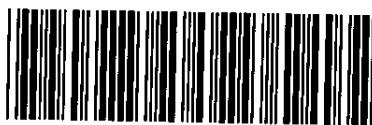


WEDNESDAY



LD2 *L7CF20GJ* #115
15/08/2018
COMPANIES HOUSE

*We create
Places People Prefer*

Annual Report and Accounts 2018

*There are four
compelling
reasons to invest
in British Land*

1

*The scale, balance
and quality of our
portfolio underpinned
by our resilient
balance sheet and
financial strength*

2

Our ability to generate robust and predictable income to support sustainable shareholder returns and fund investment

3

Our operational expertise and customer insight helping us understand evolving needs and driving enduring demand for our space

4

A development pipeline which positions us to capitalise on market opportunities and generate future income

At British Land we create Places People Prefer.

By understanding the evolving needs of the businesses, people and communities who use our places, we help them to thrive. Sustainability and long term thinking are central to our purpose – to deliver outstanding places and positive outcomes for all of our stakeholders, through our placemaking expertise.

£18.2bn

assets owned or under management (our share of which is £13.7bn) with exposure to a broad mix of uses

80%

of our assets, including our three London campuses and our multi-let retail portfolio, are in environments where we can put our placemaking skills to work

10m sq ft

development pipeline, focused on London including 5m sq ft at Canada Water

Highlights for the year

Financial

Underlying Profit ■

£380m
2017: £294m

Underlying EPS ■

37.4p
2017: 37.8p

Dividend per share

30.08p
2017: 29.4p

EPRA NAV per share ■

967p
2017: 975p

Senior unsecured credit rating

A
Standard & Poor's / Moody's

Non-financial

Carbon intensity reduction versus 2009

54%
2017: 44%

Bright Lights skills and employment programme

228
people supported in new work
2017: 270

IFRS profit before tax

£501m
2017: £496m

IFRS EPS

48.7p
2017: 48.4p

Total accounting return ■

8.9%
2017: 2.7%

IFRS net assets

£9,506m
2017: £9,463m

Customer satisfaction

8.1/10
2017: 8.1/10

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Presentation of financial information

Our financial statements are prepared in accordance with IFRS as issued by the International Financial Reporting Standards Board (IFRSB) and are audited by the independent external auditor, PricewaterhouseCoopers LLP.

Management's discussion and analysis (MDA) provides a narrative overview of the company's performance, including a discussion of the company's financial position, performance and prospects, and a discussion of the company's strategy and business model.

The MDA is prepared on a forward-looking basis, taking into account the company's strategy and business model, and the company's financial position, performance and prospects. The MDA is prepared in accordance with the requirements of the Companies Act 2006 and the Listing Rules.

We are pleased to have achieved a 'B' rating from S&P Global Ratings, which is a reflection of the company's strong financial performance and the quality of its assets. We are committed to maintaining this rating and to continuing to improve our financial performance and the quality of our assets.

Integrated reporting

We are committed to integrated reporting, which is a process of reporting that combines financial and non-financial information to provide a comprehensive view of the company's performance and prospects. We are committed to providing a comprehensive view of the company's performance and prospects, and to providing a comprehensive view of the company's financial position, performance and prospects.

BRITISH LAND AT A GLANCE

*We are focused on creating
Places People Prefer, curating
the environment inside and out*

Total portfolio in 2018

80% of our assets are within our campuses or multi-let environments, where we can curate the buildings and the spaces between them

£18.2bn

assets under management

24.8m sq ft

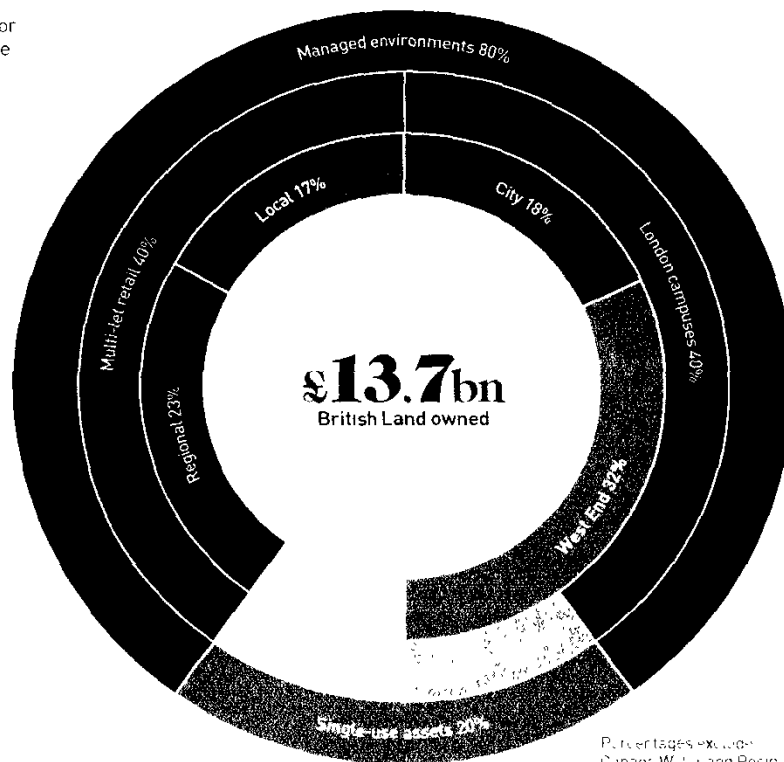
total portfolio

97.4%

occupancy rate

7.7 years

weighted average unexpired lease term



Percentages exclude Canada Water and Residential

We have proactively repositioned our portfolio

Retail: more multi-let assets

2018 **81%** £6.6bn

2010 **60%** £5.6bn

- Multi-let
- Other retail

Office: more West End exposure

2018 **63%** £6.7bn

2010 **33%** £2.7bn

- West End
- City
- Non London

1,200 different customers occupy our space, generating £588m of rental income

London Offices

All of our offices are in London, of which 78% are located on our three central London campuses. These provide a diverse mix of space, with a broadening range of uses. This makes them attractive and engaging places to work and spend time, designed to help our customers attract the best talent

£9.0bn

central London office space

54,000

central London office space (sq ft)

Regent's Place

Our 310,000 sq ft pre-let to Dentsu Aegis Network at 1 Triton Square is the largest West End pre-let in over 20 years

For more information on our central London office space, visit www.britishland.co.uk/central-london

Retail

Multi-let retail centres account for 81% of our Retail portfolio. Our space reflects consumers' demands for experience and convenience-led shopping as well as the changing way retailers use physical stores to engage with customers

£8.7bn

central London office space

60%

of our retail portfolio is multi-let

Ealing

A convenient, local retail destination benefitting from access to Crossrail in 2019

For more information on our retail portfolio, visit www.britishland.co.uk/retail

Canada Water

A unique 53 acre mixed use opportunity in central London, one stop on the Jubilee line from Canary Wharf. Our masterplan envisages a genuine mix of uses including offices, retail, leisure, residential and community space

53 acre

sq ft of development opportunity

3,500

new jobs, retail and office space (sq ft)

Canada Water

In May 2018 we signed a Master Development Agreement with Southwark Council and submitted an outline planning application for our masterplan

[@CanadaWaterMasterplan](https://twitter.com/CanadaWaterMasterplan)

www.canadawatermasterplan.com

Another year of progress for British Land

This has been another year of progress for British Land, despite the ongoing political and economic volatility we have seen since the EU referendum. Business and consumer uncertainty was further compounded by the snap General Election in June 2017, which delivered a hung Parliament. Also of note was the decision by the Bank of England to increase interest rates for the first time in over a decade, with the prospect of more rises to come. Encouragingly, UK economic growth has remained relatively resilient, albeit at levels lower than other major economies, and one thing that remains unchanged is London's status as a global city in which the world's leading organisations want to do business.

In this context British Land has performed well. The value of our portfolio was up 2.2% with EPRA NAV up 5.7% to 967 pence as occupier and investor demand continued through the year, particularly in the London office market. Underlying earnings per share was however down 1.1% to 37.4 pence, driven primarily by reductions due to the significant asset disposals we have undertaken over the last couple of years and lease expiries on properties that we have freed up for development. The Board has recommended a fourth interim dividend of 7.52 pence per share, making a total of 30.08 pence for the year which, together with the movement in NAV, brings total accounting return to 8.9% for 2018.

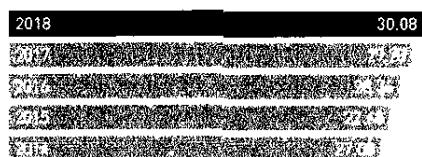
In London Offices, we are increasingly seeing our campus strategy confirmed as a clear and differentiated attraction to potential occupiers. Sophisticated businesses today understand that the way their people want to live their lives is changing and that the worlds of work and leisure are blurring. They also understand that in order to attract the best talent they need to provide high quality, well connected offices in places people want to spend time before, during and after the working day. This is exactly what our mixed use London campuses deliver.

We are increasingly seeing our campus strategy confirmed as a clear and differentiated attraction."

Evidence of the success of this strategy this year included the largest pre-let in the traditional West End for over 20 years at 1 Triton Square in Regent's Place, to the media company Dentsu Aegis. Elsewhere, Sumitomo Mitsui Banking Corporation, Europe (SMBCE) signed a pre-let for the lower three floors of 100 Liverpool Street, where we are developing what we believe to be one of the best connected and smartest new buildings in London, right next door to a new Crossrail station. This development is part of our broader transformation at Broadgate where progress this year has been significant – you can read more about this on page 18. Overall, this has been an excellent year for leasing, our London Office portfolio is 97% occupied and valuations improved 4.5% – evidence that we continue to provide our customers with the space they need.

Dividends

Full year dividends (pence per share)



Global Real Estate Sustainability Benchmark
Sustainability Leadership Award

There is no doubt the retail sector continues to go through a period of challenge and rapid change. The structural reasons for this are complex and well documented, not least the rapid growth of online shopping. This year though, these challenges have come into sharper focus as a number of operators have entered into company voluntary arrangements. In many cases, retailers have seen the challenges caused by long term structural changes compounded by shorter term operational issues, such as cost inflation, business rates increases and more fragile consumer confidence. As an owner of physical retail space, British Land has been focused on understanding these long term changes for several years. We help our customers to respond to changes and seek to provide the space that helps them succeed, and this year we continued to be proactive. For example, we completed the substantial refurbishment of Meadowhall, enhancing its status as a regional retail destination centre which is fit for the future, and disposed of £419 million of retail properties that we did not feel could play a role in the future shape of our portfolio. The overall shape and size of the Retail portfolio is something we remain focused on going forward as this market continues to evolve.

Despite these challenges, leasing activity in our Retail business this year has been good, with 1.2 million sq ft of space let or renewed, at rates well ahead of estimated rental value (ERV). In addition, our Retail portfolio remains virtually full with 98% occupancy. These impressive rental and occupancy levels are testament to the quality of our offer and our belief that the best physical retail space continues to play an important role in enabling retailers to succeed. We are not complacent however, and remain focused on how we continue to respond to the ongoing evolution of the retail market.

We continually assess how best to deploy our capital based on the conditions prevailing at the time. We do this in the context of shareholder value and the need to fund our development pipeline, manage leverage and undertake appropriate acquisition and disposal activity.

The NAV discount that emerged in our share price in the period after the EU referendum has persisted. This was a key factor influencing our decision to undertake a £300 million share buyback following the sale of The Leadenhall Building. The buyback was completed in February. This disciplined approach to shareholder returns and the use of capital will remain a focus for the Board going forward.

In these more volatile times, this level of thoughtful activity, the resilience of our strategy and our diverse, high quality portfolio set British Land apart. We are mindful of our short term operating environment, but our strategy is aligned to long term trends. Our experienced management team, the expertise of our people and the increasingly complex insights we collect about how people use our places allow us to continually evolve our approach to meet customer needs and work to position British Land to thrive in the future.

As a result of our confidence in our strategic direction and outlook we have proposed a first quarter dividend of 7.75 pence per share and 31.00 pence for the year ending 31 March 2019, representing a further 3% increase on our 2018 dividend.

We continue to be recognised for our leading stance on sustainability, awarded five stars in the Global Real Estate Sustainability Benchmark for the second year and ranked in the MSCI ESG Leaders Index for the 11th year. We have a 2020 sustainability strategy which is aligned to our corporate strategy, outlined both in this Report (on page 24) and in our separately published Sustainability Accounts. As part of our core purpose, we proactively design and enhance buildings and spaces for the health, wellbeing and productivity of everyone who uses them, including our employees, customers and local communities.

We support the recommendations of the Task Force on Climate-related Financial Disclosures and manage our portfolio for climate resilience. Carbon intensity across our portfolio has reduced by 54% versus our 2009 baseline, through the National Grid's decarbonisation and our own efficiency improvements. With this 2020 target almost achieved, we have also gone further, committing to source all our electricity from renewable sources and partnering with RE100.

Throughout the year Board members visited a number of key assets and held a strategy offsite with key members of the executive team focused on opportunities which will drive our business in the future. We welcomed three new Non-Executive Directors who bring a wealth of varied experience to our Board, they are profiled on pages 58 to 91 along with more detail about the structure and activity of our Board and Committees. During the year, Lucinda Bell stepped down from the Board and from her role as Chief Financial Officer. Lucinda had been with British Land for over 25 years, and her achievements and contribution to our business over that time are significant. She will be missed and I and the Board wish her well in the future. We are delighted to welcome Simon Carter back to British Land as our Chief Financial Officer. Simon has a wealth of experience in property and will make a real contribution to our business.

Finally, I would like to extend my thanks to the people at British Land, our partners and everyone who contributes to the success of our business. They have all played a role in our progress this year, much of which is covered in this Report - I hope you find it useful.

John Gildersleeve
Non-Executive Chairman

For further information please visit www.britishland.co.uk

Strategic Report

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The Strategic Report was approved by the Board on 16 May 2018 and signed on its behalf by

Chris Grigg
Chief Executive

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Our good results demonstrate the consistent strategic progress we have made across the business

This has been another good year across our business. We let four times as much London office space as last year – a clear demonstration of the attractiveness of our unique campuses. In Retail, we let or renewed over 1 million sq ft of space, well ahead of ERV and at 98% occupancy our portfolio is effectively full. All of this helped drive NAV up 5.7% with values up 2.2%.

Our financial performance was robust with profits down 2.6% following £1.5 billion net sales of income producing assets over the last two years, of which £0.8 billion completed this year. We have maintained our capital discipline, completing a £300 million share buyback and increasing our dividend again by 3% while reducing LTV to 28%, further strengthening our financial position. At the same time, we have completed our super-prime Clarges Mayfair residential development and the £60 million refurbishment of Meadowhall, while doubling our committed development pipeline. All of this was done on a carefully risk managed basis, with 55% of committed developments already pre-let or under offer. This is a great achievement at an early stage and gives us confidence in both our strategy and in the quality of the space we are delivering.

Future British Land: continuing to evolve our business

The current strength of British Land is underpinned by the consistent strategic actions we have pursued over several years. We identify and invest behind the attractive long term trends which are driving our core business. In recent years this has included the development of our campus strategy, investments into locations which benefit from *Crossrail*, and most recently the launch of *Storey*, our flexible workspace offering.

Going forward, we are focused on building an increasingly mixed use business and continuing to evolve our model and respond to changing customer needs. Indicatively, future British Land will comprise:

- **A campus-focused London Office business** with a blend of core and flexible space, including the further build out of *Storey*, integrated alongside a strong retail and leisure offering at our campuses;
- **A further refined Retail business** including high quality, well located Regional and Local assets but focused on a smaller number of larger, multi-let places with mixed use potential;
- **Residential, primarily Build to Rent** will play an increasingly important role in our mixed use business. It is a structural growth market which is complementary to our core model. We will progress existing opportunities within our portfolio such as *Canada Water* and explore ways to build further meaningful exposure.

As we do this, we will remain disciplined regarding our use of capital, investing in our business and progressing development, while remaining mindful of the importance of shareholder returns.

Outlook

Businesses remain cautious but continue to commit to London and the supply of high quality new office space is relatively constrained, so we expect demand for our space to remain firm. In Retail, the market is more challenging with many occupiers facing short term headwinds. Polarisation is accelerating but we are confident that the quality and range of our space meets retailers' evolving needs in the *omni-channel retail world*.

We are mindful of the current market environment, but the strengths of our business, including the scale, balance and quality of our portfolio, the opportunities we have created and our strong balance sheet mean we look to the future with confidence.

London Offices

Our Offices business had a strong year with values up 4.5%. Leasing activity covered more than 1.2 million sq ft, delivering £40 million of future rent – a strong endorsement of our campus strategy.

Our priorities in building the future of British Land

- Further refine the shape of our portfolio and relative mix of exposures including expansion of Storey and our flex office offering, further refining our Retail assets and explore options in attractive market segments which are complementary to our existing model, such as residential, principally build to rent
- Continue to invest in technology innovations and insights and build our operational expertise to understand and respond to changing customer needs and identify the key trends in our industry
- Further enhance the resilience of our Retail business, ensuring the future shape of our portfolio is optimised and focused on assets which we believe will be successful in an omni-channel retail world and meet the changing needs of our customers
- Continue to progress our development projects, focusing on our London campuses, and further increase the mix of uses and occupiers across our assets, reflecting the evolving demands of customers to drive enduring demand for our space
- Continue to enhance the diversity within our business, promoting inclusion across our operations and our assets, and embed our new corporate values

We secured several major lettings at Broadgate, including SMBCE at 100 Liverpool Street, demonstrating the continued appeal of London to global financial institutions. Mimecast, the technology business, took space at 1 Finsbury Avenue (1FA), and Eataly, the Italian marketplace, will open their first UK site at 135 Bishopsgate. This broad range of activity demonstrates our focus on enhancing the mix of uses and occupiers on the campus to create a seven-day-a-week destination for London. Elsewhere, we signed the largest West End pre-let in 22 years at Regent's Place and our development at Paddington, 4 Kingdom Street was nearly 90% let ahead of launch in June 2017, significantly ahead of ERV.

We are also pleased with the progress of Storey, our flexible workspace offer launched in June 2017. It now covers 114,000 sq ft, with space at each of our three campuses and is now 77% let. We have allocated additional space at 1FA, 4 Kingdom Street and Wells Street, so total space will reach more than 230,000 sq ft in the short term with further long term plans for expansion.

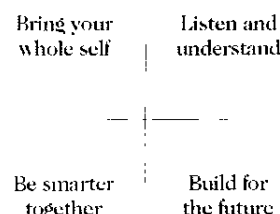
Retail

In Retail, values were up 0.3%, with positive ERV growth offsetting yield expansion. Our leasing activity covered 1.2 million sq ft generating £7 million in additional rent, with incentives unchanged. At 98% occupancy, our portfolio is effectively full and is outperforming benchmarks on both footfall and sales.

We delivered this strong operating performance in the context of ongoing, long term structural changes in the market. As online retail grows, many operators are evolving their models to focus on the optimal size, shape and nature of their physical store network. This year, these challenges were compounded by short term trading headwinds, and several highly leveraged operators with challenged models applied for company voluntary arrangements (CVAs).

We recognise these trends, and so for a number of years we have been actively repositioning our portfolio to focus on well located, high quality space that reflects people's changing lifestyles and drives enduring demand for our assets. We have sold £2.3 billion of retail assets over the last four years, including £419 million this year, primarily single use assets but also multi-let space that does not fit

This year, we updated our values to reflect the way our business is changing



For more on our values visit www.britishland.com/values

our strategy. However, Retail remains a core part of our business. This year we made acquisitions in Woolwich, south east London and in Ealing, adjacent to our existing Ealing Broadway shopping centre, both are well-connected mixed use assets with development potential. In addition, we completed the £60 million refurbishment of Meadowhall to ensure it is well positioned to meet the changing demands of consumers into the future.

Development activity

Development is an important part of how we deliver value. This year we made strong progress on our pipeline of opportunities, with committed developments more than doubling to 1.6 million sq ft, and risks carefully managed. 55% of the future rent from these developments, estimated at £63 million, is pre-let or under offer and our speculative exposure remains low at 4.5% of the portfolio value. Committed construction costs of £427 million are substantially covered by £373 million of Clarges Mayfair residential receipts to come post year end.

Looking further ahead, we have created a range of opportunities in our near and medium term pipelines, which we have the flexibility to progress when the time is right. This includes Canada Water, where our masterplan will create a new urban centre for London. We signed the Master Development Agreement with Southwark Council and submitted our outline planning application for the masterplan in May 2018.

Sustainability

This was our second year holding the Queen's Award for Enterprise, the UK's highest business accolade recognising our economic, social and environmental achievements. Our activity this year has supported 228 people into work, through Bright Lights, our skills and employment programme. 35 of our retail and leisure occupiers participated in Starting Out in Retail, helping 100 young people find employment, and building on this, we will be introducing Starting Out in Construction in 2019. In support of the Living Wage Foundation, we pay all Group employees at least the voluntary living wage rate and encourage our suppliers to do the same. This year, our three London campuses became Living Wage Accredited Employers, with everyone we employ to manage and maintain the campuses, including contractors, paid at least the London Living Wage.

Chris Grigg

Chief Executive

For more on our CEO's views visit www.britishland.com/CEOblog

OUR BUSINESS MODEL

We apply our placemaking expertise to create Places People Prefer

Inputs: what makes our model work

Our relationships

- Our customers and partners
- The local communities in and around our places
- The suppliers and contractors who build, manage and maintain our assets

Our operational expertise

- Our expert people
- Our broad range of insights and information
- The people, systems and insights to interpret information and inform actions

Our finances

- Leverage managed for our current needs and future plans
- Diverse and flexible finances with a mix of maturities
- Partnerships to mitigate risks, bring expertise and help finance projects



Outputs:

Shareholders

Sustainable long term income and value creation

Communities

Inclusive places which foster opportunities and contribute positively to their neighbourhood

Customers

High quality environments which help our customers succeed today and in the future

Partners

Access to high quality projects and British Land expertise, while managing risk

To read more about how we engage with stakeholders, go to page 68

What sets us apart

Invest and develop

- Our unique office-led campuses, each benefitting from excellent transport connections
- Our 10 million sq ft development pipeline, focused on London, including 5 million sq ft at Canada Water
- The options we have created within our portfolio for future development, focusing on mixed use space
- Our strong and flexible balance sheet, enabling us to fund developments when the time is right on a risk managed basis

Applying our placemaking expertise

- Relationships across the business we can leverage to support our mixed use plans, which this year helped us sign global retail brand Eataly at our Broadgate offices campus
- Enlivenment activities which drive footfall, including Villa Walala at Broadgate, and the Craig David concert at Meadowhall
- Forging links with local communities, working with suppliers and other partners through Bright Lights, to support 95 apprenticeships at our places and in our local communities

Our placemaking framework

Our practical approach to creating Places People Prefer

== We == == We ==
Connect Enhance

== We == == We ==
Design Enliven

Managing our environments

- A broader mix of uses at our campuses with 15% of the space being developed at Broadgate to be retail and leisure
- Storey, our flexible workspace business launched last year, providing additional flexibility to our customers
- A broader mix of uses at our Retail assets with 778,000 sq ft leisure extensions in our development pipeline

We recognise the short term backdrop while our strategy is focused on long term trends

UK market backdrop

Continued political uncertainty

The June 2017 general election delivered a hung Parliament. As a result, an already volatile political backdrop was further destabilised, heightening uncertainty particularly with respect to Brexit.

Resilience of London

The most recent estimates for Brexit-related job losses in the financial sector are lower than initially feared. Technology and media sectors have been particularly resilient, with Google and Facebook committing to London, while overseas investment has remained strong.

Consumer and business confidence

Consumer confidence remains fragile with real wages squeezed by inflation, although there are tentative signs that the outlook is improving. GDP forecasts reduced over the year, and are below leading global economies reflecting Brexit-related uncertainty.

Retailer and restaurant operator challenges

This year has seen a number of operators apply for company voluntary arrangement (CVAs) as a result of challenges in their markets. These include the impact of online and cost pressure as a result of higher input prices as well as lower consumer confidence. Casual dining operations have been similarly affected.

Interest rate expectations

The Bank of England increased base rates for the first time in 10 years in November 2017, from all-time record low levels, and has indicated that the pace of interest rate increases could accelerate if high rates of inflation persist.

Long term trends driving our strategy

London's changing role in global markets

The ease of doing business and access to a diverse mix of talent and culture have established London as a leading global city. Its proven ability to adapt and prosper means it is well-placed to withstand today's Brexit-related headwinds, and continue to attract inward business investment.

Population change and urbanisation

London's population continues to change, for example more than 20% of Londoners are expected to be over 60 by 2040, changing the type of space required. There is more demand for higher density development with excellent connections as well as a focus on promoting wellbeing with green and open spaces and a mix of uses.

Accelerating technology-driven change

Technology is disrupting conventional ways of doing business, changing how people and organisations interact with physical space, but providing opportunities for those quick to leverage new capabilities. In certain sectors such as retail change is fundamental and businesses are having to respond to remain successful.

Evolving worker and consumer expectations

People expect more from the places where they spend time. They want to move seamlessly between work and leisure, they want more flexibility and value added services and they want space to be well connected.

Wellbeing and sustainability

There is a broad consensus that growth and development should be sustainable, with the benefits shared more equally across society, promoting a more inclusive culture with the surrounding communities. There is a growing recognition of the role that places can play in promoting mental and physical wellbeing.

We have four strategic priorities

Customer Orientation

Responding to changing lifestyles

- Customer insight based on a range of information helps us to deliver Places People Prefer
- Expand the use of technology to reflect its role in the way people work and shop

Wellbeing

- Create places that promote health, productivity and enjoyment, enabling our customers to be more successful

Right Places

Creating great environments

- Invest in well-connected places, where there is potential for growth and regeneration
- Broaden the mix of uses to appeal to a wider range of occupiers and local communities
- Enhance and enliven our spaces through placemaking
- Understand and respond to the changing needs of the people who use our spaces

Community

- Make a positive contribution locally and behave so our places are considered part of their local community
- Promote social inclusion, interaction and accessibility, embedding our places in their neighbourhoods and local community networks

Capital Efficiency

Disciplined use of capital

- Actively recycle capital to maximise risk-adjusted returns
- Maintain an appropriate balance of risk in both development exposure and financial leverage

Futureproofing

- Protect and enhance asset value through environmental stewardship, including energy generation and efficiency, materials innovation and flood risk reduction

Expert People

The knowledge and skills to deliver

- Enhance key skill sets, including in more operational areas
- Share expertise through collaborative working
- Promote a diverse and inclusive culture

Skills and opportunity

- Help local people and businesses to grow
- Further develop training and development schemes for people at all levels of our organisation

OUR STRATEGY

Customer Orientation – responding to changing lifestyles

Our customers are the organisations located at our assets. To make our places successful and sustainable however, we also focus on the needs of a broader range of people, including the people who shop or work in them and the communities who live in and around them. We are focused on understanding and responding to their changing needs. To do this we have developed a deep understanding of how people use our space, based on what our customers tell us. This informs our approach to managing our assets and guides our investment activity, to ensure we are always focused on the customer.

How we work

Technology is changing the way businesses and their people use office space, enabling people to work more flexibly or remotely and providing the infrastructure for smaller companies to compete with larger, well established businesses.

There is a growing focus on places that foster collaboration and networking and reflect the overlap between work and leisure time, with a diverse retail, leisure and food and beverage offering close by, and regular social events and activities.

Delivering space which reflects the way people want to work also helps employers attract and retain talent and promote productivity. The types of businesses demanding space are also changing. We are meeting the need for greater flexibility, particularly from the growing small and medium sized business segment, by providing space on more flexible terms, through Storey, our flexible workspace offer. Launched this year, Storey is an important and growing part of our campus proposition. It is complementary to our core offering, providing our customers with flexible space for short term requirements. After a positive start, we have plans to grow this business further.

How we shop

The retail sector continues to see significant structural change, with the impact of online fundamentally changing the way people shop. Despite this, our insights demonstrate that physical retail remains core to the retail proposition, with physical stores playing a role in 87% of retail sales. This may be at the 'discovery' phase of the consumer journey, where stores act as a showroom, the 'transaction' phase, when the goods are actually purchased, or the 'fulfilment' phase, when they change hands.

The role of the physical store is changing, to support and enhance these phases of the customer experience. We are responding by evolving the nature of our spaces to perform the showrooming role as effectively as possible. By improving the food, beverage and leisure offer at our centres, shoppers are encouraged to stay longer and spend more. Our surveys show that when customers engage with our catering offer, retail spend increases by an average of 27%. Our Retail centres also play an important role in the fulfilment of online purchases, with 27% of shoppers having used click and collect, up from 19% three years ago.

Wellbeing

To make our place more desirable, friendly we are rolling out plans to improve signage and exploring new opportunities. This year, 100 local people have taken part in a survey to understand their preferences for low-density, high-quality, high-end retail and leisure offerings throughout our assets, supporting them with a range of food and beverage offerings.

52%

average increase in traffic at retail centres ahead of new store openings

46,000

customer surveys conducted by British Land throughout the year

Right Places – creating great environments inside and out

Community

As part of our long-term strategy to promote a strong local identity at our places and make a positive local difference, we have a successful programme to help young people through creative programmes, free to all school children, visit our campuses, discuss and build local networks, and enjoy what they find and supported by our local partners.

£4.6bn

Assets created outside
Crossrail stations

60%

of the portfolio in shops
including 3 floors

Regional

Our Retail portfolio is focused on high quality, multi-use, multi-story buildings

Local

Our Retail portfolio is focused on high quality, multi-use, multi-story buildings

Right Places is about identifying places with the potential to evolve in line with changing lifestyles. Increasingly we are focused on places with a broad mix of uses, allowing people to integrate their work and leisure time within attractive and engaging environments. We use our placemaking framework to achieve this, and it supports growth and returns across our business.

Focusing on London

Our entire Office portfolio and nearly 90% of our development pipeline is focused on London, including our three office-led campuses and Canada Water, our 53 acre mixed use regeneration project. London consistently ranks amongst the world's leading cities as a place to live, work and do business, reflecting its diverse pool of international talent, culture and entertainment as well as its legal and financial infrastructure. Despite the

Brexit-related uncertainties, London's proven ability to adapt and prosper has ensured its continued attraction to international business and capital.

Our London campuses each benefit from excellent transport infrastructure. Broadgate and Paddington Central will have Crossrail stations immediately adjacent to the campuses and Regent's Place has convenient access to six London underground lines as well as King's Cross and Euston mainline stations.

Places which are curated to respond to changing lifestyles have the potential to deliver growth and returns long term. This underpins our growing focus on mixed use development which prioritises placemaking from the start.

Canada Water is the strongest example of this, but our plans at Eden Walk, Ealing and The Woolwich Estate will also regenerate significant areas of London.

Focusing on omni-channel retail

Our Retail portfolio is focused on centres which support retailers' omni-channel approach. Our Regional assets are destinations, which attract visitors from a wide catchment who come to shop, relax and be entertained, and our Local assets provide convenience shopping for local communities.

Our placemaking framework provides a structure to deliver these different experiences. Our investment in our Regional assets has focused on attractive, well-designed leisure extensions, enabling us to expand our leisure and catering offer, providing people with more reasons to visit and to stay longer. We are enhancing this space with events and activities and improved customer service.

At our Local assets, our activity has focused on connecting more with local communities, forging strong links which encourage repeat visits, for example through our work with the National Literacy Programme, helping young children to read, and our Bright Lights Starting Out in Retail course, supporting local skills and employment.

OUR STRATEGY

Capital Efficiency – disciplined use of capital

£8.5bn

capital activity in the last
five years, including
acquisitions, disposals
and capital expenditure

Futureproofing

Through our strategy, we have a
mission-critical focus, which we
delivered as a £14m long-term
services fund as part of our 2015
100% commitment to 2022, with
opportunities for innovation and
improvement to enhance the well-being
of the people who use our buildings.
This also includes our commitment
to the environment.

Capital allocation

We have a disciplined approach to capital allocation. Our activity covers a range of options including funding acquisitions, investing in our development pipeline to drive future growth and shareholder returns. We rigorously evaluate the relative merits of each based on their risk-adjusted returns and prevailing market conditions.

The starting point is our annual IRR process, which forecasts the prospective returns of each of our assets. We sell assets with the lowest prospective returns, reallocating capital to higher growth opportunities. In recent years, disposal activity has focused on mature and off strategy assets, including supermarkets and solus retail, or offices which are fully let with lower prospective returns. Acquisitions have focused on properties with significant growth or placemaking potential which, in many cases, are adjacent to existing assets, generating washover benefits across the combined space.

Developments have delivered some of our strongest returns, but are inherently higher risk, particularly when pursued on a speculative basis. We seek to limit our development exposure to 15% of the total investment portfolio by value, with a maximum of 8% to be developed speculatively (i.e. without a pre-let or agreed sale) at any time. The current level is 4.5%, well within this limit.

Through this approach we have created attractive development opportunities within our portfolio, and our balance sheet provides the flexibility to progress these, with costs on our committed pipeline substantially covered by residential receipts. This is an important advantage, which we balance against the benefits to shareholders of a more immediate capital return. This year we have completed

a £300 million share buyback whilst doubling the size of our development pipeline and further reducing leverage.

Debt and equity

We manage our debt and equity financing to balance the benefits of leverage, including higher returns to shareholders, against the risks of a more highly geared portfolio. Our primary measure of leverage is loan to value (LTV) on a proportionally consolidated basis which we aim to manage through the property cycle such that our financial position would remain robust in the event of a significant fall in property values. The scale of our business, quality of our assets and security of our rental streams enable us to access a broad range of debt finance on attractive terms. At a Group level, our approach is to raise funds predominantly on an unsecured basis, with a diversified

mix of funding, phased maturity, adequate flexibility and liquidity and strong balance sheet metrics.

Strategic partnerships

We have a strong track record of working with partners to achieve benefits of scale while managing risk. 36% of our owned assets are held in joint ventures and funds, including Broadgate and Meadowhall. Within these structures we typically earn fees by providing asset management, development, corporate and finance services. These experiences, and the relationships we have developed, position us well to progress some of our larger opportunities, including Canada Water.

For more information on debt and leverage go to our Financial review on page 41 and financial policies and principles on page 45.

Expert People – the knowledge and skills to deliver

Investing in our people

Our people strategy focuses on creating a team which can deliver Places People Prefer. To do this we will continue to enhance the diversity of our business, further benefitting from a broad range of skills, backgrounds and experience.

We support all employees with career progression through personal development plans and by providing opportunities for everyone to develop and excel. This year, we invested more than £550,000 in staff development and professional qualifications, including a range of online resources available to all employees, customer focused sales training which has been rolled out across British Land, and our residential Leadership in Real Estate programme which has benefited 57 of our team since launch in 2014.

In view of our increasing focus on mixed use property and development, we encourage cross-team collaboration so that expertise in one part of the business benefits other areas. We are also building our marketing capabilities to help ensure customer orientation is at the core of what we do and investing in technology, upgrading our core operational systems and processes, whilst enhancing our cyber and data security processes.

Supporting wellbeing and inclusion

To support the wellbeing of our team and as part of our commitment to building an inclusive culture, this year we established

our Ethnic Diversity Network and our Parents and Carers Network, alongside our successful Women's Network, BL Pride, our LGBT and Allies Network and our Wellbeing Committee. To help people balance their working lives with the interests and responsibilities they have outside work, we provide everyone with the technology they need to work flexibly, with circa 20% doing so on a formal basis.

We encourage all of our people to support local communities through volunteering and are pleased that 16% of the British Land team was involved in skills-based volunteering this year, including roles as charity trustees and school governors. Since autumn 2017, 20 employees have signed up to the Step on Board programme, an external service that supports employees to volunteer as non-executive directors and trustees of charities and voluntary organisations.

This year British Land was awarded our first Two Star accreditation in the Best Companies survey published by The Sunday Times, with particular progress in flexible working and personal growth. Broadgate Estates (our property management subsidiary) also achieved its second One Star accreditation. Management engages regularly with employees, including through twice monthly staff meetings and specific results and strategy updates. Colleagues at all levels can participate in our all-employee share schemes, aligning their interests with those of shareholders with 95% of employees participating in our Share Incentive Plan.

Tomorrow's team

We recognise the importance of investing in tomorrow's workforce, both for British Land and our customers and partners. Alongside our long-standing internship scheme, our graduate scheme is now in its second year with six graduates recruited. Three are joining this year, of whom one came through Pathways to Property, an initiative led by the University of Reading to promote property in UK state schools, which we have supported for five years. Another three are joining next year. Across our portfolio, 20,114 people benefited from our skills, employment and educational initiatives in the year.

11th

Annual Report and Accounts 2018
11th Anniversary

Skills and opportunity

Our people strategy focuses on creating a team which can deliver Places People Prefer. To do this we will continue to enhance the diversity of our business, further benefitting from a broad range of skills, backgrounds and experience. We support all employees with career progression through personal development plans and by providing opportunities for everyone to develop and excel. This year, we invested more than £550,000 in staff development and professional qualifications, including a range of online resources available to all employees, customer focused sales training which has been rolled out across British Land, and our residential Leadership in Real Estate programme which has benefited 57 of our team since launch in 2014.

CASE STUDY – BROADGATE

Broadgate – where innovation and finance play

Broadgate is the largest asset by value within the British Land portfolio. It is a mixed use campus comprising offices, restaurants, retail and leisure set across four landscaped squares.

Covering 32 acres, it is central London's largest pedestrianised area. Broadgate is adjacent to Liverpool Street Station, a Crossrail station from 2019, and connects the creative, tech-focused communities of Spitalfields, Shoreditch and Old Street with the City.

19m

people visit Broadgate each year

20m

increase in footfall to Liverpool Street with the opening of Crossrail

75%

of campus workers are engaged with food and beverage offer weekly based on our surveys

64%

of campus workers have a food and/or drinks visit based on our surveys

www.broadgate.co.uk

Investing in our places

We have more than 1 million sq ft of space under development at Broadgate, across 100 Liverpool Street, 1 Finsbury Avenue and 135 Bishopsgate, of which 32% is let or under offer, significantly reducing our development risk.

Our plans enhance our buildings and the shared spaces between them to appeal to a broader range of customers and better connect Broadgate to its surrounding neighbourhoods.

Sustainability in action

£3.7m

social value added by getting 286 East Londoners into jobs and apprenticeships with our suppliers and customers at Broadgate, growing local skills and employment. See page 25.

A lifestyle neighbourhood

15%

of space is flexibly and independently usable with different office and lounge layouts, with 4,000 sq ft of top quality outdoor space.

A place for innovation

230,000 sq ft

Space taken by 75 start-up and innovative businesses including Start-Up Hub and Innovation Finance Hub at 19, 20 and 19, 21, 22, 23, 24, 25, 26, 27, 28, 29, 30, 31, 32, 33, 34, 35, 36, 37, 38, 39, 40, 41, 42, 43, 44, 45, 46, 47, 48, 49, 50, 51, 52, 53, 54, 55, 56, 57, 58, 59, 60, 61, 62, 63, 64, 65, 66, 67, 68, 69, 70, 71, 72, 73, 74, 75, 76, 77, 78, 79, 80, 81, 82, 83, 84, 85, 86, 87, 88, 89, 90, 91, 92, 93, 94, 95, 96, 97, 98, 99, 100.

Enhanced connectivity

Crossrail launches in 2019, transforming London's connectivity, and bringing our customers to within 10 minutes of the West End and 30 minutes of Heathrow.

Our partners

Our joint venture partners GIC are fully committed to our vision for Broadgate, enabling us to progress our development pipeline. In addition to the buildings we are already delivering, our medium term pipeline covers a further 1 million sq ft.

Sharing experience

Construction workers who helped build some of the first Broadgate buildings worked alongside new recruits to the industry on the construction of 100 Liverpool Street.

Introducing Storey

During the year we introduced our flexible workspace brand, Storey, to Broadgate at Appold Studios and 2 Finsbury Avenue.

Storey has attracted a new, different type of occupier to the campus, including smaller, innovative businesses and divisions of larger, established occupiers. This is additive to the overall campus offer and environment, benefits larger occupiers and further diversifies our customer mix.

Storey provides over

60,000 sq ft

of flexible workspace at Broadgate, Appold Studios and 2 Finsbury Avenue.

www.storey.co.uk

British Land have delivered a forward thinking, creative and flexible product with digital connectivity that aligns well with our business needs."

William Newton

President & EMEA MD WiredScore

CASE STUDY – MEADOWHALL

Meadowhall – a vibrant destination for today and tomorrow

Meadowhall, located on the outskirts of Sheffield, is Yorkshire's premier shopping destination and one of only six out-of-town super-regional shopping centres in the UK.

It provides 1.5 million sq ft of high quality retail and leisure space to around 280 occupiers. Our planned leisure extension will transform the leisure offer, which currently comprises an 11-screen Vue cinema and more than 50 restaurants and cafes.

3m

People in Meadowhall
last year

24m

People in the
leisure extension

This year our surveys showed:

4%

increase in dwell time

12%

increase in
frequency of visit

7%

increase in how the
quality of the architecture
is perceived

5%

increase in overall
centre rating

www.meadowhall.co.uk

Improving the experience

£60m

refurbishment completed with a further £46 million invested in store upgrades by nearly 80 brands, strengthening appeal to new customers, with 28 new retailers signed, driving improved performance across the centre.

The work was carried out overnight without any loss in trading hours. Our customers were incredibly cooperative and traded as normal, ensuring shoppers continued to enjoy their visits.

Attracting new occupiers

82,000 sq ft

of lettings to new retailers since we started our refurbishment

Supporting fulfilment as retail evolves

Our most recent survey found that 7% of visitors had used click and collect facilities on the day of their visit, more than double the proportion from the same period in 2016

Broadening our target market

Following the successful completion of the redevelopment, and having attracted a broader range of aspirational brands, the shopper profile has become more affluent, with 15.3% now from the three most wealthy consumer groups (as per the Acorn classification), compared to 13.3% a year ago

Strengthening community links

7% increase in routine top up shopping missions demonstrating Meadowhall's role as a town and community centre

Supporting local employment

24

opportunities supported and more than 1,200 jobs created and delivered through the project

Experiential shopping

60%

of visitors to Meadowhall consider it a shopping destination, with an increase in experiential shopping and a rise in the number of visitors to the site on days

Enlivening our space

£15,000

raised for charity by Christmas concert, led by Craig David

Sustainability in action

£36m

invested in the redevelopment of the Meadowhall shopping centre, with a focus on sustainability and green buildings. The redevelopment has resulted in a 10% reduction in energy consumption and a 15% reduction in CO2 emissions. The project has also resulted in a 20% increase in the number of jobs created and a 10% increase in the number of visitors to the site.

The area is lighter, brighter and more aspirational. Sales at Yo! Sushi have jumped, we're up 20% since the refurbishment and it's growing."

Richard Hodgson
CEO Yo! Sushi

DEVELOPMENT PIPELINE

Our significant development pipeline positions us well to capitalise on future market opportunities in a risk managed way

Committed ■

Five developments covering 1.6 million sq ft with a current value of £572 million and an ERV of £63 million. 55% of this space is let or under offer, significantly reducing our speculative risk which stands at 4.5% of the portfolio value. Costs associated with our committed developments total £427 million, which are substantially covered by residential receipts to come at our recently completed Clarges development of £373 million.

Near term ■

Four developments which we expect to start in the coming year covering 578,000 sq ft of space with an ERV of £30 million.

Medium term ■

10 developments, totalling nearly 3 million sq ft in addition to our plans at Canada Water, a 5 million sq ft London regeneration project.

135 Bishopsgate

Office-led development on our Broadgate campus, at Bishopsgate, where footfall is amongst the highest in London. Italian marketplace Eataly are taking 42,000 sq ft for their first ever UK store, and we are under offer or in negotiations on a further 269,000 sq ft.

328,000 sq ft

Calendar year*

2019

Q1

Q2

Q3

Q4

1 Finsbury Avenue

Office-led refurbishment, at our Broadgate campus, with significant retail and leisure element on lower floors and flexible workspace on upper floors. 32% let to technology company Mimecast.

291,000 sq ft

Plymouth Leisure

Leisure extension at Drake Circus including a 12-screen Cineworld, 15 restaurants and a 412-space car park.

107,000 sq ft

* Times are based on practical completion.

For more information on developments, see www.britishland.com/development

Meadowhall Leisure

Leisure extension which will add a new cinema, café court, gym, open-air terrace and space for leisure, event and community use at our Meadowhall centre. We have received a resolution to grant planning.

330.000 sq ft

5 Kingdom Street

Office led development, at the western end of Paddington Central, with potential for a broader mix of uses, including retail and restaurants.

332.000 sq ft

1 Triton Square

Office-led development at Regent's Place which is fully pre-let to Dentsu Aegis Network, an existing occupier on the campus, on a 20 year lease. At 310,000 sq ft, this is the largest pre-let in the West End for 20 years and is a strong endorsement of the campus.

366.000 sq ft

2020

Q1

Q2

Q3

Q4

2021 & beyond...

100 Liverpool Street

Office-led development, with 90,000 sq ft of retail and leisure space. Adjacent to Liverpool Street Station, at the gateway to our Broadgate campus. 37% of office space let to SMBCE, who are taking the lower three floors of the building on a 20 year lease.

522.000 sq ft

Canada Water

Phase 1 of our mixed use regeneration scheme at Canada Water covers 1.8 million sq ft, of a total of 5 million sq ft. This phase envisages 1 million sq ft of commercial space, 250,000 sq ft of leisure and retail space and 650 new homes, with 35% affordable housing provision. Our outline planning application for the overall masterplan was submitted in May 2018.

5 million sq ft

@CanadaWaterMasterplan

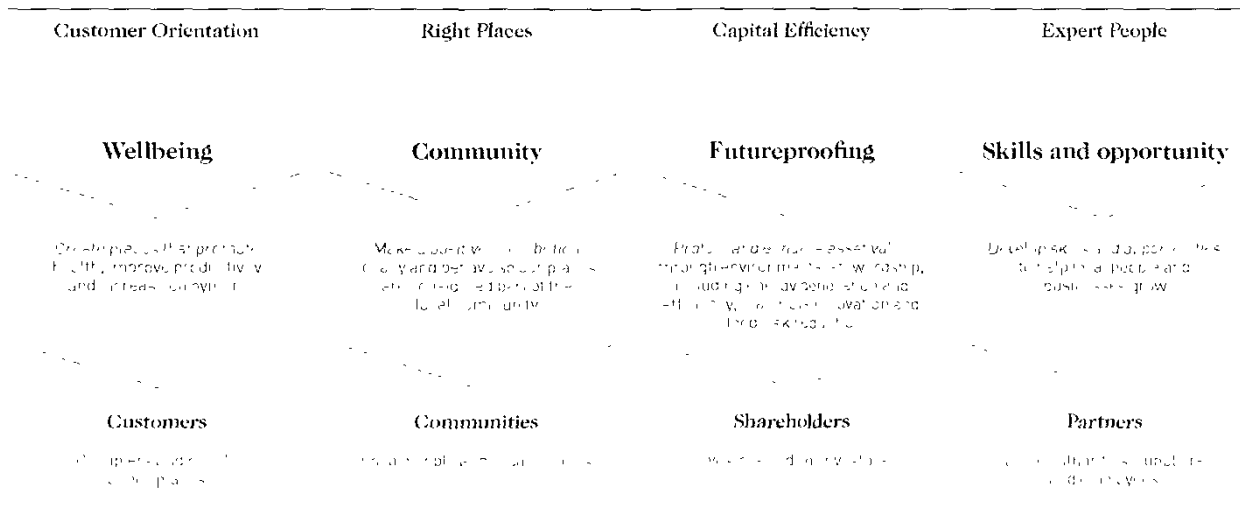
www.canadawatermasterplan.com

HOW SUSTAINABILITY CREATES VALUE

We continue to deliver strong economic, social and environmental performance

Aligned to the corporate strategy, our 2020 sustainability strategy is built around four focus areas, which address major social, economic and environmental trends to create value for our stakeholders and the business.

We provide clear guidance on the high social, environmental and ethical standards we expect of employees and suppliers through policies such as our Supplier Code of Conduct, Local Charter and Sustainability Brief for Developments. The effectiveness of our strategy and policies can be seen in our strong social and environmental performance, which reduces risks and creates positive outcomes



2018 highlights include

We design for wellbeing in everything we do. This includes collaborating with suppliers to promote a culture of wellbeing at our places. New facilities launched at Broadgate support the wellbeing of construction workers, designed by local students at the University of East London.

“There’s real enthusiasm from the team for their new facilities, which have the feel of a high street restaurant.”

Jeff Tidmarsh
Broadgate Framework Design Manager at Sir Robert McAlpine

7,580 children participated in our Young Readers Programme with the National Literacy Trust and customers, across 25 retail centres and three London campuses.

“We know that when children enjoy reading and have books of their own at home, they do better at school, at work and in life: yet a third of children left primary school last year unable to read well. Our partnership with British Land takes us to the very heart of this issue.”

Jonathan Douglas
Director of the National Literacy Trust

17% increase in renewable energy generated by solar panels at our places this year to 800,000 kWh, with more installations planned. We also procured 97% of all electricity from certified renewable sources, as an RE100 partner.

“It is encouraging to see large commercial real estate investors like British Land seeking to reduce their carbon footprints and futureproof their assets.”

John Macdonald-Brown
CEO of Syzygy Renewables

742 local people progressed into jobs and 159 employers recruited through Fort Kinnaird Recruitment & Skills Centre, including our customers. We support this as part of Bright Lights, our skills and employment programme.

“Excellent service. We are able to turn recruitment around very quickly due to filling our interview slots immediately following advertising our vacancies.”

IIR Manager
Marks & Spencer, Fort Kinnaird

How can I be grateful
appreciative of what I have
enhanced?
rejoice in the
Majesty of the Holy Spirit

£60m

| Number of children in household | Probability of being in the labor force |
|---------------------------------|---|
| 1 | 0.80 |
| 2 | 0.70 |
| 3 | 0.55 |
| 4 | 0.20 |
| 5 | 0.30 |
| 6 | 0.45 |
| 7 | 0.55 |
| 8 | 0.65 |
| 9 | 0.75 |
| 10 | 0.80 |

69%

| Number of children in household | Probability of being in the labor force |
|---------------------------------|---|
| 1 | 0.80 |
| 2 | 0.65 |
| 3 | 0.45 |
| 4 | 0.20 |
| 5 | 0.35 |
| 6 | 0.50 |
| 7 | 0.60 |
| 8 | 0.70 |
| 9 | 0.75 |
| 10 | 0.80 |

£36m

400 24

24

| Circumstance | Percentage (%) |
|-------------------------------|----------------|
| If someone is attacking you | 85 |
| If someone is threatening you | 75 |
| If someone is harassing you | 65 |
| If someone is insulting you | 55 |
| If someone is annoying you | 45 |

£325,000

264

£3.7m

22

262

low-income children
participate in a
skill-building program
designed to help them
achieve their
educational goals
since 2012

OUR KEY PERFORMANCE INDICATORS

How we performed over the past year against our strategy

Links to remuneration

Long-Term
incentive planAnnual
incentive award

Total accounting return (TAR) Delivering sustainable long term value

Total accounting return is our overall measure of performance. It is the dividend paid plus the growth in EPRA NAV per share.

Customer Orientation

Responding to changing lifestyles

We recognise and respond to our customers' changing needs, based on our insights about how people use our spaces and our operational expertise

Our operational priorities in the year

- Further develop customer insights
- Deliver technology driven innovations

Insights

- 43,000 surveys were conducted across our Retail portfolio including 12,000 online surveys completed at 14 of our Retail centres, 3,000 surveys were completed on our campuses
- Our data shows that consumers who engage with our catering offer spend 27% more on retail than those using retail alone and the addition of leisure, food and beverage offerings increases dwell time to 90 minutes versus 54 minutes for a retail-only user
- Our campus surveys showed that more retail was the most requested area of improvement with more green spaces also an important priority

Our response

- 15% of space under development at Broadgate will be retail, leisure or food and beverage including a cinema at 1 Finsbury Avenue and Italian marketplace Eataly at 135 Bishopsgate
- Public realm improvements including a woodland walk completed at Paddington Central and six independent cafes signed
- Successful year at Pergola, an 850 cover pop up dining concept at Paddington with 179,000 visitors in 2017
- 130,000 sq ft of food, beverage and leisure lettings at our Retail centres

- Our 100 Liverpool Street development will benefit from smart technologies, including biometric screening, environmental optimisation of lighting, temperature and air quality and people flow analysis
- Technical solutions implemented at Storey include super-fast and resilient internet connectivity, tailored to occupier requirements and a Storey customer portal to assist in day-to-day management of the space

Wellbeing

- Progress towards our WELL Gold target at 100 Liverpool Street, designing for wellbeing and productivity
- 83% shopper score for perception of wellbeing at our Retail assets (2017: 84%)
- Embedding wellbeing improvements, including greenery, social spaces, games areas, improved walkways and training

KPI



Customer satisfaction

We extensively survey our customers and other users of our places to assess our performance and identify opportunities for improvement

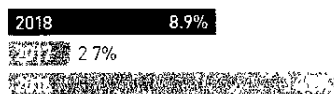
Out of 10

| | |
|------|-----|
| 2018 | 8.1 |
| 2017 | 8.1 |
| 2016 | 7.9 |

Risk indicators we monitor

- Consumer confidence
- Employment forecasts for relevant sectors
- Market letting risk (vacancies, expiries, speculative development)

Total accounting return (TAR)



2018 performance

This year we generated a TAR of 8.9% comprising a dividend increase of 3.0% to 30.08 pence per share and a EPRA NAV growth of 5.7% to 967 pence per share

Risk indicators we monitor

- Forecast GDP
- The margin between property yields and long term borrowing costs
- Property capital growth and ERV growth forecasts

Right Places

Creating great environments inside and out

We invest in places with potential and use our placemaking framework to deliver growth and returns

Our operational priorities in the year

- Deliver next steps of the Broadgate masterplan
- Submit Canada Water planning
- Deliver flexible workspace offer

Investing in potential

- Committed development pipeline more than doubled to 1.6 million sq ft, development risk well managed with 55% of the ERV pre-let or under offer
- On site on more than 1 million sq ft of developments at Broadgate, with 32% pre-let or under offer
- On site at 1 Triton Square, fully pre-let on the office space covering 310,000 sq ft
- Planning achieved at the Gateway Building, for a hotel at Paddington Central, covering 105,000 sq ft
- £60 million refurbishment of Meadowhall completed, with a further £46 million invested by nearly 80 customers
- Resolution to grant planning achieved on 330,000 sq ft leisure hall at Meadowhall, in total planning approvals on nearly 800,000 sq ft across the Retail portfolio
- Master development agreement with Southwark Council at Canada Water, outline planning application submitted on the overall masterplan in May 2018
- 180,000 people have attended events at the Printworks, our events space at Canada Water, which was named the Best New Venue 2017 in the London Venue Award

- Storey, our branded flexible workspace offer, launched and now active across 114,000 sq ft, with space at each of our campuses, now 77% let

Community

- £2.1 million community programme benefitting 39,798 people through our Local Charter activity (2017: £1.7 million and 35,600)
- British Land employee volunteering 79% and skills-based volunteering 16%, with a new programme launched to increase more impactful skills-based volunteering from 2019 (2017: 90% and 16%, 2020 targets 90% and 20%)

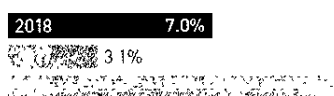
KPI



Total property returns

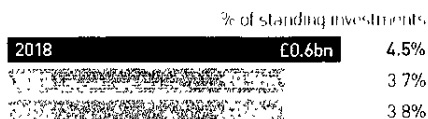


We have underperformed the IPD benchmark this year by -310bps, reflecting our lack of exposure to Industrial, the strongest performing category



Speculative development commitment

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



Risk indicators we monitor

- Property capital return and ERV growth forecasts
- Total development exposure
- Progress of developments against plan
- Speculative development exposure

OUR KEY PERFORMANCE INDICATORS

Links to remuneration

Long Term
Incentive PlanAnnual
Incentive Award

Capital Efficiency

Disciplined use of capital

We make risk-adjusted decisions to invest in acquisitions and development whilst preserving our balance sheet strength

Our operational priorities in the year

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

Robust financial performance

- Marginal decline in profits, down 2.6% to £380 million, despite net sales of income producing assets of £1.5 billion over the past two years and properties moving into development
- Dividend increase of 3% proposed for 2018/19, supported by our actions to increase cover, despite asset sales
- 2.4 million sq ft of leasing across Retail and Offices, 8.2% ahead of ERV
- 55% let or under offer on committed development pipeline with committed costs substantially covered by residential receipts
- Further diversifying sources of finance with £300 million Sterling bond issued
- LTV reduced to 28.4% despite £206 million of acquisitions and a £300 million share buyback
- Senior unsecured credit rating upgraded to A by Fitch
- Weighted average interest rate reduced to an all time low of 2.8%

Capital recycling

- £419 million of retail sales, making good progress against target of £500 million by November 2018 and bringing total disposals to £2.3 billion over four years



Sustainability performance

We use industry-recognised indices to track our sustainability performance and link this to remuneration

- Dow Jones Sustainability Index World and Europe 2017 91st percentile
- FTSE4Good 2016 96th percentile
- Global Real Estate Sustainability Benchmark 2017 Five Star rating

Futureproofing

- 92% of developments on track to achieve BREEAM Excellent for offices and Excellent or Very Good for retail (2017 100%, 2020 target 100%)
- 54% reduction in carbon intensity and 40% reduction in landlord energy intensity versus 2009, index scored (2017 44% and 35% respectively, 2020 target 55%)

KPI

Loan to value (LTV)
– proportionally consolidated

We manage our LTV through the property cycle such that our financial position would remain robust in the event of a significant fall in property values

Weighted average interest rate
– proportionally consolidated

We have reduced our cost of finance to an all time low supporting our financial performance



Risk indicators we monitor

- Financial covenant headroom
- Period until refinancing is required
- Percentage of debt with interest rate hedging
- Execution of debt financings

2018 performance

We continued to perform strongly on sustainability indices: have almost achieved our 2020 carbon reduction target, and launched a Supplier Code of Conduct for ethical, social and environmental issues

Risk indicators we monitor

- Health and safety
- Energy Performance Certificates
- Flood risk
- Public trust in business

Expert People

The knowledge and skills to deliver

Our team has the expertise to deliver Places People Prefer

Our operational priorities in the year

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

An open culture

- Ranked in the top 10 of FTSE 100 companies in the 2017 Hampton-Alexander Review with 40% female representation across the Executive Committee and direct reports
- Circa 20% of employees now formally work flexibly with technology available to everyone to do so
- Successful years for BL Pride, our LGBT and Allies network, our Women's Committee and Wellbeing Committee, with a Parents and Carers network and Ethnic Diversity network formed in the year
- Policy on enhanced shared parental leave well received

Enhancing customer focus

- Customer-focused sales training rolled out to everyone in client-facing roles
- Further cross-team collaboration between British Land and Broadgate Estates with common platforms established for messaging, calendar, document management, customer relations and HR systems
- Significant investment in technical security measures and Group wide employee training and awareness on cyber security and GDPR

- WorldHost customer service training rolled out to 21 of 25 of our major centres, with 18 centres receiving training in dementia awareness and a range of site appropriate training across the portfolio including Autism Awareness, Mental Health First Aid Training and Supported Guide training, helping people with sight loss
- Further investment in our data and analytics capabilities including improved technology at our centres, a data and analytics platform and a central Insights team operating across Retail and Offices ensures that data and insights are an important factor in our decision making

Skills and opportunity

- 228 people supported into jobs through Bright Lights, our skills and employment programme, working with suppliers, customers and local partners
- 100% of employees and 70% of supplier workforce at managed properties paid the Living Wage Foundation rate (2017: 100% and 72% respectively)

KPI



Best Companies survey

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



Risk indicators we monitor

- Unplanned executive departures

Building a supportive and inclusive culture for our people and our key stakeholders

Diversity and equality

We are focused on creating diverse and inclusive places and recognise that to deliver this strategy successfully, we need a business and culture which promote these values. By creating an environment where our people feel fully supported, we empower the whole organisation to be more productive.

Our Inclusive Culture Steering Committee, headed by a member of our Executive Committee, promotes diversity and inclusion at all levels of the business.

Initiatives include:

- Diversity and unconscious bias training completed and is now implemented for all new starters
- Internship and graduate schemes targeting young people from diverse backgrounds (see page 25)
- Ensuring that potential employee shortlists reflect the Group's diversity criteria
- Diversity networks empowering people to drive change (see page 17)
- Shared parental pay providing equal enhanced benefits to all parents
- Diversity and inclusion forum for key suppliers to discuss challenges and share best practice
- Diversity and inclusion survey, which we have also shared with key suppliers to support their activities
- Updating our values to reflect the changing way we work together as a business (see page 9)

We are signatories to:

- People in Property's guidelines on diversity and inclusion in recruitment
- The 30% Club, which targets a minimum 30% female representation on FTSE 100 Boards
- EW Group's Inclusive Culture Pledge to develop diversity across leadership, people, brand, data and future
- Real Estate Balance's CEO Commitments for Diversity

Our performance:

- 49% of Group employees are female, including three Directors on the Board and three of our Executive Committee (as at March 2018)
- Ranked sixth in the Hampton-Alexander Review Report, with 40% female representation across the Executive Committee and their direct reports (as at November 2017)
- Chris Grigg ranked in the top 20 Ally Executives by OUTstanding and the Financial Times for the third year running (rank 11)
- First listed property company to achieve National Equality Standard accreditation

Diversity and inclusion: www.britishland.com/inclusive-culture

Gender pay gap and balance

As at 5 April 2017 British Land had 237 employees and 322 employees in Broadgate Estates. Currently the mean difference in gender pay at British Land is 39.4% which is in line with the average for our peer group, reflecting the legacy structure of the real estate industry. The average gap for bonuses is 66.8%. Our workforce is made up almost equally of men and women and men and women doing the same job are paid the same, so we look at this as a difference in opportunity, rather than pay. The British Land Board is committed to achieving better gender balance across all positions in the Company and has in place recruitment and development practices that it believes will lead to a material change to this position over time.

For our full report: www.britishland.com/gender-pay-gap

| | 2018 | | 2017 | |
|------------------------------|--------|--------|--------|--------|
| | M | F | M | F |
| British Land | 115.20 | 124.70 | 119.20 | 108.53 |
| Of which are Board | 9.00 | 3.00 | 10.00 | 3.00 |
| Of which are Senior Managers | 64.20 | 32.90 | 64.20 | 28.20 |
| Broadgate Estates | 243.50 | 213.41 | 227.29 | 204.18 |
| Group total | 358.70 | 338.11 | 346.49 | 312.71 |

Values are expressed as a time equivalent.

Supply chain

We ask suppliers to work in a way we believe is best practice to achieve our social, environmental and ethical standards. The effectiveness of our policies in this area can be seen in our sustainability performance measures on pages 175 to 176. This year, we launched our Supplier Code of Conduct, where we set out supplier obligations in areas such as health and safety, human rights, fair working conditions, anti-bribery and corruption, community engagement, apprenticeships and environmental management.

Supply chain: www.britishland.com/suppliers

Human rights

Our respect for human rights is embedded in how we do business. We are a signatory to the UN Global Compact which supports a core set of values, including human rights, and have made appropriate disclosures in respect of the Modern Slavery Act. We are also a member of APRES, an action programme on responsible and ethical sourcing across the construction industry. For our performance on aspects including fair wages and diversity, see pages 175 to 176.

Modern Slavery Act disclosure: www.britishland.com/MSA

Anti-bribery and corruption

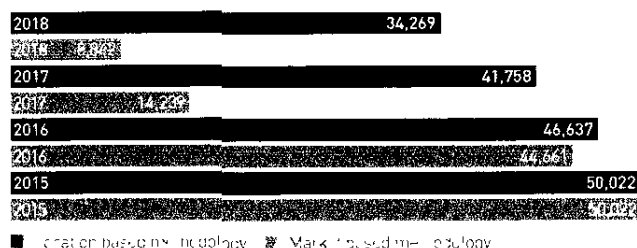
We are committed to the highest legal and ethical standards in every aspect of our business. It is our policy to conduct business in a fair, honest and open way, without the use of bribery or corrupt practices to obtain an unfair advantage. We provide clear guidance for suppliers and employees, including policies on anti-bribery and corruption, anti-fraud and code of conduct. All employees receive training on these issues appropriate to their roles and responsibilities.

Anti-bribery and corruption: www.britishland.com/antibribery

Carbon reporting

Carbon intensity across our portfolio has reduced by 54% versus our 2009 baseline, through the National Grid's decarbonisation and our own efficiency improvements. With this 2020 target almost achieved, we have also gone further, committing to source all our electricity from renewable sources and partnering with RE100, supporting further decarbonisation of the National Grid.

