



**British Land**

# PLACES PEOPLE PREFER

Annual Report  
and Accounts 2014



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

# PLACES PEOPLE PREFER

**Place:** /pleis/ **noun** an area or location.

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

**People:** /'pi:p(ə)l/ **noun** persons in general or considered collectively.

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

**Prefer:** /pri'fə:/ **verb** like better than any other.

Tend to choose because it meets your needs.

#### FOR MORE INFORMATION

You'll find links throughout this Report, to guide you to further reading or relevant information.



Find more information on our website  
[www.britishland.com](http://www.britishland.com)



See page title  
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#### FEEDBACK

We value your feedback.  
Please contact us at:



Our corporate website  
[www.britishland.com](http://www.britishland.com)



Our iPad app  
British Land investor relations



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#### CORPORATE RESPONSIBILITY

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

## HIGHLIGHTS OF THE YEAR

- ▶ Portfolio returns boosted by our actions and strengthening markets.
- ▶ Increased letting activity driven by improving occupier demand.
- ▶ Significant development returns as 2010 West End programme completes along with further pre-lets.
- ▶ Significant investment adding to core income and replenishing development pipeline.
- ▶ Taking advantage of stronger debt markets to raise £1.5 billion of new finance.

## EPRA NET ASSET VALUE PER SHARE

**688p**

Up 15.4%.

## DIVIDEND PER SHARE

**27.0p**

Up 2.3%, in line with previous announcements.

## TOTAL ACCOUNTING RETURN

**20.0%**

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

PORTFOLIO VALUATION<sup>1</sup>**£12.0bn**

Up 8.3% with asset management and development contributing half the uplift.

## UNDERLYING PROFIT BEFORE TAX

**£297m**

Up 8.4% reflecting the accretive investment of our equity placing proceeds, development lettings and higher like-for-like growth.

## UNDERLYING EPS

**29.4p**

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

<sup>1</sup> Our share of UK portfolio excluding £89 million of assets held in Europe.

## CARBON EMISSIONS

**-36% since 2009**

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

## CUSTOMER SATISFACTION

**7.8/10**

In our biennial independent customer satisfaction survey our occupiers scored us 7.8 out of 10 for 'satisfaction with landlord' outperforming the industry average of 5.1 out of 10.

## EMPLOYEE SATISFACTION

**One Star**

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

## EPRA PERFORMANCE MEASURES

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

As at 31 March (%)	2014	2013	2012
EPRA net initial yield	4.8	5.5	5.2
EPRA 'Topped-up' net initial yield	5.3	5.7	5.8
EPRA vacancy rate	5.2	3.4	2.4

## IFRS PERFORMANCE MEASURES

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

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# WHAT WE DO

## We are...

...one of Europe's largest publicly-listed real estate companies. We manage, develop and finance a £17.8 billion portfolio of properties of which our share is £12.0 billion. Our portfolio is focused on high-quality retail locations around the UK and London offices.

➔ **Our portfolio**  
P18-21

➔ **REIT Legislation**  
P16

➔ **Our markets**  
P16-17

## Our objective is...

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

➔ **Business model**  
P14-15

## Our strategy is...

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



## Our scale...

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

➔ **Customer orientation**  
P24-25

➔ **Financing**  
P26-27

## Our team...

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

➔ **People**  
P28-29

## Our partners...

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

➔ **Strategic partnerships**  
P26

## Our values...

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

➔ **Governance**  
P59-81

➔ **Corporate responsibility**  
P42

**INTEGRITY**  
We do what is right not what is easy.

**ONE TEAM**  
Working collaboratively both with internal and external stakeholders.

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

**COMMERCIAL ACUMEN**  
We take the lead in our field.

# OUR PORTFOLIO

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

## UK RETAIL AND LEISURE

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

## LONDON OFFICE AND RESIDENTIAL

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

**£17.8bn**

ASSETS UNDER MANAGEMENT

**£12.0bn**

OF WHICH WE OWN

**31.9m sq ft**

OF FLOOR SPACE

**£608m**

CONTRACTED RENT

**96.1%**

OCCUPANCY RATE

**10.3 years**

WEIGHTED AVERAGE LEASE LENGTH

**£10.4bn**

ASSETS UNDER MANAGEMENT

**£6.9bn**

OF WHICH WE OWN

**24.6m sq ft**

OF FLOOR SPACE

**15**

SHOPPING CENTRES

**66**

RETAIL PARKS

**85**

FOOD SUPERSTORES

➔ Retail and Leisure portfolio  
P20

➔ Retail and Leisure performance review  
P47-48

**£7.4bn**

ASSETS UNDER MANAGEMENT

**£5.1bn**

OF WHICH WE OWN

**7.3m sq ft**

OF FLOOR SPACE

**3**

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

**54**

STAND-ALONE OFFICE BUILDINGS

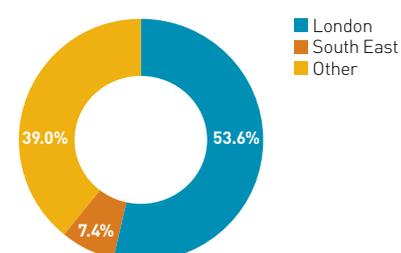
**8**

OFFICE AND RESIDENTIAL DEVELOPMENTS

➔ Offices and Residential  
P21

➔ Offices and Residential performance review  
P49-50

## GEOGRAPHICAL PORTFOLIO BREAKDOWN<sup>1</sup>



1 Pro forma for committed developments at estimated end value.



Whiteley Shopping, Hampshire



The Leadenhall Building, London

How do you keep retail relevant in an online world?

# WHITELEY SHOPPING, HAMPSHIRE

**PLACES  
PEOPLE  
PREFER**

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

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

**4.7m**

ANNUALISED FOOTFALL

**65 minutes**

AVERAGE LENGTH OF VISIT

**1.25m**

PEOPLE IN CATCHMENT AREA

**87%**

OF VISITORS ARE IN THE 'AFFLUENT ACHIEVERS' DEMOGRAPHIC

**1,355**

FREE PARKING SPACES

**Excellent**

BREEAM SUSTAINABILITY RATING

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

**TIM MOODY**  
HEAD OF PROPERTY, FAT FACE



**Whiteley Shopping**  
[www.whiteleyshopping.co.uk](http://www.whiteleyshopping.co.uk)



[www.britishland.com/shoppingcentres](http://www.britishland.com/shoppingcentres)





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# How do you attract leading global companies to your offices? REGENT'S PLACE, LONDON

**PLACES  
PEOPLE  
PREFER**

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

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

**15,000**

WORKERS AND RESIDENTS

**45**

DIFFERENT COMPANIES

**98%**

OCCUPANCY RATE

**6.4%**

ANNUAL INCREASE  
IN VALUE SINCE 2009

**Excellent**

BREEAM SUSTAINABILITY  
RATING

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

**SIMON REES**  
CEO, DIGITAL CINEMA MEDIA



 **Regent's Place**  
[www.regentsplace.com](http://www.regentsplace.com)

 [www.britishland.com/offices](http://www.britishland.com/offices)





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# CHAIRMAN'S STATEMENT

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

## 20.0%

TOTAL ACCOUNTING RETURN

## 688p +15.4%

EPRA NET VALUE PER SHARE

## 27.0p +2.3%

DIVIDEND PER SHARE

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

Underlying pre-tax profit of £297 million was up 8.4% reflecting the successful investment of our equity placing proceeds, rents from recently completed developments and higher like-for-like rental growth. The value of our portfolio now stands at £12.0 billion and NAV is up to 688 pence per share. The Board has recommended a fourth quarter dividend of 6.75 pence per share making a total of 27.0 pence per share for the year, an increase of 2.3% over the prior year. For 2014/15 we are proposing a dividend increase of 2.5%. The combination of NAV growth and dividend gives a total accounting return of 20.0%.

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

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

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

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

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

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

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

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

 Full-year results 2014 video  
[www.britishland.com/investors](http://www.britishland.com/investors)

 Chief Executive's review  
P10-13

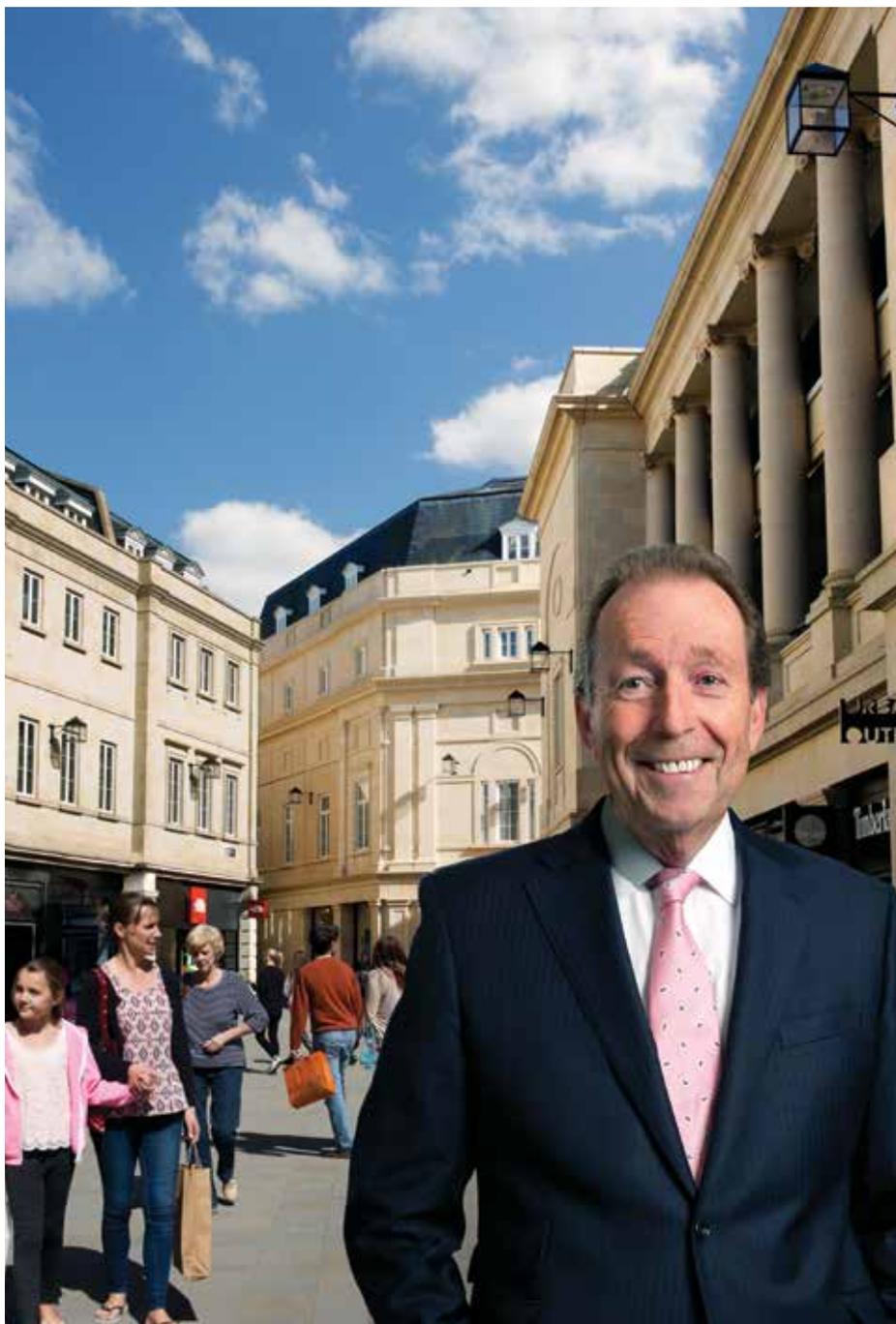
 Chairman's governance review  
P60-61

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

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



**John Gildersleeve**  
Non-Executive Chairman



# CHIEF EXECUTIVE'S REVIEW

## OUR YEAR

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

### £1,970m

GROSS INVESTMENT ACTIVITY

### 14.2%

TOTAL PROPERTY RETURNS  
OUTPERFORMING IPD BY 60 BPS

### 2.3m sq ft

LETTINGS/RENEWALS  
6.3% AHEAD OF ERV

It has been a good year for British Land and our business is performing well. We have executed well against the plan we set out last year.

The decisions and actions we have taken both this year and in previous years continue to be a key driver of our performance along with the strengthening of our markets.

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

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

Our underlying pre-tax profits were 8.4% ahead at £297 million as we invested the placing proceeds, benefited from development lettings and like-for-like rental growth improved. Underlying EPS at 29.4 pence was 3.0% lower, primarily as the result of the disposals we made last year. Our dividend is 2.3% up at 27.0 pence, in line with previous announcements, reflecting our successful

investment of the placing proceeds and success in letting up developments.

EPRA Net Asset Value increased by 15.4% to 688 pence per share. Taking into account the impact of the dividend, and the increase in Net Asset Value, we delivered an overall total accounting return for the period of 20.0%. Reflecting our confidence in the coming year, the Board is proposing a quarterly dividend of 6.92 pence per share, or 27.68 pence per share for the full-year, an increase of 2.5%.

We generated total property returns of 14.2% and capital returns of 8.9%, once again outperforming the IPD benchmark, by 60 bps and 140 bps respectively. Our UK portfolio valuation uplift was 8.3% with our actions – asset management and development – driving around half the uplift and the balance coming from market yield shift. The strengthening performance was especially notable within our London Office and Residential portfolio where values were 14.5% higher. Our Retail valuations were 4.4% ahead reflecting our active asset management and improving market sentiment. Across our portfolio, rental values were 3.0% ahead of 2013, compared with 1.7% for the market as a whole.

Underpinning our business is the quality and sustainability of our rental income. It is these rental streams that enable us to support and increase the dividend and grow our business. Our customer orientation, focus on landlord services and asset management ensure we continue to attract and retain high quality occupiers. We signed over 2.3 million sq ft of lettings and lease extensions during the year, with investment lettings signed on average 6.3% ahead of ERV. Our like-for-like occupancy was 130 bps ahead, reflecting the strength of our letting activity. Overall occupancy was down at 96.1% as we completed West End developments which were moved into the standing portfolio.

Within our Retail business, our operational metrics strengthened reflecting the quality of the portfolio and our strong asset management. We signed 1.7 million sq ft of lettings and renewals with investment lettings and renewals 4.9% ahead of ERV. With occupancy up 110 bps to 98.5%, our portfolio is now virtually fully let. Footfall was flat for the year as a whole and up 1.2% in the second half, significantly outperforming the market.

 Full-year results presentation  
[www.britishland.com/results](http://www.britishland.com/results)

 Full-year results 2014 video  
[www.britishland.com/investors](http://www.britishland.com/investors)

 Performance review  
P43–55

In Offices, we made good progress with increased letting activity broadly balanced between standing investments and developments. Overall, investment deals were signed at 8.4% ahead of ERV. At Regent's Place we completed our development of 10–30 Brock Street; 10 Brock Street was fully let less than three months after practical completion to a diverse range of occupiers and the campus itself is now virtually full. At Paddington Central, within our first months of ownership we have increased occupancy and are already making good progress on our plans to improve the campus. Post our year-end, we have seen an increase in occupier interest across our portfolio with over 150,000 sq ft of space let or under offer on attractive rental terms.

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

Access to flexible and cost effective financing is a key differentiator for British Land. It allows us to respond quickly to opportunities. Our financial flexibility not only allows us to have ready access to financing to fund growth, but also allows us to access the capital markets at the optimal time so taking advantage of improving financing terms. Since 1 April 2013, we have raised £1.5 billion of new unsecured financing from a diverse range of lenders on competitive terms. These included a £200 million US Private Placement with a 12-year term and a £785 million, five-year revolving credit facility.



## KEY HIGHLIGHTS OF THE YEAR

### TIMELY INVESTMENT

- Gross investment of £1.3 billion focused on London and the South East.
- Placing proceeds invested ahead of plan accretive to EPS and NAV.

### PROFITABLE DEVELOPMENT

- Completed five of our 2010 London developments on schedule – total estimated profits of £636 million.
- Replenished development pipeline.

### RESHAPING RETAIL PORTFOLIO

- Sale of £391 million mature UK retail assets ahead of valuation.
- Invested in high-quality preferred retail destinations.

### STRENGTHENING OCCUPATIONAL METRICS

- 2.3 million sq ft of lettings and renewals.
- Like-for-like occupancy up 130 bps.

# CHIEF EXECUTIVE'S REVIEW

## LOOKING FORWARD

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

### POSITIONING OUR BUSINESS FOR FUTURE GROWTH

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

In total, we have undertaken £4.6 billion of gross investment activity over the last four years, made up of over £3 billion of acquisitions and development spend along with £1.6 billion of disposals. These trends have enduring relevance which we believe leaves our business well positioned as we look ahead.

### 1. ATTRACTIVE ENVIRONMENTS

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

### 2. LONDON AS A LEADING GLOBAL CITY

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

### 3. IMPORTANCE OF TRANSPORT INFRASTRUCTURE

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

### 4. KEY ROLE OF HIGH-QUALITY PHYSICAL RETAIL

Shops will remain critical to retailers even in an increasingly digitally enabled world. But success factors are changing. As retailers continue to focus their stores on the best space, it is our view that these locations will generate better sustainable long-term returns than other locations. That is why we have been so active buying, selling and developing and with £2.3 billion of activity in total over the last four years, we believe our retail business is much better placed as a result.

### 5. PROFITABLE DEVELOPMENT

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

### OUTLOOK

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

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

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

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

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

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

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



**Chris Grigg**  
Chief Executive

## OUR PRIORITIES FOR THE YEAR AHEAD

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

# OUR BUSINESS MODEL

## WE CREATE

# PLACES PEOPLE PREFER

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

**British Land:  
Creating Places People Prefer.**

## BY FOCUSING ON

### RIGHT PLACES

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

 **Right places**  
P18–23

### CUSTOMER ORIENTATION

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

 **Customer orientation**  
P24–25

### CAPITAL EFFICIENCY

- Scale.
- Low cost debt.
- Flexible financing.

 **Capital efficiency**  
P26–27

### EXPERT PEOPLE

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

 **Expert people**  
P28–29

## WHICH ENSURES

### ENDURING DEMAND FROM OCCUPIERS AND INVESTORS IN PROPERTY

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

### ALONG WITH AN OPTIMAL CAPITAL STRUCTURE

- Appropriate leverage.
- Growing dividend.

## AND DELIVERS

SUSTAINABLE  
TOTAL RETURNS

AS MEASURED BY:

## GROWTH IN NET ASSET VALUE (NAV)

**+15.4%**

<b>2014</b>	<b>688p</b>
2013	596p
2012	595p

EPRA net asset value per share was up 15.4% to 688 pence.



## INCOME FROM DIVIDEND

**+2.3%**

<b>2014</b>	<b>27.0p</b>
2013	26.4p
2012	26.1p

Quarterly dividend of 6.75 pence brings total dividend for the year to 27 pence, a 2.3% increase year-on-year.

## TOTAL ACCOUNTING RETURN

**20.0%**

<b>2014</b>	<b>20.0%</b>
2013	4.6%
2012	9.5%

As a result of the increased dividend and our NAV we reported a total accounting return of 20.0%.

## CREATING VALUE

## ECONOMICALLY

## OUR INVESTORS

Our shares are widely owned, from large institutions with global footprints, UK local authority pension funds to small individual investors. Over the last three years, we have generated total accounting returns of 35.4% for our investors. Of this, the income return through our regular quarterly dividend payment has been 14%.

## OUR OCCUPIERS

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

## SUPPLIERS

Our five-year development programme is contributing £1.2 billion to the UK economy gross value added, boosting business for thousands of firms around the UK.

## LOCAL COMMUNITIES

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

## SOCIALLY

## LOCAL COMMUNITIES

98 apprentices are learning while they earn at our properties and developments, supported or part-funded by us and our suppliers. We have contributed over £39.4 million to communities through the planning process over the last three years, creating affordable homes, improving public spaces, enhancing pedestrian links and delivering community facilities.

## OUR PEOPLE

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

## ENVIRONMENTALLY

## OUR INVESTORS

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

## OUR OCCUPIERS

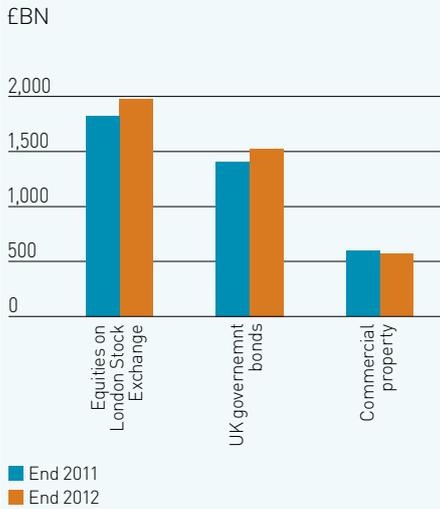
We have cut landlord-influenced energy across our like-for-like portfolio by 34% over the last five years, saving our occupiers £6.9 million.

PEOPLE WHO WORK, SHOP  
OR LIVE IN OUR BUILDINGS

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

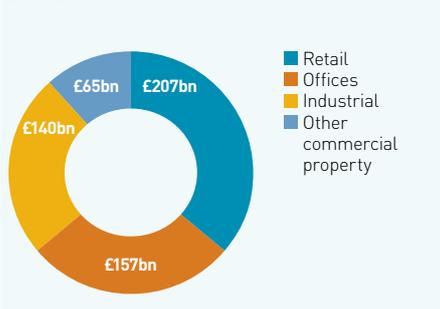
# THE MARKETS WE OPERATE IN

## A DEVELOPED, DEEP, LIQUID AND WIDELY-HELD MARKET



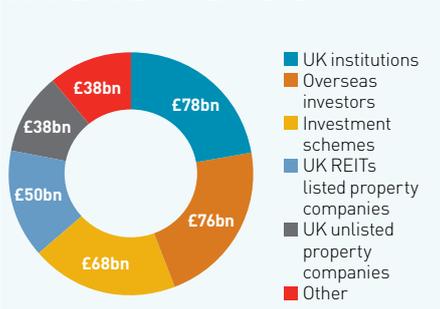
Source: Property Data Report 2013

## RETAIL AND OFFICES FORM THE LARGEST COMPONENTS OF COMMERCIAL PROPERTY



Source: Property Data Report 2013

## DIRECT OWNERSHIP OF UK-INVESTED COMMERCIAL PROPERTY 2012



Source: Property Data Report 2013

### OVERVIEW

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

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

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

### THE SHAPE OF THE MARKET

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

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

### MEASURING MARKET PERFORMANCE

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

### COMPETITIVE LANDSCAPE

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

### INVESTING IN PROPERTY

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

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

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

### PROPERTY REGULATION

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

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

### REIT LEGISLATION

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

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

# KEY MARKET TRENDS

## OUR MARKETS

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

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

### IPD TOTAL UK ALL PROPERTY RETURN

Growth (%)	2012	2013	2014
Retail	5.0	2.1	10.1
Offices	7.9	4.6	18.5
Industrial	6.4	3.0	16.6
Other	9.2	6.2	10.3
<b>UK market</b>	<b>6.3</b>	<b>3.2</b>	<b>13.6</b>

Source: IPD

### UK RETAIL RENTAL GROWTH VERSUS GDP (INDEXED FROM 2001)



Source: IPD

## RETAIL

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

Poor quality space which does not conform to shoppers’ requirements in this new world is becoming functionally or economically obsolete, as retailers focus their physical space on a smaller number of more highly-performing locations and operators with weak business models fail. The impact of this can clearly be seen on retail rents. As shown on the chart on the left, in the last three years secondary rents have fallen by 3.2% per annum compared to an increase of 1.4% per annum for prime rents. We have already benefited from focusing on those locations where we can create destinations which are preferred by retailers and their customers.

➔ **Retail and Leisure review for 2013/14 market overview** P47-48

## LONDON

Our increased focus on London in recent years reflects its growing status as one of the most important cities globally, a place where people are choosing to locate their businesses, live, visit and invest. Looking forward, London is expected to retain its status as a world-class city, with population forecast to grow to just over nine million people by 2023. International investors have become an important part of the market including in residential where they have played a key role in the emergence of a super-prime sector in the West End. Large areas of London are being improved or regenerated by property and infrastructure investment, the most significant of which is Crossrail, a £14.8 billion rail line due to open in 2018. Running from Heathrow through the West End, to the City and Canary Wharf it will dramatically cut journey times.

➔ **Offices and Residential review for 2013/14 market overview** P49-50

## MOST IMPORTANT GLOBAL CITIES NOW AND IN 10 YEARS

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

Source: Knight Frank Wealth Report

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

## POPULATION GROWTH FOR LONDON MILLION



CAGR 2003-2013: 1.2%  
CAGR 2013-2023: 0.9%

Source: Knight Frank Wealth Report



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

**WE CREATE HIGH-QUALITY, ADAPTABLE ASSETS**

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

**IN ATTRACTIVE ENVIRONMENTS**

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

**WITH BEST-IN-CLASS SERVICE**

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

**THAT OFFER GOOD VALUE FOR MONEY**

- Attractive and affordable locations.

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

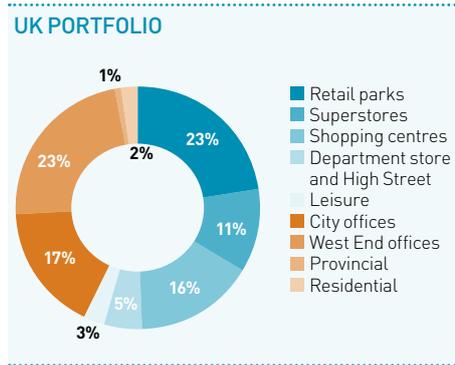
We invest in places where we see good or the potential for good, lasting demand from occupiers and investors. Attracting high-quality occupiers on longer lease terms generates sustainable and growing rental income which drives increases in the capital value of our properties over time. The right space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

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

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

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

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



**DEVELOPMENT – 2010 PROGRAMME**

2010 London programme 2.7 million sq ft

Project Name	Completion Status
199 Bishopsgate	Completed 2012
10–30 Brock Street	Completed 2013
10 Portman Square	Completed 2013
Marble Arch House	Completed 2013
39 Victoria Street	Completed 2014
The Leadenhall Building	To complete June 2014
5 Broadgate	To complete March 2015



**GLASGOW FORT**

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

 **Glasgow Fort**  
[www.glasgowfort.com](http://www.glasgowfort.com)

 [www.britishland.com/retailparks](http://www.britishland.com/retailparks)

**DRIVING PERFORMANCE THROUGH ASSET MANAGEMENT**

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

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

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

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

**DEVELOPMENT**

Development forms an important part of our business: We have a strong and established track record for delivering large-scale development and refurbishment projects. Development offers the opportunity to create value by delivering the right product at the right point in the supply and demand cycle. The amount of development we undertake varies depending on our view of the prospective returns. Development returns are generally considered higher risk than those available from existing income-producing properties and we target returns that are commensurately higher as a result. The risk principally arises from the length of time the development takes from inception to completion: the risks include letting the building and increases

in construction costs. This can be mitigated through pre-letting and fixed-cost contracts. As part of our overall management of risks, we maintain a maximum limit of total development exposure (both pre-let and speculative) of not more than 15% of our investment portfolio. Our current committed developments are over 70% pre-let and 77% of our costs are fixed.

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

In 2010, we committed to a £1.5 billion development programme, focused on London, which has delivered over £600 million of profit with a further £45 million estimated to come. It is expected to be a key driver of our rental income growth, adding an estimated £85 million to our contracted rent. As this programme is nearing completion and we see development returns remaining attractive, we have replenished our development pipeline. We have recently committed to 1.3 million sq ft of new development projects and have a further 719,000 sq ft of projects in our near-term pipeline. Of these we expect to commit to 4 Kingdom Street later this year.

 **Business review for Development**  
 P44–50

 **Supplementary information for Development**  
 P172–173

**DEVELOPMENT RECENTLY COMMITTED AND NEAR-TERM PIPELINE**

Recently committed 1.3 million sq ft

Near-term 0.7 million sq ft



To complete 2015

Yalding House



To complete 2016

The Hempel



To complete 2016

Aldgate Place



To complete 2017

Clarges Mayfair



Expected to commit

4 Kingdom Street  
 Paddington Central



Design stage

5 Kingdom Street  
 Paddington Central



To start 2015

Blossom Street  
 Shoreditch



## OUR UK RETAIL AND LEISURE PORTFOLIO

UK'S LARGEST LISTED LANDLORD – ASSETS UNDER MANAGEMENT

**£10.4bn**

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

**24.6m sq ft**

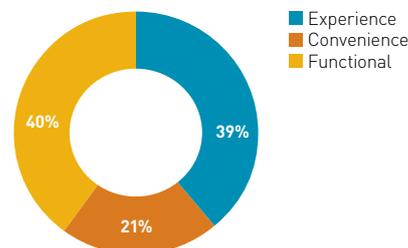
HIGH-QUALITY OCCUPIERS GENERATING HIGH-QUALITY CASH FLOWS – CONTRACTED RENT

**£397m**

OCCUPANCY RATE

**98.5%**

PORTFOLIO BALANCED TO THE WAY PEOPLE SHOP



ACTIVELY RESHAPING OUR PORTFOLIO TO BEST POSITION FOR GROWTH WITH

**£2.3bn**

of gross investment activity over the past four years.

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

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

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

### RETAIL STRATEGY

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

#### Detailed understanding of the consumer

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

#### Providing the right services to attract both the retailer and consumer

Services cover a broad range including digital, Click and Collect, marketing and community engagement and are becoming an increasingly important part of British Land's Retail offer.

### Creating the right space in an environment where people want to shop and retailers can thrive

We continually look to invest in our assets whether through great shop fit-outs or major refurbishments and extensions to provide retailers with high-quality, flexible, modern space at affordable prices.

### RETAIL DEVELOPMENT

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

### PERFORMANCE OVERVIEW

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

### BRITISH LAND RETAIL TOTAL PROPERTY RETURN VERSUS IPD

	1 year	3 years	5 years
British Land Retail	10.7%	7.1%	11.5%
IPD	10.1%	5.7%	9.6%
Performance versus IPD All Retail	+60 bps	+140 bps	+190 bps

➔ Retail and Leisure review for 2013/14 P47-48

📍 More detail on our properties [www.britishland.com/our-properties](http://www.britishland.com/our-properties)

### KEY RETAIL ASSETS



Meadowhall Shopping Centre



Tesco and Sainsbury's food superstores



Teesside Shopping Park



Drake Circus Shopping Centre, Plymouth

## OUR LONDON OFFICE AND RESIDENTIAL PORTFOLIO

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

**7.3m sq ft**

WE CREATE ATTRACTIVE ENVIRONMENTS AND PLACES

**3 campuses**

HIGH-QUALITY STANDING INVESTMENTS – CONTRACTED RENT

**£211m**

OCCUPANCY RATE

**92.1%**

WEIGHTED AVERAGE LEASE LENGTH TO FIRST BREAK

**8.4 years**

OFFICE PORTFOLIO DEVELOPED IN LAST FIVE YEARS

Around **40%**

STRONG PIPELINE OF COMMITTED DEVELOPMENT

**£1.2bn**

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

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

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

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

### OFFICE STRATEGY

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

#### Understanding our occupiers' needs

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

#### Ensure our estates appeal to a broad range of occupiers

We support our occupiers to attract and retain talent by offering places with strong transport links, excellent public spaces and an attractive working environment enhanced by restaurants, shops and leisure facilities.

### Best-in-class services

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

### OFFICE AND RESIDENTIAL DEVELOPMENT

In 2010 we took the decision to commit to a significant London development programme totalling 2.3 million sq ft of office and residential space. One million sq ft of this has now completed with the remainder to complete over the next 12 months. We remain positive on the outlook for development returns over the coming year, we have successfully replenished our pipeline and we have committed to a number of new projects, totalling a further 485,000 sq ft, including Clarges, The Hempel and Aldgate Place.

 **More information on our developments**  
[www.britishland.com/development](http://www.britishland.com/development)

### PERFORMANCE OVERVIEW

Our London Office portfolio has delivered strong total returns of 14.9% per annum over the last five years and consistently outperformed IPD All offices, reflecting our focus on London and the quality of our buildings.

### BRITISH LAND OFFICE TOTAL PROPERTY RETURN VERSUS IPD

	1 year	3 years	5 years
British Land Office	19.3%	13.6%	14.9%
IPD	18.5%	10.2%	11.5%
Performance versus IPD All Offices	+80 bps	+340 bps	+340 bps

 **Office and Residential review for 2013/14**  
 P49-50

 **More detail on our properties**  
[www.britishland.com/our-properties](http://www.britishland.com/our-properties)

### KEY LONDON OFFICE ASSETS



Broadgate, EC3



Regent's Place, NW1



Paddington Central, W2



10 Portman Square, W1


**RIGHT PLACES**

**CUSTOMER ORIENTATION**

**CAPITAL EFFICIENCY**

**EXPERT PEOPLE**

## ENVIRONMENTAL EXCELLENCE

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

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

Reducing our carbon footprint is an important part of our effort to manage buildings efficiently and develop sustainable buildings. We actively manage greenhouse gas emissions across our business. We have participated in the Carbon Disclosure Project for eight years. We are joint top of the FTSE 350 Carbon

Performance Leadership Index 2013 and have been recognised in the Disclosure Leadership Index for the third year running.

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

We have reported on all emission sources required under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013. These sources fall within our consolidated financial statement and relate to head office activities and controlled emissions from our managed portfolio. We do not have responsibility for any emissions that are not included in our consolidated statement. We have used the GHG Protocol Corporate Accounting and Reporting Standard (revised edition), data gathered to fulfil

our requirements under the CRC Energy Efficiency Scheme, and emission factors from the UK Government's GHG Conversion Factors for Company Reporting 2013.

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

➔ **Scope 3 emissions**  
P174

[www.britishland.com/responsibility](http://www.britishland.com/responsibility)

## ENVIRONMENTAL AWARDS INCLUDE



CIBSE Client Energy Management Award and Building Performance Award 2014.



World Green Business Council – Business Leadership in Sustainability Award 2013.



NARE IT Global Recognition – Leader in the Light Award 2013.



Property Week Sustainability Achievement Award 2013.

## ABSOLUTE SCOPE 1 AND 2 EMISSIONS (TONNES CO<sub>2</sub>E)

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

## SCOPE 1 AND 2 EMISSIONS INTENSITY (TONNES CO<sub>2</sub>E)<sup>1</sup>

Year ended 31 March	2014	2013	2009
Per m <sup>2</sup> – Offices	0.048	0.045	0.079
Per m <sup>2</sup> – Shopping centres	0.021	0.024	0.039
Per m <sup>2</sup> – Retail parks	0.004	0.004	0.007
Per £m – gross rental and related income	59.41	61.99	–

1 Heating and cooling degree day adjusted to normalise for weather.

**COMMUNITY SUPPORT**

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

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

 [www.britishland.com/responsibility](http://www.britishland.com/responsibility)

**COMMUNITY AWARDS INCLUDE**



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



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



**REGENT'S PLACE**

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

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

 **Regent's Place at 30**  
[www.britishland.com/regentsplace30](http://www.britishland.com/regentsplace30)

 **Regent's Place**  
[www.regentsplace.com](http://www.regentsplace.com)

 [www.britishland.com/offices](http://www.britishland.com/offices)



**APPRENTICESHIPS**

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



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

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

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

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

[www.britishland.com/occupiers](http://www.britishland.com/occupiers)

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

The quality and diversity of our occupiers, high occupancy levels, strong rents and long leases give us significant security of income which enhance the value of our properties. No single occupier accounts for more than 8% of our total revenues. Our average lease length at 10.3 years is longer than the industry average of 10 years.

**FINANCIALLY STRONG OCCUPIERS**

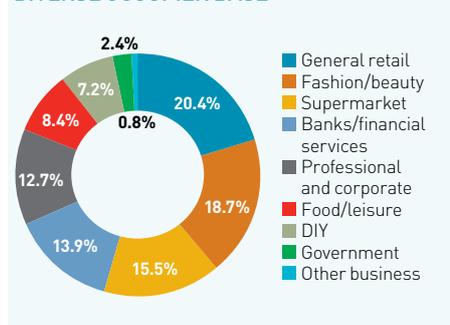
In addition to benefiting from a high-quality and diversified portfolio of occupiers, we take a rigorous approach to managing and monitoring their financial positions. We review the financial covenants of all new occupiers with rent over a certain threshold before agreeing any lettings and paying incentives. We also assess the financial covenant strength of all our major occupiers on a periodic basis and we monitor those we consider may be experiencing financial difficulty. Over the last year, occupiers

in administration have fallen from 0.9% to 0.1% of our total rent reflecting the quality of our portfolio. Our occupancy, which is high at 96.1%, also includes some vacant space at recently completed London offices. We have good levels of interest in this space and are confident about letting prospects.

**HIGH-QUALITY OCCUPIERS TOP 10**

	% Rent
Tesco	7.7
Sainsbury's	6.0
Debenhams	5.8
UBS	3.2
Home Retail Group	2.7
Kingfisher (B&Q)	2.7
HM Government	2.5
Next plc	2.4
Virgin Active	2.0
Arcadia Group	2.0

**DIVERSE OCCUPIER BASE**



**LONG LEASES AND HIGH OCCUPANCY**

	Weighted average lease length <sup>1</sup>	Underlying occupancy	Like-for-like change <sup>2</sup>
Retail	11.3 years	98.5%	+100 bps
Offices	8.4 years	92.1%	+190 bps
<b>Total</b>	<b>10.3 years</b>	<b>96.1%</b>	<b>+130 bps</b>

1 To first break.

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

**ATTRACTING NEW RETAIL OCCUPIERS OUT-OF-TOWN**

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



[www.britishland.com/retail](http://www.britishland.com/retail)

**RETAINING OFFICE OCCUPIERS ON OUR HIGH-QUALITY CAMPUSES**

Our occupiers choose to stay and grow with us. Across our office portfolio, existing occupiers such as Herbert Smith, F&C, Tullet Prebon, Close Asset Management and Premier Oil have signed close to 1.7 million sq ft of lease extensions with us over the last three years.



**Broadgate**  
[www.broadgate.co.uk](http://www.broadgate.co.uk)

[www.britishland.com/offices](http://www.britishland.com/offices)

**PROPERTY MANAGEMENT**

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

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

**SAFE AND HEALTHY ENVIRONMENTS**

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

**PROPERTY AWARDS INCLUDE**



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



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



**PROVIDING THE RIGHT SERVICES IN RETAIL**

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

 **Meadowhall**  
www.meadowhall.co.uk

 [www.britishland.com/shoppingcentres](http://www.britishland.com/shoppingcentres)



**MEETING OUR OFFICE OCCUPIERS' NEEDS**

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

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

 [www.britishland.com/offices](http://www.britishland.com/offices)

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**RIGHT PLACES**



**CUSTOMER ORIENTATION**



**CAPITAL EFFICIENCY**



**EXPERT PEOPLE**

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

**STRATEGIC PARTNERSHIPS**

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

**OUR MAIN PARTNERS**

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

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

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



**THE LEADENHALL BUILDING**

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

 **The Leadenhall Building**  
[www.theleadenhallbuilding.com](http://www.theleadenhallbuilding.com)

 [www.britishland.com/offices](http://www.britishland.com/offices)

**DEBT FINANCE**

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

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

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

**GEARING**

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

**STRENGTH OF BALANCE SHEET METRICS**

	31 March 2014	31 March 2013
<b>Proportionately consolidated</b>		
Loan to value (LTV)	40%	40%
Average interest rate	4.1%	4.6%
Interest cover	2.5x	2.3x
<b>Group</b>		
Loan to value (LTV)	29%	24%
Average interest rate	3.5%	4.4%
Interest cover	3.2x	2.8x

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

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

**OUR APPROACH**

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

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

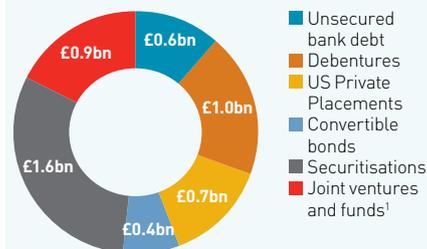
Maturities of different facilities are well spread, from debentures with terms up to 2035, US Private Placements at circa 12 years and a range of bank facilities with terms usually of five years. This spread reduces our refinancing risk in respect of timing and market conditions.

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

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

**OUR FIVE FINANCING PRINCIPLES**

**DIVERSIFY OUR SOURCES OF FINANCE**



**MAINTAIN LIQUIDITY**

**£2.0bn**  
Undrawn committed facilities<sup>2</sup>.

**EXTEND AND STRETCH MATURITY OF DEBT PORTFOLIO**

**8.7 years**  
Average debt maturity.

**MAINTAIN FLEXIBILITY**

**£2.6bn**  
Of revolving credit facilities to draw and repay at no additional cost<sup>2</sup>.

**MAINTAIN STRONG BALANCE SHEET METRICS**

**40%**  
LTV (proportionally consolidated).

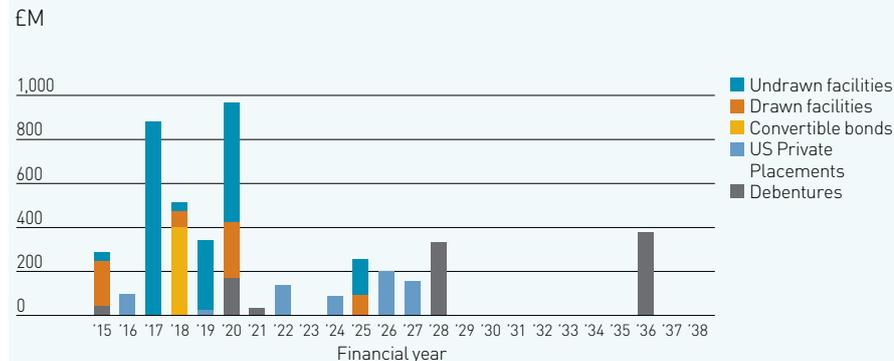
**2.5x**  
Interest cover (proportionally consolidated).

**4.1%**  
Weighted average interest rate.

**A-**  
Rating from Fitch.

1 HUT's debt shown at our share (£0.3 billion) within joint ventures and funds.  
2 British Land facilities pro forma for the new £785 million revolving credit facility.

**BRITISH LAND DEBT MATURITY PROFILE (AS AT 31 MARCH)<sup>1</sup>**



1 British Land facilities proforma for the new £785 million revolving credit facility.



**RIGHT PLACES**



**CUSTOMER ORIENTATION**



**CAPITAL EFFICIENCY**



**EXPERT PEOPLE**



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



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

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

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

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

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

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

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

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

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

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

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

**WELLBEING**

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

**OUR VALUES**

---

**INTEGRITY**  
We do what is right, not what is easy.

---

**ONE TEAM**  
We work collaboratively with both internal and external stakeholders.

---

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

---

**COMMERCIAL ACUMEN**  
We take the lead in our field.

**HUMAN RIGHTS AND FAIRNESS IN THE WORKPLACE**

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

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

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

**DIVERSITY**

Our recruitment practices have long included a commitment to diversity and gender equality. The Board's Diversity Policy is detailed in the Report of the Nomination Committee on pages 79 to 81. The policy throughout British Land is to employ the best candidates available in every position, regardless of sex, race (ethnic origin, nationality, colour), age, religion or philosophical belief, sexual orientation, marriage or civil partnership, and pregnancy, maternity, gender reassignment or disability.

**AWARDS INCLUDE**



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

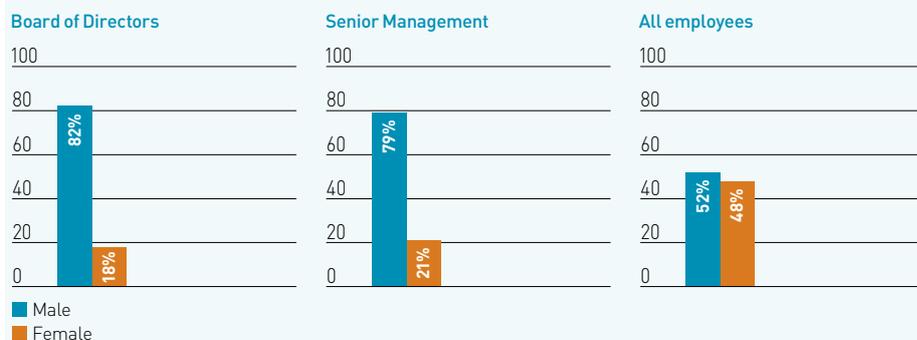


We rank in the top five FTSE 100 companies for reporting wellness and engagement of employees, in the Business in the Community Workwell Benchmark 2014.

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

- ➔ **Report of the Nomination Committee**  
P79–81 Diversity Policy  
P81 Developing people at British Land
- ➔ **Governance review**  
P66–67 Board of Directors  
P73 Employees

**GENDER DIVERSITY AT BRITISH LAND AND ITS SUBSIDIARIES**



**PADDINGTON CENTRAL**

The strengths of our people in deal making delivered results in our £470 million acquisition of Paddington Central in July 2013, an off-market transaction with a complex ownership structure. On a net initial yield once fully let of 6.2% on the existing properties and development sites at a price of £175 per sq ft, we believe this is a very attractive entry price into a well-located, major West End office.

**Paddington Central**  
[www.paddingtoncentral.com](http://www.paddingtoncentral.com)

[www.britishland.com/offices](http://www.britishland.com/offices)

# DELIVERING OUR STRATEGY

## HOW WE PERFORMED IN THE YEAR

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

CREATING  
PLACES  
PEOPLE  
PREFER

DRIVING  
DEMAND

for our properties from  
occupiers and investors.

GENERATING  
LONG-TERM  
GROWTH

in our rental income  
and capital.

DELIVERING  
VALUE

for our shareholders.

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

### OUR KEY PRIORITIES IN 2013/14

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

### HOW WE ASSESS OUR PERFORMANCE

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

# DELIVERING OUR STRATEGY

## DELIVERING SUSTAINABLE TOTAL SHAREHOLDER RETURNS

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

### KEY PERFORMANCE INDICATORS

#### TOTAL ACCOUNTING RETURN

## 20.0%

<b>2014</b>	<b>20.0%</b>
2013	4.6%
2012	9.5%

As a result of the increased dividend and our NAV we reported a total accounting return of 20.0%.

#### GROWTH IN NET ASSET VALUE (NAV)

## +15.4%

<b>2014</b>	<b>688p</b>
2013	596p
2012	595p

EPRA net asset value per share was up 15.4% to 688 pence.

#### INCOME FROM DIVIDEND

## +2.3%

<b>2014</b>	<b>27.0p</b>
2013	26.4p
2012	26.1p

Quarterly dividend of 6.75 pence brings total dividend for the year to 27 pence, a 2.3% increase year-on-year.

### TOTAL ACCOUNTING RETURN

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

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

During the year we generated a total accounting return of 20.0%. Our dividend was increased by 2.3% to 27.0 pence per share and our NAV increased by 15.4% to 688 pence per share.

### KEY RISK INDICATORS

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

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

### KEY INCENTIVE MEASURES

The management team's compensation and incentivisation is linked to:

- total accounting returns.

→ **Managing risk**  
P36-41

→ **Remuneration Policy**  
P84-93



**RIGHT PLACES**



**CUSTOMER ORIENTATION**



**CAPITAL EFFICIENCY**



**EXPERT PEOPLE**

## KEY PERFORMANCE INDICATORS

### PROPERTY RETURNS

**14.2%** vs IPD

2014	14.2%	+60 bps
2013	6.3%	+320 bps
2012	8.3%	+200 bps

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

### DEVELOPMENT COMMITMENT

**£1.4bn**

2014	£1.4bn
2013	£1.4bn
2012	£1.4bn

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

## OUR ACHIEVEMENTS IN THE YEAR

- We have had an active year with total gross investments of £2.0 billion, made up of:
  - £1,033 million of acquisitions;
  - £710 million of disposals; and
  - £227 million of development spend.
- As a result, we successfully deployed the proceeds of our March 2013 equity placing, ahead of the schedule we set out. The placing was accretive to EPS by 0.5 pence and NAV by 6 pence.
- We invested £787 million in London focusing on the West End and up-and-coming areas with strong transport links. These sites included Paddington Central and Blossom Street, Shoreditch.
- These investments have significantly replenished our development pipeline. We now have £1.1 billion of recently committed or near-term developments primarily focused on London.
- As a result, London and the South East now accounts for over 60% of our total portfolio, up from 50% four years ago.
- We made significant progress with our 2010 development programme with eight of the projects now completed. In offices we completed all the West End developments including our 500,000 sq ft office and residential development at Regent's Place. The Office programme is now 73% pre-let securing £54 million of rent. Over 96% of the residential units are pre-sold or under offer.
- In Retail, we opened Whiteley Shopping in May 2013. For details see page 4.
- We continued to reshape our Retail properties. Since 1 April 2013, we have sold £391 million of more mature retail assets ahead of book value; we invested over £500 million in strong, locally-preferred locations such as SouthGate, Bath; increased our stake in HUT, one of the highest-quality shopping park portfolios in the UK; and bought a 26% equity stake in a portfolio of Sainsbury's Superstores.

**→ Performance review**  
P44–55

## KEY RISK INDICATORS

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

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

## KEY INCENTIVE MEASURES

The management team's compensation and incentivisation is linked to:

- property returns;
- successes on purchase and sales; and
- successful progress on development.

**→ Managing risk**  
P36–41

**→ Remuneration Policy**  
P84–93



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## KEY PERFORMANCE INDICATORS

### CUSTOMER SATISFACTION

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

<b>2013</b>	<b>7.8</b>
2011	7.6
2009	7.5

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

### DOW JONES SUSTAINABILITY SCORE (DJSI)

**70%**

<b>2013</b>	<b>70%</b>
2012	70%
2011	76%

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

## OUR ACHIEVEMENTS IN THE YEAR

- We had a good year in Retail agreeing 1.7 million sq ft of lettings and renewals, 4.9% ahead of estimated rental value, with strong demand from a broad range of occupiers.
- In London, we successfully tapped increasing demand for high-quality office space, letting 632,000 sq ft of office space including 323,000 sq ft to the growing TMT and insurance sectors (51%).

