British Land

Places People Prefer

Annual Report
and Accounts 2015

We create outstanding places which make a positive difference to people's everyday lives

Our portfolio of high quality commercial property is focused on retail locations around the UK and London offices.

Our purpose is to deliver long term and sustainable total returns to all our stakeholders. We do this by focusing on ***Places People Prefer***.

Sustainability
We believe that operating sustainably and behaving responsibly are fundamental to creating long term value. Information relating to social, environmental and ethical issues is integrated throughout this Report showing more directly how we create value not just for our investors but for our other key stakeholders and the society in which we operate.

To read more go to **www.britishland.com/sustainability**

In this year's Annual Report…

Annual highlights

Review our performance and key achievements of the year.

To read more please go to pages 1, 6 to 9 and 24 to 25

Our portfolio

Read more about our £13.6 billion property portfolio and how it has performed over the year.

To read more please go to pages 2 to 3

Our business model

Learn about what we do and what sets us apart.

To read more please go to pages 14 to 21

Key market trends

Identifying macro trends in our markets and how we are responding.

To read more please go to pages 10 to 13

How we create Places People Prefer

Understand how our properties enhance the lives of those who work, shop and live in them.

To read more please go to pages 14 to 23 and 27 to 35

For more information

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

Find more information on our website www.britishland.com

Feedback

We value your feedback. Please contact us at:

Our corporate website www.britishland.com

Follow us on Twitter @BritishLandPLC

HIGHLIGHTS OF THE YEAR

EPRA net asset value per share

829p

Up 20.5%

Dividend per share

27.68p

Up 2.5%, in line with previous announcements

Total accounting return

24.5%

Reflecting the increase in our net asset value per share and income yield from the dividend

Portfolio valuation

£13.6bn

UK property portfolio up 12.1%

Underlying profit before tax

£313m

Up 5.4% reflecting successful letting of completed developments, like-for-like growth and liability management

Underlying EPS

30.6p

Up 4.1%

Carbon emissions

-39% since 2009

We have reduced our Scope 1 and 2 carbon emissions across our like-for-like portfolio by 39% since 2009

Customer satisfaction

7.8/10

In our independent customer satisfaction survey our occupiers scored us 7.8 out of 10 for satisfaction with landlord

- Valuation uplift reflecting strong markets and our actions.
- Exceptional leasing activity; portfolio close to full occupancy.
- Continued repositioning of the portfolio with £2.4 billion of gross investment activity.
- Progressing the development pipeline focusing on London and our strongest retail assets.
- Replenishing long term pipeline with a major regeneration opportunity at Canada Water.
- Financing costs significantly reduced.

CONTENTS

Strategic Report

Mission, highlights and contents	1
At a glance	2
Chairman's statement	4
Chief Executive's review	6
Market overview	10
Our business model	14
Our strategy	22
Creating Places People Prefer	27
Performance review	36
Carbon reporting	48
Financial review	49
Financial policies and principles	53
Managing risk in delivering our strategy	56

Governance and remuneration

Board of Directors	64
Board of Directors – biographies	66
Chairman's governance review	68
Our governance structure	70
Governance review	72
Report of the Audit Committee	78
Report of the Nomination Committee	82
Remuneration report	86
Directors' report and additional disclosures	113
Directors' responsibility statement	115

Financial Statements

Report of the auditor	118
Primary statements and notes	124
Company balance sheet	167
Supplementary (unaudited) disclosures	173

Other information

Other unaudited information	180
Ten year record	190
Shareholder information	191
Glossary	193

European Public Real Estate Association (EPRA) Performance measures

As at 31 March (£m)	2015	2014	2013
EPRA earnings	**313**	295	268
EPRA NAV	**9,035**	7,027	5,967
EPRA NNNAV	**8,359**	6,700	5,522

As at 31 March (%)	2015	2014	2013
EPRA net initial yield	**4.3**	4.8	5.5
EPRA 'Topped-up' net initial yield	**4.8**	5.3	5.7
EPRA vacancy rate	**2.9**	5.2	3.4

IFRS performance measures

As at 31 March (£m)	2015	2014	2013
IFRS profit before tax	**1,789**	1,110	260
IFRS net assets	**8,565**	7,117	5,687

GROUP AT A GLANCE

We create places people want to work, shop and live. Places People Prefer.

Group

Across our portfolio, we create attractive environments in the right places focused around the people who work, shop and live in them.

£18.9bn
Assets under management

£611m
Contracted rent

£13.6bn
British Land owned

98.3%
Occupancy rate

29.7m sq ft
Of floor space

9.5Yrs
Weighted average lease length

Highlights

- Total accounting return of 24.5% for the year, bringing two-year return to 48%.
- £2.4bn of gross investment activity, with acquisitions and development spend broadly balancing disposals.
- £135m acquisition of Surrey Quays Leisure Park, completing our 46 acre site in Zone 2.
- Over £2 billion financing activity reducing average interest rate costs by 30bps.
- The Leadenhall Building completed and 84% let/under offer.

Retail & Leisure

We are the UK's largest listed owner and manager of retail space. Our portfolio is closely aligned to the way people shop today. We provide high quality retail alongside a growing leisure offer in attractive and accessible places.

£10.3bn
Assets under management

14
Shopping centres

£7.5bn
British Land owned

60
Retail parks

22.0m sq ft
Of floor space

57
Food superstores

Highlights

- Over 1m sq ft of lettings and renewals, maintaining occupancy at 98.5%.
- £1.5bn capital recycling, including £733m property exchange with Tesco.
- £100m invested in improving and extending Retail assets.
- Rental growth of 2.5%, the highest in seven years.

Retail and Leisure performance review see pages 40 to 43

Office & Residential

Our Offices and Residential portfolio is focused on London reflecting its position as a leading global city. We have an attractive mix of high quality buildings in well-managed environments.

£8.6bn
Assets under management

3
Office-led, mixed use campuses over 54 acres with 33 buildings

£6.1bn
British Land owned

58
Stand-alone office buildings

7.7m sq ft
Of floor space

8
Office and residential developments

Highlights

- Nearly 1m sq ft of lettings and renewals, bringing occupancy to 98.1%.
- £210m acquisition of 1 Sheldon Square, Paddington Central after the year end.
- Started on site at 4 Kingdom Street, Paddington Central.
- Planning permission received for 517,000 sq ft at 100 Liverpool Street and an application submitted for 347,000 sq ft at Blossom Street, Shoreditch.

Office and Residential performance review see pages 44 to 47

Our portfolio is focused on retail locations around the UK and London offices.

Our properties are home to over 1,200 different organisations ranging from international brands to local start ups. 60,000 people work across our Office portfolio, and our Retail sites receive 350 million visits per year.

Broadgate

4.7 million sq ft

Office and Retail space

100%

Occupancy rate

A 30 acre fully managed business campus, built around Liverpool Street Station, in London's square mile.
www.broadgate.co.uk

United Kingdom

London

Drake Circus

570,000 sq ft

Retail and leisure space

96%

Occupancy rate

Located in the centre of Plymouth, Drake Circus Shopping Centre has over 70 shops and restaurants and attracts 18 million visitors a year.
www.drakecircus.com

Clarges Mayfair

192,000 sq ft

Of floor space

56%

Residential pre-sold

A mixed use development in the heart of Mayfair, comprising 34 high-end residential apartments as well as over 60,000 sq ft of prime office and retail space.
www.clargesmayfair.com

Map key

- Office & Residential
- Retail & Leisure

CHAIRMAN'S STATEMENT

We've had another active and productive year

Key highlights of the year

Total accounting return

24.5%

Reflecting the increase in our net asset value per share and income yield from the dividend

EPRA net value per share

829p

Up 20.5%

Dividend per share

27.68p

Up 2.5%, in line with previous announcements

We have continued to ensure our portfolio comprises attractive, well located assets focused around the way people work, shop and live. Our decision to increase our exposure to London and invest in the continued reshaping of our retail portfolio has enabled us to benefit from strong markets, and our business has continued to do well.

Over the year, we undertook £2.4 billion of gross investment activity, increasing our weighting in London and the South East from 50% five years ago to 64% today. Activity included the recent acquisition of One Sheldon Square, a strategic piece of Paddington Central, which brings our total investment at the campus to 800,000 sq ft. We continued to reshape our retail portfolio, reducing our investment in superstores to under 7% of the portfolio and increasing our investment in assets we like, such as multi-let shopping parks in the South.

We had an exceptional period for leasing with 2.4 million sq ft of lettings and renewals across the business taking our overall occupancy to 98%.

We also progressed our development programme. At the Leadenhall Building, we completed one of London's most iconic buildings. The letting up of the building was one of the highlights of the year. We decided early on to focus on the lower floors, holding back the higher floors until the building was completed. This strategy has paid off; the Leadenhall Building is now 84% let at record rents. We completed a new restaurant re-development at Broadgate Circle, delivered extensions on almost 200,000 sq ft of retail assets, and pre-sold over half of the apartments at Clarges Mayfair, our super-prime residential development. At Paddington, we are now on site at 4 Kingdom Street constructing a further 147,000 sq ft of office space.

Successful property companies today need to be more than just good investors; they need to really understand the needs of occupiers and their end users. Our strategic focus to create Places People Prefer kept us busy and is the reason our properties are in demand and are virtually fully let.

The market is constantly changing and we need to ensure we keep pace and respond to some of the key macro trends including urbanisation, and the transformational impact of technology. This is having a profound effect on the way people live and the way they use real estate. We have made significant efforts in recent years to understand the people who visit our properties and have repositioned our portfolio to serve their needs and to reflect the way the market is changing.

Creating environments is what British Land does best and where we have a real competitive advantage. This continued focus is delivering attractive long term returns for our shareholders. Underlying pre-tax profit was up 5.4% to £313 million. The value

> *Creating environments is what British Land does best and where we have real competitive advantage."*

of our portfolio now stands at £13.6 billion and NAV was up 20.5% to 829 pence per share. The Board has recommended a fourth quarter dividend of 6.92 pence per share making a total of 27.68 pence for the year. The total accounting return was 24.5%.

Our social and environmental initiatives make a real and positive difference, adding value to our assets. Our activities are valued by our occupiers and the communities in which we operate and are integral to our approach to doing business. Our focus on sustainability is not new but this year we have further refined our priorities to ensure that we are responding to developing trends and opportunities. We focus on wellbeing, community, operational efficiency and developing skills and opportunities for growth. Our approach is one that has been recognised again this year in global indices and is a great endorsement of our activities.

In July 2014, Dido Harding stood down as a Non-Executive Director following her appointment as a non-executive director at the Court of the Bank of England. I would like to thank Dido for the very valuable contribution she has made to British Land. Following Dido's departure, Lord Turnbull agreed to stay on our board for a further two years as Senior Independent Director.

We appointed Lynn Gladden, pro-vice-chancellor for research and Shell Professor of Chemical Engineering at the University of Cambridge as a Non-Executive Director in March 2015. Lynn has strong business experience and throughout her career has forged partnerships with major industrial partners.

In May 2015, we also appointed Laura Wade-Gery, executive director Multi Channel, Marks and Spencer plc as a Non-Executive Director. Laura brings huge retail experience, particularly of e-commerce and multi channel markets. Both appointments further broaden the experience of our Board.

We have done much to reposition the portfolio and we are well placed to benefit from the wider macro trends influencing real estate today. While the recent General Election has removed one element of uncertainty others remain, but I am confident that we are well placed to deliver continued outperformance, and look forward to the year ahead.

John Gildersleeve
Non-Executive Chairman

> *Our strategic focus to create Places People Prefer has kept us busy and is the reason our properties are in demand and virtually fully let."*

Full year results 2015 video **www.britishland.com/results**

Chief Executive's review see pages 6 to 9

Chairman's governance review see pages 68 to 69

CHIEF EXECUTIVE'S REVIEW

The decisions and actions we have taken both this year and in previous years continue to be a key driver of our performance

Key highlights of the year

Strong results

24.5%

Total accounting returns

Continued outperfomance against market benchmarks.

Exceptional leasing activity

2.4m sq ft

Lettings and renewals, completed or under offer

Lettings overall 10% ahead of ERV.

Investing in line with our strategy

£2.4bn

Gross investment activity

Asset sales broadly balanced with acquisitions and development spend.

Replenishing our development pipeline

6.9m sq ft

Medium term pipeline

Completed assembly of 46 acre Canada Water site.

It has been a good year for British Land. We delivered high returns underpinned by a positive market and a strong operational performance. We completed £2.4 billion of investment activity, improving the quality of the portfolio, and increasing our weighting towards London and the South East. Across our assets we focused on creating Places People Prefer, and at Canada Water, our 46-acre regeneration project in South London, we have created a unique opportunity to deliver this on a large scale.

Over the last two years, our business has achieved a total accounting return of nearly 50%, with returns of 24.5% in 2015. This has been underpinned by growth in our net asset value, up 20.5% in the year to 829 pence per share. This strong performance reflects strategic decisions taken over the last five years to reposition the business towards the strongest markets, together with our day to day asset management activities. Our portfolio value increased by 12.1% generating total property returns of 18.4% for the year, ahead of property benchmarks on both a total and a capital return basis.

Underlying profits were 5% ahead at £313 million, with underlying EPS up 4.1% at 30.6 pence. In line with previous announcements, the final quarterly dividend will be 6.92 pence per share, bringing the full year dividend to 27.68 pence, an increase of 2.5%. Our LTV has reduced to 35% and we expect to maintain a lower level of leverage going forward. As a result of our refinancing activities, including the re-couponing element of the Tesco property exchange transaction, our average financing cost is down 30 bps compared with last year at 3.8% (2014: 4.1%). Reflecting our confidence in the coming year, the Board is proposing a quarterly dividend of 7.09 pence per share or 28.36 pence per share for the full year, an increase of 2.5%.

This was an exceptional period for leasing. In Offices, we let, renewed or placed under offer nearly 1 million sq ft of space, with the Leadenhall Building the stand out performer. It is now 84% let or under offer, up from 53% at the start of the year, with 199,000 sq ft let or placed under offer over the year, and lettings on the highest floors breaking records for City rents. Across the Office portfolio, we are now 98% let, with investment lettings and renewals on average 10.8% ahead of ERV. We are also attracting a new type of occupier, with technology and creative sectors accounting for a growing proportion of lettings. We let space at Broadgate and Crown Place respectively to collaborative workspace providers WeWork and Central Working. At Regent's Place, Facebook will increase their presence to over 150,000 sq ft, with a new letting at 338 Euston Road in addition to the space they currently occupy at 10 Brock Street.

Full year results presentation **www.britishland.com/results**

> *We have benefited from strengthening occupational and investment markets."*

This activity is a positive reflection of the work we are doing across the portfolio to create environments which are well suited to the way people work today. At Broadgate, we completed the refurbishment of Broadgate Circle, creating a vibrant new high-end dining destination for this part of the City. At Regent's Place, we increased the retail and leisure offering with a number of independent operators added over the year. At Paddington Central, we are underway with the first phase of public realm improvements and submitted planning for a second phase.

In Retail, we let or renewed terms on over 1 million sq ft of space, nearly 9% ahead of ERV. The portfolio is virtually full and we saw the highest rental growth in seven years. Footfall is up 1.9% outperforming market benchmarks by 290 bps. Our focus in Retail is on owning assets that capture a broad range of consumer journeys and on using our skills, knowledge, insights and relationships to drive value. Across the portfolio we are improving environments; adding leisure space; trialling new concepts in food and entertainment; and where we see value, leveraging technology. Our strong operational performance shows this approach is delivering results.

This focus is also reflected in our investment activity. Our £733 million property exchange with Tesco replaced 21 standalone foodstores, where our ability to improve the offering is limited, with attractive multi-let assets in areas of population growth, and all on financially attractive terms. Together with £123 million of further superstore sales, our overall weighting to standalone foodstores is reduced to just under 7% of the portfolio. In addition, we sold a further £245 million of mature retail assets, or assets which are not in line with our strategy.

Gross investment activity since the start of the year was £2.4 billion, including the acquisition of One Sheldon Square in April 2015, with acquisitions and development spend broadly balancing disposals. Our investment strategy focused on increasing our ownership in and around existing assets, through direct investment, by adding to our equity interest or the acquisition of adjacent properties, and over the year our portfolio was significantly re-oriented by a number of these incremental investments.

The acquisition of Surrey Quays Leisure Park announced in March 2015 for £135 million completed our site assembly at Canada Water. Spanning 46 acres, and assembled in four transactions over five years, this will be one of the most important regeneration projects in London, with the potential for up to 7 million sq ft (gross floor area) of office, retail, residential, leisure and community space. It is a major, long term project, which will be delivered in a number of phases and presents a unique opportunity to create an attractive, mixed use town centre which fully reflects the needs of local communities.

Places People Prefer is at the HEART of WHAT WE DO

A number of important macro trends are driving our activity and approach.

- How technology is transforming the way people work, shop and live.
- A growing population and more urban living.
- The increasing importance of high quality infrastructure.
- Sustainability in its broadest context.
- And globalisation, not just capital, but also people.

