy Days included

- Corporate strategy performance, progress and pace
- Finance strategy
- London strategy performing in a competitive market
  - Offices
  - Residential
- Development
  - replenishing the development pipeline
- Retail strategy
  - future-proofing the retail portfolio
- Developing people at British Land

OVERVIEW OF MATTERS RESERVED FOR FULL BOARD APPROVAL

- Transactions and financing arrangements over £100 million
- Employee share and option schemes
- Issue of securities
- Documents for distribution to shareholders and the Annual Report and Accounts
- Dividends
- Establishing authority levels below those of the Board

INVESTMENT STICKING TO OUR STRATEGY

Executive Directors are involved throughout the investment process and alignment with the Board s strategy is considered from the initial discussion of a transaction, right through to final approval

1.
All new investment opportunities are discussed at weekly deal sourcing meetings, attended by Executive Committee members and investment executives Attractive deals that are in line with strategy are selected to be investigated and analysed in detail by project teams

2.
Project teams assess whether investment opportunities should be pursued conducting detailed property and corporate due diligence, ongoing dialogue with relevant Executive Committee members takes place throughout the process

3.
Investment opportunities with potential are presented for Investment Committee approval Depending on the size and nature of a transaction, the Investment Committee can approve the proposed transaction outright or recommend it for approval by the full Board if this is required

4.
Investment opportunities are presented to the full Board for approval when required

GOVERNANCE REVIEW CONTINUED

The Board considers that Aubrey Adams Simon Borrows Dido Harding William Jackson Tim Score and Lord Turnbull are independent In making this determination the Board has considered whether each Director is independent in character and judgement and whether there are relationships or circumstances which are likely to affect, or could affect, the Director s judgement The Board believes that the Non-Executive Directors biographies demonstrate that they are of the stature and experience required to properly perform their roles as independent Non-Executive Directors Following this year s Board evaluation the Board believes each Non-Executive Director standing for election or re-election at the next AGM continues to effectively fulfil and remain 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

EFFECTIVENESS

Regular Board and Board-level Committee meetings are scheduled throughout the year and the Directors ensure that they allocate sufficient time to discharge their duties effectively Board meetings may be held at short notice, when Board-level decisions of a time-critical nature need to be made Non-Executive Directors letters of appointment set out the time commitments expected and each Director s attendance record (shown on page 71) is considered when assessing whether they should stand for reappointment by shareholders Fees payable to Non-Executive Directors are dependent on their level of attendance at Board and Committee meetings

The Chairman considers that all the Directors continue to devote sufficient time to discharging their duties to the required high standard and remain committed to their roles British Land s policy is to allow Executive Directors to take one non-executive directorship at another FTSE 100 company subject to British Land Board approval With the approval of the British Land Board, Chris Grigg was elected as a non-executive director of BAE Systems plc on 1 July 2013 The Chairman believes the appointment is beneficial to the Board by increasing Chris Grigg s wider experience particularly in relation to the application of advanced technology and in relation to government-level relationships around the world, which are critical to British Land s current and future business prospects The Chairman does not believe that the appointment has had an adverse effect on Chris Grigg s ability to discharge his duties as Chief Executive of British Land Other external appointments of the Directors are disclosed in their biographies

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 recorded and reviewed by the full Board at least annually Any conflicts of interest that materialise in the course of the Company s business are therefore identified and addressed appropriately

The Non-Executive Directors are kept well informed of the key developments in the business by both the Executive Directors and other senior executives, through regular reports and presentations Reports include Management Reports delivered by the Chief Executive and updates from the Risk Committee and Corporate Responsibility Committee

Throughout the year presentations and reports on specific aspects of the business and specific assets are also delivered, along with updates on the regulatory and external environment, provided by external speakers

Care is taken to ensure that information is circulated in good time before both Board and Committee meetings whenever possible, and that reports are presented clearly and contain the appropriate level of detail to allow valid conclusions to be drawn The Group Secretary ensures good information flows within the Board and its Committees, and between senior management and Non-Executive Directors, and is responsible for advising the Board on all governance matters through the Chairman

The Non-Executive Directors are therefore able to monitor the management of the business and the implementation of the strategic aims effectively, and are able to assess the suitability of the current strategy and the performance of the Chairman and Executive Directors

BOARD EVALUATION

The effectiveness of the Board is reviewed annually, with an independent, externally facilitated review being conducted at least once every three years The latest external review was conducted in 2011, with the next due to take place in 2014/15

The internal review conducted in 2013/14 took the format of an anonymous survey, in which the Directors were required to respond to a series of statements covering the following areas

- role and organisation of the Board,
- agenda,
- corporate governance,
- Non-Executive Directors
- Executive Directors
- information
- monitoring Company performance,
- Board leadership and culture, and
- Board appraisal process

The results of the 2013/14 Board evaluation were marginally improved from the previous year showing strong agreement with the statements and concluding that the Board was functioning effectively

In addition to the survey, peer reviews took place at a number of private meetings between the Directors The Chairman met each Non-Executive Director individually to discuss their contribution to the Board and the Senior Independent Director met with the other Non-Executive Directors to discuss the performance of the Chairman The Remuneration Committee was provided with a written appraisal of the Chief Executive s performance by the Chairman, and was provided with a written appraisal of the performance of the Executive Directors by the Chief Executive

BOARD TRAINING AND DEVELOPMENT

British Land provides for all Directors a tailored and thorough induction including the opportunity to meet with senior executives to be given an overview of their specific areas of responsibilty within the business, and the opportunity to visit the Company s key properties and developments

The Company also offers Directors opportunities to update and refresh their knowledge on an ongoing basis, to enable them to continue fulfilling their roles as Board members and Committee members effectively This includes training opportunities and further visits to the Company s assets as required Regulatory and environmental updates are delivered to the Board and relevant committees by external speakers, including corporate governance updates

REMUNERATION

The Company s Remuneration Policy is designed to attract and retain the best people to the Company allowing us to maintain a strong and effective Board and leadership team

The Policy is also structured to complement our strategy, linking a significant proportion of Executive Directors remuneration to corporate and individual performance The Policy is developed by the Remuneration Committee and will be presented to shareholders for approval at the AGM in 2014

Remuneration Policy
P84–93

ACCOUNTABILITY

The Board is responsible for preparing the Annual Report and Accounts and as confirmed in the Directors Responsibility Statement, the Board believes that this Annual Report and Accounts taken as a whole, is fair, balanced and understandable and provides the information necessary to assess British Land s position and prospects The basis on which the Company creates and preserves value over the long-term is described in the business model

Directors responsibility statement
P110

Business model
P14–15

The Annual Report and Accounts is compiled by the relevant responsible individuals across the Company Specific sections are reviewed by Department Heads and Executive Committee members as appropriate, ensuring that all key stakeholders across the business are involved The Executive Directors are closely involved in drafting and reviewing their relevant sections of the Report, before formally signing them off Finance and Company Secretariat teams conduct a robust due diligence process, verifying key statements made within the Report The full Report is then reviewed thoroughly by the Audit Committee, before it is presented to the Board for 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 The process has been enhanced this year with the addition of a specific meeting between the Finance Director Head of Investor Relations and the Group Financial Controller to review and document the key considerations undertaken to ensure that information presented is fair balanced and understandable A report detailing those considerations was reviewed by the Audit Committee alongside both a summary of the detailed procedures undertaken and the Annual Report and Accounts

RISK MANAGEMENT AND INTERNAL CONTROL

The Board determines the nature and extent of the significant risks it is willing to take in achieving the Company s strategic objectives

The maintenance of the Company s risk management and internal control systems is the responsibility of the Board, as is ensuring that they continue to operate effectively The Board combines a top-down risk review with a complementary bottom-up approach to ensure that risks are fully considered As well as complying with the Code the best practice recommendations in Internal Control Guidance to Directors have been adopted Internal control and risk management processes apply equally to all entities which British Land administrates, including all material joint ventures and funds

British Land s approach to risk, including the roles of the Board and the Risk Committee in setting risk appetite and monitoring risk exposure, is described in Managing risk in delivering our strategy

Managing risk in delivering our strategy
P36–37

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 full 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 includes cash flow and profitability forecasting and 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 the Investment Property Databank,
- key controls testing
- a comprehensive property and corporate insurance programme, and
- a formal whistle-blowing policy

DIRECTORS' ATTENDANCE AT BOARD AND BOARD-LEVEL COMMITTEE MEETINGS DURING THE YEAR ENDED 31 MARCH 2014

Director	Main Board	Audit Committee	Remuneration Committee	Nomination Committee
John Gildersleeve	8/8			1/1
Chris Grigg	8/8			
Lucinda Bell	8/8			
Charles Maudsley	8/8			
Tim Roberts	8/8			
Aubrey Adams	7/8	6/6		
Simon Borrows	8/8	6/6		
Dido Harding	8/8		4/4	1/1
William Jackson[1]	7/8	3/3	4/4	
Tim Score[2]	0/0	0/0		
Richard Pym[3]	2/3	3/3		
Lord Turnbull	8/8		4/4	1/1

1 William Jackson was appointed a member of the Audit Committee for the interim period between Richard Pym s resignation and Tim Score s appointment

2 Tim Score was appointed a Non-Executive Director and Chairman of the Audit Committee on 20 March 2014 No Board or Audit Committee meetings took place between his appointment and the year-end

3 Richard Pym resigned as a Non-Executive Director and Chairman of the Audit Committee on 5 September 2013

GOVERNANCE REVIEW CONTINUED

The Report of the Audit Committee provides more detail on the internal control system that operated through the year, including the approach to internal audit

Report of the Audit Committee
P74–78

The Board reviews the effectiveness of the Group s system of internal control over financial reporting annually, including that of material joint ventures and funds During the course of its review of the risk management and internal control systems over financial reporting, the Board has not identified, nor been advised of a failing or weakness which it has determined to be significant Therefore a confirmation in respect of necessary actions is not required

A number of policies are in place to ensure that the Company not only meets its legal obligations but also behaves ethically acts with integrity and protects its assets from the unlawful activities of others These include an Anti-Bribery and Corruption Policy, a Competition Policy and a Fraud Policy and investigation protocol All employees are made aware of the policies and procedures in place with understanding enhanced by staff communications and training The need for and appropriateness of policies guiding the conduct of business is regularly reviewed

GOING CONCERN

The Group s business activities together with the factors likely to affect its future performance and position are set out in the Strategic Report The financial position of the Group, its cash flows liquidity position and borrowing facilities, together with the Group s financing policy, are described in the Performance Review

Performance Review
– Financial review P51–55
– Financial policies and principles P56–58

The Group currently has considerable undrawn debt facilities and cash deposits which are expected to be sufficient to meet its financing requirements for several years The Group s recent record of raising £1 5 billion of financing over the last 12 months gives the Directors confidence in the Group s ability to raise further finance as and when required

The Group has substantial headroom against covenants on unsecured banking facilities and is not overly reliant on any single lender It also benefits from a secure income stream from leases with long average lease terms, and is not over reliant on any single occupier or industry group

Covenant ratio
P56

As a consequence of these factors the Directors believe that the Group is well placed to manage its financing and other business risks satisfactorily in the current economic environment The Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future and therefore continue to adopt the going concern basis in preparing the Annual Report and Accounts

RELATIONS WITH SHAREHOLDERS

The Board remains committed to maintaining open channels of communication with shareholders It is important to us that shareholders understand the Company s strategy and objectives these must be explained clearly and shareholders feedback must be heard and the issues and questions raised properly considered

British Land has a dedicated Investor Relations team which reports to the Finance Director

Communication with investors and analysts is an ongoing process throughout the year This includes regular scheduled Investor Relations events summarised in the box below one-to-one and group meetings with the Chairman and Executive Directors and tours of our properties, as well as regular contact with the Investor Relations department During the year, the Chairman, Chief Executive, Finance Director and our Investor Relations team met with representatives from over 170 institutions The Chairman s meetings are part of a continuing programme to build a strong two way dialogue with our biggest shareholders The full Board plans to attend the Annual General Meeting which provides an opportunity for all shareholders to question the Directors in person

Lord Turnbull has been appointed Senior Independent Director and is available to address concerns shareholders may wish to raise other than via the usual channels of the Chairman, Chief Executive or other Executive Directors

Significant emphasis is placed on the importance of feeding shareholder views, both positive and negative, back to the Board A written investor relations report which includes direct market feedback on activity during the period is presented at each scheduled Board meeting for discussion by the full Board Shareholder opinions are also given due consideration throughout the annual Strategy Days

KEY INVESTOR RELATIONS ACTIVITIES DURING THE YEAR INCLUDED

May 2013	▪ Full-year results presentation for 2012/13 ▪ Full-year roadshow London and US
June 2013	▪ Roadshow including private client lunch, Scotland ▪ Roadshow, Netherlands ▪ Investor conference London
July 2013	▪ Q1 interim management statement – investor call ▪ Annual General Meeting ▪ Private client meetings, London
September 2013	▪ Investor conference New York ▪ Investor day showcasing key retail assets ▪ Property tour London
November 2013	▪ Half-year results presentation ▪ Half-year results roadshow, London
December 2013	▪ Investor conference London
January 2014	▪ Q3 interim management statement – investor call ▪ Property tour, London
February 2014	▪ Roadshow, Netherlands ▪ Investor lunch with Head of Retail London
March 2014	▪ Investor conference Miami ▪ Roadshow Mid-Atlantic, New York, Boston ▪ Investor conference, London

The British Land website was re-launched in May 2013, with the aim of making it more informative and accessible for shareholders Results and other key announcements are now accompanied by short videos, providing information on a timely basis to both retail and institutional shareholders A number of case studies covering topics that range from profiles of our key assets to corporate responsibility activities are also available to view online A facility on the website allows all shareholders to ask questions directly at any time

Contact British Land
www britishland com/contacts

We are pleased with the level of engagement with shareholders achieved during the year particularly in relation to the new Long-Term Incentive Plan recommended for adoption by shareholders at the Annual General Meeting in 2013 Following detailed consultations the new plan was adopted by shareholders with over 96% votes cast in favour

The Board also recognises the important contribution of providers of capital other than shareholders, namely our lenders and bond holders We maintain a regular and open dialogue with our lenders to help us understand their investment appetite and criteria

EMPLOYEES

Having expert people at British Land is one of the four core focuses of our business model This applies both to the individuals on the Board with the responsibility for leading the Company, and the employees who work throughout British Land

Expert people
P28-29

We encourage a high degree of employee involvement in the Company and provide regular information on business activities and explanations of strategy through Company meetings training sessions, internal communications and an annual company conference Employee feedback is also strongly encouraged

During the year a new management committee the Operations Committee comprising the Executive Committee and heads of specific business functions, was established to assist the Executive Committee with operational matters arising in the day-to-day management of the business The Committee forms a link between the Executive Committee and wider teams of employees enhancing the flow of information around the Company both upwards and downwards to improve the strategic and tactical decisions that are made

Following the Board s appointment of a new HR Director in July 2013 British Land has implemented a number of initiatives to help develop our employees and grow internal talent, reinforcing the Company culture of excellence and embedding values and behaviours to drive a high performance culture As a relatively small Company in terms of number of employees we are proud to be able to invest in our people on an individual basis taking time to understand specific requirements to progress careers and enhance experiences across the Company More information is provided in the Report of the Nomination Committee

Developing people at British Land
P81

Wellbeing
P28

We have well-established all-employee share schemes to incentivise employees at all levels in the Company and align their interests with those of shareholders by building a holding of British Land shares In the UK, separate pension fund reports are made available to members

STAFF TURNOVER

	2013/14	2012/13	2011/12
Head office	**32 (15%)**	28 (13%)	24 (12%)
Broadgate Estates	**42 (20%)**	31 (16%)	16 (8%)
Total (average)	**74 (17%)**	59 (14%)	40 (10%)

REPORTABLE ACCIDENTS ACROSS OUR PORTFOLIO

	2013/14	2012/13	2011/12
British Land occupied demises[1]	**3**	–	2
At our managed properties	**32**	47	54
Rate per 100 000 hours worked on our developments[2]	**0 12**	0 24	0 35

1 British Land occupied demises refers to space occupied by British Land Broadgate Estates Ltd and The Source

2 On our developments there were six reportable accidents across 5 148 238 working hours in 2013/14 compared to 15 reportable accidents across 6 215 235 working hours in 2012/13

The benefit of diversity both on the Board and throughout the Company, continues to be a key consideration when searching for candidates for Board and other appointments In addition the Company continues to support the Pathways to Property programme, which aims to increase diversity within the property industry as a whole by attracting students from diverse backgrounds into the property sector

Diversity Policy
P79-81

FUNDING TO CHARITY AND GOOD CAUSES

British Land has a Charity and Community Funding Policy which states that giving is focused on young people, education training, employment and local regeneration

Charity Funding Policy
www britishland com/crpolicies

We allocate funding to national, regional and local community causes with most funds going to support initiatives around our properties and developments

The Charity and Community Committee, which approves all spend under the Charity and Community Budget is chaired by Edward Cree Senior Retail Asset Manager and reports to the Executive Committee on an annual basis

The Executive Committee approves the Company s Charity and Community Funding Policy and the annual Budget Donations during the year totalled £1 120 699 compared with £1,079 305 in the previous year British Land does not make any donations to political organisations

REPORT OF THE AUDIT COMMITTEE

DEAR SHAREHOLDER,

Welcome to the Report of the Audit Committee

We are committed to monitoring the integrity of the Group s reporting and to developing and maintaining sound systems of risk management and internal control Key initiatives adopted by the Committee this year included tendering the external audit, enhancing our review of valuer effectiveness and heightening procedures to ensure the Annual Report and Accounts is fair, balanced and understandable

COMPOSITION OF THE COMMITTEE

At the start of the year the Committee comprised Richard Pym (Committee Chairman), Aubrey Adams and Simon Borrows The Committee s composition changed during the year Following Richard Pym standing down as a Non-Executive Director of British Land in September Aubrey Adams took on the role of Chairman of the Committee on an interim basis and William Jackson joined the Committee as a member I was appointed a Non-Executive Director of British Land and Chairman of the Audit Committee on 20 March 2014 at which point Aubrey once again became a Committee member and William Jackson stepped down The Committee now comprises myself, as Committee Chairman Aubrey Adams and Simon Borrows

I am now the member of the Committee nominated as having recent and relevant financial experience, as required by the UK Corporate Governance Code Aubrey was the nominated member during his time as Chairman of the Committee, as was Richard before him I would like to thank Aubrey and William for their contribution during the transition period, and look forward to leading the Committee

ACTIVITIES OF THE COMMITTEE

The Committee operates within defined Terms of Reference, which were reviewed during the year and can be found on the Company s website at www britishland com/about-us/governance/committees

During the year the Committee has undertaken each of its principal responsibilities receiving relevant reports from the valuers, the Internal and External Auditors the Risk Committee and management and challenging assumptions and judgements made The table on page 76 details the responsibilities of the Committee and its activities throughout the year

The Committee performs a detailed review of the content and tone of the annual and half-year press releases and the Annual Report and Accounts, as well as interim management statements The Committee has satisfied itself that controls over the accuracy and consistency of information presented in the Annual Report and Accounts are robust, and has confirmed to the Board that it believes this Annual Report and Accounts is fair balanced and understandable An assurance opinion is obtained for the Company from PwC over the Corporate Responsibility Statement and a verification exercise is performed by management to ensure consistency and accuracy of information presented

The allocation of time spent on the Committee s principal responsibilities is shown in the chart on page 77 Significant additional time continues to be spent by members of the Audit Committee meeting with executive management to understand the key issues The Committee regularly meets with the External Auditor and Internal Auditor without management being present to ensure honest and challenging conversations take place

EXTERNAL AUDITOR

Following best practice and in accordance with its Terms of Reference, the Audit Committee annually reviews the audit requirements of the Group both for the business and in the context of the external environment and considers whether or not to undertake a formal tender There are no contractual obligations which would restrict the selection of a different auditor

When conducting the annual review, the Audit Committee considers the performance of the External Auditor as well as their independence compliance with relevant statutory, regulatory and ethical standards and objectivity

The Committee concluded that the findings of this year s review were satisfactory However, following 12 years of external audit from Deloitte it was decided that the external audit should be put out to tender for the year ending 31 March 2015 the tender process is described in the box on the facing page This complies with new governance requirements, and facilitated an evaluation of the merit of different audit approaches

There are no matters in connection with Deloitte s prospective resignation as Auditor which in the view of the Board, need to be brought to the attention of shareholders

SIGNIFICANT ISSUES

The Audit Committee pays particular attention to matters it considers to be important by virtue of their size, complexity level of judgement and potential impact on the financial statements and wider business model Identification of the issues deemed to be significant takes place following open, frank and challenging discussion between the Committee members with input from the Finance Director, External and Internal Auditors external experts and other relevant British Land employees

The significant issues considered by the Committee during the year ended 31 March 2014 are detailed in the table on page 77, alongside the actions taken by the Committee to address these issues

EXTERNAL AUDIT TENDER

In the 2012 Annual Report the Audit Committee indicated that once there was clarity on auditor appointment guidance from the Financial Reporting Council and European Union, it would tender the external audit and that this was expected to be within the next two years

In the 2013 Annual Report the Audit Committee confirmed that it would tender the audit in the coming year for the financial year ending March 2015

A number of firms were approached to tender for the audit, including mid-tier firms as well as members of the Big Four The list of firms was selected based upon their experience, industry skills and knowledge, their ability to perform the audit to a high standard, and any pre-existing business relationships that might affect their independence

It was agreed that in light of the longevity of Deloitte s appointment they would not be invited to tender for the audit

Over a number of months senior management within Finance built relationships with each selected firm, assessing their performance in a range of competencies On this basis two firms were shortlisted and each was requested to submit a tender Each shortlisted firm was given access to personnel across the business before presenting their audit proposal to the Management Panel and Selection Panel

The Management Panel consisted of audit stakeholders from across Finance and the wider business The Selection Panel consisted of the Audit Committee, Chris Grigg Chief Executive Lucinda Bell, Finance Director and Rob Hudson, Group Financial Controller

The Board accepted the Selection Panel s recommendation that PricewaterhouseCoopers be selected as the new External Auditor Deloitte will resign as the Company s auditor after completing the audit of this Annual Report and Accounts The Board intends to appoint PricewaterhouseCoopers to fill the casual vacancy created and will recommend the appointment of PricewaterhouseCoopers to shareholders at the 2014 Annual General Meeting

POLICY ON THE AUDITOR PROVIDING NON-AUDIT SERVICES

With respect to other services provided by the External Auditor, the following framework was in place during the year and will continue to apply on the appointment of the new External Auditor

- audit related services audit related services include formal reporting relating to borrowings shareholder and other circulars and various work in respect of acquisitions and disposals Where the External Auditor must carry out the work because of their office or because they are best placed to do so, the External Auditor is selected In other circumstances the selection depends on which firm is best suited
- tax advisory the selection depends on which firm is best suited in the circumstances and
- general consulting the External Auditor is not selected to provide general consultancy services except in certain circumstances, and then only after consideration that they are best placed to provide the service and that their independence and objectivity will not be compromised

AUDIT COMMITTEE MEMBERS

Tim Score[1]	Chairman of the Audit Committee
Aubrey Adams[1]	Member
Simon Borrows	Member

AUDIT COMMITTEE ATTENDEES

Deloitte	Attends as independent External Auditor to the Group
Knight Frank and CBRE	Attend twice a year to present their valuations as the Group s external valuers
John Gildersleeve Attends by invitation	Chairman of the Company
Chris Grigg Attends by invitation	Chief Executive
Lucinda Bell Attends by invitation	Finance Director
Anthony Braine Attends by invitation	Group Secretary
Rob Hudson Attends by invitation	Group Financial Controller
Marc Furlonger Attends by invitation	Head of Financial Forecasting and Financial Reporting
Rachel Wagg Attends by invitation	Head of Reporting
Nicola Thomas Attends by invitation	Head of Property Valuation
Sally Jones Attends by invitation	Head of Investor Relations
Charles Middleton Attends by invitation	Head of Tax
Jonathan Rae Attends by invitation	Secretary to the Risk Committee
Chris Dicks Attends by invitation	Head of Internal Audit KPMG
Stephen Spellman Attends by invitation	Internal Audit Partner KPMG

1 Richard Pym was Chairman of the Audit Committee until 5 September 2013 when he stood down as a Non-Executive Director of British Land Subsequently Aubrey Adams previously a member of the Committee, was appointed Chairman of the Committee and William Jackson was appointed as a member of the Committee Tim Score was appointed Chairman of the Committee on 20 March 2014 at which point Aubrey Adams became a member of the Committee and William Jackson stood down from the Committee

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Performance review 43–58
Governance and remuneration 59–108
Financial statements and other information 109–180

REPORT OF THE AUDIT COMMITTEE CONTINUED

PRINCIPAL RESPONSIBILITIES OF THE AUDIT COMMITTEE		KEY AREAS FORMALLY DISCUSSED AND REVIEWED BY THE COMMITTEE DURING 2013/14 INCLUDE
REPORTING AND EXTERNAL AUDIT	▪ Monitoring the integrity of the Company s financial statements and all formal announcements relating to the Company s financial performance reviewing financial reporting judgements contained within them ▪ Making recommendations to the Board regarding the appointment of the External Auditor and approving the External Auditor s remuneration and terms of engagement ▪ Monitoring and reviewing the External Auditor s independence objectivity and effectiveness ▪ Developing and implementing policy on the engagement of the External Auditor to supply non-audit services taking into account relevant ethical guidance	▪ Results commentary and announcements ▪ Key accounting policy judgements, including valuations ▪ Impact of future financial reporting standards ▪ Going concern ▪ External Auditor effectiveness ▪ External audit tender ▪ Selection and recommendation of new External Auditor ▪ Half-yearly External Auditor reports on planning conclusions and final opinion ▪ External Auditor management letter containing observations arising from the annual audit leading to recommendations for control or financial reporting improvement ▪ External Auditor s remuneration and level of non-audit fees
VALUATIONS	▪ Monitoring and reviewing the valuation process	▪ Annual report on the effectiveness of our valuers, which considers the quality of the valuation process and judgement with a half-yearly update ▪ Valuer presentations to the Committee
RISK AND INTERNAL CONTROL	▪ Reviewing the Company s internal financial controls its compliance with the Turnbull guidance and the effectiveness of its internal control and risk management systems ▪ Assessing the principal risks of the business including those that would threaten solvency or liquidity ▪ Reviewing disclosures on our approach to risk in interim and Annual Reports	▪ The outputs of the risk register process including identification of the Group s principal risks and movement in the exposure to these risks in the year ▪ Oversight of the Group s risk management processes and their effectiveness, including activities of the Risk Committee ▪ An annual report on the effectiveness of internal control systems ▪ Planning internal audit reviews to map the principal risks and a commitment to review transaction procedures ▪ Focus on issues relating to Joint Ventures ▪ An annual fraud risk assessment and an independent fraud resilience review ▪ Insurance programme for property development and corporate risks ▪ Credit limits of counterparties
INTERNAL AUDIT	▪ Monitoring and reviewing the effectiveness of the Company s Internal Audit function including its plans level of resources and budget ▪ Reviewing internal audit reports, recommendations and progress in implementation of those recommendations	▪ Monitoring KPMG s execution of the internal audit ▪ Internal audit effectiveness ▪ Internal audit charter defining its role and responsibilities ▪ Internal audit programme of review of the Group s processes and controls to be undertaken, and an assurance map showing the coverage of audit work over three years against the principal risks ▪ Implementation status reports on Internal Audit recommendations ▪ The Group s internal audit function reports, including those on – IT Governance Benchmarking Tax REIT Compliance, Retail Managing Agents Risk Management Processes, Sustainability Acquisitions Brief, Business Continuity, Governance review of Eden Walk, Full scope review of the Hercules Unit Trust, Governance review of SouthGate Bath Technical Information Security review Tax reputation risk, Fraud resilience review, and Annual key financial controls testing
OTHER	▪ Reviewing the Committee s Terms of Reference and monitoring its execution ▪ Considering compliance with legal requirements accounting standards and the Listing Rules ▪ Reviewing the whistle-blowing policy and operation	▪ Review of the Audit Committee s Terms of Reference ▪ Review of the effectiveness of the Audit Committee ▪ Maintenance of the Group s REIT status ▪ Compliance with changes to the UK Corporate Governance Code, including the fair, balanced and understandable concept ▪ Compliance with changes in accounting standards including IFRS 13 Fair Value Measurement ▪ Annual tax update and Tax Policy ▪ Mandatory carbon reporting ▪ Review of PwC Corporate Responsibility Assurance Report ▪ Treasury policy

The following commitment protocol operated throughout the year and applied to any engagement of other work (excluding audit and half-yearly reporting) performed by the External Auditor

- Audit Committee approval is required where there are any doubts as to whether the External Auditor has a conflict of interest, and
- approval by the Audit Committee Chairman on behalf of the Committee is required for each additional project over £0 1 million in value where cumulative fees for other work performed by the External Auditor are projected to exceed 75% of the combined fee for audit and half-yearly reporting review work

During the year no project approvals by the Audit Committee Chairman were required however as a precaution approval was requested and obtained for two non-audit engagements

NON-AUDIT WORK CARRIED OUT BY THE EXTERNAL AUDITOR DURING THE YEAR ENDED 31 MARCH 2014

Deloitte Real Estate (formerly Drivers Jonas Deloitte) provides advice on the masterplanning of the 75 acres of potential development land around Meadowhall Shopping Centre together with occasional advice or services on other matters It was appointed to this role prior to its acquisition by Deloitte The Committee considered and agreed that this and other non-audit related services provided by Deloitte could be provided during the year, subject to approval by the Committee where expenditure was above the established approval limits

As shown in note 5 to the financial statements, total fees payable to Deloitte in the last financial year amounted to £0 8 million of which £0 2 million was for non-audit related services provided by Deloitte Real Estate

SIGNIFICANT ISSUES CONSIDERED BY THE COMMITTEE DURING THE YEAR		HOW THESE ISSUES WERE ADDRESSED BY THE COMMITTEE
EXTERNAL AUDIT TENDER	As confirmed in the 2013 Annual Report the Audit Committee tendered the external audit for the March 2015 financial year	A detailed description of the tender process is provided in the box on page 75
VALUATIONS	Although conducted by external, independent valuers the valuation of the investment property portfolio is inherently subjective as it is made on the basis of assumptions made by the valuer which may not prove to be accurate The outcome of this judgement is significant to the Group in terms of its investment decisions, results and remuneration	The Audit Committee reviews the methodology and outcomes of the valuations and compares those of CBRE and Knight Frank The external valuers present to the Committee and are asked to highlight any significant judgements or disagreements with management The Committee assesses the independence of both external valuers Knight Frank and CBRE More information on this can be found on page 78 Furthermore, the External Auditor challenges the independent valuations as part of their audit procedures and report their findings to the Audit Committee
ACCOUNTING FOR TRANSACTIONS	Increased risk is encountered through transactions, as large and non-standard accounting entries are often required	The Committee reviews management papers on key judgements as well as the External Auditor s report presented following their detailed review of accounting entries
GOING CONCERN	Risks to the Company s ongoing solvency and liquidity and the appropriateness of preparing the Group financial statements for the half-year and the full-year on a going concern basis	The Committee considers the financing requirements of the Group in the context of available committed facilities and the diversity and longevity of existing debt In addition a paper is provided to the Committee covering customer concentration financing options and covenant headroom The External Auditor shares their review of these papers and their assumptions with the Committee
REIT STATUS	Maintenance of the Group s REIT status through compliance with certain conditions has a significant impact on the Group s results	The Audit Committee reviews compliance with the REIT tests annually Management present the methodology and results of the REIT tests, highlighting any change in long-term trends and the current level of headroom
FAIR, BALANCED AND UNDERSTANDABLE	Under the UK Corporate Governance Code the Board should establish arrangements to ensure the Annual Report presents a fair, balanced and understandable assessment of the Company s position and prospects On behalf of the Board, the Audit Committee considered what enhancements were necessary to current procedures to ensure that this statement could be made	Enhanced procedures and documentation were adopted during the year, as detailed in the Accountability section of the Governance Review on page 71

REPORT OF THE AUDIT COMMITTEE CONTINUED

INTERNAL AUDIT

The Company s Internal Audit function has been outsourced to KPMG, who reports regularly to the Committee, as detailed in the table on page 76 The Committee monitors the performance of the Internal Audit function throughout the year, as well as performing an annual review of its effectiveness The Committee believes KPMG continues to discharge its internal audit duties effectively

VALUATIONS

The external valuation of British Land s portfolio is a key determinant of the Group s balance sheet, performance and senior management remuneration In accordance with its Terms of Reference the Committee undertakes a rigorous approach to monitoring and reviewing the valuation process and the effectiveness of the Group s valuers Knight Frank and CBRE The Committee performed a detailed review of the effectiveness of the valuers in the current year, based upon a series of qualitative and quantitative measures which consider the quality of the valuation process and judgements, with comparison against actual transactions

The valuers present directly to the Audit Committee at the half-year and year-end review of results including confirmation of their valuation process market conditions and significant judgements made The Company s External Auditor reviews the valuations and valuation process and reports its findings to the Audit Committee having full access to the valuers and exchange of information to determine that due process has been followed using appropriate information The valuation process is also subject to regular internal audit review, the most recent being undertaken by KPMG on behalf of the Company in 2013

For the valuation of the Group s wholly-owned assets, the Company has fixed fee arrangements with Knight Frank and CBRE in line with the recommendations of the Carsberg Committee Report Copies of the valuation certificates of Knight Frank and CBRE can be found on the website at www britishland com/investors/operational-performance

IDENTIFICATION AND EVALUATION OF COMMERCIAL RISKS AND RELATED CONTROL OBJECTIVES

The Audit Committee holds responsibility for overseeing the effectiveness of sound risk management and internal control systems It fulfils this role by monitoring the activities of the Risk Committee, the risk management processes in place and the activities of the Internal Audit function, including its reporting on the effectiveness of controls

Risk Committee
P65

Managing risk in delivering our strategy
P36–37

Principal risks
P38–41

The Risk Committee minutes are circulated to the Audit Committee for review with any significant matters highlighted for Audit Committee discussion Twice yearly the principal risks, which are derived from the risk register process, are presented to the Audit Committee, along with commentary on how the exposure to these risks has moved in the period, for oversight and discussion Annually, a report on the effectiveness of internal controls is prepared by Internal Audit for presentation to the Audit Committee as well as a fraud risk assessment Internal Audit and the Risk Committee work closely together to ensure that identified risk areas inform the internal audit programme and similarly, findings of internal audit reviews are taken into account in identifying and evaluating risks within the business British Land maintains a framework of controls related to key financial processes and management of the associated risks The effectiveness of such controls is reviewed by Internal Audit annually either through dedicated procedures or in the course of other Internal Audit reviews

Tim Score
Chairman of the Audit Committee

REPORT OF THE NOMINATION COMMITTEE

DEAR SHAREHOLDER,

Welcome to the Report of the Nomination Committee The principal responsibilities of the Committee and the key areas discussed in the year ended 31 March 2014 are highlighted in the box on the page 81

CHANGES TO THE BOARD AND BOARD-LEVEL COMMITTEES

During the year the Nomination Committee has spent significant time discussing and recommending changes to the Board and Board-level Committees outside of formal meetings including consulting other Board members and working with Russell Reynolds Associates, an external search agency

On 5 September 2013 Richard Pym stood down as a Non-Executive Director of British Land following his appointment as Chair of The Co-Operative Banking Group and The Co-Operative Bank Richard Pym was Chairman of the Audit Committee and a member of the Nomination Committee before standing down The Nomination Committee identified the need to appoint a new Non-Executive Director to broaden the Board s collective experience and add a fresh perspective to boardroom discussions regarding the Company s strategy, position and prospects The time commitment required by the Company from the Chairman of the Audit Committee is such that the Nomination Committee decided that an external candidate would be best placed to devote sufficient time to the role in the long-term The Committee also considered that the new appointee should have the appropriate degree of financial experience and expertise to fulfil the role of Chairman of the Audit Committee effectively