Absolute emissions Scope 1 and 2



Scope 1 and 2 emissions intensity (tonnes CO₂e)

| Year ended 31 March | 2018 | 2017 | 2016 |
|---|-------|-------|-------|
| Per m ² – Offices (net lettable area) | 0.055 | 0.069 | 0.118 |
| Per m ² – Retail (enclosed) | 0.056 | 0.067 | 0.174 |
| Per parking space – Retail (open air) | 0.062 | 0.064 | 0.106 |
| Per £m – Gross rental and related income from managed portfolio | 58.03 | 67.39 | – |

We have achieved a 54% reduction in our carbon footprint since 2009. This is due to a combination of factors, including the National Grid's decarbonisation and our own efficiency improvements. We have also gone further, committing to source all our electricity from renewable sources and partnering with RE100, supporting further decarbonisation of the National Grid.

Our environmental impacts include carbon emissions across our portfolio. This year, combustion of fuel emissions reduced by 6%, largely due to changes in our portfolio. Operation of facilities emissions reduced by 75%, largely due to fluctuations in air conditioning plant issues. Location based emissions from purchased energy decreased by 20%, largely due to Grid decarbonisation and changes in our portfolio. Market based emissions decreased by 72%, largely due to more electricity purchased from renewable sources and changes in our portfolio.

Absolute Scope 1 and 2 emissions (tonnes CO₂e)

| Year ended 31 March | 2018 | 2017 | 2016 |
|--|--------|--------|--------|
| Combustion of fuel: Managed portfolio gas use and fuel use in British Land owned vehicles | 6,901 | 7,348 | 5,156 |
| Operation of facilities: Managed portfolio refrigerant loss from air conditioning | 66 | 261 | – |
| Purchase of electricity, heat, steam and cooling: Managed portfolio electricity use | | | |
| Location based | 27,301 | 34,149 | 41,186 |
| Market based | 1,875 | 6,630 | – |

Task Force on Climate-related Financial Disclosures (TCFD)

We support the recommendations of the Task Force and continue to actively manage climate issues.

Governance

Our Risk Committee, which reports to the Board, monitors and oversees climate issues. Climate risks are identified through a process involving trend analysis and stakeholder engagement. They are then incorporated into our risk framework and managed by the appropriate business areas.

Strategy

We actively manage climate issues across our business. This includes:

- Upgrading assets with EPC ratings of F and G
- Improving flood risk assessment and protection
- Procuring electricity from REGO certified renewable sources, as an RE100 partner (2018: 97%)
- Installing low carbon energy generation sources, where viable

Risks

We reviewed climate risks in 2018 as part of our wider materiality review. They include:

- Rising energy costs
- Energy and carbon taxation, such as the CRC Energy Efficiency Scheme
- Climate and energy regulation, such as Minimum Energy Efficiency Standards (2018: 5% of portfolio at risk)
- Flood risks, impacting on asset value and insurance costs (2018: of the 3% of portfolio at high risk, 100% has flood management plans)
- Cost increases linked with carbon-intensive construction materials

Opportunities

- Anticipating occupier demand for climate resilient properties
- Delivering energy and carbon cost savings for us and our customers (2018: £14 million gross and £6 million net since 2012)
- Generating on site energy (2018: 1,664 MWh)
- Outperforming Building Regulations (2018: 26% better on average)

More information

Our full track record is set out in:

Sustainability Report 2018, pages 175 to 176

Sustainability FAQs, including information on our methodology, explanation of the global GHG and land-use indicators at www.britishland.com/sustainabilityreport

Climate strategy and policy at www.britishland.com/sustainabilityreport

Materiality review at www.britishland.com/materiality

Policy and Code of Conduct at www.britishland.com/policies

Against an uncertain backdrop we remain focused on our strategy

£13.7bn

portfolio valuation

7.7 years

weighted average lease length
last full break

7.0%

total property income

97.4%

occupancy rate

1.8%

EBITDA growth

2.2%

valuation movement

Market backdrop

The economic environment remained uncertain across the year, with consumer spending more subdued, as inflation (measured by CPI) reached a high of 3.1% in November. The impact of political and economic uncertainty relating to the ongoing Brexit negotiations weighed on investment decisions for UK businesses and in November 2017, we saw the first interest rate rise in 10 years. However, at 4.2%, unemployment is at its lowest in more than 40 years and inflation is slowing, as the impact of Sterling weakness moderates. So while UK GDP growth forecasts remain below other major economies, the relative strength of the global economy is supportive for UK businesses.

The investment market

The London investment market proved resilient, with real estate continuing to offer good relative returns, and the unique attractions of London remaining persuasive, particularly for overseas investors. However, buyers have become more selective, with well-let, best-in-class assets still generating good interest while pricing on other assets has softened, driving further polarisation. The picture is similar in retail, where higher quality assets, both large and small, continue to see demand, although the market remains cautious with investors generally demanding a higher yield to compensate for a perceived increase in risk.

The Office occupational market

Demand for the best quality space has remained firm, with businesses continuing to make long term commitments to London despite wider uncertainty. Initial estimates for Brexit-related job losses in the financial sector have been substantially lowered and financial services companies have continued to take space, although media and technology companies are now a more significant source of demand. Flexible workspace was another important driver, with its share of take up increased from an average of 7% in 2012-16 to 21% in 2017. This represents a shift towards more collaborative workplaces on more flexible terms. This is largely driven by the growth of small and medium sized businesses, but also many larger corporates, who increasingly require flexible workspace in addition to their core office space.

The supply pipeline has moderated substantially since the referendum, and nearly 50% of all space under construction is currently pre-let, including nearly 60% of space due for completion in 2018. As a result, occupiers with relatively large space requirements have limited options in the coming years, which should support rents on the best quality space.

The Retail occupational market

In Retail, the occupational market became more challenging as the year progressed. The long term structural impact of online continues to affect operators, and these issues have been exacerbated by short term factors, notably rising costs and subdued consumer confidence. Retailers continue to rationalise their store networks, and several highly leveraged operators with challenged models have applied for CVAs (company voluntary arrangements). However, this negative sentiment obscures healthy performances from operators with strong and differentiated offerings, who are evolving the role of their stores to reflect the changing way people shop.

In the casual dining sector, operators who over-expanded in recent years have been similarly impacted by short term cost pressures, although the overall leisure market remains strong. Spending on leisure has continued to grow and this year is expected to reach nearly £130 billion, a 17% increase compared to five years ago.

As a result, polarisation is accelerating rapidly. The best quality retail schemes, which meet a much broader mix of uses, including leisure and entertainment, and which support the important role physical retail can play in an omni-channel strategy are still generating good rental tension and delivering income growth.

Our strategy

Our strategy is to create outstanding places, which reflect the changing lifestyles of the people who work, live or spend time in our space – we call this creating Places People Prefer. We do this by understanding and responding to the evolving needs and expectations of our customers. Increasingly people want to combine working, shopping, socialising and entertainment in a single place. Across our business we are responding to this trend by curating the environment inside and outside our buildings to create more of these opportunities, which include a mix of activities. As our markets evolve, we will continue to position our business to benefit from the long term trends to drive enduring demand for our space.

London Offices

Our campus approach enables us to successfully differentiate our space by creating neighbourhoods we can enhance and enliven through placemaking. 78% of our offices are located on our three central London campuses at Broadgate, Paddington Central and Regent's Place. At each, we are delivering a growing mix of uses alongside our offices, including dining, shopping, leisure and entertainment as well as events and activities people can enjoy seven days a week. Our newest buildings reflect the changing ways people are working, with more collaborative space, distinctive features such as roof terraces and smart technology, and sustainable characteristics, all of which is driving good demand from a wide range of occupiers.

Storey, our flexible workspace business, is an integral part of that approach, helping to attract new occupiers to our campuses and allowing us to meet the evolving needs of existing customers. Importantly, our campuses benefit from excellent connectivity and transport infrastructure, which will be further enhanced by Crossrail at Broadgate and Paddington Central. This makes them accessible and convenient, and will drive footfall, providing a strong rationale for extending the retail and leisure offer.

Retail

We believe that physical stores have a key role as a part of a successful omni-channel retail strategy, but that the market is polarising towards the best locations. Size should be appropriate to the catchment and quality of space and services are key. Placemaking is an important part of how we can add value as owners and managers of property by curating our space to meet the needs of our customers, we can support the way the role of the store is changing. This is where our investment is focused.

There are typically three phases to a modern consumer journey: discovery, transaction and fulfilment. Our Regional centres typically support the 'discovery' phase, they attract visitors from a wide catchment so we are enhancing the nature of this space to encourage people to stay longer and spend more by enlivening our space with more leisure and entertainment. Our data shows that when customers engage with our catering offer, their retail spend is typically 27% higher.

The second stage is the actual transaction, which may take place in store or online. For retailers, transactions which are made (or fulfilled) in store are preferred, as they do not incur the cost of last mile delivery, reducing pressure on margins.

The third stage is fulfilment. Retailers are focused on rightsizing their store networks, but are committed to maintaining good coverage, with stores increasingly playing a role in logistics and distribution. Across our portfolio 27% of shoppers now use click and collect, up from 19% three years ago, and here, our Local centres, which provide convenient shopping for local communities, have a particular role to play.

Broadgate Estates

In May 2018, we announced the sale of the third-party portfolio of Broadgate Estates, our property management business, to international real estate adviser Savills. This transaction enables us to focus exclusively on our own assets and enhance the service we provide to our customers as our business becomes increasingly mixed use.

Portfolio performance

| Year ended 31 March 2018 | Valuation £m | Valuation change % | ERV growth % | Yield at 31 bps | Property return % |
|-----------------------------|-----------------|--------------------------|--------------------|-----------------------|-------------------------|
| Offices | 6,705 | 4.5 | 2.1 | (7) | 9.0 |
| Retail | 6,596 | 0.3 | 1.6 | 6 | 5.7 |
| Residential | 132 | 1.6 | n/a | n/a | 4.6 |
| Canada Water | 283 | (7.0) | n/a | n/a | (3.9) |
| Total | 13,716 | 2.2 | 1.8 | 1 | 7.0 |

The portfolio value was up 2.2%, driven primarily by our leasing activity, in particular the pre-letting of our developments which saw a valuation gain of 9.6%. ERV growth was positive in Retail and Offices, but was stronger in the first half, particularly in Retail. Office yields contracted 7 bps mostly in the first half reflecting our leasing success, whilst Retail saw yield expansion of 6 bps, which was more pronounced in our Local centres. Overall, the portfolio equivalent yield was broadly flat at 4.8%.

The portfolio underperformed the IPD all property total return index by 310 bps over the year, largely reflecting the continued strength of the industrial sector within the index, where we have no exposure. Offices outperformed the sector benchmark by 70 bps on a total returns basis while Retail underperformed by 50 bps.

We have completed the first phase of our valuer appointment policy, which restricts the engagement of valuers on individual assets to 10 years. As a result, this year, 45% of the portfolio was subject to a change in valuer. Despite some variations on individual assets, there was no material impact at a subsector level, and therefore overall. All of these changes were reported at half year and full details on our policy can be found in the Governance section of our website.

Investment and development

| From 1 April 2017 | Retail £m | Offices £m | Residential £m | Canada Water £m | Total £m |
|-------------------------|--------------|---------------|-------------------|-----------------------|--------------|
| Purchases | 199 | – | – | 7 | 206 |
| Sales ¹ | (419) | (577) | (312) | – | (1,308) |
| Development spend | 31 | 82 | 54 | 23 | 190 |
| Capital spend | 57 | 5 | – | – | 62 |
| Net investment | (132) | (490) | (258) | 30 | (850) |
| Gross investment | 706 | 664 | 366 | 30 | 1,766 |

(1) Compropt only, excludes disposals, including disposals of land and buildings.

(2) Includes 5 million Leasing, but excludes the expenditure on the year ended 31 March 2017 and on 31 March 2018. Includes the expenditure on the year ended 31 March 2017 and on 31 March 2018. Includes the expenditure on the year ended 31 March 2017 and on 31 March 2018. Includes the expenditure on the year ended 31 March 2017 and on 31 March 2018.

PERFORMANCE REVIEW CONTINUED

£1.8bn
gross investment activity

2.4m sq ft
developed and renewed

£1.3bn
disposals

+8.2%
lettings and renewals ahead of RV

£0.5bn
acquisitions and capital expenditure

The gross value of our investment activity since 1 April 2017, as measured by our share of acquisitions, disposals, capital spend on developments and other capital projects, was £1.8 billion. This includes our share from the sale of The Leadenhall Building of £375 million (100% £1.15 billion) which completed in the year, £419 million retail sales in line with book value and more than £200 million of asset purchases.

We exchanged or completed residential sales of £119 million in the year, on average 16% ahead of most recent valuations. In addition, we have completed on £193 million of Clarges sales which exchanged prior to 1 April 2017, of which £168 million completed post year end. This brings total completed and exchanged sales at Clarges to £344 million to date.

This year, development spend has totalled £190 million, with the majority relating to Broadgate developments and Clarges. Capital expenditure of £62 million relates to income enhancing investment and more general asset enhancement initiatives including at Meadowhall, Glasgow Fort, Peterborough and Teesside.

Development activity

| | £m - £m and sq ft | | | | | |
|--------------------------------------|-------------------|------------------------|---------------------------|-----------|--------------------------------------|-----------------------------------|
| | Sales 2017/18 | Current value £m | Post to complete £m | ERV £m | Lettings and Renewals sq ft | Residential exchanged sq ft |
| At 31 March 2018 | | | | | | |
| Completed in year | 170 | 488 | 17 | 2 | 1 | 344 ² |
| Committed | 1,614 | 572 | 427 | 63 | 35 | - |
| Near term | 578 | 55 | 436 | 30 | - | - |
| Medium term | 2,992 | | | | | |
| Canada Water Phase 1 ¹ | 1,848 | | | | | |

On a proportionally phased basis including the Group's share of joint ventures and fund co-investments which is shown at 100%.

¹ Total site area is 3.6 million sq ft.

² Of which 21% in the residential category including 168m sq ft on last year end.

Across our portfolio, we have created attractive development opportunities in line with our strategy, giving us the optionality to progress when the time is right. This is a unique advantage in the current environment, where we see limited opportunity to make accretive acquisitions, given the continuing strength of investment markets.

We believe that space which meets a broader range of needs will be most successful long term, so our development pipeline focuses on our London campuses where we see the potential to further enhance the mix of uses, with retail and residential in addition to our core office space.

In line with our disciplined approach to capital allocation, we carefully manage our development risk, and pre-letting our space is an important part of that approach. 55% of the £63 million ERV in our committed pipeline is already pre-let or under offer and our total speculative exposure is just 4.5% of portfolio gross asset value (GAV), well below our internal risk threshold for speculative development of 8%. In addition, costs to come on our committed pipeline of £427 million are substantially covered by residential receipts to come of £373 million from our Clarges Mayfair development.

Looking forward, our medium term pipeline comprises a broad mix of opportunities including mixed use schemes at Eden Walk, Kingston and Ealing where we see potential to deliver sizeable residential schemes alongside an improved retail offer. At Canada Water, we are creating a new urban centre for London, which will comprise offices, retail and leisure as well as residential. We signed a Master Development Agreement with Southwark Council and submitted our outline planning application for the masterplan in May 2018. In total, our medium term pipeline covers 4.8 million sq ft, with the majority of projects currently income producing or held at low cost.

Construction cost forecasts continue to suggest that the rate of growth has moderated from the level in recent years. However, pressure on labour costs and limited capacity in the industry indicate the rate of cost inflation will increase in 2019/20 back to closer to 3-4% per annum. To manage this, 89% of the costs on our committed development programme have been fixed.

More detail on growth portfolio productivity performance, new deal development and disposals sold and acquired during the year can be found in the detailed supporting commentary on pages 164 to 174.

Strong leasing activity driven by our campus strategy and good market demand

Tim Roberts
Head of Offices

Highlights

- Portfolio value up 4.5%, with the West End up 5.8% and the City up 2.8%
- Yield contraction of 7 bps overall, with 13 bps contraction in the West End, weighted towards the first half, and 2 bps expansion in the City
- ERV growth of 2.1%, with the West End up 2.5% and the City up 1.5%
- 70 bps ahead of IPD on a total return basis, 100 bps ahead on a capital basis, with ERV growth 100 bps ahead
- Leasing activity covered 1.2 million sq ft, four times the area achieved last year, adding £40 million to future rents, under offer or in negotiations on a further 548,000 sq ft
- Rent reviews covered 226,000 sq ft, 10% ahead of passing rent
- Activity generating like-for-like income growth of 2.4%
- £664 million (excluding residential sales at Clarges) of gross capital activity, including our share of The Leadenhall Building (£375 million)

Campus review

78% of our offices are located on our three central London campuses, Broadgate, Regent's Place and Paddington Central. Each benefit from excellent transport links, as well as vibrant local neighbourhoods, which supports our placemaking initiatives and makes them more dynamic and interesting places to work and visit.

Broadgate

At Broadgate, our leasing activity covered nearly 590,000 sq ft, including 160,000 sq ft at 100 Liverpool Street, to SMBCE, the European subsidiary of SMBC (Sumitomo Mitsui Banking Corporation). Having committed to this building on a speculative basis at the end of 2016, we are now 37% let on the office space by area, and are seeing good levels of interest on the remaining space. A key focus remains increasing the mix of uses at our campuses, and this year we signed a major deal with Eataly, the Italian marketplace at 135 Bishopsgate, where they will open their first UK location covering 42,000 sq ft. This is an important letting for the campus, in line with our objective to make Broadgate an internationally recognised centre for new food, retail and culture. We are under offer or in negotiations on a further 269,000 sq ft of office space at this development, together accounting for around 80% of the space. At 1 and 2 Finsbury Avenue (1FA and 2FA), we are building Broadgate's reputation as a centre for innovation and finance. We have let 79,000 sq ft to Mirrecast at 1FA and are under offer on a cinema (11,000 sq ft), together representing more than one third of the building. At 2FA, we have let 14,500 sq ft on a short term basis to Starling Bank, as well as a host of lettings in the technology and creative sectors through Storey, our flexible workspace business which covers 60,000 sq ft at Broadgate at 2FA and Appold Street.

This year, we were pleased that Broadgate was the winner of two Revo Opal Awards. The first recognised how our commercialisation strategy had helped transform and positively enhance the environment at Broadgate, and the second recognising our Winter Forest as a best in class build, execution and visitor experience.

Regent's Place

At Regent's Place, our leasing activity covered 411,000 sq ft, with our pre-let to Dentsu Aegis of all the office space at 1 Triton Square accounting for 310,000 sq ft, the largest pre-let in the West End for 22 years. As part of this letting, Dentsu Aegis have an option to return their existing space at 10 Triton Street in 2021, which if exercised, would have a compensating adjustment covering the rent free period of the letting at 1 Triton Square.

LONDON OFFICES CONTINUED

Our Offices portfolio in London

£6.7bn

portfolio value of 100% of London office

7.3 years

weighted average lease length for all offices

96.7%

occupancy rate

Facebook reaffirmed their commitment to the campus, taking a further 39,400 sq ft at 10 Brock Street, bringing their total occupation to 213,000 sq ft across two buildings, doubling their initial requirement. This is a good example of how we have been able to accommodate the needs of our occupiers as their business expands or needs change, so we are pleased that Storey is now operational across 23,000 sq ft at 338 Euston Road. We also signed Flykick, a new kick-boxing gym at 350 Euston Road, which opened in March 2018, in line with our focus on enlivening our spaces and diversifying the mix.

The Regent's Place Community Fund is also entering its second year, bringing together occupiers to support local charities and make a positive local difference. In its first year, over 2,600 people benefitted from projects addressing employability, social cohesion and health and wellbeing.

Paddington Central

Paddington was our best performing campus, up in value more than 7% in the year as we benefitted from the placemaking activities we have undertaken across our five years of ownership. This has delivered a total unlevered return of 12% per annum. 4 Kingdom Street (147,000 sq ft), reached practical completion in April 2017 and was nearly 90% let ahead of launch in June 2017, to occupiers including Vertex, Sasol and Mars, whose activities span pharmaceuticals, energy and food products. Storey is now operational across 15,000 sq ft and a further 25,000 sq ft has been allocated.

Pergola, an outdoor drinking and dining experience which welcomed 179,000 people in 2017, reopened for the summer season at the end of April. We are continuing to improve the food, beverage and leisure offering at Paddington with six operators, including a gym, barbers and a number of independent cafés, together covering 12,500 sq ft, signed in the period. We completed stage one of our public realm improvement programme and are now underway with stage two, which will enhance and enliven the canal-side space.

Storey

Since its launch in June 2017, Storey, our flexible workspace brand, has made good progress. We introduced the concept in response to changing customer needs, and to broaden the range of services we offer campus occupiers. It is now operational at all three of our campuses, as well as International House, Ealing, covering a total of 114,000 sq ft, of which 77% is now let. We are differentiating our offer to appeal to innovative businesses that have outgrown conventional co-working space, as well as larger organisations seeking additional space on more flexible terms in addition to their core requirement. Marketing and fit out are tailored accordingly, so our occupiers are able to create their own brand within our space, but benefit from shared facilities in the building as well as the advantages that our campuses provide.

The average size of occupier is 52 employees and the average lease length is 27 months (21 months term certain), with existing occupiers from our campuses accounting for more than half of the space taken. AIM-listed robotic software company Blue Prism have taken space at 338 Euston Road and at Broadgate our activity is supporting the campus's emergence as a centre of technology and innovation, with lettings to Wipro's strategic and digital arm, Digital +Designit, Tantalum, an automotive technology innovator, and Rotageek, which offers data-driven employee scheduling services.

The premium to ERV we are achieving is at or above target, and we have allocated a further 119,000 sq ft to Storey from within the portfolio, of which 73,000 sq ft will be at 1FA. 10,000 sq ft will be club space at 4 Kingdom Street, where customers will be able to host events and meetings and benefit from collaboration with fellow Storey and other campus occupiers. This brings total space committed to Storey to more than 230,000 sq ft.

Residential

Clarges Mayfair, our super prime residential development, reached practical completion in December 2017. To date we have completed or exchanged on 24 residential units totalling £344 million and will commence marketing of the remaining 10 valued at £141 million, this summer. This scheme, which has delivered profits of more

Paddington Central

In March 2017 we raised nearly £500 million through five investment opportunities through share placing. Four months later we secured planning consent for £470 million, and in 2015/16 we added a further £270 million to the central London pipeline.

In February 2016 we completed the substantial redevelopment of 4 Kingdom Street. When completed, it was nearly 90% let to a mix of office and retail and 2017 will also be a significant addition to the ERV. Today, less than 10% of Paddington are more than 20% under offer.

Over the last five years we have invested over £1 billion upgrading the campus environment, making it more attractive and engaging, and last year added Periodic, our new online portal which has welcomed over 170,000 visitors. The evolution of Paddington continued this year. We now have four boardrooms with three guest suites and recent meetings to six delegates and a great lunch and refreshments have nearly doubled the food and beverage allocation. We also have chosen to add 32,000 sq ft of new development on a 6 Kingdom Street site, 105,000 sq ft hotel.

Reopening of Kingdom Street

than £200 million to date, (of which residential accounts for over £150 million) demonstrates our expertise in residential. The offices element of this scheme reached practical completion in June 2016 and is nearly 90% let.

Offices development

Over the year, we have committed to nearly 1 million sq ft of development opportunities on our London campuses, more than doubling our development commitments, but without a material increase in our speculative exposure. 56% of the ERV in our committed office developments is pre-let or under offer.

We achieved planning consents covering more than 1 million sq ft across our three campuses, and are already on site on more than 90% of this space.

Committed pipeline

Our committed pipeline covers 1.5 million sq ft. This includes 366,000 sq ft at 1 Triton Square, Regent's Place, but the majority is at Broadgate.

We are making good progress at 100 Liverpool Street, our 522,000 sq ft development adjacent to the Crossrail station at Liverpool Street Station. The building targets the Platinum WiredScore certification for connectivity, a BREEAM Excellent rating for sustainability and the WELL Gold certification for wellbeing, our plans include 20,000 sq ft of outdoor terraces on five levels providing outside spaces for office workers to come together. We have pre-let 37% of the office space to SMBCE and are seeing good interest on the 90,000 sq ft of retail space here. Also at Broadgate, we are on site at 1FA (291,000 sq ft), which will include a cinema and roof terrace, and 135 Bishopsgate (328,000 sq ft), with 42,000 sq ft of retail pre-let to Italian marketplace Eataly. In total we are delivering more than 1 million sq ft at Broadgate, of which 15% of the space will be retail or leisure, with 32% of the total ERV pre-let or under offer.

Near term pipeline

Looking ahead, our near term pipeline covers 445,000 sq ft of opportunities we would look to progress in the next 12 months. It includes the Gateway Building at Paddington Central, and our option at Blossom Street in Shoreditch.

In line with our strategic focus on expanding the mix of uses at our campuses, we were pleased to achieve planning consent for the Gateway, a 105,000 sq ft premium hotel at Paddington Central.

At Blossom Street, Shoreditch, we have an option over two acres of land which expires in February 2019. We have consent for a 340,000 sq ft mixed use development, integrating 258,000 sq ft of character office space, with retail and residential, to create a mixed use development that builds on the historic fabric of the area. Our plans envisage a mix of floorplates, to appeal to small and growing businesses, particularly in the technology and creative sectors, with the potential for some space to be allocated to Storey. We will make a decision on this development before the end of this calendar year.

Medium term pipeline

Looking further ahead, we have created options across our portfolio, which provide opportunities to grow and develop our business well into the future. Our medium term office pipeline covers 1.4 million sq ft, of which three-quarters is at Broadgate.

At 2-3 Finsbury Avenue (2FA and 3FA), we have consent for a 563,000 sq ft development, adding 374,000 sq ft to the existing space, but would seek a significant pre-let before making any commitment. In the meantime, the space is generating a good income through short term more flexible lets and is proving particularly successful amongst technology and creative occupiers. 20,000 sq ft has been let to TMT and creative occupiers through our core business at 2FA, and a further 60,000 sq ft by Storey at 2FA and Appold Street. We recently achieved vacant possession at 3FA, and the space is enjoying similar success, with 44,000 sq ft of short term lets agreed as well as 1,700 sq ft of events space which we expect to launch in the coming months. This short term activity provides us with options over when we commence development. We are progressing our plans at 1-2 Broadgate, in total covering 507,000 sq ft, including a significant retail, leisure and dining element. Vacant possession is not expected until the end of 2019 but we expect to make a planning application towards the end of this year.

At 5 Kingdom Street, at Paddington Central, we have existing consent for a 240,000 sq ft office-led scheme, our plans will increase this to more than 332,000 sq ft and we expect to submit a revised application later this year. The site sits above the Box, a 70,000 sq ft site which will become redundant on the completion of Crossrail, when ownership reverts to British Land. This represents an interesting opportunity to create an alternative use, potentially retail, leisure, conference or events space, which will further differentiate our campus offering.

Quality space driving operational outperformance in polarising markets

Charles Maudsley

Head of Retail, Leisure & Residential

Highlights

- Portfolio value up 0.3%, with the multi-let portfolio down 0.5% offset by positive movements on our solus and leisure assets
- In the multi-let portfolio, Regionals were marginally up in value whilst Locals were down 1.5%
- Yield expansion of 6 bps overall, with 9 bps expansion in the multi-let portfolio, more pronounced in the Local portfolio
- ERV growth of 1.6%, with 1.9% growth in the multi-let portfolio reflecting our successful leasing activity
- Underperformed IPD by 50 bps on a total return basis and 70 bps below on a capital basis, ERV growth was 70 bps ahead of the index
- Leasing activity covered 1.2 million sq ft, adding £7 million to future rents
- Virtually full with occupancy at 98%
- Completed more than 100 rent reviews, 4.2% ahead of passing rent
- Nearly 90% of leases reaching expiry were either retained or replaced on terms ahead of ERV, with a further 5% re-let in the short term
- Activity generating like-for-like income growth of 1.2%
- Footfall up 0.3%, 340bps ahead of benchmark, retailer sales down 1.6%, 130bps ahead of benchmark
- Gross investment activity of £706 million, with sales of £419 million, overall in line with book value, £199 million of acquisitions, including £152 million of regeneration opportunities in London, benefitting from Crossrail

Operational review

We have a focused leasing strategy, informed by our insights, which keeps our offer relevant in today's market, this means we are targeting growth subsectors and meeting customer needs. Compared with 2015, we have undertaken 8.8% more leasing to health and beauty operators, and 5.6% more in outdoor and sports clothing. At the same time, we have reduced leasing to sectors where sales have declined, notably general fashion is down more than 10%.

We are also leveraging our insights to demonstrate the attractions of our assets to potential occupiers. This year for example, we signed Decathlon at Ealing after providing compelling research on the strategic fit between its demographic profile and the local catchment, and at Broughton, Chester, Footasylum opened its first out of town store, having demonstrated to the occupier that a physical store was an opportunity to enhance their previously low brand awareness to over one million residents in the catchment. Early indications are that it is trading well. This approach is integral to our leasing strategy across the portfolio and instrumental in encouraging operators to open out of town stores, with recent examples including Lush, Ann Summers, Disney and Joules all opening at Glasgow Fort, and Hotel Chocolat at Teesside, Stockton. In addition, our rent to sales ratio remains attractive at 11%.

At Meadowhall, we have seen a strong response to our £60 million refurbishment, with nearly 80 occupiers investing £46 million upgrading their stores. We have signed 28 new occupiers, including online retailer Joe Browns' first physical store, and Australian homewares brand House, who opened one of their first UK stores here. We have strengthened the premium offering to reflect the improving catchment, with Godiva, Michael Kors, Flannels, Tag Heuer, Neal's Yard, Joules and Nespresso all signing. We have relocated or upsized a further 21 occupiers and renewed or re-gearred leases on another 14. This year, deals were signed 13% ahead of ERV, and our activity has generated ERV growth of 2.8%. We are also pleased that our investment has benefitted the local community, with 69% of construction spend going to local businesses and 24 people supported into apprenticeships.

Our Retail portfolio

£6.6bn

portfolio valuation (British Land's share) – 30 October 2018

98.0%¹

occupancy rate

7.9 years

weighted average lease length – 1st half

315m

annualised net lettable area

Our portfolio has the best value for money

60%

of the population

1. Capex and Opex as a percentage of net lettable area for the 12 months ended 30 October 2018

2. Annualised net lettable area for the 12 months ended 30 October 2018

Source: British Land's Retail portfolio valuation
Note: 1. Data for the 12 months ended 30 October 2018

Across the market, sales and footfall are down but our assets have continued to outperform. Footfall was up 0.3% across the multi-let portfolio, outperforming the market by 340 bps with the scale of our outperformance continuing to grow. A number of our centres performed particularly well, including Stockton, Teesside, where we are on site with a £30 million refurbishment, and SouthGate, Bath, where the dining offer has been revitalised, introducing new brands like Comptoir Libanais, Thaikhun, Franco Manca and Absurd Bird. Retailer sales (which only capture in store sales) were down 1.6% at our centres, but were ahead of market by 130 bps.

In what has been a more challenging occupier market, we are confident in the relative strength of our portfolio. The combined impact of administrations and CVAs during the year was 0.6% of total gross income or £3.7 million and the portfolio is virtually full with occupancy of 98%.

Capital activity

We are committed to reshaping our Retail portfolio to focus on assets which best align with our strategy. This has been ongoing for some time. In the last four years, we have made £2.3 billion of retail asset disposals. This year, we sold £419 million of assets (£662 million on a gross basis), in line with book value, of which £122 million were made in the second half, 7.6% ahead of book value, and we are now under offer on a further £72 million.

Acquisitions of £199 million in the period included a Tesco JV swap, which resulted in a net £73 million of superstore disposals. We also acquired The Woolwich Estate and 10-40 The Broadway in Ealing for a total of £152 million. These acquisitions are in line with our focus on well-connected assets with mixed use potential, strong or improving local demographics and where we can put our placemaking expertise to work. Both areas benefit from Crossrail, and have already seen significant regeneration ahead of that. This brings total gross activity, including development and capital spend, to more than £700 million.

We have invested £88 million into the portfolio, of which 70% is income producing capex, and the remainder focusing on improvements to the public realm. We have a strong track record of delivering value with assets benefitting from material investment (more than 5% of value) delivering a total return outperformance of c. 80 bps, over the last three years, driven by ERV growth.

Retail development

Across the Retail portfolio, we achieved 44 planning consents covering nearly 800,000 sq ft.

We completed our 66,000 sq ft leisure extension at New Mersey, Speke, which added an 11-screen cinema, pre-let to Cineworld, and six restaurant units. Overall, the scheme is 80% let or under offer, and will open in summer 2018.

Committed pipeline

We are on site with a 107,000 sq ft leisure extension at Drake Circus, Plymouth, which will add a 12-screen cinema and 15 restaurants. We expect to reach practical completion towards the end of 2019 and are already 38% let or under offer.

Near term pipeline

Our near term pipeline includes leisure extensions at Stockton, Teesside (84,000 sq ft) and Forster Square, Bradford (49,000 sq ft). At Teesside, we received a resolution to grant planning for our masterplan, which includes a redevelopment of the existing terrace, the introduction of smaller retail and restaurant units and improvements to the public realm, overall adding 51,000 sq ft, but we will seek a significant pre-let before committing to this development. We expect to submit a planning application for our plans at Bradford this year.

[illegible]

For Kinnard, our employees are paid for 2,000 total hours, and our staff are paid for every 2,000 hours. In 2017 we employed 28 employees and 112 part-timers in our Bright Lights Starting Point Retail and Hospitality program to secure employment.

Our medium term pipeline

Our medium term pipeline includes our 330,000 sq ft leisure extension at Meadowhall, where we secured a resolution to grant planning consent. Our plans will transform the centre's leisure offer with new dining and entertainment options, a new cinema, café court, gym, open-air terrace and space for leisure, event and community use. We also submitted planning for a 208,000 sq ft leisure extension at Serpentine Green, Peterborough, which will add 139,000 sq ft. Our mixed use opportunities include a £400 million redevelopment of Eden Walk, Kingston, where we have consent for 380 new homes, 28 new retail units, 12 restaurants and cafés and 35,000 sq ft of flexible office space. At Ealing, we are working up plans for a wider mixed use development.

At Canada Water, we are working with the London Borough of Southwark on one of London's most significant development projects. Our long term vision for the area, spanning 53 acres, will deliver a major new mixed use urban centre for this part of London, just one stop on the Jubilee Line from Canary Wharf, in Zone 2

In March 2018, we were delighted to receive Southwark Cabinet approval to enter into a Master Development Agreement with Southwark Council, which was signed in May 2018. Under the terms of the agreement, we have negotiated a new headlease, which consolidates our holdings (including the Printworks, the Surrey Quays Shopping Centre and the Mast Leisure Centre) into a single 500 year headlease, with Southwark Council as the lessor. This structure effectively aligns the ownership of these assets, with British Land owning 80% and Southwark Council owning the remaining 20%. Southwark Council will have the opportunity to participate in the development of the individual plots, up to a maximum of 20%, and returns will be pro-rated accordingly.

This agreement enabled us to submit our planning application in May 2018, which included a detailed application for the project's first three buildings, comprising workspace, retail, homes (of which 35% will be affordable) and a new leisure centre. These buildings are part of a major first phase of the development covering a total of 1.8 million sq ft of mixed use space. This includes one million sq ft of workspace, 250,000 sq ft of retail and leisure space and 650 homes. The overall masterplan, of which phase 1 forms part, is expected to deliver up to 3,000 new homes, two million sq ft of workspace and one million sq ft of retail, leisure, entertainment and community space.

Subject to planning approvals, construction of the first detailed plots could begin in spring 2019. Potential structures will be explored when we have greater visibility on timing, but we are already seeing interest in the space from a range of sectors and discussions are underway on several buildings.

In the meantime, the success of the Printworks, our award-winning entertainment space in the old Daily Mail Printworks, is building awareness of the area. With capacity for 5,000, it has welcomed more than 250,000 visitors since launch, and has hosted bands including So Solid Crew and Django Django as well as the Beavertown Brewery Extravaganza, bringing over 70 of the world's best breweries together. The space has proved to be such a commercial success, as well as an effective driver of footfall, that it has now been incorporated into our development plans.

While the gross valuation of Canada Water was marginally up to £283 million, the net valuation was down 7%, reflecting feasibility costs incurred over the year which were not recoverable through the valuation, pending achievement of planning

Financial performance for the year was robust

£380m

Underlying Profit

967p

EPRA net asset value per share

37.4p

Underlying earnings per share

£9,506m

Fixed assets

£501m

Loan portfolio net

28.4%

LTV

30.08p

Dividend per share

2.8%

Weighted average interest rate

+8.9%

Shareholder return

See page 10 and further on www.britishland.com/glossary
 See note 4 with respect to underlying earnings per share and underlying profit
 See note 2 with respect to underlying earnings per share and underlying profit
 See note 17 with respect to the calculation of the underlying profit
 See note 18 with respect to the calculation of the underlying profit
 See note 19 with respect to the calculation of the underlying profit
 See note 20 with respect to the calculation of the underlying profit

Overview

Financial performance for the year was robust with underlying earnings per share down 11% at 37.4 pence and Underlying Profit down 2.6% at £380 million, despite significant sales. EPRA net asset value per share (NAV) increased by 5.7% reflecting a portfolio valuation gain of 2.2% on a proportionally consolidated basis and the impact of the £300 million share buyback programme.

We have continued to reposition the portfolio with £1.8 billion of gross capital activity (£0.8 billion of net capital activity) since 1 April 2017. This comprises £1.0 billion of disposals of income producing assets representing 7% of the total portfolio, primarily single-let Retail assets and our 50% interest in The Leadenhall Building which exchanged in the previous financial year. Sales were made at an average yield of 4%. We completed or exchanged on residential sales of £0.1 billion during the year and completed £0.2 billion of further residential sales at Clarges post year end.

The net proceeds from this activity provide capacity for reinvestment into our portfolio, particularly through the development opportunities we are now progressing with a forecast yield on cost of around 6%. We have maintained a disciplined approach to capital and completed our £300 million share buyback programme in February 2018, purchasing 47.6 million ordinary shares at an average price of 630 pence. This has increased NAV by 15 pence and added

0.4 pence to EPS this year. During the period we have also reinvested £0.3 billion in our developments and capital expenditure across the portfolio, and made £0.2 billion of acquisitions.

Underlying Profit was down 2.6% reflecting the impact of net sales over the past two years and lease expiries at properties going into development. This has been largely offset by leasing success at our developments, like-for-like rental growth and financing activity, as well as one-off surrender premia received. IFRS profit before tax was £501 million, up from £195 million in the prior year, primarily due to the positive property valuation movement in the period.

Our financial metrics remain strong. LTV has decreased 150 bps to 28.4% from 29.9% at 31 March 2017, primarily through net sales, offset by the share buyback. Our weighted average interest rate is at its lowest level at 2.8%. This financial strength provides us with the capacity to progress opportunities, including our development pipeline, whilst retaining significant headroom to our covenants. We have been active in debt markets, including issuing our £300 million Sterling unsecured bond. Our senior unsecured credit rating has been upgraded to A by Fitch.

Shareholder returns remain a priority. We increased the dividend 3% to 30.08 pence for the year ended 31 March 2018, resulting in a dividend payout ratio of 80%. The Board propose a further increase of 3% next year to 31.00 pence, a quarterly dividend of 7.75 pence.

Presentation of financial information

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

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

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

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

FINANCIAL REVIEW CONTINUED

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

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

Income statement

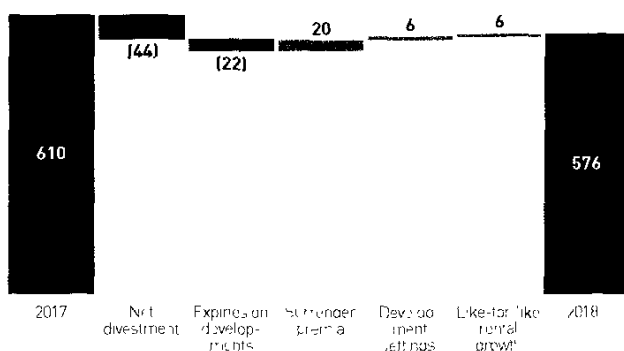
1. Underlying Profit

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

| | 2017 | 2018 |
|--|------------|------------|
| | £m | £m |
| Gross rental income | 643 | 613 |
| Property operating expenses | (33) | (37) |
| Net rental income | 610 | 576 |
| Net fees and other income | 17 | 15 |
| Administrative expenses | (86) | (83) |
| Net financing costs | (151) | (128) |
| Underlying Profit | 390 | 380 |
| Non-controlling interests in Underlying Profit | 14 | 14 |
| EPRA adjustments ¹ | (209) | 107 |
| IFRS profit before tax | 195 | 501 |
| Underlying EPS | 37.8p | 37.4p |
| IFRS basic EPS | 18.8p | 48.7p |
| Dividend per share | 29.20p | 30.08p |

EPRA adjustments consist of investment and development property revaluations, gains/losses on investment and trading property disposals, changes in the fair value of financial instruments and associated disclosure costs. These items are presented in the Capital and Other Income of the consolidated income statement.

1.1 Net rental income



The £34 million decrease in net rental income during the year was the result of divestment activity and development expiries partially offset by surrender premia, leasing of developments and like-for-like rental growth.

Net sales of income producing assets of £1.5 billion over the last two years have reduced rents by £44 million in the year.

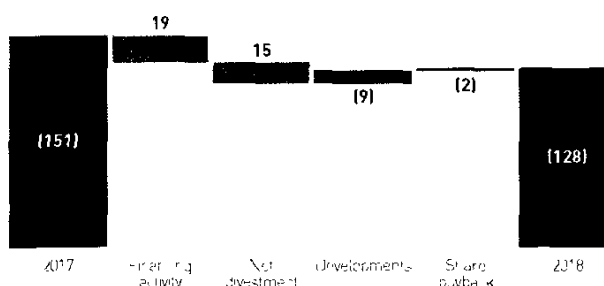
Lease expiries relating to properties in our development pipeline reduced net rents by £22 million, including £6 million at 100 Liverpool Street where we are on site and progressing well with development, £5 million at the substantially pre-let 1 Triton Square scheme, £5 million at 1FA where we started on site in August 2017, and £6 million at 135 Bishopsgate where we are now committed having let 42,000 sq ft to Eatly. These are partially offset by one off surrender premia received, the majority being a £15 million surrender premium received from Royal Bank of Scotland in June 2017.

Development lettings, notably at 4 Kingdom Street and Clarges, have contributed £6 million to rents in addition to like-for-like rental growth of 1.8%, excluding the impact of surrender premia. Retail growth was 1.2% driven by asset management activities, such as splitting units, as well as leasing of vacant space. In Offices, like-for-like growth was 2.4% driven by fixed uplifts at rent reviews as well as leasing of completed developments that are now in the like-for-like portfolio.

1.2 Administrative expenses

Administrative expenses decreased by a further £3 million this year as a result of lower variable pay. Due to the impact of sales on rents, the Group's operating cost ratio increased by 130 bps to 16.9% (2016/17: 15.6%).

1.3 Net financing costs



Financing costs have come down by £23 million this year.

Debt transactions undertaken over the last two years reduced financing costs by £19 million in the year. This includes repayment of BLT debt following the net sales of five properties and exit from the joint venture in April 2017, and early redemption of our 6.75% and 9.125% 2020 debentures. In December 2017 we also successfully tendered and repaid £84 million of our 5.357% 2028 and 5.0055% 2035 Debentures. Prior year activity includes early repayment of the £295 million TBL Properties Limited secured loan and close-out of related swaps.

In September 2017, the 1.5% convertible bond was cash settled using existing bank facilities. This has proven to be highly efficient financing since its issue in September 2012 we estimate that it has saved £40 million in financing costs compared to a fixed rate Sterling bond at the time

Also in September we issued a £300 million unsecured Sterling bond for 12 years at a coupon of 2.375%, the lowest for a UK real estate company in this market. As well as diversifying both our sources of funding and our maturity profile, it also established a benchmark for us in the unsecured Sterling market

During the year we agreed a new £100 million bilateral bank revolving unsecured credit facility (RCF) and extended £225 million of existing facilities. In May, following the year end, we completed an amendment and extension of our largest syndicated RCF at £735 million, with 12 banks, at an initial margin of 90 bps and new maturity of five years, which may be extended by a further two years at our request and on each bank's approval. This facility, together with the bilaterals, adds further liquidity and flexibility to our debt portfolio

Net divestment activity reduced costs by a further £15 million, the impact of which is partially offset by development spend

At 31 March 2018 we had interest rate hedging on 80% of our debt (spot), and on 60% of our projected debt on average over the next five years

1.4 Underlying Earnings Per Share

Underlying EPS is 37.4 pence based on Underlying Profit after tax of £380 million. EPS decline of 1.1% against the Underlying Profit decline of 2.6% was driven by the 0.4 pence benefit of the share buyback programme, which would be 1.4 pence on an annualised basis

2. IFRS profit before tax

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

The IFRS profit before tax for the year was £501 million, compared with a profit before tax for the prior year of £195 million. This reflects the positive valuation movement on the Group's properties which was £346 million more than the prior year and the valuation movement on the properties held in joint ventures and funds which was £145 million more than the prior year, resulting from ERV growth of 1.8% in the current year. This was partially offset by higher capital financing costs of £176 million more than the prior year primarily due to recycling of cumulative losses within the hedging and translation reserve in relation to a hedging instrument which is no longer hedge accounted. The recognition of these amounts in capital financing charges in the income statement has a limited impact on EPRA NAV, with financing and debt management activity undertaken in the year leading to a 5 pence reduction in EPRA NAV per share

IFRS basic EPS was 48.7 pence per share, compared to 18.8 pence per share in the prior year, driven principally by positive property valuation movements. The basic weighted average number of shares in issue during the year was 1,013 million [2016/17: 1,029 million]

3. Dividends

The fourth interim dividend payment for the quarter ended 31 March 2018 will be 7.52 pence to give a full year dividend of 30.08 pence, an increase of 3.0%. Payment will be made on 3 August 2018 to shareholders on the register at close of business on 29 June 2018. The final dividend will be a Property Income Distribution and no SCRIP alternative will be offered

This results in an increase in the dividend pay-out ratio to 80% for the year (2016/17: 77%)

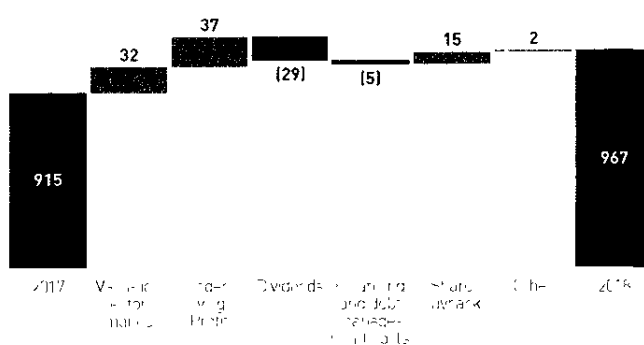
The Board proposes to increase the dividend by 3.0% in 2018/19 to 31.0 pence per share, with a quarterly dividend of 7.75 pence per share. The Board has taken into account future profit shape, our preferred payout range and the external environment

Balance sheet

| | £m | 2018 |
|-------------------------------|----------------|--------------|
| Properties at valuation | 13,940 | 13,716 |
| Other non-current assets | 156 | 185 |
| | 14,096 | 13,901 |
| Other net current liabilities | (364) | (368) |
| Adjusted net debt | 6 (4,223) | (3,973) |
| Other non-current liabilities | (11) | – |
| EPRA net assets | 9,498 | 9,560 |
| EPRA NAV per share | 4 915p | 967p |
| Non-controlling interests | 255 | 254 |
| Other EPRA adjustments | (277) | (308) |
| IFRS net assets | 5 9,476 | 9,506 |

EPRA NAV is calculated as follows: IFRS net assets of £9,498 million divided by the weighted average number of shares in issue of 1,013 million (2017: 1,029 million) gives 9.498 pence per share. This is then adjusted for the impact of the share buyback programme of £0.4 pence per share (2017: £0.4 pence per share) to give 9.67 pence per share (2017: 9.56 pence per share). The share buyback programme was completed in May 2018 and the impact of the share buyback programme is reflected in the 2018 EPRA NAV per share of 9.67 pence per share.

4. EPRA net asset value per share



EPRA NAV per share has increased 5.7%, reflecting a valuation increase of 2.2% for the year (H1: +1.4%, H2: +0.9%). This is the result of stable yields and ERV growth of 1.8% resulting from healthy leasing activity and investor appetite for long term, secure income streams. In addition, property performance includes the benefit of completing the sale of The Leadenhall Building ahead of book value, which contributed £32 million to capital profit, and an uplift of £59 million following completion of Clarges

FINANCIAL REVIEW CONTINUED

Retail valuations are up 0.3% with marginal outward yield movement of 6 bps and ERV growth of 1.6% the multi-let portfolio, which accounts for 81% of our Retail assets, was down 0.5% but saw ERV growth of 1.9% driven by leasing success.

Office valuations were up 4.5% driven by inward yield movement of 7 bps and ERV growth of 2.1%. Valuation increases are driven by successful leasing, developments (up 10.6%) and strong sales activity. The campuses account for 78% of the Offices portfolio and all delivered strong performance, reflecting the attractiveness of our campus approach.

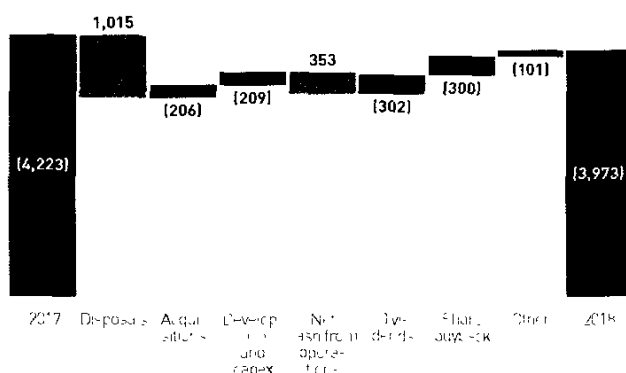
The 5 pence impact of financing and debt management costs primarily relates to early repayment of debentures, term debt and termination of interest rate swaps. Our share buyback programme has contributed 15 pence to EPRA NAV.

5. IFRS net assets

IFRS net assets at 31 March 2018 were £9,506 million, an increase of £30 million from 31 March 2017. This was primarily due to IFRS profit before tax of £501 million and other comprehensive income of £141 million, partially offset by £302 million of dividends paid as well as £300 million of share purchases under the share buyback scheme.

Cash flow, net debt and financing

6. Adjusted net debt¹



Adjusted net debt is a proportionally consolidated measure of net debt as the Group's debt as disclosed in note 17 of the financial statements and the Group's share of joint venture and funds' net debt excluding the 'mark to market' on derivatives, related debt adjustments and non-controlling interests. A reconciliation between the Group's net debt and adjusted net debt is included in table A within the applicable disclosures.

Net sales reduced debt by £0.8 billion in the year. Completed disposals during the year included the sale of The Leadenhall Building for £575 million (BL share) and, in line with our strategy of focusing on multi-let assets, 20 superstores totalling £302 million (BL share). We completed purchases of £206 million during the year, including The Woolwich Estate.

We've also spent £122 million on developments and a further £87 million on capital expenditure related to asset management on the standing portfolio. The value of committed developments is £572 million, with £427 million costs to come. Speculative development exposure is 4.5% of the portfolio after taking into account residential pre-sales. There are 578,000 sq ft of developments in our near term pipeline with anticipated costs of £436 million.

7. Financing

| | Group | | Proportionally consolidated | |
|---|-----------|------------------|-----------------------------|------------------|
| | 2017 | 2018 | 2017 | 2018 |
| Net debt/adjusted net debt ¹ | £3,094m | £3,046m | £4,223m | £3,973m |
| Principal amount of gross debt | £3,069m | £3,007m | £4,520m | £4,265m |
| Loan to value | 22.6% | 22.1% | 29.9% | 28.4% |
| Weighted average interest rate | 2.4% | 2.0% | 3.1% | 2.8% |
| Interest cover | 4.5 | 5.3 | 3.6 | 4.0 |
| Weighted average maturity of drawn debt | 6.9 years | 8.1 years | 7.7 years | 8.6 years |

¹ Group data as presented in note 17 of the financial statements. The proportionally consolidated figures in the table above are calculated on the basis of net debt and exclude the 'mark to market' on derivatives and related debt adjustments and non-controlling interests.

Our balance sheet remains strong. LTV and weighted average interest on drawn debt have been reduced since 31 March 2017. At 31 March 2018, our proportionally consolidated LTV was 28.4%, down 150 bps from 29.9% at 31 March 2017 due to net disposals, offset by the share buyback. This is positioned to support investment into our development pipeline as well as maintain significant headroom. Note 17 of the financial statements sets out the calculation of the Group and proportionally consolidated LTV.

The strength of our business is reflected in British Land's senior unsecured credit rating which was upgraded by Fitch to A- in February 2018. The long term issuer default rating was also upgraded to A-.

We maintained focus on ensuring our debt is cost effective. Our weighted average interest rate is at an all time low of 2.8% driven by proactive financing and debt management actions, together with market rates. Our interest cover has also improved to 4.0x at 31 March 2018 from 3.6x at 31 March 2017.

Our weighted average debt maturity is almost nine years, following issuance of the £300 million unsecured Sterling bond, and maturity of the convertible.

At 31 March 2018, British Land has £1.8 billion of committed unsecured revolving bank facilities, £1.2 billion undrawn. These facilities have maturities of more than two years. Based on our current commitments, these facilities and debt maturities, we have no requirement to refinance until early 2021.

Further information on our approach to financing is provided in the Financial policies and principles section of the audited Annual Report for the year ended 31 March 2018.

Chris Grigg
Chief Executive

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

Leverage

We manage our use of debt and equity finance to balance the benefits of leverage against the risks, including magnification of property valuation movements. A loan to value ratio (LTV) measures our leverage, primarily on a proportionally consolidated basis including our share of joint ventures and funds and excluding non-controlling interests. At 31 March 2018, our proportionally consolidated LTV was 28.4% and the Group measure was 22.1%. We manage our LTV through the property cycle such that our financial position would remain robust in the event of a significant fall in property values. This means we do not adjust our approach to leverage based on changes in property market yields. Consequently, our LTV may be higher in the low point in the cycle and will trend downwards as market yields tighten.

Debt finance

The scale of our business combined with the quality of our assets and rental income means that we are able to approach a diverse range of debt providers to arrange finance on attractive terms. Good access to the capital and debt markets is a competitive advantage, allowing us to take advantage of opportunities when they arise. The Group's approach to debt financing for British Land is to raise funds predominantly on an unsecured basis with our standard financial covenants (set out on page 47). This provides flexibility and low operational cost. Our joint ventures and funds which choose to have external debt are each financed in 'ring-fenced' structures without recourse to British Land for repayment and are secured on their relevant assets. Presented on the following page are the five guiding principles that govern the way we structure and manage debt.

Monitoring and controlling our debt

We monitor our debt requirement by focusing principally on current and projected borrowing levels, available facilities, debt maturity and interest rate exposure. We undertake sensitivity analysis to assess the impacts of proposed transactions, movements in interest rates and changes in property values on key balance sheet, liquidity and profitability ratios. We also consider the risks of a reduction in the availability of finance, including a temporary disruption of the debt markets. Based on our current commitments and available facilities, the Group has no requirement to refinance until early 2021. British Land's committed bank facilities total £1.8 billion, of which £1.2 billion was undrawn at 31 March 2018.

Managing interest rate exposure

We manage our interest rate profile separately from our debt, considering the sensitivity of underlying earnings to movements in market rates of interest over a five-year period. The Board sets appropriate ranges of hedged debt over that period and the longer term. Our debt finance is raised at both fixed and variable rates. Derivatives (primarily interest rate swaps and caps) are used to achieve the desired interest rate profile across proportionally consolidated net debt. At 31 March we had interest rate hedging on 80% of our debt (spot), and on 60% of our projected debt on average over the next five years, with a decreasing profile over that period. The use of derivatives is managed by a Derivatives Committee. The interest rate management of joint ventures and funds is considered separately by each entity's Board, taking into account appropriate factors for its business.

Counterparties

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

Foreign currency

Our policy is to have no material unhedged net assets or liabilities denominated in foreign currencies. When attractive terms are available, the Group may choose to borrow in currencies other than Sterling, and will fully hedge the foreign currency exposure.

FINANCIAL POLICIES AND PRINCIPLES CONTINUED

Our five guiding principles

**Diversify
our sources
of finance**

We monitor finance markets and seek to access different sources of finance when the relevant market conditions are favourable to meet the needs of our business and, where appropriate, those of our joint ventures and funds. The scale and quality of our business enables us to access a broad range of unsecured and secured, recourse and non-recourse debt. We develop and maintain long term relationships with banks and debt investors. We aim to avoid reliance on particular sources of funds and borrow from a large number of lenders from different sectors in the market across a range of geographical areas, with a total of 30 debt providers in bank facilities and private placements alone. We work to ensure that debt providers understand our business, adopting a transparent approach to provide sufficient disclosures to enable them to evaluate their exposure within the overall context of the Group. These factors increase our attractiveness to debt providers, and in the last five years we have arranged £4.1 billion (British Land share £3.6 billion) of new finance in unsecured and secured bank loan facilities, Sterling bonds, US Private Placements and convertible bonds. In addition we have existing long dated debentures and securitisation bonds. A European Medium Term Note programme has also been maintained to enable us to access Sterling/Euro unsecured bond markets when it is appropriate for our business, this was used for our £300 million Sterling unsecured bond issuance in September 2017.

£4.3bn

total drawn debt (largely secured) in year consolidated

**Phase
maturity
of debt
portfolio**

The maturity profile of our debt is managed with a spread of repayment dates, reducing our refinancing risk in respect of timing and market conditions. As a result of our financing activity, we are ahead of our preferred refinancing date horizon of not less than two years. The current range of debt maturities is within one to 20 years. In accordance with our usual practice, we expect to refinance facilities ahead of their maturities.

8.6 years

average drawn debt maturity (largely secured) in year consolidated

**Maintain
liquidity**

In addition to our drawn debt, we always aim to have a good level of undrawn, committed, unsecured revolving bank facilities. These facilities provide financial liquidity, reduce the need to hold resources in cash and deposits, and minimise costs arising from the difference between borrowing and deposit rates, while reducing credit exposure. We arrange these revolving credit facilities in excess of our committed and expected requirements to ensure we have adequate financing availability to support business requirements and new opportunities. An example of this is our recent amendment and extension of the £735m revolving credit facility, in advance of its maturity, for a new five-year term.

£1.2bn

undrawn revolving credit facilities

**Maintain
flexibility**

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

£1.8bn

total revolving credit facilities

**Maintain
strong
balance
sheet
metrics**

We use both debt and equity financing. We manage LTV through the property cycle such that our financial position would remain robust in the event of a significant fall in property values and we do not adjust our approach to leverage based on changes in property market yields. We manage our interest rate profile separately from our debt, setting appropriate ranges of hedged debt over a five-year period and the longer term.

Our senior unsecured credit rating ('A') and long term IDR credit rating ('A-') were upgraded by Fitch during the year.

28.4%

LTV (proportionally consolidated)

A

senior unsecured credit rating

4.0x

interest cover (proportionally consolidated)

Group borrowings

Unsecured financing for the Group includes bilateral and syndicated revolving bank facilities (with initial terms usually of five years, often extendable), US Private Placements with maturities up to 2027, the Sterling unsecured bond maturing in 2029, and the convertible bond maturing in 2020.

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

Unsecured Borrowings and covenants

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

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

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

The Unencumbered Assets of the Group, not subject to any security, stood at £7.7 billion as at 31 March 2018.

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 2018, these assets generated £53 million of surplus cash after payment of interest. In addition, while investments in joint ventures do not form part of Unencumbered Assets, our share of free cash flows generated by these ventures is regularly passed up to the Group.

Unsecured financial covenants

| At 31 March | 2014 | 2015 | 2016 | 2017 | 2018 % |
|---|------|------|------|------|-----------|
| Net borrowings to adjusted capital and reserves | 40 | 38 | 34 | 29 | 29 |
| Net unsecured borrowings to unencumbered assets | 31 | 28 | 29 | 26 | 23 |

Secured borrowings

Secured debt with recourse to British Land is provided by debentures at fixed interest rates with long maturities and limited amortisation. These are secured against a combined pool of assets with common covenants; the value of those assets is required to cover the amount of these debentures by a minimum of 1.5 times and net rental income must cover the interest at least once. We use our rights under the debentures to actively manage the assets in the security pool, in line with these cover ratios. We have reduced our debenture debt by £284 million over the last three years as we continue to focus on unsecured finance at a Group level, and have reduced the assets held in the security pool accordingly.

Borrowings in our joint ventures and funds

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

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

The securitisations of Broadgate (£1,565 million), Meadowhall (£643 million) and the Sainsbury's Superstores portfolio (£251 million), have weighted average maturities of 10.8 years, 9.1 years and 4.1 years respectively. The key financial covenant applicable is to meet interest and scheduled amortisation (equivalent to 1 times cover); there are no LTV covenants. These securitisations have quarterly amortisation with the balance outstanding reducing to approximately 15% to 30% of the original amount raised by expected final maturity, thus mitigating refinancing risk.

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

MANAGING RISK IN DELIVERING OUR STRATEGY

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

British Land core strengths

High quality commercial portfolio focused on London campuses and multi-let retail centres around the UK
 Long term strategy positioning the business to benefit from long term trends
 Customer focused approach to respond to changing lifestyles
 Diverse and high quality occupier base
 High occupancy and secure cash flows
 Well balanced and risk managed development pipeline
 Execution of asset management and development activity
 Ability to source and execute attractive investment deals
 Efficient capital structure with good access to capital and debt markets
 Strong sustainability performance

For British Land, effective risk management is a cornerstone of delivering our strategy and integral to the achievement of our objective of delivering sustainable long term value. We maintain a comprehensive risk management process which serves to identify, assess and respond to the full range of financial and non-financial risks facing our business, including those risks that could threaten solvency and liquidity, as well as identifying emerging risks.

Our approach is not intended to eliminate risk entirely, but instead to manage our risk exposures across the business, whilst at the same time making the most of our opportunities.

Our risk management framework

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

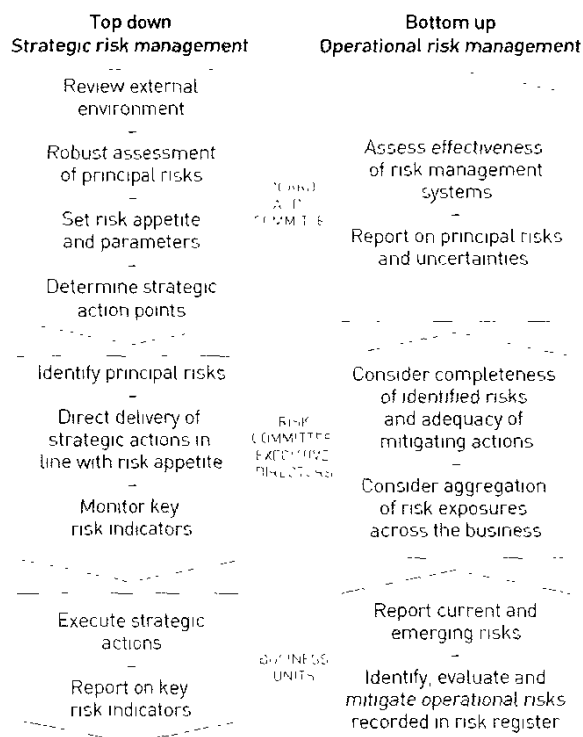
The Board has overall responsibility for risk management with a particular focus on determining the nature and extent of exposure to principal risks it is willing to take in achieving its strategic objectives. The amount of risk we are willing to take is assessed in the context of the core strengths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

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

The Executive Directors are responsible for delivering the Company's strategy, as set by the Board, and managing risk. Our risk management framework categorises our risks into external, strategic and operational risks. The Risk Committee (comprising the Executive Directors and senior management across the business) is responsible for managing the principal risks in each category in order to achieve our performance goals.

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

To read more about the Board and Audit Committee's risk oversight, see pages 67, 72 and 73.