### ➔ Performance review P44–55

- We also formed a new joint venture partnership at Broadgate with GIC who is also one of our largest shareholders.
- Over the past year we completed or started significant leisure-focused extensions on five of our key assets: Glasgow Fort; Broughton Park, Chester; Fort Kinnaird, Edinburgh; Whiteley Shopping, Hampshire; and Kingston Centre, Milton Keynes.
- This will increase our leisure offer in multi-tenanted assets to over 7.0%. Within our experiential assets this figure is 9.0%.
- As part of our focus on our customers, we significantly expanded our consumer insights by extending our shopper survey to over 50,000 users on our major shopping centres and retail parks within the last 12 months.
- We strengthened our digital platform with free wi-fi in 11 of our shopping centres, and free wi-fi hot spots at six of our major retail parks, with further roll out planned over the next six months.
- We delivered £2 million energy cost savings for occupiers in the year, bringing total savings over the last five years to £6.9 million.

## KEY RISK INDICATORS

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

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

## KEY INCENTIVE MEASURES

The management team's compensation and incentivisation is linked to:

- gross income growth.

### ➔ Managing risk P36–41

### ➔ Remuneration Policy P84–93



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## KEY PERFORMANCE INDICATORS

### LOAN TO VALUE (LTV)

40%

2014	40%
2013	40%
2012	45%

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

### WEIGHTED AVERAGE INTEREST RATE (WAIR)

4.1%

2014	4.1%
2013	4.6%
2012	4.6%

Our low cost of debt finance is a key contributor to our overall performance and a competitive advantage. At 4.1%, we have one of the lowest WAIR of the UK REITs combined with one of the longest average debt maturities at 8.7 years.

### COST RATIO

16.2%

2014	16.2%
2013	15.3%
2012	14.9%

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

## OUR ACHIEVEMENTS IN THE YEAR

- We maintained our loan to value (LTV) within our 40% to 50% range.
- We have continued to demonstrate our ability to take opportunities to access capital and debt markets to meet the requirements of our business.
- During the last 12 months we have been successful in raising £1.5 billion of unsecured debt finance for British Land on competitive terms from a broad range of sources, including:
  - £310 million five-year revolving credit facility, signed in May 2013 with a syndicate of eight banks, at an initial margin of 135 bps per annum;
  - £200 million US Private Placements with 12-year maturity, signed with New York Life and Pricoa Capital Group in August 2013. The two sterling fixed rate notes were swapped to an effective floating rate of 103 bps per annum above LIBOR. This funding closed, as scheduled, in March 2014; the deferred drawdown date enabled us to continue to utilise our lower cost bank facilities (arranged in earlier years) between signing and closing;
  - £785 million revolving credit facility provided by a syndicate of 14 banks signed in April 2014, with an initial margin of 115 bps per annum. The initial committed term of the facility is five years which may be extended to a maximum maturity of seven years at our request and on each bank's approval for its commitment.
- All these facilities include our standard unsecured financial covenants.
- These transactions have taken advantage of market conditions and added further flexibility and term to our already strong and diversified debt portfolio, such that we are well ahead of our preferred two-year refinancing date horizon.
- British Land's senior unsecured credit rating has been maintained at A- (Fitch).

### → Financial policies and principles P56–58

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

## KEY RISK INDICATORS

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

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

## KEY INCENTIVE MEASURES

The management team's compensation and incentivisation is linked to:

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

### → Managing risk P36–41

### → Remuneration Policy P84–93



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PEOPLE

#### KEY PERFORMANCE INDICATORS

##### THE SUNDAY TIMES BEST COMPANIES TO WORK FOR SURVEY

### One Star

2014	One Star
2013	One Star
2012	One Star

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

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

#### OUR ACHIEVEMENTS IN THE YEAR

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

#### KEY RISK INDICATORS

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

- unplanned executive departures.

#### KEY INCENTIVE MEASURES

The management team's compensation and incentivisation is linked to:

- quality of people and management renewal; and
- company reputation.

→ **Managing risk**  
P36-41

→ **Remuneration Policy**  
P84-93

# MANAGING RISK IN DELIVERING OUR STRATEGY

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

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

## OUR APPROACH TO RISK MANAGEMENT

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

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

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

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

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



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

**LUCINDA BELL**  
CHAIR OF THE RISK COMMITTEE

## OUR APPROACH TO RISK IN PRACTICE

### Development exposure

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



**RISK GOVERNANCE**

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

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

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

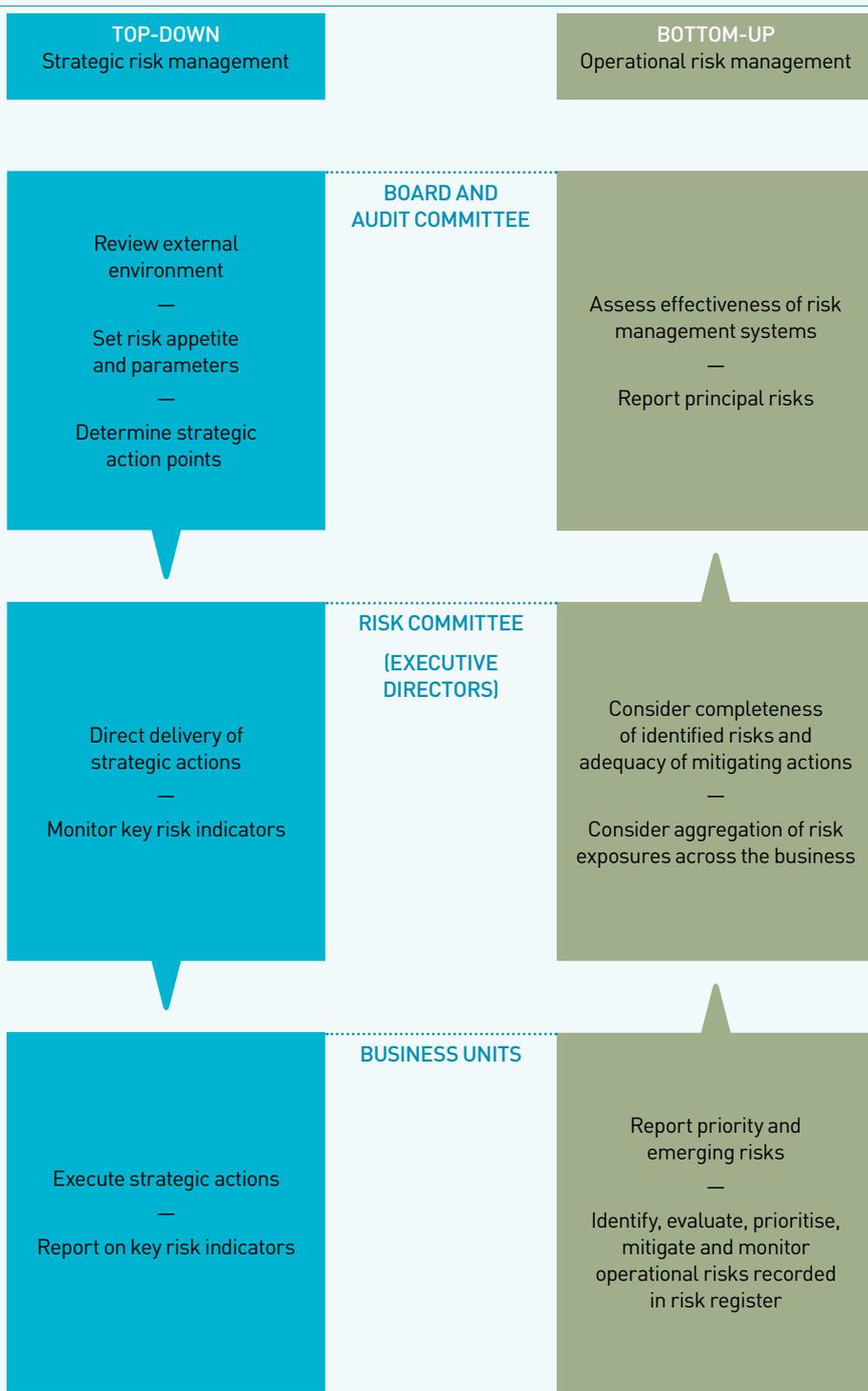
The Directors in turn place reliance on their teams to monitor and manage operational risks on an ongoing basis, as well as identifying emerging risks. The risk registers provide a framework for all staff to feed into this process recognising their shared responsibility for effective management of risk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

➔ **Our governance structure**  
The Risk Committee P65

➔ **Report of the Audit Committee**  
P74-78

**RISK MANAGEMENT AT A GLANCE**

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



Strategic Report 2-42

Performance review 43-58

Governance and remuneration 59-108

Financial statements and other information 109-180

# PRINCIPAL RISKS

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

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

EXTERNAL RISKS		
RISKS AND IMPACTS	HOW WE MANAGE THE RISK	MOVEMENT IN THE PERIOD
<b>ECONOMIC AND POLITICAL OUTLOOK</b> <ul style="list-style-type: none"> <li>The economic recovery and the prospect of increasing interest rates present risks and opportunities in property and financing markets and the businesses of our occupiers.</li> <li>Significant upcoming political events bring risks in two areas:           <ul style="list-style-type: none"> <li>reluctance of investors and businesses to make investment decisions while the outcome remains uncertain, and</li> <li>on determination of the outcome, the impact on the case for investment in the UK, and of specific policies and regulation introduced – particularly those which directly impact real estate.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>The Risk Committee reviews the economic environment on a quarterly basis to assess whether any changes to the economic outlook present risks or opportunities which should be reflected in the execution of our strategy. Indicators such as <b>forecast GDP growth</b>, unemployment, business and consumer confidence, interest rates and inflation are considered, as well as central bank guidance and government policy updates.</li> <li>We are not able to influence the outcome of significant political events, but take the uncertainty related to such events and the range of possible outcomes into account when making strategic investment and financing decisions.</li> <li>We engage public affairs consultants to ensure that we are properly briefed on the potential policy and regulatory implications of political events. Where appropriate, we act with other industry participants to influence the debate on these policies.</li> </ul>	<p>▼ The UK recorded strong GDP growth and falling unemployment in 2013, with these trends forecast to continue in 2014. This is anticipated to result in increased consumer demand and to be beneficial for the businesses of our occupiers. Risks to this recovery remain, including the prospect of rising interest rates, geo-political conflicts and a slowdown of economic growth in emerging markets.</p> <p>▲ Political: European Parliament elections, the referendum on Scottish independence and the UK general election are all scheduled within the next 12 months. Beyond that, there is the possibility of a UK referendum on membership of the EU. Each of these events has the potential to impact the appeal and performance of investment in the UK in general and real estate in particular, both through the related uncertainty and resultant implementation of policies and regulation.</p>
<b>COMMERCIAL PROPERTY INVESTOR DEMAND</b> <p>Reduction in investor demand for UK real estate may result in falls in asset valuations and could arise from variations in the:</p> <ul style="list-style-type: none"> <li>health of the UK economy;</li> <li>attractiveness of investment in the UK;</li> <li>availability of finance; and</li> <li>relative attractiveness of other asset classes.</li> </ul>	<ul style="list-style-type: none"> <li>The Risk Committee reviews the property market on a quarterly basis to assess whether any changes to the market outlook present risks or opportunities which should be reflected in the execution of our strategy. The Committee considers indicators such as the <b>margin between property yields and borrowing costs and property capital growth forecasts</b> which are considered alongside the Committee members' knowledge and experience of market activity and trends.</li> <li>We maintain a focus on those sectors which we believe will deliver outperformance over the medium term benefitting from continuing occupier demand and, consequently, investor appetite.</li> </ul>	<p>▼ The weight of money seeking investment opportunities in UK commercial property, both from international and traditional institutional sources, continues to grow. Investor appetite has been further enhanced by the improving economic outlook and increasing availability of finance at low rates with interest now extending beyond prime properties and locations.</p>
<b>CATASTROPHIC BUSINESS EVENT</b> <p>An external event such as a civil emergency, including a large-scale terrorist attack, extreme weather occurrence or environmental disaster could severely disrupt global markets (including property and finance) and cause significant damage and disruption to British Land's portfolio and operations.</p>	<ul style="list-style-type: none"> <li> Asset risk assessments (e.g. security, flood, environmental, health and safety).</li> <li>Regular security threat information service.</li> <li>Physical security measures at properties and development sites.</li> <li>Asset emergency procedures reviewed and scenario tested.</li> <li>Head office business continuity plan in place and regularly tested.</li> <li>Comprehensive insurance.</li> </ul>	<p>◀▶ The evaluation of the likely impact of this risk on the performance of the Group has not changed since the prior year. The Home Office threat level from international terrorism remains 'substantial'. The portfolio has remained resilient to the storms and flooding experienced in the year with minimal damage and disruption experienced.</p>

KEY

CHANGE FROM LAST YEAR

-  Risk exposure has increased
-  No significant change in risk exposure
-  Risk exposure has reduced

EXTERNAL RISKS

	RISKS AND IMPACTS	HOW WE MANAGE THE RISK	MOVEMENT IN THE PERIOD
<p><b>OCCUPIER DEMAND AND TENANT DEFAULT</b></p>	<ul style="list-style-type: none"> <li>▪ Underlying income, rental growth and capital performance could be adversely affected by weakening occupier demand resulting from variations in the health of the UK economy and corresponding weakening of consumer confidence and business activity and investment.</li> <li>▪ Occupier failures may adversely impact underlying income and capital performance.</li> <li>▪ Changing consumer and business practices (including the growth of internet retailing, flexible working practices and demand for energy efficient buildings), new technologies, new legislation and alternative locations may result in earlier than anticipated obsolescence of our buildings if evolving occupier and regulatory requirements are not met.</li> </ul>	<ul style="list-style-type: none"> <li>▪ The Risk Committee regularly reviews indicators of occupier demand including <b>consumer confidence surveys, employment forecasts for relevant occupier sectors and ERV growth forecasts</b>. These are considered alongside the Committee members' knowledge and experience of occupier plans, trading and leasing activity in guiding execution of our strategy.</li> <li>▪ We have a Key Occupier Account programme through which we work together with our occupiers to find ways to best meet their evolving requirements – including understanding how our stores fit with their omni-channel offer.</li> <li>▪ We perform rigorous occupier covenant checks and review these on an ongoing basis so that we can be proactive in managing exposure to weaker occupiers.</li> <li>▪  We are constantly assessing how best to 'future proof' our buildings and maintain sustainability briefs across the investment portfolio as well as on acquisitions and developments.</li> <li>▪  British Land prides itself on taking a leadership position on defining and responding to environmental legislation impacting the built environment. All our office developments are BREEAM Excellent and 94% of our major retail developments are BREEAM Very Good or Excellent. We have achieved significant landlord-influenced energy reductions, benefitting our occupiers (see page 22 for further details).</li> </ul>	<p> We are seeing improving demand for office space in London underpinned by increasing take up from TMT occupiers.</p> <p>In retail, occupiers are becoming more confident in the role of physical space in an omni-channel world. With a reduced number of administrations as the economy recovers, we are seeing signs of increasing demand for flexible space in the best locations.</p>
<p><b>AVAILABILITY AND COST OF FINANCE</b></p>	<ul style="list-style-type: none"> <li>▪ Reduced availability of property financing may adversely impact British Land's ability to refinance facilities and result in weaker investor demand for real estate.</li> <li>▪ Increasing finance costs would reduce British Land's underlying income.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Benchmark borrowing rates and measures of real estate credit availability are monitored by the Risk Committee on a quarterly basis and considered alongside Committee members' awareness of financing activity in the industry to guide our financing actions in executing our strategy.</li> <li>▪ We maintain strong relationships with our key financing partners and advisors to maintain an awareness of financing market activity.</li> <li>▪ We maintain a diverse range of sources of finance to provide flexibility to access funding as required.</li> <li>▪ We closely monitor relevant emerging banking regulation, working with industry bodies and other relevant organisations to participate in the debate where our interests are affected. In the current year, we contributed to the Vision for Real Estate Finance in the UK recommendations which were drafted by a cross-industry real estate finance group.</li> </ul>	<p> We have seen a continuing increase in the availability of finance to commercial property across a range of sources. Financing costs remain near historic lows but are expected to increase.</p>

# PRINCIPAL RISKS

## CONTINUED...

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

INTERNAL RISKS			
	RISKS AND IMPACTS	HOW WE MANAGE THE RISK	MOVEMENT IN THE PERIOD
<b>INVESTMENT STRATEGY</b>	<p>In order to meet our strategic objectives we must invest in and exit from the right properties at the right time.</p> <p>Significant underperformance could result from inappropriate determination and execution of our property investment strategy, including:</p> <ul style="list-style-type: none"> <li>sector selection and weighting;</li> <li>timing of investment and divestment decisions;</li> <li>exposure to developments;</li> <li>sector, asset, tenant, region concentration; and</li> <li>co-investment arrangements.</li> </ul> <p><b>Responsible Executive:</b> Chris Grigg</p> <p><b>Strategic focus:</b></p> <p> <b>RIGHT PLACES</b></p>	<ul style="list-style-type: none"> <li>Our investment strategy is determined to be consistent with our target risk appetite based on the evaluation of the external environment.</li> <li>Progress against the strategy and continuing alignment with our risk appetite is monitored at each Risk Committee by reviewing relevant indicators including a comparison of forecast portfolio returns against the IPD benchmark.</li> <li>Individual investment decisions are subject to robust risk evaluation overseen by our Investment Committee including consideration of returns relative to risk-adjusted hurdle rates.</li> <li>We foster collaborative relationships with our co-investors and enter into ownership agreements which balance the interests of the parties.</li> </ul>	<p>◀▶ Chris Grigg commented, "We have been active in delivering our investment strategy in the year. We have increased our exposure to London and the South East, taking advantage of strengthening investor interest in retail across the UK to rebalance our portfolio. As our 2010 development programme concludes we have been replenishing our development pipeline. We remain confident that our chosen sector focus will deliver outperformance over the medium term, although our outperformance against benchmarks may narrow in the short-term as a result of strengthening investor demand in secondary property and other sectors. As investor appetite intensifies we will remain disciplined in our investment approach."</p> <p>Our strategy for investing in the right places is outlined on pages 18 to 23.</p>
<b>DEVELOPMENT</b>	<p>Development provides an opportunity for outperformance but this brings with it elevated risk. The care with which we make our decisions around which schemes to develop when, as well as our execution of these projects, must reflect this.</p> <p>Development risks could adversely impact underlying income and capital performance including:</p> <ul style="list-style-type: none"> <li>development letting exposure;</li> <li>construction timing and costs; and</li> <li>adverse planning judgements.</li> </ul> <p><b>Responsible Executives:</b> Charles Maudsley, Tim Roberts</p> <p><b>Strategic focus:</b></p> <p> <b>RIGHT PLACES</b></p>	<ul style="list-style-type: none"> <li>We maintain our levels of <b>total and speculative development exposure as a proportion of the investment portfolio value</b> within a target range taking into account associated risks and the impact on key financial metrics. This is monitored quarterly by the Risk Committee, along with <b>progress of developments against plan.</b></li> <li>For each project we make a judgement about apportionment of construction risk. Where we retain this risk we fix costs early in the process, subject to other market factors, with key contractors subject to financial covenant review.</li> <li>Pre-let targets are used to reduce development letting risk where considered appropriate.</li> <li> We actively engage with the communities in which we operate, as detailed in our Community Charter, to ensure that our development activities consider the interests of all stakeholders.</li> <li> We manage social and environmental risks across our development supply chain by engaging with our suppliers, including through our Sustainability Brief for Developments and Health and Safety Policy.</li> </ul>	<p>◀▶ Tim Roberts commented, "We are now well advanced on our 2010 development programme and have achieved considerable letting success. Reducing the risk exposure on this programme has provided us with the confidence to commit to further developments, including the residential-led Clarges Estate on Piccadilly, and we are continuing to progress opportunities to further replenish our pipeline. We are conscious of the prospect of rising construction costs in evaluating these opportunities. The balance of these risks is managed within overall development exposure metrics which are monitored across the organisation."</p> <p>For more on our development programme, see page 19.</p>
<b>PEOPLE</b>	<p>British Land runs a heavily outsourced model which means that critical business processes and decisions lie in the hands of a few people.</p> <p>Failure to recruit, develop and retain staff and Directors with the right skills and experience may result in significant underperformance.</p> <p><b>Responsible Executive:</b> Chris Grigg</p> <p><b>Strategic focus:</b></p> <p> <b>EXPERT PEOPLE</b></p>	<ul style="list-style-type: none"> <li> Our HR strategy is designed to minimise risk through: <ul style="list-style-type: none"> <li>informed and skilled recruitment processes;</li> <li>highly competitive compensation and benefits;</li> <li>people development and training;</li> <li>employee engagement surveys and other initiatives; and</li> <li>monitoring of <b>unplanned executive departures</b> and conducting exit interviews.</li> </ul> </li> <li> Our supply chain strategy is designed to manage key social and environmental risks with our outsourced suppliers, including health and safety, fraud and bribery.</li> </ul>	<p>◀▶ Chris Grigg commented, "Our expert people are a key asset and their decisions and actions drive our performance. We remain confident in our appeal as an employer but are conscious that competition for the best people is escalating in our industry, mirroring the increased level of investor activity. We were pleased to appoint an HR Director and launch a new HR Strategy in the year to continue to improve our attractiveness as an employer and our capacity to develop our staff. Our high level of staff engagement was recognised by the award of a One Star rating in The Sunday Times Best Companies to Work For survey."</p>

KEY

CHANGE FROM LAST YEAR

-  Risk exposure has increased
-  No significant change in risk exposure
-  Risk exposure has reduced

INTERNAL RISKS

INCOME SUSTAINABILITY	RISKS AND IMPACTS	HOW WE MANAGE THE RISK	MOVEMENT IN THE PERIOD
<p><b>INCOME SUSTAINABILITY</b></p>	<p>We must be mindful of maintaining sustainable income streams in order to continue to generate returns for our shareholders and provide the platform from which to grow the business through development and capital appreciation.</p> <p>We consider sustainability of our income streams in:</p> <ul style="list-style-type: none"> <li>▪ execution of investment strategy and capital recycling, notably timing of reinvestment of sale proceeds;</li> <li>▪ nature and structure of leasing activity; and</li> <li>▪ nature and timing of asset management and development activity.</li> </ul> <p><b>Responsible Executives:</b> Charles Maudsley, Tim Roberts</p> <p><b>Strategic focus:</b></p> <div style="background-color: #e67e22; color: white; padding: 2px; display: inline-block;"> CUSTOMER ORIENTATION</div>	<ul style="list-style-type: none"> <li>▪ We monitor our <b>market letting exposure</b> including vacancies, upcoming expiries and breaks and tenants in administration as well as our <b>weighted average lease length</b>.</li> <li>▪ We undertake comprehensive profit and cash flow forecasting incorporating scenario analysis to model the impact of proposed transactions.</li> <li>▪ We perform rigorous occupier covenant checks and review these on an ongoing basis so that we can be proactive in managing exposure to weaker occupiers.</li> <li>▪ We are proactive in addressing key lease breaks and expiries to minimise periods of vacancy.</li> <li>▪ We have a diversified occupier base and monitor concentration of exposure to individual occupiers or sectors.</li> <li>▪  We actively engage with the communities in which we operate, as detailed in our Community Charter, to ensure that we provide buildings that meet the needs of all relevant stakeholders.</li> </ul>	<p> Charles Maudsley commented, "In a challenging market, we have demonstrated the enduring appeal of our retail properties with lettings above ERV, footfall above benchmarks and improving occupancy throughout the year. We are investing further in our properties, including with the provision of wi-fi and increased food and beverage options, to ensure that they continue to meet the evolving needs of our occupiers and their customers."</p> <p>Tim Roberts commented, "Occupier demand across our Office portfolio is robust, supported by the increasingly diverse range of occupiers which our buildings appeal to. Nowhere is this better demonstrated than at Regent's Place where 10 Brock Street was fully let within three months of completion to a broad range of occupiers including Debenhams, Facebook, Manchester City Football Club and Whitefoord LLP."</p> <p>For more on how we manage our portfolio, see pages 24 to 25.</p>
<p><b>CAPITAL STRUCTURE – EXECUTION</b></p>	<p>We must maintain a capital structure which recognises the balance between performance, risk and flexibility.</p> <ul style="list-style-type: none"> <li>▪ Gearing magnifies returns both positive and negative.</li> <li>▪ An increase in the gearing level increases the risk of a breach of covenants on borrowing facilities and may increase finance costs.</li> </ul> <p><b>Responsible Executive:</b> Lucinda Bell</p> <p><b>Strategic focus:</b></p> <div style="background-color: #009682; color: white; padding: 2px; display: inline-block;"> CAPITAL EFFICIENCY</div>	<ul style="list-style-type: none"> <li>▪ We set the LTV range to reflect the strength of our portfolio and the longevity of our cash flows, management of our debt book and our refinancing risk.</li> <li>▪ We monitor our <b>LTV</b> on an ongoing basis and manage gearing levels over the cycle.</li> <li>▪ We manage our investment activity, which can be lumpy, as well as our development commitments, to ensure that we will remain within an appropriate range of LTV.</li> </ul>	<p> Lucinda Bell commented, "During the year, our LTV has been in the lower half of our range as we successfully invested the proceeds from our March 2013 placing, sold retail assets and benefited from valuation increases. As values increase, we will continue our rigorous assessment of the appropriate LTV, which may fall below 40%, and will not gear up on market yield shift."</p> <p>For more on our financial policies, see pages 56 to 58.</p>
<p><b>FINANCE STRATEGY EXECUTION</b></p>	<p>We must be judicious in the management of our financing as our strategy here addresses risks both to our continuing solvency and the stability of our profits.</p> <p>Failure to manage the refinancing requirement may result in a shortage of funds to sustain the operations of the business or repay facilities as they fall due.</p> <p>This and a breach of financing covenant limits are considered to be the most significant risks to the continuing operation of British Land as a going concern. See page 72 for further consideration of going concern.</p> <p><b>Responsible Executive:</b> Lucinda Bell</p> <p><b>Strategic focus:</b></p> <div style="background-color: #009682; color: white; padding: 2px; display: inline-block;"> CAPITAL EFFICIENCY</div>	<ul style="list-style-type: none"> <li>▪ We have five key principles guiding the financing of the Group which together are employed to manage the risks in this area: diversify our sources of finance, maintain liquidity, extend and stretch maturity of debt portfolio, maintain flexibility, maintain strong balance sheet metrics. See page 57 for further details.</li> <li>▪ We closely monitor the <b>period until refinancing is required</b>, which is a key determinant of financing activity, and use scenario modelling tools to evaluate the <b>likelihood of covenant breach</b>.</li> <li>▪ We are committed to maintaining and enhancing relationships with our key financing partners.</li> <li>▪ We closely monitor relevant emerging regulation which has the potential to impact the way that we finance the Group and to introduce operating constraints.</li> </ul> <p>As with other regulatory and public affairs matters which impact us, we engage with Government and other industry participants to influence the debate.</p>	<p> Lucinda Bell commented, "We were again successful in raising finance from a range of sources in the year including unsecured corporate facilities and a US Private Placement. The attractive terms of these arrangements mean that we continue to operate an efficient debt book which provides both flexibility to effect our property investment activity and, in conjunction with our hedging policy, stability of financing costs."</p> <p>For more on our financial policies, see pages 56 to 58.</p>

# CORPORATE RESPONSIBILITY AT BRITISH LAND



## DEAR SHAREHOLDER,

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

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

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

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

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

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

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

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

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

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

**Lucinda Bell, Finance Director**

Chair of the Corporate  
Responsibility Committee

Corporate responsibility information is integrated throughout this Report.

← **Our strategy and carbon data**  
P22-23

← **Risks**  
P38-41

→ **The Corporate Responsibility Committee**  
P65

→ **EPRA Sustainability Reporting**  
P174

🖱 **For more detail on our strategy**  
[www.britishland.com/responsibility](http://www.britishland.com/responsibility)

🖱 **For more detail on our performance**  
[www.britishland.com/crdata](http://www.britishland.com/crdata)

## STRATEGIC REPORT APPROVAL

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

By order of the Board

**Tony Braine**

Company Secretary  
13 May 2014

# PERFORMANCE REVIEW

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# BUSINESS REVIEW

## PORTFOLIO OVERVIEW

### UK PORTFOLIO VALUATION

**£11,951m**

### TOTAL PROPERTY RETURN

**14.2%**

### ERV GROWTH

**3.0%**

### CAPITAL RETURN

**8.9%**

### LETTINGS/RENEWALS VERSUS ERV

**6.3%**

### OCCUPANCY RATE

**96.1%**

### LEASE LENGTH TO FIRST BREAK

**10.3 years**

### GROSS INVESTMENT ACTIVITY

**£1,970m**

### COMMITTED DEVELOPMENTS CAPEX

**£227m**

### ACQUISITIONS

**£1,033m**

### DISPOSALS

**£710m**

### OVERVIEW

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

Our portfolio performed strongly during the year as we benefited both from actions we have taken this year and in previous years and from rising markets. Our investment activity during the year was materially accretive to our property performance, notably the investment of our March 2013 equity placing along with our retail recycling where we have been taking advantage of market strength to sell more mature properties. We also continued to benefit from our decision in 2010 to commit to a £1.5 billion development programme, focused on London. Along with more recently committed projects, our developments contributed a third of our valuation uplift.

Today, London and the South East accounts for 61% of our portfolio on a pro forma basis (including the estimated completed value of committed and near-term developments), up from 50% four years ago. On the same basis, within London, the West End now accounts for 60% of our Offices business, up from 35% four years ago. We continue to have a substantial

pipeline of developments, both near and medium-term, focused on London. Our UK Retail portfolio, comprising 53% of the total portfolio, focuses on the best environments where people choose to spend their time and retailers want to be.

Overall our UK portfolio generated a total property return of 14.2%, made up of an income return of 4.9% and a capital return of 8.9%. We continued to outperform the IPD benchmarks, by 60 bps on total returns and 140 bps on capital returns.

The value of our UK portfolio increased by 8.3% to £12.0 billion with a 6.6% uplift in our investment portfolio and a 20.9% uplift from developments. Our investment portfolio was a more important contributor to portfolio performance than in recent years, driven by a combination of tightening market yields and our asset management activity. The performance of our Office and Residential portfolio was particularly strong up 14.5% over the year reflecting the strength of the London markets along with our development programme. Our UK Retail performance continued to improve with a valuation uplift of 4.4% with an acceleration in performance in the second half of the year.

There was a marked improvement in rental values across our UK portfolio which were 3.0% ahead (2013: 1.0%). This compares with growth of 1.7% for the property market as a whole. At 31 March 2014, our portfolio net equivalent yield was 5.5% compared to 6.4% for the market.

### UK PORTFOLIO PERFORMANCE

Year ended 31 March 2014	Valuation £m	Valuation uplift		
		Investment portfolio %	Developments %	Total portfolio %
Retail and Leisure	6,852	4.4	2.2	4.4
Offices and Residential	5,099	11.4	22.3	14.5
<b>Total</b>	<b>11,951</b>	<b>6.6</b>	<b>20.9</b>	<b>8.3</b>

## INVESTMENT ACTIVITY

The gross value of our investment activity since 1 April 2013, as measured by our share of acquisitions, disposals and capital investment in developments was £2.0 billion.

Again we were able to successfully access transactions to grow our portfolio by taking advantage of our financial flexibility and our ability to source deals, move quickly and deal with complexity. The majority of the acquisitions we made during the year, including Paddington Central and SouthGate, Bath, were secured off market. Our acquisitions were focused on both core income producing assets with good growth prospects from asset management and developments. Overall, we completed or exchanged £1,033 million of acquisitions, with income generating properties adding annual

rental income of £46 million, with an average net initial yield of 5.4%. This includes over £100 million of potential development sites.

In UK Retail, we continued to sell mature assets where we believe the future returns will be below our internal hurdle rates of return. In Offices and Residential, the majority of our disposals were residential units sold after practical completion of our West End developments. We also sold two of our largest assets in Continental Europe in line with our aim of exiting from that market, and successfully outsourced the management of the remaining assets. Europe now accounts for less than 1% of our total portfolio. Overall, disposals completed or exchanged raised £710 million and were sold on an average NIY of 6.2% and at 4.2% ahead of book value.

## ACQUISITIONS AND DISPOSALS

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

# BUSINESS REVIEW

## PORTFOLIO REVIEW

### CONTINUED...

#### DEVELOPMENT

In 2010, we committed to a major development programme, to deliver 2.7 million sq ft of space, principally in London. Well-timed to deliver high quality offices along with high-end residential units into a supply constrained London market along with a number of retail projects, the programme in total has generated £608 million of profit to date with a further £45 million estimated to come (based on valuers' estimates). This is more than double the estimate at the time we started the programme, reflecting strong market growth, leasing and pre-sales ahead of plan and release of contingencies. The total estimated annual rental value has increased from £79.0 million to £85.0 million over the same period. 76% of the space is already let or under offer and 96% of the residential units have been sold or are under offer.

We remain positive about the prospects for development returns in London, so, as the 2010 programme has been completing, we have been replenishing our development potential both for the near-term and also for our longer-term pipeline. We have already committed to a number of new projects. We will continue to manage our development exposure within our self-imposed limit of

committed development being not more than 15% of our investment portfolio and for our exposure to the London residential market to remain below £500 million (total cost net of pre-sales).

During the year, the purchase of development sites, mainly at Paddington Central and our agreement with the City of London Corporation to become their development partner on Blossom Street, Shoreditch added 1.1 million sq ft to our pipeline. This brings total development opportunities acquired over the last two years to 1.6 million sq ft. We obtained planning permission on 1.0 million sq ft of office, residential and retail development during the year.

As a result of our activity, despite completing over 1.2 million sq ft of developments this year, we have 2.5 million sq ft of committed development under construction. We have contracted 77% of the costs of our committed developments. Excluding projects which are due to complete over the next year, principally 5 Broadgate and The Leadenhall Building, we have 43% of our costs contracted.

We have a further 719,000 sq ft in our near-term pipeline which are projects we could commit to over the next year to eighteen

months. As we complete further projects, and the outlook for the market remains positive, we anticipate committing to more development in the coming year, including 4 Kingdom Street, Paddington. If we were to commit to all these projects over that time frame, our total capital commitment, including land, would be £1.2 billion with an anticipated profit to come of around £300 million. In terms of capital commitment, the majority of our recently committed projects are London residential, the most significant of which is the residential element at Clarges Mayfair.

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

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

#### COMMITTED AND NEAR-TERM DEVELOPMENT PIPELINE

	British Land share						
	Sq ft '000	Current value £m	Cost to complete £m	ERV £m	Pre-let ERV £m	Residential end value £m	Pre-sold residential £m
<b>At 31 March 2014</b>							
Completed	1,354	897	19	46.9	29.1	165	143
Under construction	1,315	516	92	38.1	28.2	-	-
<b>Total 2010 programme</b>	<b>2,669</b>	<b>1,413</b>	<b>111</b>	<b>85.0</b>	<b>57.3</b>	<b>165</b>	<b>143</b>
Completed	21	5	-	0.3	0.3	-	-
Under construction	1,232	417	335	17.2	6.7	664	5
<b>Total recently committed</b>	<b>1,253</b>	<b>422</b>	<b>335</b>	<b>17.5</b>	<b>7.0</b>	<b>664</b>	<b>5</b>
<b>Total committed</b>	<b>2,547</b>	<b>933</b>	<b>427</b>	<b>55.3</b>	<b>34.9</b>	<b>664</b>	<b>5</b>
<b>Total near-term pipeline</b>	<b>719</b>	<b>79</b>	<b>351</b>				

# BUSINESS REVIEW

## RETAIL AND LEISURE REVIEW



**Charles Maudsley**  
Head of Retail and Leisure

### PORTFOLIO VALUATION (BRITISH LAND SHARE)

**£6,852m**

### TOTAL PROPERTY RETURN

**10.7%**

### ERV GROWTH

**1.5%**

### CAPITAL RETURN

**4.6%**

### LETTINGS/RENEWALS VERSUS ERV

**4.9%**

### OCCUPANCY RATE

**98.5%**

### LEASE LENGTH TO FIRST BREAK

**11.3 years**

### MARKET OVERVIEW

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

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

We continued to actively reposition and upgrade our portfolio focusing on preferred destinations for both retailers and shoppers through investment in our existing properties and through recycling. This brings the total investment in the business over the last four years to £1.5 billion (acquisitions and capital spend) with £0.8 billion of disposals, being mainly smaller properties.

### PORTFOLIO PERFORMANCE

Our retail and leisure portfolio grew in value to £6.9 billion, a 4.4% uplift over the year. Performance was driven by yield compression (26 bps), reflecting the significant improvement in the retail investment market, complemented by our asset management actions. The portfolio continued to outperform the market, by 40 bps on a capital returns basis, although not at the same level as previous years, reflecting the improvement in secondary asset valuations, particularly in the second half. There was a particularly strong performance from our department stores and leisure portfolio, with yield compression driven by appetite for fixed uplift backed income. Our retail parks, shopping centres and superstores also benefited from positive rental growth but with lesser yield compression due to a relative lack of transactional evidence. This was particularly the case for superstores with open-market rent reviews.

Our occupational metrics improved further during the year reflecting the strength of our offer. With good demand our portfolio is now virtually fully let with occupancy ahead of March 2013 by 110 bps to 98.5%. There was a notable reduction in units in administration down from 0.9% to 0.1% of total rent as we successfully let up units previously in administration. Footfall improved over the second half of the year, up 1.2% and was broadly flat over the year. We significantly outperformed the market where footfall was down 2.6% in the year. Our retail ERVs were 1.5% up compared with the market which was flat. Since the trough in June 2010, our rental values have now grown by over 3.3% compared with a fall of 1.0% for the market, reflecting the ongoing polarisation between the performance of the best space where retailers want to trade and less attractive, more secondary space. Our like-for-like rental income grew by 3.0%, in part benefiting from the successful letting of units previously in administration along with surrender premiums.

### ASSET MANAGEMENT

We had a stronger period for leasing with higher levels of letting volumes and an improvement in the breadth and quality of occupiers and on enhanced terms, particularly from fashion, home wares and leisure operators. We continued to benefit from retailers looking to take space in the best quality locations. Overall, we signed 1.7 million sq ft of lettings and renewals across the portfolio during the year, on average 4.9% ahead of ERV within the standing investment portfolio. Rent reviews were signed on average 5.0% above previous passing rent with particularly good uplifts being achieved at superstores, on average 11% ahead of previous passing rent. Although our portfolio is nearly fully let and we see an improving outlook for rental growth although given our high levels of occupancy and no major developments coming on stream, our overall leasing volumes are likely to reduce through the coming year. We currently have 273,000 sq ft of space under offer at terms overall ahead of ERV.

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

➔ **Retail and Leisure**  
P20

➔ **More detail on British Land properties**  
[www.britishland.com/retail](http://www.britishland.com/retail)

## BUSINESS REVIEW

### RETAIL AND LEISURE REVIEW

#### CONTINUED...

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

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

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

#### INVESTMENT ACTIVITY

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

Our largest disposals during the year included Eastgate Shopping Centre, Basildon; Bon Accord shopping centre in Aberdeen; and St James' Retail Park, Northampton. We also sold seven smaller retail parks and six small food stores. On average these sales were 2.4% ahead of book value. Post the year-end, we sold Cwmbran Retail Park for a net initial yield of 6.4%.

We made £502 million of acquisitions over the period. This included a 50% interest in SouthGate, the main shopping destination in the centre of Bath, for £101 million, reflecting a fully let yield of 5.7%. The acquisition price was significantly below the original sum invested in constructing the newly built 430,000 sq ft, prime open air retail scheme. With a large and affluent catchment and an impressive occupier line up, the scheme has a high annual footfall of around 18 million visitors. It is anchored by Debenhams, H&M, Topshop and Boots and has attracted several new, high profile retailers to the city including Hollister, Apple, Urban Outfitters, All Saints and Superdry.

We increased our ownership of Hercules Unit Trust (HUT) from 41.2% to 59.8% through the purchase of £154 million of units since the beginning of the year. On an average 4.2% below NAV, this represents an effective net initial yield of 6.0% (based on actual acquisition costs). This investment increased our share of gross assets by £262 million, reflecting the discount to NAV and the leverage within the HUT structure. HUT is the UK's largest specialist retail park property unit trust with a portfolio totalling £1.5 billion. We believe that HUT's portfolio is well positioned from a development perspective and to take advantage of the projected growth in Click and Collect which is increasingly a core component of retailers' strategies. We remain the property manager of the HUT assets.

We also acquired a 26% equity interest in a portfolio of Sainsbury's superstores for £83 million, at a reversionary yield of 5.7%. Held in a geared structure, the portfolio consists of 26 high quality superstores in affluent areas primarily in the South East. All rental income until maturity will be used to pay interest on the bonds and partially amortise the securitised debt. At maturity it is anticipated that the superstores will either be refinanced or sold to repay the outstanding debt. We expect to generate attractive returns from the investment and have already seen an uplift of more than 10%. This investment should be viewed in conjunction with the sale of smaller food stores within an overall objective of focusing our superstore portfolio on the highest quality locations.

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

#### DEVELOPMENT

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

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

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

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

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

# BUSINESS REVIEW

## OFFICE AND RESIDENTIAL REVIEW



**Tim Roberts**  
Head of Offices and Residential

### PORTFOLIO VALUATION

**£5,099m**

### TOTAL PROPERTY RETURN

**19.4%**

### ERV GROWTH

**5.8%**

### CAPITAL RETURN

**15.5%**

### LETTINGS/RENEWALS VERSUS ERV

**8.4%**

### OCCUPANCY RATE

**92.1%**

### LEASE LENGTH TO FIRST BREAK

**8.4 years**

### OVERVIEW

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

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

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

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

### PORTFOLIO PERFORMANCE

Our Offices and Residential portfolio is well positioned to benefit from the strengthening London market and our greater exposure to up and coming areas. The value of our portfolio grew by over £1.2 billion to £5.1 billion reflecting both the investments made during the year along with a 14.5% overall uplift in valuation;

our West End portfolio was up by 16.6% and the City by 11.8%. The portfolio produced a total property return of 19.4%, with our Offices outperforming the IPD sector benchmark by 80 bps.

In Offices, our standing investments contributed around 60% of the uplift driven by a 40 bps compression in yields along with asset management. ERVs were 5.8% ahead with a 7.9% increase in the City reflecting improving market conditions and increased opportunity from potential refurbishments. Our office and mixed-use development programme continues to deliver strong returns, generating profits of £252 million over the year, and a valuation uplift of 23.0%. This uplift was driven by a combination of factors including pre-lets signed ahead of ERV, profit release as we complete our 2010 London development programme, and improving market conditions. Our stand-alone residential portfolio was up 15.4% driven primarily by increased sales values.

### ASSET MANAGEMENT

The strengthening occupational market was reflected in our leasing activity during the year. We signed 632,000 sq ft of lettings and renewals across our investment and development portfolio with investment lettings and renewals at an average of 8.4% above ERV. Our activity was primarily focused on new lettings with 289,000 sq ft of deals signed in our investment portfolio and 237,000 sq ft of development lettings.

We continued to see healthy demand across our portfolio from a range of occupiers from financial and professional services through to media, retail and technology companies, not only attracted by the quality of our buildings and built environments, but also our high levels of customer service. We were particularly successful in tapping demand from the growing technology and media sectors and the insurance sector which represented 51% of lettings. Driven by our leasing success, our like-for-like occupancy was 190 bps ahead, although overall it is lower at 92.1% reflecting our newly completed West End developments moving into the investment portfolio. Post our year-end, we have seen an increase in occupier interest across our portfolio with over 150,000 sq ft of space let or under offer on attractive rental terms. Our vacant space is virtually all new Grade A accommodation, so we feel positive about the letting prospects in a strengthening occupational environment.

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

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## BUSINESS REVIEW

### OFFICE AND RESIDENTIAL REVIEW

#### CONTINUED...

10 Brock Street, which is the largest of the buildings, was let within three months of practical completion to a strong and diverse range of occupiers including Facebook and Manchester City Football Club achieving a new rental high on the campus of £71 per square foot. This added £18.8 million of annual rent on a weighted average lease of 15.7 years. 98% of the residential units at 20 Brock Street have been profitably sold or are under offer. The Brock Street development has completed Regent's Place, a vibrant 2 million sq ft mixed-use campus where around 15,000 work and live. With an occupancy of over 98%, it is well served by major transport links, and is enhanced by restaurants, shops, a health club, a theatre, art studios, a children's nursery and landscaped open space.

At Paddington Central, which we acquired in July, we have let or put under offer 35,000 sq ft, at terms ahead of our acquisition assumptions, bringing occupancy on the campus to 94.2%. We are confident that we will further improve occupancy. We are also looking to improve on the existing planning consents at 4 and 5 Kingdom Street (see following development section) and public space in addition to works to the entrance of the campus and an introduction of a greater variety of uses and occupiers.

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

We continued to make good progress both on our near-term and long-term plans at Broadgate. At 199 Bishopsgate, a building we recently fully refurbished, we let a further 63,000 sq ft of space, so the building is now 56% let. We signed over 89,000 sq ft of lettings on space surrendered by UBS at 1 and 2 Broadgate. These lettings tie in with the extension we signed with ICAP last year, enabling us to review options for refurbishment or redevelopment of the whole building in 2019. In the near term, activity is centred around Broadgate South, where we are developing a new office for UBS at 5 Broadgate, alongside a full redevelopment of Broadgate Circle, to provide a more vibrant retail and restaurant offer (see development section). The next

phase will include a major refurbishment of 100 Liverpool Street, which will be well timed to benefit from the advent of Crossrail, and more widespread improvements to the surrounding area. We are working up a scheme and aim to put in a planning application by the end of financial year 2015.

#### INVESTMENT ACTIVITY

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

At £470 million, Paddington Central, an office led campus in the West End, was our most significant acquisition and our largest since 2005. Acquired on a net initial yield of 5.3% rising to 6.2% once fully let, the campus comprises 610,000 sq ft of income generating properties along with 355,000 sq ft of consented space at 4 and 5 Kingdom Street and an additional 80,000 sq ft of potential development. This acquisition increases our exposure to an up and coming part of the West End market which is expected to benefit from the opening of Crossrail. As our success at Regent's Place demonstrates, this is an asset which plays to all of our strengths in managing large mixed-use schemes in London, delivering value through well-planned asset management and development. It is still early days, but we are confident we can deliver significant value at Paddington Central.

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

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

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

#### DEVELOPMENT

Within our 2010 development programme, the office space is now 73% let or under offer with a weighted average lease length of 15.9 years. Having sold 114 units and with a further three under offer, we now have 96% sold or under offer. We also have a significant pipeline of potential development projects both from sites we have acquired in the last two years and from within our existing portfolio.

Over the year, we completed 820,000 sq ft of our West End developments including 10–30 Brock Street; 10 Portman Square; Marble Arch House; and 39 Victoria Street, generating an overall profit on cost of over 65%. In the City, the Leadenhall Building is on track to reach completion in the summer. We were pleased with our recent letting of Level 30 to Servcorp on a rent of £72.50 psf and with a further 13,500 sq ft under offer, we remain positive about the letting prospects for the remaining upper and smaller floor plates. 5 Broadgate was successfully topped out at the end of March and will be ready for UBS to take delivery of the building in early 2015 subject to fit-out.

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

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

# FINANCIAL REVIEW

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

**Lucinda Bell**  
Finance Director

ACCOUNTING RETURN

**20.0%**

NET ASSET VALUE PER SHARE

**688p**

DIVIDEND PER SHARE

**27.0p**

NET RENTAL INCOME

**£562m**

UNDERLYING PROFIT BEFORE TAX

**£297m**

UNDERLYING EPS

**29.4p**

LTV

**40%**

AVERAGE WEIGHTED INTEREST RATE

**4.1%**

NEW FINANCE RAISED

**£1.5bn**

AVAILABLE FACILITIES

**£2.0bn**



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## FINANCIAL REVIEW CONTINUED...

We generated total accounting returns of 20.0% for the year which was significantly driven by our decisions and actions, not just at the property level but also financially. And here we benefited both from our capital structure as well our ability to access competitively priced finance. Our NAV, which was up 15.4% at 688p, was driven by an 8.3% increase in our valuation and our dividend was 2.3% ahead at 27.0 pence per share, in line with our previous announcements. It is measure of the Board's confidence in the prospects of the business that we are announcing our intention to increase the dividend by 2.5% for the 2014/15 financial year.

Over the year we continued to develop our financial and deal management and skills both in pricing property risk and managing complex situations. This enabled us to access transactions with few other competitive bidders. We successfully deployed the proceeds of our March 2013 equity placing ahead of the schedule we set ourselves. This was accretive to our earnings and net asset value performance during the year after taking into account the dilutive effects of the share placing. Rental income from our 2010

development programme, where all of our West End office projects completed during the year, significantly offset the income we have forgone through the sale of Ropemaker Place at the end of the 2013 financial year. By selling more mature assets and investing in ones with better long-term prospects, we have deliberately given up near-term income for longer-term total returns. This is likely to continue as we further reshape our Retail portfolio.

Despite this significant activity, all our financial metrics remain robust. Our LTV is unchanged over the year at 40%, at the bottom of our range, and our average weighted interest rate is lower at 4.1%. We have taken advantage of improving debt markets to raise £1.5 billion of new finance at competitive rates. This included a £785 million revolving facility, our largest single bank facility, with the lowest margin in the last 7 years, which is a great example of both our capabilities and the strength of our banking relationships. Our financing structure, which is flexible and low cost, continues to provide the business with the resources and liquidity to deliver its strategy.

### INCOME STATEMENT

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

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

### INCOME STATEMENT

	2014			2013		
	Group <sup>1</sup> £m	Joint ventures and funds <sup>1</sup> £m	Proportionally consolidated £m	Group £m	Joint ventures and funds £m	Proportionally consolidated £m
<b>Year ended 31 March</b>						
Gross rental income	331	266	597	294	273	567
Property outgoings	(21)	(14)	(35)	(13)	(13)	(26)
<b>Net rental income</b>	<b>310</b>	<b>252</b>	<b>562</b>	<b>281</b>	<b>260</b>	<b>541</b>
Net financing costs	(79)	(123)	(202)	(80)	(126)	(206)
<b>Net rental income less finance</b>	<b>231</b>	<b>129</b>	<b>360</b>	<b>201</b>	<b>134</b>	<b>335</b>
Fees and other income	15		15	15		15
Joint ventures and funds underlying profit	123			130		
Administrative expenses	(72)	(6)	(78)	(72)	(4)	(76)
Joint ventures and funds underlying profit		123			130	
<b>Underlying profit before tax</b>	<b>297</b>		<b>297</b>	<b>274</b>		<b>274</b>
Underlying EPS	29.4p		29.4p	30.3p		30.3p
Dividend per share	27.0p		27.0p	26.4p		26.4p

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

Net rental income increased by 2.2% on a like-for-like basis, adding £6 million. The retail portfolio like-for-like growth was 3.0%, driven by asset management initiatives and letting of units which became void following prior year administrations. Lettings in the year increased occupancy rates from 97.4% to 98.5%. In offices, like-for-like rental income increased 0.4%, reflecting new lettings in the City offset by the impact of lease extensions generating long-term income streams.