Following a rigorous selection process, detailed in the box on the next page Tim Score was appointed a Non-Executive Director of British Land and Chairman of the Audit Committee on 20 March 2014 Tim Score s biography on page 67 details his financial experience working at companies in a range of different sectors, he is a chartered accountant and has nine years experience of chairing the Audit Committee at National Express Group PLC

The Nomination Committee recommended a number of changes to Board-level committee memberships following Richard Pym s resignation to maintain an appropriate balance of skills, knowledge, experience and independence on each Committee and to remain compliant with the UK Corporate Governance Code

Aubrey Adams undertook the role of Chairman of the Audit Committee between Richard Pym s departure and Tim Score s appointment, and William Jackson joined the Audit Committee as a member for the period between Richard Pym s resignation and Tim Score s appointment Dido Harding was appointed a member of the Nomination Committee replacing Richard Pym Throughout the year the membership of each Board-level Committee has comprised independent Non-Executive Directors to the extent required by the Code

COMPOSITION OF THE BOARD

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, excluding the Chairman are independent Non-Executive Directors and the Board s collective experience covers a range of relevant sectors as illustrated in the Maintaining a Balanced Board box on the next page As well as a breadth of property and financial experience the Board members have personal experience of working in the retail and corporate environments that are typical of many of our occupiers

Board biographies
P66-67

Board evaluation
P70

Tim Score will stand for election and all of British Land s other Directors will retire and submit themselves for re-election by shareholders at the 2014 Annual General Meeting The Committee believes that all the Directors continue to demonstrate commitment to their roles as Board and Committee members, continue to discharge their duties effectively and each make a valuable contribution to the leadership of the Company

DIVERSITY POLICY

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

NOMINATION COMMITTEE MEMBERS

John Gildersleeve
Chairman of the Nomination Committee

Lord Turnbull
Member

Dido Harding[1]
Member

1 Richard Pym was a member of the Committee until 5 September 2013 when he stood down as a Non-Executive Director of British Land and Dido Harding was appointed as a member of the Committee

REPORT OF THE NOMINATION COMMITTEE CONTINUED

APPOINTMENT OF TIM SCORE AS A NON-EXECUTIVE DIRECTOR AND CHAIRMAN OF THE AUDIT COMMITTEE

During the year the Nomination Committee identified the need to appoint a new Non-Executive Director to the Board of British Land with the appropriate experience and available time commitment to take on the role of Chairman of the Audit Committee

- The Nomination Committee was chaired by John Gildersleeve Chairman of the Company, during the selection process
- Russell Reynolds Associates[1], an external search agency, was engaged by the Committee to assist with the selection process The role of Russell Reynolds Associates included
  - preparing a detailed role specification, incorporating the expected time commitment and duties to be performed as a Non-Executive Director of the Company and as Chairman of the Audit Committee
  - searching for and benchmarking candidates for the role and
  - producing detailed profiles of the candidates to be considered by the Committee
- During the Committee s search candidates from a range of business backgrounds were considered including both male and female candidates
- The Committee consulted with British Land s advisors throughout the process and took detailed references
- Following this rigorous selection process, the Nomination Committee recommended that Tim Score be appointed to the role The Board accepted the recommendation, and Tim Score was duly appointed on 20 March 2014

1 Russell Reynolds Associates have been engaged by the Company in a search consultancy capacity in the past they do not provide any other services for the Company

The Board agrees with the conclusions of the Davies Review of Women on the Board that greater efforts should be made in improving the gender balance of corporate boards and that quotas for female Board representation are not the preferred approach The Company currently has two female directors Dido Harding who was appointed as a Non-Executive Director in January 2010, and Lucinda Bell, who was appointed Finance Director in May 2011 This currently represents 18% female Board membership

The promotion of women to Board and other senior positions within the Company is dependent on the recruitment, development and retention of women in the workforce, both within the Company and more widely throughout the business and professional community

Our recruitment practices have long included a commitment to diversity and gender equality, and will continue to do so throughout the Company As of 31 March 2014 British Land s employees comprised 96 females and 127 males of the employees considered to be executives 39 are female and 98 are male Senior Executives comprising the Executive Committee and Operations Committee, consisted of six females and 26 males These are full time equivalent figures The head count at 31 March 2014 was 242

To encourage and help mothers return to work after childbirth, we offer enhanced maternity leave payments and support flexible working patterns, currently 25 of our female employees take advantage of this facility We also offer enhanced paternity leave payments and support flexible working patterns for all parents and other employees whose personal circumstances may make this beneficial Currently five men work flexibly and nine men took advantage of enhanced paternity leave during 2013/14 Training and mentoring programmes are provided to ensure that all our employees achieve their potential taking account of their diverse development needs It is pleasing that our Finance Director Lucinda Bell was an internal appointment reflecting the development of our own people

The Nomination Committee seeks to increase the percentage of female Board members as quickly as we are able The speed at which we can achieve this will be subject to the availability of suitable candidates and compliance with the requirements of the Equality Act the Board has a fundamental obligation to ensure that appointments are of the best candidates to promote the success of the Company and we do not consider that it would be to the long-term benefit of the Company if appointments were made on any other basis Subject to these requirements we have an ongoing commitment to further strengthening female representation at Board and top management level

PRINCIPAL RESPONSIBILITIES OF THE NOMINATION COMMITTEE

- Regular review of the structure size and composition of the Board
- Recommendations to the Board with regard to Board changes and Board-level Committee membership changes
- Succession planning for Directors and other senior executives
- Identifying suitable candidates for Board vacancies, to be nominated for Board approval
- Reviewing the leadership needs of the Company
- Reviewing time commitments required from Non-Executive Directors
- Non-Executive Directors letters of appointment and recommendations for re-election

KEY AREAS FORMALLY DISCUSSED AND REVIEWED BY THE COMMITTEE DURING 2013/14 INCLUDE

- Review of Board and Committees
  - structure, size and composition, and
  - skills, knowledge and experience to ensure that they remain able to discharge their duties and responsibilities effectively and to the required high standard
- Richard Pym stepping down as a Non-Executive Director of the Company
  - consequent changes to Board-level Committee memberships and
  - the selection and appointment of Tim Score as a Non-Executive Director and Chairman of the Audit Committee
- Succession planning including identification of potential internal candidates for senior vacancies which may arise on a crisis, short medium or long-term basis
- Recommendations to the Board regarding Directors retiring for re-election by shareholders at the 2014 AGM
- Recommendations to the Board for the renewal of the letters of appointment of Simon Borrows William Jackson and Aubrey Adams

The policy throughout the Company 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 Applications for employment by disabled persons are always fully considered bearing in mind the aptitudes of the applicants concerned In the event of members of staff becoming disabled every effort is made to ensure that their employment continues and that appropriate training is arranged The policy provides that the training career development and promotion of disabled people should, as far as possible, be identical to that of other employees

SUCCESSION PLANNING

Succession planning is a key area of focus for the Nomination Committee and for each role potential successors have been identified for crisis, short, medium and long-term timescales Successors for Board, senior executive and executive positions are considered by the Committee The annual Strategy Days are an opportunity for the Committee to discuss succession planning in conjunction with the full Board of Directors

DEVELOPING PEOPLE AT BRITISH LAND

The Board recognises the importance of developing people at British Land, particularly in relation to succession planning for senior positions within the Company People development was a core topic discussed at the Board s Strategy Days in February 2014, as well as being considered by the Nomination Committee Having expert people is one of the four core focus areas of our business model

Expert people
P28-29

During the year a new Director of Human Resources, Joff Sharpe, was appointed and a number of new initiatives are being developed to recognise and grow internal talent including

- the introduction of a formal talent review process to strengthen the Company s approach to identifying high-potential employees and tailoring development plans for them
- People Management and Leadership Development programmes being rolled out
- a Coaching and Mentoring programme being introduced, which particularly focuses on supporting female employees as they develop their careers and
- biannual Chairman and CEO Awards to recognise employees contributions to the business in areas ranging from citizenship to commercial acumen Winners are selected after a comprehensive peer nomination process, which encourages positive feedback to, and recognition of, employees at all levels of the business

John Gildersleeve
Chairman of the Nomination Committee

REMUNERATION REPORT

DEAR SHAREHOLDER,

It is my pleasure to introduce our new format Remuneration Report

This year you are asked to vote separately on our Remuneration Policy and our Remuneration Implementation Report

Our Remuneration Policy is set out first on pages 84 to 93 and the Remuneration Implementation Report that shows pay for 2013/14 follows this Both parts are in the format required by The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 The vote on the Remuneration Policy is binding and the vote on the Remuneration Implementation Report is advisory

REMUNERATION PHILOSOPHY

At British Land, our objective is to deliver superior total shareholder returns to achieve this we must produce consistent outperformance of our peers over a sustained period of time, through focusing our efforts on the activities that we believe will be most value-enhancing to shareholders We do this by creating places people prefer Pages 30 to 37 in our Strategic Report describe how we deliver this strategy and manage risk

We ensure that we have strong alignment of management incentives with our stated strategy, thereby matching the interests of the Directors with those of the shareholders The different elements of Directors remuneration packages at British Land have been carefully chosen so that they are supportive of and relevant to the four focus areas of our business model right places, customer orientation, capital efficiency and expert people Pages 31 to 35 describe the link between our focus areas and our key incentive measures These measures are regularly reviewed by the Committee to ensure that this crucial link is maintained

As part of this pay policy should provide effective incentives for exceptional Company, team and individual performance with significant upward and downward variability The Company targets a high-performance open and meritocratic culture where people are motivated individually and as a team to outperform competitors subject to maintenance of quality and security The business model is people-light and asset-heavy – it leverages the work, skill and judgement of a relatively small team over a large value of assets This means British Land s expectations of staff are high and there is a scarcity value on proven performers

When setting pay the Committee also bears in mind that as well as providing motivation to perform pay plays an important role in attracting and retaining the most talented employees Our Policy needs to be competitive with alternative employment opportunities

In the current environment the Committee recognises that a listed company s remuneration policy can be a contentious issue, as such consultation with shareholders, regular policy reviews and clear, transparent reporting are essential to ensure that British Land s Remuneration Policy meets the requirements of its shareholders

This approach has led us to use two main structures within each Director s remuneration package Firstly, we have basic salary and benefits that are fixed annually at norms broadly consistent with the Company s FTSE position with appropriate variance for specialist positions Secondly each Director s Annual Incentive and share scheme awards (under the Matching Share Plan (MSP) and Long-Term Incentive Plan (LTIP)) are variable, their magnitudes reflect both Company performance and the performance of the Director s specific areas of responsibility These variable elements can move total pay above median into the upper quartile, but only for upper quartile performance The amount received is strongly linked to outperformance of our peers hitting our challenging goals, share price performance and meeting the Company s strategic targets over one and three-year time horizons Full details of the approach including the performance measures and maximum amounts are set out in the Remuneration Policy

SUBSTANTIAL CHANGES MADE DURING THE YEAR

Our LTIP expired in July 2013 and we asked you to approve a new LTIP After detailed consultation with shareholders and shareholders advisory bodies the following changes were introduced

- the LTIP performance condition was changed so that 50% will be measured by comparing British Land s annual Total Property Return against IPD s annual UK Total Property Return as this best measures our business strategy of targeting property outperformance The other 50% of the condition will measure our Total Accounting Return against 16 FTSE 350 peers as this best measures our business strategy of producing outperformance at the return on capital level and takes into account NAV per share and dividends

- to support the One Team approach the Chief Executive s maximum Annual Incentive award was reduced from 180% of basic salary to 150%, and his LTIP maximum award value was reduced from 250% of basic salary to 200% – these changes brought the Chief Executive in line with the other Executive Directors
- to reflect shareholder views, the vesting percentage for median performance under the MSP was reduced from 35% to 25%
- the number of companies within the MSP total shareholder return measure peer group was increased from five to 16 This is the same peer group used under the LTIP Total Accounting Return measure, and
- clawback provisions were introduced within the new LTIP and the MSP Awards

The new LTIP and the Remuneration Report received overwhelming support from you at the AGM in July 2013 with votes in favour of over 96% and 98% respectively The detailed results of the voting are set out on page 107

Salaries for Executive Directors were not increased on 1 April 2013

CONTEXT OF DECISIONS MADE IN 2013/14

As you will see from our financial results the Company has performed strongly throughout the financial year, meeting or exceeding all but one of its targets Details of British Land s performance and the targets set for the next financial year can be found on pages 97 and 94 respectively

No salary increases for Executive Directors were given on 1 April 2014 as the current salary levels remain correctly positioned in the market around the median of our comparator group

Following the detailed consultation and changes made in 2013/14 it is not proposed that any further changes be made to our Remuneration Policy at the present time

We very much valued your comments and support for our Remuneration Policy last year and hope that you will continue to be supportive of our Remuneration Policy and our Remuneration Implementation Report at our AGM in July

Lord Turnbull
Chairman of the Remuneration Committee

KEY ACTIVITIES OF THE REMUNERATION COMMITTEE 2013/14

- Approval of the 2012/13 Remuneration Report
- Review of Company performance against targets for 2012/13
- Approval of Company and Directors performance objectives for 2013/14
- Review of
  - Chief Executive s Remuneration
  - Executive Directors salaries and bonuses
  - employees salaries and bonuses and
  - the Committee s response to the Financial Reporting Council s Directors Remuneration Consultation
- Approval of discretionary share scheme grants and vestings
- Approval of all-employee share scheme grants
- Consideration of the new regulations applying to the 2013/14 Remuneration Report and the binding shareholder vote on Remuneration Policy at the 2014 AGM

REMUNERATION COMMITTEE MEMBERS

Lord Turnbull	Chairman of the Remuneration Committee and Senior Independent Director
Dido Harding	Member
William Jackson	Member

REMUNERATION COMMITTEE ATTENDEES

Alan Judes[1] Attends by invitation	Strategic Remuneration Committee s Independent Advisor
Anthony Braine Attends as Secretary to the Committee	Group Secretary
John Gildersleeve Attends by invitation	Chairman of the Company
Chris Grigg Attends by invitation	Chief Executive
Joff Sharpe Attends by invitation	Human Resources Director

1 The Committee has appointed Alan Judes as its Independent Advisor Further detail is provided in the Consideration by the Directors of matters relating to Directors remuneration paragraph on page 107

REMUNERATION REPORT 82–107

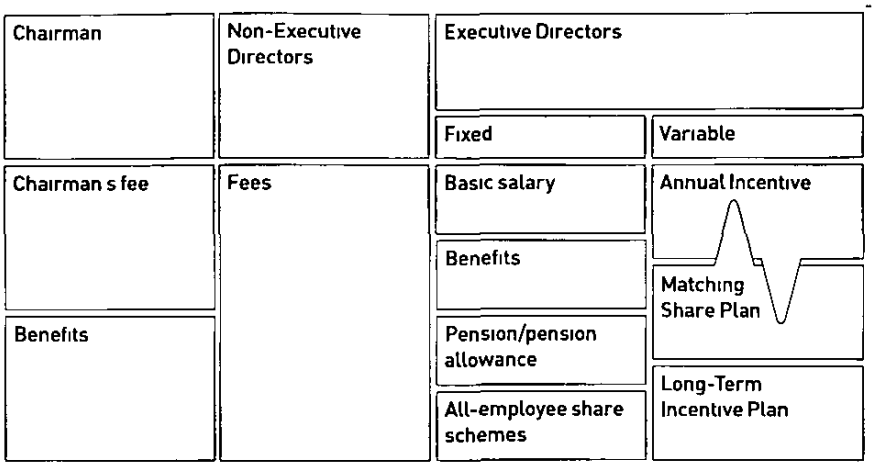
Remuneration Policy 84
Remuneration Implementation Report 94

REMUNERATION POLICY

The following Remuneration Policy is designed to attract the right people to British Land and to reward the Executive Directors for performance that supports British Land's strategy

The Policy will take effect from 18 July 2014, pursuant to shareholder approval of the Policy at the Annual General Meeting on that day

The elements contained in Directors usual remuneration packages are summarised to the right



EXECUTIVE DIRECTORS REMUNERATION POLICY

COMPONENT AND PURPOSE	OPERATION	MAXIMUM OPPORTUNITY	PERFORMANCE MEASURES
Basic salary The purpose of basic salary is to attract the right people for the job The level of salary offered is intended to attract and retain high-calibre individuals, with an appropriate degree of expertise and experience	Salaries are reviewed annually by the Remuneration Committee with any increases taking effect on 1 April for the following year Levels of basic salary are positioned around the median of the chosen comparator group, which consists of FTSE 100 companies with broadly similar market capitalisations When setting the level of basic salary the Committee will take into account the Executive Director s responsibilities and, when reviewing the salaries of the Executive Directors, the Committee will also take into account the employment conditions and salary increases awarded to employees throughout the British Land Group In addition to their basic salary, Executive Directors may be eligible to receive fees for sitting on the boards of certain subsidiary companies	Maximum levels of salary will not be greater than the upper quartile of the chosen comparator group Typically increases if required will be in line with inflation and general salary increases across the Company Executive Directors fees for sitting on the boards of certain subsidiary companies are capped at a maximum of £1,500 per annum in aggregate for all qualifying appointments	Not applicable
Taxable benefits The purpose of the taxable benefits receivable by the Executive Directors is to form part of a remuneration package which will attract and retain the best people for the Company	The Company s Policy is to pay a car allowance in lieu of providing a Company car The Executive Directors are also provided with private medical insurance covering themselves their spouses and any children under the age of 25, access to independent actuarial financial and legal advice when necessary the option to take up gym membership, which is paid for in part by the Company and certain other benefits on substantially the same basis as for all other employees	The maximum car allowance permitted under the Policy is £20 000 per annum The maximum cost of the other taxable benefits permitted under the Policy is the amount required for the Company to continue providing these benefits at a similar level year-on-year	Not applicable

EXECUTIVE DIRECTORS' REMUNERATION POLICY

COMPONENT AND PURPOSE	OPERATION	MAXIMUM OPPORTUNITY	PERFORMANCE MEASURES
Annual Incentive The purpose of the Annual Incentive award is to reward performance that supports the Company s key strategic priorities The level of Annual Incentive award reflects both Company performance and the Director s individual contribution over the preceding year against annually tailored targets	Annual Incentive awards are made annually by the Committee to the Executive Directors Levels of award are dependent on both individual and Company performance over the financial year against measures determined by the Committee Awards are granted after the end of the financial year when actual performance has been measured One third of each Executive Director s Annual Incentive is deferred and used to purchase shares (MSP Bonus Shares) under the Matching Share Plan as detailed below The Committee may require some or all of the MSP Bonus Shares to be forfeited at any time before the three-year holding period elapses if it is discovered that the Annual Incentive with which they were purchased was granted on the basis of materially misstated accounts or other data	The maximum level of Annual Incentive which may be awarded is equivalent to 150% basic salary, the Committee may choose to award no Annual Incentive if the performance of the Company and/ or the individual has not met the required standards to warrant an award being made	Targets relate to the Company s strategic focus areas as well as each Director s individual areas of responsibility Tailored Company and individual targets are set by the Committee at the beginning of the financial year over which performance will be assessed The Annual Incentive targets are not strictly weighted when determining the level of a Director s Annual Incentive award the Committee will take into account performance against all of the quantitative and qualitative Company targets as well as the individual s targets over the year and make an assessment in the round If actual performance averaged over all targets is equal to the median level of performance the Annual Incentive award granted will be equivalent to 37 5% of basic salary Up to 75% of basic salary is payable for performance that is in line with expectations If average performance is below the median level of performance no Annual Incentive award will be granted
Matching Share Plan (MSP) The MSP is designed to ensure that participants are focused on long-term performance aligning their interests with those of shareholders The MSP has two performance measures one measures total shareholder return and one measures gross income growth The Company s aim is to deliver superior total returns to shareholders over time The MSP total shareholder return performance measure directly links the level of remuneration received by participants with the level of returns delivered to shareholders Having the right assets in our portfolio and managing them the right way creates enduring occupier demand for our properties This delivers long-term growth in our rental income, which in turn drives value creation The MSP gross income growth performance measure links the level of remuneration received to the degree of growth in income, thereby rewarding the creation of value	One third of the Annual Incentive award is deferred and used to purchase MSP Bonus Shares which are deferred for a period of three years from grant before being released, during which time the Executive Directors receive any dividends paid on the MSP Bonus Shares The Company makes a conditional award of MSP Matching Shares, which matches the MSP Bonus Shares on a 2 1 basis The MSP Matching Shares are held for a three-year performance period following grant and the proportion vesting if any, is dependent on both Company performance against the MSP performance measures and the MSP Bonus Shares being held for the requisite three-year period Shares are immediately transferred to the individuals upon vesting along with payments equivalent to the dividends accrued on those shares During the three-year performance period the Committee may require some or all of the MSP Matching Shares that have been granted but have not yet vested to be forfeited if it is discovered that they were awarded on the basis of materially misstated accounts or other data	The maximum number of MSP Matching Shares receivable is dictated by the size of the Annual Incentive award The maximum face value of the MSP Matching Shares is equivalent to two thirds of the value of the Annual Incentive award, which would equate to 100% of the value of basic salary if the maximum permitted level of Annual Incentive was granted	MSP performance is assessed against two equally weighted performance measures One performance measure assesses the Company s total shareholder return (TSR) against that of a comparator group the other assesses the Company s gross income growth (GIG) against that of the Investment Property Databank (IPD) UK Annual Property Index The comparator group against which TSR is measured is determined prior to each performance period and consists of FTSE 350 property companies It may be amended during a performance period if there is a corporate event affecting any member of the Group The MSP vesting hurdles are stepped, requiring high levels of outperformance for 100% of the MSP Matching Shares to vest 25% of the MSP Matching Shares will vest if the minimum performance threshold is met Performance below the minimum threshold will result in the entire award of MSP Matching Shares lapsing

REMUNERATION POLICY CONTINUED

EXECUTIVE DIRECTORS REMUNERATION POLICY

COMPONENT AND PURPOSE	OPERATION	MAXIMUM OPPORTUNITY	PERFORMANCE MEASURES
Long-Term Incentive Plan (LTIP) The LTIP is designed to ensure that participants are focused on long-term performance, aligning their interests with those of shareholders The LTIP has two performance measures, one measures total property return and one measures total accounting return The LTIP total property return performance measure rewards strong performance at the property level, assessing British Land s performance against the Investment Property Databank UK Annual Property Index (the Index) The Index has been chosen as it contains property valued at £154 billion, representing 294 entities and funds as at 31 December 2013, so provides a large enough sample to be a statistically relevant benchmark against which to assess our property performance The level of remuneration received under this performance measure is linked to the degree that British Land outperforms the Index British Land aims to deliver superior total returns to shareholders over time We believe that concentrating on achieving strong total accounting returns will translate into delivering strong total shareholder returns in the long-term The LTIP total accounting return performance measure links the level of remuneration received to the level of total accounting return achieved thus rewarding performance which we believe will lead to superior shareholder returns over time Both LTIP performance measures assess the Company s ability to choose the right sectors to invest in and are appropriate measures in fluctuating property markets as the vesting hurdles use quartiles not fixed percentage outperformance of the median	LTIP awards are made annually by the Committee to the Executive Directors and may consist of performance shares and/or options Each Director can indicate a preference as to the proportions of the award they wish to receive as performance shares (i e conditional rights to receive shares) and market value options The value used to determine the number of performance shares and/or options granted is the fair value, as described in the next column The fair value of an option is based on the accounting cost and expected life of an option The cost to the Company of an award is the same regardless of whether it is comprised of options or performance shares, and allowing the Director to indicate a preference as to the proportions of options and performance shares they receive increases the perceived value of the incentive The exercise price of any options comprised in the award will be the average market value of the Company s shares over the three dealing days immediately preceding grant LTIP awards are held for a three-year performance period following grant and the proportion vesting, if any, is dependent on Company performance against the LTIP performance measures Any vesting performance shares will immediately be transferred to the Directors, along with payments equivalent to the dividends accrued on those performance shares and the interest on those deferred dividends Any vesting options can be exercised at any point during the seven years following vesting the exercise price being paid by the Director The Committee may require some or all of the performance shares or options that have been granted but have not yet vested or, in the case of options, have vested but have not yet been exercised, to be forfeited if it is discovered that they were awarded on the basis of materially misstated accounts or other data	The maximum value of LTIP award which may be granted is equivalent to 200% of basic salary the actual value of award granted within this limit is determined by the Committee For these purposes the value of an LTIP award is the aggregate fair value of the relevant performance shares and/or options at the date of grant The fair value of a performance share is the average market value of the Company s shares over the three dealing days immediately preceding the grant date and the fair value of an option is such fraction of that average market value as the Committee sets from time to time This fraction is currently one quarter but the Committee may change the fraction as it sees fit to reflect the economic models used by the Company for the valuation of options LTIP awards are discretionary, therefore the Committee is under no obligation to grant an LTIP award to a Director	Two equally-weighted performance measures are used to assess LTIP performance The first performance measure assesses the Company s total property return against that of the Index The second performance measure assesses the Company s total accounting return (TAR) (which measures change in NAV plus dividends paid) against the total accounting return of a chosen peer group of FTSE 350 property companies The comparator group against which the TAR condition is measured is determined prior to each performance period and may be amended during a performance period if there is a corporate event affecting any member of the group The LTIP vesting hurdles are stepped requiring high levels of outperformance for 100% of the LTIP awards to vest 25% of the LTIP award will vest if the minimum performance threshold is met Performance below the minimum threshold will result in the entire LTIP award lapsing

EXECUTIVE DIRECTORS' REMUNERATION POLICY

COMPONENT AND PURPOSE	OPERATION	MAXIMUM OPPORTUNITY	PERFORMANCE MEASURES
Other items in the nature of remuneration Executive Directors are eligible to participate in the Company s two HMRC-approved, all-employee share schemes, the Share Incentive Plan (SIP) and the Sharesave Scheme Both schemes encourage employees, including Executive Directors to build a holding of shares in the Company Executive Directors are also eligible to receive non-taxable benefits, designed to form part of a remuneration package which will attract and retain the best people for the Company	Executive Directors participate in the SIP and the Sharesave Scheme on the same basis as other eligible employees Executive Directors are eligible to receive non-taxable benefits including life assurance cover under which a lump sum of four-times basic salary will be paid out on the event of death in service, permanent health insurance under which 75% of basic salary will be paid to the Director in the event of long-term absence due to certain medical reasons annual medical checks any relevant professional subscription fees and certain other benefits on substantially the same basis as for all other employees	The maximum opportunity under the SIP and Sharesave Scheme is set by the rules of the Schemes and is determined by the statutory limits To achieve the maximum opportunity permitted by the rules of each scheme, the Director must contribute the maximum permitted monthly amount (deducted from salary) to purchase shares or fund options under the scheme The maximum cost of the non-taxable benefits permitted under the Policy is the amount required for the Company to continue providing these benefits at a similar level year-on-year Such benefits are provided on similar terms to all eligible employees	Not applicable
Pension The Company aims to provide the Executive Directors with an appropriate level of pension on retirement as part of a remuneration package that will attract and retain the best people for the Company	Executive Directors who joined the Company before 2006 accrue benefits under the defined benefit scheme, which is now closed to new members Their accrual rates are determined by the rules of the scheme and are dependent on the age at which they joined the Company Benefits up to the limit permitted by the tax legislation are provided in a registered plan Benefits over that limit are provided in an employer financed retirement benefit scheme (EFRBS) EFRBS participants can choose annually whether they wish to be EFRBS members, or to receive a cash payment in lieu Directors who joined or join the Company after 2006 are eligible to be members of the defined contribution scheme Directors may choose whether contributions are made into the Company s defined contribution scheme or into their own personal pension plan or may elect to take all or part as cash in lieu of pension contributions	The maximum accrual rate for a defined benefit member is that which will give the target benefit at age 60, subject to the accrual rate being no greater than one thirtieth and no less than one sixtieth of salary The target benefit is the pension that can be provided by the £1 8 million lifetime allowance at 31 March 2012, uplifted by RPI from that date Employer pension contributions to Executive Directors eligible for the defined contribution scheme are made at a fixed percentage of salary between 15% and 35%	Not applicable

REMUNERATION POLICY CONTINUED

CHAIRMAN AND NON-EXECUTIVE DIRECTORS' REMUNERATION POLICY			
COMPONENT AND PURPOSE	**OPERATION**	**MAXIMUM OPPORTUNITY**	**PERFORMANCE MEASURES**
Chairman s annual fee The level of the Chairman s annual fee is intended to attract and retain a high calibre individual with an appropriate degree of expertise and experience	The annual fee of the Chairman is a matter for the Remuneration Committee and is reviewed annually The level of the Chairman s annual fee is positioned around the median of our chosen comparator group, which consists of FTSE 100 companies with broadly similar market capitalisations	The maximum annual fee will not be greater than the upper quartile of the chosen comparator group Typically increases if required, will be in line with inflation	Not applicable
Chairman s benefits Benefits are provided to facilitate the Chairman s travel in the fulfilment of his or her duties	The Chairman is provided with a car and chauffeur	The maximum opportunity is the cost to the Company of providing this grossed-up taxable benefit at a similar level each year	Not applicable
Non-Executive Directors fees Fees are set to take into account the level of responsibility, experience and abilities required, as well as to reflect attendance at Board and Committee meetings	The remuneration of the Non-Executive Directors is a matter for the Executive Directors and fees are reviewed annually Non-Executive Directors receive a basic annual fee along with additional fees if they hold the position of Senior Independent Director or Committee Chair, plus a fee for each Board or Committee meeting attended The Company s Policy is to deliver a total fee at a level in line with similar positions at our chosen comparator group, which consists of FTSE 100 companies with broadly similar market capitalisations The Non-Executive Directors fee structure is designed so that full attendance at Board and Committee meetings is required to achieve a total fee that is in line with our comparator group The Company may reimburse expenses reasonably incurred by the Non-Executive Directors in fulfilment of the Company s business, together with any taxes thereon	The maximum aggregate amount of basic fees payable to all Non-Executive Directors shall not exceed the £600 000 limit set in the Company s Articles of Association	Not applicable

NOTES TO THE REMUNERATION POLICY TABLE

Remuneration Policy for other employees
Salary reviews across the Group are carried out on the same basis as salary reviews for the Executive Directors, consideration is given to the individual s role, duties experience and performance, along with consideration of typical salary levels of employees in similar roles in comparable companies, where the data is available

Employees are entitled to taxable and non-taxable benefits with executives being entitled to substantially the same benefits as the Executive Directors

All employees are eligible to receive an Annual Incentive the level of which will be dependent on both individual and Company performance, as for the Executive Directors

Senior executives may be invited to take part in the Matching Share Plan Executives may be granted Long-Term Incentive Plan awards and executives with responsibilities for the unit trusts and Retail and Office portfolios may be eligible for awards under the Fund Managers Performance Plan (FMPP) The FMPP is not offered to Executive Directors

All new employees join the Company s defined contribution pension scheme, on the same terms as the eligible Directors other than the Chief Executive The Company s all-employee share schemes (the SIP and the Sharesave Scheme) are also open to eligible employees

Long-Term Incentive Plan awards granted prior to 2013
The current Long-Term Incentive Plan (LTIP) was approved by shareholders in 2013 LTIP awards granted in 2012 and earlier are assessed against a different performance measure under the rules of the previous LTIP awards Performance is measured over the three years following grant and vesting is dependent on performance of the Company s net asset value per share compared to the capital growth component of the IPD UK Annual Property Index Vesting is stepped requiring stretching outperformance for 100% of the performance shares and/or options granted to vest These performance hurdles are detailed on page 98

Pre-existing obligations and commitments
It is a provision of this Policy that the Company can honour all pre-existing obligations and commitments that were entered into prior to this Remuneration Policy taking effect The terms of those pre-existing obligations and commitments may differ from the terms of the Remuneration Policy and may include (without limitation) obligations and commitments under service contracts long-term incentive schemes, pension and benefit plans

HOW THE VARIABLE ELEMENTS OF OUR POLICY OPERATE

Annual Incentive and Matching Share Plan

Annual Incentive award magnitude dependent on Company and individual performance over year

Two thirds paid as cash on award

One third deferred to purchase MSP Bonus Shares Conditional award of MSP Matching Shares granted subject to performance measures

Performance measures assessed over three years

MSP Bonus Shares released Number of MSP Matching Shares vesting dependent on performance

Long-Term Incentive Plan

LTIP award granted consists of performance shares and/or market value options

Performance measures assessed over three years

Number of performance shares released dependent on performance

Number of options vesting dependent on performance Exercisable for a further seven years

REMUNERATION POLICY CONTINUED

CONSIDERATIONS WHEN SETTING REMUNERATION POLICY

In drawing up the Remuneration Policy, the Committee took into account views expressed by shareholders during meetings and communicated in writing to the Company The Company engaged with its shareholders via consultation meetings with investor bodies, and by writing to its top 20 shareholders, offering each a meeting to discuss remuneration proposals

The main topics that the Company discussed with its shareholders in 2013 when drawing up the current Policy were the introduction of a general clawback arrangement for deferred variable pay, changing the performance targets for the LTIP and reducing the Annual Incentive and Long-Term Incentive entitlements of the Chief Executive The shareholders reactions to these changes were favourable There have been no changes in Remuneration Policy since then However, we have discussed our draft Policy with investor bodies and shareholders during the preparation of this Remuneration Report

Each year the Remuneration Committee takes into account the pay and employment conditions of employees in the Group, noting the general increase in salary proposed for all employees and levels of incentive payments and performance before setting the remuneration of the Directors The Committee did not consult with the Company s employees or use remuneration comparison measurements when drawing up the Directors Remuneration Policy

APPROACH TO RECRUITMENT REMUNERATION

Executive Directors

Basic salary is set at a level appropriate to recruit a suitable candidate taking into account external market competitiveness and internal equity The level of basic salary may initially be positioned below the median of the chosen comparator group, with the intention of increasing it to around the median of the comparator group after an initial period of satisfactory service

Where a recruit is forfeiting incentive awards granted by his or her existing employer compensation in the form of a Restricted Share Plan (RSP) award may be made (in accordance with Listing Rule 9 4 2), the maximum value of which will be that which the Committee, in its reasonable opinion, considers to be equal to the value of the awards which have lapsed Dividends paid on the RSP shares during the vesting period are paid directly to the Director

Vesting of the shares granted under the RSP award will be subject to the Director completing a minimum period of qualifying service so the award will not be released until this condition has been satisfied The vesting of the RSP award may be subject to additional performance measures being met over the same period, the Committee will determine the most relevant measures to use at the time of award bearing in mind the responsibilities of the individual being appointed and the Company s strategic priorities at the time

The Committee may choose to offer a Co-Investment Share Plan (CIP) award to a new Executive Director on recruitment (in accordance with Listing Rule 9 4 2), to assist the Director in building a holding of British Land shares with the aim of further aligning the Director s personal interests with those of British Land s shareholders

Under the CIP a director may invest a maximum of 125% salary (200% salary for a Chief Executive) to purchase British Land shares these limits being determined by the Director s minimum shareholding guideline The Company will match the purchased CIP shares on a 1 1 basis All the CIP shares are then deferred for three years subject to the Director remaining employed by the Group and holding the shares for this time Should the Director leave the Group before the qualifying period is completed, all of the matching shares will lapse and the purchased shares will be released to the Director Dividends paid on the purchased CIP shares during the vesting period are paid directly to the Director, a dividend equivalent payment is made on vesting to compensate for dividends accrued on matching CIP shares