These trends are having a big impact on the UK real estate sector. We are positioning the business to be a long term beneficiary of these trends – playing to our strengths and focusing on our areas of competitive advantage.

Places People Prefer lies at the heart of what we do. It shapes our strategy and is how we focus our efforts on creating value.

By creating Places People Prefer we drive enduring demand for our properties from occupiers and investors. This generates long term growth in rental income and capital. Together with an optimal capital structure this delivers long term sustainable value for our shareholders.

Our strategic focus

There are four key focus areas for our business, which are how we deliver our strategy and create value. They are:

Customer Orientation

Right Places

Capital Efficiency

Expert People

For more information about our business model see pages 14 to 21

For more information about our strategy see pages 22 to 26

CHIEF EXECUTIVE'S REVIEW CONTINUED

"We have positioned our business behind key themes and invested accordingly."

The purchase of One Sheldon Square for £210 million after the year end increased our ownership interest at Paddington Central to 800,000 sq ft; it is strategically located at the entrance to the campus, giving us greater control over a key point of access. We also took full ownership of two of our joint ventures with Tesco, providing greater flexibility to improve the assets, and we increased our interest in the HUT portfolio of shopping parks to 69.2%.

We continued to take advantage of buoyant investment markets to exit mature assets, with disposals of £903 million over the year. We made further sales of £370 million residential units with the majority at Clarges Mayfair in the first half, taking advantage of stronger demand, particularly at the super-prime end.

Our development pipeline is moving forward. We are on site at 4 Kingdom Street, and submitted planning for two major London developments, Blossom Street, Shoreditch and 100 Liverpool Street; with permission recently granted at 100 Liverpool Street. These three developments are in line with our investment themes, which are focused on areas of London which will benefit from growth and regeneration; which have excellent transport infrastructure or are adjacent to our existing assets. We also committed to around £200 million of investment and development into our existing Retail portfolio over the next few years, including a substantial refurbishment of Meadowhall, on its 25th anniversary.

We made great progress over the year against our long-term social and environmental targets. 18,800 people benefited from our community programmes, including apprentices, jobseekers and school children, and 88% of our major assets achieved best practice or strong performance on all the social commitment targets set within our Community Charter. We have reduced carbon emissions and energy usage by 39% and 40% respectively against 2009, performing strongly on our efficiency targets and 95% of waste was diverted from landfill at our properties and developments. We are also pleased to have launched our 2020 Sustainability Strategy which focuses on the wellbeing of the people who use our assets, delivering the right support to local communities and businesses as well as the long term sustainability of our buildings.

Outlook

Our consistent outperformance in recent years underlines the success of our actions repositioning the business. Today, British Land is more concentrated on London and the South East; more of our Offices business is in the West End and in large mixed-use campuses; our Retail is well positioned for omni-channel growth and more focused on larger multi-let assets; we have rebuilt a substantial development pipeline at attractive prices; and we have lower leverage.

These actions put us in a strong position in the context of long-term trends which will have a significant impact on our markets: globalisation; population growth and urbanisation; and the transforming impact of technology on the way we work, shop and live. This all gives us confidence that we are well positioned for the future and for continued outperformance.

Chris Grigg
Chief Executive

Photograph by: www.richardbryant.co.uk

www.theleadenhallbuilding.com

Our 2016 Objectives

Looking to the new year, our strategy will remain consistent with creating Places People Prefer – positioning our business to benefit from long-term trends and playing to our strengths while ensuring we manage our capital effectively through the cycle. Our main areas of focus during the year are:

Customer Orientation

- Better understand the needs of our occupiers and end users.
- Deliver future proofing initiatives across the portfolio.
- Leverage Broadgate Estates further.
- Continue to improve systems and processes.

Right Places

- Progress our strategy for London.
- Progress committed and near-term developments.
- Refresh medium-term strategies for Broadgate, Meadowhall and Canada Water.
- Progress sustainability strategy.

Capital Efficiency

- Optimise size and financial structure across the property cycle.
- Optimise trade-offs between a cost efficient and higher capability organisation.
- Continue to build relationships with direct and indirect capital and public bodies.

Expert People

- Continue to improve organisational design and effectiveness.
- Build management capabilities for new as well as traditional skills sets.
- Develop people.

For more information about our priorities see pages 22 to 26

MARKET OVERVIEW

Major trends impacting our commercial property markets

Globalisation

Capital is increasingly global with international investors accounting for some of the most significant capital flows into the UK property market. The global labour force is also mobile. Cities which offer the best opportunities can attract the most talented workforce.

£32bn
Overseas investment into UK real estate in 2014

Representing
50%
of total investment activity

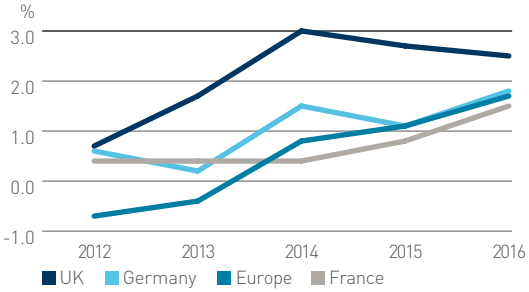
Sources of investment in UK real estate, 2014[1]

UK	50%
North America	26%
Asia	9%
Europe	7%
Middle-East	6%
Other	2%

Positive but moderate economic growth

The UK economic outlook is positive with moderate economic growth and rising employment forecast. This is supported by low interest rates and subdued inflation which are expected to remain low.

GDP growth[2]



Population growth and urbanisation

The UK population is projected to increase to 73m by 2037[3]; an additional 9 million people. The UK is forecast to be the most populous country in Europe by 2050. Much of the increase will be concentrated in urban centres around the UK, including London.

0.6%
% UK population growth pa[3]

14,500
people per sq km in parts of London compared to 353 people outside of London[3]

Retail and Leisure market overview see page 40

Offices and Residential market overview see page 44

[1] CBRE
[2] OECD
[3] ONS, October 2011

> *"Structural change at a global level has implications for real estate and our business."*

Transforming impact of technology

Technology is transforming the way we work and live. Flexible and co-operative working practices enable small businesses to compete more effectively with big businesses. In retail, shoppers expect to make transactions across multiple platforms. Construction is also moving forward, becoming more efficient with 'smarter' buildings.

18%
online penetration by 2019 versus 13% in 2015 [1]

24%
per annum growth in mobile/tablet spend over the next five years

Importance of infrastructure

Good transport infrastructure is a key factor influencing peoples' decisions on where to work, shop and live. This is particularly true in London, where investment in transport is regenerating large parts of the City.

£14.8bn
Total Crossrail funding

50%
Increase in public transport capacity required by 2050 [2]

Focus on sustainable and ethical behaviour

The financial and environmental costs of raw materials are increasing and there is growing pressure on governments to use policy to promote sustainability and ethical practices.

50%
more global consumption than the world's natural resources can renew every year [3]

78%
of the UK public believe big businesses prioritise profits over high ethical standards [4]

[1] Conlumino Research
[2] Mayor of London office
[3] WWF Living Planet Report 2014
[4] Forum of Private Business, 2015

MARKET OVERVIEW CONTINUED

What this means for British Land

London is outperforming

- Investment market of choice for global capital.
- London population forecast to hit 10m by mid-2030s.
- Increased demand for office, retail and residential space.

40%
of the world's largest 250 companies with European headquarters are in London [1]

47%
of highly skilled workers in the top five European cities are in London [1]

Merging of physical and online shopping

- Importance of convenience to time-poor shoppers.
- Growth of Click and Collect.
- Shopping as a leisure activity.

71%
growth in online spend by 2019 [2]

82%
growth in Click and Collect by 2019 [2]

Blurring of work and personal life

- Growth in flexible and community-based working.
- Increased workforce mobility.
- Focus on productivity rather than efficiency.
- Shorter commute times.

Competition for investment

- International investors with a low cost of capital acquiring UK assets.
- Asset management and development a more important driver of returns.

Focus on responsibility

- Increased importance of environmental and social factors.
- Increased value of trusted brand.

[1] Deloitte
[2] Caci/Verdict, 2014

How we are responding

"We identify key macro trends and invest behind them."

Getting closer to our consumers

- Improving data to understand changing consumer preferences.
- Increasing in-house management of our properties.
- Investing in customer services.
- Improving our marketing and branding capabilities.

Growing in London and the South East

- Investing in our existing assets.
- Identifying emerging areas that will see growth and regeneration.
- Targeting locations that will benefit from and local transport and infrastructure investments.

Profitable development

- Combining offices, retail and residential in mixed use projects.
- Keeping our portfolio modern.
- Replenishing the development pipeline.

Creating attractive environments

- Leveraging our placemaking skills to create exciting and engaging real estate.
- Environments which integrate places to work, shop and live.
- Places which interact with local communities.

Focusing on internet resilient retail

- Easily accessible and omni-channel friendly.
- Affordable and flexible space for retailers.
- Engaging environments with innovative concepts and a broad food, beverage and leisure offering.

Focusing on sustainability

- Adaptable and efficient buildings.
- Promoting wellbeing and productivity.
- Supporting local communities.
- Developing communities' skills and opportunities.

To read more about Strategy see pages 22 to 26

OUR BUSINESS MODEL

Places People Prefer is at the HEART of WHAT WE DO

Customer Orientation

Putting our customers at the heart of everything we do and investing in resources which help us get closer to the people who work, shop and live around our spaces.

Right Places

Making the right choices about the sectors and assets we invest in. Focusing on assets which will endure and keeping our portfolio modern through profitable development.

Capital Efficiency

Making the most efficient use of our capital by having the right mix of debt and equity; using strategic partnerships to access property deals and manage risk; and selling mature assets.

Expert People

Nurturing and developing our talent and ensuring we have the right mix of capabilities. Supporting the communities who live around our assets.

All our activities are underpinned by our values

Do what is right, not what is easy

Work efficiently as one team

Make commercial decisions that create long term value

Make things happen

WHAT *sets us* APART

Customer insight

Guiding how and where we do business

Placemaking skills

Creating environments which support today's work and leisure lifestyles

Attractive retail environments

Well positioned for future omni-channel expansion

High quality London office space

Focused on transport infrastructure and growth areas

Mixed use development experience

Combining offices, retail, residential and leisure

Ability to source and execute complex deals

Focused on opportunities where we can add value

Strong network of relationships

Spanning occupiers, planners, community leaders, strategic partners and investors

Sustainability credentials

Award winning energy efficiency and community programmes

OUR BUSINESS MODEL EXPLAINED

We focus on four key areas to create long term sustainable value

55,000

shoppers have been interviewed over the last 12 months as part of our consumer research

Customer Orientation

We focus not just on the people who lease our properties but also our end customers – the people who work, shop and live in our buildings and the local communities who live around them. Expectations are rising and the overlap between work and home lives is increasing, driving demand for working environments with shops and restaurants, and shopping environments, which span multiple delivery platforms and offer a broad mix of leisure and entertainment options.

We recognise the importance of balancing the expectations of the people who use our assets with the needs of local communities. Properties which are closely integrated with the people who live around them – which create jobs and opportunities to develop skills, provide amenities and places to meet and are in keeping with local surroundings, ultimately provide the most welcoming places to work or shop.

We are positioning our assets around all these demands and we are investing in resources to help us get closer to the people who visit and live around our spaces. In Retail, our regular surveys now cover over 98% of multi-tenanted assets, with over 55,000 shoppers interviewed in the last 12 months, providing valuable insights into their expectations which we share with our retailers.

We undertake extensive customer satisfaction surveys across the business, enabling us to work with occupiers to identify areas for improvement. Across the portfolio, we are increasingly working with industry experts to develop measures to evaluate the wellbeing of both workers and shoppers.

Technology plays an important role in our strategy. Not only is it used to capture consumer preference data, but increasingly it shapes our response. In retail, a single consumer journey can span multiple platforms – items can be viewed, compared, tried on and purchased either from the store, or online and we are positioning our portfolio

"64% of our Click and Collect visitors purchase further items on site."

99,000

People work or live in our properties

to complement these trends and be the location of choice for retailers and shoppers alike. Our portfolio is tailored to the way people shop. The majority of assets offer free wi-fi and Click and Collect facilities and free car parking is widely available. We aim to drive preference for our assets by providing a broad range of high quality services.

We undertake the day-to-day management of our office properties through our wholly-owned subsidiary, Broadgate Estates. Broadgate Estates is one of the UK's leading property management companies and is active across retail, offices and residential. Its client portfolio includes some of the most prestigious properties in the UK. We leverage Broadgate Estates' scale and expertise across the wider market to provide best in class service. Having proved highly successful at managing our office properties, we have recently awarded Broadgate Estates contracts to manage a number of our Retail assets. Over time we expect to transition the management of additional assets.

We create Places People Prefer by orientating our business around the end customer. Their preference means we are able to attract some of the highest quality occupiers to our properties. The quality and diversity of our occupiers, high occupancy levels and long leases provide security of income, which enhances the quality of our portfolio. No single occupier accounts for more than 7% of our revenues.

For major occupiers see table on page 185

In Residential, we work closely with prospective purchasers to deliver the product they want. Apartments are extensively marketed prior to completion, enabling us to de-risk developments significantly through pre-sales.

For further detail on our residential developments see table on page 188

Regent's Place

At Regent's Place, we have let all available space, sold all the residential units and refreshed the retail and food offering with an exciting line up of new brands.

www.regentsplace.com

the refinery Regent's Place

chop'd REAL good FOOD fast

MILK & BEANS BEANY GREEN

OUR BUSINESS MODEL EXPLAINED CONTINUED

£3bn

of our assets are located close to Crossrail stations

"Our development programme is focused on mixed use opportunities in London."

Right Places

Right Places is about making the right investment choices in terms of the sectors and assets we invest in.

We focus on two principal areas of the UK property market – retail around the UK and offices in London. We also invest in complementary sectors. So within our Retail portfolio, we are investing in food, beverage and leisure and in London, our office environments are increasingly mixed use with residential assets alongside retail and leisure.

Our focus across the portfolio is to create attractive environments – this means assets which are fully integrated, which reflect the lifestyles of the people who use them, and develop a vibrancy of their own. We call this placemaking.

In Offices, London is our key area of focus. It continues to be the city of choice to work, live and visit, underpinning long term demand for property assets. London's workforce is educated, entrepreneurial and increasingly diverse in its skill set, making it a highly attractive place to do business. Its emergence as a leading tech hub is a good example of this and is driving demand for office space. Pressure on residential housing is also increasing, with 10 million people expected to live in London by mid-2030s, and in recognition of this, local authorities have become more supportive of higher density schemes.

In Retail, we are focused on assets that are compatible with the internet, which are resilient, reflecting the strength of their location and catchment. We are investing in these assets to provide customers with the best possible overall experience. This means investing in public realm improvements, providing food, beverage and leisure options, and infrastructure facilities that are in line with today's omni-channel marketplace.

A key priority for our end customers across both our Retail and Office assets is ease of access. The expansion of transport infrastructure, in particular Crossrail, the high speed rail link for London and the South East is improving connectivity and helping to re-generate areas of London outside the City and West End. Around £3 billion of our assets are located near Crossrail stations.

In London, our focus on developments which are mixed use, which combine retail, office, residential and leisure, is in line with our commitment to create Places People Prefer. It gives us greater control over the wider environment, enabling us to provide retail, leisure and entertainment options as well as attractive, landscaped surroundings, places to meet and convenient access routes.

Development is an important part of our business and a key driver of returns. It is inherently risky due to the time delay between commitment to a project and its completion, so we have a self-imposed limit of 15% of our standing investment portfolio, and we have created optionality throughout our development programme enabling us to progress the pipeline at an appropriate pace.

For detail on our development pipeline see tables on pages 187 to 188

Development performance see pages 38 to 39

> *Our focus is to create vibrant, attractive environments. We call this placemaking."*

Actively managing our assets plays a central role in creating preference for our properties. Our asset management specialists work with a broader team of experts on a wide range of activities from taking strategic decisions on the occupier mix to altering planning consent and delivering reconfigurations, refurbishments and extensions. These activities and the strength of our service provision help to drive rental income and valuation growth.

Local stakeholders make an important contribution to creating the right place, and engaging with them is a key part of how we do business. We build trust by supporting integrated local communities and work with them to strengthen our understanding of local challenges and aspirations. By making it easier for local people to influence decisions relating to our assets, we can deliver places which they are pleased to live and work around.