Net financing costs on a proportionally consolidated basis were £202 million, a decrease of £4 million compared to the prior year. The sale of Ropemaker and associated swap close-outs reduced our interest charge by £8 million and interest on completed West End developments added £5 million. Underlying profit before tax increased by £23 million, or 8.4%, to £297 million. The increase in underlying profit before tax is summarised in the table below.

#### MOVEMENT IN UNDERLYING PROFIT BEFORE TAX

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

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

We have a competitive advantage with our efficient operating model. Our EPRA cost ratio (including direct vacancy costs) for the year was 16.2% (2013:15.3%). This EPRA metric is substantially the same as the cost ratio the group has previously presented. Our EPRA cost ratio (excluding direct vacancy costs) for the year was 13.9% (2013: 12.8%). The increase was driven by the sale of Ropemaker and our continued investment in our people and infrastructure.

Underlying profits from joint ventures and funds for the year were £124 million. During the year we increased our ownership of Hercules Unit Trust (HUT) to 58.6% as at 31 March 2014 and to 59.8% post our financial year-end. As a result, HUT is treated as a subsidiary and fully consolidated in British Land's accounts, in line with international accounting standards. This includes HUT's debt, all of which is non-recourse to British Land. We therefore now include 100% of its results and financial position on a line by line basis in the financial statements. A deduction is then made for the equity in the subsidiary not attributable to the Group, i.e. the non-controlling interest. The change in basis of consolidation has had no impact on our KPIs.

Underlying diluted earnings per share for the year ended 31 March 2014 was 29.4 pence (2013: 30.3 pence) based on underlying profit after tax of £295 million (2013: £273 million) and weighted average diluted number of shares of 1,004 million (2013: 901 million). As expected, the relative dilution of EPS in the year is a consequence of the sale of Ropemaker at the end of the prior year. The equity placing was been accretive to earnings by 0.5 pence per share in the current year after taking into account of the additional shares in issue, ahead of the target set at the time of the placing.

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

#### ANNUALISED GROSS RENTS

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

#### CASH FLOW

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

#### MOVEMENT IN NET DEBT

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

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

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

## FINANCIAL REVIEW CONTINUED...

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

### DIVIDENDS

The quarterly dividend was increased to 6.75 pence per share in the year, bringing the total dividend declared for the current financial year to 27.0 pence per share. This is in line with the announcement made by the Board in July 2013. The dividend paid in the financial year was 26.7 pence (2013: 26.4 pence). The fourth quarter dividend of 6.75 pence per share, totalling £68 million was approved by the Board on 13 May 2014 and is payable on 8 August 2014 to shareholders on the register at the close of business on 4 July 2014. The Board will announce the availability

of the Scrip Dividend Alternative via the Regulatory News Service and on our website ([www.britishland.com](http://www.britishland.com)), no later than four business days before the ex-dividend date of 2 July 2014. The Board expects to announce the split between PID and non-PID income at that time. In respect of the 2014 third quarter dividend of 6.75 pence per share, totalling £68 million, 30% of shareholders elected for the scrip alternative in lieu of £48 million in cash dividends. It is the Board's intention that for the 2014/15 financial year the dividend will be increased 2.5% to not less than 6.92 pence per share per quarter, reflecting confidence in future cash flows.

### BALANCE SHEET

At 31 March 2014, EPRA Net Asset Value per share was 688 pence per share, an increase of 15.4% compared to the prior year (2013: 596 pence per share).

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

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

### MOVEMENT IN EPRA NET ASSET VALUE PER SHARE<sup>1</sup>

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

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

### BALANCE SHEET

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

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

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

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

The 15.4% increase in EPRA NAV reflects the 8.3% valuation increase and is spread almost equally across developments, offices and retail and evenly split between the impact of our actions and yield compression. Standing investment delivered 7% uplift, development 21%. The robust NAV growth and increase in the dividend in the year have translated into a strong total accounting return for the year ended 31 March 2014 of 20.0%.

## NET DEBT AND FINANCING

Our balance sheet metrics remain strong. Net debt (EPRA) at 31 March 2014 was £2.9 billion for the Group and £4.9 billion including our share of joint ventures and funds. The principal value of gross debt excluding cash, short-term deposits and liquid investments was £3.0 billion for the Group and £5.2 billion on a proportionally consolidated basis. The strength of the Group's balance sheet has been reflected in British Land's senior unsecured credit rating which remains rated by Fitch at A-.

Our weighted average interest rate at 4.1% on a proportionally consolidated basis, is lower than the previous year's 4.6% and 4.2% at 30 September 2013. Average debt maturity has decreased from the prior year's 9.9 years, in part due to our choosing to draw on lower cost facilities which are towards the end of their agreed terms. The proportionally consolidated LTV held at 40% at 31 March 2014 (40% at 31 March 2013), at the bottom of our 40 to 50% range.

We continue to achieve attractive financings which improve liquidity. We have raised over £1.5 billion of debt finance in the last 12 months, on competitive terms from a broad range of sources, adding further flexibility and term to our already strong and well diversified debt portfolio. Most recently, in April 2014, we signed a £785 million unsecured revolving credit facility with a syndicate of 14 banks at an initial margin of 115 bps per annum. The facility has a maturity of five years which may be extended to a maximum of seven years on our request, and on each bank's approval for its participation.

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

British Land has £2.6 billion of committed banking facilities, including the £785 million facility signed in April 2014, and £142 million of cash and short-term deposits. Of these facilities, £2.3 billion have maturities of more than two years.

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

## ACCOUNTING JUDGEMENTS

In preparing these financial statements, the key accounting judgement relates to the carrying value of the properties and investments, which are stated at fair value. The Group uses external professional valuers to determine the relevant amounts. The primary source of evidence for property valuations should be recent, comparable market transactions on an arms-length basis. However, the valuation of the Group's property portfolio is inherently subjective, as it is made on the basis of assumptions made by the valuers which may not prove to be accurate.

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

Accounting for joint ventures and funds: an assessment is required to determine the degree of control or influence the Group exercises and the form of any control to ensure that financial statement treatment is appropriate. Interest in the Group's joint ventures is commonly driven by the terms of the partnership agreements which ensure that control is shared between the partners. These are accounted for under the equity method, whereby the consolidated balance sheet incorporates the Group's share of the net assets of its joint ventures and associates. The consolidated income statement incorporates the Group's share of joint venture and associate profits after tax upon elimination of upstream transactions.

Accounting for transactions: property transactions are complex in nature and can be material to the financial statements. Assessment is required to determine the most appropriate accounting treatment of assets acquired and of potential contractual arrangements in the legal documents for both acquisitions and disposals. Management consider each transaction separately and, when considered appropriate, seek independent accounting advice.



**Lucinda Bell**  
Finance Director

## FINANCING STATISTICS

Full-year to 31 March 2014	Group	Proportionally consolidated
EPRA net debt <sup>1</sup>	£2,877m	£4,890m
Principal value of gross debt <sup>1</sup>	£2,990m	£5,198m
Loan to value <sup>2</sup>	29%	40%
Weighted average interest rate of drawn debt	3.5%	4.1%
Interest cover <sup>3</sup>	3.2	2.5
Weighted average debt maturity	8.2 years	8.7 years

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

2 Debt to property and investments.

3 Underlying profit before interest and tax/net interest.

# FINANCIAL POLICIES AND PRINCIPLES

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

## DEBT FINANCE

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

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

## ← Managing risk P36–41

## GEARING

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

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

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

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

## GROUP BORROWINGS

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

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

## Unsecured borrowings

The same unsecured financial covenants apply across each of the Group's unsecured facilities.

These covenants, which have been consistently agreed with all unsecured lenders since 2003, are:

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

## COVENANT RATIO

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

Highest during the year to 31 March 2014:

- 1 43%; and
- 2 36%.

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

The Unencumbered Assets of the Group, not subject to any security, stood at £5.1 billion as at 31 March 2014.

Although secured assets are excluded from Unencumbered Assets for the covenant calculations, unsecured lenders benefit from the surplus value of these assets above the related debt and the free cash flow from them. During the year ended 31 March 2014, these assets generated £44 million of surplus cash after payment of interest. In addition, while

investments in joint ventures do not form part of Unencumbered Assets, our share of profits generated by these ventures are regularly passed up to the Group.

## Secured borrowings

Secured debt with recourse to British Land is provided by debentures at fixed interest rates with long maturities and no amortisation. These are secured against a single combined pool of assets with common covenants; the value of those assets is required to cover the amount of these debentures by a minimum of 1.5 times and net rental income must cover the interest at least once. We use our rights under the debentures to withdraw, substitute or add properties (or cash collateral) in the security pool, in order to manage these cover ratios effectively and deal with any asset sales.

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

## Borrowings in our joint ventures and funds

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

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

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

The securitisations of the Broadgate Estate (£1,765 million), Meadowhall (£747 million) and the Sainsbury's Superstores portfolio (£589 million), have weighted average maturities of 13.3 years, 11.6 years, and 8.0 years respectively. The only financial covenant applicable to these securitisations is that income must cover interest and scheduled amortisation (1 times); there are no loan to value covenants. These securitisations provide for quarterly principal repayments with the balance outstanding reducing to approximately 20% to 30% of the original amount raised by expected final maturity, thus mitigating refinancing risk.

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

## OUR FIVE GUIDING PRINCIPLES

DIVERSIFY  
OUR SOURCES  
OF FINANCE

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

We enjoy and encourage long-term relationships with banks and debt investors. We aim to avoid reliance on particular sources of funds and borrow from a large number of lenders from different sectors in the market and a range of geographical areas, with a total of 41 debt providers

of bank facilities and private placements alone. We also aim to ensure that potential debt providers understand our business and we adopt a transparent approach so that lenders can understand the level of their exposure within the overall context of the Group. These factors increase our attractiveness to debt providers, and since 1 April 2011 we have arranged £4 billion (British Land share £3.5 billion) of new finance in unsecured and secured bank loan facilities, US Private Placements and convertible bonds.

## TOTAL DEBT PORTFOLIO

**£7.2bn**

MAINTAIN  
LIQUIDITY

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

we have adequate financing availability to support business requirements and opportunities.

## UNDRAWN COMMITTED FACILITIES

**£2.0bn**

EXTEND AND  
STRETCH  
MATURITY  
OF DEBT  
PORTFOLIO

The maturity profile of our debt is managed by spreading the repayment dates and extending or renewing facilities. We monitor the various debt markets so that we have the ability to act quickly to arrange new finance as opportunities arise. Maturities of different types of debt are well spread, taking into account term debt and undrawn revolving facilities reducing our refinancing risk in respect of timing and market conditions. As a result of our financing activity,

we are comfortably ahead of our preferred two year re-financing date horizon. The range of debt maturities is one to 21 years.

## AVERAGE DEBT MATURITY

**8.7 years**

MAINTAIN  
FLEXIBILITY

We negotiate flexibility into our debt facilities to support the operations of our business across investment, development and asset management. Our bank revolving credit facilities provide full flexibility of drawing and repayment (and cancellation if we require) at short notice without additional cost. These are arranged with standard terms and financial covenants and are committed for terms of generally five years. Operational flexibility is maintained with our

combination of this unsecured revolving debt and secured term debt with good substitution rights, where we have the ability to move assets in and out of our debentures.

## REVOLVING CREDIT FACILITIES

**£2.6bn**

MAINTAIN  
STRONG  
BALANCE  
SHEET METRICS

British Land's operational metrics are strong. The strength of our property portfolio is emphasised by the quality of our cash flows; high occupancy (96.1%); the in-built growth of our portfolio (28.9% with fixed or RPI linked uplifts); low levels of lease expiries over the next three years (12.4% of income); and managed levels of development risk (with £64.2 million already contracted future income from pre-lets).

The strength of our debt portfolio and low refinancing risk is illustrated by the range of debt maturities; the diversified pool of finance confirming our avoidance of reliance on

single debt sources; our efficiency with a weighted average interest rate of 4.1%; our interest cover of 2.5 times proportionally consolidated; our use of non-recourse debt; and the operational flexibility, supported by our continued success at raising debt at competitive prices.

## LTV (PROPORTIONALLY CONSOLIDATED)

**40%**

## FINANCIAL POLICIES AND PRINCIPLES CONTINUED...

### MONITORING AND CONTROLLING OUR DEBT

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

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

### MANAGING INTEREST RATE EXPOSURE

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

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

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

### COUNTERPARTIES

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

### FOREIGN CURRENCY

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

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

### TAX

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

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

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

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

# GOVERNANCE AND REMUNERATION

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

# CHAIRMAN'S GOVERNANCE REVIEW



DEAR SHAREHOLDER,

Welcome to the Corporate Governance section of our Annual Report.

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

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

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

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

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

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

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

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

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

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

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

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

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

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



**John Gildersleeve**  
Non-Executive Chairman

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# OUR GOVERNANCE STRUCTURE

## THE BOARD

### THE BOARD

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

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

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

➔ **Board biographies**  
P66–67

⬅ **Business model**  
P14–15

⬅ **Delivering our strategy**  
P30–35

Reports on activities to the Board

Reports on activities to the Board

## BOARD-LEVEL COMMITTEES

### AUDIT COMMITTEE

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

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

➔ **Report of the Audit Committee**  
P74–78

🔒 **Terms of Reference**  
[www.britishland.com/about-us/governance/committees](http://www.britishland.com/about-us/governance/committees)

### REMUNERATION COMMITTEE

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

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

➔ **Remuneration Report**  
P82–107

🔒 **Terms of Reference**  
[www.britishland.com/about-us/governance/committees](http://www.britishland.com/about-us/governance/committees)

Biannual reports to the Audit Committee

Supports the Executive Committee

## MANAGEMENT COMMITTEES

### RISK COMMITTEE

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

Comprises Executive Directors. Chaired by Lucinda Bell.

⬅ **Managing risk in delivering our strategy**  
P36–37

⬅ **Principal risks**  
P38–41

### OPERATIONS COMMITTEE

Supports the Executive Committee with operational matters.

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

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

Reports on activities to the Board

**NOMINATION COMMITTEE**

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

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

**➔** Report of the Nomination Committee  
P79-81

**🔗** Terms of Reference  
[www.britishland.com/about-us/governance/committees](http://www.britishland.com/about-us/governance/committees)

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

**EXECUTIVE COMMITTEE**

Deals with the ongoing management of the Group.

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

**🔗** Executive Committee biographies  
[www.britishland.com/about-us/leadership/executive-committee](http://www.britishland.com/about-us/leadership/executive-committee)

Recommends transactions for Board approval

**INVESTMENT COMMITTEE**

Reviews and approves capital transactions.

Comprises Executive Directors.  
Chaired by Chris Grigg.  
Attended by senior executives from the Executive Committee and the executives responsible for the transaction under consideration.

**➔** Investment: Sticking to our strategy  
P69

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

**CORPORATE RESPONSIBILITY COMMITTEE**

Acts as a custodian for corporate responsibility strategy.

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

**⬅️** Corporate responsibility at British Land  
P42

**🔗** [www.britishland.com/responsibility](http://www.britishland.com/responsibility)

## OUR GOVERNANCE STRUCTURE CONTINUED...

### OVERVIEW OF RESPONSIBILITIES OF THE BOARD

#### THE BOARD

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

#### THE CHAIRMAN

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

#### NON-EXECUTIVE DIRECTORS

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

### THE CHIEF EXECUTIVE AND EXECUTIVE DIRECTORS

- The Chief Executive is responsible for the day-to-day management of the business and for ensuring that the Board's strategy is implemented.
- The management of the business is undertaken by the Chief Executive and the Executive Directors, exercising powers delegated to them by the Board.
- Certain decisions may be made by the Executive Directors, or by the Management Committees on which they sit.
- The Chief Executive and Executive Directors are responsible for updating the Board and Board-level Committees on the overall performance of the Company and on specific aspects of the business, as required.
- Executive Directors' areas of responsibility within the business are shown below.

#### CHRIS GRIGG

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

#### LUCINDA BELL

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

#### CHARLES MAUDSLEY

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

#### TIM ROBERTS

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



## OVERVIEW OF MANAGEMENT COMMITTEES

### Executive Committee

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

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

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

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

### Operations Committee

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

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

### Risk Committee

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

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

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

### Health and Safety Committee

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

### Investment Committee

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

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

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

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

### Corporate Responsibility Committee

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

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

### Corporate Responsibility Panel

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

# BOARD OF DIRECTORS



**AUBREY ADAMS**  
Non-Executive Director

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

**Committee membership:** Audit Committee.

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

**Previous experience:** Until May 2008, Aubrey was Chief Executive of Savills PLC. He was formerly a Non-Executive Director of Pinnacle Regeneration Group Limited, Senior Independent Director of Associated British Ports PLC, Non-Executive Chairman of Unitech Corporate Parks PLC and Non-Executive Chairman of Air Partner PLC.



**LUCINDA BELL**  
Finance Director

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

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

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



**SIMON BORROWS**  
Non-Executive Director

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

**Committee membership:** Audit Committee.

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

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



**WILLIAM JACKSON**  
Non-Executive Director

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

**Committee membership:** Remuneration Committee.

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

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



**CHARLES MAUDSLEY**  
Head of Retail and Leisure

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

**Committee membership:** Executive Committee, Investment Committee, Operations Committee and Risk Committee.

**Previous experience:** Charles joined British Land from LaSalle Investment Management where he was Co-Head of Europe, Managing Director of the UK business, a member of the Management Board and an International Director. Prior to joining LaSalle he was with AXA Real Estate Investment Managers for seven years where he was Head of Real Estate Fund Management in the UK.



**TIM ROBERTS**  
Head of Offices and Residential

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

**Committee membership:** Executive Committee, Investment Committee, Operations Committee and Risk Committee.

**External appointments:** Tim is a Trustee and Board Member of LandAid, the property industry charity.

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



**JOHN GILDERSLEEVE**  
Non-Executive Chairman

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

**Committee membership:** Chairman of the Nomination Committee.

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

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



**CHRIS GRIGG**  
Chief Executive

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

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

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

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



**DIDO HARDING**  
Non-Executive Director

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

**Committee membership:** Remuneration Committee and Nomination Committee.

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

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



**TIM SCORE**  
Non-Executive Director

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

**Committee membership:** Chairman of the Audit Committee.

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

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



**LORD TURNBULL**  
Senior Independent Director (SID)

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

**Committee membership:** Nomination Committee and Chairman of the Remuneration Committee.

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

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



**ANTHONY BRAINE**  
Group Secretary

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

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



**Executive Committee biographies**

[www.britishland.com/about-us/leadership/executive-committee](http://www.britishland.com/about-us/leadership/executive-committee)

# GOVERNANCE REVIEW

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

This section of the Corporate Governance Report outlines how we have applied the Code's principles and provisions; a copy of the Code is available to view at [www.frc.org.uk](http://www.frc.org.uk).

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

## LEADERSHIP

The Board's core responsibilities include setting British Land's strategic aims and leading the Company as it works to achieve these aims and attain long-term, lasting success. The Board focuses on strategy throughout the year; the annual Strategy Days, described in the box on the facing page, provide a principal opportunity to do this. Progress against, and the appropriateness of, the agreed strategy are considered at Board meetings during the year, in light of Company performance and changes to the external environment.

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

### ← Responsibilities of the Board P64

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

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

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

### ← Management Committees P65

The Chairman meets with individual Directors outside of formal Board meetings, as part of each Director's continuing contribution to the delivery of the Company's strategy to achieve superior returns for shareholders. This process also allows for open, two-way discussion about the effectiveness of the Board, its Committees and individual Directors, both Executive and Non-Executive. By these means, the Chairman is continually aware of the views of individual Directors and can act as necessary to deal with any issues relating to Board effectiveness before they become a risk to the Company.

## CULTURE AND COMPOSITION OF THE BOARD

The composition of any Board is fundamental if it is to provide strong and effective leadership; our Non-Executive Directors provide a breadth of knowledge, skills and experience, as detailed in their biographies. The Nomination Committee is responsible for reviewing the composition of the Board and Board-level Committees, to assess whether the balance of skills, experience, knowledge and independence is appropriate and enables them to operate effectively. During the year the Committee identified the need to appoint a new independent Non-Executive Director to take on the role of Chairman of the Audit Committee, leading to the appointment of Tim Score. The procedure for the appointment of new Directors is rigorous and transparent; more detail on Tim Score's appointment can be found in the Report of the Nomination Committee.

## KEY ACTIVITIES OF THE BOARD 2013/14

### Regular agenda items included:

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

### Key agenda items also considered in the year included:

- Acquisitions, including:
  - the majority of Paddington Central; and
  - 50% of SouthGate Shopping Centre, Bath.
- Sales, including:
  - Puerto Venecia, Zaragoza;
  - Bon Accord and St Nicholas Shopping Centre, Aberdeen; and
  - Eastgate Shopping Centre, Basildon.
- Financings of £1.5 billion:
  - US Private Placements; and
  - syndicated bank facilities, including £785 million revolving credit facility signed in April 2014.
- Future-proofing the Retail portfolio.
- Launch of Whiteley Shopping, Hampshire.
- Development pipeline.
- Corporate responsibility.

## ← Board biographies

P66-67

## → Tim Score's appointment

P80

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

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

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

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

## THE STRATEGY DAYS

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

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

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

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

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

### Areas focused on at the February 2014 Strategy Days included:

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

## OVERVIEW OF MATTERS RESERVED FOR FULL BOARD APPROVAL

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

## INVESTMENT: STICKING TO OUR STRATEGY

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

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

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

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

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

## GOVERNANCE REVIEW CONTINUED...

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

### EFFECTIVENESS

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

The Chairman considers that all the Directors continue to devote sufficient time to discharging their duties to the required high standard and remain committed to their roles. British Land's policy is to allow Executive Directors to take one non-executive directorship at another FTSE 100 company, subject to British Land Board approval. With the approval of the British Land Board, Chris Grigg was elected as a non-executive director of BAE Systems plc on 1 July 2013. The Chairman believes the appointment is beneficial to the Board by increasing Chris Grigg's wider experience, particularly in relation to the application of advanced technology and in relation to government-level relationships around the world, which are critical to British Land's

current and future business prospects. The Chairman does not believe that the appointment has had an adverse effect on Chris Grigg's ability to discharge his duties as Chief Executive of British Land. Other external appointments of the Directors are disclosed in their biographies.

The Directors are required to notify the Company of any potential conflicts of interest that may affect them in their roles as Directors of British Land. All potential conflicts of interest are recorded and reviewed by the full Board at least annually. Any conflicts of interest that materialise in the course of the Company's business are therefore identified and addressed appropriately.

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

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

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

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

### BOARD EVALUATION

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

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

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

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

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

### BOARD TRAINING AND DEVELOPMENT

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

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

## REMUNERATION

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

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

### ➔ Remuneration Policy P84-93

## ACCOUNTABILITY

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

### ➔ Directors' responsibility statement P110

### ← Business model P14-15

The Annual Report and Accounts is compiled by the relevant responsible individuals across the Company. Specific sections are reviewed by Department Heads and Executive Committee members as appropriate, ensuring that all key stakeholders across the business are involved. The Executive Directors are closely involved in drafting and reviewing their relevant sections of the Report, before formally signing them off. Finance and Company Secretariat teams conduct a robust due diligence process, verifying key statements made within the Report. The full Report is then reviewed thoroughly by the Audit Committee, before it is presented to the Board for approval.

The procedure undertaken to enable the Board to provide the fair, balanced and understandable confirmation to shareholders has been reviewed by the Audit Committee. The process has been enhanced this year, with the addition of a specific meeting between the Finance Director, Head of Investor Relations and the Group Financial Controller to review and document the key considerations undertaken to ensure that information presented is fair, balanced and understandable. A report detailing those considerations was reviewed by the Audit Committee alongside both a summary of the detailed procedures undertaken and the Annual Report and Accounts.

## RISK MANAGEMENT AND INTERNAL CONTROL

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

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

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

### ← Managing risk in delivering our strategy P36-37

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

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

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

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

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

- 1 William Jackson was appointed a member of the Audit Committee for the interim period between Richard Pym's resignation and Tim Score's appointment.
- 2 Tim Score was appointed a Non-Executive Director and Chairman of the Audit Committee on 20 March 2014. No Board or Audit Committee meetings took place between his appointment and the year-end.
- 3 Richard Pym resigned as a Non-Executive Director and Chairman of the Audit Committee on 5 September 2013.

## GOVERNANCE REVIEW CONTINUED...

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

### ➔ Report of the Audit Committee P74–78

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

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

### GOING CONCERN

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

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

The Group currently has considerable undrawn debt facilities and cash deposits which are expected to be sufficient to meet its financing requirements for several years. The Group's recent record of raising £1.5 billion of financing over the last 12 months gives the Directors confidence in the Group's ability to raise further finance as and when required.

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

### ← Covenant ratio P56

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

### RELATIONS WITH SHAREHOLDERS

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

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

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

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

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

### KEY INVESTOR RELATIONS ACTIVITIES DURING THE YEAR INCLUDED

May 2013	<ul style="list-style-type: none"> <li>Full-year results presentation for 2012/13.</li> <li>Full-year roadshow, London and US.</li> </ul>
June 2013	<ul style="list-style-type: none"> <li>Roadshow including private client lunch, Scotland.</li> <li>Roadshow, Netherlands.</li> <li>Investor conference, London.</li> </ul>
July 2013	<ul style="list-style-type: none"> <li>Q1 interim management statement – investor call.</li> <li>Annual General Meeting.</li> <li>Private client meetings, London.</li> </ul>
September 2013	<ul style="list-style-type: none"> <li>Investor conference, New York.</li> <li>Investor day showcasing key retail assets.</li> <li>Property tour, London.</li> </ul>
November 2013	<ul style="list-style-type: none"> <li>Half-year results presentation.</li> <li>Half-year results roadshow, London.</li> </ul>
December 2013	<ul style="list-style-type: none"> <li>Investor conference, London.</li> </ul>
January 2014	<ul style="list-style-type: none"> <li>Q3 interim management statement – investor call.</li> <li>Property tour, London.</li> </ul>
February 2014	<ul style="list-style-type: none"> <li>Roadshow, Netherlands.</li> <li>Investor lunch with Head of Retail, London.</li> </ul>
March 2014	<ul style="list-style-type: none"> <li>Investor conference, Miami.</li> <li>Roadshow, Mid-Atlantic, New York, Boston.</li> <li>Investor conference, London.</li> </ul>

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

 **Contact British Land**  
www.britishland.com/contacts

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

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

## EMPLOYEES

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

 **Expert people**  
P28-29

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

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

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

 **Developing people at British Land**  
P81

 **Wellbeing**  
P28

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

## STAFF TURNOVER

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

## REPORTABLE ACCIDENTS ACROSS OUR PORTFOLIO

	2013/14	2012/13	2011/12
British Land occupied demises <sup>1</sup>	3	-	2
At our managed properties	32	47	54
Rate per 100,000 hours worked on our developments <sup>2</sup>	0.12	0.24	0.35

- 1 British Land occupied demises refers to space occupied by British Land, Broadgate Estates Ltd and The Source.
- 2 On our developments, there were six reportable accidents across 5,148,238 working hours in 2013/14 compared to 15 reportable accidents across 6,215,235 working hours in 2012/13.

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

 **Diversity Policy**  
P79-81

## FUNDING TO CHARITY AND GOOD CAUSES

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

 **Charity Funding Policy**  
www.britishland.com/crpolicies

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

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

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

# REPORT OF THE AUDIT COMMITTEE



**DEAR SHAREHOLDER,**

Welcome to the Report of the Audit Committee.

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

## COMPOSITION OF THE COMMITTEE

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

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

## ACTIVITIES OF THE COMMITTEE

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

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

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

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

## EXTERNAL AUDITOR

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

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

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

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

## SIGNIFICANT ISSUES

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

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

## EXTERNAL AUDIT TENDER

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

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

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

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

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

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

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

## POLICY ON THE AUDITOR PROVIDING NON-AUDIT SERVICES

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

- audit related services: audit related services include formal reporting relating to borrowings, shareholder and other circulars and various work in respect of acquisitions and disposals. Where the External Auditor must carry out the work because of their office or because they are best placed to

do so, the External Auditor is selected. In other circumstances the selection depends on which firm is best suited;

- tax advisory: the selection depends on which firm is best suited in the circumstances; and
- general consulting: the External Auditor is not selected to provide general consultancy services except in certain circumstances, and then only after consideration that they are best placed to provide the service and that their independence and objectivity will not be compromised.

## AUDIT COMMITTEE MEMBERS

<b>Tim Score<sup>1</sup></b>	Chairman of the Audit Committee
<b>Aubrey Adams<sup>1</sup></b>	Member
<b>Simon Borrows</b>	Member

## AUDIT COMMITTEE ATTENDEES

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

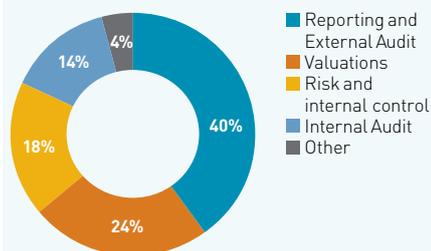
<sup>1</sup> Richard Pym was Chairman of the Audit Committee until 5 September 2013, when he stood down as a Non-Executive Director of British Land. Subsequently Aubrey Adams, previously a member of the Committee, was appointed Chairman of the Committee and William Jackson was appointed as a member of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

# REPORT OF THE AUDIT COMMITTEE

## CONTINUED...

PRINCIPAL RESPONSIBILITIES OF THE AUDIT COMMITTEE	KEY AREAS FORMALLY DISCUSSED AND REVIEWED BY THE COMMITTEE DURING 2013/14 INCLUDE
<b>REPORTING AND EXTERNAL AUDIT</b>	<ul style="list-style-type: none"> <li>▪ Monitoring the integrity of the Company's financial statements and all formal announcements relating to the Company's financial performance; reviewing financial reporting judgements contained within them.</li> <li>▪ Making recommendations to the Board regarding the appointment of the External Auditor and approving the External Auditor's remuneration and terms of engagement.</li> <li>▪ Monitoring and reviewing the External Auditor's independence, objectivity and effectiveness.</li> <li>▪ Developing and implementing policy on the engagement of the External Auditor to supply non-audit services, taking into account relevant ethical guidance.</li> </ul>
<b>VALUATIONS</b>	<ul style="list-style-type: none"> <li>▪ Monitoring and reviewing the valuation process.</li> </ul>
<b>RISK AND INTERNAL CONTROL</b>	<ul style="list-style-type: none"> <li>▪ Reviewing the Company's internal financial controls, its compliance with the Turnbull guidance and the effectiveness of its internal control and risk management systems.</li> <li>▪ Assessing the principal risks of the business including those that would threaten solvency or liquidity.</li> <li>▪ Reviewing disclosures on our approach to risk in interim and Annual Reports.</li> </ul>
<b>INTERNAL AUDIT</b>	<ul style="list-style-type: none"> <li>▪ Results, commentary and announcements.</li> <li>▪ Key accounting policy judgements, including valuations.</li> <li>▪ Impact of future financial reporting standards.</li> <li>▪ Going concern.</li> <li>▪ External Auditor effectiveness.</li> <li>▪ External audit tender.</li> <li>▪ Selection and recommendation of new External Auditor.</li> <li>▪ Half-yearly External Auditor reports on planning, conclusions and final opinion.</li> <li>▪ External Auditor management letter, containing observations arising from the annual audit leading to recommendations for control or financial reporting improvement.</li> <li>▪ External Auditor's remuneration and level of non-audit fees.</li> </ul>
<b>OTHER</b>	<ul style="list-style-type: none"> <li>▪ Annual report on the effectiveness of our valuers, which considers the quality of the valuation process and judgement, with a half-yearly update.</li> <li>▪ Valuer presentations to the Committee.</li> </ul>
<b>RISK AND INTERNAL CONTROL</b>	<ul style="list-style-type: none"> <li>▪ The outputs of the risk register process including identification of the Group's principal risks and movement in the exposure to these risks in the year.</li> <li>▪ Oversight of the Group's risk management processes and their effectiveness, including activities of the Risk Committee.</li> <li>▪ An annual report on the effectiveness of internal control systems.</li> <li>▪ Planning internal audit reviews to map the principal risks and a commitment to review transaction procedures.</li> <li>▪ Focus on issues relating to Joint Ventures.</li> <li>▪ An annual fraud risk assessment and an independent fraud resilience review.</li> <li>▪ Insurance programme for property, development and corporate risks.</li> <li>▪ Credit limits of counterparties.</li> </ul>
<b>INTERNAL AUDIT</b>	<ul style="list-style-type: none"> <li>▪ Monitoring KPMG's execution of the internal audit.</li> <li>▪ Internal audit effectiveness.</li> <li>▪ Internal audit charter defining its role and responsibilities.</li> <li>▪ Internal audit programme of review of the Group's processes and controls to be undertaken, and an assurance map showing the coverage of audit work over three years against the principal risks.</li> <li>▪ Implementation status reports on Internal Audit recommendations.</li> <li>▪ The Group's internal audit function reports, including those on: <ul style="list-style-type: none"> <li>– IT Governance Benchmarking; Tax REIT Compliance; Retail Managing Agents; Risk Management Processes; Sustainability Acquisitions Brief; Business Continuity; Governance review of Eden Walk; Full scope review of the Hercules Unit Trust; Governance review of SouthGate, Bath; Technical Information Security review; Tax reputation risk; Fraud resilience review; and Annual key financial controls testing.</li> </ul> </li> </ul>
<b>OTHER</b>	<ul style="list-style-type: none"> <li>▪ Monitoring and reviewing the effectiveness of the Company's Internal Audit function, including its plans, level of resources and budget.</li> <li>▪ Reviewing internal audit reports, recommendations and progress in implementation of those recommendations.</li> </ul>
<b>OTHER</b>	<ul style="list-style-type: none"> <li>▪ Reviewing the Committee's Terms of Reference and monitoring its execution.</li> <li>▪ Considering compliance with legal requirements, accounting standards and the Listing Rules.</li> <li>▪ Reviewing the whistle-blowing policy and operation.</li> <li>▪ Review of the Audit Committee's Terms of Reference.</li> <li>▪ Review of the effectiveness of the Audit Committee.</li> <li>▪ Maintenance of the Group's REIT status.</li> <li>▪ Compliance with changes to the UK Corporate Governance Code, including the fair, balanced and understandable concept.</li> <li>▪ Compliance with changes in accounting standards, including IFRS 13: Fair Value Measurement.</li> <li>▪ Annual tax update and Tax Policy.</li> <li>▪ Mandatory carbon reporting.</li> <li>▪ Review of PwC Corporate Responsibility Assurance Report.</li> <li>▪ Treasury policy.</li> </ul>

### ALLOCATION OF TIME SPENT AT AUDIT COMMITTEE MEETINGS DURING THE YEAR



This does not include time spent outside formal Audit Committee meetings relating to the external audit tender.

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

- Audit Committee approval is required where there are any doubts as to whether the External Auditor has a conflict of interest; and
- approval by the Audit Committee Chairman on behalf of the Committee is required for each additional project over £0.1 million in value where cumulative fees for other work performed by the External Auditor are projected to exceed 75% of the combined fee for audit and half-yearly reporting review work.

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

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

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

As shown in note 5 to the financial statements, total fees payable to Deloitte in the last financial year amounted to £0.8 million of which £0.2 million was for non-audit related services provided by Deloitte Real Estate.

### SIGNIFICANT ISSUES CONSIDERED BY THE COMMITTEE DURING THE YEAR

### HOW THESE ISSUES WERE ADDRESSED BY THE COMMITTEE

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

## REPORT OF THE AUDIT COMMITTEE CONTINUED...

### INTERNAL AUDIT

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

### VALUATIONS

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

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

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

### IDENTIFICATION AND EVALUATION OF COMMERCIAL RISKS AND RELATED CONTROL OBJECTIVES

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

#### ← Risk Committee P65

#### ← Managing risk in delivering our strategy P36-37

#### ← Principal risks P38-41

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



**Tim Score**

Chairman of the Audit Committee

# REPORT OF THE NOMINATION COMMITTEE



## DEAR SHAREHOLDER,

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

## CHANGES TO THE BOARD AND BOARD-LEVEL COMMITTEES

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

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

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

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

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

## COMPOSITION OF THE BOARD

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

### ← Board biographies P66-67

### ← Board evaluation P70

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

## DIVERSITY POLICY

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

## NOMINATION COMMITTEE MEMBERS

**John Gildersleeve**  
Chairman of the Nomination Committee

**Lord Turnbull**  
Member

**Dido Harding<sup>1</sup>**  
Member

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

# REPORT OF THE NOMINATION COMMITTEE

## CONTINUED...

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

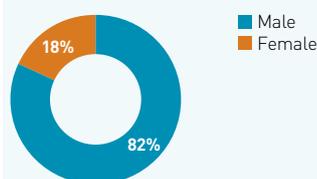
During the year the Nomination Committee identified the need to appoint a new Non-Executive Director to the Board of British Land, with the appropriate experience and available time commitment to take on the role of Chairman of the Audit Committee.

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

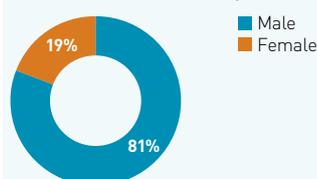
<sup>1</sup> Russell Reynolds Associates have been engaged by the Company in a search consultancy capacity in the past; they do not provide any other services for the Company.

### GENDER DIVERSITY AT BRITISH LAND

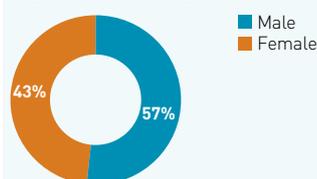
#### Board of Directors



#### Senior Executives (Executive Committee and Operations Committee)

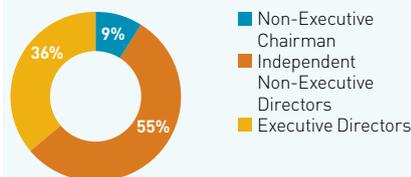


#### Employees of the Company

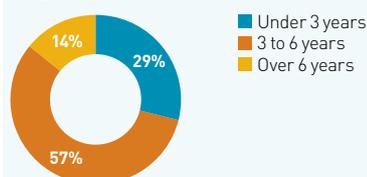


### MAINTAINING A BALANCED BOARD

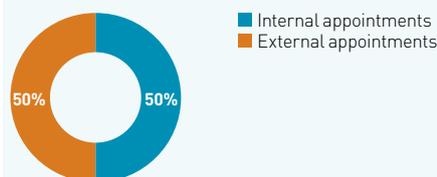
#### Composition of the Board



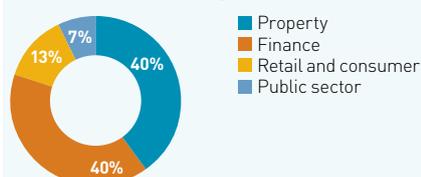
#### Length of Non-Executive Directors' tenures



#### Executive Directors' appointments



#### Directors' core areas of expertise<sup>1</sup>



<sup>1</sup> Some Directors are represented in more than one category.

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

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

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

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

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

### PRINCIPAL RESPONSIBILITIES OF THE NOMINATION COMMITTEE

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

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

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

The policy throughout the Company is to employ the best candidates available in every position, regardless of sex, race (ethnic origin, nationality, colour), age, religion or philosophical belief, sexual orientation, marriage or civil partnership, pregnancy, maternity, gender reassignment or disability. Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicants concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment continues and that appropriate training is arranged. The policy provides that the training, career development and promotion of disabled people should, as far as possible, be identical to that of other employees.

### SUCCESSION PLANNING

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

### DEVELOPING PEOPLE AT BRITISH LAND

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

#### ◀ Expert people P28-29

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

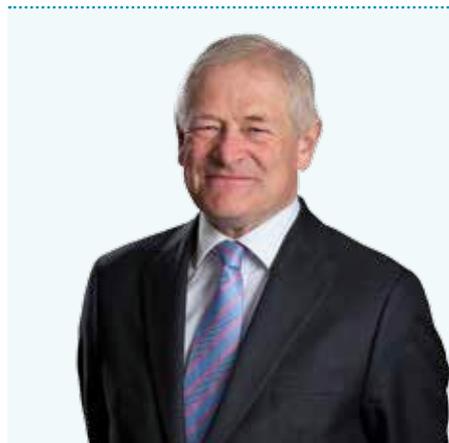
- the introduction of a formal talent review process to strengthen the Company's approach to identifying high-potential employees and tailoring development plans for them;
- People Management and Leadership Development programmes being rolled out;

- a Coaching and Mentoring programme being introduced, which particularly focuses on supporting female employees as they develop their careers; and
- biannual Chairman and CEO Awards to recognise employees' contributions to the business, in areas ranging from citizenship to commercial acumen. Winners are selected after a comprehensive peer nomination process, which encourages positive feedback to, and recognition of, employees at all levels of the business.



**John Gildersleeve**  
Chairman of the Nomination Committee

# REMUNERATION REPORT



**DEAR SHAREHOLDER,**

It is my pleasure to introduce our new format Remuneration Report.

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

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

## REMUNERATION PHILOSOPHY

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

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

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

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

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

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

## SUBSTANTIAL CHANGES MADE DURING THE YEAR

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

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

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

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

Salaries for Executive Directors were not increased on 1 April 2013.

#### CONTEXT OF DECISIONS MADE IN 2013/14

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

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

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

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



**Lord Turnbull**

Chairman of the Remuneration Committee

#### KEY ACTIVITIES OF THE REMUNERATION COMMITTEE 2013/14

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

#### REMUNERATION REPORT

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Remuneration Implementation Report	94

#### REMUNERATION COMMITTEE MEMBERS

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

#### REMUNERATION COMMITTEE ATTENDEES

<b>Alan Judes<sup>1</sup></b> Attends by invitation	Strategic Remuneration, Committee's Independent Advisor
<b>Anthony Braine</b> Attends as Secretary to the Committee	Group Secretary
<b>John Gildersleeve</b> Attends by invitation	Chairman of the Company
<b>Chris Grigg</b> Attends by invitation	Chief Executive
<b>Joff Sharpe</b> Attends by invitation	Human Resources Director

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

# REMUNERATION POLICY

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

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

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

Chairman	Non-Executive Directors	Executive Directors	
		Fixed	Variable
Chairman's fee	Fees	Basic salary	Annual Incentive
		Benefits	
Benefits		Matching Share Plan	
Pension/pension allowance		Long-Term Incentive Plan	
All-employee share schemes			

## EXECUTIVE DIRECTORS' REMUNERATION POLICY

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

## EXECUTIVE DIRECTORS' REMUNERATION POLICY

COMPONENT AND PURPOSE	OPERATION	MAXIMUM OPPORTUNITY	PERFORMANCE MEASURES
<p><b>Annual Incentive</b></p> <p>The purpose of the Annual Incentive award is to reward performance that supports the Company's key strategic priorities.</p> <p>The level of Annual Incentive award reflects both Company performance and the Director's individual contribution over the preceding year, against annually tailored targets.</p>	<p>Annual Incentive awards are made annually by the Committee to the Executive Directors. Levels of award are dependent on both individual and Company performance over the financial year against measures determined by the Committee. Awards are granted after the end of the financial year when actual performance has been measured.</p> <p>One third of each Executive Director's Annual Incentive is deferred and used to purchase shares (MSP Bonus Shares) under the Matching Share Plan, as detailed below.</p> <p>The Committee may require some or all of the MSP Bonus Shares to be forfeited at any time before the three-year holding period elapses if it is discovered that the Annual Incentive with which they were purchased was granted on the basis of materially misstated accounts or other data.</p>	<p>The maximum level of Annual Incentive which may be awarded is equivalent to 150% basic salary; the Committee may choose to award no Annual Incentive if the performance of the Company and/or the individual has not met the required standards to warrant an award being made.</p>	<p>Targets relate to the Company's strategic focus areas as well as each Director's individual areas of responsibility. Tailored Company and individual targets are set by the Committee at the beginning of the financial year over which performance will be assessed. The Annual Incentive targets are not strictly weighted; when determining the level of a Director's Annual Incentive award the Committee will take into account performance against all of the quantitative and qualitative Company targets, as well as the individual's targets, over the year and make an assessment in the round.</p> <p>If actual performance averaged over all targets is equal to the median level of performance, the Annual Incentive award granted will be equivalent to 37.5% of basic salary. Up to 75% of basic salary is payable for performance that is in line with expectations. If average performance is below the median level of performance, no Annual Incentive award will be granted.</p>
<p><b>Matching Share Plan (MSP)</b></p> <p>The MSP is designed to ensure that participants are focused on long-term performance, aligning their interests with those of shareholders.</p> <p>The MSP has two performance measures; one measures total shareholder return and one measures gross income growth.</p> <p>The Company's aim is to deliver superior total returns to shareholders over time. The MSP total shareholder return performance measure directly links the level of remuneration received by participants with the level of returns delivered to shareholders.</p> <p>Having the right assets in our portfolio and managing them the right way creates enduring occupier demand for our properties. This delivers long-term growth in our rental income, which in turn drives value creation. The MSP gross income growth performance measure links the level of remuneration received to the degree of growth in income, thereby rewarding the creation of value.</p>	<p>One third of the Annual Incentive award is deferred and used to purchase MSP Bonus Shares which are deferred for a period of three years from grant before being released, during which time the Executive Directors receive any dividends paid on the MSP Bonus Shares.</p> <p>The Company makes a conditional award of MSP Matching Shares, which matches the MSP Bonus Shares on a 2:1 basis. The MSP Matching Shares are held for a three-year performance period following grant and the proportion vesting, if any, is dependent on both Company performance against the MSP performance measures and the MSP Bonus Shares being held for the requisite three-year period. Shares are immediately transferred to the individuals upon vesting, along with payments equivalent to the dividends accrued on those shares.</p> <p>During the three-year performance period, the Committee may require some or all of the MSP Matching Shares that have been granted but have not yet vested to be forfeited if it is discovered that they were awarded on the basis of materially misstated accounts or other data.</p>	<p>The maximum number of MSP Matching Shares receivable is dictated by the size of the Annual Incentive award.</p> <p>The maximum face value of the MSP Matching Shares is equivalent to two thirds of the value of the Annual Incentive award, which would equate to 100% of the value of basic salary if the maximum permitted level of Annual Incentive was granted.</p>	<p>MSP performance is assessed against two equally weighted performance measures. One performance measure assesses the Company's total shareholder return (TSR) against that of a comparator group; the other assesses the Company's gross income growth (GIG) against that of the Investment Property Databank (IPD) UK Annual Property Index.</p> <p>The comparator group against which TSR is measured is determined prior to each performance period and consists of FTSE 350 property companies. It may be amended during a performance period if there is a corporate event affecting any member of the Group.</p> <p>The MSP vesting hurdles are stepped, requiring high levels of outperformance for 100% of the MSP Matching Shares to vest. 25% of the MSP Matching Shares will vest if the minimum performance threshold is met. Performance below the minimum threshold will result in the entire award of MSP Matching Shares lapsing.</p>

# REMUNERATION POLICY

## CONTINUED...

### EXECUTIVE DIRECTORS' REMUNERATION POLICY

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

EXECUTIVE DIRECTORS' REMUNERATION POLICY			
COMPONENT AND PURPOSE	OPERATION	MAXIMUM OPPORTUNITY	PERFORMANCE MEASURES
<p><b>Other items in the nature of remuneration</b></p> <p>Executive Directors are eligible to participate in the Company's two HMRC-approved, all-employee share schemes, the Share Incentive Plan (SIP) and the Sharesave Scheme. Both schemes encourage employees, including Executive Directors, to build a holding of shares in the Company.</p> <p>Executive Directors are also eligible to receive non-taxable benefits, designed to form part of a remuneration package which will attract and retain the best people for the Company.</p>	<p>Executive Directors participate in the SIP and the Sharesave Scheme on the same basis as other eligible employees.</p> <p>Executive Directors are eligible to receive non-taxable benefits including life assurance cover, under which a lump sum of four-times basic salary will be paid out on the event of death in service; permanent health insurance, under which 75% of basic salary will be paid to the Director in the event of long-term absence due to certain medical reasons; annual medical checks; any relevant professional subscription fees and certain other benefits on substantially the same basis as for all other employees.</p>	<p>The maximum opportunity under the SIP and Sharesave Scheme is set by the rules of the Schemes and is determined by the statutory limits. To achieve the maximum opportunity permitted by the rules of each scheme, the Director must contribute the maximum permitted monthly amount (deducted from salary) to purchase shares or fund options under the scheme.</p> <p>The maximum cost of the non-taxable benefits permitted under the Policy is the amount required for the Company to continue providing these benefits at a similar level year-on-year. Such benefits are provided on similar terms to all eligible employees.</p>	Not applicable.
<p><b>Pension</b></p> <p>The Company aims to provide the Executive Directors with an appropriate level of pension on retirement as part of a remuneration package that will attract and retain the best people for the Company.</p>	<p>Executive Directors who joined the Company before 2006 accrue benefits under the defined benefit scheme, which is now closed to new members. Their accrual rates are determined by the rules of the scheme and are dependent on the age at which they joined the Company. Benefits up to the limit permitted by the tax legislation are provided in a registered plan. Benefits over that limit are provided in an employer financed retirement benefit scheme (EFRBS). EFRBS participants can choose annually whether they wish to be EFRBS members, or to receive a cash payment in lieu.</p> <p>Directors who joined, or join, the Company after 2006 are eligible to be members of the defined contribution scheme. Directors may choose whether contributions are made into the Company's defined contribution scheme or into their own personal pension plan, or may elect to take all or part as cash in lieu of pension contributions.</p>	<p>The maximum accrual rate for a defined benefit member is that which will give the target benefit at age 60, subject to the accrual rate being no greater than one thirtieth and no less than one sixtieth of salary. The target benefit is the pension that can be provided by the £1.8 million lifetime allowance at 31 March 2012, uplifted by RPI from that date.</p> <p>Employer pension contributions to Executive Directors eligible for the defined contribution scheme are made at a fixed percentage of salary, between 15% and 35%.</p>	Not applicable.