The Committee will impose performance measures on CIP awards, which must be achieved over the three-year holding period for the matching shares to vest The Committee will determine the most relevant measures to use at the time of award bearing in mind the responsibilities of the individual being appointed and the Company s strategic priorities at the time

The Company s Policy is to give notice periods of no longer than 12 months However, when recruiting an external candidate it may be necessary to give an initial notice period of up to 24 months, this reduces at the end of 12 months work to 12 months

The remainder of the package offered to a new Executive Director would be in line with the Company s ongoing Remuneration Policy

Chairman and Non-Executive Directors
On recruitment the Chairman will be offered an annual fee and benefits in accordance with the Policy The level of the annual fee may initially be positioned below the median of the chosen comparator group with the intention of increasing it to around the median of the comparator group after an initial period of satisfactory service

Non-Executive Directors will be offered Non-Executive Directors fees in accordance with the Policy

Appointment of Internal Candidates
If an existing employee of the Group is appointed as an Executive Director, Chairman or Non-Executive Director, any obligation or commitment entered into with that individual prior to his or her appointment can be honoured in accordance with the terms of those obligations or commitments, even where they differ from the terms of the Policy

POLICY ON LOSS OF OFFICE

Executive Directors
The Executive Directors service contracts can be lawfully terminated by either party giving 12 months notice or by the Company making a lump sum payment in lieu of notice (PILON) equal to the Executive Director s base salary for the notice period Additionally when the Company makes a PILON, it may either pay a lump sum equal to the value of any benefits for the notice period or continue to provide benefits until the notice period expires or the Executive Director starts new employment (whichever is the earlier) These lawful termination mechanisms do not prevent the Company, in appropriate circumstances, from terminating an Executive Director s employment in breach of his or her service contract and seeking to apply mitigation in determining the damages payable The Company s Policy, where possible is to structure any settlement arrangements in such a way that the termination payment is paid in instalments and to reduce the instalments by an amount equal to any earnings received from the outgoing Director s new employment, consultancy or other paid work

The circumstances of the loss of office dictate whether the individual is treated as a good leaver or otherwise in accordance with the Company s Policy The Remuneration Committee uses its discretion to form a view taking into account the circumstances Good leavers typically receive pro-rata Annual Incentive and Long-Term Incentive awards, subject to performance measurement, and other leavers forfeit their entitlements

In the event of a change of control the rules of the share plans generally provide for accelerated vesting of awards, subject (where applicable) to time apportionment and achievement of performance targets

All of the Company s Executive Directors have contracts that pre-date 27 June 2012 but these do not contain contractual provisions that could impact on the amount of any payment for loss of office and which fall outside the Policy Details of the Executive Directors service contracts and notice periods are given in the table below

Director	Length of service contract	Date of service contract	Normal notice period to be given by Company	Notice period to be given by Director
Chris Grigg	12 mths	19 12 08	12 mths	12 mths
Lucinda Bell	12 mths	10 03 11	12 mths	12 mths
Charles Maudsley	12 mths	03 11 09	12 mths	12 mths
Tim Roberts	12 mths	14 11 06	12 mths	12 mths

The Company may terminate a Director s appointment with immediate effect without notice or payment in lieu of notice under certain circumstances, prescribed within the Director s service contract

Chairman and Non-Executive Directors
The letters of appointment of Non-Executive Directors are subject to renewal on a triennial basis In accordance with the UK Corporate Governance Code all Directors stand for election or re-election by the Company s shareholders on an annual basis The Directors service contracts and letters of appointment are available for inspection during normal business hours at the Company s registered office and at the Annual General Meeting The unexpired terms of the Chairman s and Non-Executive Directors letters of appointment are shown below

Director	Date of letter of appointment	Unexpired term of appointment at 31 March 2014
John Gildersleeve (Chairman)	01 01 13	21 mths
Aubrey Adams	01 09 11	5 mths
Simon Borrows	17 03 14	36 mths
Dido Harding	01 01 13	21 mths
William Jackson	11 04 14[1]	36 mths
Tim Score	20 03 14	36 mths
Lord Turnbull	01 04 12	12 mths

1 Letter of appointment renewed post year-end

Although the Chairman s and Non-Executive Directors appointments are for fixed terms their appointments 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) Despite these terms of appointment 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

REMUNERATION POLICY CONTINUED

ILLUSTRATIONS OF APPLICATION OF REMUNERATION POLICY

The following bar charts illustrate the levels of remuneration receivable by the Executive Directors under the Remuneration Policy These illustrations have been prepared in accordance with The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 and do not allow for share price appreciation between grant and vesting of awards

The scenarios given represent remuneration receivable for minimum performance for performance that is in line with expectations and for maximum performance

For each scenario the percentage that each remuneration element represents of the total remuneration package is shown along with the total value of the remuneration package Further detail on the underlying calculations is shown in the tables on the facing page

Minimum performance

For minimum performance no Annual Incentive or Long-Term Incentive awards will be made, each Director will receive only the minimum remuneration, as detailed in the table below

	Minimum remuneration[1]				Annual Incentive[2]	Total Long-Term Incentives[3]	
Director	Salary £	Benefits[4] £	SIP[5] £	Pension[4] £	£	MSP Matching Share Awards £	LTIP awards £
Chris Grigg	800,000	44 160	7,200	280,000	–	–	–
Lucinda Bell	465,000	29,857	7,200	67 805	–	–	–
Charles Maudsley	425,000	30 645	7,200	63,750	–	–	–
Tim Roberts	425,000	30 333	7,200	76 396	–	–	–

Performance in line with expectation

For performance in line with expectations, Annual Incentive awards will be granted at a level equivalent to 75% basic salary MSP Matching Share awards are expected to vest at a level equivalent to 25% basic salary and LTIP awards are expected to vest at a level equivalent to 100% basic salary as detailed in the table below

	Minimum remuneration[1]				Annual Incentive[2]	Total Long-Term Incentives[3]	
Director	Salary £	Benefits[4] £	SIP[5] £	Pension[4] £	£	MSP Matching Share Awards £	LTIP awards £
Chris Grigg	800 000	44 160	7 200	280,000	600 000	200,000	800,000
Lucinda Bell	465 000	29 857	7,200	67 805	348,750	116 250	465,000
Charles Maudsley	425 000	30,645	7 200	63,750	318 750	106,250	425,000
Tim Roberts	425 000	30,333	7,200	76 396	318,750	106 250	425,000

Maximum performance

For maximum performance the Annual Incentive will be granted and long-term incentive awards will vest at the maximum levels permitted by the relevant schemes Annual Incentive awards will be granted at a level equivalent to 150% basic salary MSP Matching Share awards are expected to vest at a level equivalent to 100% basic salary and LTIP awards are expected to vest at a level equivalent to 200% basic salary, as detailed in the table below

	Minimum remuneration[1]				Annual Incentive[2]	Total Long-Term Incentives[3]	
Director	Salary £	Benefits[4] £	SIP[5] £	Pension[4] £	£	MSP Matching Share Awards £	LTIP awards £
Chris Grigg	800 000	44 160	7,200	280 000	1,200,000	800 000	1,600,000
Lucinda Bell	465 000	29 857	7 200	67,805	697 500	465 000	930,000
Charles Maudsley	425,000	30 645	7,200	63 750	637 500	425,000	850,000
Tim Roberts	425 000	30,333	7,200	76,396	637 500	425 000	850,000

1 Executive Directors are eligible to participate in the Company s all-employee Sharesave Scheme The Sharesave options have not been included in the above bar charts Details of the Directors current Sharesave interests are provided on page 103 Any profits on vestings under the Sharesave Scheme are included within the single total figure of remuneration table

2 One third of the Annual Incentive award value shown will be used to purchase shares deferred for three years under the Company s MSP

3 Figures include the fair values of LTIP awards granted as described on page 86 Figures do not allow for share price appreciation or dividend equivalent payments

4 It has been assumed that the values of taxable and non-taxable benefits receivable will be equal to those received in 2013/14 as there has been no change to the Policy In practice the values may vary immaterially due to external factors such as changes in the cost of providing life assurance or permanent health insurance The Directors differing pension arrangements are represented in the same manner as in the single total figure of remuneration table

5 Under the Company s all-employee Share Incentive Plan each Director will be entitled to receive matching shares at nil cost awarded by the Company conditional on them continuing to purchase shares under the SIP The Directors may be entitled to receive free shares at nil cost awarded annually by the Company should this award be made to all eligible employees These figures assume the maximum permitted levels of matching and free shares are awarded during the year

REMUNERATION IMPLEMENTATION REPORT

PROPOSED APPLICATION OF THE POLICY DURING THE YEAR COMMENCING 1 APRIL 2014

The Committee intends to apply the Policy as follows during the year commencing 1 April 2014

Executive Directors basic salaries

Basic salaries have been set at the following levels for the year commencing 1 April 2014 no increases have been made to basic salaries

Director	Basic salary £
Chris Grigg	800 000
Lucinda Bell	465 000
Charles Maudsley	425 000
Tim Roberts	425 000

Chairman and Non-Executive Directors' fees

The following levels will apply for the Chairman s and Non-Executive Directors fees paid during the year commencing 1 April 2014 no increases have been made to the Chairman s or the Non-Executive Directors fees

Chairman	
Annual fee	£351 750
Non-Executive Directors	
Basic annual fee	£34 250
Senior Independent Director fee per annum	£9 450
Committee Chair fee per annum	£5 775
Attendance at Board meeting in person	£4 200
Attendance at Committee meeting in person	£1 890
Attendance at Board or Committee meeting by telephone	£840

Annual Incentive award

The targets against which Annual Incentive performance will be assessed during the year are

Quantitative targets

- accounting return total NAV-based return plus dividends relative to property majors and IPD (total returns basis),
- unlevered property capital returns relative to IPD,
- rental growth above ERV and IPD and
- operating costs as a percentage of rents and assets against budget and property majors

Qualitative targets

- successful progress on developments,
- successful execution of targeted acquisitions and disposals
- successful execution of debt financings
- progress on strengthening the dividend
- quality of people and management renewal, and
- Company reputation with all stakeholders

All Executive Committee members (including the Executive Directors) have a corporate responsibility target linked to their Annual Incentive award

Matching Share Plan (MSP)

The MSP is assessed against two equally weighted performance measures As each performance measure relates to half of the total MSP award no more than half of the total MSP award can vest if one of the performance measures does not meet its minimum vesting threshold The performance thresholds are detailed in the tables below

The Total Shareholder Return (TSR) Part

25% of the TSR Part (i e 12 5% of the total MSP award) will vest if British Land s TSR performance is equal to the median TSR of the comparator group A further 18 75% of the TSR Part will vest for each 1% by which British Land s TSR exceeds the median TSR of the comparator group, up to a maximum of 100% of the TSR Part (i e 50% of the total MSP award) vesting

The Gross Income Growth (GIG) Part

25% of the GIG Part (i e 12 5% of the total MSP award) will vest if British Land s GIG performance is equal to the Growth Requirement (the Growth Requirement being GIG over the three-year performance period that is equal to that of the Investment Property Databank UK Annual Property Index) A further 25% of the GIG Part will vest for each 0 5% (in absolute terms) by which British Land s annualised GIG exceeds the Growth Requirement, up to a maximum of 100% of the GIG Part (i e 50% of the total MSP award) vesting

The comparator group against which performance will be assessed for the TSR performance measure consists of Great Portland Estates plc, Hammerson plc Intu Properties plc Land Securities Group PLC SEGRO plc, Big Yellow Group PLC Capital & Counties PLC, Derwent London plc, Grainger plc Hansteen Holdings plc, Helical Bar plc, LondonMetric Property plc, St Modwen Properties PLC Shaftesbury PLC, The UNITE Group plc and UK Commercial Property Trust Ltd

The Committee has not changed the composition of this comparator group since the 2013 MSP award, when it was expanded to include a broader range of property companies

British Land s TSR relative to the comparator group at the end of the performance period	Percentage vesting %
Below median	0
Median	25
Further vesting per each 1% TSR exceeds median (to maximum of 100% matching shares)	18 75

British Land s GIG rental growth relative to the IPD benchmark at the end of the performance period	Percentage vesting %
Below Growth Requirement	0
Equal to Growth Requirement	25
Further vesting per each 0 5% per annum GIG exceeds Growth Requirement (to a maximum of 100% of matching shares)	25

Long-Term Incentive Plan (LTIP)

The thresholds against which the LTIP performance will be assessed are detailed in the tables below

IPD Total Property Return	Percentage vesting %
Below median	0
Median	25
Top quartile	100

Total Accounting Return	Percentage vest ng %
Below median	0
Median	25
Top quartile	100

Each LTIP performance measure relates to half of the total award For both LTIP performance measures there will be straight-line vesting between median and top quartile performance

The comparator group against which performance will be assessed for the TAR performance measure is the same group as that against which MSP TSR performance will be assessed, and has not been changed since the 2013 LTIP award

REMUNERATION IMPLEMENTATION REPORT AUDITED INFORMATION CONTINUED

APPLICATION OF POLICY DURING THE YEAR ENDED 31 MARCH 2014

The following pages detail how British Land s Remuneration Policy has been implemented throughout the year ended 31 March 2014

SINGLE TOTAL FIGURE OF REMUNERATION TABLE

All elements of remuneration received by the Directors during 2013/14 are disclosed in the following table, alongside the comparative figures from 2012/13 The Directors have confirmed to the Company, in writing, that they have not received any other items in the nature of remuneration beside those detailed below

	Salary/fees		Taxable benefits		Annual Incentive		Long-Term Incentives		Other items		Pension		Total	
Executive Directors	2013/14 £	2012/13 £	2013/14 £	2012/13 £	2013/14 £	2012/13 £	2013/14 £	2012/13 £	2013/14 £	2012/13 £	2013/14 £	2012/13 £	2013/14 £	2012/13 £
Chris Grigg	800 000	800 000	20 253	19,802	1 080 000	1 080 000	2 715 766	2,601 859	29 907	28 370	280 000	280 000	**4,925,926**	4 810 031
Lucinda Bell	465 000	465 000	20 153	19 702	465 000	465 000	1 261 081	260 476	15 706	22 611	61 746	61 667	**2,288,686**	1,294,456
Charles Maudsley	425 000	425 000	21 041	20 032	505,000	505,000	1 432,613	1,179 382	15,606	14 754	63 750	63 750	**2,463,010**	2 207 918
Tim Roberts	426 500	426 500	20 411	19 502	505 000	505 000	1 154 192	1,121 138	15 924	23 543	70 764	69 817	**2,192,791**	2 165 500
Stephen Smith[1]		425 000		20 132		300 000		1 358 547		16 894		63 750		2,184,323
Chairman and Non-Executive Directors														
John Gildersleeve[2] (Chairman)	351 750	147 593	31 396	8,688									**383,146**	156,281
Chris Gibson-Smith[3]		263 812		39 328										303,140
Aubrey Adams	71 244	69 320											**71,244**	69 320
Simon Borrows	70 702	60 920											**70,702**	60,920
Dido Harding	69 530	67 640											**69,530**	67,640
William Jackson	72 470	68,480											**72,470**	68 480
Richard Pym[4]	30,313	82 445											**30,313**	82,445
Tim Score[5]	1 210												**1,210**	
Lord Turnbull	85 808	81 946											**85,808**	81 946

1 Stephen Smith resigned as a Director of the Company on 31 March 2013
2 John Gildersleeve was appointed as Chairman of the Company on 1 January 2013
3 Chris Gibson-Smith resigned as a Director and Chairman of the Company on 31 December 2012
4 Richard Pym resigned as a Director of the Company on 5 September 2013
5 Tim Score was appointed a Director of the Company on 20 March 2014

Notes to the single total figure of remuneration table

Notes to the single total figure of remuneration table Taxable benefits

The figures shown in the Taxable benefits column are comprised as follows (all figures being gross values including tax)

	Chauffeur costs		Car allowance		Private medical insurance		Other taxable benefits[1]		Total taxable benefits	
Director	2013/14 £	2012/13 £	2013/14 £	2012/13 £	2013/14 £	2012/13 £	2013/14 £	2012/13 £	2013/14 £	2012/13 £
John Gildersleeve[2]	31 396	8 688							**31,396**	8,688
Chris Gibson-Smith[3]		39 328								39,328
Chris Grigg			16 800	16 800	3 453	3 002			**20,253**	19,802
Lucinda Bell			16 700	16,700	3 453	3 002			**20,153**	19,702
Charles Maudsley			16 700	16,700	3 753	2 902	588	430	**21,041**	20,032
Tim Roberts			16 170	16 170	3 653	2,902	588	430	**20,411**	19 502
Stephen Smith[4]				16 700		3 002		430		20 132

1 Other taxable benefits includes Company contributions to gym membership
2 John Gildersleeve was appointed as Chairman of the Company on 1 January 2013
3 Chris Gibson-Smith resigned as a Director and Chairman of the Company on 31 December 2012
4 Stephen Smith resigned as a Director of the Company on 31 March 2013

Notes to the single total figure of remuneration table Annual Incentive

The level of Annual Incentive is determined by the Remuneration Committee based on the Company s performance and the individual s contribution during the preceding year The assessment for the year ended 31 March 2014 was undertaken with reference to performance against the following quantitative and qualitative targets, using data available at the year-end

2013/14 targets	2013/14 performance
Quantitative targets	
Accounting return – total NAV-based return plus dividends relative to property majors and IPD (total return basis)	Accounting return was above the average of the property majors and total property return outperformed IPD
Unlevered property capital returns relative to IPD	The Company outperformed IPD at all property levels
Rental growth above ERV and IPD	Both sectors performed well with rental growth ahead of both ERV and IPD
Operating costs as a percentage of rents and assets against prior year and property majors	Operating costs have decreased as a percentage of asset values but increased as a percentage of rents operating costs were still below budget The Company maintained its market leading operating costs ratio compared to other property majors
Qualitative targets	
Successful progress on developments	The 2010 development programme has seen completion of four major developments during the year and delivered £608 million of profit to date The development pipeline has been replenished ten significant retail projects are underway or approaching completion and planning consent has been secured for a number of developments including Clarges and The Hempel
Successful execution of targeted acquisitions and disposals	£1 033 million of acquisitions and £710 million of disposals (British Land share) during the year to 31 March 2014 including strategic disposals of European assets
Successful execution of debt financings	£1 5 billion of new debt finance arranged during the year to 31 March 2014
Progress on strengthening the dividend	Full-year dividend increased by 2 3% for the year ended 31 March 2014
Quality of people and management renewal	Strengthened the Human Resources function including appointing a new HR Director New strategies and priorities agreed for the coming year
Company reputation with all stakeholders	Retained our 1* Times 100 rating for employee satisfaction Over 77% of head office staff supported community volunteering projects during the year and over £1 million was donated to good causes
Corporate responsibility	CR successes include retaining our Dow Jones Sustainability Index score of 70 remaining as a member of the DJSI World and Europe Indices, being ranked joint first in the FTSE 350 Carbon Disclosure Project Performance Leadership Index being recognised as the leading REIT for Community and Environmental Responsibility in the Management Today s Most Admired Companies in Britain

The maximum Annual Incentive award achievable is 150% of base salary Taking into account the above performance, the Remuneration Committee set the aggregate Annual Incentive received by the Executive Directors for the year ended 31 March 2014 at 80% of the maximum (121% of base salary) (as compared with 70 5% of the maximum in 2012/13)

One third of each Executive Director s Annual Incentive award shown above was deferred and used to purchase MSP Bonus Shares, subject to a three-year holding requirement under the Company s Matching Share Plan No further performance measures apply to these deferred shares The MSP is described on page 85

REMUNERATION IMPLEMENTATION REPORT AUDITED INFORMATION CONTINUED

Notes to the single total figure of remuneration table Long-Term Incentives

The figures for the Long-Term Incentives column are comprised of award vestings under three share schemes the 2011 Long-Term Incentive Plan (LTIP) the 2011 Matching Share Plan (MSP) and for Charles Maudsley and Stephen Smith s 2012/13 comparative figures only, the Charles Maudsley 2010 Co-Investment Share Plan and the Stephen Smith 2010 Co-Investment Share Plan

The performance measure attached to awards under the 2011 LTIP measures the growth in the Company s net asset value (NAV) per share against the capital growth component of the Investment Property Databank UK Annual Index (the Index), over a performance period of three years commencing at the start of the financial year in which the awards were granted Growth in the Company s net asset value per share has to exceed that of the Index for a minimum proportion of the award to vest Stretching outperformance is required for the entire award to vest as detailed below

Percentage by which the average annual growth of British Land s net asset value per share exceeds the average annual increase in the capital growth component of the Investment Property Databank UK Annual Index	Percentage vesting %
4 5% or more	100
3 5% or more but less than 4 5%	80
2 5% or more but less than 3 5%	60
1 5% or more but less than 2 5%	40
0 5% or more but less than 1 5%	20
More than 0% but less than 0 5%	10
0% or less	0

The vesting values of the 2011 LTIP awards due to vest on 28 June 2014, have been calculated using the average MMQ for the period from 1 January 2014 to 31 March 2014 (667 7143 pence) as the vesting share price Aon Hewitt has calculated that the 2011 LTIP will vest at a rate of 100%, reflecting British Land s growth in NAV of 6 7% per annum during the performance period, compared to the Index increasing by 1 4% per annum This produces the following estimated values on vesting

Director	LTIP award date	Award price (exercise price) p	Number of performance shares awarded[1]	Number of options awarded[1]	Percentage of award vesting %	Estimated value of award on vesting £	Estimated dividend equivalent payment due including interest £
Chris Grigg	28 06 2011	575	173 913	695 652	100	1 806 211	138 834
Lucinda Bell	28 06 2011	575	147 826		100	987 055	118 009
Charles Maudsley	28 06 2011	575	147 826		100	987 055	118 009
Tim Roberts	28 06 2011	575	73 913	295 652	100	767 639	59 004

1 For the 2011 LTIP award Chris Grigg and Tim Roberts received their awards as mixtures of options and performance shares Lucinda Bell and Charles Maudsley received their entire awards as performance shares

The MSP performance is assessed using two equally-weighted performance measures, each relating to half of the total MSP Matching Share award For the 2011 MSP Matching Share award one performance measure was based on Total Shareholder Return (the TSR Part), the other on the Company s gross income growth (the GIG Part) The table above shows the performance required by the Company s TSR compared to a comparator group of companies across the three-year performance period for any Matching Shares to vest under the TSR performance condition For the 2011 MSP Award the comparator group consisted of Great Portland Estates PLC Hammerson PLC Land Securities Group PLC Intu Properties PLC and Segro PLC

British Land s TSR relative to the comparator group at the end of the performance period	Percentage of award which vests %
Below median	0
Median	35
Further vesting per each 1% TSR exceeds median (to a maximum of 100% of Notional Shares)	16 25

For the second MSP performance measure, the Company s gross income growth during the three-year performance period needed to at least equal that of the Investment Property Databank UK Annual Index (the Growth Requirement) for any MSP Matching Shares to vest as shown below

British Land s GIG relative to the Investment Property Databank UK Annual Index at the end of the performance period	Percentage of award which vests %
Below Growth Requirement	0
Equal to Growth Requirement	35
Further vesting per each 0 5% per annum GIG exceeds Growth Requirement (to a maximum of 100% of Matching Shares)	21 67

The vesting values of the 2011 MSP award due to vest on 24 May 2014 have been calculated using the average MMQ for the period from 1 January 2014 to 31 March 2014 (667 7143 pence) as the vesting share price Aon Hewitt has confirmed the TSR performance of the comparator group which will result in vesting at a rate of 76 9%, as British Land s TSR over the performance period was 40% compared to a median of 37 5% for the comparator group It is estimated that the GIG part will vest at a rate of 78% the actual vesting rate will be calculated once the relevant figures are published by the Index This produces the following estimated values on vesting

Director	MSP award date	Number of matching shares awarded	Percentage of award predicted to vest %	Estimated value of award on vesting £	Estimated dividend equivalent payment due £
Chris Grigg	24 05 2011	133 222	77 45	688,951	81 770
Lucinda Bell	24 05 2011	26 968	77 45	139 464	16 553
Charles Maudsley	24 05 2011	56 618	77 45	292 797	34 752
Tim Roberts	24 05 2011	56 618	77 45	292 797	34 752

The 2012/13 Long-Term Incentives comparator figures for Charles Maudsley and Stephen Smith include the vestings of their respective Co-Investment Share Plan awards (the Charles Maudsley 2010 Co-Investment Share Plan and the Stephen Smith 2010 Co-Investment Share Plan) The vestings of these awards are detailed on page 107 of the 2013 Annual Report

Stephen Smith stood down as a Director of the Company on 31 March 2013 and remained in the Company s employment until 30 June 2013 his termination payment provisions are detailed on page 101 of the 2013 Annual Report The 2012/13 Long-Term Incentives comparator figure for Stephen Smith includes the vesting of his 2010 LTIP Award which consisted of 190,156 performance shares and vested at 60%, as scheduled before he left the Company s employment The 2012/13 comparator figure also includes the vesting of his 2010 MSP Award The MSP Award was pro-rated to reflect departure date, as disclosed in the 2013 Annual Report resulting in 10,262 matching shares vesting and 604 matching shares lapsing

Dividend equivalents accrued on all vesting Long-Term Incentive share awards are also included within the Long-Term Incentives column, along with the interest accrued on dividend equivalents paid on vesting LTIP shares

Notes to the single total figure of remuneration table other items in the nature of remuneration

The values shown in the Other items column comprise the Executive Directors interests under the Company s all-employee share schemes (the Share Incentive Plan (SIP) and the Sharesave Scheme) and non-taxable benefits received by the Directors during the year as shown in the table below These share schemes are offered on the same terms to all eligible employees of the Company The figures shown are the values of free and matching shares awarded under the SIP during the year and the notional gain on the vesting of any Sharesave options during the year Further details of the Executive Directors Sharesave Scheme interests can be found on page 103

	Life assurance		Permanent health insurance		Other non-taxable benefits[1]		Matching and free shares awarded under the SIP		Vesting of sharesave options		**Total other items**	
Director	2013/14 £	2012/13 £	2013/14 £	2012/13 £	2013/14 £	2012/13 £	2013/14 £	2012/13 £	2013/14 £	2012/13 £	**2013/14 £**	2012/13 £
Chris Grigg	10 047	9 303	13 335	12 573	525	500	6 000	5 994			**29,907**	28 370
Lucinda Bell	2 238	2 267	6 941	6 241	525	860	6 002	5 994		7 249	**15,706**	22,611
Charles Maudsley	2 360	2 375	6 113	5 690	1,131	695	6 002	5 994			**15,606**	14,754
Tim Roberts	2,360	2 375	6 344	5 704	1,218	3,672	6 002	5 994		5 798	**15,924**	23,543
Stephen Smith[2]		4 710		5 690		500		5 994				16 894

1 Other non-taxable benefits include annual medical checkups and relevant professional subscription fees

2 Stephen Smith resigned as a Director of the Company on 31 March 2013

Notes to the single total figure of remuneration table pension

The figures shown in the Pension column represent the differing pension arrangements of the Executive Directors Chris Grigg receives 35% of basic salary as cash in lieu of pension Charles Maudsley receives a pension allowance of 15% of basic salary, of which £13 750 was paid as cash in lieu of pension contribution over the £50,000 annual allowance for the year ended 31 March 2014

Lucinda Bell and Tim Roberts earned pension benefits in defined benefit schemes sponsored by the Company during the year, the increase in value over the year of their respective pensions is shown in the single total figure of remuneration table and further detail is provided on page 101

REMUNERATION IMPLEMENTATION REPORT AUDITED INFORMATION CONTINUED

SCHEME INTERESTS AWARDED DURING THE FINANCIAL YEAR

Awards granted under the Long-Term Incentive Plan

The total fair value of each Director s LTIP award for the year ended 31 March 2014 was equivalent to 200% 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 performance shares and the proportion that they wish to receive as market-value options The share price used to determine the face value of performance shares and fair value of options – and therefore the number of performance shares and/or options awarded – is the average market value of the Company s shares over the three dealing days immediately prior to the day of award The proportion of the award that vests, if any is dependent on Company performance against the LTIP performance measures over the three years following grant These are detailed on page 95

Performance shares

Director	Grant date	Number of performance shares granted[1]	Face value £	End of performance period	Vesting date	Percentage vesting on achievement of minimum performance threshold %
Chris Grigg	05 08 2013	266 222	1 599 994	31 03 2016	05 08 2016	25
Lucinda Bell	05 08 2013	116 056	697 497	31 03 2016	05 08 2016	25
Charles Maudsley	05 08 2013	141 430	849 994	31 03 2016	05 08 2016	25
Tim Roberts	05 08 2013	141 430	849,994	31 03 2016	05 08 2016	25

Options

Director	Grant date	Number of options granted[1]	Face value £	Fair value[2] £	Exercise price[3] p	End of performance period	Vesting date	Percentage vesting on achievement of minimum performance threshold %
Lucinda Bell	05 08 2013	154 742	929 999	232 500	601	31 03 2016	05 08 2016	25

1 Lucinda Bell received her award as a mixture of performance shares and market-value options The other Executive Directors received their entire awards as performance shares

2 Options are currently valued at one quarter of the value of a performance share (see note 9 to the accounts page 129) therefore the fair value of each option awarded is one quarter of the face value of the option

3 The options awarded under the LTIP are market-value options therefore the exercise price (which is the average market value of shares over the three dealing days immediately prior to the day of award) must be paid by the individual on the exercise of each option

Awards granted under the Matching Share Plan

The total face value of each Director s MSP Matching Share award for the year ended 31 March 2014 was equal to two thirds of their Annual Incentive award for the year 2012/13 equivalent to 90% basic salary at grant for Chris Grigg, 67% for Lucinda Bell and 79% for both Charles Maudsley and Tim Roberts The share price used to determine the number of Matching Shares awarded is the market value of the Company s shares on the day the proportion of Annual Incentive is deferred The proportion of the award that vests, if any, is dependent on Company performance against the MSP performance measures over the three years following grant These are detailed on page 95

Matching shares

Director	Grant date	Number of Matching Shares granted[1]	Face value £	End of performance period	Vesting date	Percentage vesting on achievement of minimum performance threshold %
Chris Grigg	02 08 2013	127 096	719 999	31 03 2016	02 08 2016	25
Lucinda Bell	02 08 2013	54 720	309,989	31 03 2016	02 08 2016	25
Charles Maudsley	02 08 2013	59 428	336 660	31 03 2016	02 08 2016	25
Tim Roberts	02 08 2013	59 428	336 660	31 03 2016	02 08 2016	25

Awards granted under the Sharesave Scheme
The following options were granted to Directors during the year under the all-employee Sharesave Scheme The exercise price is set at a 20% discount to the average market price of the Company s shares over the three dealing days immediately preceding invitation to the scheme The cost of exercise is met entirely by the Director and is accumulated by deductions from salary over the period between grant and vesting

Options

Director	Grant da e	Total to be deducted from salary to cover exercise cost £	Number of options granted	Face value £	Exercise price p	Earliest exercise date	Expiry date
Tim Roberts	19 06 2013	12,000	2 348	11 998	511	01 09 2018	28 02 2019

DIRECTORS' PENSION ENTITLEMENTS

Total pension entitlements for each Director under the defined benefit scheme
The below table details the defined benefit pension accrued by participating Directors at 31 March 2014

Director	Defined benefit pension accrued at 31 March 2014[1]	Normal retirement date
Lucinda Bell	90 361	01 10 2024
Tim Roberts	70 377	01 08 2024

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

REMUNERATION IMPLEMENTATION REPORT AUDITED INFORMATION CONTINUED

DIRECTORS SHAREHOLDINGS AND SHARE INTERESTS

Executive Directors interests in the Company s shares and total outstanding share scheme interests at 31 March 2014

The table directly below summarises the Executive Directors British Land shareholdings and outstanding share and option awards under the Company s share schemes as at 31 March 2014 The following tables detail the movements in these shareholdings and share scheme interests during the year ended 31 March 2014

		Unvested Performance Shares subject to performance measures					
		MSP Matching Shares			LTIP Performance Shares		
Director	Shares held by Director[1]	Number	End of performance period	Vesting date	Number	End of performance period	Vesting date
Chris Grigg	734 855	133 222	31 03 2014	24 05 2014	173 913	31 03 2014	28 06 2014
		144 000	31 03 2015	05 09 2015	185 873	31 03 2015	14 09 2015
		127 096	31 03 2016	02 08 2016	266 222	31 03 2016	05 08 2016
Lucinda Bell	113 898	26 968	31 03 2014	24 05 2014	147 826	31 03 2014	28 06 2014
		61 332	31 03 2015	05 09 2015	138 289	31 03 2015	14 09 2015
		54 720	31 03 2016	02 08 2016	116 056	31 03 2016	05 08 2016
Charles Maudsley	214 153	56 618	31 03 2014	24 05 2014	147 826	31 03 2014	28 06 2014
		61 332	31 03 2015	05 09 2015	157 992	31 03 2015	14 09 2015
		59 428	31 03 2016	02 08 2016	141 430	31 03 2016	05 08 2016
Tim Roberts	193 314	56 618	31 03 2014	24 05 2014	73 913	31 03 2014	28 06 2014
		67,332	31 03 2015	05 09 2015	157 992	31 03 2015	14 09 2015
		59 428	31 03 2016	02 08 2016	141 430	31 03 2016	05 08 2016

1 Includes shares held by connected persons MSP Bonus Shares and shares held under the Company s Share Incentive Plan All interests are beneficial

Movements in Executive Directors interests in the Company s shares during the year ended 31 March 2014

Directors interests in fully paid ordinary shares including shares held by connected persons Matching Share Plan Bonus Shares and shares held under the Company s Share Incentive Plan All interests are beneficial

Director	Total at 31 March 2014	Total at 1 April 2013
Chris Grigg	734 855	631 792
Lucinda Bell	113 898	88 121
Charles Maudsley	214 153	133 942
Tim Roberts	193 314	134 221

Unvested options subject to performance measures					Unvested options not subject to performance measures				Vested but unexercised options		
LTIP options					Sharesave options				LTIP options		
Number	Option price p	End of performance period	Vest ng date	Exercisable until	Number	Option price p	Vesting date	Exercisable until	Number	Option price p	Exercisable until
695,652	575	31 03 2014	28 06 2014	27 06 2021	1 908	473	01 09 2014	28 02 2015	1 033 591	387	28 06 2019
743 494	538	31 03 2015	14 09 2015	13 09 2022					1 073 825	447	10 06 2020
138 289	538	31 03 2015	14 09 2015	13 09 2022	2 295	392	01 09 2015	29 02 2016	25 326	660	28 11 2014
154 742	601	31 03 2016	05 08 2016	04 08 2023					14 036	727	30 05 2015
									11 557	824	04 12 2015
									50 387	387	28 06 2019
									36 434	446	20 12 2019
									67 952	447	10 06 2020
									11 764	510	13 12 2020
295 652	575	31 03 2014	28 06 2014	27 06 2021	1 033	301	01 09 2014	28 02 2015	13 210	727	30 05 2015
					2 348	511	01 09 2018	28 02 2019	17 483	824	04 12 2015

Beneficial interests of the Directors under the Sharesave Scheme

Director	Date of grant	Number of op ions at 1 April 2013	Number of op ions granted during the year	Number of options vesting during the year	Number of op ions exercised during the year	Number of options lapsed during the year	Number of op ions at 31 March 2014	Exercise price p	Earliest exercise date	Expiry date
Chris Grigg	01 07 2011	1 908					1 908	473	01 09 2014	28 02 2015
Lucinda Bell	26 06 2012	2 295					2 295	392	01 09 2015	29 02 2016
Tim Roberts	30 06 2009	1 033					1 033	301	01 09 2014	28 02 2015
	19 06 2013		2 348				2 348	511	01 09 2018	28 02 2019