3m sq ft

Under construction or in the near term pipeline

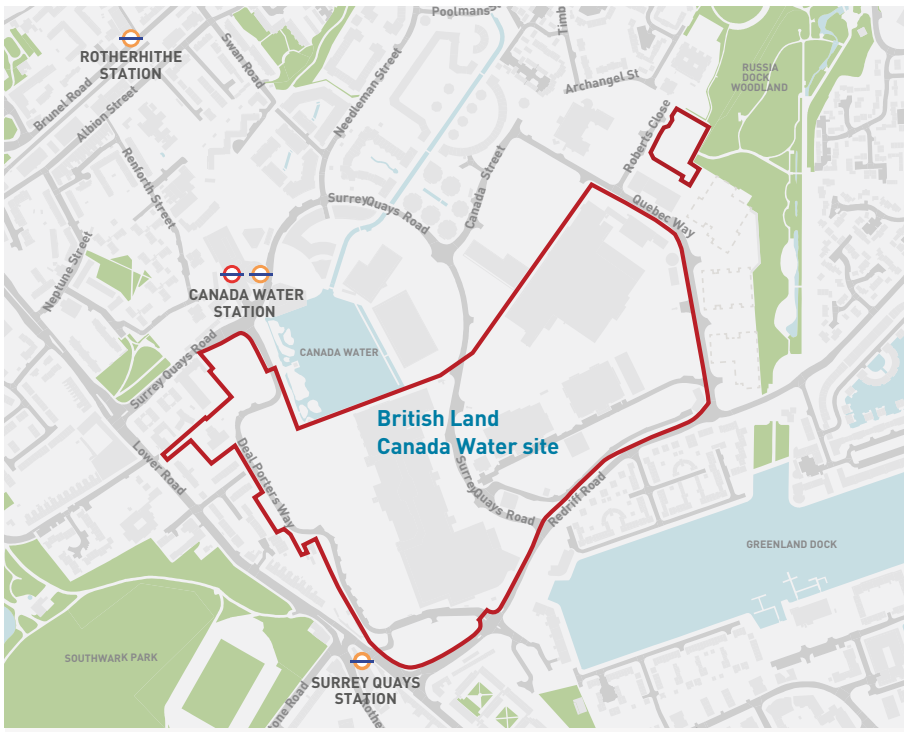
over 1m sq ft

Planning applications submitted in the year

Canada Water

We are working with Southwark Council on the regeneration of 46 acres of land in Canada Water. The site is well located in Zone 2, with excellent transport links to Canary Wharf, the City, Shoreditch and the West End via the Overground and Jubilee Line. Our plans include up to 7m sq ft of gross floor space, with retail, office, residential, leisure and community uses.

— British Land Canada Water site



TIME TO CANADA WATER:

- CANARY WHARF (2 MINS)
- BANK (10 MINS)
- BOND STREET (12 MINS)

OUR BUSINESS MODEL EXPLAINED CONTINUED

> *"We use strategic partnerships to leverage our investments, achieve benefits of scale and spread risk."*

£4.2bn

invested into our assets over the last five years

£2.4bn

of mature assets sold over the last five years

Capital Efficiency

We are focused on allocating capital efficiently both in terms of the sectors and assets we invest in and how we fund that investment between equity and debt financing.

We allocate capital to sectors and assets which we believe will generate good returns and where we have a competitive advantage. Over the last five years, we have sold £2.4 billion of assets which are mature or are not in line with our strategy. We have reinvested the proceeds in high quality income generating assets and developments.

For further details on our acquisitions and disposals please see the table on page 186

We manage our mix of equity and debt financing to achieve the right balance between enhancing returns for shareholders and the risk of higher leverage. Our primary measure of leverage is loan to value (LTV) on a proportionally consolidated basis (which includes the Group's share of joint ventures and funds and excludes non-controlling interests in the Group's subsidiaries). We aim to manage our LTV through the property cycle such that our financial position would remain robust in the event of a significant fall in property values. This means we will not increase our leverage solely on the basis of an improvement in market yields. At this point in the cycle and at today's yields our LTV will not be taken above 38% on a proportionally consolidated basis.

We have access to a broad range of debt finance on attractive terms, reflecting the scale of our business, combined with the quality and stability of our rental income stream. We raise debt from a variety of sources across a spread of maturities to ensure the Group and its joint ventures are appropriately financed. We also maintain significant undrawn loan facilities to provide flexibility and support current and future requirements of the business.

We use strategic partnerships to leverage our investments, achieve benefits of scale and spread risk. Around one third of our owned assets by value are in joint ventures, including our two largest single assets, Broadgate and Meadowhall. This approach has enabled us to undertake more ambitious development projects, including the Leadenhall Building where we worked with Oxford Properties. Within these structures, we typically provide asset management, development, corporate and finance services, for which we earn management and performance fees, enhancing our overall returns and strengthening our relationships with partners, key customers and suppliers.

We are also proactively managing our assets to promote their long term sustainability. Our resource efficiency programme is improving operational efficiency and reducing occupier costs; it is innovative in its use of materials to lower costs and secure supply. We are evaluating plans to increase on site energy generation, which can enhance revenues and continue our efforts to minimise flood risk.

Financial policies and principles see pages 53 to 55

For detail on our carbon reduction programme see page 48

> *"Meetings allowed me to see the thought processes and amazing minds behind British Land's developments and site visits allowed me to see how it all came and comes together."*
>
> Jumana, British Land work experience student

48%

of employees across British Land and Broadgate Estates are female

40%

of our senior executives were internal appointees.

Expert People

We are a small team of 488 individuals, split broadly evenly between the core team at British Land and our subsidiary property management company Broadgate Estates. We operate through small, flexible teams, focused on areas where we can create most value.

Our knowledge of the market enables us to identify and invest in the best opportunities and we are able to react quickly to execute complex deals. Our scale across the market means we have a broad network of relationships, across occupiers, property specialists, local communities, government, domestic and international investors and capital providers. This gives us access to a wide range of investment opportunities, including development and partnering and funding opportunities.

Our people strategy is focused on developing a talent base which is aligned to our corporate purpose of creating Places People Prefer. We operate a range of online resources to help employees develop their skills and work with Cambridge University to run a Leadership in Real Estate programme. We seek to promote internally and are pleased that the two most recent appointees to our Executive Committee were internal candidates. Our recruitment processes include a commitment to diversity and gender equality. The policy throughout British Land is to employ the best candidates available in every position regardless of sex, race (ethnic origin, nationality, colour), age, religion or philosophical belief, sexual orientation, marriage or civil partnership, pregnancy, maternity, gender reassignment or disability. We currently have three female Directors on the Board, Lucinda Bell, Chief Financial Officer and Lynn Gladden and Laura Wade-Gery, both Non-Executive Directors.

As at 31 March 2015, 48% of employees across British Land and Broadgate Estates were female.

To secure the workforce of tomorrow, we support a range of initiatives which make young people of all backgrounds aware of career opportunities within real estate and help them develop the skills they need to progress. Ours is a long term plan, starting with school children and continuing beyond university. Initiatives include Pathways to Property, Budding Brunels and Design Engineer Construct! as well as internships through the Sociable Surveyors scheme. We are also developing local skills and opportunities around our properties and developments, supporting local communities and securing the skills our business needs to maintain quality and grow. Initiatives include greater focus on apprenticeships, increasing the proportion of local suppliers and workers at our assets and partnering with occupiers and suppliers on fair working practices.

Report of the Nomination Committee see pages 82 to 85

Board of Directors see pages 64 to 67

Employees see pages 32 to 33 and page 76

www.broadgateestates.co.uk

OUR STRATEGY

Our strategy provides focus for our annual priorities

For more on our 2016 objectives see pages 9 and 26

Customer Orientation

- Leverage our consumer insight, services, experience and technology to be recognised for our brand, Places People Prefer.
- Use consistent and scalable ways of working.

Right Places

- Create and operate exciting and engaging lifestyle oriented real estate.
- Invest in London – in existing assets and emerging locations benefiting from regeneration, growth and infrastructure.
- Focus on accessible, flexible, affordable places which support retailers' omni-channel strategies.

Places People Prefer

Capital Efficiency

- Allocate capital to maximise returns from our competitive advantages.
- Manage exposure over the cycle while maintaining the benefits of scale.
- Be the partner of choice for international capital and public bodies.

Expert People

- Organise, recruit and train to enhance operational as well as investment skill sets.
- Ensure management encourage new as well as existing capability skill sets.

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

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

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

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

Investors

- Access to high quality, liquid real estate investment.
- Stable, secure cash flows.
- Superior total returns.

Occupiers and their customers

- High quality environments which promote productivity and wellbeing.
- Affordable and efficient buildings.
- Outstanding customer services and facilities.

Partners

- Access to high quality real estate.
- Asset management and development skills.
- Strong relationships.

Local communities

- Attractive local environments.
- Facilities and services which enhance the overall area.
- Places which support local jobs and skills.
- Stronger community networks and facilities.

Employees

- Enhanced wellbeing and productivity.
- Potential to develop skills and opportunities.
- Opportunities to make a positive difference.

OUR STRATEGY CONTINUED

How we performed over the past year

Our long term objective

Delivering sustainable total returns

AI Influences Executive Directors' Annual Incentive payment

LTIP Influences Executive Directors' Long-Term Incentive Plan (LTIP)

Our priorities in the year were	What we have achieved	
Customer Orientation – Maintaining strong occupier satisfaction. – Continuing to reposition the Retail portfolio.	– 2.4m sq ft of leasing activity across retail and offices. – Successfully attracting a broader range of occupiers. 175,000 sq ft office space let to technology and creative sectors. – Phased programme of public realm improvements at Paddington Central. – £20m redevelopment of Broadgate Circle.	– £720m retail assets sold. – £733m asset swap with Tesco, reducing superstore weighting to under 7%. – £169m invested in HUT, increasing our share to 69.2%. – Circa £100m invested in improvements and extensions to retail assets. – Off-peak retail spend up 11%, dwell time up 4% and frequency of visit up 4%.
Right Places – Progressing committed developments. – Accelerating the development pipeline. – Accessing new opportunities. – Connecting with our communities.	– Completion of the Leadenhall Building, now 84% let/under offer. – Started on site at 4 Kingdom Street, Paddington Central. – Planning permission received on 517,000 sq ft at 100 Liverpool Street and an application submitted for 347,000 sq ft at Blossom Street, Shoreditch. – £135m acquisition of Surrey Quays Leisure Park, completing 46 acre development project at Canada Water.	– £210m acquisition of 1 Sheldon Square, Paddington Central (post period end). – Residential sales and pre-sales of £370m including £259m at Clarges Mayfair. – Contributed £11.6m to communities creating affordable homes and improving public spaces.
Capital Efficiency – Continuing to recycle capital. – Appropriate leverage. – Competitively priced debt refinancing. – Ensuring our assets are sustainable.	– £1.3bn asset disposals. – £959m re-invested in acquisitions and £209m committed development capex. – Leverage lower at 35% LTV (proportionally consolidated).	– Over £2 billion financing activity; reducing average financing costs by 30bps to 3.8%. – Majority of European assets now sold. – 40% energy efficiency savings.
Expert People – Continuing to invest in capabilities. – Maintaining our rating in The Sunday Times Best Companies to Work For survey.	– Strengthened capabilities in marketing, technology and HR with strategic appointments. – Leadership programme launched to develop talent internally.	– One Star rating in Best Companies to Work For Survey. – Launch of Supply Chain Charter to increase focus on social issues such as fair working practices and skills.

How we measure up

Risk indicators and incentive measures

Total accounting return (TAR)

24.5%

2015	**24.5%**
2014	20.0%
2013	4.6%

LTIP AI

- Total accounting return is our overall measure of performance. It is the dividend paid minus the growth in EPRA NAV
- During the year we generated a TAR of 24.5%. Our dividend was increased by 2.5% to 27.68 pence per share and our NAV increased by 20.5% to 829 pence per share.

Risk indicators we monitor:
- forecast GDP growth;
- the margin between property yields and borrowing costs.

Management compensation linked to:
- total accounting returns.

Customer satisfaction

7.8 out of **10**

2015	**7.8**
2014	7.9
2013	7.8

AI

We extensively survey people who use our assets to assess our performance and identify opportunities for improvement.

DOW Jones Sustainability Index

83%

2015	**83%**
2014	70%
2013	70%

AI

The DJSI is a global reference point for sustainability, helping us to track our social, environmental and economic impact.

Risk indicators we monitor:
- consumer confidence;
- employment forecasts for relevant sectors;
- market letting risk (vacancies, expiries, administrations);
- weighted average lease length.

Management compensation linked to:
- gross income growth;
- Company reputation with stakeholders.

Total property returns

18.4% **vs IPD**

2015	**18.4%**	**+130bps**
2014	14.2%	+60bps
2013	6.3%	+320bps

LTIP AI

We aim to outperform the IPD UK benchmark on total property returns.

Development commitment

£1.3bn % of standing investments

2015	**£1.3bn**	**+10.0%**
2014	£1.4bn	+12.2%
2013	£1.4bn	+16.0%

AI

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

Risk indicators we monitor:
- property capital and ERV growth forecasts;
- total and speculative development exposure;
- progress of developments against plan.

Management compensation linked to:
- total property returns;
- successes on purchase and sales;
- successful progress of developments.

Proportionally consolidated loan to value (LTV)

35%

2015	**35%**
2014	40%
2013	40%

AI

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

Weighted average interest rate

3.8%

2015	**3.8%**
2014	4.1%
2013	4.6%

AI

Our low cost of finance supports performance, and is one of the lowest of listed UK REITs.

Risk indicators we monitor:
- likelihood of covenant breach;
- when refinancing is required.

Management compensation linked to:
- successful execution of financings;
- progress in strengthening the dividend;
- acquisitions and disposals.

The Sunday Times Best Companies to Work For

One star

2015	**One star**
2014	One star
2013	One star

AI

The Sunday Times annual survey is one of the most extensive benchmarks of employer engagement.

Risk indicators we monitor:
- unplanned executive departures.

Management compensation linked to:
- quality of people and management renewal;
- company reputation.

Managing risk in delivering our strategy see pages 56 to 61

Remuneration report see pages 86 to 112

For definitions see glossary on pages 193 to 195

OUR STRATEGY CONTINUED

Our priorities for 2016 build on our vision of creating Places People Prefer

2016 Objectives

Customer Orientation

- Better understand the needs of our occupiers and end users.
- Deliver future proofing initiatives across the portfolio.
- Leverage Broadgate Estates further.
- Continue to improve systems and processes.

Right Places

- Progress strategy for London.
- Progress committed and near-term developments.
- Refresh medium-term strategies for Broadgate, Meadowhall and Canada Water.
- Progress sustainability strategy.

Capital Efficiency

- Optimise size and financial structure across the property cycle.
- Optimise trade-offs between a cost efficient and higher capability organisation.
- Continue to build relationships with direct and indirect capital and public bodies.

Expert People

- Continue to improve organisational design and effectiveness.
- Build management capabilities for new as well as traditional skills sets.
- Develop people.

How we create *Places People Prefer*

CREATING PLACES PEOPLE PREFER

Innovating to keep our retail offer up to date

Introducing new ideas across our Retail offer.

1

Trialling new formats in food

We launched Eats from the Street, a mobile street food concept which visited our parks in Edinburgh, Glasgow, Chester and Teeside, showcasing the best in British street food. We also experiment with pop ups; Pizza 1889 opened its debut pop up store at Nugent Shopping Park, the first of its kind at an out-of-town location.

+11%
increase in average off-peak[1] retail spend

+4%
increase in average off-peak[1] dwell time

2

Introducing new leisure concepts

New start up Rock Up opened the UK's first indoor climbing experience at our retail location at Whiteley Shopping. We supported the company with a flexible lease and profit share arrangement. Rock Up has outperformed and its impact on footfall and retail sales, particularly at adjacent units, has been very positive.

89,000 sq ft
Food and beverage lettings across the retail portfolio

[1] Peak surveys include Christmas trading, off peak survey take place between March and October

3

Improving our convenience offer

At Ealing Broadway Shopping Centre, we trialled Doddle, a Click and Collect store opening early and closing late, allowing customers to Click and Collect at a time that suits them.

9.2m

extra visitors to our assets this year

4

Piloting new technology

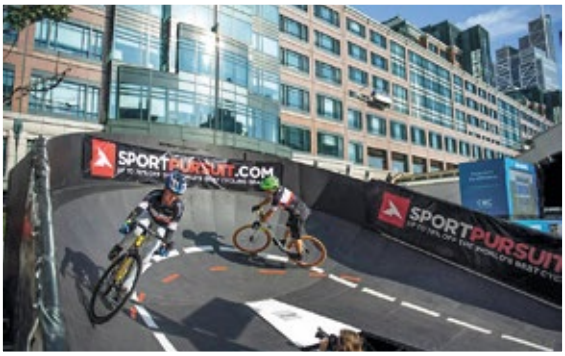
We used iBeacon technology at our Ladies Night event at Meadowhall to create a unique shopping experience, enabling those who downloaded the app to receive real time special offers to their smartphones at hotspots across the Centre.

Retail and leisure performance review see pages 40 to 43

CREATING PLACES PEOPLE PREFER CONTINUED

Moving with the times in London

Engaging work spaces which reflect today's lifestyles.



1

Creating vibrant places

This year, Broadgate welcomed Olympic and Commonwealth medallists to the finale of the Street Velodrome Series and thousands watched live screenings of Wimbledon, the Tour de France, and the FIFA World Cup. Nearly 300 people watched "Shakespeare in the City" and 35 companies participated in a Broomball tournament on our ice rink.