## REMUNERATION POLICY

### CONTINUED...

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

## NOTES TO THE REMUNERATION POLICY TABLE

### Remuneration Policy for other employees

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

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

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

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

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

### Long-Term Incentive Plan awards granted prior to 2013

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

### Pre-existing obligations and commitments

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

## HOW THE VARIABLE ELEMENTS OF OUR POLICY OPERATE

### Annual Incentive and Matching Share Plan

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

Two thirds paid as cash on award.

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

Performance measures assessed over three years.

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

### Long-Term Incentive Plan

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

Performance measures assessed over three years.

Number of performance shares released dependent on performance.

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

## REMUNERATION POLICY CONTINUED...

### CONSIDERATIONS WHEN SETTING REMUNERATION POLICY

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

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

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

### APPROACH TO RECRUITMENT REMUNERATION

#### Executive Directors

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

Where a recruit is forfeiting incentive awards granted by his or her existing employer, compensation in the form of a Restricted Share Plan (RSP) award may be made (in accordance with Listing Rule 9.4.2), the maximum value of which will be that which the Committee, in its reasonable opinion, considers to be equal to the value of the awards which have lapsed. Dividends paid on the RSP shares during the vesting period are paid directly to the Director.

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

The Committee may choose to offer a Co-Investment Share Plan (CIP) award to a new Executive Director on recruitment (in accordance with Listing Rule 9.4.2), to assist the Director in building a holding of British Land shares with the aim of further aligning the Director's personal interests with those of British Land's shareholders.

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

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

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

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

### Chairman and Non-Executive Directors

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

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

### Appointment of Internal Candidates

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

### POLICY ON LOSS OF OFFICE

#### Executive Directors

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

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

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

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

Director	Length of service contract	Date of service contract	Normal notice period to be given by Company	Notice period to be given by Director
<b>Chris Grigg</b>	12 mths	19.12.08	12 mths	12 mths
<b>Lucinda Bell</b>	12 mths	10.03.11	12 mths	12 mths
<b>Charles Maudsley</b>	12 mths	03.11.09	12 mths	12 mths
<b>Tim Roberts</b>	12 mths	14.11.06	12 mths	12 mths

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

### Chairman and Non-Executive Directors

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

Director	Date of letter of appointment	Unexpired term of appointment at 31 March 2014
<b>John Gildersleeve</b> (Chairman)	01.01.13	21 mths
<b>Aubrey Adams</b>	01.09.11	5 mths
<b>Simon Borrows</b>	17.03.14	36 mths
<b>Dido Harding</b>	01.01.13	21 mths
<b>William Jackson</b>	11.04.14 <sup>1</sup>	36 mths
<b>Tim Score</b>	20.03.14	36 mths
<b>Lord Turnbull</b>	01.04.12	12 mths

1 Letter of appointment renewed post year-end.

Although the Chairman's and Non-Executive Directors' appointments are for fixed terms, their appointments may be terminated immediately without notice if they are not reappointed by shareholders or if they are removed from the Board under the Company's Articles of Association or if they resign and do not offer themselves for re-election. In addition, their appointments may be terminated by either the individual or the Company giving three months' written notice of termination (or, for the Chairman, six months' written notice of termination). Despite these terms of appointment, neither the Chairman nor the Non-Executive Directors are entitled to any compensation (other than accrued and unpaid fees and expenses for the period up to the termination) for loss of office for any reason.

## REMUNERATION POLICY CONTINUED...

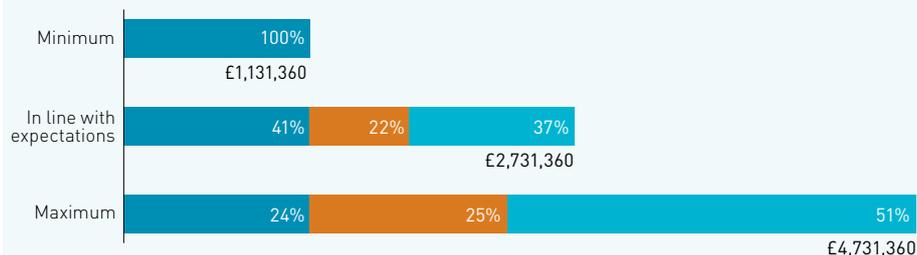
### ILLUSTRATIONS OF APPLICATION OF REMUNERATION POLICY

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

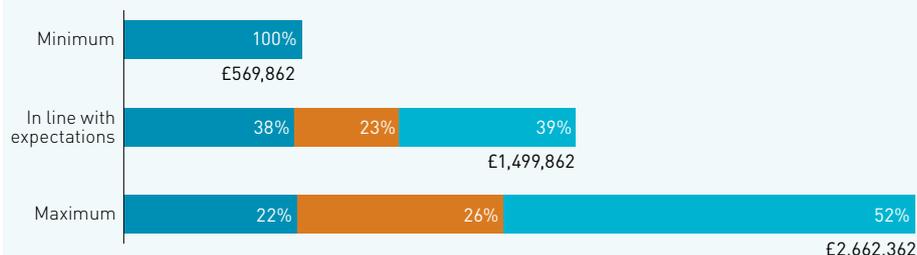
The scenarios given represent remuneration receivable for minimum performance, for performance that is in line with expectations and for maximum performance.

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

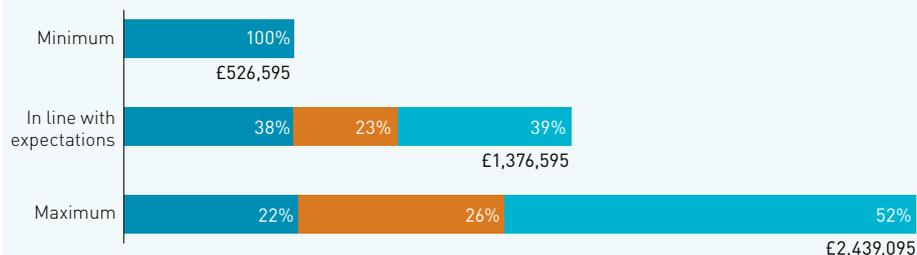
#### CHRIS GRIGG Chief Executive



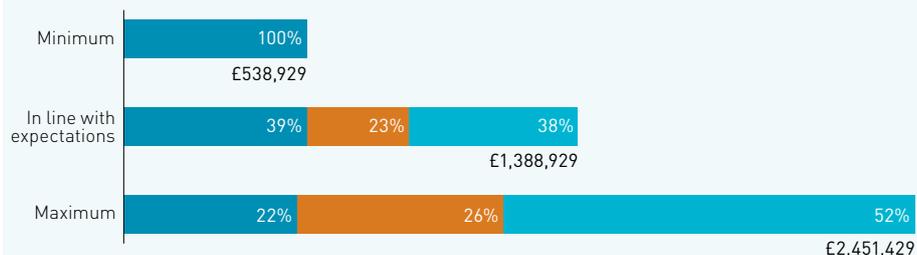
#### LUCINDA BELL Finance Director



#### CHARLES MAUDSLEY Head of Retail and Leisure



#### TIM ROBERTS Head of Offices and Residential



■ Minimum remuneration  
■ Annual Incentive  
■ Total long-term incentives

### Minimum performance

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

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

### Performance in line with expectation

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

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

### Maximum performance

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

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

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

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

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

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

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

# REMUNERATION IMPLEMENTATION REPORT

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

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

### Executive Directors' basic salaries

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

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

### Chairman and Non-Executive Directors' fees

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

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

### Annual Incentive award

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

#### Quantitative targets:

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

#### Qualitative targets:

- successful progress on developments;
- successful execution of targeted acquisitions and disposals;
- successful execution of debt financings;
- progress on strengthening the dividend;
- quality of people and management renewal; and
- Company reputation with all stakeholders.

All Executive Committee members (including the Executive Directors) have a corporate responsibility target linked to their Annual Incentive award.

### Matching Share Plan (MSP)

The MSP is assessed against two equally weighted performance measures. As each performance measure relates to half of the total MSP award, no more than half of the total MSP award can vest if one of the performance measures does not meet its minimum vesting threshold. The performance thresholds are detailed in the tables below.

#### The Total Shareholder Return (TSR) Part

25% of the TSR Part (i.e. 12.5% of the total MSP award) will vest if British Land's TSR performance is equal to the median TSR of the comparator group. A further 18.75% of the TSR Part will vest for each 1% by which British Land's TSR exceeds the median TSR of the comparator group, up to a maximum of 100% of the TSR Part (i.e. 50% of the total MSP award) vesting.

#### The Gross Income Growth (GIG) Part

25% of the GIG Part (i.e. 12.5% of the total MSP award) will vest if British Land's GIG performance is equal to the Growth Requirement (the Growth Requirement being GIG over the three-year performance period that is equal to that of the Investment Property Databank UK Annual Property Index). A further 25% of the GIG Part will vest for each 0.5% (in absolute terms) by which British Land's annualised GIG exceeds the Growth Requirement, up to a maximum of 100% of the GIG Part (i.e. 50% of the total MSP award) vesting.

The comparator group against which performance will be assessed for the TSR performance measure consists of: Great Portland Estates plc, Hammerson plc, Intu Properties plc, Land Securities Group PLC, SEGRO plc, Big Yellow Group PLC, Capital & Counties PLC, Derwent London plc, Grainger plc, Hansteen Holdings plc, Helical Bar plc, LondonMetric Property plc, St. Modwen Properties PLC, Shaftesbury PLC, The UNITE Group plc and UK Commercial Property Trust Ltd.

The Committee has not changed the composition of this comparator group since the 2013 MSP award, when it was expanded to include a broader range of property companies.

British Land's TSR relative to the comparator group at the end of the performance period	Percentage vesting %
Below median	0
Median	25
Further vesting per each 1% TSR exceeds median (to maximum of 100% matching shares)	18.75

British Land's GIG rental growth relative to the IPD benchmark at the end of the performance period	Percentage vesting %
Below Growth Requirement	0
Equal to Growth Requirement	25
Further vesting per each 0.5% per annum GIG exceeds Growth Requirement (to a maximum of 100% of matching shares)	25

### Long-Term Incentive Plan (LTIP)

The thresholds against which the LTIP performance will be assessed are detailed in the tables below.

IPD Total Property Return	Percentage vesting %
Below median	0
Median	25
Top quartile	100

Total Accounting Return	Percentage vesting %
Below median	0
Median	25
Top quartile	100

Each LTIP performance measure relates to half of the total award. For both LTIP performance measures there will be straight-line vesting between median and top quartile performance.

The comparator group against which performance will be assessed for the TAR performance measure is the same group as that against which MSP TSR performance will be assessed, and has not been changed since the 2013 LTIP award.

# REMUNERATION IMPLEMENTATION REPORT

## AUDITED INFORMATION

### CONTINUED...

#### APPLICATION OF POLICY DURING THE YEAR ENDED 31 MARCH 2014

The following pages detail how British Land's Remuneration Policy has been implemented throughout the year ended 31 March 2014.

#### SINGLE TOTAL FIGURE OF REMUNERATION TABLE

All elements of remuneration received by the Directors during 2013/14 are disclosed in the following table, alongside the comparative figures from 2012/13. The Directors have confirmed to the Company, in writing, that they have not received any other items in the nature of remuneration beside those detailed below.

	Salary/fees		Taxable benefits		Annual Incentive		Long-Term Incentives		Other items		Pension		Total	
	2013/14 £	2012/13 £	2013/14 £	2012/13 £	2013/14 £	2012/13 £	2013/14 £	2012/13 £	2013/14 £	2012/13 £	2013/14 £	2012/13 £	2013/14 £	2012/13 £
<b>Executive Directors</b>														
<b>Chris Grigg</b>	800,000	800,000	20,253	19,802	1,080,000	1,080,000	2,715,766	2,601,859	29,907	28,370	280,000	280,000	<b>4,925,926</b>	4,810,031
<b>Lucinda Bell</b>	465,000	465,000	20,153	19,702	465,000	465,000	1,261,081	260,476	15,706	22,611	61,746	61,667	<b>2,288,686</b>	1,294,456
<b>Charles Maudsley</b>	425,000	425,000	21,041	20,032	505,000	505,000	1,432,613	1,179,382	15,606	14,754	63,750	63,750	<b>2,463,010</b>	2,207,918
<b>Tim Roberts</b>	426,500	426,500	20,411	19,502	505,000	505,000	1,154,192	1,121,138	15,924	23,543	70,764	69,817	<b>2,192,791</b>	2,165,500
<b>Stephen Smith<sup>1</sup></b>		425,000		20,132		300,000		1,358,547		16,894		63,750		2,184,323
<b>Chairman and Non-Executive Directors</b>														
<b>John Gildersleeve<sup>2</sup></b> (Chairman)	351,750	147,593	31,396	8,688									<b>383,146</b>	156,281
<b>Chris Gibson-Smith<sup>3</sup></b>		263,812		39,328										303,140
<b>Aubrey Adams</b>	71,244	69,320											<b>71,244</b>	69,320
<b>Simon Borrows</b>	70,702	60,920											<b>70,702</b>	60,920
<b>Dido Harding</b>	69,530	67,640											<b>69,530</b>	67,640
<b>William Jackson</b>	72,470	68,480											<b>72,470</b>	68,480
<b>Richard Pym<sup>4</sup></b>	30,313	82,445											<b>30,313</b>	82,445
<b>Tim Score<sup>5</sup></b>	1,210												<b>1,210</b>	
<b>Lord Turnbull</b>	85,808	81,946											<b>85,808</b>	81,946

1 Stephen Smith resigned as a Director of the Company on 31 March 2013.

2 John Gildersleeve was appointed as Chairman of the Company on 1 January 2013.

3 Chris Gibson-Smith resigned as a Director and Chairman of the Company on 31 December 2012.

4 Richard Pym resigned as a Director of the Company on 5 September 2013.

5 Tim Score was appointed a Director of the Company on 20 March 2014.

## Notes to the single total figure of remuneration table

### Notes to the single total figure of remuneration table: Taxable benefits

The figures shown in the 'Taxable benefits' column are comprised as follows (all figures being gross values including tax):

Director	Chauffeur costs		Car allowance		Private medical insurance		Other taxable benefits <sup>1</sup>		Total taxable benefits	
	2013/14 £	2012/13 £	2013/14 £	2012/13 £	2013/14 £	2012/13 £	2013/14 £	2012/13 £	2013/14 £	2012/13 £
<b>John Gildersleeve<sup>2</sup></b>	31,396	8,688							<b>31,396</b>	8,688
<b>Chris Gibson-Smith<sup>3</sup></b>		39,328								39,328
<b>Chris Grigg</b>			16,800	16,800	3,453	3,002			<b>20,253</b>	19,802
<b>Lucinda Bell</b>			16,700	16,700	3,453	3,002			<b>20,153</b>	19,702
<b>Charles Maudsley</b>			16,700	16,700	3,753	2,902	588	430	<b>21,041</b>	20,032
<b>Tim Roberts</b>			16,170	16,170	3,653	2,902	588	430	<b>20,411</b>	19,502
<b>Stephen Smith<sup>4</sup></b>				16,700		3,002		430		20,132

1 Other taxable benefits includes Company contributions to gym membership.

2 John Gildersleeve was appointed as Chairman of the Company on 1 January 2013.

3 Chris Gibson-Smith resigned as a Director and Chairman of the Company on 31 December 2012.

4 Stephen Smith resigned as a Director of the Company on 31 March 2013.

### Notes to the single total figure of remuneration table: Annual Incentive

The level of Annual Incentive is determined by the Remuneration Committee, based on the Company's performance and the individual's contribution during the preceding year. The assessment for the year ended 31 March 2014 was undertaken with reference to performance against the following quantitative and qualitative targets, using data available at the year-end:

2013/14 targets	2013/14 performance
<b>Quantitative targets</b>	
Accounting return – total NAV-based return plus dividends relative to property majors and IPD (total return basis)	Accounting return was above the average of the property majors and total property return outperformed IPD.
Unlevered property capital returns relative to IPD	The Company outperformed IPD at all property levels.
Rental growth above ERV and IPD	Both sectors performed well, with rental growth ahead of both ERV and IPD.
Operating costs as a percentage of rents and assets against prior year and property majors	Operating costs have decreased as a percentage of asset values but increased as a percentage of rents; operating costs were still below budget. The Company maintained its market leading operating costs ratio compared to other property majors.
<b>Qualitative targets</b>	
Successful progress on developments	The 2010 development programme has seen completion of four major developments during the year and delivered £608 million of profit to date. The development pipeline has been replenished, ten significant retail projects are underway or approaching completion and planning consent has been secured for a number of developments including Clarges and The Hempel.
Successful execution of targeted acquisitions and disposals	£1,033 million of acquisitions and £710 million of disposals (British Land share) during the year to 31 March 2014, including strategic disposals of European assets.
Successful execution of debt financings	£1.5 billion of new debt finance arranged during the year to 31 March 2014.
Progress on strengthening the dividend	Full-year dividend increased by 2.3% for the year ended 31 March 2014.
Quality of people and management renewal	Strengthened the Human Resources function, including appointing a new HR Director. New strategies and priorities agreed for the coming year.
Company reputation with all stakeholders	Retained our 1* Times 100 rating for employee satisfaction. Over 77% of head office staff supported community volunteering projects during the year and over £1 million was donated to good causes.
Corporate responsibility	CR successes include retaining our Dow Jones Sustainability Index score of 70; remaining as a member of the DJSI World and Europe Indices; being ranked joint first in the FTSE 350 Carbon Disclosure Project Performance Leadership Index; being recognised as the leading REIT for Community and Environmental Responsibility in the Management Today's Most Admired Companies in Britain.

The maximum Annual Incentive award achievable is 150% of base salary. Taking into account the above performance, the Remuneration Committee, set the aggregate Annual Incentive received by the Executive Directors for the year ended 31 March 2014 at 80% of the maximum (121% of base salary) (as compared with 70.5% of the maximum in 2012/13).

One third of each Executive Director's Annual Incentive award shown above was deferred and used to purchase MSP Bonus Shares, subject to a three-year holding requirement under the Company's Matching Share Plan. No further performance measures apply to these deferred shares. The MSP is described on page 85.

# REMUNERATION IMPLEMENTATION REPORT

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#### Notes to the single total figure of remuneration table: Long-Term Incentives

The figures for the 'Long-Term Incentives' column are comprised of award vestings under three share schemes: the 2011 Long-Term Incentive Plan (LTIP), the 2011 Matching Share Plan (MSP) and, for Charles Maudsley and Stephen Smith's 2012/13 comparative figures only, the Charles Maudsley 2010 Co-Investment Share Plan and the Stephen Smith 2010 Co-Investment Share Plan.

The performance measure attached to awards under the 2011 LTIP measures the growth in the Company's net asset value (NAV) per share against the capital growth component of the Investment Property Databank UK Annual Index (the Index), over a performance period of three years commencing at the start of the financial year in which the awards were granted. Growth in the Company's net asset value per share has to exceed that of the Index for a minimum proportion of the award to vest. Stretching outperformance is required for the entire award to vest, as detailed below.

Percentage by which the average annual growth of British Land's net asset value per share exceeds the average annual increase in the capital growth component of the Investment Property Databank UK Annual Index	Percentage vesting %
4.5% or more	100
3.5% or more but less than 4.5%	80
2.5% or more but less than 3.5%	60
1.5% or more but less than 2.5%	40
0.5% or more but less than 1.5%	20
More than 0% but less than 0.5%	10
0% or less	0

The vesting values of the 2011 LTIP awards, due to vest on 28 June 2014, have been calculated using the average MMQ for the period from 1 January 2014 to 31 March 2014 (667.7143 pence) as the vesting share price. Aon Hewitt has calculated that the 2011 LTIP will vest at a rate of 100%, reflecting British Land's growth in NAV of 6.7% per annum during the performance period, compared to the Index increasing by 1.4% per annum. This produces the following estimated values on vesting:

Director	LTIP award date	Award price (exercise price) p	Number of performance shares awarded <sup>1</sup>	Number of options awarded <sup>1</sup>	Percentage of award vesting %	Estimated value of award on vesting £	Estimated dividend equivalent payment due including interest £
Chris Grigg	28.06.2011	575	173,913	695,652	100	1,806,211	138,834
Lucinda Bell	28.06.2011	575	147,826		100	987,055	118,009
Charles Maudsley	28.06.2011	575	147,826		100	987,055	118,009
Tim Roberts	28.06.2011	575	73,913	295,652	100	767,639	59,004

<sup>1</sup> For the 2011 LTIP award Chris Grigg and Tim Roberts received their awards as mixtures of options and performance shares; Lucinda Bell and Charles Maudsley received their entire awards as performance shares.

The MSP performance is assessed using two equally-weighted performance measures, each relating to half of the total MSP Matching Share award. For the 2011 MSP Matching Share award one performance measure was based on Total Shareholder Return (the TSR Part); the other on the Company's gross income growth (the GIG Part). The table above shows the performance required by the Company's TSR compared to a comparator group of companies across the three-year performance period for any Matching Shares to vest under the TSR performance condition. For the 2011 MSP Award the comparator group consisted of Great Portland Estates PLC, Hammerson PLC, Land Securities Group PLC, Intu Properties PLC and Segro PLC.

British Land's TSR relative to the comparator group at the end of the performance period	Percentage of award which vests %
Below median	0
Median	35
Further vesting per each 1% TSR exceeds median (to a maximum of 100% of Notional Shares)	16.25

For the second MSP performance measure, the Company's gross income growth during the three-year performance period needed to be at least equal to that of the Investment Property Databank UK Annual Index (the Growth Requirement) for any MSP Matching Shares to vest, as shown below.

British Land's GIG relative to the Investment Property Databank UK Annual Index at the end of the performance period	Percentage of award which vests %
Below Growth Requirement	0
Equal to Growth Requirement	35
Further vesting per each 0.5% per annum GIG exceeds Growth Requirement (to a maximum of 100% of Matching Shares)	21.67

The vesting values of the 2011 MSP award, due to vest on 24 May 2014, have been calculated using the average MMQ for the period from 1 January 2014 to 31 March 2014 (667.7143 pence) as the vesting share price. Aon Hewitt has confirmed the TSR performance of the comparator group which will result in vesting at a rate of 76.9%, as British Land's TSR over the performance period was 40% compared to a median of 37.5% for the comparator group. It is estimated that the GIG part will vest at a rate of 78%; the actual vesting rate will be calculated once the relevant figures are published by the Index. This produces the following estimated values on vesting:

Director	MSP award date	Number of matching shares awarded	Percentage of award predicted to vest %	Estimated value of award on vesting £	Estimated dividend equivalent payment due £
Chris Grigg	24.05.2011	133,222	77.45	688,951	81,770
Lucinda Bell	24.05.2011	26,968	77.45	139,464	16,553
Charles Maudsley	24.05.2011	56,618	77.45	292,797	34,752
Tim Roberts	24.05.2011	56,618	77.45	292,797	34,752

The 2012/13 Long-Term Incentives comparator figures for Charles Maudsley and Stephen Smith include the vestings of their respective Co-Investment Share Plan awards (the Charles Maudsley 2010 Co-Investment Share Plan and the Stephen Smith 2010 Co-Investment Share Plan). The vestings of these awards are detailed on page 107 of the 2013 Annual Report.

Stephen Smith stood down as a Director of the Company on 31 March 2013 and remained in the Company's employment until 30 June 2013; his termination payment provisions are detailed on page 101 of the 2013 Annual Report. The 2012/13 Long-Term Incentives comparator figure for Stephen Smith includes the vesting of his 2010 LTIP Award, which consisted of 190,156 performance shares and vested at 60%, as scheduled, before he left the Company's employment. The 2012/13 comparator figure also includes the vesting of his 2010 MSP Award. The MSP Award was pro-rated to reflect departure date, as disclosed in the 2013 Annual Report, resulting in 10,262 matching shares vesting and 604 matching shares lapsing.

Dividend equivalents accrued on all vesting Long-Term Incentive share awards are also included within the 'Long-Term Incentives' column, along with the interest accrued on dividend equivalents paid on vesting LTIP shares.

#### Notes to the single total figure of remuneration table: other items in the nature of remuneration

The values shown in the 'Other items' column comprise the Executive Directors' interests under the Company's all-employee share schemes (the Share Incentive Plan (SIP) and the Sharesave Scheme) and non-taxable benefits received by the Directors during the year, as shown in the table below. These share schemes are offered on the same terms to all eligible employees of the Company. The figures shown are the values of free and matching shares awarded under the SIP during the year and the notional gain on the vesting of any Sharesave options during the year. Further details of the Executive Directors' Sharesave Scheme interests can be found on page 103.

Director	Life assurance		Permanent health insurance		Other non-taxable benefits <sup>1</sup>		Matching and free shares awarded under the SIP		Vesting of sharesave options		Total other items	
	2013/14 £	2012/13 £	2013/14 £	2012/13 £	2013/14 £	2012/13 £	2013/14 £	2012/13 £	2013/14 £	2012/13 £	2013/14 £	2012/13 £
Chris Grigg	10,047	9,303	13,335	12,573	525	500	6,000	5,994			29,907	28,370
Lucinda Bell	2,238	2,267	6,941	6,241	525	860	6,002	5,994		7,249	15,706	22,611
Charles Maudsley	2,360	2,375	6,113	5,690	1,131	695	6,002	5,994			15,606	14,754
Tim Roberts	2,360	2,375	6,344	5,704	1,218	3,672	6,002	5,994		5,798	15,924	23,543
Stephen Smith <sup>2</sup>		4,710		5,690		500		5,994				16,894

1 Other non-taxable benefits include annual medical checkups and relevant professional subscription fees.

2 Stephen Smith resigned as a Director of the Company on 31 March 2013.

#### Notes to the single total figure of remuneration table: pension

The figures shown in the 'Pension' column represent the differing pension arrangements of the Executive Directors. Chris Grigg receives 35% of basic salary as cash in lieu of pension. Charles Maudsley receives a pension allowance of 15% of basic salary, of which £13,750 was paid as cash in lieu of pension contribution over the £50,000 annual allowance for the year ended 31 March 2014.

Lucinda Bell and Tim Roberts earned pension benefits in defined benefit schemes sponsored by the Company during the year; the increase in value over the year of their respective pensions is shown in the single total figure of remuneration table and further detail is provided on page 101.

# REMUNERATION IMPLEMENTATION REPORT

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#### SCHEME INTERESTS AWARDED DURING THE FINANCIAL YEAR

##### Awards granted under the Long-Term Incentive Plan

The total fair value of each Director's LTIP award for the year ended 31 March 2014 was equivalent to 200% basic salary at grant. At grant each Director can indicate a preference as to the proportion of the award that they wish to receive as performance shares and the proportion that they wish to receive as market-value options. The share price used to determine the face value of performance shares and fair value of options – and therefore the number of performance shares and/or options awarded – is the average market value of the Company's shares over the three dealing days immediately prior to the day of award. The proportion of the award that vests, if any, is dependent on Company performance against the LTIP performance measures over the three years following grant. These are detailed on page 95.

##### Performance shares

Director	Grant date	Number of performance shares granted <sup>1</sup>	Face value £	End of performance period	Vesting date	Percentage vesting on achievement of minimum performance threshold %
Chris Grigg	05.08.2013	266,222	1,599,994	31.03.2016	05.08.2016	25
Lucinda Bell	05.08.2013	116,056	697,497	31.03.2016	05.08.2016	25
Charles Maudsley	05.08.2013	141,430	849,994	31.03.2016	05.08.2016	25
Tim Roberts	05.08.2013	141,430	849,994	31.03.2016	05.08.2016	25

##### Options

Director	Grant date	Number of options granted <sup>1</sup>	Face value £	Fair value <sup>2</sup> £	Exercise price <sup>3</sup> p	End of performance period	Vesting date	Percentage vesting on achievement of minimum performance threshold %
Lucinda Bell	05.08.2013	154,742	929,999	232,500	601	31.03.2016	05.08.2016	25

- 1 Lucinda Bell received her award as a mixture of performance shares and market-value options. The other Executive Directors received their entire awards as performance shares.
- 2 Options are currently valued at one quarter of the value of a performance share (see note 9 to the accounts, page 129); therefore the fair value of each option awarded is one quarter of the face value of the option.
- 3 The options awarded under the LTIP are market-value options; therefore the exercise price (which is the average market value of shares over the three dealing days immediately prior to the day of award) must be paid by the individual on the exercise of each option.

##### Awards granted under the Matching Share Plan

The total face value of each Director's MSP Matching Share award for the year ended 31 March 2014 was equal to two thirds of their Annual Incentive award for the year 2012/13, equivalent to 90% basic salary at grant for Chris Grigg, 67% for Lucinda Bell and 79% for both Charles Maudsley and Tim Roberts. The share price used to determine the number of Matching Shares awarded is the market value of the Company's shares on the day the proportion of Annual Incentive is deferred. The proportion of the award that vests, if any, is dependent on Company performance against the MSP performance measures over the three years following grant. These are detailed on page 95.

##### Matching shares

Director	Grant date	Number of Matching Shares granted <sup>1</sup>	Face value £	End of performance period	Vesting date	Percentage vesting on achievement of minimum performance threshold %
Chris Grigg	02.08.2013	127,096	719,999	31.03.2016	02.08.2016	25
Lucinda Bell	02.08.2013	54,720	309,989	31.03.2016	02.08.2016	25
Charles Maudsley	02.08.2013	59,428	336,660	31.03.2016	02.08.2016	25
Tim Roberts	02.08.2013	59,428	336,660	31.03.2016	02.08.2016	25

### Awards granted under the Sharesave Scheme

The following options were granted to Directors during the year under the all-employee Sharesave Scheme. The exercise price is set at a 20% discount to the average market price of the Company's shares over the three dealing days immediately preceding invitation to the scheme. The cost of exercise is met entirely by the Director, and is accumulated by deductions from salary over the period between grant and vesting.

### Options

Director	Grant date	Total to be deducted from salary to cover exercise cost £	Number of options granted	Face value £	Exercise price p	Earliest exercise date	Expiry date
Tim Roberts	19.06.2013	12,000	2,348	11,998	511	01.09.2018	28.02.2019

### DIRECTORS' PENSION ENTITLEMENTS

#### Total pension entitlements for each Director under the defined benefit scheme

The below table details the defined benefit pension accrued by participating Directors at 31 March 2014.

Director	Defined benefit pension accrued at 31 March 2014 <sup>1</sup>	Normal retirement date
Lucinda Bell	90,361	01.10.2024
Tim Roberts	70,377	01.08.2024

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

# REMUNERATION IMPLEMENTATION REPORT

## AUDITED INFORMATION

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#### DIRECTORS' SHAREHOLDINGS AND SHARE INTERESTS

##### Executive Directors' interests in the Company's shares and total outstanding share scheme interests at 31 March 2014

The table directly below summarises the Executive Directors' British Land shareholdings and outstanding share and option awards under the Company's share schemes, as at 31 March 2014. The following tables detail the movements in these shareholdings and share scheme interests during the year ended 31 March 2014.

Director	Shares held by Director <sup>1</sup>	Unvested Performance Shares subject to performance measures					
		MSP Matching Shares			LTIP Performance Shares		
		Number	End of performance period	Vesting date	Number	End of performance period	Vesting date
Chris Grigg	734,855	133,222	31.03.2014	24.05.2014	173,913	31.03.2014	28.06.2014
		144,000	31.03.2015	05.09.2015	185,873	31.03.2015	14.09.2015
		127,096	31.03.2016	02.08.2016	266,222	31.03.2016	05.08.2016
Lucinda Bell	113,898	26,968	31.03.2014	24.05.2014	147,826	31.03.2014	28.06.2014
		61,332	31.03.2015	05.09.2015	138,289	31.03.2015	14.09.2015
		54,720	31.03.2016	02.08.2016	116,056	31.03.2016	05.08.2016
Charles Maudsley	214,153	56,618	31.03.2014	24.05.2014	147,826	31.03.2014	28.06.2014
		61,332	31.03.2015	05.09.2015	157,992	31.03.2015	14.09.2015
		59,428	31.03.2016	02.08.2016	141,430	31.03.2016	05.08.2016
Tim Roberts	193,314	56,618	31.03.2014	24.05.2014	73,913	31.03.2014	28.06.2014
		67,332	31.03.2015	05.09.2015	157,992	31.03.2015	14.09.2015
		59,428	31.03.2016	02.08.2016	141,430	31.03.2016	05.08.2016

<sup>1</sup> Includes shares held by connected persons, MSP Bonus Shares and shares held under the Company's Share Incentive Plan. All interests are beneficial.

##### Movements in Executive Directors' interests in the Company's shares during the year ended 31 March 2014

Directors' interests in fully paid ordinary shares, including shares held by connected persons, Matching Share Plan Bonus Shares and shares held under the Company's Share Incentive Plan. All interests are beneficial.

Director	Total at 31 March 2014	Total at 1 April 2013
Chris Grigg	734,855	631,792
Lucinda Bell	113,898	88,121
Charles Maudsley	214,153	133,942
Tim Roberts	193,314	134,221

Unvested options subject to performance measures					Unvested options not subject to performance measures				Vested but unexercised options		
LTIP options					Sharesave options				LTIP options		
Number	Option price p	End of performance period	Vesting date	Exercisable until	Number	Option price p	Vesting date	Exercisable until	Number	Option price p	Exercisable until
695,652	575	31.03.2014	28.06.2014	27.06.2021	1,908	473	01.09.2014	28.02.2015	1,033,591	387	28.06.2019
743,494	538	31.03.2015	14.09.2015	13.09.2022					1,073,825	447	10.06.2020
138,289	538	31.03.2015	14.09.2015	13.09.2022	2,295	392	01.09.2015	29.02.2016	25,326	660	28.11.2014
154,742	601	31.03.2016	05.08.2016	04.08.2023					14,036	727	30.05.2015
									11,557	824	04.12.2015
									50,387	387	28.06.2019
									36,434	446	20.12.2019
									67,952	447	10.06.2020
									11,764	510	13.12.2020
295,652	575	31.03.2014	28.06.2014	27.06.2021	1,033	301	01.09.2014	28.02.2015	13,210	727	30.05.2015
					2,348	511	01.09.2018	28.02.2019	17,483	824	04.12.2015

### Beneficial interests of the Directors under the Sharesave Scheme

Director	Date of grant	Number of options at 1 April 2013	Number of options granted during the year	Number of options vesting during the year	Number of options exercised during the year	Number of options lapsed during the year	Number of options at 31 March 2014	Exercise price p	Earliest exercise date	Expiry date
Chris Grigg	01.07.2011	1,908					1,908	473	01.09.2014	28.02.2015
Lucinda Bell	26.06.2012	2,295					2,295	392	01.09.2015	29.02.2016
Tim Roberts	30.06.2009	1,033					1,033	301	01.09.2014	28.02.2015
	19.06.2013		2,348				2,348	511	01.09.2018	28.02.2019

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#### Beneficial interests of the Directors under the Long-Term Incentive Plan – Options

Director	Date of grant	Number of options at 1 April 2013 <sup>1</sup>	Number of options granted during the year	Number of options vesting during the year <sup>2</sup>	Number of options exercised during the year	Number of options lapsed during the year	Number of options at 31 March 2014	Exercise price p	Earliest exercise date	Expiry date
<b>Chris Grigg</b>	29.06.2009	1,033,591					1,033,591	387	29.06.2012	28.06.2019
	11.06.2010	1,789,709		1,073,825 <sup>3</sup>		715,884	1,073,825	447	11.06.2013	10.06.2020
	28.06.2011	695,652					695,652	575	28.06.2014	27.06.2021
	14.09.2012	743,494					743,494	538	14.09.2015	13.09.2022
<b>Lucinda Bell</b>	29.11.2004	25,326					25,326	660	29.11.2007	28.11.2014
	31.05.2005	14,036					14,036	727	31.05.2008	30.05.2015
	05.12.2005	11,557					11,557	824	05.12.2008	04.12.2015
	29.06.2009	50,387					50,387	387	29.06.2012	28.06.2019
	21.12.2009	36,434					36,434	446	21.12.2012	20.12.2019
	11.06.2010	113,255		67,952 <sup>3</sup>		45,303	67,952	447	11.06.2013	10.06.2020
	14.12.2010	19,607		11,764 <sup>4</sup>		7,843	11,764	510	14.12.2013	13.12.2020
	14.09.2012	138,289					138,289	538	14.09.2015	13.09.2022
05.08.2013		154,742				154,742	601	05.08.2016	04.08.2023	
<b>Tim Roberts</b>	29.11.2004	22,513			22,513 <sup>5</sup>			660	29.11.2007	28.11.2014
	31.05.2005	13,210					13,210	727	31.05.2008	30.05.2015
	05.12.2005	17,483					17,483	824	05.12.2008	04.12.2015
	29.06.2009	426,873			426,873 <sup>6</sup>			387	29.06.2012	28.06.2019
	11.06.2010	380,313		228,187 <sup>3</sup>	228,187 <sup>7</sup>	152,126		447	11.06.2013	10.06.2020
	28.06.2011	295,652					295,652	575	28.06.2014	27.06.2021

1 The numbers of options at 1 April 2013 are the maximum awards achievable under the LTIP on maximum outperformance of the Plan's performance conditions, except options granted in 2004, 2005, 2009 and 2010 which have already vested.

2 Vesting options are included in the 2012/13 long-term incentives column of the single total figure of remuneration table on page 96.

3 These options vested at 60% on 24 July 2013, the remaining options lapsed. The relevant performance condition is detailed on page 98.

4 These options vested at 60% on 17 December 2013, the relevant performance condition is detailed on page 98.

5 Exercised on 25 February 2014. The market price on the day of exercise was 699p, realising a notional gain of 39p per share.

6 Exercised on 24 July 2013. The market price on the day of exercise was 611.5p, realising a notional gain of 224.5p per share.

7 Exercised on 25 February 2014. The market price on the day of exercise was 699p, realising a notional gain of 252p per share.

#### Beneficial interests of the Directors under the Long-Term Incentive Plan – Performance Shares

Director	Date of grant	Number of shares at 1 April 2013 <sup>1</sup>	Number of shares granted during the year <sup>2</sup>	Number of shares vesting during the year <sup>3</sup>	Number of shares lapsed during the year	Number of shares at 31 March 2014	Earliest vesting date
<b>Chris Grigg</b>	28.06.2011	173,913				173,913	28.06.2014
	14.09.2012	185,873				185,873	14.09.2015
	05.08.2013		266,222			266,222	05.08.2016
<b>Lucinda Bell</b>	11.06.2010	28,313		16,987 <sup>4</sup>	11,326		11.06.2013
	14.12.2010	4,901		2,940 <sup>5</sup>	1,961		14.12.2013
	28.06.2011	147,826				147,826	28.06.2014
	14.09.2012	138,289				138,289	14.09.2015
	05.08.2013		116,056			116,056	05.08.2016
<b>Charles Maudsley</b>	11.06.2010	190,156		114,093 <sup>4</sup>	76,063		11.06.2013
	28.06.2011	147,826				147,826	28.06.2014
	14.09.2012	157,992				157,992	14.09.2015
	05.08.2013		141,430			141,430	05.08.2016
<b>Tim Roberts</b>	11.06.2010	95,078		57,046 <sup>4</sup>	38,032		11.06.2013
	28.06.2011	73,913				73,913	28.06.2014
	14.09.2012	157,992				157,992	14.09.2015
	05.08.2013		141,430			141,430	05.08.2016

1 The numbers of shares at 1 April 2013 are the maximum achievable under the LTIP on maximum outperformance of the Plan's performance conditions.

2 On 5 August 2013, the date of grant, the market price was 596p.

3 Vesting shares and accrued dividends are included in the 2012/13 long-term incentives column of the single total figure of remuneration table on page 96.

4 These shares vested at 60% on 24 July 2013, the remaining shares lapsed. The relevant performance condition is detailed on page 98.

5 These shares vested at 60% on 17 December 2013, the remaining shares lapsed. The relevant performance condition is detailed on page 98.

## Beneficial interests of the Directors under the Matching Share Plan – MSP Matching Shares

Director	Date of grant	Number of Matching Shares at 1 April 2013 <sup>1</sup>	Number of Matching Shares granted during the year <sup>2</sup>	Number of Matching Shares vesting during the year <sup>3</sup>	Number of Matching Shares lapsed during the year	Number of Matching Shares at 31 March 2014	Earliest vesting date
Chris Grigg	02.09.2010	133,028		133,028			02.09.2013
	24.05.2011	133,222				133,222	24.05.2014
	05.09.2012	144,000				144,000	05.09.2015
	02.08.2013		127,096			127,096	02.08.2016
Lucinda Bell	24.05.2011	26,968				26,968	24.05.2014
	05.09.2012	61,332				61,332	05.09.2015
	02.08.2013		54,720			54,720	02.08.2016
Charles Maudsley	02.09.2010	7,360		7,360			02.09.2013
	24.05.2011	56,618				56,618	24.05.2014
	05.09.2012	61,332				61,332	05.09.2015
	02.08.2013		59,428			59,428	02.08.2016
Tim Roberts	02.09.2010	55,428		55,428			02.09.2013
	24.05.2011	56,618				56,618	24.05.2014
	05.09.2012	67,332				67,332	05.09.2015
	02.08.2013		59,428			59,428	02.08.2016

1 The numbers of shares at 1 April 2013 are the maximum achievable under the MSP on maximum outperformance of the Plan's performance conditions.

2 On 2 August 2013, the date of grant, the market price was 597.5p.

3 These shares vested at 100% on 6 September 2013 on satisfaction of the performance conditions. The relevant performance conditions are detailed on page 98. Vesting shares and accrued dividends are included in the 2012/13 long-term incentives column of the single total figure of remuneration table on page 96.

## Executive Directors' Minimum Shareholding Guideline

The Executive Directors' Minimum Shareholding Guideline requires approximately 200% of basic salary to be held in vested and exercised shares by the Chief Executive and 125% for other Executive Directors. There is no set timescale required to reach the target but it should be achieved through the regular additions anticipated by Matching Share Plan and Long-Term Incentive Plan vestings. No purchases are required either to reach the level or to respond to share price falls but Executive Directors are expected to increase their holding of shares each year until the target is attained. The number/value of shares required as the target is fixed once a year. Shares included are those unfettered and beneficially owned by the Director and by his or her connected persons.

Shown below are the guideline shareholdings fixed for the year to 31 March 2015.

Director	Percentage of basic salary to be held in vested shares	Guideline holding	Unfettered holding at 31 March 2014 <sup>1</sup>
Chris Grigg	200%	244,649	633,326
Lucinda Bell	125%	88,877	75,387
Charles Maudsley	125%	81,231	168,118
Tim Roberts	125%	81,231	144,864

1 In accordance with guidelines issued by the ABI, the Directors' unfettered holdings do not include MSP Bonus Shares and locked-in SIP Shares.

Although there is no guideline holding for Non-Executive Directors, they are encouraged to hold shares in British Land. The Company facilitates this by offering Non-Executive Directors the ability to purchase shares using their post-tax quarterly fees. Dido Harding, William Jackson, Lord Turnbull and Richard Pym received a proportion of their fees in the form of shares during the year.

## Chairman and Non-Executive Directors' interests in the Company's shares

Interests in fully paid ordinary shares, including shares held by connected persons.

Director	Total at 31 March 2014	Total at 1 April 2013
John Gildersleeve	5,071	5,071
Aubrey Adams	20,000	20,000
Simon Borrows	300,000	300,000
Dido Harding	11,045	8,094
William Jackson	38,988	34,144
Richard Pym	11,500 <sup>1</sup>	9,722
Tim Score	0	0 <sup>2</sup>
Lord Turnbull	16,884	14,520

1 On 5 September 2013, date of resignation.

2 On 20 March 2014, date of appointment.

## Purchases after the year-end up to one month before the AGM notice

On 14 April 2014, Lord Turnbull, Dido Harding and William Jackson were allotted 376, 542 and 1,304 shares respectively, at a price of 664.7016 pence per share, as part of their standing instructions to receive shares as satisfaction of their Directors' fees. Also on 14 April 2014, Chris Grigg purchased 20 shares and Lucinda Bell, Charles Maudsley and Tim Roberts each purchased 19 shares, all at a price of 647.4379 pence per share, under the 'Partnership' element of the Share Incentive Plan (SIP). Accordingly, Chris Grigg was awarded 40 'Matching' shares and Lucinda Bell, Charles Maudsley and Tim Roberts were each awarded 38 'Matching' shares, all at a price of 647.4379 pence per share. On 2 May 2014, Chris Grigg, Lucinda Bell, Charles Maudsley and Tim Roberts acquired 47, 127, 32, and 117 'Dividend' shares respectively under the SIP, all at a price of 689.5024 pence per share. On 2 May 2014, Lord Turnbull received 171 shares under the Company's Scrip Dividend Scheme.

## REMUNERATION IMPLEMENTATION REPORT CONTINUED...

### FURTHER DISCLOSURES REGARDING IMPLEMENTATION OF POLICY DURING THE YEAR

#### Five-year total shareholder return and Chief Executive's remuneration

The graph to the right shows the Company's total shareholder return for the five years from 1 April 2009 to 31 March 2014 against that of the FTSE Real Estate Investment Trusts (REIT) Total Return Index for the same period. The graph shows how the total return on a £100 investment in the Company, made on 1 April 2009, would have changed over the five-year period measured, compared with the total return on a £100 investment in the FTSE REIT Total Return Index. The FTSE REIT Total Return Index has been selected as a suitable comparator because it is the index in which the Company's shares are classified. The 2009 base point, required by the regulations, was close to the bottom of the property cycle. Our share price had not fallen as much at that time as the average share price of the FTSE REITs Sector, thereby setting a higher base point for subsequent growth. The table below details the total remuneration of the person undertaking the role of Chief Executive over the same period, calculated on the same basis as the single total figure of remuneration table, and the annual incentive pay-outs and long-term incentive vesting rates as a percentage of the maximum opportunity.

### TOTAL SHAREHOLDER RETURN

Rebased to 100, April 2009



Source: Aon Hewitt

Chris Grigg was appointed as Chief Executive of the Company in January 2009. The rules of the LTIP and MSP schemes stipulate that awards are subject to three-year performance periods before vesting. Hence, none of Chris Grigg's LTIP and MSP Matching Share awards were eligible to vest in 2009/10 or 2010/11.

	2009/10	2010/11	2011/12	2012/13	2013/14
<b>Chief Executive</b>	Chris Grigg	Chris Grigg	Chris Grigg	Chris Grigg	<b>Chris Grigg</b>
<b>Chief Executive's single total figure of remuneration (£)</b>	2,082,180	2,329,047	5,352,840	4,810,031	<b>4,925,926</b>
<b>Annual Incentive payout against maximum opportunity (%)</b>	67	83	75	75	<b>90</b>
<b>Long-Term Incentives vesting rate against maximum opportunity (%)</b>	n/a	n/a	99	63	<b>97</b>

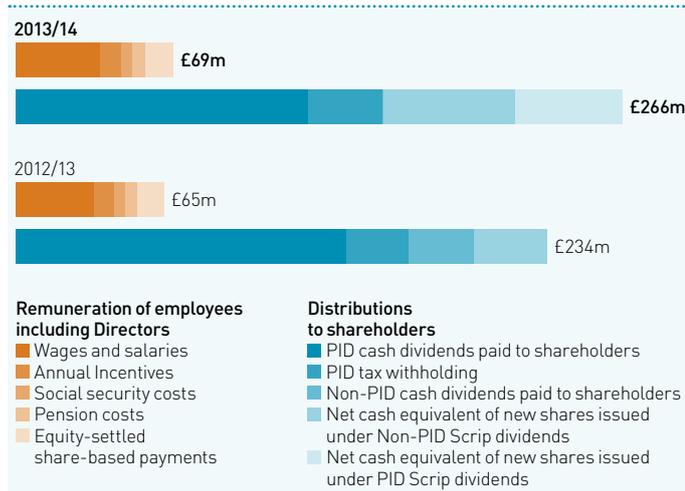
#### Chief Executive's remuneration compared to remuneration of British Land employees

The below table shows the percentage changes in different elements of the Chief Executive's remuneration, relative to the previous financial year, and the average percentage changes in these elements of remuneration for British Land employees.

Remuneration element	Value of Chief Executive remuneration element 2013/14 £	Value of Chief Executive remuneration element 2012/13 £	% Change in Chief Executive remuneration element %	Average % change in remuneration element of British Land employees %
<b>Salary</b>	800,000	800,000	0	3.66
<b>Taxable benefits</b>	20,253	19,802	2.28	8.02
<b>Annual Incentive</b>	1,080,000	1,080,000	0	5.75

### Relative importance of spend on pay

The graph below shows the amount the Company spent on the remuneration of all employees (including Executive Directors), relative to the amount spent on distributions to shareholders, including ordinary and scrip dividends, during the financial year. The split between Property Income Distributions (PID) and non-Property Income Distributions (non-PID) is shown. Equivalent amounts are provided for the previous financial year, for comparison.



### Executive Directors' external appointments

Executive Directors may take up one non-executive directorship at another FTSE 100 Company, subject to British Land Board approval. Chris Grigg was appointed a Non-Executive Director of BAE Systems plc on 1 July 2013. During the year to 31 March 2014, Chris Grigg received a fee of £56,250 from BAE Systems plc, which he retained in full.

### Statement of voting at Annual General Meeting

The table below details the results of the shareholder votes on resolutions relating to remuneration at the 2013 AGM. The Committee was pleased to note the high levels of shareholder support for both the 2013 Remuneration Report and the introduction of the new Long-Term Incentive Plan.

Resolutions at 2013 AGM	Votes for	% for	Votes against	% against	Total votes cast	Votes withheld
Approval of Directors' Remuneration Report	678,005,079	98.87	7,752,198	1.13	685,757,277	2,643,404
Adoption of new Long-Term Incentive Plan	654,652,842	96.39	24,507,477	3.61	679,160,319	9,240,362

### Consideration by the Directors of matters relating to Directors' remuneration

Throughout the year the Remuneration Committee was chaired by Lord Turnbull. Dido Harding and William Jackson were members of the Committee during the year. The following persons assisted the Committee during the year: Chris Grigg (Chief Executive), Joff Sharpe (Human Resources Director), Tony Braine (Group Secretary) and Alan Judes.

The Committee appointed Alan Judes, of Strategic Remuneration, as its independent advisor for the year. He also gave advice to the Company on personnel and share plan matters. The Committee is satisfied there is no conflict in him providing such services to the Company. Strategic Remuneration is a member of the Remuneration Consultants Group and adheres to the Remuneration Consultants Group's Code of Conduct. Strategic Remuneration was appointed by the Chairman of the Remuneration Committee following a competitive tender process. The Committee assesses the advice given by Strategic Remuneration to satisfy itself that the advice received is objective and independent. Alan Judes has a private meeting with the Chairman of the Remuneration Committee once a year in accordance with the Code of Conduct of the Remuneration Consultants Group. Fees charged by Strategic Remuneration for the year amounted to £118,200 excluding VAT (£124,400 excluding VAT for 2012/13) and are charged on a time basis.