REMUNERATION IMPLEMENTATION REPORT AUDITED INFORMATION CONTINUED

Beneficial interests of the Directors under the Long-Term Incentive Plan – Options

Director	Date of grant	Number of options at 1 April 2013[1]	Number of options granted during the year	Number of options vesting during the year[2]	Number of options exercised during the year	Number of options lapsed during the year	Number of options at 31 March 2014	Exercise price p	Earliest exercise date	Expiry date
Chris Grigg	29 06 2009	1 033 591					1 033 591	387	29 06 2012	28 06 2019
	11 06 2010	1,789 709		1 073,825[3]		715,884	1,073 825	447	11 06 2013	10 06 2020
	28 06 2011	695 652					695 652	575	28 06 2014	27 06 2021
	14 09 2012	743 494					743 494	538	14 09 2015	13 09 2022
Lucinda Bell	29 11 2004	25 326					25 326	660	29 11 2007	28 11 2014
	31 05 2005	14 036					14 036	727	31 05 2008	30 05 2015
	05 12 2005	11 557					11 557	824	05 12 2008	04 12 2015
	29 06 2009	50 387					50 387	387	29 06 2012	28 06 2019
	21 12 2009	36 434					36 434	446	21 12 2012	20 12 2019
	11 06 2010	113 255		67 952[3]		45 303	67 952	447	11 06 2013	10 06 2020
	14 12 2010	19 607		11 764[4]		7 843	11 764	510	14 12 2013	13 12 2020
	14 09 2012	138 289					138 289	538	14 09 2015	13 09 2022
	05 08 2013		154 742				154 742	601	05 08 2016	04 08 2023
Tim Roberts	29 11 2004	22 513			22 513[5]			660	29 11 2007	28 11 2014
	31 05 2005	13 210					13 210	727	31 05 2008	30 05 2015
	05 12 2005	17 483					17 483	824	05 12 2008	04 12 2015
	29 06 2009	426 873			426 873[6]			387	29 06 2012	28 06 2019
	11 06 2010	380 313		228 187[3]	228 187[7]	152 126		447	11 06 2013	10 06 2020
	28 06 2011	295 652					295 652	575	28 06 2014	27 06 2021

1 The numbers of options at 1 April 2013 are the maximum awards achievable under the LTIP on maximum outperformance of the Plan s performance conditions except options granted in 2004 2005 2009 and 2010 which have already vested
2 Vesting options are included in the 2012/13 long-term incentives column of the single total figure of remuneration table on page 96
3 These options vested at 60% on 24 July 2013 the remaining options lapsed The relevant performance condition is detailed on page 98
4 These options vested at 60% on 17 December 2013 the relevant performance condition is detailed on page 98
5 Exercised on 25 February 2014 The market price on the day of exercise was 699p realising a notional gain of 39p per share
6 Exercised on 24 July 2013 The market price on the day of exercise was 611 5p realising a notional gain of 224 5p per share
7 Exercised on 25 February 2014 The market price on the day of exercise was 699p realising a notional gain of 252p per share

Beneficial interests of the Directors under the Long-Term Incentive Plan – Performance Shares

Director	Date o grant	Number of shares at 1 April 2013[1]	Number of shares granted during the year[2]	Number of shares vesting during the year[3]	Number of shares lapsed during the year	Number of shares at 31 March 2014	Earliest vesting date
Chris Grigg	28 06 2011	173 913				173 913	28 06 2014
	14 09 2012	185 873				185 873	14 09 2015
	05 08 2013		266 222			266 222	05 08 2016
Lucinda Bell	11 06 2010	28 313		16 987[4]	11 326		11 06 2013
	14 12 2010	4 901		2 940[5]	1 961		14 12 2013
	28 06 2011	147,826				147 826	28 06 2014
	14 09 2012	138 289				138,289	14 09 2015
	05 08 2013		116 056			116 056	05 08 2016
Charles Maudsley	11 06 2010	190 156		114 093[4]	76 063		11 06 2013
	28 06 2011	147 826				147 826	28 06 2014
	14 09 2012	157 992				157 992	14 09 2015
	05 08 2013		141 430			141 430	05 08 2016
Tim Roberts	11 06 2010	95 078		57 046[4]	38 032		11 06 2013
	28 06 2011	73 913				73 913	28 06 2014
	14 09 2012	157 992				157 992	14 09 2015
	05 08 2013		141 430			141 430	05 08 2016

1 The numbers of shares at 1 April 2013 are the maximum achievable under the LTIP on maximum outperformance of the Plan s performance conditions
2 On 5 August 2013 the date of grant the market price was 596p
3 Vesting shares and accrued dividends are included in the 2012/13 long-term incentives column of the single total figure of remuneration table on page 96
4 These shares vested at 60% on 24 July 2013 the remaining shares lapsed The relevant performance condition is detailed on page 98
5 These shares vested at 60% on 17 December 2013 the remaining shares lapsed The relevant performance condition is detailed on page 98

Beneficial interests of the Directors under the Matching Share Plan – MSP Matching Shares

Director	Date of grant	Number of Matching Shares a 1 April 2013[1]	Number of Matching Shares granted during the year[2]	Number of Matching Shares vesting during the year[3]	Number of Ma ching Shares lapsed during the year	Number of Matching Srares at 31 March 2014	Earliest vesting date
Chris Grigg	02 09 2010	133 028		133 028			02 09 2013
	24 05 2011	133 222				133 222	24 05 2014
	05 09 2012	144 000				144 000	05 09 2015
	02 08 2013		127 096			127 096	02 08 2016
Lucinda Bell	24 05 2011	26 968				26 968	24 05 2014
	05 09 2012	61 332				61 332	05 09 2015
	02 08 2013		54 720			54,720	02 08 2016
Charles Maudsley	02 09 2010	7 360		7 360			02 09 2013
	24 05 2011	56 618				56 618	24 05 2014
	05 09 2012	61 332				61,332	05 09 2015
	02 08 2013		59 428			59 428	02 08 2016
Tim Roberts	02 09 2010	55 428		55 428			02 09 2013
	24 05 2011	56 618				56 618	24 05 2014
	05 09 2012	67,332				67 332	05 09 2015
	02 08 2013		59 428			59 428	02 08 2016

1 The numbers of shares at 1 April 2013 are the maximum achievable under the MSP on maximum outperformance of the Plan s performance conditions
2 On 2 August 2013 the date of grant the market price was 597 5p
3 These shares vested at 100% on 6 September 2013 on satisfaction of the performance conditions The relevant performance conditions are detailed on page 98 Vesting shares and accrued dividends are included in the 2012/13 long-term incentives column of the single total figure of remuneration table on page 96

Executive Directors Minimum Shareholding Guideline

The Executive Directors Minimum Shareholding Guideline requires approximately 200% of basic salary to be held in vested and exercised shares by the Chief Executive and 125% for other Executive Directors There is no set timescale required to reach the target but it should be achieved through the regular additions anticipated by Matching Share Plan and Long-Term Incentive Plan vestings No purchases are required either to reach the level or to respond to share price falls but Executive Directors are expected to increase their holding of shares each year until the target is attained The number/value of shares required as the target is fixed once a year Shares included are those unfettered and beneficially owned by the Director and by his or her connected persons

Shown below are the guideline shareholdings fixed for the year to 31 March 2015

Director	Percentage of basic salary to be held in ves ed shares	Guideline holding	Unfe..ered holding at 31 March 2014[1]
Chris Grigg	200%	244 649	633 326
Lucinda Bell	125%	88 877	75 387
Charles Maudsley	125%	81 231	168 118
Tim Roberts	125%	81 231	144 864

1 In accordance with guidelines issued by the ABI the Directors unfettered holdings do not include MSP Bonus Shares and locked-in SIP Shares

Although there is no guideline holding for Non-Executive Directors, they are encouraged to hold shares in British Land The Company facilitates this by offering Non-Executive Directors the ability to purchase shares using their post-tax quarterly fees Dido Harding, William Jackson Lord Turnbull and Richard Pym received a proportion of their fees in the form of shares during the year

Chairman and Non-Executive Directors' interests in the Company s shares

Interests in fully paid ordinary shares, including shares held by connected persons

Director	Total at 31 March 2014	Total at 1 April 2013
John Gildersleeve	5 071	5 071
Aubrey Adams	20 000	20 000
Simon Borrows	300 000	300 000
Dido Harding	11 045	8 094
William Jackson	38,988	34 144
Richard Pym	11 500[1]	9 722
Tim Score	0	0[2]
Lord Turnbull	16,884	14 520

1 On 5 September 2013 date of resignation
2 On 20 March 2014 date of appointment

Purchases after the year-end up to one month before the AGM notice

On 14 April 2014, Lord Turnbull, Dido Harding and William Jackson were allotted 376, 542 and 1 304 shares respectively, at a price of 664 7016 pence per share as part of their standing instructions to receive shares as satisfaction of their Directors fees Also on 14 April 2014 Chris Grigg purchased 20 shares and Lucinda Bell, Charles Maudsley and Tim Roberts each purchased 19 shares all at a price of 647 4379 pence per share under the Partnership element of the Share Incentive Plan (SIP) Accordingly Chris Grigg was awarded 40 Matching shares and Lucinda Bell, Charles Maudsley and Tim Roberts were each awarded 38 Matching shares, all at a price of 647 4379 pence per share On 2 May 2014 Chris Grigg, Lucinda Bell, Charles Maudsley and Tim Roberts acquired 47, 127, 32, and 117 Dividend shares respectively under the SIP, all at a price of 689 5024 pence per share On 2 May 2014, Lord Turnbull received 171 shares under the Company s Scrip Dividend Scheme

REMUNERATION IMPLEMENTATION REPORT CONTINUED

FURTHER DISCLOSURES REGARDING IMPLEMENTATION OF POLICY DURING THE YEAR

Five-year total shareholder return and Chief Executive's remuneration
The graph to the right shows the Company s total shareholder return for the five years from 1 April 2009 to 31 March 2014 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 five-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 the Company s shares are classified The 2009 base point required by the regulations was close to the bottom of the property cycle Our share price had not fallen as much at that time as the average share price of the FTSE REITs Sector thereby setting a higher base point for subsequent growth The table below details the total remuneration of the person undertaking the role of Chief Executive over the same period calculated on the same basis as the single total figure of remuneration table and the annual incentive pay-outs and long-term incentive vesting rates as a percentage of the maximum opportunity

Chris Grigg was appointed as Chief Executive of the Company in January 2009 The rules of the LTIP and MSP schemes stipulate that awards are subject to three-year performance periods before vesting Hence none of Chris Grigg s LTIP and MSP Matching Share awards were eligible to vest in 2009/10 or 2010/11

	2009/10	2010/11	2011/12	2012/13	2013/14
Chief Executive	Chris Grigg	Chris Grigg	Chris Grigg	Chris Grigg	**Chris Grigg**
Chief Executive s single total figure of remuneration (£)	2 082 180	2 329 047	5 352 840	4 810 031	**4,925,926**
Annual Incentive payout against maximum opportunity (%)	67	83	75	75	**90**
Long-Term Incentives vesting rate against maximum opportunity (%)	n/a	n/a	99	63	**97**

Chief Executive s remuneration compared to remuneration of British Land employees
The below table 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 these elements of remuneration for British Land employees

Remuneration element	Value of Chief Executive remuneration element 2013/14 £	Value of Chief Executive remuneration element 2012/13 £	% Change in Chief Executive remuneration element %	Average % change in remuneration element of British Land employees %
Salary	800 000	800 000	0	3 66
Taxable benefits	20 253	19 802	2 28	8 02
Annual Incentive	1 080 000	1 080 000	0	5 75

Relative importance of spend on pay
The graph below shows the amount the Company spent on the remuneration of all employees (including Executive Directors), relative to the amount spent on distributions to shareholders, including ordinary and scrip dividends during the financial year The split between Property Income Distributions (PID) and non-Property Income Distributions (non-PID) is shown Equivalent amounts are provided for the previous financial year, for comparison

Executive Directors external appointments
Executive Directors may take up one non-executive directorship at another FTSE 100 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 2014 Chris Grigg received a fee of £56 250 from BAE Systems plc which he retained in full

Statement of voting at Annual General Meeting
The table below details the results of the shareholder votes on resolutions relating to remuneration at the 2013 AGM The Committee was pleased to note the high levels of shareholder support for both the 2013 Remuneration Report and the introduction of the new Long-Term Incentive Plan

Resolutions at 2013 AGM	Votes for	% for	Votes against	% against	Total votes cast	Votes withheld
Approval of Directors Remuneration Report	678,005 079	98 87	7 752 198	1 13	685 757 277	2 643 404
Adoption of new Long-Term Incentive Plan	654 652 842	96 39	24 507 477	3 61	679 160 319	9 240 362

Consideration by the Directors of matters relating to Directors remuneration
Throughout the year the Remuneration Committee was chaired by Lord Turnbull Dido Harding and William Jackson were members of the Committee during the year The following persons assisted the Committee during the year Chris Grigg (Chief Executive) Joff Sharpe (Human Resources Director), Tony Braine (Group Secretary) and Alan Judes

The Committee appointed Alan Judes, of Strategic Remuneration as its independent advisor for the year He also gave advice to the Company on personnel and share plan matters The Committee is satisfied there is no conflict in him providing such services to the Company Strategic Remuneration is a member of the Remuneration Consultants Group and adheres to the Remuneration Consultants Group s Code of Conduct Strategic Remuneration was appointed by the Chairman of the Remuneration Committee following a competitive tender process The Committee assesses the advice given by Strategic Remuneration to satisfy itself that the advice received is objective and independent Alan Judes has a private meeting with the Chairman of the Remuneration Committee once a year in accordance with the Code of Conduct of the Remuneration Consultants Group Fees charged by Strategic Remuneration for the year amounted to £118,200 excluding VAT (£124,400 excluding VAT for 2012/13) and are charged on a time basis

This Report was approved by the Board on 13 May 2014

Lord Turnbull
Chairman of the Remuneration Committee

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ADDITIONAL DISCLOSURES

REAPPOINTMENT OF DIRECTORS

The Directors listed on the Board of Directors pages (66 and 67) constituted the Board during the year save that Richard Pym resigned from the Board on 5 September 2013 and Tim Score was appointed as a Non-Executive Director on 20 March 2014 In accordance with best practice under the UK Corporate Governance Code 2012, Tim Score will offer himself for election by shareholders at the AGM and all the other Directors will retire at the AGM and will offer themselves for annual re-election

PURCHASE OF OWN SHARES

The Company was granted authority at the AGM in 2013 to purchase its own shares up to a total aggregate value of 10% of the issued nominal capital That authority expires at this year s AGM and a resolution will be proposed for its renewal During the year the Company made no purchases of its own shares

SHARE CAPITAL

The Company has one class of ordinary share and all shares rank equally and are fully paid (25p each) There are neither restrictions on the transfer of shares nor on the size of a holding 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

The issued share capital has been increased during the year by fully paid issues as follows

		Number of ordinary shares of 25p
9 April 2013 to 10 January 2014	Shares in lieu of Directors fees	11 302
18 April 2013 to 26 March 2014	On exercise of options under the Long-Term Incentive Plan (LTIP)	2 592 250
13 June 2013 to 4 February 2014	On vesting of shares under the Long-Term Incentive Plan (LTIP)	494 836
30 May 2013 to 13 September 2013	On vesting of shares under the Fund Managers Performance Plan	612 743
2 April 2013 to 3 March 2014	On exercise of options under the Sharesave Scheme	53 067
10 May 2013 to 14 February 2014	Scrip dividend allotment	17 885 985
23 August 2013	Share Incentive Plan Free Share Award allotment	168 156
9 September 2013	On vesting of Matching Shares under the Matching Share Plan (MSP)	256 654

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 At the year-end there were 32 (2012/13 29) suppliers days outstanding

EVENTS AFTER THE BALANCE SHEET DATE

There were no reportable events after the balance sheet date

DIRECTORS INTERESTS IN CONTRACTS

No contract existed during the year in relation to the Company s business in which any Director was materially interested

DIRECTORS LIABILITY INSURANCE AND INDEMNITY

The Company has arranged insurance cover in respect of legal action against its Directors To the extent permitted by UK law, the Company also indemnifies the Directors

SUBSTANTIAL INTERESTS

As at 13 May 2014 the Company had been notified of the following major interests in its issued ordinary share capital

	Number of shares	% of issued capital
Norges Bank	62 598 618	6 19
Blackrock Inc	52 861 598	5 23
APG Algemene Pensioen Groep NV	44 622 274	4 41
Government of Singapore Investment Corporation Pte Ltd	39 473 304	3 90

AUDITOR

The external audit for the financial year ending March 2015 was tendered during the year as detailed on page 75 Having not been invited to tender Deloitte LLP intends to resign as the Company s auditor following completion of the audit of this Annual Report and Accounts Following the tender, and on the recommendation of the Audit Committee, the Board intends to appoint PricewaterhouseCoopers LLP to fill the casual vacancy created on Deloitte s resignation The Audit Committee have recommended resolutions to appoint PricewaterhouseCoopers as the Company s auditor and to authorise the Directors to agree the auditor s remuneration at the 2014 Annual General Meeting

DISCLOSURE OF INFORMATION TO AUDITOR

Each of the persons who is a Director at the date of approval of this Report confirms that

- so far as the Director is aware, there is no relevant audit information of which the Company s auditor is unaware, and
- the Director has taken all the steps that he/she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information and to establish that the Company s auditor is aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006

ANNUAL GENERAL MEETING

The AGM of The British Land Company PLC will be held at The Ocean Room The Cumberland Hotel Great Cumberland Place, London W1H 7DL on Friday 18 July 2014 at 11 00 am

This Report was approved by the Board on 13 May 2014

Anthony Braine
Group Secretary
13 May 2014

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DIRECTORS' RESPONSIBILITY STATEMENT

The Directors are responsible for preparing the Annual 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 are required to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Article 4 of the IAS Regulation and have elected to prepare 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 accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period

In preparing the parent company 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 applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business

In preparing the Group financial statements, International Accounting Standard 1 requires that Directors

- properly select and apply accounting policies,
- present information, including accounting policies, in a manner that provides relevant reliable comparable and understandable information
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions other events and conditions on the entity s financial position and financial performance and
- make an assessment of the Company s ability to continue as a going concern

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 enable them to ensure that the financial statements comply with the Companies Act 2006

They are also responsible for safeguarding the assets of the Company 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 corporate and financial information included on the Company s website Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

RESPONSIBILITY STATEMENT

We confirm that to the best of our knowledge

- the financial statements, prepared in accordance with the relevant financial reporting framework give a true and fair view of the assets liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole,
- the Strategic Report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face, and
- the Annual Report and financial statements taken as a whole are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company s performance business model and strategy

The process for preparing reviewing and approving the Annual Report and financial statements is set out in the Governance Review on page 71

By order of the Board

Lucinda Bell
Finance Director
13 May 2014

REPORT OF THE AUDITOR

INDEPENDENT AUDITOR S REPORT TO THE MEMBERS OF THE BRITISH LAND COMPANY PLC

Opinion on financial statements of The British Land Company PLC
In our opinion

- the financial statements give a true and fair view of the state of the Group s and of the parent company s affairs as at 31 March 2014 and of the Group s profit 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 parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006, as regards the Group financial statements Article 4 of the IAS Regulation

The financial statements comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income the Consolidated and Company Balance Sheets, the Consolidated Statement of Changes in Equity, the Consolidated Cash Flow Statement and the related notes 1 to 27 for the Consolidated Financial Statements and the related notes A to K for the parent company financial statements

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and IFRSs as adopted by the European Union The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

Going concern
As required by the Listing Rules we have reviewed the Directors statement contained on page 110 that the Group is a going concern We confirm that

- we have concluded that the Directors use of the going concern basis of accounting in the preparation of the financial statements is appropriate, and
- we have not identified any material uncertainties that may cast significant doubt on the Group s ability to continue as a going concern

However because not all future events or conditions can be predicted this statement is not a guarantee as to the Group s ability to continue as a going concern

Our assessment of risks of material misstatement
The assessed risks of material misstatement described below are those that had the greatest effect on our audit strategy the allocation of resources in the audit and directing the efforts of the engagement team

Risk	How the scope of our audit responded to the risk
Valuation of investment property The valuation of the Group s investment properties involves significant judgements made by management using the advice of the external valuers, particularly those around current market conditions and development property milestones The valuation exercise also relies on the accuracy of the underlying lease and financial information provided to the valuers by management	▪ We tested the key controls implemented by management to review and challenge the work of the external valuers Knight Frank and CBRE ▪ We met with Knight Frank and CBRE to challenge the valuation process, the performance of the portfolio and the significant assumptions and critical judgement areas including future lease income and yields and development appraisals ▪ We reviewed the yield assumptions used by Knight Frank and CBRE in performing their valuations to assess their reasonableness in comparison to relevant market evidence, benchmarking the yields against specific property sales comparables and other external data ▪ We assessed the competence independence and integrity of Knight Frank and CBRE ▪ We performed audit procedures to test the key controls in place and the integrity of the information provided to Knight Frank and CBRE, including agreement on a sample basis back to underlying leases Please see note 11 of the Financial Statements
Accounting for complex property transactions The sale and purchase agreements for property acquisitions and disposals may have complexity such as deferred consideration arrangements rental top-up payments or joint venture contractual obligations, which require judgement from management to consider the correct application of the relevant accounting standards	▪ We challenged management s judgements by reviewing the sale and purchase agreements and other related documents and by assessing each transaction against the recognition measurement and classification criteria per the Group s accounting policies and the applicable IFRSs ▪ We tested the accuracy and completeness of the disclosure of the transactions in the financial statements

The Audit Committee s consideration of these risks is set out on page 77

Our audit procedures relating to these matters were designed in the context of our audit of the financial statements as a whole, and not to express an opinion on individual accounts or disclosures Our opinion on the financial statements is not modified with respect to any of the risks described above and we do not express an opinion on these individual matters

REPORT OF THE AUDITOR CONTINUED

Our application of materiality
We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced We use materiality both in planning the scope of our audit work and in evaluating the results of our work

We determined materiality for the Group to be £55m which is below 1% of shareholders equity

In addition to shareholders equity we recognise that underlying profit before tax is an important measure in the Group s income statement In order to suitably plan and evaluate our work for items affecting this measure we have applied a lower threshold which equates to 6 7% of underlying profit before tax

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £1 million as well as differences below that threshold that in our view, warranted reporting on qualitative grounds We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements

An overview of the scope of our audit
Our Group audit was scoped by obtaining an understanding of the Group and its environment including Group-wide control, and assessing the risks of material misstatement at the Group level Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team with the exception of three significant components where full audit procedures were performed by other Deloitte UK offices Full audit procedures have been performed on components representing 88% of the Group net assets

As Group auditors we also included the component audit partners and teams in our team briefings, discussed their risk assessment and also reviewed documentation of the findings from their work

At the parent entity level we also tested the consolidation process and carried out analytical procedures to confirm our conclusion that there were no significant risks of material misstatement of the aggregated financial information of the remaining components not subject to audit or audit of specified account balances

Opinion on other matters prescribed by the Companies Act 2006
In our opinion

- the part of the Directors Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006, and
- 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

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

Adequacy of explanations received and accounting records
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, or
- adequate accounting records have not been kept by the parent company or returns adequate for our audit have not been received from branches not visited by us, or
- the parent company financial statements are not in agreement with the accounting records and returns

We have nothing to report in respect of these matters

Directors remuneration
Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of Directors remuneration have not been made or the part of the Directors Remuneration Report to be audited is not in agreement with the accounting records and returns We have nothing to report arising from these matters

Corporate Governance Statement
Under the Listing Rules we are also required to review the part of the Corporate Governance Statement relating to the Company s compliance with nine provisions of the UK Corporate Governance Code We have nothing to report arising from our review

Our duty to read other information in the Annual Report
Under International Standards on Auditing (UK and 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, or
- apparently materially incorrect based on or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit or
- otherwise misleading

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the Directors statement that they consider the Annual Report is fair, balanced and understandable and whether the Annual Report appropriately discloses those matters that we communicated to the Audit Committee which we consider should have been disclosed We confirm that we have not identified any such inconsistencies or misleading statements

Respective responsibilities of Directors and Auditor
As explained more fully in the Directors Responsibilities Statement, 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 International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board s Ethical Standards for Auditors We also comply with International Standard on Quality Control 1 (UK and Ireland) Our audit methodology and tools aim to ensure that our quality control procedures are effective, understood and applied Our quality controls and systems include our dedicated professional standards review team strategically focused second partner reviews and independent partner reviews

This report is made solely to the Company s members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 Our audit work has been undertaken so that we might state to the Company s members those matters we are required to state to them in an Auditor s Report and for no other purpose To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company s members as a body for our audit work, for this Report, or for the opinions we have formed

Scope of the audit of the financial statements
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 parent company s circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the Directors and the overall presentation of the financial statements 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

Richard Muschamp (Senior statutory auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London United Kingdom

13 May 2014

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2014

	Note	2014 Underlying pre-tax[1] £m	2014 Capital and other £m	2014 Total £m	2013 Underlying pre-tax[1] £m	2013 Capital and other £m	2013 Total £m
Gross rental and related income	3	**384**	**–**	**384**	329	–	329
Net rental and related income	3	**313**	**–**	**313**	281	–	281
Fees and other income	4	**15**	–	**15**	15	–	15
Joint ventures and funds (see also below)		**124**	**253**	**377**	130	(63)	67
Administrative expenses		**(72)**	–	**(72)**	(72)	–	(72)
Net valuation movement (includes result on disposals)	6	**–**	**615**	**615**	–	88	88
Financing costs – financing income	7	**9**	**3**	**12**	21	2	23
– financing charges	7	**(90)**	**(60)**	**(150)**	(101)	(41)	(142)
		(81)	**(57)**	**(138)**	(80)	(39)	(119)
Profit (loss) on ordinary activities before taxation		**299**	**811**	**1,110**	274	(14)	260
Taxation – current tax income	8		**3**	**3**		8	8
– deferred tax income	8		**3**	**3**		16	16
			6	**6**		24	24
Profit for the year after taxation				**1,116**			284
Attributable to non-controlling interests		**2**	**8**	**10**	–	–	–
Attributable to shareholders of the Company		**297**	**809**	**1,106**	274	10	284
Earnings per share – basic	2			**110 7p**			31 7p
– diluted	2			**110 2p**			31 5p

1 As defined in note 2

All results derive from continuing operations

	Note	2014 Underlying pre-tax[1] £m	2014 Capital and other £m	2014 Total £m	2013 Underlying pre-tax[1] £m	2013 Capital and other £m	2013 Total £m
Share of results of joint ventures and funds							
Underlying profit before taxation		**124**	**–**	**124**	130	–	130
Net valuation movement (includes result on disposals)		**–**	**258**	**258**	–	(62)	(62)
Non-recurring items		**–**	**–**	**–**	–	(4)	(4)
Current tax income (expense)		**–**	**(5)**	**(5)**	–	2	2
Deferred tax income		**–**	**–**	**–**	–	1	1
	12	**124**	**253**	**377**	130	(63)	67

1 As defined in note 2

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2014

	2014 £m	2013 £m
Profit for the year after taxation	**1,116**	284
Other comprehensive income		
Items that will not be reclassified subsequently to profit or loss		
Net actuarial loss on pension scheme	**(2)**	(2)
	(2)	(2)
Items that may be reclassified subsequently to profit or loss		
Gains (losses) on cash flow hedges		
– Group	**14**	(16)
– Joint ventures and funds	**48**	(6)
	62	(22)
Transferred to the income statement (cash flow hedges)		
– Foreign currency derivatives	**8**	(5)
– Interest rate derivatives	**15**	26
	23	21
Exchange differences on translation of foreign operations		
– Hedging and translation	**2**	(4)
– Other	**1**	6
	3	2
Deferred tax taken to equity	**5**	–
	5	–
Other comprehensive profit (loss) for the year	**91**	(1)
Total comprehensive income for the year attributable to shareholders of the Company	**1,207**	283
Attributable to non-controlling interests	**10**	–
Attributable to shareholders of the Company	**1,197**	283

CONSOLIDATED BALANCE SHEET

At 31 March 2014

	Note	2014 £m	2013 £m
ASSETS			
Non-current assets			
Investment and development properties	11	**7,272**	5,488
Owner-occupied property	11	**47**	42
		7,319	5,530
Other non-current assets			
Investments in joint ventures and funds	12	**2,712**	2 336
Other investments	13	**262**	76
Interest rate derivative assets	18	**32**	92
		10,325	8 034
Current assets			
Trading properties	11	**271**	40
Debtors	14	**41**	60
Cash and short-term deposits	18	**142**	135
		454	235
Total assets		**10,779**	8,269
LIABILITIES			
Current liabilities			
Short-term borrowings and overdrafts	18	**(495)**	(44)
Creditors	15	**(263)**	(259)
Corporation tax		**(8)**	(17)
		(766)	(320)
Non-current liabilities			
Debentures and loans	18	**(2,803)**	(2 134)
Other non-current liabilities	16	**(32)**	(26)
Deferred tax liabilities	17	**(4)**	(16)
Interest rate derivative liabilities	18	**(57)**	(86)
		(2,896)	(2,262)
Total liabilities		**(3,662)**	(2,582)
Net assets		**7,117**	5 687
Equity			
Share capital	22	**255**	249
Share premium		**1,257**	1,242
Merger reserve		**213**	213
Other reserves		**(70)**	(163)
Retained earnings		**5,091**	4 146
Equity attributable to shareholders of the Company		**6,746**	5,687
Non-controlling interests		**371**	–
Total equity		**7,117**	5 687
EPRA NAV per share[1]	2	**688p**	596p

1 As defined in note 2

John Gildersleeve
Chairman

Lucinda Bell
Finance Director

Approved by the Board and authorised for issue on 13 May 2014

Company number 621920

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2014

	Note	2014 £m	2013 £m
Rental income received from tenants		312	266
Fees and other income received		19	19
Operating expenses paid to suppliers and employees		(88)	(88)
Cash generated from operations		243	197
Interest paid		(116)	(113)
Interest received		29	31
UK corporation tax received		–	1
Distributions and other receivables from joint ventures and funds		63	74
Net cash inflow from operating activities		219	190
Cash flows from investing activities			
Development and other capital expenditure		(175)	(230)
Purchase of investment properties		(569)	(442)
Sale of investment properties		352	699
Purchase of investments		(84)	–
Sale of investments		8	2
Deferred consideration received		5	18
Acquisition of Hercules Unit Trust	21	(145)	–
Cash acquired on acquisition of subsidiary	21	18	–
Purchase of joint ventures and funds		(113)	–
Sale of joint ventures and funds		179	–
Investment in and loans to joint ventures and funds		(162)	(318)
Capital distributions and loan repayments from joint ventures and funds		28	72
Indirect taxes (paid) received in respect of investing activities		(2)	(3)
Net cash outflow from investing activities		(660)	(202)
Cash flows from financing activities			
Issue of ordinary shares		11	493
Dividends paid	20	(159)	(203)
Closeout of interest rate derivative		(16)	4
Movement in other financial liabilities		(8)	2
Disposal of liquid investments	18	–	210
Decrease in bank and other borrowings		(49)	(889)
Drawdowns on bank and other borrowings		669	–
Proceeds on convertible bond issue		–	393
Net cash inflow from financing activities		448	10
Net increase (decrease) in cash and cash equivalents		7	(2)
Cash and cash equivalents at 1 April		135	137
Cash and cash equivalents at 31 March		142	135
Cash and cash equivalents consists of			
Cash and short-term deposits	18	142	135

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2014

	Share capital[1] £m	Share premium £m	Hedging and translation reserve[1 2] £m	Revaluation reserve[1] £m	Merger reserve[1] £m	Retained earnings £m	Total £m	Non-controlling interest £m	Total equity £m
Balance at 1 April 2013	**249**	**1,242**	**(71)**	**(92)**	**213**	**4,146**	**5,687**	**–**	**5,687**
Profit for the year after taxation	–	–	–	–	–	1,106	1,106	10	1,116
Losses on cash flow hedges	–	–	14	–	–	–	14	–	14
Revaluation through statement of changes in equity	–	–	–	–	–	1	1	–	1
Joint ventures and funds revaluations	–	–	–	48	–	–	48	–	48
Reclassification of gains (losses) on cash flow hedges									
– Foreign currency derivatives	–	–	8	–	–	–	8	–	8
– Interest rate derivatives	–	–	15	–	–	–	15	–	15
Exchange differences on translation of foreign operations	–	–	2	1	–	(1)	2	–	2
Net actuarial loss on pension schemes	–	–	–	–	–	(2)	(2)	–	(2)
Deferred tax taken to equity	–	–	–	5	–	–	5	–	5
Other comprehensive income (loss)	–	–	39	54	–	(2)	91	–	91
Total comprehensive income for the year	–	–	39	54	–	1,104	1,197	10	1,207
Share issues	6	15	–	–	–	(8)	13	–	13
Non-controlling interest on acquisition of subsidiary	–	–	–	–	–	–	–	374	374
Purchase of units from non-controlling interest	–	–	–	–	–	–	–	(13)	(13)
Adjustment for share and share option awards	–	–	–	–	–	10	10	–	10
Dividends payable in year (26 7p per share)	–	–	–	–	–	(266)	(266)	–	(266)
Transfer	–	–	–	–	–	–	–	–	–
Adjustment for scrip dividend element	–	–	–	–	–	105	105	–	105
Balance at 31 March 2014	**255**	**1,257**	**(32)**	**(38)**	**213**	**5,091**	**6,746**	**371**	**7,117**
Balance at 1 April 2012	225	1,237	(72)	(92)	–	3,806	5,104	–	5,104
Profit for the year after taxation	–	–	–	–	–	284	284	–	284
Losses on cash flow hedges	–	–	(16)	–	–	–	(16)	–	(16)
Joint ventures and funds revaluations	–	–	–	(6)	–	–	(6)	–	(6)
Reclassification of gains (losses) on cash flow hedges									
– Foreign currency derivatives	–	–	(5)	–	–	–	(5)	–	(5)
– Interest rate derivatives	–	–	26	–	–	–	26	–	26
Exchange differences on translation of foreign operations	–	–	(4)	6	–	–	2	–	2
Net actuarial loss on pension schemes	–	–	–	–	–	(2)	(2)	–	(2)
Other comprehensive income (loss)	–	–	1	–	–	(2)	(1)	–	(1)
Total comprehensive income for the year	–	–	1	–	–	282	283	–	283
Share issues	24	5	–	–	464	–	493	–	493
Adjustment for share and share option awards	–	–	–	–	–	9	9	–	9
Dividends payable in year (26 3p per share)	–	–	–	–	–	(234)	(234)	–	(234)
Transfer	–	–	–	–	(251)	251	–	–	–
Adjustment for scrip dividend element	–	–	–	–	–	32	32	–	32
Balance at 31 March 2013	249	1 242	(71)	(92)	213	4 146	5,687	–	5,687

1 Refer to note 22

2 The balance at the beginning of the period includes £2m relating to translation and (£73m) relating to hedging

NOTES TO THE ACCOUNTS

1 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

The financial statements for the year ended 31 March 2014 have been prepared on the historical cost basis, except for the revaluation of properties investments and derivatives The financial statements have also been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and therefore comply with Article 4 of the EU IAS Regulation

In the current financial year the Group has adopted the amendments to IAS 1 Presentation of Items of Other Comprehensive Income, IFRS 13 Fair Value Measurement and IAS 19 (revised) Employee Benefits

- The amendments to IAS 1 require items of other comprehensive income to be grouped by those items that will be reclassified subsequently to profit or loss and those that will be never be reclassified, as well as their associated income tax The amendments have been applied retrospectively and hence the presentation of items of comprehensive income has been regrouped accordingly
- IFRS 13 impacts the disclosure of investment and owner-occupied properties as set out in note 11
- IAS 19 (revised) and the related consequential amendments have impacted the accounting for the Group s defined benefit pension scheme, by replacing the interest cost and expected return on plan assets with a net interest charge on the net defined benefit liability The impact of adopting IAS 19 (revised) is not considered material

