The British Land Company PLC Full Year Results

15 May 2019

Chris Grigg, Chief Executive said: "This has been another year of good strategic and operational progress in an uneven market, as retail remained challenging but the London office market continued to be healthy. We delivered further on our strategy to build an increasingly mixed-use business by investing in our campuses, progressing developments and reshaping our retail portfolio. We sold £1.5bn of assets and leased more space than in any of the last five years, securing future income and de-risking our developments, which are now 76% pre-let. This broad-ranging operational outperformance is the result of our focus on delivering the highest quality places with the right mix of uses which reflect the changing way people and businesses are using real estate.

"Looking ahead, retail is likely to remain challenging as structural change continues but there are early signs on parts of our portfolio, that some of the short-term operational headwinds impacting retailers are easing. We expect the London market to remain active, as occupier demand for the highest quality space continues to be firm and supply is relatively constrained. We are mindful of the ongoing Brexit uncertainty, but our business is well positioned and financially strong. We remain focused on delivering operationally and being thoughtful and commercial in what we do every day while at the same time progressing our long term strategic goals."

Financial highlights

- **Robust financial performance**
  - Underlying EPS down 6.7% to 34.9p due primarily to one off surrender premia received last year and impact of asset sales; buybacks contributing 1.2p
  - LFL rental growth of £15m; more than offsetting the £14m impact of Retail CVAs
  - Portfolio value down 4.8%; Retail down 11.1%, Offices up 1.1% and developments up 10.8%
  - EPRA NAV down 6.4% at 905p, with buybacks contributing 10p
  - Full year dividend up 3.0% at 31p; total accounting return -3.3%
  - Proposed FY20 dividend increase of 3%
- **Strong and flexible balance sheet**
  - £1.5bn of asset sales, including £193.5m superstore portfolio announced post year end
  - £200m buyback completed, bringing cumulative buyback to £500m over the last two years
  - Announcing extension to share buyback programme of up to £125m
  - Maintained low LTV at 28.1% (March 2018: 28.4%)
  - £1.4bn of new financing arranged; weighted average interest rate of 2.9%

Progress on strategy: Becoming the specialist in mixed use

- **Campus-focused London Offices: Unique mixed-use offer is delivering**
  - 1.1m sq ft of leasing activity generating £21m of future headline rents; 97.7% occupancy
  - Attracting occupiers across a range of sectors including McCann, Peel Hunt, Milbank, Facebook
  - Lettings and renewals on the investment portfolio overall 1.2% ahead of ERV
  - Completed/committed developments generating £63m of future rent, 76% pre-let/under offer
  - Significant future optionality with a 5.2m sq ft near and medium-term development pipeline
  - Speculative development exposure low at 2.3% of portfolio value
  - Storey operational across 141,000 sq ft; 90% let or under offer; further 161,000 sq ft identified
- **Smaller, more focused Retail: Operational outperformance in a challenging market**
  - 1.6m sq ft of leasing activity; marginally ahead of ERV; 96.7% occupancy
  - Continuing to outperform benchmarks: total sales 160 bps ahead; footfall 230 bps ahead
  - £646m off-strategy assets sold since April 2018, 2% ahead of book value
  - £16.9m annualised rent impact of CVAs & Admins over the last two years
  - 61 units subject to closure, of which 42 re-let or in negotiation
- **Planning application for Canada Water Masterplan submitted**
  - 53 acre mixed use regeneration scheme including plans for 3,000 homes
  - Further opportunities to progress residential schemes across our portfolio

Summary

Year ended 31 March	2018	2019	Change
Income statement			

Underlying earnings per share [2]	37.4p	34.9p	(6.7)%
Underlying Profit	£380m	£340m	(10.5)%
IFRS profit/(loss) before tax	£501m	£(319)m	
IFRS basic earnings per share	48.7p	(30.0)p	
Dividend per share	30.08p	31.00p	+3.0%
Total accounting return [2]	8.9%	(3.3)%	
Balance sheet			
Portfolio at valuation (proportionally consolidated)	£13,716m	£12,316m	(4.8)%[1]
EPRA Net Asset Value per share[2]	967p	905p	(6.4)%
IFRS net assets	£9,506m	£8,689m	
Loan to value ratio (proportionally consolidated)	28.4%	28.1%	
Operational Statistics			
Lettings and renewals	2.4m sq ft	2.7m sq ft	
Gross investment activity	£1.7bn	£2.1bn	
Committed development	1.6m sq ft	1.3m sq ft	
Sustainability Performance			
MSCI ESG	AAA rating	AAA rating	
GRESB	5* and Green Star	4* and Green Star	

[1] *Valuation movement during the year (after taking account of capex) of properties held at the balance sheet date, including developments (classified by end use), purchases and sales*
[2] *See Note 2 to the financial statements*

Results Presentation and Investor Conference Call
A presentation of the results will take place at 9.00am on 15 May 2019 at 3 Finsbury Avenue, Broadgate and will be broadcast live via webcast (britishland.com) and conference call. The details for the conference call are as follows:

UK Toll Free Number:	0808 109 0700
Passcode:	British Land

A dial in replay will be available later in the day for 7 days. The details are as follows:

Replay number:	0208 196 1998
Passcode:	0891551#

A video replay of the event will be available at britishland.com from 2pm on 15 May 2019. The accompanying slides will be made available at britishland.com just prior to the event starting.

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CHIEF EXECUTIVE'S REVIEW

Introduction & Strategy: Building the Specialist in Mixed Use
This has been another year of good strategic and operational progress in an uneven market as retail remained challenging, but the London offices market continued to be healthy. We have leased 2.7m sq ft across our business – more than any of the last five years, continued to invest into our campuses, progressed developments on a carefully risk managed basis and further reshaped our retail portfolio. This operational outperformance and our robust financial results are due to the fact that we are delivering high quality places that reflect the evolving needs of our customers.

Our long-term strategy is to build an increasingly mixed-use business comprising three core elements: our London campuses; a smaller Retail portfolio and Residential. By providing the right mix of uses at each of our places, we drive enduring demand for our space, support rental growth and create long-term sustainable value.

Leasing & Operational Performance

Our leasing performance was again excellent. Across our London business our leasing activity covered 1.1m sq ft of space, further de-risking our developments – which are now 76% pre-let or under offer and securing £48m pa future rental income. We again let space to a broad range of occupiers, reflecting the modern London economy and improving the diversity and quality of our rental income. Key lettings this year included global advertising agency McCann, Peel Hunt, Facebook and law firm Milbank and momentum remains good, we are currently in negotiations on a further 479,000 sq ft. The retail market remained challenging, but we continue to outperform footfall and sales benchmarks and our leasing performance was strong, at 1.6m sq ft. Retailers continue to face the challenge of fundamental structural change compounded this year by short-term operational headwinds. As a result, we have seen further CVAs and administrations from troubled operators and, although faring better than the market overall, we have not been immune; the annualised rental impact from CVA's and administrations that have occurred over the last two years was £16.9m including £0.9m at properties which have subsequently been sold. We have been focused on mitigating this for some time. Of the £10.9m rent on stores subject to closure, £6.5m has already been let or is in negotiation.

This year, we combined our Offices and Retail businesses into one Real Estate team under single leadership, to better align our operations to our strategy and further enhance our customer service. Operational progress this year included the further roll out of our flexible workspace business, Storey at all three campuses and the launch of Storey Club at Paddington, providing high quality meeting and events space to our occupiers. We established a Smart Places team, to work alongside our Data and Insights function and Commercialisation teams as we think more broadly about the ways in which we can continue to support our occupiers and understand and respond to their changing needs.

We submitted our planning application for the Canada Water masterplan including a detailed application for the first three buildings and together with our partners at Southwark, are targeting a July planning meeting. Our plans envisage the development of a new urban centre for London, including commercial, office and community space as well as around 3,000 new homes, so will represent a core part of our plan to grow scale in residential.

Capital Allocation & Investments

We have continued to allocate capital thoughtfully. We sold 5 Broadgate for £500m (our share) in June and £646m of retail assets since April 2018 – overall ahead of book value. This continues our strong sales track record: standalone superstore exposure is down from 11% in 2014 to 1% today and overall Retail is now under half of the business, down from 66% in 2010. Looking ahead, we expect Retail to comprise around 30-35% of assets in five years, so we will continue to sell assets. However, we are patient and opportunistic in our approach and have a clear view of the value of our assets so will continue to only make sales which deliver value and progress our long-term strategy. We have used sales proceeds to progress developments and reinvest in our own portfolio through a £200m share buyback, meaning we have bought back £500m shares in two years. Given the discount implied by the current share price, we continue to believe that reinvesting sales proceeds into our portfolio through buying our shares represents an efficient use of capital so we are extending the buyback by up to £125m.

We are mindful of the ongoing Brexit uncertainty, but our business is well positioned and financially strong. As a result, we are proposing a 3% increase to next year's dividend. We remain thoughtful and commercial in what we do every day while at the same time progressing our long term strategic goals.

MARKET BACKDROP & OUR STRATEGY

Market backdrop

Macro-economic context

The backdrop through the year was dominated by the ongoing Brexit process. The UK recorded only moderate GDP growth and the rate of growth slowed in the final quarter. Business confidence remained fragile and declined overall, with companies slowing investment decisions in the context of a possible "no deal" scenario. Consumer sentiment remained subdued, albeit stable. A number of forecasters including the Bank of England have reduced their growth projections for the coming year with the outlook mixed. Unemployment remained low at under 4%, the lowest level since 1975 and real wage growth strengthened as levels of employment continued at record highs.

London market
The London investment market remained good, with £16bn of transactions in 2018, slightly down on 2017, but more than any other major city globally. Overseas buyers, who accounted for more than 80% of deals remained active, although the make up of buyers continued to evolve with demand from China and Hong Kong easing, but demand from South Korea, Australia and the Middle East growing. There was however a notable pause in the early part of 2019 as Brexit uncertainty increased and the theme of polarisation in investment demand continued as activity focused on high quality, well-let or trophy assets, with less prime properties pricing below expectations and at generally wider yields.

The occupational market continued to show resilience with above average take up. Serviced offices were the largest single component of demand accounting for 17%, with Banking and Finance representing 16%. Vacancy is in line with the ten year average and year on year, incentives were largely unchanged, with prime rents moderately up in both the West End and the City. Pricing has continued to polarise, with well designed, new or refurbished space achieving a significant premium. This is evidenced by the fact that c.65% of all space under construction for delivery in 2019 is already pre-let. Supply has remained relatively constrained and some 30% of space previously expected to be delivered in 2020 is not yet under construction, suggesting development starts continue to be pushed back.

Annual house price growth remained relatively subdued at 0.7% in March 2019 and was weakest in London and the South East, which reported declining prices. The market for prime and super prime continues to be challenging, with demand from overseas buyers reduced partly due to political uncertainty in the UK and globally, as well as changes to rules on capital gains tax on property disposals for overseas investors.

Retail market
Retail investment markets were weak reflecting continued negative sentiment around the long-term role of physical retail. However, there is robust demand for well-let individual assets with strong occupational characteristics or alternate use potential. Investment volumes for multi-let assets have been low and those that have transacted have often been at significant discounts to book value. Towards the end of the financial year however, it became apparent that for certain types of multi-let assets, valuations reached a point where return profiles were attracting interest from a deeper pool of investors.

The occupational market remained challenging as more retailers have entered CVA or Administration, resulting in store closures. All retailers are working to optimise their store networks to have the right footprint to succeed in an omni-channel environment. They are focused on the optimal number of stores they need and how much they are willing to pay for them and key to this is the quality and connectivity of the locations. As a result, we have seen polarisation trends accelerate with the best quality, best located retail assets, in the strongest demographic locations which are right sized and affordable to retailers continuing to perform relatively well whereas secondary locations, or those which are too big to reflect local demand, have struggled.

Despite these challenges, many retailers continue to perform well and successful new entrants continue to emerge – as has always been the case. However, whilst the key Christmas trading period was generally stronger than expected, the market is set to remain challenging overall. Since the end of our financial year we have seen a high profile CVA from Debenhams.

Our strategy
Becoming the Specialist in Mixed Use
We have a clear long-term strategy to build an increasingly mixed-use business.

Why mixed use?
We recognise that the way people use real estate is changing and that the most effective way to drive enduring demand for our space is to evolve our offer in line with those trends. Central to this is the blurring of boundaries between work and leisure time. Increasingly people expect to be able to socialise, exercise or be entertained conveniently to the office. They want to work in places which are pleasant, safe and easily accessible from where they live. These factors underpin people's decisions around which companies they work for, the places they shop and spend time. It helps businesses attract and retain talent and supports their productivity and effectiveness.

How does it deliver value?
A successful mixed-use strategy delivers long term sustainable value by driving rental growth, maintaining occupancy and increasing the value of our assets. By aligning our business to the evolving needs of our customers, and the people who use our places, we drive enduring demand for our space, enabling us to grow rents and add resilience to our future

income streams. The nature of our campuses and multi-let spaces means that we control not just the buildings, but the spaces between them. As such, investment we make into the broader environments generates a positive washover effect on the value of our assets for the long term. We also have more flexibility to re-allocate uses within our places over time to better reflect the needs of our customers as they change and therefore to ensure that we make the best use of our buildings over the long term.

How are we delivering it?
A year ago, we outlined the future shape of British Land, comprising three core, complementary elements as part of an increasingly mixed use business:

- **Campus focused London offices**: with a blend of core and flexible space, including the further build out of Storey, integrated alongside a world-class retail and leisure offering
- **A smaller, more focused Retail portfolio**: high quality, well located assets focused on a smaller number of on average larger, multi-let places, especially those with mixed use potential
- **Residential, principally Build to Rent**: 3,000 homes at Canada Water with further opportunities within our portfolio

Campus-focused London offices
At our London campuses, we create and manage some of the best connected, most accessible space in London, all located in vibrant and exciting neighbourhoods. They provide world-class, modern and sustainable offices alongside public spaces with all the mix of amenities people expect of a modern workplace. These unique campus benefits are the result of specific investment over many years and represent a clear attraction to businesses seeking to hire and retain the best people.

People and businesses are working more flexibly, and their needs change over time, driving demand for quality office space on more flexible terms. This is what Storey, our flexible workspace offer provides. It is operational across all three of our campuses and is an integral part of our offering. It is differentiated from other flexible office offerings in allowing occupiers to personalise high quality office space through their own branding whilst benefitting from shared amenities in the building and all the benefits our campuses offer. The average size of our Storey customers is 45 employees, and with an average lease length of around two years it complements our core office offer while attracting a new market segment to British Land: relatively new, fast-growing “scale up” businesses, and specific stand-alone divisions of larger companies.

Retail will continue to play an increasingly prominent role within our campuses, notably at Broadgate, where our development pipeline will deliver an additional 395,000 sq ft of non-office space, focused on retail, leisure and dining space. This will predominately be at ground floor, so although the total allocation will be just 12%, it makes a highly visible contribution to the campus, and has been instrumental in helping us sign a more diverse range of occupier.

A smaller, more focused Retail portfolio
Structural change in retail is fundamental and ongoing. Recognising this, we have been refining our Retail portfolio for several years and have made good progress with £2.9bn of asset sales since 2014.

We have a clear view of the role retail will play in our business long term. We will focus on assets which are best placed to support the changing role of physical retail and enable retailers to succeed in an increasingly omni-channel world. They will be high quality, well connected multi-let centres accessible to catchment areas with attractive demographics. They will have strong market positions, be affordable to retailers, appropriately sized to reflect their local market and have the potential to become increasingly mixed use over time.

Looking forward, we aim to reduce our Retail business to 30-35% of the total, based on current valuations over the next five years. This implies further asset sales into a market which is currently more challenging and is likely to remain so in the short term. In this context, we will remain patient and opportunistic in our approach and only progress disposals at the right price, which deliver clear value and progress our long-term strategy.

Residential, principally Build to rent:
Build to rent residential is complementary to our existing expertise and additive to our mixed use strategy. The market is underpinned by sound fundamentals, with housing generally undersupplied relative to demand and ability to buy constrained, making renting an attractive option for a growing number of people. Added to this, ownership is relatively fragmented, creating an opportunity for professionally-managed, quality space especially in London and the south east.

Progress on our strategy

Strategic priority	Indicative 5-year business mix	Progress
Campus focused London Offices	55-60% Of which Storey c.5%	• Progressing development on our campuses and de-risking through pre-lets with 76% of our recently completed and committed developments now let or under offer to a broad range of occupiers • Creating options with 2.7m sq ft of planning consents achieved • Storey operational across 141,000 sq ft on all three campuses with further 161,000 sq ft identified (incl. standalone locations) • Smart Places team established with a clear strategy to deliver digital placemaking across our places
Refocused Retail	30-35%	• £646m assets sold since April 2018, marginally above book value including a mix of solus, leisure and multi-let assets
Residential principally BTR	c.10%	• Further good progress at Clarges Mayfair, with 23 units completed in the year, bringing total completed units to 25, a further two exchanged and three under offer • Canada Water planning application submitted including 3,000 homes • Further opportunities across our portfolio

BUSINESS REVIEW

Key metrics

Year ended 31 March	2018	2019
Portfolio valuation	**£13,716m**	**£12,316m**
Occupancy	**97.4%**	**97.2%**[1]
Weighted average lease length to first break	**7.7 yrs**	**6.4 yrs**
Total property return	**+7.0%**	**(0.9)%**
• Yield shift	**+1 bp**	**+19 bps**
• ERV growth	**+1.8%**	**(1.6)%**
• Valuation movement	**+2.2%**	**(4.8)%**
Lettings/renewals (sq ft)	**2.4m**	**2.7m**
Lettings/renewals vs ERV	**+8.2%**	**+0.4%**
Gross investment activity	**£1,655m**	**£2,072m**
• Acquisitions	**£206m**	**£239m**
• Disposals	**£(1,197)m**	**£(1,505)m**
• Capital investment	**£252m**	**£328m**
Net investment/(divestment)	**£(739)m**	**£(938)m**

On a proportionally consolidated basis including the Group's share of joint ventures and funds

[1] Where occupiers have entered CVA or administration but are still liable for rates, these are treated as occupied. If units expected to become vacant are treated as vacant, then the occupancy rate would reduce from 97.2% to 96.9%

Portfolio performance

At 31 March 2019	Valuation £m	Valuation movement %	ERV growth %	Yield shift bps	Total property return %
Offices	6,308	1.1	1.4	+2	4.9
Retail	5,577	(11.1)	(3.8)	+37	(6.6)
Residential	128	(4.4)	na	na	(1.6)

Canada Water	303	(0.8)	na	na	3.1
Total	12,316	(4.8)	(1.6)	+19	(0.9)

The portfolio value was down 4.8% overall, with Retail valuations down 11.1%. Offices were 1.1% ahead, driven by developments which were up 11.3%. The Offices portfolio saw positive ERV growth, balanced across the City and West End with yields broadly flat. In Retail, investor sentiment remained negative with CVAs and administrations putting further pressure on rents, driving yield expansion and ERV decline. These difficulties were most pronounced in department stores and smaller multi-let centres in areas with weaker demographics.

Offices performed in line with the London Office benchmark although underperformed All Offices by 100bps due to the strength of regional offices within the Index. Retail underperformed the Retail benchmark, which saw values down overall. Multi-let centres in weaker demographic locations which were disproportionately impacted by CVAs underperformed overall compared to the benchmark which includes long let assets which were typically less impacted. As a result and reflecting the continued strength of industrials where we have no exposure, the portfolio underperformed the IPD all property total return index by 550 bps over the period.

Capital activity

From 1 April 2018	**Offices**	**Retail**	**Residential**	**Canada Water**	**Total**
	£m	£m	£m	£m	£m
Purchases	129	110	-	-	239
Sales[1]	(500)	(646)	(359)	-	(1,505)
Development Spend	212	31	11	21	275
Capital Spend	20	33	-	-	53
Net Investment	**(139)**	**(472)**	**(348)**	**21**	**(938)**
Gross Investment	**861**	**820**	**370**	**21**	**2,072**

On a proportionally consolidated basis including the Group's share of joint ventures and funds

[1] Includes sale of Richmond which exchanged in FY18 and completed in the current year for £45m. Includes sale of 12 Sainsbury's superstores which exchanged post year end for £194m. Includes Clarges residential sales of £359m, of which £253m exchanged prior to FY19 and completed in the year and £18m exchanged post year end

We completed or exchanged on £1.5bn of asset disposals since 1 April 2018, bringing the total gross value of our investment activity since 1 April 2018 to £2.1bn. In Retail, we made sales of £646m, comprising a mix of non-core multi-let centres and standalone retail or leisure assets. Overall, sales were marginally ahead of book value, with multi-let centres generally transacting at a discount; and solus assets, particularly those with good alternative use potential, generally achieving a premium to book value. We acquired Royal Victoria Place in Tunbridge Wells at the start of the year for £92m; the centre offers good mixed use potential and is well located in London's commuter belt.

In Offices, the most significant transaction in the period was the sale of 5 Broadgate for £1bn (our share £500m) in line with book value. Overall, this development generated a total property return of 18% per annum for British Land.

At Clarges, our prime residential-led development in Mayfair, we completed on the sale of 23 units in the year for £335m, bringing total completed units to 25 with receipts totalling £359m. We have exchanged on two further units, bringing completed and exchanged sales to £383m with seven units remaining, of which three are under offer. Clarges has been a highly successful scheme for us, having delivered total profits of £200m to date with £34m sales to go, excluding those already under offer.

Data and insights

We are continuing to leverage our insight into our places, which is grounded in the data we collect across the portfolio on the people who visit, work at and live around our centres and campuses. This data shows how users interact with our spaces; for example how they choose to spend their time and money, which brands they engage with and what they think of our facilities and services. Our understanding is informing development strategy at our campuses and providing valuable evidence in leasing discussions in an environment where brands are very focused on taking the right physical space.

This year, we rolled out a new data and analytics platform, whereby nearly 1,000 retailers, representing two-thirds of our portfolio contribute sales data in exchange for reports and benchmarking, providing our occupiers with a real insight into their customer base and helping us build a clear picture of which occupiers and centres are performing well. Over time, this information guides our asset management and our investment activity, helping us allocate capital efficiently.

At Canada Water, we have used insight to project the likely needs of the community as the scheme progresses and this is shaping the amount of retail, leisure and community space in our plans. This modelling builds on the expertise we have developed across our campuses and retail centres by factoring in the benefits of a mix of uses for placemaking.

Sustainability

Sustainability is integral to how we manage our business. Our activities have a real impact on the environment and our customers and local communities and we recognise our responsibility to manage those impacts. This year we published Design for Life research, quantifying the potential economic benefits and individual boost of putting wellbeing at the heart of urban design, which is core to creating Places People Prefer. Sustainability is integrated into the standard tools we use across our business, from our Sustainability Brief for Developments, now in its 15th year, to our Local Charter, which sets out five ways we make a lasting positive difference to our local communities.