Our risk appetite

| Principal internal risks | Key risk indicators (including current optimal thresholds) | Change in risk appetite in the year |
|--------------------------|--|-------------------------------------|
| Investment strategy | <ul style="list-style-type: none"> Excluding the impact of disposals and disposals that will be fully allocated to the general fund, investment income Annual RRE increases with the target position, with a target of 100% Financially sound and sustainable | ↔ |
| Development strategy | <ul style="list-style-type: none"> Total development expenditure of £1.5 billion Development portfolio value Development development exposure Development portfolio value Development expenditure of key development projects | ↔ |
| Capital structure | <ul style="list-style-type: none"> Management development of £1.5 billion Development expenditure of £1.5 billion Development expenditure of £1.5 billion | ↔ |
| Financial strategy | <ul style="list-style-type: none"> Development expenditure of £1.5 billion Development expenditure of £1.5 billion Development expenditure of £1.5 billion | ↔ |
| Health and safety | <ul style="list-style-type: none"> Development expenditure of £1.5 billion Development expenditure of £1.5 billion Development expenditure of £1.5 billion | ↔ |
| Environmental strategy | <ul style="list-style-type: none"> Development expenditure of £1.5 billion Development expenditure of £1.5 billion Development expenditure of £1.5 billion | ↔ |

Key

Development expenditure

Development expenditure

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

The Board considers the risk appetite annually and has concluded it is broadly unchanged from last year and is appropriate to achieve our strategic objectives. Our strategy, which is based on long term trends, endures, and our financial capacity, flexibility and optionality enable us to adjust to the evolving political and economic uncertainties.

During the year we have maintained a balanced approach to risk. We've had a strong focus on capital discipline, demonstrated by selling £1.3 billion of mature and off-strategy assets, reinvesting partly in our share buyback programme, selective acquisitions and profitable development, whilst reducing our LTV further to 28.4%. We have substantial headroom and operational optionality to continue to progress our unique development pipeline, including at Canada Water, whilst at the same time carefully managing our risk profile.

Our risk focus

The external environment remains difficult, and the Board is continuing to monitor the potential risks associated with the UK leaving the European Union (Brexit). As exit negotiations are ongoing, the final outcome remains unclear and it is too early to understand fully the impact Brexit will have on our business and our markets. The main impact of Brexit is the potential negative impact on the macro-economic environment, but it could also impact our investment and occupier markets, our ability to execute our investment strategy and our income sustainability.

During the year, the Risk Committee has focused on some key operational risk areas across the business and has undertaken deep dive reviews into specific areas of risk including:

- Data protection (GDPR) and implementing a project to manage personal data appropriately
- Retailer tenant risk and managing our exposure to individual customers or sectors in light of a more challenging market backdrop
- Enhancing our crisis management strategy for both physical and cyber risks including a simulation exercise for senior management
- Management of health and safety and environmental risks across the portfolio. In particular, fabric investigations were carried out on our entire portfolio following the Grenfell Tower fire. Our Health and Safety management system was re-certified under BS OHSAS 18001
- Identifying and managing key supplier relationships and the launch of our Supplier Code of Conduct

MANAGING RISK IN DELIVERING OUR STRATEGY CONTINUED

Our principal risks and assessment

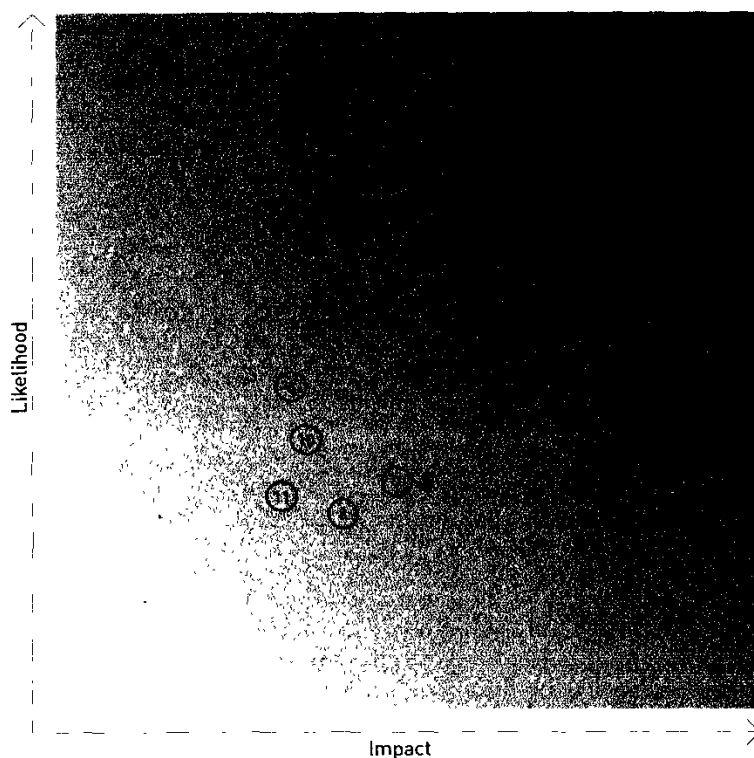
Our risk management framework is structured around the principal risks facing British Land. The Audit Committee on behalf of the Board has undertaken a robust assessment of the principal risks and uncertainties that the business is exposed to in light of the long term trends we are facing (see page 12), together with the challenging backdrop of political and economic uncertainty. Whilst the nature and type of the principal risks are considered to be unchanged from the previous year, several of our principal risks are elevated (as shown by the risk heat map below), being the political

and regulatory outlook, commercial property investor demand, occupier demand including tenant default and the risk to our income sustainability. One risk, capital structure, is considered to have reduced reflecting our lower leverage.

The principal risks are summarised below (and detailed on pages 52 to 55), including an assessment of the potential impact and likelihood and how the risks have changed in the year, together with how they relate to our strategic priorities.

Our risk assessment

| Principal risks | Key strategic priorities affected | Change in risk assessment in year |
|---------------------------------------|--|-----------------------------------|
| External risks | | |
| 1 Political and regulatory outlook | Customer Orientation, Right Places, Capital Efficiency | Unchanged |
| 2 Commercial property investor demand | Right Places, Capital Efficiency | Increased |
| 3 Occupier demand and tenant default | Customer Orientation, Right Places | Increased |
| 4 Availability and cost of finance | Capital Efficiency | Unchanged |
| 5 Sustainability and climate change | Capital Efficiency | Unchanged |
| 6 Data security and privacy | Customer Orientation, Right Places | Unchanged |
| Internal risks – strategic | | |
| 7 Delivery of strategy | Customer Orientation, Right Places, Capital Efficiency | Unchanged |
| 8 Development strategy | Right Places, Capital Efficiency | Unchanged |
| 9 Capital structure | Capital Efficiency | Reduced |
| 10 Financial strategy | Capital Efficiency | Unchanged |
| Internal risks – operational | | |
| 11 People | Expert People | Unchanged |
| 12 Information security | Right Places, Capital Efficiency | Increased |



Note: The above illustrates principal risks which by their nature are those which have the potential to significantly impact the Group's strategic objectives, financial position or reputation. The heat map highlights the risk, after taking account of principal mitigations.

Key

Strategic priorities

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

Change year on year

- Unchanged
- Increased
- Reduced

Other group risks

In addition to our principal risks, there are also a number of other risks that are largely operational in nature and are managed centrally with appropriate processes and mitigation plans in place.

These risks comprise

- Operating model including reliance on third parties
- Culture
- Information systems and cyber security
- Effective control environment
- Fraud and corruption
- Compliance and legal framework
- Supply chain management

Viability statement

Assessment of prospects

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

The Group's strategy provides the focus for our annual priorities and is formally reviewed annually. This process is led by the Chief Executive through the Executive Committee and includes the active engagement of the Board. Part of the Board's role is to consider whether the strategy takes appropriate account of the Group's principal risks. The latest updates to the strategic plan and Group's risk appetite were approved by the Board in March 2018.

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

Assessment of viability

For the reasons outlined above, the period over which the Directors consider it feasible and appropriate to report on the Group's viability is the five-year period to 31 March 2023.

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

The principal risks table which follows on pages 52 to 55 summarises those matters that could prevent the Group from delivering on its strategy. A number of these principal risks, because of their nature or potential impact, could also threaten the Group's ability to continue in business in its current form if they were to occur.

The Directors paid particular attention to the risk of a downturn in economic outlook which could impact property fundamentals, including investor and occupier demand which would have a negative impact on valuations, and give rise to a reduction in the availability of finance. The remaining principal risks, whilst having an impact on the Group's business model, are not considered by the Directors to have a reasonable likelihood of impacting the Group's viability over the five-year period to 31 March 2023.

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

- Downturn in economic outlook: key assumptions including occupancy, void periods, rental growth and yields were sensitised in the 'downturn scenario' to reflect reasonably likely levels associated with an economic downturn, including
 - a reduction in occupier demand, with a fall in occupancy rate of 5% and ERV declines of 6%.
 - a reduction in investment property demand to the level seen in the last severe downturn in 2008/2009, with outward yield shift to 8% net initial yield.
- Restricted availability of finance: based on the Group's current commitments and available facilities there is no requirement to refinance until early 2021. In the normal course of business, financing is arranged in advance of expected requirements and the Directors have reasonable confidence that additional or replacement debt facilities will be put in place. In the 'downturn scenario', the following sensitivity of this assumption was conducted
 - a reduction in the availability of finance, for the final two years of the five-year assessment period from early 2021 alongside the Group's refinancing date.

The outcome of the 'downturn scenario' was that the Group's covenant headroom based on existing debt (i.e. the level by which investment property values would have to fall before a financial covenant breach occurs) decreases from the current 60% to, at its lowest level, 22%, indicating covenants on existing facilities would not be breached.

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

Viability statement

Having considered the forecast cash flows and covenant compliance and the impact of the sensitivities in combination in the 'downturn scenario', the Directors confirm that they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period to 31 March 2023.

Going concern

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

(F1) For additional information on this disclosure, see page 47.

External risks

| Risks and impacts | | How we monitor and manage the risk | Change in risk assessment in the year |
|---|---|---|---|
| Economic outlook Responsible executive Chris Glegg | The UK economic climate and future movements in interest rates present risks and opportunities in property and financing markets and the businesses of our customers which can impact both the delivery of our strategy and our financial performance. | <ul style="list-style-type: none"> The Risk Committee has reviewed a number of scenarios for the year ahead, including a 'worst case' scenario, which has any 'tail' going off to the right, looking at any assessment of the risks, pulling in the business. Key areas of risk identified are: <ul style="list-style-type: none"> the global economy, business and consumer confidence, political stability and the financial system, and the wider world, as well as the financial markets and the wider financial system. We stress test our business plan against a number of macroeconomic outlooks to ensure our financial performance is robust in a range of scenarios. | <p>⬆️ The global economy has been a challenge for the UK, but the UK has been a strong performer in many respects, particularly in the services sector. The UK has been a strong performer in many respects, particularly in the services sector. The UK has been a strong performer in many respects, particularly in the services sector.</p> <p>⬆️ The UK has been a strong performer in many respects, particularly in the services sector. The UK has been a strong performer in many respects, particularly in the services sector. The UK has been a strong performer in many respects, particularly in the services sector.</p> |
| | Significant political events and regulatory changes, including the decision to leave the EU, bring risks principally in two areas. | <ul style="list-style-type: none"> While we are not able to predict the outcome of the Brexit vote, we have taken a number of steps to ensure that we are prepared for a range of potential outcomes. We have taken a number of steps to ensure that we are prepared for a range of potential outcomes. We have taken a number of steps to ensure that we are prepared for a range of potential outcomes. | <p>⬆️ While a Brexit vote is a significant event, it is not a crisis. The UK has been a strong performer in many respects, particularly in the services sector. The UK has been a strong performer in many respects, particularly in the services sector. The UK has been a strong performer in many respects, particularly in the services sector.</p> |
| Political and regulatory outlook Responsible executive Chris Glegg | Reduction in investor demand for UK real estate may result in falls in asset valuations and could arise from variations in: | <ul style="list-style-type: none"> The Risk Committee has reviewed the property market quarterly to assess whether any changes to the market outlook present risks and opportunities. We have taken a number of steps to ensure that we are prepared for a range of potential outcomes. We have taken a number of steps to ensure that we are prepared for a range of potential outcomes. | <p>⬆️ The UK has been a strong performer in many respects, particularly in the services sector. The UK has been a strong performer in many respects, particularly in the services sector. The UK has been a strong performer in many respects, particularly in the services sector.</p> |
| | Reduction in investor demand for UK real estate may result in falls in asset valuations and could arise from variations in: | <ul style="list-style-type: none"> The Risk Committee has reviewed the property market quarterly to assess whether any changes to the market outlook present risks and opportunities. We have taken a number of steps to ensure that we are prepared for a range of potential outcomes. We have taken a number of steps to ensure that we are prepared for a range of potential outcomes. | <p>⬆️ The UK has been a strong performer in many respects, particularly in the services sector. The UK has been a strong performer in many respects, particularly in the services sector. The UK has been a strong performer in many respects, particularly in the services sector.</p> |
| Commercial property investor demand Responsible executives: Charles Maudeley, Tim Roberts | Reduction in investor demand for UK real estate may result in falls in asset valuations and could arise from variations in: | <ul style="list-style-type: none"> The Risk Committee has reviewed the property market quarterly to assess whether any changes to the market outlook present risks and opportunities. We have taken a number of steps to ensure that we are prepared for a range of potential outcomes. We have taken a number of steps to ensure that we are prepared for a range of potential outcomes. | <p>⬆️ The UK has been a strong performer in many respects, particularly in the services sector. The UK has been a strong performer in many respects, particularly in the services sector. The UK has been a strong performer in many respects, particularly in the services sector.</p> |
| | Reduction in investor demand for UK real estate may result in falls in asset valuations and could arise from variations in: | <ul style="list-style-type: none"> The Risk Committee has reviewed the property market quarterly to assess whether any changes to the market outlook present risks and opportunities. We have taken a number of steps to ensure that we are prepared for a range of potential outcomes. We have taken a number of steps to ensure that we are prepared for a range of potential outcomes. | <p>⬆️ The UK has been a strong performer in many respects, particularly in the services sector. The UK has been a strong performer in many respects, particularly in the services sector. The UK has been a strong performer in many respects, particularly in the services sector.</p> |

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Governance and remuneration

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BOARD OF DIRECTORS

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

Non-Executive Chairman and Executive Directors

John Gildersleeve [Ⓝ]

Non-Executive Chairman

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

Skills and experience: John is deputy chairman of TalkTalk Telecom Group PLC. John also serves as chairman of Noble Foods Ltd. He was formerly deputy chairman and senior independent director of Spire Healthcare Group plc, chairman of EMI Group and Gallaher Group and chairman of Carphone Warehouse Group (now Dixons Carphone plc). He was also a non-executive director of Lloyds TSB Bank PLC, Vodafone Group and Pick n Pay Stores (South Africa) and an executive director of Tesco plc.

Chris Grigg

Chief Executive

Appointed to the Board in January 2009

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

Charles Maudsley

Head of Retail, Leisure & Residential

Appointed to the Board in February 2010

Skills and experience: Charles joined British Land in 2010 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 Management for seven years where he was Head of Real Estate Fund Management in the UK.

Tim Roberts

Head of Offices

Appointed to the Board in July 2006

Skills and experience: Before joining British Land in 1997 Tim was a partner at Drivers Jonas, in the Investment Agency team. He was formerly a non-executive director of Songbird Estates. Tim is also a Trustee of LandAid, the property industry charity, and chair of their Grants Committee and is a board member of the Westminster Property Association.

Non-Executive Directors

William Jackson

Senior Independent Director

Appointed as a Non-Executive Director in April 2011 and Senior Independent Director in July 2017

Skills and experience: William is managing partner of Bridgepoint, one of Europe's leading private equity groups, which he has led since 2001. He also serves as chairman of the board of Pret A Manger and president of Dorna Sports SL (the rights holder to the Moto GP world motorcycling championships). He has served on a range of boards during his career, including Hamptons Group Limited and Alliance Medical Holdings Limited, and has extensive operational and transaction experience.

Lynn Gladden

Non-Executive Director

Appointed as a Non-Executive Director in March 2015

Skills and experience: Lynn is Shell Professor of Chemical Engineering at the University of Cambridge and will take up the role of Executive Chair of the Engineering and Physical Sciences Research Council in October 2018. Lynn is also a commissioner of the Royal Commission for the Exhibition of 1851, a fellow of both the Royal Society and the Royal Academy of Engineering, and a non-executive director of IP Group plc. Lynn was pro-vice-chancellor for research at Cambridge until the end of 2015.

Alastair Hughes ^A

Non-Executive Director

Appointed as a Non-Executive Director in January 2018

Skills and experience: Alastair is a fellow of the Royal Institute of Chartered Surveyors. He is a non-executive director of Schroders Real Estate Investment Trust Limited and has over 25 years of experience in global real estate markets. He is a former director of Jones Lang LaSalle Inc. (JLL) having served as managing director of JLL in the UK, as chief executive for Europe, Middle East and Asia and then as regional CEO for Asia Pacific.

Nicholas Macpherson ^A

Non-Executive Director

Appointed as a Non-Executive Director in December 2016

Skills and experience: Nicholas is chairman of C. Hoare & Co and a director of The Scottish American Investment Company PLC. He also serves as a crossbencher in the House of Lords, a visiting Professor at King's College London and a Trustee of the Royal Mint Museum. Nicholas was the Permanent Secretary to the Treasury for over 10 years from 2005 to March 2016, leading the department through the financial crisis and the subsequent period of banking reform. He joined the Treasury in 1985 and held a number of roles prior to his appointment as Permanent Secretary. Nicholas trained as an economist and has worked at the CBI and Peat Marwick Consulting.

BOARD OF DIRECTORS CONTINUED

Non-Executive Directors

Preben Prebensen ^R

Non-Executive Director

Appointed as a Non-Executive Director in September 2017

Skills and experience: Preben is group chief executive of Close Brothers Group plc. He spent over 23 years in a number of senior positions at JP Morgan. Preben was previously chief executive of Wellington Underwriting plc from 2004 to 2006, and then chief investment officer and a member of the group executive committee at Catlin Group Limited.

Tim Score ^A ^N

Non-Executive Director

Appointed as a Non-Executive Director in March 2014

Skills and experience: Tim is a non-executive director of Pearson plc and HM Treasury, sits on the board of trustees of the Royal National Theatre, and is chairman of the Football Association's audit committee. He was formerly chief financial officer of ARM Holdings PLC and held senior financial positions at Rebus Group Limited, William Baird plc, LucasVarity plc and BTR plc. From 2005 to 2014, he was a non-executive director of National Express Group PLC, including time as interim chairman and six years as senior independent director.

Laura Wade-Gery ^R

Non-Executive Director

Appointed as a Non-Executive Director in May 2015

Skills and experience: Laura is a non-executive director of John Lewis Partnership plc, a non-executive director and chair of the remuneration committee of Immunocore Limited, a trustee of the Royal Opera House, a director of Snape Maltings Trading Limited and a member of the Government Digital Strategy Advisory Board. Between July 2011 and September 2016, Laura was executive director Multi Channel at Marks and Spencer Group plc. Previously, Laura served in a number of senior positions at Tesco PLC and was a non-executive director of Trinity Mirror plc.

Rebecca Worthington ^A

Non-Executive Director

Appointed as a Non-Executive Director in January 2018

Skills and experience: Rebecca is group chief financial officer of Countryside Properties PLC. She spent 15 years at Quintain Estates and Development PLC, first as finance director and latterly as deputy chief executive. Rebecca was a non-executive director and chair of the audit committee at Hansteen Holdings plc until 20 March 2018, and a non-executive director of Aga Rangemaster Group plc to September 2015. Rebecca qualified as a chartered accountant with PricewaterhouseCoopers LLP.

Incoming Executive Director

Simon Carter

Chief Financial Officer

Appointment date: 21 May 2018

Skills and experience: Simon joins British Land from Logicon, the owner and operator of European logistics real estate, where he has served as chief financial officer since January 2017. Prior to joining Logicon, from 2015 to 2017 Simon was finance director at Quintain Estates & Development Plc. Simon previously spent over 10 years with British Land, working in a variety of financial and strategic roles, and was a member of our Executive Committee from 2012 until his departure in January 2015. Simon also previously worked for UBS in fixed income and qualified as a chartered accountant with Arthur Andersen. Simon holds a degree in economics from the University of Cambridge.

Company Secretary

Brona McKeown

General Counsel and Company Secretary

Appointed as General Counsel and Company Secretary in January 2018

Skills and experience: Before joining British Land, Brona was General Counsel and Company Secretary of The Co-operative Bank plc for four years as part of the restructuring executive team. Immediately prior to that she was Interim General Counsel and Secretary at the Coventry Building Society. Until October 2011, Brona was Global General Counsel of the Corporate division of Barclays Bank plc, having joined Barclays in 1998. Brona trained and spent a number of years at a large City law firm.

Changes to the Board

| | |
|---------------|---|
| Lucinda Bell | Stood down as Executive Director and Chief Financial Officer on 19 January 2018 |
| Aubrey Adams | Retired as Non-Executive Director on 31 December 2017 |
| Simon Borrows | Retired as Non-Executive Director on 18 July 2017 |
| Lord Turnbull | Retired as Non-Executive Director on 18 July 2017 |

Board Committee membership key

▲ Audit Committee member ▲ Remuneration Committee member
● Nomination Committee member ● Chairman of Board Committee

Directors' core areas of expertise¹

| | |
|---------------------|-----|
| Property | 35% |
| Finance | 41% |
| Retail and consumer | 12% |
| Academic | 6% |
| Public sector | 6% |

¹Source: Directors' self-reported expertise. Core expertise is at least 10%.

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

I am pleased to present the Corporate Governance Report for the year ended 31 March 2018.

The Board's responsibility for leading the Company and overseeing the governance of the Group continues to be supported by a robust structure which allows for constructive debate and challenge by its members. This approach enables the Directors to make effective decisions, at the right time and based on the right information.

As I mention in my statement on pages 4 and 5, our level of thoughtful activity and the resilience of our strategy set British Land apart. We take this thoughtfulness and consideration into our governance structure and I recently asked that a review of our governance policies be undertaken to ensure that they remain appropriate for our business and in line with best market practice.

Governance underpins the way in which the business of the Group is managed, our behaviour and our corporate culture. This year, we are reporting against the 2016 UK Corporate Governance Code (the Code) available at www.frc.org.uk. I am pleased to report that the Board has continued to apply good governance and considers that the Company has complied with the provisions of the Code throughout the year.

The following Corporate Governance Report, including the reports of the Audit, Nomination and Remuneration Committees, outlines how the Company has applied the Code's principles and provisions.

Board changes

As mentioned on page 5, the Board has continued to evolve during the year with a number of changes to its membership. Lucinda Bell stepped down as an Executive Director and as Chief Financial Officer on 19 January 2018, and left British Land on 4 April 2018.

I would like to thank Lucinda for her commitment to British Land for over 25 years, six years of which were as an Executive Director, and wish her all the very best for the future. We look forward to welcoming Simon Carter as an Executive Director and Chief Financial Officer when he joins the Group on 21 May 2018.

I should also like to take this opportunity to thank our Non-Executive Directors who retired during this year. The diligence and commitment shown by Aubrey Adams, Simon Borrows and Lord Turnbull during their long tenure have been exemplary and have contributed to the good governance of the Group.

During the year we also welcomed three new Non-Executive Directors: Preben Prebensen, Alastair Hughes and Rebecca Worthington and I look forward to working closely with them over the coming years. All Directors in role at 31 March 2018 will stand for election or re-election at the 2018 AGM.

This year, we appointed Independent Board Evaluation (IBE) to undertake the triennial externally facilitated Board evaluation. Details of the process undertaken and a summary of the outcomes are set out on page 66. However, I am pleased to report here that the review concluded that your Board, its Committees and its individual members continue to operate effectively and with due diligence. We fully intend to implement the recommendations made by IBE and we will report on progress in the 2019 Annual Report.

The Board also reviewed and approved a new Diversity and Inclusion Policy this year. Further detail on this is given in the Nomination Committee Report on pages 74 to 75 and in the Social and environmental reporting section on page 30.

All Directors will attend this year's AGM which will again provide an opportunity for all shareholders to hear more about our performance during the year and to ask questions of the Board. I look forward to welcoming you on 17 July 2018.



John Gildersleeve
Non-Executive Chairman

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

Leadership

The Board

As at 31 March 2018 the Board comprised the Chairman, eight independent Non-Executive Directors and three Executive Directors. Biographies of the Directors are set out on pages 58 to 61 and include details of the skills and experience each brings to the Board.

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

The composition of the Board is fundamental to its success in providing strong and effective leadership. The Nomination Committee is responsible for reviewing the composition of the Board and its Committees and assessing whether the balance of skills, experience, knowledge and diversity is appropriate to enable them to operate effectively.

Board of Directors (as at 31 March 2018)



We continue to have a strong mix of experienced individuals on the Board. The majority are independent Non-Executive Directors who are not only able to offer an external perspective on the business, but also 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 that performance.

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

Role of the Board

The Board has reserved key decisions and matters for its own approval, including its core responsibilities of setting the Group's strategic direction, overseeing the delivery of the agreed strategy, managing risk and establishing the culture, values and standards of the Group as a whole. Matters below the financial limit set by the Board are delegated to a committee of any two Executive Directors with all decisions taken reported to the next following Board meeting.

The Board culture is one of openness and constructive debate, the Directors are able to voice their opinions in a relaxed and respectful environment, allowing coherent discussion. When running Board meetings, the Chairman maintains a collaborative atmosphere and ensures that all Directors contribute to the debate. The Chairman also arranges informal meetings and events throughout the year to help build constructive relationships between the Board members and the senior management team.

The Chairman meets with individual Directors outside formal Board meetings to allow for open, two-way discussion about the effectiveness of the Board, its Committees and its members. The Chairman is therefore able to remain mindful of the views of the individual Directors.

Division of responsibilities

There is a clear written division of responsibilities between the Chairman (who is responsible for the leadership and effectiveness of the Board) and the Chief Executive (who is responsible for managing the Company's business).

The Board has delegated authority for the day-to-day management of the business to the Chief Executive, with specific areas of the business being managed by the other Executive Directors. The Executive Directors are involved in, or aware of, all major activities and are therefore extremely well placed to ensure that any decisions align with the Group's agreed strategy.

The Executive Directors make decisions within predefined parameters delegated by the Board, although any proposal may still be taken to the full Board for consideration and approval where this is considered appropriate, even if they fall within those parameters.

Three standing Committees have been established: the Audit, Nomination and Remuneration Committees, to which certain powers have been delegated. Membership of each of these Committees is comprised solely of independent Non-Executive Directors. The reports of these three standing Committees are set out on pages 69 to 91.

Management Committees have also been established to make recommendations on matters delegated to them by the Board, its standing Committees or the Executive Directors.

This governance structure (set out on the following page) ensures that the Board is able to focus on strategic proposals, major transactions and governance matters which affect the long term success of the business.

GOVERNANCE REVIEW

Governance structure

Board of Directors

Develops strategy and leads British Land to achieve long term success, determines the risks British Land faces, the level of risk it is prepared to take to achieve its strategy and ensures that systems of risk management and control are in place. It also provides leadership and governance for the Company as a whole, having regard to the views of shareholders and other stakeholders.

The Board has reserved certain matters to its own approval (see www.britishland.com/governance) with others being delegated to Board or Management Committees as appropriate.

Audit Committee

Oversees financial and narrative reporting, provides assurance on the effectiveness of internal control, risk management systems and audit processes, reviews the effectiveness and objectivity of external and internal auditors.

See report on pages 69 to 70

Nomination Committee

Leads process for Board appointments and succession planning, ensures that Board and senior management have appropriate skills, knowledge and experience to operate effectively and deliver strategy, reports on diversity.

See report on pages 74 to 75

Remuneration Committee

Sets the Executive Directors Remuneration Policy and the remuneration of the Chairman and Executive Directors, approves annual and long term performance objectives and awards.

See report on pages 76 to 77

Chief Executive and Executive Directors

Overall responsibility for day-to-day management of the business and implementation of approved strategy lies with the Chief Executive with specific areas of the business managed by the other Executive Directors.

Executive Committee

An advisory committee that operates under the direction and leadership of the Chief Executive. Membership comprises all Executive Directors and senior management from across the business. Considers day-to-day operational and financial performance, performance of the Group's assets and overall development programme.

Investment Committee

Reviews, approves or recommends significant transactions including acquisitions, disposals and developments of assets up to an agreed financial limit.

Risk Committee

Oversees management and reporting of strategic and operational risks, recommends appropriate risk appetite levels and monitors risk exposure, reviews operation of risk management processes.

Health, Safety and Environment Committee

Drives actions in pursuit of the Company's health and safety and environmental stewardship goals and reviews performance against actions.

Sustainability Committee

Monitors performance and progress against sustainability targets and key initiatives, assessing emerging social, ethical and environmental issues, associated risks and mitigating actions.

Community Investment Committee

Oversees the strategic management of the Community Investment Fund and approves and monitors all related spend.

Strategy days

The Board held its annual offsite strategy event during March 2018. The strategy days are structured to provide the Directors, and the Non-Executive Directors in particular, with an opportunity to focus on the development of, and challenge to, the Group's corporate strategy.

The format of the 2018 event was different from prior years with one entire session given over to the consideration of key questions on future direction. To stimulate this conversation, a number of external speakers were invited to the session held earlier in the day and to the following dinner in order to give a wider social and economic context to discussions.

Board meetings

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

The table below sets out the changes that have taken place to the Board, together with details of each Director's attendance at Board meetings during the year ended 31 March 2018.

| Director | Appointed | Left | Attendance |
|-------------------------|-------------|------|------------|
| John Gildersteeve | | | 7/8 |
| Chris Grigg | | | 8/8 |
| Charles Maudsley | | | 8/8 |
| Tim Roberts | | | 8/8 |
| Lynn Gladden | | | 8/8 |
| Alastair Hughes | 01 Jan 2018 | | 3/3 |
| William Jackson | | | 8/8 |
| Nicholas Macpherson | | | 7/8 |
| Preben Prebensen | 01 Sep 2017 | | 5/5 |
| Tim Score | | | 8/8 |
| Laura Wade-Gery | | | 8/8 |
| Rebecca Worthington | 01 Jan 2018 | | 2/3 |
| Former Directors | | | |
| Lucinda Bell | 19 Jan 2018 | | 5/6 |
| Aubrey Adams | 31 Dec 2017 | | 5/5 |
| Simon Borrows | 18 Jul 2017 | | 2/3 |
| Lord Turnbull | 18 Jul 2017 | | 2/3 |

Absences at Board meetings were due to commitments predating joining the Board, illness or unavailability for meetings held at short notice.

The Board agenda is set by the Chairman, in conjunction with the Chief Executive and Company Secretary. Each scheduled meeting includes a Management Report delivered by the Chief Executive and regular updates on the activities of various standing and management Committees. Discussions also take place on strategic proposals, major acquisitions, disposals and developments and legal and governance matters.

During the year ended 31 March 2018 particular areas considered by the Board, either directly or following receipt of reports from its standing Committees, include:

- Outcomes of the annual strategy days and progress towards agreed outcomes

- Consideration and approval of risk appetite and the principal risks faced by the Company
- Use of capital and the implementation of a £300 million share buyback programme
- Launch of the Flexible Workspace brand (Storey)
- Review of the outcome of a multi-agency crisis management exercise at one of British Land's assets
- Results of the externally facilitated Board performance evaluation
- Approval of full year and half year financial results, the Annual Report and the Notice of AGM
- Declaration of quarterly interim dividends
- Diversity and gender pay
- Cyber security and information technology
- Preparations for the General Data Protection Regulation [which comes into force in May 2018]
- Health and safety compliance
- Governance review
- Sustainability

Care is taken to ensure that information is circulated in good time before Board and Committee meetings, and that papers are presented clearly and with the appropriate level of detail to enable the Board to discharge its duties. All papers are circulated one week prior to meetings and clearly marked as being 'For Decision' or 'For Information'. To enhance the delivery of Board and Committee papers the Board uses a Board portal and tablets which provide a secure and efficient process for meeting pack distribution. Under the direction of the Chairman, the Company Secretary facilitates effective information flows between the Board and its Committees, and between senior management and Non-Executive Directors.

In March 2018 the Board undertook a site visit to Meadowhall in Sheffield, a joint venture asset with Norges Bank Investment Management. Since the Board last visited in 2015, a £60 million refurbishment had been undertaken, creating a go-to space providing outstanding customer experiences. As well as reviewing the results of the refurbishment, the Board considered the next phase of the Meadowhall development programme including the delivery of the Leisure Hall where we have secured a resolution to grant planning consent from Sheffield City Council.

Effectiveness

Board induction

On appointment, all Directors whether Executive or Non-Executive receive a comprehensive induction. Each new Director is invited to meet the General Counsel and Company Secretary or Head of Secretariat to discuss their induction in detail, following which the programme is tailored specifically to their requirements and adapted to reflect their existing knowledge and experience.

Each induction programme would ordinarily include:

- Meetings with the Chairman, Executive Directors, Committee Chairmen, external auditor or remuneration consultants (as appropriate)
- Information on the corporate strategy, the investment strategy, the financial position and tax matters (including details of the Company's REIT status)
- An overview of both Retail and Offices portfolios provided by members of the senior management team
- Visits to key assets. During 2017 and 2018 these included visits to Broadgate, Canada Water, Meadowhall and Paddington
- Details of Board and Committee procedures and Directors responsibilities
- Details on the investor relations programme
- Information on the Company's approach to sustainability

All induction documents are made available on our secure electronic Board portal and are therefore available to Directors both during and after their induction.

GOVERNANCE REVIEW CONTINUED

Training and development

The Chairman and Company Secretary agree what Board wide training or development may be appropriate. During the year ended 31 March 2018, the Board considered papers and presentations on legal and regulatory developments, technology opportunities or challenges and sustainability-related developments as well as receiving regular briefings on the views of stakeholders and the external environment.

Directors are also entitled to seek independent advice in relation to *the performance of their duties at the Company's expense, subject to having first notified the Chairman or the Company Secretary*.

Commitment

Non-Executive Directors' letters of appointment set out the time commitments expected from them. Following consideration, the Nomination Committee has concluded that all the Non-Executive Directors continue to devote sufficient time to discharging their duties to the required high standard.

British Land's policy is to allow Executive Directors to take one non-executive directorship at another FTSE company, subject to Board approval. External appointments of the Executive Directors are disclosed in their biographies. Any fees earned by the Executive Directors are disclosed on page 87 of the Remuneration Report.

Conflicts of interest

The Directors are required to avoid a situation in which he or she has, or can have, a direct or indirect conflict with the interests of the Company. The Board has established a procedure whereby the Directors are required to notify the Chairman and the Company Secretary of all new outside interests and actual or perceived conflicts of interest that may affect them in their roles as Directors of British Land. All potential conflicts of interest are authorised by the Board at the earliest opportunity and the register of Directors' interests is reviewed by the full Board at least annually.

The Board also reviews the Directors' Interests Policy on an annual basis. Following the last review in November 2017, the Board concluded that the policy continued to operate effectively.

Re-election

The Board has reviewed the Nomination Committee's assessment of whether each Non-Executive Director remains independent in character and judgement and whether there are relationships or circumstances which are likely to affect, or could appear to affect, that judgement. As a result, the Board as a whole considers that each of the Non-Executive Directors is independent, is of the stature and has the required experience to perform his or her role as an independent Director. The results of the externally facilitated Board evaluation also confirm the Board's belief that each Non-Executive Director standing for election or re-election at the 2018 AGM remains committed to their role within British Land and continues to perform effectively.

Board evaluation

During the year, the effectiveness of the Board and its Committees was conducted by Independent Board Evaluation (IBE).



In addition to the formal Board evaluation, the Board Chairman met each Non-Executive Director individually during the year to discuss their contribution to the Board.

Outcomes

Overall, the evaluation report from IBE reflected well on the Board. Its members are seen as engaged and committed while the Board's culture remains open, respectful and constructive.

IBE made a number of recommendations to the Board, based on the Board's own suggestions, including:

- Increasing the Board's interaction with the wider management team
- Working to define Board values in conjunction with the Company values and take forward the Board's work on culture and employee engagement
- Using informal Board sessions to enable alignment around complex or evolving issues

The Board intends to implement the recommendations made by IBE and will report on progress in the 2019 Annual Report.

IBE has no other connection with British Land.

Accountability

Financial and business reporting

The Board is responsible for preparing the Annual Report and confirms in the Directors' responsibility statement set out on page 95 that they believe that the Annual Report, taken as a whole, is fair, balanced and understandable, and provides the information necessary to assess British Land's position, performance, business model and strategy. The basis on which the Company creates and preserves value over the long term is described in the Strategic Report.

The Audit Committee reviewed the procedure undertaken to enable the Board to provide the fair, balanced and understandable confirmation to shareholders. Meetings were held between the Group Financial Controller, Head of Investor Relations and other senior employees to review and document the key considerations undertaken and a detailed report was then presented to the Audit Committee.

Risk management and internal control

The Board determines the extent and nature of the risks it is prepared to take in order to achieve the Company's strategic objectives. The Board has responsibility for the Company's overall approach to risk management and internal control which includes ensuring the design and implementation of appropriate risk management and internal control systems. Oversight of the effectiveness of these systems is delegated to the Audit Committee which undertakes regular reviews to ensure that the Group is identifying, considering and mitigating as far as practicable, the most appropriate risks for the business.

The Board confirms that, through the Audit Committee, a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity, was carried out during the year.

British Land's approach to risk, including the roles of the Board, and the Audit Committee in setting risk appetite and monitoring risk exposure, is detailed in the 'Managing risk in delivering our strategy' section on pages 48 to 51.

As well as complying with the Code, the Group has adopted the best practice recommendations in the FRC Guidance on risk management, internal control and related financial and business reporting, and the Company's internal control framework operates in line with the recommendations set out in the internationally recognised COSO Internal Control Integrated Framework.

The Company is committed to conducting its business in an ethical manner, with integrity and in line with all relevant laws and regulations. The Group has adopted a number of policies and procedures including policies and training on anti-bribery and corruption and fraud awareness, information security and GDPR. All employees are made aware of the Group's policies through the employee handbook, regular bulletins and receive training appropriate to their roles and responsibilities.

The Audit Committee reviews the effectiveness of the Group's system of internal control annually, including the systems of control for material joint ventures and funds. The Group's internal control system is built on the following fundamental principles, and is subject to review by internal audit:

- A defined schedule of matters reserved for approval by the Board
- A detailed authorisation process: no material commitments are entered into without thorough review and approval by more than one authorised person
- Formal documentation of all significant transactions

- A robust system of business and financial planning including cash flows and profitability forecasting, with scenario analysis performed on major corporate, property and financing proposals
- A robust process for property investment appraisals
- Monitoring of key outcomes, particularly expenditure and performance of significant investments, against budget and forecast
- Clearly defined policies and review of actual performance against policies
- Benchmarking of property performance against external sources such as Investment Property Databank
- Key controls testing
- A comprehensive property and corporate insurance programme and a formal whistle-blowing policy

During the course of its review for the year ended 31 March 2018, and to the date of this Report, the Audit Committee has not identified, nor been advised of, a failing or weakness which it has determined to be significant.

Going concern and viability statements

During the year the Board assessed the appropriateness of using the going concern basis of accounting in the financial statements. The assessment considered future cash flows and debt facilities (to assess the liquidity risk of the Company) and the availability of finance (to assess the solvency risk). The assessment covered the 12-month period required by the going concern basis of accounting.

In accordance with the Code, the Board has also assessed the prospects of the Group over a five-year period which is deemed appropriate for the viability statement. In preparing the viability statement the Board considered the principal risks set out on pages 52 to 55 and the sensitivities of cash flow and debt covenant forecasts, all of which are considered to have a reasonable likelihood of impacting the viability of the Company. Full details of this assessment are set out on page 51.

Following these assessments the Directors believe that the Group is well placed to manage its financing and other business risks satisfactorily and have a reasonable expectation that the Company and the Group have adequate resources to continue in operation for at least 12 months from the date of the Annual Report. They therefore consider it appropriate to adopt the going concern basis of accounting in preparing the financial statements.

The Board also considers that the Company and the Group will be able to continue in operation and meet its liabilities as they fall due over the period ending 31 March 2023.

Taxation

Our principles of good governance extend to our responsible approach to tax. Our tax strategy (Our Approach to Tax), available on our website www.britishland.com/governance, is approved by the Board and is in line with the Group's long term values, culture and strategy.

Remuneration

The Directors' Remuneration Report is set out on pages 76 to 91.

The Remuneration Policy was approved by shareholders at the 2016 AGM and is summarised on page 78. We are not making any changes to the Remuneration Policy this year.

GOVERNANCE REVIEW CONTINUED

Relations with stakeholders

The Board is committed to maintaining open channels of communication with all of the Company's stakeholders. An important part of this is providing a clear explanation of the Company's strategy and objectives, and ensuring that feedback is acknowledged, considered and, where appropriate, acted upon. Stakeholder feedback is essential to the success of our business, so we ensure the Chairman, Senior Independent Director, Chief Executive and other Executive Directors are available to address any concerns our stakeholders may wish to raise.

British Land aims to be informative and accessible to all shareholders. Announcements relating to the Group's financial results and key events are provided in a timely manner and are easily accessible via our website and social media. The Group website also provides detailed information on our assets, as well as case studies illustrating our strategy, including our sustainability activities.

British Land has a dedicated Investor Relations team which is available to respond to any questions or concerns investors may have on an ad hoc basis.

All stakeholders are able to contact the Company directly via the contacts page on our website www.britishland.com/contacts.

Annual General Meeting

All Directors attend the AGM, which provides retail shareholders in particular with an opportunity to hear directly from the Board on the Company's performance over the past year, its strategy and the objectives for the year ahead. The AGM also provides shareholders with the opportunity to ask questions and a number of the Directors, including the Chairman, make themselves available for informal discussion after the meeting has concluded.

The 2017 AGM was attended by approximately 125 shareholders. All resolutions were voted on by way of a poll and passed by the required majority. The results of the AGM voting are announced to the London Stock Exchange as soon as practicable following the AGM and also made available on the Company's website.

Retail shareholders

Our 'Shareholders Centre' on our website www.britishland.com/shareholders-centre includes information on the AGM, dividends, shareholder communication, how to contact our registrar, Equiniti, and other useful resources for shareholders.

Institutional investors

Institutional investors and analysts receive regular communications from the Company, including details of Investor Relations events (see the chart to the right), one-to-one and group meetings with Executive Directors, and tours of our major assets. This year, our investor relations activity included a presentation and asset tour at Paddington Central, following the completion of our 4 Kingdom Street development. In total, the Chief Executive, former Chief Financial Officer and Investor Relations team met with representatives from over 205 institutions during the year ended 31 March 2018. We periodically commission an independent investor perception study, which provides feedback on our strategy and highlights material concerns from key investors and is presented to the Board.

The Executive team is committed to ensuring that shareholder views, both positive and negative, are relayed back to the Board. The Chief Executive provides a written report at each scheduled meeting which includes direct market feedback on activity during the period.

Key investor relations activities during the year included

May 2017

- Full year results presentation
- Full year results roadshow, London
- Investor roadshow, US/Canada

July 2017

- AGM

November 2017

- Industry and Analysts' Conference
- Half year results roadshow, London
- Two investor property conferences, London

February 2018

- Private Equity and Institutional Investor Forum

June 2017

- Investor property conference, Nottingham
- Investor property conference, London
- Private Equity and Institutional Investor presentation, London
- Analyst & Investor presentation, Paddington Central

September 2017

- Investor property conference, London
- Investor property conference, London
- Investor property conference, London
- Investor property conference, London

January 2018

- Investor property conference, London
- Investor property conference, London
- Investor property conference, London

March 2018

- Investor property conference, London
- Investor property conference, London
- Investor property conference, London

Lenders and bondholders

The Board recognises the contribution made by our lenders and bondholders. Through our Treasury team, the Group maintains an open dialogue with our debt providers which helps the Board understand their investment appetite and criteria.

Community

British Land recognises that the people who live in and around our assets are essential to creating Places People Prefer, and therefore to the success of our business. Investing in these communities is an important part of our approach, and our Local Charter details how we build trust by making positive contributions locally. Our Community Funding Guidelines set out how we allocate funding, with a particular focus on initiatives close to our assets that provide opportunities to local people through education, employment and training. Both documents can be found on our website at www.britishland.com/policies.

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

I am pleased to present the report of the Audit Committee for the year ended 31 March 2018.

In line with the focus on improved governance and clear, relevant and concise reporting, this report of the Audit Committee highlights the main issues which arose during the year and how they were addressed

Key areas of focus

Ultimately, the Committee continues to play a key role in overseeing the integrity of the Group's financial statements, including assessing whether the Annual Report is fair, balanced and understandable, as well as ensuring that a sound system of risk management and internal control is in place

During the year, the Committee has reviewed the process for identification and mitigation of key business risks, challenging management actions where appropriate. The Committee has also reviewed the appropriateness of the accounting treatment of significant transactions, including asset acquisitions and disposals. Together with the ongoing scrutiny of the process for valuing investment and development assets, the Committee also reviewed the outcomes and effectiveness of the tender of valuation services undertaken during the first half of the financial year

This year saw the implementation of the first phase of the new valuer appointment policy (see page 73 for further details) with c 45% of the portfolio subject to new valuers at 30 September 2017. Further transitions will take place over the next two years with the initial implementation of the valuer appointment policy due to be completed in 2019. The Committee has appreciated the continued professionalism of all its valuers during the tender process

Committee composition and governance

The year to 31 March 2018 has seen significant change to the membership of the Committee. As mentioned in the 2017 Annual Report, Simon Borrows retired from the Committee at the conclusion of the 2017 AGM. In addition, having served on the Board and this Committee for nine years, including a period as Committee Chairman, Aubrey Adams retired at the end of the 2017 calendar year. I would like to thank them both for the diligence and insight they provided during their tenure and Aubrey, in particular, for his knowledge and experience of the UK property market

We also welcomed three new members to the Committee during the financial year: Nicholas Macpherson, who has served for a full year, Rebecca Worthington and Alastair Hughes. Details of the knowledge, experience and skills each brings to the Committee are set out below

The Committee continues to be composed solely of independent Non-Executive Directors with sufficient financial experience, commercial acumen and sector knowledge to fulfil their responsibilities. The changes in membership, together with attendance at Committee meetings during the year, are set out in the following table

| Director | Position | Date of Committee appointment | Date of resignation | Attendance |
|---------------------|----------|-------------------------------|---------------------|------------|
| Tim Score | Chairman | 20 Mar 2014 | | 3/3 |
| Alastair Hughes | Member | 1 Jan 2018 | | 1/1 |
| Nicholas Macpherson | Member | 1 Apr 2017 | | 3/3 |
| Rebecca Worthington | Member | 1 Jan 2018 | | 1/1 |
| Aubrey Adams | Member | 1 Sep 2008 | 31 Dec 2017 | 2/2 |
| Simon Borrows | Member | 12 Apr 2011 | 18 Jul 2017 | 1/1 |

Nicholas was the Permanent Secretary to the Treasury for over 10 years from 2005 to March 2016, leading the department through the financial crisis and the subsequent period of banking reform. He joined the Treasury in 1985 and held a number of roles prior to his appointment as Permanent Secretary. Nicholas trained as an economist and has worked at the CBI and Peat Marwick Consulting

REPORT OF THE AUDIT COMMITTEE CONTINUED

Rebecca has worked in the real estate industry since 1998 and brings valuable insight into residential real estate as well as financial, operational and governance experience as a result of her role as group chief financial officer of Countryside Properties PLC, and former roles as finance director of Quintain and chair of the audit committee at Hansteen Holdings and Aga Rangemaster Group

Alastair has over 25 years of experience in real estate markets. His experience as former Chief Executive of JLL for Europe, Middle East and Africa and then regional CEO for Asia Pacific, and his non-executive directorship of Schroders REIT, brings an in-depth knowledge of global commercial real estate markets

The Board is satisfied that the Committee as a whole has competence relevant to the real estate sector. For the purposes of the UK Corporate Governance Code, Rebecca and I are deemed to meet the specific requirement of having significant, recent and relevant financial experience

Members of the senior management team, including the former *Chief Financial Officer, General Counsel and Company Secretary, Group Financial Controller, Head of Financial Reporting and representatives of both external and internal auditors* are invited to attend each Committee meeting. In addition, the Chairman of the Board, *Chief Executive Officer, Head of Investor Relations, Head of Planning and Analysis* and other key employees are invited to attend part, or all, of specific Committee meetings

The Committee meets privately with both external and internal auditors after each scheduled meeting and continues to be satisfied that neither is being unduly influenced by management. As Committee Chairman, I additionally hold regular meetings with the Chief Executive Officer, Chief Financial Officer and other members of management to obtain a good understanding of key issues affecting the Group and am thereby able to identify those matters which require meaningful discussion at Committee meetings. I also meet the external audit partner, internal audit partner and representatives from each of the valuers privately to discuss any matters they wish to raise or concerns they may have

Committee effectiveness

The Committee's effectiveness during the year to 31 March 2018 was assessed as part of the triennial independently facilitated Board evaluation process. This review considered the structure, membership and role of the Committee as well as the Board's perception of the quality and thoroughness of its work. The review concluded that the breadth of experience brought to the Committee by its new members provided the Board with confidence that it would continue to operate thoroughly and effectively and that the financial governance of the Company was conducted with diligence and due process

The Committee also reviews its terms of reference on an annual basis. The current terms of reference were approved by the Board in March 2018 and are available on our website www.britishland.com/committees

The information below sets out in detail the activity undertaken by the Committee during the year ended 31 March 2018. I hope that you find it useful in understanding our work

Tim Score

Chairman of the Audit Committee

Role and responsibilities

The principal responsibilities of the Committee are

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

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

Internal Audit – Monitoring and reviewing reports on the work performed by the internal auditor and reviewing effectiveness, including its plans and resourcing

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

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

Financial reporting

The Committee continues to review the content and tone of the preliminary results press release, Annual Report and half year results at the request of the Board. Drafts of the Annual Report are reviewed by the Committee Chairman and the Committee as a whole prior to formal consideration by the Board, with sufficient time provided for feedback

The Committee reviewed the key messaging included in the Annual Report and half year results, paying particular attention to those matters considered to be important to the Group by virtue of their size, complexity, level of judgement required and potential impact on the financial statements and wider business model. Any issues which were deemed to be significant were debated openly by the Committee members and other attendees, including management, external and internal auditors

The Committee has satisfied itself that the controls over the accuracy and consistency of the information presented in the Annual Report are robust. The Committee therefore recommended to the Board that the Annual Report presented a fair, balanced and understandable overview of the business of the Group and that it provided stakeholders with the necessary information to assess the Group's position, performance, business model and strategy

During the year, the Group received a letter from the Financial Reporting Council confirming that the 2017 Annual Report had been subject to a review by its Conduct Committee, which is responsible for overseeing the FRC's work in promoting high quality corporate reporting and ensuring compliance with relevant accounting and reporting requirements and rules. No questions or queries were raised as a result of this review, no response from the Company was requested and no further action was undertaken

A number of minor matters were noted for improvement which, in the view of the Conduct Committee, would be of benefit to the users of the Annual Report. Consequently, we have made changes to the Annual Report this year in line with these recommendations

REPORT OF THE AUDIT COMMITTEE CONTINUED

The significant issues considered by the Committee in relation to the financial statements during the year ended 31 March 2018, and the actions taken to address these issues, are set out in the following table

| Significant issues considered | | How these issues were addressed |
|--|--|---|
| Going concern statement | The appropriateness of preparing the Group financial statements on a going concern basis | <p>The Committee reviewed management's analysis supporting the going concern basis of preparation. This included consideration of forecast cash flows, availability of committed debt facilities and expected covenant headroom. The Committee also received a report from the external auditor on the results of the testing undertaken on management's analysis.</p> <p>As a result of the assessment undertaken, the Committee satisfied itself that the going concern basis of preparation remained appropriate.</p> <p>The going concern statement is set out on page 67.</p> |
| Viability statement | Whether the assessment undertaken by management regarding the Group's long term viability appropriately reflects the prospects of the Group and covers an appropriate period of time | <p>The Committee considered whether management's assessment adequately reflected the Group's risk appetite and principal risks as disclosed on pages 52 to 55, whether the period covered by the statement was reasonable given the strategy of the Group and the environment in which it operates, and whether the assumptions and sensitivities identified, and stress tested, represented severe but plausible scenarios in the context of solvency or liquidity. The Committee also considered a report from the external auditor.</p> <p>The Committee concurred with management's assessment and recommended the viability statement to the Board.</p> <p>The viability statement, together with further details on the assessment undertaken, is set out on page 51.</p> |
| Accounting for significant transactions | The accounting treatment of significant property acquisitions, disposals and financing transactions is a recurring risk for the Group with non-standard accounting entries required, and in some cases management judgement applied | <p>The Committee reviewed management papers on key judgements, including those for significant transactions, as well as the external auditor's findings on these matters.</p> <p>In particular, the Committee considered the accounting treatment of The Leadenhall Building transaction, the share buyback programme, Storey (British Land's flexible workspace offering launched in the year) and the acquisition of The Woolwich Estate.</p> <p>The external auditor confirmed that management's judgements in relation to these transactions were appropriate and reasonable and the Committee agreed with this conclusion.</p> |
| REIT status | Maintenance of the Group's REIT status through compliance with certain conditions has a significant impact on the Group's results | <p>The Committee reviewed the Company's compliance with the REIT tests. Management presented details of the methodology and results of their process for REIT testing, with any change in long term trends, and the level of headroom, highlighted. The Committee also considered the external auditor's review of the REIT tests performed by management.</p> <p>The Committee concluded that the Company's REIT status had been maintained in the year.</p> |
| Valuation of property portfolio | <p>The valuation of investment and development properties conducted by external valuers is inherently subjective as it is undertaken on the basis of assumptions made by the valuers which may not prove to be accurate.</p> <p>The outcome of the valuation is significant to the Group in terms of investment decisions, results and remuneration.</p> | <p>The external valuers presented their reports to the Committee prior to the half year and full year results, providing an overview of the UK property market and summarising the performance of the Group's assets. Significant judgements are also highlighted.</p> <p>The Committee analysed the reports and reviewed the valuation outcomes, challenging assumptions made where thought fit. In particular, with the implementation of the first stages of the new valuer appointment policy, the Committee paid specific attention to those assets which were subject to a new valuation instruction during the year.</p> <p>The Committee was satisfied with the valuation process and the effectiveness of the Company's valuers. The Committee also approved the relevant valuation disclosures to be included in the Annual Report.</p> |
| Revenue recognition | For certain transactions, judgement is applied by management as to whether, and to what extent, they should be treated as revenue for the financial year | <p>The Committee and the external auditor considered the appropriateness of the accounting treatment applied by management in relation to revenue recognition. In particular, the Committee considered the treatment of Clarges Residential unit sales, taking into account the timing of legal completions following practical completion of the property in the year.</p> <p>The Committee considered the scope of the accounting standard and agreed with the reasonableness of the judgement made.</p> |

REPORT OF THE AUDIT COMMITTEE CONTINUED

External Audit

PricewaterhouseCoopers, LLP (PwC) was appointed as the Group's external auditor for the 2015 Annual Report following a formal competitive tender. The Committee will consider the need for a competitive tender for the role of external auditor every five years and, in accordance with legislation and its own terms of reference, will ensure that a competitive tender takes place at least every 10 years. There are no contractual obligations in place which would restrict the Committee's selection of a different auditor. The Group's audit engagement partner is John Waters, who has been in role since PwC's appointment. The Committee will ensure that the rotation of audit partner is undertaken as required by legislation to the extent that this is not undertaken earlier by PwC.

The Committee is responsible for overseeing the relationship with the external auditor and for considering their terms of engagement, remuneration, effectiveness, independence and continued objectivity. The Committee annually reviews the audit requirements of the Group, for the business and in the context of the external environment, placing great importance on ensuring a high quality, effective External Audit process.

Fees and non-audit services

The Committee discussed the audit fee for the 2018 Annual Report with the external auditor and approved the proposed fee on behalf of the Board.

In addition, the Group has adopted a policy for the provision of non-audit services by the external auditor. The policy helps to safeguard the external auditor's independence and objectivity. The policy allows the external auditor to provide the following non-audit services to British Land where they are considered to be the most appropriate provider:

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

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

- Total non-audit fees are limited to 70% of the audit fees in any one year. Additionally, the ratio of audit to non-audit fees is calculated in line with the methodology set out in the 2014 EU Regulations.
- Committee approval is required where there might be questions as to whether the external auditor had a conflict of interest.
- The Audit Committee Chairman is required to approve in advance each additional project or incremental fee between £25,000 and £100,000 and Committee approval is required for any additional projects over £100,000.

During the year two engagements relating to sustainability assurance and financial model assurance required approval. These engagements were approved by the Audit Committee Chairman on the basis that PwC were best placed to provide these services and that they created no conflict of interest with their role as external auditor.

Total fees for non-audit services amounted to £0.2 million, which represents 20% of the total Group audit fees payable for the year ended 31 March 2018. Details of all fees charged by the external auditor during the year are set out on page 113.

The Committee is satisfied that the Company has complied with the provisions of the Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Processes and Audit Committee Responsibilities) Order 2014, published by the Competition & Markets Authority on 26 September 2014.

Effectiveness

Assessment of the annual evaluation of the external auditor's performance was undertaken by way of a questionnaire completed by key stakeholders across the Group, including senior members of the Finance team. The review took into account the quality of planning, delivery and execution of the audit (including the audit of subsidiary companies), the technical competence and strategic knowledge of the audit team and the effectiveness of reporting and communication between the audit team and management.

PwC also provide the Committee with an annual report on its independence, objectivity and compliance with statutory, regulatory and ethical standards. For the year ended 31 March 2018, as for the prior year, the external auditor confirmed that it continued to maintain appropriate internal safeguards to ensure its independence and objectivity.

The Committee concluded that the quality of the external auditor's work, and the knowledge and competence of the audit team, had been maintained at an appropriate standard during the year.

The Committee therefore recommended to the Board that a resolution to reappoint PwC as external auditor to the Group be put to shareholders at the 2018 AGM.

Internal Audit

The role of Internal Audit is to act as an independent and objective assurance function, designed to improve the effectiveness of the governance, risk management and internal controls framework in mitigating the key risks of British Land. Ernst & Young LLP (EY) continue to provide internal audit services to British Land and attended all Committee meetings to present their audit findings and the status of management actions.

During the year, the Committee reviewed and approved the annual internal audit plan, including consideration of the plan's alignment to the principal risks of the Group and its joint ventures. Internal audits completed during the year included those in relation to IT, third party management, fraud resilience, insurance, company secretariat, procurement, human resources, accounts payable and payroll (phase 2). Overall, no significant control issues were identified although several process and control improvements were proposed, with follow up audits scheduled where necessary.

Effectiveness

The annual effectiveness review of the internal auditor included consideration of the Internal Audit charter which defines EY's role and responsibilities, review of the quality of the audit work undertaken and the skills and competence of the audit teams. The Committee concluded that EY continued to discharge its duties as internal auditor effectively and should continue in the role for the year commencing 1 April 2018.

Risk management and internal controls

The Board has delegated responsibility for overseeing the effectiveness of the Group's risk management and internal control systems to the Committee. The Committee has oversight of the activities of the executive Risk Committee, receiving minutes of all Risk Committee meetings and discussing any significant matters raised.

REPORT OF THE AUDIT COMMITTEE CONTINUED

At the full and half year, the Committee reviewed the Group's principal risks including consideration of how risk exposures have changed during the period and any emerging risks in the Company's risk register. Both external and internal risks are reviewed and their effect on the Company's strategic aims considered. The Committee considered the Group's risk appetite, concluding that it remains set at an appropriate level to achieve the Group's strategic goals without taking undue risk. The Board accepted the Committee's recommendation that no changes were required to the Group's risk appetite for the forthcoming year. The Committee also reviewed the status of key risk indicators throughout the year against the risk appetite set, focusing on any which were outside optimal ranges.

During the year ended 31 March 2018, the Committee gave particular attention to the risk relating to catastrophic operational events including ensuring that safety investigations were undertaken on the British Land portfolio following the Grenfell Tower fire and that crisis response plans were in place for both physical and cyber risks. The Committee also undertakes annual reviews of the Group's Treasury Policy (which includes policies on liquidity, interest rate and foreign currency management) and the Group's insurance programme.

Half yearly, the internal auditor reports to the Committee on the effectiveness of internal controls, including an analysis of control issues identified by management through the exceptions reporting process. Care is taken to ensure that identified risk areas are considered for incorporation in the Internal Audit plan and that the findings of internal audits are taken into account when identifying and evaluating risks within the business. Key observations are reported to, and debated by, the Committee. During the year, it was agreed that exceptions reporting should include operational matters as well as financial. For the year ended 31 March 2018, the internal auditor confirmed that the system of risk management and internal control had been effective.

At the request of the Remuneration Committee, the Committee considers annually the level of risk taken by management and whether this affects the performance of the Company and thereby incentive awards granted to the Executive Directors and senior management. Taking into account the reports received on internal key controls and risk management, and the results of the internal audit reviews, the Committee concluded that for the year ended 31 March 2018 they were not aware of excessive risk taking by management which ought to be taken into account when determining incentive awards.

The Group's whistleblowing arrangements, which enable all staff, including temporary and agency staff, suppliers and occupiers to report any suspected wrongdoing, remained unchanged during the year. These arrangements, which are monitored by the General Counsel and Company Secretary and reviewed by the Committee annually, include an independent and confidential whistleblowing service provided by a third party. The Committee received a summary of all whistleblowing reports received during the year and concluded that each had been dealt with appropriately.

The Committee also reviewed the Group's tax strategy which sets out the Group's approach to risk management and governance in relation to UK taxation, its attitude towards tax planning, the level of risk the Group is prepared to accept in relation to tax and its relationship with HM Revenue & Customs. The resulting document (Our Approach to Tax) was approved by the Board in March 2018 and is available on the Company's website (www.britishland.com/governance).

Additional information on the Company's internal controls systems is set out in the Managing risk in delivering our strategy section on pages 48 to 49.

Investment and development property valuations

The external valuation of British Land's property portfolio is a key determinant of the Group's balance sheet, its performance and the remuneration of the Executive Directors and senior management. The Committee is committed to the rigorous monitoring and review of the effectiveness of its valuers as well as the valuation process itself.

As set out in the 2017 Annual Report, a new policy has been adopted regarding the appointment of external valuers. The key elements of this policy are:

- The duration of any valuer's appointment to a specific asset is limited to 10 years (except where that asset has been market tested in the period)
- An agreed panel of valuers with the required level of market knowledge and service provision will be maintained
- Incumbents cannot be re-appointed to an asset
- There will be a minimum of two valuers on each of our main sectors, with each valuer covering a meaningful proportion of both the overall portfolio and relevant sector

To ensure a manageable transition of assets to new valuers, the Committee agreed that the initial implementation process would be spread over three years, running 2017-2019. The first phase of tendering (c. 45% of the portfolio) was completed during the first half of the current financial year with a further c. 20% scheduled to transition in both 2018 and 2019. The Group's valuers are now CBRE, Knight Frank, Jones Lang LaSalle (JLL) and Cushman & Wakefield.

The Committee reviews the effectiveness of the external valuers bi-annually, focusing on a quantitative analysis of capital values, yield benchmarking, availability of comparable market evidence and major outliers to subsector movements, with an annual qualitative review of the level of service received from each valuer.

The valuers attend Committee meetings at which the full and half year valuations are discussed, presenting their reports which include details of the valuation process, market conditions and any significant judgements made. The external auditor reviews the valuations and valuation process, having had full access to the valuers to determine that due process had been followed and appropriate information used, before separately reporting its findings to the Committee. The valuation process is also subject to regular review by Internal Audit.

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

Focus for the coming year

During the year ending 31 March 2019 the Committee will continue to focus on the processes by which the Board identifies, assesses, monitors, manages and mitigates risk particularly in light of the continued uncertainty arising from the UK's decision to leave the EU. The Committee will also continue to monitor key risk areas for the business, particularly those scheduled for review by internal audit including, but not limited to General Data Privacy Regulation compliance, cyber security and crisis management.

REPORT OF THE NOMINATION COMMITTEE

The Committee leads the process for Board appointments

Welcome to the report of the Nomination Committee for the year ended 31 March 2018.

Role and responsibilities

The Committee's principal responsibilities remain

- Reviewing the structure, size and composition (including the skills, knowledge and experience and diversity) of the Board and its Committees and recommending changes to the Board
- Considering succession planning for Directors and other senior executives
- Reviewing the independence and time commitment requirements of Non-Executive Directors and
- Making recommendations as to the Directors standing for election or re-election at the AGM

Full details of the Committee's role and responsibilities are set out in its terms of reference available on our website at www.britishland.com/committees

Committee composition and governance

Following Lord Turnbull's retirement, the Committee has three members: William Jackson and Tim Score, both independent Non-Executive Directors, while I continue to Chair the Committee. I would like to thank Lord Turnbull for the support and advice he has provided to the Committee during his tenure.