Otherwise the accounting policies used are consistent with those contained in the Group s last Annual Report and Accounts for the year ended 31 March 2013

Standards and interpretations issued but not effective for the current accounting period were

- IFRS 9 – Financial Instruments,
- IAS 32 (amended) – Financial Instruments Presentation,
- IFRS 10 – Consolidated Financial Statements,
- IFRS 11 – Joint Arrangements,
- IFRS 12 – Disclosure of Interests in Other Entities
- IAS 12 (amended) – Deferred Tax recovery of underlying assets,
- IAS 27 (revised) – Separate Financial Statements,
- IAS 28 (revised) – Investments in Associates and Joint Ventures, and
- IAS 36 – Recoverable Amount Disclosures for Non-Financial Assets

The Directors do not expect that the adoption of the standards listed above will have a material impact on the financial statements of the Group in future periods except as follows

- IFRS 9 will impact both the measurement and disclosures of financial instruments and is effective for the Group s year ending 31 March 2018 The Group has not yet completed its evaluation of the effect of adoption

Critical accounting judgements are disclosed in the relevant section of the Annual Report see page 55 The key source of estimation and uncertainty relates to the valuation of the property portfolio and investments where an external valuation is obtained In accounting for net rental income, the Group is required to judge the recoverability of any income accrued and provides against the credit risk on these amounts

Other less significant assumptions include the actuarial assumptions used in calculating the Group s retirement benefit obligations, the valuation of fixed rate debt and interest rate derivatives, and the share-based payment expense The potential for management to make judgements or estimates relating to those items which would have a significant impact on the financial statements is considered, by the nature of the Group s business to be limited

GOING CONCERN

The financial statements are prepared on a going concern basis as explained in the Corporate Governance section on page 72

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 has the power to govern the financial and operating policies of an investee entity so as to gain benefits from its activities

The results of subsidiaries, joint ventures or associates acquired or disposed of during the year are included from the effective date of acquisition or to the effective date of disposal Accounting practices 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 upon elimination of upstream and downstream transactions Their profits include revaluation movements on investment properties Interest income, management fees and performance fees are proportionately eliminated

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 income statement

Any surplus arising on revaluing owner-occupied properties above cost is recognised in equity, and any deficit arising in revaluation below cost for owner-occupied and trading properties is recognised in the income statement

The cost of properties in the course of development includes attributable interest and other associated outgoings Interest is calculated on the development expenditure by reference to specific borrowings where relevant and otherwise on the average rate applicable to short-term loans Interest is not capitalised where no development activity is taking place A property ceases to be treated as a development property on practical completion

NOTES TO THE ACCOUNTS CONTINUED

1 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES continued

PROPERTIES continued

Disposals are recognised on completion profits and losses arising are recognised through the income statement the profit on disposal is determined as the difference between the sales proceeds and the carrying amount of the asset at the commencement of the accounting period plus capital expenditure in the period

Where properties held for investment are appropriated to trading stock, they are transferred at market value If properties held for trading are appropriated to investment 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 income statement

Where an investment property is held under a head lease the head lease is initially recognised as an asset as the sum of the premium paid on acquisition and 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 premiums payable on settlement or redemption and direct issue costs are spread over the period to redemption, using the effective interest method

Convertible bonds are designated as fair value through profit or loss and so are presented on the balance sheet at fair value with all gains and losses, including the write-off of issuance costs, recognised in the income statement within the capital and other 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 carried at fair value in the balance sheet Changes in the fair value of derivatives that are designated and qualify as effective cash flow hedges are recognised directly in the hedging reserve Changes in the fair value of derivatives that are designated and qualify as effective fair value hedges are recorded in 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 income statement

Cash equivalents are limited to instruments with a maturity of less than three months

NET RENTAL INCOME

Rental income is recognised on an accruals basis A rent adjustment based on open market estimated rental value is recognised from the rent review date in relation to unsettled rent reviews Where a rent-free period is included in a lease the rental income foregone is allocated evenly over the period from the date of lease commencement to the earliest termination date

Rental income from fixed and minimum guaranteed rent reviews is recognised on a straight-line basis over the shorter of the entire lease term or the period to the first break option Where such rental income is recognised ahead of the related cash flow, an adjustment is made to ensure that the carrying value of the related property including the accrued rent does not exceed the external valuation Initial direct costs incurred in negotiating and arranging a new lease are amortised on a straight-line basis over the period from the date of lease commencement to the earliest termination date

Where a lease incentive payment, including surrender premia paid does not enhance the value of a property, it is amortised on a straight-line basis over the period from the date of lease commencement to the earliest termination date Upon receipt of a surrender premium for the early determination of a lease, the profit, net of dilapidations and non-recoverable outgoings relating to the lease concerned, is immediately reflected in income

MANAGEMENT AND PERFORMANCE FEES

Management and performance fees receivable are recognised 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 Management and performance fees receivable from joint ventures and funds are proportionately eliminated Performance fees are discounted for any element subject to subsequent clawback, on a case-by-case basis

TAXATION

Current tax is based on taxable profit for the year and is calculated using tax rates that have been enacted or substantively enacted 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 at a later date, on the difference between the balance sheet value and tax base value, 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 Compensation linked to performance fees accrued by the Group is amortised over the vesting period

1 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES continued

EMPLOYEE COSTS continued

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 past service costs plus 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 Past service costs are recognised in the income statement if the benefits have vested or, if they have not vested are amortised on a straight-line basis over the period until vesting occurs 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

2 PERFORMANCE MEASURES

	2014		2013	
Earnings per share (diluted unless otherwise stated)	Earnings £m	Pence per share	Earnings £m	Pence per share
Underlying pre-tax profit attributable to shareholders of the Company – income statement	**297**	**–**	274	–
Tax charge relating to underlying profit	**(2)**	**–**	(1)	–
Underlying earnings	**295**	**29 4**	273	30 3
Mark-to-market on/profit on disposal of liquid investments (held for trading assets)	–	–	9	–
Mark-to-market adjustment on convertible bond	–	–	(7)	–
Non-recurring items[1]	–	–	(7)	–
EPRA earnings – diluted	**295**	**29 4**	268	29 7
Remove diluton of share options		**0 1**		0 2
EPRA earnings – basic		**29 5**		29 9
Profit for the year after taxation	**1,106**	**110 2**	284	31 5

1 Non-recurring items for the year ended 31 March 2013 of £7m relate to issue costs of the convertible bond

The European Public Real Estate Association (EPRA) has issued Best Practices Recommendations, the latest update of which was issued in January 2014, which give guidelines for performance measures **EPRA earnings** is the profit after tax excluding investment and development property revaluations and gains or losses on disposals, changes in the fair value of financial instruments and associated close-out costs and their related taxation A summary of the EPRA Performance Measures is provided in Table B within the Supplementary Disclosures, see page 161

Underlying earnings consists of the EPRA earnings (diluted) measure with additional Company adjustments Adjustments include mark-to-market adjustments on held-for-trading assets

The weighted average number of shares in issue for the year was basic 999m (2012/13 895m), diluted for the effect of share options 1 004m (2012/13 901m) Basic undiluted earnings per share for the year, calculated using profit for the year after taxation of £1 106m (2012/13 £284m), was 110 7p (2012/13 31 7p) Earnings per share shown in the table above are diluted

Net asset value (NAV) (diluted)	**31 March 2014 £m**	31 March 2013 £m
Balance sheet net assets	**7,117**	5,687
Less non-controlling interests	**(371)**	–
Deferred tax arising on revaluation movements	**6**	14
Mark-to-market on effective cash flow hedges and related debt adjustments	**173**	198
Surplus on trading properties	**63**	10
Dilution effect of share options	**39**	58
EPRA NAV	**7,027**	5,967
EPRA NAV per share	**688p**	596p

The **EPRA NAV per share** excludes the mark-to-market on effective cash flow hedges, related debt adjustments and the convertible bond, deferred taxation on revaluations and surplus on trading properties and is calculated on a fully diluted basis The EPRA Best Practices Recommendations additional guidance, issued in January 2014 has adjusted the treatment of mark-to-market valuations on convertible bonds for the calculation of NAV per share This update has provided a 1p increase in EPRA NAV per share in the current year

At 31 March 2014 the number of shares in issue was basic 1 008m (2012/13 986m), diluted for the effect of share options 1 021m (2012/13 1 001m)

Total accounting return per share for the year ended 31 March 2014 of 20 0% includes dividends of 27 0p (see note 20) in addition to the increase in EPRA NAV of 92 0p Total accounting return per share for the year ended 31 March 2013 was 4 6%

NOTES TO THE ACCOUNTS CONTINUED

3 GROSS AND NET RENTAL AND RELATED INCOME

	2014 £m	2013 £m
Rent receivable	**310**	269
Spreading of tenant incentives and guaranteed rent increases	**20**	24
Surrender premia	**4**	1
Gross rental income	**334**	294
Service charge income	**50**	35
Gross rental and related income	**384**	329
Service charge expenses	**(50)**	(35)
Property operating expenses	**(21)**	(13)
Net rental and related income	**313**	281

The cash element of net rental income recognised during the year ended 31 March 2014 from properties which were not subject to a security interest was £189m (2012/13 £159m) Property operating expenses relating to investment properties that did not generate any rental income were £1m (2012/13 £1m) Contingent rents of £1m (2012/13 £1m) were recognised in the year

4 FEES AND OTHER INCOME

	2014 £m	2013 £m
Management and performance fees (from joint ventures and funds)	**10**	10
Other fees and commissions	**5**	5
	15	15

5 OTHER INCOME STATEMENT DISCLOSURES

(i) Total revenue	Note	2014 £m	2013 £m
Gross rental and related income	3	**384**	329
Fees and other income	4	**15**	15
Financing income	7	**12**	23
Proceeds on property trading	6	**109**	–
Total revenue in the year		**520**	367

(ii) Auditor remuneration – Deloitte LLP	2014 £m	2013 £m
Audit fees		
Fees payable to the Company s auditor for the audit of the Company s annual accounts	**0 3**	0 2
Fees payable to the Company s auditor for the audit of the Company s subsidiaries, pursuant to legislation	**0 2**	0 3
Total audit fees	**0 5**	0 5
Audit-related assurance services	**0 1**	0 1
Total audit and audit-related assurance services	**0 6**	0 6
Other fees		
Tax advisory services	**0 1**	0 1
Other services	**0 1**	0 2
Total other fees	**0 2**	0 3
	0 8	0 9

(iii) Exchange gains recognised in the consolidated income statement total £3m (2012/13 £2m)

6 NET REVALUATION GAINS ON PROPERTY AND INVESTMENTS

	2014 £m	2013 £m
Consolidated income statement		
Revaluation of properties	**580**	71
Result on property and investment disposals	**31**	8
Revaluation of investments	**4**	9
	615	88
Share of valuation movements of joint ventures and funds	**258**	(62)
Net revaluation gains on property and investments	**873**	26
Profit on trading property		
Sale proceeds	**109**	–
Cost of sales	**(95)**	–
Profit on trading property	**14**	–

7 NET FINANCING COSTS

	2014 £m	2013 £m
Interest payable on		
Bank loans and overdrafts	**29**	37
Other loans	**77**	75
Obligations under finance leases	**1**	1
	107	113
Development interest capitalised	**(17)**	(17)
	90	96
Interest receivable on		
Deposits securities and liquid investments	**(3)**	(11)
Loans to joint ventures	**(6)**	(3)
	(9)	(14)
Other finance (income) costs		
Expected return on pension scheme assets	**–**	(7)
Interest on pension scheme liabilities	**–**	5
Valuation movements on translation of foreign currency debt	**(9)**	5
Hedging reserve recycling	**9**	(5)
Net financing costs – underlying	**81**	80
Capital and other		
Valuation movements on fair value debt	**(62)**	18
Valuation movements on fair value derivatives	**62**	(14)
Net capital movement on convertible bond	**50**	14
Recycling of fair value movement on close-out of derivatives	**10**	20
Valuation movement on translation of foreign currency net assets	**(3)**	(2)
Fair value movement on non-hedge accounted derivatives	**–**	3
Net financing costs – capital	**57**	39
Net financing costs	**138**	119
Total financing income	**(12)**	(23)
Total financing charges	**150**	142
Net financing costs	**138**	119

Interest on development expenditure is capitalised at a rate of 3 80% (2012/13 4 00%)

NOTES TO THE ACCOUNTS CONTINUED

8 TAXATION

	2014 £m	2013 £m
Tax expense (income)		
Current tax		
UK corporation tax 23% (2012/13 24%)	2	1
	2	1
Adjustments in respect of prior years	(5)	(9)
Total current tax income	(3)	(8)
Deferred tax on revaluations	(3)	(16)
Group total taxation (net)	(6)	(24)
Attributable to joint ventures and funds	5	(3)
Total taxation income	(1)	(27)
Tax reconciliation		
Profit on ordinary activities before taxation	1,105	257
Less profit attributable to joint ventures and funds[1]	(382)	(64)
Group profit on ordinary activities before taxation	723	193
Tax on profit on ordinary activities at UK corporation tax rate of 23% (2012/13 24%)	166	46
Effects of		
REIT exempt income and gains	(160)	(41)
Tax losses	(4)	(6)
Adjustments in respect of prior years	(8)	(23)
Group total taxation income	(6)	(24)

1 A current tax charge of £5m (2012/13 credit of £2m) and a deferred tax credit of £nil (2012/13 credit of £1m) arose on profits attributable to joint ventures and funds The low charges reflect the Group s REIT status

Tax expense attributable to underlying profits for the year ended 31 March 2014 was £2m (2012/13 £1m) The underlying tax rate for the year ended 31 March 2014 was 0 7% (2012/13 0 5%)

Corporation tax payable at 31 March 2014 was £8m (2012/13 £17m) as shown on the balance sheet

9 STAFF COSTS

STAFF COSTS (INCLUDING DIRECTORS)

	2014 £m	2013 £m
Wages and salaries	46	43
Social security costs	5	5
Pension costs	6	5
Equity-settled share-based payments	12	12
	69	65

The average monthly number of employees of the Company during the year was 231 (2012/13 217) The average monthly number of Group employees including those employed directly at the Group s properties and their costs recharged to tenants, was 556 (2012/13 514)

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 82 to 107

9 STAFF COSTS continued

DIRECTORS EMOLUMENTS

	2014 £m	2013 £m
Short-term employee benefits	5 6	6 4
Termination payments	0 2	–
Service cost in relation to defined benefit pension schemes	0 2	0 1
Share based payment	5 2	3 1
	11 2	9 6

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) the Share Incentive Plan (SIP) 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 taking account of expected performance against the relevant performance targets and service periods

LONG-TERM INCENTIVE PLAN (LTIP)

Under the LTIP the Company may award employees a combination of performance shares and options Both components have the same performance targets based on total property return total accounting return and a three-year service period For both LTIP components the Company estimates the number of shares or options likely to vest and expenses that estimate over the relevant period Performance shares are valued at the market value at the date of the award The options are valued using a Black-Scholes model adjusted for dividends see table below Volatility has been estimated by taking the historical volatility in the Company s share price over a four-year period and adjusting where there are known factors that may affect future volatility No other features of the option grant were incorporated into the measurement of fair value

LONG-TERM INCENTIVE PLAN 2013 AWARDS

	5 December 2013	5 August 2013
Share price and exercise price at grant date	600p	601p
Expected option life in years	7	7
Risk free rate	2 3%	1 8%
Expected volatility	35%	35%
Expected dividend yield	5%	5%
Value per option	133p	132p

MATCHING SHARE PLAN (MSP)

The MSP allows eligible employees to receive one third of their annual bonus in shares, held in trust which following performance targets based on Total Shareholder Return and like-for-like rental growth being achieved over a three year period, will be matched two-for-one by the Company The Company expenses the estimated number of shares likely to vest over the three-year period based on the market price at the date of grant

FUND MANAGERS PERFORMANCE PLAN (FMPP)

Under the FMPP the Company may award employees a combination of cash (20% of the award) and shares based on a maximum of 30% of the annual performance fee awarded by the Unit Trusts and, as agreed by shareholders in 2008 in respect of a comparative notional pool for British Land-owned portfolios The cash is awarded following the performance year under review with the shares released over the following three years subject to clawback due to subsequent property underperformance The Company expenses an estimate of the fair value of the award over the period to full vesting

OTHER SHARE PLANS

Under the SIP the Company gives eligible employees free shares of up to £3 000 a year They can also purchase partnership shares for up to £1,500 a year that are matched two-for-one by the Company The free and matching shares are either purchased at fair value in the market or allotted and expensed at the time of allocation

Under the Savings Related Share Option Scheme eligible employees can save up to £250 a month over a three or five-year period and use the savings to exercise an option granted at the outset at a 20% discount to the then prevailing share price The fair value of the various options is expensed over the service period, based on a Black-Scholes model

Movements in shares and options are given in note 22

NOTES TO THE ACCOUNTS CONTINUED

10 PENSIONS

The British Land Group of Companies Pension Scheme (the scheme) is the principal pension scheme in the Group It is a defined benefit scheme which is externally funded and not contracted out of SERPS (State Earnings-Related Pension Scheme) The assets of the scheme are held in a trustee-administered fund and kept separate from those of the Company It is not planned to admit new employees to the scheme Existing entitlements will be retained by the members, with freedom to transfer to a new Defined Contribution Scheme Contributions to this scheme are at a flat rate of 15% of salary and are paid by the Company In certain circumstances it may be necessary to pay higher contributions when recruiting senior executives

The Group has three other small pension schemes The total net pension cost charged for the year was £6m (2012/13 £5m), of which £3m (2012/13 £3m) relates to defined contribution plans

A full actuarial valuation of the scheme was carried out at 31 March 2012 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 54 4% per annum of basic salaries The best estimate of employer contributions expected to be paid during the year to 31 March 2015 is £3m The major assumptions used for the actuarial valuation were

	2014 % pa	2013 % pa	2012 % pa	2011 % pa	2010 % pa
Discount rate	**4 4**	4 1	4 6	5 5	5 5
Salary inflation	**5 2**	4 7	4 7	5 2	5 4
Pensions increase	**3 5**	3 1	3 1	3 7	3 9
Price inflation	**3 7**	3 2	3 2	3 7	3 9

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 30 9 years if they are female For a member who retires in 2034 at age 60 the assumptions are that they will live on average for a further 31 3 years after retirement if they are male and for a further 32 6 years after retirement if they are female

COMPOSITION OF SCHEME ASSETS

	2014 £m	2013 £m
Equities	**51**	48
Diversified Growth Funds (DGF)	**77**	70
Other assets	**3**	2
Total scheme assets	**131**	120

The vast majority of the scheme assets are quoted in an active market

The amount included in the balance sheet arising from the Group s obligations in respect of its defined benefit scheme is as follows

	2014 £m	2013 £m	2012 £m	2011 £m	2010 £m
Present value of defined scheme obligations	**(125)**	(119)	(107)	(99)	(95)
Fair value of scheme assets	**131**	120	109	110	98
Irrecoverable surplus	**(6)**	(1)	(2)	(11)	(3)
Asset (liability) recognised in the balance sheet	**–**	–	–	–	–

IAS 19 (revised) and the related consequential amendments have impacted the accounting for the Group s defined benefit scheme, by replacing the interest cost and expected return on plan assets with a net interest charge on the net defined benefit liability The impact of adopting IAS 19 (revised) is not considered material

HISTORY OF EXPERIENCE GAINS AND LOSSES

	2014 £m	2013 £m	2012 £m	2011 £m	2010 £m
Total actuarial loss recognised in the consolidated statement of comprehensive income[1]					
Amount[2]	**(2)**	(4)	(3)	(2)	(2)
Percentage of present value on scheme liabilities	**1 6%**	3 1%	2 7%	2 0%	1 5%
Pension scheme movement for the year[1]	**(2)**	(4)	(3)	(2)	(2)

1 Movements stated after adjustment for irrecoverability of any surplus

2 Cumulative loss recognised in the statement of comprehensive income is £31m (2012/13 £29m)

10 PENSIONS continued

Movements in the present value of defined benefit obligations were as follows

	2014 £m	2013 £m
At 1 April	(119)	(107)
Current service cost	(3)	(2)
Interest cost	(5)	(5)
Actuarial gains (losses)		
Gain (loss) from change in demographic assumptions	–	(3)
Gain (loss) from change in financial assumptions	(3)	(6)
Gain (loss) on scheme liabilities arising from experience	3	2
Benefits paid	2	2
At 31 March	(125)	(119)

Amounts recognised in the income statement in respect of the defined benefit scheme are

	2014 £m	2013 £m
Administrative expenses current service cost	(3)	(2)
Interest on net defined benefit liability (asset)	–	2
	(3)	–

The actual return on scheme assets was £9m (2012/13 £10m)

Movements in the fair value of the scheme assets were as follows

	2014 £m	2013 £m
At 1 April	120	108
Interest income on scheme assets	5	7
Contributions by employer	4	4
Actuarial gains (losses)	4	3
Benefits paid	(2)	(2)
At 31 March	131	120

Through its defined benefit plans the Group is exposed to a number of risks, the most significant of which are

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, though are 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 that 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

NOTES TO THE ACCOUNTS CONTINUED

11 PROPERTY

PROPERTY RECONCILIATION 12 MONTHS TO 31 MARCH 2014

	Investment						
	UK Retail Level 3 £m	Offices and Residential Level 3 £m	Developments Level 3 £m	**Sub total Level 3 £m**	Trading properties £m	Owner-occupied Level 3 £m	**Total £m**
Carrying value at 1 April 2013	3 360	1,267	861	**5,488**	40	42	**5,570**
Additions – property purchases	53	428	83	**564**	–	–	**564**
– acquisition of Hercules Unit Trust	1 006	–	–	**1,006**	–	–	**1,006**
– development expenditure	10	30	60	**100**	38	–	**138**
– capitalised interest	–	6	4	**10**	7	–	**17**
– capital expenditure on asset management initiatives	25	4	–	**29**	–	–	**29**
	1,094	468	147	**1,709**	45	–	**1,754**
Depreciation	–	–	–	**–**	–	(1)	**(1)**
Disposals	(234)	(11)	–	**(245)**	(97)	–	**(342)**
Reclassifications	(5)	538	(816)	**(283)**	283	–	**–**
Revaluations included in income statement	240	270	65	**575**	–	5	**580**
Revaluation included in SOCIE	–	–	–	**–**	–	1	**1**
Movement in tenant incentives and contracted rent uplift balances	6	18	4	**28**	–	–	**28**
Carrying value at 31 March 2014	4 461	2,550	261	**7,272**	271	47	**7,590**
Head lease liabilities (note 16)							**(32)**
Surplus on trading properties							**58**
Total Group property portfolio valuation at 31 March 2014							**7,616**
Non-controlling interest							**(422)**
Total Group property portfolio valuation at 31 March 2014 attributable to shareholders							**7,194**

11 PROPERTY continued

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 On the following page of this note within the section Valuation our property valuation approach and process is set out As noted in Significant issues considered by the Audit Committee during the year on page 77, 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 Some of the inputs to the valuations are defined as unobservable by IFRS 13 and these are analysed in a table on the following page

The Group s policy is to recognise transfers between fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer There have been no transfers during the period

At 31 March 2014 the Group book value of properties of £7 616m (2012/13 £5,554m) comprises freeholds of £4 855m (2012/13 £3,502m), virtual freeholds of £695m (2012/13 £709m) and long leaseholds of £2,066m (2012/13 £1 343m) The historical cost of properties was £5,574m (2012/13 £4 229m)

The property valuation does not include any investment properties held under operating leases (2012/13 £nil)

Properties valued at £1 741m (2012/13 £1,724m) were subject to a security interest and other properties of non-recourse companies amounted to £1 066m (2012/13 £40m)

During the year to 31 March 2014, a gross amount of £286m of investment properties were reclassified to trading properties, as since planning consent has been granted it is the Group s intention to redevelop and sell these properties Some of these trading properties were subsequently sold in the period

Included within the property valuation is £100m (2012/13 £91m) in respect of accrued contracted rental uplift income, against which the Group holds a provision of £5m (2012/13 £5m) 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

Cumulative interest capitalised against investment properties amounts to £73m (2012/13 £56m)

NOTES TO THE ACCOUNTS CONTINUED

11 PROPERTY continued

VALUATION

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 2012 eighth 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 Finance Director 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 (page 78)

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 estimated future rental streams net of income voids arising from vacancies or rent-free periods and associated running costs These capitalisation yields and 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

In the case of ongoing developments and properties held for development 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 and CBRE can be found on the website at www britishland com/investors/operational-performance aspx

A breakdown of valuations split between the Group and its share of joint ventures and funds is shown below

	2014			2013		
	Group £m	Joint ventures and funds £m	Total £m	Group £m	Joint ventures and funds £m	Total £m
Knight Frank LLP	6,036	2,903	8,939	5 084	2,680	7764
CBRE	1,580	2,131	3,711	470	2 265	2,735
Total property portfolio valuation	7,616	5,034	12,650	5,554	4 945	10,499
Non-controlling interest share of property	(422)	(188)	(610)	–	–	–
Total property portfolio valuation attributable to shareholders	7,194	4,846	12,040	5,554	4 945	10 499

INFORMATION ABOUT FAIR VALUE MEASUREMENTS USING UNOBSERVABLE INPUTS (LEVEL 3)

	Fair value at 31 March 2014 £m	Valuation technique	ERV per sq ft			Equivalent yield		
			Minimum £	Maximum £	Weighted average £	Minimum %	Maximum %	Weighted average %
Investment								
UK Retail[1]	4,535	Investment methodolgy	2	60	20	4 1	16 8	5 9
Offices and Residential[2 3]	2,593	Investment methodolgy	4	80	46	1 3	10 1	5 1
Developments[3]	251	Investment methodolgy	17	93	37	4 3	6 0	5 4

1 Includes the underlying properties within the investment held for trading as disclosed in note 13 discounted for the date of the freehold reversions

2 Including owner-occupied

3 Includes Residential with an average capital value per sq ft of £877 including developments at end value and mixed-use

All other factors being equal, a higher equivalent yield or discount rate would lead to a decrease in the valuation of an asset and an increase in the current or estimated future rental stream would have the effect of increasing the capital value, and vice versa However there are interrelationships between the unobservable inputs which are partially determined by market conditions, which would impact on these changes

11 PROPERTY continued

The prior year movement is shown below

	Investment and development £m	Trading £m	Owner-occupied £m	Total £m
Carrying value at 1 April 2012	5 346	47	41	5,434
Additions – property purchases	453	–	–	453
– development expenditure	201	5	–	206
– capitalised interest	15	1	–	16
– capital expenditure on asset management initiatives	28	–	–	28
	697	6	–	703
Depreciation	–	–	(1)	(1)
Disposals	(651)	(13)	–	(664)
Revaluations included in income statement	72	–	2	74
Movement in tenant incentives and contracted rent uplift balances	24	–	–	24
Carrying value at 31 March 2013	5 488	40	42	5,570
Head lease liabilities (note 16)				(26)
Surplus on trading properties				10
Total Group property portfolio valuation 31 March 2013				5 554

12 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[1] £m	Loans[1] £m	**Total £m**
At 1 April 2013	1,886	450	**2,336**	1 843	493	**2,336**
Additions	175	445	**620**	569	51	**620**
Disposals	(199)	(436)	**(635)**	(481)	(154)	**(635)**
Share of profit after taxation	370	7	**377**	377	–	**377**
Distributions and dividends capital	–	(1)	**(1)**	(1)	–	**(1)**
revenue	(71)	(31)	**(102)**	(102)	–	**(102)**
Reclassification of amounts owed from joint ventures	44	–	**44**	–	44	**44**
Hedging and exchange movements	69	4	**73**	73	–	**73**
At 31 March 2014	2,274	438	**2,712**	2 278	434	**2,712**

1 Comparatives have been re-presented between equity and loans to better reflect the nature of historical investments

PREF, a fund owning a portfolio of retail property in Europe (in which British Land has a net investment of £54m) has its properties externally valued by CBRE CBRE have included a market uncertainty clause in the valuation report of the Portuguese and Spanish properties, due to the lack of transactional evidence and uncertainty over the economic situation in those markets In 2013 PREF made partial early repayments of debt totalling €18m In March 2014, following the sale of its Italian asset €44m of debt was repaid PREF now has €37m of bank loans that are due to mature in the calendar year 2015 In December 2013 a one-year extension of the fund to 26 March 2015 was approved

Distributions in the year included the receipt of £6m from the Broadgate joint venture, £2m from the Meadowhall joint venture £4m from the Sainsbury s joint venture £17m from Tesco joint ventures and £23m from HUT

At 31 March 2014 the valuation of the Group s share of joint ventures and funds properties was £5 034m (2012/13 £4 945m) surplus on the Group s share of joint ventures and funds trading properties was £5m (2012/13 £nil), external net debt was £2 113m (2012/13 £2,427m) and the mark-to-market adjustment for external debt was £123m liability (2012/13 £193m liability)

At 31 March 2014, the investment in joint ventures included within the total investment in joint ventures and funds was £2,658m (2012/13 £1 889m)

NOTES TO THE ACCOUNTS CONTINUED

12 JOINT VENTURES AND FUNDS continued

A detailed breakdown of the Group s share of results of specific joint ventures and funds for the year ended 31 March 2014 is set out on this and facing page below and across All disclosures have been restated to British Land accounting policies under IFRS eliminating all profits and losses resulting from upstream and downstream transactions with the Group

In the prior year the detailed breakdown contained 100% of the results of the specific joint ventures and funds It is considered that the change in presentation, to our share, results in a more understandable disclosure

JOINT VENTURES AND FUNDS SUMMARY FINANCIAL STATEMENTS (BRITISH LAND SHARE)

	Bluebutton Properties Ltd	MSC Property Intermediate Holdings Ltd	BL Sainsbury Superstores Ltd	Tesco Joint Ventures[1]
Partners	Euro Clover Private Ltd (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
Gross rental and related income	108	46	32	51
Net rental and related income	81	38	32	47
Other income and expenditure	–	–	–	(1)
Net interest payable	(45)	(19)	(15)	(28)
Underlying profit before taxation	36	19	17	18
Surplus (deficit) on revaluation	143	4	3	43
Disposal of fixed assets	–	–	–	–
Non-recurring items	–	–	–	–
Profit (loss) on ordinary activities before taxation	179	23	20	61
Current tax	–	–	–	(1)
Deferred tax	–	–	–	–
Profit (loss) on ordinary activities after taxation (British Land share)	179	23	20	60
Summarised balance sheets	£m	£m	£m	£m
Investment properties	1 712	770	604	898
Current assets	4	1	–	1
Upstream loans to joint venture shareholders	–	–	–	–
Cash and deposits	135	16	10	16
Gross assets	1,851	787	614	915
Current liabilities	(63)	(21)	(16)	(60)
Bank/other debt	(165)	–	–	(504)
Securitised debt	(881)	(372)	(294)	–
Obligations under finance leases	–	(2)	–	–
Deferred tax	5	–	1	(9)
Gross liabilities	(1 104)	(395)	(309)	(573)
Net external assets (British Land share)	747	392	305	342
Represented by				
Shareholder loans[5]	52	105	4	52
Ordinary shareholders funds/partners capital[5]	695	287	301	290
Total investment (British Land share)	747	392	305	342

1 Tesco joint ventures include BLT Holdings (2010) Limited the Tesco British Land Property Partnership Tesco BL Holdings Limited Shopping Centres Limited and the Tesco Aqua Limited Partnership

2 USS joint ventures include the Eden Walk Shopping Centre Limited Partnership and the Fareham Property Partnership

3 On 17 February 2014 Hercules Unit Trust (HUT) became a subsidiary of the Group (note 21) The income statement results for HUT includes the Group s share of the results of the HUT consolidated group up to and including 17 February 2014 Thereafter only the Group s share of results from the HUT joint ventures and sub-fund are shown This includes 50% of the results of Deepdale Co-Ownership Trust, Speke Unit Trust Gibraltar Limited Partnership and Valentine Co-Ownership Trust and 41 25% of Birstall Co-Ownership Trust The balance sheet shows our ownership of the assets of these joint ventures and sub-funds detailed above

4 Included in the column headed Other joint ventures and funds are contributions from the following BL Goodman Limited Partnership BL Gazeley Limited Eurofund Investments Zaragoza S L (disposed of during the year) The Scottish Retail Property Limited Partnership (disposed of during the year) The Aldgate Place Limited Partnership Bluebutton Property Management UK Limited BL Residential Limited Partnership Pillar Retail Europark Fund (PREF) and City of London Office Unit Trust (CLOUT) The Group s ownership share of PREF is 65% however as the Group does not exercise control over significant decisions of the fund the Group equity accounts for its interest in PREF

The Southgate Limited Partnership	USS Joint Ventures[2]	Leadenhall Holding Co (Jersey) Ltd	Hercules Unit Trust[3]	Other joint ventures and funds[4]	**Total Group share 2014**	Total Group share 2013
Aviva Investors	Universities Superannuation Scheme	Oxford Properties				
Shopping Centres	Shopping Centres	City Offices Leadenhall	Retail Parks			
50%	50%	50%	Various			
£m	£m	£m	£m	£m	**£m**	£m
4	5	–	40	21	**307**	306
2	4	–	34	15	**253**	260
–	–	–	(1)	(4)	**(6)**	(4)
–	–	–	(12)	(4)	**(123)**	(126)
2	4	–	21	7	**124**	130
2	10	67	6	(16)	**262**	(61)
–	–	–	(4)	–	**(4)**	(1)
–	–	–	–	–	**–**	(4)
4	14	67	23	(9)	**382**	64
–	–	–	–	(4)	**(5)**	2
–	–	–	–	–	**–**	1
4	14	67	23	(13)	**377**	67
£m	£m	£m	£m	£m	**£m**	£m
103	99	265	456	124	**5,031**	4 949
2	–	1	2	20	**31**	62
–	–	–	–	4	**4**	4
2	4	1	6	9	**199**	215
107	103	267	464	157	**5,265**	5,230
(3)	(2)	(3)	(5)	(44)	**(217)**	(340)
–	–	–	(75)	(39)	**(783)**	(955)
–	–	–	–	–	**(1,547)**	(1 592)
–	–	–	–	(1)	**(3)**	(5)
–	–	–	–	–	**(3)**	(2)
(3)	(2)	(3)	(80)	(84)	**(2,553)**	(2 894)
104	101	264	384	73	**2,712**	2 336
–	7	157	–	57	**434**	493
104	94	107	384	16	**2,278**	1 843
104	101	264	384	73	**2,712**	2 336

5 2013 comparatives have been re-presented to better reflect the nature of our historical investments

These financial statements include the results and financial position of the Group s interest in the Tesco British Land Property Partnership the Tesco Aqua Limited Partnership the Scottish Retail Property Limited Partnership the Fareham Property Partnership the Aldgate Place Limited Partnership the BL Goodman Limited Partnership Auchinlea Partnership and the BL Residential Limited Partnership Accordingly advantage has been taken of the exemptions provided by Regulation 7 of the Partnerships and Unlimited Companies (Accounts) Regulations 1993 not to attach the partnership accounts to these financial statements

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 Bluebutton Properties Limited the Eden Walk Shopping Centre Unit Trust and Leadenhall Holding Co (Jersey) Limited which are domiciled in Jersey Of the funds Hercules Unit Trust (HUT) is domiciled in Jersey and PREF in Luxembourg

NOTES TO THE ACCOUNTS CONTINUED

12 JOINT VENTURES AND FUNDS continued

OPERATING CASH FLOWS OF JOINT VENTURES AND FUNDS (GROUP SHARE)