2

Providing flexible and co-operative workspaces

We partnered with co-working providers WeWork and Central Working to offer flexible work spaces within an entrepreneurial community, supporting businesses at each stage of their development.

176,000 sq ft

Retail and leisure at Broadgate

86,000 sq ft

Retail and leisure at Regent's Place

Offices and Residential performance review see pages 44 to 47

3

Providing design-led buildings

At Blossom Street, Shoreditch, we have submitted planning for a 347,000 sq ft mixed use development. This design-led scheme will provide character offices, within the historic fabric of the area. This environment will not only appeal to the growing tech sector, but also reacts to a broader trend towards less corporate, more creative work environments. The relatively small floor plates also make it suitable for smaller businesses.

4

Focusing on sustainability

At 5 Broadgate we have created a BREEAM "Excellent" sustainable office for UBS. The building has 520 cycle parking spaces, 512 lockers, 50 showers and uses 50% less energy than required by regulation. 150 local jobs have been created during construction, including almost 20 apprenticeships, and 65 unemployed local residents were provided with training through our partnership with Blackstone, Mace and The Corporation of London.

The Leadenhall Building

We welcomed over 7,500 people to the Leadenhall Building, when it headlined Open House London on 20-21 September 2014.
www.theleadenhallbuilding.com

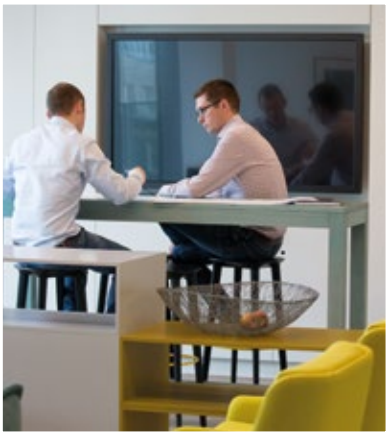
601,000 sq ft

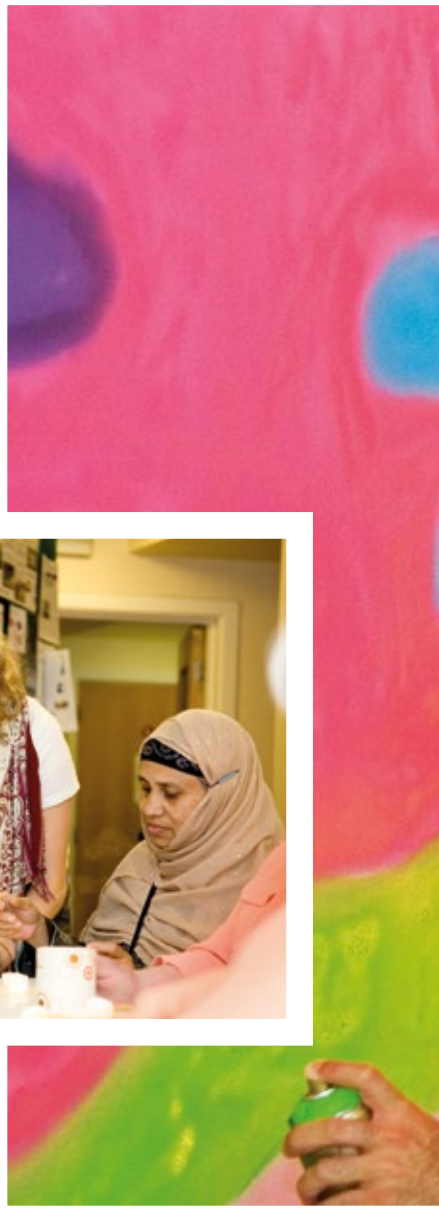
Of modern flexible office space

CREATING PLACES PEOPLE PREFER CONTINUED

Making an exceptional environment at British Land

Creating a great place to work for our colleagues.





1

Delivering a new working environment

Our new office space reflects our corporate identity and culture, helping us to promote general wellbeing and positive changes in the way we work. We have added new breakout areas, as well as formal and informal meeting places to create a modern workspace which enhances collaboration.

2

Working with our communities

At our annual company-wide community day, we supported jobseekers in London, inspired students about careers in property, volunteered at a hospice, a city farm, an arts centre and more. Our volunteer programme includes maths and reading support, student mentoring and skills-based volunteering.

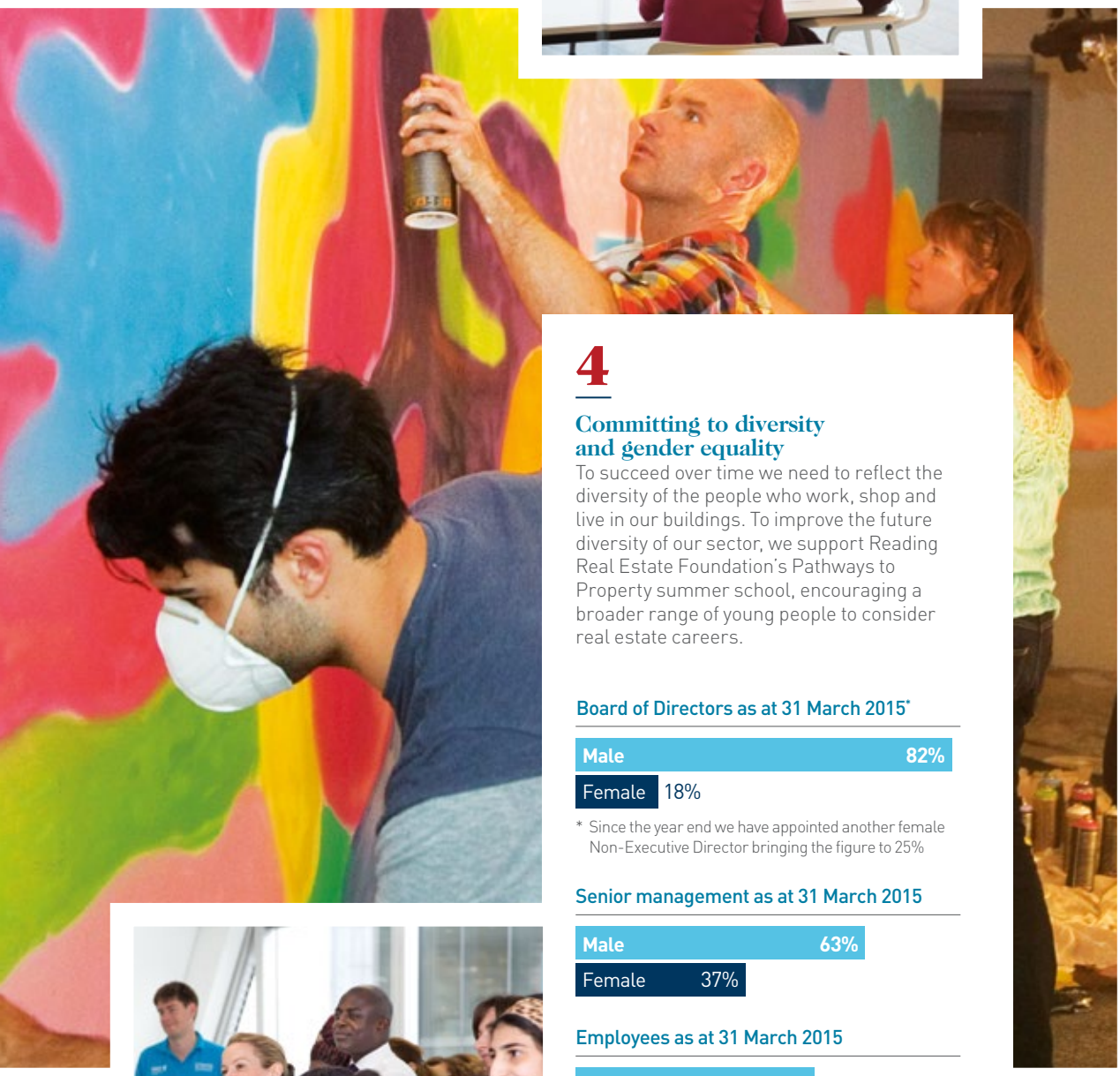
83%

of our staff took part in community activities in 2015.

3

Upholding our values

We believe our culture and our values set us apart: a small entrepreneurial team doing what is right, not what is easy; working effectively as one team; making commercial decisions that create long term value; and making things happen.



4

Committing to diversity and gender equality

To succeed over time we need to reflect the diversity of the people who work, shop and live in our buildings. To improve the future diversity of our sector, we support Reading Real Estate Foundation's Pathways to Property summer school, encouraging a broader range of young people to consider real estate careers.

Board of Directors as at 31 March 2015*

Male	82%
Female	18%

* Since the year end we have appointed another female Non-Executive Director bringing the figure to 25%

Senior management as at 31 March 2015

Male	63%
Female	37%

Employees as at 31 March 2015

Male	52%
Female	48%

WORKWELL 2014 Top Five BUSINESS IN THE COMMUNITY

Top REIT on Business in the Community's Workwell Index 2014 for reporting wellness and engagement of employees

CREATING PLACES PEOPLE PREFER CONTINUED

Promoting a sustainable future

Delivering social and environmental initiatives which make a positive difference.

2

Supporting communities

We build trust by supporting successful, integrated local communities. Whiteley Shopping in Hampshire was created with local people in mind, from the public spaces and access routes, to the wildlife sculptures reflecting nearby nature. More than 17,000 schoolchildren are participating in literacy events at our properties through our five year partnership with the National Literacy Trust.

32,300

jobs created through our development projects over the last five years

1

Promoting wellbeing

We drive preference by designing and managing spaces that promote wellbeing and productivity. We provide safe environments and are partnering with occupiers on wellness and productivity. We have certified 3.5 million sq ft of BREEAM Excellent space, reflecting our focus on wellbeing, efficiency, ecology and other sustainability measures.

To read more go to
www.britishland.com/sustainability

Global 100
British Land ranked in the Global 100 most sustainable corporations in the world by Corporate Knights 2015.

3

Focusing on smart, efficient buildings

Ensuring our buildings are fit for the future means investing to ensure they are as efficient as possible, generating cost savings for our occupiers and benefiting the environment. It means keeping them up to date, ensuring we can attract the next generation of occupier. We generate cost savings and income assets that are operationally efficient and protect against flood risks. This is positive for the environment, reduces costs for our occupiers and protects asset value for investors.

4

Developing skills and opportunities

We provide opportunities for local people to develop skills and for local businesses to grow. We are working towards 3% of employees in our supply chain being apprentices and supporting local training programmes where we can. More than half of expenditure at our properties benefits local firms.

PERFORMANCE REVIEW

A strong set of results with the Group continuing to outperform on a range of measures

£13.6bn
UK portfolio valuation

+12.1%
Valuation uplift

13.4%
Capital return

18.4%
Total property return

4.6%
ERV growth

10.0%
Lettings/renewals versus ERV

98.3%
Occupancy rate

9.5 years
Lease length to first break

£2.4bn
Gross investment activity

£1.3bn
Disposals

£959m
Acquisitions

£209m
Committed developments capex

Overview

2014/15 was an exceptionally strong period for UK property markets. A supportive macro environment, and low funding costs meant the UK remained the real estate investment market of choice for overseas capital in search of yield. London continued to be the principal beneficiary, with demand driving yields down in both the City and West End; occupationally, markets remained strong. In retail, yields continued to compress, but with yield shift weighted towards the first half. Real wage growth, elusive at the start of the recovery, gained pace. Consumers are spending, and this is reflected in retailers' improving results and their more positive outlook.

Our portfolio performed well overall, benefiting from our decisions in previous years to focus our investment on the strongest markets, or where we can add value. Over the year, we bought or sold 16% of the portfolio by value. Today, London and the South East account for 64% of our portfolio on a pro-forma basis, up from 50% five years ago. Our pipeline of near and medium term developments is also focused on London, targeting areas which we believe will most benefit from growth and regeneration.

UK Portfolio Performance

		Valuation uplift		
Year ended 31 March 2015	Valuation m	Investment portfolio %	Developments %	Total portfolio %
Retail and leisure	7,557	7.4	20.8	7.5
Office and Residential	6,080	17.3	26.2	18.8
Total	**13,637**	**11.1**	**25.9**	**12.1**

> *We have a modern portfolio focused on the right locations."*

Our portfolio generated a total property return of 18.4%, comprising a capital return of 13.4% and an income return of 4.6%. We outperformed IPD benchmarks by 130 bps on a total returns and 190 bps on a capital returns basis, or 180 bps per annum and 240 bps per annum on a 5 year view, continuing a consistent trend of outperformance.

Total portfolio valuation was up 12.1% to £13.6 billion. As in previous years, developments performed well, up over 25% in the year, but as our major 2010 development programme draws to a close, its contribution to overall performance was reduced. The standing portfolio, which was up 11.1% on the year accounted for 85% of total uplift. Offices and Residential had an excellent year, with valuations up over 18%, reflecting the strength of the London market and our actions. The Retail and Leisure portfolio grew by 7.5%, also benefiting from improving market conditions, but with our actions making a significant contribution to the uplift.

Rental values grew by 4.6% across the business, outperforming the market by 130bps. Yield compression across the portfolio was 48 bps, slightly higher in Offices (51 bps) than Retail (47 bps).

Investment Activity

The gross value of our investment activity since 1 April 2014 was £2.4 billion, including our share of acquisitions and disposals and our capital investment in developments of £209 million. This includes post balance sheet activity up to and including the acquisition of One Sheldon Square.

Acquisitions and Disposals

From 1 April 2014	Price (gross) £m	British Land share £m	Annual passing rent £m
Acquisitions			
Retail	783	749	36
Offices	210	210	10
Residential	–	–	–
Total acquisitions	**993**	**959**	**46**
Disposals			
Retail	883	720	40
Offices	144	137	6
Residential	415	370	–
Europe	70	46	4
Total disposals	**1,512**	**1,273**	**50**

Our investment priority has been on increasing our ownership in and around our existing assets, through direct investment, by adding to our equity interests or the acquisition of adjacent properties. In line with our strategy, we continue to focus on our wider investment themes of London and the South East, targeting areas which will benefit from growth and regeneration and increasing our exposure to major transport interchanges.

The acquisition of Surrey Quays Leisure Park for £135 million is a good example of this strategy in action. It completes our site assembly at Canada Water, a regeneration project spanning 46 acres in South London, which already benefits from excellent transport infrastructure. The acquisition of One Sheldon Square for £210 million post year end increases our control over the Paddington Central campus. In Retail too, we took full ownership of two of our joint ventures with Tesco, increasing our exposure to multi-let assets in areas of significant population growth in the South, including Serpentine Green, Peterborough and the Kingston Centre, Milton Keynes. We acquired an additional £169 million interest in the HUT portfolio of shopping parks, bringing our stake to 69.2%, and through HUT, acquired a further 37.5% (£59 million our share) in New Mersey Shopping Park, Speke.

Taking advantage of buoyant markets to reshape the portfolio, sales made during the year have focused largely on Retail, with total superstore sales (including the Tesco Aqua portfolio) of £475 million. We made further non-core disposals of £245 million in Retail and £137 million in Offices, including the sale of a property in Maidenhead for £90 million. Overall, disposals completed or exchanged were sold on an average NIY of 5.4% and 5.6% ahead of book value. Total residential sales were £370 million with Clarges Mayfair accounting for £259 million.

PERFORMANCE REVIEW CONTINUED

We have significantly grown our medium and longer term development pipeline, positioning the portfolio for the future

Development

The major development programme we committed to in 2010 will draw to a close with the completion of 5 Broadgate shortly. The programme covered 2.7 million sq ft of space, principally in London and delivered into strengthening markets. 94% is now let or under offer, with 199 Bishopsgate, 10-30 Brock Street and 39 Victoria Street achieving full occupancy during the year and all but one of the residential units are sold. Including other developments completed since 2010, we have delivered 3.2 million sq ft of space, generating profits of £1.1 billion, an IRR of over 30%.

In the period, we completed over 500,000 sq ft of Retail developments, including 305,000 sq ft at Old Market, Hereford. In Offices, the Leadenhall Building completed in July covering 600,000 sq ft. An investigation of the fractured bolts at the Leadenhall Building was completed in January 2015, and a programme of replacement is underway. The building has let up well, and we are continuing to see very good interest.

Our projects under construction cover 1.5 million sq ft, (of which 5 Broadgate accounts for 710,000 sq ft) and now includes 4 Kingdom Street, where we started on site in February 2015. At Clarges Mayfair, we made good progress on pre-sales totalling over 56% of the gross development value of the residential element of the scheme and at Aldgate we have pre-sold apartments totalling £23 million. Our total residential exposure has reduced from £430 million at the start of the year to £140 million (measured by our original commitment adjusted for sales). Based on current valuations, our total residential exposure is £246 million. Our Marks and Spencer anchored retail extension at Glasgow Fort achieved practical completion in March 2015 and will open this month.