At 100 Liverpool Street, our largest on-site development around half of the original structure and foundations were retained, saving 7,200 tonnes of embodied carbon, with a further 4,100 tonnes set to be saved through carbon-efficient design and the use of low-carbon materials. We have worked hard to minimise the impact of this development for customers, for example by using an off-site consolidation centre to combine deliveries, we achieved a 20% reduction in trucks coming to the site. We also worked closely with London transport partners to ensure that transport connections were unaffected and with local shops and businesses who lost no trading days.

Across our Broadgate developments, we are working in partnership with our main contractor, Sir Robert McAlpine, to create a positive local legacy. Over 3,300 people have benefited from our Broadgate construction team's community activities over the last two years, including local schoolchildren, jobseekers and people affected by homelessness. Over 60 apprentices and trainees have developed their skills through our Broadgate construction activity over the same period. We are also ensuring that our projects directly benefit local businesses. For example, 58% of construction spend at 100 Liverpool Street so far (£59m) has been spent in the City and neighbouring boroughs.

At our managed assets, we continue to support people into work through Bright Lights, our skills and employment programme. At Fort Kinnaird, Edinburgh, the Recruitment & Skills Centre celebrated its fifth anniversary this year. Winner of the Estates Gazette Collaborators Award 2018, our innovative collaboration involves councils in East Lothian, City of Edinburgh and Midlothian and partners such as the Capital City Partnership, Department of Work and Pensions and Skills Development Scotland. Since opening, the Centre has trained 2,663 people and helped 3,585 people into work, supporting around 160 employers each year, including our customers. This improves opportunities for people in surrounding neighbourhoods and creates the skilled workforce that our customers value.

Our strong sustainability performance is reflected in our rankings on external ESG indices, including a green star rating for the ninth consecutive year in the Global Real Estate Sustainability Benchmark (GRESB), CDP A- score (2017: B) and inclusion in FTSE4Good and Dow Jones Sustainability Indices (DJSI) 2018. This year, while we maintained our strong absolute performance in GRESB, our relative ranking reduced to 4-stars. We have established a Steering Committee to progress meeting the recommendations of the Taskforce on Climate-related Financial Disclosures and continue to reduce carbon and energy intensity across the portfolio, this year achieving 64% and 44% reductions, respectively, against our 2009 baseline.

REAL ESTATE PERFORMANCE REVIEW

Campus focused London Offices

Key metrics

As at 31 March:	2018	2019
Portfolio Valuation (BL share)	**£6,705m**	**£6,308m**
• *Of which campuses*	*£5,250m*	***£5,047m***

Occupancy	**96.7%**	**97.7%**
Weighted average lease length to first break	**7.3 yrs**	**5.7 yrs**
Total property return	**+9.0%**	**+4.9%**
• Yield shift	**(7) bps**	**+2 bps**
• ERV growth	**+2.1%**	**+1.4%**
• Valuation movement	**+4.5%**	**+1.1%**
Lettings/renewals (sq ft)	**1,221,000 sq ft**	**1,070,000 sq ft**
Lettings/renewals vs ERV	**+5.6%**	**+1.2%**

On a proportionally consolidated basis including the Group's share of joint ventures and funds

Campus operational and financial highlights

- Portfolio value up 1.1%, with the City up 1.9% and West End up 0.7%
- Yields flat in the City, with moderate expansion in the West End +3bps
- ERV growth of 1.4% across the portfolio
- Activity generating like-for-like income growth of 4.9%
- Leasing activity covering 1.1m sq ft, adding £21m to future rents
- Under offer on a further 28,000 sq ft and in negotiations on a further 479,000 sq ft
- Investment lettings and renewals signed 1.2% ahead of ERV adding £3m to future rents
- 317,000 sq ft rent reviews agreed 7.1% ahead of passing rent adding £0.9m to rents
- Occupancy increased slightly to 97.7%; Regent's Place and Paddington Central virtually full
- 5 Broadgate sold at book value (our share £500m) generating an 18% pa total property return

Campus operational review

80% of our Offices are located on our three central London campuses, each benefitting from excellent transport connectivity and vibrant local neighbourhoods which are an important part of their appeal. Across these spaces we have made good progress on our strategy to expand the mix of uses, which in the context of our campuses means an enhanced leisure, dining and entertainment offering.

Broadgate

More than half our leasing activity this year has been at Broadgate, where we made 739,000 sq ft of lettings and renewals and agreed rent reviews on a further 152,000 sq ft of space, overall 6.5% ahead of ERV. The most significant included McCann, one of the world's leading advertising agencies and TP ICAP, the global interdealer broker who signed for 127,000 sq ft and 123,000 sq ft respectively at 135 Bishopsgate, both for a 15 year term.

At 100 Liverpool Street, Milbank, a leading international law firm has committed to over 70,000 sq ft and despite the uncertain political backdrop, financial services firm Peel Hunt has signed for 40,000 sq ft. We have made good progress leasing on the retail side, with space let or under offer to Watches of Switzerland, Gant, Kiehls and Neom Organics alongside several high quality grab and go operators. These are typically smaller lettings, ranging from 300 to 6,000 sq ft, but are located on the station concourse or at lower ground floor level, where the rent achieved can be more than double that on the office space (on a per sq ft basis).

At 1 Finsbury Avenue, which has reached practical completion, we are building a premium food offering, with space let or under offer to Bar Douro, a Portuguese restaurant specialising in small plates and independent, high quality grab and go brands Nyokee and Yolk. These join Everyman, the boutique cinema operator who signed for a 3-screen cinema covering 11,000 sq ft earlier in the year. These lettings demonstrate significant progress to create a destination centre for food, retail and culture at Broadgate, enhancing the appeal of our campus to prospective occupiers, particularly from non-traditional sectors including technology. The most recent example is Product Madness, an online gaming platform who are taking 31,000 sq ft at 1 Finsbury Avenue on a ten year term. Earlier in the year, technology company Mimecast committed to an additional 34,000 sq ft bringing their total occupation to 113,000 sq ft.

Elsewhere on the campus, we let 37,000 sq ft to commodities broker Marex at 155 Bishopsgate and nearly 40,000 sq ft at Broadgate Tower, where both Liquidnet and TradeTech expanded their space. We also completed 25,100 sq ft of short term lettings to tech and professional service businesses at 2&3FA including CheckRecipient, Poq, and Tech

Nation. This strong progress across the campus demonstrates London's enduring appeal as a place to do business, despite Brexit.

Overall, the campus saw a valuation uplift of 1.9% driven by gains on our development properties and benefiting from ERV growth of 1.2%.

Paddington Central
We have continued to make good progress evolving our retail and dining offer at Paddington Central. This year, we have let space to Vagabonds Wine and a second canal-boat restaurant, further enlivening the canal-side as well as Pure, and Department of Coffee and Social Affairs at 2 Kingdom Street and Pall Mall Barbers in Sheldon Square. Total lettings/renewals at the campus covered 41,000 sq ft, including 20,000 lettings through Storey with rent reviews on 78,000 sq ft of space agreed more than 10% ahead of passing rent. Occupancy across the campus is 97.2%.

There is real momentum building across the neighbourhood, with leasing interest from a range of sectors reflecting significant investment and regeneration ahead of Crossrail opening. The campus saw a valuation uplift of 1.9%, benefitting from yield tightening of 1 bp and ERV growth of 0.9%.

Regent's Place
At Regent's Place, where occupancy is 98.7% our leasing activity covered 250,000 sq ft. Our largest single letting was to Facebook who are taking 175,000 sq ft on 10 year lease at 10 Brock Street in the space to be vacated by Debenhams. This takes their occupancy at the building to 290,000 sq ft and is a strong endorsement of the campus. We have also let 12,600 sq ft to Hays at 20 Triton Street and agreed 34,000 sq ft of rent reviews, 9.1% ahead of passing rent. This activity supported ERV growth of 2.2% offsetting mild yield expansion of 3 bps to deliver an overall valuation uplift of 1.4%.

We are planning a re-brand of the campus, which we expect to launch in the summer and are progressing plans for a programme of public realm improvements, which will enhance existing connections with Regent's Park, the residential areas to the north and the Knowledge Quarter. These will introduce more green space and support a more diverse range of uses, experiences and activities throughout the year.

Increasing the mix of uses
Non-office leasing at our campuses totalled 68,000 sq ft in the year, primarily comprising retail, leisure and dining, with the largest single letting to Everyman cinema at 1 Finsbury Avenue.

We have also focused on making smart use of public or shared spaces through events and activities which enliven our space as well as successful commercial events which generate income. This year, our campuses hosted 44 major marketing activities as well as a range of seasonal events to mark national occasions such as International Women's Day, Mental Health Awareness Week and London Pride. We were recognised by REVO for brand experiences including Eon's "Shot of Summer" and a Bordeaux Butterfly Bar, both at Broadgate. Our Adidas experience held last summer at Norton Folgate comprising sport, music and "Instragram-able" moments generated around £50,000 rent for a 10-day event.

Storey: our flexible workspace brand
We launched Storey nearly two years ago. It is a deliberately differentiated flexible workspace concept, providing occupiers with the opportunity to brand the space themselves whilst benefiting from shared facilities in the building and the advantages our campuses provide. This year, Storey opened at 2 and 4 Kingdom Street (Paddington Central), and 3 FA (Broadgate) as well as York House, W1 in our standalone portfolio. It is now operational across 141,000 sq ft and is 90% let or under offer.

Part of the business rationale was the increasingly complementary nature of core and more flexible space, so we are pleased that 35% of Storey occupiers by rent are existing customers of British Land. It has also been instrumental in building our exposure to the growing technology and creative sectors, which account for c.40% of space let; recent examples include Tryzens a provider of eCommerce solutions and AppDynamics, an application performance analytics company, who both signed in the year.

Storey continues to achieve attractive premiums to ERV of around 30% on total leased space with an average lease length of 23 months, and average occupier headcount of 45 people.

Looking forward, the Storey pipeline is 161,000 sq ft which includes "Storey Club" at 4 Kingdom Street, a new concept providing ad hoc workspace, additional meeting rooms, private dining venues and event and workshop spaces for Storey occupiers. We have earmarked more than 60,000 sq ft in standalone space at Wells St in Fitzrovia and Orsman Road in Haggerston, (exchanged in the year).

Smart places

This year, our Smart Places team have laid out a long-term plan to deliver digital placemaking across our Office campuses. This is an example of how we are evolving our offer to enhance the experience for our occupiers, differentiating our space to drive long term demand and deliver rental growth. Our Smart strategy focuses on three core areas:

- Tech hardware: ensuring we are putting in place the right the materials and equipment in our buildings for the long-term – efficient mechanical and electrical which is internet-connected, and sends and receives instructions according to an open-source British Land standard for data
- Building a data environment: bringing together data from across our spaces and other sources to derive insight, improve usage of space and enable building control
- User experience: developing platforms that allow users to engage seamlessly with their space, helping them to be healthier, productive and more engaged in their environment

At our head office at York House we have successfully trialled hardware which measures space utilisation and are working with third parties to generate insights from the data we have collected. We have standardised a Smart Buildings design guide which we are using across all new developments and have started to engage with occupiers to support them in making the most of our advanced office developments, constantly improving our understanding of what our occupiers want and how we will achieve this.

Smaller, more focused Retail

Key metrics

As at 31 March:	**2018**	**2019**
Portfolio valuation (BL share)	**£6,596m**	**£5,577m**
• *Of which multi-let*	*£5,328m*	***£4,737m***
Occupancy[1]	**98.0%**	**96.7%**
Weighted average lease length to first break	**7.9 yrs**	**7.0 yrs**
Total property return	**+5.7%**	**(6.6)%**
• Yield shift	**+6 bps**	**+37 bps**
• ERV growth	**+1.6%**	**(3.8)%**
• *Multi-let ERV growth*	*+1.9%*	*(4.0)%*
• Valuation movement	**+0.3%**	**(11.1)%**
Lettings/renewals (sq ft)	**1,156,000**	**1,587,000**
Lettings/renewals vs ERV	**+10.3%**	**+0.3%**

On a proportionally consolidated basis including the Group's share of joint ventures and funds

[1] Where occupiers have entered CVA or administration but are still liable for rates, these are treated as occupied. If units expected to become vacant are treated as vacant, then the occupancy rate for Retail would reduce from 96.7% to 96.1%

Retail operational and financial highlights

- Total portfolio value down 11.1%, led by smaller multi-let schemes which were disproportionately affected by CVAs and administrations
- Yield expansion of 37 bps overall
- ERVs down 3.8%
- Robust leasing activity with lettings/renewals covering 1.6m sq ft, marginally ahead of ERV; strong retention rate on renewals of 78%
- Further 1.8m sq ft of rent reviews agreed 2.3% ahead of passing rent
- High occupancy maintained at 97%

- Annualised rental impact of CVAs & admins over the last two years of £16.9m; £0.9m at assets subsequently sold, £5.1m at stores where rents have reduced and £10.9m is at stores subject to closure of which £6.5m has already been let or in negotiation
- Like for like income growth excluding the impact of CVAs and administrations of 0.8%
- Footfall down 0.9%, 230 bps ahead of benchmark; total sales down 0.5%, 160 bps ahead of benchmark
- £646m non-core assets exchanged since April 2018

Performance review

Leasing

In a challenging operating environment, our focus this year has been on the day to day business of leasing and managing our space. Overall, leasing volumes have been ahead of historic levels at 1.6m sq ft, with the number of long term deals in line with average, but a higher number of short term or temporary lettings signed this year, demonstrating the way we are evolving our offer to meet the needs of our occupiers whilst retaining flexibility in our estate to respond to new retailers and concepts.

We have had a successful year at Meadowhall, with 22 long term deals with new lettings to Skopes, Rock Up and Lacoste, and upsizings from North Face and Fat Face. Meadowhall has seen nine consecutive months of year on year footfall growth, demonstrating its strong and growing appeal, post our £60m refurbishment. Building on this, we are on site with a new children's playground and have an upgrade to the Oasis dining quarter planned for the current year. We are piloting changes in the way we use retail space, including Meadowhall Sessions, a series of evening classes and a regular artisan market showcasing the best in Yorkshire produce which both launched in the year.

Across the portfolio, we have continued to welcome new formats with Goldsmith's the jewellers opening their first out of town store at Fort Kinnaird and Empire cinemas launching their first new café and cinema concept at Bath SouthGate. We have re-geared leases with major tenants on a portfolio basis, including Boots at three schemes totalling 44,000 sq ft at 12.4% ahead of ERV and Argos at six schemes totalling 61,000 sq ft broadly in line with ERV. We also agreed a portfolio deal with New Look covering 11 leases.

CVAs and administrations

Across our portfolio, we are addressing the impact of CVAs and administrations. The annualised impact of CVAs and administrations over the last two years is £16.9m. £0.9m at assets subsequently sold, £5.1m at stores where rents have reduced and £10.9m is at stores subject to closure of which £6.5m has already been let or in negotiation. This has disproportionately impacted our smaller multi-let centres especially those in weaker demographic locations, and are generally assets that do not have a long term role within our portfolio. Post period end, Debenhams also applied for a CVA, prior to which we had re-let their head office space to Facebook, and had managed down our retail exposure with the sale of a standalone store in Clapham. Our exposure to Debenhams now comprises 4 standalone and 5 stores in multi-let centres.

Operational performance

Footfall was down 0.9% in the year, but we have continued to outperform the benchmark (230 bps ahead) demonstrating that despite changes in the way people shop, our centres are still relatively well placed. Total sales, which take into account our asset management initiatives, were down 0.5% outperforming the benchmark by 160 bps, although same store sales, which strips out these improvements showed decline of 1.5% but was 160 bps ahead of the benchmark. Both metrics showed an improvement over the year, and encouragingly, turned positive in the last quarter of the financial year. These figures only capture instore sales and exclude online sales where the physical store plays a key role, including shipping direct from store, an approach more retailers are adopting, as well as click and collect and online purchases first browsed in store.

This year eight of our commercialisation events were recognised at the REVO awards with three winners including best Pop Up Shop for our Unicorn Meadow at Meadowhall, best Mall Transformation again at Meadowhall, recognising the change that our refurbishment has delivered and best Commercial Event for our Ultra-Violet Bar at SouthGate, Bath, marking our partnership with the Bath Gin Company.

Capital activity

We have a clear strategy to refine our Retail portfolio to deliver a smaller, more focused business, comprising assets that support the changing role of physical retail, are right sized for their local markets and have the potential to become increasingly mixed use.

In line with that, we have made asset sales totalling £646m since 1 April 2018, comprising smaller, multi-let retail centres, non-core leisure assets and standalone retail assets. Overall sales were 2% ahead of book value, but multi-let retail has generally sold at or below book, while standalone retail and leisure has generally sold at or above book. The most significant transaction was the disposal of 12 of our Sainsbury's superstores for £193.5m (our share), modestly ahead of book value, which exchanged post period end.

This brings total retail disposals over the last five years to £2.9bn comprising the following core categories:

Asset class	**£m sold since April 2014**	**% total portfolio March 2014**	**% total portfolio March 2019**
Department stores	£682m	5%	1%
Superstores (standalone)	£1,203m	11%	1%[1]
Leisure	£195m	3%	2%
Non-core multi-let retail	£790m		
Total	**£2,870m**		

[1] Pro-forma for post year end exchanged sale of 12 Sainsbury's superstores.

We have a clear view of the value of our assets, and have set out the indicative shape of our business in five years, when we expect retail will comprise 30-35% of the portfolio, based on current valuations. We have the financial capacity to progress our developments without necessitating asset sales, enabling us to be patient and opportunistic in our approach, so we benefit from pockets of demand for particular asset types as and when they arise. We will maintain this approach going forward and only make disposals which deliver value or significantly progress our long term strategy. We have a strong track record of delivering on our strategic goals having reduced our standalone superstore exposure from 11% in 2014 to 1% today with just six standalone stores remaining.

Retail will remain an important part of our business long term, so we will continue to invest in those assets which support the changing role of physical retail and have the potential to become mixed use. We have a clear set of criteria in terms of size and location, the environment, mix of operators and services that we use to evaluate our assets and these factors underpinned our purchase of Royal Victoria Place in Tunbridge Wells for £91.8m at the start of the year. Here, we have committed to a refurbishment covering around two-thirds of the centre and have plans for a redevelopment of the remaining third of the space; longer term, we see potential to significantly expand the mix of uses.

DEVELOPMENT

At 31 March 2019	**Sq ft '000**	**Current Value £m**	**Cost to complete £m**	**ERV £m**	**ERV let/under offer £m**
Recently completed	287	153	11	8.2	4.7
Committed	1,330	714	252	55.0	43.2
Near term	866	156	404	39.4	-
Medium term	2,443				
Canada Water Phase 1[1]	1,917				

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

[1]Total site area is 5m sq ft. Phase 1 consists of Phase 1a, 1b, 1c. Detailed planning submitted for Phase 1a (576,000 sq ft), outline planning submitted for total Phase 1

Portfolio

Developments are a key element of our investment case as a fundamental driver of sustainable value and growth for the long term. In the current market we see limited opportunities to make accretive acquisitions, so the capacity to develop is an important competitive advantage. Critical to our approach is the flexibility and optionality we have created, with the majority of space in our development pipeline either income producing or held at low cost, so we have attractive options we can progress as and when appropriate.

We actively manage our development risk and pre-letting our space is an important part of that approach. Reflecting our continued successful leasing activity, 76% of our recently completed and committed developments are pre-let or under offer and speculative exposure remains low at 2.3% of portfolio gross asset value. Including our near term pipeline, this will be 7.4%, below our internal risk threshold for speculative development of 8%.

Construction cost forecasts continue to suggest that the rate of growth has moderated from the level in recent years. However, there is a risk that the Brexit outcome increases materials costs and reduces labour supply in future years, potentially increasing cost inflation above the expected 2-4% per annum. To mitigate this risk, 93% of the costs on our committed development programme have been fixed.

Campus developments: further enhancing the mix of uses
Development has been an important driver of value over the year. Our successful leasing activity has supported the rental tone at our Broadgate campus while the benefit of our 4 Kingdom Street development (completed in 2018) continues to support rental growth at Paddington Central.

Completed developments
1 Finsbury Avenue (287,000 sq ft) at Broadgate has reached practical completion, and we are 58% let or under offer by ERV following 168,000 sq ft leasing activity. Signings included Mimecast, Everyman and Product Madness and with four F&B operators exchanged or under offer. In addition, we are allocating 72,000 sq ft to Storey, leaving just 46,000 sq ft available to let.

Committed developments
Our committed development pipeline covers 1.3m sq ft (excluding 1 Finsbury Avenue). At 1 Triton Square (Regent's Place) which is our largest wholly-owned development covering 366,000 sq ft, the office space is fully pre-let to Dentsu Aegis Network on a 20-year lease.

At Broadgate, we are on site with two developments together delivering 856,000 sq ft. 100 Liverpool Street (521,000 sq ft) topped out in the period, the façade has now been installed up to level 10 and fit out of the interiors started in April. It will be one of Europe's smartest office buildings, with a single digital spine connecting systems within the building to personalise elements of the working environment including temperature and light as well as monitor the use of space. We are aiming for a WiredScore platinum rating for internet connectivity and infrastructure and a Well Gold certification for wellbeing. Sustainability has been integral to the design and delivery of this building; by retaining as much of the existing structure as possible we have saved 7,200 tonnes of embodied carbon and on track to save a further 4,100 tonnes through carbon-efficient design and use of low-carbon materials. More than half of the construction spend has been invested in the City and neighbouring boroughs, ensuring local people benefit from our development. Following lettings to Peel Hunt and Milbank this year, who join Sumitomo Mitsui Banking Corporation Europe, the building is now 56% let or under offer by ERV. At 135 Bishopsgate (335,000 sq ft), we are 90% let or under offer, with signings to McCann and TP ICAP this year, in addition to Eataly, the Italian market place who are taking 44,000 sq ft on the ground floor. Across both buildings, we are seeing good interest in the remaining space.

Near-Term pipeline
We have increased our near-term pipeline to 866,000 sq ft with the addition of 1-2 Broadgate where we achieved planning permission during the year. This 531,000 sq ft scheme includes 153,000 sq ft of retail, leisure and dining space, connecting Finsbury Avenue Square with retail at 100 Liverpool Street and the Broadgate Circle, creating a 350,000 sq ft retail, leisure and dining hub.

At Norton Folgate (previously Blossom Street) we have consent for a 335,000 sq ft scheme comprising 257,000 sq ft of office space alongside retail and residential space, to create a mixed use development which is in keeping with the historic fabric of the area. Our plans envisage a mix of floorplates, to appeal to small and growing businesses as well as more established organisations, particularly in the technology and creative sectors and we are already seeing good interest in the space.

Medium-Term Pipeline
Our medium-term pipeline includes three office-led schemes covering more than 1m sq ft in total. These buildings progress our mixed use campus vision and support future income growth.

The most significant scheme is 2-3 Finsbury Avenue at Broadgate. Covering 563,000 sq ft, the scheme adds 374,000 sq ft to the existing space which generates an income through short term, more flexible lettings, with 50,500 sq ft allocated to Storey. We have also launched a 1,700 sq ft events space at 3FA which regularly hosts thought-leadership events, as well as yoga, pilates and meditation sessions.