	2014 £m	2013 £m
Rental income received from tenants	**274**	264
Operating expenses paid to suppliers and employees	**(33)**	(22)
Cash generated from operations	**241**	242
Interest paid	**(135)**	(133)
Interest received	**1**	–
UK corporation tax paid	**(6)**	(7)
Foreign tax paid	**(3)**	–
Cash inflow from operating activities	**98**	102
Cash inflow from operating activities deployed as		
Surplus cash retained within joint ventures and funds	**35**	28
Revenue distributions to British Land	**63**	74
	98	102

13 OTHER INVESTMENTS

	2014			2013		
	Investment held for trading £m	**Loans and receivables £m**	**Total £m**	Investment held for trading £m	Loans and receivables £m	Total £m
At 1 April	**–**	**76**	**76**	–	28	28
Additions	**83**	**104**	**187**	–	53	53
Disposals	**–**	**(10)**	**(10)**	–	(4)	(4)
Revaluation	**9**	**–**	**9**	–	–	–
Depreciation	**–**	**–**	**–**	–	(1)	(1)
At 31 March	**92**	**170**	**262**	–	76	76

The investment held for trading comprises interests as a trust beneficiary The trusts assets comprise freeheld reversions in a pool of commercial properties, comprising Sainsbury s Superstores

The investment has been categorised as level 3 in the fair value hierarchy (see note 11) Fair value of the interest has been determined by the Directors supported by an external valuation from CBRE The superstore assets are subject to the same assumption ranges and sensitivities disclosed in note 11

Included within addition to loans and receivables is £92m (2012/13 £53m) in relation to a loan to Bluebutton Properties Limited (see note 25) a joint venture company

14 DEBTORS

	2014 £m	2013 £m
Trade and other debtors[1]	**35**	15
Amounts owed by joint ventures	**–**	40
Prepayments and accrued income	**6**	5
	41	60

1 Included within this balance is deferred consideration of £1m (2012/13 £4m) arising on the sale of investment properties for which the timing of the receipt is contingent and therefore may fall due after one year

Trade and other debtors are shown after deducting a provision for bad and doubtful debts of £15m (2012/13 £11m) The charge to the income statement was £nil (2012/13 £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 were 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
2014	**35**	**22**	**9**	**–**	**4**
2013	15	9	6	–	–

15 CREDITORS

	2014 £m	2013 £m
Trade creditors	**85**	94
Amounts owed to joint ventures	**4**	4
Other taxation and social security	**21**	24
Accruals and deferred income	**153**	137
	263	259

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

NOTES TO THE ACCOUNTS CONTINUED

16 OTHER NON-CURRENT LIABILITIES

	2014 £m	2013 £m
Head leases	**32**	26
	32	26

17 DEFERRED TAX LIABILITIES

Deferred tax is calculated on temporary differences under the liability method using a tax rate of 20% (2012/13 23%)

The movement on deferred tax is as shown below

	1 April 2013 £m	Credited to income £m	Transferred to joint ventures £m	31 March 2014 £m
Property and investment revaluations	**12**	**(3)**	**(9)**	**–**
Other timing differences	**4**	**–**	**–**	**4**
	16	**(3)**	**(9)**	**4**

	1 April 2012 £m	Credited to income £m	Transferred to joint ventures £m	31 March 2013 £m
Property and investment revaluations	28	(16)	–	12
Other timing differences	4	–	–	4
	32	(16)	–	16

Under the REIT regime development properties which are sold within three years of completion do not benefit from tax exemption At 31 March 2014 the value of such properties is £455m (2012/13 £nil) and if these properties were to be sold and tax exemption was not available the tax arising would be £34m (2012/13 £nil)

The deferred tax charge for the year ended 31 March 2014 includes a credit of £2m to reflect reduced deferred tax liabilities arising from the forthcoming reduction in the UK corporation tax rate to 20% (effective from 1 April 2015)

Deferred tax assets of £39m (2012/13 £40m) arising on losses from previous years have not been recognised in the financial year

18 NET DEBT

	Footnote	2014 £m	2013 £m
Secured on the assets of the Group			
9 125% first mortgage debenture stock 2020	1 1	**36**	37
6 125% first mortgage debenture stock 2014	1 1	**44**	45
5 264% first mortgage debenture bonds 2035		**344**	345
5 0055% first mortgage amortising debentures 2035		**100**	101
5 357% first mortgage debenture bonds 2028		**327**	334
6 75% first mortgage debenture bonds 2020		**176**	181
Bank loans	1 2	**523**	–
Loan notes		**2**	5
		1,552	1,048
Unsecured			
5 50% senior notes 2027		**98**	98
6 30% senior US dollar notes 2015	2	**92**	101
3 895% senior US dollar notes 2018	3	**25**	28
4 635% senior US dollar notes 2021	3	**136**	158
4 766% senior US dollar notes 2023	3	**83**	97
5 003% senior US dollar notes 2026	3	**52**	62
3 81% senior notes 2026		**99**	–
3 97% senior notes 2026		**101**	–
1 5% convertible bond 2017		**458**	407
Bank loans and overdrafts		**602**	179
		1,746	1,130
Gross debt	4	**3,298**	2,178
Interest rate derivative liabilities		**57**	86
Interest rate derivative assets		**(32)**	(92)
		3,323	2,172
Cash and short-term deposits	5 6	**(142)**	(135)
Total net debt		**3,181**	2,037
Net debt attributable to non-controlling interests		**(204)**	–
Net debt attributable to shareholders of the Company		**2,977**	2,037

Total borrowings where any instalments are due after five years are £102m (2012/13 £103m)

1 These are non-recourse borrowings with no recourse for repayment to other companies or assets in the Group

	2014 £m	2013 £m
1 1 BLD Property Holdings Ltd	**80**	82
1 2 Hercules Unit Trust	**523**	–
	603	82

2 Principal and interest on this borrowing was fully hedged into sterling at the time of issue

3 Principal and interest on this borrowing was fully hedged into sterling at a floating rate at the time of issue

4 The principal amount of gross debt at 31 March 2014 was £3 209m (2012/13 £2 063m) Included in this is the principal amount of secured borrowings and other borrowings of non-recourse companies of £1,505m, of which the proportion of the borrowings of the partly-owned subsidiary Hercules Unit Trust not beneficially owned by the Group, is £219m

5 Included within cash and short-term deposits is the cash and short-term deposits of Hercules Unit Trust, of which £14m is the proportion not beneficially owned by the Group

6 Cash and deposits not subject to a security interest amount to £93m (2012/13 £106m)

NOTES TO THE ACCOUNTS CONTINUED

18 NET DEBT continued

MATURITY ANALYSIS OF NET DEBT

	2014 £m	2013 £m
Repayable within one year and on demand	**495**	44
Between one and two years	**90**	188
two and five years	**1,084**	522
five and ten years	**465**	441
ten and fifteen years	**783**	602
fifteen and twenty years	**6**	5
twenty and twenty-five years	**375**	376
	2,803	2,134
Gross debt	**3,298**	2 178
Interest rate and currency derivatives	**25**	(6)
Cash and short-term deposits	**(142)**	(135)
Net debt	**3,181**	2 037

The amount due within one year reflects the use of our lower margin bank facilities which are now towards the end of their agreed terms These borrowings can be repaid using the £1 790m total undrawn committed facilities shown on the table on page 145, which do not include the new £785m five-year syndicated facility signed on 2 April 2014 which will replace the maturing £620m facility

BRITISH LAND UNSECURED FINANCIAL COVENANTS

The two financial covenants applicable to the Group unsecured debt including convertible bonds are

NET BORROWINGS NOT TO EXCEED 175% OF ADJUSTED CAPITAL AND RESERVES

At 31 March 2014 the ratio was 40%

- net borrowings were £2,896m, being the principal amount of gross debt of £3 209m less the relevant proportion of borrowings of the partly-owned subsidiary of £219m, plus amounts owed to joint ventures of £4m (see note 15) plus TPP Investments Ltd of £30m (see note 26) less the beneficially owned cash and deposits of £128m (being £142m less the relevant proportion of cash and deposits of the partly-owned subsidiary of £14m), and
- adjusted capital and reserves were £7 301m being share capital and reserves of £6 746m (see balance sheet) adjusted for £6m of deferred tax (see note 2), £63m trading property surpluses (see notes 11 and 12), £313m exceptional refinancing charges (see below) and £173m fair value adjustments on financial assets and liabilities (being £115m mark-to-market on interest rate derivatives and £58m adjustment on the convertible bond)

NET UNSECURED BORROWINGS NOT TO EXCEED 70% OF UNENCUMBERED ASSETS

At 31 March 2014, the ratio was 31%

- net unsecured borrowings were £1 615m, being the principal amount of gross debt of £3 209m plus amounts owed to joint ventures of £4m (see note 15) less cash and deposits not subject to a security interest of £93m less the principal amount of secured and non-recourse borrowings of £1,505m, and
- unencumbered assets were £5,125m, being properties of £7,616m (see note 11) plus investments in joint ventures and funds of £2 712m (see balance sheet) and other investments of £262m (see balance sheet) less investments in joint ventures of £2 658m (see note 12) and encumbered assets of £2,807m (see note 11)

In calculating adjusted capital and reserves for the purpose of the unsecured debt financial covenants there is an adjustment of £313m to reflect the cumulative net amortised exceptional items relating to the refinancings in the years ending 31 March 2005, 2006 and 2007

18 NET DEBT continued

CONVERTIBLE BOND

On 10 September 2012 British Land (Jersey) Limited (the Issuer) issued £400m 1 5% guaranteed convertible bonds due 2017 (the bonds) at par The Company has unconditionally and irrevocably guaranteed the due and punctual performance by the Issuer of all of its obligations (including payments) in respect of the bonds and the obligations of the Company as guarantor, constitute direct, unsubordinated unconditional and unsecured obligations of the Company

Subject to their terms, the bonds are convertible into preference shares of the 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 The bonds can be converted from 22 October 2012 up to and including 24 September 2015 if the share price has traded at a level exceeding 130% of the exchange price for a specified period and from 25 September 2015 to (but excluding) the 20th dealing day before 10 September 2017 (the maturity date) at any time

The initial exchange price was 693 07 pence per ordinary share Under the terms of the bonds, the exchange price is adjusted on the happening of certain events including the payment of dividends by the Company above 26 4 pence in any year

On or after 25 September 2015 the bonds may be redeemed at par at the Company s option subject to the Company s ordinary shares having traded at a price exceeding 130% of the exchange price for a specified period, or at any time once 85% by nominal value of the bonds originally issued have been converted, redeemed or purchased and cancelled If not previously converted redeemed or purchased and cancelled the bonds will be redeemed at par on the maturity date

RECONCILIATION OF MOVEMENT IN GROUP NET DEBT TO CASH FLOW STATEMENT

	2013 £m	Cash flow £m	Non-cash £m	2014 £m
Per cash flow statement				
Cash and short-term deposits	(135)	(7)	-	(142)
Cash and cash equivalents	(135)	(7)	-	(142)
Term debt (excluding overdrafts)	2,178	620	500	3,298
Fair value of interest rate derivatives	(6)	(16)	47	25
Net debt	2,037	597	547	3,181

The Group loan to value (LTV) ratio at 31 March 2014 was 29%, being the principal value of gross debt of £3 209m, less the relevant portion of borrowings of the partly-owned subsidiary of £219m less cash and short-term deposits of £128m (being £142m less the relevant proportion of cash and deposits of the partly-owned subsidiary of £14m), divided by total Group property of £7 616m (see note 11), plus investments in joint ventures and funds of £2 712m (see balance sheet) and other investments of £262m (see balance sheet) less the relevant portion of property and investments of the partly-owned subsidiary of £581m

	2012 £m	Cash flow £m	Non-cash £m	2013 £m
Per cash flow statement				
Cash and short-term deposits	(137)	2	-	(135)
Cash and cash equivalents	(137)	2	-	(135)
Term debt (excluding overdrafts)	2,621	(496)	53	2,178
Fair value of interest rate derivatives	19	-	(25)	(6)
Liquid investments	(200)	210	(10)	-
Net debt	2 303	(284)	18	2 037

NOTES TO THE ACCOUNTS CONTINUED

18 NET DEBT continued

COMPARISON OF MARKET VALUES AND BOOK VALUES

		2014			2013		
	Level	Market value £m	Book value £m	Difference £m	Market value £m	Book value £m	Difference £m
Debentures and unsecured bonds	2	1,722	1,713	9	1 622	1 587	35
Convertible bond	1	458	458	–	407	407	–
Bank debt and other floating rate debt	2	1,138	1,127	11	189	184	5
Cash and short-term deposits	1	(142)	(142)	–	(135)	(135)	–
		3,176	3,156	20	2 083	2 043	40
Other financial (assets) liabilities							
– interest rate derivative assets	2	(32)	(32)	–	(92)	(92)	–
– interest rate derivative liabilities	2	57	57	–	86	86	–
		25	25	–	(6)	(6)	–
Total		3,201	3,181	20	2 077	2,037	40

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

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

FAIR VALUE HIERARCHY

The table below analyses financial instruments carried at fair value, by the valuation method The different levels are defined as follows

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)

	2014				2013			
	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	–	(32)	–	(32)	–	(92)	–	(92)
Assets	–	(32)	–	(32)	–	(92)	–	(92)
Interest rate and currency derivative liabilities	–	57	–	57	–	86	–	86
Convertible bond	458	–	–	458	407	–	–	407
Liabilities	458	57	–	515	407	86	–	493
Total	458	25	–	483	407	(6)	–	401

18 NET DEBT continued

CATEGORIES OF FINANCIAL INSTRUMENTS

	2014 £m	2013 £m
Financial assets		
Fair value through income statement		
Other investments – held for trading	**92**	–
Derivatives in designated hedge accounting relationships	**32**	92
Loans and receivables		
Trade and other debtors	**35**	15
Amounts owed by joint ventures	**–**	40
Cash and short-term deposits	**142**	135
Other investments – loans and receivables	**170**	76
	471	358
Financial liabilities		
Fair value through income statement		
Convertible bond	**(458)**	(407)
Held for trading – derivatives	**–**	(7)
Derivatives in designated hedge accounting relationships	**(57)**	(79)
Amortised cost		
Gross debt	**(2,840)**	(1 771)
Finance lease payable	**(32)**	(26)
Trade and other creditors	**(85)**	(94)
Amounts owed to joint ventures	**(4)**	(4)
	(3,476)	(2 388)
Total	**(3,005)**	(2,030)

Gains and losses on financial instruments as classed above, are disclosed in note 7 (net financing costs) note 14 (debtors), note 6 (net revaluation gains on property and investments), the consolidated income statement and the consolidated statement of comprehensive income The Directors consider that the carrying amounts of other investments and finance lease payables are approximate to their fair value, and that the carrying amounts are recoverable

NOTES TO THE ACCOUNTS CONTINUED

18 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 on pages 36 to 41 The Group s objectives, policies and processes for managing debt are set out in the financial policies on pages 56 to 58

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 2014 the market value of these derivatives, which have been designated as cash flow hedges under IAS 39, is a net liability of £45m (2012/13 liability of £80m)

The cross currency swap of the 2015 US Private Placement which fully hedges the foreign exchange exposure of the issuance, has been designated as a cash flow hedge The market value of this is a liability of £5m (2012/13 asset of £5m)

The ineffectiveness recognised in the income statement on cash flow hedges in the year ended 31 March 2014 was £nil (2012/13 £nil)

The cash flows occur and enter into the determination of profit and loss until the maturity of the hedged debt The table below summarises variable rate debt and foreign currency denominated debt hedged at 31 March 2014

CASH FLOW HEDGED DEBT

		2014 £m	2013 £m
Outstanding	at one year	**1,293**	874
	at two years	**1,225**	874
	at five years	**350**	250
	at ten years	**250**	250

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 2014 the market value of these derivatives, which have been designated as fair value hedges under IAS 39, was a net asset of £25m (2012/13 £86m)

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

	2014 £m	2013 £m
Fixed rate	**2,208**	1,848
Variable rate (net of cash)	**973**	189
Net debt	**3,181**	2 037

All the debt is effectively sterling denominated except for £68m (2012/13 £185m) of euro debt of which £68m is at a fixed rate (2012/13 £165m fixed) At 31 March 2014 the weighted average interest rate of the sterling fixed rate debt was 5 17% (2012/13 5 01%) The weighted average period for which the rate is fixed is 8 5 years (2012/13 11 6 years) The weighted average interest rate for the euro fixed rate debt is 5 20% (2012/13 4 44%) and the weighted average period for which the rate is fixed is 1 9 years (2012/13 3 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 69% at 31 March 2014 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 £56m (2012/13 £11m decrease) Similarly, a 52 bps reduction would increase profits by £5m (2012/13 £1m 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%

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 their 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 2014 a 204 bps parallel upward shift in swap rates would increase the value of these interest rate swaps by £136m (2012/13 £117m) A 204 bps downward shift in swap rates would reduce the value of the interest rate swap portfolio by £164m (2012/13 £138m) 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% convertible bond is designated as fair value through profit or loss Principal components of the market value include British Land s share price and its volatility and market interest rates The fair value at 31 March 2014 was £458m At 31 March 2014 a 204 bps parallel upwards shift in interest rates would reduce the fair value by £30 8m and a 204 bps downward shift in interest rates would increase the value by £33 4m

18 NET DEBT continued

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 will the requirement to fair value interest rate swaps Based on the 31 March 2014 position a 33% appreciation (largest annual change over the last ten years) in the euro relative to sterling would result in a £nil change (2012/13 £nil) in reported profits

	Assets		Liabilities	
	2014 £m	2013 £m	**2014 £m**	2013 £m
Euro denominated	**69**	203	**68**	203

CREDIT RISK MANAGEMENT

The Group s approach to credit risk management of counterparties is referred to in the financial policies on pages 56 to 58 and the risks addressed within managing risk on pages 36 to 41 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 2014 amounted to £142m (2012/13 £135m) Deposits and interest rate derivatives were placed with financial institutions with A– or better credit ratings

At 31 March 2014 the fair value of all interest rate derivative assets was £32m (2012/13 £92m)

At 31 March 2014 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 £71m (2012/13 £64m) This represents 0 7% (2012/13 0 8%) of gross assets

The deposit exposures are with UK and international high street banks and branches

The Group s exposure to credit risk in respect of its trade receivables is analysed in note 14

Provisions are made taking account of 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 on pages 56 to 58, and the risks addressed within managing risk on pages 36 to 41

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

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

NOTES TO THE ACCOUNTS CONTINUED

18 NET DEBT continued

LIQUIDITY RISK MANAGEMENT continued

The Group leases out all its investment properties under operating leases with a weighted average lease length of 10 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

	2014				
	Within one year £m	Following year £m	Three to five years £m	Over five years £m	Total £m
Debt[1]	495	93	1,024	1,579	3,191
Interest on debt	114	113	279	676	1,182
Derivative payments	25	119	67	380	591
Finance lease payments	2	2	5	195	204
Total payments	636	327	1,375	2,830	5,168
Derivative receipts	(29)	(117)	(84)	(337)	(567)
Net payment	607	210	1,291	2,493	4,601
Operating leases with tenants (see note 19)	351	342	947	2,549	4,189
Liquidity surplus (deficit)	(256)	132	(344)	56	(412)
Cumulative liquidity deficit	(256)	(124)	(468)	(412)	

	2013				
	Within one year £m	Following year £m	Three to five years £m	Over five years £m	Total £m
Debt[1]	47	184	505	1,345	2,081
Interest on debt	89	87	238	678	1 092
Derivative payments	30	31	144	399	604
Finance lease payments	1	1	4	170	176
Total payments	167	303	891	2 592	3 953
Derivative receipts	(27)	(25)	(163)	(407)	(622)
Net payment	140	278	728	2 185	3,331
Operating leases with tenants (see note 19)	281	278	766	2,496	3 821
Liquidity surplus	141	–	38	311	490
Cumulative liquidity surplus	141	141	179	490	

1 Gross debt of £3 298m (2012/13 £2 178m) represents the total shown less unamortised issue costs of £21m (2012/13 £15m) plus fair value adjustments to debt of £128m (2012/13 £112m)

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 £142m of which £93m is not subject to a security interest (see footnote 6 to net debt table on page 137) Further liquidity can be achieved through sales of property assets or investments and debt refinancings The Group s property portfolio is valued externally at £7,616m and the share of joint ventures and funds property is valued at £5 034m (see note 11) 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

18 NET DEBT continued

MATURITY OF COMMITTED UNDRAWN BORROWING FACILITIES

	2014 £m	2013 £m
Maturity date more than five years	**160**	–
between four and five years	**310**	108
between three and four years	**140**	870
Total facilities available for more than three years	**610**	978
Between two and three years	**942**	–
Between one and two years	–	757
Within one year	**410**	369
Total	**1,962**	2,104

The above facilities are comprised of British Land undrawn facilities of £1,790m including the maturing £620m facility and excluding the April 2014 £785m facility, plus undrawn facilities of Hercules Unit Trust totalling £172m

19 LEASING

OPERATING LEASES WITH TENANTS

The Group leases out all of its investment properties under operating leases with a weighted average lease length of 10 years (2012/13 12 years) and the average effective borrowing rate was 3 5% (2012/13 4 4%) The future aggregate minimum rentals receivable under non-cancellable operating leases are as follows

	2014 £m	2013 £m
Less than one year	**351**	281
Between one and two years	**342**	278
Between three and five years	**947**	766
Between six and ten years	**1,130**	1,002
Between eleven and fifteen years	**650**	597
Between sixteen and twenty years	**433**	452
After twenty years	**336**	445
Total	**4,189**	3,821

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 are payable in either period

	2014			2013		
	Minimum lease payments £m	Interest £m	Principal £m	Minimum lease payments £m	Interest £m	Principal £m
Less than one year	**2**	**2**	–	1	1	–
Between one and two years	**2**	**2**	–	1	1	–
Between two and five years	**5**	**5**	–	4	4	–
More than five years	**195**	**163**	**32**	171	145	26
Total	**204**	**172**	**32**	177	151	26
Less future finance charges	**(172)**			(151)		
Present value of lease obligations	**32**			26		
Within one year	–			–		
Within two to five years	–			–		
More than five years	**32**			26		

NOTES TO THE ACCOUNTS CONTINUED

20 DIVIDENDS

The fourth quarter dividend of 6 75 pence per share, totalling £68m (2012/13 6 6 pence per share totalling £65m) was approved by the Board on 13 May 2014 and is payable on 8 August 2014 to shareholders on the register at the close of business on 4 July 2014

The Board will announce the availability of the Scrip Dividend Alternative via the Regulatory News Service and on its website (www britishland com), no later than four business days before the ex-dividend date of 2 July 2014 The Board expects to announce the split between Property Income Distribution (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) for details

Payment date	Dividend	PID	Non-PID	Pence per share	2014 £m	2013 £m
Current year dividends						
08 08 2014	2014 4th interim	6 75		6 75		
02 05 2014	2014 3rd interim	6 75[1]		6 75		
14 02 2014	2014 2nd interim	6 75		6 75	**68**	
08 11 2013	2014 1st interim	6 75		6 75	**67**	
				27 00		
Prior year dividends						
09 08 2013	2013 4th interim	6 60[1]		6 60	**65**	
10 05 2013	2013 3rd interim	6 60[1]		6 60	**66**	
15 02 2013	2013 2nd interim	6 60[1]		6 60		59
09 11 2012	2013 1st interim	6 60[1]		6 60		59
				26 40		
10 08 2012	2012 4th interim	3 30	3 30	6 60		58
09 05 2012	2012 3rd interim	6 50		6 50		58
Dividends in consolidated statement of changes in equity					**266**	234
Dividends settled in shares					**(105)**	(32)
Dividends settled in cash					**161**	202
Timing difference relating to payment of withholding tax					**(2)**	1
Dividends in cash flow statement					**159**	203

1 Scrip alternative treated as non-PID for this dividend

21 ACQUISITION OF A SUBSIDIARY (BUSINESS COMBINATION)

On 17 February 2014, the Group acquired additional units of the Hercules Unit Trust a Unit Trust registered in Jersey which is engaged in property investment resulting in a cumulative ownership of 57 2% of the outstanding units and control of the underlying entity Management determined that the acquisition of control should be accounted for as a business combination in accordance with IFRS 3 Business Combinations Following this transaction additional units were purchased bringing cumulative ownership to 58 6% at 31 March 2014

Subsequent to 31 March 2014 further purchases resulted in a cumulative ownership of 59 8%

The fair value of the Group s 49 2% equity interest in the Hercules Unit Trust held before the business combination amounted to £430m No gain or loss was recognised as a result of measuring the equity interest at fair value

The acquired subsidiary has contributed net revenues of £12m and profit of £18m to the Group for the period from the date of acquisition to 31 March 2014 If the acquisition had occurred on 1 April 2013, with all other variables held constant, Group net revenue for 2014 would have increased by £49m, and underlying profit for 2014 would have increased by £23m

21 ACQUISITION OF A SUBSIDIARY (BUSINESS COMBINATION) continued

Details of the assets and bargain purchase arising are as follows

	Attributed fair value £m
Investment property	1,006
Investments in joint ventures and funds	376
Other net current liabilities	(4)
Cash and cash equivalents	18
Debenture and loans	(522)
Fair value of acquired interest in net assets of subsidiary	**874**
Bargain purchase (negative goodwill)	(3)
Total purchase consideration	871
Less fair value of previously held interest	(430)
non-controlling interest	(374)
Cash consideration	67
Additional units purchased in the year	78
Total acquisition of Hercules Unit Trust	**145**

The purchase consideration disclosed above comprises cash and cash equivalents paid to the acquiree s previous owner of £67m The bargain purchase is a result of unit acquisitions trading at a discount in the secondary market The gain on bargain purchase is recognised in net valuation movement

The non-controlling interest (42 8% ownership interest in Hercules Unit Trust) recognised at the acquisition date was measured by reference to the present ownership interest s proportionate share in the acquiree s recognised amounts of the identifiable net assets and amounted to £374m

The valuation of investment property at the acquisition date was performed by an external professional appraiser with experience of the relevant market The fair value of cash and cash equivalents was considered equal to the carrying value representing the entity s bank deposits, fair value of borrowings and trade and other payables was calculated based on discounted cash flow models The acquired bank loans and overdrafts have no recourse to other companies or assets in the Group

22 SHARE CAPITAL AND RESERVES

	2014	2013
Number of ordinary shares in issue at 1 April	**997,691,488**	900,199 638
Share issues	**22,074,993**	97,491,850
At 31 March	**1,019,766,481**	997 691 488

Of the issued 25p ordinary shares 169,990 shares were held in the ESOP trust (2012/13 275 497) 11 266 245 shares were held as treasury shares (2012/13 11,266 245) and 1 008 330,246 shares were in free issue (2012/13 986 149 746) No treasury shares were acquired by the ESOP trust during the year All issued shares are fully paid The rights, preferences and restrictions of the share capital are detailed on page 108

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

NOTES TO THE ACCOUNTS CONTINUED

22 SHARE CAPITAL AND RESERVES continued

At 31 March 2014, options over 9 454 680 ordinary shares were outstanding under employee share option plans These options had a weighted average life of 6 25 years Details of outstanding share options and shares awarded to employees including Executive Directors are set out below and on the following page

Date of grant	At 1 April 2013	Granted	Vested but not exercised	Exercised/ vested	Lapsed	At 31 March 2014	Exercise price pence	Exercise dates From	Exercise dates To
Share Options Sharesave Scheme									
30 06 08	6,794	–	–	(5,536)	(1 258)	–	517 03	01 09 13	31 03 14
30 06 09	602	–	–	(602)	–	–	301 00	01 09 12	28 02 13
30 06 09	135 963	–	–	(7 631)	(1 667)	**126,665**	301 00	01 09 14	28 02 15
28 06 10	44,200	–	–	(38,463)	(4,278)	**1,459**	370 00	01 09 13	28 02 14
28 06 10	38,994	–	–	–	–	**38,994**	370 00	01 09 15	29 02 16
01 07 11	18 572	–	–	–	(4,081)	**14,491**	473 00	01 09 14	28 02 15
01 07 11	13,693	–	–	(835)	(1 121)	**11,737**	473 00	01 09 16	28 02 17
26 06 12	110 895	–	–	–	(7,030)	**103,865**	392 00	01 09 15	29 02 16
26 06 12	66,264	–	–	–	(10 176)	**56,088**	392 00	01 09 17	28 02 18
24 06 13	–	58 350	–	–	(4,472)	**53,878**	511 00	01 09 16	28 02 17
24 06 13	–	17,550	–	–	(1,174)	**16,376**	511 00	01 09 18	28 02 19
	435 977	75,900	–	(53,067)	(35,257)	**423,553**			
Long-Term Incentive Plan – options vested, not exercised									
25 09 03	119,455	–	–	(119,455)	–	–	415 95	25 09 06	24 09 13
25 11 03	15 358	–	–	(15 358)	–	–	457 38	25 11 06	24 11 13
28 05 04	314,409	–	(57 083)	(242,903)	–	**14,423**	549 35	28 05 07	27 05 14
29 11 04	392 288	–	–	(106,976)	(14,482)	**270,830**	659 55	29 11 07	28 11 14
31 05 05	351,352	–	–	–	(7,265)	**344,087**	726 66	31 05 08	30 05 15
05 12 05	198,632	–	–	–	(960)	**197,672**	823 60	05 12 08	04 12 15
29 06 09	2 239 533	–	–	(1 008 602)	–	**1,230,931**	387 00	01 07 11	28 06 19
25 11 09	23,431	–	–	(4,400)	–	**19,031**	475 00	25 11 12	24 11 19
21 12 09	467,500	–	–	(304,621)	–	**162,879**	446 00	21 12 12	20 12 19
11 06 10	117,496	2,083 806	–	(540,029)	–	**1,661,273**	447 00	01 07 11	10 06 20
14 12 10	–	326 251	–	(143,727)	–	**182,524**	510 00	07 10 11	27 04 12
28 06 11	405	21,225	–	(21 225)	(405)	–	575 00	28 06 14	11 04 13
19 12 11	–	24,654	–	(21,947)	–	**2,707**	451 00	19 12 14	11 04 13
14 09 12	–	4 102	–	(4,102)	–	–	538 00	14 09 15	14 9 22
20 12 12	–	6 222	–	(6,222)	–	–	563 00	20 12 15	20 12 22
	4,239,859	2,466,260	(57 083)	(2,539,567)	(23 112)	**4,086,357**			
Long-Term Incentive Plan – unvested options									
11 06 10	3 473 085	–	(2 083,806)	–	(1,389,279)	–	447 00	11 06 13	11 06 20
14 12 10	559 933	–	(24,130)	(302,121)	(233 682)	–	510 00	14 12 13	14 12 20
28 06 11	1,640 660	–	(15,501)	(14,299)	(28,161)	**1,582,699**	575 00	28 06 14	28 06 21
19 12 11	531,510	–	(17 434)	(7,220)	(52,433)	**454,423**	451 00	19 12 14	19 12 21
14 09 12	1 732 576	–	(1,509)	(2,593)	(413,732)	**1,314,742**	538 00	14 09 15	14 09 22
20 12 12	577,940	–	–	(6,222)	(346 180)	**225,538**	563 00	20 12 15	20 12 22
05 08 13	–	834 903	–	–	(5,323)	**829,580**	601 00	05 08 16	05 08 23
05 12 13	–	537,788	–	–	–	**537,788**	600 00	05 12 16	05 12 23
	8 515,704	1,372 691	(2,142,380)	(332,455)	(2 468,790)	**4,944,770**			
Total	13,191,540	3,914 851	(2,199 463)	(2,925,089)	(2 527,159)	**9,454,680**			
Weighted average exercise price of options (pence)	492	508	451	452	487	**521**			

22 SHARE CAPITAL AND RESERVES continued

Date of grant	At 1 April 2013	Granted	Exercised/ vested	Lapsed	At 31 March 2014	Share price at grant date pence	Vesting date
Performance shares Long-Term Incentive Plan							
11 06 10	661 672	-	(396,982)	(264 690)	-	447 00	11 06 13
14 12 10	140,721	-	(82,070)	(58,651)	-	510 00	14 12 13
28 06 11	713 754	-	(4,353)	(7 117)	**702,284**	575 00	28 06 14
19 12 11	117,751	-	(6 620)	(14,551)	**96,580**	451 00	19 12 14
14 09 12	1 188 053	-	(3,632)	(244 034)	**940,387**	538 00	14 09 15
20 12 12	299 069	-	(1 795)	(178 295)	**118,979**	563 00	20 12 15
05 08 13	-	1,205,738	-	(2,328)	**1,203,410**	601 00	05 08 16
05 12 13	-	290,577	-	-	**290,577**	600 00	05 12 16
	3,121,020	1 496,315	(495 452)	(769 666)	**3,352,217**		
Fund Managers Performance Plan							
28 05 10	325 454	-	(325 454)	-	-	435 00	28 05 13
21 06 11	97 485	-	(97 485)	-	-	581 90	21 06 13
21 06 11	97,484	-	-	(1,827)	**95,657**	581 90	21 06 14
12 09 12	192,025	-	(189 811)	(2 214)	-	537 00	12 09 13
12 09 12	192,026	-	-	(3 952)	**188,074**	537 00	12 09 14
12 09 12	192,026	-	-	(4,004)	**188,022**	537 00	12 09 15
02 08 13	-	217 683	-	(2,784)	**214,899**	599 00	02 08 14
02 08 13	-	217 685	-	(2 784)	**214,901**	599 00	02 08 14
02 08 13	-	217,621	-	(2,787)	**214,834**	599 00	02 08 14
	1 096 500	652,989	(612 750)	(20 352)	**1,116,387**		
Matching Share Plan							
01 09 10	256 654	-	(256,654)	-	-	479 60	01 09 13
24 05 11	320,608	-	-	-	**320,608**	600 50	24 05 14
05 09 12	386,994	-	-	-	**386,994**	500 00	05 09 15
02 08 13	-	375,338	-	-	**375,338**	609 66	02 08 16
	964 256	375,338	(256 654)	-	**1,082,940**		
Total	5,181,776	2,524,642	(1,364,856)	(790,018)	**5,551,544**		
Weighted average exercise price of shares (pence)	523	602	477	511	**572**		

23 SEGMENT INFORMATION

OPERATING SEGMENTS

The Group allocates resources to investment and asset management according to the sectors it expects to perform over the medium-term Its two principal sectors are currently offices and retail The Office sector includes residential as this is often incorporated into Office schemes and Retail includes leisure for a similar rationale The prior year comparatives have been updated to reflect these changes

The relevant revenue, net rental income operating result, assets and capital expenditure, being the measures of segment revenue segment result and segment assets used by the management of the business, are set out below Revenue is derived from the rental of buildings Operating result is the net of net rental income fee income and administration expenses No customer exceeded 10% of the Group s revenues in either year

NOTES TO THE ACCOUNTS CONTINUED

23 SEGMENT INFORMATION continued

SEGMENT RESULT

	Offices		Retail		Other/unallocated		Total	
	2014 £m	2013 £m	2014 £m	2013 £m	2014 £m	2013 £m	2014 £m	2013 £m
Revenue								
British Land Group	**99**	88	**235**	206	**–**	–	**334**	294
Share of joint ventures and funds	**84**	83	**168**	171	**15**	19	**267**	273
Total	**183**	171	**403**	377	**15**	19	**601**	567
Net rental income								
British Land Group	**91**	85	**222**	196	**–**	–	**313**	281
Share of joint ventures and funds	**81**	80	**160**	165	**12**	15	**253**	260
Total	**172**	165	**382**	361	**12**	15	**566**	541
Operating result								
British Land Group	**80**	76	**218**	190	**(42)**	(42)	**256**	224
Share of joint ventures and funds	**80**	80	**157**	162	**10**	14	**247**	256
Total	**160**	156	**375**	352	**(32)**	(28)	**503**	480
Reconciliation to underlying profit before taxation								
British Land Group								
Total operating result							**503**	480
British Land Group net financing costs							**(81)**	(80)
Share of joint ventures and funds net financing costs							**(123)**	(126)
Capital and other							**811**	(14)
Total profit on ordinary activities before tax							**1,110**	260