Construction costs increased across the market, most notably in London reflecting rising input costs and contractors' increasing margins after a prolonged period of margin pressure. We expect cost inflation of around 6% per annum. The impact of cost inflation has been largely offset by improving values. For projects under construction 87% of costs are fixed.

We made good progress moving the near-term pipeline forward. We submitted planning on Blossom Street, Shoreditch for 347,000 sq ft of mixed use space, and a decision is expected in the coming months.

We also submitted planning on 100 Liverpool Street and permission was recently granted; our proposal covers over 515,000 sq ft of office and retail space, adding three further floors to the existing building and improving its connections to the wider Broadgate campus. This is a major refurbishment project, which forms the next chapter in our vision for Broadgate.

On the Retail side, we have consent for a further 42,000 sq ft of retail and restaurant space at Glasgow Fort, and for a 100,000 sq ft leisure extension at Drakes Circus shopping centre in Plymouth. We have also submitted planning for 66,000 sq ft of leisure space at New Mersey Shopping Park, Speke.

Our medium-term pipeline is dominated by the Canada Water Masterplan. We have assembled one of the most significant regeneration projects for London, covering 46 acres of land in Zone 2. To date, we have invested £250 million in four transactions over five years, including our recent freehold purchase of Surrey Quays Leisure Park, for £135 million. Together with the London Borough of Southwark, we now own all of the key freehold and long leasehold interests needed to deliver up to 7 million sq ft (gross floor area) of mixed use space. The site benefits from excellent transport infrastructure, with direct connections to Canary Wharf and the West End from the Jubilee Line and to the emerging tech hubs at Shoreditch and Whitechapel, from the London Overground. It is a unique opportunity to regenerate a central part of London that has been overlooked and plays well to our skill set of developing and managing mixed use environments, which are vibrant and successful places to shop, work, live and visit, and are integrated into their local communities. Our cost per acre of around £5.5 million compares favourably with the market value of consented land in London which we anticipate will provide attractive future profit potential. Our current intention is to submit planning in 2016.

More details on the portfolio, property performance, individual developments and assets acquired during the year can be found in the Retail & Leisure and Offices & Residential reviews on pages 40 to 47 and in the detailed supplementary tables on pages 180 to 188.

Committed Developments & Pipeline

		British Land share					
At 31 March 2015	Sq ft '000	Current value £m	Cost to complete £m	ERV £m	Pre-let ERV £m	Residential end value £m	Pre-sold residential £m
Completed in Period	**1,145**	**534**	**20**	**27.5**	**24.0**	**–**	**–**
Under Construction	**1,534**	**909**	**358**	**37.7**	**20.6**	**676**	**315**
Near-Term Pipeline	**1,491**		**781**				
Medium-Term Pipeline	**6,915**						

Our development pipeline

Recently completed

The Leadenhall Building

601,000 sq ft

84% let/under offer

224 metre office development in the heart of the City.

Broadgate Circle

42,000 sq ft

77% let

Food, drink and leisure destination at Broadgate, re-launched in April 2015 with 11 new brands.

Old Market, Hereford

305,000 sq ft

97% let

Open air shopping centre in Hereford City centre.

On site and committed

5 Broadgate

710,000 sq ft

Completing: 2015

Twelve storey office building at Broadgate, fully let to UBS.

Clarges Mayfair

192,000 sq ft

Completing: 2017

Mixed use development in Mayfair, comprising 34 high end apartments, together with retail and office space.

4 Kingdom Street

147,000 sq ft

Completing: 2017

Office development at Paddington Central, an 11 acre mixed use campus in London's West End.

Near term

Blossom Street, Shoreditch

347,000 sq ft

On site: 2016

Character offices in a regeneration area, ideally suited to the needs of small and medium sized businesses.

Plymouth Leisure

100,000 sq ft

On site: 2016

Leisure scheme adjacent to Drake Circus Shopping Centre.

100 Liverpool Street

517,000 sq ft

On site: 2017

Office refurbishment at Broadgate, increasing capacity and improving local connections and public spaces.

RETAIL AND LEISURE REVIEW

Repositioning the portfolio has underpinned valuation gains, stronger rental growth and a good operational performance

Charles Maudsley
Head of Retail and Leisure

£7.5bn
Portfolio valuation (British Land share)

+7.5%
Valuation uplift

8.5%
Capital return

14.4%
Total property return

2.5%
ERV growth

8.7%
Lettings / renewals versus ERV

98.5%
Occupancy rate

10.4 years
Lease length to first break

Overview

The retail market strengthened with retailers' confidence underpinned by continued economic growth and improved consumer sentiment. Retailers' strategies are successfully being refined to cover multiple channels, with the physical store remaining a core part of the offering. The focus today is on connecting with customers through the look and feel of the store and the range of services offered. The best quality retail schemes are complementary to these strategies and in a more selective market are enjoying strong demand for space. This is reflected in low vacancy rates and at the strongest assets, improving rental growth.

In a low yield environment, with improving retailer results, and emerging rental growth, assets with a strong income profile present an attractive proposition. Investment demand across the sector has remained buoyant from a range of buyers including UK and international institutions, private equity and Sovereign wealth funds. Appetite for shopping centres, both prime and secondary, has been particularly strong, driving inward yield movement. However investors are increasingly discerning as to the underlying property fundamentals and are pricing accordingly.

Reflecting wider macro trends, our strategy is to focus on assets which are internet resilient and which are in tune with modern lifestyles. This means owning assets that capture a broad range of consumer journeys, and where we can use our skills, knowledge, insights and relationships to drive value. We are divesting assets where we feel our ability to influence the offer and experience is limited or has been maximised, and we continued to take advantage of buoyant market conditions to make disposals of £720 million (our share) of mature assets. We spent almost £100 million enhancing the Retail portfolio in the period, including £54 million on development. We have committed to a further £200 million investment over the next few years, ranging from large scale extensions, adding food and leisure space to relatively simple improvements such as landscaping and wi-fi coverage.

As part of our commitment to provide the best possible experience for our customers, we are increasing the number of people on site at our assets and over time, are transitioning the management of our Retail portfolio to Broadgate Estates, our wholly owned subsidiary. Broadgate Estates, one of the UK's leading property management companies, already manages our Office portfolio. It was recently awarded contracts to manage Drake Circus, SouthGate Bath, Broughton Shopping Park, Chester and Forster Square Shopping Park, Bradford, with more Retail assets likely to transition over the next 12 months.

+3.7%

Retailer same store sales

+1.9%

Footfall outperforming market by 290bps

Park Lane, Meadowhall Shopping Centre

£3 million refurbishment of Park Lane, Meadowhall.

Portfolio Performance

Our Retail and Leisure portfolio valuation was up 7.5% over the year to £7.5 billion. The portfolio outperformed the market by 70 bps on a capital returns basis. Despite significant market yield shift over the year, our active asset management contributed to more than a quarter of the uplift, with this contribution increasing in the second half. Shopping parks and shopping centres performed well overall, although performance was more muted in the second half, reflecting a lack of transactional evidence, particularly for prime shopping parks. Superstores were up 1.9% over the year, but were also softer in the second half, with negative sentiment putting upwards pressure on yields, despite continued activity in the investment market.

Our strategy is delivering results, and this is reflected in the strength of our occupational metrics. Rental growth of 2.5% was the highest in seven years, boosted by a strong performance from food and beverage units. The portfolio is virtually fully let, with occupancy of 98.5%. Units in administration remain low at 0.2% of total rent, and of the 144 expiries this year, almost 90% were renewed or re-let soon after expiry. Footfall was up 190 bps over the year, outperforming the market by 290 bps and like-for-like rental income grew by 1.5%. Retailer sales were ahead by 3.7%.

Our most recent exit surveys show like-for-like average off-peak retail spend up 11% since last year, dwell time up 4.5% and frequency of visits up 4%. At peak[1], retail spend is up 13% over the last two years and catering spend is up 8% despite a drop in dwell time. We are also attracting more affluent shoppers than expected based on our catchments. The exit surveys now cover 98% of our multi-let portfolio and inform our decision making, from where and how we invest in our assets, to the balance between retail and leisure space, and the optimal occupier mix.

Retail lettings and renewals by sector (by rent)

Fashion & Footwear	43%
General Retail	17%
Food & Leisure	14%
Health & Beauty	5%
Electrical & Mobile Phone	4%
DIY	4%
Other	13%

[1] Peak surveys include Christmas trading; off-peak surveys take place between March and October

RETAIL AND LEISURE REVIEW CONTINUED

"Our strategy is to focus on assets which are internet resilient and in tune with modern lifestyles."

Asset Management

Despite high occupancy levels, we signed 1.1 million sq ft of lettings/renewals on attractive terms, with investment lettings and renewals on average 9% ahead of ERV, and rent reviews 3% ahead of previous passing rent. We continue to improve the occupier mix, adding premium brands, and broadening our leisure offering to keep pace with consumer demands. We added around 90,000 sq ft of food, beverage, and leisure space to our retail operations, through lettings and extensions.

We continue to enjoy strong relationships with our major occupiers, and work closely with them to deliver the space they want. Over the course of the year, we refurbished and upsized four anchor stores with Next, providing an additional 75,000 sq ft (including mezzanine). We signed five deals with Arcadia, including Outfit stores at Chester (13,000 sq ft) and Cheltenham (15,000 sq ft). We delivered new format stores for Primark and TK Maxx at Fort Kinnaird, Edinburgh, where Fat Face and Simply Be also took space, following their positive experiences at Whiteley and Stockton respectively. The investment we are making to improve our assets is attracting new brands and popular restaurant concepts. We are pleased that Lavazza, The White Company, Wildwood Deli and Five Guys have all taken space with us over the year. At Whiteley, we opened Rock Up, an exciting leisure concept introducing climbing to all ages; we have seen very pleasing sales figures, both for Rock Up and at adjacent outlets, and our catchment has extended as a result. We continue to partner with occupiers on community initiatives. We worked with WH Smith to host literacy events and with a range of retailers to improve the skills of young people in the retail and hospitality industry.

In order to attract such strong occupiers to our assets, we are investing across the portfolio to deliver the highest quality retail environments. The positive impact that this has had is reflected both in our valuation, and in our operational metrics. At Ealing Broadway Shopping Centre, we acquired the adjacent Crystal House block and Next store, and are already part way through a £14.5 million refurbishment, comprehensively improving the food and beverage offering, with the introduction of occupiers such as Turtle Bay, and Limeyard. ERV growth since acquisition is up 19%. At Meadowhall, we spent £3 million upgrading a premium part of the scheme, where occupiers saw their six month like-for-like sales up 6% compared to 3.6% across the centre. We are now on site with a programme of public realm improvements at the Tollgate Centre in Colchester and the Wheatley Shopping Park in Doncaster, and will start work at our shopping parks in Nottingham and Oldham in the coming months. We recently obtained planning permission for a £30 million comprehensive refurbishment of Teesside Shopping Park in Stockton.

Our portfolio is well positioned for the omni-channel strategies of our occupiers and their customers. Click and Collect is particularly well suited to our out of town shopping parks and is an efficient driver of footfall and spend, with 64% of our Click and Collect customers making further purchases on site, and 23% spending on catering. Our Click and Collect rates are more than double the industry average at peak times, and two-thirds greater during off-peak, with out of town shopping parks driving these rates. Across the portfolio we are trialling new concepts which leverage technology. At Meadowhall, we have trialled iBeacon technology which allows shoppers to receive offers direct to their smart phones and Doddle opened one of their first outlets at a non-transport location at Ealing Broadway Shopping Centre, allowing shoppers to click and collect at a location that suits them.

In line with our commitment to improve the energy efficiency of our buildings, and in preparation for the Government's Minimum Energy Efficiency Standards in 2018, we have completed a full Energy Performance Certificate review across our portfolio. This confirmed that the majority of our buildings significantly outperform the required standards. Less than 5% of our Retail portfolio would not meet 2018 requirements, and we have plans in place to improve their ratings.

Ealing Broadway Shopping Centre

Acquired in 2013 for £143 million. Phase 1 of a refurbishment programme completed in the year.

£1.5bn
Gross investment activity

500,000 sq ft
Developments completed

Old Market Shopping Centre Hereford

305,000 sq ft shopping centre opened in May 2014.

Investment Activity

Gross investment activity over the year was £1.5 billion, with total sales of £720 million (BL share) and total acquisitions of £749 million.

The most significant deal was the £733 million property exchange with Tesco in March 2015, which exchanged our interest in a joint venture superstore portfolio on a NIY yield of 4.8%, for Tesco's interest in two joint ventures predominately comprising shopping centres and shopping parks, at a topped up NIY of 5.2%. This transaction will be accretive to earnings in 2016, reflecting a £2 million increase in net rent and an £8 million reduction in net interest. It greatly simplified the ownership structure of around 3.2 million sq ft of retail assets, and together with a further £123 million of superstore disposals (including seven standalone stores) during the year, reduced our total exposure to standalone foodstores to just under 7% of the portfolio, from 11% at the start of the year, and 16% five years ago. Nearly 60% of our standalone foodstores are in the South or South East.

Further disposals since the half year include House of Fraser, Birmingham for £71 million, Kingswood Shopping Park, Hull for £58 million, and Green Lanes Shopping Centre, Barnstaple for £36 million. Asset recycling will continue to be a key part of our strategy to evolve the portfolio, and we currently have over £200 million of assets for sale in the market.

We acquired an additional £169 million interest in the HUT portfolio of shopping parks, increasing our ownership from 58.6% at 31 March 2014 to 69.2% at 31 March 2015. On average, these units were acquired at NAV representing an effective net initial yield of 5.6% (based on actual acquisition costs). In February, Hercules Unit Trust acquired a further 37.5% (£59 million our share) in the New Mersey Shopping Park, Speke, bringing its ownership to 87.5%.

Development

We completed over 500,000 sq ft of developments over the year, including the 305,000 sq ft Old Market shopping centre in Hereford, which opened in May 2014. Since then, our development activity has focused on extensions to our existing assets, covering around 197,000 sq ft as well as some substantial refurbishments. The extensions at Chester, Edinburgh and Preston all opened in the period and are trading ahead of expectations. Our 112,000 sq ft Marks and Spencer anchored extension at Glasgow Fort achieved practical completion in March 2015, and is due to open this month, and we have planning consent for a further 42,000 sq ft of retail and restaurant space. The 58,000 sq ft leisure extension at Whiteley, Fareham will complete in the autumn and is almost fully let to occupiers including Cineworld, Five Guys and Dim T.

In March 2015, on the 25th anniversary of Meadowhall Shopping Centre, we announced plans for a £50 million internal refurbishment, creating a more contemporary environment to appeal to premium and lifestyle retailers as well as a broader range of customers. The recent refurbishment of Park Lane, one of the key shopping malls has met with a positive response with new retailers including The White Company, Jigsaw and White Stuff all taking space. We expect to start work on the refurbishment in the autumn, with completion by the end of 2017. Meadowhall is also one of our strong environmental performers, achieving 42% energy reductions in six years and zero waste to landfill, as well as making substantial community contributions.

Looking further ahead, we achieved planning for a 100,000 sq ft leisure scheme at Drake Circus in Plymouth, which will include a 12 screen cinema and 13 restaurant units and expect to be on site in summer 2016. We have submitted planning for 66,000 sq ft of leisure space at the New Mersey Shopping Park, Speke and for a comprehensive refurbishment of Ealing Broadway Shopping Centre, including Crystal House which fronts the shopping centre. The current proposal includes conversion of 34,000 sq ft of vacant office space to private rented residential. Our longer term plans include a £250 million (our share £125 million) mixed use redevelopment of Eden Walk, Kingston upon Thames, to include public space, leisure, retail and residential, and our intention is to put in a planning application this year.

OFFICE AND RESIDENTIAL REVIEW

Valuations were strongly ahead, leasing activity was exceptional and we are attracting new and growing occupiers

Tim Roberts
Head of Offices and Residential

£6.1bn
Portfolio valuation (British Land share)

+18.8%
Valuation uplift

20.5%
Capital return

24.4%
Total property return

8.0%
ERV growth

10.8%
Lettings / renewals versus ERV

98.1%
Occupancy rate

8.1 years
Lease length to first break

Overview

London is a major beneficiary of a number of macro trends: globalisation, both of labour and capital, and population growth, particularly in urban centres. Its business friendly environment, diverse pool of talent and the choice it offers in terms of retail, leisure and entertainment underpin its appeal.

London has led the UK's economic recovery, and continues to outperform. This is reflected in our markets, with strong take up, around 28% ahead of last year, and vacancy levels in both the City and West End well below their long term averages. Rents are ahead by over 10% in both the City and West End. Technology is changing the way people work, and this has implications both for the occupier market, and the product our occupiers expect. Technology and creative sectors account for a growing proportion of take up and the emphasis is increasingly on engaging, flexible spaces, which prioritise wellbeing and productivity.