At 5 Kingdom Street, Paddington Central, we have submitted a revised planning application which would increase our consented scheme from 240,000 sq ft to 429,000 sq ft. The scheme includes the opportunity to develop a former Crossrail works site which reverts to British Land on completion of Crossrail, providing 80,000 sq ft of community, retail, leisure and cultural facilities, reflecting feedback from focus groups and residents who we consulted on how this space could best be used. At the Gateway, we have consent for a 105,000 sq ft premium hotel.

Retail development: enhancing and repositioning our portfolio for the future
In line with our disciplined approach to capital allocation, we consistently review our capital spending plans. In the current environment we would expect the overall level of capital spend on our Retail portfolio to be lower than historically. However, we maintain a range of opportunities across our portfolio which preserve our optionality but would only commit where market conditions and long term prospects are supportive.

Committed developments
At Drake Circus, Plymouth, we are on site with a 108,000 sq ft leisure extension which will add a 12-screen cinema and 14 restaurants. The scheme is 67% let and under offer and we expect to reach practical completion in Autumn 2019.

Medium term pipeline
Our medium term pipeline is focused on mixed use opportunities. At Ealing Broadway, which will benefit from Crossrail, we are working up plans for a 292,000 sq ft scheme, and at Eden Walk, Kingston (jointly owned with USS) our consented mixed use development plans include 380 new homes, alongside shops, restaurants and 35,000 sq ft of flexible office space. At Meadowhall, we have consent for a 333,000 sq ft leisure extension but are undertaking a review of our plans which is expected to conclude towards the end of the year. We have further opportunities at New George Street in Plymouth, adjacent to our Drake Circus Regional Retail centre which cover 43,000 sq ft. In each case, our focus will be on enhancing the mix of uses to best reflect the local market.

Canada Water: 53 acre masterplan for a new urban centre in Central London

Highlights

- 5m sq ft mixed use development scheme
- Master development agreement signed with Southwark Council in May 2018
- Planning application including detailed planning submission on the first three buildings and outline planning for the whole scheme submitted May 2018
- Net valuation movement down 0.8% to £303m; increase in gross valuation offset by costs incurred in connection with planning

At Canada Water, we are working with the London Borough of Southwark to deliver a 5m sq ft mixed use scheme, including 3,000 new homes alongside a mix of commercial, retail and community space. The site is located between London Bridge and Canary Wharf on the Jubilee line with access to the London Overground, making it easily accessible from Canary Wharf, the West End, Shoreditch and South West London. It will also be an indirect beneficiary of Crossrail, which will significantly reduce pressure on the Jubilee Line between Canary Wharf and Bond Street. It covers 53 acres including the dock area, providing 48 acres of developable land.

We started engaging on our masterplan proposals in 2014 and since then have held over 120 public consultations and local outreach events. These have attracted over 5,000 individuals who have inputted at every stage and provided 12,000 comments on our plans, enabling us to shape a design that seeks to meet local needs and aspirations. Together with Southwark Council, we have also developed a Social Regeneration Charter which captures local residents' priorities for the benefits of the development, and ideas for how these can be delivered.

In May 2018 we signed the Master Development Agreement with Southwark Council. This set out the terms of a new headlease consolidating our holdings into a single 500-year headlease with Southwark Council as the Lessor. This structure effectively aligns the ownership of these assets, with British Land owning 80% and Southwark Council owning the remaining 20%. Southwark Council can participate in the development of the individual plots, up to a maximum of

20% and returns will be pro-rated accordingly. This headlease becomes effective on fulfilment of several conditions, most importantly achieving outline planning consent for the whole masterplan and detailed planning consent for the first three buildings which was also submitted in May 2018.

Since submission of our application, we have worked constructively with Southwark Council through the complexities of the planning process and we are targeting a July planning meeting.

The first three buildings total c. 576,000 sq ft and will provide 265 homes of which around 35% will be affordable. Building A1 will provide both residential and workspace and building A2 will be focused on workspace and a new leisure centre, with both providing a small amount of retail at ground floor. K1, the third building will be wholly residential.

Potential funding structures will be explored when we have greater visibility on timing, ahead of which, we are already seeing interest in the space from a range of sectors and discussions are underway on several buildings. In the meantime, the Printworks has become an established live music venue, frequently hosting crowds of up to 5,000. Ticket sales and visitors are now over 80,000 from 23 shows through the winter / spring season.

The net valuation movement for Canada Water over the year showed a marginal decrease, reflecting an increase in gross value to £303m attributable to progress on planning and design offset by costs incurred in masterplanning the scheme.

FINANCE REVIEW

Year ended 31 March	2018	2019
Underlying earnings per share[1]	37.4p	34.9p
Underlying Profit[1,2]	£380m	£340m
IFRS profit (loss) before tax	£501m	£(319)m
Dividend per share	30.08p	31.00p
Total accounting return[1,3]	+8.9%	(3.3%)
EPRA net asset value per share[1,2]	967p	905p
IFRS net assets	£9,506m	£8,689m
LTV [1,4,5]	28.4%	28.1%
Weighted average interest rate [5]	2.8%	2.9%

[1]See Glossary on website for definitions. [2]See Table B within supplementary disclosure for reconciliations to IFRS metrics. [3]See Note 2 within condensed financial statements for calculation. [4]See Note 14 within condensed financial statements for calculation and reconciliation to IFRS metrics. [5]On a proportionally consolidated basis including the Group's share of joint ventures and funds.

Overview

Financial performance for the year has been robust in the context of significant sales over the last 2 years, an especially challenging retail environment and an unpredictable UK macroeconomic backdrop. Underlying earnings per share (EPS) are down 6.7% at 34.9p, while Underlying Profit is down 10.5% at £340m, primarily reflecting one off surrender premia of £20m received in the prior year.

Setting aside the one-off surrender premia, Underlying EPS is marginally down 1% with strong like-for-like rental growth in Offices and the benefits of share buyback mostly offsetting the impact of sales and CVAs and administrations amongst retailers. Net sales activity to date is expected to reduce EPS next year by 2.4p with proceeds to be deployed into our development programme. The existing committed programme is expected to deliver 4.5p EPS accretion once fully let and is already 76% pre-let or under offer – equivalent to £48m pa of future rental income secured.

Valuations have reduced by 4.8% on a proportionally consolidated basis although this was partially offset by the impact of the £200m shares bought back in the period resulting in an overall EPRA net asset value (NAV) per share decline of 6.4%.

Since April 2018, we have completed £2.1bn of gross capital activity. This includes £1.1bn sales of income producing assets, primarily our 50% interest in 5 Broadgate for £0.5bn, which sold at book value, representing a net initial yield of 4%. In addition, we made Retail sales totalling £0.6bn, 2% ahead of book value, at an average yield of 5.7%. We exchanged or completed on £359m of residential sales, £253m which exchanged prior to this financial year and £18m exchanged post year end.

We remain thoughtful about the use of proceeds from disposals. As well as continuing to invest into our development pipeline, we extended the share buyback programme by £200m following the sale of 5 Broadgate - adding 10p to NAV. We have bought back £200m shares in the year, at an average price of 594p adding 10p to NAV. Given the current share price discount, we continue to believe that reinvesting in our portfolio through our own shares represents an effective use of capital so, following further recent retail sales, we are extending the buyback by up to a further £125m.

Our financial position remains strong. LTV has decreased by a further 30bps during the period to 28.1% despite the valuation fall. The reduction was driven by net sales reducing LTV by 330bps, partially offset by the share buyback and investment into the development programme. Our weighted average interest rate remains low at 2.9%. We have been active in debt markets, with £1.4bn of new financing arranged.

Presentation of financial information

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

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

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

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

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

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

Income statement

1. Underlying Profit

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

	Section	2018 £m	2019 £m
Gross rental income		613	576
Property operating expenses		(37)	(44)
Net rental income	1.2	**576**	**532**
Net fees and other income		15	10
Administrative expenses	1.3	(83)	(81)
Net financing costs	1.4	(128)	(121)

Underlying Profit		**380**	**340**
Non-controlling interests in Underlying Profit		14	12
EPRA adjustments[1]		107	(671)
IFRS profit/(loss) before tax	2	**501**	**(319)**
Underlying EPS	1.1	37.4p	34.9p
IFRS basic EPS	2	48.7p	(30.0)p
Dividend per share	3	30.08p	31.00p

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

1.1 Underlying EPS

Underlying EPS is 34.9p, a decline of 6.7% on the prior year. This reflects Underlying Profit decline of 10.5%, partially offset by the impact of share buyback completed in the year which added 1.2p in the period.

1.2 Net rental income

	£m
Net rental income for the year ended 31 March 2018	**576**
Prior period surrender premia	(20)
Net divestment	(21)
Impact of CVAs and administrations	(14)
Like-for-like rental growth (excl. impact of CVAs and administrations)	15
Developments	(4)
Net rental income for the year ended 31 March 2019	**532**

The £44m decrease in net rental income is primarily a result of the one-off surrender premia received in the prior year and the impact of net divestment over the last two years. The impact of CVAs and administrations has been more than offset by like-for-like growth.

Net sales of income producing assets over the last two years was over £2bn. This has reduced net rents by £21m in the year, including £14m from the sale of 5 Broadgate in June 2018, and £3m from the sale of The Leadenhall Building in May 2017. As well as funding the £500m of share buybacks we have completed over the last 18 months, proceeds from these sales are being reinvested in the development pipeline, which is expected to deliver £63m in rents in future years and is already 76% pre-let or under offer (£48m).
Occupier CVAs and administrations in the Retail portfolio have reduced net rents by £14m in the year. Excluding this impact, like-for-like rental growth across the portfolio is 2.4%, or £15m. This has been driven by 4.9% growth within Offices, resulting from strong leasing activity across our campuses, particularly at 4 Kingdom Street. Retail like-for-like growth is up marginally at 0.8%.

1.3 Administrative expenses

Administrative expenses have marginally decreased this year as a result of lower variable pay. The Group's operating cost ratio has increased by 180 bps to 18.7% (2017/18: 16.9%) as a result of lower rental income following sales activity.

1.4 Net financing costs

	£m
Net financing costs for the year ended 31 March 2018	**(128)**
Financing activity – our actions	5
Finance – impact of market rates	(4)
Net divestment	12
Developments	(2)
Share buybacks	(4)
Net financing costs for the year ended 31 March 2019	**(121)**

Financing activity undertaken over the last two years has reduced costs by £5m in the year, more than offsetting the impact of increases in market interest rates. Financing activity includes the amendment and extension of our largest syndicated RCF at £735m, with 12 banks, at an initial margin of 90 bps and maturity of five years, as well as the repayment of £223m (£111m our share) of secured Broadgate bonds. This released 1-2 Broadgate and 2-3 Finsbury Avenue from the securitisation, providing greater flexibility and optionality over these buildings as we continue to progress our vision for Broadgate.

The reduction in finance costs as a result of proceeds from net divestment has been partially offset by development spend and share buybacks.

We have a risk managed approach to interest rates on debt. At 31 March 2019, on a spot basis, the interest rate on 87% of our debt is hedged. On average, we are 63% hedged over the next five years, based on current commitments.

2. IFRS profit before tax

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

The IFRS loss before tax for the year was £319m, compared with a profit before tax for the prior period of £501m. This reflects the change in valuation movement on the Group's properties which was £834m less than the prior period, and the capital and other income result from joint ventures and funds being £115m less than the prior period, both driven principally by outward yield shift of 37 bps and ERV decline in the Retail portfolio. In addition, the result on disposal of investment properties and investments was £36m lower than the prior period. These items were partially offset by £78m of additional trading property sale profits, as a result of the completion of a number of Clarges units in the period, along with a £117m decrease in capital financing charges.

IFRS basic EPS was (30.0)p per share, compared to 48.7p per share in the prior year, driven principally by the decline in property valuations. The basic weighted average number of shares in issue during the period was 971m (2017/18: 1,013m).

3. Dividends

As previously announced, we have increased the dividend by 3.0% for the year to 31 March 2019 bringing the full year dividend to 31 March 2019 to 31.0p. The dividend pay-out ratio is 89% for the period (2017/18: 80%). British Land will recommend to shareholders a final dividend payment for the year ended 31 March 2019 of 7.75p. Subject to approval by shareholders, payment will be made on 2 August 2019 to shareholders on the register at close of business on 28 June 2019. The final dividend will consist of two components: a Property Income Distribution of 3.875 pence and a Non-Property Income Distribution of 3.875 pence. No SCRIP alternative will be offered.

Balance sheet

	Section	**2018 £m**	**2019 £m**
Properties at valuation		13,716	12,316
Other non-current assets		185	151
		13,901	**12,467**
Other net current liabilities		(368)	(297)
Adjusted net debt	6	(3,973)	(3,521)
Other non-current liabilities		-	-
EPRA net assets		**9,560**	**8,649**
EPRA NAV per share	4	**967p**	**905p**
Non-controlling interests		254	211
Other EPRA adjustments[1]		(308)	(172)
IFRS net assets	5	**9,506**	**8,689**

Proportionally consolidated basis

[1] EPRA net assets exclude the mark-to-market on derivatives and related debt adjustments, the mark-to-market on the convertible bonds as well as deferred taxation on property and derivative revaluations. They include the trading properties at valuation (rather than lower of cost and net realisable value) and are adjusted for the dilutive impact of share options. No dilution adjustment is made for the £350m zero coupon convertible bond maturing in 2020. Details of the EPRA adjustments are included in Table B within the supplementary disclosures.

4. EPRA net asset value per share

	pence
EPRA NAV per share at 31 March 2018	**967**
Valuation performance	(68)
Underlying Profit	35
Dividends	(30)
Financing activity	(7)
Share buyback	10
Other	(2)
EPRA NAV per share at 31 March 2019	**905**

The 6.4% decrease in EPRA NAV per share reflects a valuation decrease of 4.8% across the portfolio. Valuation gains in the Office portfolio of 1.1% have been more than offset by an 11.1% fall in Retail values as a result of weakening investment sentiment and a challenging occupational market.

Office valuations were up 1.1% driven by strong leasing at our developments which were up 10.8%, including 135 Bishopsgate where values are up 33%, with ERV growth of 1.4% across the standing investments and relatively stable yields. This reflects specific asset lettings we've completed and the resulting washover effect.

Valuations in Retail are down 11.1%, with outward yield shift of 37 bps and ERV decline of 3.8%, reflecting the impact of CVAs and administrations on both the investment and occupational markets, particularly at our smaller retail assets outside the South-East and department stores. However, the performance within the portfolio has been varied, and we continue to see ERV growth at high quality, well positioned assets with good supply/demand tension. Investment demand remains for long term, secure income assets.

While financing activity has decreased NAV by 7p, it will deliver cost savings and the overall impact is NPV neutral. It includes the repayment of higher coupon debt including a portion of secured Broadgate bonds and termination of the associated interest rate swaps. Completion of the £200m share buyback programme during the year has contributed 10p to EPRA NAV.

5. IFRS net assets

IFRS net assets at 31 March 2019 were £8,689m, a decrease of £817m from 31 March 2018. This was primarily due to IFRS loss before tax of £319m, along with £298m of dividends paid and £204m of share purchases under the share buyback programme.

Cash flow, net debt and financing

6. Adjusted net debt[1]

	£m
Adjusted net debt at 31 March 2018	**(3,973)**
Disposals	935
Acquisitions	(233)
Development and capex	(267)
Net cash from operations	613
Dividends	(298)
Share buyback	(204)
Other	(94)
Adjusted net debt at 31 March 2019	**(3,521)**

[1] Adjusted net debt is a proportionally consolidated measure. It represents the Group net debt as disclosed in Note 14 to the condensed financial statements and the Group's share of joint venture and funds' net debt excluding the mark-to-market on derivatives, related debt adjustments and non-controlling interests. A reconciliation between the Group net debt and adjusted net debt is included in Table A within the supplementary disclosures.

Net sales reduced debt by £970m in the year. Completed sales included 5 Broadgate for £500m (BL share) and, in line with our strategy of focusing on multi-let assets, 57 standalone assets totalling £367m (BL share) and three retail parks (Cheltenham Gallagher, Leeds Westside and Bath Weston Lock). We have completed purchases of £233m including Royal Victoria Place in Tunbridge Wells.

We spent £223m on developments and a further £44m on capital expenditure related to asset management on the standing portfolio. The value of recently completed and committed developments is £867m, with £263m costs to come. Speculative development exposure is 2.3% of the portfolio. There are 866,000 sq ft of developments in our near term pipeline with anticipated cost of £404m.

7. Financing

	Group		Proportionally consolidated	
	2018	**2019**	**2018**	**2019**
Net debt / adjusted net debt [1]	£3,046m	£2,765m	£3,973m	£3,521m
Principal amount of gross debt	£3,007m	£2,881m	£4,265m	£3,895m
Loan to value	22.1%	22.2%	28.4%	28.1%
Weighted average interest rate	2.0%	2.2%	2.8%	2.9%
Interest cover	5.3	4.9	4.0	3.8
Weighted average maturity of drawn debt	8.1 years	7.3 years	8.6 years	8.1 years

[1] Group data as presented in note 14 of the condensed financial statements. The proportionally consolidated figures include the Group's share of joint venture and funds' net debt and exclude the mark-to-market on derivatives and related debt adjustments and non-controlling interests.

Over the year, we completed £1.6bn of financing activity, including £1.4bn of new financing arranged.

This includes the amendment and extension of our largest syndicated RCF at £735m, with 12 banks, at an initial margin of 90 bps and maturity of five years. We also arranged new bi-lateral RCFs totalling £140m for 5 years. Each of these facilities may be extended by a further two years at our request and on the relevant bank's approval.

We issued £231m new US Private Placement notes to four investors for 7-10 years (average of 8.2 years), at blended pricing of 3 month Libor +124bps.

We are pleased with this ongoing support from all the lenders, which provides liquidity and flexible finance from diverse sources.

We also repaid £223m (£111m our share) of secured Broadgate bonds, releasing 1-2 Broadgate and 2-3 Finsbury Avenue from the securitisation, providing greater flexibility and optionality over these buildings as we continue to progress our vision for Broadgate.

At 31 March 2019, our proportionally consolidated LTV was 28.1%, down 30 bps from 28.4% at 31 March 2018 due to net disposals, offset by share buybacks, development spend and the valuation decline. This positions us well to enable investment into our development pipeline. Note 14 of the condensed financial statements sets out the calculation of the Group and proportionally consolidated LTV.

Our liability and debt management activity has enabled us to keep our weighted average interest rate low at 2.9%, despite the impact of net divestment and increase in market rates. Our interest cover has reduced to 3.8 times as a result of proportionately lower Underlying Profits.

Our weighted average debt maturity is largely unchanged at 8.1 years.

At 31 March 2019, British Land had £1.8bn of committed unsecured revolving bank facilities, £1.5bn undrawn. Based on our current commitments, these facilities and debt maturities, we have no requirement to refinance until late 2022.

The current uncertain environment reinforces the importance of a strong balance sheet and we have capacity to progress opportunities when the time is right.

Simon Carter
Chief Financial Officer

Notes to Editors

About British Land
Our portfolio of high quality UK commercial property is focused on London Offices and Retail around the UK. We own or manage a portfolio valued at £16.2bn (British Land share: £12.3bn) as at 31 March 2019 making us one of Europe's largest listed real estate investment companies.

Our strategy is to provide places which meet the needs of our customers and respond to changing lifestyles - Places People Prefer. We do this by creating great environments both inside and outside our buildings and use our scale and placemaking skills to enhance and enliven them. This expands their appeal to a broader range of occupiers, creating enduring demand and driving sustainable, long term performance.

Our Offices portfolio comprises three office-led campuses in central London as well as high quality standalone buildings and accounts for 51% of our portfolio. Our Retail portfolio is focused on Regional and Local multi-let centres, and accounts for 45% of our portfolio. Increasingly our focus is on providing a mix of uses and this is most evident at Canada Water, our 53 acre redevelopment opportunity where we have plans to create a new neighbourhood for London.

Sustainability is embedded throughout our business. Our places, which are designed to meet high sustainability standards, become part of local communities, provide opportunities for skills development and employment and promote wellbeing. In April 2016 British Land received the Queen's Award for Enterprise: Sustainable Development, the UK's highest accolade for business success for economic, social and environmental achievements over a period of five years.

Further details can be found on the British Land website at www.britishland.com

RISK MANAGEMENT AND PRINCIPAL RISKS

We maintain a comprehensive risk management process which serves to identify, assess and respond to the range of financial and non-financial risks facing our business, including those risks that could threaten solvency and liquidity, as well as identifying emerging risks. Our approach is not intended to eliminate risk entirely, but instead to manage our risk exposures across the business, whilst at the same time making the most of our opportunities.

The Board confirms that a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity, was carried out during the year. Whilst we consider there has been no material change to the nature of the Group's principal risks, not surprisingly, several risks are elevated as a result of the challenging external environment, with the increased level of political uncertainty associated with the UK's departure from the EU, alongside the continued challenging trading conditions in retail.

The risks considered to be elevated since the year end due to continuing Brexit uncertainty are both the economic and political and regulatory outlook. In addition, we consider the principal risks of occupier demand and investor demand to be elevated since the year end due to the continued challenging trading conditions in retail with several recent high profile CVAs and administrations. This could impact our ability to execute our investment strategy and present an increased risk to income sustainability.

The principal risks are summarised below, including an assessment of how the risks have changed in the year. A more comprehensive explanation of the Group's approach to risk management will be included in the 2019 Annual Report.