Of the total revenues above, £15m (2012/13 £19m) was derived from outside the UK

SEGMENT ASSETS

	Offices		Retail		Other/unallocated		Total	
	2014 £m	2013 £m	2014 £m	2013 £m	2014 £m	2013 £m	2014 £m	2013 £m
Property assets								
British Land Group	**3,082**	2,179	**4,534**	3 373	**–**	2	**7,616**	5 554
Share of joint ventures and funds	**2,017**	1 684	**2,928**	3 005	**89**	256	**5,034**	4,945
Total	**5,099**	3,863	**7,462**	6,378	**89**	258	**12,650**	10,499
Segment assets								
British Land Group	**3,036**	2,175	**4,554**	3,393	**477**	365	**8,067**	5 933
Share of joint ventures and funds	**2,153**	1 839	**2,997**	3,116	**98**	263	**5,248**	5 218
Total	**5,189**	4 014	**7,551**	6,509	**575**	628	**13,315**	11 151
Other assets								
British Land Group	**–**	–	**–**	–	**477**	363	**477**	363
Share of joint ventures and funds	**141**	155	**67**	107	**9**	7	**217**	269
Total	**141**	155	**67**	107	**486**	370	**694**	632
Capital expenditure								
British Land Group	**607**	391	**1,140**	315	**–**	47	**1,747**	753
Share of joint ventures and funds	**86**	109	**13**	26	**29**	–	**128**	135
Total	**693**	500	**1,153**	341	**29**	47	**1,875**	888

23 SEGMENT INFORMATION continued

RECONCILIATION TO NET ASSETS

	2014 £m	2013 £m
British Land Group		
Segment assets		
British Land Group	**8,067**	5,933
Share of joint ventures and funds	**5,248**	5 218
Total	**13,315**	11,151
Share of funds and joint ventures liabilities	**(2,536)**	(2 882)
Current liabilities	**(766)**	(320)
Non-current liabilities	**(2,896)**	(2,262)
Net assets	**7,117**	5,687

Other assets include other investments of £262m (2012/13 £76m) debtors of £41m (2012/13 £60m) liquid investments of £nil (2012/13 £nil), cash and short-term deposits of £142m (2012/13 £135m) and derivatives of £32m (2012/13 £92m)

24 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

	2014 £m	2013 £m
British Land (includes share of development loan facility see note 25)	**119**	221
Share of joint ventures	**113**	176
Share of funds	**5**	1
	237	398

25 RELATED PARTY TRANSACTIONS

The Company is providing a development loan facility of up to £320m to the Broadgate joint venture, secured against the development, 5 Broadgate The loan which is assignable and on commercial terms, includes an interest cost of 3% per annum above LIBOR and market based fees As at 31 March 2014, £145m (2012/13 £53m) has been drawn by the joint venture

Details of transactions with joint ventures and funds are given in notes 4, 7 and 24 During the year the Group recognised management and performance fees receivable from funds of £3m (2012/13 £4m) and joint venture management fees of £7m (2012/13 £6m) Interest and commitment fees earned on the commercial loan to Bluebutton Properties Ltd was £5m (2012/13 £4m)

Details of Directors remuneration are given in the Remuneration Report on pages 82 to 107 Details of transactions with key management personnel are provided in note 9

Details of transactions with The British Land Group of Companies Pension Scheme, and other smaller pension schemes, are given in note 10

During the year, the Company entered into transactions in the normal course of business, with other related parties as follows

John Gildersleeve is Deputy Chairman of Carphone Warehouse Group plc Rental income of £2m (2012/13 £2m) was earned from Carphone Warehouse Group plc and there is an associated debtor balance at 31 March 2014 of £nil (2012/13 £0 2m)

Lord Turnbull is a Non-Executive Director of Prudential plc Rental income of £1 5m (2012/13 £nil) was earned from Prudential plc

Aubrey Adams is head of property in Royal Bank of Scotland s Global Restructuring Group Royal Bank of Scotland are British Land s principal bankers Rental income of £7 2m (2012/13 £7 2m) was earned from Royal Bank of Scotland

William Jackson is the Managing Partner of Bridgepoint and serves on a number of Bridgepoint portfolio boards A number of Bridgepoint s investments are tenants Rental income of £2 5m (2012/13 £1 9m) was earned from these companies

NOTES TO THE ACCOUNTS CONTINUED

26 CONTINGENT LIABILITIES

The Group 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 contingent liabilities

TPP Investments Limited, a wholly-owned ring-fenced, special purpose subsidiary is a partner in The Tesco British Land Property Partnership and, in that capacity, has entered into a secured bank loan under which its liability is limited to £30m (2012/13 £30m) and recourse is only to the partnership assets

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

Current company name	Companies House Registered number	Current company name	Companies House Registered number
BF Propco (No 19) Limited	5270113	Regis Property Holdings Limited	891470
The Liverpool Exchange Company Limited	490255	Tweed Premier 1 Limited	2847978
Meadowbank Retail Park Edinburgh Limited	5489809	Tweed Premier 2 Limited	2847985
Pillar (Beckton) Limited	2783376	London and Henley (UK) Limited	3576158
Broadgate (PHC 8) Limited	3707220	Cavendish Geared II Limited	2847571
Blaxmill (Twenty-nine) Limited	5279010	London and Henley Limited	3074917
Blaxmill (Thirty) Limited	5282747	Ivorydell Subsidiary Limited	5520010
FRP Group Limited	2844685	United Kingdom Property Company Limited	266486
Pillar Hercules No 2 Limited	2839069	Pillar Nugent Limited	2567031
BL European Holdings Limited	3044033	Pillar Developments Limited	2850421
British Land Hercules No 4 Limited	3108851	35 Basinghall Street First Limited	3902915
Ivorydell Limited	3264791	British Land Hercules No 1 Limited	3527580
Finsbury Avenue Estates Limited	1526447	British Land Hercules No 3 Limited	2967308
Broadgate Court Investments Limited	2048475	British Land HIF Limited	2774183
BLSSP (Funding) PLC	4104074	Renash (Unlimited)	5489776
Wates City Property Management Limited	1085036	Ritesol (Unlimited)	5489811
Pillar Retail Parks Limited	2725163	Number 80 Cheapside Limited	634498
Pillar Speke Limited	3074360	Broadgate Square Limited	1797326
PillarStore No 3 Limited	3589118	Six Broadgate Limited	1881641
Wates City of London Properties Limited	1788526	WK Holdings Limited	2487591
Caymall Limited	5189368	Pillar Estates Limited	3044028
Dinwell Limited	5035303	PillarStore Limited	2850422
Cavendish Geared Limited	2779045	Vintners Place Limited	2149495
Pillar Auchinlea Limited	2661047	Wates City Point Limited	2973114
Hyfleet Limited	2835919	BL West (Watling House) Limited	4067234

COMPANY BALANCE SHEET

Prepared in accordance with UK GAAP as at 31 March 2014

	Note	2014 £m	2013 £m
Non-current assets			
Investments and loans to subsidiaries	D	**25,477**	24 459
Investments in joint ventures	D	**802**	816
Intangible assets	D	**–**	3
Other investments	D	**159**	119
Interest rate derivative assets	E	**32**	92
		26,470	25 489
Current assets			
Debtors	G	**48**	273
Cash and short-term deposits	E	**61**	108
		109	381
Current liabilities			
Short-term borrowings and overdrafts	E	**(420)**	(45)
Creditors	H	**(89)**	(98)
Amounts due to subsidiaries		**(18,786)**	(19,270)
		(19,295)	(19 413)
Net current liabilities		**(19,186)**	(19 032)
Total assets less current liabilities		**7,284**	6 457
Non-current liabilities			
Debentures and loans	E	**(1,895)**	(1 681)
Interest rate derivative liabilities	E	**(54)**	(86)
		(1,949)	(1 767)
Net assets		**5,335**	4,690
Equity			
Called up share capital	I	**255**	249
Share premium	J	**1,260**	1 245
Other reserves	J	**(24)**	(61)
Merger reserves	J	**213**	213
Retained earnings	J	**3,631**	3 044
Equity shareholders funds		**5,335**	4,690

John Gildersleeve
Chairman

Lucinda Bell
Finance Director

Approved by the Board and authorised for issue on 13 May 2014

Company number 621920

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COMPANY BALANCE SHEET CONTINUED

Prepared in accordance with UK GAAP as at 31 March 2014

(A) ACCOUNTING POLICIES

ACCOUNTING BASIS

The financial statements are prepared in accordance with applicable United Kingdom law and Accounting Standards (UK GAAP) and under the historical cost convention as modified by the revaluation of investment properties and fixed asset investments and liquid investments (not in accordance with International Financial Reporting Standards (IFRS) which are applied by the Group)

The major accounting policies of the Company are set out below and have been applied consistently throughout the current and the previous year The policies that differ from those applied by the Group (as stated in note 1 of the consolidated financial statements) are for investments and deferred taxation

- **Going concern**
  The financial statements are prepared on the going concern basis as explained in the corporate governance section on page 72
- **Intangible assets**
  Intangible assets, such as fund management contracts, acquired through business combinations are measured initially at fair value and are amortised on a straight-line basis over their estimated useful lives and are subject to regular reviews for impairment
- **Investments**
  Investments in joint ventures are stated at cost less provision for impairment Investments in subsidiaries are stated at cost or Directors valuation less provision for impairment
- **Deferred taxation**
  Deferred tax is not recognised when fixed assets are revalued unless by the balance sheet date there is a binding agreement to sell the revalued assets and the gain or loss expected to arise on the sale has been recognised in the financial statements A deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

(B) DIVIDENDS

Details of dividends paid and proposed are included in note 20 of the consolidated financial statements

(C) COMPANY PROFIT FOR THE FINANCIAL YEAR AFTER TAX

The Company has not presented its own profit and loss account as permitted by Section 408 of the Companies Act 2006 The profit after tax for the year was £749m (2012/13 profit £257m)

The average monthly number of employees of the Company during the year was 231 (2012/13 217)

Employee costs include wages and salaries of £30m (2012/13 £29m), social security costs of £4m (2012/13 £4m) and pension costs of £5m (2012/13 £4m) Details of the Executive Directors remuneration are disclosed in the Remuneration Report

Audit fees in relation to the parent company only were £0 3m (2012/13 £0 2m)

(D) INVESTMENTS AND LOANS TO SUBSIDIARIES

	Shares in subsidiaries £m	Loans to subsidiaries £m	Investments in joint ventures £m	Intangible assets £m	Other investments £m	**Total £m**
At 1 April 2013	18 078	6,381	816	3	119	**25,397**
Additions	-	2,276	11	-	93	**2,380**
Disposals	(576)	(1 479)	(87)	(3)	(1)	**(2,146)**
Reallocations	-	-	51	-	(51)	**-**
Write back of (provision for) impairment	797	-	11	-	(1)	**807**
At 31 March 2014	18 299	7,178	802	-	159	**26,438**

Shares in subsidiaries are included at cost or Directors valuation in 1977, 1995, 1997 and 1999 to 2010 inclusive, their historical cost is £19 563m (2012/13 £22 089m) The amount of £802m (2012/13 £816m) includes £250m (2012/13 £227m) of loans to joint ventures by the Company The Company has a 50% interest in Bluebutton Properties Limited (Jersey) MSC Property Intermediate Holdings Limited and Shopping Centres Limited which are registered and operate in England and Wales Results of the joint ventures are set out in note 12 of the consolidated financial statements The historical cost of other investments is £155m (2012/13 £128m)

The Group comprises a large number of companies so has taken advantage of the exemption under Section 410(2) of the Companies Act 2006 in providing information only in relation to subsidiary undertakings whose results or financial position in the opinion of Directors, principally affect the financial statements The principal subsidiaries, wholly-owned and, except where stated, registered and operating in England and Wales, are

Executive Property

The British Land Corporation Limited

Finance, Investment and Management

British Land Property Management Limited
BLD Property Holdings Limited
BL European Fund Management LLP
British Land (Joint Ventures) Limited
Linestair Limited
British Land Investment Netherlands Holdings BV (Netherlands)

Property

20 Triton Street Limited
1 & 4 & 7 Triton Limited
10 Brock Street Limited
10 Portman Square Unit Trust (Jersey)
Stockton Retail Park Limited
Drake Circus Limited Partnership (United States)
Euston Tower Limited
BF Propco (No 10) Limited
British Land Ealing BV (Netherlands)
Paddington Central IV Unit Trust
BL Piccadilly Residential Limited
York House W1 Limited
British Land Retail Warehouses Limited
The Mary Street Estate Limited

COMPANY BALANCE SHEET CONTINUED

Prepared in accordance with UK GAAP as at 31 March 2014

(E) NET DEBT

	2014 £m	2013 £m
Secured on the assets of the Company		
5 264% first mortgage debenture bonds 2035	**344**	345
5 0055% first mortgage amortising debentures 2035	**100**	101
5 357% first mortgage debenture bonds 2028	**327**	334
6 75% first mortgage debenture bonds 2020	**185**	194
	956	974
Unsecured		
5 50% senior notes 2027	**98**	98
6 30% senior US dollar notes 2015[1]	**92**	101
Series A 3 895% senior US dollar notes 2018[2]	**25**	28
Series B 4 635% senior US dollar notes 2021[2]	**136**	158
Series C 4 766% senior US dollar notes 2023[2]	**83**	98
Series D 5 003% senior US dollar notes 2026[2]	**52**	62
Fair value of options to issue under 1 5% convertible bond 2017	**72**	28
Bank loans and overdrafts	**601**	179
3 81% senior notes 2026	**99**	–
3 97% senior notes 2026	**101**	–
	1,359	752
Gross debt	**2,315**	1,726
Interest rate derivatives liabilities	**54**	86
Interest rate derivatives assets	**(32)**	(92)
	2,337	1,720
Cash and short-term deposits	**(61)**	(108)
Net debt	**2,276**	1 612

1 Principal and interest on this borrowing was fully hedged into sterling at the time of issue

2 Principal and interest on these borrowings were fully hedged into sterling at a floating rate at the time of issue

On 10 September 2012 British Land (Jersey) Limited (the Issuer) – a wholly-owned subsidiary of the Company – issued £400m 1 5% guaranteed convertible bonds due 2017 (the bonds) at par The proceeds have been loaned to the Company and the Company has unconditionally and irrevocably guaranteed the due and punctual performance by the Issuer of all of its obligations (including payments) in respect of the bonds and the obligations of the Company as guarantor constitute direct, unsubordinated unconditional and unsecured obligations of the Company

Subject to their terms, the bonds are convertible into preference shares of the 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

The inter-company 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 inter-company 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

See note 18 in the consolidated financial statements for further details about the convertible bond

(E) NET DEBT continued

MATURITY ANALYSIS OF NET DEBT

	2014 £m	2013 £m
Repayable within one year and on demand	**420**	45
Between one and two years	**92**	145
two and five years	**174**	145
five and ten years	**465**	407
ten and fifteen years	**783**	603
fifteen and twenty years	**6**	5
twenty and twenty-five years	**375**	376
	1,895	1 681
Gross debt	**2,315**	1,726
Interest rate derivatives	**22**	(6)
Cash and short-term deposits	**(61)**	(108)
Net debt	**2,276**	1 612

(F) PENSION

The Company s pension scheme is the principal pension scheme of the Group and details are set out in note 10 of the consolidated financial statements

(G) DEBTORS

	2014 £m	2013 £m
Trade and other debtors[1]	**45**	4
Amounts owed by subsidiaries	**–**	216
Amounts due from joint ventures	**–**	40
Corporation tax	**–**	10
Prepayments and accrued income	**3**	3
	48	273

1 Included within this balance is deferred consideration of £nil (2012/13 £4m) arising on the sale of investment properties The timing of the receipt is uncertain and may fall due after one year

(H) CREDITORS

	2014 £m	2013 £m
Trade creditors	**14**	29
Amounts due to joint ventures	**–**	–
Corporation tax	**19**	2
Other taxation and social security	**21**	17
Accruals and deferred income	**35**	50
	89	98

Interest rate derivative liabilities are presented on the face of the balance sheet in 2014

COMPANY BALANCE SHEET CONTINUED

Prepared in accordance with UK GAAP as at 31 March 2014

(I) SHARE CAPITAL

	£m	Ordinary shares of 25p each
Issued, called up and fully paid		
At 1 April 2013	249	997 691,488
Issued	6	22,074 993
At 31 March 2014	**255**	**1,019,766,481**

In March 2014, the Company issued ordinary shares Refer to note 22 of the consolidated financial statements

(J) SHARE CAPITAL AND RESERVES

	Share capital £m	Share premium £m	Other reserves £m	Merger reserve £m	Profit and loss account £m	Total £m
At 1 April 2013	249	1 245	(61)	213	3,044	**4,690**
Share issues	6	15	–	–	–	**21**
Transfer to retained earnings	–	–	–	–	–	–
Adjustment for scrip dividend element	–	–	–	–	105	**105**
Dividend paid	–	–	–	–	(266)	**(266)**
Adjustment for share and share option award	–	–	–	–	1	**1**
Pension scheme movements	–	–	–	–	(2)	**(2)**
Retained profit (loss)	–	–	–	–	749	**749**
Derivative valuation movement	–	–	37	–	–	**37**
Exchange movements on net investments	–	–	–	–	–	**–**
At 31 March 2014	255	1,260	(24)	213	3,631	**5,335**

The value of distributable reserves within the profit and loss account is £2,299m (2012/13 £1 751m)

(K) 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 2014, the Company had £93m of capital commitments (2012/13 £172m)

The Company has chosen to provide a development loan facility of up to £320m to the Broadgate joint venture secured against the development 5 Broadgate The loan which is assignable and on commercial terms includes an interest cost of 3% per annum above LIBOR and market based fees As at 31 March 2014, £145m had been drawn by the joint venture (2012/13 £53m)

Related party transactions are the same for the Company as for the Group For details refer to note 25 of the consolidated financial statements

The Company has used the exemption under FRS 8 where disclosure is not required of transactions with fellow subsidiary undertakings 100% of whose voting rights are controlled within the Group The Company has utilised the exemptions provided by FRS 1 (Revised) and has not presented a cash flow statement A consolidated cash flow statement has been presented in the Group financial statements

SUPPLEMENTARY DISCLOSURES UNAUDITED

TABLE A. SUMMARY INCOME STATEMENT AND BALANCE SHEET

SUMMARY INCOME STATEMENT BASED ON PROPORTIONAL CONSOLIDATION FOR THE YEAR ENDED 31 MARCH 2014

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, i e proportional, basis The underlying profit before taxation and underlying profit after taxation are the same as presented in the consolidated income statement

	Year ended 31 March 2014				Year ended 31 March 2013		
	Group £m	Joint ventures and funds £m	Less non-controlling interests £m	Proportionally consolidated £m	Group £m	Joint ventures and funds £m	Proportionally consolidated £m
Gross rental income	334	267	(4)	597	294	273	567
Property operating expenses	(21)	(14)	–	(35)	(13)	(13)	(26)
Net rental income	313	253	(4)	562	281	260	541
Administrative expenses	(72)	(6)	–	(78)	(72)	(4)	(76)
Fees and other income	15	–	–	15	15	–	15
Ungeared income return	256	247	(4)	499	224	256	480
Net interest	(81)	(123)	2	(202)	(80)	(126)	(206)
Underlying profit before taxation	175	124	(2)	297	144	130	274
Underlying tax	(2)	–	–	(2)	(1)	–	(1)
Underlying profit after taxation	173	124	(2)	295	143	130	273
Underlying earnings per share – diluted basis				29 4p			30 3p
Valuation movement				873			26
Other capital and tax (net)[1]				53			(4)
Capital and other				926			22
Total return				1,221			295

The underlying earnings per share is calculated on underlying profit before taxation of £297m, tax attributable to underlying profits of £2m and 1 004m shares on a diluted basis for the year ended 31 March 2014

1 Includes other comprehensive income movement in dilution of share options and the movement in items excluded for EPRA NAV

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SUPPLEMENTARY DISCLOSURES UNAUDITED CONTINUED

TABLE A continued

SUMMARY BALANCE SHEET BASED ON PROPORTIONAL CONSOLIDATION AS AT 31 MARCH 2014

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 i e proportional, basis and assuming full dilution

	Group £m	Share of joint ventures and 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 2014 £m**	EPRA net assets 2013 £m
Retail properties	4,554	2,930	(610)	-	-	-	(22)	-	**6,852**	6,378
Office properties	3,036	2 012	-	-	-	-	(12)	63	**5,099**	3,863
Other properties	-	89	-	-	-	-	-	-	**89**	258
Total properties	7 590	5 031	(610)	-	-	-	(34)	63	**12,040**	10 499
Investments in joint ventures and funds	2 712	(2,712)	-	-	-	-	-	-	**-**	-
Other investments	262	(68)	-	-	-	-	-	-	**194**	53
Other net (liabilities) assets	(266)	(138)	8	39	6	-	34	-	**(317)**	(319)
Net debt	(3 181)	(2 113)	231	-	-	173	-	-	**(4,890)**	(4,266)
Net assets	7,117	-	(371)	39	6	173	-	63	**7,027**	5,967
EPRA NAV per share (note 2)									**688p**	596p

Property segments have been re-presented in line with note 23

EPRA NET ASSETS MOVEMENT

	Year ended 31 March 2014		Year ended 31 March 2013	
	£m	**Pence per share**	£m	Pence per share
Opening EPRA NAV	**5,967**	**596**	5 381	595
Income return	**295**	**29**	273	30
Capital return	**926**	**90**	22	2
Dividend paid in cash	**(161)**	**(27)**	(202)	(27)
Dilution due to issues of shares	**-**	**-**	493	(4)
Closing EPRA NAV	**7,027**	**688**	5,967	596

TABLE B: EPRA PERFORMANCE MEASURES

EPRA PERFORMANCE MEASURES SUMMARY TABLE

	2014		2013	
	£m	Pence per share	£m	Pence per share
EPRA earnings – basic	**295**	**29 5**	268	29 9
– diluted	**295**	**29 4**	268	29 7
EPRA NAV	**7,027**	**688**	5,967	596
EPRA NNNAV	**6,700**	**656**	5,522	552
EPRA net initial yield		**4 8%**		5 5%
EPRA topped-up net initial yield		**5 3%**		5 7%
EPRA vacancy rate		**5 2%**		3 4%

CALCULATION OF EPRA EARNINGS AND EPRA EARNINGS PER SHARE

	2014 £m	2013 £m
Profit for the year after taxation	**1,106**	284
Exclude		
Group – non-underlying current tax	**(5)**	(9)
Group – deferred tax	**(3)**	(16)
Joint ventures and funds – non-underlying current tax	**5**	(2)
Joint ventures and funds – deferred tax	**–**	(1)
Group – net valuation movement (including result on disposals)	**(615)**	(79)
Joint ventures and funds – net valuation movement (including result on disposals)	**(258)**	62
Amortisation of intangible assets	**–**	1
Changes in fair value of financial instruments and associated close-out costs	**57**	28
Non-controlling interest in respect of the above	**8**	–
EPRA earnings[1]	**295**	268
Mark-to-market on/profit on disposal of liquid investments (held for trading assets)	**–**	(9)
Mark-to-market on convertible bond	**–**	7
Non-recurring items[2]	**–**	7
Underlying earnings after taxation	**295**	273

	2014 Number million	2013 Number million
Weighted average number of shares	**1,010**	907
Adjustment for treasury shares	**(11)**	(11)
Adjustment for ESOP shares	**–**	(1)
Weighted average number of shares (basic)	**999**	895
Dilutive effect of share options	**2**	2
Dilutive effect of ESOP shares	**3**	4
Weighted average number of shares (diluted)	**1,004**	901

	2014 Pence	2013 Pence
Earnings per share (basic)	**110 7**	31 7
Earnings per share (diluted)	**110 2**	31 5
Underlying earnings per share (diluted)	**29 4**	30 3
EPRA earnings per share – basic	**29 5**	29 9
– diluted	**29 4**	29 7

1 Comparatives have been re-presented in line with updated EPRA guidance

2 Non-recurring items for the year ended 31 March 2013 relate to £7m of issue costs for the convertible bond

SUPPLEMENTARY DISCLOSURES UNAUDITED CONTINUED

TABLE B continued

NET ASSETS PER SHARE

	2014		2013	
	£m	Pence per share	£m	Pence per share
Balance sheet net assets	**7,117**		5 687	
Deferred tax arising on revaluation movements	**6**		14	
Mark-to-market on effective cash flow hedges and related debt adjustments	**173**		198	
Dilution effect of share options	**39**		58	
Surplus on trading properties	**63**		10	
Less non-controlling interests	**(371)**		–	
EPRA NAV	**7,027**	**688**	5,967	596
Deferred tax arising on revaluation movements	**(6)**		(14)	
Mark-to-market on effective cash flow hedges and related debt adjustments	**(173)**		(198)	
Mark-to-market on debt	**(148)**		(233)	
EPRA NNNAV	**6,700**	**656**	5,522	552

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

EPRA NET INITIAL YIELD AND TOPPED-UP NET INITIAL YIELD

	2014 £m	2013 £m
Investment property – wholly-owned	**7,194**	5 554
Investment property – share of joint ventures and funds	**4,757**	4,945
Less developments, residential and land	**(1,192)**	(1,340)
Completed property portfolio	**10,759**	9 159
Allowance for estimated purchasers costs	**639**	552
Gross up completed property portfolio valuation	**11,398**	9,711
Annualised cash passing rental income	**554**	541
Property outgoings	**(8)**	(11)
Annualised net rents	**546**	530
Rent expiration of rent-free periods and fixed uplifts[1]	**53**	27
Topped-up' net annualised rent	**599**	557
EPRA net initial yield	**4 8%**	5 5%
EPRA topped-up' net initial yield	**5 3%**	5 7%
Including fixed/minimum uplifts received in lieu of rental growth	**26**	26
Total topped-up net rents	**625**	583
Overall topped-up net initial yield	**5 5%**	6 0%
Topped-up net annualised rent	**599**	557
ERV vacant space	**33**	19
Reversions	**(9)**	(13)
Total ERV	**623**	563
Net reversionary yield	**5 5%**	5 8%

1 The period over which rent-free periods expire is 2 years (2012/13 2 years)

The current period above is stated for the UK portfolio only

TABLE B continued

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 was determined by our external valuers as at 31 March 2014, 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 un-rented, lettable space as a proportion of the total rental value of the completed property portfolio

EPRA VACANCY RATE

	2014 £m	2013 £m
Annualised potential rental value of vacant premises	**33**	19
Annualised potential rental value for the completed property portfolio	**626**	563
EPRA vacancy rate	**5 2%**	3 4%

The current period above is stated for the UK portfolio only

EPRA COST RATIOS

	2014 £m	2013 £m
Property outgoings	**21**	13
Administrative expenses	**72**	72
Share of joint ventures and funds expenses	**20**	17
Less management and performance fees (from joint ventures and funds)	**(10)**	(10)
other fees and commission	**(5)**	(5)
ground rent costs	**(2)**	(1)
EPRA costs (including direct vacancy costs) (A)	**96**	86
Direct vacancy costs	**(13)**	(14)
EPRA costs (excluding direct vacancy costs) (B)	**83**	72
Gross rental income less ground rent costs	**330**	294
Share of joint ventures and funds (GRI less ground rent costs)	**265**	273
Total gross rental income (C)	**595**	567
EPRA cost ratio (including direct vacancy costs) (A/C)	**16 2%**	15 3%
EPRA cost ratio (excluding direct vacancy costs) (B/C)	**13 9%**	12 8%
Overhead and operating expenses capitalised (including share of joint ventures and funds)	–	–

No overhead or operating expenses including employee costs are capitalised

SUPPLEMENTARY DISCLOSURES UNAUDITED CONTINUED

TABLE C· GROSS RENTAL INCOME AND ACCOUNTING RETURN

CALCULATION OF GROSS RENTAL INCOME

	Year ended 31 March 2014 £m	Year ended 31 March 2013 £m
Rent receivable	**574**	538
Spreading of tenant incentives and guaranteed rent increases	**23**	28
Surrender premia	**4**	1
Gross rental income	**601**	567

TOTAL ACCOUNTING RETURN

	Year ended 31 March 2014 %	Year ended 31 March 2013 %
Total accounting return	**20 0**	4 6

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OTHER INFORMATION UNAUDITED

PORTFOLIO VALUATION

At 31 March 2014	Total[1] £m	Change[2] H1 %	H2 %	FY %
Retail[3]				
Retail parks	2,767	1 1	2 7	3 7
Superstores	1,321	2 0	0 7	2 8
Shopping centres	1 862	0 3	1 8	2 1
Department stores	564	6 5	11 1	18 3
Leisure	338	2 0	8 4	10 5
All Retail	**6,852**	**1 5**	**2 9**	**4 4**
Offices[3]				
City	2 038	3 6	8 1	11 8
West End	2 720	6 0	10 0	16 6
Provincial	96	4 0	6 6	10 9
All Offices	**4,854**	**5 0**	**9 1**	**14 4**
Residential[4]	245	2 6	13 2	15 4
All Offices and Residential	**5,099**	**4 9**	**9 3**	**14 5**
Total	**11,951**	**2 8**	**5 5**	**8 3**

Table shows UK total, excluding assets held in Europe Total portfolio valuation including Europe of £12 0bn at year-end, +8 0% valuation movement

1 Including Group s share of properties in joint ventures and funds

2 Valuation movement during the period (after taking account of capital expenditure) of properties held at the balance sheet date including developments (classified by end use) purchases and sales

3 Including developments

4 Stand-alone residential

PORTFOLIO YIELD AND ERV MOVEMENTS

At 31 March 2014	ERV £m	NEY %	ERV growth[1] H1 %	H2 %	FY %	NEY yield compression[2] H1 bps	H2 bps	FY bps
Retail								
Retail parks	165	5 7	1 0	0 0	1 0	7	18	25
Superstores	70	5 1	0 5	0 2	0 7	5	3	9
Shopping centres	112	5 5	0 0	2 3	2 4	5	6	11
Department stores	24	5 4	0 1	0 1	0 2	38	58	94
Leisure	21	7 7	2 0	2 6	4 6	6	65	71
All Retail	**392**	**5 6**	**0 6**	**0 9**	**1 5**	**8**	**18**	**26**
Offices								
City	98	5 3	1 2	6 6	7 9[3]	9	30	39
West End	137	5 1	2 3	2 3	4 6	16	28	41
Provincial	5	6 1	0 0	0 0	0 0	23	24	47
All Offices	**240**	**5 2**	**1 7**	**4 1**	**5 8**	**13**	**29**	**40**
Total	**632**	**5 5**	**0 9**	**2 0**	**3 0**	**10**	**22**	**31**

Table shows UK total excluding assets held in Europe

1 Like-for-like (as calculated by IPD)

2 Including notional purchaser s costs

3 City up 4 0% on a like-for-like basis

TOTAL PROPERTY RETURN (AS CALCULATED BY IPD EXCLUDING EUROPE)

	Retail		Offices		Total	
Full-year to 31 March 2014	British Land %	IPD %	British Land %	IPD %	British Land %	IPD %
Capital return	4 6	4 2	15 3	12 9	8 9	7 5
– ERV growth	1 5	0 0	5 8	4 9	3 0	1 7
– Yield compression[1]	26 bps	33 bps	40 bps	52 bps	31 bps	45 bps
Income return	5 9	5 7	3 5	5 0	4 9	5 7
Total property return	**10 7**	**10 1**	**19 3**	**18 5**	**14 2**	**13 6**

1 Net equivalent yield movement

PORTFOLIO WEIGHTING

At 31 March	2013 %	2014 (current) %	2014 (current) £m	2014 (pro forma[1]) %
Retail				
Retail parks	24 5	23 1	2,767	21 5
Superstores	12 6	11 1	1,321	10 1
Shopping centres	17 6	15 6	1 862	14 4
Department stores	4 6	4 7	564	4 3
Leisure	3 0	2 8	338	2 6
All Retail	**62 3**	**57 3**	**6,852**	**52 9**
Offices				
City	17 1	17 1	2,038	16 9
West End	18 4	22 7	2 720	25 3
Provincial	0 8	0 8	96	1 7
All Offices	**36 3**	**40 6**	**4,854**	**43 9**
Residential[2]	1 4	2 1	245	3 2
All Offices and Residential	**37 7**	**42 7**	**5,099**	**47 1**
Total	**100 0**	**100 0**	**11,951**	**100 0**

Table shows UK total excluding assets held in Europe

1 Pro forma for developments to date at estimated end value (as determined by the Group s external valuers)

2 Stand-alone residential

PORTFOLIO NET YIELDS[1]

At 31 March (excluding developments)	EPRA net initial yield %	EPRA topped-up net initial yield[2] %	Overall topped-up net initial yield[3] %	Net reversionary yield %	Net equivalent yield %
Retail					
Retail parks	5 3	5 6	5 7	5 6	5 7
Superstores	4 9	5 1	5 1	5 0	5 1
Shopping centres	5 3	5 4	5 4	5 6	5 5
Department stores	5 0	5 0	7 1	4 0	5 4
Leisure	7 1	7 1	8 9	5 6	7 7
All Retail	**5 3**	**5 5**	**5 8**	**5 4**	**5 6**
Offices					
City	5 5	5 8	5 9	6 2	5 3
West End	2 9	4 3	4 4	5 3	5 1
Provincial	6 9	6 9	6 9	5 6	6 1
All Offices	**4 0**	**4 9**	**5 0**	**5 6**	**5 2**
Total	**4 8**	**5 3**	**5 5**	**5 5**	**5 5**

Table shows UK total excluding assets held in Europe

1 Including notional purchaser s costs

2 Including rent contracted from expiry of rent-free periods and fixed uplifts not in lieu of rental growth

3 Including fixed/minimum uplifts (excluded from EPRA definition)

OTHER INFORMATION UNAUDITED CONTINUED

ANNUALISED RENT AND ESTIMATED RENTAL VALUE (ERV)

At 31 March 2014 (excluding developments)	Annualised rent (valuation basis) Total £m[1]	ERV Total £m	Average rent Contracted[2] £ psf	Average rent ERV[2] £ psf
Retail				
Retail parks	157	165	24 5	24 6
Superstores	68	70	21 8	21 6
Shopping centres	104	112	30 2	31 9
Department stores	30	24	13 6	10 9
Leisure	25	21	14 1	11 6
All Retail	**384**	**392**	**22 7**	**22 4**
Offices				
City	88	98	47 5	48 7
West End	76	137	48 4	52 0
Provincial	6	5	27 1	21 9
All Offices	**170**	**240**	**46 9**	**49 2**
Residential[3]	3	-		
All Offices and Residential	**173**	**240**		
Total	**557**	**632**	**26 6**	**27 7**

Table shows UK total, excluding assets held in Europe

1 Gross rents plus where rent reviews are outstanding any increases to ERV (as determined by the Group s external valuers) less any grounds rents payable under head leases excludes contracted rent subject to rent free and future uplift

2 Office average rent and ERV £ psf is based on office space only

3 Stand-alone residential

GROSS RENTAL INCOME[1]

(Accounting basis)	12 months to 31 March 2014 Total £m	Annualised as at 31 March 2014 Total £m
Retail		
Retail parks	150	159
Superstores	72	71
Shopping centres	115	103
Department stores	33	33
Leisure	29	29
All Retail	**399**	**395**
Offices		
City	89	87
West End	84	93
Provincial	6	6
All Offices	**179**	**186**
Residential[2]	3	3
All Offices and Residential	**182**	**189**
Total	**581**	**584**