London continued to be the most popular real estate investment market globally, attracting some 25% more capital than New York in 2014, the next most popular destination. This year saw a number of high profile office transactions, which reduced prime yields by around 25 bps in the City and West End. Sovereign wealth funds continue to be active buyers, and their appetite for Central London offices and for 'trophy' assets in particular was undiminished. Long-term UK and international pension funds also remained keen buyers.

In residential, the mainstream market remained relatively robust but the prime Central London market softened, reflecting uncertainty ahead of an election and the risk of a mansion tax on properties above £2 million. The super-prime market moderated slightly, but we are continuing to see good demand for exceptional new build properties, such as Clarges Mayfair.

We are positioning our Offices and Residential business around these broader economic trends. Our investment in London over the last five years through acquisitions and developments has been significant at nearly £2 billion and has been highly accretive to our performance. We are focused on mixed use environments, delivering flexible and engaging working spaces; places to relax and be entertained; green spaces; living spaces; shops and restaurants; all around excellent transport infrastructure. Over the year we have attracted a more diverse mix of occupiers to our assets than ever before, so we believe we are making good progress.

86,000 sq ft

let to food and beverage occupies

175,000 sq ft

let to Technology/flexible working occupies

Portfolio Performance

We continued to benefit from our focus on London. The value of our Offices and Residential portfolio was up 18.8% to £6.1 billion, with yield shift accounting for nearly two thirds of the increase, and our actions accounting for the remainder. The West End and City portfolios were up 19% and 21% respectively, with the City portfolio showing a particularly strong performance in the second half. The Residential portfolio was up over 7%. This movement translates into an overall total property return of 24.4%, ahead of the IPD sector benchmark by 330 bps.

The Office standing portfolio was up 17.4% driven by 51 bps yield compression. As our development pipeline completed, standing investments have become an increasingly important contributor to performance, accounting for around three-quarters of the uplift in the year. ERVs were 8.0% ahead across the Office portfolio, reflecting strong occupational demand, and boosted in the first half by prospective refurbishments at 100 Liverpool Street, and 1, 2 and 3 Finsbury Avenue. Developments continued to deliver good value, up 26.2% mainly due to strong market conditions, but with sales on the residential side also supporting valuation. We have delivered 3.2 million sq ft of space since 2010, generating £1.1 billion of profits, an IRR of over 30%.

Office lettings and renewals by sector (by rent)

Banks & Financial Services	38%
TMT	21%
Government & Public Administration	16%
Business & Professional Services	10%
Food & Leisure	8%
Insurance	3%
Other	4%

Asset Management

It was an exceptional period for lettings, reflecting both strong occupational demand, and the quality and design of the office space we brought to market. Lettings and renewals covering 809,500 sq ft, were signed in the year, with a further 151,700 sq ft under offer, in total 23% ahead of last year. Investment lettings and renewals were on average 10.8% above ERV. This activity contributed to our outperformance.

At the Leadenhall Building, our strategy of letting the lower floors first and focusing on the upper floors at completion has played out well. We let 199,000 sq ft of space, beating previous rental records for City rents. We have also let space to a broader range of occupiers than might be expected for this area of the City, including the building's architects, Rogers Stirk Harbour + Partners (18,000 sq ft) and IPsoft (11,500 sq ft), a leading provider of cognitive and IT solutions who signed in the second half. All of this means we are now 84% let or under offer, compared to 53% at the start of the year.

Regent's Place

Facebook have signed for a 66,000 sq ft at 338 Euston Road bringing their total space to 153,000 sq ft.

OFFICE AND RESIDENTIAL REVIEW CONTINUED

"Facebook will occupy 153,000 sq ft at Regent's Place. This is a strong endorsement of the campus."

At Broadgate, our vision is to create a vibrant, mixed use environment benefiting from its location around Liverpool Street station and the addition of Crossrail from 2018, as well as growth and regeneration to the north and east of the City. Together with our partners GIC, we are making real progress. The campus is appealing to a more diverse range of occupiers with technology and creative sectors accounting for 36% of the 173,200 sq ft let over the year. 73,000 sq ft has been let to collaborative workspace providers, including WeWork at 199 Bishopsgate and Central Working at Crown Place, which create supportive working environments for entrepreneurs, start-ups and small businesses. Our £20 million redevelopment of Broadgate Circle launched in April, with 11 new brands, including Yauatcha from the Michelin starred Hakkasan Group, José Pizarro Tapas Bar & Restaurant and Comptoir Libanais, helping to create a new destination dining area in this part of the City. 5 Broadgate, which is fully let to UBS will achieve practical completion shortly and fit out is underway. The building achieved a BREEAM sustainability score in the top 10 of London office developments. Earlier in the year, we also agreed a 5.8 year extension to Deutsche Bank's lease of 1 Appold Street, taking the expiry date to 2023. The office space across the campus is now fully let.

At Regent's Place, we are refurbishing 72,000 sq ft of space at 338 Euston Road; Facebook have signed for 66,000 sq ft in addition to the 87,000 sq ft they already occupy at 10 Brock Street, bringing their total space to over 150,000 sq ft. This re-sets rental levels across the asset; the remainder of the space will re-launch into the market in early 2016. This is a strong endorsement for the campus, which we believe reflects our efforts to make this a vibrant and interesting place to work, as well as its excellent location in London's West End. As part of our refurbishment of 338 Euston Road, we have secured planning permission for 2,400 sq ft of retail space. We recently completed a series of leisure lettings in the wider campus, including to The Refinery, from London bar group Drake & Morgan, Nuvola and Beany Green.

At Paddington Central, which we acquired in July 2013, we are underway with the first round of public realm improvements and are working up designs for a second. One Sheldon Square, acquired post period end is fully let to Visa Europe Services on a total annual contracted rent of £9.5 million, and we are now virtually full across the campus. We are fully let at both 39 Victoria Street and 10 Portman Square, and are now over 80% let or under offer at Marble Arch House.

One Sheldon Square, Paddington Central

£210 million acquisition after the year end.

Investment Activity

We made over £500 million of sales in the year, with residential sales accounting for £370 million, on average 4% above valuation and of this, Clarges Mayfair contributed £259 million. We also sold an office property in Maidenhead for £90 million, at a 5.9% NIY, 12.5% above valuation.

After the year end, we announced the acquisition of One Sheldon Square for £210 million. This is in line with our strategy of expanding our interests in and around our core campuses. It also increases our exposure to an up and coming area of London, and Paddington station, a major London transport interchange, which will benefit from the opening of Crossrail in 2018. The acquisition adds nearly 200,000 sq ft to our office space, bringing the assets we own in Paddington Central to 800,000 sq ft. Together with our development at 4 Kingdom Street, and the work we are doing to improve the public realm, we are building real momentum across the campus to create an environment which meets the needs of today's occupiers.

654,000 sq ft
Development projects under construction in London

1.3m sq ft
Near term development pipeline focused on London

Broadgate Circle

£20 million redevelopment adding 11 new restaurant concepts to Broadgate.

Development

5 Broadgate will complete shortly, concluding our highly successful 2010 development programme. We are now 94% let or under offer over 2.3 million sq ft of office space with 79,000 sq ft available at the Leadenhall Building and just 11,400 sq ft at Marble Arch House. Our five year programme in Central London supported over 30,000 jobs, including apprenticeships, as well as contributing an estimated £1.2 billion gross value added (GVA) to the UK economy. 96% of our Office developments are rated BREEAM Excellent, reflecting our strong performance on efficiency, ecology, wellbeing and other BREEAM criteria. Our new Office developments are on average 25% more efficient than regulations require.

We have 654,000 sq ft of development projects under construction in London (excluding 5 Broadgate), the most significant being Clarges Mayfair and 4 Kingdom Street. At Clarges, we sold 22 out of 34 apartments following a pre-launch last summer, targeting an exclusive list of known potential buyers, but will now wait until nearer completion, before marketing the remainder. Sales have been agreed at an average capital value of £4,750 per sq ft, with several apartments setting new records for sales values in Mayfair. Deposits totalling around 12% of the total sales value have been received, with a further 17% falling due before completion and the balance due on completion. The total proceeds of £259 million represent 56% of the total gross development value of the private residential element of the scheme and together with sales across other residential schemes bring our residential exposure down to £140 million (measured by our original commitment adjusted for sales).

In February 2015, we started on site at 4 Kingdom Street, a 147,000 sq ft office development over nine storeys. Each storey of the redesigned building has a large corner terrace, and a communal roof terrace provides space for break-out sessions, entertaining and sporting facilities, at the same time encouraging urban biodiversity. The building is scheduled to complete in 2017, and based on current forecasts, we expect it to launch into a market where supply remains tight.

Our near term pipeline now covers 1.3 million sq ft. Key milestones were reached at Blossom Street, Shoreditch and 100 Liverpool Street where planning applications were submitted on both schemes before Christmas. At Blossom Street we are planning a complex, conservation led scheme, comprising a mix of floorplates from 1,000 – 20,000 sq ft. Building on the historic fabric of the area, we will integrate 262,000 sq ft of character office space suitable for the tech and creative industries with 13 retail units and 40 apartments to create a mixed use development which is in keeping with the surrounding area. With 60% of the floorplates under 3,500 sq ft, equating to around 85% of all small and medium-sized business space planned for this area in the next four years, this development will be well suited to the needs of small and growing businesses. Subject to planning, we expect to be on site in 2016 and to complete in 2018.

The redevelopment of 100 Liverpool Street marks the next phase in our long term vision for our Broadgate campus. Our proposal, which was recently granted, adds three further floors to the building, and improves local connections and public spaces between 100 Liverpool Street, Liverpool Street Station and Broadgate Circle – in all covering 515,000 sq ft of office and retail space. We expect to be on site in early 2017 and complete in 2019.

At 5 Kingdom Street, we have consent for 210,000 sq ft of office space and are working on a planning proposal to improve and enlarge the scheme. Looking further ahead to the medium term pipeline, our 46 acre regeneration development at Canada Water will include a significant element of office and residential space.

CARBON REPORTING

Our efficiency programme supports our occupiers' sustainability goals, cuts occupancy costs and enhances asset value

We actively manage greenhouse gas emissions across our business. We have participated in the Carbon Disclosure Project (CDP) for nine years and are the leading UK REIT in the CDP Disclosure Leadership Index 2014, with a 99% score for disclosure. We also achieved A- for performance.

We have reported on all emission sources required under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013. These sources fall within our consolidated financial statement and relate to head office activities and controlled emissions from our managed portfolio. All of our scope 1 and 2 emissions are included in this statement. We have used the GHG Protocol Corporate Accounting and Reporting Standard (revised edition), data gathered to fulfil our requirements under the CRC Energy Efficiency Scheme, and emission factors from the UK Government's GHG Conversion Factors for Company Reporting 2014.

Absolute scope 1 and 2 emissions (tonnes CO_2e)

Year ended 31 March	2015	2014	2009
Combustion of fuel			
Managed portfolio gas use and fuel use in British Land owned vehicles	6,965	5,629	5,156
Operation of facilities			
Managed portfolio refrigerant loss from air conditioning	554	1,707	–
Purchase of electricity, heat, steam and cooling for our own use			
Managed portfolio electricity use	42,503	38,619	41,186

Scope 1 and 2 emissions intensity (tonnes CO_2e)

Year ended 31 March	2015	2014	2009
Per m^2 – Offices	0.050	0.048	0.076
Per m^2 – Shopping centres	0.026	0.023	0.037
Per m^2 – Retail parks	0.004	0.004	0.007
Per £m – Residential	0.137	0.030	–
Per £m – gross rental and related income	76.94	62.10	–

To read about Scope 3 emissions please go to page 189

The areas where we have significant carbon emissions and influence are landlord energy consumption (Scope 1 and 2) and embodied carbon in construction (Scope 3).

This year marked the conclusion of our six year target to cut our like-for-like Scope 1 and 2 emissions by 40%. We achieved 39% reductions through our energy efficiency programme, which also saved our occupiers £10 million. We continued to carry out studies looking at embodied carbon, this year establishing embodied carbon benchmarks for different building types, which we will report annually against.

For our sustainability strategy and data, as well as full details of the methodology used to calculate these emissions and for PwC's independent assurance, please visit **www.britishland.com/sustainability**

It has been another active and successful year for British Land as we continue to deliver strong total returns

Key highlights of the year

24.5%
Total accounting return

829p Up 20.5%
EPRA net asset value per share

£313m Up 5.4%
Underlying profit before tax

27.68p Up 2.5%
Dividend per share

35% Down 500 bps
LTV proportionally consolidated

3.8% Down 30 bps
Weighted average interest rate

Overview

The Group had another successful year, continuing to deliver high returns underpinned by the positive market and our actions.

Over the last two years, our business has achieved a total accounting return of nearly 50%, with returns of 24.5% in 2015. This strong performance reflects strategic decisions taken over the last five years, together with our day to day asset management activities. This, combined with a continued tightening of market yields has resulted in EPRA valuation surplus of £1.6 billion and a 20.5% increase in NAV per share to 829p.

We completed £2.4 billion of investment activity including the acquisition of One Sheldon Square in April 2015; with acquisition and development spend broadly balancing disposals. We took advantage of the strength of the market to sell assets which we do not believe will be successful in the long term and, with an increased focus towards London and the South East, reinvested in assets which strengthen our existing estates and provide development opportunities.

We manage our mix of equity and debt financing to achieve the right balance between enhancing returns for shareholders and the risk of higher leverage. Our approach to LTV seeks to ensure that it does not exceed a maximum threshold if market yields were to rise to previous peak levels, this means we do not gear up on market yield shift. The decrease in LTV to 35% is a reflection of the impact market yield improvements, ERV growth and our actions had on valuations.

The financing actions that we took in the year had the benefit of reducing the Group's weighted average interest rate by 30 bps to 3.8% whilst preserving a capital structure which supports our strategy. These included the re-couponing element of the Tesco property exchange transaction, the refinancing of a number of debt facilities at reduced margins and a reduction in the Group's facilities reflecting our lower leverage mind-set.

Underlying profit increased to £313 million as a result of significant letting activity and the financing actions taken. The increase in EPS of 4% is higher than the dividend increase in the year of 2.5% as we improve dividend cover.

FINANCIAL REVIEW CONTINUED

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 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 Group's financial key performance indicators are also presented on this basis.

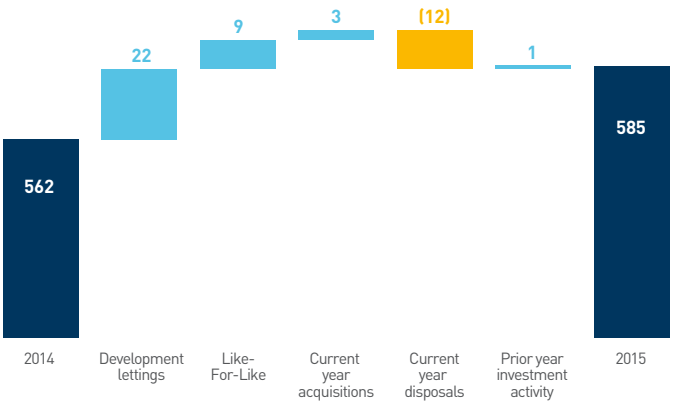
A summary income statement and summary balance sheet which show British Land's interests on this basis are included in Table A within the supplementary disclosures.

Income statement

Underlying profit before tax excludes capital and other one-off items and is the measure that is used internally to assess the Group's income performance. This is presented below on a proportionally consolidated basis:

	2015 £m	2014 £m
Gross rental income	618	597
Property outgoings	(33)	(35)
Net rental income	**585**	**562**
Fees and other income	14	15
Administration expenses	(85)	(78)
Net financing costs	(201)	(202)
Underlying profit before tax	**313**	**297**
Underlying earnings per share	30.6p	29.4p
Dividend per share	27.68p	27.00p

Net rental income (£m)



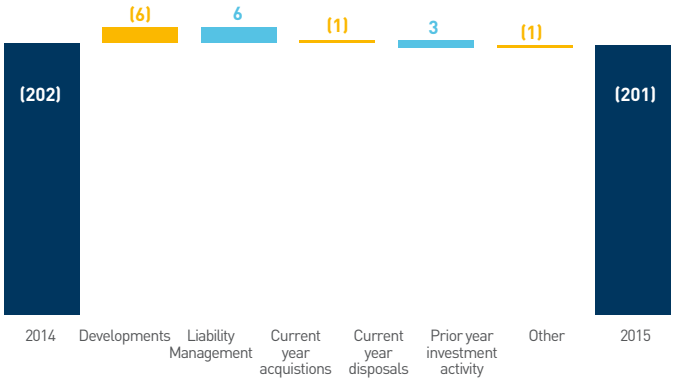
The increase in net rental income was driven by the successful letting of our development programme, notably the Leadenhall Building, and like-for-like growth of 2.3%, reflecting 4.2% growth in the Offices portfolio and 1.5% growth in the Retail and Leisure Portfolio. Occupancy levels across the portfolio increased to 98.3% (2014: 96.1%).