Risks and impacts	How we monitor and manage risk	Change in risk assessment in year

Economic outlook The UK economic climate and future movements in interest rates present risks and opportunities in property and financing markets and the businesses of our customers which can impact both the delivery of our strategy and our financial performance.	– The Risk Committee reviews the economic environment in which we operate quarterly to assess whether any changes to the economic outlook justify a re-assessment of the risk appetite of the business. – Key indicators including forecast GDP growth, employment rates, business and consumer confidence, interest rates and inflation/ deflation are considered, as well as central bank guidance and government policy updates. – We stress test our business plan against a downturn in economic outlook to ensure our financial position is sufficiently flexible and resilient. – Our resilient business model focuses on a high quality portfolio and rental income streams, and robust finances.	↑ – The UK economic position has weakened during the year, largely due to the uncertainty associated with Brexit together with the weaker global economy. – Inflation and interest rates relatively remain stable. However, markets remain sensitive to external shocks, particularly associated with Brexit. – Against this employment is at its highest level since 1975 and real wage growth has strengthened. – We are mindful of the ongoing political and economic uncertainties, but our focus remains on controlling what we can within our business. Looking ahead our business is well positioned, financially strong we have a clear long term strategy.
Political and regulatory outlook Significant political events and regulatory changes, including the decision to leave the EU, bring risks principally in three areas: – Reluctance of investors and businesses to make investment and occupational decisions whilst the outcome remains uncertain – On determination of the outcome, the impact on the case for investment in the UK, and on specific policies and regulation introduced, particularly those which directly impact real estate or our customers – The potential for a change of leadership, political direction, or an early general election	– Whilst we are not able to influence the outcome of significant political events, we do take the uncertainty related to such events and the range of possible outcomes into account when making strategic investment and financing decisions. – Internally we review and monitor proposals and emerging policy and legislation to ensure that we take the necessary steps to ensure compliance if applicable. Additionally, we engage public affairs consultants to ensure that we are properly briefed on the potential policy and regulatory implications of political events. We also monitor public trust in business. – Where appropriate, we act with other industry participants and representative bodies to contribute to policy and regulatory debate. We monitor and respond to social and political reputational challenges relevant to the industry and apply our own evidence-based research to engage in thought leadership discussions, such as with Design for Life.	↑ – The political environment remains unstable and the risk of a disruptive or 'no deal' Brexit has loomed large, alongside the possibility of a general election. This heightens both the economic and political risk outlook. – Furthermore the global geopolitical and trade environments remain uncertain. – Whilst it is not possible to predict fully the impact Brexit will have on our business and our markets, we have prepared a Brexit checklist to identify and manage the key risks to different areas of our business and have considered various Brexit scenarios as part of our five-year forecasts.
Commercial property investor demand Reduction in investor demand for UK real estate may result in falls in asset valuations and could arise from variations in: – The health of the UK economy – The attractiveness of investment in the UK – Availability of finance – Relative attractiveness of other asset classes	– The Risk Committee reviews the property market quarterly to assess whether any changes to the market outlook present risks and opportunities which should be reflected in the execution of our strategy and our capital allocation plan. The Committee considers indicators such as margin between property yields and borrowing costs and property capital growth forecasts, which are considered alongside the Committee members' knowledge and experience of market activity and trends.	↑ – Investment markets have slowed more recently with fewer transactions, particularly in retail, reflecting macro-economic uncertainty and challenges in the retail occupational market. – The London office investment market has remained robust, continuing to benefit from demand from overseas investors. – The theme of polarisation has continued with activity focused on high quality, well-let assets

	– We focus on prime assets and sectors which we believe will be less susceptible over the medium term to a reduction in occupier and investor demand. – Strong relationships with agents and direct investors active in the market. – We stress test our business plan for the effect of a change in property yields.	with strong occupational characteristics or alternative use potential. – London office yields have remained broadly stable throughout the year, however we have seen yield expansion in retail reflecting weakening investor sentiment, with weaker locations the most affected. – Notwithstanding this market backdrop we have continued to be active and successfully sold £1.5bn of assets.
Occupier demand and tenant default Underlying income, rental growth and capital performance could be adversely affected by weakening occupier demand and occupier failures resulting from variations in the health of the UK economy and corresponding weakening of consumer confidence, business activity and investment. Changing consumer and business practices including the growth of internet retailing, flexible working practices and demand for energy efficient buildings, new technologies, new legislation and alternative locations may result in earlier than anticipated obsolescence of our buildings if evolving occupier and regulatory requirements are not met.	– The Risk Committee reviews indicators of occupier demand quarterly including consumer confidence surveys and employment and ERV growth forecasts, alongside the Committee members' knowledge and experience of occupier plans, trading performance and leasing activity in guiding execution of our strategy. – We have a high quality, diversified occupier base and monitor concentration of exposure to individual occupiers or sectors. We perform rigorous occupier covenant checks ahead of approving deals and on an ongoing basis so that we can be proactive in managing exposure to weaker occupiers. – Through our Key Occupier Account programme, we work together with our customers to find ways to best meet their evolving requirements. – Our sustainability strategy links action on customer health and wellbeing, energy efficiency, community and sustainable design to our business strategy. Our social and environmental targets help us comply with new legislation and respond to customer demands; for example, we expect all our office developments to achieve BREEAM Excellent.	↑ – London offices continuing to show resilience with above average take up. Retail has been weak with retailers facing both economic and structural challenges. As such, we have seen further retailers enter CVAs or administration, resulting in store closures and rent reductions. – In light of these market dynamics, Prime London rents have been stable both in the West End and City, however retail has experienced rental value declines. – Across our markets, we are seeing polarisation of occupier demand continuing with occupiers focusing on the best quality assets. – In this context, we are focused on delivering high quality space with the right mix of uses; we have let or renewed 2.7m sq ft of space across the portfolio, and occupancy remains high at 97%.
Availability and cost of finance Reduced availability of finance may adversely impact ability to refinance debt and/or drive up cost. These factors may also result in weaker investor demand for real estate. Regulation and capital costs of lenders may increase cost of finance.	– Market borrowing rates and real estate debt availability are monitored by the Risk Committee quarterly and reviewed regularly in order to guide our financing actions in executing our strategy. – We monitor our projected LTV and our debt requirements using several internally generated reports focused on borrowing levels, debt maturity, available facilities and interest rate exposure. – We maintain good long term relationships with our key financing partners. – The scale and quality of our business enables us to access a diverse range of sources of finance	←→ - Ongoing and increased uncertainty on Brexit and impacts of macro economic and political environment affecting market sentiment, and operations of some lenders. – Debt continues to be available for the 'right' transactions; strong sponsor and quality of property are key. – Lenders' appetite varies in different debt markets. More cautious and reduced appetite for retail. – Interest margins/spreads have increased in the market recently in some sectors, although overall debt cost still relatively low.

	with a spread of repayment dates. We aim always to have a good level of undrawn, committed, unsecured revolving facilities to ensure we have adequate financing availability to support business requirements and opportunities. – We work with industry bodies and other relevant organisations to participate in debate on emerging finance regulations where our interests and those of our industry are affected.	– Development finance is difficult to obtain for projects without pre-lets. – During the year we have continued to be active in debt markets, with £1.4bn of new finance arranged across a variety of sources.
Catastrophic business event An external event such as a civil emergency, including a large-scale terrorist attack, cyber crime, extreme weather occurrence, environmental disaster or power shortage could severely disrupt global markets (including property and finance) and cause significant damage and disruption to British Land's portfolio and operations.	– We maintain a comprehensive crisis response plan across all business units as well as a head office business continuity plan. – The Risk Committee monitors the Home Office terrorism threat levels and we have access to security threat information services. – Asset emergency procedures are regularly reviewed, and scenario tested. Physical security measures are in place at properties and development sites. – Our Sustainability Committee continues to monitor environmental risks and we have established a TCFD Steering Committee to review our management processes for climate-related risks and opportunities. Asset risk assessments are carried out to assess a range of risks including security, flood, environmental, health and safety. – We have implemented corporate cyber security systems which are supplemented by incident management, disaster recovery and business continuity plans, all of which are regularly reviewed to be able to respond to changes in the threat landscape and organisational requirements. – We also have appropriate insurance in place across the portfolio.	←→ – The evaluation of the likely impact of this risk has not changed notably since the prior year. The Home Office threat level from international terrorism remains 'Severe'. – The wider use and enhancement of digital technology across the Group increases the risks associated with Information and Cyber security; with an increasing risk from legacy system vulnerabilities, social engineering and phishing. During the year, we have continued to enhance our technical security posture as well as provide employee awareness training on Information Security and Data Privacy principles. – We have carried out a crisis simulation exercise and enhanced our procedures where appropriate.

Key
Change year on year
←→ No change
↑ Increase
↓ Decrease

Internal risks

Risks and impacts	**How we monitor and manage the risk**	**Change in risk assessment in year**
Investment strategy In order to meet our strategic objectives, we aim to invest in and exit from the right	– Our investment strategy is determined to be consistent with our target risk appetite and is based on the evaluation of the external environment.	↑ - We have continued to allocate capital thoughtfully in light of the current market conditions.

properties at the right time. Underperformance could result from changes in market sentiment as well as inappropriate determination and execution of our property investment strategy, including: – Sector selection and weighting – Timing of investment and divestment decisions – Exposure to developments – Asset, tenant, region concentration – Co-investment arrangements	– Progress against the strategy and continuing alignment with our risk appetite is discussed at each Risk Committee with reference to the property markets and the external economic environment. – The Board carries out an annual review of the overall corporate strategy including the current and prospective asset portfolio allocation. – Individual investment decisions are subject to robust risk evaluation overseen by our Investment Committee including consideration of returns relative to risk adjusted hurdle rates. – Review of prospective performance of individual assets and their business plans. – We foster collaborative relationships with our co-investors and enter into ownership agreements which balance the interests of the parties.	– Since 1 April 2018, we sold 5 Broadgate for £500m and successfully executed £646m of retail sales – overall marginally ahead of book value. Overall we were a net divestor of £0.9bn of assets. – The retail market faces structural challenges and we have continued to refine our Retail portfolio to deliver a smaller, more focused business, with total sales of £2.9bn over the last five years. – We remain thoughtful about the use of proceeds from disposals and are continuing to invest into our development pipeline and have extended our share buyback programme – Our portfolio values were down 4.8%, led by Retail where values were down 11.1% whereas Offices values were up 1.1%.
Development strategy Development provides an opportunity for outperformance but usually brings with it elevated risk. This is reflected in our decision-making process around which schemes to develop, the timing of the development, as well as the execution of these projects. Development strategy addresses several development risks that could adversely impact underlying income and capital performance including: – Development letting exposure – Construction timing and costs (including construction cost inflation) – Major contractor failure – Adverse planning judgements	– We manage our levels of total and speculative development exposure as a proportion of the investment portfolio value within a target range taking into account associated risks and the impact on key financial metrics. This is monitored quarterly by the Risk Committee along with progress of developments against plan. – Prior to committing to a development, a detailed appraisal is undertaken. This includes consideration of returns relative to risk adjusted hurdle rates and is overseen by our Investment Committee. – Pre-lets are used to reduce development letting risk where considered appropriate. – Competitive tendering of construction contracts and, where appropriate, fixed price contracts entered into. – Detailed selection and close monitoring of contractors including covenant reviews. – Experienced development management team closely monitors design, construction and overall delivery process. – Early engagement and strong relationships with planning authorities. – We actively engage with the communities in which we operate, as detailed in our Local Charter, to ensure that our development activities consider the interests of all stakeholders. –– We manage environmental and social risks across our development	←→ - Development is an important part of our business and has delivered some of our strongest returns, but is inherently higher risk, particularly when pursued on a speculative basis. We limit our development exposure to 15% of the total investment portfolio by value, with a maximum of 8% to be developed speculatively. – We actively manage our development risk and pre-letting our space is an important part of that approach. – We have successfully pre-let or under offer on 76% of our completed and committed developments and speculative exposure remains low at 2.3% of portfolio gross asset value. Also, 93% of the costs on our committed development programme have been fixed.

	supply chain by engaging with our suppliers, including through our Supplier Code of Conduct, Sustainability Brief for Developments and Health and Safety Policy.	
Capital structure Our capital structure recognises the balance between performance, risk and flexibility. – Leverage magnifies property returns, both positive and negative – An increase in leverage increases the risk of a breach of covenants on borrowing facilities and may increase finance costs	– We manage our use of debt and equity finance to balance the benefits of leverage against the risks. – We aim to manage our loan to value (LTV) through the property cycle such that our financial position would remain robust in the event of a significant fall in property values. This means we do not adjust our approach to leverage based on changes in property market yields. – We manage our investment activity, the size and timing of which can be uneven, as well as our development commitments to ensure that our LTV level remains appropriate. – We leverage our equity and achieve benefits of scale while spreading risk through joint ventures and funds which are typically partly financed by debt without recourse to British Land.	←→ – We manage our use of debt and equity finance to balance the benefits of leverage against the risks, including magnification of property valuation movements. – Our financial position remains strong; our proportionally consolidated LTV has been reduced by a further 30bps during the year to 28.1%, despite the valuation fall. – This financial strength provides us with the capacity to progress opportunities including our development pipeline whilst retaining significant headroom to our covenants.
Finance strategy Finance strategy addresses risks both to continuing solvency and profits generated. Failure to manage refinancing requirements may result in a shortage of funds to sustain the operations of the business or repay facilities as they fall due.	– Five key principles guide our financing, employed together to manage the risks in this area: diversify our sources of finance, phase maturity of debt portfolio, maintain liquidity, maintain flexibility, and maintain strong metrics. – We monitor the period until financing is required, which is a key determinant of financing activity. Debt and capital market conditions are reviewed regularly to identify financing opportunities that meet our business requirements. – Financial covenant headroom is evaluated regularly and in conjunction with transactions. – We are committed to maintaining and enhancing relationships with our key financing partners. – We are mindful of relevant emerging regulation which has the potential to impact the way that we finance the business.	←→ – The scale of our business, quality of our assets and rental income enable us to access a broad range of debt finance on attractive terms. During the year we have completed £1.4bn of new financing. – We have £1.8bn of committed unsecured, revolving bank facilities, of which £1.5bn is undrawn. Based on current commitments, these facilities and debt maturities, we have no requirement to refinance the business until late 2022.
People A number of critical business processes and decisions lie in the hands of a few people. Failure to recruit, develop and retain staff and Directors with the right skills and experience may result in significant underperformance or impact the effectiveness of operations and	Our HR strategy is designed to minimise risk through: – informed and skilled recruitment processes – talent performance management and succession planning for key roles – highly competitive compensation and benefits – people development and training. The risk is measured through employee engagement surveys, employee turnover and retention	←→ - Expert People is one of the four core focus areas of our strategy and a key factor in our performance. We continue to empower our people to make the most of their potential through training and development and are focused on building a supportive and inclusive culture for our people. – During the year, we have made several important changes to

decision making, in turn impacting business performance.	metrics. We monitor this through the number of unplanned executive departures in addition to conducting exit interviews. We engage with our employees and suppliers to make clear our requirements in managing key risks including health and safety, fraud and bribery and other social and environmental risks, as detailed in our policies and codes of conduct.	encourage cross-team collaboration and shared learnings. We have combined our Retail and Offices businesses under a single leadership of Darren Richards and have also combined the property management business within the wider business at a single office site.
Income sustainability We are mindful of maintaining sustainable income streams which underpin a stable and growing dividend and provide the platform from which to grow the business. We consider sustainability of our income streams in: – Execution of investment strategy and capital recycling, notably timing of reinvestment of sale proceeds – Nature and structure of leasing activity – Nature and timing of asset management and development activity	– We undertake comprehensive profit and cash flow forecasting incorporating scenario analysis to model the impact of proposed transactions. – Proactive asset management approach to maintain strong occupier line-up. We monitor our market letting exposure including vacancies, upcoming expiries and breaks and speculative development as well as our weighted average unexpired lease term. – We have a high quality and diversified occupier base and monitor concentration of exposure to individual occupiers or sectors. – We are proactive in addressing key lease breaks and expiries to minimise periods of vacancy. – We actively engage with the communities in which we operate, as detailed in our Local Charter, to ensure we provide places that meet the needs of all relevant stakeholders.	↑ – We are mindful of the challenges facing the retail market which has seen several more operators apply for CVA or administration. We continue to actively monitor our exposure to occupiers at risk of default and administration and are selective about the sectors and operators we target. – We also recognise that in delivering our investment strategy and selling some of our mature assets, we have had to be conscious of the impact on our income in the short term. – However, our income streams are underpinned by prime assets, a high quality, diverse occupier base with high occupancy and looking forward our development pipeline offers significant potential to generate future income.

Key
Change year on year
←→ No change
↑ Increase
↓ Decrease

Consolidated income statement

For the year ended 31 March 2019

	Note	2019 Underlying[1] £m	2019 Capital and other £m	2019 Total £m	2018 Underlying[1] £m	2018 Capital and other £m	2018 Total £m
Revenue	3	**554**	**350**	**904**	561	78	639
Costs	3	**(141)**	**(258)**	**(399)**	(136)	(64)	(200)
	3	**413**	**92**	**505**	425	14	439
Joint ventures and funds (see also below)	8	**86**	**(79)**	**7**	115	36	151
Administrative expenses		**(80)**	**–**	**(80)**	(82)	–	(82)
Valuation movement	4	**–**	**(620)**	**(620)**	–	202	202
(Loss) profit on disposal of investment properties and investments		**–**	**(18)**	**(18)**	–	18	18
Net financing costs							
– financing income	5	**–**	**–**	**–**	1	–	1
– financing charges	5	**(67)**	**(46)**	**(113)**	(65)	(163)	(228)

		(67)	**(46)**	**(113)**	(64)	(163)	(227)
(Loss) profit on ordinary activities before taxation		**352**	**(671)**	**(319)**	394	107	501
Taxation	6	**–**	**(1)**	**(1)**	–	6	6
(Loss) profit for the year after taxation				**(320)**			507
Attributable to non-controlling interests		**12**	**(41)**	**(29)**	14	–	14
Attributable to shareholders of the Company		**340**	**(631)**	**(291)**	380	113	493
Earnings per share:							
– basic	2			**(30.0)p**			48.7p
– diluted	2			**(30.0)p**			48.5p

All results derive from continuing operations.

Results of joint ventures and funds accounted for using the equity method							
Underlying Profit		**86**	**–**	**86**	115	–	115
Valuation movement	4	**–**	**(63)**	**(63)**	–	52	52
Capital financing costs		**–**	**(21)**	**(21)**	–	(13)	(13)
Profit (loss) on disposal of investment properties, trading properties and investments		**–**	**3**	**3**	–	(3)	(3)
Taxation		**–**	**2**	**2**	–	–	–
	8	**86**	**(79)**	**7**	115	36	151

1. See definition in note 2.

Consolidated statement of comprehensive income

For the year ended 31 March 2019

	2019 £m	2018 £m
(Loss) profit for the year after taxation	**(320)**	507
Other comprehensive income (loss):		
Items that will not be reclassified subsequently to profit or loss:		
Net actuarial gain on pension schemes	**–**	9
Valuation movements on owner-occupied properties	**3**	(3)
	3	6
Items that may be reclassified subsequently to profit or loss:		
Gains on cash flow hedges		
– Group	**1**	12
– Joint ventures and funds	**–**	8
	1	20
Transferred to the income statement (cash flow hedges)		
– Interest rate derivatives – group	**–**	120
– Interest rate derivatives – joint ventures	**18**	–
Deferred tax on items of other comprehensive income	**(1)**	(5)
Other comprehensive income for the year	**21**	141
Total comprehensive (loss) income for the year	**(299)**	648
Attributable to non-controlling interests	**(29)**	16
Attributable to shareholders of the Company	**(270)**	632

Consolidated balance sheet

As at 31 March 2019

	Note	2019 £m	2018 £m
ASSETS			
Non-current assets			
Investment and development properties	7	**8,931**	9,507
Owner-occupied properties	7	**73**	90
		9,004	9,597
Other non-current assets			
Investments in joint ventures and funds	8	**2,560**	2,822
Other investments	9	**151**	174
Deferred tax assets	13	**1**	4
Interest rate and currency derivative assets	14	**154**	115
		11,870	12,712
Current assets			
Trading properties	7	**87**	328
Debtors	10	**57**	35
Cash and short term deposits	14	**242**	105
		386	468
Total assets		**12,256**	13,180
LIABILITIES			
Current liabilities			
Short term borrowings and overdrafts	14	**(99)**	(27)
Creditors	11	**(289)**	(324)
Corporation tax		**(25)**	(22)
		(413)	(373)
Non-current liabilities			
Debentures and loans	14	**(2,932)**	(3,101)
Other non-current liabilities	12	**(92)**	(62)
Interest rate and currency derivative liabilities	14	**(130)**	(138)
		(3,154)	(3,301)
Total liabilities		**(3,567)**	(3,674)
Net assets		**8,689**	9,506
EQUITY			
Share capital		**240**	248
Share premium		**1,302**	1,300
Merger reserve		**213**	213
Other reserves		**37**	33
Retained earnings		**6,686**	7,458
Equity attributable to shareholders of the Company		**8,478**	9,252
Non-controlling interests		**211**	254
Total equity		**8,689**	9,506

EPRA NAV per share[1]	2	**905p**	967p

1. As defined in note 2.

Consolidated statement of cash flows

For the year ended 31 March 2019

	Note	2019 £m	2018 £m
Rental income received from tenants		**449**	446
Fees and other income received		**62**	78
Operating expenses paid to suppliers and employees		**(162)**	(173)

Sale of trading properties		**268**	77
Payments received in respect of future trading property sales		**–**	8
Cash generated from operations		**617**	436
Interest paid		**(75)**	(73)
Interest received		**7**	4
Corporation taxation repayments (payments)		**5**	(7)
Distributions and other receivables from joint ventures and funds	8	**59**	78
Net cash inflow from operating activities		**613**	438
Cash flows from investing activities			
Development and other capital expenditure		**(218)**	(190)
Purchase of investment properties		**(185)**	(165)
Sale of investment and trading properties		**648**	212
Disposal of joint venture held-for-sale		**–**	568
Disposal of Tesco joint venture		**–**	68
Purchase of investments		**(9)**	(9)
Sale of investments		**13**	–
Indirect taxes paid in respect of investing activities		**(3)**	(7)
Investment in and loans to joint ventures and funds		**(298)**	(175)
Loan repayments from joint ventures and funds		**247**	7
Capital distributions from joint ventures and funds		**260**	29
Net cash inflow from investing activities		**187**	261
Cash flows from financing activities			
Issue of ordinary shares		**2**	2
Unit issues attributable to non-controlling interests		**–**	2
Purchase of own shares		**(204)**	(301)
Dividends paid	15	**(298)**	(304)
Dividends paid to non-controlling interests		**(14)**	(15)
Acquisition of units in Hercules Unit Trust		**–**	(4)
Capital payments in respect of interest rate derivatives		**(19)**	(18)
Receipts on closeout of interest rate derivative assets		**–**	27
Decrease in bank and other borrowings		**(576)**	(626)
Drawdowns on bank and other borrowings		**446**	529
Net cash outflow from financing activities		**(663)**	(708)
Net increase (decrease) in cash and cash equivalents		**137**	(9)
Cash and cash equivalents at 1 April		**105**	114
Cash and cash equivalents at 31 March		**242**	105
Cash and cash equivalents consists of:			
Cash and short term deposits	14	**242**	105

Consolidated statement of changes in equity

For the year ended 31 March 2019

	Share capital £m	Share premium £m	Hedging and translation reserve[1] £m	Re-valuation reserve £m	Merger reserve £m	Retained earnings £m	**Total £m**	Non-controlling interests £m	**Total equity £m**
Balance at 1 April 2018	**248**	**1,300**	**11**	**22**	**213**	**7,458**	**9,252**	**254**	**9,506**
Loss for the year after taxation	**–**	**–**	**–**	**–**	**–**	**(291)**	**(291)**	**(29)**	**(320)**

Revaluation of owner-occupied property	**–**	**–**	**–**	**3**	**–**	**–**	**3**	**–**	**3**
Gains on cash flow hedges – group	**–**	**–**	**1**	**–**	**–**	**–**	**1**	**–**	**1**
Closeout of cash flow hedges – joint ventures and funds	**–**	**–**	**–**	**18**	**–**	**–**	**18**	**–**	**18**
Reserves transfer – joint venture cash flow hedges	**–**	**–**	**–**	**(17)**	**–**	**17**	**–**	**–**	**–**
Deferred tax on items of other comprehensive income	**–**	**–**	**(1)**	**–**	**–**	**–**	**(1)**	**–**	**(1)**
Other comprehensive income	**–**	**–**	**–**	**4**	**–**	**17**	**21**	**–**	**21**
Total comprehensive income for the year	**–**	**–**	**–**	**4**	**–**	**(274)**	**(270)**	**(29)**	**(299)**
Share issues	**–**	**2**	**–**	**–**	**–**	**–**	**2**	**–**	**2**
Fair value of share and share option awards	**–**	**–**	**–**	**–**	**–**	**(4)**	**(4)**	**–**	**(4)**
Purchase of own shares	**(8)**	**–**	**–**	**–**	**–**	**(196)**	**(204)**	**–**	**(204)**
Dividends payable in year (30.54p per share)	**–**	**–**	**–**	**–**	**–**	**(298)**	**(298)**	**–**	**(298)**
Dividends payable by subsidiaries	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(14)**	**(14)**
Balance at 31 March 2019	**240**	**1,302**	**11**	**26**	**213**	**6,686**	**8,478**	**211**	**8,689**
Balance at 1 April 2017	260	1,298	(112)	15	213	7,547	9,221	255	9,476
Profit for the year after taxation	–	–	–	–	–	493	493	14	507
Revaluation of owner-occupied property	–	–	–	(3)	–	–	(3)	–	(3)
Gains on cash flow hedges – group	–	–	10	–	–	–	10	2	12
Gains on cash flow hedges – joint ventures and funds	–	–	–	8	–	–	8	–	8
Transferred to the income statement (cash flow hedges)									
Interest rate derivatives	–	–	120	–	–	–	120	–	120
Net actuarial gain on pension schemes	–	–	–	–	–	9	9	–	9
Reserves transfer	–	–	(2)	2	–	–	–	–	–
Deferred tax on items of other comprehensive income	–	–	(5)	–	–	–	(5)	–	(5)
Other comprehensive income	–	–	123	7	–	9	139	2	141
Total comprehensive income for the year	–	–	123	7	–	502	632	16	648
Share issues	–	2	–	–	–	–	2	–	2
Unit issues attributable to non-controlling interests	–	–	–	–	–	–	–	2	2
Purchase of own shares	(12)	–	–	–	–	(289)	(301)	–	(301)
Purchase of units from non-controlling interests	–	–	–	–	–	–	–	(4)	(4)
Dividends payable in year (29.64p per share)	–	–	–	–	–	(302)	(302)	–	(302)
Dividends payable by subsidiaries	–	–	–	–	–	–	–	(15)	(15)
Balance at 31 March 2018	248	1,300	11	22	213	7,458	9,252	254	9,506

1.The balance at the beginning of the current year includes £15m in relation to translation and (£4m) in relation to hedging (2017/18: £15m and (£127m)).