Details of the Committee's membership and attendance at meetings are set out in the following table:

| Director | Position | Date of Committee appointment | Date of resignation | Attendance |
|-------------------|----------|-------------------------------|---------------------|------------|
| John Gildersleeve | Chairman | 1 Jan 2013 | | 3/4* |
| William Jackson | Member | 11 Apr 2011 | | 4/4 |
| Tim Score | Member | 1 Apr 2017 | | 4/4 |
| Lord Turnbull | Member | 1 Apr 2006 | 18 Jul 2017 | 1/1 |

* John Gildersleeve was unable to attend one meeting due to illness.

Chris Grigg, Chief Executive, was invited to attend all Committee meetings during the year.

Luke Meynell of Russell Reynolds (and formerly of The Zygote Partnership) was invited to attend one Committee meeting during the year.

Diversity

The Committee, the Board of Directors and British Land as a whole continue to pay full regard to the benefits of diversity, including gender diversity, both when searching for candidates for Board appointments and when the Company is searching for candidates for other appointments.

The Committee recommended an updated Board Diversity and Inclusion Policy to the Board during the year. The revised Policy aspires for women to represent 30% of Board membership by 2020, as well as having regard to other aspects of diversity when making recruitment decisions at both Board and senior management level.

British Land currently has three female Board members: Lynn Gladden, Laura Wade-Gery and Rebecca Worthington, all of whom are Non-Executive Directors. This represents 25% female Board membership as at 31 March 2018 (2017: 23%).

The Board Diversity and Inclusion Policy also sets out British Land's commitment to strengthen the gender balance on British Land's leadership and senior management teams. The Board recognises that successful delivery of our strategy is underpinned by creating an environment where all our people feel fully supported. We have established an Inclusive Culture Steering Committee, headed by a member of our Executive Committee, to promote diversity and inclusion at all levels of the business. The Steering Committee has implemented a number of initiatives such as diversity training for all new joiners and the establishment of support networks. Further information on diversity within British Land is set out on page 30.

We also recently published our gender pay gap report. The report is available on our website (www.britishland.com/governance) and summarised on page 30.

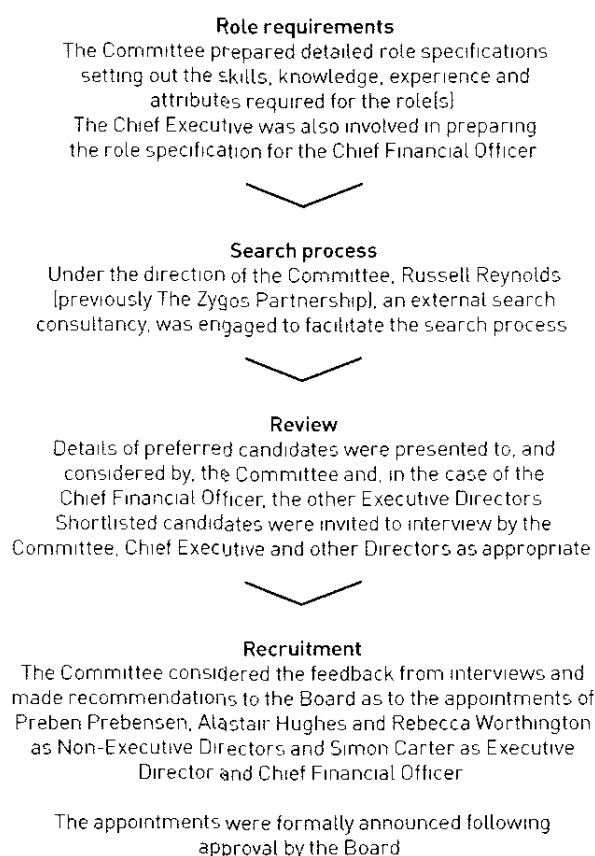
Board membership

The Committee regularly reviews the structure, size and composition of the Board in order to ensure it is made up of the right people with the requisite skills and experience, including diversity of thought and approach, who can provide strong and effective leadership to the business and support delivery of the Company's strategy.

As was anticipated in last year's Annual Report, Simon Borrows and Lord Turnbull retired from the Board at the conclusion of the 2017 AGM. In addition, Aubrey Adams retired from the Board at the end of the 2017 calendar year and Lucinda Bell stood down as an Executive Director and Chief Financial Officer on 19 January 2018.

The process undertaken by the Committee to identify, select and make recommendations to the Board in relation to the appointment of three Non-Executive Directors and a new Chief Financial Officer is set out below.

Appointment process for Board Directors



Other than the provision of recruitment consultancy services neither Russell Reynolds nor, previously, The Zygus Partnership has any connection with British Land.

Succession planning

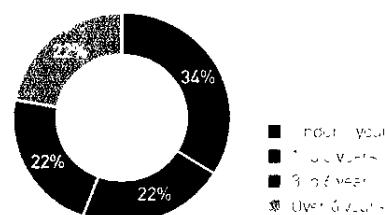
The Committee is responsible for reviewing the succession plans for the Board, including the Chief Executive. The succession plans for the Executive Directors are prepared on immediate, medium and long term basis while those for Non-Executive Directors reflect the need to regularly refresh the Board. Such plans take account of the tenure of individual members. The Committee's review of Executive Director succession plans include consideration of the process for talent development within the organisation to create a pipeline to the Board.

The Chief Executive, with the support of the HR Director, is responsible for developing succession plans for executives and senior management which are presented to and considered by the Committee.

Independence and re-election

Prior to recommending the re-appointment of any Non-Executive Director to the Board, the Committee assesses their continued independence, the time commitment required and whether the re-appointment would be in the best interests of the Company. Detailed consideration is given to each Non-Executive Director's contribution to the Board and its Committees, together with the overall balance of knowledge, skills, experience and diversity.

Non-Executive Directors' tenures (as at 31 March 2018)



Having served for more than six years, the Committee undertook a particularly rigorous review of William Jackson's contributions to the Board and the Committees on which he serves, together with his continued independence. The Committee unanimously concluded that William remained independent in character and judgement and continued to discharge his responsibilities as a Non-Executive Director effectively. William did not participate in the discussion relating to his re-appointment.

Following their review, the Committee is of the opinion that each Non-Executive Director continues to demonstrate commitment to his or her role as a member of the Board and its Committees, discharges his or her duties effectively and that each makes a valuable contribution to the leadership of the Company for the benefit of all stakeholders. Accordingly, the Committee recommended to the Board that resolutions to elect or re-elect each Non-Executive Director be proposed as appropriate to the AGM alongside the resolutions to re-elect the Executive Directors.

Therefore, in accordance with the Code, each of the Directors in role at year end and the date of this Annual Report will offer themselves for election (in the case of Alastair Hughes, Preben Prebensen and Rebecca Worthington) or re-election (in the case of all other Directors). In addition, Simon Carter will take up his appointment on 21 May 2018 and offer himself for election at the AGM. Biographies for each Director can be found on pages 58 to 61.

Committee effectiveness

This year the review into the Committee's effectiveness was undertaken as part of the triennial externally facilitated Board evaluation. I am pleased to report that the evaluation concluded that the Committee had handled the various succession issues well over the past year and continued to operate effectively.

Focus for the coming year

Having overseen major changes to membership of the Board over the last 12 months, the Committee intends to focus its attention for the coming year on improving the gender balance of the leadership team and undertaking a formal structured review of the succession plans for senior management.

John Gildersleeve

Chairman of the Nomination Committee

Our Remuneration Policy aligns management incentives with our strategy

Dear Shareholders

On behalf of the Board, I am pleased to present the Directors Remuneration Report for the year ended 31 March 2018, which includes an At A Glance summary and the Company's Annual Report on Remuneration.

The Annual Report on Remuneration, which describes both how the Committee has implemented the Remuneration Policy during the year and our intentions for the coming year, is set out on pages 79 to 91. As usual, the Report on Remuneration will be subject to an advisory vote at this year's AGM and I hope to continue to have your support.

Our Remuneration Policy was approved by shareholders in July 2016 with over 97% support and a summary is set out on page 78. The full Policy is available in the 2016 Annual Report and on our website at www.britishland.com/committees.

Our current Remuneration Policy will remain in force until the 2019 AGM. During the latter part of 2018, the Committee will therefore consider what, if any, changes are required to the Remuneration Policy to support the Company's strategy. We will fully engage with shareholders, employees and other stakeholders to ensure that their views are taken into consideration. In recommending any changes to our Remuneration Policy, we will also take account of the outcome of the current review of the UK Corporate Governance Code.

Committee membership

As disclosed in last year's Annual Report, Lord Turnbull retired from the Board, and this Committee, at the conclusion of the 2017 AGM. I would like to thank Lord Turnbull for his commitment to the Committee during his term of office and wish him well in his retirement.

Lynn Gladden and Laura Wade-Gery were members throughout the year and we were pleased to welcome Preben Prebensen to the Committee on 1 September 2017.

Board changes

As previously mentioned by the Company's Chairman, there have been a number of Board changes this year. Lucinda Bell stood down from the Board on 19 January 2018 and left British Land on 4 April 2018. During this period, Lucinda continued to receive her salary and employment benefits in full.

Lucinda is eligible for an annual bonus for the 2017/18 financial year, subject to the satisfaction of a combination of corporate and personal objectives. After over 25 years of service to British Land, Lucinda is considered to be a good leaver and, as such, her outstanding executive share plan awards will be treated in line with the good leaver provisions in the respective plan rules. Full details are provided on page 86.

As announced in January 2018, Simon Carter will join British Land as an Executive Director and Chief Financial Officer on 21 May 2018. On appointment, Simon Carter's basic salary will be set at £485,000. In line with the approved Remuneration Policy, Simon's pension contribution will be set at 15% of salary and his maximum annual bonus plan and LTIP opportunities for the year will be set at 150% and 250% of salary respectively, consistent with the other Executive Directors. To replace a deferred payment forfeited on joining British Land, Simon will be awarded shares worth €675,000, which have to be held for at least one year.

Remuneration in respect of the year ended 31 March 2018

As noted by the Company Chairman, in the context of the economic and political uncertainty that we have seen since the EU referendum, and over the last year in particular, British Land has performed well. Over the year ended 31 March 2018, the Company delivered good financial results and took important steps for long term value creation.

The total returns from our property investments are expected to outperform the market modestly. As a result, payouts from our annual incentive plan are expected to be between 55% and 57.5% of maximum for the Executive Directors. This shows that the Company's remuneration policies have worked as originally intended when the annual incentive policy was set and approved by shareholders.

For our long term incentives, with our three-year performance relative to the original benchmarks underperforming the median of these benchmarks, we expect the LTIP maturing this June 2018 to lapse in full along with half of the MSP awards vesting this year.

Remuneration in respect of the year commencing 1 April 2018

Salary and fees

The Committee has discussed and reviewed the Company's annual salary review framework for all employees. It has also reviewed the salaries of the Executive Directors and concluded that these should be increased by 2% in line with the average increase for the wider employee population. This is the first increase since 2015.

The Committee reviewed the annual fee payable to the Chairman, which has also not increased since 2015, and concluded that this should be increased to £385,000 (representing a 4.2% increase, equating to an average increase of 1.4% over the three-year period) for the year commencing 1 April 2018.

The Board also reviewed the fees payable to the Non-Executive Directors and concluded that the base fee should be increased to £62,500 from £61,000, which represents a 2.5% increase.

Annual incentives

In respect of the annual incentive awards for Executive Directors, the Committee has set strict weightings and targets for each performance measure. For the coming year, we will continue with 70% of any potential award being dependent on successfully achieving financial targets, with 20% based on achieving qualitative criteria and 10% on individual targets. Further information is provided on page 79.

Long term incentives

The Committee proposes to grant long term incentive awards during this coming year at 250% of salary, the same level as last year. Details on the proposed grants, including performance conditions, are set out on page 80.

We will be using the same three performance measures as previously, but have refined the way we will be assessing the Total Property Return component to make it more relevant to the assets the Company owns.

Below Board-level incentives

The Committee's remit also includes oversight of the Group's remuneration policy for the wider employee population. In this respect the Committee has approved a change to the long term share incentive arrangements for the senior management population by approving the use of Restricted Share Awards.

Previously the senior management population had participated in the Long-Term Incentive Plan (LTIP) on a similar basis as the Executive Directors. However, for 2018 for certain employees other than Executive Directors, the Committee has approved the use of Restricted Shares instead of, or (for the non-Board members of the Executive Committee) in combination with, a lower level of LTIP. The lower level of LTIP award takes into account the increased certainty of value of Restricted Shares.

The introduction of Restricted Shares creates a stronger alignment with the interests of other shareholders from the date of grant, together with being a more valued and retentive remuneration package for senior management.

The Restricted Shares will vest after three years subject to continued service.

Gender pay gap

We have recently published our first gender pay gap report (www.britishland.com/gender-pay-gap). As required by legislation, this information is based on data at a snapshot date of 5 April 2017 when British Land had 237 employees and Broadgate Estates Limited, a wholly-owned subsidiary, had 322 employees.

Our pay gap reflects an industry-wide picture where we have more men than women in senior higher paid roles rather than unequal pay for similar work. The British Land Board is committed to achieving better gender balance across all positions in the Company and has in place recruitment and development practices that it believes will lead to a material change in this position over time.

Our workforce is made up almost equally of men and women. We pay men and women who do the same jobs equally, with each role benchmarked annually against external data.

We have made significant progress over recent years whilst recognising that there is more work to be done to reduce the extent of the imbalance in the future. In 2013 we were a founding supporter of Pathways to Property, a programme set up to encourage young people from a wide range of diverse backgrounds into the real estate sector and in 2017 we welcomed a graduate trainee to British Land from the first cohort to complete this programme.

British Land was the first FTSE 100 property company to achieve the National Equality Standard (August 2017). We are also one of a handful of FTSE 100 companies who have introduced company-enhanced shared parental pay as well as introducing flexible working practices in many areas of the business, female mentoring programmes and maternity coaching.

We will continue to measure our gender pay very regularly to come to understand if what we are doing is working and to identify areas where there is further need for change.

Committee effectiveness

As with the other Board Committees, this year's evaluation of the effectiveness of the Remuneration Committee was undertaken as part of the triennial independently facilitated Board evaluation process. I am pleased to report that the review concluded that the Committee continued to operate diligently and effectively, that its members had an appropriate balance of skills and experience and carried out their duties in a sensible and pragmatic way.

Recommendation

British Land continues to strive to apply best practice in its remuneration policies and to listen carefully to shareholder feedback. We therefore hope that you show your support for our approach to remuneration by voting for the Directors Remuneration Report at the 2018 AGM.

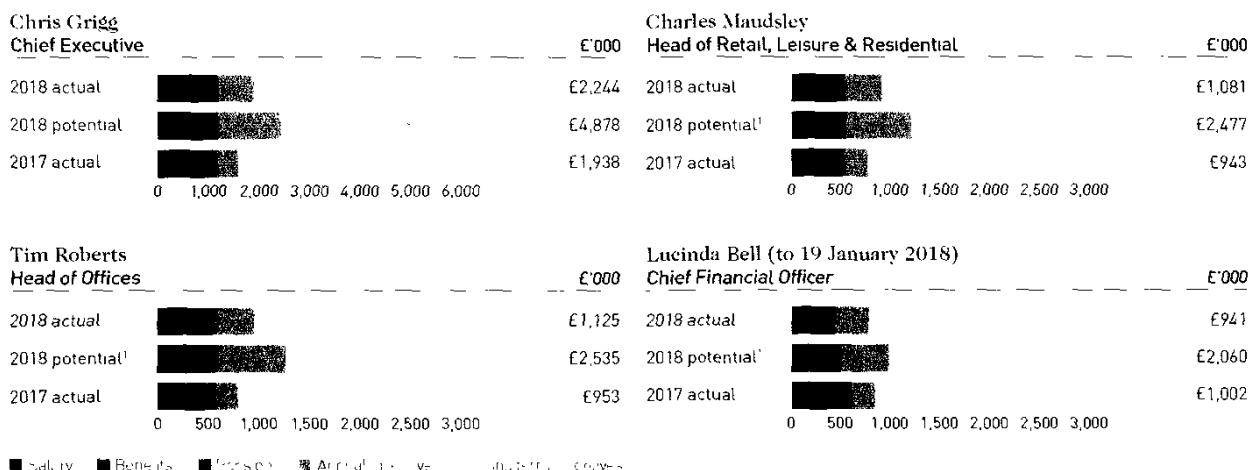
William Jackson

Chairman of the Remuneration Committee

DIRECTORS' REMUNERATION REPORT AT A GLANCE

Executive Directors' remuneration

The tables below show the 2018 actual remuneration against potential opportunity for the year ended 31 March 2018 and 2017 actual remuneration for each Executive Director. Full disclosure of the single total figure of remuneration for each of the Directors is set out in the table on page 81



¹ 2018 potential assumes that both actual and target performance was paid out in full

Summary of Remuneration Policy

The Remuneration Policy summarised below was approved by shareholders on 19 July 2016. The Policy will apply until the AGM in July 2019. The Remuneration Policy is set out in full in the 2016 Annual Report and is available on our website www.britishland.com/committees

| Element of remuneration | Link to strategy | Framework |
|-------------------------|--|---|
| Fixed | | |
| Basic salary | Attract and retain expert people with the appropriate degree of experience and expertise to deliver agreed strategy | Maximum salary is linked to the potential opportunity of the operator group. Reviewed annually and may be subject to a maximum salary cap. Maximum salary is based on the total opportunity of the group. Maximum salary is £300,000 for the operator group opportunity to the subsidiary boards. |
| Benefits | | Benefits are restricted to a maximum of £20,000 per annum and the amount required to provide a private medical insurance for the year. |
| Pension contribution | | Defined benefit pension to get benefit scheme that can be provided by the 31 March 2012 (if time allowed) or by the 31 March 2012 (if time allowed) or by the 31 March 2012 (if time allowed) or by the 31 March 2012 (if time allowed). Defined contribution arrangement to be a cash allowance in lieu of pension, are restricted to between 10-35% of salary. |
| Variable | | |
| Annual incentive | Performance measures related to British Land's strategic objectives and the Executive Director's individual objectives, subject to the Company's performance at the beginning of the financial year. | Maximum opportunity is 150% of basic salary. Award is paid in cash when agreed with the remaining 10% (net of tax) used to purchase shares on behalf of the Executive Director. Annual bonus is subject to the maximum held for a further three years from the date of grant whether or not the Executive Director remains an employee of British Land. |
| Long-term incentive | <ul style="list-style-type: none"> Total Property Return (TPR) links reward to group property performance Total Accounting Return (TAR) links reward to group property performance and shareholder distributions Total Shareholder Return (TSR) directly correlates reward with shareholder returns | Maximum value of an award is 300% of basic salary which may be in the form of performance shares or restricted share options or a combination of both. |

How we intend to apply our Remuneration Policy during the year commencing 1 April 2018

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

Executive Directors' remuneration



Basic salaries

Basic salaries for our current Directors have been set at the following levels for the year commencing 1 April 2018

| Director | Basic salary £ |
|---------------------------------|-------------------|
| Chris Grigg | 856,800 |
| Charles Maudsley | 455,175 |
| Tim Roberts | 455,175 |
| Simon Carter (from 21 May 2018) | 485,000 |



Annual Incentive awards

The maximum bonus opportunity for Executive Directors remains at 150% of salary. The performance measures for the Annual Incentive awards have been selected to reflect a range of quantitative and qualitative goals that support the Company's key strategic objectives. The performance measures and weightings for the year commencing 1 April 2018 will be as follows:

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

The Committee has set targets for the quantitative measures for the coming year and will disclose these in the 2019 Remuneration Report as they are felt to be commercially sensitive. In assessing how the Executive Directors performed during the year commencing 1 April 2018, the Committee will take into account their performance against all of the measures and make an assessment in the round to ensure that performance warrants the level of award determined by the table above.

As disclosed in 2017, the Committee agreed that for Annual Incentive awards, the sector weighted IPD March Annual Universe benchmark (which includes sales, acquisitions and developments and so takes into account active asset management as well as a more representative peer group) would be most suitable. However, due to timing of publication of the March Universe benchmark, the Company's actual performance against IPD metrics is unlikely to be known when the 2019 Annual Report is approved by the Board. The 2019 Remuneration Report will therefore include an estimate of the vesting value of Annual Incentive awards for that financial year, with the actual awards, based on the final IPD March Annual Universe Data, set out in the following Annual Report (for the year ending 31 March 2020).

DIRECTORS' REMUNERATION REPORT ANNUAL REPORT ON REMUNERATION CONTINUED

 Long term incentive awards

An LTIP award will be made to Executive Directors during the year commencing 1 April 2018. It is anticipated that the grant size of LTIP awards will be 250% of salary for each Executive Director. This continues to be below the maximum available under the policy of 300% of salary approved by shareholders in July 2016.

The performance measures that apply to this LTIP award will be as follows:

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

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

For the TPR award, 20% of the award will vest for matching a sector weighted IPD index reflecting the Company's property assets. There will be straight-line vesting between this index performance and the higher of 1.1x the index performance and 100 basis points per annum outperformance. The Committee retains the discretion to reduce the formulaic vesting amount if it feels that there is a material inconsistency between the level of reward and relative performance delivered.

Non-Executive Directors' fees

Fees paid to the Chairman and Non-Executive Directors are positioned around the mid-market of our comparator group of companies (FTSE 100 companies with broadly similar market capitalisations to British Land) with the aim of attracting individuals with the appropriate degree of expertise and experience. The fee structure set out below was adopted at the 2016 AGM and incorporates a 2.5% increase to the annual fee for the Non-Executive Directors and a 4.2% increase to the Chairman's fee for the year commencing 1 April 2018.

| | |
|---|----------|
| Chairman's annual fee | £385,000 |
| Non-Executive Directors' annual fee | £62,500 |
| Senior Independent Director's annual fee | £10,000 |
| Audit Committee or Remuneration Committee Chairman's annual fee | £20,000 |
| Audit Committee or Remuneration Committee member's annual fee | £8,000 |
| Nomination Committee member's annual fee | £4,000 |

How we applied our Remuneration Policy during the year ended 31 March 2018

The following pages set out how we implemented the Directors' Remuneration Policy during the year ended 31 March 2018 and the remuneration received by each of the Directors

Single total figure of remuneration (audited)

The following tables detail all elements of remuneration receivable by British Land's Executive Directors in respect of the year ended 31 March 2018 and show comparative figures for the year ended 31 March 2017

| | Salary/fees | Taxable benefits | Other items in the nature of remuneration | Pension or pension allowance | Annual incentives ² | Long term incentives | Total |
|-----------------------------------|--------------|------------------|---|------------------------------|--------------------------------|----------------------|--------------|
| | 2018 £000 | 2018 £000 | 2018 £000 | 2018 £000 | 2018 £000 | 2018 £000 | 2018 £000 |
| Executive Directors | | | | | | | |
| Chris Grigg | 840 | 22 | 15 | 294 | 724 | 349 | 2,244 |
| Charles Maudsley | 446 | 22 | 12 | 67 | 370 | 164 | 1,081 |
| Tim Roberts | 448 | 23 | 12 | 89 | 380 | 173 | 1,125 |
| Lucinda Bell (to 19 January 2018) | 398 | 18 | 12 | 24 | 337 | 152 | 941 |
| | 2017 £000 | 2017 £000 | 2017 £000 | 2017 £000 | 2017 £000 | 2017 £000 | 2017 £000 |
| Chris Grigg | 840 | 23 | 14 | 294 | 418 | 349 | 1,938 |
| Charles Maudsley | 446 | 23 | 13 | 67 | 231 | 163 | 943 |
| Tim Roberts | 448 | 23 | 12 | 85 | 222 | 163 | 953 |
| Lucinda Bell | 493 | 23 | 13 | 78 | 245 | 150 | 1,002 |

¹ The remuneration of the Executive Directors is subject to the terms of the Remuneration Policy, which is set out in the Remuneration Policy Statement. The figures above are based on the Remuneration Policy as it applied during the year ended 31 March 2018. The figures for the year ended 31 March 2017 are based on the Remuneration Policy as it applied during the year ended 31 March 2017.

Notes to the single total figure of remuneration table

Fixed pay

Taxable benefits: Taxable benefits include car allowance (between £16,170 and £16,800), private medical insurance and subsidised gym membership. The Company provides the tax gross-up on subsidised gym membership and the figures included above are the grossed up values

Other items in the nature of remuneration include life assurance, permanent health insurance, annual medical check-ups, professional subscriptions, the value of shares awarded under the all-employee Share Incentive Plan and any notional gain on exercise of Sharesave options that matured during the year

Pensions: Neither Chris Grigg nor Charles Maudsley participate in any British Land pension plan and instead receive cash allowances of 35% and 15% of basic salary respectively, in lieu of pension. For the year ended 31 March 2018, these payments amounted to £294,000 and £66,938 respectively. Lucinda Bell and Tim Roberts are both members of the British Land Defined Benefit Pension Scheme. The table below details the defined benefit pensions accrued at 31 March 2018 (or date of leaving the Board in the case of Lucinda Bell)

| Executive Director | Defined benefit pension accrued at 31 March 2018 ² £000 | Normal retirement age |
|-----------------------------------|---|-----------------------|
| Tim Roberts | 91 | 60 |
| Lucinda Bell (to 19 January 2018) | 107 | 60 |

¹ Lucinda Bell's remuneration was based on the terms of the British Land Defined Benefit Pension Scheme as it applied during the year ended 31 March 2018. The figures for the year ended 31 March 2017 are based on the terms of the British Land Defined Benefit Pension Scheme as it applied during the year ended 31 March 2017.

² The defined benefit pension scheme is a defined benefit pension scheme and the figures above are based on the pensionable salary for the year ended 31 March 2018.

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

DIRECTORS' REMUNERATION REPORT ANNUAL REPORT ON REMUNERATION CONTINUED

Variable pay



Annual Incentive FY18

The level of Annual Incentive award is determined by the Committee based on British Land's performance and each individual Executive Director's performance against their individual targets during the year. For the year ended 31 March 2018 the Committee's assessment and outcomes are set out below.

| | | Key objectives for FY18 Target range 25% to 100% | | | | | Performance achieved against target range |
|---|---|---|--|---|--------------|------------------------|---|
| Quantitative measures | Weighting | 25% pay-out if below this point | 50% pay-out if performance in line with expectations | 100% pay-out if performance above the maximum pay-out point | Outcome | Outcome as % of salary | |
| Total property returns ¹ (PDI) as measured | 42% | ● | | | 14.7% | 72.1% | Target range of the trailing sector weighted index for outperforming by 1% (11% of 7.0%), exceeding the weighted trailing sector weighted PDI index by 20bps |
| Underlying Profit | 28% | | ● | | 11.1% | 27.8% | Target range of trailing 12 months trailing profit of £1.0m to £1.2m, exceeding the trailing profit of £1.0m by 10% |
| Sub-total | 70% | | | | 25.8% | 49.9% | |
| Qualitative measures | | | | | | | Performance achieved against measures |
| Right Places | Expand sales key products in growing markets | 5% | | ● | 5.0% | 75.0% | <ul style="list-style-type: none"> Progress on Broadgate Lane development on site Developing 17 new units Canada West development on site with Southwark Council Completed Meadowcroft extension and moved onto ground in new phase of the site, exceeding the target of 10 units by year |
| Customer Orientation | Improve customer satisfaction with all stakeholders | 5% | ● | | 5.0% | 4.0% | <ul style="list-style-type: none"> Excellent work on building strong relationships with all stakeholders Excellent work on building strong relationships with all stakeholders Excellent work on building strong relationships with all stakeholders |
| Capital Efficiency | Execution of targeted acquisitions and disposals | 5% | | ● | 5.0% | 75.0% | <ul style="list-style-type: none"> Acquired 100% of the shares in the company Completed 100% of the shares in the company Completed 100% of the shares in the company |
| Expert People | Recruitment and retention of key talent | 5% | | ● | 5.0% | 75.0% | <ul style="list-style-type: none"> Recruitment and retention of key talent Recruitment and retention of key talent Recruitment and retention of key talent |
| Sub-total | 20% | | | | 15.0% | 27.0% | |
| Quantitative and qualitative | | | | | 40.8% | 76.9% | |
| Individual measures¹ | 30% | | | | 15.0% | 11.2% | |
| Total | | | | | 55.8% | 88.1% | |

The Committee assesses 70% of the bonus opportunity on the individual contribution by each Executive Director towards a series of pre-set objectives which are closely aligned to the qualitative measures set out in the above table.

The Committee determined that the level of award would be 75% of basic salary for each Executive Director with Chris Gregg receiving an additional 2.17% reflecting his strong individual performance, Tim Roberts receiving an additional 1.5% reflecting his personal performance and that of the Oiltanking business and Lucinda Bell receiving an additional 1.22% in line with her remuneration terms on leaving.

Long term incentives

The information in the long term incentives column in the single total figure of remuneration table [see page 81] relates to vesting of awards granted under the following schemes, including, where applicable, dividend equivalent payments on those awards and interest accrued on those dividend equivalents

Long-Term Incentive Plan

The awards granted to Executive Directors on 22 June 2015, and which will vest on 22 June 2018, were subject to two equally weighted performance conditions over the three-year period to 31 March 2018. The first measured British Land's TPR relative to the funds in the December IPD UK Annual Property Index (the Index), while the second measured TAR relative to a comparator group of British Land and 16 or so other property companies

The TPR element is expected to lapse, based on British Land's adjusted TPR of 7% when compared to the funds in the Index. The TAR element is also expected to lapse based on British Land's TAR of 27%. The actual vesting rate of the TPR and TAR elements can only be calculated once results have been published by IPD and all the companies within the comparator group respectively. The actual percentage vesting will be confirmed by the Committee in due course and details provided in the 2019 Remuneration Report

| Executive Director | Performance shares or option | Number of performance shares/option awarded | Estimated value of award on vesting £000 | Estimated dividend equivalent and interest £000 |
|--------------------|------------------------------|---|--|---|
| Chris Grigg | Performance shares | 154,949 | 0 | 0 |
| | Market value options | 206,399 | 0 | 0 |
| Lucinda Bell | Performance shares | 121,254 | 0 | 0 |
| Charles Maudsley | Performance shares | 109,756 | 0 | 0 |
| Tim Roberts | Performance shares | 109,756 | 0 | 0 |

2017 comparative As set out in the 2017 Annual Report, the 2014 LTIP awards lapsed in full on 23 June 2017 as expected

Matching Share Plan

The performance conditions for the MSP Matching awards granted on 29 June 2015 were (i) TSR relative to a comparator group of British Land and 16 other property companies and (ii) British Land's gross income growth (GIG) relative to the IPD Quarterly Universe (the Universe). These performance conditions are equally weighted. The MSP Matching awards will vest on 29 June 2018.

Korn Ferry Hay Group Limited (Korn Ferry) has confirmed that the TSR element of the award will vest at 0% as British Land's TSR performance over the period was -9.8% compared to a median of 40.6% for the comparator group. The GIG element is expected to vest at 100% as British Land's annualised GIG over the period of 4.7% is expected to exceed the expected growth of the Universe by more than the upper hurdle. As a result, 50% of the MSP Matching awards granted in June 2015 are expected to vest. As disclosed for the 2015 LTIP above, the actual percentage vesting will be confirmed by the Committee and details provided in the 2019 Remuneration Report

| Executive Director | Number of Matching Shares awarded | Estimated value of award on vesting £000 | Estimated dividend equivalent £000 |
|--------------------|-----------------------------------|--|------------------------------------|
| Chris Grigg | 94,348 | 308 | 41 |
| Lucinda Bell | 40,950 | 134 | 18 |
| Charles Maudsley | 44,226 | 145 | 19 |
| Tim Roberts | 46,682 | 153 | 20 |

2017 comparative In June 2017, the Committee confirmed that the 2014 MSP Matching awards would vest as to 50% on the vesting date (being 30 June 2017). The long term incentives figures in the 2017 comparatives of the single total figure of remuneration table have therefore been updated to reflect the actual share price on vesting (601.10 pence) rather than the average for the 90-day period used in the 2017 Annual Report of 608.078 pence

DIRECTORS' REMUNERATION REPORT ANNUAL REPORT ON REMUNERATION CONTINUED

Share scheme interests awarded during the year (audited)**Long-Term Incentive Plan**

The total value of each Executive Director's LTIP award for the year ended 31 March 2018 was equivalent to 250% of basic salary at grant. At grant each Director is able to indicate a preference as to the proportion of the award that they wish to receive as either performance shares or market value options. The share price used to determine the face value of performance shares and the fair value of options, and thereby the number of performance shares or options awarded, is the average over the three dealing days immediately prior to the day of award. For the award granted in June 2017, no Executive Director elected to receive market value options and the share price for determining the number of performance shares awarded was 617.167 pence. The performance conditions attached to these awards are set out in the Remuneration Policy approved by shareholders in July 2016 and summarised on page 80.

Performance shares

| Executive Director | Grant date | Number of performance shares granted | Face value £000 | End of performance period | Vesting date | Percentage vesting on achievement of minimum performance threshold % |
|--------------------|------------|--------------------------------------|-----------------|---------------------------|--------------|--|
| Chris Grigg | 28/06/17 | 340,264 | 2,100 | 31/03/20 | 28/06/20 | 20 |
| Charles Maudsley | 28/06/17 | 180,765 | 1,116 | 31/03/20 | 28/06/20 | 20 |
| Tim Roberts | 28/06/17 | 180,765 | 1,116 | 31/03/20 | 28/06/20 | 20 |
| Lucinda Bell | 28/06/17 | 199,702 | 1,232 | 31/03/20 | 28/06/20 | 20 |

Sharesave Scheme

The following options were granted to Executive 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 from grant to vesting.

| Executive Director | Grant date | Total to be deducted from salary £000 | Number of options granted | Face value £000 | Exercise price | Earliest exercise date | Expiry date |
|--------------------|------------|---------------------------------------|---------------------------|-----------------|----------------|------------------------|-------------|
| Lucinda Bell | 21/06/17 | 9 | 1,771 | 9 | 308 | 01/09/20 | 28/02/21 |

Directors' shareholdings and share interests (audited)**Directors' shareholdings at 31 March 2018**

The following table shows the Executive Directors' interests in fully paid ordinary British Land shares, including shares held by connected persons, MSP Bonus Shares, Annual Incentive Shares and shares held in the Share Incentive Plan. All interests are beneficial.

| Director | Holding at 31 March 2018 (or date of departure from the Board, if earlier) | Holding at 31 March 2017 |
|-----------------------------------|---|--------------------------|
| Chris Grigg | 1,297,818 | 1,237,368 |
| Charles Maudsley | 251,194 | 230,383 |
| Tim Roberts | 265,748 | 244,714 |
| Lucinda Bell (at 19 January 2018) | 246,471 | 226,098 |

Shareholding guidelines

The minimum shareholding guidelines require Executive Directors to hold ordinary shares with a value equal to a set percentage of salary. There is no set timescale for Executive Directors to reach the prescribed target but they are expected to retain net shares received on the vesting of long term incentive awards until the target is achieved. Shares that count towards the holding guideline are unfettered and beneficially owned by the Executive Directors and their connected persons. Deferred annual incentive shares, MSP Bonus Shares, locked-in SIP shares and all unvested awards do not count towards the requirement.

The guideline shareholdings for the year commencing 1 April 2018 are shown below.

| Executive Director | Guideline as percentage of basic salary | Guideline holding ¹ | Unfettered holding at 31 March 2018 | Unfettered holding as percentage of basic salary at 31 March 2018 | Total shareholding at 31 March 2018 ² | Total holding as a percentage of basic salary at 31 March 2018 |
|--------------------|---|--------------------------------|-------------------------------------|---|--|--|
| Chris Grigg | 225% | 294,393 | 1,232,206 | 942 | 1,297,818 | 992 |
| Charles Maudsley | 150% | 104,264 | 217,143 | 312 | 251,194 | 361 |
| Tim Roberts | 150% | 104,264 | 230,230 | 331 | 265,748 | 382 |

¹ Calculated on a share price of 642 pence on 29 March 2018.

² See Directors' shareholdings table above which include MSP Bonus Shares and all shares held in the SIP.

The guideline shareholding for Simon Carter has also been set at 150% of salary.

The shareholding guidelines for Executive Directors were last increased with effect from 1 April 2015 when the holding requirement for each Director was increased by 25% of basic salary. The Committee regularly reviews the guidelines together with the Executive Directors' shareholdings, but has not proposed any change for the year commencing 1 April 2018.

The Executive Directors have purchased or been granted the following fully paid ordinary British Land shares under the terms of the partnership, matching and dividend elements of the Share Incentive Plan

Unvested share awards

[illegible]

• Thus, answers will vary. For example, in the case of a person who is a victim of a crime, the extent to which the person is able to recover from the crime may depend on the extent to which the person is able to recover from the crime.

| Executive Director | | Date of grant | Number outstanding at 31 March 2018 | Option price pence | Subject to performance measures | End of performance period | Date becomes exercisable | Exercisable until |
|--------------------|---------------------------|---------------|-------------------------------------|--------------------|---------------------------------|---------------------------|--------------------------|-------------------|
| Chris Grigg | LTIP options ¹ | 22/06/15 | 206,599 | 824.5 | Yes | 31/03/18 | 22/06/18 | 22/06/20 |
| Tim Roberts | Sharesave options | 19/06/13 | 2,348 | 511.0 | No | n/a | 01/09/18 | 28/02/19 |
| | Sharesave options | 23/06/14 | 3,135 | 574.0 | No | n/a | 01/09/19 | 29/02/20 |
| | LTIP options | 22/06/16 | 244,353 | 730.5 | Yes | 31/03/19 | 22/06/19 | 22/06/26 |
| Lucinda Bell | Sharesave options | 22/06/15 | 1,291 | 697.0 | No | n/a | 01/09/18 | 28/02/19 |
| | Sharesave options | 21/06/17 | 1,771 | 508.0 | No | n/a | 01/09/20 | 28/02/21 |

[illegible][illegible]

DIRECTORS' REMUNERATION REPORT ANNUAL REPORT ON REMUNERATION CONTINUED

Vested option awards (available to be exercised)

| Executive Director | | Date of grant | Number outstanding at 31 March 2018 | Option price pence | Exercisable until |
|---|--------------|---------------|-------------------------------------|--------------------|-------------------|
| Chris Grigg | LTIP options | 29/06/09 | 7,751 | 387 | 29/06/19 |
| | LTIP options | 11/06/10 | 1,073,825 | 447 | 11/06/20 |
| | LTIP options | 28/06/11 | 695,652 | 575 | 28/06/21 |
| | LTIP options | 14/09/12 | 743,494 | 538 | 14/09/22 |
| Lucinda Bell (as at 19 January 2018) | LTIP options | 11/06/10 | 7,952 | 447 | 11/06/20 |
| | LTIP options | 14/12/10 | 11,764 | 510 | 14/12/20 |
| | LTIP options | 14/09/12 | 138,289 | 538 | 14/09/22 |
| | LTIP options | 05/08/13 | 87,119 | 601 | 05/08/23 |

This award vests at the level of 33% under the performance conditions.

Options exercised during the year ended 31 March 2018

| Executive Director | | Date of grant | Number exercised | Option price pence | Date became exercisable | Date exercised | Market price on date of exercise pence |
|--------------------|-------------------|---------------|------------------|--------------------|-------------------------|----------------|--|
| Lucinda Bell | Sharesave options | 23/06/14 | 1,567 | 574 | 01/09/17 | 26/02/18 | 650.20 |
| | LTIP options | 11/06/10 | 60,000 | 447 | 11/06/13 | 20/11/17 | 622 |

Payments to past Directors (audited)

During the period from 19 January 2018 to 31 March 2018, Lucinda Bell remained an employee of British Land and received salary of £94,808 and taxable benefits of £4,223. Lucinda remained a member of the SIP until her departure from British Land on 4 April 2018. Under the Rules of the SIP, Lucinda received matching shares in February and March 2018 with a total value of £603. In addition, Lucinda will receive an additional £80,350 in relation to the Annual Incentive awards for the year ended 31 March 2018 which related to the period after she had stepped down from the Board. A contribution of £10,000 plus VAT was also made to Lucinda's legal fees.

Payments to Lucinda Bell on leaving British Land (audited)

After over 25 years at British Land, Lucinda Bell informed the Board in October 2017 of her intention to stand down from the Board and to leave the Company. Following the completion of the search for a replacement Chief Financial Officer, Lucinda Bell stood down from the Board on 19 January 2018 and left British Land as planned on 4 April 2018. Lucinda's remuneration terms on leaving were in line with the Remuneration Policy approved by shareholders at the 2016 AGM.

Lucinda received her salary and employment benefits in full to the date of her departure and will receive payments in lieu of notice for the remainder of her 12-month notice period to 4 October 2018. The maximum amount payable for this period comprises base salary of £246,500, car allowance of £8,350, pension contributions/allowance of £52,500 and the value of other benefits of £2,546. These payments may be reduced by the value of any alternative paid employment secured during this period. As mentioned in the Committee Chairman's letter on page 76, Lucinda is eligible for an annual bonus for the 2017/18 financial year, subject to the satisfaction of a combination of corporate and personal objectives. In line with the Remuneration Policy, two-thirds of any annual bonus will be paid in cash and one-third will be used to purchase British Land shares which must be held for a further period of three years.

Lucinda ceased to participate in the Company's all-employee employee share plans on departure and any unvested Sharesave awards lapsed at that time. Lucinda's vested executive share awards remain exercisable until 4 October 2018.

The Committee determined that Lucinda be treated as a 'good leaver' under the Company's executive share plans. Consequently, awards (including any dividend equivalents) will continue to vest on the normal vesting dates subject to the extent to which the applicable performance criteria have been met and where relevant any time pro-rating reduction applied. The vesting levels of these awards will be confirmed in the Annual Reports for 2019 and 2020 respectively.

Other disclosures

Service contracts

All Executive Directors have (and in the case of Simon Carter, will have) rolling service contracts with the Company which have notice periods of 12 months on either side.

| Director | Date of service contract | Normal notice period to be given by Company | Normal notice period to be given by Director |
|------------------|--------------------------|---|--|
| Chris Grigg | 19/12/2008 | 12 months | 12 months |
| Charles Maudsley | 03/11/2009 | 12 months | 12 months |
| Tim Roberts | 14/11/2006 | 12 months | 12 months |

In accordance with the Code, all continuing Directors stand for election or re-election by the Company's shareholders on an annual basis. The Directors' service contracts are available for inspection during normal business hours at the Company's registered office and at the Annual General Meeting. The Company may terminate an Executive Director's appointment with immediate effect without notice or payment in lieu of notice under certain circumstances, prescribed within the Executive Director's service contract.

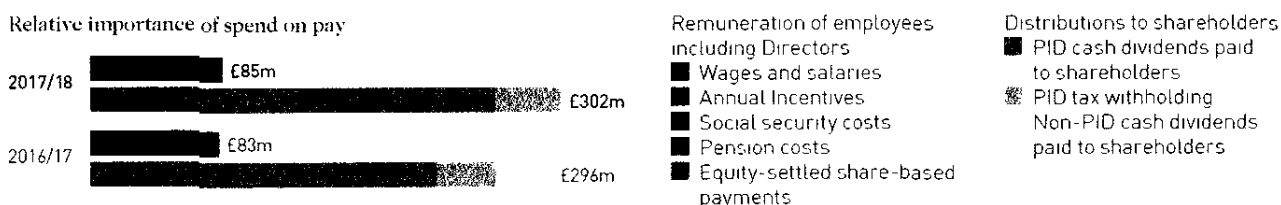
Executive Directors' external appointments

Executive Directors may take up one non-executive directorship at another FTSE company, subject to British Land Board approval.

Chris Grigg was appointed a non-executive director of BAE Systems plc on 1 July 2013. During the year to 31 March 2018, Chris received a fee of £83,845 (including £5,845 of overseas travel allowances and benefits deemed to be taxable) from BAE Systems plc, which he retained in full (2017: £84,000). Lucinda Bell was appointed a non-executive director of Rotork plc on 10 July 2014. During the period from 1 April 2017 to 19 January 2018, when she stood down from the Board, Lucinda received a fee of £45,125 from Rotork plc, which she retained in full (2017: £47,910).

Relative importance of spend on pay

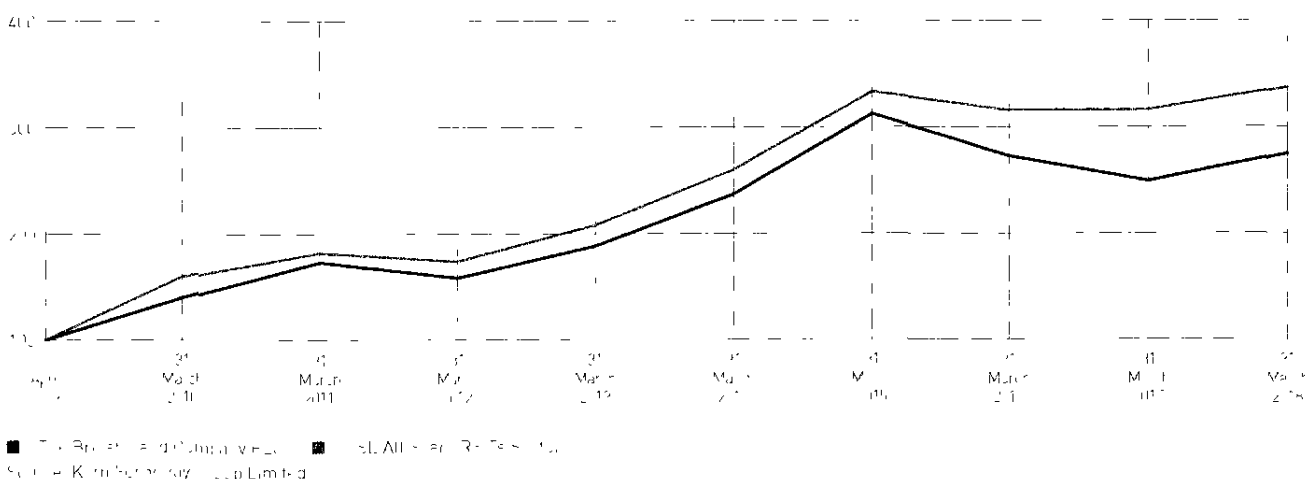
The graph below shows the amount spent on remuneration of all employees (including Executive Directors) relative to the amount spent on distributions to shareholders for the years to 31 March 2018 and 31 March 2017. The remuneration of employees increased by 2.4% relative to the prior year, while distributions to shareholders increased by 2%. Distributions to shareholders include ordinary and, where offered, scrip dividends. No scrip alternative was offered during the year ended 31 March 2018. The graph also shows the split between property income distributions (PID) and non-property income distributions (non-PID).



Total shareholder return and Chief Executive's remuneration

The graph below shows British Land's total shareholder return for the nine years from 1 April 2009 to 31 March 2018 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 nine-year period measured, compared with the total return on a £100 investment in the FTSE REIT Total Return Index. The FTSE REIT Total Return Index has been selected as a suitable comparator because it is the index in which British Land's shares are classified.

Total Shareholder Return Rebased to 100, 1 April 2009



The base point required by the regulations governing Remuneration Report disclosures was close to the bottom of the property cycle at 1 April 2009. Since British Land's share price had not fallen as much as the average share price of the FTSE REITs sector at that time, a higher base point for subsequent growth was set.

DIRECTORS' REMUNERATION REPORT ANNUAL REPORT ON REMUNERATION CONTINUED

The table below sets out the total remuneration of Chris Grigg, Chief Executive, over the same period as the Total Shareholder Return graph. The quantum of Annual Incentive awards granted each year and long term incentive vesting rates are given as a percentage of the maximum opportunity available.

| Chief Executive | 2009/10 | 2010/11 | 2011/12 | 2012/13 | 2013/14 | 2014/15 | 2015/16 | 2016/17 | 2017/18 |
|---|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| Chief Executive's single total figure of remuneration (£000) | 2,082 | 2,329 | 5,353 | 4,810 | 5,398 | 6,551 | 3,623 | 1,938 | 2,244 |
| Annual Incentive awards against maximum opportunity (%) | 67 | 83 | 75 | 75 | 90 | 96 | 67 | 33 | 57 |
| Long term incentive awards vesting rate against maximum opportunity (%) | n/a | n/a | 99 | 63 | 98 | 93 | 54 | 15 | 16 |

Chief Executive's remuneration compared to remuneration of British Land employees

The table below shows the percentage changes in different elements of the Chief Executive's remuneration relative to the previous financial year and the average percentage changes in those elements of remuneration for employees based at British Land's head office over the same period. Head office employees have been chosen as an appropriate comparator group for this purpose as employees based at British Land's head office carry out work of the most similar nature to the Chief Executive.

| Remuneration element | Value of Chief Executive remuneration 2018 £000 | Value of Chief Executive remuneration 2017 £000 | Change in Chief Executive remuneration % | Average change in remuneration of British Land employees % |
|----------------------|---|---|--|--|
| Salary | 840 | 840 | 0 | 6.18 |
| Taxable benefits | 22 | 23 | 3.15 | 7.41 |
| Annual Incentive | 724 | 418 | 70.81 | 21.85 |

Non-Executive Directors' remuneration (audited)

The table below shows the fees paid to our Non-Executive Directors for the years ended 31 March 2018 and 2017.

| | Fees | | Taxable benefits ¹ | | Total | |
|---|-----------|-----------|-------------------------------|-----------|-----------|-----------|
| | 2018 £000 | 2017 £000 | 2018 £000 | 2017 £000 | 2018 £000 | 2017 £000 |
| Chairman and Non-Executive Directors | | | | | | |
| John Gildersleeve (Chairman) | 369 | 369 | 43 | 49 | 412 | 418 |
| Lynn Gladden | 69 | 69 | 1 | 1 | 70 | 70 |
| Alastair Hughes (from 1 January 2018) | 17 | - | - | - | 17 | - |
| William Jackson | 100 | 87 | - | - | 100 | 87 |
| Nicholas Macpherson (from 19 December 2016) | 69 | 17 | - | - | 69 | 17 |
| Preben Prebensen (from 1 September 2017) | 40 | - | - | - | 40 | - |
| Tim Score | 93 | 89 | - | - | 93 | 89 |
| Laura Wade-Gery | 69 | 69 | 1 | - | 70 | 69 |
| Rebecca Worthington (from 1 January 2018) | 17 | - | - | - | 17 | - |
| Aubrey Adams (to 31 December 2017) | 52 | 69 | - | - | 52 | 69 |
| Simon Borrows (to 18 July 2017) | 21 | 69 | - | - | 21 | 69 |
| Lord Turnbull (to 18 July 2017) | 25 | 89 | - | - | 25 | 89 |

¹ Taxable benefits include the Chairman's charitable cost and expenses incurred by other Non-Executive Directors. The Company provides the tax grossed up costs of benefits and the figures set out above are the grossed up values.

Shareholding (audited)

Although there are no shareholding guidelines for Non-Executive Directors, they are each encouraged to hold shares in British Land. The Company facilitates this by offering Non-Executive Directors the ability to purchase shares quarterly using their post-tax fees. During the year ended 31 March 2018, Lynn Gladden, William Jackson, Tim Score and Laura Wade-Gery have each received shares in full or part satisfaction of their Non-Executive Directors' fees.

The table below shows the Non-Executive Directors' shareholdings as at year end or the date of retirement from the Board if earlier.

| Director | Holding at 31 March 2018 | Holding at 31 March 2017 |
|---------------------------------------|-----------------------------|-----------------------------|
| John Gildersleeve | 5,220 | 5,220 |
| Lynn Gladden | 13,950 | 7,837 |
| Alastair Hughes | 7,274 | - |
| William Jackson | 128,123 | 123,858 |
| Nicholas Macpherson | 4,600 | 2,300 |
| Preben Prebensen | - | - |
| Tim Score | 34,134 | 22,415 |
| Laura Wade-Gery | 8,059 | 4,831 |
| Rebecca Worthington | 3,000 | - |
| Aubrey Adams (as at 31 December 2017) | 30,000 | 30,000 |
| Simon Borrows (as at 18 July 2017) | 300,000 | 300,000 |
| Lord Turnbull (as at 18 July 2017) | 21,258 | 21,258 |

In addition, on 11 April 2018, the following Non-Executive Directors were allotted shares at a price of 645.2675 pence per share in full or part satisfaction of their fees.

| Non-Executive Director | Shares allotted |
|------------------------|-----------------|
| Lynn Gladden | 1,550 |
| William Jackson | 1,017 |
| Tim Score | 2,811 |
| Laura Wade-Gery | 775 |

DIRECTORS' REMUNERATION REPORT ANNUAL REPORT ON REMUNERATION CONTINUED

Letters of appointment (audited)

All Non-Executive Directors have a letter of appointment with the Company. The effective dates of appointment are shown below.

| Director | Effective date of appointment |
|------------------------------|--|
| John Gildersleeve (Chairman) | 1 September 2008 (Non-Executive Director), 1 January 2013 (Chairman) |
| Lynn Gladden | 20 March 2015 |
| Alastair Hughes | 1 January 2018 |
| William Jackson | 11 April 2011 |
| Nicholas Macpherson | 19 December 2016 |
| Preben Prebensen | 1 September 2017 |
| Tim Score | 20 March 2014 |
| Laura Wade-Gery | 13 May 2015 |
| Rebecca Worthington | 1 January 2018 |

All continuing Non-Executive Directors stand for election or re-election on an annual basis. The letters of appointment are available for inspection during normal business hours at the Company's registered office and at the AGM.

The appointment of the Chairman or any Non-Executive Directors 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, appointments may be terminated by either the individual or the Company giving three months' written notice of termination or, for the Chairman, six months' written notice of termination.

Neither the Chairman nor the Non-Executive Directors are entitled to any compensation for loss of office for any reason other than accrued and unpaid fees and expenses for the period up to the termination.

Remuneration Committee membership

Membership of the Committee was changed during the year with the retirement of Lord Turnbull and appointment of Preben Prebensen. As at 31 March 2018, and throughout the year under review, the Committee was comprised wholly of independent Non-Executive Directors. The members of the Committee, together with attendance at Committee meetings, are set out in the table below.

| Director | Position | Date of appointment (to the Committee) | Date of resignation | Attendance |
|------------------|----------|--|---------------------|------------|
| William Jackson | Chairman | 14 January 2013 | | 6/6 |
| Lynn Gladden | Member | 20 March 2015 | | 6/6 |
| Preben Prebensen | Member | 1 September 2017 | | 4/4 |
| Laura Wade-Gery | Member | 13 May 2015 | | 6/6 |
| Lord Turnbull | Member | 1 April 2006 | 18 July 2017 | 2/2 |

During the year ended 31 March 2018, Committee meetings were also part attended by John Gildersleeve (Company Chairman), Chris Grigg (Chief Executive), Lucinda Bell (Chief Financial Officer), Charles Maudsley (Executive Director), Elaine Williams (Company Secretary and General Counsel to 31 August 2017), Bruce James (interim Company Secretary from 1 September 2017 to 15 January 2018), Brona McKeown (General Counsel and Company Secretary from 15 January 2018) and Ann Henshaw (HR Director) other than for any item relating to their own remuneration. A representative from Korn Ferry also routinely attends Committee meetings.

The Committee Chairman holds regular meetings with the Chairman, Chief Executive and HR Director to discuss all aspects of remuneration within British Land. He also meets the Committee's independent remuneration advisers, Korn Ferry, prior to each substantive meeting to discuss matters of governance, remuneration policy and any concerns they may have.

How the Committee discharged its responsibilities during the year

The Committee's role and responsibilities have remained unchanged during the year and are set out in full in its terms of reference which can be found on the Company's website www.britishland.com/committees. The Committee's key areas of responsibility are

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

In addition to the Committee's key areas of responsibility, during the year ended 31 March 2018, the Committee also considered the following matters

- Reviewing and recommending to the Board the Remuneration Report to be presented for shareholder approval
- Appraisal of the Chairman's annual fee, remuneration of the Executive Directors including achievement of corporate and individual performance, and pay and Annual Incentive awards below Board level
- Considering the extent to which performance measures have been met and, where appropriate, approving the vesting of Annual Incentive and long term incentive awards
- Granting discretionary share awards, reviewing and setting performance measures for Annual Incentive awards
- Considering the impact of the share buyback on incentive plans
- Reviewing the Committee's terms of reference
- Considering gender pay gap reporting requirements
- Departure terms for Lucinda Bell
- Recruitment terms for Simon Carter
- Receiving updates and training on corporate governance and remuneration matters from the independent remuneration consultant

Remuneration consultants

Korn Ferry was appointed as independent remuneration adviser by the Committee on 21 March 2017 following a competitive tender process. Korn Ferry is a member of the Remuneration Consultants Group and adheres to that group's Code of Conduct. The Committee assesses the advice given by its advisers to satisfy itself that it is objective and independent. The advisers have private discussions with the Committee Chairman at least once a year in accordance with the Code of Conduct of the Remuneration Consultants Group. Fees, which are charged on a time basis, were £129,246 (excluding VAT). Korn Ferry also provided general remuneration advice to the Company during the year.

Voting at the Annual General Meeting

The table below shows the voting outcomes of the resolutions put to shareholders regarding the Directors' Remuneration Report (at the AGM in July 2017) and the Remuneration Policy (at the AGM in July 2016)

| Resolution | Votes for | % for | Votes against | % against | Total votes cast | Votes withheld |
|---------------------------------------|-------------|-------|---------------|-----------|------------------|----------------|
| Directors' Remuneration Report (2017) | 722,118,468 | 98.24 | 12,935,360 | 1.76 | 735,053,828 | 7,872,061 |
| Directors' Remuneration Policy (2016) | 727,144,638 | 97.13 | 21,494,166 | 2.87 | 748,638,804 | 7,869,489 |

This Remuneration Report was approved by the Board on 16 May 2018

William Jackson

Chairman of the Remuneration Committee

DIRECTORS' REPORT AND ADDITIONAL DISCLOSURES

Directors' Report and additional disclosures

The Directors present their Report on the affairs of the Group, together with the audited financial statements and the report of the auditor for the year ended 31 March 2018. The Directors' Report is also the Management Report for the year ended 31 March 2018 for the purpose of Disclosure and Transparency Rule 4.1.8R. Information that is relevant to this Report, and which is incorporated by reference and including information required in accordance with the UK Companies Act 2006 and Listing Rule 9.8.4R, can be located in the following sections:

| Information | Section in Annual Report | Page |
|---|--------------------------|------------|
| Future developments of the business of the Company | Strategic Report | 8 to 25 |
| Risk factors and principal risks | Strategic Report | 48 to 55 |
| Financial instruments – risk management objectives and policies | Strategic Report | 45 to 47 |
| Dividends | Strategic Report | 43 |
| Sustainability governance | Strategic Report | 31 |
| Greenhouse gas emissions | Strategic Report | 31 |
| Viability and going concern statements | Strategic Report | 51 and 67 |
| Governance arrangements | Governance | 62 to 91 |
| Employment policies and employee involvement | Strategic Report | 17 and 30 |
| Capitalised interest | Financial statements | 119 to 120 |
| Additional unaudited financial information | Other information | 164 to 176 |
| | unaudited | |

Annual General Meeting (AGM)

The 2018 AGM will be held at 11.00am on 17 July 2018 at The Montcalm London Marble Arch, 2 Wallenberg Place, London W1H 7TN

A separate circular, comprising a letter from the Chairman of the Board, Notice of Meeting and explanatory notes on the resolutions being proposed, has been circulated to shareholders and is available on our website at www.britishland.com/agm

Articles of Association

The Company's Articles of Association (Articles) may only be amended by special resolution at a general meeting of shareholders. Subject to applicable law and the Company's Articles, the Directors may exercise all powers of the Company.

The Articles are available on the Company's website at www.britishland.com/governance

Board of Directors

The names and biographical details of the Directors and details of the Board Committees of which they are members are set out on pages 58 to 61 and incorporated into this Report by reference. Changes to the Directors during the year and up to the date of this Report are set out on page 61. The Company's current Articles require any new Director to stand for election at the next AGM following their appointment. The current Articles also require each Director to stand for re-election at the third AGM following their election. However, in accordance with the Code and the Company's current practice, all continuing Directors offer themselves for election or re-election, as required, at the AGM.

Details of the Directors' interests in the shares of the Company and any awards granted to the Executive Directors under any of the Company's all-employee or executive share schemes are given in the Directors' Remuneration Report on pages 76 to 91. The Service Agreements of the Executive Directors and the Letters of Appointment of the Non-Executive Directors are also summarised in the Directors' Remuneration Report and are available for inspection at the Company's registered office.

The appointment and replacement of Directors is governed by the Company's Articles, the Code, the Companies Act 2006 and any related legislation. The Board may appoint any person to be a Director so long as the total number of Directors does not exceed the limit prescribed in the Articles. In addition to any power of removal conferred by the Companies Act 2006, the Company may by ordinary resolution remove any Director before the expiry of their period of office.

Directors' interests in contracts and conflicts of interest

No contract existed during the year in relation to the Company's business in which any Director was materially interested.

The Company's procedures for managing conflicts of interest by the Directors are set out on page 66. Provisions are also contained in the Company's Articles which allow the Directors to authorise potential conflicts of interest.

Directors' liability insurance and indemnity

The Company maintains appropriate Directors' & Officers' liability insurance cover in respect of any potential legal action brought against its Directors.

The Company has also indemnified each Director to the extent permitted by law against any liability incurred in relation to acts or omissions arising in the ordinary course of their duties. The indemnity arrangements are qualifying indemnity provisions under the Companies Act 2006 and were in force throughout the year.

Share capital

The Company has one class of shares, being ordinary shares of 25 pence each, all of which are fully paid. The rights and obligations attached to the Company's shares are set out in the Articles. There are no restrictions on the transfer of shares except in relation to Real Estate Investment Trust restrictions.

The Directors were granted authority at the 2017 AGM to allot relevant securities up to a nominal amount of £85,817,956 as well as an additional authority to allot shares to the same value on a rights issue. This authority will apply until the conclusion of the 2018 AGM. At this year's AGM, shareholders will be asked to renew the authority to allot relevant securities.

At the 2017 AGM, the Directors were also given power by the shareholders to make market purchases of ordinary shares representing up to 10% of its issued capital at that time, being 102,981,547 ordinary shares. This authority will also expire at the 2018 AGM and it is proposed that the renewal of that authority will be sought.

In July 2017, the Board decided that the strength of the investment market and the continuing discount in the Company's share price meant that the best use of capital would be to undertake a share buyback. As a result, during the year ended 31 March 2018, the Company repurchased 47,607,139 ordinary shares of 25 pence each for an aggregate consideration of £300 million. This represents 4.85% of the issued share capital (excluding shares held in Treasury) at that date. All shares repurchased during the year were cancelled.

The Company continued to hold 11,266,245 ordinary shares in treasury during the whole of the year ended 31 March 2018 and to the date of this Report.

Further details relating to share capital, including movements during the year, are set out in note 20 to the financial statements.

Rights under an employee share scheme

Employee Benefit Trusts (EBTs) operate in connection with some of the Company's employee share plans. The trustees of the EBTs may exercise all rights attached to the Company's ordinary shares in accordance with their fiduciary duties other than as specifically restricted in the documents which govern the relevant employee share plan.

Waiver of dividends

Blest Limited acts as trustee (Trustee) of the Company's discretionary Employee Share Trust (EST). The EST holds and, from time to time, purchases British Land ordinary shares in the market, for the benefit of employees, including to satisfy outstanding awards under the Company's various executive employee share plans. A dividend waiver is in place from the Trustee in respect of all dividends payable by the Company on shares which it holds in trust.

Substantial interests

All notifications made to British Land under the Disclosure and Transparency Rules (DTR 5) are published on a Regulatory Information Service and made available on the Investors section of our website.

As at 31 March 2018, the Company had been notified of the following interests in its ordinary shares in accordance with DTR 5. The information provided is correct at the date of notification.

| | Interests in ordinary shares | Percentage holding disclosed % |
|---------------------------|------------------------------------|--------------------------------------|
| BlackRock, Inc | 98,113,953 | 9.98 |
| Norges Bank | 51,439,045 | 4.99 |
| GIC Private Limited | 41,121,137 | 3.99 |
| APG Asset Management N.V. | 39,851,884 | 4.00 |

Since year end, BlackRock, Inc. has submitted a number of notifications to the Company, all of which have been disclosed to the market. The latest notification dated 23 April 2018 advises that they indirectly hold 98,224,793 ordinary shares, representing 9.99% of the Company's issued share capital.