This Report was approved by the Board on 13 May 2014.

**Lord Turnbull**

Chairman of the Remuneration Committee

# ADDITIONAL DISCLOSURES

## REAPPOINTMENT OF DIRECTORS

The Directors listed on the Board of Directors pages (66 and 67) constituted the Board during the year, save that Richard Pym resigned from the Board on 5 September 2013 and Tim Score was appointed as a Non-Executive Director on 20 March 2014. In accordance with best practice under the UK Corporate Governance Code 2012, Tim Score will offer himself for election by shareholders at the AGM and all the other Directors will retire at the AGM and will offer themselves for annual re-election.

## PURCHASE OF OWN SHARES

The Company was granted authority at the AGM in 2013 to purchase its own shares up to a total aggregate value of 10% of the issued nominal capital. That authority expires at this year's AGM and a resolution will be proposed for its renewal. During the year the Company made no purchases of its own shares.

## SHARE CAPITAL

The Company has one class of ordinary share and all shares rank equally and are fully paid (25p each). There are neither restrictions on the transfer of shares nor on the size of a holding. There are no significant agreements to which the Company is party that take effect, alter or terminate upon a change of control of the Company.

The issued share capital has been increased during the year by fully paid issues as follows:

		Number of ordinary shares of 25p
9 April 2013 to 10 January 2014	Shares in lieu of Directors' fees	11,302
18 April 2013 to 26 March 2014	On exercise of options under the Long-Term Incentive Plan (LTIP)	2,592,250
13 June 2013 to 4 February 2014	On vesting of shares under the Long-Term Incentive Plan (LTIP)	494,836
30 May 2013 to 13 September 2013	On vesting of shares under the Fund Managers' Performance Plan	612,743
2 April 2013 to 3 March 2014	On exercise of options under the Sharesave Scheme	53,067
10 May 2013 to 14 February 2014	Scrip dividend allotment	17,885,985
23 August 2013	Share Incentive Plan Free Share Award allotment	168,156
9 September 2013	On vesting of Matching Shares under the Matching Share Plan (MSP)	256,654

## PAYMENTS POLICY

We recognise the importance of good supplier relationships to the overall success of our business. We manage dealings with suppliers in a fair, consistent and transparent manner and have signed up to the UK Government's Prompt Payment Code. At the year-end there were 32 (2012/13: 29) suppliers' days outstanding.

## EVENTS AFTER THE BALANCE SHEET DATE

There were no reportable events after the balance sheet date.

## DIRECTORS' INTERESTS IN CONTRACTS

No contract existed during the year in relation to the Company's business in which any Director was materially interested.

## DIRECTORS' LIABILITY INSURANCE AND INDEMNITY

The Company has arranged insurance cover in respect of legal action against its Directors. To the extent permitted by UK law, the Company also indemnifies the Directors.

## SUBSTANTIAL INTERESTS

As at 13 May 2014, the Company had been notified of the following major interests in its issued ordinary share capital.

	Number of shares	% of issued capital
Norges Bank	62,598,618	6.19
Blackrock, Inc.	52,861,598	5.23
APG Algemene Pensioen Groep NV	44,622,274	4.41
Government of Singapore Investment Corporation Pte Ltd	39,473,304	3.90

## AUDITOR

The external audit for the financial year ending March 2015 was tendered during the year, as detailed on page 75. Having not been invited to tender, Deloitte LLP intends to resign as the Company's auditor following completion of the audit of this Annual Report and Accounts. Following the tender, and on the recommendation of the Audit Committee, the Board intends to appoint PricewaterhouseCoopers LLP to fill the casual vacancy created on Deloitte's resignation. The Audit Committee have recommended resolutions to appoint PricewaterhouseCoopers as the Company's auditor and to authorise the Directors to agree the auditor's remuneration at the 2014 Annual General Meeting.

## DISCLOSURE OF INFORMATION TO AUDITOR

Each of the persons who is a Director at the date of approval of this Report confirms that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the Director has taken all the steps that he/she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

## ANNUAL GENERAL MEETING

The AGM of The British Land Company PLC will be held at The Ocean Room, The Cumberland Hotel, Great Cumberland Place, London W1H 7DL on Friday 18 July 2014, at 11.00 am.

This Report was approved by the Board on 13 May 2014.



**Anthony Braine**

Group Secretary  
13 May 2014

# FINANCIAL STATEMENTS AND OTHER INFORMATION

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# DIRECTORS' RESPONSIBILITY STATEMENT

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors are required to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Article 4 of the IAS Regulation and have elected to prepare the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under Company law the Directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing the parent company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

In preparing the Group financial statements, International Accounting Standard 1 requires that Directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## RESPONSIBILITY STATEMENT

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole;
- the Strategic Report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- the Annual Report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's performance, business model and strategy.

The process for preparing, reviewing and approving the Annual Report and financial statements is set out in the Governance Review on page 71.

By order of the Board.



**Lucinda Bell**  
Finance Director  
13 May 2014

# REPORT OF THE AUDITOR

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE BRITISH LAND COMPANY PLC

### Opinion on financial statements of The British Land Company PLC

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 March 2014 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006, as regards the Group financial statements, Article 4 of the IAS Regulation.

The financial statements comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated and Company Balance Sheets, the Consolidated Statement of Changes in Equity, the Consolidated Cash Flow Statement and the related notes 1 to 27 for the Consolidated Financial Statements and the related notes A to K for the parent company financial statements.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and IFRSs as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

### Going concern

As required by the Listing Rules we have reviewed the Directors' statement contained on page 110 that the Group is a going concern. We confirm that:

- we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate; and
- we have not identified any material uncertainties that may cast significant doubt on the Group's ability to continue as a going concern.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's ability to continue as a going concern.

### Our assessment of risks of material misstatement

The assessed risks of material misstatement described below are those that had the greatest effect on our audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team:

Risk	How the scope of our audit responded to the risk
<p><b>Valuation of investment property</b></p> <p>The valuation of the Group's investment properties involves significant judgements made by management using the advice of the external valuers, particularly those around current market conditions and development property milestones.</p> <p>The valuation exercise also relies on the accuracy of the underlying lease and financial information provided to the valuers by management.</p>	<ul style="list-style-type: none"> <li>We tested the key controls implemented by management to review and challenge the work of the external valuers: Knight Frank and CBRE.</li> <li>We met with Knight Frank and CBRE to challenge the valuation process, the performance of the portfolio and the significant assumptions and critical judgement areas, including future lease income and yields and development appraisals.</li> <li>We reviewed the yield assumptions used by Knight Frank and CBRE in performing their valuations to assess their reasonableness in comparison to relevant market evidence, benchmarking the yields against specific property sales, comparables and other external data.</li> <li>We assessed the competence, independence and integrity of Knight Frank and CBRE.</li> <li>We performed audit procedures to test the key controls in place and the integrity of the information provided to Knight Frank and CBRE, including agreement on a sample basis back to underlying leases.</li> </ul> <p>Please see note 11 of the Financial Statements.</p>
<p><b>Accounting for complex property transactions</b></p> <p>The sale and purchase agreements for property acquisitions and disposals may have complexity such as deferred consideration arrangements, rental top-up payments or joint venture contractual obligations, which require judgement from management to consider the correct application of the relevant accounting standards.</p>	<ul style="list-style-type: none"> <li>We challenged management's judgements by reviewing the sale and purchase agreements and other related documents and by assessing each transaction against the recognition, measurement and classification criteria per the Group's accounting policies and the applicable IFRSs.</li> <li>We tested the accuracy and completeness of the disclosure of the transactions in the financial statements.</li> </ul>

The Audit Committee's consideration of these risks is set out on page 77.

Our audit procedures relating to these matters were designed in the context of our audit of the financial statements as a whole, and not to express an opinion on individual accounts or disclosures. Our opinion on the financial statements is not modified with respect to any of the risks described above, and we do not express an opinion on these individual matters.

## REPORT OF THE AUDITOR CONTINUED...

### Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

We determined materiality for the Group to be £55m, which is below 1% of shareholders' equity.

In addition to shareholders' equity we recognise that underlying profit before tax is an important measure in the Group's income statement. In order to suitably plan and evaluate our work for items affecting this measure we have applied a lower threshold which equates to 6.7% of underlying profit before tax.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £1 million, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

### An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including Group-wide control, and assessing the risks of material misstatement at the Group level. Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team with the exception of three significant components, where full audit procedures were performed by other Deloitte UK offices. Full audit procedures have been performed on components representing 88% of the Group net assets.

As Group auditors we also included the component audit partners and teams in our team briefings, discussed their risk assessment, and also reviewed documentation of the findings from their work.

At the parent entity level we also tested the consolidation process and carried out analytical procedures to confirm our conclusion that there were no significant risks of material misstatement of the aggregated financial information of the remaining components not subject to audit or audit of specified account balances.

Opinion on other matters prescribed by the Companies Act 2006  
In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

### MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

#### Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

#### Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of Directors' remuneration have not been made or the part of the Directors' Remuneration Report to be audited is not in agreement with the accounting records and returns. We have nothing to report arising from these matters.

#### Corporate Governance Statement

Under the Listing Rules we are also required to review the part of the Corporate Governance Statement relating to the Company's compliance with nine provisions of the UK Corporate Governance Code. We have nothing to report arising from our review.

#### Our duty to read other information in the Annual Report

Under International Standards on Auditing (UK and Ireland), we are required to report to you if, in our opinion, information in the Annual Report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or
- otherwise misleading.

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the Directors' statement that they consider the Annual Report is fair, balanced and understandable and whether the Annual Report appropriately discloses those matters that we communicated to the Audit Committee which we consider should have been disclosed. We confirm that we have not identified any such inconsistencies or misleading statements.

### Respective responsibilities of Directors and Auditor

As explained more fully in the Directors' Responsibilities Statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors. We also comply with International Standard on Quality Control 1 (UK and Ireland). Our audit methodology and tools aim to ensure that our quality control procedures are effective, understood and applied. Our quality controls and systems include our dedicated professional standards review team, strategically focused second partner reviews and independent partner reviews.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an Auditor's Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this Report, or for the opinions we have formed.

### Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.



### Richard Muschamp (Senior statutory auditor) for and on behalf of Deloitte LLP

Chartered Accountants and Statutory Auditor  
London, United Kingdom

13 May 2014

# CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2014

	Note	2014			2013		
		Underlying pre-tax <sup>1</sup> £m	Capital and other £m	Total £m	Underlying pre-tax <sup>1</sup> £m	Capital and other £m	Total £m
<b>Gross rental and related income</b>	3	<b>384</b>	–	<b>384</b>	329	–	329
<b>Net rental and related income</b>	3	<b>313</b>	–	<b>313</b>	281	–	281
Fees and other income	4	15	–	15	15	–	15
Joint ventures and funds (see also below)		124	253	377	130	(63)	67
Administrative expenses		(72)	–	(72)	(72)	–	(72)
Net valuation movement (includes result on disposals)	6	–	615	615	–	88	88
Financing costs – financing income	7	9	3	12	21	2	23
– financing charges	7	(90)	(60)	(150)	(101)	(41)	(142)
		(81)	(57)	(138)	(80)	(39)	(119)
<b>Profit (loss) on ordinary activities before taxation</b>		<b>299</b>	<b>811</b>	<b>1,110</b>	274	(14)	260
Taxation – current tax income	8		3	3		8	8
– deferred tax income	8		3	3		16	16
			6	6		24	24
<b>Profit for the year after taxation</b>				<b>1,116</b>			284
Attributable to non-controlling interests		2	8	10	–	–	–
<b>Attributable to shareholders of the Company</b>		<b>297</b>	<b>809</b>	<b>1,106</b>	274	10	284
Earnings per share – basic	2			<b>110.7p</b>			31.7p
– diluted	2			<b>110.2p</b>			31.5p

1 As defined in note 2.

All results derive from continuing operations.

	Note	2014			2013		
		Underlying pre-tax <sup>1</sup> £m	Capital and other £m	Total £m	Underlying pre-tax <sup>1</sup> £m	Capital and other £m	Total £m
<b>Share of results of joint ventures and funds</b>							
Underlying profit before taxation		124	–	124	130	–	130
Net valuation movement (includes result on disposals)		–	258	258	–	(62)	(62)
Non-recurring items		–	–	–	–	(4)	(4)
Current tax income (expense)		–	(5)	(5)	–	2	2
Deferred tax income		–	–	–	–	1	1
	12	<b>124</b>	<b>253</b>	<b>377</b>	130	(63)	67

1 As defined in note 2.

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2014

	2014 £m	2013 £m
Profit for the year after taxation	1,116	284
<b>Other comprehensive income:</b>		
<b>Items that will not be reclassified subsequently to profit or loss:</b>		
Net actuarial loss on pension scheme	(2)	(2)
	(2)	(2)
<b>Items that may be reclassified subsequently to profit or loss:</b>		
Gains (losses) on cash flow hedges		
– Group	14	(16)
– Joint ventures and funds	48	(6)
	62	(22)
Transferred to the income statement (cash flow hedges)		
– Foreign currency derivatives	8	(5)
– Interest rate derivatives	15	26
	23	21
Exchange differences on translation of foreign operations		
– Hedging and translation	2	(4)
– Other	1	6
	3	2
Deferred tax taken to equity	5	–
	5	–
<b>Other comprehensive profit (loss) for the year</b>	<b>91</b>	<b>(1)</b>
<b>Total comprehensive income for the year attributable to shareholders of the Company</b>	<b>1,207</b>	<b>283</b>
Attributable to non-controlling interests	10	–
<b>Attributable to shareholders of the Company</b>	<b>1,197</b>	<b>283</b>

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# CONSOLIDATED BALANCE SHEET

At 31 March 2014

	Note	2014 £m	2013 £m
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investment and development properties	11	7,272	5,488
Owner-occupied property	11	47	42
		<b>7,319</b>	<b>5,530</b>
<b>Other non-current assets</b>			
Investments in joint ventures and funds	12	2,712	2,336
Other investments	13	262	76
Interest rate derivative assets	18	32	92
		<b>10,325</b>	<b>8,034</b>
<b>Current assets</b>			
Trading properties	11	271	40
Debtors	14	41	60
Cash and short-term deposits	18	142	135
		<b>454</b>	<b>235</b>
<b>Total assets</b>		<b>10,779</b>	<b>8,269</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Short-term borrowings and overdrafts	18	(495)	(44)
Creditors	15	(263)	(259)
Corporation tax		(8)	(17)
		<b>(766)</b>	<b>(320)</b>
<b>Non-current liabilities</b>			
Debentures and loans	18	(2,803)	(2,134)
Other non-current liabilities	16	(32)	(26)
Deferred tax liabilities	17	(4)	(16)
Interest rate derivative liabilities	18	(57)	(86)
		<b>(2,896)</b>	<b>(2,262)</b>
<b>Total liabilities</b>		<b>(3,662)</b>	<b>(2,582)</b>
<b>Net assets</b>		<b>7,117</b>	<b>5,687</b>
<b>Equity</b>			
Share capital	22	255	249
Share premium		1,257	1,242
Merger reserve		213	213
Other reserves		(70)	(163)
Retained earnings		5,091	4,146
<b>Equity attributable to shareholders of the Company</b>		<b>6,746</b>	<b>5,687</b>
Non-controlling interests		371	-
<b>Total equity</b>		<b>7,117</b>	<b>5,687</b>
<b>EPRA NAV per share<sup>1</sup></b>	2	<b>688p</b>	596p

1 As defined in note 2.

**John Gildersleeve**  
Chairman

**Lucinda Bell**  
Finance Director

Approved by the Board and authorised for issue on 13 May 2014.

Company number 621920

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2014

	Note	2014 £m	2013 £m
Rental income received from tenants		312	266
Fees and other income received		19	19
Operating expenses paid to suppliers and employees		(88)	(88)
<b>Cash generated from operations</b>		<b>243</b>	<b>197</b>
Interest paid		(116)	(113)
Interest received		29	31
UK corporation tax received		-	1
Distributions and other receivables from joint ventures and funds		63	74
<b>Net cash inflow from operating activities</b>		<b>219</b>	<b>190</b>
<b>Cash flows from investing activities</b>			
Development and other capital expenditure		(175)	(230)
Purchase of investment properties		(569)	(442)
Sale of investment properties		352	699
Purchase of investments		(84)	-
Sale of investments		8	2
Deferred consideration received		5	18
Acquisition of Hercules Unit Trust	21	(145)	-
Cash acquired on acquisition of subsidiary	21	18	-
Purchase of joint ventures and funds		(113)	-
Sale of joint ventures and funds		179	-
Investment in and loans to joint ventures and funds		(162)	(318)
Capital distributions and loan repayments from joint ventures and funds		28	72
Indirect taxes (paid) received in respect of investing activities		(2)	(3)
<b>Net cash outflow from investing activities</b>		<b>(660)</b>	<b>(202)</b>
<b>Cash flows from financing activities</b>			
Issue of ordinary shares		11	493
Dividends paid	20	(159)	(203)
Closeout of interest rate derivative		(16)	4
Movement in other financial liabilities		(8)	2
Disposal of liquid investments	18	-	210
Decrease in bank and other borrowings		(49)	(889)
Drawdowns on bank and other borrowings		669	-
Proceeds on convertible bond issue		-	393
<b>Net cash inflow from financing activities</b>		<b>448</b>	<b>10</b>
Net increase (decrease) in cash and cash equivalents		7	(2)
Cash and cash equivalents at 1 April		135	137
<b>Cash and cash equivalents at 31 March</b>		<b>142</b>	<b>135</b>
<b>Cash and cash equivalents consists of:</b>			
Cash and short-term deposits	18	142	135

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# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2014

	Share capital <sup>1</sup> £m	Share premium £m	Hedging and translation reserve <sup>1,2</sup> £m	Revaluation reserve <sup>1</sup> £m	Merger reserve <sup>1</sup> £m	Retained earnings £m	Total £m	Non-controlling interest £m	Total equity £m
<b>Balance at 1 April 2013</b>	<b>249</b>	<b>1,242</b>	<b>(71)</b>	<b>(92)</b>	<b>213</b>	<b>4,146</b>	<b>5,687</b>	<b>-</b>	<b>5,687</b>
Profit for the year after taxation	-	-	-	-	-	1,106	1,106	10	1,116
Losses on cash flow hedges	-	-	14	-	-	-	14	-	14
Revaluation through statement of changes in equity	-	-	-	-	-	1	1	-	1
Joint ventures and funds revaluations	-	-	-	48	-	-	48	-	48
Reclassification of gains (losses) on cash flow hedges									
- Foreign currency derivatives	-	-	8	-	-	-	8	-	8
- Interest rate derivatives	-	-	15	-	-	-	15	-	15
Exchange differences on translation of foreign operations	-	-	2	1	-	(1)	2	-	2
Net actuarial loss on pension schemes	-	-	-	-	-	(2)	(2)	-	(2)
Deferred tax taken to equity	-	-	-	5	-	-	5	-	5
Other comprehensive income (loss)	-	-	39	54	-	(2)	91	-	91
Total comprehensive income for the year	-	-	39	54	-	1,104	1,197	10	1,207
Share issues	6	15	-	-	-	(8)	13	-	13
Non-controlling interest on acquisition of subsidiary	-	-	-	-	-	-	-	374	374
Purchase of units from non-controlling interest	-	-	-	-	-	-	-	(13)	(13)
Adjustment for share and share option awards	-	-	-	-	-	10	10	-	10
Dividends payable in year (26.7p per share)	-	-	-	-	-	(266)	(266)	-	(266)
Transfer	-	-	-	-	-	-	-	-	-
Adjustment for scrip dividend element	-	-	-	-	-	105	105	-	105
<b>Balance at 31 March 2014</b>	<b>255</b>	<b>1,257</b>	<b>(32)</b>	<b>(38)</b>	<b>213</b>	<b>5,091</b>	<b>6,746</b>	<b>371</b>	<b>7,117</b>
<b>Balance at 1 April 2012</b>	<b>225</b>	<b>1,237</b>	<b>(72)</b>	<b>(92)</b>	<b>-</b>	<b>3,806</b>	<b>5,104</b>	<b>-</b>	<b>5,104</b>
Profit for the year after taxation	-	-	-	-	-	284	284	-	284
Losses on cash flow hedges	-	-	(16)	-	-	-	(16)	-	(16)
Joint ventures and funds revaluations	-	-	-	(6)	-	-	(6)	-	(6)
Reclassification of gains (losses) on cash flow hedges									
- Foreign currency derivatives	-	-	(5)	-	-	-	(5)	-	(5)
- Interest rate derivatives	-	-	26	-	-	-	26	-	26
Exchange differences on translation of foreign operations	-	-	(4)	6	-	-	2	-	2
Net actuarial loss on pension schemes	-	-	-	-	-	(2)	(2)	-	(2)
Other comprehensive income (loss)	-	-	1	-	-	(2)	(1)	-	(1)
Total comprehensive income for the year	-	-	1	-	-	282	283	-	283
Share issues	24	5	-	-	464	-	493	-	493
Adjustment for share and share option awards	-	-	-	-	-	9	9	-	9
Dividends payable in year (26.3p per share)	-	-	-	-	-	(234)	(234)	-	(234)
Transfer	-	-	-	-	(251)	251	-	-	-
Adjustment for scrip dividend element	-	-	-	-	-	32	32	-	32
<b>Balance at 31 March 2013</b>	<b>249</b>	<b>1,242</b>	<b>(71)</b>	<b>(92)</b>	<b>213</b>	<b>4,146</b>	<b>5,687</b>	<b>-</b>	<b>5,687</b>

1 Refer to note 22.

2 The balance at the beginning of the period includes £2m relating to translation and (£73m) relating to hedging.

# NOTES TO THE ACCOUNTS

## 1 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

The financial statements for the year ended 31 March 2014 have been prepared on the historical cost basis, except for the revaluation of properties, investments and derivatives. The financial statements have also been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and therefore comply with Article 4 of the EU IAS Regulation.

In the current financial year the Group has adopted the amendments to IAS 1 'Presentation of Items of Other Comprehensive Income', IFRS 13 'Fair Value Measurement' and IAS 19 (revised) 'Employee Benefits'.

- The amendments to IAS 1 require items of other comprehensive income to be grouped by those items that will be reclassified subsequently to profit or loss and those that will be never be reclassified, as well as their associated income tax. The amendments have been applied retrospectively and hence the presentation of items of comprehensive income has been regrouped accordingly.
- IFRS 13 impacts the disclosure of investment and owner-occupied properties, as set out in note 11.
- IAS 19 (revised) and the related consequential amendments have impacted the accounting for the Group's defined benefit pension scheme, by replacing the interest cost and expected return on plan assets with a net interest charge on the net defined benefit liability. The impact of adopting IAS 19 (revised) is not considered material.

Otherwise the accounting policies used are consistent with those contained in the Group's last Annual Report and Accounts for the year ended 31 March 2013.

Standards and interpretations issued but not effective for the current accounting period were:

- IFRS 9 – Financial Instruments;
- IAS 32 (amended) – Financial Instruments: Presentation;
- IFRS 10 – Consolidated Financial Statements;
- IFRS 11 – Joint Arrangements;
- IFRS 12 – Disclosure of Interests in Other Entities;
- IAS 12 (amended) – Deferred Tax: recovery of underlying assets;
- IAS 27 (revised) – Separate Financial Statements;
- IAS 28 (revised) – Investments in Associates and Joint Ventures; and
- IAS 36 – Recoverable Amount Disclosures for Non-Financial Assets.

The Directors do not expect that the adoption of the standards listed above will have a material impact on the financial statements of the Group in future periods except as follows:

- IFRS 9 will impact both the measurement and disclosures of financial instruments and is effective for the Group's year ending 31 March 2018. The Group has not yet completed its evaluation of the effect of adoption.

Critical accounting judgements are disclosed in the relevant section of the Annual Report, see page 55. The key source of estimation and uncertainty relates to the valuation of the property portfolio and investments, where an external valuation is obtained. In accounting for net rental income, the Group is required to judge the recoverability of any income accrued and provides against the credit risk on these amounts.

Other less significant assumptions include the actuarial assumptions used in calculating the Group's retirement benefit obligations, the valuation of fixed rate debt and interest rate derivatives, and the share-based payment expense. The potential for management to make judgements or estimates relating to those items which would have a significant impact on the financial statements is considered, by the nature of the Group's business, to be limited.

### GOING CONCERN

The financial statements are prepared on a going concern basis as explained in the Corporate Governance section on page 72.

### SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES (INCLUDING FUNDS)

The consolidated accounts include the accounts of The British Land Company PLC and all subsidiaries (entities controlled by British Land). Control is assumed where British Land has the power to govern the financial and operating policies of an investee entity so as to gain benefits from its activities.

The results of subsidiaries, joint ventures or associates acquired or disposed of during the year are included from the effective date of acquisition or to the effective date of disposal. Accounting practices of subsidiaries, joint ventures or associates which differ from Group accounting policies are adjusted on consolidation.

Business combinations are accounted for under the acquisition method. Any excess of the purchase price of business combinations over the fair value of the assets, liabilities and contingent liabilities acquired and resulting deferred tax thereon is recognised as goodwill. Any discount received is credited to the income statement in the period of acquisition.

All intra-Group transactions, balances, income and expenses are eliminated on consolidation.

Joint ventures and associates, including funds, are accounted for under the equity method, whereby the consolidated balance sheet incorporates the Group's share (investor's share) of the net assets of its joint ventures and associates. The consolidated income statement incorporates the Group's share of joint venture and associate profits after tax upon elimination of upstream and downstream transactions. Their profits include revaluation movements on investment properties. Interest income, management fees and performance fees are proportionately eliminated.

### PROPERTIES

Properties are externally valued on the basis of fair value at the balance sheet date. Investment and owner-occupied properties are recorded at valuation whereas trading properties are stated at the lower of cost and net realisable value.

Any surplus or deficit arising on revaluing investment properties is recognised in the income statement.

Any surplus arising on revaluing owner-occupied properties above cost is recognised in equity, and any deficit arising in revaluation below cost for owner-occupied and trading properties is recognised in the income statement.

The cost of properties in the course of development includes attributable interest and other associated outgoings. Interest is calculated on the development expenditure by reference to specific borrowings where relevant and otherwise on the average rate applicable to short-term loans. Interest is not capitalised where no development activity is taking place. A property ceases to be treated as a development property on practical completion.

# NOTES TO THE ACCOUNTS

## CONTINUED...

### 1 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *continued*

#### PROPERTIES *continued*

Disposals are recognised on completion: profits and losses arising are recognised through the income statement, the profit on disposal is determined as the difference between the sales proceeds and the carrying amount of the asset at the commencement of the accounting period plus capital expenditure in the period.

Where properties held for investment are appropriated to trading stock, they are transferred at market value. If properties held for trading are appropriated to investment, they are transferred at book value.

In determining whether leases and related properties represent operating or finance leases, consideration is given to whether the tenant or landlord bears the risks and rewards of ownership.

#### FINANCIAL ASSETS AND LIABILITIES

Trade debtors and creditors are initially recognised at fair value and subsequently measured at amortised cost and discounted as appropriate.

Other investments include loans and receivables held at amortised cost and investments held for trading classified as fair value through profit or loss. Amortised cost of loans and receivables is measured using the effective interest method, less any impairment. Interest is recognised by applying the effective interest rate. Investments held for trading are initially recorded at fair value and are subsequently externally valued on the same basis at the balance sheet date. Any surplus or deficit arising on revaluing investments held for trading is recognised in the income statement.

Where an investment property is held under a head lease, the head lease is initially recognised as an asset as the sum of the premium paid on acquisition and the present value of minimum ground rent payments. The corresponding rent liability to the head leaseholder is included in the balance sheet as a finance lease obligation.

Debt instruments are stated at their net proceeds on issue. Finance charges including premiums payable on settlement or redemption and direct issue costs are spread over the period to redemption, using the effective interest method.

Convertible bonds are designated as fair value through profit or loss and so are presented on the balance sheet at fair value with all gains and losses, including the write-off of issuance costs, recognised in the income statement within the capital and other component of net financing costs. The interest charge in respect of the coupon rate on the bonds has been recognised within the underlying component of net financing costs on an accruals basis.

As defined by IAS 39, cash flow and fair value hedges are carried at fair value in the balance sheet. Changes in the fair value of derivatives that are designated and qualify as effective cash flow hedges are recognised directly in the hedging reserve. Changes in the fair value of derivatives that are designated and qualify as effective fair value hedges are recorded in the income statement, along with any changes in the fair value of the hedged item that is attributable to the hedged risk. Any ineffective portion of all derivatives is recognised in the income statement.

Cash equivalents are limited to instruments with a maturity of less than three months.

#### NET RENTAL INCOME

Rental income is recognised on an accruals basis. A rent adjustment based on open market estimated rental value is recognised from the rent review date in relation to unsettled rent reviews. Where a rent-free period is included in a lease, the rental income foregone is allocated evenly over the period from the date of lease commencement to the earliest termination date.

Rental income from fixed and minimum guaranteed rent reviews is recognised on a straight-line basis over the shorter of the entire lease term or the period to the first break option. Where such rental income is recognised ahead of the related cash flow, an adjustment is made to ensure that the carrying value of the related property including the accrued rent does not exceed the external valuation. Initial direct costs incurred in negotiating and arranging a new lease are amortised on a straight-line basis over the period from the date of lease commencement to the earliest termination date.

Where a lease incentive payment, including surrender premia paid, does not enhance the value of a property, it is amortised on a straight-line basis over the period from the date of lease commencement to the earliest termination date. Upon receipt of a surrender premium for the early determination of a lease, the profit, net of dilapidations and non-recoverable outgoings relating to the lease concerned, is immediately reflected in income.

#### MANAGEMENT AND PERFORMANCE FEES

Management and performance fees receivable are recognised in the period to which they relate. Performance fees are recognised at the end of the performance period when the fee amount can be estimated reliably and it is virtually certain that the fee will be received. Management and performance fees receivable from joint ventures and funds are proportionately eliminated. Performance fees are discounted for any element subject to subsequent clawback, on a case-by-case basis.

#### TAXATION

Current tax is based on taxable profit for the year and is calculated using tax rates that have been enacted or substantively enacted. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are not taxable (or tax deductible).

Deferred tax is provided on items that may become taxable at a later date, on the difference between the balance sheet value and tax base value, on an undiscounted basis. On business combinations, the deferred tax effect of fair value adjustments is incorporated in the consolidated balance sheet.

#### EMPLOYEE COSTS

The fair value of equity-settled share-based payments to employees is determined at the date of grant and is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares or options that will eventually vest. In the case of options granted, fair value is measured by a Black-Scholes pricing model. Compensation linked to performance fees accrued by the Group is amortised over the vesting period.

## 1 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *continued*

### EMPLOYEE COSTS *continued*

Defined benefit pension scheme assets are measured using fair values; pension scheme liabilities are measured using the projected unit credit method and discounted at the rate of return of a high-quality corporate bond of equivalent term to the scheme liabilities. The net surplus (where recoverable by the Group) or deficit is recognised in full in the consolidated balance sheet. Any asset resulting from the calculation is limited to past service costs plus the present value of available refunds and reductions in future contributions to the plan.

The current service cost and gains and losses on settlement and curtailments are charged to operating profit. Past service costs are recognised in the income statement if the benefits have vested or, if they have not vested, are amortised on a straight-line basis over the period until vesting occurs. Actuarial gains and losses are recognised in full in the period in which they occur and are presented in the consolidated statement of comprehensive income.

Contributions to the Group's defined contribution schemes are expensed on the basis of the contracted annual contribution.

## 2 PERFORMANCE MEASURES

	2014		2013	
	Earnings £m	Pence per share	Earnings £m	Pence per share
<b>Earnings per share (diluted unless otherwise stated)</b>				
Underlying pre-tax profit attributable to shareholders of the Company – income statement	297	–	274	–
Tax charge relating to underlying profit	(2)	–	(1)	–
<b>Underlying earnings</b>	<b>295</b>	<b>29.4</b>	273	30.3
Mark-to-market on/profit on disposal of liquid investments (held for trading assets)	–	–	9	–
Mark-to-market adjustment on convertible bond	–	–	(7)	–
Non-recurring items <sup>1</sup>	–	–	(7)	–
<b>EPRA earnings – diluted</b>	<b>295</b>	<b>29.4</b>	268	29.7
Remove dilution of share options		0.1		0.2
EPRA earnings – basic		29.5		29.9
<b>Profit for the year after taxation</b>	<b>1,106</b>	<b>110.2</b>	284	31.5

1 Non-recurring items for the year ended 31 March 2013 of £7m relate to issue costs of the convertible bond.

The European Public Real Estate Association (EPRA) has issued Best Practices Recommendations, the latest update of which was issued in January 2014, which give guidelines for performance measures. **EPRA earnings** is the profit after tax excluding investment and development property revaluations and gains or losses on disposals, changes in the fair value of financial instruments and associated close-out costs and their related taxation. A summary of the EPRA Performance Measures is provided in Table B within the Supplementary Disclosures, see page 161.

**Underlying earnings** consists of the EPRA earnings (diluted) measure, with additional Company adjustments. Adjustments include mark-to-market adjustments on held-for-trading assets.

The weighted average number of shares in issue for the year was: basic: 999m (2012/13: 895m); diluted for the effect of share options: 1,004m (2012/13: 901m). Basic undiluted earnings per share for the year, calculated using profit for the year after taxation of £1,106m (2012/13: £284m), was 110.7p (2012/13: 31.7p). Earnings per share shown in the table above are diluted.

	31 March 2014 £m	31 March 2013 £m
<b>Net asset value (NAV) (diluted)</b>		
<b>Balance sheet net assets</b>	<b>7,117</b>	5,687
Less non-controlling interests	(371)	–
Deferred tax arising on revaluation movements	6	14
Mark-to-market on effective cash flow hedges and related debt adjustments	173	198
Surplus on trading properties	63	10
Dilution effect of share options	39	58
<b>EPRA NAV</b>	<b>7,027</b>	5,967
<b>EPRA NAV per share</b>	<b>688p</b>	596p

The **EPRA NAV per share** excludes the mark-to-market on effective cash flow hedges, related debt adjustments and the convertible bond, deferred taxation on revaluations and surplus on trading properties and is calculated on a fully diluted basis. The EPRA Best Practices Recommendations additional guidance, issued in January 2014, has adjusted the treatment of mark-to-market valuations on convertible bonds for the calculation of NAV per share. This update has provided a 1p increase in EPRA NAV per share in the current year.

At 31 March 2014, the number of shares in issue was: basic: 1,008m (2012/13: 986m); diluted for the effect of share options: 1,021m (2012/13: 1,001m).

Total accounting return per share for the year ended 31 March 2014 of 20.0% includes dividends of 27.0p (see note 20) in addition to the increase in EPRA NAV of 92.0p. Total accounting return per share for the year ended 31 March 2013 was 4.6%.

## NOTES TO THE ACCOUNTS CONTINUED...

### 3 GROSS AND NET RENTAL AND RELATED INCOME

	2014 £m	2013 £m
Rent receivable	310	269
Spreading of tenant incentives and guaranteed rent increases	20	24
Surrender premia	4	1
<b>Gross rental income</b>	<b>334</b>	<b>294</b>
Service charge income	50	35
<b>Gross rental and related income</b>	<b>384</b>	<b>329</b>
Service charge expenses	(50)	(35)
Property operating expenses	(21)	(13)
<b>Net rental and related income</b>	<b>313</b>	<b>281</b>

The cash element of net rental income recognised during the year ended 31 March 2014 from properties which were not subject to a security interest was £189m (2012/13: £159m). Property operating expenses relating to investment properties that did not generate any rental income were £1m (2012/13: £1m). Contingent rents of £1m (2012/13: £1m) were recognised in the year.

### 4 FEES AND OTHER INCOME

	2014 £m	2013 £m
Management and performance fees (from joint ventures and funds)	10	10
Other fees and commissions	5	5
	<b>15</b>	<b>15</b>

### 5 OTHER INCOME STATEMENT DISCLOSURES

(i) Total revenue	Note	2014 £m	2013 £m
Gross rental and related income	3	384	329
Fees and other income	4	15	15
Financing income	7	12	23
Proceeds on property trading	6	109	-
<b>Total revenue in the year</b>		<b>520</b>	<b>367</b>

(ii) Auditor remuneration – Deloitte LLP	2014 £m	2013 £m
<b>Audit fees</b>		
Fees payable to the Company's auditor for the audit of the Company's annual accounts	0.3	0.2
Fees payable to the Company's auditor for the audit of the Company's subsidiaries, pursuant to legislation	0.2	0.3
<b>Total audit fees</b>	<b>0.5</b>	<b>0.5</b>
Audit-related assurance services	0.1	0.1
<b>Total audit and audit-related assurance services</b>	<b>0.6</b>	<b>0.6</b>
<b>Other fees</b>		
Tax advisory services	0.1	0.1
Other services	0.1	0.2
<b>Total other fees</b>	<b>0.2</b>	<b>0.3</b>
	<b>0.8</b>	<b>0.9</b>

(iii) Exchange gains recognised in the consolidated income statement total £3m (2012/13: £2m).

## 6 NET REVALUATION GAINS ON PROPERTY AND INVESTMENTS

	2014 £m	2013 £m
<b>Consolidated income statement</b>		
Revaluation of properties	580	71
Result on property and investment disposals	31	8
Revaluation of investments	4	9
	615	88
Share of valuation movements of joint ventures and funds	258	(62)
<b>Net revaluation gains on property and investments</b>	<b>873</b>	<b>26</b>
<b>Profit on trading property</b>		
Sale proceeds	109	-
Cost of sales	(95)	-
<b>Profit on trading property</b>	<b>14</b>	<b>-</b>

## 7 NET FINANCING COSTS

	2014 £m	2013 £m
<b>Interest payable on:</b>		
Bank loans and overdrafts	29	37
Other loans	77	75
Obligations under finance leases	1	1
	107	113
Development interest capitalised	(17)	(17)
	90	96
<b>Interest receivable on:</b>		
Deposits, securities and liquid investments	(3)	(11)
Loans to joint ventures	(6)	(3)
	(9)	(14)
<b>Other finance (income) costs:</b>		
Expected return on pension scheme assets	-	(7)
Interest on pension scheme liabilities	-	5
Valuation movements on translation of foreign currency debt	(9)	5
Hedging reserve recycling	9	(5)
<b>Net financing costs – underlying</b>	<b>81</b>	<b>80</b>
<b>Capital and other:</b>		
Valuation movements on fair value debt	(62)	18
Valuation movements on fair value derivatives	62	(14)
Net capital movement on convertible bond	50	14
Recycling of fair value movement on close-out of derivatives	10	20
Valuation movement on translation of foreign currency net assets	(3)	(2)
Fair value movement on non-hedge accounted derivatives	-	3
<b>Net financing costs – capital</b>	<b>57</b>	<b>39</b>
<b>Net financing costs</b>	<b>138</b>	<b>119</b>
Total financing income	(12)	(23)
Total financing charges	150	142
<b>Net financing costs</b>	<b>138</b>	<b>119</b>

Interest on development expenditure is capitalised at a rate of 3.80% (2012/13: 4.00%).

## NOTES TO THE ACCOUNTS

### CONTINUED...

#### 8 TAXATION

	2014 £m	2013 £m
<b>Tax expense (income)</b>		
<b>Current tax</b>		
UK corporation tax: 23% (2012/13: 24%)	2	1
Adjustments in respect of prior years	2	1
	(5)	(9)
<b>Total current tax income</b>	(3)	(8)
Deferred tax on revaluations	(3)	(16)
<b>Group total taxation (net)</b>	(6)	(24)
Attributable to joint ventures and funds	5	(3)
<b>Total taxation income</b>	(1)	(27)
<b>Tax reconciliation</b>		
Profit on ordinary activities before taxation	1,105	257
Less: profit attributable to joint ventures and funds <sup>1</sup>	(382)	(64)
<b>Group profit on ordinary activities before taxation</b>	723	193
Tax on profit on ordinary activities at UK corporation tax rate of 23% (2012/13: 24%)	166	46
Effects of:		
REIT exempt income and gains	(160)	(41)
Tax losses	(4)	(6)
Adjustments in respect of prior years	(8)	(23)
<b>Group total taxation income</b>	(6)	(24)

<sup>1</sup> A current tax charge of £5m (2012/13: credit of £2m) and a deferred tax credit of £1m (2012/13: credit of £1m) arose on profits attributable to joint ventures and funds. The low charges reflect the Group's REIT status.

Tax expense attributable to underlying profits for the year ended 31 March 2014 was £2m (2012/13: £1m). The underlying tax rate for the year ended 31 March 2014 was 0.7% (2012/13: 0.5%).

Corporation tax payable at 31 March 2014 was £8m (2012/13: £17m) as shown on the balance sheet.

#### 9 STAFF COSTS

##### STAFF COSTS (INCLUDING DIRECTORS)

	2014 £m	2013 £m
Wages and salaries	46	43
Social security costs	5	5
Pension costs	6	5
Equity-settled share-based payments	12	12
	69	65

The average monthly number of employees of the Company during the year was 231 (2012/13: 217). The average monthly number of Group employees, including those employed directly at the Group's properties and their costs recharged to tenants, was 556 (2012/13: 514).

The Executive Directors and Non-Executive Directors are the key management personnel. Their emoluments are summarised below and further detail is disclosed in the Remuneration Report on pages 82 to 107.

**9 STAFF COSTS** continued**DIRECTORS' EMOLUMENTS**

	2014 £m	2013 £m
Short-term employee benefits	5.6	6.4
Termination payments	0.2	–
Service cost in relation to defined benefit pension schemes	0.2	0.1
Share based payment	5.2	3.1
	<b>11.2</b>	<b>9.6</b>

**STAFF COSTS**

The Group's equity-settled share-based payments comprise the Long-Term Incentive Plan (LTIP), the Matching Share Plan (MSP), the Fund Managers Performance Plan (FMPP), the Share Incentive Plan (SIP) and various Savings Related Share Option Schemes.

The Company expenses an estimate of how many shares are likely to vest based on the market price at the date of grant, taking account of expected performance against the relevant performance targets and service periods.

**LONG-TERM INCENTIVE PLAN (LTIP)**

Under the LTIP the Company may award employees a combination of performance shares and options. Both components have the same performance targets based on total property return, total accounting return and a three-year service period. For both LTIP components the Company estimates the number of shares or options likely to vest and expenses that estimate over the relevant period. Performance shares are valued at the market value at the date of the award. The options are valued using a Black-Scholes model adjusted for dividends, see table below. Volatility has been estimated by taking the historical volatility in the Company's share price over a four-year period and adjusting where there are known factors that may affect future volatility. No other features of the option grant were incorporated into the measurement of fair value.

**LONG-TERM INCENTIVE PLAN: 2013 AWARDS**

	5 December 2013	5 August 2013
Share price and exercise price at grant date	600p	601p
Expected option life in years	7	7
Risk free rate	2.3%	1.8%
Expected volatility	35%	35%
Expected dividend yield	5%	5%
Value per option	133p	132p

**MATCHING SHARE PLAN (MSP)**

The MSP allows eligible employees to receive one third of their annual bonus in shares, held in trust, which, following performance targets based on Total Shareholder Return and like-for-like rental growth being achieved over a three year period, will be matched two-for-one by the Company. The Company expenses the estimated number of shares likely to vest over the three-year period based on the market price at the date of grant.

**FUND MANAGERS PERFORMANCE PLAN (FMPP)**

Under the FMPP the Company may award employees a combination of cash (20% of the award) and shares based on a maximum of 30% of the annual performance fee awarded by the Unit Trusts and, as agreed by shareholders in 2008, in respect of a comparative notional pool for British Land-owned portfolios. The cash is awarded following the performance year under review with the shares released over the following three years subject to clawback due to subsequent property underperformance. The Company expenses an estimate of the fair value of the award over the period to full vesting.

**OTHER SHARE PLANS**

Under the SIP the Company gives eligible employees free shares of up to £3,000 a year. They can also purchase partnership shares for up to £1,500 a year that are matched two-for-one by the Company. The free and matching shares are either purchased at fair value in the market or allotted and expensed at the time of allocation.

Under the Savings Related Share Option Scheme eligible employees can save up to £250 a month over a three or five-year period and use the savings to exercise an option granted at the outset at a 20% discount to the then prevailing share price. The fair value of the various options is expensed over the service period, based on a Black-Scholes model.

Movements in shares and options are given in note 22.

## NOTES TO THE ACCOUNTS

### CONTINUED...

#### 10 PENSIONS

The British Land Group of Companies Pension Scheme (the scheme) is the principal pension scheme in the Group. It is a defined benefit scheme which is externally funded and not contracted out of SERPS (State Earnings-Related Pension Scheme). The assets of the scheme are held in a trustee-administered fund and kept separate from those of the Company. It is not planned to admit new employees to the scheme. Existing entitlements will be retained by the members, with freedom to transfer to a new Defined Contribution Scheme. Contributions to this scheme are at a flat rate of 15% of salary and are paid by the Company. In certain circumstances it may be necessary to pay higher contributions when recruiting senior executives.

The Group has three other small pension schemes. The total net pension cost charged for the year was £6m (2012/13: £5m), of which £3m (2012/13: £3m) relates to defined contribution plans.

A full actuarial valuation of the scheme was carried out at 31 March 2012 by consulting actuaries, AON Hewitt Associates Ltd. The employer's contributions will be paid in the future at the rate recommended by the actuary of 54.4% per annum of basic salaries. The best estimate of employer contributions expected to be paid during the year to 31 March 2015 is £3m. The major assumptions used for the actuarial valuation were:

	2014 % pa	2013 % pa	2012 % pa	2011 % pa	2010 % pa
Discount rate	4.4	4.1	4.6	5.5	5.5
Salary inflation	5.2	4.7	4.7	5.2	5.4
Pensions increase	3.5	3.1	3.1	3.7	3.9
Price inflation	3.7	3.2	3.2	3.7	3.9

The mortality assumptions are based on standard mortality tables which allow for future mortality improvements. The assumptions are that a member currently aged 60 will live on average for a further 29.7 years if they are male and for a further 30.9 years if they are female. For a member who retires in 2034 at age 60 the assumptions are that they will live on average for a further 31.3 years after retirement if they are male and for a further 32.6 years after retirement if they are female.

#### COMPOSITION OF SCHEME ASSETS

	2014 £m	2013 £m
Equities	51	48
Diversified Growth Funds (DGF)	77	70
Other assets	3	2
<b>Total scheme assets</b>	<b>131</b>	<b>120</b>

The vast majority of the scheme assets are quoted in an active market.

The amount included in the balance sheet arising from the Group's obligations in respect of its defined benefit scheme is as follows:

	2014 £m	2013 £m	2012 £m	2011 £m	2010 £m
Present value of defined scheme obligations	(125)	(119)	(107)	(99)	(95)
Fair value of scheme assets	131	120	109	110	98
Irrecoverable surplus	(6)	(1)	(2)	(11)	(3)
<b>Asset (liability) recognised in the balance sheet</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

IAS 19 (revised) and the related consequential amendments have impacted the accounting for the Group's defined benefit scheme, by replacing the interest cost and expected return on plan assets with a net interest charge on the net defined benefit liability. The impact of adopting IAS 19 (revised) is not considered material.

#### HISTORY OF EXPERIENCE GAINS AND LOSSES

	2014 £m	2013 £m	2012 £m	2011 £m	2010 £m
Total actuarial loss recognised in the consolidated statement of comprehensive income <sup>1</sup>	(2)	(4)	(3)	(2)	(2)
Amount <sup>2</sup>	1.6%	3.1%	2.7%	2.0%	1.5%
Percentage of present value on scheme liabilities					
<b>Pension scheme movement for the year<sup>1</sup></b>	<b>(2)</b>	<b>(4)</b>	<b>(3)</b>	<b>(2)</b>	<b>(2)</b>

<sup>1</sup> Movements stated after adjustment for irrecoverability of any surplus.

<sup>2</sup> Cumulative loss recognised in the statement of comprehensive income is £31m (2012/13: £29m).

**10 PENSIONS** continued

Movements in the present value of defined benefit obligations were as follows:

	2014 £m	2013 £m
At 1 April	(119)	(107)
Current service cost	(3)	(2)
Interest cost	(5)	(5)
Actuarial gains (losses)		
Gain (loss) from change in demographic assumptions	-	(3)
Gain (loss) from change in financial assumptions	(3)	(6)
Gain (loss) on scheme liabilities arising from experience	3	2
Benefits paid	2	2
<b>At 31 March</b>	<b>(125)</b>	<b>(119)</b>

Amounts recognised in the income statement in respect of the defined benefit scheme are:

	2014 £m	2013 £m
Administrative expenses: current service cost	(3)	(2)
Interest on net defined benefit liability (asset)	-	2
	<b>(3)</b>	<b>-</b>

The actual return on scheme assets was £9m (2012/13: £10m).

Movements in the fair value of the scheme assets were as follows:

	2014 £m	2013 £m
At 1 April	120	108
Interest income on scheme assets	5	7
Contributions by employer	4	4
Actuarial gains (losses)	4	3
Benefits paid	(2)	(2)
<b>At 31 March</b>	<b>131</b>	<b>120</b>

Through its defined benefit plans, the Group is exposed to a number of risks, the most significant of which are:

<b>Asset volatility</b>	The liabilities are calculated using a discount rate set with a reference to corporate bond yields; if assets underperform this yield, this will create a deficit. The Scheme holds a significant portion of growth assets (equities and diversified growth funds) which, though are expected to outperform corporate bonds in the long-term, create volatility and risk in the short-term. The allocation to growth assets is monitored to ensure that it remains appropriate given the Scheme's long-term objectives.
<b>Changes in bond yields</b>	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.
<b>Inflation risk</b>	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.
<b>Life expectancy</b>	The majority of the Scheme's obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the liabilities.

NOTES TO THE ACCOUNTS  
CONTINUED...