Table shows UK total, excluding assets held in Europe

1 Gross rental income will differ from annualised rents due to accounting adjustments for fixed and minimum contracted rental uplifts and lease incentives

2 Stand-alone residential

LEASE LENGTH AND OCCUPANCY

At 31 March 2014 (excluding developments)	Average lease length		Occupancy rate	
	To expiry Years	To break Years	Occupancy %	Occupancy (underlying)[1] %
Retail				
Retail parks	9 1	8 2	96 8	98 3
Superstores	15 0	14 8	100 0	100 0
Shopping centres	9 1	8 1	95 6	97 3
Department stores	26 6	23 3	100 0	100 0
Leisure	20 7	20 7	100 0	100 0
All Retail	**12 3**	**11 3**	**97 4**	**98 5**
Offices				
City	9 1	7 3	96 8	96 9
West End	11 2	9 4	85 7	88 4
Provincial	8 3	8 0	100 0	100 0
All Offices	**10 2**	**8 4**	**90 5**	**92 1**
Total	**11 5**	**10 3**	**94 8**	**96 1**

Table shows UK total excluding assets held in Europe

1 Including accommodation under offer or subject to asset management

RENT SUBJECT TO LEASE BREAK OR EXPIRY

At 31 March	2015 £m	2016 £m	2017 £m	2018 £m	2019 £m	2015–17 £m	2015–19 £m
Retail							
Retail parks	7	8	6	12	13	21	46
Superstores	–	–	–	–	–	–	–
Shopping centres	8	7	9	9	5	24	38
Department stores	–	–	–	1	–	–	1
Leisure	–	–	–	–	–	–	–
All Retail	**15**	**15**	**15**	**22**	**18**	**45**	**85**
Offices							
City	1	1	19	4	17	21	42
West End	1	4	7	8	10	12	30
Provincial	–	–	–	–	–	–	–
All Offices	**2**	**5**	**26**	**12**	**27**	**33**	**72**
Total	**17**	**20**	**41**	**34**	**45**	**78**	**157**
% of contracted rent	**2 7%**	**3 1%**	**6 5%**	**5 4%**	**7 3%**	**12 4%**	**25 1%**
Potential uplift at current ERV	**2**	**2**	**4**	**(2)**	**1**	**7**	**6**

Table shows UK total excluding assets held in Europe

OTHER INFORMATION UNAUDITED CONTINUED

RENT SUBJECT TO OPEN MARKET RENT REVIEW

12 months to 31 March	2015 £m	2016 £m	2017 £m	2018 £m	2019 £m	2015–17 £m	2015–19 £m
Retail							
Retail parks	19	18	16	22	25	53	100
Superstores	15	20	5	4	8	40	52
Shopping centres	9	14	14	15	10	37	62
Department stores	2	5	–	–	–	7	7
Leisure	–	–	–	–	–	–	–
All Retail	**45**	**57**	**35**	**41**	**43**	**137**	**221**
Offices							
City	11	14	2	15	14	27	56
West End	6	17	13	13	20	36	69
Provincial	–	6	–	–	–	6	6
All Offices	**17**	**37**	**15**	**28**	**34**	**69**	**131**
Total	**62**	**94**	**50**	**69**	**77**	**206**	**352**
Potential uplift at current ERV	**2**	**2**	**–**	**–**	**–**	**4**	**4**

Table shows UK total, excluding assets held in Europe

MAJOR HOLDINGS

At 31 March 2014 (excluding developments under construction)	British Land share %	Sq ft 000	Rent per annum[1] £m	Occupancy rate[2] %	Lease length Years[3]
Broadgate London EC2	50	3,963	177	96 8	7 2
Regent s Place London NW1	100	1 589	70	98 3	9 4
Meadowhall Shopping Centre, Sheffield	50	1,448	81	98 0	8 1
Sainsbury s Superstores	52	2 864	68	100 0	15 1
Tesco Superstores	51	2 808	63	100 0	14 7
Paddington Central	100	608	23	94 2	10 1
Teesside Shopping Park Stockton-on-Tees	100	422	15	98 6	7 0
Drake Circus Shopping Centre, Plymouth	100	414	16	99 2	6 3
Debenhams Oxford Street	100	363	11	100 0	25 0
10 Portman Square W1	100	134	5	68 2	12 0

1 Annualised contracted rent including 100% of joint ventures and funds

2 Includes accommodation under offer or subject to asset management

3 Weighted average to first break

OCCUPIERS REPRESENTING OVER 0 5% OF TOTAL CONTRACTED RENT

At 31 March 2014	% of contracted rent		% of contracted rent
Tesco plc	7 7	Facebook	0 9
Sainsbury Group	6 0	Asda Group	0 9
Debenhams	5 8	JPMorgan	0 8
UBS AG	3 2	Reed Smith	0 8
Home Retail Group	2 7	C&W Plc (Cable & Wireless plc)	0 8
Kingfisher (B&Q)	2 7	JD Sports	0 8
HM Government	2 5	Gazprom	0 7
Next plc	2 4	Deutsche Bank AG	0 7
Virgin Active	2 0	Mayer Brown	0 7
Arcadia Group	2 0	Hennes	0 7
Spirit Group	1 6	Mothercare	0 6
Alliance Boots	1 6	ICAP Plc	0 6
Herbert Smith	1 4	Pets at Home	0 6
DSG International	1 3	Credit Agricole	0 6
Marks & Spencer Plc	1 3	Carlson (TGI Friday s)	0 6
Royal Bank of Scotland plc	1 2	AstraZeneca	0 6
Hutchison Whampoa	1 1	Nokia	0 6
Aegis Group	1 1	Henderson	0 5
House of Fraser	1 0	Steinhoff	0 5
New Look	1 0	Lewis Trust (River Island)	0 5
SportsDirect	0 9	Aramco	0 5
TJX Cos Inc (TK Maxx)	0 9	Lend Lease	0 5

INVESTMENT ACTIVITY

Acquisitions

Full-year to 31 March 2014		Area	Price (gross) £m	British Land share £m	Annual passing rent £m[3]
Completed					
Paddington Central	Offices	London	470	470	21
Aldgate Place	Residential	London	40	20	–
The Shoreditch Estate[1]	Mixed-use	London	6	6	–
Hercules Unit Trust unit purchase[2]	Retail	Various	262	262	16
Sainsbury s superstore portfolio[4]	Retail	Various	83	83	–
SouthGate, Bath (50%)	Retail	South West	202	101	5
Hilden Block, Ealing Broadway Shopping Centre	Retail	London	29	29	2
Tesco Extra Craigavon	Retail	N Ireland	23	23	1
1–5 Baker Street	Offices	London	22	22	1
Harmsworth Quays Canada Water	Residential	London	11	11	–
Other			6	6	–
Total			**1,154**	**1,033**	**46**

1 Entered into an option agreement with The City of London Corporation to draw down a development agreement subject to securing revised planning consent on the sites

2 Units purchased over the course of the financial year

3 British Land share of net rent topped-up for rent frees

4 26% equity interest

OTHER INFORMATION UNAUDITED CONTINUED

INVESTMENT ACTIVITY

Disposals

Full-year to 31 March 2014		Area	Price (gross) £m	British Land share £m	Annual passing rent £m[1]
Completed					
Puerto Venecia Zaragoza	Retail	Spain	242	121	7
Bon Accord and St Nicholas Aberdeen	Retail	Scotland	189	94	6
The Triton Building (NEQ) residential	Residential	London	96	96	–
Eastgate Shopping Centre, Basildon	Retail	South East	89	89	7
St James Retail Park Northampton	Retail	Midlands	53	53	3
St James Retail Park, Dumbarton	Retail	Scotland	46	46	3
PREF, Udine	Retail	Italy	40	26	2
West Cornwall Shopping Park, Hayle	Retail	South West	26	11	1
Marble Arch House residential	Residential	London	17	17	–
6 and 7–9 Eldon Street (Princes Trust House)	Offices	London	17	17	1
Marsh Mills Retail Park Plymouth	Retail	South West	13	13	1
New Century Park land	Offices	Midlands	13	13	–
Other			60	53	3
Exchanged					
Cwmbran Retail Park	Retail	Wales	32	32	2
Residential sales	Residential	London	29	29	–
Total			**962**	**710**	**36**

1 British Land share of net rent topped-up for rent frees

DEVELOPMENT

Near-term pipeline

At 31 March 2014	Sector	British Land share %	Sq ft 000	Total cost £m[1]	Status
Blossom Street, Shoreditch	Mixed-use	100	322	164	Pre-submission
5 Kingdom Street[2]	Offices	100	240	162	Consented
4 Kingdom Street	Offices	100	147	99	Consented
Glasgow Fort (restaurant and car park)	Retail	59	10	5	Consented
Total near-term			**719**	**430**	

1 Total cost including site value

2 210 000 sq ft of which is consented

Medium-term pipeline

At 31 March 2014	Sector	British Land share %	Sq ft 000	Status
100 Liverpool Street	Offices	50	512	Pre-submission
Power Court, Luton	Retail	100	149	Pre-submission
Aldgate Place, Phase 2	Residential	50	145	Consented
Drake Circus Leisure	Retail	100	105	Pre-submission
Fort Kinnaird Edinburgh (Debenhams)	Retail	29	30	Pre-submission
Glasgow Fort (Additional Retail Unit)	Retail	59	30	Consented
Lancaster	Retail	100	300	Pre-submission
Eden Walk Shopping Centre Kingston	Mixed-use	50	500–600	Pre-submission
Surrey Quays	Mixed-use	100	1 500–2 000	Pre-submission
Harmsworth Quays	Mixed-use	100	1,000–1 500	Pre-submission
Total medium-term			**4,271–5,371**	

DEVELOPMENT

Recently completed and committed developments

At 31 March 2014	Sector	British Land share %	Sq ft 000	Practical completion calendar Year	Current value £m	Cost to complete £m[1]	ERV £m[2]	Pre-let £m	Residential end value[3] £m
2010 programme									
10–30 Brock Street Regent s Place[4]	Mixed-use	100	505	Completed	402	3	20 5	19 1	118
10 Portman Square	Offices	100	134	Completed	183	4	9 8	4 9	–
Marble Arch House[5]	Mixed-use	100	87	Completed	70	4	4 4	–	19
39 Victoria Street	Offices	100	93	Completed	82	3	5 4	0 0	–
199 Bishopsgate	Offices	50	144	Completed	60	1	3 5	2 0	–
Whiteley Shopping Fareham	Retail	50	321	Completed	55	0	2 6	2 4	–
Bedford Street	Residential	100	24	Completed	34	1	0 0	0 0	28
Glasgow Fort (Leisure)	Retail	59	46	Completed	11	3	0 7	0 7	–
The Leadenhall Building	Offices	50	605	2014	265	29	18 9	9 0	–
5 Broadgate	Offices	50	710	2015	251	63	19 2	19 2	–
Total 2010 programme			**2,669**		**1,413**	**111**	**85 0**	**57 3**	**165**
Recently committed									
Milton Keynes Kingston Centre	Retail	50	21	Completed	5	–	0 3	0 3	–
Old Market, Hereford[7]	Retail	100	305	2014	66	15	4 8	3 9	–
Craven Hill Gardens	Residential	100	25	2014	47	4	–	–	58
Fort Kinnaird Edinburgh	Retail	29	55	2014	3	3	0 4	0 3	–
Broadgate Circle	Offices	50	45	2014	10	8	1 2	-	–
Broughton Park, Chester	Retail	59	54	2014	3	6	0 6	0 6	–
Whiteley Leisure Fareham	Retail	50	58	2014	1	6	0 6	0 4	–
Meadowhall Surrounding Land	Retail	50	22	2015	1	3	0 4	0 4	–
Glasgow Fort, M&S and Retail Terrace	Retail	59	112	2015	1	20	1 6	0 7	–
Deepdale, Preston	Retail	29	71	2015	1	4	0 4	0 4	–
Yalding House	Offices	100	29	2015	11	12	1 5	–	–
The Hempel	Residential	100	40	2016	44	26	–	–	92
Aldgate Place, Phase 1[6]	Residential	50	221	2016	16	45	-	–	65
Clarges Mayfair[8]	Mixed-use	100	195	2017	213	183	5 7	–	449
Total recently committed			**1,253**		**422**	**335**	**17 5**	**7 0**	**664**
Total committed under construction			**2,547**		**933**	**427**	**55 3**	**34 9**	**664**

Data includes Group s share of properties in joint ventures and funds (except area which is shown at 100%)

1 From 1 April 2014 to practical completion

2 Estimated headline rental value net of rent payable under head leases (excluding tenant incentives)

3 Residential development of which £148m completed or exchanged and a further £16m under offer

4 Includes 126 000 sq ft of residential of which £102m has now sold and completed

5 Includes 10 000 sq ft of residential of which £17m has now sold and completed during the year

6 End value excludes sale of hotel site receipts of £6m (British Land share) estimated

7 Completed post year-end

8 Includes 104 000 sq ft of residential

OTHER INFORMATION UNAUDITED CONTINUED

ENVIRONMENTAL PERFORMANCE MEASURES

The data below follows EPRA best practice recommendations on sustainability reporting for managed properties It also includes additional developments data and Scope 3 carbon emissions to provide a comprehensive picture of resource use across our business It covers 66% of our total investment portfolio, as we focus on our managed properties and developments where we can influence performance

		2013/14	2012/13	2011/12	Scope (number of assets)
EPRA best practice recommendations across our managed portfolio[1]					
3 1 Energy consumption from electricity (MWh)		**163,406**	174 246	191,188	466/781
3 2 Energy consumption from district heating and cooling (MWh)		**289**	349	135	1/1
3 3 Energy consumption from fuels (MWh)		**28,826**	30,084	25 918	56/63
3 4 Building energy intensity (kWh per m²)	Offices	**256 75**	274 89	307 41	27/27
	Shopping centres	**49 12**	57 75	58 36	9/9
	Retail parks	**8 86**	10 15	10 68	42/42
3 4 Building energy intensity (kWh per workstation or 10,000 visitors)	Offices	**6,160**	6 324	6,744	23/23
	Shopping centres	**1,564**	2,197	2 678	9/9
	Retail parks	**297**	431	352	41/41
3 5 Direct (Scope 1) greenhouse gas emissions (tonnes CO_2e)		**6,953**	6,694	5 581	63/63
3 6 Indirect (Scope 2) greenhouse gas emissions (tonnes CO_2e)		**89,993**	97 420	105,610	466/781
3 7 Greenhouse gas intensity from building energy (tonnes CO_2e per m²)	Offices	**0 13**	0 14	0 16	27/27
	Shopping centres	**0 03**	0 03	0 03	9/9
	Retail parks	**0 005**	0 005	0 005	42/42
3 8 Water withdrawal by source (m³)		**680,349**	664,960	699,222	215/738
3 9 Building water intensity (m³ per m²)	Offices	**0 68**	0 66	0 74	27/27
	Shopping centres	**0 26**	0 20	0 19	9/9
	Retail parks	**0 08**	0 27	0 31	12/12
3 9 Building water intensity (m³ per workstation or 10,000 visitors)	Offices	**14 51**	14 86	15 75	24/24
	Shopping centres	**8 25**	7 61	8 88	9/9
	Retail parks	**2 49**	11 33	13 69	12/12
3 10 and 3 11 Waste by disposal route (tonnes and %)	Recycled	**13,052 (65%)**	10 407 (60%)	10 313 (57%)	83/83
	Incinerated	**5,435 (27%)**	5,162 (30%)	5,588 (31%)	83/83
	Landfilled	**1,475 (7%)**	1 739 (10%)	2 297 (13%)	83/83
Additional developments data					
Site energy use (MWh)		**4,107**	5,295	6 620	33/34
Site water use (m³)		**148,564**	54,302	27,369	33/34
Waste diverted from landfill on developments (tonnes and %)		**50,290 (83%)**	272,667 (92%)	196 053 (98%)	33/34
Absolute Scope 3 emissions (tonnes CO_2e)[2]					
Occupier energy use – Offices Managed portfolio electricity and gas use		**42,684**	50 042	51,839	468/781
Occupier energy use – Retail Managed portfolio electricity and gas use		**1,292**	1 653	1 461	468/781
Vacant space energy use – Offices and Retail Managed portfolio electricity and gas use		**1,268**	248	547	468/781
Lifecycle emissions – Offices, Retail and Residential Managed portfolio and head office		**10,159**	9,846	10 586	468/781
Water use Managed portfolio		**227**	217	232	468/781
Embodied carbon and construction site activities Developments		**184,100**	205 500	134 500	35/37
Business travel by British Land staff Head office		**298**	271	205	1/1
Total		**240,028**	267,777	199 370	504/819

1 As per EPRA best practice recommendations total energy and water data covers energy and water procured by British Land Energy water and carbon intensity data covers whole building usage for Offices and common parts usage for shopping centres and retail parks

2 Energy data covers energy procured by British Land The majority of retail energy use is procured directly by retail occupiers For Scope 1 and 2 carbon data please see page 22

For more detailed data on all these indicators and additional indicators, please see our Full Data Report 2014 www britishland com/crdata

TEN YEAR RECORD UNAUDITED

The table below summarises the last ten years results, cash flows and balance sheets Figures for 2005 onwards are prepared under IFRS Figures for 2004 are the UK GAAP comparatives adjusted to show gross rental income on a proportional basis FRS 21 became effective in 2006 under UK GAAP and has been applied retrospectively to 2004 and earlier years This standard requires proposed dividends not approved by the balance sheet date to be excluded from the balance sheet

	IFRS									
	2014 £m	2013 £m	2012 £m	2011 £m	2010 £m	2009 £m	2008 £m[5]	2007 £m	2006 £m	2005 £m
Income										
Gross rental income[1]	**601**	567	572	541	561	650	709	706	751	630
Net rental income	**566**	541	546	518	545	598	667	661	701	585
Fees and other income	**15**	15	17	18	15	20	40	50	50	9
Interest expense (net)	**(204)**	(206)	(218)	(212)	(246)	(292)	(350)	(370)	(436)	(360)
Administrative expense	**(78)**	(76)	(76)	(68)	(65)	(58)	(73)	(84)	(87)	(53)
Minority interest	**(2)**	–	–	–	–	–	–	–	–	–
Underlying profit	**297**	274	269	256	249	268	284	257	228	181
Exceptional costs (not included in underlying profit)[4]	–	–	–	–	–	(119)	–	(305)	(122)	(180)
Dividends declared	**266**	234	231	231	225	198	179	107	88	84
Summarised balance sheets										
Total properties at valuation[1 3]	**12,040**	10,499	10 337	9,572	8 539	8 625	13 471	16,903	14 414	12 507
Net debt	**(4,890)**	(4,266)	(4 690)	(4,173)	(4,081)	(4,941)	(6 413)	(7,741)	(6 684)	(6 538)
Other assets and liabilities	**(123)**	(266)	(266)	(298)	(51)	(297)	(122)	(300)	72	(56)
EPRA NAV/fully diluted adjusted net assets	**7,027**	5 967	5,381	5 101	4 407	3 387	6,936	8 862	7 802	5,913
Cash flow movement – Group only										
Cash generated from operations	**243**	197	211	182	248	406	477	494	455	464
Cash outflow from operations	**(24)**	(7)	(5)	28	(112)	(201)	(295)	(275)	(351)	(338)
Net cash inflow from operating activities	**219**	190	206	210	136	205	182	219	104	126
Cash (outflow) inflow from capital expenditure, investments acquisitions and disposals	**(660)**	(202)	(547)	(240)	(39)	418	857	(54)	986	(527)
Equity dividends paid	**(159)**	(203)	(212)	(139)	(154)	(188)	(161)	(91)	(84)	(77)
Cash (outflow) inflow from management of liquid resources and financing	**607**	213	630	157	(485)	(58)	(830)	(11)	(1,025)	459
Increase (decrease) in cash[6]	**7**	(2)	77	(12)	(542)	377	48	63	(19)	(19)
Capital returns										
Growth in net assets[2]	**17 8%**	10 9%	5 5%	15 7%	30 1%	(51 1%)	(21 6%)	13 6%	31 9%	15 5%
Total return[4]	**20 0%**	4 5%	9 5%	17 7%	33 5%	(61 6%)	(18 1%)	14 3%	33 2%	17 2%
Total return – pre-exceptional	**20 0%**	4 5%	9 5%	17 7%	33 5%	(60 3%)	(18 1%)	21 3%	34 6%	20 8%
Per share information[8]										
Net asset value per share	**688p**	596p	595p	567p	504p	398p	1,114p	1,394p	1,231p	935p
Memorandum										
Dividends declared in the year	**27 0p**	26 4p	26 1p	26 0p	26 0p	29 8p	29 0p	16 9p	14 1p	13 0p
Dividends paid in the year	**26 7p**	26 3p	26 0p	26 0p	27 3p	30 0p	26 7p	14 4p	13 3p	12 3p
Diluted earnings										
Underlying earnings per share	**29 4p**	30 3p	29 7p	28 5p	28 4p	41 0p	44 3p	35 9p	29 4p	22 2p
IFRS earnings (loss) per share[4 7]	**110 2p**	31 5p	53 8p	95 2p	132 6p	(614 1p)	(251 0p)	389 4p	188 3p	104 3p

1 Including share of joint ventures and funds
2 Represents movement in diluted EPRA NAV from 2006 onwards and adjusted diluted net assets for 2005 and before
3 Including surplus over book value of trading and development properties
4 Including exceptional finance costs in 2005 £180m 2006 £122m 2007 £305m and 2009 £119m
5 Restated for IFRS The UK GAAP accounts shows gross rental income of £620m and underlying profit of £175m
6 Represents movement in cash and cash equivalents under IFRS and movements in cash under UK GAAP
7 Under UK GAAP the revaluation of investment properties is not included in earnings per share
8 Adjusted for the rights issue of 341m shares in March 2009

SHAREHOLDER INFORMATION

FINANCIAL CALENDAR

2013/14	
Fourth quarter ex-dividend date	02 July 2014
Fourth quarter dividend paid	08 August 2014

2014/15	
First quarter Interim Management Statement announced	16 July 2014
First quarter ex-dividend date	October 2014
First quarter dividend paid	November 2014
Half-year results announced	18 November 2014
Second quarter ex-dividend date	January 2015
Second quarter dividend paid	February 2015
Third quarter Interim Management Statement	January 2015
Third quarter ex-dividend date	April 2015
Third quarter dividend paid	May 2015
Full-year results announced	May 2015
Fourth quarter ex-dividend date	July 2015
Fourth quarter dividend paid	August 2015

The Board will announce the availability of a Scrip Alternative for each dividend via the Regulatory News Service and on the Group s website (www britishland com), no later than four business days before each ex-dividend date For the fourth quarter dividend of 2013/14, the Board expects to announce the split between PID and non-PID income at the same time Any Scrip Alternative will not be enhanced

ANALYSIS OF SHAREHOLDERS – 31 MARCH 2014

Range	Number of holdings	%	Balance as at 31 March 2014[1]	%
1–1,000	7 623	53 01	3 600 516	0 35
1 001–5 000	4,992	34 72	10,837,022	1 06
5,001–20,000	903	6 28	8,619,782	0 85
20 001–50,000	245	1 70	7 939 495	0 78
50 001–Highest	617	4 29	988,769,666	96 96
Total	**14,380**	**100**	**1,019,766,481**	**100**

Holder name	Number of holdings	%	Balance as at 31 March 2014[1]	%
Individuals	7,285	50 66	12 543 540	1 23
Nominee and institutional investors	7,095	49 34	1,007,222,941	98 77
Total	**14,380**	**100**	**1,019,766,481**	**100**

1 Excluding 11 266 245 shares held in treasury

REGISTRARS
British Land s Share Registrars are Equiniti who can be contacted at Aspect House Spencer Road Lancing West Sussex BN99 6DA

Equiniti s shareholder enquiry line is 0871 384 2143
Calls cost 8p per minute plus network extras
Lines are open from 8 30am to 5 30pm, Monday to Friday

The general enquiries number for overseas callers is +44 (0)121 415 7047

The Registrar s website is **www shareview co uk** Registering on this site will enable you amongst other features, to view your British Land shareholding online, to update your details and to opt to receive shareholder mailings electronically

In addition to being our Share Registrar, Equiniti are also Registrars for the BLD Property Holdings Limited Stock

Bank of New York (operating through Capita) are Registrars of British Land s Debentures They can be contacted at The Registry 34 Beckenham Road, Beckenham Kent BR3 4TU

The bondholder enquiry line is 0871 664 0300 Calls cost 10p per minute plus network extras Lines are open from 9 00am to 5 30pm Monday to Friday

SHARE DEALING SERVICE
Equiniti offer Shareview dealing, a service which allows you to buy or sell British Land shares if you are a UK resident

You can deal in your shares on the internet or by phone Log on to **www shareview co uk/dealing** or call 0845 603 7037 between 8 30am and 4 30pm, Monday to Friday, for more information about this service and for details of the rates If you are an existing shareholder you will need your account/shareholder reference number which appears on your share certificate

DIVIDENDS
As a REIT British Land pays Property Income Distribution (PID) and non-Property Income Distribution (non-PID) dividends More information on REITs and property income distributions can be found in the glossary on page 179, or in the Investors section of our website at **www britishland com/investors/dividends**

PAYMENT OF DIVIDENDS
British Land dividends can be directly mandated into your bank or building society account instead of being despatched to you in paper cheque form 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/investors/dividends**

SCRIP DIVIDEND SCHEME
British Land offers shareholders the opportunity to participate in the Scrip Dividend Scheme This enables participating shareholders to receive shares instead of cash, when a Scrip Alternative is offered for a particular dividend For more information and for details of how to sign up to the Scrip Dividend Scheme please visit the Investors section of our website at **www britishland com/investors/dividends/scrip-dividend**

HONORARY PRESIDENT
Sir John Ritblat became Managing Director of British Land in 1970 and Chairman in 1971 He retired from the Board in December 2006 and was appointed Honorary President, in recognition of his work building British Land into the industry leading Company it is today

WEBSITE
The British Land corporate website contains a wealth of material for shareholders including the current share price, press releases and the Investors section which contains detailed information on, among other things, REITs and dividends The website can be accessed at **www britishland com**

WEBSITE DELIVERY OF SHAREHOLDER COMMUNICATIONS
If you currently receive paper copies of shareholder communications, you may prefer to receive electronic copies via the British Land website instead When a document is produced for shareholders you will receive an email containing a link directly to the new document If you would like further information, or would like to elect for website delivery of shareholder communications please visit **www shareview co uk** or telephone Equiniti s shareholder enquiry line on 0871 384 2143 Calls cost 8p per minute plus network extras Lines are open from 8 30am to 5 30pm, Monday to Friday

ANNUAL GENERAL MEETING
The AGM of The British Land Company PLC will be held at The Ocean Room, The Cumberland Hotel, Great Cumberland Place London W1H 7DL on 18 July 2014, at 11 00am

SHAREGIFT
Shareholders with a small number of shares the value of which makes it uneconomic to sell them, may wish to consider donating them to the charity ShareGift (registered charity 1052686) which specialises in using such holdings for charitable benefit

A ShareGift transfer form can be obtained from
Equiniti
Aspect House
Spencer Road
Lancing
West Sussex BN99 6DA

For further information contact
ShareGift
17 Carlton House Terrace
London SW1Y 5AH
Telephone +44 (0)20 7930 3737
Website **www sharegift org**

UNSOLICITED MAIL
On request British Land is legally required to make its share register available to other organisations The Mailing Preference Service is an independent organisation offering free services to help reduce the amount of unsolicited mail you receive For more information or to register, visit **www mpsonline org uk**, telephone 0845 703 4599 or write to
The Mailing Preference Service
FREEPOST 29
LON 20771
London W1E 0ZT

REGISTERED OFFICE
The address of British Land s head office and registered office is
York House
45 Seymour Street
London W1H 7LX
Telephone +44 (0)20 7486 4466
Fax +44 (0)20 7935 5552

GLOSSARY OF TERMS

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 review, 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 managed by British Land and includes 100% of the value of all joint ventures and funds

BREEAM (Building Research Establishment Environmental Assessment Method) assesses the sustainability of buildings against a range of criteria

Capital return is calculated as the change in capital value of the UK portfolio, less any capital expenditure incurred expressed as a percentage of capital employed over the period as calculated by IPD Capital returns are calculated monthly and indexed to provide a return over the relevant period

Capped rents are subject to a maximum level of uplift at the specified rent reviews as agreed at the time of letting

Collar rents are subject to a minimum level of uplift at the specified rent reviews as agreed at the time of letting

Contracted rent is the annualised rent adjusting for the inclusion of rent subject to rent free periods

Developer s profit is the profit on cost estimated by the valuers 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 uplift is the total increase in the value (after taking account of capital expenditure and capitalised interest) of properties held for development during the period It also includes any developer s profit recognised by valuers in the period

Development construction 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 75% per annum)

EPRA is the European Public Real Estate Association, the industry body for European REITs

EPRA Cost Ratio (including direct vacancy costs) is 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 including the share of joint ventures overheads 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 net overheads and operating expenses balance

EPRA earnings is the profit after taxation excluding investment and development property revaluations and gains/losses on disposals changes in the fair value of financial instruments and associated close-out costs and their related taxation

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

EPRA net assets (EPRA NAV) are the balance sheet net assets excluding the mark-to-market on effective cash flow hedges and related debt adjustments and deferred taxation on revaluations

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 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 after allowing for notional purchaser s costs

EPRA vacancy rate is the estimated market rental value (ERV) of vacant space divided by ERV of the whole portfolio excluding developments and residential property This is the inverse of the occupancy rate

Estimated Rental Value (ERV) is the external valuers opinion as to the open market rent which on the date of valuation could reasonably be expected to be obtained on a new letting or rent review of a property

Fair value movement is accounting adjustment to change the book value of an asset or liability to its market value

Gearing see loan to value (LTV)

Gross investment activity as measured by our share of acquisitions sales and investment in committed 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 entire lease to first break This can result in income being recognised ahead of cash flow

Gross Value Added (GVA) provides a snapshot of a company s overall contribution to the UK economy both directly through activities and indirectly through spending

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 interest payable is covered by underlying profit before net interest payable and taxation

IPD is Investment Property Databank Ltd which produces an independent benchmark of property returns and British Land UK portfolio returns

Lettings and lease renewals are divided between short-term (less than two years lease length) and long-term (more than two years lease length) Lettings and renewals are compared both to the previous passing rent as at the start of the financial year and the ERV immediately prior to letting Both comparisons are made on a net effective basis

Like-for-like 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 Like-for-like ERV growth is calculated monthly and compounded for the period subject to measurement, as calculated by IPD

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 accounting adjustments but excludes properties held for development in either period and properties with guaranteed 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

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

Multi-channel retailing is the use of a variety of channels in a customer s shopping experience including research before a purchase Such channels include retail stores, online stores mobile stores mobile app stores, telephone sales and any other method of transacting with a customer Transacting includes browsing buying returning as well as pre- and post-sale service

Net Development Value is the estimated end value of a development project as determined by the external valuers for when the building is completed and fully let (taking into account tenant incentives and notional purchaser s costs) It is based on the valuers view on ERVs, yields, letting voids and rent-frees

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 to the earliest termination date

Net equivalent yield is the weighted average income return (after allowing for notional purchaser s costs) a property will produce based upon the timing of the income received In accordance with usual practice, the equivalent yields (as determined by the external valuers) assume rent is received annually in arrears

Net Initial Yield is the current annualised rent net of costs expressed as a percentage of capital value after allowing for 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 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 properties It includes accommodation under offer or subject to asset management (where they have been taken back for refurbishment and are not available to let as at the balance sheet date)

Omni-channel retailing is the evolution of multi-channel retailing, but is concentrated more on a seamless approach to the consumer experience through all available shopping channels i e mobile internet devices, computers, bricks and mortar, television, radio, direct mail, catalogue, etc

Over rented is the term used to describe when the contracted rent is above the estimated rental value (ERV)

Overall topped-up net initial yield is the EPRA Net topped-up Initial Yield adding all contracted uplifts to the annualised rents

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

Portfolio valuation movement is the increase in value of the portfolio of properties held at the balance sheet date and net sales receipts of those sold during the period, expressed as a percentage of the capital value at the start of the period plus net capital expenditure capitalised interest and transaction costs

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 (i e pension funds) are tax exempt and receive PIDs without withholding tax Property companies also pay out normal dividends called non-PIDs, which are treated as normal dividends and are not subject to withholding tax

Property valuation is reported by the Group s external valuers In accordance with usual practice they report valuations net, after the deduction of the notional purchaser s costs, including stamp duty land tax agent and legal fees

Rack rented is the term used to describe when the contracted rent is in line with the estimated rental value (ERV), implying a nil reversion

Rent-free period see Tenant (or lease) incentives

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

GLOSSARY OF TERMS CONTINUED

Retail planning consents are separated between A1, A2 and A3 – as set out in The Town and Country Planning (Use Classes) Order 2005 Within the A1 consent category, Open A1 consent grants planning for any type of retail while Restricted A1 consent places limits on the types of retail that can operate (this is typically 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	Retail sale of goods other than hot food, post office sale of tickets or as a travel agency sale of sandwiches or other cold food off the premises, hairdressing direction of funerals display of goods for sale, hiring out of domestic or personal goods/articles the reception of goods to be washed cleaned or repaired, a retail warehouse club being a retail club where goods are sold, or displayed for sale, only to persons who are members of that club or as a night club
	Financial and professional services	Financial services, professional services (other than health or medical), or other services (including betting) appropriate for a shopping area
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 the increase in rent estimated by the external valuers where the passing rent is below the estimated rental value The increases to rent arise on rent reviews and lettings

Scrip dividend 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 directly held and not in the course of 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

TMT stands for technology media and telecommunications

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 capital expenditure 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 return (total accounting return) is the growth in EPRA NAV 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 rents 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 before tax is the pre-tax EPRA earnings measure with additional Company adjustments Adjustments include mark-to-market adjustments on or profits on disposal of held for trading assets mark-to-market adjustments on the convertible bond and issue costs of the convertible bond

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 – each tranche of Group debt is multiplied by the remaining period to its maturity and the result is divided by total Group debt in issue at the period end

Weighted average interest rate is the Group loan interest and derivative costs per annum at the period end, divided by total Group 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 compression occurs when the net equivalent yield of a property decreases, measured in basis points

Yield on cost is the estimated annual rent of the completed development divided by the total cost of development including site value and finance costs accruing at a rate of 4% per annum to the point of assumed rent commencement, expressed as a percentage return

Yield shift is a movement (usually expressed in bps) in the yield of a property asset, or like-for-like portfolio, over a given period Yield compression is a commonly-used term for a reduction in yields

FORWARD-LOOKING STATEMENTS

This 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 term nology including terms such as believes estimates anticipates expects forecasts intends due plans projects goal target aim may will would could should or sim lar expressions or in each case their nega ive or other variations or comparable terminology By their nature forward-looking statements invo've 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 Therefore they should be regarded with caution

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) industry and market trends (including demand in the property investment market and property price volatility) (c) competition (d) 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) (e) inflation (f) labour relations and work stoppages (g) natural disasters (h) British Land s overall business strategy and investment choices in its portfolio management (i) legal or other proceedings against or affecting British Land (j) reliable and secure IT infrastructure (k) changes in occupier demand and tenant default (l) changes in financial and equity markets includ ng interest and exchange rate fluctuations (m) changes in accounting practices and the interpretation of accounting standards and (n) the availability and cost of finance The company s principal risks are described in grea er detail in the section of this Report headed Principal risks Forward looking statements should therefore be construed in light of all such factors

Information contained in this 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 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 List ng Rules and Disclosure Rules and Transparency Rules) 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 sta ement is based

British Land

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