Change of control

The Group's unsecured borrowing arrangements include provisions that may enable each of the lenders or bondholders to request repayment or have a put at par within a certain period following a change of control of the Company. In the case of the Sterling bond this arises if the change of control also results in a rating downgrade to below investment grade. In the case of the convertible bond there may also be an adjustment to the conversion price applicable for a limited period following a change of control.

There are no agreements between the Company and its Directors or employees providing for compensation for loss of office or employment that occurs specifically because of a takeover, merger or amalgamation with the exception of provisions in the Company's share plans which could result in options and awards vesting or becoming exercisable on a change of control.

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.

Events after the balance sheet date

Details of subsequent events, if any, can be found in note 26 on page 146.

Political donations

The Company made no political donations during the year (2017: nil).

DIRECTORS' REPORT AND ADDITIONAL DISCLOSURES CONTINUED

Community investment

Our financial donations to good causes during the year totalled £1,687,000 (2017: £1,351,000). Our Community Investment Committee approves all expenditure from our Community Investment Fund and reports to the Executive Committee on an annual basis.

In addition, the Company also supports fundraising and payroll giving for causes that matter to staff. This support includes:

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

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

- Matching up to £1,000 for site fundraising initiatives per year, per location
- Extending our staff matching funding pledge to on-site employees of Broadgate Estates Limited, our wholly-owned subsidiary

Our community investment is guided by our Local Charter, which we updated in 2018 to increase focus on five priorities around our places:

- Connecting with local communities
- Supporting educational initiatives for local people
- Supporting local training and jobs
- Supporting local businesses
- Contributing to local people's wellbeing and enjoyment

Through our community investment and Local Charter activity, we connect with communities where we operate, make positive local contributions, help people fulfil their potential, help businesses grow, and promote wellbeing and enjoyment. This all supports our strategy to create Places People Prefer.

Community investment in action

Young people taking part in one of the educational initiatives we support, linking to a career in the oil sector.

Health and safety

We have retained formal recognition of our focus on health and safety through a successful audit of our OHSAS 18001 accreditation. We continue to improve our approach to health and safety management to ensure that we consistently achieve best practice across all activities in the business (construction, managed portfolio and head office) to deliver Places People Prefer to our employees and our customers.

RIDDOR* for the year ended 31 March 2018

| | Total RIDDOR incidents | | Injury rate | | |
|--------------|------------------------|------|-------------|-------|-----------------------------------|
| | 2018 | 2017 | 2018 | 2017 | |
| Construction | 3 | 2 | 0.13 | 0.08 | per 100,000 hours worked |
| Retail | 30 | 22 | 0.01 | 0.01 | per 100,000 footfall |
| Offices | 4 | 8 | 12.88 | 23.51 | per 100,000 workers |
| Head Office | 0 | 0 | 0 | 0 | per 100,000 full time equivalents |

* Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 2013

Auditor and disclosure of information

Each of the Directors at the date of approval of this Report confirms that:

- So far as the Director is aware, there is no relevant audit information that has not been brought to the attention of the auditor
- The Director has taken all steps that he/she should have taken to make himself/herself aware of any relevant audit information and to establish that the Company's auditor was aware of that information

PwC has indicated its willingness to remain in office and, on the recommendation of the Audit Committee, a resolution to reappoint PwC as the Company's auditor will be proposed at the 2018 AGM.

The Directors' Report was approved by the Board on 16 May 2018 and signed on its behalf by:

Brona McKeown

General Counsel and Company Secretary
The British Land Company PLC
Company Number: 621920

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the parent Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 Reduced Disclosure Framework, and applicable law)

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group and Company for that period. In preparing the financial statements, the Directors are required to

- Select suitable accounting policies and then apply them consistently
- State whether applicable IFRSs as adopted by the European Union have been followed for the Group financial statements and United Kingdom Accounting Standards, comprising FRS 101, have been followed for the parent Company financial statements, subject to any material departures disclosed and explained in the financial statements
- Make judgements and accounting estimates that are reasonable and prudent
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements and the Directors Remuneration Report comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation

The Directors are also responsible for safeguarding the assets of the Group and 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 Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

The Directors consider that the Annual Report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group and the Company's performance, business model and strategy

Each of the Directors, whose names and functions are listed in the Board of Directors on pages 58 to 60 confirm that, to the best of their knowledge

- The Company financial statements, which have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 Reduced Disclosure Framework, and applicable law), give a true and fair view of the assets, liabilities, financial position and profit of the Company
- The Group financial statements, which have been prepared in accordance with IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the Group
- The Strategic Report and the Directors' Report include a fair review of the development and performance of the business and the position of the Group and Company, together with a description of the principal risks and uncertainties that it faces

By order of the Board

Chris Grigg
Chief Executive
16 May 2018

Financial statements and other information

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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE BRITISH LAND COMPANY PLC

Report on the audit of the financial statements

Opinion

In our opinion

- The British Land Company PLC's Group financial statements and Company financial statements (the 'financial statements') give a true and fair view of the state of the Group's and of the Company's affairs as at 31 March 2018 and of the Group's profit and cash flows for the year then ended,
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union,
- the Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 'Reduced Disclosure Framework', and applicable law), and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation

We have audited the financial statements, included within the Annual Report and Accounts 2018 (the 'Annual Report'), which comprise

- the Consolidated Balance Sheet as at 31 March 2018,
- the Consolidated Income Statement for the year ended 31 March 2018,
- the Consolidated Statement of Comprehensive Income for the year ended 31 March 2018,
- the Consolidated Statement of Cash Flows for the year ended 31 March 2018,
- the Consolidated Statement of Changes in Equity for the year ended 31 March 2018,
- the Company Balance Sheet as at 31 March 2018,
- the Company Statement of Changes in Equity for the year ended 31 March 2018, and
- the notes to the financial statements, which include a description of the significant accounting policies

Our opinion is consistent with our reporting to the Audit Committee

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ('ISAs (UK)') and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Company.

Other than those disclosed in note 5 to the financial statements, we have provided no non-audit services to the Group or the Company in the period from 1 April 2017 to 31 March 2018.

Our audit approach

Overview

- Our 2018 audit was planned and executed having regard to the fact that the Group's operations were largely unchanged in nature from the previous year. Additionally, there have been no significant changes to the valuation methodology and accounting standards relevant to the Group. In light of this, our approach to the audit in terms of scoping and key audit matters was largely unchanged.

- We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole. The Group financial statements are prepared on a consolidated basis, and the audit team carries out an audit over the consolidated Group balances in support of the Group audit opinion. The following joint ventures are also audited to Group materiality: Broadgate and Meadowhall.

Materiality

- Overall Group materiality: £131.8 million (2017: £135.0 million), based on 1% of total assets.
- Specific Group materiality, applied to underlying profit, £19.6 million (2017: £19.4m) which represents 5% of underlying pre-tax profit.
- Overall company materiality: £287.0 million (2017: £283.0 million), based on 1% of total assets.

Key audit matters

- Valuation of investment and development properties
- Revenue recognition
- Accounting for transactions
- Taxation

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

We gained an understanding of the legal and regulatory framework applicable to the Group and the industry in which it operates, and considered the risk of acts by the Group which were contrary to applicable laws and regulations, including fraud. We designed audit procedures to respond to the risk, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. We focused on laws and regulations that could give rise to a material misstatement in the financial statements, including, but not limited to, the Companies Act 2006 and the UK tax legislation as applicable to a REIT.

Our tests included, but were not limited to, review of the financial statement disclosures to underlying supporting documentation, and enquiries of management and review of minutes of those charged with governance.

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it.

We did not identify any key audit matters relating to irregularities, including fraud. As in all of our audits we also addressed the risk of management override of internal controls, including testing journals and evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on the overall audit strategy, the allocation of resources in the audit, and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

Key audit matter**Valuation of investment and development properties – Group**

Refer to pages 69 to 73 (Report of the Audit Committee), pages 109 to 111 (Accounting policies) and pages 119 to 123 (Notes to the Accounts)

The Group's investment property portfolio is split between office in Central London, retail across the UK, the assets at the Canada Water site in East London and other properties in Central London. The valuation in the Consolidated Balance Sheet is £9,997 million.

The valuation of the Group's investment property portfolio is inherently subjective due to, among other factors, the individual nature of each property, its location and the expected future rentals for that particular property. For developments, factors include projected costs to complete and timing of practical completion.

The valuations were carried out by third party valuers, CB Richard Ellis, Jones Lang LaSalle, Cushman and Wakefield and Knight Frank (the 'valuers'). The valuers were engaged by the Directors, and performed their work in accordance with the Royal Institute of Chartered Surveyors' (RICS) Valuation – Professional Standards. The valuers used by the Group have considerable experience of the markets in which the Group operates.

In determining a property's valuation the valuers take into account property-specific information such as the current tenancy agreements and rental income. They apply assumptions for yields and estimated market rent, which are influenced by prevailing market yields and comparable market transactions, to arrive at the final valuation. For developments, the residual appraisal method is used, by estimating the fair value of the completed project using a capitalisation method less estimated costs to completion and a risk premium.

The significance of the estimates and judgements involved, coupled with the fact that only a small percentage difference in individual property valuations, when aggregated, could result in a material misstatement, warrants specific audit focus in this area.

There were also certain specific factors affecting the valuations in the year. Properties under development, completed developments that are now valued as standing investment properties and standing investment properties that have been reclassified to development properties continue to be a key audit matter.

How our audit addressed the key audit matter

We read the valuation reports for all the properties and confirmed that the valuation approach for each was in accordance with RICS standards and suitable for use in determining the carrying value for the purpose of the financial statements.

We assessed the valuers' qualifications and expertise and read their terms of engagement with the Group to determine whether there were any matters that might have affected their objectivity or may have imposed scope limitations upon their work. We also considered fee arrangements between the valuers and the Group and other engagements which might exist between the Group and the valuers. We found no evidence to suggest that the objectivity of the valuers in their performance of the valuations was compromised.

We obtained details of every property held by the Group and set an expected range for yield and capital value movement, determined by reference to published benchmarks and using our experience and knowledge of the market. We compared the investment yields used by the valuers with the range of expected yields and the year on year capital movement to our expected range. We also considered the reasonableness of other assumptions that are not so readily comparable with published benchmarks, such as Estimated Rental Value.

We attended meetings with management and the valuers, at which the valuations and the key assumptions therein were discussed. Our work covered the valuation of every property in the Group, but the discussions with management and the valuers focused on the largest properties in the portfolio, properties under development or where the valuation basis has changed in the year, the Canada Water site and those where the yields used and / or year on year capital value movement suggested a possible outlier versus externally published market data for the relevant sector.

Where assumptions were outside the expected range or otherwise appeared unusual, and/or valuations showed unexpected movements, we undertook further investigations and, when necessary, held further discussions with the valuers and obtained evidence to support explanations received. The valuation commentaries provided by the valuers and supporting evidence, enabled us to consider the property specific factors that may have had an impact on value, including recent comparable transactions where appropriate.

We saw evidence that alternative assumptions had been considered and evaluated by management and the valuers, before determining the final valuation. We concluded that the assumptions used in the valuations were supportable in light of available and comparable market evidence.

We performed testing on the standing data in the Group's information systems concerning the valuation process. We carried out procedures, on a sample basis, to satisfy ourselves of the accuracy of the property information supplied to the valuers by management. For developments, capitalised expenditure was tested on a sample basis to invoices, and budgeted costs to complete compared with supporting evidence (for example construction contracts).

It was evident from our interaction with management and the valuers, and from our review of the valuation reports, that close attention had been paid to each property's individual characteristics at a granular, tenant by tenant level, as well as considering the overall quality, geographic location and desirability of the asset as a whole. No issues were identified in our testing.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE BRITISH LAND COMPANY PLC CONTINUED

Key audit matter

Revenue recognition – Group

Refer to pages 69 to 73 (Report of the Audit Committee), page 109 to 111 (Accounting policies) and page 113 (Notes to the Accounts)

Revenue for the Group consists primarily of rental income. Rental income is based on tenancy agreements where there is a standard process in place for recording revenue, which is system generated. There are certain transactions within revenue that warrant additional audit focus because of an increased inherent risk of error due to their non-standard nature.

These include spreading of tenant incentives and guaranteed rent increases – these balances require adjustments made to rental income to ensure revenue is recorded on a straight line basis over the course of the lease.

Accounting for transactions – Group and Company

Refer to pages 69 to 73 (Report of the Audit Committee), pages 109 to 111 (Accounting policies) and pages 112 to 147 (Notes)

There have been a number of transactions during the year. These warranted additional audit focus due to the magnitude of the transactions and the potential for complex contractual terms that introduce judgement into how they were accounted for. Key transactions subject to additional audit focus for the Group were:

- Investment property acquisitions of £250 million, including the acquisition of The Woolwich Estate (‘Woolwich’) for £103 million
- Investment property disposals of £185 million
- Share buyback of £300 million
- Issue of 2.375% £300m unsecured bond
- Partial close out of interest rate derivative 103 (‘IRD 103’) for £14.1 million cash settlement
- An amount of £15m (the Group’s share) received from RBS in relation to the surrender of their lease at 133 Bishopsgate, within the Broadgate joint venture

Key transactions subject to additional audit focus for the Company were:

- Share buyback of £300 million

How our audit addressed the key audit matter

We carried out tests of controls over the cash and accounts receivable processes and the related IT systems to obtain evidence that postings to these accounts were reliable. For rental income balances, we then used data-enabled audit techniques to identify all standard revenue journals posted using these systems and processes.

The remaining journals related to non-standard transactions. These included reclassifications within revenue, accrued income, and bad debt provisions. For each category of non-standard revenue summarised above, we understood the nature and assessed the reasonableness of journals being generated, and performed substantive testing over a sample of these items. There were no exceptions arising from our testing over non-standard revenue transactions.

For balances not included within rental income, such as service charge income, we performed substantive testing on a sample basis. No issues were identified in our testing.

For each transaction, we understood the nature of the transaction and assessed the accounting treatment in relation to the Group’s accounting policies and relevant IFRSs.

For acquisitions and disposals, we obtained and read the key supporting documentation such as Sale and Purchase Agreements and completion statements. Consideration received or paid was agreed to bank statements.

For the sites acquired at Woolwich which have been accounted for as an asset acquisition, we assessed the accounting treatment in relation to IFRS 3 Business combinations and IAS 40, acquisition of investment property. We read the sale and purchase agreements and agreed that the purchase met the criteria to be recognised as an asset acquisition. We audited the acquisition accounting and the subsequent re-measurement to fair value at the balance sheet date. We agreed the proceeds paid to bank statements and checked the transfer of legal title of the assets passed to British Land. No issues were found as a result of these procedures.

For the share buyback, we read the broker contracts and audited the accounting for the buyback in accordance with IAS 32. For shares repurchased by the Group, we tested the subsequent cancellation of the shares acquired and checked the associated costs of the transaction were correctly recognised within reserves (retained earnings). From our audit procedures performed, no exceptions were noted in the accounting for the share buyback programme.

A 2.375% Sterling Unsecured Bond, maturing September 2029, was issued in September 2017. The new bond is held at amortised cost, with a book value of £297.6 million. We examined the bond issue documents and the accounting treatment applied in line with IAS 39 and are satisfied that the treatment applied is appropriate.

The group partially closed a long standing cash flow hedge derivative during the year, breaking the hedge relationship. This resulted in the recycling of £115.3m from the hedging and translation reserve and £14.1m of closeout costs being recognised in the income statement. We tested the accounting treatment applied in line with IAS 39 and have no issues to report.

For the £15m received from RBS, we read the surrender agreements that detail the payment. We agreed receipt of the amount to bank statements. We concur with the treatment adopted.

| Key audit matter | How our audit addressed the key audit matter |
|--|---|
| Taxation Refer to pages 69 to 73 (Report of the Audit Committee), page 111 (Accounting policies) and pages 115 and 130 (Notes to the Accounts) <i>The Group's status as a REIT underpins its business model and shareholder returns. For this reason, it warrants special audit focus. The obligations of the REIT regime include requirements to comply with balance of business, dividend and income cover tests. The Broadgate joint venture is also structured as a REIT and as such, REIT compliance is also of relevance for this joint venture in addition to the overall Group.</i> Tax provisions are in place to account for the risk of challenge of certain of the Group's tax provisions. Given the subjective nature of these provisions, additional audit focus was placed on tax provisions. | We re-performed the Group's annual REIT compliance tests, as well as those tests for the Broadgate REIT. Based on our work performed, we agreed with management's assessment that all REIT compliance tests had been met to ensure that the Group and Broadgate maintain their REIT status. We evaluated the tax provisions and movements made within the year. We obtained sufficient supporting evidence for provisions released during the year. We discussed provisions raised and increased during the year with management and obtained evidence to support the levels of provisions recorded. We read relevant correspondence between the Group and Her Majesty's Revenue and Customs to obtain evidence over the completeness of provisions. Based on our work performed, we are satisfied that the assumptions and judgements used by the Group are reasonable. |

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group and the Company, the accounting processes and controls, and the industry in which they operate.

In establishing the overall approach to our audit, we assessed the risk of material misstatement, taking into account the nature, likelihood and potential magnitude of any misstatement. Following this assessment, we applied professional judgment to determine the extent of testing required over each balance in the financial statements.

The Group and Company financial statements are produced using a single consolidation system that has a direct interface with the general ledger. The Group audit team performed all audit procedures over the consolidation for the purposes of the Group audit, which included testing over the general ledger system and its interface with the consolidation system. The Group also has investments in two joint ventures (Broadgate and Meadowhall), which were subject to audits of their complete financial information by the Group audit team.

This work gave us sufficient appropriate audit evidence for our opinion on the Group financial statements as a whole.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

| | Group financial statements | Company financial statements |
|--|---|--|
| Overall materiality | £131.8 million (2017: £135.0 million) | £287.0 million (2017: £283.0 million) |
| How we determined it | 1% of total assets | 1% of total assets |
| Rationale for benchmark applied | A key determinant of the Group's value is direct property investments. Due to this, the key area of focus in the audit is the valuation of investment properties. On this basis, and consistent with the prior year, we set an overall Group materiality level based on total assets. | The parent company's main activity is the holding of investments in subsidiaries. Given this, and consistent with the prior year, we set an overall parent company materiality level based on total assets. For purposes of the Group audit, we capped the overall materiality for the company to be 90% of the Group overall materiality. |

In addition, for the Group we set a specific materiality level of £19.6m (2017: £19.4m) for items within underlying pre-tax profit. This equates to 5% of profit before tax adjusted for capital and other items. In arriving at this judgement we had regard to the fact that the underlying pre-tax profit is a secondary financial indicator of the Group (Refer to Note 2 of the financial statements page 112 where the term is defined in full).

For the Group and Company, we agreed with the Audit Committee that we would report to them misstatements identified during our audit of underlying pre-tax items above £1m (2017: £1m) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons. We agreed with the Audit Committee that we would report to them, any other misstatements identified during our audit above £6.5m (2017: £6.7m) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE BRITISH LAND COMPANY PLC CONTINUED

Going concern

In accordance with ISAs (UK) we report as follows

| Reporting obligation | Outcome |
|---|--|
| We are required to report if we have anything material to add or draw attention to in respect of the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the directors' identification of any material uncertainties to the Group's and the Company's <i>ability to continue as a going concern over a period of at least twelve months from the date of approval of the financial statements</i> | We have nothing material to add or to draw attention to. As not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's and Company's ability to continue as a going concern |
| We are required to report if the directors' statement relating to Going Concern in accordance with Listing Rule 9.8.6R(3) is <i>materially inconsistent with our knowledge obtained in the audit</i> | We have nothing to report |

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an *apparent material inconsistency or material misstatement*, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report, Directors' Report and Additional Disclosures and Corporate Governance Statement, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, the Companies Act 2006 (CA06), ISAs (UK) and the Listing Rules of the Financial Conduct Authority (FCA) require us also to report certain opinions and matters as described below (required by ISAs (UK) unless otherwise stated).

Strategic Report and Directors' Report and Additional Disclosures

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report and Additional Disclosures for the year ended 31 March 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements. (CA06)

In light of the knowledge and understanding of the Group and Company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report and Additional Disclosures. (CA06)

Corporate Governance Statement

In our opinion, based on the work undertaken in the course of the audit, the information given in the Corporate Governance Statement (on page 67 in the Governance Review section) about internal controls and risk management systems in relation to financial reporting processes and about share capital structures in compliance with rules 7.2.5 and 7.2.6 of the Disclosure Guidance and Transparency Rules sourcebook of the FCA (DTR) is consistent with the financial statements and has been prepared in accordance with applicable legal requirements. (CA06)

In light of the knowledge and understanding of the Group and Company and their environment obtained in the course of the audit, we did not identify any material misstatements in this information. (CA06)

In our opinion, based on the work undertaken in the course of the audit, the information given in the Corporate Governance Statement (on pages 63 and 64 in the Governance Review section) with respect to the company's corporate governance code and practices and about its administrative, management and supervisory bodies and their committees complies with rules 7.2.2, 7.2.3 and 7.2.7 of the DTR. (CA06)

We have nothing to report arising from our responsibility to report if a corporate governance statement has not been prepared by the company. (CA06)

The directors' assessment of the prospects of the Group and of the principal risks that would threaten the solvency or liquidity of the Group

We have nothing material to add or draw attention to regarding

- The directors' confirmation on page 50 of the Annual Report that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity
- The disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated
- The directors' explanation on page 51 of the Annual Report as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions

We have nothing to report having performed a review of the directors' statement that they have carried out a robust assessment of the principal risks facing the Group and statement in relation to the longer-term viability of the Group. Our review was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statements, checking that the statements are in alignment with the relevant provisions of the UK Corporate Governance Code (the 'Code'), and considering whether the statements are consistent with the knowledge and understanding of the Group and Company and their environment obtained in the course of the audit (Listing Rules)

Other Code Provisions

We have nothing to report in respect of our responsibility to report when

- The statement given by the directors, on page 67, that they consider the Annual Report taken as a whole to be fair, balanced and understandable, and provides the information necessary for the members to assess the Group's and Company's position and performance, business model and strategy is materially inconsistent with our knowledge of the Group and Company *obtained in the course of performing our audit*
- The section of the Annual Report on page 69 describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee
- The directors' statement relating to the company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified, under the Listing Rules, for review by the auditors

Directors' Remuneration

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006 (CA06)

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Directors' Responsibilities Statement set out on page 95, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

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 company, or returns adequate for our audit have not been received from branches not visited by us, or
- certain disclosures of directors' remuneration specified by law are not made, or
- the company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Appointment

Following the recommendation of the audit committee, we were appointed by the members on 18 July 2014 to audit the financial statements for the year ended 31 March 2015 and subsequent financial periods. The period of total uninterrupted engagement is 4 years, covering the years ended 31 March 2015 to 31 March 2018.

John Waters (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
16 May 2018

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 MARCH 2018

| | Notes | 2018 | | | 2017 | | |
|--|-------|-------------------------------|----------------------------|--------------|------------------|----------------------------|-------------|
| | | Underlying ¹ £m | Capital and other £m | Total £m | Underlying £m | Capital and other £m | Total £m |
| Revenue | 3 | 561 | 78 | 639 | 556 | 33 | 589 |
| Costs | 3 | (136) | (64) | (200) | (122) | (26) | (148) |
| | 3 | 425 | 14 | 439 | 434 | 7 | 441 |
| Joint ventures and funds (see also below) | 11 | 115 | 36 | 151 | 132 | (80) | 52 |
| Administrative expenses | | (82) | – | (82) | (84) | – | (84) |
| Valuation movement | 4 | – | 202 | 202 | – | (144) | (144) |
| Profit (loss) on disposal of investment properties and investments | | – | 18 | 18 | – | (5) | (5) |
| Net financing costs | | | | | | | |
| – financing income | 6 | 1 | – | 1 | 2 | 42 | 44 |
| – financing charges | 6 | (65) | (163) | (228) | (80) | (29) | (109) |
| | | (64) | (163) | (227) | (78) | 13 | (65) |
| Profit on ordinary activities before taxation | | 394 | 107 | 501 | 404 | (209) | 195 |
| Taxation | 7 | – | 6 | 6 | – | 1 | 1 |
| Profit for the year after taxation | | | | 507 | | | 196 |
| Attributable to non-controlling interests | | 14 | – | 14 | 14 | (11) | 3 |
| Attributable to shareholders of the Company | | 380 | 113 | 493 | 390 | (197) | 193 |
| Earnings per share | | | | | | | |
| – basic | 2 | | | 48.7p | | | 18.8p |
| – diluted | 2 | | | 48.5p | | | 14.7p |

All results derive from continuing operations

| | Notes | 2018 | | | 2017 | | |
|--|-------|-------------------------------|----------------------------|-------------|------------------|----------------------------|-------------|
| | | Underlying ¹ £m | Capital and other £m | Total £m | Underlying £m | Capital and other £m | Total £m |
| Results of joint ventures and funds accounted for using the equity method | | | | | | | |
| Underlying Profit | | 115 | – | 115 | 132 | – | 132 |
| Valuation movement | 4 | – | 52 | 52 | – | (93) | (93) |
| Capital financing costs | | – | (13) | (13) | – | (6) | (6) |
| (Loss) profit on disposal of investment properties, trading properties and investments | | – | (3) | (3) | – | 18 | 18 |
| Taxation | | – | – | – | – | 1 | 1 |
| | 11 | 115 | 36 | 151 | 132 | (80) | 52 |

See accounting note 2

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2018

| | 2018 £m | 2017 £m |
|--|------------|-------------|
| Profit for the year after taxation | 507 | 196 |
| Other comprehensive income (loss): | | |
| Items that will not be reclassified subsequently to profit or loss: | | |
| Net actuarial gain (loss) on pension schemes | 9 | (12) |
| Valuation movements on owner-occupied properties | (3) | - |
| | 6 | (12) |
| Items that may be reclassified subsequently to profit or loss: | | |
| Gains (losses) on cash flow hedges | | |
| – Group | 12 | (21) |
| – Joint ventures and funds | 8 | 1 |
| | 20 | (20) |
| Transferred to the income statement (cash flow hedges) | | |
| – Interest rate derivatives | 120 | 16 |
| Deferred tax on items of other comprehensive income | (5) | - |
| Other comprehensive income (loss) for the year | 141 | (16) |
| Total comprehensive income for the year | 648 | 180 |
| Attributable to non-controlling interests | 16 | 3 |
| Attributable to shareholders of the Company | 632 | 177 |

CONSOLIDATED BALANCE SHEET

AS AT 31 MARCH 2018

| | | 2018 £m | 2017 £m |
|---|----|----------------|----------------|
| ASSETS | | | |
| Non-current assets | | | |
| Investment and development properties | 10 | 9,507 | 9,073 |
| Owner-occupied properties | 10 | 90 | 94 |
| | | 9,597 | 9,167 |
| Other non-current assets | | | |
| Investments in joint ventures and funds | 11 | 2,822 | 2,766 |
| Other investments | 12 | 174 | 154 |
| Deferred tax assets | 16 | 4 | 4 |
| Interest rate and currency derivative assets | 17 | 115 | 217 |
| | | 12,712 | 12,308 |
| Current assets | | | |
| Joint venture held for sale | 11 | – | 540 |
| Trading properties | 10 | 328 | 334 |
| Debtors | 13 | 35 | 171 |
| Cash and short term deposits | 17 | 105 | 114 |
| | | 468 | 1,159 |
| Total assets | | 13,180 | 13,467 |
| LIABILITIES | | | |
| Current liabilities | | | |
| Short term borrowings and overdrafts | 17 | (27) | (464) |
| Creditors | 14 | (324) | (458) |
| Corporation tax | | (22) | (30) |
| | | (373) | (952) |
| Non-current liabilities | | | |
| Debentures and loans | 17 | (3,101) | (2,817) |
| Other non-current liabilities | 15 | (62) | (78) |
| Interest rate and currency derivative liabilities | 17 | (138) | (144) |
| | | (3,301) | (3,039) |
| Total liabilities | | (3,674) | (3,991) |
| Net assets | | 9,506 | 9,476 |
| EQUITY | | | |
| Share capital | | 248 | 260 |
| Share premium | | 1,300 | 1,298 |
| Merger reserve | | 213 | 213 |
| Other reserves | | 33 | (97) |
| Retained earnings | | 7,458 | 7,547 |
| Equity attributable to shareholders of the Company | | 9,252 | 9,221 |
| Non-controlling interests | | 254 | 255 |
| Total equity | | 9,506 | 9,476 |
| EPRA NAV per share¹ | | | |
| | 2 | 967p | 915p |

As defined in note 2


John Gildersleeve
Chairman

Chris Grigg
Chief Executive Officer

The financial statements on pages 104 to 147 were approved by the Board of Directors and signed on its behalf on 16 May 2018
Company number 621920

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2018

| | No. | 2018 £m | 2017 £m |
|---|-----|--------------|--------------|
| Rental income received from tenants | | 446 | 464 |
| Fees and other income received | | 78 | 64 |
| Operating expenses paid to suppliers and employees | | (173) | (149) |
| Cash generated from operations | | 351 | 379 |
| Interest paid | | (73) | (92) |
| Interest received | | 4 | 8 |
| Corporation taxation (payments) repayments | | (7) | 9 |
| Distributions and other receivables from joint ventures and funds | 11 | 78 | 59 |
| Net cash inflow from operating activities | | 353 | 363 |
| Cash flows from investing activities | | | |
| Development and other capital expenditure | | (190) | (225) |
| Purchase of investment properties | | (165) | (87) |
| Sale of investment and trading properties | | 212 | 761 |
| Payments received in respect of future trading property sales | | 8 | 8 |
| Disposal of joint venture held-for-sale | 11 | 568 | – |
| Disposal of Tesco joint venture | | 68 | – |
| Purchase of investments | | (9) | (19) |
| Indirect taxes paid in respect of investing activities | | (7) | (1) |
| Investment in and loans to joint ventures and funds | | (175) | (50) |
| Capital distributions and loan repayments from joint ventures and funds | | 36 | 83 |
| Net cash inflow from investing activities | | 346 | 470 |
| Cash flows from financing activities | | | |
| Issue of ordinary shares | | 2 | 3 |
| Unit issues attributable to non-controlling interests | | 2 | – |
| Purchase of own shares | | (301) | (8) |
| Dividends paid | 19 | (304) | (295) |
| Dividends paid to non-controlling interests | | (15) | (14) |
| Acquisition of units in Hercules Unit Trust | | (4) | (11) |
| Payments on closeout of interest rate derivative liabilities | | (18) | (13) |
| Receipts on closeout of interest rate derivative assets | | 27 | – |
| Decrease in bank and other borrowings | | (626) | (526) |
| Drawdowns on bank and other borrowings | | 529 | 31 |
| Net cash outflow from financing activities | | (708) | (833) |
| Net decrease in cash and cash equivalents | | (9) | – |
| Cash and cash equivalents at 1 April | | 114 | 114 |
| Cash and cash equivalents at 31 March | | 105 | 114 |
| Cash and cash equivalents consists of: | | | |
| Cash and short term deposits | 17 | 105 | 114 |

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2018

| | Source Total £m | Share premium £m | Reserves Total £m | Revaluation reserve £m | Merger reserve £m | Retained earnings £m | Total £m | Non- controlling interests £m | Total equity £m |
|--|-----------------------|------------------------|-------------------------|------------------------------|-------------------------|----------------------------|--------------|--|-----------------------|
| Balance at 1 April 2017 | 260 | 1,298 | (112) | 15 | 213 | 7,547 | 9,221 | 255 | 9,476 |
| Profit for the year after taxation | - | - | - | - | - | 493 | 493 | 14 | 507 |
| Revaluation of owner-occupied property | - | - | - | (3) | - | - | (3) | - | (3) |
| Gains on cash flow hedges – Group | - | - | 10 | - | - | - | 10 | 2 | 12 |
| Gains on cash flow hedges – joint ventures and funds | - | - | - | 8 | - | - | 8 | - | 8 |
| Transferred to the income statement (cash flow hedges) | - | - | - | - | - | - | - | - | - |
| – Interest rate derivatives | - | - | 120 | - | - | - | 120 | - | 120 |
| Net actuarial gain on pension schemes | - | - | - | - | - | 9 | 9 | - | 9 |
| Reserves transfer | - | - | (2) | 2 | - | - | - | - | - |
| Deferred tax on items of other comprehensive income | - | - | (5) | - | - | - | (5) | - | (5) |
| Other comprehensive income | - | - | 123 | 7 | - | 9 | 139 | 2 | 141 |
| Total comprehensive income for the year | - | - | 123 | 7 | - | 502 | 632 | 16 | 648 |
| Share issues | - | 2 | - | - | - | - | 2 | - | 2 |
| Unit issues attributable to non-controlling interests | - | - | - | - | - | - | - | 2 | 2 |
| Purchase of own shares | (12) | - | - | - | - | (289) | (301) | - | (301) |
| Purchase of units from non-controlling interests | - | - | - | - | - | - | - | (4) | (4) |
| Dividends payable in year (29.64p per share) | - | - | - | - | - | (302) | (302) | - | (302) |
| Dividends payable by subsidiaries | - | - | - | - | - | - | - | (15) | (15) |
| Balance at 31 March 2018 | 248 | 1,300 | 11 | 22 | 213 | 7,458 | 9,252 | 254 | 9,506 |
| Balance at 1 April 2016 | 260 | 1,295 | (107) | 14 | 213 | 7,667 | 9,342 | 277 | 9,619 |
| Profit for the year after taxation | - | - | - | - | - | 193 | 193 | 3 | 196 |
| Losses on cash flow hedges | - | - | (21) | - | - | - | (21) | - | (21) |
| Exchange and hedging movements in joint ventures and funds | - | - | - | 1 | - | - | 1 | - | 1 |
| Reclassification of gains on cash flow hedges | - | - | - | - | - | - | - | - | - |
| – Interest rate derivatives | - | - | 16 | - | - | - | 16 | - | 16 |
| Net actuarial loss on pension schemes | - | - | - | - | - | (12) | (12) | - | (12) |
| Other comprehensive (loss) income | - | - | (5) | 1 | - | (12) | (16) | - | (16) |
| Total comprehensive income for the year | - | - | (5) | 1 | - | 181 | 177 | 3 | 180 |
| Share issues | - | 3 | - | - | - | - | 3 | - | 3 |
| Fair value of share and share option awards | - | - | - | - | - | 2 | 2 | - | 2 |
| Purchase of own shares | - | - | - | - | - | (8) | (8) | - | (8) |
| Purchase of units from non-controlling interests | - | - | - | - | - | - | - | (11) | (11) |
| Gain on purchase of units from non-controlling interests | - | - | - | - | - | 1 | 1 | - | 1 |
| Dividends payable in year (28.78p per share) | - | - | - | - | - | (296) | (296) | - | (296) |
| Dividends payable by subsidiaries | - | - | - | - | - | - | - | (14) | (14) |
| Balance at 31 March 2017 | 260 | 1,298 | (112) | 15 | 213 | 7,547 | 9,221 | 255 | 9,476 |

11. The balance at the beginning of the current year includes a fair value adjustment to transfer a loan and a £27m increase in the value of the 2016/17 L9m and £116m.

NOTES TO THE ACCOUNTS

1 Basis of preparation, significant accounting policies and accounting judgements

The financial statements for the year ended 31 March 2018 have been prepared on the historical cost basis, except for the revaluation of properties, investments held for trading and derivatives. The financial statements have also been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and interpretations issued by the IFRS Interpretations Committee (IFRS IC), and therefore comply with article 4 of the EU IAS regulation, and in accordance with the Companies Act 2006. In the current financial year the Group has adopted a number of minor amendments to standards effective in the year issued by the IASB and endorsed by the EU, none of which have had a material impact on the Group. The accounting policies used are otherwise consistent with those contained in the Group's previous Annual Report and Accounts for the year ended 31 March 2017.

A number of new standards and amendments to standards and interpretations have been issued but are not yet effective for the current accounting period. None of these are expected to have a material impact on the consolidated financial statements of the Group.

Certain standards which could be expected to have an impact on the consolidated financial statements are discussed in further detail below. The Group conducted an impact assessment of the new standards which are effective next year based on the Group's current activities and have quantified the impact. The results of the impact assessment confirm that the new standards will lead to limited changes to presentation and disclosure and will have an immaterial impact on the consolidated financial statements.

IFRS 9 – Financial instruments (effective year ending March 2019)

- The new standard addresses the classification and measurement of financial assets.
- The alignment of the classification and measurement model under IFRS 9 will result in changes in the classification of all financial assets excluding derivatives. These changes will not have a quantitative impact on the financial statements.
- IFRS 9 introduces an expected credit loss model, requiring an expected credit loss to be recognised on all financial assets held at amortised cost. The quantitative impact based on balances as at 31 March 2018 will result in the recognition of an expected credit loss of £5m, with a corresponding reduction in financial assets held at amortised cost of £5m. The Group has previously provided for a materially similar balance against trade and other receivables and therefore the resulting reclassification of existing provisions will not have a material impact on the net assets of the Group.
- IFRS 9 introduces changes to the qualifying criteria for hedge accounting and expands the financial and non-financial instruments which may be designated as hedged items and hedging instruments in order to align hedge accounting with business strategy. The changes to hedge accounting under IFRS 9 will result in qualitative enhancements to the interest rate and foreign currency risk management disclosures. The changes introduced by IFRS 9 will not have a quantitative impact on the consolidated financial statements of the Group.

IFRS 15 – Revenue from contracts with customers (effective year ending 31 March 2019)

- The new standard combines a number of previous standards, setting out a five step model for the recognition of revenue and establishing principles for reporting useful information to users of financial statements about the nature, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. The new standard does not apply to rental income, which is in the scope of IAS 17, but does apply to service charge income, management and performance fees and trading property

disposals. The changes introduced by IFRS 15 will result in minimal qualitative changes to the revenue disclosure and will not have a quantitative impact on the consolidated financial statements of the Group.

IFRS 16 – Leases (effective year ending 31 March 2020)

- For lessees, IFRS 16 will result in almost all operating leases being brought on balance sheet, as the distinction between operating and finance leases will be removed. The accounting for lessors will however not significantly change. As a result, on adoption of the new standard, these changes will have an immaterial impact on the consolidated financial statements of the Group.

Going concern

The financial statements are prepared on a going concern basis as explained in the corporate governance section on page 51.

Subsidiaries, joint ventures and associates (including funds)

The consolidated accounts include the accounts of The British Land Company PLC and all subsidiaries (entities controlled by British Land). Control is assumed where British Land is exposed, or has the rights, to variable returns from its involvement with investees and has the ability to affect those returns through its power over those investees.

- The results of subsidiaries, joint ventures or associates acquired or disposed of during the year are included from the effective date of acquisition or up to the effective date of disposal. Accounting policies of subsidiaries, joint ventures or associates which differ from Group accounting policies are adjusted on consolidation.

Business combinations are accounted for under the acquisition method. Any excess of the purchase price of business combinations over the fair value of the assets, liabilities and contingent liabilities acquired and resulting deferred tax thereon is recognised as goodwill. Any discount received is credited to the income statement in the period of acquisition.

All intra-Group transactions, balances, income and expenses are eliminated on consolidation. Joint ventures and associates, including funds, are accounted for under the equity method, whereby the consolidated balance sheet incorporates the Group's share (investor's share) of the net assets of its joint ventures and associates. The consolidated income statement incorporates the Group's share of joint venture and associate profits after tax. Their profits include revaluation movements on investment properties.

Distributions and other receivables from joint ventures and associates (including funds) are classed as cash flows from operating activities, except where they relate to a cash flow arising from a capital transaction, such as a property or investment disposal. In this case they are classed as cash flows from investing activities.

Properties

Properties are externally valued on the basis of fair value at the balance sheet date. Investment and owner-occupied properties are recorded at valuation whereas trading properties are stated at the lower of cost and net realisable value.

Any surplus or deficit arising on revaluing investment properties is recognised in the capital and other column of the income statement.

Any surplus arising on revaluing owner-occupied properties above cost is recognised in other comprehensive income, and any deficit arising in revaluation below cost for owner-occupied and trading properties is recognised in the capital and other column of the income statement.

NOTES TO THE ACCOUNTS CONTINUED

The cost of properties in the course of development includes attributable interest and other associated outgoings including attributable development personnel costs. Interest is calculated on the development expenditure by reference to specific borrowings, where relevant, and otherwise on the weighted average interest rate of British Land Company PLC borrowings. Interest is not capitalised where no development activity is taking place. A property ceases to be treated as a development property on practical completion.

Investment property disposals are recognised on completion. Profits and losses arising are recognised through the capital and other column of the income statement. The profit on disposal is determined as the difference between the net sales proceeds and the carrying amount of the asset at the commencement of the accounting period plus capital expenditure in the period.

Trading properties are initially recognised at cost less impairment, and trading property disposals are recognised in line with the revenue policies outlined below.

Where investment properties are appropriated to trading properties, they are transferred at market value. If properties held for trading are appropriated to investment properties, they are transferred at book value. In determining whether leases and related properties represent operating or finance leases, consideration is given to whether the tenant or landlord bears the risks and rewards of ownership.

Financial assets and liabilities

Trade debtors and creditors are initially recognised at fair value and subsequently measured at amortised cost and discounted as appropriate.

Other investments include loans and receivables held at amortised cost and investments held for trading classified as fair value through profit or loss. Amortised cost of loans and receivables is measured using the effective interest method, less any impairment. Interest is recognised by applying the effective interest rate. Investments held for trading are initially recorded at fair value and are subsequently externally valued on the same basis at the balance sheet date. Any surplus or deficit arising on revaluing investments held for trading is recognised in the capital and other column of the income statement.

Where an investment property is held under a head lease, the head lease is initially recognised as an asset, being the sum of the premium paid on acquisition plus the present value of minimum ground rent payments. The corresponding rent liability to the head leaseholder is included in the balance sheet as a finance lease obligation.

Debt instruments are stated at their net proceeds on issue. Finance charges including premia payable on settlement or redemption and direct issue costs are spread over the period to redemption, using the effective interest method. Exceptional finance charges incurred due to early redemption (including premiums) are recognised in the income statement when they occur.

Convertible bonds are designated as fair value through profit or loss and so are initially recognised at fair value with all subsequent gains and losses, including the write-off of issue costs, recognised in the capital and other column of the income statement as a component of net financing costs. The interest charge in respect of the coupon rate on the bonds has been recognised within the underlying component of net financing costs on an accruals basis.

As defined by IAS 39, cash flow and fair value hedges are initially recognised at fair value at the date the derivative contracts are entered into, and subsequently remeasured at fair value. Changes in the fair value of derivatives that are designated and qualify as effective cash flow hedges are recognised directly through other comprehensive income as a movement in the hedging and translation reserve. Changes in the fair value of derivatives that are designated and qualify as effective fair value hedges are recorded in the capital and other column of the income statement, along with any changes in the fair value of the hedged item that is attributable to the hedged risk. Any ineffective portion of all derivatives is recognised in the capital and other column of the income statement. Changes in the fair value of derivatives that are not in a designated hedging relationship under IAS 39 are recorded directly in the capital and other column of the income statement. These derivatives are carried at fair value on the balance sheet.

Cash equivalents are limited to instruments with a maturity of less than three months.

Held for sale assets

Assets are classified as held for sale if their carrying amount is expected to be recovered or settled principally through sale rather than through continuing use. The asset must be available for immediate sale and the sale must be highly probable within one year of the reporting date. Held for sale assets are measured at the lower of carrying value and fair value less costs to sell. Impairment losses on initial classification as held for sale and gains or losses on subsequent re-measurements are included in the capital and other column of the income statement.

Revenue

Revenue comprises rental income and surrender premia, service charge income, management and performance fees and proceeds from the sale of trading properties.

Rental income, including fixed rental uplifts, from investment property leased out under an operating lease is recognised as revenue on a straight-line basis over the lease term. Lease incentives, such as rent-free periods and cash contributions to tenant fit-out, are recognised on the same straight-line basis being an integral part of the net consideration for the use of the investment property. Any rent adjustments based on open market estimated rental values are recognised, based on management estimates, from the rent review date in relation to unsettled rent reviews. Contingent rents, being those lease payments that are not fixed at the inception of the lease, including for example turnover rents, are recognised in the period in which they are earned.

Surrender premia for the early determination of a lease are recognised as revenue immediately upon receipt, net of dilapidations and non-recoverable outgoings relating to the lease concerned. Service charge income is recognised as revenue in the period to which it relates.

Management and performance fees receivable are recognised as revenue in the period to which they relate. Performance fees are recognised at the end of the performance period when the fee amount can be estimated reliably and it is virtually certain that the fee will be received.

Proceeds from the sale of trading properties are recognised when the risks and rewards of ownership have been transferred to the purchaser. This generally occurs on completion. Proceeds from the sale of trading properties are recognised as revenue in the capital and other column of the income statement. All other revenue described above is recognised in the underlying column of the income statement.

Taxation

Current tax is based on taxable profit for the year and is calculated using tax rates that have been enacted or substantively enacted at the balance sheet date. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are not taxable (or tax deductible).

Deferred tax is provided on items that may become taxable in the future, or which may be used to offset against taxable profits in the future, on the temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes, and the amounts used for taxation purposes on an undiscounted basis. On business combinations, the deferred tax effect of fair value adjustments is incorporated in the consolidated balance sheet.

Employee costs

The fair value of equity-settled share-based payments to employees is determined at the date of grant and is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares or options that will eventually vest. In the case of options granted, fair value is measured by a Black-Scholes pricing model.

Defined benefit pension scheme assets are measured using fair values. Pension scheme liabilities are measured using the projected unit credit method and discounted at the rate of return of a high quality corporate bond of equivalent term to the scheme liabilities. The net surplus (where recoverable by the Group) or deficit is recognised in full in the consolidated balance sheet. Any asset resulting from the calculation is limited to the present value of available refunds and reductions in future contributions to the plan.

The current service cost and gains and losses on settlement and curtailments are charged to operating profit. Actuarial gains and losses are recognised in full in the period in which they occur and are presented in the consolidated statement of comprehensive income.

Contributions to the Group's defined contribution schemes are expensed on the basis of the contracted annual contribution.

Accounting judgements and estimates

In applying the Group's accounting policies, the Directors are required to make judgements and estimates that affect the financial statements.

Significant areas of estimation are:

Valuation of properties and investments held for trading

The Group uses external professional valuers to determine the relevant amounts. The primary source of evidence for property valuations should be recent, comparable market transactions on an arms-length basis. However, valuations of the Group's property portfolio and investments held for trading are inherently subjective, as they are made on the basis of assumptions made by the valuers which may not prove to be accurate.

Other less significant areas of estimation include the valuation of fixed rate debt and interest rate derivatives, the determination of share-based payment expense, the actuarial assumptions used in calculating the Group's retirement benefit obligations and taxation provisions.

The key areas of accounting judgement are:

REIT status: British Land is a Real Estate Investment Trust (REIT) and does not pay tax on its property income or gains on property sales, provided that at least 90% of the Group's property income is distributed as a dividend to shareholders, which becomes taxable in their hands. In addition, the Group has to meet certain conditions such as ensuring the property rental business represents more than 75% of total profits and assets. Any potential or proposed changes to the REIT legislation are monitored and discussed with HMRC. It is management's intention that the Group will continue as a REIT for the foreseeable future.

Accounting for joint ventures and funds: In accordance with IFRS 10 Consolidated financial statements, IFRS 11 Joint arrangements, and IFRS 12 Disclosures of interests in other entities, an assessment is required to determine the degree of control or influence the Group exercises and the form of any control to ensure that the financial statement treatment is appropriate. The assessment undertaken by management includes a consideration of the structure, legal form, contractual terms and other facts and circumstances in relation to the entity in question, prior to reaching a conclusion. This assessment is updated annually and there have been no changes in the judgement reached in relation to the degree of control the Group exercises within the current or prior year. Group shares in joint ventures and funds resulting from this process are disclosed in note 11 to the financial statements.

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. All significant joint venture arrangements of the Group are held in structures in which the Group has 50% of the voting rights. Joint ventures are accounted for under the equity method, whereby the consolidated balance sheet incorporates the Group's share of the net assets of its joint ventures and associates. The consolidated income statement incorporates the Group's share of joint venture and associate profits after tax.

Accounting for transactions: Property transactions are complex in nature and can be material to the financial statements. Judgements made in relation to transactions include whether an acquisition is a business combination or an asset, whether held for sale criteria have been met for transactions not yet completed, and accounting for transaction costs and contingent consideration. Management consider each transaction separately in order to determine the most appropriate accounting treatment, and, when considered necessary, seek independent advice.

NOTES TO THE ACCOUNTS CONTINUED

2 Performance measures

Earnings per share

The Group measures financial performance with reference to underlying earnings per share, the European Public Real Estate Association (EPRA) earnings per share and IFRS earnings per share. The relevant earnings and weighted average number of shares (including dilution adjustments) for each performance measure are shown below, and a reconciliation between these is shown within the supplementary disclosures (Table B)

EPRA earnings per share is calculated using EPRA earnings, which is the IFRS profit after taxation attributable to shareholders of the Company excluding investment and development property revaluations, gains/losses on investing and trading property disposals, changes in the fair value of financial instruments and associated close-out costs and their related taxation. The 2012 convertible bond was repaid in the current year. In the prior year diluted EPRA earnings per share did not include the dilutive impact of the 2012 convertible bond, as the Group's share price was below the exchange price of 693 pence. IFRS diluted earnings per share included the dilutive impact as IAS 33 ignores this hurdle to conversion. In the current and prior year, both EPRA and IFRS measures exclude the dilutive impact of the 2015 convertible bond as the Company's share price had not exceeded the level required for the convertible conditions attached to the bond to trigger conversion into shares.

Underlying earnings per share is calculated using Underlying Profit adjusted for underlying taxation (see note 7). Underlying Profit is the pre-tax EPRA earnings measure, with additional Company adjustments. No Company adjustments were made in either the current or prior year.

| | 2018 | | | 2017 | | |
|--------------------|----------------------|-----------------------------------|--------------------------|----------------------|-----------------------------------|--------------------------|
| Earnings per share | Relevant earnings £m | Relevant number of shares million | Earnings per share pence | Relevant earnings £m | Relevant number of shares million | Earnings per share pence |
| Underlying | | | | | | |
| Underlying basic | 380 | 1,013 | 37.5 | 390 | 1,029 | 37.9 |
| Underlying diluted | 380 | 1,016 | 37.4 | 390 | 1,033 | 37.8 |
| EPRA | | | | | | |
| EPRA basic | 380 | 1,013 | 37.5 | 390 | 1,029 | 37.9 |
| EPRA diluted | 380 | 1,016 | 37.4 | 390 | 1,033 | 37.8 |
| IFRS | | | | | | |
| Basic | 493 | 1,013 | 48.7 | 193 | 1,029 | 18.8 |
| Diluted | 493 | 1,016 | 48.5 | 160 | 1,091 | 14.7 |

Net asset value

The Group measures financial position with reference to EPRA net asset value (NAV) per share and EPRA triple net asset value (NNNAV) per share. The net asset value and number of shares for each performance measure are shown below. A reconciliation between IFRS net assets and EPRA net assets, and the relevant number of shares for each performance measure, is shown within the supplementary disclosures (Table B). EPRA net assets is a proportionally consolidated measure that is based on IFRS net assets excluding the mark-to-market on derivatives and related debt adjustments, the mark-to-market on the convertible bonds as well as deferred taxation on property and derivative valuations. They include the valuation surplus on trading properties and are adjusted for the dilutive impact of share options.

The 2012 convertible bond was repaid in the current year. In the prior year EPRA NAV and EPRA NNNAV did not include the dilutive impact of the 2012 convertible bond, as the Group's share price was below the exchange price of 693 pence. In the current and prior year, both EPRA and IFRS measures exclude the dilutive impact of the 2015 convertible bond as the Company's share price had not exceeded the level required for the convertible conditions attached to the bond to trigger conversion into shares.

| | 2018 | | | 2017 | | |
|---------------------------|------------------------|-----------------------------------|---------------------------------|------------------------|-----------------------------------|---------------------------------|
| Net asset value per share | Relevant net assets £m | Relevant number of shares million | Net asset value per share pence | Relevant net assets £m | Relevant number of shares million | Net asset value per share pence |
| EPRA | | | | | | |
| EPRA NAV | 9,560 | 989 | 967 | 9,498 | 1,038 | 915 |
| EPRA NNNAV | 9,044 | 989 | 914 | 8,938 | 1,038 | 861 |
| IFRS | | | | | | |
| Basic | 9,506 | 983 | 967 | 9,476 | 1,029 | 921 |
| Diluted | 9,506 | 989 | 961 | 9,876 | 1,096 | 901 |

Total accounting return

The Group also measures financial performance with reference to total accounting return. This is calculated as the increase in EPRA net asset value per share and dividend paid in the year as a percentage of the EPRA net asset value per share at the start of the year.

| | 2018 | | | 2017 | | |
|-------------------------|---------------------------------|-------------------------------|-------------------------|---------------------------------|-------------------------------|-------------------------|
| Total accounting return | Increase in NAV per share pence | Dividend per share paid pence | Total accounting return | Decrease in NAV per share pence | Dividend per share paid pence | Total accounting return |
| | 52 | 29.64 | 8.9% | (4) | 28.78 | 2.7% |

3 Revenue and costs

| | 2018 | | | 2017 | | |
|---|------------------|----------------------------|--------------|------------------|----------------------------|--------------|
| | Underlying £m | Capital and other £m | Total £m | Underlying £m | Capital and other £m | Total £m |
| Rent receivable | 441 | – | 441 | 449 | – | 449 |
| Spreading of tenant incentives and guaranteed rent increases | (6) | – | (6) | (9) | – | (9) |
| Surrender premia | 6 | – | 6 | 2 | – | 2 |
| Gross rental income | 441 | – | 441 | 442 | – | 442 |
| Trading property sales proceeds | – | 78 | 78 | – | 33 | 33 |
| Service charge income | 66 | – | 66 | 62 | – | 62 |
| Management and performance fees (from joint ventures and funds) | 6 | – | 6 | 9 | – | 9 |
| Other fees and commissions | 48 | – | 48 | 43 | – | 43 |
| Revenue | 561 | 78 | 639 | 556 | 33 | 589 |
| Trading property cost of sales | – | (64) | (64) | – | (26) | (26) |
| Service charge expenses | (66) | – | (66) | (62) | – | (62) |
| Property operating expenses | (29) | – | (29) | (25) | – | (25) |
| Other fees and commissions expenses | (41) | – | (41) | (35) | – | (35) |
| Costs | (136) | (64) | (200) | (122) | (26) | (148) |
| | 425 | 14 | 439 | 434 | 7 | 441 |

The cash element of net rental income recognised during the year ended 31 March 2018 from properties which were not subject to a security interest was £301m (2016/17: £276m). Property operating expenses relating to investment properties that did not generate any rental income were £2m (2016/17: £2m). Contingent rents of £4m (2016/17: £2m) were recognised in the year.

4 Valuation movements on property

| | 2018 £m | 2017 £m |
|--|------------|--------------|
| Consolidated income statement | | |
| Revaluation of properties | 202 | (144) |
| Revaluation of properties held by joint ventures and funds accounted for using the equity method | 52 | (93) |
| | 254 | (237) |
| Consolidated statement of comprehensive income | | |
| Revaluation of owner-occupied properties | (3) | – |
| | 251 | (237) |

5 Auditors' remuneration – PricewaterhouseCoopers LLP

| | 2018 £m | 2017 £m |
|---|------------|------------|
| Fees payable to the Company's auditors for the audit of the Company's annual accounts | 0.3 | 0.2 |
| Fees payable to the Company's auditors for the audit of the Company's subsidiaries, pursuant to legislation | 0.4 | 0.4 |
| Total audit fees | 0.7 | 0.6 |
| Audit-related assurance services | 0.1 | 0.1 |
| Total audit and audit-related assurance services | 0.8 | 0.7 |
| Other fees | | |
| Other services | 0.2 | 0.1 |
| Total | 1.0 | 0.8 |

In addition to the above, PricewaterhouseCoopers LLP were remunerated for non-audit fees in PREF, an equity accounted property fund (see note 11). The Group's share of fees totalled £0.1m (2016/17: £0.1m). PricewaterhouseCoopers LLP are not the external auditors to PREF.

NOTES TO THE ACCOUNTS CONTINUED

6 Net financing costs

| | 2018 £m | 2017 £m |
|---|--------------|-------------|
| Underlying | | |
| Financing charges | | |
| Bank loans and overdrafts | (21) | (26) |
| Derivatives | 28 | 23 |
| Other loans | (76) | (83) |
| Obligations under head leases | (2) | (2) |
| | (71) | (88) |
| Development interest capitalised | 6 | 8 |
| | (65) | (80) |
| Financing income | | |
| Deposits, securities and liquid investments | 1 | 2 |
| | 1 | 2 |
| Net financing charges – underlying | (64) | (78) |
| Capital and other | | |
| Financing charges | | |
| Valuation movements on translation of foreign currency net assets | (1) | – |
| Hedging reserve recycling ¹ | (106) | – |
| Valuation movements on fair value derivatives | (79) | 51 |
| Valuation movements on fair value debt | 80 | (48) |
| Recycling of fair value movement on close-out of derivatives | (14) | (10) |
| Capital financing costs ² | (27) | (15) |
| Valuation movement on non-hedge accounted derivatives | (16) | (7) |
| | (163) | (29) |
| Financing income | | |
| Fair value movement on convertible bonds | – | 42 |
| | – | 42 |
| Net financing (charges) income – capital | (163) | 13 |
| Net financing costs | | |
| Total financing income | 1 | 44 |
| Total financing charges | (228) | (109) |
| Net financing costs | (227) | (65) |

Interest payable on unsecured bank loans and related interest rate derivatives was £9m (2016/17: £13m). Interest on development expenditure is capitalised at the Group's weighted average interest rate of 2.0% (2016/17: 2.4%). The weighted average interest rate on a proportionately consolidated basis at 31 March 2018 was 2.8% (2016/17: 3.1%).

¹ Represents a reclassification of cumulative losses within the 'hedging and translation' reserve to capital profit and losses on translation. Hedging reserve recycling is available for close-out netting of open hedges accounted.

² Property development bonds receipt plan and related financing costs.

7 Taxation

| | 2018 £m | 2017 £m |
|---|------------|------------|
| Taxation income (expense) | | |
| Current taxation: | | |
| UK corporation taxation 19% (2016/17: 20%) | – | [3] |
| Adjustments in respect of prior years | 1 | 4 |
| Total current taxation income | 1 | 1 |
| Deferred taxation on revaluations and derivatives | 5 | – |
| Group total taxation | 6 | 1 |
| Attributable to joint ventures and funds | – | 1 |
| Total taxation income | 6 | 2 |

Taxation reconciliation

| | | |
|---|------------|------------|
| Profit on ordinary activities before taxation | 501 | 195 |
| Less: profit attributable to joint ventures and funds ¹ | (151) | (52) |
| Group profit on ordinary activities before taxation | 350 | 143 |
| Taxation on profit on ordinary activities at UK corporation taxation rate of 19% (2016/17: 20%) | (67) | (29) |
| Effects of: | | |
| REIT exempt income and gains | 71 | 28 |
| Taxation losses | (4) | (2) |
| Deferred taxation on revaluations and derivatives | 5 | – |
| Adjustments in respect of prior years | 1 | 4 |
| Group total taxation income | 6 | 1 |

A minority shareholding in 2017/18 in the distribution of a minority reduction in 2017/18 did not give rise to a taxable event as the minority shareholding was not a REIT share.

Taxation expense attributable to Underlying Profit for the year ended 31 March 2018 was £nil (2016/17: £nil). Corporation taxation payable at 31 March 2018 was £22m (2016/17: £30m) as shown on the balance sheet. During the year to 31 March 2018 various tax provisions in respect of historic taxation matters and current points of uncertainty in the UK have been released and provisions made. The net movement, which is included within the tax credit above, is not material.

8 Staff costs

| Staff costs (including Directors) | 2018 £m | 2017 £m |
|--|------------|------------|
| Wages and salaries | 70 | 64 |
| Social security costs | 9 | 8 |
| Pension costs | 7 | 7 |
| Equity-settled share-based payments | – | 4 |
| | 86 | 83 |

The average monthly number of employees of the Company during the year was 265 (2016/17: 261). The average monthly number of Group employees, including those employed directly at the Group's properties and their costs recharged to tenants, was 835 (2016/17: 771). The average monthly number of employees of the Company within each category of persons employed was as follows: Retail: 58, Offices: 34, Canada Water: 13, Developments: 33, Storey 6, Support Functions: 121.

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 76 to 91.

| Directors' emoluments | 2018 £m | 2017 £m |
|---|------------|------------|
| Short term employee benefits | 5.5 | 5.0 |
| Service cost in relation to defined benefit pension schemes | 0.2 | 0.2 |
| Equity-settled share-based payments | 1.1 | 1.9 |
| | 6.8 | 7.1 |

NOTES TO THE ACCOUNTS CONTINUED

8 Staff costs continued**Staff costs**

The Group's equity-settled share-based payments comprise the Long-Term Incentive Plan (LTIP), the Matching Share Plan (MSP) 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, which are discussed in further detail in the Remuneration Report.

For all schemes except the Company's Long-Term Incentive Plan share options, the fair value of awards are equal to the market value at grant date. The key inputs used to value share options using a Black-Scholes model granted under the Company's Long-Term Incentive Plan are shown below.

| Long-Term Incentive Plan: Awards in the year ended 31 March 2018 | | 2017 2016 |
|---|--|--------------|
| Share price and exercise price at grant date | | 617p |
| Expected option life in years | | 5 |
| Risk free rate | | 0.8% |
| Expected volatility | | 24% |
| Expected dividend yield | | 5% |
| Value per option | | 68p |

Movements in shares and options are given in note 20.

9 Pensions

The British Land Group of Companies Pension Scheme (the scheme) is the principal defined benefit pension scheme in the Group. The assets of the scheme are held in a trustee-administered fund and kept separate from those of the Company. It is not contracted out of SERPS (State Earnings-Related Pension Scheme) and it is not planned to admit new employees to the scheme. The Group has three other small defined benefit pension schemes. There is also a Defined Contribution Pension Scheme. Contributions to this scheme are at a flat rate of 15% of salary for non-Directors and are paid by the Company.

The total net pension cost charged for the year was £7m (2016/17: £7m), of which £5m (2016/17: £4m) relates to defined contribution plans and £2m (2016/17: £3m) relates to the current service cost of the defined benefit schemes.

A full actuarial valuation of the scheme was carried out at 31 March 2015 by consulting actuaries, AON Hewitt Associates Ltd. The employer's contributions will be paid in the future at the rate recommended by the actuary of 72.9% per annum of basic salaries. The best estimate of employer contributions expected to be paid during the year to 31 March 2019 is £5m. The major assumptions used for the actuarial valuation were:

| | 2018 % pa | 2017 % pa | 2016 % pa | 2015 % pa | 2014 % pa |
|-------------------|--------------|--------------|--------------|--------------|--------------|
| Discount rate | 2.6 | 2.4 | 3.2 | 3.1 | 4.4 |
| Salary inflation | 4.9 | 4.9 | 4.8 | 4.8 | 5.2 |
| Pensions increase | 3.3 | 3.3 | 3.2 | 3.2 | 3.5 |
| Price inflation | 3.4 | 3.4 | 3.3 | 3.3 | 3.7 |

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 28.8 years if they are male and for a further 30.5 years if they are female. For a member who retires in 2038 at age 60, the assumptions are that they will live on average for a further 30.4 years after retirement if they are male and for a further 31.6 years after retirement if they are female.

Composition of scheme assets

| | 2018 £m | 2017 £m |
|----------------------------|------------|------------|
| Equities | 54 | 60 |
| Diversified growth funds | 85 | 84 |
| Other assets | 13 | 10 |
| Total scheme assets | 152 | 154 |

The vast majority of the scheme assets are quoted in an active market.

9 Pensions continued

The amount included in the balance sheet arising from the Group's obligations in respect of its defined benefit scheme is as follows:

| | 2018 £m | 2017 £m | 2016 £m | 2015 £m | 2014 £m |
|--|------------|-------------|------------|------------|------------|
| Present value of defined scheme obligations | (147) | (167) | (143) | (145) | (125) |
| Fair value of scheme assets | 152 | 154 | 137 | 139 | 131 |
| Irrecoverable surplus | (5) | - | - | - | (6) |
| Liability recognised in the balance sheet | - | (13) | (6) | (6) | - |

The sensitivities of the defined benefit obligation in relation to the major actuarial assumptions used to measure scheme liabilities are as follows:

| Assumption | Change in assumption | Increase/decrease in defined scheme liabilities | |
|-------------------------|-------------------------|--|------------|
| | | 2018 £m | 2017 £m |
| Discount rate | +0.5% | (14) | (18) |
| Salary inflation | +0.5% | 1 | 1 |
| RPI inflation | -0.5% | 12 | 17 |
| Assumed life expectancy | -1 year | 4 | 5 |

History of experience gains and losses

| | 2018 £m | 2017 £m | 2016 £m | 2015 £m | 2014 £m |
|---|-------------|-------------|-------------|-------------|-------------|
| Total actuarial gain (loss) recognised in the consolidated statement of comprehensive income ¹ | | | | | |
| Amount | 9 | (12) | (1) | (5) | (2) |
| Percentage of present value on scheme liabilities | 6.1% | 7.2% | 0.7% | 3.6% | 1.6% |

¹ Movement in total actuarial gain (loss) is the overall movement in value. Changes in actuarial gains and losses are calculated on the basis of the 1 January 2015 balance sheet figures.