Notes to the accounts

1 Basis of preparation, significant accounting policies and accounting judgements

The financial statements for the year ended 31 March 2019 have been prepared on the historical cost basis, except for the revaluation of properties, investments held for trading and derivatives. The financial statements have also been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and interpretations issued by the IFRS Interpretations Committee (IFRS IC), and therefore comply with article 4 of the EU IAS regulation, and in accordance with the Companies Act 2006. In the current financial year the Group has adopted a number of minor amendments to standards effective in the year issued by the IASB and endorsed by the EU, none of which have had a material impact on the Group. The accounting policies used are otherwise consistent with those contained in the Group's previous Annual Report and Accounts for the year ended 31 March 2018.

New standards effective for the current accounting period do not have a material impact on the consolidated financial statements of the Group. These are discussed in further detail below.

IFRS 9 – Financial instruments

IFRS 9 Financial instruments, as issued by the IASB in July 2014, has been adopted by the Group for the year ended 31 March 2019. IFRS 9 supersedes the existing accounting guidance in IAS 39 Financial instruments. The standard was applied using the modified retrospective approach. The Group has not restated prior periods or recognised any adjustments in opening retained earnings.

- The new standard addresses the classification and measurement of financial assets and financial liabilities.
- The alignment of the classification and measurement model under IFRS 9 results in changes in the classification of all financial assets excluding derivatives. These changes will not have a quantitative impact on the financial statements.
- IFRS 9 introduces a forward looking expected credit loss model, replacing the IAS 39 incurred loss model. The new model requires an expected credit loss to be recognised on all financial assets held at amortised cost at initial recognition. The quantitative impact for the year ended 31 March 2019 results in the recognition of an expected credit loss of £2m, with a corresponding reduction in financial assets held at amortised cost of £2m. The Group has previously provided for a materially similar balance against trade and other receivables and therefore the resulting reclassification of existing provisions does not have a material impact on the net assets of the Group.
- IFRS 9 introduces changes to the qualifying criteria for hedge accounting and expands the financial and non-financial instruments which may be designated as hedged items and hedging instruments in order to align hedge accounting with business strategy. The changes introduced by IFRS 9 do not have a quantitative impact on the consolidated financial statements of the Group.

IFRS 15 – Revenue from contracts with customers

The Group has adopted IFRS 15 Revenue from contracts with customers for the year ended 31 March 2019. The standard was applied using the modified retrospective approach.

The new standard combines a number of previous standards, setting out a five step model for the recognition of revenue and establishing principles for reporting useful information to users of financial statements about the nature, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. The new standard does not apply to rental income, which is in the scope of IAS 17, but does apply to service charge income, management and performance fees and trading property disposals. The changes introduced by IFRS 15 did not have a quantitative impact on the consolidated financial statements of the Group.

The Group has considered the following amendments to standards endorsed by the EU effective for the current accounting period, and determined that these do not have a material impact on the consolidated financial statements of the Group:

- Amendments to IAS 40: Transfers of Investment Property

A number of new standards and amendments to standards and interpretations have been issued but are not yet effective for the current accounting period. None are expected to have a material impact on the consolidated financial statements of the Group.

Amendments to IFRS 3 (Business Combinations) is effective from the next financial year. The amendments have no impact but will be applied to any future business combinations.

IFRS 16 (Leases) is effective from the next financial year. The Group conducted an impact assessment based on the Group's current activities and have quantified the impact (see below). The results of the assessment confirm that the new standard leads to limited changes to presentation and disclosure.

IFRS 16 – Leases (effective year ending 31 March 2020).

- For lessees, IFRS 16 will result in almost all operating leases being brought on balance sheet, as the distinction between operating and finance leases will be removed. The accounting for lessors will however not significantly change. On adoption of the new standard, these changes will have an immaterial impact on the consolidated financial statements of the Group. In the first year of adoption as at 31 March 2020, based on current lease information, the projected impact will be an increase in right of use assets (within the investment property balance) of £37m and a corresponding increase in current liabilities of £7m and non-current liabilities of £38m. There will also be an immaterial net impact on underlying profit with the reduction in rental expense outweighing the increase in finance costs and depreciation in the first year of adoption.

Accounting judgements and estimates

In applying the Group's accounting policies, the Directors are required to make judgements and estimates that affect the financial statements.

Significant areas of estimation are:

Valuation of properties and investments held for trading: The Group uses external professional valuers to determine the relevant amounts. The primary source of evidence for property valuations should be recent, comparable market transactions on an arms-length basis. However, the valuation of the Group's property portfolio and investments held for trading are inherently subjective, as they are based upon valuer assumptions which may prove to be inaccurate.

Other less significant areas of estimation include the valuation of fixed rate debt and interest rate derivatives, the determination of share-based payment expense, the actuarial assumptions used in calculating the Group's retirement benefit obligations, and taxation provisions.

The key areas of accounting judgement are:

REIT status: British Land is a Real Estate Investment Trust (REIT) and does not pay tax on its property income or gains on property sales, provided that at least 90% of the Group's property income is distributed as a dividend to shareholders, which becomes taxable in their hands. In addition, the Group has to meet certain conditions such as ensuring the property rental business represents more than 75% of total profits and assets. Any potential or proposed changes to the REIT legislation are monitored and discussed with HMRC. It is management's intention that the Group will continue as a REIT for the foreseeable future.

Accounting for joint ventures and funds: In accordance with IFRS 10 'Consolidated financial statements', IFRS 11 'Joint arrangements', and IFRS 12 'Disclosures of interests in other entities' an assessment is required to determine the degree of control or influence the Group exercises and the form of any control to ensure that the financial statement treatment is appropriate. The assessment undertaken by management includes consideration of the structure, legal form, contractual terms and other facts and circumstances relating to the relevant entity. This assessment is updated annually and there have been no changes in the judgement reached in relation to the degree of control the Group exercises within the current or prior year. Group shares in joint ventures and funds resulting from this process are disclosed in note 8 to the financial statements.

Interest in the Group's joint ventures is commonly driven by the terms of the partnership agreements which ensure that control is shared between the partners. All significant joint venture arrangements of the Group are held in structures in which the Group has 50% of the voting rights. Joint ventures are accounted for under the equity method, whereby the consolidated balance sheet incorporates the Group's share of the net assets of its joint ventures and associates. The consolidated income statement incorporates the Group's share of joint venture and associate profits after tax.

Accounting for transactions: Property transactions are complex in nature and can be material to the financial statements. Judgements made in relation to transactions include whether an acquisition is a business combination or an asset; whether held for sale criteria have been met for transactions not yet completed; accounting for transaction costs and contingent consideration; and application of the concept of linked accounting. Management consider each transaction separately in order to determine the most appropriate accounting treatment, and, when considered necessary, seek independent advice.

2 Performance measures

Earnings per share

The Group measures financial performance with reference to underlying earnings per share, the European Public Real Estate Association (EPRA) earnings per share and IFRS earnings per share. The relevant earnings and weighted average number of shares (including dilution adjustments) for each performance measure are shown below, and a reconciliation between these is shown within the supplementary disclosures (Table B).

EPRA earnings per share is calculated using EPRA earnings, which is the IFRS profit after taxation attributable to shareholders of the Company excluding investment and development property revaluations, gains/losses on investing and trading property disposals, changes in the fair value of financial instruments and associated close-out costs and their related taxation. In the current year, diluted EPRA earnings per share did not include the dilutive impact of the 2015 convertible bond, as the Group's share price was below the current exchange price of 1007.24 pence. IFRS diluted earnings per share would include the dilutive impact as IAS 33 ignores this hurdle to conversion, however due to the current year loss, this would be anti-dilutive and therefore no adjustment is made. In the prior year, both EPRA and IFRS measures exclude the dilutive impact of the 2015 convertible bond as the Company's share price had not exceeded the level required for the convertible conditions attached to the bond to trigger conversion into shares.

Underlying earnings per share is calculated using Underlying Profit adjusted for underlying taxation (see note 6). Underlying Profit is the pre-tax EPRA earnings measure, with additional Company adjustments. No Company adjustments were made in either the current or prior year.

	2019			2018		
Earnings per share	**Relevant earnings £m**	**Relevant number of shares million**	**Earnings per share pence**	Relevant earnings £m	Relevant number of shares million	Earnings per share pence
Underlying						
Underlying basic	**340**	**971**	**35.0**	380	1,013	37.5
Underlying diluted	**340**	**974**	**34.9**	380	1,016	37.4
EPRA						
EPRA basic	**340**	**971**	**35.0**	380	1,013	37.5
EPRA diluted	**340**	**974**	**34.9**	380	1,016	37.4
IFRS						
Basic	**(291)**	**971**	**(30.0)**	493	1,013	48.7
Diluted	**(291)**	**971**	**(30.0)**	493	1,016	48.5

Net asset value

The Group measures financial position with reference to EPRA net asset value (NAV) per share and EPRA triple net asset value (NNNAV) per share. The net asset value and number of shares for each performance measure are shown below. A reconciliation between IFRS net assets and EPRA net assets, and the relevant number of shares for each performance measure, is shown within the supplementary disclosures (Table B). EPRA net assets is a proportionally consolidated measure that is based on IFRS net assets excluding the mark-to-market on derivatives and related debt adjustments, the mark-to-market on the convertible bonds, and deferred taxation on property and derivative valuations. They include the valuation surplus on trading properties and are adjusted for the dilutive impact of share options.

As at 31 March 2019, EPRA NAV and EPRA NNNAV did not include the dilutive impact of the 2015 convertible bond, as the Group's share price was below the exchange price of 1007.24 pence. IFRS net assets also does not include the convertible impact following the treatment of IFRS earnings per share. In the prior year, both EPRA and IFRS measures exclude the dilutive impact of the 2015 convertible bond as the Company's share price had not exceeded the level required for the convertible conditions attached to the bond to trigger conversion into shares.

	2019			2018		
Net asset value per share	**Relevant net assets £m**	**Relevant number of shares million**	**Net asset value per share pence**	Relevant net assets £m	Relevant number of shares million	Net asset value per share pence
EPRA						

EPRA NAV	**8,649**	**956**	**905**	9,560	989	967
EPRA NNNAV	**8,161**	**956**	**854**	9,044	989	914
IFRS						
Basic	**8,689**	**949**	**916**	9,506	983	967
Diluted	**8,689**	**956**	**909**	9,506	989	961

Total accounting return

The Group also measures financial performance with reference to total accounting return. This is calculated as the movement in EPRA net asset value per share and dividend paid in the year as a percentage of the EPRA net asset value per share at the start of the year.

Total accounting return	**(62)**	**30.54**	**(3.3%)**	52	29.64	8.9%

3 Revenue and costs

	2019			2018		
	Underlying £m	**Capital and other £m**	**Total £m**	Underlying £m	Capital and other £m	Total £m
Rent receivable	**444**	**–**	**444**	441	–	441
Spreading of tenant incentives and guaranteed rent increases	**(6)**	**–**	**(6)**	(6)	–	(6)
Surrender premia	**1**	**–**	**1**	6	–	6
Gross rental income	**439**	**–**	**439**	441	–	441
Trading property sales proceeds	**–**	**350**	**350**	–	78	78
Service charge income	**76**	**–**	**76**	66	–	66
Management and performance fees (from joint ventures and funds)	**7**	**–**	**7**	6	–	6
Other fees and commissions	**32**	**–**	**32**	48	–	48
Revenue	**554**	**350**	**904**	561	78	639
Trading property cost of sales	**–**	**(258)**	**(258)**	–	(64)	(64)
Service charge expenses	**(76)**	**–**	**(76)**	(66)	–	(66)
Property operating expenses	**(35)**	**–**	**(35)**	(29)	–	(29)
Other fees and commissions expenses	**(30)**	**–**	**(30)**	(41)	–	(41)
Costs	**(141)**	**(258)**	**(399)**	(136)	(64)	(200)
	413	**92**	**505**	425	14	439

The cash element of net rental income (gross rental income less property operating expenses) recognised during the year ended 31 March 2019 from properties which were not subject to a security interest was £356m (2017/18: £301m). Property operating expenses relating to investment properties that did not generate any rental income were £1m (2017/18: £2m). Contingent rents of £3m (2017/18: £4m) were recognised in the year.

4 Valuation movements on property

	2019 £m	2018 £m
Consolidated income statement		
Revaluation of properties	**(620)**	202
Revaluation of properties held by joint ventures and funds accounted for using the equity method	**(63)**	52
	(683)	254
Consolidated statement of comprehensive income		
Revaluation of owner-occupied properties	**3**	(3)
	(680)	251

5 Net financing costs

	2019 £m	2018 £m
Underlying		
Financing charges		
Bank loans and overdrafts	**(21)**	(21)
Derivatives	**29**	28
Other loans	**(75)**	(76)
Obligations under head leases	**(3)**	(2)

	(70)	(71)
Development interest capitalised	**3**	6
	(67)	(65)
Financing income		
Deposits, securities and liquid investments	**–**	1
	–	1
Net financing charges – underlying	**(67)**	(64)

Capital and other		
Financing charges		
Valuation movements on translation of foreign currency net assets	**–**	(1)
Hedging reserve recycling[1]	**–**	(106)
Valuation movements on fair value derivatives	**41**	(79)
Valuation movements on fair value debt	**(38)**	80
Recycling of fair value movement on close-out of derivatives	**–**	(14)
Capital financing costs[2]	**(32)**	(27)
Fair value movement on convertible bonds	**(6)**	–
Valuation movement on non-hedge accounted derivatives	**(11)**	(16)
	(46)	(163)
Financing income		
Fair value movement on convertible bonds	**–**	–
	–	–
Net financing charges – capital	**(46)**	(163)

Net financing costs		
Total financing income	**–**	1
Total financing charges	**(113)**	(228)
Net financing costs	**(113)**	(227)

Interest payable on unsecured bank loans and related interest rate derivatives was £8m (2017/18: £9m). Interest on development expenditure is capitalised at the Group's weighted average interest rate of 2.2% (2017/18: 2.0%). The weighted average interest rate on a proportionately consolidated basis at 31 March 2019 was 2.9% (2017/18: 2.8%).

1. Represents a reclassification of cumulative losses within the hedging and translation reserve to capital profit and loss, in relation to hedging instruments which have been closed out or are no longer hedge accounted.

2. Primarily bonds redemption and tender offer and purchase costs.

6 Taxation

	2019 £m	2018 £m
Taxation (expense) income		
Current taxation:		
UK corporation taxation: 19% (2017/18: 19%)	**(10)**	–
Adjustments in respect of prior years	**13**	1
Total current taxation income	**3**	1
Deferred taxation on revaluations and derivatives	**(4)**	5
Group total taxation	**(1)**	6
Attributable to joint ventures and funds	**2**	–
Total taxation income	**1**	6

Taxation reconciliation		
(Loss) profit on ordinary activities before taxation	**(319)**	501
Less: profit attributable to joint ventures and funds[1]	**(5)**	(151)
Group profit on ordinary activities before taxation	**(324)**	350
Taxation on profit on ordinary activities at UK corporation taxation rate of 19% (2017/18: 19%)	**62**	(67)

Effects of:		
– REIT exempt income and gains	**(73)**	71
– Taxation losses	**1**	(4)
– Deferred taxation on revaluations and derivatives	**(4)**	5
– Adjustments in respect of prior years	**13**	1
Group total taxation (expense) income	**(1)**	6

1. A current taxation income of £2m (2017/18: £nil) and a deferred taxation credit of £nil (2017/18: £nil) arose on profits attributable to joint ventures and funds. The low tax charge reflects the Group's REIT status.

Taxation expense attributable to Underlying Profit for the year ended 31 March 2019 was £nil (2017/18: £nil). Corporation taxation payable at 31 March 2019 was £25m (2017/18: £22m) as shown on the balance sheet. During the year to 31 March 2019 various tax provisions in respect of historic taxation matters and current points of uncertainty in the UK have been released and provisions made. The net movement, which is included within the tax credit above, is not material.

7 Property

Property reconciliation for the year ended 31 March 2019

	Investment							
	Retail Level 3 £m	Offices & residential Level 3 £m	Canada Water Level 3 £m	Developments Level 3 £m	**Investment and development properties Level 3 £m**	Trading properties £m	Owner-occupied Level 3 £m	**Total £m**
Carrying value at 1 April 2018	**5,195**	**3,659**	**298**	**355**	**9,507**	**328**	**90**	**9,925**
Additions								
– property purchases	**128**	**93**	**–**	**–**	**221**	**–**	**–**	**221**
– development expenditure	**2**	**–**	**19**	**151**	**172**	**11**	**–**	**183**
– capitalised interest and staff costs	**–**	**–**	**3**	**2**	**5**	**–**	**–**	**5**
– capital expenditure on asset management initiatives	**27**	**15**	**–**	**–**	**42**	**–**	**–**	**42**
	157	**108**	**22**	**153**	**440**	**11**	**–**	**451**
Depreciation	**–**	**–**	**–**	**–**	**–**	**–**	**(1)**	**(1)**
Disposals	**(409)**	**–**	**–**	**(3)**	**(412)**	**(252)**	**–**	**(664)**
Reclassifications	**–**	**19**	**–**	**–**	**19**	**–**	**(19)**	**–**
Revaluations included in income statement[1]	**(621)**	**(12)**	**(2)**	**15**	**(620)**	**–**	**–**	**(620)**
Revaluations included in OCI	**–**	**–**	**–**	**–**	**–**	**–**	**3**	**3**
Movement in tenant incentives and contracted rent uplift balances	**(5)**	**2**	**–**	**–**	**(3)**	**–**	**–**	**(3)**
Carrying value at 31 March 2019	**4,317**	**3,776**	**318**	**520**	**8,931**	**87**	**73**	**9,091**
Head lease liabilities (note 12)								**(92)**
Valuation surplus on trading properties								**29**
Group property portfolio valuation at 31 March 2019								**9,028**
Non-controlling interests								**(267)**
Group property portfolio valuation at 31 March 2019 attributable to shareholders								**8,761**

1. Included within the offices and residential property revaluation movement above is a £4m increase to the valuation of 10 Brock Street following the leasing transaction with Facebook and Debenhams.

Property valuation

The different valuation method levels are defined below:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

These levels are specified in accordance with IFRS 13 'Fair Value Measurement'. Property valuations are inherently subjective as they are made on the basis of assumptions made by the valuer which may not prove to be accurate. For these reasons, and consistent with EPRA's guidance, we have classified the valuations of our property portfolio as Level 3 as defined by IFRS 13. The inputs to the valuations are defined as 'unobservable' by IFRS 13 and these are analysed in a table on the following page. There were no transfers between levels in the year.

The Group's total property portfolio was valued by external valuers on the basis of fair value, in accordance with the RICS Valuation –

Professional Standards 2014, ninth edition, published by The Royal Institution of Chartered Surveyors.

The information provided to the valuers, and the assumptions and valuation models used by the valuers, are reviewed by the property portfolio team, the Head of Real Estate and the Chief Financial Officer. The valuers meet with the external auditors and also present directly to the Audit Committee at the interim and year end review of results.

Investment properties, excluding properties held for development, are valued by adopting the 'investment method' of valuation. This approach involves applying capitalisation yields to current and future rental streams net of income voids arising from vacancies or rent-free periods and associated running costs. These capitalisation yields and future rental values are based on comparable property and leasing transactions in the market using the valuers' professional judgement and market observation. Other factors taken into account in the valuations include the tenure of the property, tenancy details and ground and structural conditions.

In the case of ongoing developments, the approach applied is the 'residual method' of valuation, which is the investment method of valuation as described above, with a deduction for all costs necessary to complete the development, including a notional finance cost, together with a further allowance for remaining risk. Properties held for development are generally valued by adopting the higher of the residual method of valuation, allowing for all associated risks, or the investment method of valuation for the existing asset.