Since the start of the financial year, and including One Sheldon Square which completed in April 2015, acquisitions and disposals have been broadly balanced. The disposals were completed earlier in the year, and taking into account the impact of acquisitions, this has had the effect of reducing net rental income by £9 million in 2015.

Looking forward, net rental income is expected to benefit from acquisitions completed in the second half of the year. In addition, once UBS start benefiting from the rent free at 5 Broadgate we will begin accruing income whilst continuing to receive rent at 100 Liverpool Street and Finsbury Avenue. This increases accounting rents by £12 million in the coming financial year.

In addition, the Group currently has around £200 million of Retail assets under offer or on the market.

Net financing Costs (£m)



The savings from liability management, combined with those from the disposals made in the year, offset the increased costs associated with the cessation of capitalisation of interest on completed developments and other finance cost increases.

The full year impact of liability management undertaken in the current year is expected to provide financing cost savings next year and the re-couponing element of the Tesco property exchange transaction is expected to provide additional savings of £8m.

Administration expenses

The increase in administration expenses is in part due to the impact of incentives, linked to the achievement of performance targets, and in part due to our investment in people and technology to enhance the capability of the business. We expect to continue this investment next year.

The Group's operating cost ratio remains competitive at 16.4% (2014: 16.2%).

Underlying EPS

Underlying EPS for 2014/15 was 30.6p (2014: 29.4p) based on underlying profit after tax of £313 million (2014: £295 million) and weighted average diluted number of shares of 1,022 million (2014: 1,004 million). The contingent conditions on the Group's convertible bond will expire in September 2015 and therefore reported EPS will be diluted from April 2015 onwards. For the purposes of the diluted EPS calculation, interest payable on the convertible of £6 million per annum will be added back and the number of shares will be increased by 58 million.

Dividends

The quarterly dividend was increased to 6.92 pence per share in the year, bringing the total dividend declared for the current financial year to 27.68 pence per share. The dividend paid in the financial year was 27.34 pence (2014: 26.70 pence).

The dividend pay-out ratio was improved over the prior year at 89% (2014: 92%). Our ambition is to continue to improve this further over the medium term. It is the Board's intention to increase the dividend by 2.5% in 2016 to 28.36 pence, with a quarterly dividend of 7.09 pence.

IFRS profit after tax

IFRS profit after tax for the year was £1,765 million (2014: £1,116 million). In addition to underlying profits, the most significant item impacting IFRS profit was the net valuation increase of £910 million for the Group and £595 million for the Group's share of joint ventures and funds.

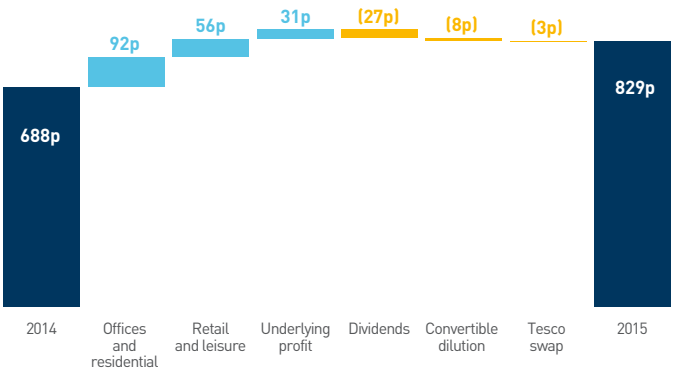
Balance sheet

EPRA net assets include a number of adjustments to the IFRS reported net assets and are presented below on a proportionally consolidated basis:

	2015 £m	2014 £m
Properties at valuation	13,677	12,040
Other non-current assets	256	194
	13,933	**12,234**
Other net current liabilities	(307)	(304)
Adjusted net debt	(4,918)	(4,890)
Other non-current liabilities	(73)	(13)
EPRA net assets (undiluted)	**8,635**	**7,027**
Dilution impact of convertible bond	400	–
EPRA net assets (diluted)	**9,035**	**7,027**
EPRA NAV per share	**829p**	**688p**
Non-controlling interest	333	371
EPRA adjustments[1]	(803)	(281)
IFRS net assets	**8,565**	**7,117**

[1] EPRA net assets exclude the mark-to-market on effective cash flow hedges and related debt adjustments, as well as deferred taxation on revaluations. It includes trading properties at fair value and is adjusted for the impact of share options and the convertible bond which are dilutive.

EPRA net asset value (p)



The 20.5% increase in EPRA NAV reflects a strong valuation performance across the portfolio. The valuation uplift in the year of 12.1% reflects yield compression of 48 bps and ERV growth of 4.6%.

Returns were driven by continuing strong performance from our standing investments, up 11%, and a 26% increase in our developments.

This performance was due to market movements and reflects the strategic decisions taken over the last five years, including our well timed development programme, the quality of the Group's assets and how they are managed and the sector allocation decisions we have made. The Group's portfolio is now almost evenly split between Offices and Retail.

The impact of diluting for the convertible was eight pence per share, due to the share price being above the convertible bond conversion price for the first time this year.

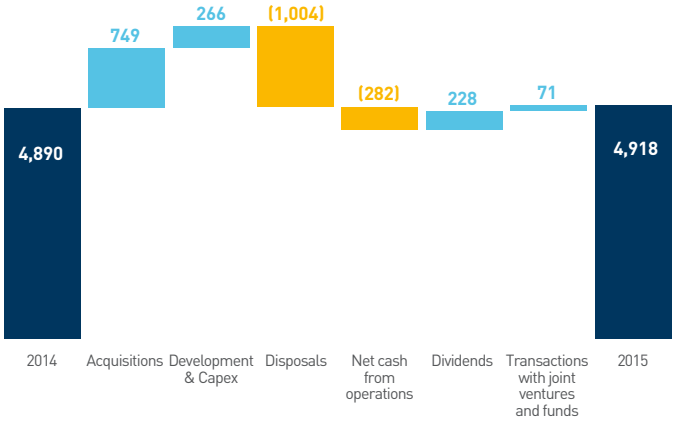
The re-couponing completed as part of the Tesco property swap resulted in a three pence per share decrease in EPRA NAV.

IFRS balance sheet

At 31 March 2015, 33% of the property portfolio and 29% of net debt was held within joint ventures and funds. The IFRS balance sheet shows our investment in joint ventures and funds grouped together and shown net. On this basis, our investment at 31 March 2015 was £2,901 million.

Cash flow, net debt and financing

Adjusted net debt (£m)



Significant acquisitions completed in the year included the Surrey Quays Leisure Park, the purchase of Tesco's interest in two joint ventures as part of the Tesco property swap and the purchase of an additional 10.5% of the units in the Hercules Unit Trust bringing the Group's ownership to 69.2% at the year end. In addition, One Sheldon Square was acquired in April 2015 for £210 million.

Development and capital expenditure in the year reflected the spend on the committed development programme and the replenishment of the development pipeline. Forecast development spend of £378 million is anticipated over the next three years on the Group's committed development programme. This compares to £306 million of contracted residential sales at year end.

Significant disposals in the year included the sale of the Group's joint venture interest in the Tesco Aqua Limited Partnership to Tesco as part of the Tesco property swap and the sale of three Sainsbury's superstores. These sales reduced the Group's exposure to standalone foodstores from 11% of the total portfolio in 2014 to just under 7% in 2015.

Net cash flow from operating activities on a proportionally consolidated basis was £282 million, higher than the £249 million received last year primarily due to the increase in net rental income.

FINANCIAL REVIEW CONTINUED

Financing

	Group[1]		Proportionally consolidated	
	2015	2014	2015	2014
Adjusted net debt	£3,425m	£2,877m	£4,918m	£4,890m
Principal value of gross debt	£3,517m	£2,990m	£5,202m	£5,198m
Loan to value	28%	29%	35%	40%
Weighted average interest rate of drawn debt	3.3%	3.5%	3.8%	4.1%
Interest cover	3.0	3.2	2.6	2.5
Weighted average debt maturity	7.8 years	8.2 years	8.7 years	8.7 years

[1] Group presented after elimination of non-controlling interests

Balance sheet metrics in the current year remained strong. On a proportionally consolidated basis, LTV and the weighted average interest rate on drawn debt were reduced while interest cover was improved. The decrease in LTV to 35% is a reflection of the impact market yield improvements, ERV growth and our actions had on valuations.

The strength of the Group's balance sheet is reflected in British Land's senior unsecured credit rating which remains rated by Fitch at A-.

We continue to achieve attractive financings which improve earnings and liquidity. We have raised £1.9 billion of debt finance since 31 March 2014, including the five year £785 million unsecured Revolving Credit Facility ('RCF') in April 2014; an extension by one year was agreed May 2015.

In February 2015, we undertook a restructuring of British Land's other syndicated RCFs. A new £485 million unsecured RCF was entered into at an initial margin of 90 bps with a maturity of five years, which may be extended to a maximum of seven years, on British Land's request and on each bank's approval for their participation. This facility replaced the £560 million RCF which would have matured in May 2016, and was an extension and re-pricing of the £310 million RCF, which was due to expire in May 2018. This restructuring reduced the total facilities available to the Group by about £400 million, in line with our lower leverage mind-set.

Refinancing of our joint venture and fund facilities in the year consisted of an extension of the Hercules Unit Trust £350 million facility at a borrowing cost 80 bps lower than the previous facility and refinancing of the Tesco BL Properties joint venture £325 million facility at a borrowing cost 280 bps lower than the previous facility. We also repaid the higher rate £60 million facility held by Tesco British Land Property Partnership in March 2015 following our acquisition of Tesco's interest in this joint venture.

Overall, liability management completed in the year, including the re-couponing element of the Tesco property exchange transaction, has reduced the proportionally consolidated weighted average interest rate from 4.1% to 3.8%

British Land has £1.9 billion of committed banking facilities and £73 million of cash and short term deposits. Of these facilities £1.6 billion have maturities of more than two years.

Further information on our approach to financing is provided in the financial policies and principles section on pages 53 to 55

Tax

As a consequence of the Group's REIT status, income and capital gains from our qualifying property rental business are exempt from UK corporation tax. The tax charge in the year is £24m, of which £23m relates to deferred tax.

We continue to comfortably pass all REIT tests to ensure our REIT status is maintained.

Any UK income that does not qualify as property income within the REIT rules (such as fees and interest) is subject to tax in the normal way. We are also subject to tax on overseas properties depending on the requirements of each jurisdiction.

HMRC continue to award British Land a Low Risk tax rating which is in part a reflection of our REIT status together with the regular dialogue we maintain with them and our transparent approach to complex areas.

We administer the tax compliance for 470 companies covering Group and joint ventures and funds (392 UK companies and 78 overseas companies); details of which are shown in our annual return filed at Companies House on 28 February 2015.

In the year to 31 March 2015, British Land paid and collected more than £200 million across all taxes to HMRC.

Lucinda Bell
Chief Financial Officer

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

Leverage

We manage our mix of equity and debt financing to achieve the right balance between enhancing returns for shareholders and the risk of higher leverage. We use a loan to value ratio (debt as a percentage of the gross value of our assets, "LTV") to measure our leverage, primarily on a proportionally consolidated basis including our share of joint ventures and funds.

We seek to manage our leverage such that our LTV should not exceed a maximum threshold if market yields were to rise to previous peak levels. This means we will not increase our LTV if asset values increase as a result of market yield improvement. Consequently our maximum LTV will be higher in the low point in the cycle and will trend downwards as market yields tighten. At this point in the cycle and at today's yields our current maximum LTV is 38% on a proportionally consolidated basis (a lower level than the range in which we operated in previous years).

We leverage our equity and achieve benefits of scale while spreading risk through joint ventures and funds which are typically partly financed with debt without recourse to British Land. The debt in joint ventures and funds is included in the proportionally consolidated LTV of 35% which is higher than the Group measure for our unsecured lenders, which is around 28%.

Debt finance

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

The group's approach to debt financing for British Land is to raise funds predominantly on an unsecured basis with our standard financial covenants (set out on page 55). This provides the greatest flexibility and low operational cost. Our joint ventures and funds are each financed in 'ring-fenced' structures without recourse to British Land for repayment and are secured on the relevant assets.

Presented opposite are the five guiding principles that govern the way we structure and manage our debt.

Debt financing involves risk from adverse changes in the property and financing markets. In arranging and monitoring our financing we include important risk disciplines, ensuring that relevant risks are fully evaluated and managed.

Managing risk in delivering our strategy see pages 56 to 61

Monitoring and controlling our debt

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

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

Based on our current commitments and our current available facilities, we have no requirement to refinance prior to March 2019. British Land's current committed undrawn bank facilities are £1.2 billion.

Managing interest rate exposure

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

Our debt finance is raised at both fixed and variable rates. Derivatives (primarily interest rate swaps) are used to achieve the desired interest rate profile across proportionally consolidated net debt. Currently 64% of projected net debt (including our share of joint ventures and funds) is fixed over the next five years, and we expect this percentage to decrease over the forthcoming year. The use of derivatives is managed by a Derivatives Committee. The interest rate management of joint ventures and funds is addressed by each entity for its business.

Counterparties

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

Foreign currency

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

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

FINANCIAL POLICIES AND PRINCIPLES CONTINUED

Our five guiding principles

Diversify our sources of finance

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

We enjoy and encourage long term relationships with banks and debt investors. We aim to avoid reliance on particular sources of funds and borrow from a large number of lenders from different sectors in the market and a range of geographical areas, with a total of 41 debt providers of bank facilities and private placements alone. We also aim to ensure that debt providers understand our business; we adopt a transparent approach to provide sufficient disclosures so that lenders can evaluate their exposure within the overall context of the Group. These factors increase our attractiveness to debt providers, and in the last five years we have arranged £5.4 billion (British Land share £4.5 billion) of new finance in unsecured and secured bank loan facilities, US Private Placements and convertible bonds.

£6.4bn
Total debt portfolio

Phase maturity of debt portfolio

The maturity profile of our debt is managed with a spread of repayment dates. We monitor the various debt markets so that we have the ability to act quickly to arrange new finance as opportunities arise. Maturities of different types of debt are well spread, taking into account term debt and revolving facilities reducing our refinancing risk in respect of timing and market conditions. As a result of our financing activity, we are comfortably ahead of our preferred two year refinancing date horizon. The current range of debt maturities is one to 20 years.

8.7Yrs
Average debt maturity

Maintain liquidity

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

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

£1.2bn
Undrawn committed facilities

Maintain flexibility

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

£1.9bn
Revolving credit facilities

Maintain strong balance sheet metrics

We actively manage our mix of equity and debt financing to achieve a balance between our ability to generate an attractive return for shareholders with the risks of having more debt.

Our capital strategy has evolved and is responsive to the need to manage our exposure throughout the property cycle such that we aim not to exceed a maximum proportionally consolidated LTV threshold in an economic downturn.

35%
LTV (proportionally consolidated)

A-
credit rating

2.6
interest cover proportionally consolidated

Group borrowings

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

Secured debt is provided by debentures with longer maturities up to 2035 at fixed rates of interest and a bank term loan acquired in the year.

Unsecured borrowings

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

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

Covenant ratio

At 31 March	2011 %	2012 %	2013 %	2014 %	2015 %
Net borrowings to adjusted capital and reserves[1]	36	44	31	40	38
Net unsecured borrowings to unencumbered assets[2]	25	34	23	31	28

Highest during the year to 31 March 2015:
[1] 40%; and [2] 32%

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

The Unencumbered Assets of the Group, not subject to any security, stood at £5.6 billion as at 31 March 2015.

Although secured assets are excluded from Unencumbered Assets for the covenant calculations, unsecured lenders benefit from the surplus value of these assets above the related debt and the free cash flow from them. During the year ended 31 March 2015, these assets generated £40 million of surplus cash after payment of interest. In addition, while investments in joint ventures do not form part of Unencumbered Assets, our share of profits generated by these ventures are regularly passed up to the Group.

Secured borrowings

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

Secured debt without recourse to British Land comprises the following, each of which is secured on a specific portfolio of properties:

- a fixed rate debenture of £30 million for BLD Property Holdings Ltd to 2020; and
- a bank loan of £325 million for TBL Properties Limited (and its subsidiaries) to 2019.

Borrowings in our joint ventures and funds

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

Hercules Unit Trust has term loan facilities maturing in 2017 and 2020 arranged for its business and secured on its property portfolios, without recourse to British Land. These loans include value and income based covenants.

The securitisations of the Broadgate Estate (£1,717 million), Meadowhall (£723 million) and the Sainsbury's Superstores portfolio (£479 million), have weighted average maturities of 12.7 years, 11.0 years, and 7.3 years respectively. The only financial covenant applicable is that income must cover interest and scheduled amortisation (1 times); there are no loan to value covenants. These securitisations provide for quarterly principal repayments with the balance outstanding reducing to approximately 20% to 30% of the original amount raised by expected final maturity, thus mitigating refinancing risk.

Other debt arrangements with banks and other lenders include loan to value ratio covenants with maximum levels ranging from 40% to 65%, and most have rental income to interest or debt service cover requirements.