NOTES TO THE ACCOUNTS CONTINUED

9 Pensions continued

Movements in the present value of defined benefit obligations were as follows

| | 2018 £m | 2017 £m |
|---|--------------|--------------|
| At 1 April | (167) | (143) |
| Current service cost | (2) | (3) |
| Interest cost | (4) | (5) |
| Actuarial gain (loss) | | |
| <i>Gain (loss) from change in financial assumptions</i> | 7 | (29) |
| <i>Gain on scheme liabilities arising from experience</i> | 7 | 6 |
| Benefits paid | 12 | 7 |
| At 31 March | (147) | (167) |

Movements in the fair value of the scheme assets were as follows

| | 2018 £m | 2017 £m |
|----------------------------------|------------|------------|
| At 1 April | 154 | 137 |
| Interest income on scheme assets | 3 | 4 |
| Contributions by employer | 7 | 7 |
| Actuarial (loss) gain | – | 11 |
| Benefits paid | (12) | (5) |
| At 31 March | 152 | 154 |

Through its defined benefit plans, the Group is exposed to a number of risks, the most significant of which are detailed below

Asset volatility

The liabilities are calculated using a discount rate set with reference to corporate bond yields, if assets underperform this yield, this will create a deficit. The scheme holds a significant portion of growth assets (equities and diversified growth funds) which, although expected to outperform corporate bonds in the long term, create volatility and risk in the short term. The allocation to growth assets is monitored to ensure it remains appropriate given the scheme's long term objectives.

Changes in bond yields

A decrease in corporate bond yields will increase the value placed on the scheme's liabilities for accounting purposes, although this will be partially offset by an increase in the value of the scheme's bond holdings.

Inflation risk

The majority of the scheme's benefit obligations are linked to inflation, and higher inflation will lead to higher liabilities (although, in most cases, caps on the level of inflationary increases are in place to protect against extreme inflation). The majority of the assets are either unaffected by or only loosely correlated with inflation, meaning that an increase in inflation will also increase the deficit.

Life expectancy

The majority of the scheme's obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the liabilities.

10 Property

Property reconciliation for the year ended 31 March 2018

| | Overseas | | | | Investment and development properties Level 3 | Investment and development properties Level 3 | Investment and development properties Level 3 | Total |
|---|----------------|-------------------------------|--------------------|---------------------|---|---|---|--------------|
| | Retail Level 1 | Office and industrial Level 2 | Commercial Level 3 | Development Level 3 | £m | £m | £m | £m |
| Carrying value at 1 April 2017 | 5,021 | 3,616 | 286 | 150 | 9,073 | 334 | 94 | 9,501 |
| Additions | | | | | | | | |
| property purchases | 237 | - | 8 | - | 245 | 5 | - | 250 |
| development expenditure | 5 | 15 | 22 | 44 | 86 | 46 | - | 132 |
| - capitalised interest and staff costs | - | 1 | 3 | 1 | 5 | 5 | - | 10 |
| capital expenditure on asset management initiatives | 29 | - | - | 1 | 30 | - | - | 30 |
| | 271 | 16 | 33 | 46 | 366 | 56 | - | 422 |
| Depreciation | - | - | - | - | - | - | (1) | (1) |
| Disposals | (134) | (2) | - | - | (136) | (62) | - | (198) |
| Reclassifications | (4) | (137) | - | 141 | - | - | - | - |
| Revaluations included in income statement | 40 | 165 | (21) | 18 | 202 | - | - | 202 |
| Revaluations included in OCI | - | - | - | - | - | - | (3) | (3) |
| Movement in tenant incentives and contracted rent uplift balances | 1 | 1 | - | - | 2 | - | - | 2 |
| Carrying value at 31 March 2018 | 5,195 | 3,659 | 298 | 355 | 9,507 | 328 | 90 | 9,925 |
| Head lease liabilities (note 15) | | | | | | | | (62) |
| Valuation surplus on trading properties | | | | | | | | 134 |
| Group property portfolio valuation at 31 March 2018 | | | | | | | | 9,997 |
| Non-controlling interests | | | | | | | | (315) |
| Group property portfolio valuation at 31 March 2018 attributable to shareholders | | | | | | | | 9,682 |

NOTES TO THE ACCOUNTS CONTINUED

10 Property continued

Property reconciliation for the year ended 31 March 2017

| | IFRS 13 Level 1 | IFRS 13 Level 2 | IFRS 13 Level 3 | IFRS 13 Level 3 | IFRS 13 Level 3 | IFRS 13 Level 3 | IFRS 13 Level 3 | Total |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|--------------|
| Carrying value at 1 April 2016 | 5,617 | 3,436 | 256 | 334 | 9,643 | 325 | 95 | 10,063 |
| Additions | | | | | | | | |
| property purchases | 80 | – | 8 | – | 88 | – | – | 88 |
| development expenditure | 12 | 4 | 10 | 55 | 81 | 56 | – | 137 |
| capitalised interest and staff costs | – | – | 2 | 3 | 5 | 5 | – | 10 |
| capital expenditure on asset management initiatives | 82 | 9 | 1 | – | 92 | – | – | 92 |
| | 174 | 13 | 21 | 58 | 266 | 61 | – | 327 |
| Depreciation | – | – | – | – | – | – | (1) | (1) |
| Disposals | (624) | (39) | – | (7) | (670) | (26) | – | (696) |
| Reclassifications | – | 271 | 27 | (271) | 27 | (27) | – | – |
| Revaluations included in income statement | (105) | (57) | (18) | 36 | (144) | – | – | (144) |
| Movement in tenant incentives and contracted rent uplift balances | (41) | (8) | – | – | (49) | 1 | – | (48) |
| Carrying value at 31 March 2017 | 5,021 | 3,616 | 286 | 150 | 9,073 | 334 | 94 | 9,501 |
| Head lease liabilities (note 15) | | | | | | | | (64) |
| Valuation surplus on trading properties | | | | | | | | 83 |
| Group property portfolio valuation at 31 March 2017 | | | | | | | | 9,520 |
| Non-controlling interests | | | | | | | | (310) |
| Group property portfolio valuation at 31 March 2017 attributable to shareholders | | | | | | | | 9,210 |

Property valuation

The different valuation method levels are defined below

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs)

These levels are specified in accordance with IFRS 13 'Fair Value Measurement'. Property valuations are inherently subjective as they are made on the basis of assumptions made by the valuer which may not prove to be accurate. For these reasons, and consistent with EPRA's guidance, we have classified the valuations of our property portfolio as Level 3 as defined by IFRS 13. The inputs to the valuations are defined as 'unobservable' by IFRS 13 and these are analysed in a table on the following page. There were no transfers between levels in the period.

The Group's total property portfolio was valued by external valuers on the basis of fair value, in accordance with the RICS Valuation – Professional Standards 2014, ninth edition, published by The Royal Institution of Chartered Surveyors.

The information provided to the valuers, and the assumptions and valuation models used by the valuers, are reviewed by the property portfolio team, the Head of Offices, the Head of Retail and the Chief Financial Officer (Chief Executive Officer post January 2018). The valuers meet with the external auditors and also present directly to the Audit Committee at the interim and year end review of results. Further details of the Audit Committee's responsibilities in relation to valuations can be found in the Report of the Audit Committee (on pages 69 to 73).

Investment properties, excluding properties held for development, are valued by adopting the 'investment method' of valuation.

This approach involves applying capitalisation yields to current and future rental streams net of income voids arising from vacancies or rent-free periods and associated running costs. These capitalisation yields and future rental values are based on comparable property and leasing transactions in the market using the valuers' professional judgement and market observation. Other factors taken into account in the valuations include the tenure of the property, tenancy details and ground and structural conditions.

10 Property continued

In the case of ongoing developments, the approach applied is the residual method of valuation, which is the investment method of valuation as described above, with a deduction for all costs necessary to complete the development, including a notional finance cost, together with a further allowance for remaining risk. Properties held for development are generally valued by adopting the higher of the residual method of valuation, allowing for all associated risks, or the investment method of valuation for the existing asset.

Copies of the valuation certificates of Knight Frank LLP, CBRE, Jones Lang LaSalle and Cushman & Wakefield can be found at www.britishland.com/reports

A breakdown of valuations split between the Group and its share of joint ventures and funds is shown below

| | 2018 | | | 2017 | | |
|--|--------------|--------------------------------------|---------------|--------------|--------------------------------------|---------------|
| | Group £m | Joint ventures and funds £m | Total £m | Group £m | Joint ventures and funds £m | Total £m |
| Knight Frank LLP | 1,674 | 2,680 | 4,354 | 7,031 | 2,883 | 9,914 |
| CBRE | 4,511 | 1,403 | 5,914 | 2,489 | 1,380 | 3,869 |
| Jones Lang LaSalle | 561 | - | 561 | - | 538 | 538 |
| Cushman & Wakefield | 3,251 | 19 | 3,270 | - | - | - |
| Total property portfolio valuation | 9,997 | 4,102 | 14,099 | 9,520 | 4,801 | 14,321 |
| Non-controlling interests | (315) | (68) | (383) | (310) | (71) | (381) |
| Total property portfolio valuation attributable to shareholders | 9,682 | 4,034 | 13,716 | 9,210 | 4,730 | 13,940 |

Information about fair value measurements using unobservable inputs (Level 3) for the year ended 31 March 2018

| Investment | Fair value at 31 March 2018 £m | Valuation technique | ERV per sq ft | | | Equivalent yield | | | Costs to complete per sq ft | | |
|---|--------------------------------------|------------------------|---------------|----------|--------------|------------------|----------|--------------|-----------------------------|----------|--------------|
| | | | Min £ | Max £ | Average £ | Min % | Max % | Average % | Min £ | Max £ | Average £ |
| Retail | 5,210 | Investment methodology | 2 | 84 | 24 | 3 | 9 | 5 | - | 51 | 2 |
| Offices ¹ | 3,617 | Investment methodology | 8 | 117 | 58 | 4 | 5 | 4 | - | 323 | 53 |
| Canada Water | 283 | Investment methodology | 38 | 38 | 38 | 4 | 4 | 4 | - | 1 | 1 |
| Residential | 70 | Investment methodology | 15 | 29 | 22 | 2 | 6 | 4 | - | 2 | (34) |
| Developments | 355 | Residual methodology | 18 | 66 | 61 | 2 | 6 | 5 | - | 614 | 541 |
| Total | 9,535 | | | | | | | | | | |
| Trading properties at fair value | 462 | | | | | | | | | | |
| Group property portfolio valuation | 9,997 | | | | | | | | | | |

¹ Includes 100% of the value of

NOTES TO THE ACCOUNTS CONTINUED

10 Property continued

Information about fair value measurements using unobservable inputs (Level 3) for the year ended 31 March 2017

| Investment | Fair value at 31 March 2017 £m | Valuation technique | Level 3 inputs | | | Equivalent volatility | | | Costs to complete (per sq ft) | | |
|---|--------------------------------|------------------------|----------------|-----|---------|-----------------------|-----|---------|-------------------------------|-----|---------|
| | | | Min | Max | Average | Min | Max | Average | Min | Max | Average |
| Retail | 4,987 | Investment methodology | 2 | 77 | 22 | 4 | 11 | 5 | - | 48 | 6 |
| Offices | 3,695 | Investment methodology | 7 | 117 | 54 | 4 | 7 | 5 | - | 150 | 20 |
| Canada Water | 271 | Investment methodology | 15 | 25 | 22 | 2 | 5 | 3 | - | 18 | 10 |
| Developments | 150 | Residual methodology | 18 | 72 | 54 | 2 | 6 | 4 | - | 616 | 508 |
| Total | 9,103 | | | | | | | | | | |
| Trading properties at fair value | 417 | | | | | | | | | | |
| Group property portfolio valuation | 9,520 | | | | | | | | | | |

Includes power generated

Includes residential water and sewerage capital value per sq ft of floor including developments, site of value and mix of use

Information about the impact of changes in unobservable inputs (Level 3) on the fair value of the Group's property portfolio for the year ended 31 March 2018

| | Fair value at 31 March 2018 £m | Impact on valuations | | Impact on valuations | | Impact on valuations | |
|---|--------------------------------|----------------------|--------------|----------------------|---------------|----------------------|--------------|
| | | +5% ERV £m | -5% ERV £m | -25bps NEY £m | +25bps NEY £m | -5% costs £m | +5% costs £m |
| Retail | 5,210 | 210 | (199) | 269 | (278) | n/a | n/a |
| Offices | 4,079 | 167 | (161) | 244 | (219) | n/a | n/a |
| Canada Water | 283 | 4 | (5) | 1 | (1) | 21 | (20) |
| Residential | 70 | 1 | (1) | 2 | (2) | - | - |
| Developments | 355 | 31 | (31) | 39 | (35) | 13 | (13) |
| Group property portfolio valuation | 9,997 | 413 | (397) | 555 | (535) | 34 | (33) |

Includes trading properties at fair value

Information about the impact of changes in unobservable inputs (Level 3) on the fair value of the Group's property portfolio for the year ended 31 March 2017

| | Fair value at 31 March 2017 £m | Impact on valuations | | Impact on valuations | | Impact on valuations | |
|---|--------------------------------|----------------------|--------------|----------------------|---------------|----------------------|--------------|
| | | +5% ERV £m | -5% ERV £m | -25bps NEY £m | +25bps NEY £m | -5% costs £m | +5% costs £m |
| Retail | 4,987 | 189 | (176) | 262 | (238) | n/a | n/a |
| Offices | 4,019 | 176 | (169) | 231 | (208) | n/a | n/a |
| Canada Water | 271 | 11 | (11) | 20 | (17) | n/a | n/a |
| Residential | 93 | 4 | (4) | 6 | (6) | n/a | n/a |
| Developments | 150 | 8 | (12) | (1) | (2) | 3 | (7) |
| Group property portfolio valuation | 9,520 | 388 | (372) | 518 | (471) | 3 | (7) |

Includes trading properties at fair value

The valuation impact of changes in unobservable inputs for the year ended 31 March 2017 have been restated

10 Property continued

All other factors being equal

- A higher equivalent yield or discount rate would lead to a decrease in the valuation of an asset
- An increase in the current or estimated future rental stream would have the effect of increasing the capital value
- An increase in the costs to complete would lead to a decrease in the valuation of an asset

However, there are interrelationships between the unobservable inputs which are partially determined by market conditions, which would impact on these changes

Additional property disclosures – including covenant information

At 31 March 2018, the Group property portfolio valuation of £9,997m (2016/17 £9,520m) comprises freeholds of £5,711m (2016/17 £5,576m), virtual freeholds of £895m (2016/17 £809m), and long leaseholds of £3,391m (2016/17 £3,135m). The historical cost of properties was £6,294m (2016/17 £6,024m)

The property valuation does not include any investment properties held under operating leases (2016/17 £nil)

Cumulative interest capitalised against investment, development and trading properties amounts to £101m (2016/17 £95m)

Properties valued at £1,202m (2016/17 £1,882m) were subject to a security interest and other properties of non-recourse companies amounted to £1,245m (2016/17 £1,158m), totalling £2,447m (2016/17 £3,040m)

Included within the property valuation is £60m (2016/17 £62m) in respect of accrued contracted rental uplift income. The balance arises through the IFRS treatment of leases containing such arrangements, which requires the recognition of rental income on a straight-line basis over the lease term, with the difference between this and the cash receipt changing the carrying value of the property against which revaluations are measured

11 Joint ventures and funds

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

| | Investment income | Finance income | Total £m | Share of profit | Share of loss | Total £m |
|---|-------------------|----------------|--------------|-----------------|---------------|--------------|
| At 1 April 2017 | 2,525 | 241 | 2,766 | 2,412 | 354 | 2,766 |
| Additions | 72 | 7 | 79 | 3 | 76 | 79 |
| Share of profit on ordinary activities after taxation | 149 | 2 | 151 | 151 | – | 151 |
| Distributions and dividends | | | | | | |
| – Capital | (23) | (13) | (36) | (36) | – | (36) |
| – Revenue | (63) | (15) | (78) | (78) | – | (78) |
| Hedging and exchange movements | 8 | – | 8 | 8 | – | 8 |
| Disposal of Tesco joint venture | (68) | – | (68) | (68) | – | (68) |
| At 31 March 2018 | 2,600 | 222 | 2,822 | 2,392 | 430 | 2,822 |

Additional investments in joint ventures and funds covenant information

At 31 March 2018 the investments in joint ventures included within the total investments in joint ventures and funds was £2,826m (2016/17 £3,299m), being the £2,822m total investment shown above, less the net investment of (£4m) (2016/17 £7m) in PREF, a property fund in Continental Europe

NOTES TO THE ACCOUNTS CONTINUED

11 Joint ventures and funds continued

The summarised income statements and balance sheets below and on the following page show 100% of the results, assets and liabilities of joint ventures and funds. Where necessary, these have been restated to the Group's accounting policies.

Joint ventures' and funds' summary financial statements for the year ended 31 March 2018

| | Broadgate £m | MSC Property Investment Holdings Ltd | J Sainsbury Superstores £m |
|--|-----------------------------|--|----------------------------------|
| Partners | Euro Bluebell LLP (IGIC) | Norges Bank Investment Management | J Sainsbury plc |
| Property sector | City Offices Broadgate | Shopping Centres Meadowhall | Superstores |
| Group share | 50% | 50% | 50% |
| Summarised income statements | £m | £m | £m |
| Revenue ¹ | 255 | 102 | 39 |
| Costs | (64) | (23) | – |
| | 191 | 79 | 39 |
| Administrative expenses | (1) | – | – |
| Net interest payable | (82) | (33) | (16) |
| Underlying Profit | 108 | 46 | 23 |
| Net valuation movement | 105 | 21 | (3) |
| Capital financing costs | – | – | (26) |
| (Loss) profit on disposal of investment properties and investments | (18) | – | 9 |
| Profit (loss) on ordinary activities before taxation | 195 | 67 | 3 |
| Taxation | – | – | – |
| Profit (loss) on ordinary activities after taxation | 195 | 67 | 3 |
| Other comprehensive income (expenditure) | 13 | 3 | – |
| Total comprehensive income | 208 | 70 | 3 |
| British Land share of total comprehensive income (expense) | 104 | 35 | 2 |
| British Land share of distributions payable | 35 | 4 | 31 |
| Summarised balance sheets | £m | £m | £m |
| Investment and trading properties | 4,668 | 1,895 | 523 |
| Current assets | 6 | 6 | – |
| Cash and deposits | 291 | 39 | 90 |
| Gross assets | 4,965 | 1,940 | 613 |
| Current liabilities | (107) | (41) | (24) |
| Bank and securitised debt | (1,744) | (641) | (251) |
| Loans from joint venture partners | (465) | (364) | – |
| Other non-current liabilities | (41) | (20) | – |
| Gross liabilities | (2,357) | (1,066) | (275) |
| Net assets | 2,608 | 874 | 338 |
| British Land share of net assets less shareholder loans | 1,304 | 437 | 169 |

¹ Included within the Broadgate RL revenue is a £29m (£15m British Land share) payment received in June 2017 from the Royal Bank of Scotland in relation to the surrender of a lease at 100 Bristol Square.

² US joint ventures include the Eden Walk Shopping Centre Joint Trust and the Harlem Property Partnership. Heron's Joint Trust, joint ventures and sub-funds include 50% of the results of Deendare Co-Ownership Trust, Gibraltar Limited Partnership and Valerine Co-Ownership Trust and 41.25% of Bristol Co-Ownership Trust. The balance sheet shows 50% of the assets of these joint ventures and sub-funds.

³ Included in the group headed other joint ventures and funds are contributions from the following: BL Goodman Limited Partnership, The Aldgate Place Limited Partnership, BL Jubilation Property Management UK Limited, City of London Office Joint Trust and Retail Retail Europark Fund (REF). The Group's ownership share of REF is 65%, however as the Group is not able to exercise control over significant decisions of the fund, the Group equity accounts for its interest in REF.

⁴ Revenue includes gross rental income at 100% share of £385m (2016/17: £437m).

| Shareholder name Partnership | £m Cost ventures | £m Shareholdings in ventures of British Land | £m Other ventures and funds | Total 2018 | Total Group share 2018 |
|---------------------------------|--|---|--------------------------------------|---------------|------------------------------|
| Aviva Investors | Universities Superannuation Scheme Group PLC | | | | |
| Shopping Centres | Shopping Centres | Retail Parks | | | |
| 50% | 50% | Various | | | |
| £m | £m | £m | £m | £m | £m |
| 18 | 13 | 36 | 6 | 469 | 235 |
| (4) | (4) | (5) | (2) | (102) | (51) |
| 14 | 9 | 31 | 4 | 367 | 184 |
| (1) | – | – | – | (2) | (1) |
| (1) | – | (4) | – | (136) | (68) |
| 12 | 9 | 27 | 4 | 229 | 115 |
| 10 | – | (28) | – | 105 | 52 |
| – | – | – | – | (26) | (13) |
| 1 | – | – | 2 | (6) | (3) |
| 23 | 9 | (1) | 6 | 302 | 151 |
| – | – | – | – | – | – |
| 23 | 9 | (1) | 6 | 302 | 151 |
| – | – | – | – | 16 | 8 |
| 23 | 9 | (1) | 6 | 318 | 159 |
| 11 | 5 | (1) | 3 | 159 | |
| 5 | 4 | 14 | – | 93 | |
| £m | £m | £m | £m | £m | £m |
| 275 | 250 | 590 | – | 8,201 | 4,100 |
| 1 | 1 | 4 | 42 | 60 | 31 |
| 9 | 7 | 10 | 8 | 454 | 227 |
| 285 | 258 | 604 | 50 | 8,715 | 4,358 |
| (4) | (5) | (11) | (15) | (207) | (105) |
| – | – | (140) | – | (2,776) | (1,388) |
| – | (26) | – | (6) | (861) | (430) |
| (28) | – | (4) | 5 | (88) | (43) |
| (32) | (31) | (155) | (16) | (3,932) | (1,966) |
| 253 | 227 | 449 | 34 | 4,783 | 2,392 |
| 127 | 113 | 226 | 16 | 2,392 | |

The following table presents the breakdown of the subsidiaries, joint ventures and other entities in which British Land has a significant interest. All the ventures are incorporated in the UK or in other jurisdictions, with the exception of the Aviva Investors fund managed in the UK, which is incorporated in the Cayman Islands. The figures are in millions of pounds sterling and are rounded to the nearest million pounds sterling.

The following table presents the breakdown of the subsidiaries, joint ventures and other entities in which British Land has a significant interest. All the ventures are incorporated in the UK or in other jurisdictions, with the exception of the Aviva Investors fund managed in the UK, which is incorporated in the Cayman Islands. The figures are in millions of pounds sterling and are rounded to the nearest million pounds sterling.

NOTES TO THE ACCOUNTS CONTINUED

11 Joint ventures and funds continued

The summarised income statements and balance sheets below and on the following page show 100% of the results, assets and liabilities of joint ventures and funds. Where necessary, these have been restated to the Group's accounting policies.

Joint ventures' and funds' summary financial statements for the year ended 31 March 2017

| | Broadgate LLP £m | VSC – jointly owned and managed £m | British Sainsbury Superstores Ltd £m | Tesco joint venture £m |
|---|----------------------------|---|--|------------------------------|
| Partners | Euro Bluebell LLP (GIC) | Norges Bank Investment Management | J Sainsbury plc | Tesco PLC |
| Property sector | City Offices Broadgate | Shopping Centres Meadowhall | Superstores | Superstores |
| Group share | 50% | 50% | 50% | 50% |
| Summarised income statements | | | | |
| Revenue ¹ | 245 | 99 | 49 | 19 |
| Costs | (52) | (23) | – | – |
| | 193 | 76 | 49 | 19 |
| Administrative expenses | – | – | – | (2) |
| Net interest payable | (82) | (35) | (21) | (9) |
| Underlying Profit | 111 | 41 | 28 | 8 |
| Net valuation movement | (185) | (1) | (46) | (29) |
| Capital financing costs | – | – | (12) | – |
| Profit on disposal of investment properties and investments | – | – | 3 | (3) |
| (Loss) profit on ordinary activities before taxation | (74) | 40 | (27) | (24) |
| Taxation | – | – | – | 2 |
| (Loss) profit on ordinary activities after taxation | (74) | 40 | (27) | (22) |
| Other comprehensive income | 1 | – | – | 1 |
| Total comprehensive income | (73) | 40 | (27) | (21) |
| British Land share of total comprehensive (expense) income | (37) | 20 | (15) | (10) |
| British Land share of distributions payable | 32 | 17 | 55 | 4 |
| Summarised balance sheets | | | | |
| Investment and trading properties | 4,478 | 1,842 | 769 | 325 |
| Current assets | 2 | 5 | – | – |
| Cash and deposits | 290 | 37 | 17 | 2 |
| Gross assets | 4,770 | 1,884 | 786 | 327 |
| Current liabilities | (88) | (41) | (22) | (2) |
| Bank and securitised debt | (1,794) | (668) | (367) | (185) |
| Loans from joint venture partners | (357) | (317) | – | – |
| Other non-current liabilities | (56) | (23) | – | (4) |
| Gross liabilities | (2,295) | (1,049) | (389) | (191) |
| Net assets | 2,475 | 835 | 397 | 136 |
| British Land share of net assets less shareholder loans | 1,237 | 417 | 199 | 68 |

¹ Included within the Broadgate Real Estate valuation movement is a fund payment received in December 2016 from LBS AG in relation to the development and occupation of 5 Broadgate, and subsequent variation of 100 Liverpool Street, including 10 Broadgate.

² Tesco joint ventures include British Food Holdings (2017) Limited as at 31 March 2017.

³ USF joint ventures include the Eden Walk Shopping Centre Joint Trust and the Fareham Property Partnership.

⁴ The 'Leaders' column shows the equity accounted profit and loss for the period. Due to the transaction which occurred in March 2017, the net investment in this venture was reclassified as a held for sale asset.

⁵ Hercules Unit Trust, joint ventures and sub-funds includes 50% of the results of Darnley Co-Ownership Trust, Gibraltar Limited Partnership and Valentine.

Co-Ownership Trust and 41.25% of Bristol Co-Ownership Trust. The balance sheet shows 50% of the assets of these joint ventures and sub-funds.

Included in the column headed 'Other joint ventures and funds' are contributions from the following: RL Goodman Limited Partnership, The Alcatraz Fund Limited Partnership, Bluewater Property Management UK Limited, City of London Office Unit Trust and Pillar Retail Europark Fund (PRF). The Group's ownership share of PRF is 65%, however as the Group is not able to exercise control over significant decisions of the fund, the Group equity accounts for its interest in PRF.

⁶ Revenue includes gross rental income of 100% share of £43m (2015/16: £451m).

As the \mathcal{L}_1 norm is not a smooth function, the \mathcal{L}_1 norm is replaced by the \mathcal{L}_2 norm. The \mathcal{L}_2 norm is also used in the Adaptive Ridge regression [10]. The \mathcal{L}_2 norm is used in the Adaptive Ridge regression [10]. The \mathcal{L}_2 norm is used in the Adaptive Ridge regression [10].

NOTES TO THE ACCOUNTS CONTINUED

11 Joint ventures and funds continued**Joint venture held for sale**

On 1 March 2017 the Group exchanged conditional contracts on an agreement to sell its interest in Leadenhall Holding Co (Jersey) Limited, a joint venture with Oxford Properties. The net investment in the joint venture was recognised as a held for sale asset from the date of exchange in the prior period. On 24 May 2017 the transaction completed and the net investment was de-recognised.

Joint venture held for sale – summarised balance sheet for the year ended 31 March

| | Leadenhall Holding Co (Jersey) Limited | |
|--|---|------------|
| | 2018 £m | 2017 £m |
| Investment property | - | 1,075 |
| Current assets | - | 17 |
| Current liabilities | - | (13) |
| Loans from joint venture partners | - | (371) |
| Net assets | - | 708 |
| British Land share of net assets less shareholder loans | - | 355 |

Operating cash flows of joint ventures and funds (Group share)

| | 2018 £m | 2017 £m |
|--|------------|------------|
| Rental income received from tenants | 199 | 207 |
| Fees and other income received | - | - |
| Operating expenses paid to suppliers and employees | (22) | (20) |
| Cash generated from operations | 177 | 187 |
| Interest paid | (73) | (84) |
| Interest received | 1 | 1 |
| UK corporation tax paid | (1) | (2) |
| Cash inflow from operating activities | 104 | 102 |
| Cash inflow from operating activities deployed as: | | |
| Surplus cash retained within joint ventures and funds | 26 | 43 |
| Revenue distributions per consolidated statement of cash flows | 78 | 59 |
| Revenue distributions split between controlling and non-controlling interests | | |
| Attributable to non-controlling interests | 2 | 4 |
| Attributable to shareholders of the Company | 76 | 55 |

12 Other investments

| | 2018 | | | | | 2017 | | | | |
|---------------------------|-----------------------------------|------------------------------------|-------------------------------------|-------------------------|-------------|-----------------------------------|------------------------------------|-------------------------------------|-------------------------|-------------|
| | Investment held for trading £m | Loans, receivables and other £m | Property, plant and equipment £m | Intangible assets £m | Total £m | Investment held for trading £m | Loans, receivables and other £m | Property, plant and equipment £m | Intangible assets £m | Total £m |
| At 1 April | 93 | 41 | 11 | 9 | 154 | 101 | 26 | 12 | 3 | 142 |
| Additions | - | - | 15 | 4 | 19 | - | 14 | 1 | 7 | 22 |
| Disposals | - | (2) | - | - | (2) | - | (2) | - | - | (2) |
| Revaluation | 5 | 3 | - | - | 8 | (8) | 3 | - | - | (5) |
| Depreciation/amortisation | - | - | (2) | (3) | (5) | - | - | (2) | (1) | (3) |
| At 31 March | 98 | 42 | 24 | 10 | 174 | 93 | 41 | 11 | 9 | 154 |

The investment held for trading comprises interests as a trust beneficiary. The trust's assets comprise freehold reversions in a pool of commercial properties, comprising Sainsbury's superstores. The interest is categorised as Level 3 in the fair value hierarchy, is subject to the same inputs as those disclosed in note 10, and its fair value was determined by the Directors, supported by an external valuation.

13 Debtors

| | 2018 £m | 2017 £m |
|--|------------|------------|
| Trade and other debtors | 28 | 22 |
| Deposits received relating to held for sale asset ¹ | – | 144 |
| Prepayments and accrued income | 7 | 5 |
| | 35 | 171 |

¹ Prior year balance is due to deposit on acquisition of non-current investment in subsidiary (see note 11) not classified as financial asset as it is held at cost and was conditional and not quite certain at the prior year balance sheet date.

Trade and other debtors are shown after deducting a provision for bad and doubtful debts of £14m (2016/17: £14m). The charge to the income statement in relation to bad and doubtful debts was £1m (2016/17: £1m).

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

As at 31 March, trade and other debtors outside their payment terms yet not provided for are as follows:

| | Total £m | Within credit terms £m | Outside credit terms but not impaired | | |
|-------------|-------------|------------------------------|---------------------------------------|---------------------|-----------------------------|
| | | | 0-1 month £m | 1-2 months £m | More than 2 months £m |
| 2018 | 28 | 18 | 6 | 4 | – |
| 2017 | 22 | 7 | 9 | 4 | 2 |

14 Creditors

| | 2018 £m | 2017 £m |
|--|------------|------------|
| Trade creditors | 146 | 127 |
| Deposits received relating to held for sale asset ¹ | – | 144 |
| Other taxation and social security | 30 | 32 |
| Accruals | 73 | 83 |
| Deferred income | 75 | 72 |
| | 324 | 458 |

¹ Prior year balance is due to deposit on acquisition of non-current investment in subsidiary (see note 11) not classified as financial asset as it is held at cost and was conditional and not quite certain at the prior year balance sheet date.

Trade creditors are interest-free and have settlement dates within one year. The Directors consider that the carrying amount of trade and other creditors is approximate to their fair value.

15 Other non-current liabilities

| | 2018 £m | 2017 £m |
|-------------------------|------------|------------|
| Other creditors | – | 1 |
| Head leases | 62 | 64 |
| Net pension liabilities | – | 13 |
| | 62 | 78 |

NOTES TO THE ACCOUNTS CONTINUED

16 Deferred tax

The movement on deferred tax is as shown below

Deferred tax assets year ended 31 March 2018

| | 1 April 2017 £m | Credited to income £m | Debited to equity £m | Transferred to joint ventures £m | 31 March 2018 £m |
|--|-----------------------|-----------------------------|----------------------------|--|------------------------|
| Interest rate and currency derivative revaluations | 4 | 5 | (5) | – | 4 |
| Other timing differences | 7 | – | – | – | 7 |
| | 11 | 5 | (5) | – | 11 |

Deferred tax liabilities year ended 31 March 2018

| | £m | £m | £m | £m | £m |
|--------------------------------------|----------|----------|------------|----------|----------|
| Property and investment revaluations | (7) | – | – | – | (7) |
| | (7) | – | – | – | (7) |
| Net deferred tax assets | 4 | 5 | (5) | – | 4 |

Deferred tax assets year ended 31 March 2017

| | 1 April 2016 £m | Credited to income £m | Debited to equity £m | Transferred to joint ventures £m | 31 March 2017 £m |
|--|-----------------------|-----------------------------|----------------------------|--|------------------------|
| Interest rate and currency derivative revaluations | 5 | (1) | – | – | 4 |
| Other timing differences | 6 | 1 | – | – | 7 |
| | 11 | – | – | – | 11 |

Deferred tax liabilities year ended 31 March 2017

| | £m | £m | £m | £m | £m |
|--------------------------------------|----------|----------|----------|----------|----------|
| Property and investment revaluations | (7) | – | – | – | (7) |
| Other timing differences | (1) | – | – | 1 | – |
| | (8) | – | – | 1 | (7) |
| Net deferred tax assets | 3 | – | – | 1 | 4 |

The following corporation tax rates have been substantively enacted: 19% effective from 1 April 2017 reducing to 17% effective from 1 April 2020. The deferred tax assets and liabilities have been calculated at the tax rate effective in the period that the tax is expected to crystallise.

The Group has recognised a deferred tax asset calculated at 17% (2016/17: 17%) of £7m (2016/17: £5m) in respect of capital losses from previous years available for offset against future capital profit. Further unrecognised deferred tax assets in respect of capital losses of £123m (2016/17: £129m) exist at 31 March 2018.

The Group has recognised deferred tax assets on derivative revaluations to the extent that future matching taxable profits are expected to arise.

At 31 March 2018, the Group had an unrecognised deferred tax asset calculated at 17% (2016/17: 17%) of £43m (2016/17: £50m) in respect of UK revenue tax losses from previous years.

Under the REIT regime, development properties which are sold within three years of completion do not benefit from tax exemption. At 31 March 2018, the value of such properties is £176m (2016/17: £176m) and if these properties were to be sold and no tax exemption was available, the tax arising would be £13m (2016/17: £13m).

17 Net debt

| | Footnote | 2018 £m | 2017 £m |
|---|----------|--------------|--------------|
| Secured on the assets of the Group | | | |
| 9.125% First Mortgage Debenture Stock 2020 | 1.1 | – | 34 |
| 5.264% First Mortgage Debenture Bonds 2035 | | 369 | 377 |
| 5.0055% First Mortgage Amortising Debentures 2035 | | 95 | 99 |
| 5.357% First Mortgage Debenture Bonds 2028 | | 255 | 348 |
| Bank loans | 1.2 | 512 | 475 |
| Loan notes | | 2 | 2 |
| | | 1,233 | 1,335 |
| Unsecured | | | |
| 5.50% Senior Notes 2027 | | 100 | 102 |
| 3.895% Senior US Dollar Notes 2018 | 2 | 27 | 32 |
| 4.635% Senior US Dollar Notes 2021 | 2 | 156 | 181 |
| 4.766% Senior US Dollar Notes 2023 | 2 | 97 | 113 |
| 5.003% Senior US Dollar Notes 2026 | 2 | 63 | 73 |
| 3.81% Senior Notes 2026 | | 110 | 114 |
| 3.97% Senior Notes 2026 | | 112 | 117 |
| 1.5% Convertible Bond 2017 | | – | 406 |
| 0% Convertible Bond 2020 | | 337 | 331 |
| 2.375% Sterling Unsecured Bond 2029 | | 298 | – |
| Bank loans and overdrafts | | 595 | 477 |
| | | 1,895 | 1,946 |
| Gross debt | 3 | 3,128 | 3,281 |
| Interest rate and currency derivative liabilities | | 138 | 144 |
| Interest rate and currency derivative assets | | (115) | (217) |
| Cash and short term deposits | 4.5 | (105) | (114) |
| Total net debt | | 3,046 | 3,094 |
| Net debt attributable to non-controlling interests | | (109) | (103) |
| Net debt attributable to shareholders of the Company | | 2,937 | 2,991 |

1.1 and 1.2 refer to the following: 1.1 – Secured on the assets of the Group; 1.2 – Unsecured

| | 2018 £m | 2017 £m |
|-------------------------------|------------|------------|
| 1.1 BLD Property Holdings Ltd | – | 34 |
| 1.2 Hercules Unit Trust | 512 | 475 |
| | 512 | 509 |

For the amendments on the borrowings which relate to the 1.1 and 1.2, see the notes to the financial statements.

The principal and interest payable on the 1.1 and 1.2 (2018/17 – £1,129m) included in this table is principal and interest payable on the borrowings and other borrowings as at the balance sheet date. The 1.1 and 1.2 (2018/17 – £1,129m) included in this table is principal and interest payable on the borrowings and other borrowings as at the balance sheet date.

The 1.1 and 1.2 (2018/17 – £1,129m) included in this table is principal and interest payable on the borrowings and other borrowings as at the balance sheet date. The 1.1 and 1.2 (2018/17 – £1,129m) included in this table is principal and interest payable on the borrowings and other borrowings as at the balance sheet date.

1.1 and 1.2 refer to the following: 1.1 – Secured on the assets of the Group; 1.2 – Unsecured

NOTES TO THE ACCOUNTS CONTINUED

17 Net debt continued**Maturity analysis of net debt**

| | 2018 £m | 2017 £m |
|---|--------------|--------------|
| Repayable within one year and on demand | 27 | 464 |
| Between one and two years | 163 | 31 |
| two and five years | 1,194 | 1,283 |
| five and ten years | 803 | 783 |
| ten and fifteen years | 305 | 332 |
| fifteen and twenty years | 636 | 388 |
| | 3,101 | 2,817 |
| Gross debt | 3,128 | 3,281 |
| Interest rate and currency derivatives | 23 | (73) |
| Cash and short term deposits | (105) | (114) |
| Net debt | 3,046 | 3,094 |

1.5% Convertible bond 2012 (maturity 2017)

On 10 September 2012, British Land (Jersey) Limited (the 2012 Issuer), a wholly-owned subsidiary of the Group, issued £400 million 1.5% guaranteed convertible bonds due 2017 (the 2012 bonds) at par. On 10 September 2017, the convertible bonds were redeemed at par.

0% Convertible bond 2015 (maturity 2020)

On 9 June 2015, British Land (White) 2015 Limited (the 2015 Issuer), a wholly-owned subsidiary of the Group, issued £350 million zero coupon guaranteed convertible bonds due 2020 (the 2015 bonds) at par. The 2015 Issuer is fully guaranteed by the Company in respect of the 2015 bonds.

Subject to their terms, the 2015 bonds are convertible into preference shares of the 2015 Issuer which are automatically transferred to the Company in exchange for ordinary shares in the Company or, at the Company's election, any combination of ordinary shares and cash. From 20 July 2015 up to and including 29 June 2018, a bondholder may exercise its conversion right if the share price has traded at a level exceeding 130% of the exchange price for a specified period. Thereafter, and up to but excluding the 7th dealing day before 9 June 2020 (the maturity date), a bondholder may convert at any time.

The initial exchange price was 1103.32 pence per ordinary share. The exchange price is adjusted based on certain events (such as the Company paying dividends in any quarter above 3.418 pence per ordinary share). As at 31 March 2018 the exchange price was 1036.52 pence per ordinary share.

From 30 June 2018, the Company has the option to redeem the 2015 bonds at par if the Company's share price has traded above 130% of the exchange price for a specified period, or at any time once 85% by nominal value of the 2015 bonds have been converted, redeemed, or purchased and cancelled. The 2015 bonds will be redeemed at par on 9 June 2020 (the maturity date) if they have not already been converted, redeemed or purchased and cancelled.

17 Net debt continued

Fair value and book value of net debt

| | 2018 | | | 2017 | | |
|---|------------------|------------------|------------------|------------------|------------------|------------------|
| | Fair value £m | Book value £m | Difference £m | Fair value £m | Book value £m | Difference £m |
| Debentures and unsecured bonds | 1,783 | 1,682 | 101 | 1,682 | 1,590 | 92 |
| Convertible bonds | 337 | 337 | - | 737 | 737 | - |
| Bank debt and other floating rate debt | 1,116 | 1,109 | 7 | 963 | 954 | 9 |
| Gross debt | 3,236 | 3,128 | 108 | 3,382 | 3,281 | 101 |
| Interest rate and currency derivative liabilities | 138 | 138 | - | 144 | 144 | - |
| Interest rate and currency derivative assets | (115) | (115) | - | (217) | (217) | - |
| Cash and short term deposits | (105) | (105) | - | (114) | (114) | - |
| Net debt | 3,154 | 3,046 | 108 | 3,195 | 3,094 | 101 |
| Net debt attributable to non-controlling interests | (110) | (109) | (1) | (105) | (103) | (2) |
| Net debt attributable to shareholders of the Company | 3,044 | 2,937 | 107 | 3,090 | 2,991 | 99 |

The fair values of debentures, unsecured bonds and the convertible bond have been established by obtaining quoted market prices from brokers. The bank debt and other floating rate debt has been valued assuming it could be renegotiated at contracted margins. The derivatives have been valued by calculating the present value of expected future cash flows, using appropriate market discount rates, by an independent treasury adviser.

Short term debtors and creditors and other investments have been excluded from the disclosures on the basis that the fair value is equivalent to the book value. The fair value hierarchy level of debt held at amortised cost is level 2 (as defined in note 10).

Group loan to value (LTV)

| | 2018 £m | 2017 £m |
|---|---------------|---------------|
| Group loan to value (LTV) | 22.1% | 22.6% |
| Principal amount of gross debt | 3,007 | 3,069 |
| Less debt attributable to non-controlling interests | (119) | (112) |
| Less cash and short term deposits (balance sheet) | (105) | (114) |
| Plus cash attributable to non-controlling interests | 10 | 9 |
| Total net debt for LTV calculation | 2,793 | 2,852 |
| Group property portfolio valuation (note 10) | 9,997 | 9,520 |
| Investments in joint ventures and funds (note 11) | 2,822 | 2,766 |
| Joint venture held for sale (note 11) | - | 540 |
| Other investments (note 12) | 174 | 154 |
| Less property and investments attributable to non-controlling interests | (366) | (364) |
| Total assets for LTV calculation | 12,627 | 12,616 |

Proportionally consolidated loan to value (LTV)

| | 2018 £m | 2017 £m |
|---|---------------|---------------|
| Proportionally consolidated loan to value (LTV) | 28.4% | 29.9% |
| Principal amount of gross debt | 4,399 | 4,649 |
| Less debt attributable to non-controlling interests | (135) | (128) |
| Less cash and short term deposits | (331) | (323) |
| Plus cash attributable to non-controlling interests | 10 | 9 |
| Total net debt for proportional LTV calculation | 3,943 | 4,207 |
| Group property portfolio valuation (note 10) | 9,997 | 9,520 |
| Share of property of joint ventures and funds (note 10) | 4,102 | 4,801 |
| Other investments (note 12) | 174 | 154 |
| Less other investments attributable to joint ventures and funds | (2) | (3) |
| Less property attributable to non-controlling interests | (383) | (381) |
| Total assets for proportional LTV calculation | 13,888 | 14,091 |

NOTES TO THE ACCOUNTS CONTINUED

17 Net debt continued**British Land Unsecured Financial Covenants**

The two financial covenants applicable to the Group unsecured debt including convertible bonds are shown below

| | 2018 £m | 2017 £m |
|--|--------------|--------------|
| Net Borrowings not to exceed 175% of Adjusted Capital and Reserves | 29% | 29% |
| Principal amount of gross debt | 3,007 | 3,069 |
| Less the relevant proportion of borrowings of the partly-owned subsidiary/non-controlling interests | (119) | (112) |
| Less cash and deposits (balance sheet) | (105) | (114) |
| Plus the relevant proportion of cash and deposits of the partly-owned subsidiary/non-controlling interests | 10 | 9 |
| Net Borrowings | 2,793 | 2,852 |
| Share capital and reserves (balance sheet) | 9,506 | 9,476 |
| EPRA deferred tax adjustment (EPRA Table A) | 5 | 3 |
| Trading property surpluses (EPRA Table A) | 134 | 83 |
| Exceptional refinancing charges (see below) | 233 | 274 |
| Fair value adjustments of financial instruments (EPRA Table A) | 137 | 155 |
| Less reserves attributable to non-controlling interests (balance sheet) | (254) | (255) |
| Adjusted Capital and Reserves | 9,761 | 9,736 |

In calculating Adjusted Capital and Reserves for the purpose of the unsecured debt financial covenants, there is an adjustment of £233m (2016/17: £274m) to reflect the cumulative net amortised exceptional items relating to the refinancings in the years ended 31 March 2005, 2006 and 2007

| | 2018 £m | 2017 £m |
|--|--------------|--------------|
| Net Unsecured Borrowings not to exceed 70% of Unencumbered Assets | 23% | 26% |
| Principal amount of gross debt | 3,007 | 3,069 |
| Less cash and deposits not subject to a security interest (being £91m less the relevant proportion of cash and deposits of the partly-owned subsidiary/non-controlling interests of £7m) | (84) | (96) |
| Less principal amount of secured and non-recourse borrowings | (1,159) | (1,238) |
| Net Unsecured Borrowings | 1,764 | 1,735 |
| Group property portfolio valuation (note 10) | 9,997 | 9,520 |
| Investments in joint ventures and funds (note 11) | 2,822 | 2,766 |
| Joint venture held for sale (note 11) | - | 540 |
| Other investments (note 12) | 174 | 154 |
| Less investments in joint ventures and joint venture held for sale (note 11) | (2,822) | (3,299) |
| Less encumbered assets (note 10) | (2,447) | (3,040) |
| Unencumbered Assets | 7,724 | 6,641 |

17 Net debt continued

Reconciliation of movement in Group net debt for the year ended 31 March 2018

| | 2017 | Cash flows | Transfers ³ | Foreign exchange | Fair value | Arrangement costs amortisation | 2018 |
|---|--------------|-------------|------------------------|------------------|------------|--------------------------------|--------------|
| Short term borrowings | 464 | (458) | 27 | – | (6) | – | 27 |
| Long term borrowings | 2,817 | 361 | (27) | (40) | (10) | – | 3,101 |
| Derivatives ¹ | (73) | 29 | – | 40 | 27 | – | 23 |
| Total liabilities from financing activities | 3,208 | (68) | – | – | 11 | – | 3,151 |
| Cash and cash equivalents | (114) | 9 | – | – | – | – | (105) |
| Net debt | 3,094 | (59) | – | – | 11 | – | 3,046 |

Reconciliation of movement in Group net debt for the year ended 31 March 2017

| | 2016 | Cash flows | Transfers | Foreign exchange | Fair value | Arrangement costs amortisation | 2017 |
|---|--------------|--------------|-----------|------------------|-------------|--------------------------------|--------------|
| Short term borrowings | 74 | (74) | 464 | – | – | – | 464 |
| Long term borrowings | 3,687 | (423) | (464) | 49 | (36) | 4 | 2,817 |
| Derivatives | (30) | 1 | – | (48) | 4 | – | (73) |
| Total liabilities from financing activities | 3,731 | (496) | – | 1 | (32) | 4 | 3,208 |
| Cash and cash equivalents | (114) | – | – | – | – | – | (114) |
| Net debt | 3,617 | (496) | – | 1 | (32) | 4 | 3,094 |

¹ Derivatives fair value at 31 March 2018 net of related derivatives assets

² Cash flows include interest on long-term debt, interest on short-term debt

³ Transfers include the movement of debt from long-term to short-term borrowings

⁴ Cash flows on fair value changes on derivatives are included in cash flows, and the fair value changes on derivatives are included in the net debt. The net debt is calculated as the sum of cash flows, and the fair value changes on derivatives are included in the net debt.

NOTES TO THE ACCOUNTS CONTINUED

17 Net debt continued**Fair value hierarchy**

The table below provides an analysis of financial instruments carried at fair value, by the valuation method. The fair value hierarchy levels are defined in note 10.

| | 2018 | | | | 2017 | | | |
|---|---------------|---------------|---------------|-------------|---------------|---------------|---------------|--------------|
| | 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 | - | (115) | - | (115) | - | (217) | - | (217) |
| Other investments – available for sale | (14) | - | - | (14) | (14) | - | - | (14) |
| Other investments – held for trading | - | - | 98 | 98 | - | - | (93) | (93) |
| Assets | (14) | (115) | 98 | (31) | (14) | (217) | (93) | (324) |
| Interest rate and currency derivative liabilities | - | 138 | - | 138 | - | 144 | - | 144 |
| Convertible bonds | 337 | - | - | 337 | 737 | - | - | 737 |
| Liabilities | 337 | 138 | - | 475 | 737 | 144 | - | 881 |
| Total | 323 | 23 | 98 | 444 | 723 | (73) | (93) | 557 |

Categories of financial instruments

| | 2018 £m | 2017 £m |
|---|----------------|----------------|
| Financial assets | | |
| Fair value through income statement | | |
| Other investments – held for trading | 98 | 93 |
| Derivatives in designated hedge accounting relationships | 110 | 215 |
| Derivatives not in designated hedge accounting relationships | 5 | 2 |
| Loans and receivables | | |
| Trade and other debtors | 28 | 166 |
| Cash and short term deposits | 105 | 114 |
| Other investments – loans and receivables | 42 | 61 |
| | 388 | 651 |
| Financial liabilities | | |
| Fair value through income statement | | |
| Convertible bonds | (337) | (737) |
| Derivatives in designated hedge accounting relationships | (5) | (143) |
| Derivatives not in designated accounting relationships | (133) | (1) |
| Amortised cost | | |
| Gross debt | (2,791) | (2,544) |
| Head leases payable | (62) | (64) |
| Creditors | (237) | (373) |
| | (3,565) | (3,862) |
| Total | (3,177) | (3,211) |

Gains and losses on financial instruments, as classed above, are disclosed in note 6 (net financing costs), note 13 (debtors), the consolidated income statement and the consolidated statement of comprehensive income. The Directors consider that the carrying amounts of other investments and head leases payable are approximate to their fair value, and that the carrying amounts are recoverable.

Capital risk management

The capital structure of the Group consists of net debt and equity attributable to the equity holders of The British Land Company PLC, comprising issued capital, reserves and retained earnings. Risks relating to capital structure are addressed within Managing risk in delivering our strategy on pages 48 to 51. The Group's objectives, policies and processes for managing debt are set out in the Financial policies and principles on pages 45 to 47.

17 Net debt continued

Interest rate risk management

The Group uses interest rate swaps and caps to hedge exposure to the variability in cash flows on floating rate debt, such as revolving bank facilities, caused by movements in market rates of interest

At 31 March 2018, the fair value of these derivatives is a net liability of £118m. Interest rate swaps with a fair value of £5m have been designated as cash flow hedges under IAS 39

The ineffectiveness recognised in the income statement on cash flow hedges in the year ended 31 March 2018 was £nil (2016/17: £nil)

The cash flows occur and are charged to profit and loss until the maturity of the hedged debt. The table below summarises variable rate debt hedged at 31 March 2018

Variable rate debt hedged

| | 2018 £m | 2017 £m |
|-------------------------|------------|------------|
| Outstanding at one year | 775 | 775 |
| at two years | 600 | 775 |
| at five years | 250 | 250 |
| at ten years | 250 | 250 |

Fair value hedged debt

The Group uses interest rate swaps to hedge exposure on fixed rate financial liabilities caused by movements in market rates of interest

At 31 March 2018, the fair value of these derivatives is a net asset of £95m. Interest rate swaps with a fair value of £110m have been designated as fair value hedges under IAS 39 (2016/17: asset of £215m)

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

| | 2018 £m | 2017 £m |
|-----------------------------|------------|------------|
| Fixed or capped rate | 2,107 | 1,604 |
| Variable rate (net of cash) | 939 | 1,490 |
| | 3,046 | 3,094 |

All the debt is effectively Sterling denominated except for £3m (2016/17: £11m) of Euro debt of which £3m is at a variable rate (2016/17: £11m)

At 31 March 2018 the weighted average interest rate of the Sterling fixed rate debt is 3.2% (2016/17: 3.3%). The weighted average period for which the rate is fixed is 9.1 years (2016/17: 8.3 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 80% at 31 March 2018 on a spot basis. The proportion of net debt at fixed or capped rates of interest as an average over the next five-year forecast period, on a proportionally consolidated basis, was 60% at 31 March 2018. 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 £59m (2016/17: £87m decrease). Similarly, a 72 bps reduction would increase profits by £10m (2016/17: £5m increase based on a 34 bps reduction). 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 10 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 and caps that provide protection against such moves. The converse is true for downward movements in the yield curve. A 204 bps shift represents the largest annual change in the seven-year Sterling swap rate over the last 10 years. At 31 March 2018 a 204 bps parallel upward shift in swap rates would increase the value of cash flow hedges and derivatives that are not hedge accounted by £68m (2016/17: £82m). A 204 bps downward shift in swap rates would reduce the value of these derivatives by £81m (2016/17: £131m)

NOTES TO THE ACCOUNTS CONTINUED

17 Net debt continued**Interest rate profile – including effect of derivatives** continued

The 0% 2015 Convertible Bond is designated as fair value through profit or loss. Principal components of the market value of this bond include British Land's share price and its volatility, and market interest rates.

The fair value of the 0% 2015 Convertible Bond at 31 March 2018 was a £337m liability. At 31 March 2018 a 204 bps parallel upward shift in interest rates would reduce the fair value liability by £15m, and a 204 bps downward shift in interest rates would increase the fair value liability by £15m.

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. Based on the 31 March 2018 position a 26% appreciation (largest annual change over the last ten years) in the Euro relative to Sterling would result in a £nil change (2016/17: £nil) in reported profits.

| | Assets | | Liabilities | |
|------------------|------------|------------|-------------|------------|
| | 2018 £m | 2017 £m | 2018 £m | 2017 £m |
| Euro denominated | 3 | 11 | 3 | 11 |

Credit risk management

The Group's approach to credit risk management of counterparties is referred to in the Financial policies and principles on pages 45 to 47 and the risks addressed within Managing risk in delivering our strategy on pages 48 to 51. 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 2018 amounted to £105m (2016/17: £114m). Deposits and interest rate deposits were placed with financial institutions with BBB- or better credit ratings.

At 31 March 2018, the fair value of all interest rate derivative assets was £115m (2016/17: £217m).

At 31 March 2018, 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 £49m (2016/17: £120m). This represents 0.4% (2016/17: 0.9%) of gross assets.

The deposit exposures are with UK banks and UK branches of international banks.

The Group's exposure to credit risk in respect of its trade receivables is analysed in note 13. Provisions are made taking into account historic credit losses and the creditworthiness of debtors.

Liquidity risk management

The Group's approach to liquidity risk management is discussed in the Financial policies and principles on pages 45 to 47, and the risks addressed within Managing risk in delivering our strategy on pages 48 to 51.

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.

Liquidity risk management continued

| | 2018 | | | | |
|---|--------------------------|-------------------------|---------------------------------|--------------------------|--------------|
| | Within one year £m | Following year £m | Three to five years £m | Over five years £m | Total £m |
| Debt | 30 | 166 | 1,173 | 1,680 | 3,049 |
| Interest on debt | 92 | 94 | 232 | 475 | 893 |
| Derivative payments | 34 | 16 | 182 | 259 | 491 |
| Head lease payments | 2 | 2 | 7 | 267 | 278 |
| Total payments | 158 | 278 | 1,594 | 2,681 | 4,711 |
| Derivative receipts | (52) | (20) | (209) | (196) | (477) |
| Net payment | 106 | 258 | 1,385 | 2,485 | 4,234 |
| Operating leases with tenants | 424 | 399 | 968 | 1,490 | 3,281 |
| Liquidity surplus (deficit) | 318 | 141 | (417) | (995) | (953) |
| Cumulative liquidity surplus (deficit) | 318 | 459 | 42 | (953) | |

| | 2017 | | | | |
|---|---|---|---|---|---|
| | Weighted average number of shares outstanding | Weighted average number of shares outstanding | Weighted average number of shares outstanding | Weighted average number of shares outstanding | Weighted average number of shares outstanding |
| Debt ¹ | 459 | 33 | 1,240 | 1,420 | 3,152 |
| Interest on debt | 89 | 86 | 235 | 468 | 878 |
| Derivative payments | 12 | 44 | 189 | 263 | 508 |
| Head lease payments | 2 | 2 | 7 | 254 | 265 |
| Total payments | 562 | 165 | 1,671 | 2,405 | 4,803 |
| Derivative receipts | (26) | (61) | (255) | (251) | (593) |
| Net payment | 536 | 104 | 1,416 | 2,154 | 4,210 |
| Operating leases with tenants | 405 | 382 | 984 | 1,750 | 3,521 |
| Liquidity (deficit) surplus | (131) | 278 | (432) | (404) | (689) |
| Cumulative liquidity (deficit) surplus | (131) | 147 | (285) | (689) | (689) |

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, such as committed undrawn borrowing facilities. The Group currently holds cash and short term deposits of £105m of which £91m is not subject to a security interest (see footnote 5 to net debt table on page 131). Further liquidity can be achieved through sales of property assets or investments and debt refinancings.

Maturity of committed undrawn borrowing facilities

| Maturity of committed undrawn borrowing facilities | | 2018 €m | 2017 €m |
|--|------------------------------|--------------|--------------|
| Maturity date | over five years | 60 | 125 |
| | between four and five years | 90 | 1,110 |
| | between three and four years | 1,010 | 58 |
| Total facilities available for more than three years | | 1,160 | 1,293 |
| Between two and three years | | 85 | 149 |
| Between one and two years | | 86 | - |
| Within one year | | - | 2 |
| Total | | 1,331 | 1,444 |

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NOTES TO THE ACCOUNTS CONTINUED

18 Leasing**Operating leases with tenants**

The Group leases out all of its investment properties under operating leases with a weighted average lease length of eight years (2016/17: eight years). The future aggregate minimum rentals receivable under non-cancellable operating leases are as follows

| | 2018 £m | 2017 £m |
|----------------------------------|--------------|--------------|
| Less than one year | 424 | 405 |
| Between one and two years | 399 | 382 |
| Between three and five years | 968 | 984 |
| Between six and ten years | 906 | 980 |
| Between eleven and fifteen years | 393 | 460 |
| Between sixteen and twenty years | 145 | 181 |
| After twenty years | 46 | 129 |
| Total | 3,281 | 3,521 |

Operating lease commitments

The future aggregate minimum rentals payable under non-cancellable operating leases are as follows

| | 2018 £m | 2017 £m |
|------------------------------|------------|------------|
| Less than one year | 3 | 3 |
| Between one and two years | 3 | 3 |
| Between three and five years | 8 | 9 |
| Between six and ten years | 7 | 9 |
| Total | 21 | 24 |

The Group's leasehold investment properties are typically under non-renewable leases without significant restrictions. Finance lease liabilities are payable as follows; no contingent rents were payable in either period

| | 2018 | | | 2017 | | |
|---|------------------------------------|----------------|-----------------|------------------------------------|----------------|-----------------|
| | Minimum lease payments £m | Interest £m | Principal £m | Minimum lease payments £m | Interest £m | Principal £m |
| British Land Group | | | | | | |
| Less than one year | 2 | 2 | - | 2 | 2 | - |
| Between one and two years | 2 | 2 | - | 2 | 2 | - |
| Between two and five years | 7 | 7 | - | 7 | 7 | - |
| More than five years | 267 | 205 | 62 | 269 | 205 | 64 |
| Total | 278 | 216 | 62 | 280 | 216 | 64 |
| Less future finance charges | (216) | | | (216) | | |
| Present value of lease obligations | 62 | | | 64 | | |
| More than five years | 62 | | | 64 | | |
| Present value of lease obligations | 62 | | | 64 | | |

19 Dividend

The fourth quarter interim dividend of 7.52 pence per share, totalling £74m (2016/17 7.30 pence per share, totalling £75m), was approved by the Board on 16 May 2018 and is payable on 3 August 2018 to shareholders on the register at the close of business on 29 June 2018.

The Board will announce the availability of the Scrip Dividend Alternative, if available, via the Regulatory News Service and on its website (www.britishland.com/dividends), no later than four business days before the ex-dividend date of 28 June 2018. The Board expects to announce the split between Property Income Distributions (PID) and non-PID income at that time. Any Scrip Dividend Alternative will not be enhanced. PID dividends are paid, as required by REIT legislation, after deduction of withholding tax at the basic rate (currently 20%), where appropriate. Certain classes of shareholders may be able to elect to receive dividends gross. Please refer to our website www.britishland.com/dividends for details.

| Payment date | Dividend | 2018 £m | 2017 £m |
|--|------------------|--------------|------------|
| Current year dividends | | | |
| 03/08/2018 | 2018 4th interim | 7.52 | |
| 04/05/2018 | 2018 3rd interim | 7.52 | |
| 09/02/2018 | 2018 2nd interim | 7.52 | 75 |
| 10/11/2017 | 2018 1st interim | 7.52 | 77 |
| | | <u>30.08</u> | |
| Prior year dividends | | | |
| 04/08/2017 | 2017 4th interim | 7.30 | 75 |
| 05/05/2017 | 2017 3rd interim | 7.30 | 75 |
| 10/02/2017 | 2017 2nd interim | 7.30 | 75 |
| 11/11/2016 | 2017 1st interim | 7.30 | 75 |
| | | <u>29.20</u> | |
| 05/08/2016 | 2016 4th interim | 7.09 | 73 |
| 06/05/2016 | 2016 3rd interim | 7.09 | 73 |
| Dividends in consolidated statement of changes in equity | | 302 | 296 |
| Dividends settled in shares | | – | – |
| Dividends settled in cash | | 302 | 296 |
| Timing difference relating to payment of withholding tax | | 2 | (1) |
| Dividends in cash flow statement | | 304 | 295 |

Dividends payable, at 31 March 2018

20 Share capital and reserves

| | 2018 | 2017 |
|---|----------------------|---------------|
| Number of ordinary shares in issue at 1 April | 1,041,035,058 | 1,040,562,323 |
| Share issues | 429,206 | 472,735 |
| Repurchased and cancelled | (47,607,139) | – |
| At 31 March | 993,857,125 | 1,041,035,058 |

Of the issued 25p ordinary shares, 7.37% shares were held in the ESOP trust (2016/17 7.78%), 11,266,245 shares were held as treasury shares (2016/17 11,266,245) and 982,583,504 shares were in free issue (2016/17 1,029,761,030). No treasury shares were acquired by the ESOP trust during the year. All issued shares are fully paid. In the year ended 31 March 2018 the Company repurchased and cancelled 47,607,139 ordinary shares at a weighted average price of 630 pence.