## 11 PROPERTY

## PROPERTY RECONCILIATION 12 MONTHS TO 31 MARCH 2014

	Investment			Sub total Level 3 £m	Trading properties £m	Owner- occupied Level 3 £m	Total £m
	UK Retail Level 3 £m	Offices and Residential Level 3 £m	Developments Level 3 £m				
<b>Carrying value at 1 April 2013</b>	3,360	1,267	861	<b>5,488</b>	40	42	<b>5,570</b>
Additions – property purchases	53	428	83	<b>564</b>	–	–	<b>564</b>
– acquisition of Hercules Unit Trust	1,006	–	–	<b>1,006</b>	–	–	<b>1,006</b>
– development expenditure	10	30	60	<b>100</b>	38	–	<b>138</b>
– capitalised interest	–	6	4	<b>10</b>	7	–	<b>17</b>
– capital expenditure on asset management initiatives	25	4	–	<b>29</b>	–	–	<b>29</b>
	1,094	468	147	<b>1,709</b>	45	–	<b>1,754</b>
Depreciation	–	–	–	<b>–</b>	–	(1)	<b>(1)</b>
Disposals	(234)	(11)	–	<b>(245)</b>	(97)	–	<b>(342)</b>
Reclassifications	(5)	538	(816)	<b>(283)</b>	283	–	<b>–</b>
Revaluations included in income statement	240	270	65	<b>575</b>	–	5	<b>580</b>
Revaluation included in SOCIE	–	–	–	<b>–</b>	–	1	<b>1</b>
Movement in tenant incentives and contracted rent uplift balances	6	18	4	<b>28</b>	–	–	<b>28</b>
<b>Carrying value at 31 March 2014</b>	4,461	2,550	261	<b>7,272</b>	271	47	<b>7,590</b>
Head lease liabilities (note 16)							<b>(32)</b>
Surplus on trading properties							<b>58</b>
<b>Total Group property portfolio valuation at 31 March 2014</b>							<b>7,616</b>
Non-controlling interest							<b>(422)</b>
<b>Total Group property portfolio valuation at 31 March 2014 attributable to shareholders</b>							<b>7,194</b>

## 11 PROPERTY continued

The different valuation method levels are defined below:

**Level 1:** Quoted prices (unadjusted) in active markets for identical assets or liabilities.

**Level 2:** Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

**Level 3:** Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

These levels are specified in accordance with IFRS 13 'Fair Value Measurement'. On the following page of this note within the section 'Valuation' our property valuation approach and process is set out. As noted in 'Significant issues considered by the Audit Committee during the year' on page 77, property valuations are inherently subjective as they are made on the basis of assumptions made by the valuer which may not prove to be accurate. For these reasons, and consistent with EPRA's guidance, we have classified the valuations of our property portfolio as Level 3 as defined by IFRS 13. Some of the inputs to the valuations are defined as 'unobservable' by IFRS 13 and these are analysed in a table on the following page.

The Group's policy is to recognise transfers between fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. There have been no transfers during the period.

At 31 March 2014, the Group book value of properties of £7,616m (2012/13: £5,554m) comprises freeholds of £4,855m (2012/13: £3,502m); virtual freeholds of £695m (2012/13: £709m); and long leaseholds of £2,066m (2012/13: £1,343m). The historical cost of properties was £5,574m (2012/13: £4,229m).

The property valuation does not include any investment properties held under operating leases (2012/13: £nil).

Properties valued at £1,741m (2012/13: £1,724m) were subject to a security interest and other properties of non-recourse companies amounted to £1,066m (2012/13: £40m).

During the year to 31 March 2014, a gross amount of £286m of investment properties were reclassified to trading properties, as since planning consent has been granted it is the Group's intention to redevelop and sell these properties. Some of these trading properties were subsequently sold in the period.

Included within the property valuation is £100m (2012/13: £91m) in respect of accrued contracted rental uplift income, against which the Group holds a provision of £5m (2012/13: £5m). The balance arises through the IFRS treatment of leases containing such arrangements, which requires the recognition of rental income on a straight-line basis over the lease term, with the difference between this and the cash receipt changing the carrying value of the property against which revaluations are measured.

Cumulative interest capitalised against investment properties amounts to £73m (2012/13: £56m).

## NOTES TO THE ACCOUNTS CONTINUED...

### 11 PROPERTY continued

#### VALUATION

The Group's total property portfolio was valued by external valuers on the basis of fair value, in accordance with the RICS Valuation – Professional Standards 2012, eighth edition, published by The Royal Institution of Chartered Surveyors.

The information provided to the valuers, and the assumptions and valuations models used by the valuers are reviewed by the property portfolio team, the Head of Offices, the Head of Retail and the Finance Director. The valuers meet with the External Auditors and also present directly to the Audit Committee at the interim and year-end review of results. Further details of the Audit Committee's responsibilities in relation to valuations can be found in the Report of the Audit Committee (page 78).

Investment properties, excluding properties held for development, are valued by adopting the 'investment method' of valuation. This approach involves applying capitalisation yields to current and estimated future rental streams net of income voids arising from vacancies or rent-free periods and associated running costs. These capitalisation yields and rental values are based on comparable property and leasing transactions in the market, using the valuers' professional judgement and market observation. Other factors taken into account in the valuations include the tenure of the property, tenancy details and ground and structural conditions.

In the case of ongoing developments and properties held for development, the approach applied is the 'residual method' of valuation, which is the investment method of valuation as described above, with a deduction for all costs necessary to complete the development including a notional finance cost, together with a further allowance for remaining risk. Properties held for development are generally valued by adopting the higher of the residual method of valuation, allowing for all associated risks, or the investment method of valuation for the existing asset.

Copies of the valuation certificates of Knight Frank LLP and CBRE can be found on the website at: [www.britishland.com/investors/operational-performance.aspx](http://www.britishland.com/investors/operational-performance.aspx).

A breakdown of valuations split between the Group and its share of joint ventures and funds is shown below:

	2014			2013		
	Group £m	Joint ventures and funds £m	Total £m	Group £m	Joint ventures and funds £m	Total £m
Knight Frank LLP	6,036	2,903	8,939	5,084	2,680	7,764
CBRE	1,580	2,131	3,711	470	2,265	2,735
Total property portfolio valuation	7,616	5,034	12,650	5,554	4,945	10,499
Non-controlling interest share of property	(422)	(188)	(610)	–	–	–
<b>Total property portfolio valuation attributable to shareholders</b>	<b>7,194</b>	<b>4,846</b>	<b>12,040</b>	<b>5,554</b>	<b>4,945</b>	<b>10,499</b>

#### INFORMATION ABOUT FAIR VALUE MEASUREMENTS USING UNOBSERVABLE INPUTS (LEVEL 3)

	Fair value at 31 March 2014 £m	Valuation technique	ERV per sq ft			Equivalent yield		
			Minimum £	Maximum £	Weighted average £	Minimum %	Maximum %	Weighted average %
<b>Investment</b>								
UK Retail <sup>1</sup>	4,535	Investment methodolgy	2	60	20	4.1	16.8	5.9
Offices and Residential <sup>2,3</sup>	2,593	Investment methodolgy	4	80	46	1.3	10.1	5.1
<b>Developments<sup>3</sup></b>	<b>251</b>	<b>Investment methodolgy</b>	<b>17</b>	<b>93</b>	<b>37</b>	<b>4.3</b>	<b>6.0</b>	<b>5.4</b>

<sup>1</sup> Includes the underlying properties within the investment held for trading, as disclosed in note 13, discounted for the date of the freehold reversions.

<sup>2</sup> Including owner-occupied.

<sup>3</sup> Includes Residential with an average capital value per sq ft of £877, including developments at end value and mixed-use.

All other factors being equal, a higher equivalent yield or discount rate would lead to a decrease in the valuation of an asset, and an increase in the current or estimated future rental stream would have the effect of increasing the capital value, and vice versa. However, there are interrelationships between the unobservable inputs which are partially determined by market conditions, which would impact on these changes.

## 11 PROPERTY continued

The prior year movement is shown below:

	Investment and development £m	Trading £m	Owner-occupied £m	Total £m
<b>Carrying value at 1 April 2012</b>	5,346	47	41	5,434
Additions – property purchases	453	–	–	453
– development expenditure	201	5	–	206
– capitalised interest	15	1	–	16
– capital expenditure on asset management initiatives	28	–	–	28
	697	6	–	703
Depreciation	–	–	(1)	(1)
Disposals	(651)	(13)	–	(664)
Revaluations included in income statement	72	–	2	74
Movement in tenant incentives and contracted rent uplift balances	24	–	–	24
<b>Carrying value at 31 March 2013</b>	5,488	40	42	5,570
Head lease liabilities (note 16)				(26)
Surplus on trading properties				10
<b>Total Group property portfolio valuation 31 March 2013</b>				5,554

## 12 JOINT VENTURES AND FUNDS

### SUMMARY MOVEMENT FOR THE YEAR OF THE INVESTMENTS IN JOINT VENTURES AND FUNDS

	Joint ventures £m	Funds £m	Total £m	Equity <sup>1</sup> £m	Loans <sup>1</sup> £m	Total £m
<b>At 1 April 2013</b>	1,886	450	2,336	1,843	493	2,336
Additions	175	445	620	569	51	620
Disposals	(199)	(436)	(635)	(481)	(154)	(635)
Share of profit after taxation	370	7	377	377	–	377
Distributions and dividends: capital	–	(1)	(1)	(1)	–	(1)
revenue	(71)	(31)	(102)	(102)	–	(102)
Reclassification of amounts owed from joint ventures	44	–	44	–	44	44
Hedging and exchange movements	69	4	73	73	–	73
<b>At 31 March 2014</b>	2,274	438	2,712	2,278	434	2,712

<sup>1</sup> Comparatives have been re-presented between equity and loans to better reflect the nature of historical investments.

PREF, a fund owning a portfolio of retail property in Europe (in which British Land has a net investment of £54m), has its properties externally valued by CBRE. CBRE have included a market uncertainty clause in the valuation report of the Portuguese and Spanish properties, due to the lack of transactional evidence and uncertainty over the economic situation in those markets. In 2013 PREF made partial early repayments of debt totalling €18m. In March 2014, following the sale of its Italian asset, €44m of debt was repaid. PREF now has €37m of bank loans that are due to mature in the calendar year 2015. In December 2013 a one-year extension of the fund to 26 March 2015 was approved.

Distributions in the year included the receipt of £6m from the Broadgate joint venture, £2m from the Meadowhall joint venture, £4m from the Sainsbury's joint venture, £17m from Tesco joint ventures and £23m from HUT.

At 31 March 2014, the valuation of the Group's share of joint ventures and funds' properties was £5,034m (2012/13: £4,945m); surplus on the Group's share of joint ventures and funds' trading properties was £5m (2012/13: £nil); external net debt was £2,113m (2012/13: £2,427m) and the mark-to-market adjustment for external debt was £123m liability (2012/13: £193m liability).

At 31 March 2014, the investment in joint ventures included within the total investment in joint ventures and funds was £2,658m (2012/13: £1,889m).

# NOTES TO THE ACCOUNTS

## CONTINUED...

### 12 JOINT VENTURES AND FUNDS *continued*

A detailed breakdown of the Group's share of results of specific joint ventures and funds for the year ended 31 March 2014 is set out on this and facing page, below and across. All disclosures have been restated to British Land accounting policies under IFRS eliminating all profits and losses resulting from upstream and downstream transactions with the Group.

In the prior year the detailed breakdown contained 100% of the results of the specific joint ventures and funds. It is considered that the change in presentation, to our share, results in a more understandable disclosure.

#### JOINT VENTURES' AND FUNDS' SUMMARY FINANCIAL STATEMENTS (BRITISH LAND SHARE)

	Bluebutton Properties Ltd	MSC Property Intermediate Holdings Ltd	BL Sainsbury Superstores Ltd	Tesco Joint Ventures <sup>1</sup>
Partners	Euro Clover Private Ltd (GIC)	Norges Bank Investment Management	J Sainsbury plc	Tesco PLC
Property sector	City Offices Broadgate	Shopping Centres Meadowhall	Superstores	Superstores
Group share	50%	50%	50%	50%
<b>Summarised income statements</b>	£m	£m	£m	£m
Gross rental and related income	108	46	32	51
Net rental and related income	81	38	32	47
Other income and expenditure	–	–	–	(1)
Net interest payable	(45)	(19)	(15)	(28)
Underlying profit before taxation	36	19	17	18
Surplus (deficit) on revaluation	143	4	3	43
Disposal of fixed assets	–	–	–	–
Non-recurring items	–	–	–	–
Profit (loss) on ordinary activities before taxation	179	23	20	61
Current tax	–	–	–	(1)
Deferred tax	–	–	–	–
<b>Profit (loss) on ordinary activities after taxation (British Land share)</b>	<b>179</b>	<b>23</b>	<b>20</b>	<b>60</b>
<b>Summarised balance sheets</b>	£m	£m	£m	£m
Investment properties	1,712	770	604	898
Current assets	4	1	–	1
Upstream loans to joint venture shareholders	–	–	–	–
Cash and deposits	135	16	10	16
Gross assets	1,851	787	614	915
Current liabilities	(63)	(21)	(16)	(60)
Bank/other debt	(165)	–	–	(504)
Securitised debt	(881)	(372)	(294)	–
Obligations under finance leases	–	(2)	–	–
Deferred tax	5	–	1	(9)
Gross liabilities	(1,104)	(395)	(309)	(573)
<b>Net external assets (British Land share)</b>	<b>747</b>	<b>392</b>	<b>305</b>	<b>342</b>
Represented by:				
Shareholder loans <sup>5</sup>	52	105	4	52
Ordinary shareholders' funds/partners' capital <sup>5</sup>	695	287	301	290
<b>Total investment (British Land share)</b>	<b>747</b>	<b>392</b>	<b>305</b>	<b>342</b>

1 Tesco joint ventures include BLT Holdings (2010) Limited, the Tesco British Land Property Partnership, Tesco BL Holdings Limited, Shopping Centres Limited and the Tesco Aqua Limited Partnership.

2 USS joint ventures include the Eden Walk Shopping Centre Limited Partnership and the Fareham Property Partnership.

3 On 17 February 2014 Hercules Unit Trust (HUT) became a subsidiary of the Group (note 21). The income statement results for HUT includes the Group's share of the results of the HUT consolidated group up to and including 17 February 2014. Thereafter, only the Group's share of results from the HUT joint ventures and sub-fund are shown. This includes 50% of the results of Deepdale Co-Ownership Trust, Speke Unit Trust, Gibraltar Limited Partnership and Valentine Co-Ownership Trust and 41.25% of Birstall Co-Ownership Trust. The balance sheet shows our ownership of the assets of these joint ventures and sub-funds detailed above.

4 Included in the column headed 'Other joint ventures and funds' are contributions from the following: BL Goodman Limited Partnership, BL Gazeley Limited, Eurofund Investments Zaragoza S.L. (disposed of during the year), The Scottish Retail Property Limited Partnership (disposed of during the year), The Aldgate Place Limited Partnership, Bluebutton Property Management UK Limited, BL Residential Limited Partnership, Pillar Retail Europark Fund (PREF) and City of London Office Unit Trust (CLOUT). The Group's ownership share of PREF is 65%, however as the Group does not exercise control over significant decisions of the fund, the Group equity accounts for its interest in PREF.

The Southgate Limited Partnership	USS Joint Ventures <sup>2</sup>	Leadenhall Holding Co (Jersey) Ltd	Hercules Unit Trust <sup>3</sup>	Other joint ventures and funds <sup>4</sup>	Total Group share 2014	Total Group share 2013
Aviva Investors	Universities Superannuation Scheme	Oxford Properties				
Shopping Centres	Shopping Centres	City Offices Leadenhall	Retail Parks			
50%	50%	50%	Various			
£m	£m	£m	£m	£m	£m	£m
4	5	-	40	21	307	306
2	4	-	34	15	253	260
-	-	-	(1)	(4)	(6)	(4)
-	-	-	(12)	(4)	(123)	(126)
2	4	-	21	7	124	130
2	10	67	6	(16)	262	(61)
-	-	-	(4)	-	(4)	(1)
-	-	-	-	-	-	(4)
4	14	67	23	(9)	382	64
-	-	-	-	(4)	(5)	2
-	-	-	-	-	-	1
4	14	67	23	(13)	377	67
£m	£m	£m	£m	£m	£m	£m
103	99	265	456	124	5,031	4,949
2	-	1	2	20	31	62
-	-	-	-	4	4	4
2	4	1	6	9	199	215
107	103	267	464	157	5,265	5,230
(3)	(2)	(3)	(5)	(44)	(217)	(340)
-	-	-	(75)	(39)	(783)	(955)
-	-	-	-	-	(1,547)	(1,592)
-	-	-	-	(1)	(3)	(5)
-	-	-	-	-	(3)	(2)
(3)	(2)	(3)	(80)	(84)	(2,553)	(2,894)
104	101	264	384	73	2,712	2,336
-	7	157	-	57	434	493
104	94	107	384	16	2,278	1,843
104	101	264	384	73	2,712	2,336

5 2013 comparatives have been re-presented to better reflect the nature of our historical investments.

These financial statements include the results and financial position of the Group's interest in the Tesco British Land Property Partnership, the Tesco Aqua Limited Partnership, the Scottish Retail Property Limited Partnership, the Fareham Property Partnership, the Aldgate Place Limited Partnership, the BL Goodman Limited Partnership, Auchinlea Partnership and the BL Residential Limited Partnership. Accordingly, advantage has been taken of the exemptions provided by Regulation 7 of the Partnerships and Unlimited Companies (Accounts) Regulations 1993, not to attach the partnership accounts to these financial statements.

The borrowings of joint ventures and funds and their subsidiaries are non-recourse to the Group. All joint ventures are incorporated in the United Kingdom, with the exception of Bluebutton Properties Limited, the Eden Walk Shopping Centre Unit Trust and Leadenhall Holding Co (Jersey) Limited which are domiciled in Jersey. Of the funds, Hercules Unit Trust (HUT) is domiciled in Jersey and PREF in Luxembourg.

## NOTES TO THE ACCOUNTS

### CONTINUED...

## 12 JOINT VENTURES AND FUNDS *continued*

### OPERATING CASH FLOWS OF JOINT VENTURES AND FUNDS (GROUP SHARE)

	2014 £m	2013 £m
Rental income received from tenants	274	264
Operating expenses paid to suppliers and employees	(33)	(22)
<b>Cash generated from operations</b>	<b>241</b>	<b>242</b>
Interest paid	(135)	(133)
Interest received	1	–
UK corporation tax paid	(6)	(7)
Foreign tax paid	(3)	–
<b>Cash inflow from operating activities</b>	<b>98</b>	<b>102</b>
<b>Cash inflow from operating activities deployed as:</b>		
Surplus cash retained within joint ventures and funds	35	28
<b>Revenue distributions to British Land</b>	<b>63</b>	<b>74</b>
	<b>98</b>	<b>102</b>

## 13 OTHER INVESTMENTS

	2014			2013		
	Investment held for trading £m	Loans and receivables £m	Total £m	Investment held for trading £m	Loans and receivables £m	Total £m
At 1 April	–	76	76	–	28	28
Additions	83	104	187	–	53	53
Disposals	–	(10)	(10)	–	(4)	(4)
Revaluation	9	–	9	–	–	–
Depreciation	–	–	–	–	(1)	(1)
<b>At 31 March</b>	<b>92</b>	<b>170</b>	<b>262</b>	–	76	76

The investment held for trading comprises interests as a trust beneficiary. The trusts' assets comprise freeheld reversions in a pool of commercial properties, comprising Sainsbury's Superstores.

The investment has been categorised as level 3 in the fair value hierarchy (see note 11). Fair value of the interest has been determined by the Directors, supported by an external valuation from CBRE. The superstore assets are subject to the same assumption ranges and sensitivities disclosed in note 11.

Included within addition to loans and receivables is £92m (2012/13: £53m) in relation to a loan to Bluebutton Properties Limited (see note 25), a joint venture company.

**14 DEBTORS**

	2014 £m	2013 £m
Trade and other debtors <sup>1</sup>	35	15
Amounts owed by joint ventures	–	40
Prepayments and accrued income	6	5
	<b>41</b>	<b>60</b>

1 Included within this balance is deferred consideration of £1m (2012/13: £4m) arising on the sale of investment properties for which the timing of the receipt is contingent and therefore may fall due after one year.

Trade and other debtors are shown after deducting a provision for bad and doubtful debts of £15m (2012/13: £11m). The charge to the income statement was £nil (2012/13: £1m).

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

As at 31 March, trade and other debtors outside their payment terms yet not provided for were as follows:

	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
<b>2014</b>	<b>35</b>	<b>22</b>	<b>9</b>	<b>–</b>	<b>4</b>
2013	15	9	6	–	–

**15 CREDITORS**

	2014 £m	2013 £m
Trade creditors	85	94
Amounts owed to joint ventures	4	4
Other taxation and social security	21	24
Accruals and deferred income	153	137
	<b>263</b>	<b>259</b>

Trade creditors are interest-free and have settlement dates within one year. The Directors consider that the carrying amount of trade and other creditors is approximate to their fair value.

## NOTES TO THE ACCOUNTS

### CONTINUED...

#### 16 OTHER NON-CURRENT LIABILITIES

	2014 £m	2013 £m
Head leases	32	26
	32	26

#### 17 DEFERRED TAX LIABILITIES

Deferred tax is calculated on temporary differences under the liability method using a tax rate of 20% (2012/13: 23%).

The movement on deferred tax is as shown below:

	1 April 2013 £m	Credited to income £m	Transferred to joint ventures £m	31 March 2014 £m
Property and investment revaluations	12	(3)	(9)	–
Other timing differences	4	–	–	4
	16	(3)	(9)	4

	1 April 2012 £m	Credited to income £m	Transferred to joint ventures £m	31 March 2013 £m
Property and investment revaluations	28	(16)	–	12
Other timing differences	4	–	–	4
	32	(16)	–	16

Under the REIT regime development properties which are sold within three years of completion do not benefit from tax exemption. At 31 March 2014 the value of such properties is £455m (2012/13: £nil) and if these properties were to be sold and tax exemption was not available the tax arising would be £34m (2012/13: £nil).

The deferred tax charge for the year ended 31 March 2014 includes a credit of £2m to reflect reduced deferred tax liabilities arising from the forthcoming reduction in the UK corporation tax rate to 20% (effective from 1 April 2015).

Deferred tax assets of £39m (2012/13: £40m) arising on losses from previous years have not been recognised in the financial year.

## 18 NET DEBT

	Footnote	2014 £m	2013 £m
<b>Secured on the assets of the Group</b>			
9.125% first mortgage debenture stock 2020	1.1	36	37
6.125% first mortgage debenture stock 2014	1.1	44	45
5.264% first mortgage debenture bonds 2035		344	345
5.0055% first mortgage amortising debentures 2035		100	101
5.357% first mortgage debenture bonds 2028		327	334
6.75% first mortgage debenture bonds 2020		176	181
Bank loans	1.2	523	–
Loan notes		2	5
		<b>1,552</b>	1,048
<b>Unsecured</b>			
5.50% senior notes 2027		98	98
6.30% senior US dollar notes 2015	2	92	101
3.895% senior US dollar notes 2018	3	25	28
4.635% senior US dollar notes 2021	3	136	158
4.766% senior US dollar notes 2023	3	83	97
5.003% senior US dollar notes 2026	3	52	62
3.81% senior notes 2026		99	–
3.97% senior notes 2026		101	–
1.5% convertible bond 2017		458	407
Bank loans and overdrafts		602	179
		<b>1,746</b>	1,130
<b>Gross debt</b>	4	<b>3,298</b>	2,178
Interest rate derivative liabilities		57	86
Interest rate derivative assets		(32)	(92)
		<b>3,323</b>	2,172
Cash and short-term deposits	5, 6	(142)	(135)
<b>Total net debt</b>		<b>3,181</b>	2,037
Net debt attributable to non-controlling interests		(204)	–
<b>Net debt attributable to shareholders of the Company</b>		<b>2,977</b>	2,037

Total borrowings where any instalments are due after five years are £102m (2012/13: £103m).

1 These are non-recourse borrowings with no recourse for repayment to other companies or assets in the Group:

	2014 £m	2013 £m
1.1 BLD Property Holdings Ltd	80	82
1.2 Hercules Unit Trust	523	–
	<b>603</b>	82

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

3 Principal and interest on this borrowing was fully hedged into sterling at a floating rate at the time of issue.

4 The principal amount of gross debt at 31 March 2014 was £3,209m (2012/13: £2,063m). Included in this is the principal amount of secured borrowings and other borrowings of non-recourse companies of £1,505m, of which the proportion of the borrowings of the partly-owned subsidiary, Hercules Unit Trust, not beneficially owned by the Group, is £219m.

5 Included within cash and short-term deposits is the cash and short-term deposits of Hercules Unit Trust, of which £14m is the proportion not beneficially owned by the Group.

6 Cash and deposits not subject to a security interest amount to £93m (2012/13: £106m).

## NOTES TO THE ACCOUNTS

### CONTINUED...

#### 18 NET DEBT continued

##### MATURITY ANALYSIS OF NET DEBT

	2014 £m	2013 £m
Repayable within one year and on demand	495	44
Between: one and two years	90	188
two and five years	1,084	522
five and ten years	465	441
ten and fifteen years	783	602
fifteen and twenty years	6	5
twenty and twenty-five years	375	376
	2,803	2,134
Gross debt	3,298	2,178
Interest rate and currency derivatives	25	(6)
Cash and short-term deposits	(142)	(135)
<b>Net debt</b>	<b>3,181</b>	<b>2,037</b>

The amount due within one year reflects the use of our lower margin bank facilities which are now towards the end of their agreed terms. These borrowings can be repaid using the £1,790m total undrawn committed facilities shown on the table on page 145, which do not include the new £785m five-year syndicated facility signed on 2 April 2014 which will replace the maturing £620m facility.

##### BRITISH LAND UNSECURED FINANCIAL COVENANTS

The two financial covenants applicable to the Group unsecured debt including convertible bonds are:

##### NET BORROWINGS NOT TO EXCEED 175% OF ADJUSTED CAPITAL AND RESERVES

At 31 March 2014, the ratio was 40%:

- net borrowings were £2,896m, being the principal amount of gross debt of £3,209m, less the relevant proportion of borrowings of the partly-owned subsidiary of £219m, plus amounts owed to joint ventures of £4m (see note 15), plus TPP Investments Ltd of £30m (see note 26), less the beneficially owned cash and deposits of £128m (being £142m less the relevant proportion of cash and deposits of the partly-owned subsidiary of £14m); and
- adjusted capital and reserves were £7,301m, being share capital and reserves of £6,746m (see balance sheet), adjusted for £6m of deferred tax (see note 2), £63m trading property surpluses (see notes 11 and 12), £313m exceptional refinancing charges (see below) and £173m fair value adjustments on financial assets and liabilities (being £115m mark-to-market on interest rate derivatives and £58m adjustment on the convertible bond).

##### NET UNSECURED BORROWINGS NOT TO EXCEED 70% OF UNENCUMBERED ASSETS

At 31 March 2014, the ratio was 31%:

- net unsecured borrowings were £1,615m, being the principal amount of gross debt of £3,209m, plus amounts owed to joint ventures of £4m (see note 15), less cash and deposits not subject to a security interest of £93m less the principal amount of secured and non-recourse borrowings of £1,505m; and
- unencumbered assets were £5,125m, being properties of £7,616m (see note 11) plus investments in joint ventures and funds of £2,712m (see balance sheet) and other investments of £262m (see balance sheet) less investments in joint ventures of £2,658m (see note 12) and encumbered assets of £2,807m (see note 11).

In calculating adjusted capital and reserves for the purpose of the unsecured debt financial covenants, there is an adjustment of £313m to reflect the cumulative net amortised exceptional items relating to the refinancings in the years ending 31 March 2005, 2006 and 2007.

**18 NET DEBT** continued**CONVERTIBLE BOND**

On 10 September 2012 British Land (Jersey) Limited (the Issuer) issued £400m 1.5% guaranteed convertible bonds due 2017 (the bonds) at par. The Company has unconditionally and irrevocably guaranteed the due and punctual performance by the Issuer of all of its obligations (including payments) in respect of the bonds and the obligations of the Company, as guarantor, constitute direct, unsubordinated, unconditional and unsecured obligations of the Company.

Subject to their terms, the bonds are convertible into preference shares of the Issuer which are automatically transferred to the Company in exchange for ordinary shares in the Company or, at the Company's election, any combination of ordinary shares and cash. The bonds can be converted from 22 October 2012 up to and including 24 September 2015 if the share price has traded at a level exceeding 130% of the exchange price for a specified period and from 25 September 2015 to (but excluding) the 20th dealing day before 10 September 2017 (the maturity date) at any time.

The initial exchange price was 693.07 pence per ordinary share. Under the terms of the bonds, the exchange price is adjusted on the happening of certain events including the payment of dividends by the Company above 26.4 pence in any year.

On or after 25 September 2015, the bonds may be redeemed at par at the Company's option subject to the Company's ordinary shares having traded at a price exceeding 130% of the exchange price for a specified period, or at any time once 85% by nominal value of the bonds originally issued have been converted, redeemed or purchased and cancelled. If not previously converted, redeemed or purchased and cancelled, the bonds will be redeemed at par on the maturity date.

**RECONCILIATION OF MOVEMENT IN GROUP NET DEBT TO CASH FLOW STATEMENT**

	2013 £m	Cash flow £m	Non-cash £m	2014 £m
Per cash flow statement:				
Cash and short-term deposits	(135)	(7)	-	(142)
<b>Cash and cash equivalents</b>	<b>(135)</b>	<b>(7)</b>	<b>-</b>	<b>(142)</b>
Term debt (excluding overdrafts)	2,178	620	500	3,298
Fair value of interest rate derivatives	(6)	(16)	47	25
<b>Net debt</b>	<b>2,037</b>	<b>597</b>	<b>547</b>	<b>3,181</b>

The Group loan to value (LTV) ratio at 31 March 2014 was 29%, being the principal value of gross debt of £3,209m, less the relevant portion of borrowings of the partly-owned subsidiary of £219m, less cash and short-term deposits of £128m (being £142m less the relevant proportion of cash and deposits of the partly-owned subsidiary of £14m), divided by total Group property of £7,616m (see note 11), plus investments in joint ventures and funds of £2,712m (see balance sheet) and other investments of £262m (see balance sheet), less the relevant portion of property and investments of the partly-owned subsidiary of £581m.

	2012 £m	Cash flow £m	Non-cash £m	2013 £m
Per cash flow statement:				
Cash and short-term deposits	(137)	2	-	(135)
<b>Cash and cash equivalents</b>	<b>(137)</b>	<b>2</b>	<b>-</b>	<b>(135)</b>
Term debt (excluding overdrafts)	2,621	(496)	53	2,178
Fair value of interest rate derivatives	19	-	(25)	(6)
Liquid investments	(200)	210	(10)	-
<b>Net debt</b>	<b>2,303</b>	<b>(284)</b>	<b>18</b>	<b>2,037</b>

NOTES TO THE ACCOUNTS  
CONTINUED...

## 18 NET DEBT continued

## COMPARISON OF MARKET VALUES AND BOOK VALUES

	Level	2014			2013		
		Market value £m	Book value £m	Difference £m	Market value £m	Book value £m	Difference £m
Debentures and unsecured bonds	2	1,722	1,713	9	1,622	1,587	35
Convertible bond	1	458	458	–	407	407	–
Bank debt and other floating rate debt	2	1,138	1,127	11	189	184	5
Cash and short-term deposits	1	(142)	(142)	–	(135)	(135)	–
		<b>3,176</b>	<b>3,156</b>	<b>20</b>	<b>2,083</b>	<b>2,043</b>	<b>40</b>
Other financial (assets) liabilities:							
– interest rate derivative assets	2	(32)	(32)	–	(92)	(92)	–
– interest rate derivative liabilities	2	57	57	–	86	86	–
		<b>25</b>	<b>25</b>	<b>–</b>	<b>(6)</b>	<b>(6)</b>	<b>–</b>
<b>Total</b>		<b>3,201</b>	<b>3,181</b>	<b>20</b>	<b>2,077</b>	<b>2,037</b>	<b>40</b>

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

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

## FAIR VALUE HIERARCHY

The table below analyses financial instruments carried at fair value, by the valuation method. The different levels are defined as follows:

**Level 1:** Quoted prices (unadjusted) in active markets for identical assets or liabilities.

**Level 2:** Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

**Level 3:** Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	2014				2013			
	Level 1 £m	Level 2 £m	Level 3 £m	Total £m	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Interest rate and currency derivative assets	–	(32)	–	(32)	–	(92)	–	(92)
<b>Assets</b>	<b>–</b>	<b>(32)</b>	<b>–</b>	<b>(32)</b>	<b>–</b>	<b>(92)</b>	<b>–</b>	<b>(92)</b>
Interest rate and currency derivative liabilities	–	57	–	57	–	86	–	86
Convertible bond	458	–	–	458	407	–	–	407
<b>Liabilities</b>	<b>458</b>	<b>57</b>	<b>–</b>	<b>515</b>	<b>407</b>	<b>86</b>	<b>–</b>	<b>493</b>
<b>Total</b>	<b>458</b>	<b>25</b>	<b>–</b>	<b>483</b>	<b>407</b>	<b>(6)</b>	<b>–</b>	<b>401</b>

**18 NET DEBT** continued**CATEGORIES OF FINANCIAL INSTRUMENTS**

	2014 £m	2013 £m
<b>Financial assets</b>		
<b>Fair value through income statement</b>		
Other investments – held for trading	92	–
<b>Derivatives in designated hedge accounting relationships</b>	32	92
<b>Loans and receivables</b>		
Trade and other debtors	35	15
Amounts owed by joint ventures	–	40
Cash and short-term deposits	142	135
Other investments – loans and receivables	170	76
	<b>471</b>	<b>358</b>
<b>Financial liabilities</b>		
<b>Fair value through income statement</b>		
Convertible bond	(458)	(407)
Held for trading – derivatives	–	(7)
<b>Derivatives in designated hedge accounting relationships</b>	(57)	(79)
<b>Amortised cost</b>		
Gross debt	(2,840)	(1,771)
Finance lease payable	(32)	(26)
<b>Trade and other creditors</b>	(85)	(94)
<b>Amounts owed to joint ventures</b>	(4)	(4)
	<b>(3,476)</b>	<b>(2,388)</b>
<b>Total</b>	<b>(3,005)</b>	<b>(2,030)</b>

Gains and losses on financial instruments, as classed above, are disclosed in note 7 (net financing costs), note 14 (debtors), note 6 (net revaluation gains on property and investments), the consolidated income statement and the consolidated statement of comprehensive income. The Directors consider that the carrying amounts of other investments and finance lease payables are approximate to their fair value, and that the carrying amounts are recoverable.

## NOTES TO THE ACCOUNTS

### CONTINUED...

#### 18 NET DEBT continued

##### CAPITAL RISK MANAGEMENT

The capital structure of the Group consists of net debt and equity attributable to the equity holders of The British Land Company PLC, comprising issued capital, reserves and retained earnings. Risks relating to capital structure are addressed within managing risk on pages 36 to 41. The Group's objectives, policies and processes for managing debt are set out in the financial policies on pages 56 to 58.

##### INTEREST RATE RISK MANAGEMENT

The Group uses interest rate swaps to hedge exposure to the variability in cash flows on floating rate debt, such as revolving bank facilities and floating rate bonds caused by movements in market rates of interest. At 31 March 2014 the market value of these derivatives, which have been designated as cash flow hedges under IAS 39, is a net liability of £45m (2012/13: liability of £80m).

The cross currency swap of the 2015 US Private Placement, which fully hedges the foreign exchange exposure of the issuance, has been designated as a cash flow hedge. The market value of this is a liability of £5m (2012/13: asset of £5m).

The ineffectiveness recognised in the income statement on cash flow hedges in the year ended 31 March 2014 was £nil (2012/13: £nil).

The cash flows occur and enter into the determination of profit and loss until the maturity of the hedged debt. The table below summarises variable rate debt and foreign currency denominated debt hedged at 31 March 2014.

##### CASH FLOW HEDGED DEBT

	2014 £m	2013 £m
Outstanding: at one year	1,293	874
at two years	1,225	874
at five years	350	250
at ten years	250	250

The Group uses interest rate swaps to hedge exposure on fixed rate financial liabilities caused by movements in market rates of interest. At 31 March 2014 the market value of these derivatives, which have been designated as fair value hedges under IAS 39, was a net asset of £25m (2012/13: £86m).

The cross currency swaps of the 2018/2021/2023/2026 US Private Placements fully hedge the foreign exchange exposure at an average floating rate of 146 basis points above LIBOR. These have been designated as fair value hedges of the US Private Placements.

##### INTEREST RATE PROFILE – INCLUDING EFFECT OF DERIVATIVES

	2014 £m	2013 £m
Fixed rate	2,208	1,848
Variable rate (net of cash)	973	189
<b>Net debt</b>	<b>3,181</b>	<b>2,037</b>

All the debt is effectively sterling denominated except for £68m (2012/13: £185m) of euro debt of which £68m is at a fixed rate (2012/13: £165m fixed). At 31 March 2014 the weighted average interest rate of the sterling fixed rate debt was 5.17% (2012/13: 5.01%). The weighted average period for which the rate is fixed is 8.5 years (2012/13: 11.6 years). The weighted average interest rate for the euro fixed rate debt is 5.20% (2012/13: 4.44%) and the weighted average period for which the rate is fixed is 1.9 years (2012/13: 3.1 years). The floating rate debt is set for periods of the Company's choosing at the relevant LIBOR (or similar) rate.

The proportion of net debt at fixed or capped rates of interest was 69% at 31 March 2014. Based on the Group's interest rate profile at the balance sheet date a 576 bps increase in interest rates would decrease annual profits by £56m (2012/13: £11m decrease). Similarly, a 52 bps reduction would increase profits by £5m (2012/13: £1m increase). The change in interest rates used for this sensitivity analysis is based on the largest annual change in three month sterling LIBOR over the last ten years. The impact assumes LIBOR does not fall below 0%.

Upward movements in medium and long-term interest rates, associated with higher interest rate expectations, increase the value of the Group's interest rate swaps that provide protection against such moves. The converse is true for downward movements in the yield curve. The majority of the Group's interest rate swaps which provide such protection qualify as effective cash flow hedges under IAS 39 therefore movements in their fair value are recognised directly in equity rather than the income statement. A 204 bps shift represents the largest annual change in the seven-year sterling swap rate over the last ten years. At 31 March 2014 a 204 bps parallel upward shift in swap rates would increase the value of these interest rate swaps by £136m (2012/13: £117m). A 204 bps downward shift in swap rates would reduce the value of the interest rate swap portfolio by £164m (2012/13: £138m). Because the interest rate swaps are matched by floating rate debt, the overall effect on Group cash flows of such movements is minimal.

The 1.5% convertible bond is designated as fair value through profit or loss. Principal components of the market value include British Land's share price and its volatility, and market interest rates. The fair value at 31 March 2014 was £458m. At 31 March 2014 a 204 bps parallel upwards shift in interest rates would reduce the fair value by £30.8m, and a 204 bps downward shift in interest rates would increase the value by £33.4m.

**18 NET DEBT** continued**FOREIGN CURRENCY RISK MANAGEMENT**

The Group's policy is to have no material unhedged net assets or liabilities denominated in foreign currencies. The currency risk on overseas investments is hedged via foreign currency denominated borrowings and derivatives. The Group has adopted net investment hedging in accordance with IAS 39 and therefore the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in equity. The ineffective portion of the gain or loss on the hedging instrument is recognised immediately in the income statement.

The table below shows the carrying amounts of the Group's foreign currency denominated assets and liabilities. Provided contingent tax on overseas investments is not expected to occur it will be ignored for hedging purposes, as will the requirement to fair value interest rate swaps. Based on the 31 March 2014 position a 33% appreciation (largest annual change over the last ten years) in the euro relative to sterling would result in a £nil change (2012/13: £nil) in reported profits.

	Assets		Liabilities	
	2014 £m	2013 £m	2014 £m	2013 £m
Euro denominated	69	203	68	203

**CREDIT RISK MANAGEMENT**

The Group's approach to credit risk management of counterparties is referred to in the financial policies on pages 56 to 58 and the risks addressed within managing risk on pages 36 to 41. The carrying amount of financial assets recorded in the financial statements represents the Group's maximum exposure to credit risk without taking account of the value of any collateral obtained.

Cash and short-term deposits at 31 March 2014 amounted to £142m (2012/13: £135m). Deposits and interest rate derivatives were placed with financial institutions with A- or better credit ratings.

At 31 March 2014, the fair value of all interest rate derivative assets was £32m (2012/13: £92m).

At 31 March 2014, prior to taking into account any offset arrangements, the largest combined credit exposure to a single counterparty arising from money market deposits, liquid investments and derivatives was £71m (2012/13: £64m). This represents 0.7% (2012/13: 0.8%) of gross assets.

The deposit exposures are with UK and international high street banks and branches.

The Group's exposure to credit risk in respect of its trade receivables is analysed in note 14.

Provisions are made taking account of historic credit losses and the creditworthiness of debtors.

**LIQUIDITY RISK MANAGEMENT**

The Group's approach to liquidity risk management is discussed in the financial policies on pages 56 to 58, and the risks addressed within managing risk on pages 36 to 41.

The following table presents a maturity profile of the contracted undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal flows. Where the interest payable is not fixed, the amount disclosed has been determined by reference to the projected interest rates implied by yield curves at the reporting date. For derivative financial instruments that settle on a net basis (e.g. interest rate swaps) the undiscounted net cash flows are shown and for derivatives that require gross settlement (e.g. cross currency swaps) the undiscounted gross cash flows are presented. Where payment obligations are in foreign currencies, the spot exchange rate ruling at the balance sheet date is used. Trade creditors and amounts owed to joint ventures, which are repayable within one year, have been excluded from the analysis.

The Group expects to meet its financial liabilities through the various available liquidity sources, including a secure rental income profile, asset sales, undrawn committed borrowing facilities and, in the longer-term, debt refinancings.

## NOTES TO THE ACCOUNTS

### CONTINUED...

#### 18 NET DEBT continued

##### LIQUIDITY RISK MANAGEMENT continued

The Group leases out all its investment properties under operating leases with a weighted average lease length of 10 years. This secure income profile is generated from upward only rent reviews, long leases and high occupancy rates. The future aggregate minimum rentals receivable under non-cancellable operating leases is also shown in the table below. Income from joint ventures and funds is not included below. Additional liquidity will arise from letting space in properties under construction as well as from distributions received from joint ventures and funds.

	2014				
	Within one year £m	Following year £m	Three to five years £m	Over five years £m	Total £m
Debt <sup>1</sup>	495	93	1,024	1,579	3,191
Interest on debt	114	113	279	676	1,182
Derivative payments	25	119	67	380	591
Finance lease payments	2	2	5	195	204
<b>Total payments</b>	<b>636</b>	<b>327</b>	<b>1,375</b>	<b>2,830</b>	<b>5,168</b>
Derivative receipts	(29)	(117)	(84)	(337)	(567)
<b>Net payment</b>	<b>607</b>	<b>210</b>	<b>1,291</b>	<b>2,493</b>	<b>4,601</b>
Operating leases with tenants (see note 19)	351	342	947	2,549	4,189
Liquidity surplus (deficit)	(256)	132	(344)	56	(412)
<b>Cumulative liquidity deficit</b>	<b>(256)</b>	<b>(124)</b>	<b>(468)</b>	<b>(412)</b>	

	2013				
	Within one year £m	Following year £m	Three to five years £m	Over five years £m	Total £m
Debt <sup>1</sup>	47	184	505	1,345	2,081
Interest on debt	89	87	238	678	1,092
Derivative payments	30	31	144	399	604
Finance lease payments	1	1	4	170	176
<b>Total payments</b>	<b>167</b>	<b>303</b>	<b>891</b>	<b>2,592</b>	<b>3,953</b>
Derivative receipts	(27)	(25)	(163)	(407)	(622)
<b>Net payment</b>	<b>140</b>	<b>278</b>	<b>728</b>	<b>2,185</b>	<b>3,331</b>
Operating leases with tenants (see note 19)	281	278	766	2,496	3,821
Liquidity surplus	141	–	38	311	490
<b>Cumulative liquidity surplus</b>	<b>141</b>	<b>141</b>	<b>179</b>	<b>490</b>	

<sup>1</sup> Gross debt of £3,298m (2012/13: £2,178m) represents the total shown, less unamortised issue costs of £21m (2012/13: £15m), plus fair value adjustments to debt of £128m (2012/13: £112m).

Any short-term liquidity gap between the net payments required and the rentals receivable can be met through other liquidity sources available to the Group. The Group currently holds cash and short-term deposits of £142m, of which £93m is not subject to a security interest (see footnote 6 to net debt table on page 137). Further liquidity can be achieved through sales of property assets or investments and debt refinancings. The Group's property portfolio is valued externally at £7,616m and the share of joint ventures and funds' property is valued at £5,034m (see note 11). The undrawn committed borrowing facilities available to the Group are a further source of liquidity. The maturity profile of committed undrawn borrowing facilities is shown overleaf.

**18 NET DEBT** continued**MATURITY OF COMMITTED UNDRAWN BORROWING FACILITIES**

	2014 £m	2013 £m
Maturity date: more than five years	160	–
between four and five years	310	108
between three and four years	140	870
<b>Total facilities available for more than three years</b>	<b>610</b>	<b>978</b>
Between two and three years	942	–
Between one and two years	–	757
Within one year	410	369
<b>Total</b>	<b>1,962</b>	<b>2,104</b>

The above facilities are comprised of British Land undrawn facilities of £1,790m including the maturing £620m facility and excluding the April 2014 £785m facility, plus undrawn facilities of Hercules Unit Trust totalling £172m.

**19 LEASING****OPERATING LEASES WITH TENANTS**

The Group leases out all of its investment properties under operating leases with a weighted average lease length of 10 years (2012/13: 12 years) and the average effective borrowing rate was 3.5% (2012/13: 4.4%). The future aggregate minimum rentals receivable under non-cancellable operating leases are as follows:

	2014 £m	2013 £m
Less than one year	351	281
Between one and two years	342	278
Between three and five years	947	766
Between six and ten years	1,130	1,002
Between eleven and fifteen years	650	597
Between sixteen and twenty years	433	452
After twenty years	336	445
<b>Total</b>	<b>4,189</b>	<b>3,821</b>

The Group's leasehold investment properties are typically under non-renewable leases without significant restrictions. Finance lease liabilities are payable as follows, no contingent rents are payable in either period:

	2014			2013		
	Minimum lease payments £m	Interest £m	Principal £m	Minimum lease payments £m	Interest £m	Principal £m
Less than one year	2	2	–	1	1	–
Between one and two years	2	2	–	1	1	–
Between two and five years	5	5	–	4	4	–
More than five years	195	163	32	171	145	26
<b>Total</b>	<b>204</b>	<b>172</b>	<b>32</b>	<b>177</b>	<b>151</b>	<b>26</b>
Less future finance charges	(172)			(151)		
<b>Present value of lease obligations</b>	<b>32</b>			<b>26</b>		
Within one year	–			–		
Within two to five years	–			–		
More than five years	32			26		

## NOTES TO THE ACCOUNTS

### CONTINUED...

#### 20 DIVIDENDS

The fourth quarter dividend of 6.75 pence per share, totalling £68m (2012/13: 6.6 pence per share, totalling £65m) was approved by the Board on 13 May 2014 and is payable on 8 August 2014 to shareholders on the register at the close of business on 4 July 2014.

The Board will announce the availability of the Scrip Dividend Alternative via the Regulatory News Service and on its website ([www.britishland.com](http://www.britishland.com)), no later than four business days before the ex-dividend date of 2 July 2014. The Board expects to announce the split between Property Income Distribution (PID) and non-PID income at that time. Any Scrip Dividend Alternative will not be enhanced. PID dividends are paid, as required by REIT legislation, after deduction of withholding tax at the basic rate (currently 20%), where appropriate. Certain classes of shareholders may be able to elect to receive dividends gross. Please refer to our website ([www.britishland.com](http://www.britishland.com)) for details.

Payment date	Dividend	PID	Non-PID	Pence per share	2014 £m	2013 £m
<b>Current year dividends</b>						
08.08.2014	2014 4th interim	6.75		6.75		
02.05.2014	2014 3rd interim	6.75 <sup>1</sup>		6.75		
14.02.2014	2014 2nd interim	6.75		6.75	68	
08.11.2013	2014 1st interim	6.75		6.75	67	
				27.00		
<b>Prior year dividends</b>						
09.08.2013	2013 4th interim	6.60 <sup>1</sup>		6.60	65	
10.05.2013	2013 3rd interim	6.60 <sup>1</sup>		6.60	66	
15.02.2013	2013 2nd interim	6.60 <sup>1</sup>		6.60		59
09.11.2012	2013 1st interim	6.60 <sup>1</sup>		6.60		59
				26.40		
10.08.2012	2012 4th interim	3.30	3.30	6.60		58
09.05.2012	2012 3rd interim	6.50		6.50		58
Dividends in consolidated statement of changes in equity					266	234
Dividends settled in shares					(105)	(32)
Dividends settled in cash					161	202
Timing difference relating to payment of withholding tax					(2)	1
<b>Dividends in cash flow statement</b>					<b>159</b>	<b>203</b>

<sup>1</sup> Scrip alternative treated as non-PID for this dividend.

#### 21 ACQUISITION OF A SUBSIDIARY (BUSINESS COMBINATION)

On 17 February 2014, the Group acquired additional units of the Hercules Unit Trust, a Unit Trust registered in Jersey which is engaged in property investment, resulting in a cumulative ownership of 57.2% of the outstanding units and control of the underlying entity. Management determined that the acquisition of control should be accounted for as a business combination in accordance with IFRS 3 'Business Combinations'. Following this transaction additional units were purchased bringing cumulative ownership to 58.6% at 31 March 2014.

Subsequent to 31 March 2014 further purchases resulted in a cumulative ownership of 59.8%.

The fair value of the Group's 49.2% equity interest in the Hercules Unit Trust held before the business combination amounted to £430m. No gain or loss was recognised as a result of measuring the equity interest at fair value.

The acquired subsidiary has contributed net revenues of £12m and profit of £18m to the Group for the period from the date of acquisition to 31 March 2014. If the acquisition had occurred on 1 April 2013, with all other variables held constant, Group net revenue for 2014 would have increased by £49m, and underlying profit for 2014 would have increased by £23m.