Copies of the valuation certificates of Knight Frank LLP, CBRE, Jones Lang LaSalle and Cushman & Wakefield can be found at britishland.com/reports

A breakdown of valuations split between the Group and its share of joint ventures and funds is shown below:

	2019			2018		
	Group £m	**Joint ventures and funds £m**	**Total £m**	Group £m	Joint ventures and funds £m	Total £m
Knight Frank LLP	**1,434**	**2,256**	**3,690**	1,674	2,680	4,354
CBRE	**2,675**	**231**	**2,906**	4,511	1,403	5,914
Jones Lang LaSalle	**1,889**	**1,099**	**2,988**	561	–	561
Cushman & Wakefield	**3,030**	**19**	**3,049**	3,251	19	3,270
Total property portfolio valuation	**9,028**	**3,605**	**12,633**	9,997	4,102	14,099
Non-controlling interests	**(267)**	**(50)**	**(317)**	(315)	(68)	(383)
Total property portfolio valuation attributable to shareholders	**8,761**	**3,555**	**12,316**	9,682	4,034	13,716

Information about fair value measurements using unobservable inputs (Level 3) for the year ended 31 March 2019

			ERV per sq ft			Equivalent yield			Costs to complete per sq ft		
Investment	**Fair value at 31 March 2019 £m**	**Valuation technique**	**Min £**	**Max £**	**Average £**	**Min %**	**Max %**	**Average %**	**Min £**	**Max £**	**Average £**
Retail	**4,278**	Investment methodology	2	87	24	4	10	6	–	37	6
Offices[1]	**3,769**	Investment methodology	8	145	58	4	5	4	–	465	53
Canada Water	**302**	Investment methodology	15	31	22	2	6	4	–	1	–
Residential	**43**	Investment methodology	38	38	38	4	4	4	–	–	–
Developments	**520**	Residual methodology	47	63	55	4	5	4	–	334	228
Total	**8,912**										
Trading properties at fair value	**116**										
Group property portfolio valuation	**9,028**										

1. Includes owner-occupied.

8 Joint ventures and funds

Summary movement for the year of the investments in joint ventures and funds

	Joint ventures £m	Funds £m	**Total £m**	Equity £m	Loans £m	**Total £m**
At 1 April 2018	2,600	222	**2,822**	2,392	430	**2,822**
Additions	23	38	**61**	41	20	**61**
Disposals	(2)	–	**(2)**	–	(2)	**(2)**
Share of profit on ordinary activities after taxation	24	(17)	**7**	7	–	**7**
Distributions and dividends:						

– Capital	(260)	–	**(260)**	(260)	–	**(260)**
– Revenue	(73)	(13)	**(86)**	(86)	–	**(86)**
Hedging and exchange movements	18	–	**18**	18	–	**18**
At 31 March 2019	2,330	230	**2,560**	2,112	448	**2,560**

The summarised income statements and balance sheets below and on the following page show 100% of the results, assets and liabilities of joint ventures and funds. Where necessary, these have been restated to the Group's accounting policies.

Joint ventures' and funds' summary financial statements for the year ended 31 March 2019

	Broadgate REIT Ltd	MSC Property Intermediate Holdings Ltd	BL Sainsbury Superstores Ltd	The SouthGate Limited Partnership	USS joint ventures[1]	Hercules Unit Trust joint ventures and sub-funds[2]	Other joint ventures and funds[3]	**Total 2019**	**Total Group share 2019**
Partners	Euro Bluebell LLP (GIC)	Norges Bank Investment Management	J Sainsbury plc	Aviva Investors	Universities Superannuation Scheme Group PLC				
Property sector	City Offices Broadgate	Shopping Centres Meadowhall	Superstores	Shopping Centres	Shopping Centres	Retail Parks			
Group share	50%	50%	50%	50%	50%	Various			
Summarised income statements	£m	£m	£m	£m	£m	£m	£m	**£m**	**£m**
Revenue[4]	194	102	32	18	14	33	–	**393**	**196**
Costs	(60)	(24)	–	(4)	(5)	(8)	(1)	**(102)**	**(51)**
	134	78	32	14	9	25	(1)	**291**	**145**
Administrative expenses	(1)	–	–	–	–	(1)	–	**(2)**	**(1)**
Net interest payable	(71)	(32)	(11)	(1)	–	(1)	–	**(116)**	**(58)**
Underlying Profit	62	46	21	13	9	23	(1)	**173**	**86**
Net valuation movement	117	(152)	1	(25)	(15)	(52)	(1)	**(127)**	**(63)**
Capital financing costs	(37)	–	(3)	–	–	(2)	–	**(42)**	**(21)**
(Loss) profit on disposal of investment properties and investments	10	–	(4)	–	–	(7)	5	**4**	**3**
Profit (loss) on ordinary activities before taxation	152	(106)	15	(12)	(6)	(38)	3	**8**	**5**
Taxation	4	–	–	–	–	–	–	**4**	**2**
Profit (loss) on ordinary activities after taxation	**156**	**(106)**	**15**	**(12)**	**(6)**	**(38)**	**3**	**12**	**7**
Other comprehensive income	36	–	–	–	–	–	–	**36**	**18**
Total comprehensive income (expense)	**192**	**(106)**	**15**	**(12)**	**(6)**	**(38)**	**3**	**48**	**25**
British Land share of total comprehensive income (expense)	**96**	**(53)**	**8**	**(6)**	**(3)**	**(19)**	**2**	**25**	**–**
British Land share of distributions payable	275	4	20	5	4	13	–	**321**	**–**

Summarised balance sheets	£m	£m	£m	£m	£m	£m	£m	**£m**	**£m**
Investment and trading properties	4,024	1,744	488	252	238	456	–	**7,202**	**3,601**
Current assets	(1)	4	4	1	1	6	40	**55**	**27**
Cash and deposits	219	31	40	9	6	13	5	**323**	**162**
Gross assets	**4,242**	**1,779**	**532**	**262**	**245**	**475**	**45**	**7,580**	**3,790**
Current liabilities	(83)	(37)	(22)	(3)	(4)	(11)	(10)	**(170)**	**(85)**
Bank and securitised debt	(1,442)	(612)	(196)	–	–	–	–	**(2,250)**	**(1,125)**
Loans from joint venture partners	(479)	(385)	–	–	(30)	–	(6)	**(900)**	**(450)**
Other non-current liabilities	–	(20)	–	(28)	–	–	8	**(40)**	**(20)**
Gross liabilities	**(2,004)**	**(1,054)**	**(218)**	**(31)**	**(34)**	**(11)**	**(8)**	**(3,360)**	**(1,680)**

Net assets	**2,238**	**725**	**314**	**231**	**211**	**464**	**37**	**4,220**	**2,110**
British Land share of net assets less shareholder loans	**1,119**	**363**	**157**	**116**	**105**	**232**	**18**	**2,110**	

1. USS joint ventures include the Eden Walk Shopping Centre Unit Trust and the Fareham Property Partnership.
2. Hercules Unit Trust joint ventures and sub-funds includes 50% of the results of Deepdale Co-Ownership Trust, Fort Kinnaird Limited Partnership and Valentine Co-Ownership Trust and 41.25% of Birstall Co-Ownership Trust. The balance sheet shows 50% of the assets of these joint ventures and sub-funds.
3. Included in the column headed 'Other joint ventures and funds' are contributions from the following: BL Goodman Limited Partnership, The Aldgate Place Limited Partnership, Bluebutton Property Management UK Limited, City of London Office Unit Trust and Pillar Retail Europark Fund (PREF). The Group's ownership share of PREF is 65%, however as the Group is not able to exercise control over significant decisions of the fund, the Group equity accounts for its interest in PREF.
4. Revenue includes gross rental income at 100% share of £310m (2017/18: £385m).

The borrowings of joint ventures and funds and their subsidiaries are non-recourse to the Group. All joint ventures are incorporated in the United Kingdom, with the exception of Broadgate REIT Limited and the Eden Walk Shopping Centre Unit Trust which are incorporated in Jersey. Of the funds, the Hercules Unit Trust (HUT) joint ventures and sub-funds are incorporated in Jersey and PREF in Luxembourg.

These financial statements include the results and financial position of the Group's interest in the Fareham Property Partnership, the Aldgate Place Limited Partnership, the BL Goodman Limited Partnership and the Gibraltar Limited Partnership. Accordingly, advantage has been taken of the exemptions provided by Regulation 7 of the Partnership (Accounts) Regulations 2008 not to attach the partnership accounts to these financial statements.

Operating cash flows of joint ventures and funds (Group share)

	2019 £m	2018 £m
Rental income received from tenants	**160**	199
Operating expenses paid to suppliers and employees	**(23)**	(22)
Cash generated from operations	**137**	177
Interest paid	**(70)**	(73)
Interest received	**1**	1
UK corporation tax paid	**(2)**	(1)
Cash inflow from operating activities	**66**	104
Cash inflow from operating activities deployed as:		
Surplus cash retained within joint ventures and funds	**7**	26
Revenue distributions per consolidated statement of cash flows	**59**	78
Revenue distributions split between controlling and non-controlling interests		
Attributable to non-controlling interests	**3**	2
Attributable to shareholders of the Company	**56**	76

9 Other investments

	2019					2018				
	Fair value through profit or loss £m	Amortised cost £m	Property, plant and equipment £m	Intangible assets £m	Total £m	Fair value through profit or loss £m	Amortised cost £m	Property, plant and equipment £m	Intangible assets £m	Total £m
At 1 April	**112**	**28**	**24**	**10**	**174**	107	27	11	9	154
Additions	**–**	**8**	**4**	**4**	**16**	–	–	15	4	19
Transfers / disposals	**–**	**(27)**	**–**	**–**	**(27)**	–	(2)	–	–	(2)
Revaluation	**2**	**(4)**	**–**	**–**	**(2)**	5	3	–	–	8
Depreciation / amortisation	**–**	**–**	**(6)**	**(4)**	**(10)**	–	–	(2)	(3)	(5)
At 31 March	**114**	**5**	**22**	**10**	**151**	112	28	24	10	174

The investment at fair value through profit or loss comprises interests as a trust beneficiary. The trust's assets comprise freehold reversions in a pool of commercial properties, comprising Sainsbury's superstores. The interest is categorised as Level 3 in the fair value hierarchy, is subject to the same inputs as those disclosed in note 7, and its fair value was determined by the Directors, supported by an external valuation.

10 Debtors

	2019 £m	2018 £m
Trade and other debtors	**48**	28
Prepayments and accrued income	**9**	7
	57	35

Trade and other debtors are shown after deducting a provision for tenant incentives of £15m (2017/18: £14m) and a provision for doubtful debts of £5m (2017/18: £5m). The provision for doubtful debts is calculated as an expected credit loss on trade and other debtors in accordance with IFRS 9 (see Note 1). The charge to the income statement in relation to the write off of tenant incentives was £1m (2017/18: £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.

11 Creditors

	2019 £m	2018 £m
Trade creditors	**94**	146
Other taxation and social security	**42**	30
Accruals	**82**	73
Deferred income	**71**	75
	289	324

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.

12 Other non-current liabilities

	2019 £m	2018 £m
Head leases	**92**	62
	92	62

13 Deferred tax

The movement on deferred tax is as shown below:

Deferred tax assets year ended 31 March 2019

	1 April 2018 £m	Debited to income £m	Credited to equity £m	31 March 2019 £m
Interest rate and currency derivative revaluations	**4**	**(3)**	**–**	**1**
Other timing differences	**7**	**(1)**	**–**	**6**
	11	**(4)**	**–**	**7**

Deferred tax liabilities year ended 31 March 2019

	£m	£m	£m	£m
Property and investment revaluations	**(7)**	**–**	**1**	**(6)**
	(7)	**–**	**1**	**(6)**
Net deferred tax assets	**4**	**(4)**	**1**	**1**

Deferred tax assets year ended 31 March 2018

	1 April 2017 £m	Credited to income £m	Debited to equity £m	31 March 2018 £m
Interest rate and currency derivative revaluations	4	5	(5)	4
Other timing differences	7	–	–	7
	11	5	(5)	11

Deferred tax liabilities year ended 31 March 2018

	£m	£m	£m	£m
Property and investment revaluations	(7)	–	–	(7)
	(7)	–	–	(7)
Net deferred tax assets	4	5	(5)	4

The following corporation tax rates have been substantively enacted: 19% effective from 1 April 2017 reducing to 17% effective from 1 April 2020. The deferred tax assets and liabilities have been calculated at the tax rate effective in the period that the tax is expected to crystallise.

The Group has recognised a deferred tax asset calculated at 17% (2017/18: 17%) of £6m (2017/18: £7m) in respect of capital losses from previous years available for offset against future capital profit. Further unrecognised deferred tax assets in respect of capital losses of £123m (2017/18: £123m) exist at 31 March 2019.

The Group has recognised deferred tax assets on derivative revaluations to the extent that future matching taxable profits are expected to arise.

At 31 March 2019, the Group had an unrecognised deferred tax asset calculated at 17% (2017/18: 17%) of £49m (2017/18: £43m) in respect of UK revenue tax losses from previous years.

Under the REIT regime, development properties which are sold within three years of completion do not benefit from tax exemption.

At 31 March 2019, the value of such properties is £148m (2017/18: £176m) and if these properties were to be sold and no tax exemption was available, the tax arising would be £11m (2017/18: £13m).

14 Net debt

	Footnote	2019 £m	2018 £m
Secured on the assets of the Group			
5.264% First Mortgage Debenture Bonds 2035		**368**	369
5.0055% First Mortgage Amortising Debentures 2035		**94**	95
5.357% First Mortgage Debenture Bonds 2028		**252**	255
Bank loans	1	**512**	512
Loan notes		**2**	2
		1,228	1,233
Unsecured			
5.50% Senior Notes 2027		**99**	100
3.895% Senior US Dollar Notes 2018	2	**–**	27
4.635% Senior US Dollar Notes 2021	2	**168**	156
4.766% Senior US Dollar Notes 2023	2	**106**	97
5.003% Senior US Dollar Notes 2026	2	**69**	63
3.81% Senior Notes 2026		**111**	110
3.97% Senior Notes 2026		**113**	112
0% Convertible Bond 2020		**343**	337
2.375% Sterling Unsecured Bond 2029		**298**	298
4.16% Senior US Dollar Notes 2025	2	**78**	–
2.67% Senior Notes 2025		**37**	–
2.75% Senior Notes 2026		**37**	–
Floating Rate Senior Notes 2028		**80**	–
Bank loans and overdrafts		**264**	595
		1,803	1,895
Gross debt	3	**3,031**	3,128
Interest rate and currency derivative liabilities		**130**	138
Interest rate and currency derivative assets		**(154)**	(115)
Cash and short term deposits	4,5	**(242)**	(105)
Total net debt		**2,765**	3,046
Net debt attributable to non-controlling interests		**(104)**	(109)
Net debt attributable to shareholders of the Company		**2,661**	2,937

1. These are non-recourse borrowings with no recourse for repayment to other companies or assets in the Group

	1	2019 £m	2018 £m
Hercules Unit Trust		**512**	512
		512	512

2. Principal and interest on these borrowings were fully hedged into Sterling at a floating rate at the time of issue.
3. The principal amount of gross debt at 31 March 2019 was £2,881m (2017/18: £3,007m). Included in this is the principal amount of secured borrowings and other borrowings of non-recourse companies of £1,158m of which the borrowings of the partly-owned subsidiary, Hercules Unit Trust, not beneficially owned by the Group are £112m.
4. Included within cash and short term deposits is the cash and short term deposits of Hercules Unit Trust, of which £9m is the proportion not beneficially owned by the Group.
5. Cash and deposits not subject to a security interest amount to £228m (2017/18: £91m).

Maturity analysis of net debt

		2019 £m	2018 £m
Repayable: within one year and on demand		**99**	27
Between:	one and two years	**710**	163
	two and five years	**644**	1,194
	five and ten years	**808**	803
	ten and fifteen years	**305**	305
	fifteen and twenty years	**465**	636

	2019	2018
	2,932	3,101
Gross debt	**3,031**	3,128
Interest rate and currency derivatives	**(24)**	23
Cash and short term deposits	**(242)**	(105)
Net debt	**2,765**	3,046

0% Convertible bond 2015 (maturity 2020)

On 9 June 2015, British Land (White) 2015 Limited (the 2015 Issuer), a wholly-owned subsidiary of the Group, issued £350 million zero coupon guaranteed convertible bonds due 2020 (the 2015 bonds) at par. The 2015 Issuer is fully guaranteed by the Company in respect of the 2015 bonds.

Subject to their terms, the 2015 bonds are convertible into preference shares of the 2015 Issuer which are automatically transferred to the Company in exchange for ordinary shares in the Company or, at the Company's election, any combination of ordinary shares and cash. Bondholders may exercise their conversion right at any time up to but excluding the 7th dealing day before 9 June 2020 (the maturity date), a bondholder may convert at any time.

The initial exchange price was 1103.32 pence per ordinary share. The exchange price is adjusted based on certain events (such as the Company paying dividends in any quarter above 3.418 pence per ordinary share). As at 31 March 2019 the exchange price was 1007.24 pence per ordinary share.

From 30 June 2018, the Company has the option to redeem the 2015 bonds at par if the Company's share price has traded above 130% of the exchange price for a specified period, or at any time once 85% by nominal value of the 2015 bonds have been converted, redeemed, or purchased and cancelled. The 2015 bonds will be redeemed at par on 9 June 2020 (the maturity date) if they have not already been converted, redeemed or purchased and cancelled.

Fair value and book value of net debt

	2019			2018		
	Fair value £m	**Book value £m**	**Difference £m**	Fair value £m	Book value £m	Difference £m
Debentures and unsecured bonds	**2,036**	**1,910**	**126**	1,783	1,682	101
Convertible bonds	**343**	**343**	**–**	337	337	–
Bank debt and other floating rate debt	**784**	**778**	**6**	1,116	1,109	7
Gross debt	**3,163**	**3,031**	**132**	3,236	3,128	108
Interest rate and currency derivative liabilities	**130**	**130**	**–**	138	138	–
Interest rate and currency derivative assets	**(154)**	**(154)**	**–**	(115)	(115)	–
Cash and short term deposits	**(242)**	**(242)**	**–**	(105)	(105)	–
Net debt	**2,897**	**2,765**	**132**	3,154	3,046	108
Net debt attributable to non-controlling interests	**(105)**	**(104)**	**(1)**	(110)	(109)	(1)
Net debt attributable to shareholders of the Company	**2,792**	**2,661**	**131**	3,044	2,937	107

The fair values of debentures, unsecured bonds and the convertible bond have been established by obtaining quoted market prices from brokers. The bank debt and other floating rate debt has been valued assuming it could be renegotiated at contracted margins. The derivatives have been valued by calculating the present value of expected future cash flows, using appropriate market discount rates, by an independent treasury advisor.

Short term debtors and creditors and other investments have been excluded from the disclosures on the basis that the fair value is equivalent to the book value. The fair value hierarchy level of debt held at amortised cost is level 2 (as defined in note 7).

Group loan to value (LTV)

	2019 £m	2018 £m
Group loan to value (LTV)	**22.2%**	22.1%
Principal amount of gross debt	**2,881**	3,007
Less debt attributable to non-controlling interests	**(112)**	(119)
Less cash and short term deposits (balance sheet)	**(242)**	(105)
Plus cash attributable to non-controlling interests	**9**	10
Total net debt for LTV calculation	**2,536**	2,793
Group property portfolio valuation (note 7)	**9,028**	9,997
Investments in joint ventures and funds (note 8)	**2,560**	2,822
Other investments (note 9)	**151**	174
Less property and investments attributable to non-controlling interests	**(317)**	(366)
Total assets for LTV calculation	**11,422**	12,627

Proportionally consolidated loan to value (LTV)

	2019 £m	2018 £m
Proportionally consolidated loan to value (LTV)	**28.1%**	28.4%
Principal amount of gross debt	**4,007**	4,399
Less debt attributable to non-controlling interests	**(112)**	(135)
Less cash and short term deposits	**(402)**	(331)
Plus cash attributable to non-controlling interests	**9**	10
Total net debt for proportional LTV calculation	**3,502**	3,943
Group property portfolio valuation (note 7)	**9,028**	9,997
Share of property of joint ventures and funds (note 7)	**3,605**	4,102
Other investments (note 9)	**151**	174
Less other investments attributable to joint ventures and funds	**–**	(2)
Less property attributable to non-controlling interests	**(317)**	(383)
Total assets for proportional LTV calculation	**12,467**	13,888

British Land Unsecured Financial Covenants

The two financial covenants applicable to the Group unsecured debt including convertible bonds are shown below:

	2019 £m	2018 £m
Net Borrowings not to exceed 175% of Adjusted Capital and Reserves	**29%**	29%
Principal amount of gross debt	**2,881**	3,007
Less the relevant proportion of borrowings of the partly-owned subsidiary/non-controlling interests	**(112)**	(119)
Less cash and deposits (balance sheet)	**(242)**	(105)
Plus the relevant proportion of cash and deposits of the partly-owned subsidiary/non-controlling interests	**9**	10
Net Borrowings	**2,536**	2,793
Share capital and reserves (balance sheet)	**8,689**	9,506
EPRA deferred tax adjustment (EPRA Table A)	**5**	5
Trading property surpluses (EPRA Table A)	**29**	134
Exceptional refinancing charges (see below)	**216**	233
Fair value adjustments of financial instruments (EPRA Table A)	**113**	137
Less reserves attributable to non-controlling interests (balance sheet)	**(211)**	(254)
Adjusted Capital and Reserves	**8,841**	9,761

In calculating Adjusted Capital and Reserves for the purpose of the unsecured debt financial covenants, there is an adjustment of £216m (2017/18: £233m) to reflect the cumulative net amortised exceptional items relating to the refinancings in the years ended 31 March 2005, 2006 and 2007.

	2019 £m	2018 £m
Net Unsecured Borrowings not to exceed 70% of Unencumbered Assets	**21%**	23%
Principal amount of gross debt	**2,881**	3,007
Less cash and deposits not subject to a security interest (being £228m less the relevant proportion of cash and deposits of the partly-owned subsidiary/non-controlling interests of £7m)	**(221)**	(84)
Less principal amount of secured and non-recourse borrowings	**(1,158)**	(1,159)
Net Unsecured Borrowings	**1,502**	1,764
Group property portfolio valuation (note 7)	**9,028**	9,997
Investments in joint ventures and funds (note 8)	**2,560**	2,822
Other investments (note 9)	**151**	174
Less investments in joint ventures	**(2,560)**	(2,822)
Less encumbered assets (note 7)	**(2,134)**	(2,447)
Unencumbered Assets	**7,045**	7,724

Reconciliation of movement in Group net debt for the year ended 31 March 2019

	2018 £m	Cash flows £m	Transfers[3] £m	Foreign exchange	Fair value £m	Arrangement costs	2019 £m

				£m		amortisation £m	
Short term borrowings	**27**	**(25)**	**99**	**(2)**	**–**	**–**	**99**
Long term borrowings	**3,101**	**(105)**	**(99)**	**(22)**	**53**	**4**	**2,932**
Derivatives[1]	**23**	**(2)**	**–**	**24**	**(69)**	**–**	**(24)**
Total liabilities from financing activities[4]	**3,151**	**(132)**	**–**	**–**	**(16)**	**4**	**3,007**
Cash and cash equivalents	**(105)**	**(137)**	**–**	**–**	**–**	**–**	**(242)**
Net debt	**3,046**	**(269)**	**–**	**–**	**(16)**	**4**	**2,765**

Reconciliation of movement in Group net debt for the year ended 31 March 2018

	2017 £m	Cash flows £m	Transfers[3] £m	Foreign exchange £m	Fair value £m	Arrangement costs amortisation £m	2018 £m
Short term borrowings	464	(458)	27	–	(6)	–	27
Long term borrowings	2,817	361	(27)	(40)	(10)	–	3,101
Derivatives[2]	(73)	29	–	40	27	–	23
Total liabilities from financing activities[5]	3,208	(68)	–	–	11	–	3,151
Cash and cash equivalents	(114)	9	–	–	–	–	(105)
Net debt	3,094	(59)	–	–	11	–	3,046

1. Cash flows on derivatives include £17m of net receipts on derivative interest.
2. Cash flows on derivatives include £20 of net receipts on derivative interest.
3. Transfers comprises debt maturing from long term to short term borrowings.
4. Cash flows of £132m shown above represents net cash flows on capital payments in respect of interest rate derivative of £19m, decrease in bank and other borrowings of £576m and drawdowns on bank and other borrowings of £446m shown in the consolidated statement of cash flows, along with £17m of net receipts on derivative interest.
5. Cash flows of £68m shown above represents net cash flows on interest rate derivative closeouts of £9m, decrease in bank and other borrowings of £626m and drawdowns on bank and other borrowings of £529m shown in the consolidated statement of cash flows, along with £20m of net receipts on derivative interest.