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

20 Share capital and reserves continued

At 31 March 2018, options over 7,517,263 ordinary shares were outstanding under employee share option plans. The options had a weighted average life of 6.6 years. Details of outstanding share options and shares awarded to employees including Executive Directors are set out below and on the following page.

| Exercise dates | | | | | | | | | |
|---|------------------|------------------|--------------------------|------------------|--------------------|------------------|------------------------|----------|----------|
| Date of grant | At 1 April 2017 | Granted | Vested but not exercised | Exercised/Vested | Lapsed | At 31 March 2018 | Exercise price (pence) | From | To |
| Share options Sharesave Scheme | | | | | | | | | |
| 26 06 12 | 42,698 | - | - | (40,403) | (2,295) | - | 392.00 | 01 9 17 | 01 03 18 |
| 19 06 13 | 317 | - | - | - | (317) | - | 511.00 | 01 9 16 | 28 02 17 |
| 19 06 13 | 15,202 | - | - | - | (352) | 14,850 | 511.00 | 01 9 18 | 01 03 19 |
| 23 06 14 | 116,537 | - | - | (112,776) | (3,761) | - | 574.00 | 01 9 17 | 01 03 18 |
| 23 06 14 | 98,450 | - | - | - | (15,938) | 82,512 | 574.00 | 01 9 19 | 01 03 20 |
| 22 06 15 | 39,205 | - | - | - | (11,305) | 27,900 | 697.00 | 01 9 18 | 01 03 19 |
| 22 06 15 | 20,382 | - | - | - | (5,376) | 15,006 | 697.00 | 01 9 20 | 01 03 21 |
| 20 06 16 | 92,101 | - | - | (559) | (45,616) | 45,926 | 608.00 | 01 9 19 | 01 03 20 |
| 20 06 16 | 59,300 | - | - | - | (37,297) | 22,003 | 608.00 | 01 9 21 | 01 03 22 |
| 21 06 17 | - | 265,883 | - | - | (9,064) | 256,819 | 508.00 | 01 9 20 | 01 03 21 |
| 21 06 17 | - | 98,960 | - | - | (2,420) | 96,540 | 508.00 | 01 9 22 | 01 03 23 |
| | 484,192 | 364,843 | - | (153,738) | (133,741) | 561,556 | | | |
| Long-Term Incentive Plan – options vested, not exercised | | | | | | | | | |
| 29 06 09 | 10,333 | - | - | - | - | 10,333 | 387.00 | 29 06 12 | 29 06 19 |
| 21 12 09 | 69,710 | - | - | (11,157) | - | 58,553 | 446.00 | 21 12 12 | 21 12 19 |
| 11 06 10 | 1,207,153 | - | - | (74,884) | - | 1,132,269 | 447.00 | 11 06 13 | 11 06 20 |
| 14 12 10 | 59,933 | - | - | (4,800) | - | 55,133 | 510.00 | 14 12 13 | 14 12 20 |
| 28 06 11 | 823,253 | - | - | (10,434) | - | 812,819 | 575.00 | 28 06 14 | 28 06 21 |
| 19 12 11 | 76,826 | - | - | (6,651) | - | 70,175 | 451.00 | 19 12 14 | 19 12 21 |
| 14 09 12 | 1,055,907 | - | - | (85,254) | (2,096) | 968,557 | 538.00 | 14 09 15 | 14 09 22 |
| 20 12 12 | 77,345 | - | - | (6,532) | (8,616) | 62,197 | 563.00 | 20 12 15 | 20 12 22 |
| 05 08 13 | 333,028 | - | - | (27,280) | (11,670) | 294,078 | 601.00 | 05 08 16 | 05 08 23 |
| 05 12 13 | 208,015 | - | - | (23,151) | (12,955) | 171,909 | 600.00 | 05 12 16 | 05 12 23 |
| | 3,921,503 | - | - | (250,143) | (35,337) | 3,636,023 | | | |
| Long-Term Incentive Plan – unvested options | | | | | | | | | |
| 23 6 14 | 763,854 | - | - | - | (763,854) | - | 684.33 | 23 06 17 | 23 06 24 |
| 12 12 14 | 26,127 | - | - | - | (26,127) | - | 757.83 | 12 12 17 | 12 12 24 |
| 22 6 15 | 1,021,853 | - | - | - | (132,731) | 889,122 | 824.50 | 22 06 18 | 22 06 25 |
| 22 6 16 | 1,317,362 | - | - | - | (95,742) | 1,221,620 | 730.50 | 22 06 19 | 22 06 26 |
| 28 6 17 | - | 1,258,685 | - | - | (49,743) | 1,208,942 | 617.17 | 28 06 20 | 28 06 27 |
| | 3,129,196 | 1,258,685 | - | - | (1,068,197) | 3,319,684 | | | |
| Total | 7,534,891 | 1,623,528 | - | (403,881) | (1,237,275) | 7,517,263 | | | |
| Weighted average exercise price of options (pence) | | | | | | | | | |
| | 621 | 593 | - | 522 | 690 | 609 | | | |

20 Share capital and reserves continued

| Date of grant | At 1 April 2017 | Granted | Exercised/ Vested | Expired | At 31 March 2018 | Share price at grant date (pence) | Vesting date |
|--|------------------|------------------|----------------------|--------------------|------------------|-----------------------------------|--------------|
| Performance Shares Long-Term Incentive Plan | | | | | | | |
| 23 6 14 | 1,302,354 | - | - | (1,302,354) | - | 684.00 | 23 6 17 |
| 12 12 14 | 4,354 | - | - | (4,354) | - | 757.83 | 12 12 17 |
| 22 6 15 | 1,151,199 | - | - | (182,741) | 1,068,458 | 824.50 | 22 6 18 |
| 22 6 16 | 1,273,754 | - | - | (136,704) | 1,137,050 | 730.50 | 22 6 19 |
| 28 6 17 | - | 1,948,771 | - | (51,159) | 1,897,612 | 617.17 | 28 6 20 |
| | 3,731,661 | 1,948,771 | - | (1,577,312) | 4,103,120 | | |
| Matching Share Plan | | | | | | | |
| 30 6 14 | 289,560 | - | (144,780) | (144,780) | - | 702.40 | 30 6 17 |
| 29 6 15 | 282,170 | - | - | - | 282,170 | 806.00 | 29 6 18 |
| 29 6 16 | 318,932 | - | - | (5,756) | 313,176 | 807.00 | 29 6 19 |
| | 890,662 | - | (144,780) | (150,536) | 595,346 | | |
| Total | 4,622,323 | 1,948,771 | (144,780) | (1,727,848) | 4,698,466 | | |
| Weighted average price of shares (pence) | 749 | 617 | 702 | 695 | 716 | | |

21 Segment information

The Group allocates resources to investment and asset management according to the sectors it expects to perform over the medium term. Its three principal sectors are Offices, Retail and Canada Water. The Retail sector includes leisure, as this is often incorporated into Retail schemes. Residential properties were included within Offices in the prior year, but have been reclassified within Other/unallocated in the current year, with the prior year comparatives represented.

The relevant gross rental income, net rental income, operating result and property assets, being the measures of segment revenue, segment result and segment assets used by the management of the business, are set out below. Management reviews the performance of the business principally on a proportionally consolidated basis, which includes the Group's share of joint ventures and funds on a line-by-line basis and excludes non-controlling interests in the Group's subsidiaries. The chief operating decision maker for the purpose of segment information is the Executive Committee.

Gross rental income is derived from the rental of buildings. Operating result is the net of net rental income, fee income and administrative expenses. No customer exceeded 10% of the Group's revenues in either year.

NOTES TO THE ACCOUNTS CONTINUED

21 Segment information continued

Segment result

| | Offices | | Retail | | Canada Water | | Other/unallocated | | Total | |
|---|------------|------------|------------|------------|--------------|------------|-------------------|-------------|------------|------------|
| | 2018 £m | 2017 £m | 2018 £m | 2017 £m | 2018 £m | 2017 £m | 2018 £m | 2017 £m | 2018 £m | 2017 £m |
| Gross rental income | | | | | | | | | | |
| British Land Group | 139 | 139 | 273 | 276 | 8 | 9 | 4 | 3 | 424 | 427 |
| Share of joint ventures and funds | 102 | 116 | 87 | 100 | – | – | – | – | 189 | 216 |
| Total | 241 | 255 | 360 | 376 | 8 | 9 | 4 | 3 | 613 | 643 |
| Net rental income | | | | | | | | | | |
| British Land Group | 131 | 131 | 254 | 262 | 7 | 8 | 4 | 2 | 396 | 403 |
| Share of joint ventures and funds | 98 | 112 | 82 | 95 | – | – | – | – | 180 | 207 |
| Total | 229 | 243 | 336 | 357 | 7 | 8 | 4 | 2 | 576 | 610 |
| Operating result | | | | | | | | | | |
| British Land Group | 126 | 127 | 248 | 252 | 4 | 5 | (42) | (47) | 336 | 337 |
| Share of joint ventures and funds | 95 | 109 | 79 | 96 | – | – | (2) | (1) | 172 | 204 |
| Total | 221 | 236 | 327 | 348 | 4 | 5 | (44) | (48) | 508 | 541 |
| Reconciliation to Underlying Profit | | | | | | | | | 2018 £m | 2017 £m |
| Operating result | | | | | | | | | 508 | 541 |
| Net financing costs | | | | | | | | | (128) | (151) |
| Underlying Profit | | | | | | | | | 380 | 390 |
| Reconciliation to profit on ordinary activities before taxation | | | | | | | | | | |
| Underlying Profit | | | | | | | | | 380 | 390 |
| Capital and other | | | | | | | | | 107 | (209) |
| Underlying Profit attributable to non-controlling interests | | | | | | | | | 14 | 14 |
| Profit on ordinary activities before taxation | | | | | | | | | 501 | 195 |
| Reconciliation to Group revenue | | | | | | | | | | |
| Gross rental income per operating segment result | | | | | | | | | 613 | 643 |
| Less share of gross rental income of joint ventures and funds | | | | | | | | | (189) | (216) |
| Plus share of gross rental income attributable to non-controlling interests | | | | | | | | | 17 | 15 |
| Gross rental income (note 3) | | | | | | | | | 441 | 442 |
| Trading property sales proceeds | | | | | | | | | 78 | 33 |
| Service charge income | | | | | | | | | 66 | 62 |
| Management and performance fees (from joint ventures and funds) | | | | | | | | | 6 | 9 |
| Other fees and commissions | | | | | | | | | 48 | 43 |
| Revenue (Consolidated Income Statement) | | | | | | | | | 639 | 589 |

A reconciliation between net financing costs in the consolidated income statement and net financing costs of £128m (2016/17: £151m) in the segmental disclosures above can be found within Table A in the supplementary disclosures. Of the total revenues above, £nil (2016/17: £nil) was derived from outside the UK.

Segment assets

| | Offices | | Retail | | Canada Water | | Other/unallocated | | Total | |
|-----------------------------------|--------------|--------------|--------------|--------------|--------------|------------|-------------------|------------|---------------|---------------|
| | 2018 £m | 2017 £m | 2018 £m | 2017 £m | 2018 £m | 2017 £m | 2018 £m | 2017 £m | 2018 £m | 2017 £m |
| Property assets | | | | | | | | | | |
| British Land Group | 4,371 | 4,069 | 4,915 | 4,716 | 283 | 271 | 113 | 154 | 9,682 | 9,210 |
| Share of joint ventures and funds | 2,334 | 2,776 | 1,681 | 1,938 | – | – | 19 | 16 | 4,034 | 4,730 |
| Total | 6,705 | 6,845 | 6,596 | 6,654 | 283 | 271 | 132 | 170 | 13,716 | 13,940 |

21 Segment information continued

Reconciliation to net assets

| | 2018 £m | 2017 £m |
|----------------------------------|----------------|----------------|
| British Land Group | | |
| Property assets | 13,716 | 13,940 |
| Other non-current assets | 185 | 156 |
| Non-current assets | 13,901 | 14,096 |
| Other net current liabilities | (368) | (364) |
| Adjusted net debt | (3,973) | (4,223) |
| Other non-current liabilities | – | (11) |
| EPRA net assets (diluted) | 9,560 | 9,498 |
| Non-controlling interests | 254 | 255 |
| EPRA adjustments | (308) | (277) |
| Net assets | 9,506 | 9,476 |

22 Capital commitments

The aggregate capital commitments to purchase, construct or develop investment property, for repairs, maintenance or enhancements, or for the purchase of investments which are contracted for but not provided, are set out below

| | 2018 £m | 2017 £m |
|-------------------------------|------------|------------|
| British Land and subsidiaries | 239 | 86 |
| Share of joint ventures | 193 | 19 |
| Share of funds | – | 2 |
| | 432 | 107 |

23 Related party transactions

Details of transactions with joint ventures and funds are given in notes 3, 6 and 11. During the year the Group recognised joint venture management fees of £6m (2016/17: £9m). Details of Directors' remuneration are given in the Remuneration Report on pages 76 to 91. Details of transactions with key management personnel are provided in note 8. Details of transactions with The British Land Group of Companies Pension Scheme, and other smaller pension schemes, are given in note 9.

24 Contingent liabilities

Group, joint ventures and funds

The Group, joint ventures and funds have contingent liabilities in respect of legal claims, guarantees and warranties arising in the ordinary course of business. It is not anticipated that any material liabilities will arise from contingent liabilities.

NOTES TO THE ACCOUNTS CONTINUED

25 Subsidiaries with material non-controlling interests

Set out below is summarised financial information for each subsidiary that has non-controlling interests that are material to the Group. The information below is the amount before intercompany eliminations, and represents the consolidated results of the Hercules Unit Trust group.

Summarised income statement for the year ended 31 March

| | Hercules Unit Trust | |
|--|---------------------|------------|
| | 2018 £m | 2017 £m |
| Profit on ordinary activities after taxation | 53 | 10 |
| Attributable to non-controlling interests | 14 | 3 |
| Attributable to the shareholders of the Company | 39 | 7 |

Summarised balance sheet as at 31 March

| | Hercules Unit Trust | |
|---|---------------------|------------|
| | 2018 £m | 2017 £m |
| Total assets | 1,548 | 1,509 |
| Total liabilities | (565) | (531) |
| Net assets | 983 | 978 |
| Non-controlling interests | (254) | (255) |
| Equity attributable to shareholders of the Company | 729 | 723 |

Summarised cash flows

| | Hercules Unit Trust | |
|--|---------------------|------------|
| | 2018 £m | 2017 £m |
| Net increase in cash and cash equivalents | 3 | 10 |
| Cash and cash equivalents at 1 April | 40 | 30 |
| Cash and cash equivalents at 31 March | 43 | 40 |

The Hercules Unit Trust is a closed-ended property Unit Trust. The unit price at 31 March 2018 is £684 (2016/17: £684). Non-controlling interests collectively own 23.0% of units in issue. The British Land Company PLC owns 77.0% of units in issue, each of which confer equal voting rights, and therefore is deemed to exercise control over the trust.

26 Subsequent events

There have been no significant events since year end.

27 Audit exemptions taken for subsidiaries

The following subsidiaries are exempt from the requirements of the Companies Act 2006 relating to the audit of individual accounts by virtue of Section 479A of that Act

| Name | Company No | Name | Company No |
|--|------------|---|------------|
| 20 Brock Street Limited | 07401697 | BL Holdings 2010 Ltd | 07353966 |
| 39 Victoria Street Limited | 07037133 | Boldswitch Limited | 02307096 |
| Adamant Investment Corporation Limited | 00225149 | British Land In Town Retail Limited | 03325066 |
| Apartpower Limited | 02832059 | British Land Property Advisers Limited | 02793828 |
| Bayeast Property Co Limited | 00635800 | Cavendish Geared Limited | 02779045 |
| BL Broadgate Fragment 1 Limited | 09400407 | Exchange House Holdings Limited | 02037407 |
| BL Broadgate Fragment 2 Limited | 09400541 | Hempel Holdings Limited | 05341380 |
| BL Broadgate Fragment 3 Limited | 09400411 | Hilden Properties Limited | N1062887 |
| BL Broadgate Fragment 4 Limited | 09400409 | Hyfleet Limited | 02835919 |
| BL Broadgate Fragment 5 Limited | 09400413 | Ivoryhill Limited | 02307407 |
| BL Broadgate Fragment 6 Limited | 09400414 | Lancaster General Partner Limited | 05452195 |
| BL Clifton Moor Limited | 07508019 | Longford Street Residential Limited | 08700158 |
| BL CW Developments Limited | 10664198 | Moorage (Property Developments) Limited | 01185513 |
| BL CW Developments Plot A1 Ltd | 10782150 | Osnaburgh Street Limited | 05886735 |
| BL CW Developments Plot A2 Ltd | 10782335 | Paddington Central I (GPI) Limited | 03891376 |
| BL CW Developments Plot G1 Ltd | 10782458 | Parwick Investments Limited | 00454239 |
| BL CW Lower GP Company Limited | 10663292 | Piccadilly Residential Limited | 10525984 |
| BL CW Lower LP Company Limited | 10663474 | Pillar Nugent Limited | 02567031 |
| BL CW Holdings Plot A1 Company Limited | 10781493 | Pillarman Limited | 02713307 |
| BL CW Holdings Plot A2 Company Limited | 10781503 | PillarStore No 3 Limited | 03589118 |
| BL CW Holdings Plot G1 Company Limited | 10781471 | Shopping Centres Limited | 02230036 |
| BL Cwmbran Limited | 07780251 | Surrey Quays Limited | 05294243 |
| BL Eden Walk Limited | 10620935 | TBL (Bursledon) Limited | 03854557 |
| BL HC Property Holdings Limited | 06894046 | TBL (Lisnagelvin) Limited | 03853983 |
| BL Health Clubs PH No 1 Limited | 05643248 | TBL (Maidstone) Limited | 03854615 |
| BL Health Clubs PH No 2 Limited | 05643261 | TBL Holdings Limited | 03837311 |
| BL Lancaster Investments Ltd | 10563072 | Teesside Leisure Park Limited | 02672136 |
| BL Osnaburgh St Residential Ltd | 06874523 | United Kingdom Property Company Limited | 00266486 |
| BL Residential No. 1 Limited | 05291937 | Vintners' Place Limited | 02149495 |
| BL Residential No. 2 Limited | 05291956 | Wates City of London Properties Limited | 01788526 |
| BLD (Ebury Gate) Limited | 03863852 | Wates City Point Limited | 02973114 |
| BLD Properties Limited | 00732787 | | |

The following partnerships are exempt from the requirements to prepare, publish and have audited individual accounts by virtue of regulation 7 of The Partnerships (Accounts) Regulations 2008. The results of these partnerships are consolidated within these Group accounts

| Name | Name |
|--|---------------------------------------|
| BL Shoreditch Limited Partnership | Paddington Block A LP |
| BL Chess No. 1 Limited Partnership | Paddington Block B LP |
| BL CW Lower Limited Partnership | Paddington Central I LP |
| BL CW Upper Limited Partnership | Paddington Central II LP |
| BL Lancaster Limited Partnership | Paddington Kiosk Lp |
| Hereford Shopping Centre Limited Partnership | Power Court Luton Limited Partnership |

COMPANY BALANCE SHEET

PREPARED IN ACCORDANCE WITH FRS 101 AS AT 31 MARCH 2018

| | | 2018 £m | 2017 £m |
|--|---|-----------------|-----------------|
| Fixed assets | | | |
| Investments and loans to subsidiaries | D | 28,148 | 27,518 |
| Investments in joint ventures | D | 376 | 431 |
| Other investments | D | 34 | 35 |
| Interest rate derivative assets | E | 115 | 217 |
| Deferred tax assets | | 10 | - |
| | | <u>28,683</u> | <u>28,201</u> |
| Current assets | | | |
| Debtors | G | 6 | 7 |
| Cash and short term deposits | E | 32 | 49 |
| | | <u>38</u> | <u>56</u> |
| Current liabilities | | | |
| Short term borrowings and overdrafts | E | (27) | (63) |
| Creditors | H | (88) | (105) |
| Amounts due to subsidiaries | | <u>(20,645)</u> | <u>(19,410)</u> |
| | | <u>(20,760)</u> | <u>(19,578)</u> |
| Net current liabilities | | <u>(20,722)</u> | <u>(19,522)</u> |
| Total assets less current liabilities | | <u>7,961</u> | <u>8,679</u> |
| Non-current liabilities | | | |
| Debentures and loans | E | (2,250) | (1,978) |
| Interest rate derivative liabilities | E | (133) | (134) |
| Amounts due to subsidiaries | | - | (331) |
| Deferred tax and other non-current liabilities | | - | (3) |
| | | <u>(2,383)</u> | <u>(2,446)</u> |
| Net assets | | <u>5,578</u> | <u>6,233</u> |
| Equity | | | |
| Called up share capital | I | 248 | 260 |
| Share premium | | 1,300 | 1,298 |
| Other reserves | | 7 | (134) |
| Merger reserve | | 213 | 213 |
| Retained earnings | | <u>3,810</u> | <u>4,596</u> |
| Total equity | | <u>5,578</u> | <u>6,233</u> |

The loss after taxation for the year ending 31 March 2018 for the Company was £192m (year ending 31 March 2017: £121m profit)


John Gildersleeve
Chairman

Chris Grigg
Chief Executive Officer

Approved by the Board on 16 May 2018

Company number 621920

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2018

| | Share capital £m | Share premium £m | Other reserves £m | Minority interest £m | Profit and loss account £m | Total equity £m |
|--|---------------------|---------------------|-------------------------|----------------------------|-------------------------------------|-----------------------|
| Balance at 1 April 2017 | 260 | 1,298 | (134) | 213 | 4,596 | 6,233 |
| Share issues | - | 2 | - | - | - | 2 |
| Purchase of own shares | (12) | - | - | - | (289) | (301) |
| Dividend paid | - | - | - | - | (302) | (302) |
| Net actuarial gain on pension schemes | - | - | - | - | 9 | 9 |
| Loss for the year after taxation | - | - | - | - | (192) | (192) |
| Transferred to the income statement (cash flow hedges) | - | - | 129 | - | - | 129 |
| Balance at 31 March 2018 | 248 | 1,300 | (5) | 213 | 3,822 | 5,578 |
| Balance at 1 April 2016 | 260 | 1,295 | (120) | 213 | 4,789 | 6,437 |
| Share issues | - | 3 | - | - | - | 3 |
| Dividend paid | - | - | - | - | (296) | (296) |
| Fair value of share and share option awards | - | - | - | - | 2 | 2 |
| Purchase of own shares | - | - | - | - | (8) | (8) |
| Net actuarial loss on pension schemes | - | - | - | - | (12) | (12) |
| Profit for the year after taxation | - | - | - | - | 121 | 121 |
| Derivative valuation movement | - | - | (14) | - | - | (14) |
| Balance at 31 March 2017 | 260 | 1,298 | (134) | 213 | 4,596 | 6,233 |

The value of distributable reserves within the profit and loss account is £2,074m (2016/17: £2,911m)

NOTES TO THE FINANCIAL STATEMENTS

(A) Accounting policies

The financial statements for the year ended 31 March 2018 have been prepared on the historical cost basis, except for the revaluation of derivatives. These financial statements have also been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101). The amendments to FRS 101 (2015/16 Cycle) issued in July 2016 and effective immediately have been applied.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU (Adopted IFRSs), but makes amendments where necessary in order to comply with the Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- (a) the requirements of IAS 1 to provide a balance sheet at the beginning of the period in the event of a prior period adjustment,
- (b) the requirements of IAS 1 to provide a statement of cash flows for the period,
- (c) the requirements of IAS 1 to provide a statement of compliance with IFRS,
- (d) the requirements of IAS 1 to disclose information on the management of capital,
- (e) the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to disclose new IFRSs that have been issued but are not yet effective,
- (f) the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly-owned by such a member,
- (g) the requirements of paragraph 17 of IAS 24 Related Party Disclosures to disclose key management personnel compensation,
- (h) the requirements of IFRS 7 to disclose financial instruments, and
- (i) the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement to disclose information of fair value valuation techniques and inputs.

Going concern

The financial statements are prepared on the going concern basis as explained in the corporate governance section on page 51.

Investments and loans

Investments and loans in subsidiaries and joint ventures are stated at cost less provision for impairment.

Significant judgements and sources of estimation uncertainty

The key source of estimation uncertainty relates to the Company's investments in subsidiaries and joint ventures. In estimating the requirement for impairment of these investments, management make assumptions and judgements on the value of these investments using inherently subjective underlying asset valuations, supported by independent valuers.

(B) Dividends

Details of dividends paid and proposed are included in note 19 of the consolidated financial statements.

(C) Employee information

Employee costs include wages and salaries of £39m (2016/17: £37m), social security costs of £5m (2016/17: £5m) and pension costs of £5m (2016/17: £5m). Details of the Executive Directors' remuneration are disclosed in the Remuneration Report.

Audit fees in relation to the parent Company only were £0.3m (2016/17: £0.2m).

(D) Investments in subsidiaries and joint ventures, loans to subsidiaries and other investments

| | Shares in subsidiaries (£m) | Loans to subsidiaries (£m) | Investments in joint ventures (£m) | Other investments (£m) | Total (£m) |
|----------------------------|-----------------------------|----------------------------|------------------------------------|------------------------|----------------|
| On 1 April 2017 | 19,706 | 7,812 | 431 | 35 | 27,984 |
| Additions | – | 1,852 | 32 | 5 | 1,889 |
| Disposals | – | (1,071) | (87) | (2) | (1,160) |
| Depreciation/amortisation | – | – | – | (4) | (4) |
| Provision for impairment | (3) | (148) | – | – | (151) |
| As at 31 March 2018 | 19,703 | 8,445 | 376 | 34 | 28,558 |

The historical cost of shares in subsidiaries is £20,025m (2016/17: £20,025m). Investments in joint ventures of £376m (2016/17: £431m) includes £183m (2016/17: £245m) of loans to joint ventures by the Company. Results of the joint ventures are set out in note 11 of the consolidated financial statements. The historical cost of other investments is £50m (2016/17: £48m).

(E) Net debt

| | 2018 £m | 2017 £m |
|---|--------------|------------|
| Secured on the assets of the Company | | |
| 5.264% First Mortgage Debenture Bonds 2035 | 369 | 377 |
| 5.0055% First Mortgage Amortising Debentures 2035 | 95 | 99 |
| 5.357% First Mortgage Debenture Bonds 2028 | 255 | 348 |
| | 719 | 824 |
| Unsecured | | |
| 5.50% Senior Notes 2027 | 100 | 102 |
| 3.895% Senior US Dollar Notes 2018 | 27 | 32 |
| 4.635% Senior US Dollar Notes 2021 | 156 | 181 |
| 4.766% Senior US Dollar Notes 2023 | 97 | 113 |
| 5.003% Senior US Dollar Notes 2026 | 63 | 73 |
| 3.81% Senior Notes 2026 | 110 | 114 |
| 3.97% Senior Notes 2026 | 112 | 117 |
| Fair value of options to issue under 1.5% convertible bond 2017 | – | 5 |
| Fair value of options to issue under 0% convertible bond 2020 | – | 3 |
| 2.375% First Mortgage Debenture Bonds 2029 | 298 | – |
| Bank loans and overdrafts | 595 | 477 |
| | 1,558 | 1,217 |
| Gross debt | 2,277 | 2,041 |
| Interest rate and currency derivative liabilities | 133 | 134 |
| Interest rate and currency derivative assets | (115) | (217) |
| Cash and short term deposits | (32) | (49) |
| Net debt | 2,263 | 1,909 |

Net debt is calculated as gross debt less cash and short term deposits, net of interest rate and currency derivative assets.

1.5% Convertible bond 2012 (maturity 2017)

On 10 September 2012, British Land (Jersey) Limited (the 2012 Issuer), a wholly-owned subsidiary of the Company, issued £400 million 1.5% guaranteed convertible bonds due 2017 (the 2012 bonds) at par. On 10 September 2017, the convertible bonds were redeemed at par.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

(E) Net debt continued**0% Convertible bond 2015 (maturity 2020)**

On 9 June 2015, British Land (White) 2015 Limited (the 2015 Issuer), a wholly-owned subsidiary of the Company, issued £350 million zero coupon guaranteed convertible bonds due 2020 (the 2015 bonds) at par. The 2015 Issuer is fully guaranteed by the Company in respect of the 2015 bonds.

Subject to their terms, the 2015 bonds are convertible into preference shares of the 2015 Issuer which are automatically transferred to the Company in exchange for ordinary shares in the Company or, at the Company's election, any combination of ordinary shares and cash. From 20 July 2015 up to and including 29 June 2018, a bondholder may exercise its conversion right if the share price has traded at a level exceeding 130% of the exchange price for a specified period. Thereafter, and up to but excluding the 7th dealing day before 9 June 2020 (the maturity date), a bondholder may convert at any time.

The initial exchange price was 1103.32 pence per ordinary share. The exchange price is adjusted based on certain events (such as the Company paying dividends in any quarter above 3.418 pence per ordinary share). As at 31 March 2018 the exchange price was 1036.32 pence per ordinary share.

From 30 June 2018, the Company has the option to redeem the 2015 bonds at par if the Company's share price has traded above 130% of the exchange price for a specified period, or at any time once 85% by nominal value of the 2015 bonds have been converted, redeemed, or purchased and cancelled. The 2015 bonds will be redeemed at par on 9 June 2020 (the maturity date) if they have not already been converted, redeemed or purchased and cancelled.

The intercompany loan between the Issuer and the Company arising from the transfer of the loan proceeds was initially recognised at fair value, net of capitalised issue costs, and is accounted for using the amortised cost method. In addition to the intercompany loan, the Company has entered into a derivative contract relating to its guarantee of the obligations of the Issuer in respect of the bonds and the commitment to provide shares or a combination of shares and cash on conversion of the bonds. This derivative contract is included within the balance sheet as a liability carried at fair value through profit and loss.

Maturity analysis of net debt

| | 2018 £m | 2017 £m |
|---|--------------|--------------|
| Repayable within one year and on demand | 27 | 63 |
| between: | | |
| one and two years | – | 33 |
| two and five years | 506 | 442 |
| five and ten years | 804 | 782 |
| ten and fifteen years | 305 | 332 |
| fifteen and twenty years | 635 | 389 |
| | 2,250 | 1,978 |
| Gross debt | 2,277 | 2,041 |
| Interest rate derivatives | 18 | (83) |
| Cash and short term deposits | (32) | (49) |
| Net debt | 2,263 | 1,909 |

(F) Pension

The British Land Group of Companies Pension Scheme and the Defined Contribution Pension Scheme are the principal pension schemes of the Company and details are set out in note 9 of the consolidated financial statements.

(G) Debtors

| | 2018 £m | 2017 £m |
|--------------------------------|------------|------------|
| Trade and other debtors | 6 | 3 |
| Prepayments and accrued income | – | 4 |
| | 6 | 7 |

(H) Creditors

| | 2018 £m | 2017 £m |
|------------------------------------|------------|------------|
| Trade creditors | 12 | 12 |
| Corporation tax | 21 | 29 |
| Other taxation and social security | 21 | 32 |
| Accruals and deferred income | 34 | 32 |
| | 88 | 105 |

(I) Share capital

| | £m | Ordinary shares £25 each |
|--------------------------------------|------------|-----------------------------|
| Issued, called and fully paid | | |
| At 1 April 2017 | 260 | 1,041,035,058 |
| Share issues | – | 429,206 |
| Repurchased and cancelled | (12) | (47,607,139) |
| At 31 March 2018 | 248 | 993,857,125 |
| | | Ordinary shares £25 each |
| Issued, called and fully paid | | |
| At 1 April 2016 | 260 | 1,040,562,323 |
| Share issues | – | 472,735 |
| At 31 March 2017 | 260 | 1,041,035,058 |

(J) Contingent liabilities, capital commitments and related party transactions

The Company has contingent liabilities in respect of legal claims, guarantees and warranties arising in the ordinary course of business. It is not anticipated that any material liabilities will arise from the contingent liabilities.

At 31 March 2018, the Company has £nil of capital commitments (2016/17: £1m).

Related party transactions are the same for the Company as for the Group. For details refer to note 23 of the consolidated financial statements.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

(K) Related undertakings

Disclosures relating to subsidiary undertakings

The Company's subsidiaries and other related undertakings at 31 March 2018 are listed below. Companies which have been dissolved since 31 March 2018 are marked with an asterisk (*). All Group entities are included in the consolidated financial results.

Unless otherwise stated, the Company holds 100% of the voting rights and beneficial interests in the shares of the following subsidiaries, partnerships, associates and joint ventures. Unless otherwise stated, the subsidiaries and related undertakings are registered in the United Kingdom.

The share capital of each of the companies, where applicable, comprises ordinary shares unless otherwise stated

The Company holds the majority of its assets in UK companies, although some are held in overseas companies. In recent years we have reduced the number of overseas companies in the Group.

Unless noted otherwise as per the following key, the registered address of each company is York House, 45 Seymour Street, London W1H 7LX

8141040, 855111, 70, 92, 93, 94, 95, 96, 97, 98, 99, 100, 101, 102, 103, 104, 105, 106, 107, 108, 109, 110, 111, 112, 113, 114, 115, 116, 117, 118, 119, 120, 121, 122, 123, 124, 125, 126, 127, 128, 129, 130, 131, 132, 133, 134, 135, 136, 137, 138, 139, 140, 141, 142, 143, 144, 145, 146, 147, 148, 149, 150, 151, 152, 153, 154, 155, 156, 157, 158, 159, 160, 161, 162, 163, 164, 165, 166, 167, 168, 169, 170, 171, 172, 173, 174, 175, 176, 177, 178, 179, 180, 181, 182, 183, 184, 185, 186, 187, 188, 189, 190, 191, 192, 193, 194, 195, 196, 197, 198, 199, 200, 201, 202, 203, 204, 205, 206, 207, 208, 209, 210, 211, 212, 213, 214, 215, 216, 217, 218, 219, 220, 221, 222, 223, 224, 225, 226, 227, 228, 229, 230, 231, 232, 233, 234, 235, 236, 237, 238, 239, 240, 241, 242, 243, 244, 245, 246, 247, 248, 249, 250, 251, 252, 253, 254, 255, 256, 257, 258, 259, 260, 261, 262, 263, 264, 265, 266, 267, 268, 269, 270, 271, 272, 273, 274, 275, 276, 277, 278, 279, 280, 281, 282, 283, 284, 285, 286, 287, 288, 289, 290, 291, 292, 293, 294, 295, 296, 297, 298, 299, 300, 301, 302, 303, 304, 305, 306, 307, 308, 309, 310, 311, 312, 313, 314, 315, 316, 317, 318, 319, 320, 321, 322, 323, 324, 325, 326, 327, 328, 329, 330, 331, 332, 333, 334, 335, 336, 337, 338, 339, 340, 341, 342, 343, 344, 345, 346, 347, 348, 349, 350, 351, 352, 353, 354, 355, 356, 357, 358, 359, 360, 361, 362, 363, 364, 365, 366, 367, 368, 369, 370, 371, 372, 373, 374, 375, 376, 377, 378, 379, 380, 381, 382, 383, 384, 385, 386, 387, 388, 389, 390, 391, 392, 393, 394, 395, 396, 397, 398, 399, 400, 401, 402, 403, 404, 405, 406, 407, 408, 409, 410, 411, 412, 413, 414, 415, 416, 417, 418, 419, 420, 421, 422, 423, 424, 425, 426, 427, 428, 429, 430, 431, 432, 433, 434, 435, 436, 437, 438, 439, 440, 441, 442, 443, 444, 445, 446, 447, 448, 449, 450, 451, 452, 453, 454, 455, 456, 457, 458, 459, 460, 461, 462, 463, 464, 465, 466, 467, 468, 469, 470, 471, 472, 473, 474, 475, 476, 477, 478, 479, 480, 481, 482, 483, 484, 485, 486, 487, 488, 489, 490, 491, 492, 493, 494, 495, 496, 497, 498, 499, 500, 501, 502, 503, 504, 505, 506, 507, 508, 509, 510, 511, 512, 513, 514, 515, 516, 517, 518, 519, 520, 521, 522, 523, 524, 525, 526, 527, 528, 529, 530, 531, 532, 533, 534, 535, 536, 537, 538, 539, 540, 541, 542, 543, 544, 545, 546, 547, 548, 549, 550, 551, 552, 553, 554, 555, 556, 557, 558, 559, 560, 561, 562, 563, 564, 565, 566, 567, 568, 569, 570, 571, 572, 573, 574, 575, 576, 577, 578, 579, 580, 581, 582, 583, 584, 585, 586, 587, 588, 589, 590, 591, 592, 593, 594, 595, 596, 597, 598, 599, 600, 601, 602, 603, 604, 605, 606, 607, 608, 609, 610, 611, 612, 613, 614, 615, 616, 617, 618, 619, 620, 621, 622, 623, 624, 625, 626, 627, 628, 629, 630, 631, 632, 633, 634, 635, 636, 637, 638, 639, 640, 641, 642, 643, 644, 645, 646, 647, 648, 649, 650, 651, 652, 653, 654, 655, 656, 657, 658, 659, 660, 661, 662, 663, 664, 665, 666, 667, 668, 669, 670, 671, 672, 673, 674, 675, 676, 677, 678, 679, 680, 681, 682, 683, 684, 685, 686, 687, 688, 689, 690, 691, 692, 693, 694, 695, 696, 697, 698, 699, 700, 701, 702, 703, 704, 705, 706, 707, 708, 709, 710, 711, 712, 713, 714, 715, 716, 717, 718, 719, 720, 721, 722, 723, 724, 725, 726, 727, 728, 729, 730, 731, 732, 733, 734, 735, 736, 737, 738, 739, 740, 741, 742, 743, 744, 745, 746, 747, 748, 749, 750, 751, 752, 753, 754, 755, 756, 757, 758, 759, 760, 761, 762, 763, 764, 765, 766, 767, 768, 769, 770, 771, 772, 773, 774, 775, 776, 777, 778, 779, 780, 781, 782, 783, 784, 785, 786, 787, 788, 789, 790, 791, 792, 793, 794, 795, 796, 797, 798, 799, 800, 801, 802, 803, 804, 805, 806, 807, 808, 809, 810, 811, 812, 813, 814, 815, 816, 817, 818, 819, 820, 821, 822, 823, 824, 825, 826, 827, 828, 829, 830, 831, 832, 833, 834, 835, 836, 837, 838, 839, 840, 841, 842, 843, 844, 845, 846, 847, 848, 849, 850, 851, 852, 853, 854, 855, 856, 857, 858, 859, 860, 861, 862, 863, 864, 865, 866, 867, 868, 869, 870, 871, 872, 873, 874, 875, 876, 877, 878, 879, 880, 881, 882, 883, 884, 885, 886, 887, 888, 889, 890, 891, 892, 893, 894, 895, 896, 897, 898, 899, 900, 901, 902, 903, 904, 905, 906, 907, 9

Direct holdings

| Company Name | UK/Overseas Tax Resident Status |
|---|---------------------------------|
| BL Bluebutton 2014 Limited | UK Tax Resident |
| BL Davidson Limited | UK Tax Resident |
| BL ESOP Limited (Isle of Man) (in liquidation) | Overseas Tax Resident |
| BL European Fund Management LLP | UK Tax Resident |
| BL Exempt Insurance Services Limited | UK Tax Resident |
| BL Guaranteeco Limited | UK Tax Resident |
| BL Intermediate Holding Company Limited | UK Tax Resident |
| BLSSP (Funding) Limited | UK Tax Resident |
| Bluebutton Property Management UK Limited (50% interest) | UK Tax Resident |
| Boldswitch (No 1) Limited | UK Tax Resident |
| Boldswitch Limited | UK Tax Resident |
| British Land (Jersey) Limited (Jersey) (Founder Shares) | UK Tax Resident |
| British Land (White) 2015 Limited (Jersey) (Founder Shares) | UK Tax Resident |
| British Land City | UK Tax Resident |
| British Land City 2005 Limited | UK Tax Resident |
| British Land Company Secretarial Limited | UK Tax Resident |
| British Land Financing Limited | UK Tax Resident |
| British Land Properties Limited | UK Tax Resident |
| British Land Real Estate Limited | UK Tax Resident |
| British Land Securities Limited | UK Tax Resident |
| British Land Securitisation 1999 | UK Tax Resident |
| Broadgate (Funding) PLC | UK Tax Resident |
| Broadgate Estates Insurance Mediation Services Limited | UK Tax Resident |
| Hyfleet Limited | UK Tax Resident |
| Kingsmere Productions Limited | UK Tax Resident |

| <i>Company Name</i> | <i>UK/Overseas Tax Resident Status</i> |
|---|--|
| Linestair Limited | UK Tax Resident |
| London and Henley Holdings Limited | UK Tax Resident |
| Meadowhall Pensions Scheme Trustee Limited | UK Tax Resident |
| MSC Property Intermediate Holdings Limited (50% interest) | UK Tax Resident |
| Plantation House Limited | UK Tax Resident |
| Priory Park Merton Limited | UK Tax Resident |
| Regis Property Holdings Limited | UK Tax Resident |
| The British Land Corporation Limited | UK Tax Resident |
| Vitalcreate | UK Tax Resident |

Indirect holdings

| Company Name | UK/Overseas Tax Resident Status |
|---|---------------------------------|
| 1 & 4 & 7 Triton Limited | UK Tax Resident |
| 10 Brock Street Limited | UK Tax Resident |
| 10 Portman Square Unit Trust (Jersey) (Units) | Overseas Tax Resident |
| 10 Triton Street Limited | UK Tax Resident |
| 17-19 Bedford Street Limited | UK Tax Resident |
| 18-20 Craven Hill Gardens Limited | UK Tax Resident |
| 20 Brock Street Limited | UK Tax Resident |
| 20 Triton Street Limited | UK Tax Resident |
| 338 Euston Road Limited | UK Tax Resident |
| 350 Euston Road Limited | UK Tax Resident |
| 39 Victoria Street Limited | UK Tax Resident |
| 8-10 Throgmorton Avenue Limited | UK Tax Resident |
| Adamant Investment Corporation Limited | UK Tax Resident |
| Adshitta Limited | UK Tax Resident |
| Aldgate Place (GP) Limited (50% interest) | UK Tax Resident |
| Apartmentpower Limited | UK Tax Resident |
| Ashband Limited | UK Tax Resident |
| B L Unit Trust (Jersey) (Units) | Overseas Tax Resident |
| B L Holdings Limited | UK Tax Resident |
| B L CT (12697) Limited (Jersey) | UK Tax Resident |
| B L CT (21500) Limited (Jersey) | UK Tax Resident |
| B L U (11193) Limited (Jersey) | UK Tax Resident |
| Balsenia Limited* | UK Tax Resident |
| Barnclass Limited | UK Tax Resident |
| Barndrill Limited | UK Tax Resident |
| Bayeast Property Co Limited | UK Tax Resident |
| Bexite Limited | UK Tax Resident |
| BF Propco (No 1) Limited | UK Tax Resident |
| BF Propco (No 13) Limited | UK Tax Resident |
| BF Propco (No 19) Limited | UK Tax Resident |
| BF Propco (No 3) Limited | UK Tax Resident |
| BF Propco (No 4) Limited | UK Tax Resident |
| BF Propco (No 5) Limited | UK Tax Resident |
| BF Properties (No 4) Limited | UK Tax Resident |
| BF Properties (No 5) Limited | UK Tax Resident |
| Birstall Co-Ownership Trust (Member interest) (41 25% interest) | UK Tax Resident |
| BL (Maidenhead) Company Limited | UK Tax Resident |
| BL (SP) Cannon Street Limited | UK Tax Resident |
| BL (SP) Investment (1) Limited | UK Tax Resident |
| BL (SP) Investment (2) Limited | UK Tax Resident |
| BL (SP) Investment (3) Limited | UK Tax Resident |
| BL (SP) Investment (4) Limited | UK Tax Resident |
| BL Bradford Forster Limited | UK Tax Resident |
| BL Brington Limited | UK Tax Resident |

| Company Name | UK/Overseas Tax Resident Status | Company Name | UK/Overseas Tax Resident Status |
|---|---------------------------------|---|---------------------------------|
| BL Broadgate Fragment 1 Limited | UK Tax Resident | BL HC Health And Fitness Holdings Limited | UK Tax Resident |
| BL Broadgate Fragment 2 Limited | UK Tax Resident | BL HC Invic Leisure Limited | UK Tax Resident |
| BL Broadgate Fragment 3 Limited | UK Tax Resident | BL HC PH CR6 LLP (Member interest) | UK Tax Resident |
| BL Broadgate Fragment 4 Limited | UK Tax Resident | BL HC PH LLP (Member interest) | UK Tax Resident |
| BL Broadgate Fragment 5 Limited | UK Tax Resident | BL HC PH No 1 LLP (Member interest) | UK Tax Resident |
| BL Broadgate Fragment 6 Limited | UK Tax Resident | BL HC PH No 2 LLP (Member interest) | UK Tax Resident |
| BL Broadway Investment Limited | UK Tax Resident | BL HC PH No 3 LLP (Member interest) | UK Tax Resident |
| BL Chess Limited | UK Tax Resident | BL HC Property Holdings Limited | UK Tax Resident |
| BL Chess No 1 Limited Partnership (Partnership interest) | UK Tax Resident | BL Health Clubs PH No 1 Limited | UK Tax Resident |
| BL City Offices Holding Company Limited | UK Tax Resident | BL Health Clubs PH No 2 Limited | UK Tax Resident |
| BL Clifton Moor Limited | UK Tax Resident | BL High Street and Shopping Centres Holding Company Limited | UK Tax Resident |
| BL CW Developments Limited | UK Tax Resident | BL Holdings 2010 Limited (50% interest) | UK Tax Resident |
| BL CW Developments Plot A1 Limited | UK Tax Resident | BL Lancaster Investments Limited | UK Tax Resident |
| BL CW Developments Plot A2 Limited | UK Tax Resident | BL Lancaster Limited Partnership (Partnership interest) | UK Tax Resident |
| BL CW Developments Plot D1/2 Company Limited | UK Tax Resident | BL Leadenhall (Jersey) Ltd (Jersey) ¹ | Overseas Tax Resident |
| BL CW Developments Plot G1 Limited | UK Tax Resident | BL Leadenhall Holding Co (Jersey) Ltd (Jersey) ¹ | Overseas Tax Resident |
| BL CW Developments Plot K1 Company Limited | UK Tax Resident | BL Leisure and Industrial Holding Company Limited | UK Tax Resident |
| BL CW Holdings Limited | UK Tax Resident | BL Marble Arch House Limited | UK Tax Resident |
| BL CW Holdings Plot A1 Company Limited | UK Tax Resident | BL Mayfair Offices Limited | UK Tax Resident |
| BL CW Holdings Plot A2 Company Limited | UK Tax Resident | BL Meadowhall Holdings Limited | UK Tax Resident |
| BL CW Holdings Plot D1/2 Company Limited | UK Tax Resident | BL Meadowhall Limited | UK Tax Resident |
| BL CW Holdings Plot G1 Company Limited | UK Tax Resident | BL Meadowhall No 4 Limited | UK Tax Resident |
| BL CW Holdings Plot K1 Company Limited | UK Tax Resident | BL Newport Limited | UK Tax Resident |
| BL CW Lower GP Company Limited | UK Tax Resident | BL Office (Non-City) Holding Company Limited | UK Tax Resident |
| BL CW Lower Limited Partnership (Partnership interest) | UK Tax Resident | BL Office Holding Company Limited | UK Tax Resident |
| BL CW Lower LP Company Limited | UK Tax Resident | BL Osnaburgh St Residential Ltd | UK Tax Resident |
| BL CW Upper GP Company Limited | UK Tax Resident | BL Piccadilly Residential Limited | UK Tax Resident |
| BL CW Upper Limited Partnership (Partnership interest) | UK Tax Resident | BL Piccadilly Residential Management Co Limited | UK Tax Resident |
| BL CW Upper LP Company Limited | UK Tax Resident | BL Piccadilly Residential Retail Limited | UK Tax Resident |
| BL Cwmbran Limited | UK Tax Resident | BL Residential No 1 Limited | UK Tax Resident |
| BL Debs Limited (Jersey) ¹ | Overseas Tax Resident | BL Residential No 2 Limited | UK Tax Resident |
| BL Department Stores Holding Company Limited | UK Tax Resident | BL Residual Holding Company Limited | UK Tax Resident |
| BL Doncaster Wheatley Limited | UK Tax Resident | BL Retail Holding Company Limited | UK Tax Resident |
| BL Ealing Limited | UK Tax Resident | BL Retail Investments Limited | UK Tax Resident |
| BL Eden Walk J2012 Limited (Jersey) | Overseas Tax Resident | BL Retail Warehousing Holding Company Limited | UK Tax Resident |
| BL Eden Walk Limited | UK Tax Resident | BL Sainsbury Superstores Limited (50% interest) | UK Tax Resident |
| BL European Holdings Limited | UK Tax Resident | BL Shoreditch General Partner Limited | UK Tax Resident |
| BL Fixed Uplift Fund Limited Partnership (Partnership interest) | UK Tax Resident | BL Shoreditch Limited Partnership (Partnership interest) | UK Tax Resident |
| BL Fixed Uplift Fund Nominee No 1 Limited (Jersey) ¹ | Overseas Tax Resident | BL Shoreditch No 1 Limited | UK Tax Resident |
| BL Fixed Uplift Fund Nominee No 2 Limited (Jersey) | Overseas Tax Resident | BL Shoreditch No 2 Limited | UK Tax Resident |
| BL Fixed Uplift General Partner Limited | UK Tax Resident | BL Superstores Holding Company Limited | UK Tax Resident |
| BL Fixed Uplift Nominee 1 Limited | UK Tax Resident | BL Triton Building Residential Limited | UK Tax Resident |
| BL Fixed Uplift Nominee 2 Limited | UK Tax Resident | BL Tunbridge Wells Limited | UK Tax Resident |
| BL Goodman (General Partner) Limited (50% interest) | UK Tax Resident | BL Unitholder No 1 (J) Limited (Jersey) | Overseas Tax Resident |
| BL Goodman (LP) Limited | UK Tax Resident | BL Unitholder No 2 (J) Limited (Jersey) ¹ | Overseas Tax Resident |
| BL GP Chess No 1 Limited | UK Tax Resident | BL Universal Limited | UK Tax Resident |
| BL HB Investments Limited | UK Tax Resident | BL Wardrobe Court Holdings Limited | UK Tax Resident |
| BL HC (DSCH) Limited | UK Tax Resident | BL West (Watling House) Limited | UK Tax Resident |
| BL HC (DSCL) Limited | UK Tax Resident | BL Whiteley Limited | UK Tax Resident |
| BL HC Dollview Limited | UK Tax Resident | BL Woolwich Limited | UK Tax Resident |
| BL HC Hampshire PH LLP (Member interest) | UK Tax Resident | BL Woolwich Nominee 1 Limited | UK Tax Resident |
| | | BL Woolwich Nominee 2 Limited | UK Tax Resident |

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

| <i>Company Name</i> | <i>UK/Overseas Tax Resident Status</i> | <i>Company Name</i> | <i>UK/Overseas Tax Resident Status</i> |
|---|--|--|--|
| Blackglenn Limited | UK Tax Resident | Casegood Enterprises | UK Tax Resident |
| Blackwall (1) | UK Tax Resident | Caseplane Limited | UK Tax Resident |
| Blaxmill (Twenty-nine) Limited | UK Tax Resident | Cavendish Geared II Limited | UK Tax Resident |
| Blaxmill (Thirty) Limited | UK Tax Resident | Cavendish Geared Limited | UK Tax Resident |
| BLD (A) Limited | UK Tax Resident | Caymall Limited | UK Tax Resident |
| BLD (Ebury Gate) Limited | UK Tax Resident | Chantway Limited | UK Tax Resident |
| BLD (SJ) Investments Limited | UK Tax Resident | Cheshire Properties Limited | UK Tax Resident |
| BLD (SJ) Limited | UK Tax Resident | Chrislu Nominees Limited | UK Tax Resident |
| BLD Land Limited | UK Tax Resident | City of London Office Unit Trust (Jersey) (Units) (35.94% interest) | Overseas Tax Resident |
| BLD Properties Limited | UK Tax Resident | Clarges Estate Property Management Co Limited | UK Tax Resident |
| BLD Property Holdings Limited | UK Tax Resident | Comgenic Limited | UK Tax Resident |
| BLU Estates Limited | UK Tax Resident | Cornish Residential Properties Trading Limited | UK Tax Resident |
| BLU Property Management Limited | UK Tax Resident | Cornish Residential Property Investments Limited | UK Tax Resident |
| BLU Securities Limited | UK Tax Resident | Crescent West Properties | UK Tax Resident |
| British Land (Joint Ventures) Limited | UK Tax Resident | Deepdale Co-Ownership Trust (37.66% interest) | UK Tax Resident |
| British Land Acquisitions Limited | UK Tax Resident | Derby Investment Holdings Limited | UK Tax Resident |
| British Land Aqua Partnership (2) Limited | UK Tax Resident | Dinwell Limited | UK Tax Resident |
| British Land Aqua Partnership Limited | UK Tax Resident | Drake Circus Centre Limited | UK Tax Resident |
| British Land City Offices Limited | UK Tax Resident | Drake Circus GP, L.L.C. (in liquidation) (United States) | Overseas Tax Resident |
| British Land Construction Limited | UK Tax Resident | Drake Circus Leisure Limited | UK Tax Resident |
| British Land Department Stores Limited | UK Tax Resident | Drake Circus Limited Partnership (in liquidation) (Partnership interest) (United States) | Overseas Tax Resident |
| British Land Developments Limited | UK Tax Resident | Drake Property Holdings Limited | UK Tax Resident |
| British Land Fund Management Limited | UK Tax Resident | Drake Property Nominee (No. 1) Limited | UK Tax Resident |
| British Land Hercules Limited | UK Tax Resident | Drake Property Nominee (No. 2) Limited | UK Tax Resident |
| British Land In Town Retail Limited | UK Tax Resident | Eden Walk Shopping Centre General Partner Limited (50% interest) | UK Tax Resident |
| British Land Industrial Limited | UK Tax Resident | Eden Walk Shopping Centre Unit Trust (50% interest) (Jersey) (Units) | Overseas Tax Resident |
| British Land Investment Management Limited | UK Tax Resident | Elementvirtue Limited | UK Tax Resident |
| British Land Investments NV (Netherlands) | UK Tax Resident | Elk Mill Oldham Limited | UK Tax Resident |
| British Land Leisure Limited | UK Tax Resident | Euston Tower Limited | UK Tax Resident |
| British Land Offices (Non-City) Limited | UK Tax Resident | Exchange House Holdings Limited | UK Tax Resident |
| British Land Offices (Non-City) No. 2 Limited | UK Tax Resident | Finsbury Avenue Estates Limited* | UK Tax Resident |
| British Land Offices Limited | UK Tax Resident | Four Broadgate Limited | UK Tax Resident |
| British Land Offices No 1 Limited | UK Tax Resident | FRP Group Limited | UK Tax Resident |
| British Land Property Advisers Limited | UK Tax Resident | Garamead Properties Limited | UK Tax Resident |
| British Land Property Management Limited | UK Tax Resident | Gardenray Limited | UK Tax Resident |
| British Land Regeneration Limited | UK Tax Resident | Gibraltar General Partner Limited (38.48% interest) | UK Tax Resident |
| British Land Retail Warehouses Limited (in liquidation) | UK Tax Resident | Gibraltar Nominees Limited (38.48% interest) | UK Tax Resident |
| British Land Superstores (Non Securitised) Number 2 Limited | UK Tax Resident | Giltbrook Retail Park Nottingham Limited | UK Tax Resident |
| Broadgate (PHC 8) Limited | UK Tax Resident | Glenway Limited | UK Tax Resident |
| Broadgate Adjoining Properties Limited | UK Tax Resident | Hempel Holdings Limited | UK Tax Resident |
| Broadgate Business Centre Limited | UK Tax Resident | Hempel Hotels Limited | UK Tax Resident |
| Broadgate City Limited | UK Tax Resident | Hercules Property UK Holdings Limited | UK Tax Resident |
| Broadgate Court Investments Limited | UK Tax Resident | Hercules Property UK Limited | UK Tax Resident |
| Broadgate Estates Limited | UK Tax Resident | Hercules Unit Trust (76.96% interest) (Jersey) (Units) | Overseas Tax Resident |
| Broadgate Estates People Management Limited | UK Tax Resident | Hereford Old Market Limited | UK Tax Resident |
| Broadgate Exchange Square | UK Tax Resident | Hereford Shopping Centre GP Limited | UK Tax Resident |
| Broadgate Investment Holdings Limited | UK Tax Resident | Hereford Shopping Centre Limited Partnership | UK Tax Resident |
| Broadgate Properties Limited | UK Tax Resident | Hilden Properties Limited | UK Tax Resident |
| Broadgate REIT Limited (50% interest)† | UK Tax Resident | Horndrift Limited | UK Tax Resident |
| Broadgate Square Limited | UK Tax Resident | | |
| Broughton Retail Park Limited (Jersey) (Units) (76.96% interest)† | Overseas Tax Resident | | |
| Broughton Unit Trust (76.96% interest)† | Overseas Tax Resident | | |
| Brunswick Park Limited | UK Tax Resident | | |
| BVP Developments Limited | UK Tax Resident | | |
| Canada Water Offices Limited | UK Tax Resident | | |

| Company Name | UK/Overseas Tax Resident Status | Company Name | UK/Overseas Tax Resident Status |
|---|---------------------------------|--|---------------------------------|
| HUT Investments Limited (Jersey) (76.96% interest) | Overseas Tax Resident | Paddington Central I Unit Trust (Jersey) (Units) | Overseas Tax Resident |
| HUT Retail Investments GP Limited | UK Tax Resident | Paddington Central II (GP) Limited | UK Tax Resident |
| HUT Retail Investments Limited Partnership (Partnership interest) | UK Tax Resident | Paddington Central II LP (Partnership interest) | UK Tax Resident |
| HUT Retail Investments Nominee Limited | UK Tax Resident | Paddington Central II Unit Trust (Jersey) (Units) | Overseas Tax Resident |
| Industrial Real Estate Limited | UK Tax Resident | Paddington Central IV Unit Trust (Jersey) (Units) | Overseas Tax Resident |
| Insistmetal 2 Limited | UK Tax Resident | Paddington Kiosk (GP) Ltd | UK Tax Resident |
| Ivorydell Limited | UK Tax Resident | Paddington Kiosk LP (Partnership interest) | UK Tax Resident |
| Ivorydell Subsidiary Limited | UK Tax Resident | Paddington Central Management Company Limited (87.5% interest) | UK Tax Resident |
| Ivoryhill Limited | UK Tax Resident | Pardev (Luton) Limited | UK Tax Resident |
| Jetbloom Limited | UK Tax Resident | Parwick Holdings Limited | UK Tax Resident |
| L & H Developments Limited | UK Tax Resident | Parwick Investments Limited | UK Tax Resident |
| Lancaster General Partner Limited | UK Tax Resident | PC Baltic Wharf Limited | UK Tax Resident |
| Liverpool One Management Company Limited (50% interest) | UK Tax Resident | PC Canal Limited | UK Tax Resident |
| Liverpool One Management Services Limited | UK Tax Resident | PC Lease Nominee Ltd | UK Tax Resident |
| London and Henley (UK) Limited | UK Tax Resident | PC Partnership Nominee Ltd | UK Tax Resident |
| London and Henley Limited | UK Tax Resident | Piccadilly Residential Limited | UK Tax Resident |
| Lonebridge UK Limited | UK Tax Resident | Pillar (Beckton) Limited | UK Tax Resident |
| Longford Street Residential Limited | UK Tax Resident | Pillar (Cricklewood) Limited | UK Tax Resident |
| Ludgate Investment Holdings Limited | UK Tax Resident | Pillar (Dartford) Limited | UK Tax Resident |
| Ludgate West Limited | UK Tax Resident | Pillar (Fulham) Limited | UK Tax Resident |
| Manbrig Properties | UK Tax Resident | Pillar Auchinlea Limited | UK Tax Resident |
| Marble Arch House Unit Trust (Jersey) (Units) | Overseas Tax Resident | Pillar Broadway Limited | UK Tax Resident |
| Mayfair Properties | UK Tax Resident | Pillar City Plc | UK Tax Resident |
| Mayflower Retail Park Basildon Limited | UK Tax Resident | Pillar Dartford No 1 Limited | UK Tax Resident |
| Meadowbank Retail Park Edinburgh Limited | UK Tax Resident | Pillar Denton Limited | UK Tax Resident |
| Meadowhall Centre (1999) Limited | UK Tax Resident | Pillar Developments Limited | UK Tax Resident |
| Meadowhall Centre Limited | UK Tax Resident | Pillar Estates Limited | UK Tax Resident |
| Meadowhall Centre Pension Scheme Trustees Limited | UK Tax Resident | Pillar Estates No 2 Limited | UK Tax Resident |
| Meadowhall Estates (UK) Limited | UK Tax Resident | Pillar Europe Management Limited | UK Tax Resident |
| Meadowhall Group (MLP) Limited | UK Tax Resident | Pillar Farnborough Limited | UK Tax Resident |
| Meadowhall Holdings Limited | UK Tax Resident | Pillar Fort Limited | UK Tax Resident |
| Meadowhall Opportunities Nominee 1 Limited | UK Tax Resident | Pillar Fulham No 2 Limited | UK Tax Resident |
| Meadowhall Opportunities Nominee 2 Limited | UK Tax Resident | Pillar Gallions Reach Limited | UK Tax Resident |
| Meadowhall Training Limited | UK Tax Resident | Pillar Glasgow 1 Limited | UK Tax Resident |
| Mercari | UK Tax Resident | Pillar Glasgow 2 Limited | UK Tax Resident |
| Mercari Holdings Limited | UK Tax Resident | Pillar Glasgow 3 Limited | UK Tax Resident |
| Minhill Investments Limited | UK Tax Resident | Pillar Hercules No 2 Limited | UK Tax Resident |
| Moorage (Property Developments) Limited | UK Tax Resident | Pillar Kinnaird Limited | UK Tax Resident |
| Nugent Shopping Park Limited | UK Tax Resident | Pillar Nugent Limited | UK Tax Resident |
| One Hundred Ludgate Hill | UK Tax Resident | Pillar Projects Limited | UK Tax Resident |
| One Sheldon Square Limited (Jersey) | Overseas Tax Resident | Pillar Property Group Limited | UK Tax Resident |
| Orbital Shopping Park Swindon Limited | UK Tax Resident | PillarCaisse Management Limited (50% interest) | UK Tax Resident |
| Osnaburgh Street Limited | UK Tax Resident | Pillarman Limited (50% interest) | UK Tax Resident |
| Paddington Block A (GP) Ltd | UK Tax Resident | PillarStore Limited | UK Tax Resident |
| Paddington Block A LP (Partnership interest) | UK Tax Resident | PillarStore No 3 Limited | UK Tax Resident |
| Paddington Block B (GP) Ltd | UK Tax Resident | Plymouth Retail Limited | UK Tax Resident |
| Paddington Block B LP (Partnership interest) | UK Tax Resident | Power Court GP Limited | UK Tax Resident |
| Paddington Central I (GP) Limited | UK Tax Resident | Power Court Luton Limited Partnership (Partnership interest) | UK Tax Resident |
| Paddington Central I LP (Partnership interest) | UK Tax Resident | Power Court Nominee Limited | UK Tax Resident |
| Paddington Central I Nominee Limited | UK Tax Resident | Power Court Nominees No. 2 Limited | UK Tax Resident |
| | | PREF Management Company SA (Luxembourg) | Overseas Tax Resident |
| | | Project Sunrise Investments Limited | UK Tax Resident |
| | | Project Sunrise Limited | UK Tax Resident |

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

| Company Name | UK/Overseas Tax Resident Status | Company Name | UK/Overseas Tax Resident Status |
|--|---------------------------------|--|---------------------------------|
| Project Sunrise Properties Limited | UK Tax Resident | Toilgate Centre Colchester Limited | UK Tax Resident |
| Reboline Limited | UK Tax Resident | TPP Investments Limited | UK Tax Resident |
| Regent s Place Holding Company Limited | UK Tax Resident | Tweed Premier 1 Limited* | UK Tax Resident |
| Regents Place Management Company Limited | UK Tax Resident | Tweed Premier 2 Limited* | UK Tax Resident |
| Regents Place Residential Limited | UK Tax Resident | Tweed Premier 4 Limited | UK Tax Resident |
| Renagh* | UK Tax Resident | Union Property Corporation Limited | UK Tax Resident |
| Rigphone Limited | UK Tax Resident | Union Property Holdings (London) Limited | UK Tax Resident |
| Ritesol* | UK Tax Resident | United Kingdom Property Company Limited | UK Tax Resident |
| Rohawk Properties Limited | UK Tax Resident | Valentine Co-ownership Trust (Member interest) (38.48% interest) | UK Tax Resident |
| Salmax Properties | UK Tax Resident | Valentine Unit Trust (Jersey) (Units) (76.96% interest) | Overseas Tax Resident |
| Seymour Street Homes Limited | UK Tax Resident | Vicinitee Limited | UK Tax Resident |
| Shopping Centres Limited | UK Tax Resident | Vintners' Place Limited | UK Tax Resident |
| Six Broadgate Limited | UK Tax Resident | Wardrobe Court Limited | UK Tax Resident |
| Southgate General Partner Limited (50% interest) | UK Tax Resident | Wardrobe Holdings Limited | UK Tax Resident |
| Southgate Property Unit Trust (Jersey) (Units) (50% interest) | Overseas Tax Resident | Wardrobe Place Limited | UK Tax Resident |
| Speke Unit Trust (67.34% interest) (Jersey) (Units) | Overseas Tax Resident | Wates City of London Properties Limited | UK Tax Resident |
| Sprint 1118 Limited | UK Tax Resident | Wates City Point Limited | UK Tax Resident |
| St James Parade (43) Limited | UK Tax Resident | Wates City Property Management Limited | UK Tax Resident |
| St James Retail Park Northampton Limited | UK Tax Resident | Westbourne Terrace Partnership (Partnership interest) | UK Tax Resident |
| St Stephens Shopping Centre Limited | UK Tax Resident | Westside Leeds Limited | UK Tax Resident |
| Stockton Retail Park Limited | UK Tax Resident | Whiteley Nominee 1 Limited | UK Tax Resident |
| Storey Spaces Limited | UK Tax Resident | Whiteley Nominee 2 Limited | UK Tax Resident |
| Surrey Quays Limited | UK Tax Resident | Whiteley Shopping Centre Unit Trust (Jersey) (Units) | Overseas Tax Resident |
| Sydale | UK Tax Resident | WK Holdings Limited | UK Tax Resident |
| T (Partnership) Limited | UK Tax Resident | York House W1 Limited | UK Tax Resident |
| Tailress Limited | UK Tax Resident | | |
| TBL (Brent Park) Limited | UK Tax Resident | | |
| TBL (Bromley) Limited | UK Tax Resident | | |
| TBL (Bursledon) Limited | UK Tax Resident | | |
| TBL (Bury) Limited | UK Tax Resident | | |
| TBL (Ferndown) Limited | UK Tax Resident | | |
| TBL (Lisnagelvin) Limited | UK Tax Resident | | |
| TBL (Maidstone) Limited | UK Tax Resident | | |
| TBL (Milton Keynes) Limited | UK Tax Resident | | |
| TBL (Peterborough) Limited | UK Tax Resident | | |
| TBL Holdings Limited | UK Tax Resident | | |
| TBL Properties Limited | UK Tax Resident | | |
| Teesside Leisure Park Limited (51% interest) | UK Tax Resident | | |
| The Aldgate Place Limited Partnership (Partnership interest) (50% interest) | UK Tax Resident | | |
| The Dartford Partnership (Member interest) (50% interest) | UK Tax Resident | | |
| The Gibraltar Limited Partnership (Partnership interest) (38.48% interest) | UK Tax Resident | | |
| The Hercules Property Limited Partnership (Partnership interest) (40.68% interest) | UK Tax Resident | | |
| The Leadenhall Development Company Limited (50% interest) | UK Tax Resident | | |
| The Liverpool Exchange Company Limited | UK Tax Resident | | |
| The Mary Street Estate Limited | UK Tax Resident | | |
| The Meadowhall Education Centre (Limited by guarantee) (50% interest) | UK Tax Resident | | |
| The Retail and Warehouse Company Limited | UK Tax Resident | | |
| The TBL Property Partnership (Partnership interest) | UK Tax Resident | | |
| The Whiteley Co-Ownership (Member interest) (50% interest) | UK Tax Resident | | |

SUPPLEMENTARY DISCLOSURES

UNAUDITED UNLESS OTHERWISE STATED

Table A: Summary income statement and balance sheet (Unaudited)

Summary income statement based on proportional consolidation for the year ended 31 March 2018

The following pro forma information is unaudited and does not form part of the consolidated primary statements or the notes thereto. It presents the results of the Group, with its share of the results of joint ventures and funds included on a line-by-line basis and excluding non-controlling interests.

| | Year ended 31 March 2018 | | | | Year ended 31 March 2017 | | | |
|---|--------------------------|--------------------------------------|--|--------------------------------------|--------------------------|--------------------------------------|--|--------------------------------------|
| | Group £m | Joint ventures and funds £m | Less non-controlling interests £m | Proportionally consolidated £m | Group £m | Joint ventures and funds £m | Less non-controlling interests £m | Proportionally consolidated £m |
| Gross rental income | 441 | 193 | (21) | 613 | 442 | 220 | (19) | 643 |
| Property operating expenses | (29) | (9) | 1 | (37) | (25) | (10) | 2 | (33) |
| Net rental income | 412 | 184 | (20) | 576 | 417 | 210 | (17) | 610 |
| Administrative expenses | (82) | (1) | – | (83) | (84) | (2) | – | (86) |
| Net fees and other income | 13 | – | 2 | 15 | 17 | – | – | 17 |
| Ungeared income return | 343 | 183 | (18) | 508 | 350 | 208 | (17) | 541 |
| Net financing costs | (64) | (68) | 4 | (128) | (78) | (76) | 3 | (151) |
| Underlying Profit | 279 | 115 | (14) | 380 | 272 | 132 | (14) | 390 |
| Underlying taxation | – | – | – | – | – | – | – | – |
| Underlying Profit after taxation | 279 | 115 | (14) | 380 | 272 | 132 | (14) | 390 |
| Valuation movement | | | | 254 | | | | (237) |
| Other capital and taxation (net) | | | | 31 | | | | (433) |
| Capital and other | | | | 285 | | | | (670) |
| Total return | | | | 665 | | | | (280) |

The above information is unaudited and does not form part of the consolidated primary statements or the notes thereto.