## 21 ACQUISITION OF A SUBSIDIARY (BUSINESS COMBINATION) continued

Details of the assets and bargain purchase arising are as follows:

	Attributed fair value £m
Investment property	1,006
Investments in joint ventures and funds	376
Other net current liabilities	(4)
Cash and cash equivalents	18
Debenture and loans	(522)
<b>Fair value of acquired interest in net assets of subsidiary</b>	<b>874</b>
Bargain purchase (negative goodwill)	(3)
Total purchase consideration	871
Less: fair value of previously held interest non-controlling interest	(430) (374)
Cash consideration	67
Additional units purchased in the year	78
<b>Total acquisition of Hercules Unit Trust</b>	<b>145</b>

The purchase consideration disclosed above comprises cash and cash equivalents paid to the acquiree's previous owner of £67m. The bargain purchase is a result of unit acquisitions trading at a discount in the secondary market. The gain on bargain purchase is recognised in net valuation movement.

The non-controlling interest (42.8% ownership interest in Hercules Unit Trust) recognised at the acquisition date was measured by reference to the present ownership interest's proportionate share in the acquiree's recognised amounts of the identifiable net assets and amounted to £374m.

The valuation of investment property at the acquisition date was performed by an external professional appraiser with experience of the relevant market. The fair value of cash and cash equivalents was considered equal to the carrying value representing the entity's bank deposits; fair value of borrowings and trade and other payables was calculated based on discounted cash flow models. The acquired bank loans and overdrafts have no recourse to other companies or assets in the Group.

## 22 SHARE CAPITAL AND RESERVES

	2014	2013
Number of ordinary shares in issue at 1 April	997,691,488	900,199,638
Share issues	22,074,993	97,491,850
<b>At 31 March</b>	<b>1,019,766,481</b>	997,691,488

Of the issued 25p ordinary shares, 169,990 shares were held in the ESOP trust (2012/13: 275,497), 11,266,245 shares were held as treasury shares (2012/13: 11,266,245) and 1,008,330,246 shares were in free issue (2012/13: 986,149,746). No treasury shares were acquired by the ESOP trust during the year. All issued shares are fully paid. The rights, preferences and restrictions of the share capital are detailed on page 108.

### HEDGING AND TRANSLATION RESERVE

The hedging and translation reserve comprises the effective portion of the cumulative net change in the fair value of cash flow and foreign currency hedging instruments, as well as all foreign exchange differences arising from the translation of the financial statements of foreign operations. The foreign exchange differences also include the translation of the liabilities that hedge the Company's net investment in a foreign subsidiary.

### REVALUATION RESERVE

The revaluation reserve relates to owner-occupied properties and investments in joint ventures and funds.

### MERGER RESERVE

This comprises the premium on the share placing in March 2013. No share premium is recorded in the Company's financial statements, through the operation of the merger relief provisions of the Companies Act 2006.

# NOTES TO THE ACCOUNTS

## CONTINUED...

### 22 SHARE CAPITAL AND RESERVES continued

At 31 March 2014, options over 9,454,680 ordinary shares were outstanding under employee share option plans. These options had a weighted average life of 6.25 years. Details of outstanding share options and shares awarded to employees including Executive Directors are set out below and on the following page:

Date of grant	At	Granted	Vested but not exercised	Exercised/ vested	Lapsed	At 31 March 2014	Exercise price pence	Exercise dates	
	1 April 2013							From	To
<b>Share Options Sharesave Scheme</b>									
30.06.08	6,794	-	-	(5,536)	(1,258)	-	517.03	01.09.13	31.03.14
30.06.09	602	-	-	(602)	-	-	301.00	01.09.12	28.02.13
30.06.09	135,963	-	-	(7,631)	(1,667)	126,665	301.00	01.09.14	28.02.15
28.06.10	44,200	-	-	(38,463)	(4,278)	1,459	370.00	01.09.13	28.02.14
28.06.10	38,994	-	-	-	-	38,994	370.00	01.09.15	29.02.16
01.07.11	18,572	-	-	-	(4,081)	14,491	473.00	01.09.14	28.02.15
01.07.11	13,693	-	-	(835)	(1,121)	11,737	473.00	01.09.16	28.02.17
26.06.12	110,895	-	-	-	(7,030)	103,865	392.00	01.09.15	29.02.16
26.06.12	66,264	-	-	-	(10,176)	56,088	392.00	01.09.17	28.02.18
24.06.13	-	58,350	-	-	(4,472)	53,878	511.00	01.09.16	28.02.17
24.06.13	-	17,550	-	-	(1,174)	16,376	511.00	01.09.18	28.02.19
	435,977	75,900	-	(53,067)	(35,257)	423,553			
<b>Long-Term Incentive Plan – options vested, not exercised</b>									
25.09.03	119,455	-	-	(119,455)	-	-	415.95	25.09.06	24.09.13
25.11.03	15,358	-	-	(15,358)	-	-	457.38	25.11.06	24.11.13
28.05.04	314,409	-	(57,083)	(242,903)	-	14,423	549.35	28.05.07	27.05.14
29.11.04	392,288	-	-	(106,976)	(14,482)	270,830	659.55	29.11.07	28.11.14
31.05.05	351,352	-	-	-	(7,265)	344,087	726.66	31.05.08	30.05.15
05.12.05	198,632	-	-	-	(960)	197,672	823.60	05.12.08	04.12.15
29.06.09	2,239,533	-	-	(1,008,602)	-	1,230,931	387.00	01.07.11	28.06.19
25.11.09	23,431	-	-	(4,400)	-	19,031	475.00	25.11.12	24.11.19
21.12.09	467,500	-	-	(304,621)	-	162,879	446.00	21.12.12	20.12.19
11.06.10	117,496	2,083,806	-	(540,029)	-	1,661,273	447.00	01.07.11	10.06.20
14.12.10	-	326,251	-	(143,727)	-	182,524	510.00	07.10.11	27.04.12
28.06.11	405	21,225	-	(21,225)	(405)	-	575.00	28.06.14	11.04.13
19.12.11	-	24,654	-	(21,947)	-	2,707	451.00	19.12.14	11.04.13
14.09.12	-	4,102	-	(4,102)	-	-	538.00	14.09.15	14.9.22
20.12.12	-	6,222	-	(6,222)	-	-	563.00	20.12.15	20.12.22
	4,239,859	2,466,260	(57,083)	(2,539,567)	(23,112)	4,086,357			
<b>Long-Term Incentive Plan – unvested options</b>									
11.06.10	3,473,085	-	(2,083,806)	-	(1,389,279)	-	447.00	11.06.13	11.06.20
14.12.10	559,933	-	(24,130)	(302,121)	(233,682)	-	510.00	14.12.13	14.12.20
28.06.11	1,640,660	-	(15,501)	(14,299)	(28,161)	1,582,699	575.00	28.06.14	28.06.21
19.12.11	531,510	-	(17,434)	(7,220)	(52,433)	454,423	451.00	19.12.14	19.12.21
14.09.12	1,732,576	-	(1,509)	(2,593)	(413,732)	1,314,742	538.00	14.09.15	14.09.22
20.12.12	577,940	-	-	(6,222)	(346,180)	225,538	563.00	20.12.15	20.12.22
05.08.13	-	834,903	-	-	(5,323)	829,580	601.00	05.08.16	05.08.23
05.12.13	-	537,788	-	-	-	537,788	600.00	05.12.16	05.12.23
	8,515,704	1,372,691	(2,142,380)	(332,455)	(2,468,790)	4,944,770			
<b>Total</b>	13,191,540	3,914,851	(2,199,463)	(2,925,089)	(2,527,159)	9,454,680			
<b>Weighted average exercise price of options (pence)</b>	492	508	451	452	487	521			

## 22 SHARE CAPITAL AND RESERVES *continued*

Date of grant	At 1 April 2013	Granted	Exercised/ vested	Lapsed	At 31 March 2014	Share price at grant date pence	Vesting date
<b>Performance shares Long-Term Incentive Plan</b>							
11.06.10	661,672	-	(396,982)	(264,690)	-	447.00	11.06.13
14.12.10	140,721	-	(82,070)	(58,651)	-	510.00	14.12.13
28.06.11	713,754	-	(4,353)	(7,117)	<b>702,284</b>	575.00	28.06.14
19.12.11	117,751	-	(6,620)	(14,551)	<b>96,580</b>	451.00	19.12.14
14.09.12	1,188,053	-	(3,632)	(244,034)	<b>940,387</b>	538.00	14.09.15
20.12.12	299,069	-	(1,795)	(178,295)	<b>118,979</b>	563.00	20.12.15
05.08.13	-	1,205,738	-	(2,328)	<b>1,203,410</b>	601.00	05.08.16
05.12.13	-	290,577	-	-	<b>290,577</b>	600.00	05.12.16
	3,121,020	1,496,315	(495,452)	(769,666)	<b>3,352,217</b>		
<b>Fund Managers Performance Plan</b>							
28.05.10	325,454	-	(325,454)	-	-	435.00	28.05.13
21.06.11	97,485	-	(97,485)	-	-	581.90	21.06.13
21.06.11	97,484	-	-	(1,827)	<b>95,657</b>	581.90	21.06.14
12.09.12	192,025	-	(189,811)	(2,214)	-	537.00	12.09.13
12.09.12	192,026	-	-	(3,952)	<b>188,074</b>	537.00	12.09.14
12.09.12	192,026	-	-	(4,004)	<b>188,022</b>	537.00	12.09.15
02.08.13	-	217,683	-	(2,784)	<b>214,899</b>	599.00	02.08.14
02.08.13	-	217,685	-	(2,784)	<b>214,901</b>	599.00	02.08.14
02.08.13	-	217,621	-	(2,787)	<b>214,834</b>	599.00	02.08.14
	1,096,500	652,989	(612,750)	(20,352)	<b>1,116,387</b>		
<b>Matching Share Plan</b>							
01.09.10	256,654	-	(256,654)	-	-	479.60	01.09.13
24.05.11	320,608	-	-	-	<b>320,608</b>	600.50	24.05.14
05.09.12	386,994	-	-	-	<b>386,994</b>	500.00	05.09.15
02.08.13	-	375,338	-	-	<b>375,338</b>	609.66	02.08.16
	964,256	375,338	(256,654)	-	<b>1,082,940</b>		
<b>Total</b>	5,181,776	2,524,642	(1,364,856)	(790,018)	<b>5,551,544</b>		
<b>Weighted average exercise price of shares (pence)</b>	523	602	477	511	<b>572</b>		

## 23 SEGMENT INFORMATION

### OPERATING SEGMENTS

The Group allocates resources to investment and asset management according to the sectors it expects to perform over the medium-term. Its two principal sectors are currently offices and retail. The Office sector includes residential, as this is often incorporated into Office schemes, and Retail includes leisure, for a similar rationale. The prior year comparatives have been updated to reflect these changes.

The relevant revenue, net rental income, operating result, assets and capital expenditure, being the measures of segment revenue, segment result and segment assets used by the management of the business, are set out below. Revenue is derived from the rental of buildings. Operating result is the net of net rental income, fee income and administration expenses. No customer exceeded 10% of the Group's revenues in either year.

# NOTES TO THE ACCOUNTS

## CONTINUED...

### 23 SEGMENT INFORMATION continued

#### SEGMENT RESULT

	Offices		Retail		Other/unallocated		Total	
	2014 £m	2013 £m	2014 £m	2013 £m	2014 £m	2013 £m	2014 £m	2013 £m
<b>Revenue</b>								
British Land Group	99	88	235	206	–	–	334	294
Share of joint ventures and funds	84	83	168	171	15	19	267	273
<b>Total</b>	<b>183</b>	<b>171</b>	<b>403</b>	<b>377</b>	<b>15</b>	<b>19</b>	<b>601</b>	<b>567</b>
<b>Net rental income</b>								
British Land Group	91	85	222	196	–	–	313	281
Share of joint ventures and funds	81	80	160	165	12	15	253	260
<b>Total</b>	<b>172</b>	<b>165</b>	<b>382</b>	<b>361</b>	<b>12</b>	<b>15</b>	<b>566</b>	<b>541</b>
<b>Operating result</b>								
British Land Group	80	76	218	190	(42)	(42)	256	224
Share of joint ventures and funds	80	80	157	162	10	14	247	256
<b>Total</b>	<b>160</b>	<b>156</b>	<b>375</b>	<b>352</b>	<b>(32)</b>	<b>(28)</b>	<b>503</b>	<b>480</b>
<b>Reconciliation to underlying profit before taxation</b>								
<b>British Land Group</b>								
Total operating result							503	480
British Land Group net financing costs							(81)	(80)
Share of joint ventures and funds net financing costs							(123)	(126)
Capital and other							811	(14)
<b>Total profit on ordinary activities before tax</b>							<b>1,110</b>	<b>260</b>

Of the total revenues above, £15m (2012/13: £19m) was derived from outside the UK.

#### SEGMENT ASSETS

	Offices		Retail		Other/unallocated		Total	
	2014 £m	2013 £m	2014 £m	2013 £m	2014 £m	2013 £m	2014 £m	2013 £m
<b>Property assets</b>								
British Land Group	3,082	2,179	4,534	3,373	–	2	7,616	5,554
Share of joint ventures and funds	2,017	1,684	2,928	3,005	89	256	5,034	4,945
<b>Total</b>	<b>5,099</b>	<b>3,863</b>	<b>7,462</b>	<b>6,378</b>	<b>89</b>	<b>258</b>	<b>12,650</b>	<b>10,499</b>
<b>Segment assets</b>								
British Land Group	3,036	2,175	4,554	3,393	477	365	8,067	5,933
Share of joint ventures and funds	2,153	1,839	2,997	3,116	98	263	5,248	5,218
<b>Total</b>	<b>5,189</b>	<b>4,014</b>	<b>7,551</b>	<b>6,509</b>	<b>575</b>	<b>628</b>	<b>13,315</b>	<b>11,151</b>
<b>Other assets</b>								
British Land Group	–	–	–	–	477	363	477	363
Share of joint ventures and funds	141	155	67	107	9	7	217	269
<b>Total</b>	<b>141</b>	<b>155</b>	<b>67</b>	<b>107</b>	<b>486</b>	<b>370</b>	<b>694</b>	<b>632</b>
<b>Capital expenditure</b>								
British Land Group	607	391	1,140	315	–	47	1,747	753
Share of joint ventures and funds	86	109	13	26	29	–	128	135
<b>Total</b>	<b>693</b>	<b>500</b>	<b>1,153</b>	<b>341</b>	<b>29</b>	<b>47</b>	<b>1,875</b>	<b>888</b>

**23 SEGMENT INFORMATION** continued**RECONCILIATION TO NET ASSETS**

	2014 £m	2013 £m
<b>British Land Group</b>		
<b>Segment assets</b>		
British Land Group	8,067	5,933
Share of joint ventures and funds	5,248	5,218
<b>Total</b>	<b>13,315</b>	<b>11,151</b>
Share of funds and joint ventures liabilities	(2,536)	(2,882)
Current liabilities	(766)	(320)
Non-current liabilities	(2,896)	(2,262)
<b>Net assets</b>	<b>7,117</b>	<b>5,687</b>

Other assets include other investments of £262m (2012/13: £76m), debtors of £41m (2012/13: £60m), liquid investments of £nil (2012/13: £nil), cash and short-term deposits of £142m (2012/13: £135m) and derivatives of £32m (2012/13: £92m).

**24 CAPITAL COMMITMENTS**

The aggregate capital commitments to purchase, construct or develop investment property, for repairs, maintenance or enhancements, or for the purchase of investments which are contracted for but not provided, are set out below:

	2014 £m	2013 £m
British Land (includes share of development loan facility see note 25)	119	221
Share of joint ventures	113	176
Share of funds	5	1
	<b>237</b>	<b>398</b>

**25 RELATED PARTY TRANSACTIONS**

The Company is providing a development loan facility of up to £320m to the Broadgate joint venture, secured against the development, 5 Broadgate. The loan, which is assignable and on commercial terms, includes an interest cost of 3% per annum above LIBOR and market based fees. As at 31 March 2014, £145m (2012/13: £53m) has been drawn by the joint venture.

Details of transactions with joint ventures and funds are given in notes 4, 7 and 24. During the year the Group recognised management and performance fees receivable from funds of £3m (2012/13: £4m) and joint venture management fees of £7m (2012/13: £6m). Interest and commitment fees earned on the commercial loan to Bluebutton Properties Ltd was £5m (2012/13: £4m).

Details of Directors' remuneration are given in the Remuneration Report on pages 82 to 107. Details of transactions with key management personnel are provided in note 9.

Details of transactions with The British Land Group of Companies Pension Scheme, and other smaller pension schemes, are given in note 10.

During the year, the Company entered into transactions, in the normal course of business, with other related parties as follows:

John Gildersleeve is Deputy Chairman of Carphone Warehouse Group plc. Rental income of £2m (2012/13: £2m) was earned from Carphone Warehouse Group plc and there is an associated debtor balance at 31 March 2014 of £nil (2012/13: £0.2m).

Lord Turnbull is a Non-Executive Director of Prudential plc. Rental income of £1.5m (2012/13: £nil) was earned from Prudential plc.

Aubrey Adams is head of property in Royal Bank of Scotland's Global Restructuring Group. Royal Bank of Scotland are British Land's principal bankers. Rental income of £7.2m (2012/13: £7.2m) was earned from Royal Bank of Scotland.

William Jackson is the Managing Partner of Bridgepoint and serves on a number of Bridgepoint portfolio boards. A number of Bridgepoint's investments are tenants. Rental income of £2.5m (2012/13: £1.9m) was earned from these companies.

## NOTES TO THE ACCOUNTS

### CONTINUED...

#### 26 CONTINGENT LIABILITIES

The Group has contingent liabilities in respect of legal claims, guarantees and warranties arising in the ordinary course of business. It is not anticipated that any material liabilities will arise from contingent liabilities.

TPP Investments Limited, a wholly-owned, ring-fenced, special purpose subsidiary, is a partner in The Tesco British Land Property Partnership and, in that capacity, has entered into a secured bank loan under which its liability is limited to £30m (2012/13: £30m) and recourse is only to the partnership assets.

#### 27 AUDIT EXEMPTIONS TAKEN FOR SUBSIDIARIES

The following subsidiaries are exempt from the requirements of the Companies Act 2006 relating to the audit of individual accounts by virtue of Section 479A of that Act.

Current company name	Companies House Registered number	Current company name	Companies House Registered number
BF Propco (No 19) Limited	5270113	Regis Property Holdings Limited	891470
The Liverpool Exchange Company Limited	490255	Tweed Premier 1 Limited	2847978
Meadowbank Retail Park Edinburgh Limited	5489809	Tweed Premier 2 Limited	2847985
Pillar (Beckton) Limited	2783376	London and Henley (UK) Limited	3576158
Broadgate (PHC 8) Limited	3707220	Cavendish Geared II Limited	2847571
Blaxmill (Twenty-nine) Limited	5279010	London and Henley Limited	3074917
Blaxmill (Thirty) Limited	5282747	Ivorydell Subsidiary Limited	5520010
FRP Group Limited	2844685	United Kingdom Property Company Limited	266486
Pillar Hercules No.2 Limited	2839069	Pillar Nugent Limited	2567031
BL European Holdings Limited	3044033	Pillar Developments Limited	2850421
British Land Hercules No.4 Limited	3108851	35 Basinghall Street First Limited	3902915
Ivorydell Limited	3264791	British Land Hercules No.1 Limited	3527580
Finsbury Avenue Estates Limited	1526447	British Land Hercules No.3 Limited	2967308
Broadgate Court Investments Limited	2048475	British Land HIF Limited	2774183
BLSSP (Funding) PLC	4104074	Renash (Unlimited)	5489776
Wates City Property Management Limited	1085036	Ritesol (Unlimited)	5489811
Pillar Retail Parks Limited	2725163	Number 80 Cheapside Limited	634498
Pillar Speke Limited	3074360	Broadgate Square Limited	1797326
PillarStore No.3 Limited	3589118	Six Broadgate Limited	1881641
Wates City of London Properties Limited	1788526	WK Holdings Limited	2487591
Caymall Limited	5189368	Pillar Estates Limited	3044028
Dinwell Limited	5035303	PillarStore Limited	2850422
Cavendish Geared Limited	2779045	Vintners' Place Limited	2149495
Pillar Auchinlea Limited	2661047	Wates City Point Limited	2973114
Hyfleet Limited	2835919	BL West (Watling House) Limited	4067234

# COMPANY BALANCE SHEET

Prepared in accordance with UK GAAP as at 31 March 2014

	Note	2014 £m	2013 £m
<b>Non-current assets</b>			
Investments and loans to subsidiaries	D	25,477	24,459
Investments in joint ventures	D	802	816
Intangible assets	D	–	3
Other investments	D	159	119
Interest rate derivative assets	E	32	92
		<b>26,470</b>	<b>25,489</b>
<b>Current assets</b>			
Debtors	G	48	273
Cash and short-term deposits	E	61	108
		<b>109</b>	<b>381</b>
<b>Current liabilities</b>			
Short-term borrowings and overdrafts	E	(420)	(45)
Creditors	H	(89)	(98)
Amounts due to subsidiaries		(18,786)	(19,270)
		<b>(19,295)</b>	<b>(19,413)</b>
<b>Net current liabilities</b>		<b>(19,186)</b>	<b>(19,032)</b>
<b>Total assets less current liabilities</b>		<b>7,284</b>	<b>6,457</b>
<b>Non-current liabilities</b>			
Debentures and loans	E	(1,895)	(1,681)
Interest rate derivative liabilities	E	(54)	(86)
		<b>(1,949)</b>	<b>(1,767)</b>
<b>Net assets</b>		<b>5,335</b>	<b>4,690</b>
<b>Equity</b>			
Called up share capital	I	255	249
Share premium	J	1,260	1,245
Other reserves	J	(24)	(61)
Merger reserves	J	213	213
Retained earnings	J	3,631	3,044
<b>Equity shareholders' funds</b>		<b>5,335</b>	<b>4,690</b>

**John Gildersleeve**  
Chairman

**Lucinda Bell**  
Finance Director

Approved by the Board and authorised for issue on 13 May 2014.

Company number 621920

# COMPANY BALANCE SHEET

## CONTINUED...

Prepared in accordance with UK GAAP as at 31 March 2014

### (A) ACCOUNTING POLICIES

#### ACCOUNTING BASIS

The financial statements are prepared in accordance with applicable United Kingdom law and Accounting Standards (UK GAAP) and under the historical cost convention as modified by the revaluation of investment properties and fixed asset investments and liquid investments (not in accordance with International Financial Reporting Standards (IFRS) which are applied by the Group).

The major accounting policies of the Company are set out below and have been applied consistently throughout the current and the previous year. The policies that differ from those applied by the Group (as stated in note 1 of the consolidated financial statements) are for investments and deferred taxation:

- **Going concern**

The financial statements are prepared on the going concern basis as explained in the corporate governance section on page 72.

- **Intangible assets**

Intangible assets, such as fund management contracts, acquired through business combinations, are measured initially at fair value and are amortised on a straight-line basis over their estimated useful lives, and are subject to regular reviews for impairment.

- **Investments**

Investments in joint ventures are stated at cost less provision for impairment. Investments in subsidiaries are stated at cost or Directors' valuation less provision for impairment.

- **Deferred taxation**

Deferred tax is not recognised when fixed assets are revalued unless by the balance sheet date there is a binding agreement to sell the revalued assets and the gain or loss expected to arise on the sale has been recognised in the financial statements. A deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

### (B) DIVIDENDS

Details of dividends paid and proposed are included in note 20 of the consolidated financial statements.

### (C) COMPANY PROFIT FOR THE FINANCIAL YEAR AFTER TAX

The Company has not presented its own profit and loss account as permitted by Section 408 of the Companies Act 2006. The profit after tax for the year was £749m (2012/13: profit £257m).

The average monthly number of employees of the Company during the year was 231 (2012/13: 217).

Employee costs include wages and salaries of £30m (2012/13: £29m), social security costs of £4m (2012/13: £4m) and pension costs of £5m (2012/13: £4m). Details of the Executive Directors' remuneration are disclosed in the Remuneration Report.

Audit fees in relation to the parent company only were £0.3m (2012/13: £0.2m).

**(D) INVESTMENTS AND LOANS TO SUBSIDIARIES**

	Shares in subsidiaries £m	Loans to subsidiaries £m	Investments in joint ventures £m	Intangible assets £m	Other investments £m	Total £m
At 1 April 2013	18,078	6,381	816	3	119	25,397
Additions	–	2,276	11	–	93	2,380
Disposals	(576)	(1,479)	(87)	(3)	(1)	(2,146)
Reallocations	–	–	51	–	(51)	–
Write back of (provision for) impairment	797	–	11	–	(1)	807
<b>At 31 March 2014</b>	<b>18,299</b>	<b>7,178</b>	<b>802</b>	<b>–</b>	<b>159</b>	<b>26,438</b>

Shares in subsidiaries are included at cost or Directors' valuation in 1977, 1995, 1997 and 1999 to 2010 inclusive; their historical cost is £19,563m (2012/13: £22,089m). The amount of £802m (2012/13: £816m) includes £250m (2012/13: £227m) of loans to joint ventures by the Company. The Company has a 50% interest in Bluebutton Properties Limited (Jersey), MSC Property Intermediate Holdings Limited and Shopping Centres Limited, which are registered and operate in England and Wales. Results of the joint ventures are set out in note 12 of the consolidated financial statements. The historical cost of other investments is £155m (2012/13: £128m).

The Group comprises a large number of companies so has taken advantage of the exemption under Section 410(2) of the Companies Act 2006 in providing information only in relation to subsidiary undertakings whose results or financial position, in the opinion of Directors, principally affect the financial statements. The principal subsidiaries, wholly-owned and, except where stated, registered and operating in England and Wales, are:

**Executive Property**

The British Land Corporation Limited

**Finance, Investment and Management**

British Land Property Management Limited

BLD Property Holdings Limited

BL European Fund Management LLP

British Land (Joint Ventures) Limited

Linestair Limited

British Land Investment Netherlands Holdings BV (Netherlands)

**Property**

20 Triton Street Limited

1 & 4 & 7 Triton Limited

10 Brock Street Limited

10 Portman Square Unit Trust (Jersey)

Stockton Retail Park Limited

Drake Circus Limited Partnership (United States)

Euston Tower Limited

BF Propco (No 10) Limited

British Land Ealing BV (Netherlands)

Paddington Central IV Unit Trust

BL Piccadilly Residential Limited

York House W1 Limited

British Land Retail Warehouses Limited

The Mary Street Estate Limited

# COMPANY BALANCE SHEET

## CONTINUED...

Prepared in accordance with UK GAAP as at 31 March 2014

### (E) NET DEBT

	2014 £m	2013 £m
<b>Secured on the assets of the Company</b>		
5.264% first mortgage debenture bonds 2035	344	345
5.0055% first mortgage amortising debentures 2035	100	101
5.357% first mortgage debenture bonds 2028	327	334
6.75% first mortgage debenture bonds 2020	185	194
	<b>956</b>	<b>974</b>
<b>Unsecured</b>		
5.50% senior notes 2027	98	98
6.30% senior US dollar notes 2015 <sup>1</sup>	92	101
Series A 3.895% senior US dollar notes 2018 <sup>2</sup>	25	28
Series B 4.635% senior US dollar notes 2021 <sup>2</sup>	136	158
Series C 4.766% senior US dollar notes 2023 <sup>2</sup>	83	98
Series D 5.003% senior US dollar notes 2026 <sup>2</sup>	52	62
Fair value of options to issue under 1.5% convertible bond 2017	72	28
Bank loans and overdrafts	601	179
3.81% senior notes 2026	99	-
3.97% senior notes 2026	101	-
	<b>1,359</b>	<b>752</b>
<b>Gross debt</b>	<b>2,315</b>	<b>1,726</b>
Interest rate derivatives: liabilities	54	86
Interest rate derivatives: assets	(32)	(92)
	<b>2,337</b>	<b>1,720</b>
Cash and short-term deposits	(61)	(108)
<b>Net debt</b>	<b>2,276</b>	<b>1,612</b>

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

2 Principal and interest on these borrowings were fully hedged into sterling at a floating rate at the time of issue.

On 10 September 2012 British Land (Jersey) Limited (the Issuer) – a wholly-owned subsidiary of the Company – issued £400m 1.5% guaranteed convertible bonds due 2017 (the bonds) at par. The proceeds have been loaned to the Company and the Company has unconditionally and irrevocably guaranteed the due and punctual performance by the Issuer of all of its obligations (including payments) in respect of the bonds and the obligations of the Company, as guarantor, constitute direct, unsubordinated, unconditional and unsecured obligations of the Company.

Subject to their terms, the bonds are convertible into preference shares of the Issuer which are automatically transferred to the Company in exchange for ordinary shares in the Company or, at the Company's election, any combination of ordinary shares and cash.

The inter-company loan between the Issuer and the Company arising from the transfer of the loan proceeds was initially recognised at fair value, net of capitalised issue costs and is accounted for using the amortised cost method.

In addition to the inter-company loan, the Company has entered into a derivative contract relating to its guarantee of the obligations of the Issuer in respect of the bonds and the commitment to provide shares or a combination of shares and cash on conversion of the bonds. This derivative contract is included within the balance sheet as a liability carried at fair value through profit and loss.

See note 18 in the consolidated financial statements for further details about the convertible bond.

**(E) NET DEBT** continued**MATURITY ANALYSIS OF NET DEBT**

	2014 £m	2013 £m
Repayable within one year and on demand	420	45
Between: one and two years	92	145
two and five years	174	145
five and ten years	465	407
ten and fifteen years	783	603
fifteen and twenty years	6	5
twenty and twenty-five years	375	376
	<b>1,895</b>	<b>1,681</b>
Gross debt	2,315	1,726
Interest rate derivatives	22	(6)
Cash and short-term deposits	(61)	(108)
<b>Net debt</b>	<b>2,276</b>	<b>1,612</b>

**(F) PENSION**

The Company's pension scheme is the principal pension scheme of the Group and details are set out in note 10 of the consolidated financial statements.

**(G) DEBTORS**

	2014 £m	2013 £m
Trade and other debtors <sup>1</sup>	45	4
Amounts owed by subsidiaries	–	216
Amounts due from joint ventures	–	40
Corporation tax	–	10
Prepayments and accrued income	3	3
	<b>48</b>	<b>273</b>

1 Included within this balance is deferred consideration of Enil (2012/13: £4m) arising on the sale of investment properties. The timing of the receipt is uncertain and may fall due after one year.

**(H) CREDITORS**

	2014 £m	2013 £m
Trade creditors	14	29
Amounts due to joint ventures	–	–
Corporation tax	19	2
Other taxation and social security	21	17
Accruals and deferred income	35	50
	<b>89</b>	<b>98</b>

Interest rate derivative liabilities are presented on the face of the balance sheet in 2014.

# COMPANY BALANCE SHEET

## CONTINUED...

Prepared in accordance with UK GAAP as at 31 March 2014

### (I) SHARE CAPITAL

	£m	Ordinary shares of 25p each
<b>Issued, called up and fully paid</b>		
At 1 April 2013	249	997,691,488
Issued	6	22,074,993
<b>At 31 March 2014</b>	<b>255</b>	<b>1,019,766,481</b>

In March 2014, the Company issued ordinary shares. Refer to note 22 of the consolidated financial statements.

### (J) SHARE CAPITAL AND RESERVES

	Share capital £m	Share premium £m	Other reserves £m	Merger reserve £m	Profit and loss account £m	Total £m
At 1 April 2013	249	1,245	(61)	213	3,044	4,690
Share issues	6	15	-	-	-	21
Transfer to retained earnings	-	-	-	-	-	-
Adjustment for scrip dividend element	-	-	-	-	105	105
Dividend paid	-	-	-	-	(266)	(266)
Adjustment for share and share option award	-	-	-	-	1	1
Pension scheme movements	-	-	-	-	(2)	(2)
Retained profit (loss)	-	-	-	-	749	749
Derivative valuation movement	-	-	37	-	-	37
Exchange movements on net investments	-	-	-	-	-	-
<b>At 31 March 2014</b>	<b>255</b>	<b>1,260</b>	<b>(24)</b>	<b>213</b>	<b>3,631</b>	<b>5,335</b>

The value of distributable reserves within the profit and loss account is £2,299m (2012/13: £1,751m).

### (K) CONTINGENT LIABILITIES, CAPITAL COMMITMENTS AND RELATED PARTY TRANSACTIONS

The Company has contingent liabilities in respect of legal claims, guarantees and warranties arising in the ordinary course of business. It is not anticipated that any material liabilities will arise from the contingent liabilities.

At 31 March 2014, the Company had £93m of capital commitments (2012/13: £172m).

The Company has chosen to provide a development loan facility of up to £320m to the Broadgate joint venture secured against the development, 5 Broadgate. The loan, which is assignable and on commercial terms, includes an interest cost of 3% per annum above LIBOR and market based fees. As at 31 March 2014, £145m had been drawn by the joint venture (2012/13: £53m).

Related party transactions are the same for the Company as for the Group. For details refer to note 25 of the consolidated financial statements.

The Company has used the exemption under FRS 8 where disclosure is not required of transactions with fellow subsidiary undertakings 100% of whose voting rights are controlled within the Group. The Company has utilised the exemptions provided by FRS 1 (Revised) and has not presented a cash flow statement. A consolidated cash flow statement has been presented in the Group financial statements.

# SUPPLEMENTARY DISCLOSURES

## UNAUDITED

**TABLE A: SUMMARY INCOME STATEMENT AND BALANCE SHEET**
**SUMMARY INCOME STATEMENT BASED ON PROPORTIONAL CONSOLIDATION FOR THE YEAR ENDED 31 MARCH 2014**

The following pro forma information is unaudited and does not form part of the consolidated primary statements or the notes thereto. It presents the results of the Group, with its share of the results of joint ventures and funds included on a line-by-line, i.e. proportional, basis. The underlying profit before taxation and underlying profit after taxation are the same as presented in the consolidated income statement.

	Year ended 31 March 2014				Year ended 31 March 2013		
	Group £m	Joint ventures and funds £m	Less non- controlling interests £m	Proportionally consolidated £m	Group £m	Joint ventures and funds £m	Proportionally consolidated £m
<b>Gross rental income</b>	334	267	(4)	597	294	273	567
Property operating expenses	(21)	(14)	-	(35)	(13)	(13)	(26)
<b>Net rental income</b>	313	253	(4)	562	281	260	541
Administrative expenses	(72)	(6)	-	(78)	(72)	(4)	(76)
Fees and other income	15	-	-	15	15	-	15
<b>Ungeared income return</b>	256	247	(4)	499	224	256	480
Net interest	(81)	(123)	2	(202)	(80)	(126)	(206)
<b>Underlying profit before taxation</b>	175	124	(2)	297	144	130	274
Underlying tax	(2)	-	-	(2)	(1)	-	(1)
<b>Underlying profit after taxation</b>	173	124	(2)	295	143	130	273
<b>Underlying earnings per share – diluted basis</b>				29.4p			30.3p
Valuation movement				873			26
Other capital and tax (net) <sup>1</sup>				53			(4)
<b>Capital and other</b>				926			22
<b>Total return</b>				1,221			295

The underlying earnings per share is calculated on underlying profit before taxation of £297m, tax attributable to underlying profits of £2m and 1,004m shares on a diluted basis, for the year ended 31 March 2014.

1 Includes other comprehensive income, movement in dilution of share options and the movement in items excluded for EPRA NAV.

# SUPPLEMENTARY DISCLOSURES

## UNAUDITED

### CONTINUED...

#### TABLE A continued

##### SUMMARY BALANCE SHEET BASED ON PROPORTIONAL CONSOLIDATION AS AT 31 MARCH 2014

The following pro forma information is unaudited and does not form part of the consolidated primary statements or the notes thereto. It presents the composition of the EPRA net assets of the Group, with its share of the net assets of the joint venture and fund assets and liabilities included on a line-by-line, i.e. proportional, basis and assuming full dilution.

	Group £m	Share of joint ventures and funds £m	Less non- controlling interests £m	Share options £m	Deferred tax £m	Mark-to- market on effective cash flow hedges and related debt adjustments £m	Head leases £m	Valuation surplus on trading properties £m	EPRA net assets 2014 £m	EPRA net assets 2013 £m
Retail properties	4,554	2,930	(610)	-	-	-	(22)	-	6,852	6,378
Office properties	3,036	2,012	-	-	-	-	(12)	63	5,099	3,863
Other properties	-	89	-	-	-	-	-	-	89	258
<b>Total properties</b>	<b>7,590</b>	<b>5,031</b>	<b>(610)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(34)</b>	<b>63</b>	<b>12,040</b>	<b>10,499</b>
Investments in joint ventures and funds	2,712	(2,712)	-	-	-	-	-	-	-	-
Other investments	262	(68)	-	-	-	-	-	-	194	53
Other net (liabilities) assets	(266)	(138)	8	39	6	-	34	-	(317)	(319)
Net debt	(3,181)	(2,113)	231	-	-	173	-	-	(4,890)	(4,266)
<b>Net assets</b>	<b>7,117</b>	<b>-</b>	<b>(371)</b>	<b>39</b>	<b>6</b>	<b>173</b>	<b>-</b>	<b>63</b>	<b>7,027</b>	<b>5,967</b>
<b>EPRA NAV per share (note 2)</b>									<b>688p</b>	596p

Property segments have been re-presented in line with note 23.

##### EPRA NET ASSETS MOVEMENT

	Year ended 31 March 2014		Year ended 31 March 2013	
	£m	Pence per share	£m	Pence per share
Opening EPRA NAV	5,967	596	5,381	595
Income return	295	29	273	30
Capital return	926	90	22	2
Dividend paid in cash	(161)	(27)	(202)	(27)
Dilution due to issues of shares	-	-	493	(4)
<b>Closing EPRA NAV</b>	<b>7,027</b>	<b>688</b>	<b>5,967</b>	<b>596</b>

## TABLE B: EPRA PERFORMANCE MEASURES

### EPRA PERFORMANCE MEASURES SUMMARY TABLE

	2014		2013	
	£m	Pence per share	£m	Pence per share
EPRA earnings – basic	295	29.5	268	29.9
– diluted	295	29.4	268	29.7
EPRA NAV	7,027	688	5,967	596
EPRA NNNNAV	6,700	656	5,522	552
EPRA net initial yield		4.8%		5.5%
EPRA 'topped-up' net initial yield		5.3%		5.7%
EPRA vacancy rate		5.2%		3.4%

### CALCULATION OF EPRA EARNINGS AND EPRA EARNINGS PER SHARE

	2014 £m	2013 £m
Profit for the year after taxation	1,106	284
Exclude:		
Group – non-underlying current tax	(5)	(9)
Group – deferred tax	(3)	(16)
Joint ventures and funds – non-underlying current tax	5	(2)
Joint ventures and funds – deferred tax	–	(1)
Group – net valuation movement (including result on disposals)	(615)	(79)
Joint ventures and funds – net valuation movement (including result on disposals)	(258)	62
Amortisation of intangible assets	–	1
Changes in fair value of financial instruments and associated close-out costs	57	28
Non-controlling interest in respect of the above	8	–
<b>EPRA earnings<sup>1</sup></b>	<b>295</b>	<b>268</b>
Mark-to-market on/profit on disposal of liquid investments (held for trading assets)	–	(9)
Mark-to-market on convertible bond	–	7
Non-recurring items <sup>2</sup>	–	7
<b>Underlying earnings after taxation</b>	<b>295</b>	<b>273</b>
	2014 Number million	2013 Number million
Weighted average number of shares	1,010	907
Adjustment for treasury shares	(11)	(11)
Adjustment for ESOP shares	–	(1)
<b>Weighted average number of shares (basic)</b>	<b>999</b>	<b>895</b>
Dilutive effect of share options	2	2
Dilutive effect of ESOP shares	3	4
<b>Weighted average number of shares (diluted)</b>	<b>1,004</b>	<b>901</b>
	2014 Pence	2013 Pence
Earnings per share (basic)	110.7	31.7
Earnings per share (diluted)	110.2	31.5
Underlying earnings per share (diluted)	29.4	30.3
<b>EPRA earnings per share – basic</b>	<b>29.5</b>	<b>29.9</b>
– diluted	<b>29.4</b>	<b>29.7</b>

1 Comparatives have been re-presented in line with updated EPRA guidance.

2 Non-recurring items for the year ended 31 March 2013 relate to £7m of issue costs for the convertible bond.

# SUPPLEMENTARY DISCLOSURES

## UNAUDITED

### CONTINUED...

**TABLE B** continued**NET ASSETS PER SHARE**

	2014		2013	
	£m	Pence per share	£m	Pence per share
Balance sheet net assets	7,117		5,687	
Deferred tax arising on revaluation movements	6		14	
Mark-to-market on effective cash flow hedges and related debt adjustments	173		198	
Dilution effect of share options	39		58	
Surplus on trading properties	63		10	
Less non-controlling interests	(371)		-	
<b>EPRA NAV</b>	<b>7,027</b>	<b>688</b>	5,967	596
Deferred tax arising on revaluation movements	(6)		(14)	
Mark-to-market on effective cash flow hedges and related debt adjustments	(173)		(198)	
Mark-to-market on debt	(148)		(233)	
<b>EPRA NNNAV</b>	<b>6,700</b>	<b>656</b>	5,522	552

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

**EPRA NET INITIAL YIELD AND 'TOPPED-UP' NET INITIAL YIELD**

	2014 £m	2013 £m
Investment property – wholly-owned	7,194	5,554
Investment property – share of joint ventures and funds	4,757	4,945
Less developments, residential and land	(1,192)	(1,340)
<b>Completed property portfolio</b>	<b>10,759</b>	<b>9,159</b>
Allowance for estimated purchasers' costs	639	552
<b>Gross up completed property portfolio valuation</b>	<b>11,398</b>	<b>9,711</b>
Annualised cash passing rental income	554	541
Property outgoings	(8)	(11)
<b>Annualised net rents</b>	<b>546</b>	<b>530</b>
Rent expiration of rent-free periods and fixed uplifts <sup>1</sup>	53	27
<b>'Topped-up' net annualised rent</b>	<b>599</b>	<b>557</b>
<b>EPRA net initial yield</b>	<b>4.8%</b>	<b>5.5%</b>
<b>EPRA 'topped-up' net initial yield</b>	<b>5.3%</b>	<b>5.7%</b>
Including fixed/minimum uplifts received in lieu of rental growth	26	26
<b>Total 'topped-up' net rents</b>	<b>625</b>	<b>583</b>
<b>Overall 'topped-up' net initial yield</b>	<b>5.5%</b>	<b>6.0%</b>
'Topped-up' net annualised rent	599	557
ERV vacant space	33	19
Reversions	(9)	(13)
<b>Total ERV</b>	<b>623</b>	<b>563</b>
<b>Net reversionary yield</b>	<b>5.5%</b>	<b>5.8%</b>

<sup>1</sup> The period over which rent-free periods expire is 2 years (2012/13: 2 years).

The current period above is stated for the UK portfolio only.

**TABLE B** continued**EPRA NET INITIAL YIELD (NIY) BASIS OF CALCULATION**

EPRA NIY is calculated as the annualised net rent (on a cash flow basis), divided by the gross value of the completed property portfolio. The valuation of our completed property portfolio was determined by our external valuers as at 31 March 2014, plus an allowance for estimated purchaser's costs. Estimated purchaser's costs are determined by the relevant stamp duty liability, plus an estimate by our valuers of agent and legal fees on notional acquisition. The net rent deduction allowed for property outgoings is based on our valuers' assumptions on future recurring non-recoverable revenue expenditure.

In calculating the EPRA 'topped-up' NIY, the annualised net rent is increased by the total contracted rent from expiry of rent-free periods and future contracted rental uplifts where defined as not in lieu of growth. Overall 'topped-up' NIY is calculated by adding any other contracted future uplift to the 'topped-up' net annualised rent.

The net reversionary yield is calculated by dividing the total estimated rental value (ERV) for the completed property portfolio, as determined by our external valuers, by the gross completed property portfolio valuation.

The EPRA vacancy rate is calculated as the ERV of the un-rented, lettable space as a proportion of the total rental value of the completed property portfolio.

**EPRA VACANCY RATE**

	2014 £m	2013 £m
Annualised potential rental value of vacant premises	33	19
Annualised potential rental value for the completed property portfolio	626	563
<b>EPRA vacancy rate</b>	<b>5.2%</b>	<b>3.4%</b>

The current period above is stated for the UK portfolio only.

**EPRA COST RATIOS**

	2014 £m	2013 £m
Property outgoings	21	13
Administrative expenses	72	72
Share of joint ventures and funds expenses	20	17
Less: management and performance fees (from joint ventures and funds)	(10)	(10)
other fees and commission	(5)	(5)
ground rent costs	(2)	(1)
<b>EPRA costs (including direct vacancy costs) (A)</b>	<b>96</b>	<b>86</b>
Direct vacancy costs	(13)	(14)
<b>EPRA costs (excluding direct vacancy costs) (B)</b>	<b>83</b>	<b>72</b>
Gross rental income less ground rent costs	330	294
Share of joint ventures and funds (GRI less ground rent costs)	265	273
<b>Total gross rental income (C)</b>	<b>595</b>	<b>567</b>
<b>EPRA cost ratio (including direct vacancy costs) (A/C)</b>	<b>16.2%</b>	<b>15.3%</b>
<b>EPRA cost ratio (excluding direct vacancy costs) (B/C)</b>	<b>13.9%</b>	<b>12.8%</b>
Overhead and operating expenses capitalised (including share of joint ventures and funds)	-	-

No overhead or operating expenses, including employee costs, are capitalised.

SUPPLEMENTARY DISCLOSURES  
UNAUDITED  
CONTINUED...

**TABLE C: GROSS RENTAL INCOME AND ACCOUNTING RETURN**

**CALCULATION OF GROSS RENTAL INCOME**

	Year ended 31 March 2014 £m	Year ended 31 March 2013 £m
Rent receivable	574	538
Spreading of tenant incentives and guaranteed rent increases	23	28
Surrender premia	4	1
<b>Gross rental income</b>	<b>601</b>	<b>567</b>

**TOTAL ACCOUNTING RETURN**

	Year ended 31 March 2014 %	Year ended 31 March 2013 %
<b>Total accounting return</b>	<b>20.0</b>	<b>4.6</b>

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# OTHER INFORMATION

## UNAUDITED

### PORTFOLIO VALUATION

At 31 March 2014	Total <sup>1</sup> £m	Change <sup>2</sup>		
		H1 %	H2 %	FY %
<b>Retail<sup>3</sup>:</b>				
Retail parks	2,767	1.1	2.7	3.7
Superstores	1,321	2.0	0.7	2.8
Shopping centres	1,862	0.3	1.8	2.1
Department stores	564	6.5	11.1	18.3
Leisure	338	2.0	8.4	10.5
<b>All Retail</b>	<b>6,852</b>	<b>1.5</b>	<b>2.9</b>	<b>4.4</b>
<b>Offices<sup>3</sup>:</b>				
City	2,038	3.6	8.1	11.8
West End	2,720	6.0	10.0	16.6
Provincial	96	4.0	6.6	10.9
<b>All Offices</b>	<b>4,854</b>	<b>5.0</b>	<b>9.1</b>	<b>14.4</b>
Residential <sup>4</sup>	245	2.6	13.2	15.4
<b>All Offices and Residential</b>	<b>5,099</b>	<b>4.9</b>	<b>9.3</b>	<b>14.5</b>
<b>Total</b>	<b>11,951</b>	<b>2.8</b>	<b>5.5</b>	<b>8.3</b>

Table shows UK total, excluding assets held in Europe. Total portfolio valuation including Europe of £12.0bn at year-end, +8.0% valuation movement.

1 Including Group's share of properties in joint ventures and funds.

2 Valuation movement during the period (after taking account of capital expenditure) of properties held at the balance sheet date, including developments (classified by end use), purchases and sales.

3 Including developments.

4 Stand-alone residential.

### PORTFOLIO YIELD AND ERV MOVEMENTS

At 31 March 2014	ERV £m	NEY %	ERV growth <sup>1</sup>			NEY yield compression <sup>2</sup>		
			H1 %	H2 %	FY %	H1 bps	H2 bps	FY bps
<b>Retail:</b>								
Retail parks	165	5.7	1.0	0.0	1.0	7	18	25
Superstores	70	5.1	0.5	0.2	0.7	5	3	9
Shopping centres	112	5.5	0.0	2.3	2.4	5	6	11
Department stores	24	5.4	0.1	0.1	0.2	38	58	94
Leisure	21	7.7	2.0	2.6	4.6	6	65	71
<b>All Retail</b>	<b>392</b>	<b>5.6</b>	<b>0.6</b>	<b>0.9</b>	<b>1.5</b>	<b>8</b>	<b>18</b>	<b>26</b>
<b>Offices:</b>								
City	98	5.3	1.2	6.6	7.9 <sup>3</sup>	9	30	39
West End	137	5.1	2.3	2.3	4.6	16	28	41
Provincial	5	6.1	0.0	0.0	0.0	23	24	47
<b>All Offices</b>	<b>240</b>	<b>5.2</b>	<b>1.7</b>	<b>4.1</b>	<b>5.8</b>	<b>13</b>	<b>29</b>	<b>40</b>
<b>Total</b>	<b>632</b>	<b>5.5</b>	<b>0.9</b>	<b>2.0</b>	<b>3.0</b>	<b>10</b>	<b>22</b>	<b>31</b>

Table shows UK total, excluding assets held in Europe.

1 Like-for-like (as calculated by IPD).

2 Including notional purchaser's costs.

3 City up 4.0% on a like-for-like basis.

## TOTAL PROPERTY RETURN (AS CALCULATED BY IPD EXCLUDING EUROPE)

	Retail		Offices		Total	
	British Land %	IPD %	British Land %	IPD %	British Land %	IPD %
<b>Full-year to 31 March 2014</b>						
Capital return	4.6	4.2	15.3	12.9	8.9	7.5
– ERV growth	1.5	0.0	5.8	4.9	3.0	1.7
– Yield compression <sup>1</sup>	26 bps	33 bps	40 bps	52 bps	31 bps	45 bps
Income return	5.9	5.7	3.5	5.0	4.9	5.7
<b>Total property return</b>	<b>10.7</b>	<b>10.1</b>	<b>19.3</b>	<b>18.5</b>	<b>14.2</b>	<b>13.6</b>

1 Net equivalent yield movement.

## PORTFOLIO WEIGHTING

At 31 March	2013 %	2014 (current) %	2014 (current) Em	2014 (pro forma <sup>1</sup> ) %
<b>Retail:</b>				
Retail parks	24.5	23.1	2,767	21.5
Superstores	12.6	11.1	1,321	10.1
Shopping centres	17.6	15.6	1,862	14.4
Department stores	4.6	4.7	564	4.3
Leisure	3.0	2.8	338	2.6
<b>All Retail</b>	<b>62.3</b>	<b>57.3</b>	<b>6,852</b>	<b>52.9</b>
<b>Offices:</b>				
City	17.1	17.1	2,038	16.9
West End	18.4	22.7	2,720	25.3
Provincial	0.8	0.8	96	1.7
<b>All Offices</b>	<b>36.3</b>	<b>40.6</b>	<b>4,854</b>	<b>43.9</b>
Residential <sup>2</sup>	1.4	2.1	245	3.2
<b>All Offices and Residential</b>	<b>37.7</b>	<b>42.7</b>	<b>5,099</b>	<b>47.1</b>
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>11,951</b>	<b>100.0</b>

Table shows UK total, excluding assets held in Europe.