Fair value hierarchy

The table below provides an analysis of financial instruments carried at fair value, by the valuation method. The fair value hierarchy levels are defined in note 7.

	2019				2018			
	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	**–**	**(154)**	**–**	**(154)**	–	(115)	–	(115)
Other investments – fair value through profit or loss	**(14)**	**–**	**(100)**	**(114)**	(14)	–	(98)	(112)
Assets	**(14)**	**(154)**	**(100)**	**(268)**	(14)	(115)	(98)	(227)
Interest rate and currency derivative liabilities	**–**	**130**	**–**	**130**	–	138	–	138
Convertible bonds	**343**	**–**	**–**	**343**	337	–	–	337
Liabilities	**343**	**130**	**–**	**473**	337	138	–	475
Total	**329**	**(24)**	**(100)**	**205**	323	23	(98)	248

Categories of financial instruments

	2019 £m	2018 £m
Financial assets		
Fair value through income statement		
Other investments – fair value through profit or loss	**114**	98
Derivatives in designated hedge accounting relationships	**148**	110
Derivatives not in designated hedge accounting relationships	**6**	5
Amortised cost		
Trade and other debtors	**48**	28
Cash and short term deposits	**242**	105
Other investments – amortised cost	**5**	42
	563	388
Financial liabilities		

Fair value through income statement		
Convertible bond	**(343)**	(337)
Derivatives in designated hedge accounting relationships	**(4)**	(5)
Derivatives not in designated accounting relationships	**(126)**	(133)
Amortised cost		
Gross debt	**(2,688)**	(2,791)
Head leases payable	**(92)**	(62)
Creditors	**(208)**	(237)
	(3,461)	(3,565)
Total	**(2,898)**	(3,177)

Gains and losses on financial instruments, as classed above, are disclosed in note 5 (net financing costs), note 10 (debtors), the consolidated income statement and the consolidated statement of comprehensive income. The Directors consider that the carrying amounts of other investments and head leases payable are approximate to their fair value, and that the carrying amounts are recoverable.

Maturity of committed undrawn borrowing facilities

		2019 £m	2018 £m
Maturity date:	over five years	**275**	60
	between four and five years	**832**	90
	between three and four years	**86**	1,010
Total facilities available for more than three years		**1,193**	1,160
Between two and three years		**435**	85
Between one and two years		**–**	86
Within one year		**–**	–
Total		**1,628**	1,331

The above facilities are comprised of British Land undrawn facilities of £1,542m plus undrawn facilities of Hercules Unit Trust totalling £86m.

15 Dividends

As announced on 15 May 2019, the Board is recommending a final dividend of 7.75 pence per share, totalling £74m (2017/18: 7.52 pence per share, totalling £74m), subject to the approval of shareholders, this is payable on 2 August 2019 to shareholders on the register at the close of business on 28 June 2019.

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 britishland.com/dividends for details.

Payment date	Dividend	Pence per share	2019 £m	2018 £m
Current year dividends				
02.08.2019	2019 Final	7.75[1]		
03.05.2019	2019 3rd interim	7.75		
08.02.2019	2019 2nd interim	7.75	**74**	
09.11.2018	2019 1st interim	7.75	**76**	
		31.00		
Prior year dividends				
03.08.2018	2018 4th interim	7.52	**74**	
04.05.2018	2018 3rd interim	7.52	**74**	
09.02.2018	2018 2nd interim	7.52		75
10.11.2017	2018 1st interim	7.52		77
		30.08		
04.08.2017	2017 4th interim	7.30		75
05.05.2017	2017 3rd interim	7.30		75

	2019	2018
Dividends in consolidated statement of changes in equity	**298**	302
Dividends settled in shares	**–**	–
Dividends settled in cash	**298**	302
Timing difference relating to payment of withholding tax	**–**	2
Dividends in cash flow statement	**298**	304

1. Dividend split half PID, half non-PID.

16 Share capital and reserves

	2019	2018
Number of ordinary shares in issue at 1 April	**993,857,125**	1,041,035,058
Share issues	**404,377**	429,206
Repurchased and cancelled	**(33,672,430)**	(47,607,139)
At 31 March	**960,589,072**	993,857,125

Of the issued 25p ordinary shares, 7,376 shares were held in the ESOP trust (2017/18: 7,376), 11,266,245 shares were held as treasury shares (2017/18: 11,266,245) and 949,315,451 shares were in free issue (2017/18: 982,583,504). No treasury shares were acquired by the ESOP trust during the year. All issued shares are fully paid. In the year ended 31 March 2019 the Company repurchased and cancelled 33,672,430 ordinary shares at a weighted average price of 594 pence.

17 Segment information

The Group allocates resources to investment and asset management according to the sectors it expects to perform over the medium term.
Its three principal sectors are Offices, Retail and Canada Water. The Retail sector includes leisure, as this is often incorporated into Retail schemes. The Other/unallocated sector includes residential properties.

The relevant gross rental income, net rental income, operating result and property assets, being the measures of segment revenue, segment result and segment assets used by the management of the business, are set out below. Management reviews the performance of the business principally on a proportionally consolidated basis, which includes the Group's share of joint ventures and funds on a line-by-line basis and excludes non-controlling interests in the Group's subsidiaries. The chief operating decision maker for the purpose of segment information is the Executive Committee.

Gross rental income is derived from the rental of buildings. Operating result is the net of net rental income, fee income and administrative expenses. No customer exceeded 10% of the Group's revenues in either year.

Segment result

	Offices		Retail		Canada Water		Other/unallocated		Total	
	2019 £m	2018 £m	**2019 £m**	2018 £m	**2019 £m**	2018 £m	**2019 £m**	2018 £m	**2019 £m**	2018 £m
Gross rental income										
British Land Group	**150**	139	**260**	273	**9**	8	**4**	4	**423**	424
Share of joint ventures and funds	**70**	102	**83**	87	**–**	–	**–**	–	**153**	189
Total	**220**	241	**343**	360	**9**	8	**4**	4	**576**	613
Net rental income										
British Land Group	**139**	131	**238**	254	**9**	7	**4**	4	**390**	396
Share of joint ventures and funds	**66**	98	**76**	82	**–**	–	**–**	–	**142**	180
Total	**205**	229	**314**	336	**9**	7	**4**	4	**532**	576
Operating result										
British Land Group	**132**	126	**235**	248	**4**	4	**(42)**	(42)	**329**	336
Share of joint ventures and funds	**61**	95	**71**	79	**–**	–	**–**	(2)	**132**	172
Total	**193**	221	**306**	327	**4**	4	**(42)**	(44)	**461**	508

Reconciliation to Underlying Profit	**2019 £m**	2018 £m
Operating result	**461**	508

Net financing costs	**(121)**	(128)
Underlying Profit	**340**	380

Reconciliation to (loss) profit on ordinary activities before taxation		
Underlying Profit	**340**	380
Capital and other	**(671)**	107
Underlying Profit attributable to non-controlling interests	**12**	14
(Loss) profit on ordinary activities before taxation	**(319)**	501

Reconciliation to Group revenue		
Gross rental income per operating segment result	**576**	613
Less share of gross rental income of joint ventures and funds	**(153)**	(189)
Plus share of gross rental income attributable to non-controlling interests	**16**	17
Gross rental income (note 3)	**439**	441
Trading property sales proceeds	**350**	78
Service charge income	**76**	66
Management and performance fees (from joint ventures and funds)	**7**	6
Other fees and commissions	**32**	48
Revenue (Consolidated Income Statement)	**904**	639

A reconciliation between net financing costs in the consolidated income statement and net financing costs of £121m (2017/18: £128m) in the segmental disclosures above can be found within Table A in the supplementary disclosures. Of the total revenues above, £nil (2017/18: £nil) was derived from outside the UK.

Segment assets

	Offices		Retail		Canada Water		Other/unallocated		Total	
	2019 £m	2018 £m	**2019 £m**	2018 £m	**2019 £m**	2018 £m	**2019 £m**	2018 £m	**2019 £m**	2018 £m
Property assets										
British Land Group	**4,296**	4,371	**4,053**	4,915	**303**	283	**109**	113	**8,761**	9,682
Share of joint ventures and funds	**2,012**	2,334	**1,524**	1,681	**–**	–	**19**	19	**3,555**	4,034
Total	**6,308**	6,705	**5,577**	6,596	**303**	283	**128**	132	**12,316**	13,716

Reconciliation to net assets

British Land Group	**2019 £m**	2018 £m
Property assets	**12,316**	13,716
Other non-current assets	**151**	185
Non-current assets	**12,467**	13,901
Other net current liabilities	**(297)**	(368)
Adjusted net debt	**(3,521)**	(3,973)
Other non-current liabilities	**–**	–
EPRA net assets (diluted)	**8,649**	9,560
Non-controlling interests	**211**	254
EPRA adjustments	**(171)**	(308)
Net assets	**8,689**	9,506

Supplementary disclosures

Unaudited unless otherwise stated

Table A: Summary income statement and balance sheet (Unaudited)

Summary income statement based on proportional consolidation for the year ended 31 March 2019

The following pro forma information is unaudited and does not form part of the consolidated primary statements or the notes thereto. It presents the results of the Group, with its share of the results of joint ventures and funds included on a line-by-line basis and excluding non-controlling interests.

	Year ended 31 March 2019				Year ended 31 March 2018			
	Group £m	Joint ventures and funds £m	Less non-controlling interests £m	Proportionally consolidated £m	Group £m	Joint ventures and funds £m	Less non-controlling interests £m	Proportionally consolidated £m
Gross rental income	439	155	(18)	576	441	193	(21)	613
Property operating expenses	(35)	(10)	1	(44)	(29)	(9)	1	(37)
Net rental income	404	145	(17)	532	412	184	(20)	576
Administrative expenses	(80)	(1)	–	(81)	(82)	(1)	–	(83)
Net fees and other income	9	–	1	10	13	–	2	15
Ungeared income return	333	144	(16)	461	343	183	(18)	508
Net financing costs	(67)	(58)	4	(121)	(64)	(68)	4	(128)
Underlying Profit	266	86	(12)	340	279	115	(14)	380
Underlying taxation	–	–	–	–	–	–	–	–
Underlying Profit after taxation	266	86	(12)	340	279	115	(14)	380
Valuation movement				(683)				254
Other capital and taxation (net)[1]				52				(141)
Result attributable to shareholders of the company				(291)				493

1. Includes other comprehensive income, movement in dilution of share options and the movement in items excluded for EPRA NAV.

Summary balance sheet based on proportional consolidation as at 31 March 2019

The following pro forma information is unaudited and does not form part of the consolidated primary statements or the notes thereto. It presents the composition of the EPRA net assets of the Group, with its share of the net assets of the joint venture and fund assets and liabilities included on a line-by-line basis, and excluding non-controlling interests, and assuming full dilution.

	Group £m	Share of joint ventures & funds £m	Less non-controlling interests £m	Share options £m	Deferred tax £m	Mark-to-market on derivatives and related debt adjustments £m	Head leases £m	Valuation surplus on trading properties £m	EPRA Net assets 31 March 2019 £m	EPRA Net assets 31 March 2018 £m
Retail properties	4,378	1,583	(317)	–	–	–	(67)	–	5,577	6,596
Office properties	4,299	2,012	–	–	–	–	(19)	16	6,308	6,705
Canada Water properties	318	–	–	–	–	–	(15)	–	303	283
Other properties	96	19	–	–	–	–	–	13	128	132
Total properties	9,091	3,614	(317)	–	–	–	(101)	29	12,316	13,716
Investments in joint ventures and funds	2,560	(2,560)	–	–	–	–	–	–	–	–
Other investments	151	–	–	–	–	–	–	–	151	172
Other net (liabilities) assets	(348)	(82)	3	24	5	–	101	–	(297)	(355)
Net debt	(2,765)	(972)	103	–	–	113	–	–	(3,521)	(3,973)
Net assets	8,689	–	(211)	24	5	113	–	29	8,649	9,560
EPRA NAV per share (note 2)									905p	967p

EPRA Net assets movement

	Year ended 31 March 2019		Year ended 31 March 2018	
	£m	Pence per share	£m	Pence per share
Opening EPRA NAV	9,560	967	9,498	915
Income return	340	35	380	37
Capital return	(749)	(77)	285	29

Dividend paid	**(298)**	**(30)**	(302)	(29)
Purchase of own shares	**(204)**	**10**	(301)	15
Closing EPRA NAV	**8,649**	**905**	9,560	967

Table B: EPRA Performance measures

EPRA Performance measures summary table

		2019		2018	
		£m	Pence per share	£m	Pence per share
EPRA Earnings	– basic	**340**	**35.0**	380	37.5
	– diluted	**340**	**34.9**	380	37.4
EPRA Net Initial Yield			**4.5%**		4.3%
EPRA 'topped-up' Net Initial Yield			**4.7%**		4.6%
EPRA Vacancy Rate			**4.1%**		3.2%

	2019		2018	
	Net assets	Net asset value per share pence	Net assets	Net asset value per share pence
EPRA NAV	**8,649**	**905**	9,560	967
EPRA NNNAV	**8,161**	**854**	9,044	914

Calculation and reconciliation of EPRA/IFRS earnings and EPRA/IFRS earnings per share (Audited)

	2019 £m	2018 £m
(Loss) profit attributable to the shareholders of the Company	**(291)**	493
Exclude:		
Group – current taxation	**(3)**	(1)
Group – deferred taxation	**4**	(5)
Joint ventures and funds – taxation	**(2)**	–
Group – valuation movement	**620**	(202)
Group – loss (profit) on disposal of investment properties and investments	**18**	(18)
Group – profit on disposal of trading properties	**(92)**	(14)
Joint ventures and funds – net valuation movement (including result on disposals)	**60**	(49)
Joint ventures and funds – capital financing costs	**21**	13
Changes in fair value of financial instruments and associated close-out costs	**46**	163
Non-controlling interests in respect of the above	**(41)**	–
Underlying Profit	**340**	380
Group – underlying current taxation	**–**	–
EPRA earnings – basic and diluted	**340**	380

(Loss) profit attributable to the shareholders of the Company	**(291)**	493
Dilutive effect of 2015 convertible bond	**–**	–
IFRS earnings – diluted	**(291)**	493

	2019 Number million	2018 Number million
Weighted average number of shares	**982**	1,024
Adjustment for treasury shares	**(11)**	(11)
IFRS/EPRA Weighted average number of shares (basic)	**971**	1,013
Dilutive effect of share options	**1**	1
Dilutive effect of ESOP shares	**2**	2
Dilutive effect of 2015 convertible bond	**–**	–
IFRS/EPRA Weighted average number of shares (diluted)	**974**	1,016

Net assets per share (Audited)

	2019 £m	2019 Pence per share	2018 £m	2018 Pence per share
Balance sheet net assets	**8,689**		9,506	
Deferred tax arising on revaluation movements	**5**		5	
Mark-to-market on derivatives and related debt adjustments	**113**		137	
Dilution effect of share options	**24**		32	
Surplus on trading properties	**29**		134	
Less non-controlling interests	**(211)**		(254)	
EPRA NAV	**8,649**	**905**	9,560	967
Deferred tax arising on revaluation movements	**(11)**		(31)	
Mark-to-market on derivatives and related debt adjustments	**(113)**		(137)	
Mark-to-market on debt	**(364)**		(348)	
EPRA NNNAV	**8,161**	**854**	9,044	914

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

	2019 Number million	2018 Number million
Number of shares at year end	**960**	994
Adjustment for treasury shares	**(11)**	(11)
IFRS/EPRA number of shares (basic)	**949**	983
Dilutive effect of share options	**2**	1
Dilutive effect of ESOP shares	**5**	5
Dilutive effect of 2015 convertible bond	**–**	–
IFRS/EPRA number of shares (diluted)	**956**	989

EPRA Net Initial Yield and 'topped-up' Net Initial Yield (Unaudited)

	2019 £m	2018 £m
Investment property – wholly-owned	**8,761**	9,682
Investment property – share of joint ventures and funds	**3,555**	4,034
Less developments, residential and land	**(1,098)**	(1,315)
Completed property portfolio	**11,218**	12,401
Allowance for estimated purchasers' costs	**751**	799
Gross up completed property portfolio valuation (A)	**11,969**	13,200
Annualised cash passing rental income	**548**	584
Property outgoings	**(14)**	(11)
Annualised net rents (B)	**534**	573
Rent expiration of rent-free periods and fixed uplifts[1]	**32**	28
'Topped-up' net annualised rent (C)	**566**	601
EPRA Net Initial Yield (B/A)	**4.5%**	4.3%
EPRA 'topped-up' Net Initial Yield (C/A)	**4.7%**	4.6%
Including fixed/minimum uplifts received in lieu of rental growth	**8**	11
Total 'topped-up' net rents (D)	**574**	612
Overall 'topped-up' Net Initial Yield (D/A)	**4.8%**	4.6%
'Topped-up' net annualised rent	**566**	601
ERV vacant space	**22**	21
Reversions	**30**	32
Total ERV (E)	**618**	654
Net Reversionary Yield (E/A)	**5.2%**	5.0%

1. The weighted average period over which rent-free periods expire is 1 year (2017/18: 1 year).

EPRA Net Initial Yield (NIY) basis of calculation

EPRA NIY is calculated as the annualised net rent (on a cash flow basis), divided by the gross value of the completed property portfolio. The valuation of our completed property portfolio is determined by our external valuers as at 31 March 2019, plus an allowance for estimated purchaser's costs. Estimated purchaser's costs are determined by the relevant stamp duty liability, plus an estimate by our valuers of agent and legal fees on notional acquisition. The net rent deduction allowed for property outgoings is based on our valuers' assumptions on future recurring non-recoverable revenue expenditure.

In calculating the EPRA 'topped-up' NIY, the annualised net rent is increased by the total contracted rent from expiry of rent-free periods and future contracted rental uplifts where defined as not in lieu of growth. Overall 'topped-up' NIY is calculated by adding any other contracted future uplift to the 'topped-up' net annualised rent.

The net reversionary yield is calculated by dividing the total estimated rental value (ERV) for the completed property portfolio, as determined by our external valuers, by the gross completed property portfolio valuation.

The EPRA vacancy rate is calculated as the ERV of the unrented, lettable space as a proportion of the total rental value of the completed property portfolio.

EPRA Vacancy Rate

	2019 £m	2018 £m
Annualised potential rental value of vacant premises	**26**	21
Annualised potential rental value for the completed property portfolio	**629**	664
EPRA Vacancy Rate	**4.1%**	3.2%

The above is stated for the UK portfolio only.

EPRA Cost Ratios (Unaudited)

	2019 £m	2018 £m
Property operating expenses	**34**	28
Administrative expenses	**80**	82
Share of joint ventures and funds expenses	**11**	10
Less: Performance and management fees (from joint ventures and funds)	**(8)**	(8)
Net other fees and commissions	**(2)**	(7)
Ground rent costs and operating expenses de facto included in rents	**(9)**	(2)
EPRA Costs (including direct vacancy costs) (A)	**106**	103
Direct vacancy costs	**(13)**	(12)
EPRA Costs (excluding direct vacancy costs) (B)	**93**	91
Gross Rental Income less ground rent costs and operating expenses de facto included in rents	**414**	422
Share of joint ventures and funds (GRI less ground rent costs)	**153**	189
Total Gross Rental Income less ground rent costs (C)	**567**	611
EPRA Cost Ratio (including direct vacancy costs) (A/C)	**18.7%**	16.9%
EPRA Cost Ratio (excluding direct vacancy costs) (B/C)	**16.4%**	14.9%
Overhead and operating expenses capitalised (including share of joint ventures and funds)	**6**	5

In the current year, employee costs in relation to staff time on development projects have been capitalised into the base cost of relevant development assets.

Table C: Gross rental income

	2019 £m	2018 £m
Rent receivable	**587**	604
Spreading of tenant incentives and guaranteed rent increases	**(13)**	(12)
Surrender premia	**2**	21
Gross rental income	**576**	613

The current and prior year information is presented on a proportionally consolidated basis, excluding non-controlling interests.

Table D: Property related capital expenditure

	2019			2018		
	Group £m	Joint ventures and funds £m	Total £m	Group £m	Joint ventures and funds £m	Total £m
Acquisitions	221	15	236	250	–	250
Development	183	91	274	132	52	184
Like-for-like portfolio	35	19	54	23	27	50
Other	12	8	20	17	5	22
Total property related capex	451	133	584	422	84	506

The above is presented on a proportionally consolidated basis, excluding non-controlling interests and business combinations. The 'Other' category contains amounts owing to tenant incentives of £7m (2017/18: £5m), letting fees of £5m (2017/18: £5m), capitalised staff costs of £6m (2017/18: £5m) and capitalised interest of £3m (2017/18: £7m).

Directors' responsibility statement

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the parent Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law).

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group and Company for that period. In preparing the financial statements, the Directors are required to:
– Select suitable accounting policies and then apply them consistently;
– State whether applicable IFRSs as adopted by the European Union have been followed for the Group financial statements and United Kingdom Accounting Standards, comprising FRS 101, have been followed for the parent Company financial statements, subject to any material departures disclosed and explained in the financial statements;
– Make judgements and accounting estimates that are reasonable and prudent; and
– Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

The Directors are also responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Directors consider that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group and the Company's position and performance, business model and strategy.

Each of the Directors, whose names and functions are set out on the British Land website, confirm that, to the best of their knowledge:

- The Company financial statements, which have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law), give a true and fair view of the assets, liabilities, financial position and profit of the Company;
- The Group financial statements, which have been prepared in accordance with IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the Group; and

- The Strategic Report and the Directors' Report include a fair review of the development and performance of the business and the position of the Group and Company, together with a description of the principal risks and uncertainties that it faces.

By order of the Board.