Summary balance sheet based on proportional consolidation as at 31 March 2018

The following pro forma information is unaudited and does not form part of the consolidated primary statements or the notes thereto. It presents the composition of the EPRA net assets of the Group, with its share of the net assets of the joint venture and fund assets and liabilities included on a line-by-line basis, and excluding non-controlling interests, and assuming full dilution.

| | Group £m | Joint ventures and funds £m | Less non-controlling interests £m | Share holders £m | Deferred tax £m | Marked to market derivatives and included debt £m | Goodwill £m | Valuation adjustment on properties £m | EPRA Net assets 31 March 2018 £m | EPRA Net assets 31 March 2017 £m |
|---|--------------|--------------------------------------|--|------------------------|-----------------------|--|----------------|---|--|--|
| Retail properties | 5,262 | 1,759 | (383) | – | – | – | (42) | – | 6,596 | 6,654 |
| Office properties | 4,265 | 2,334 | – | – | – | – | (15) | 121 | 6,705 | 7,015 |
| Canada Water properties | 298 | – | – | – | – | – | (15) | – | 283 | 271 |
| Other properties | 100 | 19 | – | – | – | – | – | 13 | 132 | – |
| Total properties | 9,925 | 4,112 | (383) | – | – | – | (72) | 134 | 13,716 | 13,940 |
| Investments in joint ventures and funds | 2,822 | (2,822) | – | – | – | – | – | – | – | – |
| Other investments | 174 | (2) | – | – | – | – | – | – | 172 | 151 |
| Other net (liabilities) assets | (369) | (99) | 4 | 32 | 5 | – | 72 | – | (355) | (370) |
| Net debt | (3,046) | (1,189) | 125 | – | – | 137 | – | – | (3,973) | (4,223) |
| Net assets | 9,506 | – | (254) | 32 | 5 | 137 | – | 134 | 9,560 | 9,498 |
| EPRA NAV per share (Note 2) | | | | | | | | | 967p | 915p |

SUPPLEMENTARY DISCLOSURES CONTINUED

UNAUDITED

Table A continued

EPRA Net assets movement

| | Year ended 31 March 2018 | | Year ended 31 March 2017 | |
|-------------------------|-----------------------------|-----------------|-----------------------------|-----------------|
| | £m | Pence per share | £m | Pence per share |
| Opening EPRA NAV | 9,498 | 915 | 10,074 | 919 |
| Income return | 380 | 37 | 390 | 36 |
| Capital return | 285 | 29 | (670) | (13) |
| Dividend paid | (302) | (29) | (296) | (27) |
| Purchase of own shares | (301) | 15 | - | - |
| Closing EPRA NAV | 9,560 | 967 | 9,498 | 915 |

Table B: EPRA Performance measures

EPRA Performance measures summary table

| | 2018 | | 2017 | |
|----------------------------------|------|-----------------|------|-----------------|
| | £m | Pence per share | £m | Pence per share |
| EPRA Earnings – basic | 380 | 37.5 | 390 | 37.9 |
| – diluted | 380 | 37.4 | 390 | 37.8 |
| EPRA Net Initial Yield | | 4.3% | | 4.3% |
| EPRA topped-up Net Initial Yield | | 4.6% | | 4.5% |
| EPRA Vacancy Rate | | 3.2% | | 4.8% |

| | 2018 | | 2017 | |
|-------------|------------|---------------------------------|------------|---------------------------------|
| | Net assets | Net asset value per share pence | Net assets | Net asset value per share pence |
| EPRA NAV | 9,560 | 967 | 9,498 | 915 |
| EPRA NNNNAV | 9,044 | 914 | 8,938 | 861 |

Calculation and reconciliation of EPRA/IFRS earnings and EPRA/IFRS earnings per share

| (Audited) | 2018 £m | 2017 £m |
|---|------------|------------|
| Profit attributable to the shareholders of the Company | 493 | 193 |
| Exclude | | |
| Group – current taxation | (1) | (1) |
| Group – deferred taxation | (5) | - |
| Joint ventures and funds – deferred taxation | - | (1) |
| Group – valuation movement | (202) | 144 |
| Group – (profit) loss on disposal of investment properties and investments | (18) | 5 |
| Group – profit on disposal of trading properties | (14) | (7) |
| Joint ventures and funds – net valuation movement (including result on disposals) | (49) | 75 |
| Joint ventures and funds – capital financing costs | 13 | 6 |
| Changes in fair value of financial instruments and associated close-out costs | 163 | (13) |
| Non-controlling interests in respect of the above | - | (11) |
| Underlying Profit | 380 | 390 |
| Group – underlying current taxation | - | - |
| EPRA earnings – basic | 380 | 390 |
| Dilutive effect of 2012 convertible bond | - | - |
| EPRA earnings – diluted | 380 | 390 |
| Profit attributable to the shareholders of the Company | 493 | 193 |
| Dilutive effect of 2012 convertible bond | - | (33) |
| IFRS earnings – diluted | 493 | 160 |

Table B continued

| | 2018 Number million | 2017 Number million |
|--|---------------------------|---------------------------|
| Weighted average number of shares | 1,024 | 1,040 |
| Adjustment for treasury shares | (11) | (11) |
| IFRS/EPRA Weighted average number of shares (basic) | 1,013 | 1,029 |
| Dilutive effect of share options | 1 | 1 |
| Dilutive effect of ESOP shares | 2 | 3 |
| Dilutive effect of 2012 convertible bond | – | 58 |
| IFRS Weighted average number of shares (diluted) | 1,016 | 1,091 |
| Dilutive effect of 2012 convertible bond | – | (58) |
| EPRA Weighted average number of shares (diluted) | 1,016 | 1,033 |

Net assets per share (Audited)

| | 2018 | | 2017 | |
|--|--------------|--------------------|--------------|--------------------|
| | £m | Pence per share | £ | Pence per share |
| Balance sheet net assets | 9,506 | | 9,476 | |
| Deferred tax arising on revaluation movements | 5 | | 3 | |
| Mark-to-market on derivatives and related debt adjustments | 137 | | 155 | |
| Dilution effect of share options | 32 | | 36 | |
| Surplus on trading properties | 134 | | 83 | |
| Less non-controlling interests | (254) | | (255) | |
| EPRA NAV | 9,560 | 967 | 9,498 | 915 |
| Deferred tax arising on revaluation movements | (31) | | (19) | |
| Mark-to-market on derivatives and related debt adjustments | (137) | | (155) | |
| Mark-to-market on debt | (348) | | (386) | |
| EPRA NNNAV | 9,044 | 914 | 8,938 | 861 |

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

| | 2018 Number million | 2017 Number million |
|---|---------------------------|---------------------------|
| Number of shares at year end | 994 | 1,040 |
| Adjustment for treasury shares | (11) | (11) |
| IFRS/EPRA number of shares (basic) | 983 | 1,029 |
| Dilutive effect of share options | 1 | 3 |
| Dilutive effect of ESOP shares | 5 | 6 |
| Dilutive effect of 2012 convertible bond | – | 58 |
| IFRS number of shares (diluted) | 989 | 1,096 |
| Dilutive effect of 2012 convertible bond | – | (58) |
| EPRA number of shares (diluted) | 989 | 1,038 |

SUPPLEMENTARY DISCLOSURES CONTINUED

UNAUDITED

Table B continued

EPRA Net Initial Yield and 'topped-up' Net Initial Yield (Unaudited)

| | 2018 £m | 2017 £m |
|---|---------------|---------------|
| Investment property – wholly-owned | 9,682 | 9,210 |
| Investment property – share of joint ventures and funds | 4,034 | 4,730 |
| Less developments, residential and land | (1,315) | (798) |
| Completed property portfolio | 12,401 | 13,142 |
| Allowance for estimated purchasers' costs | 799 | 897 |
| Gross up completed property portfolio valuation (A) | 13,200 | 14,039 |
| Annualised cash passing rental income | 584 | 607 |
| Property outgoings | (11) | (9) |
| Annualised net rents (B) | 573 | 598 |
| Rent expiration of rent-free periods and fixed uplifts | 28 | 30 |
| 'Topped-up' net annualised rent (C) | 601 | 628 |
| EPRA Net Initial Yield (B/A) | 4.3% | 4.3% |
| EPRA 'topped-up' Net Initial Yield (C/A) | 4.6% | 4.5% |
| Including fixed/minimum uplifts received in lieu of rental growth | 11 | 11 |
| Total 'topped-up' net rents (D) | 612 | 639 |
| Overall 'topped-up' Net Initial Yield (D/A) | 4.6% | 4.6% |
| Topped-up net annualised rent | 601 | 628 |
| ERV vacant space | 21 | 34 |
| Reversions | 32 | 38 |
| Total ERV (E) | 654 | 700 |
| Net Reversionary Yield (E/A) | 5.0% | 5.0% |

The weighted average period over which the 'topped-up' net rents are expected to be received is 10.7 years.

EPRA Net Initial Yield (NIY) basis of calculation

EPRA NIY is calculated as the annualised net rent (on a cash flow basis), divided by the gross value of the completed property portfolio. The valuation of our completed property portfolio is determined by our external valuers as at 31 March 2018, plus an allowance for estimated purchaser's costs. Estimated purchaser's costs are determined by the relevant stamp duty liability, plus an estimate by our valuers of agent and legal fees on notional acquisition. The net rent deduction allowed for property outgoings is based on our valuers' assumptions on future recurring non-recoverable revenue expenditure.

In calculating the EPRA 'topped-up' NIY, the annualised net rent is increased by the total contracted rent from expiry of rent-free periods and future contracted rental uplifts where defined as not in lieu of growth. Overall 'topped-up' NIY is calculated by adding any other contracted future uplift to the 'topped-up' net annualised rent.

The net reversionary yield is calculated by dividing the total estimated rental value (ERV) for the completed property portfolio, as determined by our external valuers, by the gross completed property portfolio valuation.

The EPRA vacancy rate is calculated as the ERV of the unrented, lettable space as a proportion of the total rental value of the completed property portfolio.

EPRA Vacancy Rate

| | 2018 £m | 2017 £m |
|--|-------------|-------------|
| Annualised potential rental value of vacant premises | 21 | 34 |
| Annualised potential rental value for the completed property portfolio | 664 | 710 |
| EPRA Vacancy Rate | 3.2% | 4.8% |

The above is stated for the UK portfolio only. A discussion of significant factors affecting vacancy rates is included within the Strategic Report (pages 32 to 34).

Table B continued

EPRA Cost Ratios (Unaudited)

| | 2018 £m | 2017 £m |
|---|--------------|--------------|
| Property operating expenses | 28 | 23 |
| Administrative expenses | 82 | 84 |
| Share of joint ventures and funds expenses | 10 | 12 |
| Less: Performance and management fees (from joint ventures and funds) | (8) | (9) |
| Net other fees and commissions | (7) | (8) |
| Ground rent costs | (2) | (2) |
| EPRA Costs (including direct vacancy costs) (A) | 103 | 100 |
| Direct vacancy costs | (12) | (12) |
| EPRA Costs (excluding direct vacancy costs) (B) | 91 | 88 |
| Gross Rental Income less ground rent costs | 422 | 412 |
| Share of joint ventures and funds (GRI less ground rent costs) | 189 | 229 |
| Total Gross Rental Income less ground rent costs (C) | 611 | 641 |
| EPRA Cost Ratio (including direct vacancy costs) (A/C) | 16.9% | 15.6% |
| EPRA Cost Ratio (excluding direct vacancy costs) (B/C) | 14.9% | 13.7% |
| Overhead and operating expenses capitalised (including share of joint ventures and funds) | 5 | 5 |

In the current year, employee costs in relation to staff time on development projects have been capitalised into the base cost of relevant development assets

Table C: Gross rental income

| | 2018 £m | 2017 £m |
|--|------------|------------|
| Rent receivable | 604 | 633 |
| Spreading of tenant incentives and guaranteed rent increases | (12) | 8 |
| Surrender premia | 21 | 2 |
| Gross rental income | 613 | 643 |

The current and prior year information is presented on a proportionally consolidated basis, excluding non-controlling interests

Table D: Property related capital expenditure

| | 2018 | | | 2017 | | |
|-------------------------------------|------------|--------------------------|------------|------------|--------------------------|------------|
| | Group | Joint ventures and funds | Total | Group | Joint ventures and funds | Total |
| Acquisitions | 250 | – | 250 | 88 | – | 88 |
| Development | 132 | 52 | 184 | 131 | 14 | 145 |
| Like-for-like portfolio | 23 | 27 | 50 | 67 | 47 | 114 |
| Other | 17 | 5 | 22 | 20 | 2 | 22 |
| Total property related capex | 422 | 84 | 506 | 306 | 63 | 369 |

The above is presented on a proportionally consolidated basis, excluding non-controlling interests and business combinations. The 'Other' category contains amounts owing to tenant incentives of £10m (2016/17: £10m), capitalised staff costs of £5m (2016/17: £5m) and capitalised interest of £7m (2016/17: £7m)

Other information

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Other information

UNAUDITED

Acquisitions

| Since 1 April 2017 | Segment | Trading Profit (£m) | Finance Profit (£m) | Adjusted Profit (£m) |
|--|--------------|---------------------|---------------------|----------------------|
| Completed | | | | |
| Tesco, Brislington – Tesco exchange transaction | Retail | 46 | 23 | 2 |
| Harlech, Newport – Tesco exchange transaction ¹ | Retail | 41 | 20 | 1 |
| 10 – 40 The Broadway, Ealing | Retail | 49 | 49 | 2 |
| Hercules Unit Trust units | Retail | 4 | 4 | – |
| The Woolwich Estate | Retail | 103 | 103 | 4 |
| Rotherhithe Police Station | Canada Water | 7 | 7 | – |
| Total | | 250 | 206 | 9 |

¹ Part of a Tesco IV-swaps transaction resulting in a net £73m disposal of supplies and assets.
² B – share of original business totalling out for net £10m.
³ Joint venture business representing £4m purchased BAV.

Disposals

| Since 1 April 2017 | Segment | Trading Profit (£m) | Finance Profit (£m) | Adjusted Profit (£m) |
|--|----------------|---------------------|---------------------|----------------------|
| Completed | | | | |
| The Leadenhall Building | Offices | 1,150 | 575 | 17 |
| Superstores ¹ | Retail | 545 | 302 | 18 |
| B&Q, Bury and Grimsby | Retail | 56 | 56 | 4 |
| Virgin Active, Sunderland and Coventry | Retail | 8 | 8 | 1 |
| Richmond Homebase | Retail | 45 | 45 | 1 |
| Other | Retail/Offices | 10 | 10 | 1 |
| The Hempel Collection | Residential | 52 | 52 | – |
| Clarges, Mayfair ² | Residential | 193 | 193 | – |
| Aldgate Place | Residential | 2 | 1 | – |
| Exchanged | | | | |
| Clarges, Mayfair | Residential | 66 | 66 | – |
| Total | | 2,127 | 1,308 | 42 |

¹ Exchanged during the year ended 31 March 2017.
² Of which £132m BIL share was part of the IV-swaps transaction resulting in net £170m disposal of assets and assets.
 Exchanged in year and completed at year end.
 Exchanged prior to FY18 (of which FY18m comprises a post period end BIL share of annualised rental income up to the date of exchange).

Portfolio valuation by sector

| | Gross value | Value of funds held | Total value | Change | | |
|--------------------------------|--------------|---------------------|---------------|-----------------|---------------------------------|---------------------------------|
| | | | | 1 st | 1 st 2 nd | 1 st 3 rd |
| At 31 March 2018 | | | | | | |
| Regional | 1,132 | 1,898 | 3,030 | 0.1 | 0.2 | 0.2 |
| Local | 1,840 | 458 | 2,298 | (0.9) | (0.6) | (1.5) |
| Multi-let | 2,972 | 2,356 | 5,328 | (0.4) | (0.2) | (0.5) |
| Department stores and leisure | 593 | 1 | 594 | 2.4 | 2.6 | 5.1 |
| Superstores | 99 | 261 | 360 | 0.8 | (1.5) | (0.3) |
| Solus and other | 314 | – | 314 | 5.8 | 0.7 | 6.5 |
| Retail | 3,978 | 2,618 | 6,596 | 0.3 | – | 0.3 |
| West End | 4,255 | – | 4,255 | 3.2 | 2.6 | 5.8 |
| City | 116 | 2,334 | 2,450 | 1.7 | 1.3 | 2.8 |
| Offices | 4,371 | 2,334 | 6,705 | 2.6 | 2.1 | 4.5 |
| Residential² | 113 | 19 | 132 | 3.6 | (2.6) | 1.6 |
| Canada Water | 283 | – | 283 | (4.5) | (3.0) | (7.0) |
| Total | 8,745 | 4,971 | 13,716 | 1.4 | 0.9 | 2.2 |
| Standing Investments | 8,349 | 4,583 | 12,932 | 1.2 | 0.4 | 1.6 |
| Developments | 396 | 388 | 784 | 3.3 | 6.4 | 9.6 |

Value of developments includes a net increase in the value of developments completed in the period of 0.1% (£0.8m) and a net decrease in the value of developments under construction of 0.1% (£0.8m). The value of developments completed in the period is £0.8m and the value of developments under construction is £0.8m.

Gross rental income¹

| Accounting Basis | At 31 March 2018 | | | At 31 March 2017 | | |
|---------------------------------|------------------|---------------------|-------------|------------------|---------------------|-------------|
| | Gross value | Value of funds held | Total value | Gross value | Value of funds held | Total value |
| Regional | 62 | 89 | 151 | 61 | 88 | 149 |
| Local | 92 | 29 | 121 | 90 | 26 | 116 |
| Multi-let | 154 | 118 | 272 | 151 | 114 | 265 |
| Department stores and leisure | 43 | – | 43 | 40 | – | 40 |
| Superstores | 4 | 22 | 26 | 4 | 18 | 22 |
| Solus and other | 19 | – | 19 | 17 | – | 17 |
| Retail | 220 | 140 | 360 | 212 | 132 | 344 |
| West End | 133 | – | 133 | 134 | – | 134 |
| City | 6 | 102 | 108 | 5 | 80 | 85 |
| Offices | 139 | 102 | 241 | 139 | 80 | 219 |
| Residential² | 4 | – | 4 | 5 | – | 5 |
| Canada Water³ | 8 | – | 8 | 8 | – | 8 |
| Total | 371 | 242 | 613 | 364 | 212 | 576 |

1. Gross rental income includes a net increase in the value of gross rental income of 0.1% (£0.8m) and a net decrease in the value of gross rental income of 0.1% (£0.8m). The value of gross rental income is £0.8m and the value of gross rental income is £0.8m.

2. Residential gross rental income

Other information

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Portfolio yield and ERV movements¹

| At 31 March 2018 | NAV % | ERV Growth ² | | | Net Yield Movements ³ | | |
|---------------------------------|------------|-------------------------|------------|--------------|----------------------------------|------------|------------|
| | | H1 | H2 | FY | H1 | H2 | FY |
| Regional | 5.0 | 1.2 | 1.1 | 2.3 | 4 | 3 | 7 |
| Local | 5.5 | 1.1 | 0.1 | 1.2 | 11 | 2 | 13 |
| Multi-let | 5.2 | 1.1 | 0.7 | 1.9 | 7 | 2 | 9 |
| Department stores and leisure | 5.7 | 5.9 | 0.3 | 6.2 | (11) | 4 | (7) |
| Superstores | 5.4 | (1.2) | (1.1) | (2.3) | (7) | (3) | (9) |
| Solus and other | 5.2 | (5.8) | (0.0) | (5.8) | 16 | (9) | 7 |
| Retail | 5.3 | 1.0 | 0.5 | 1.6 | 5 | 2 | 6 |
| West End | 4.3 | 1.0 | 1.5 | 2.5 | (11) | (2) | (13) |
| City | 4.5 | 1.3 | 0.2 | 1.5 | 1 | 1 | 2 |
| Offices | 4.4 | 1.2 | 1.0 | 2.1 | (6) | (1) | (7) |
| Canada Water⁵ | 3.9 | (1.1) | 0.0 | (1.1) | 11 | 26 | 37 |
| Total | 4.8 | 1.0 | 0.7 | 1.8 | (0) | 1 | 1 |

¹ Excludes development and construction and leasehold and other development and residential assets.

² As calculated by IFRS.

³ Excludes outstrip and leasehold.

⁴ Excludes outstrip, leisure, West End, City and Canada Water 2017, valued on a low of the range of 1.0% to 1.5% assumption with 1.0% included, with a 1.5% increase in movements.

⁵ Returns stand alone only, no correlation.

Retail portfolio valuation – previous classification basis

| At 31 March 2018 | Valuation £m | Change in | | | ERV Growth ² | | | Net Yield Mov ³ | | |
|-------------------|-----------------|------------|----------|------------|-------------------------|------------|------------|----------------------------|----------|----------|
| | | H1 | H2 | FY | H1 | H2 | FY | H1 | H2 | FY |
| Shopping Parks | 3,180 | (0.1) | 0.3 | 0.2 | 0.8 | 0.2 | 0.9 | 11 | (0) | 10 |
| Shopping Centres | 2,359 | 0.2 | (0.5) | (0.3) | 0.7 | 1.4 | 2.1 | 3 | 4 | 7 |
| Superstores | 360 | 0.8 | (1.5) | (0.3) | (1.2) | (1.1) | (2.3) | (7) | (3) | (9) |
| Department Stores | 269 | 2.1 | (0.8) | 0.5 | (0.0) | 1.4 | 1.4 | (10) | 8 | (2) |
| Leisure | 428 | 2.5 | 3.5 | 6.2 | 7.7 | (0.0) | 7.7 | (15) | 2 | (9) |
| Retail | 6,596 | 0.3 | - | 0.3 | 1.0 | 0.5 | 1.6 | 5 | 2 | 6 |

¹ Grossed up of properties not yet developed and on long leasehold.

² Valuation movement at date of the year after taking a low of the range of 1.0% to 1.5% assumption with 1.0% included, with a 1.5% increase in movements.

³ As calculated by IFRS.

⁴ Excludes outstrip and leasehold.

Portfolio net yields^{1,2}

| | IFRA net initial yield % | IFRA blended initial yield % | Over-blended initial yield % | Net reversion yield % | Net property yield % |
|---------------------------------|--------------------------------|---------------------------------------|------------------------------------|--------------------------------|-------------------------------|
| At 31 March 2018 | | | | | |
| Regional | 4.5 | 4.7 | 4.7 | 5.0 | 5.0 |
| Local | 5.0 | 5.1 | 5.2 | 5.5 | 5.5 |
| Multi-let | 4.7 | 4.9 | 4.9 | 5.2 | 5.3 |
| Department stores and leisure | 5.7 | 5.7 | 6.8 | 5.7 | 4.5 |
| Superstores | 5.7 | 5.7 | 5.7 | 5.4 | 5.2 |
| Solus and other | 5.1 | 5.1 | 5.1 | 5.2 | 4.2 |
| Retail | 4.9 | 5.0 | 5.2 | 5.3 | 5.1 |
| West End | 3.5 | 4.0 | 4.0 | 4.3 | 4.7 |
| City | 4.2 | 4.2 | 4.2 | 4.5 | 4.9 |
| Offices | 3.8 | 4.1 | 4.1 | 4.4 | 4.8 |
| Canada Water⁵ | 3.1 | 3.2 | 3.2 | 3.9 | 3.9 |
| Total | 4.3 | 4.6 | 4.6 | 4.8 | 5.0 |

1. Net property yield calculated as a including: (a) capital return on net value added funds
 (b) net income on a pro-rata basis

2. Net property yield calculated as a including: (a) capital return on net value added funds

3. Income return calculated as: (a) property income less expenses and fixed provisions divided by net floor area

4. Net property yield calculated as: (a) capital return on net value added funds

5. Net property yield calculated as: (a) capital return on net value added funds

Total property return (as calculated by IPD)

| | 2017 | | 2016 | | 2015 | |
|-----------------------------------|-------------------|------------|-------------------|------------|-------------------|-------------|
| | Return on cost | IPD | Return on cost | IPD | Return on cost | IPD |
| Full Year to 31 March 2018 | | | | | | |
| Capital Return | 0.4 | 1.1 | 5.2 | 4.2 | 2.5 | 5.3 |
| – ERV Growth | 1.6 | 0.9 | 2.1 | 1.1 | 1.8 | 2.0 |
| – Yield Expansion | 6 bps | -11 bps | -7 bps | -21 bps | 1 bps | -26 bps |
| Income Return | 5.3 | 5.0 | 3.6 | 3.9 | 4.4 | 4.6 |
| Total Property Return | 5.7 | 6.2 | 9.0 | 8.3 | 7.0 | 10.1 |

1. Net property yield calculated as a including: (a) capital return on net value added funds

2. Net property yield calculated as: (a) capital return on net value added funds

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| At 31 March 2018 | £m | At 31 March 2017 | |
|--------------------------------|-----|------------------|-----|
| Tesco ¹ | 4.3 | Asda Group | 1.0 |
| J Sainsbury | 3.8 | Microsoft | 1.0 |
| Debenhams | 3.5 | JD Sports | 1.0 |
| UBS AG | 3.3 | Sports Direct | 0.9 |
| HM Government | 2.8 | Virgin Active | 0.9 |
| Next | 2.5 | Deutsche Bank | 0.8 |
| Kingfisher | 2.5 | Reed Smith | 0.8 |
| Facebook | 1.9 | Steinhoff | 0.7 |
| Dentsu Aegis ² | 1.8 | Mayer Brown | 0.7 |
| Marks & Spencer | 1.8 | H&M | 0.7 |
| Spirit Group | 1.7 | TGI Fridays | 0.7 |
| Wesfarmers (Homebase/Bunnings) | 1.7 | River Island | 0.7 |
| Visa Inc | 1.6 | Mothercare | 0.6 |
| Alliance Boots | 1.6 | NEX Group | 0.6 |
| Dixons Carphone | 1.5 | Primark | 0.6 |
| Arcadia Group | 1.4 | Credit Agricole | 0.6 |
| Herbert Smith | 1.3 | Pets at Home | 0.6 |
| TK Maxx | 1.2 | Henderson | 0.5 |
| Gazprom | 1.1 | Hutchison | 0.5 |
| Vodafone | 1.0 | Aramco | 0.5 |
| David Lloyd | 1.0 | Misys | 0.5 |
| New Look | 1.0 | | |

1. 2019. gada 1. ceturksnī, salīdzinot ar 2018. gada 4. ceturksni, uzdevuma izpildes rādītājs ir 100,00 %, kas ir 100,00 % no 2018. gada 4. ceturksnī noteiktā rādītāja.

| At 31 March 2018 | Number of properties | Net Long positions (£m) | Net Short positions (£m) | Net Long positions (£m) | Net Long positions (£m) | Net Long positions (£m) |
|--------------------------------------|-------------------------|-------------------------------|-----------------------------------|----------------------------------|----------------------------------|----------------------------------|
| Broadgate | 50 | 4,850 | 176 | 97.2 | 79 | |
| Regent's Place | 100 | 1,740 | 75 | 98.1 | 74 | |
| Paddington Central | 100 | 958 | 44 | 97.0 | 62 | |
| Meadowhall, Sheffield | 50 | 1,500 | 89 | 97.9 | 63 | |
| Teesside, Stockton | 100 | 569 | 17 | 95.4 | 51 | |
| Drake's Circus, Plymouth | 100 | 1,082 | 21 | 98.5 | 91 | |
| Ealing Broadway | 100 | 540 | 15 | 95.2 | 52 | |
| Glasgow Fort | 77 | 510 | 21 | 99.1 | 60 | |
| Sainsbury's Superstores ¹ | 51 | 1,457 | 34 | 100.0 | 88 | |
| 10 Portman Square | 100 | 134 | 10 | 100.0 | 71 | |

- Corporate & stand-alone stores

Lease length and occupancy

| At 31 March 2018 | Average lease length (years) | | Occupancy (%) | |
|---------------------------------|------------------------------|------------|----------------------------|-------------|
| | Directly | Through | FRAN ¹ Directly | Through |
| Regional | 7.7 | 6.6 | 96.8 | 97.1 |
| Local | 7.4 | 6.3 | 97.4 | 98.1 |
| Multi-let | 7.6 | 6.5 | 97.1 | 97.6 |
| Department stores and leisure | 16.4 | 16.4 | 99.8 | 99.8 |
| Superstores | 9.4 | 9.4 | 100.0 | 100.0 |
| Solus and other | 11.6 | 11.6 | 100.0 | 100.0 |
| Retail | 8.8 | 7.9 | 97.6 | 98.0 |
| West End | 8.6 | 7.0 | 96.2 | 96.4 |
| City | 8.9 | 7.9 | 97.1 | 97.1 |
| Offices | 8.7 | 7.3 | 96.5 | 96.7 |
| Canada Water³ | 6.1 | 6.0 | 97.4 | 98.0 |
| Total | 8.7 | 7.7 | 97.1 | 97.4 |

¹ Includes all dual purpose properties which are occupied with the High Street retail function but which are known as vacant retail space. If they were retail they would rise from 96.7% to 97.1% and the vacancy would rise from 97.4% to 97.7%. It only represents a small number of properties.

² Includes all non-residential properties which are subject to a lease in a shopping centre.

³ Includes all dual purpose properties.

For the retail and offices which are dual purpose, the 31 March 2018 average lease length for the retail would be 16.4 years and for the offices would be 11.6 years. If they were retail they would be 16.4 years and 11.6 years.

Portfolio weighting

| At 31 March | Value (£m) | | Weight (%) | |
|--------------------------------|--------------|--------------|---------------|--------------|
| | 2017 | 2018 | 2017 | 2018 |
| Regional | 213 | 221 | 3,030 | 213 |
| Local | 15.4 | 16.7 | 2,298 | 15.9 |
| Multi-let | 36.7 | 38.8 | 5,328 | 37.2 |
| Department stores and leisure | 4.1 | 4.3 | 594 | 4.1 |
| Superstores | 4.5 | 2.6 | 360 | 2.5 |
| Solus and other | 2.5 | 2.3 | 314 | 2.2 |
| Retail | 47.8 | 48.0 | 6,596 | 46.0 |
| West End | 28.4 | 31.0 | 4,255 | 31.6 |
| City | 20.7 | 17.9 | 2,450 | 19.5 |
| Offices | 49.1 | 48.9 | 6,705 | 51.1 |
| Residential² | 1.2 | 1.0 | 132 | 0.9 |
| Canada Water | 1.9 | 2.1 | 283 | 2.0 |
| Total | 100.0 | 100.0 | 13,716 | 100.0 |
| London weighting | 58% | 59% | 8,037 | 60% |

¹ Includes all dual purpose properties which are subject to a lease in a shopping centre.

² Includes all dual purpose properties which are subject to a lease in a shopping centre.

³ Includes all dual purpose properties.

Other information

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Annualised rent and estimated rental value (ERV)

| | Annualised rent value on basis of | | ERV on | | Average rent (per sq ft) | |
|---------------------------------|--------------------------------------|-----------------|------------|------------|--------------------------|-------------|
| | Group | IV and Funds | Total | Total | Contracted | ERV |
| At 31 March 2018 | | | | | | |
| Regional | 63 | 88 | 151 | 168 | 32.2 | 34.2 |
| Local | 98 | 26 | 124 | 137 | 24.1 | 25.9 |
| Multi-let | 161 | 114 | 275 | 305 | 28.0 | 29.9 |
| Department stores and leisure | 36 | - | 36 | 29 | 16.4 | 13.0 |
| Superstores | 5 | 16 | 21 | 19 | 22.7 | 20.6 |
| Solus and other | 17 | - | 17 | 14 | 20.9 | 17.1 |
| Retail | 219 | 130 | 349 | 367 | 25.4 | 25.9 |
| West End ¹ | 133 | - | 133 | 179 | 58.2 | 67.1 |
| City ² | 5 | 88 | 93 | 108 | 51.1 | 57.1 |
| Offices³ | 138 | 88 | 226 | 287 | 55.2 | 62.9 |
| Residential⁴ | 5 | - | 5 | 4 | - | - |
| Canada Water⁵ | 8 | - | 8 | 10 | 17.2 | 21.7 |
| Total | 370 | 218 | 588 | 668 | 31.4 | 33.9 |

On a proportionally pro-rated basis including the Group's share of the two trusts' funds.

Gross rents plus, where not reviewed, repairs and regularly scheduled LRV (as determined by the Group's external valuers), less any payments payable under lease clauses, excluding the non-rental portion of rent free and discount periods.

Annualised total payments above the rent.

Excludes the share of the extra 10%.

Excludes residential.

Includes retail and new store only.

Rent subject to open market rent review

| For period to 31 March | 2014/15 | 2015/16 | 2016/17 | 2017/18 | 2018/19 | 2019/20 | 2020/21 |
|---------------------------------|-----------|-----------|-----------|-----------|-----------|------------|------------|
| At 31 March 2018 | | | | | | | |
| Regional | 19 | 11 | 18 | 14 | 11 | 48 | 73 |
| Local | 18 | 11 | 12 | 6 | 18 | 41 | 65 |
| Multi-let | 37 | 22 | 30 | 20 | 29 | 89 | 138 |
| Department stores and leisure | 7 | - | - | - | - | 7 | 7 |
| Superstores | 3 | 8 | 6 | 1 | 1 | 17 | 19 |
| Solus and other | - | - | - | - | - | - | - |
| Retail | 47 | 30 | 36 | 21 | 30 | 113 | 164 |
| West End | 27 | 15 | 10 | 9 | 13 | 52 | 74 |
| City | 15 | 4 | 9 | - | - | 28 | 28 |
| Offices | 42 | 19 | 19 | 9 | 13 | 80 | 102 |
| Canada Water¹ | 1 | - | - | - | - | 1 | 1 |
| Total | 90 | 49 | 55 | 30 | 43 | 194 | 267 |

On a proportionally pro-rated basis including the Group's share of the two trusts' funds.

Retail is stand alone investment only.

Rent subject to lease break or expiry

For period to 31 March

| | 2019 £m | 2018 £m | 2017 £m | 2016 £m | 2015 £m | 2014-15 £m | 2013-14 £m |
|---------------------------------|-------------|-------------|-------------|-------------|--------------|---------------|---------------|
| At 31 March 2018 | | | | | | | |
| Regional | 14 | 14 | 9 | 14 | 20 | 37 | 71 |
| Local | 12 | 10 | 10 | 12 | 13 | 32 | 57 |
| Multi-let | 26 | 24 | 19 | 26 | 33 | 69 | 128 |
| Department Stores and Leisure | – | – | – | – | – | – | – |
| Superstores | – | – | – | – | 2 | – | 2 |
| Solus and other | – | – | 1 | – | – | 1 | 1 |
| Retail | 26 | 24 | 20 | 26 | 35 | 70 | 131 |
| West End | 5 | 4 | 18 | 21 | 25 | 27 | 73 |
| City | 10 | 10 | 8 | 2 | 3 | 28 | 33 |
| Offices | 15 | 14 | 26 | 23 | 28 | 55 | 106 |
| Canada Water¹ | 1 | 0 | 1 | 0 | 1 | 2 | 3 |
| Total | 42 | 38 | 47 | 49 | 64 | 127 | 240 |
| % of contracted rent | 6.9% | 6.2% | 7.8% | 8.0% | 10.3% | 20.9% | 39.2% |

1. The period for which the rent is subject to lease break or expiry is shown in the table above and is for the period from 1 April to 31 March.

Sustainability performance measures

We report on all assets where we have day-to-day operational or management influence (our managed portfolio) and all developments over £300,000 with planning permission, on-site or completed in the year. The exception is EPC and flood risk data, where we report on all assets under management. As at 31 March 2018, our managed portfolio comprised 73% of our assets under management. Please see the scope column for indicator specific reporting coverage.

Selected data has been independently assured since 2007. Selected data for 2018 has been independently assured by PwC in accordance with ISAE 3000 (Revised) and ISAE 3410. For the 2018 PwC assurance statement and more detailed data, please see our Sustainability Accounts 2018 www.britishland.com/data. British Land has been a signatory to the United Nations Global Compact since 2009. For our 2018 Communication on Progress, visit www.britishland.com/sustainabilityreport.

| | | Performance | | Scope |
|--|--|--------------------------------|----------|---------------|
| | | 2018 | 2017 | 3 = 300,000 + |
| Continued inclusion in three out of four sustainability indices: DJSI Europe, DJSI World, FTSE4Good and GRESB | | 4/4 | 4/4 | – |
| Progress implementing Sustainability Action Plans at strategic assets | | 72% | nr | 47/47 |
| Progress implementing Sustainability Brief for Developments at all projects over £5m | | 100% | nr | 17/17 |
| Wellbeing (Customer Orientation) | | 2020 target¹ | | |
| Deliver a WELL certified commercial office to shell and core, and set corporate policy for future developments | Deliver | On track | On track | – |
| Develop and pilot retail wellbeing specification | Deliver | In progress | On track | – |
| Increase the sense of wellbeing for shoppers, retailers and occupiers at our places | Increase | On track | On track | – |
| Define and trial a methodology for measuring productivity in offices | Deliver | Completed | On track | – |
| Research and publish on how development design impacts public health outcomes | Deliver | On track | On track | – |
| Pilot interventions to improve local air quality | 3 | Target established | n/a | – |
| Injury Incidence Rate (RIDDOR) | Offices | 12.88 | 23.51 | 43/43 |
| | Retail | 0.01 | 0.01 | 58/58 |
| Injury Frequency Rate (RIDDOR) | Developments | 0.13 | 0.08 | 38/38 |
| Community (Right Places) | | | | |
| Implement our Local Charter at all key assets and major developments | 100% | Charter updated | nr | – |
| British Land employee skills-based volunteering | 20% | 16% | 16% | – |
| British Land employee volunteering | 90% | 79% | 90% | – |
| Community programme beneficiaries | | 39,798 | 35,600 | – |
| Futureproofing (Capital Efficiency) | | | | |
| Developments on track to achieve BREEAM Excellent for offices and Excellent or Very Good for retail | 100% | 92% | 100% | 16/16 |
| Carbon (Scope 1 and 2) intensity reduction versus 2009 (index scored) | 55% | 54% | 44% | 70/73 |
| Landlord energy intensity reduction versus 2009 (index scored) | 35% | 40% | 35% | 70/73 |
| Electricity purchased from renewable sources ² | 100% | 97% | 93% | 94/105 |
| Average reduction in embodied carbon emissions versus concept design on major developments | 15% | nr | nr | – |
| Waste diverted from landfill: managed properties and developments | 100% | 99% | 98% | 105/125 |
| Portfolio with green building ratings (% by floor area) | | 18% | 16% | 234/234 |
| Energy Performance Certificates rated F or G (% by floor area) | | 5% | 4% | 2558/2660 |
| Portfolio at high risk of flood (% by value) | | 3% | 3% | 230/234 |
| High flood risk assets with flood management plans (% by value) | | 100% | nr | 15/15 |
| Skills and opportunity (Expert People) | | | | |
| People supported into employment (cumulative) | 1,700 | 770 | 542 | – |
| Strategic suppliers agreed with terms of our Supplier Code of Conduct | 100% | Code Launched | n/a | – |
| Prioritised supplier workforce who are apprentices | 3% | 1.2% | nr | 209/232 |
| Pilot a Living Wage Zone at a London campus ³ | Deliver | – | – | – |
| Workforce paid at least Living Wage | Group employees | 100% | 100% | – |
| Foundation rate | Supplier workforce at managed properties | 70% | 72% | 92/101 |
| Developments supply chain spend within 25 miles | | 71% | 60% | 11/12 |

1. This is a voluntary target. For more information, visit www.britishland.com/sustainabilityreport.
 2. Excludes Scope 3 emissions. For more information, visit www.britishland.com/sustainabilityreport.
 3. For more information, visit www.britishland.com/sustainabilityreport.
 4. For more information, visit www.britishland.com/sustainabilityreport.

UNAUDITED CONTINUED

Sustainability performance measures continued

EPRA best practice recommendations on sustainability reporting

British Land has received EPRA Gold Awards for sustainability reporting six years running. This year, EPRA expanded best practice recommendations for sustainability reporting to include social and governance performance measures, as well as environmental. We are pleased to have reported on the majority of environmental and social measures in our summary below. For information on governance measures, please see pages 56 to 75. For our full methodology and more detailed data on all these indicators and additional indicators, please see our Sustainability Accounts 2018 www.britishland.com/data

| | | 2018 | 2017 | 2016 | Score (results of audits) |
|--|--|--------------|--------------------|--------------|---------------------------|
| Environmental performance¹ | | | | | |
| Total electricity consumption (MWh) | | 162,833 | 172,127 | 172,238 | 94/105 |
| Total district heating and cooling consumption (MWh) | | 0 | 0 | 0 | 0/0 |
| Total fuel consumption (MWh) | | 37,500 | 39,319 | 38,234 | 46/52 |
| Building energy intensity (kWh) | Offices (per m ²) | 145.71 | 158.70 | 155.64 | 28/29 |
| | Retail – enclosed (per m ²) | 156.48 | 161.89 | 156.97 | 6/7 |
| | Retail – open air (per car parking space) | 168.13 | 150.01 | 133.66 | 36/37 |
| Total direct (Scope 1) greenhouse gas emissions (tonnes CO ₂ e) | | 6,967 | 7,609 | 7,927 | 102/113 |
| Total indirect (Scope 2) greenhouse gas emissions (tonnes CO ₂ e) | Location based | 27,301 | 34,149 | 38,710 | 102/113 |
| | Market based | 1,875 | 6,630 | 36,734 | 102/113 |
| Greenhouse gas intensity from building energy consumption (tonnes CO ₂ e) | Offices (per m ²) | 0.055 | 0.069 | 0.075 | 28/29 |
| | Retail – enclosed (per m ²) | 0.056 | 0.067 | 0.073 | 6/7 |
| | Retail – open air (per car parking space) | 0.062 | 0.064 | 0.063 | 36/37 |
| Total water consumption (m ³) | | 616,221 | 663,541 | 653,490 | 41/70 |
| Building water intensity (m ³) | Offices (per FTE) | 15.56 | 14.39 | 15.08 | 26/28 |
| | Retail – enclosed (per 10,000 visitors) | nr | 9.47 | 10.29 | - |
| | Retail – open air (per 10,000 visitors) | nr | 2.86 | 1.79 | - |
| Total non-hazardous waste by disposal route (tonnes and %) | Re-used and recycled | 11,207 (56%) | 12,166 (57%) | 12,899 (61%) | 67/87 |
| | Incinerated | 8,887 (44%) | 9,236 (43%) | 8,132 (38%) | 67/87 |
| | Landfilled | 6 (0%) | 35 (0%) | 184 (1%) | 67/87 |
| Total hazardous waste (tonnes) | | 4 | nr | nr | 28/87 |
| Sustainably certified assets – Energy Performance Certificates (% by floor area) | A to B | 23% | 25% | nr | 2558/2660 |
| | C to E | 72% | 71% | nr | 2558/2660 |
| | F to G | 5% | 4% | nr | 2558/2660 |
| Social performance² | | | | | |
| Employee diversity – gender | Male | 51% | 53% | 52% | - |
| | Female | 49% | 47% | 48% | - |
| Employee gender pay ratio (median remuneration, female to male) | Executive Directors | 18% | 86% | 105% | - |
| | Senior management | 116% | 92% | nr | - |
| | Middle and non-management | 87% | 89% | nr | - |
| Employee training – average hours | | 14.2 | 13.2 | 16.0 | - |
| Employee annual performance review | | 100% | nr | nr | - |
| Employee new hires rate | | 20% | 26% | 36% | - |
| Employee turnover – departures rate | | 15% | 15% | 17% | - |
| Employee health and safety | Absentee rate | 1% | 1% | 1% | - |
| | Injury frequency rate | 0 | nr | nr | - |
| | Lost day rate | 0% | nr | nr | - |
| | Work-related fatalities | 0 | 0 | 0 | - |
| Asset health and safety | Proportion subject to health and safety review (%) | 100% | 100% | 100% | 113/113 |
| | Incidents of non-compliance | 0 | nr | nr | 113/113 |
| Progress implementing our Local Charter at key assets and major developments | Charter updated | | Target established | - | - |

¹ As per EPRA best practice recommendations, total energy and water data covers energy and water consumed by British Land. Energy and carbon intensity data covers common parts and shared services for Offices and common parts for Retail. Water intensity data covers whole buildings for Offices and common parts for Retail. Performance does not include areas for Offices and common parts for Retail.

² Social performance data is for British Land Group overall 2018 reporting scope.

TEN YEAR RECORD

The table below summarises the last ten years' results, cash flows and balance sheets

| | 2018 £m | 2017 £m | 2016 £m | 2015 £m | 2014 £m | 2013 £m | 2012 £m | 2011 £m | 2010 £m | 2009 £m |
|---|--------------|--------------|---------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Income¹ | | | | | | | | | | |
| Gross rental income | 613 | 643 | 654 | 618 | 597 | 567 | 572 | 541 | 561 | 630 |
| Net rental income | 576 | 610 | 620 | 585 | 562 | 541 | 546 | 518 | 545 | 598 |
| Net fees and other income | 15 | 17 | 17 | 17 | 15 | 15 | 17 | 18 | 15 | 20 |
| Interest expense (net) | (128) | (151) | (180) | (201) | (202) | (206) | (218) | (212) | (246) | (292) |
| Administrative expense | (83) | (86) | (94) | (88) | (78) | (76) | (76) | (68) | (65) | (58) |
| Underlying Profit | 380 | 390 | 363 | 313 | 297 | 274 | 269 | 256 | 249 | 268 |
| Exceptional costs (not included in Underlying Profit) ² | - | - | - | - | - | - | - | - | - | (119) |
| Dividends declared | 302 | 296 | 287 | 277 | 266 | 234 | 231 | 231 | 225 | 198 |
| Summarised balance sheets | | | | | | | | | | |
| Total properties at valuation | 13,716 | 13,940 | 14,648 | 13,677 | 12,040 | 10,499 | 10,337 | 9,572 | 8,539 | 8,625 |
| Net debt | (3,973) | (4,223) | (4,765) | (4,918) | (4,890) | (4,266) | (4,690) | (4,173) | (4,081) | (4,941) |
| Other assets and liabilities | (183) | (219) | 191 | 276 | (123) | (266) | (266) | (298) | (51) | (297) |
| EPRA NAV/Fully diluted adjusted net assets | 9,560 | 9,498 | 10,074 | 9,035 | 7,027 | 5,967 | 5,381 | 5,101 | 4,407 | 3,387 |
| Cash flow movement – Group only | | | | | | | | | | |
| Cash generated from operations | 351 | 379 | 341 | 318 | 243 | 197 | 211 | 182 | 248 | 406 |
| Other cash flows from operations | 2 | (16) | (47) | (33) | (24) | (7) | (5) | 28 | (112) | (201) |
| Net cash inflow from operating activities | 353 | 363 | 294 | 285 | 219 | 190 | 206 | 210 | 136 | 205 |
| Cash inflow (outflow) from capital expenditure, investments, acquisitions and disposals | 346 | 470 | 230 | (111) | (660) | (202) | (547) | (240) | (39) | 418 |
| Equity dividends paid | (304) | (295) | (235) | (228) | (159) | (203) | (212) | (139) | (154) | (188) |
| Cash (outflow) inflow from management of liquid resources and financing | (404) | (538) | (283) | 20 | 607 | 213 | 630 | 157 | (485) | (58) |
| (Decrease) increase in cash ³ | (9) | - | 6 | (34) | 7 | (2) | 77 | (12) | (542) | 377 |
| Capital returns | | | | | | | | | | |
| Growth (reduction) in net assets ⁴ | 0.7% | (5.7%) | 11.5% | 28.6% | 17.8% | 10.9% | 5.5% | 15.7% | 30.1% | (51.1%) |
| Total return | 8.9% | 2.7% | 14.2% | 24.5% | 20.0% | 4.5% | 9.5% | 17.7% | 33.5% | (61.6%) |
| Total return – pre-exceptional | 8.9% | 2.7% | 14.2% | 24.5% | 20.0% | 4.5% | 9.5% | 17.7% | 33.5% | (60.3%) |
| Per share information⁵ | | | | | | | | | | |
| EPRA net asset value per share | 967p | 915p | 919p | 829p | 688p | 596p | 595p | 567p | 504p | 398p |
| Memorandum | | | | | | | | | | |
| Dividends declared in the year | 30.1p | 29.2p | 28.4p | 27.7p | 27.0p | 26.4p | 26.1p | 26.0p | 26.0p | 29.8p |
| Dividends paid in the year | 29.6p | 28.8p | 28.0p | 27.3p | 26.7p | 26.3p | 26.0p | 26.0p | 27.3p | 30.0p |
| Diluted earnings | | | | | | | | | | |
| Underlying EPRA earnings per share | 37.4p | 37.8p | 34.1p | 30.6p | 29.4p | 30.3p | 29.7p | 28.5p | 28.4p | 41.0p |
| IFRS earnings (loss) per share ⁶ | 48.5p | 14.7p | 119.7p | 167.3p | 110.2p | 31.5p | 53.8p | 95.2p | 132.6p | (614.1p) |

¹ Discontinued operations have not been

separately disclosed in the EPRA NAV

² Long-term lease break value of £1.4 billion is due to the

acquisition of the 2016 indexation of the lease value of £1.4 billion

³ Includes the net cash flow from operations and the net cash flow from financing

⁴ Adjusted for the impact of the 2016 indexation of the lease value

⁵ Adjusted for the impact of the 2016 indexation of the lease value

Other information

SHAREHOLDER INFORMATION

Financial calendar

2018/19

| | |
|--------------------------------------|-----------------|
| Fourth quarter ex-dividend date | 28 June 2018 |
| Fourth quarter dividend payment date | 3 August 2018 |
| First quarter ex-dividend date | 4 October 2018 |
| First quarter dividend payment date | 9 November 2018 |
| Half year results | November 2018 |
| Second quarter ex-dividend date | January 2019 |
| Second quarter dividend payment date | February 2019 |
| Third quarter ex-dividend date | March 2019 |
| Third quarter dividend payment date | May 2019 |
| Full year results | May 2019 |
| Fourth quarter ex-dividend date | June 2019 |
| Fourth quarter dividend payment date | August 2019 |

If offered, the Board will announce the availability of a Scrip dividend alternative via the Regulatory News Service no later than four business days before each ex-dividend date. Scrip dividend alternatives will not be enhanced. The split between PID and non-PID income for each dividend will be announced at the same time.

Analysis of shareholders – 31 March 2018

| Range | Number of holders | % | Balance as at 31 March 2018 | % |
|----------------|-------------------|--------|-----------------------------|--------|
| 1–1,000 | 5,596 | 54.28 | 2,434,863 | 0.24 |
| 1,001–5,000 | 3,125 | 30.31 | 6,968,461 | 0.70 |
| 5,001–20,000 | 692 | 6.71 | 6,654,277 | 0.67 |
| 20,001–50,000 | 249 | 2.42 | 7,939,791 | 0.80 |
| 50,001–Highest | 647 | 6.28 | 969,859,733 | 97.59 |
| Total | 10,309 | 100.00 | 993,857,125 | 100.00 |

| Holder type | Number of holders | % | Balance as at 31 March 2018 | % |
|-------------------------------------|-------------------|--------|-----------------------------|--------|
| Individuals | 6,134 | 59.50 | 10,999,208 | 1.11 |
| Nominee and institutional investors | 4,175 | 40.50 | 982,857,917 | 98.89 |
| Total | 10,309 | 100.00 | 993,857,125 | 100.00 |

Excludes 11,746,245 shares held in treasury

Registrars

British Land has appointed Equiniti Limited (Equiniti) to administer its shareholder register. Equiniti can be contacted at

Aspect House
Spencer Road
Lancing, West Sussex BN99 6DA
Tel: 0371 384 2143 (UK callers)
Tel: +44 (0)121 415 7047 (Overseas callers)
Lines are open from 8.30am to 5.30pm Monday to Friday
excluding public holidays
Website: www.shareview.co.uk

By registering with Shareview, shareholders can

- View your British Land shareholding online
- Update your details
- Elect to receive shareholder mailings electronically

Equiniti is also the Registrar for the BLD Property Holdings Limited Stock

Share dealing facilities

By registering with Shareview, Equiniti also provides existing and prospective UK shareholders with a share dealing facility for buying and selling British Land shares online or by phone

For more information, contact Equiniti at www.shareview.co.uk/dealing or call 0845 603 7037 (Monday to Friday excluding public holidays from 8.30am to 4.30pm). Existing British Land shareholders will need the reference number given on your share certificate to register. Similar share dealing facilities are provided by other brokers, banks and financial services.

Website and shareholder communications

The British Land corporate website contains a wealth of material for shareholders, including the current share price, press releases and information dividends. The website can be accessed at www.britishland.com

British Land encourages its shareholders to receive shareholder communications electronically. This enables shareholders to receive information quickly and securely as well as in a more environmentally friendly and cost-effective manner. Further information can be obtained from Shareview or the Shareholder Helpline

ShareGift

Shareholders with a small number of shares, the value of which makes it uneconomic to sell them, may wish to consider donating their shares to charity. ShareGift is a registered charity (No. 1052686) which collects and sells unwanted shares and uses the proceeds to support a wide range of UK charities. A ShareGift donation form can be obtained from Equiniti

Further information about ShareGift can be obtained from their website at www.sharegift.org

Honorary President

In recognition of his work building British Land into the industry leading company it is today, Sir John Ritblat was appointed as Honorary President on his retirement from the Board in December 2006

Registered office

The British Land Company PLC
York House
43 Seymour Street, London W1H 7LX
Telephone: +44 (0)20 7486 4466
Website: www.britishland.com

Dividends

As a REIT, British Land pays Property Income Distribution (PID) and non-Property Income Distribution (non-PID) dividends. More information on REITs and PIDs can be found in the Investors section of our website at www.britishland.com/dividends

British Land dividends can be paid directly into your bank or building society account instead of being despatched to you by cheque. More information about the benefits of having dividends paid directly into your bank or building society account, and the mandate form to set this up, can be found in the Investors section of our website at www.britishland.com/investors/dividends/dividends-direct-to-your-bank

Scrip Dividend Scheme

British Land may offer shareholders the opportunity to participate in the Scrip Dividend Scheme by offering a Scrip Alternative to a particular dividend from time to time. The Scrip Dividend Scheme allows participating shareholders to receive additional shares instead of a cash dividend. For more information please visit the Investors section of our website at www.britishland.com/dividends/scrip-dividend-scheme

Unsolicited mail

British Land is required by law to make its share register available on request to other organisations. This may result in the receipt of unsolicited mail. To limit this, shareholders may register with the Mailing Preference Service. For more information, or to register, visit www.mpsonline.org.uk

Shareholders are also advised to be vigilant of share fraud which includes telephone calls offering free investment advice or offers to buy and sell shares at discounted or highly inflated prices. If it sounds too good to be true, it often is. Further information can be found on the Financial Conduct Authority's website www.fca.org.uk/scams or by calling the FCA Consumer Helpline on 0800 111 6768

Tax

The Group elected for REIT status on 1 January 2007, paying a £308m conversion charge to HMRC in the same year. As a consequence of the Group's REIT status, tax is not levied within the corporate group on the qualifying property rental business but is instead deducted from distributions of such income as Property Income Distributions to shareholders. Any income which does not fall within the REIT regime is subject to tax within the Group in the usual way. This includes profits on property trading activity, property related fee income and interest income. We continue to comfortably pass all REIT tests ensuring that our REIT status is maintained

We work proactively and openly to maintain a constructive relationship with HMRC. We discuss matters in real-time with HMRC and disclose all relevant facts and circumstances, particularly where there may be tax uncertainty or the law is unclear. HMRC assigns risk ratings to all large companies. We have a low appetite for tax risk and HMRC considers us to be Low Risk (a status we have held since 2007 when the rating was first introduced by HMRC)

Further information can be found in our Tax Strategy at www.britishland.com/governance

Forward-looking statements

This Annual Report contains certain forward-looking statements. Such statements reflect current views on, among other things, our markets, activities, projections, objectives and prospects. Such forward-looking statements *can sometimes, but not always, be identified by their reference to a date or point in the future or the use of forward-looking terminology, including terms such as 'believes', 'estimates', 'anticipates', 'expects', 'forecasts', 'intends', 'due', 'plans', 'projects', 'goal', 'outlook', 'schedule', 'target', 'aim', 'may', 'likely to', 'will', 'would', 'could', 'should' or similar expressions or in each case their negative or other variations or comparable terminology.* By their nature, forward-looking statements involve inherent risks, assumptions and uncertainties because they relate to future events and depend on circumstances which may or may not occur and may be *beyond our ability to control or predict.* Forward-looking statements should be regarded with caution as actual results may differ materially from those expressed in or implied by such statements.

Important factors that could cause actual results, performance or achievements of British Land to differ materially from any outcomes or results expressed or implied by such forward-looking statements include, among other things: (a) general business and political, social and economic conditions globally, (b) the consequences of the referendum on Britain leaving the EU, (c) industry and market trends (including demand in the property investment market and property price volatility), (d) competition, (e) the behaviour of other market participants, (f) changes in government policies or laws and regulation which affect British Land, including in relation to the environment, health and safety and taxation (in particular, in respect of British Land's status as a Real Estate Investment Trust), (g) inflation and consumer confidence, (h) labour relations and work stoppages, (i) natural disasters and adverse weather conditions, (j) terrorism and acts of war, (k) British Land's overall business strategy, risk appetite and investment choices in its portfolio management, (l) legal or other proceedings against or affecting British Land, (m) deterioration of reliability and security of its IT infrastructure, (n) changes in occupier demand and tenant default, (o) changes in financial and equity markets including interest and exchange rate fluctuations, (p) changes in accounting practices and the interpretation of accounting standards and (q) the availability and cost of finance. The Company's principal risks are described in greater detail in the section of this Annual Report headed *Managing risk in delivering our strategy and principal risks*. Forward-looking statements in this Annual Report, or the British Land website or made subsequently which are attributable to British Land or persons acting on its behalf should therefore be construed in light of all such factors.

Information contained in this Annual Report relating to British Land and/or its share price or the yield on its shares, are not guarantees of, and should not be relied upon as an indicator of, future performance, and nothing in this Annual Report should be construed as a profit forecast or profit estimate. Any forward-looking statements made by or on behalf of British Land speak only as of the date they are made. Such forward-looking statements are expressly qualified in their entirety by the factors referred to above and no representation, assurance, guarantee or warranty is given in relation to them (whether by British Land or any of its associates, Directors, officers, employees or advisers), including as to their completeness, accuracy or the basis on which they were prepared.

Other than in accordance with our legal and regulatory obligations (including under the UK Financial Conduct Authority's Listing Rules, Disclosure and Transparency Rules and the Market Abuse Regulations), British Land does not intend or undertake to update or revise forward-looking statements to reflect any changes in British Land's expectations with regard thereto or any changes in information, events, conditions or circumstances on which any such statement is based. This document shall not, under any circumstances, create any implication that there has been no change in the business or affairs of British Land since the date of this document or that the information contained herein is correct as at any time subsequent to this date.

Design and production

Book design by
The Society for Design
www.societyfordesign.com

Print

The print run is 1000.

The book is printed on X-Pert which is 90% recycled paper. The paper is also 100% chlorine free.

Printed in the UK by Phoenix which are Carbon Neutral and have a 50% recycled paper content. The book is printed on 140gsm FSC-certified paper. The book is printed on 140gsm FSC-certified paper.

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