1 Pro forma for developments to date at estimated end value (as determined by the Group's external valuers).

2 Stand-alone residential.

PORTFOLIO NET YIELDS<sup>1</sup>

At 31 March (excluding developments)	EPRA net initial yield %	EPRA topped-up net initial yield <sup>2</sup> %	Overall topped-up net initial yield <sup>3</sup> %	Net reversionary yield %	Net equivalent yield %
<b>Retail:</b>					
Retail parks	5.3	5.6	5.7	5.6	5.7
Superstores	4.9	5.1	5.1	5.0	5.1
Shopping centres	5.3	5.4	5.4	5.6	5.5
Department stores	5.0	5.0	7.1	4.0	5.4
Leisure	7.1	7.1	8.9	5.6	7.7
<b>All Retail</b>	<b>5.3</b>	<b>5.5</b>	<b>5.8</b>	<b>5.4</b>	<b>5.6</b>
<b>Offices:</b>					
City	5.5	5.8	5.9	6.2	5.3
West End	2.9	4.3	4.4	5.3	5.1
Provincial	6.9	6.9	6.9	5.6	6.1
<b>All Offices</b>	<b>4.0</b>	<b>4.9</b>	<b>5.0</b>	<b>5.6</b>	<b>5.2</b>
<b>Total</b>	<b>4.8</b>	<b>5.3</b>	<b>5.5</b>	<b>5.5</b>	<b>5.5</b>

Table shows UK total, excluding assets held in Europe.

1 Including notional purchaser's costs.

2 Including rent contracted from expiry of rent-free periods and fixed uplifts not in lieu of rental growth.

3 Including fixed/minimum uplifts (excluded from EPRA definition).

# OTHER INFORMATION

## UNAUDITED

### CONTINUED...

#### ANNUALISED RENT AND ESTIMATED RENTAL VALUE (ERV)

	Annualised rent (valuation basis) Total £m <sup>1</sup>	ERV		Average rent	
		Total £m	Contracted <sup>2</sup> £ psf	ERV <sup>2</sup> £ psf	
<b>At 31 March 2014</b> (excluding developments)					
<b>Retail:</b>					
Retail parks	157	165	24.5	24.6	
Superstores	68	70	21.8	21.6	
Shopping centres	104	112	30.2	31.9	
Department stores	30	24	13.6	10.9	
Leisure	25	21	14.1	11.6	
<b>All Retail</b>	<b>384</b>	<b>392</b>	<b>22.7</b>	<b>22.4</b>	
<b>Offices:</b>					
City	88	98	47.5	48.7	
West End	76	137	48.4	52.0	
Provincial	6	5	27.1	21.9	
<b>All Offices</b>	<b>170</b>	<b>240</b>	<b>46.9</b>	<b>49.2</b>	
Residential <sup>3</sup>	3	–			
<b>All Offices and Residential</b>	<b>173</b>	<b>240</b>			
<b>Total</b>	<b>557</b>	<b>632</b>	<b>26.6</b>	<b>27.7</b>	

Table shows UK total, excluding assets held in Europe.

- 1 Gross rents plus, where rent reviews are outstanding, any increases to ERV (as determined by the Group's external valuers), less any grounds rents payable under head leases, excludes contracted rent subject to rent free and future uplift.
- 2 Office average rent and ERV £ psf is based on office space only.
- 3 Stand-alone residential.

#### GROSS RENTAL INCOME<sup>1</sup>

(Accounting basis)	12 months to	Annualised as at
	31 March 2014 Total £m	31 March 2014 Total £m
<b>Retail:</b>		
Retail parks	150	159
Superstores	72	71
Shopping centres	115	103
Department stores	33	33
Leisure	29	29
<b>All Retail</b>	<b>399</b>	<b>395</b>
<b>Offices:</b>		
City	89	87
West End	84	93
Provincial	6	6
<b>All Offices</b>	<b>179</b>	<b>186</b>
Residential <sup>2</sup>	3	3
<b>All Offices and Residential</b>	<b>182</b>	<b>189</b>
<b>Total</b>	<b>581</b>	<b>584</b>

Table shows UK total, excluding assets held in Europe.

- 1 Gross rental income will differ from annualised rents due to accounting adjustments for fixed and minimum contracted rental uplifts and lease incentives.
- 2 Stand-alone residential.

## LEASE LENGTH AND OCCUPANCY

	Average lease length		Occupancy rate	
	To expiry Years	To break Years	Occupancy %	Occupancy (underlying) <sup>1</sup> %
<b>At 31 March 2014</b> (excluding developments)				
<b>Retail:</b>				
Retail parks	9.1	8.2	96.8	98.3
Superstores	15.0	14.8	100.0	100.0
Shopping centres	9.1	8.1	95.6	97.3
Department stores	26.6	23.3	100.0	100.0
Leisure	20.7	20.7	100.0	100.0
<b>All Retail</b>	<b>12.3</b>	<b>11.3</b>	<b>97.4</b>	<b>98.5</b>
<b>Offices:</b>				
City	9.1	7.3	96.8	96.9
West End	11.2	9.4	85.7	88.4
Provincial	8.3	8.0	100.0	100.0
<b>All Offices</b>	<b>10.2</b>	<b>8.4</b>	<b>90.5</b>	<b>92.1</b>
<b>Total</b>	<b>11.5</b>	<b>10.3</b>	<b>94.8</b>	<b>96.1</b>

Table shows UK total, excluding assets held in Europe.

<sup>1</sup> Including accommodation under offer or subject to asset management.

## RENT SUBJECT TO LEASE BREAK OR EXPIRY

At 31 March	2015 £m	2016 £m	2017 £m	2018 £m	2019 £m	2015-17 £m	2015-19 £m
<b>Retail:</b>							
Retail parks	7	8	6	12	13	21	46
Superstores	-	-	-	-	-	-	-
Shopping centres	8	7	9	9	5	24	38
Department stores	-	-	-	1	-	-	1
Leisure	-	-	-	-	-	-	-
<b>All Retail</b>	<b>15</b>	<b>15</b>	<b>15</b>	<b>22</b>	<b>18</b>	<b>45</b>	<b>85</b>
<b>Offices:</b>							
City	1	1	19	4	17	21	42
West End	1	4	7	8	10	12	30
Provincial	-	-	-	-	-	-	-
<b>All Offices</b>	<b>2</b>	<b>5</b>	<b>26</b>	<b>12</b>	<b>27</b>	<b>33</b>	<b>72</b>
<b>Total</b>	<b>17</b>	<b>20</b>	<b>41</b>	<b>34</b>	<b>45</b>	<b>78</b>	<b>157</b>
<b>% of contracted rent</b>	<b>2.7%</b>	<b>3.1%</b>	<b>6.5%</b>	<b>5.4%</b>	<b>7.3%</b>	<b>12.4%</b>	<b>25.1%</b>
<b>Potential uplift at current ERV</b>	<b>2</b>	<b>2</b>	<b>4</b>	<b>(2)</b>	<b>1</b>	<b>7</b>	<b>6</b>

Table shows UK total, excluding assets held in Europe.

# OTHER INFORMATION

## UNAUDITED

### CONTINUED...

#### RENT SUBJECT TO OPEN MARKET RENT REVIEW

12 months to 31 March	2015 £m	2016 £m	2017 £m	2018 £m	2019 £m	2015-17 £m	2015-19 £m
<b>Retail:</b>							
Retail parks	19	18	16	22	25	53	100
Superstores	15	20	5	4	8	40	52
Shopping centres	9	14	14	15	10	37	62
Department stores	2	5	-	-	-	7	7
Leisure	-	-	-	-	-	-	-
<b>All Retail</b>	<b>45</b>	<b>57</b>	<b>35</b>	<b>41</b>	<b>43</b>	<b>137</b>	<b>221</b>
<b>Offices:</b>							
City	11	14	2	15	14	27	56
West End	6	17	13	13	20	36	69
Provincial	-	6	-	-	-	6	6
<b>All Offices</b>	<b>17</b>	<b>37</b>	<b>15</b>	<b>28</b>	<b>34</b>	<b>69</b>	<b>131</b>
<b>Total</b>	<b>62</b>	<b>94</b>	<b>50</b>	<b>69</b>	<b>77</b>	<b>206</b>	<b>352</b>
<b>Potential uplift at current ERV</b>	<b>2</b>	<b>2</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4</b>	<b>4</b>

Table shows UK total, excluding assets held in Europe.

#### MAJOR HOLDINGS

At 31 March 2014 (excluding developments under construction)	British Land share %	Sq ft '000	Rent per annum <sup>1</sup> £m	Occupancy rate <sup>2</sup> %	Lease length Years <sup>3</sup>
Broadgate, London EC2	50	3,963	177	96.8	7.2
Regent's Place, London NW1	100	1,589	70	98.3	9.4
Meadowhall Shopping Centre, Sheffield	50	1,448	81	98.0	8.1
Sainsbury's Superstores	52	2,864	68	100.0	15.1
Tesco Superstores	51	2,808	63	100.0	14.7
Paddington Central	100	608	23	94.2	10.1
Teesside Shopping Park, Stockton-on-Tees	100	422	15	98.6	7.0
Drake Circus Shopping Centre, Plymouth	100	414	16	99.2	6.3
Debenhams, Oxford Street	100	363	11	100.0	25.0
10 Portman Square, W1	100	134	5	68.2	12.0

1 Annualised contracted rent including 100% of joint ventures and funds.

2 Includes accommodation under offer or subject to asset management.

3 Weighted average to first break.

## OCCUPIERS REPRESENTING OVER 0.5% OF TOTAL CONTRACTED RENT

At 31 March 2014	% of contracted rent		% of contracted rent
Tesco plc	7.7	Facebook	0.9
Sainsbury Group	6.0	Asda Group	0.9
Debenhams	5.8	JPMorgan	0.8
UBS AG	3.2	Reed Smith	0.8
Home Retail Group	2.7	C&W Plc (Cable & Wireless plc)	0.8
Kingfisher (B&Q)	2.7	JD Sports	0.8
HM Government	2.5	Gazprom	0.7
Next plc	2.4	Deutsche Bank AG	0.7
Virgin Active	2.0	Mayer Brown	0.7
Arcadia Group	2.0	Hennes	0.7
Spirit Group	1.6	Mothercare	0.6
Alliance Boots	1.6	ICAP Plc	0.6
Herbert Smith	1.4	Pets at Home	0.6
DSG International	1.3	Credit Agricole	0.6
Marks & Spencer Plc	1.3	Carlson (TGI Friday's)	0.6
Royal Bank of Scotland plc	1.2	AstraZeneca	0.6
Hutchison Whampoa	1.1	Nokia	0.6
Aegis Group	1.1	Henderson	0.5
House of Fraser	1.0	Steinhoff	0.5
New Look	1.0	Lewis Trust (River Island)	0.5
SportsDirect	0.9	Aramco	0.5
TJX Cos Inc (TK Maxx)	0.9	Lend Lease	0.5

## INVESTMENT ACTIVITY

### Acquisitions

Full-year to 31 March 2014	Area	Price (gross) £m	British Land share £m	Annual passing rent £m <sup>3</sup>	
<b>Completed</b>					
Paddington Central	Offices	London	470	470	21
Aldgate Place	Residential	London	40	20	-
The Shoreditch Estate <sup>1</sup>	Mixed-use	London	6	6	-
Hercules Unit Trust unit purchase <sup>2</sup>	Retail	Various	262	262	16
Sainsbury's superstore portfolio <sup>4</sup>	Retail	Various	83	83	-
SouthGate, Bath (50%)	Retail	South West	202	101	5
Hilden Block, Ealing Broadway Shopping Centre	Retail	London	29	29	2
Tesco Extra, Craigavon	Retail	N Ireland	23	23	1
1-5 Baker Street	Offices	London	22	22	1
Harmsworth Quays, Canada Water	Residential	London	11	11	-
Other			6	6	-
<b>Total</b>			<b>1,154</b>	<b>1,033</b>	<b>46</b>

1 Entered into an option agreement with The City of London Corporation to draw down a development agreement subject to securing revised planning consent on the sites.

2 Units purchased over the course of the financial year.

3 British Land share of net rent topped-up for rent frees.

4 26% equity interest.

# OTHER INFORMATION

## UNAUDITED

### CONTINUED...

#### INVESTMENT ACTIVITY

##### Disposals

Full-year to 31 March 2014	Area	Price (gross) £m	British Land share £m	Annual passing rent £m <sup>1</sup>
<b>Completed</b>				
Puerto Venecia, Zaragoza	Retail Spain	242	121	7
Bon Accord and St Nicholas, Aberdeen	Retail Scotland	189	94	6
The Triton Building (NEQ) residential	Residential London	96	96	–
Eastgate Shopping Centre, Basildon	Retail South East	89	89	7
St James Retail Park, Northampton	Retail Midlands	53	53	3
St James Retail Park, Dumbarton	Retail Scotland	46	46	3
PREF, Udine	Retail Italy	40	26	2
West Cornwall Shopping Park, Hayle	Retail South West	26	11	1
Marble Arch House residential	Residential London	17	17	–
6 and 7–9 Eldon Street (Princes Trust House)	Offices London	17	17	1
Marsh Mills Retail Park, Plymouth	Retail South West	13	13	1
New Century Park land	Offices Midlands	13	13	–
Other		60	53	3
<b>Exchanged</b>				
Cwmbran Retail Park	Retail Wales	32	32	2
Residential sales	Residential London	29	29	–
<b>Total</b>		<b>962</b>	<b>710</b>	<b>36</b>

1 British Land share of net rent topped-up for rent frees.

#### DEVELOPMENT

##### Near-term pipeline

At 31 March 2014	Sector	British Land share %	Sq ft '000	Total cost £m <sup>1</sup>	Status
Blossom Street, Shoreditch	Mixed-use	100	322	164	Pre-submission
5 Kingdom Street <sup>2</sup>	Offices	100	240	162	Consented
4 Kingdom Street	Offices	100	147	99	Consented
Glasgow Fort (restaurant and car park)	Retail	59	10	5	Consented
<b>Total near-term</b>			<b>719</b>	<b>430</b>	

1 Total cost including site value.

2 210,000 sq ft of which is consented.

##### Medium-term pipeline

At 31 March 2014	Sector	British Land share %	Sq ft '000	Status
100 Liverpool Street	Offices	50	512	Pre-submission
Power Court, Luton	Retail	100	149	Pre-submission
Aldgate Place, Phase 2	Residential	50	145	Consented
Drake Circus Leisure	Retail	100	105	Pre-submission
Fort Kinnaird, Edinburgh (Debenhams)	Retail	29	30	Pre-submission
Glasgow Fort (Additional Retail Unit)	Retail	59	30	Consented
Lancaster	Retail	100	300	Pre-submission
Eden Walk Shopping Centre, Kingston	Mixed-use	50	500–600	Pre-submission
Surrey Quays	Mixed-use	100	1,500–2,000	Pre-submission
Harmsworth Quays	Mixed-use	100	1,000–1,500	Pre-submission
<b>Total medium-term</b>			<b>4,271–5,371</b>	

## DEVELOPMENT

## Recently completed and committed developments

At 31 March 2014	Sector	British Land share %	Sq ft '000	Practical completion calendar Year	Current value £m	Cost to complete £m <sup>1</sup>	ERV £m <sup>2</sup>	Pre-let £m	Residential end value <sup>3</sup> £m
<b>2010 programme:</b>									
10–30 Brock Street, Regent's Place <sup>4</sup>	Mixed-use	100	505	Completed	402	3	20.5	19.1	118
10 Portman Square	Offices	100	134	Completed	183	4	9.8	4.9	–
Marble Arch House <sup>5</sup>	Mixed-use	100	87	Completed	70	4	4.4	–	19
39 Victoria Street	Offices	100	93	Completed	82	3	5.4	0.0	–
199 Bishopsgate	Offices	50	144	Completed	60	1	3.5	2.0	–
Whiteley Shopping, Fareham	Retail	50	321	Completed	55	0	2.6	2.4	–
Bedford Street	Residential	100	24	Completed	34	1	0.0	0.0	28
Glasgow Fort (Leisure)	Retail	59	46	Completed	11	3	0.7	0.7	–
The Leadenhall Building	Offices	50	605	2014	265	29	18.9	9.0	–
5 Broadgate	Offices	50	710	2015	251	63	19.2	19.2	–
<b>Total 2010 programme:</b>			<b>2,669</b>		<b>1,413</b>	<b>111</b>	<b>85.0</b>	<b>57.3</b>	<b>165</b>
<b>Recently committed:</b>									
Milton Keynes, Kingston Centre	Retail	50	21	Completed	5	–	0.3	0.3	–
Old Market, Hereford <sup>7</sup>	Retail	100	305	2014	66	15	4.8	3.9	–
Craven Hill Gardens	Residential	100	25	2014	47	4	–	–	58
Fort Kinnaird, Edinburgh	Retail	29	55	2014	3	3	0.4	0.3	–
Broadgate Circle	Offices	50	45	2014	10	8	1.2	–	–
Broughton Park, Chester	Retail	59	54	2014	3	6	0.6	0.6	–
Whiteley Leisure, Fareham	Retail	50	58	2014	1	6	0.6	0.4	–
Meadowhall Surrounding Land	Retail	50	22	2015	1	3	0.4	0.4	–
Glasgow Fort, M&S and Retail Terrace	Retail	59	112	2015	1	20	1.6	0.7	–
Deepdale, Preston	Retail	29	71	2015	1	4	0.4	0.4	–
Yalding House	Offices	100	29	2015	11	12	1.5	–	–
The Hempel	Residential	100	40	2016	44	26	–	–	92
Aldgate Place, Phase 1 <sup>6</sup>	Residential	50	221	2016	16	45	–	–	65
Clarges Mayfair <sup>8</sup>	Mixed-use	100	195	2017	213	183	5.7	–	449
<b>Total recently committed</b>			<b>1,253</b>		<b>422</b>	<b>335</b>	<b>17.5</b>	<b>7.0</b>	<b>664</b>
<b>Total committed under construction</b>			<b>2,547</b>		<b>933</b>	<b>427</b>	<b>55.3</b>	<b>34.9</b>	<b>664</b>

Data includes Group's share of properties in joint ventures and funds (except area which is shown at 100%).

- From 1 April 2014 to practical completion.
- Estimated headline rental value net of rent payable under head leases (excluding tenant incentives).
- Residential development of which £148m completed or exchanged and a further £16m under offer.
- Includes 126,000 sq ft of residential of which £102m has now sold and completed.
- Includes 10,000 sq ft of residential of which £17m has now sold and completed during the year.
- End value excludes sale of hotel site, receipts of £6m (British Land share) estimated.
- Completed post year-end.
- Includes 104,000 sq ft of residential.

## OTHER INFORMATION

UNAUDITED  
CONTINUED...**ENVIRONMENTAL PERFORMANCE MEASURES** 

The data below follows EPRA best practice recommendations on sustainability reporting for managed properties. It also includes additional developments data and Scope 3 carbon emissions to provide a comprehensive picture of resource use across our business. It covers 66% of our total investment portfolio, as we focus on our managed properties and developments, where we can influence performance.

		2013/14	2012/13	2011/12	Scope (number of assets)
<b>EPRA best practice recommendations across our managed portfolio<sup>1</sup></b>					
3.1: Energy consumption from electricity (MWh)		163,406	174,246	191,188	466/781
3.2: Energy consumption from district heating and cooling (MWh)		289	349	135	1/1
3.3: Energy consumption from fuels (MWh)		28,826	30,084	25,918	56/63
3.4: Building energy intensity (kWh per m <sup>2</sup> )	Offices	256.75	274.89	307.41	27/27
	Shopping centres	49.12	57.75	58.36	9/9
	Retail parks	8.86	10.15	10.68	42/42
3.4: Building energy intensity (kWh per workstation or 10,000 visitors)	Offices	6,160	6,324	6,744	23/23
	Shopping centres	1,564	2,197	2,678	9/9
	Retail parks	297	431	352	41/41
3.5: Direct (Scope 1) greenhouse gas emissions (tonnes CO <sub>2</sub> e)		6,953	6,694	5,581	63/63
3.6: Indirect (Scope 2) greenhouse gas emissions (tonnes CO <sub>2</sub> e)		89,993	97,420	105,610	466/781
3.7: Greenhouse gas intensity from building energy (tonnes CO <sub>2</sub> e per m <sup>2</sup> )	Offices	0.13	0.14	0.16	27/27
	Shopping centres	0.03	0.03	0.03	9/9
	Retail parks	0.005	0.005	0.005	42/42
3.8: Water withdrawal by source (m <sup>3</sup> )		680,349	664,960	699,222	215/738
3.9: Building water intensity (m <sup>3</sup> per m <sup>2</sup> )	Offices	0.68	0.66	0.74	27/27
	Shopping centres	0.26	0.20	0.19	9/9
	Retail parks	0.08	0.27	0.31	12/12
3.9: Building water intensity (m <sup>3</sup> per workstation or 10,000 visitors)	Offices	14.51	14.86	15.75	24/24
	Shopping centres	8.25	7.61	8.88	9/9
	Retail parks	2.49	11.33	13.69	12/12
3.10 and 3.11: Waste by disposal route (tonnes and %)	Recycled	13,052 (65%)	10,407 (60%)	10,313 (57%)	83/83
	Incinerated	5,435 (27%)	5,162 (30%)	5,588 (31%)	83/83
	Landfilled	1,475 (7%)	1,739 (10%)	2,297 (13%)	83/83
<b>Additional developments data</b>					
Site energy use (MWh)		4,107	5,295	6,620	33/34
Site water use (m <sup>3</sup> )		148,564	54,302	27,369	33/34
Waste diverted from landfill on developments (tonnes and %)		50,290 (83%)	272,667 (92%)	196,053 (98%)	33/34
<b>Absolute Scope 3 emissions (tonnes CO<sub>2</sub>e)<sup>2</sup></b>					
<b>Occupier energy use – Offices</b>					
Managed portfolio electricity and gas use		42,684	50,042	51,839	468/781
<b>Occupier energy use – Retail</b>					
Managed portfolio electricity and gas use		1,292	1,653	1,461	468/781
<b>Vacant space energy use – Offices and Retail</b>					
Managed portfolio electricity and gas use		1,268	248	547	468/781
<b>Lifecycle emissions – Offices, Retail and Residential</b>					
Managed portfolio and head office		10,159	9,846	10,586	468/781
<b>Water use</b> Managed portfolio		227	217	232	468/781
<b>Embodied carbon and construction site activities</b> Developments		184,100	205,500	134,500	35/37
<b>Business travel by British Land staff</b> Head office		298	271	205	1/1
<b>Total</b>		<b>240,028</b>	<b>267,777</b>	<b>199,370</b>	<b>504/819</b>

1 As per EPRA best practice recommendations, total energy and water data covers energy and water procured by British Land. Energy, water and carbon intensity data covers whole building usage for Offices and common parts usage for shopping centres and retail parks.

2 Energy data covers energy procured by British Land. The majority of retail energy use is procured directly by retail occupiers. For Scope 1 and 2 carbon data, please see page 22.

For more detailed data on all these indicators and additional indicators, please see our Full Data Report 2014: [www.britishland.com/crdata](http://www.britishland.com/crdata).

# TEN YEAR RECORD

## UNAUDITED

The table below summarises the last ten years' results, cash flows and balance sheets. Figures for 2005 onwards are prepared under IFRS. Figures for 2004 are the UK GAAP comparatives adjusted to show gross rental income on a proportional basis. FRS 21 became effective in 2006 under UK GAAP and has been applied retrospectively to 2004 and earlier years. This standard requires proposed dividends not approved by the balance sheet date to be excluded from the balance sheet.

	IFRS									
	2014 £m	2013 £m	2012 £m	2011 £m	2010 £m	2009 £m	2008 £m <sup>5</sup>	2007 £m	2006 £m	2005 £m
<b>Income</b>										
Gross rental income <sup>1</sup>	601	567	572	541	561	650	709	706	751	630
Net rental income	566	541	546	518	545	598	667	661	701	585
Fees and other income	15	15	17	18	15	20	40	50	50	9
Interest expense (net)	(204)	(206)	(218)	(212)	(246)	(292)	(350)	(370)	(436)	(360)
Administrative expense	(78)	(76)	(76)	(68)	(65)	(58)	(73)	(84)	(87)	(53)
Minority interest	(2)	-	-	-	-	-	-	-	-	-
<b>Underlying profit</b>	<b>297</b>	274	269	256	249	268	284	257	228	181
Exceptional costs (not included in underlying profit) <sup>4</sup>	-	-	-	-	-	(119)	-	(305)	(122)	(180)
Dividends declared	266	234	231	231	225	198	179	107	88	84
<b>Summarised balance sheets</b>										
Total properties at valuation <sup>1,3</sup>	12,040	10,499	10,337	9,572	8,539	8,625	13,471	16,903	14,414	12,507
Net debt	(4,890)	(4,266)	(4,690)	(4,173)	(4,081)	(4,941)	(6,413)	(7,741)	(6,684)	(6,538)
Other assets and liabilities	(123)	(266)	(266)	(298)	(51)	(297)	(122)	(300)	72	(56)
EPRA NAV/fully diluted adjusted net assets	7,027	5,967	5,381	5,101	4,407	3,387	6,936	8,862	7,802	5,913
<b>Cash flow movement – Group only</b>										
Cash generated from operations	243	197	211	182	248	406	477	494	455	464
Cash outflow from operations	(24)	(7)	(5)	28	(112)	(201)	(295)	(275)	(351)	(338)
Net cash inflow from operating activities	219	190	206	210	136	205	182	219	104	126
Cash (outflow) inflow from capital expenditure, investments, acquisitions and disposals	(660)	(202)	(547)	(240)	(39)	418	857	(54)	986	(527)
Equity dividends paid	(159)	(203)	(212)	(139)	(154)	(188)	(161)	(91)	(84)	(77)
Cash (outflow) inflow from management of liquid resources and financing	607	213	630	157	(485)	(58)	(830)	(11)	(1,025)	459
Increase (decrease) in cash <sup>6</sup>	7	(2)	77	(12)	(542)	377	48	63	(19)	(19)
<b>Capital returns</b>										
Growth in net assets <sup>2</sup>	17.8%	10.9%	5.5%	15.7%	30.1%	(51.1%)	(21.6%)	13.6%	31.9%	15.5%
Total return <sup>4</sup>	20.0%	4.5%	9.5%	17.7%	33.5%	(61.6%)	(18.1%)	14.3%	33.2%	17.2%
Total return – pre-exceptional	20.0%	4.5%	9.5%	17.7%	33.5%	(60.3%)	(18.1%)	21.3%	34.6%	20.8%
<b>Per share information<sup>8</sup></b>										
Net asset value per share	688p	596p	595p	567p	504p	398p	1,114p	1,394p	1,231p	935p
Memorandum:										
Dividends declared in the year	27.0p	26.4p	26.1p	26.0p	26.0p	29.8p	29.0p	16.9p	14.1p	13.0p
Dividends paid in the year	26.7p	26.3p	26.0p	26.0p	27.3p	30.0p	26.7p	14.4p	13.3p	12.3p
Diluted earnings:										
Underlying earnings per share	29.4p	30.3p	29.7p	28.5p	28.4p	41.0p	44.3p	35.9p	29.4p	22.2p
IFRS earnings (loss) per share <sup>4,7</sup>	110.2p	31.5p	53.8p	95.2p	132.6p	(614.1p)	(251.0p)	389.4p	188.3p	104.3p

1 Including share of joint ventures and funds.

2 Represents movement in diluted EPRA NAV from 2006 onwards and adjusted diluted net assets for 2005 and before.

3 Including surplus over book value of trading and development properties.

4 Including exceptional finance costs in 2005: £180m, 2006: £122m, 2007: £305m and 2009: £119m.

5 Restated for IFRS. The UK GAAP accounts shows gross rental income of £620m and underlying profit of £175m.

6 Represents movement in cash and cash equivalents under IFRS and movements in cash under UK GAAP.

7 Under UK GAAP the revaluation of investment properties is not included in earnings per share.

8 Adjusted for the rights issue of 341m shares in March 2009.

# SHAREHOLDER INFORMATION

## FINANCIAL CALENDAR

### 2013/14

Fourth quarter ex-dividend date	02 July 2014
Fourth quarter dividend paid	08 August 2014

### 2014/15

First quarter Interim Management Statement announced	16 July 2014
First quarter ex-dividend date	October 2014
First quarter dividend paid	November 2014
Half-year results announced	18 November 2014
Second quarter ex-dividend date	January 2015
Second quarter dividend paid	February 2015
Third quarter Interim Management Statement	January 2015
Third quarter ex-dividend date	April 2015
Third quarter dividend paid	May 2015
Full-year results announced	May 2015
Fourth quarter ex-dividend date	July 2015
Fourth quarter dividend paid	August 2015

The Board will announce the availability of a Scrip Alternative for each dividend via the Regulatory News Service and on the Group's website ([www.britishland.com](http://www.britishland.com)), no later than four business days before each ex-dividend date. For the fourth quarter dividend of 2013/14, the Board expects to announce the split between PID and non-PID income at the same time. Any Scrip Alternative will not be enhanced.

## ANALYSIS OF SHAREHOLDERS – 31 MARCH 2014

Range	Number of holdings	%	Balance as at 31 March 2014 <sup>1</sup>	%
1–1,000	7,623	53.01	3,600,516	0.35
1,001–5,000	4,992	34.72	10,837,022	1.06
5,001–20,000	903	6.28	8,619,782	0.85
20,001–50,000	245	1.70	7,939,495	0.78
50,001–Highest	617	4.29	988,769,666	96.96
<b>Total</b>	<b>14,380</b>	<b>100</b>	<b>1,019,766,481</b>	<b>100</b>

Holder name	Number of holdings	%	Balance as at 31 March 2014 <sup>1</sup>	%
Individuals	7,285	50.66	12,543,540	1.23
Nominee and institutional investors	7,095	49.34	1,007,222,941	98.77
<b>Total</b>	<b>14,380</b>	<b>100</b>	<b>1,019,766,481</b>	<b>100</b>

<sup>1</sup> Excluding 11,266,245 shares held in treasury.

## REGISTRARS

British Land's Share Registrars are Equiniti, who can be contacted at: Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA.

Equiniti's shareholder enquiry line is: 0871 384 2143.  
Calls cost 8p per minute plus network extras.  
Lines are open from 8.30am to 5.30pm, Monday to Friday.

The general enquiries number for overseas callers is:  
+44 (0)121 415 7047.

The Registrar's website is: [www.shareview.co.uk](http://www.shareview.co.uk). Registering on this site will enable you, amongst other features, to view your British Land shareholding online, to update your details and to opt to receive shareholder mailings electronically.

In addition to being our Share Registrar, Equiniti are also Registrars for the BLD Property Holdings Limited Stock.

Bank of New York (operating through Capita) are Registrars of British Land's Debentures. They can be contacted at: The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU.

The bondholder enquiry line is: 0871 664 0300. Calls cost 10p per minute plus network extras. Lines are open from 9.00am to 5.30pm, Monday to Friday.

## SHARE DEALING SERVICE

Equiniti offer Shareview dealing, a service which allows you to buy or sell British Land shares if you are a UK resident.

You can deal in your shares on the internet or by phone. Log on to [www.shareview.co.uk/dealing](http://www.shareview.co.uk/dealing) or call 0845 603 7037 between 8.30am and 4.30pm, Monday to Friday, for more information about this service and for details of the rates. If you are an existing shareholder, you will need your account/shareholder reference number which appears on your share certificate.

## DIVIDENDS

As a REIT, British Land pays Property Income Distribution (PID) and non-Property Income Distribution (non-PID) dividends. More information on REITs and property income distributions can be found in the glossary on page 179, or in the Investors section of our website at [www.britishland.com/investors/dividends](http://www.britishland.com/investors/dividends).

## PAYMENT OF DIVIDENDS

British Land dividends can be directly mandated into your bank or building society account instead of being despatched to you in paper cheque form. More information about the benefits of having dividends paid directly into your bank or building society account, and the mandate form to set this up, can be found in the Investors section of our website at [www.britishland.com/investors/dividends](http://www.britishland.com/investors/dividends).

## SCRIP DIVIDEND SCHEME

British Land offers shareholders the opportunity to participate in the Scrip Dividend Scheme. This enables participating shareholders to receive shares instead of cash, when a Scrip Alternative is offered for a particular dividend. For more information and for details of how to sign up to the Scrip Dividend Scheme, please visit the Investors section of our website at [www.britishland.com/investors/dividends/scrip-dividend](http://www.britishland.com/investors/dividends/scrip-dividend).

## HONORARY PRESIDENT

Sir John Ritblat became Managing Director of British Land in 1970 and Chairman in 1971. He retired from the Board in December 2006 and was appointed Honorary President, in recognition of his work building British Land into the industry leading Company it is today.

## WEBSITE

The British Land corporate website contains a wealth of material for shareholders, including the current share price, press releases and the Investors section which contains detailed information on, among other things, REITs and dividends. The website can be accessed at [www.britishland.com](http://www.britishland.com).

## WEBSITE DELIVERY OF SHAREHOLDER COMMUNICATIONS

If you currently receive paper copies of shareholder communications, you may prefer to receive electronic copies via the British Land website instead. When a document is produced for shareholders you will receive an email containing a link directly to the new document. If you would like further information, or would like to elect for website delivery of shareholder communications, please visit [www.shareview.co.uk](http://www.shareview.co.uk) or telephone Equiniti's shareholder enquiry line on 0871 384 2143. Calls cost 8p per minute plus network extras. Lines are open from 8.30am to 5.30pm, Monday to Friday.

## ANNUAL GENERAL MEETING

The AGM of The British Land Company PLC will be held at The Ocean Room, The Cumberland Hotel, Great Cumberland Place, London W1H 7DL on 18 July 2014, at 11.00am.

## SHAREGIFT

Shareholders with a small number of shares, the value of which makes it uneconomic to sell them, may wish to consider donating them to the charity ShareGift (registered charity 1052686), which specialises in using such holdings for charitable benefit.

A ShareGift transfer form can be obtained from:

Equiniti  
Aspect House  
Spencer Road  
Lancing  
West Sussex BN99 6DA

For further information, contact:  
ShareGift  
17 Carlton House Terrace  
London SW1Y 5AH  
Telephone: +44 (0)20 7930 3737  
Website: [www.sharegift.org](http://www.sharegift.org)

## UNSOLICITED MAIL

On request, British Land is legally required to make its share register available to other organisations. The Mailing Preference Service is an independent organisation offering free services to help reduce the amount of unsolicited mail you receive. For more information, or to register, visit: [www.mpsonline.org.uk](http://www.mpsonline.org.uk), telephone 0845 703 4599 or write to:  
The Mailing Preference Service  
FREEPOST 29  
LON 20771  
London W1E 0ZT

## REGISTERED OFFICE

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# GLOSSARY OF TERMS

**Annualised rent** is the gross property rent receivable on a cash basis as at the reporting date. Additionally, it includes the external valuers' estimate of additional rent in respect of unsettled rent review, turnover rent and sundry income such as that from car parks and commercialisation, less any ground rents payable under head leases.

**Assets under management** is the full value of all assets managed by British Land and includes 100% of the value of all joint ventures and funds.

**BREEAM** (Building Research Establishment Environmental Assessment Method) assesses the sustainability of buildings against a range of criteria.

**Capital return** is calculated as the change in capital value of the UK portfolio, less any capital expenditure incurred, expressed as a percentage of capital employed over the period, as calculated by IPD. Capital returns are calculated monthly and indexed to provide a return over the relevant period.

**Capped rents** are subject to a maximum level of uplift at the specified rent reviews as agreed at the time of letting.

**Collar rents** are subject to a minimum level of uplift at the specified rent reviews as agreed at the time of letting.

**Contracted rent** is the annualised rent adjusting for the inclusion of rent subject to rent free periods.

**Developer's profit** is the profit on cost estimated by the valuers. The developer's profit is typically calculated by the valuers to be a percentage of the estimated total development costs, including land and notional finance costs.

**Development uplift** is the total increase in the value (after taking account of capital expenditure and capitalised interest) of properties held for development during the period. It also includes any developer's profit recognised by valuers in the period.

**Development construction cost** is the total cost of construction of a project to completion, excluding site values and finance costs (finance costs are assumed by the valuers at a notional rate of 5.75% per annum).

**EPRA** is the European Public Real Estate Association, the industry body for European REITs.

**EPRA Cost Ratio (including direct vacancy costs)** is the ratio of net overheads and operating expenses against gross rental income (with both amounts excluding ground rents payable). Net overheads and operating expenses relate to all administrative and operating expenses including the share of joint ventures' overheads and operating expenses, net of any service fees, recharges or other income specifically intended to cover overhead and property expenses.

**EPRA Cost Ratio (excluding direct vacancy costs)** is the ratio calculated above, but with direct vacancy costs removed from net overheads and operating expenses balance.

**EPRA earnings** is the profit after taxation excluding investment and development property revaluations and gains/losses on disposals, changes in the fair value of financial instruments and associated close-out costs and their related taxation.

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

**EPRA net assets (EPRA NAV)** are the balance sheet net assets excluding the mark-to-market on effective cash flow hedges and related debt adjustments and deferred taxation on revaluations.

**EPRA net initial yield** is the annualised rents generated by the portfolio, after the deduction of an estimate of annual recurring irrecoverable property outgoings, expressed as a percentage of the portfolio valuation (adding notional purchaser's costs), excluding development and residential properties.

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

**EPRA Topped-Up Net Initial Yield** is the current annualised rent, net of costs, topped-up for contracted uplifts, where these are not in lieu of rental growth, expressed as a percentage of capital value, after allowing for notional purchaser's costs.

**EPRA vacancy rate** is the estimated market rental value (ERV) of vacant space divided by ERV of the whole portfolio, excluding developments and residential property. This is the inverse of the occupancy rate.

**Estimated Rental Value (ERV)** is the external valuers' opinion as to the open market rent which, on the date of valuation, could reasonably be expected to be obtained on a new letting or rent review of a property.

**Fair value movement** is accounting adjustment to change the book value of an asset or liability to its market value.

**Gearing** see loan to value (LTV).

**Gross investment activity** as measured by our share of acquisitions, sales and investment in committed development.

**Gross rental income** is the gross accounting rent receivable (quoted either for the period or on an annualised basis) prepared under IFRS which requires that rental income from fixed/minimum guaranteed rent reviews and tenant incentives is spread on a straight-line basis over the entire lease to first break. This can result in income being recognised ahead of cash flow.

**Gross Value Added (GVA)** provides a snapshot of a company's overall contribution to the UK economy, both directly through activities and indirectly through spending.

**Group** is The British Land Company PLC and its subsidiaries and excludes its share of joint ventures and funds (where not treated as a subsidiary) on a line-by-line basis (i.e. not proportionally consolidated).

**Headline rent** is the contracted gross rent receivable which becomes payable after all the tenant incentives in the letting have expired.

**IFRS** are the International Financial Reporting Standards as adopted by the European Union.

**Income return** is calculated as net income expressed as a percentage of capital employed over the period, as calculated by IPD. Income returns are calculated monthly and indexed to provide a return over the relevant period.

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

**IPD** is Investment Property Databank Ltd which produces an independent benchmark of property returns and British Land UK portfolio returns.

**Lettings and lease renewals** are divided between short-term (less than two years' lease length) and long-term (more than two years' lease length). Lettings and renewals are compared both to the previous passing rent as at the start of the financial year and the ERV immediately prior to letting. Both comparisons are made on a net effective basis.

**Like-for-like ERV growth** is the change in ERV over a period on the standing investment properties expressed as a percentage of the ERV at the start of the period. Like-for-like ERV growth is calculated monthly and compounded for the period subject to measurement, as calculated by IPD.

**Like-for-like rental income growth** is the growth in net rental income on properties owned throughout the current and previous periods under review. This growth rate includes revenue recognition and lease accounting adjustments but excludes properties held for development in either period and properties with guaranteed rent reviews.

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

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

**Multi-channel retailing** is the use of a variety of channels in a customer's shopping experience, including research, before a purchase. Such channels include: retail stores, online stores, mobile stores, mobile app stores, telephone sales and any other method of transacting with a customer. Transacting includes browsing, buying, returning as well as pre- and post-sale service.

**Net Development Value** is the estimated end value of a development project as determined by the external valuers for when the building is completed and fully let (taking into account tenant incentives and notional purchaser's costs). It is based on the valuers view on ERVs, yields, letting voids and rent-frees.

**Net effective rent** is the contracted gross rent receivable taking into account any rent-free period or other tenant incentives. The incentives are treated as a cost-to-rent and spread over the lease to the earliest termination date.

**Net equivalent yield** is the weighted average income return (after allowing for notional purchaser's costs) a property will produce based upon the timing of the income received. In accordance with usual practice, the equivalent yields (as determined by the external valuers) assume rent is received annually in arrears.

**Net Initial Yield** is the current annualised rent, net of costs, expressed as a percentage of capital value, after allowing for notional purchaser's costs.

**Net rental income** is the rental income receivable in the period after payment of direct property outgoings which typically comprise ground rents payable under head leases, void costs, net service charge expenses and other direct irrecoverable property expenses. Net rental income is quoted on an accounting basis. Net rental income will differ from annualised net cash rents and passing rent due to the effects of income from rent reviews, net property outgoings and accounting adjustments for fixed and minimum contracted rent reviews and lease incentives.

**Net reversionary yield** is the anticipated yield to which the initial yield will rise (or fall) once the rent reaches the estimated rental value.

**Occupancy rate** is the estimated rental value of let units as a percentage of the total estimated rental value of the portfolio, excluding development properties. It includes accommodation under offer or subject to asset management (where they have been taken back for refurbishment and are not available to let as at the balance sheet date).

**Omni-channel retailing** is the evolution of multi-channel retailing, but is concentrated more on a seamless approach to the consumer experience through all available shopping channels i.e. mobile internet devices, computers, bricks and mortar, television, radio, direct mail, catalogue, etc.

**Over rented** is the term used to describe when the contracted rent is above the estimated rental value (ERV).

**Overall 'topped-up' net initial yield** is the EPRA Net 'topped-up' Initial Yield, adding all contracted uplifts to the annualised rents.

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

**Portfolio valuation movement** is the increase in value of the portfolio of properties held at the balance sheet date and net sales receipts of those sold during the period, expressed as a percentage of the capital value at the start of the period plus net capital expenditure, capitalised interest and transaction costs.

**Property Income Distributions (PIDs)** are profits distributed to shareholders which are subject to tax in the hands of the shareholders as property income. PIDs are normally paid net of withholding tax currently at 20% which the REIT pays to the tax authorities on behalf of the shareholder. Certain types of shareholder (i.e. pension funds) are tax exempt and receive PIDs without withholding tax. Property companies also pay out normal dividends, called non-PIDs, which are treated as normal dividends and are not subject to withholding tax.

**Property valuation** is reported by the Group's external valuers. In accordance with usual practice, they report valuations net, after the deduction of the notional purchaser's costs, including stamp duty land tax, agent and legal fees.

**Rack rented** is the term used to describe when the contracted rent is in line with the estimated rental value (ERV), implying a nil reversion.

**Rent-free period** see Tenant (or lease) incentives.

**Rent reviews** take place at intervals agreed in the lease (typically every five years) and their purpose is usually to adjust the rent to the current market level at the review date. For upwards-only rent reviews, the rent will either remain at the same level or increase (if market rents have increased) at the review date.

**Rents with fixed and minimum uplifts** are either where rents are subject to contracted uplifts at a level agreed at the time of letting; or where the rent is subject to an agreed minimum level of uplift at the specified rent review.

## GLOSSARY OF TERMS

### CONTINUED...

**Retail planning consents** are separated between A1, A2 and A3 – as set out in The Town and Country Planning (Use Classes) Order 2005. Within the A1 consent category, Open A1 consent grants planning for any type of retail, while Restricted A1 consent places limits on the types of retail that can operate (this is typically a restriction that only bulky goods operators are allowed to trade at that site).

Class	Description	Use for all/any of the following purposes
A1	Shops	Retail sale of goods other than hot food; post office; sale of tickets or as a travel agency; sale of sandwiches or other cold food off the premises; hairdressing; direction of funerals; display of goods for sale; hiring out of domestic or personal goods/articles; the reception of goods to be washed, cleaned or repaired; a retail warehouse club being a retail club where goods are sold, or displayed for sale, only to persons who are members of that club; or as a night club.
	Financial and professional services	Financial services; professional services (other than health or medical); or other services (including betting) appropriate for a shopping area.
D2	Assembly and leisure	Cinemas, music and concert halls, bingo and dance halls (but not night clubs), swimming baths, skating rinks, gymnasiums or areas for indoor or outdoor sports and recreations.

**Reversion** is the increase in rent estimated by the external valuers, where the passing rent is below the estimated rental value. The increases to rent arise on rent reviews and lettings.

**Scrip dividend** British Land offers its shareholders the opportunity to receive dividends in the form of shares instead of cash. This is known as a Scrip dividend.

**Standing investments** are assets which are directly held and not in the course of development.

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

**TMT** stands for technology, media and telecommunications.

**The residual site value** of a development is calculated as the estimated (net) development value, less development profit, all development construction costs, finance costs (assumed at a notional rate) of a project to completion and notional site acquisition costs. The residual is determined to be the current site value.

**Topping out** is a traditional construction ceremony to mark the occasion when the structure of the building reaches the highest point.

**Total property return** is calculated as the change in capital value, less any capital expenditure incurred, plus net income, expressed as a percentage of capital employed over the period, as calculated by IPD. Total property returns are calculated monthly and indexed to provide a return over the relevant period.

**Total return (total accounting return)** is the growth in EPRA NAV plus dividends paid, and this can be expressed as a percentage of EPRA NAV per share at the beginning of the period.

**Total Shareholder Return** is the growth in value of a shareholding over a specified period, assuming dividends are reinvested to purchase additional units of stock.

**Total tax contribution** is a more comprehensive view of tax contributions than the accountancy-defined tax figure quoted in most financial statements. It comprises taxes and levies paid directly, as well as taxes collected from others which we administered.

**Turnover rents** is where all or a portion of the rent is linked to the sales or turnover of the occupier.

**Under rented** is the term used to describe when the contracted rent is below the estimated rental value (ERV), implying a positive reversion.

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

**Underlying profit before tax** is the pre-tax EPRA earnings measure with additional Company adjustments. Adjustments include mark-to-market adjustments on, or profits on disposal of, held for trading assets, mark-to-market adjustments on the convertible bond and issue costs of the convertible bond.

**Virtual freehold** represents a long leasehold tenure for a period of up to 999 years. A 'peppercorn', or nominal, rent is paid annually.

**Weighted average debt maturity** – each tranche of Group debt is multiplied by the remaining period to its maturity and the result is divided by total Group debt in issue at the period end.

**Weighted average interest rate** is the Group loan interest and derivative costs per annum at the period end, divided by total Group debt in issue at the period end.

**Weighted average unexpired lease term** is the average lease term remaining to first break, or expiry, across the portfolio weighted by contracted rental income (including rent-frees). The calculation excludes residential leases and properties allocated as developments.

**Yield compression** occurs when the net equivalent yield of a property decreases, measured in basis points.

**Yield on cost** is the estimated annual rent of the completed development divided by the total cost of development including site value and finance costs, accruing at a rate of 4% per annum to the point of assumed rent commencement, expressed as a percentage return.

**Yield shift** is a movement (usually expressed in bps) in the yield of a property asset, or like-for-like portfolio, over a given period. Yield compression is a commonly-used term for a reduction in yields.



#### FORWARD-LOOKING STATEMENTS

This Report contains certain 'forward-looking' statements. Such statements reflect current views on, among other things, our markets, activities, projections, objectives and prospects. Such 'forward-looking' statements can sometimes, but not always, be identified by their reference to a date or point in the future or the use of 'forward looking' terminology, including terms such as 'believes', 'estimates', 'anticipates', 'expects', 'forecasts', 'intends', 'due', 'plans', 'projects', 'goal', 'target', 'aim', 'may', '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. Therefore they should be regarded with caution.

Important factors that could cause actual results, performance or achievements of British Land to differ materially from any outcomes or results expressed or implied by such forward-looking statements include, among other things: (a) general business and political, social and economic conditions globally, (b) industry and market trends (including demand in the property investment market and property price volatility), (c) competition, (d) changes in government and other regulation, including in relation to the environment, health and safety and taxation (in particular, in respect of British Land's status as a Real Estate Investment Trust), (e) inflation, (f) labour relations and work stoppages, (g) natural disasters, (h) British Land's overall business strategy and investment choices in its portfolio management, (i) legal or other proceedings against or affecting British Land, (j) reliable and secure IT infrastructure, (k) changes in occupier demand and tenant default, (l) changes in financial and equity markets including interest and exchange rate fluctuations, (m) changes in accounting practices and the interpretation of accounting standards and (n) the availability and cost of finance. The company's principal risks are described in greater detail in the section of this Report headed 'Principal risks'. Forward-looking statements should therefore be construed in light of all such factors.

Information contained in this Report relating to British Land or its share price or the yield on its shares are not guarantees of, and should not be relied upon as an indicator of, future performance. Any forward-looking statements made by or on behalf of British Land speak only as of the date they are made. Such forward looking statements are expressly qualified in their entirety by the factors referred to above and no representation, assurance, guarantee or warranty is given in relation to them (whether by British Land or any of its associates, directors, officers, employees or advisers), including as to their completeness, accuracy or the basis on which they were prepared.

Other than in accordance with our legal and regulatory obligations (including under the UK Financial Conduct Authority's Listing Rules and Disclosure Rules and Transparency Rules), British Land does not intend or undertake to update or revise forward looking statements to reflect any changes in British Land's expectations with regard thereto or any changes in information, events, conditions or circumstances on which any such statement is based.

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#### Design and production

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