Simon Carter
Chief Financial Officer
14 May 2019

SUPPLEMENTARY TABLES

(Data includes Group's share of Joint Ventures and Funds)

Since 1 April 2018		**Price (100%)**	**Price (BL Share)**	**Annual Passing Rent**
Sales	**Sector**	**£m**	**£m**	**£m[5]**
Completed				
5 Broadgate	Offices	1,000	500	18
Portfolio of Spirit Pubs	Retail	123	123	11
Cheltenham Gallagher Retail Park	Retail	73	28	1
Clapham Junction Debenhams	Retail	48	48	2
Richmond Homebase[1]	Retail	45	45	1
Leeds Westside Retail Park	Retail	39	39	2
Glasgow B&Q	Retail	28	28	2
Bath Homebase	Retail	27	27	1
Bracknell David Lloyd	Retail	25	25	2
Altrincham Sainsburys	Retail	24	12	1
Bath Weston Lock Retail Park	Retail	18	18	1
Southampton David Lloyd	Retail	15	15	1
Harrow Homebase	Retail	14	14	1
Hamilton David Lloyd	Retail	10	10	1
Brentwood Virgin Active	Retail	12	12	1
Northallerton Sainsburys	Retail	7	3	-
Lancaster Castle View	Retail	5	5	-
Clarges, Mayfair[2]	Residential	335	335	-
Aldgate Phase 1	Residential	1	-	-
Exchanged				
Portfolio of Sainsbury's stores[3]	Retail	429	194	12
Clarges[4]	Residential	24	24	-
Total		**2,302**	**1,505**	**58**

[1] Exchanged during the year ended 31 March 2018, completed in the period

[2] £253m of which exchanged prior to FY19 and completed in the period

[3] Exchanged post year end in April 2019

[4] £18m of which exchanged post year end

[5] BL share of annualised rent topped up for rent frees

Since 1 April 2018		Price (100%)	Price (BL Share)	Annual Passing Rent
Purchases	**Sector**	**£m**	**£m**	**£m[1]**
Completed				
Royal Victoria Place, Tunbridge Wells	Retail	92	92	3
184 - 192 Drummond Street	Offices	38	38	1
158 - 164 Bishopsgate	Offices	36	36	2
6 – 8 Eldon Street	Offices	27	14	1
Hercules Unit Trust units	Retail	18	18	1
37 Sun Street	Offices	9	9	-
Exchanged				
Orsman Road, Haggerston	Offices	32	32	-
Total		**252**	**239**	**8**

[1] BL share of annualised rent topped up for rent frees

Portfolio Valuation

At 31 March 2019	Group	JVs & Funds	Total	Change %[1]		
	£m	£m	£m	H1	H2	FY
West End	4,066	-	4,066	0.3	0.3	0.7
City	230	2,012	2,242	1.4	0.7	1.9
Offices	**4,296**	**2,012**	**6,308**	**0.7**	**0.5**	**1.1**
Regional	997	1,767	2,764	(4.0)	(6.9)	(10.6)
Local	1,613	360	1,973	(6.8)	(8.8)	(14.9)
Multi-let	**2,610**	**2,127**	**4,737**	**(5.2)**	**(7.8)**	**(12.5)**
Department Stores and Leisure	323	-	323	(3.1)	(3.8)	(6.5)
Superstores	88	244	332	(0.7)	(2.9)	(3.6)
Solus and Other	185	-	185	(0.2)	(4.6)	(3.7)
Retail	**3,206**	**2,371**	**5,577**	**(4.5)**	**(7.0)**	**(11.1)**
Residential[2]	**109**	**19**	**128**	**(3.1)**	**(1.5)**	**(4.4)**
Canada Water	**303**	**-**	**303**	**0.3**	**(1.0)**	**(0.8)**
Total	**7,914**	**4,402**	**12,316**	**(1.9)**	**(3.2)**	**(4.8)**
Standing Investments	***7,334***	***3,975***	***11,309***	***(2.5)***	***(3.9)***	***(6.0)***
Developments	***580***	***427***	***1,007***	***7.2***	***4.6***	***10.8***

[1] 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
[2] Stand-alone residential

Portfolio Yield & ERV Movements[1]

At 31 March 2019	NEY	ERV Movement %[2,4]			NEY Yield Movement bps[3]		
	%	H1	H2	FY	H1	H2	FY
West End	4.3	0.2	1.1	1.4	-	2	3
City	4.7	0.1	1.2	1.3	1	-	-
Offices	**4.4**	**0.2**	**1.1**	**1.4**	**1**	**1**	**2**
Regional	5.3	(0.8)	(1.4)	(2.2)	9	27	36

Local	5.9	(2.5)	(3.8)	(6.2)	20	27	48
Multi-let	**5.6**	**(1.6)**	**(2.5)**	**(4.0)**	**14**	**27**	**41**
Department Stores and Leisure	5.6	(2.8)	(1.9)	(4.7)	33	(18)	34
Superstores	5.3	(0.2)	(0.5)	(0.7)	(1)	(6)	(8)
Solus and Other	5.6	(0.1)	(2.1)	(2.2)	(13)	44	31
Retail	**5.6**	**(1.5)**	**(2.3)**	**(3.8)**	**14**	**36**	**37**
Canada Water[4]	**3.9**	**0.4**	**0.1**	**0.4**	**(4)**	**-**	**-**
Total	**5.0**	**(0.8)**	**(0.8)**	**(1.6)**	**7**	**19**	**19**

[1] Excluding developments under construction, assets held for development and residential assets

[2] As calculated by IPD

[3] Including notional purchaser's costs

[4] Reflects standing investment only

Retail Portfolio Valuation - Previous Classification Basis

At 31 March 2019	Valuation[1]	Change %[2]			ERV Movement %[3]			NEY Yield Movement bps[4]		
	£m	H1	H2	FY	H1	H2	FY	H1	H2	FY
Shopping Parks	2,593	(5.5)	(8.5)	(13.2)	(2.1)	(2.6)	(4.6)	13	35	47
Shopping Centres	2,115	(3.7)	(6.3)	(9.8)	(0.1)	(2.0)	(2.1)	13	20	34
Superstores	332	(0.7)	(2.9)	(3.6)	(0.2)	(0.5)	(0.7)	(1)	(6)	(8)
Department Stores	70	(24.9)	(20.3)	(40.1)	(18.4)	(8.8)	(25.6)	119	(60)	147
High Street	169	(1.1)	(7.8)	(8.8)	(0.2)	(3.7)	(3.9)	(2)	7	5
Leisure	298	2.0	-	1.9	0.0	0.0	0.0	2	1	13
Retail	**5,577**	**(4.5)**	**(7.0)**	**(11.1)**	**(1.5)**	**(2.3)**	**(3.8)**	**14**	**36**	**37**

[1] Group's share of properties in joint ventures and funds including HUT at ownership share

[2] Valuation movement during the year (after taking account of capital expenditure) of properties held at the balance sheet date, including developments (classified by end use), purchases and sales

[3]As calculated by IPD
[4]Including notional purchaser's costs

Gross Rental Income[1]

Accounting Basis £m	12 months to 31 March 2019			Annualised as at 31 March 2019		
	Group	JVs & Funds	Total	Group	JVs & Funds	Total
West End	141	-	141	140	-	140
City	9	70	79	7	68	75
Offices	**150**	**70**	**220**	**147**	**68**	**215**
Regional	57	90	147	57	86	143
Local	98	24	122	90	23	113
Multi-let	**155**	**114**	**269**	**147**	**109**	**256**
Department Stores and Leisure	38	-	38	24	-	24
Superstores	5	16	21	5	15	20
Solus and Other	14	-	14	12	-	12
Retail	**212**	**130**	**342**	**188**	**124**	**312**
Residential[2]	**5**	**-**	**5**	**4**	**-**	**4**
Canada Water	**9**	**-**	**9**	**8**	**-**	**8**
Total	**376**	**200**	**576**	**347**	**192**	**539**

[1] Gross rental income will differ from annualised rents due to accounting adjustments for fixed & minimum contracted rental uplifts and lease incentives

[2] Stand-alone residential

Portfolio Net Yields[1,2]

At 31 March 2019	EPRA net initial yield %	EPRA topped up net initial yield %[3]	Overall topped up net initial yield %[4]	Net equivalent yield %	Net reversionary yield %
West End	3.6	4.0	4.0	4.3	4.8
City	4.0	4.4	4.4	4.7	5.3
Offices	**3.8**	**4.1**	**4.2**	**4.4**	**5.0**
Regional Lifestyle	4.8	5.0	5.1	5.3	5.4
Local Lifestyle	5.4	5.6	5.7	5.9	5.8
Multi-let	**5.1**	**5.2**	**5.3**	**5.6**	**5.6**
Department Stores & Leisure	6.1	6.1	7.2	5.6	5.0
Superstores	5.6	5.6	5.6	5.3	5.2
Solus & Other	6.0	6.2	6.2	5.6	4.6
Retail	**5.2**	**5.3**	**5.5**	**5.6**	**5.5**
Canada Water	**3.2**	**3.2**	**3.2**	**3.9**	**4.0**
Total	**4.5**	**4.7**	**4.8**	**5.0**	**5.2**

On a proportionally consolidated basis including the Group's share of joint ventures and funds
[1] Including notional purchaser's costs
[2] Excluding committed developments, assets held for development and residential assets
[3] Including rent contracted from expiry of rent-free periods and fixed uplifts not in lieu of rental growth
[4] Including fixed/minimum uplifts (excluded from EPRA definition)

Total Property Return (as calculated by IPD)

12 months to 31 March 2019	Offices		Retail		Total	
%	British Land	IPD	British Land	IPD	British Land	IPD
Capital Return	1.4	2.0	(11.4)	(7.3)	(5.0)	0.1
- ERV Growth	1.4	1.2	(3.8)	(3.3)	(1.6)	0.2
- Yield Movement[1]	2 bps	(10 bps)	37 bps	26 bps	19 bps	(1 bps)
Income Return	3.4	3.8	5.3	5.0	4.3	4.4
Total Property Return	**4.9**	**5.8**	**(6.6)**	**(2.6)**	**(0.9)**	**4.6**

On a proportionally consolidated basis including the Group's share of joint ventures and funds
[1] Net equivalent yield movement

Occupiers Representing over 0.5% of Total Contracted Rent

At 31 March 2019	% of total rent		% of total rent
Tesco[1]	4.8	Deutsche Bank	0.8
Sainsbury's[2]	3.7	Homebase	0.8
Debenhams[3]	3.4	Steinhoff	0.8
Government	3.0	Henderson	0.8
Next	2.6	TGI Fridays	0.7
Kingfisher	2.3	Reed Smith	0.7
Facebook[3]	2.0	Leiws Trust (River Island)	0.7
Dentsu Aegis	2.0	H&M	0.7
Alliance Boots[4]	1.9	DFS Furniture Group	0.7
Visa	1.7	NEX Grp Plc	0.6
M&S	1.7	Restaurant Group	0.6
Dixons Carphone	1.5	Mayer Brown	0.6
Arcadia	1.5	Primark	0.6

Herbert Smith Freehills	1.4	Hutchison Whampoa Ltd	0.6
Gazprom	1.1	David Lloyd	0.6
TJX (TK Maxx)	1.1	Credit Agricole	0.6
JD Sports Fashion	1.1	Lend Lease	0.6
Vodafone	1.1	Pets at Home	0.6
SportsDirect	1.0	Bridgestreet	0.6
Microsoft	1.0	Mimecast Ltd	0.6
New Look	1.0	Aramco	0.5
Virgin	0.9	Wilko Retail	0.5
Asda	0.9		

[1]Includes £3.4m at Surrey Quays Shopping Centre

[2]Reduces to 1.8% following post year end sale of 12 stores

[3] Debenhams reduces to 1.8% and Facebook increases to 3.6% following post year end letting of 10 Brock Street to Facebook

[4] Represents current occupation of 10 Triton Street covering 118,000 sq ft of space. Taking into account their pre-let of 310,000 sq ft at 1 Triton Square, % of contracted rent would rise to 5.5%. As part of this new letting, Dentsu Aegis have an option to return their existing space at 10 Triton Street in 2021. If this option is exercised, there is an adjustment to the rent free period in respect of the letting at 1 Triton Square to compensate British Land.

Major Holdings

At 31 March 2019	BL Share %	Sq ft '000	Rent (100%) £m pa[1,4]	Occupancy rate %[2,4]	Lease length yrs[3,4]
Broadgate	50	4,133	138	96.7	5.5
Regent's Place	100	1,740	77	98.7	5.6
Paddington Central	100	958	45	97.2	5.4
Meadowhall, Sheffield	50	1,500	88	98.9	5.9
Glasgow Fort	78	510	22	97.0	6.0
Ealing Broadway	100	540	15	90.8	4.6
Drake's Circus, Plymouth	100	1,082	19	96.3	6.9
Teesside, Stockton	100	569	16	94.3	4.7
Sainsburys Superstores[5]	51	1,457	31	100.0	8.3
Portman Square	100	134	10	100.0	6.5

[1] Annualised EPRA contracted rent including 100% of Joint Ventures & Funds

[2] Includes accommodation under offer or subject to asset management

[3] Weighted average to first break

[4] Excludes committed and near term developments

[5] Comprises stand-alone stores. Following post year end sale of 12 Sainsbury's superstores, BL share % increases to 55%, sq ft reduces to 325,000, rent reduces to £8m and lease length increases to 9.9 yrs

Lease Length & Occupancy

At 31 March 2019	Average lease length yrs		Occupancy rate %	
	To expiry	To break	EPRA Occupancy	Occupancy[1,2,3]
West End	6.8	5.7	97.2	98.3
City	6.6	5.7	93.2	96.6
Offices	**6.7**	**5.7**	**95.8**	**97.7**
Regional	7.2	6.0	95.7	97.0
Local	6.9	5.6	94.7	95.3
Multi-let	**7.0**	**5.8**	**95.3**	**96.2**
Department Stores and Leisure	15.3	15.3	100.0	100.0
Superstores	12.2	12.2	100.0	100.0
Solus and Other	11.1	10.5	100.0	100.0
Retail	**8.0**	**7.0**	**95.9**	**96.7**

Canada Water	**5.6**	**5.5**	**98.5**	**98.7**
Total	**7.4**	**6.4**	**95.9**	**97.2**

[1] Space allocated to Storey is shown as occupied where there is a Storey tenant in place otherwise it is shown as vacant. Total occupancy would rise from 97.2% to 97.5% if Storey space were assumed to be fully let.

[2] Includes accommodation under offer or subject to asset management

[3]Where occupiers have entered administration or CVA but are still liable for rates, these are treated as occupied. Reflecting units currently occupied but expected to become vacant, then the occupancy rate for Retail would reduce from 96.7% to 96.1%, and total occupancy would reduce from 97.2% to 96.9%

Portfolio Weighting

At 31 March	2018 %	2019 %	2019 £m
West End	31.0	33.0	4,066
City	17.9	18.2	2,242
Offices	**48.9**	**51.2**	**6,308**
Regional Lifestyle	22.1	22.4	2,764
Local Lifestyle	16.7	16.1	1,973
Multi-let	**38.8**	**38.5**	**4,737**
Department Stores & Leisure	4.3	2.6	323
Superstores	2.6	2.7	332
Solus & Other	2.3	1.5	185
Retail	**48.0**	**45.3**	**5,577**
Residential[1]	**1.0**	**1.0**	**128**
Canada Water	**2.1**	**2.5**	**303**
Total	**100.0**	**100.0**	**12,316**
London Weighting	**59%**	**61%**	**8,127**

[1] Stand-alone residential

Annualised Rent & Estimated Rental Value (ERV)

At 31 March 2019	Annualised rent (valuation basis) £m[1]			ERV £m	Average rent £psf	
	Group	JVs & Funds	Total	Total	Contracted[2]	ERV
West End[3]	139	-	139	184	58.6	67.2
City[3]	7	67	74	101	48.7	57.6
Offices[3]	**146**	**67**	**213**	**285**	**54.8**	**63.5**
Regional Lifestyle	58	90	148	166	31.0	33.6
Local Lifestyle	96	24	120	130	23.4	24.5
Multi-let	**154**	**114**	**268**	**296**	**27.0**	**28.9**
Department Stores & Leisure	21	-	21	17	15.9	12.9
Superstores	5	15	20	18	22.2	20.6
Solus & Other	12	-	12	9	20.2	15.5
Retail	**192**	**129**	**321**	**340**	**25.3**	**26.1**
Residential[4]	**4**	**-**	**4**	**4**	**44.8**	**37.9**
Canada Water[5]	**8**	**-**	**8**	**10**	**17.9**	**21.8**
Total	**351**	**196**	**547**	**639**	**31.3**	**34.7**

[1] Gross rents plus, where rent reviews are outstanding, any increases to ERV (as determined by the Group's external valuers), less any ground rents payable under head leases, excludes contracted rent subject to rent free and future uplift

[2] Annualised rent, plus rent subject to rent free

[3] £psf metrics shown for office space only

[4] Stand-alone residential

[5] Reflects standing investment only

Rent Subject to Open Market Rent Review

For period to 31 March	2020	2021	2022	2023	2024	2020-22	2020-24
At 31 March 2019	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
West End	4	15	10	9	13	29	51
City	13	4	9	-	-	26	26
Offices	**17**	**19**	**19**	**9**	**13**	**55**	**77**
Regional	9	19	13	11	9	41	61
Local	11	12	5	17	5	28	50
Multi-let	**20**	**31**	**18**	**28**	**14**	**69**	**111**
Department Stores and Leisure	-	-	-	-	7	-	7
Superstores	8	5	-	2	3	13	18
Solus and Other	-	-	-	-	-	-	-
Retail	**28**	**36**	**18**	**30**	**24**	**82**	**136**
Residential	**-**	**-**	**1**	**-**	**-**	**1**	**1**
Canada Water[1]	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total	**45**	**55**	**38**	**39**	**37**	**138**	**214**

On a proportionally consolidated basis including the Group's share of joint ventures and funds
[1] Reflects standing investment only

Rent Subject to Lease Break or Expiry[1]

For period to 31 March	2020	2021	2022	2023	2024	2020-22	2020-24
At 31 March 2019		**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
West End	4	19	22	26	15	45	86
City	15	10	2	3	13	27	43
Offices	**19**	**29**	**24**	**29**	**28**	**72**	**129**
Regional Lifestyle	17	10	12	19	20	39	78
Local Lifestyle	15	10	13	12	20	38	70
Multi-let	**32**	**20**	**25**	**31**	**40**	**77**	**148**
Department Stores & Leisure	-	-	-	-	-	-	-
Superstores	-	-	-	2	-	-	2
Solus & Other	1	-	-	-	-	1	1
Retail	**33**	**20**	**25**	**33**	**40**	**78**	**151**
Residential	**-**	**3**	**-**	**-**	**-**	**3**	**3**
Canada Water	**1**	**1**	**1**	**1**	**2**	**2**	**5**
Total	**53**	**53**	**49**	**63**	**70**	**155**	**288**
% of contracted rent	**9.1%**	**9.1%**	**8.3%**	**10.9%**	**12.0%**	**26.5%**	**49.4%**

On a proportionally consolidated basis including the Group's share of joint ventures and funds

Recently Completed and Committed Developments

At 31 March 2019	Sector	BL Share	100% sq ft	PC Calendar Year	Current Value	Cost to come	ERV	Let & Under Offer
		%	**'000**		**£m**	**£m[1]**	**£m[2]**	**£m**
1 Finsbury Avenue	Office	50	287	Q1 2019	153	11	8.2	4.7
Total Completed in the Year			**287**		**153**	**11**	**8.2**	**4.7**
100 Liverpool Street	Office	50	521	Q1 2020	240	82	19.1	10.6

135 Bishopsgate	Office	50	335	Q3 2019	156	34	9.7	8.7
1 Triton Square[3]	Office	100	366	Q4 2020	289	122	23.1	21.8
Plymouth (Leisure)	Retail	100	108	Q4 2019	29	14	3.1	2.1
Total Committed			**1,330**		**714**	**252**	**55.0**	**43.2**
Retail Capital Expenditure[4]						53		

[1] From 1 April 2019. Cost to come excludes notional interest as interest is capitalised individually on each development at our capitalisation rate

[2] Estimated headline rental value net of rent payable under head leases (excluding tenant incentives)

[3] ERV let & under offer of £21.8m represents space taken by Dentsu Aegis. As part of this letting, Dentsu Aegis have an option to return their existing space at 10 Triton Street in 2021. If this option is exercised, there is an adjustment to the rent free period in respect of the letting at 1 Triton Square to compensate British Land

[4] Capex committed and underway within our investment portfolio relating to leasing and asset management

Near Term Development Pipeline

At 31 March 2019	Sector	BL Share %	100% sq ft '000	Expected Start On Site	Current Value £m	Cost to Come £m[1]	ERV £m[2]	Let & Under Offer £m	Planning Status
Norton Folgate	Office	100	335	Q3 2019	62	206	20.6	-	Consented
1-2 Broadgate	Office	50	531	Q2 2020	94	198	18.8	-	Consented
Total Near-Term			**866**		**156**	**404**	**39.4**	**-**	
Retail Capex [3]						78			

[1] From 1 April 2019. Cost to come excludes notional interest as interest is capitalised individually on each development at our capitalisation rate

[2] Estimated headline rental value net of rent payable under head leases (excluding tenant incentives)

[3] Forecast capital commitments within our investment portfolio over the next 12 months relating to leasing and asset enhancement

Medium Term Development Pipeline

At 31 March 2019	Sector	BL Share %	100% Sq ft '000	Planning Status
2-3 Finsbury Avenue	Office	50	563	Consented
Gateway Building	Leisure	100	105	Consented
5 Kingdom Street[1]	Office	100	429	Consented
Meadowhall (Leisure)	Retail	50	333	Consented
Ealing – 10-40 The Broadway	Retail	100	292	Pre-submission
Aldgate Place Phase 2	Residential	50	145	Consented
Eden Walk Retail & Residential	Mixed Use	50	533	Consented
Plymouth, George Street	Retail	100	43	Submitted
Total Medium Term excl. Canada Water			**2,443**	
Canada Water – Phase 1 [2,3,4]	Mixed Use	100	1,917	Submitted

[1] Planning consent for previous 240,000 sq ft scheme

[2] Canada Water site covers 5m sq ft in total based on net area (gross area of 7m sq ft)

[3] Phase 1 consists of Phase 1a, 1b, 1c. Detailed planning submitted for Phase 1a (576,000 sq ft), outline planning submitted for total Phase 1

[4] On drawdown of the Master Development Agreement, ownership reduces to 80% with LBS owning 20%. LBS ownership will adjust over time depending on level of investment by Southwark

Forward-looking statements

This Press Release contains certain 'forward-looking' statements. Such statements reflect current views, expectations and beliefs on, among other things, our markets, activities, projections, objectives, performance, financial condition and prospects, as well as assumptions about future events. 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', 'considers', 'estimates', 'anticipates', 'expects', 'forecasts', 'intends', 'continues', 'due', 'plans', 'seeks', 'projects', 'goal', 'outlook', 'schedule', 'target', 'aim', 'may', 'likely to', 'will', 'would', 'could', 'should' or similar expressions or in each case their negative or other variations or comparable terminology. By their nature, forward-looking statements involve inherent known and unknown risks, assumptions and uncertainties because they relate to future events and depend on circumstances which may or may not occur and may be beyond our ability to control or predict. Forward-looking statements should be regarded with caution as actual outcomes or results, or plans or objectives, may differ materially from those expressed or implied by such statements. Recipients should not place reliance on, and are cautioned about relying on, any forward-looking statements.

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