There is no obligation on British Land to remedy any breach of these covenants and any remedy needed would be considered by the parties on a case-by-case basis.

MANAGING RISK IN DELIVERING OUR STRATEGY

Our assessment of risk is a cornerstone of our strategy and our risk management is fundamental to its delivery.

Lucinda Bell
Chair of the Risk Committee

Our risk appetite remains broadly unchanged. We maintain our focus on sectors where we see sustainable outperformance, that is high quality UK retail and London offices. In developments we have continued to deliver on our 2010 programme and have committed to new developments to manage our development exposure in line with our return aspirations. Our approach to monitoring leverage has evolved; rather than target a specific LTV range, we aim to ensure that our LTV does not exceed a maximum threshold if yields were to rise to previous peak levels. This means we do not gear up solely on market yield shift and consequently LTV has reduced in the year. Internally we have undertaken some significant change projects to improve the operational effectiveness and efficiency of our business. While this inevitably presents a degree of operational risk, we believe we have the right people in place to manage change effectively. In the current year, we have been conscious of the increased risk of terrorist activities at our assets and have tested our crisis response plan to ensure it is robust.

Our approach to risk management

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

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

> *"The most significant judgements affecting our risk appetite include our assessment of prospective property returns, development exposure and our leverage."*

The bottom-up approach involves identifying, managing and monitoring risks in each area of our business. This way, risk management is embedded in our everyday operations. Control of this process is provided through maintenance of **risk registers** in each area. These risk registers are aggregated and reviewed by the Risk Committee, with significant and emerging risks escalated for Board consideration as appropriate. This process complements the top-down view by helping us identify our principal risks and ensuring that operational risks are fully considered in determining the risk appetite and the corresponding strategy of the business.

Our principal risks are detailed in the table that follows. These remain unchanged from the prior year with two exceptions. The 'Economic and Political outlook' risk has been separated into two distinct economic and political risks, reflecting the differing drivers of these risks and their divergent paths. In addition we have separated 'Development' risk into 'Development Exposure' and 'Development Cost Inflation' to reflect the differing nature of these risks.

Risk governance

The Board takes overall responsibility for risk management with a particular focus on determining the nature and extent of significant risks it is willing to take in achieving its strategic objectives. The Audit Committee assesses the principal risks facing the Company, including those that would threaten its solvency or liquidity. Its evaluation of these solvency risks is described further in the Going Concern section on page 76 and a description of how these risks are managed and mitigated is included in the Financial Strategy Execution risk in the table of principal risks which follows.

The Audit Committee takes responsibility for overseeing the effectiveness of sound risk management and internal control systems and more information on the system of internal controls can be found on page 79.

Risk management at a glance

The diagram below summarises the complementary top-down and bottom-up aspects of our integrated approach to risk management. The Executive Directors are responsible for delivering the Company's strategy and managing operational risk and a Risk Committee has been established to provide a forum to fulfil these responsibilities.

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

More can be found on the structure and role of the Risk Committee in the Governance section on page 70

Top-Down Strategic risk management		Bottom-Up Operational risk management
Review external environment — Set risk appetite and parameters — Determine strategic action points	BOARD/ AUDIT COMMITTEE	Assess effectiveness of risk management systems — Report principal risks and uncertainties
Direct delivery of strategic actions — Monitor key risk indicators	RISK COMMITTEE (Executive Directors)	Consider completeness of identified risks and adequacy of mitigating actions — Consider aggregation of risk exposures across the business
Execute strategic actions — Report on key risk indicators	BUSINESS UNITS	Report priority and emerging risks — Identify, evaluate, prioritise, mitigate and monitor operational risks recorded in risk register

Risk Management in Action – Crisis Response

During the year the Executive Committee (see page 70 for a definition) undertook a simulation exercise to test the Company's crisis response plan. The scenario involved responding to a bomb explosion affecting one of our Central London office estates. The Executive Committee demonstrated the steps that would be taken in order to handle such an incident, ranging from dealing with the emergency services, liaising with key stakeholders and operating telephone helplines. This was a valuable exercise to satisfy ourselves that our crisis response plan is robust and can be executed on a real time basis in response to a catastrophic external event. As well as giving us confidence that we are well prepared to handle such an event, the exercise also gave us the opportunity to refine and further enhance our response plan for the future.

PRINCIPAL RISKS

External Risks

Risks and impacts		How we monitor and manage the risk	Movement in the period
Economic outlook	The economic recovery and the prospect of increasing interest rates present risks and opportunities in property and financing markets and the businesses of our occupiers.	– The Risk Committee reviews the economic environment in which we operate quarterly to assess whether any changes to the economic outlook present risks or opportunities which should be reflected in the execution of our strategy. Indicators such as **forecast GDP growth**, unemployment, business and consumer confidence, interest rates and inflation/deflation are considered, as well as central bank guidance and government policy updates.	The UK economic recovery continued this year with improving GDP growth, low unemployment and low interest rates. Low oil prices and low inflation expectations coupled with the return of wage growth has resulted in an increase in consumer confidence.
Political outlook	Significant upcoming political events bring risks in two areas: – reluctance of investors and businesses to make investment decisions whilst the outcome remains uncertain; and – on determination of the outcome, the impact on the case for investment in the UK, and of specific policies and regulation introduced, particularly those which directly impact real estate.	– We are not able to influence the outcome of significant political events, but take the uncertainty related to such events and the range of possible outcomes into account when making strategic investment and financing decisions. – We engage public affairs consultants to ensure that we are properly briefed on the potential policy and regulatory implications of political events. Where appropriate, we act with other industry participants to influence the debate on these policies.	There are a number of uncertainties regarding the composition of the EU. We have been mindful to consider the impact of the possibility of the UK leaving the EU and of any revised terms of EU membership as this would need to be managed carefully.
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: – health of the UK economy; – 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 or opportunities which should be reflected in the execution of our strategy. The Committee considers indicators such as the **margin between property yields and borrowing costs** and **property capital growth forecasts** which are considered alongside the Committee members' knowledge and experience of market activity and trends. – We focus on those sectors which we believe will deliver outperformance over the medium term, benefiting from continuing occupier demand and investor appetite.	There was a high level of investor demand in UK commercial property during the year, both from domestic and international investors. The low cost of finance to many investors heightened the attractiveness of property investment in the UK.
Development cost inflation	Cost inflation presents a risk to the profitability of our development projects and has the potential to adversely affect our cash position and overall return on investment	– For each project we make a judgement about apportionment of construction risk. Where we retain this risk we aim to fix costs early in the process, subject to other market factors, with key contractors subject to financial covenant review. – We factor in construction cost inflation for our projects as part of the investment appraisal process to assess the viability of each development. – We are working with our supply chain on initiatives to address emerging skills shortages and potential resource constraints that could impact development costs in the long term.	Construction cost inflation significantly increased throughout the year as a result of the supply and demand dynamics within the construction industry. As such we have decided it is appropriate to recognise this as a separate principal risk.

KEY

Change from last year

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

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

Risks and impacts		How we monitor and manage the risk	Movement in the period
Occupier demand and tenant default	– Underlying income, rental growth and capital performance could be adversely affected by weakening occupier demand resulting from variations in the health of the UK economy and corresponding weakening of consumer confidence and business activity and investment. – Occupier failures may adversely impact underlying income and capital performance. – Changing consumer and business practices (including the growth of internet retailing, flexible working practices and demand for energy efficient buildings), new technologies, new legislation and alternative locations may result in earlier than anticipated obsolescence of our buildings if evolving occupier and regulatory requirements are not met.	– The Risk Committee regularly reviews indicators of occupier demand including **consumer confidence surveys, employment forecasts for relevant occupier sectors** and **ERV growth forecasts**. These are considered alongside the Committee members' knowledge and experience of occupier plans, trading performance and leasing activity in guiding execution of our strategy. – We have a Key Occupier Account programme through which we work together with our occupiers to find ways to best meet their evolving requirements – including understanding how our stores fit with their omni-channel offer. – We perform rigorous occupier covenant checks and review these on an ongoing basis so that we can be proactive in managing exposure to weaker occupiers. – We have linked leadership on environmental issues with our business strategy and set future proofing goals to respond to customer demand, including complying with new energy and water legislation. – British Land prides itself on taking a leadership position in defining and responding to environmental legislation impacting the built environment. We expect our office developments to be BREEAM Excellent and our major retail developments to be BREEAM Very Good at a minimum.	↓ The London office occupational market continued to strengthen due to a combination of constrained supply and increased demand from an increasingly diverse occupier base. For retailers, there was continued demand for retail space that matches the nature of their omni-channel offerings demonstrating the need for us to have continued customer focus.
Availability and cost of finance	– Reduced availability of property financing may adversely impact our ability to refinance facilities and result in weaker investor demand for real estate. – Increasing finance costs would reduce our underlying income.	– **Benchmark borrowing rates and measures of real estate credit availability** are monitored by the Risk Committee quarterly and considered alongside Committee members' awareness of financing activity in the industry to guide our financing actions in executing our strategy. – We maintain good relationships with our key financing partners and advisors to maintain an awareness of financing market activity. – We maintain a diverse range of sources of finance to provide flexibility to access funding as required. – We are mindful of relevant emerging banking regulations, working with industry bodies and other relevant organisations to participate in the debate where our interests are affected.	↓ We saw a continued increase in the availability of finance to commercial property across a range of sources. Overall financing costs remained at historic lows throughout the year.
Catastrophic Business Event	An external event such as a civil emergency, including a large-scale terrorist attack, extreme weather occurrence or environmental disaster could severely disrupt global markets (including property and finance) and cause significant damage and disruption to our 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. – Asset risk assessments are carried out (e.g. security, flood, environmental, health and safety). – We also have appropriate insurance in place across the portfolio.	↑ The Home Office threat level from international terrorism increased from 'substantial' to 'severe' reflecting events in the Middle East and some isolated incidents closer to home in Europe. The nature, location and target of terrorist attacks have become harder to predict. Security procedures across our portfolio have been reviewed and enhanced as appropriate.

PRINCIPAL RISKS CONTINUED

Internal Risks

Risks and impacts		How we monitor and manage the risk	Movement in the period
Investment strategy	**In order to meet our strategic objectives we must invest in and exit from the right properties at the right time.** Significant underperformance could result from inappropriate determination and execution of our property investment strategy, including: – sector selection and weighting; – timing of investment and divestment decisions; – exposure to developments – sector, asset, tenant, region concentration; – co-investment arrangements. **RESPONSIBLE EXECUTIVE**: Chris Grigg **STRATEGIC PRIORITIES**: Right places	– Our investment strategy is determined to be consistent with our target risk appetite and is based on the evaluation of the external environment. – Progress against the strategy and continuing alignment with our risk appetite is discussed at each Risk Committee with reference to the property markets and the external economic environment. – Individual investment decisions are subject to robust risk evaluation overseen by our Investment Committee including consideration of returns relative to risk adjusted hurdle rates. – We foster collaborative relationships with our co-investors and enter into ownership agreements which balance the interests of the parties.	Chris Grigg commented "In the year we took advantage of strong investment markets to recycle capital. We made significant progress in our residential sales, particularly at Clarges and continued to re-shape our Retail portfolio by disposing some of our more mature assets. We successfully executed a property exchange with Tesco PLC resulting in increased exposure to multi-let retail parks and shopping centres while simultaneously decreasing our exposure to superstores. We were also an active buyer in the market, with notable acquisitions at Canada Water and Paddington. We remain confident that our chosen sector focus will deliver outperformance over the medium term." Our investment strategy is outlined on pages 22 to 26
Development exposure	**Development provides an opportunity for outperformance but this brings with it elevated risk. The care with which we make our decisions around which schemes to develop when, as well as our execution of these projects, must reflect this.** Development risks could adversely impact underlying income and capital performance including: – development letting exposure; – construction timing and costs; – adverse planning judgements. **RESPONSIBLE EXECUTIVES:** Charles Maudsley, Tim Roberts **STRATEGIC PRIORITIES:** Right places	– We maintain our levels of **total and speculative development exposure as a proportion of the investment portfolio value** within a target range taking into account associated risks and the impact on key financial metrics. This is monitored quarterly by the Risk Committee, along with **progress of developments against plan**. – For each project we make a judgement about apportionment of construction risk. Where we retain this risk we fix costs early in the process, subject to other market factors, with key contractors subject to financial covenant review. – Pre-let targets are used to reduce development letting risk where considered appropriate. – We actively engage with the communities in which we operate, as detailed in our Community Charter, to ensure that our development activities consider the interests of all stakeholders. – We manage environmental and social risks across our development supply chain by engaging with our suppliers, including through our Sustainability Brief for Developments and Health and Safety Policy.	Tim Roberts commented "We reached the final stages of our 2010 development programme with the completion of Leadenhall during the year and 5 Broadgate to follow after year end. We were successful in achieving record city rents at the Leadenhall Building and made significant pre-sales at Clarges thereby reducing our risk exposure. As a result we were confident in committing to 4 Kingdom Street during the year and exploring our options at Blossom Street, Canada Water and 100 Liverpool Street without breaching our risk appetite limits." For more on our development programme, see pages 38 to 39.
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. **RESPONSIBLE EXECUTIVES:** Chris Grigg **STRATEGIC PRIORITIES:** Expert people	Our HR strategy is designed to minimise risk through: – informed and skilled recruitment processes; – highly competitive compensation and benefits; – people development and training; – employee engagement surveys and other initiatives. We monitor this through the number of **unplanned executive departures** in addition to conducting exit interviews. We engage with our outsourced suppliers to make clear our requirements in managing key risks including health and safety, fraud and bribery and other social and environmental risks.	Chris Grigg commented "Our expert people are a key asset and their decisions and actions drive our performance. There is a significant level of change activity within the business and while we are mindful of the impact this has, we also believe that we have the right people in role to deliver these projects. We are committed to making British Land a great place to work and offer a suite of training and development opportunities to our staff. Our high level of staff engagement was recognised by maintaining a One Star rating in the Sunday Times Best Companies to Work For survey."

Risks and impacts		How we monitor and manage the risk	Movement in the period
Income sustainability	**We must be mindful of maintaining sustainable income streams in order to continue to generate returns for our shareholders and provide the platform from which to grow the business through development and capital appreciation.** We consider sustainability of our income streams in: – execution of investment strategy and capital recycling, notably timing of reinvestment of sale proceeds; – nature and structure of leasing activity; – nature and timing of asset management and development activity. **RESPONSIBLE EXECUTIVES:** Charles Maudsley, Tim Roberts **STRATEGIC PRIORITIES:** Customer orientation	– We undertake comprehensive profit and cash flow forecasting incorporating scenario analysis to model the impact of proposed transactions. – We monitor our **market letting exposure** including vacancies, upcoming expiries and breaks and tenants in administration as well as our **weighted average lease length**. – We perform rigorous occupier covenant checks and review these on an ongoing basis so that we can be proactive in managing exposure to weaker occupiers. – We are proactive in addressing key lease breaks and expiries to minimise periods of vacancy. – We have a diversified occupier base and monitor concentration of exposure to individual occupiers or sectors. – We actively engage with the communities in which we operate, as detailed in our Community Charter, to ensure that we provide buildings that meet the needs of all relevant stakeholders.	Charles Maudsley commented "We are investing in our Retail portfolio to ensure we are meeting the demands of our occupiers and their customers. We achieved a number of leasing successes in excess of ERV, occupancy rates increased and footfall continued to be above benchmarks throughout the year. We 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 sustainability. Additionally, we are also mindful of the challenges facing the industry and continue to monitor our exposure to occupiers at risk of default and administration." For more on how we manage our portfolio, see pages 16 to 21.
Capital structure – leverage	**We must maintain a capital structure which recognises the balance between performance, risk and flexibility.** – Leverage magnifies 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. **RESPONSIBLE EXECUTIVES:** Lucinda Bell **STRATEGIC PRIORITIES:** Capital efficiency	– We monitor our LTV in order to manage leverage levels over the cycle. – 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.	Lucinda Bell commented "How we monitor capital structure and our approach to LTV evolved during the year; we consider our LTV in the context of valuation movements across the property cycle rather than target an LTV within a range. Our clear strategy is that we do not gear up on market yield shift and hence our LTV reduced over the year." For more on our financial policies, see pages 53 to 55.
Finance strategy execution	**We must be judicious in the management of our financing as our strategy here addresses risks both to our continuing solvency and the stability of our profits.** Failure to manage the refinancing requirement may result in a shortage of funds to sustain the operations of the business or repay facilities as they fall due. This and a breach of financing covenant limits are considered to be significant risks to the continuing operations of British Land as a going concern. See page 76 for further consideration of going concern. **RESPONSIBLE EXECUTIVE:** Lucinda Bell **STRATEGIC PRIORITIES:** Capital efficiency	– We have five key principles guiding our financing which together are employed to manage the risks in this area: diversify our sources of finance, phase maturity of debt portfolio, maintain liquidity, maintain flexibility, maintain strong balance sheet metrics. See page 54 for further details. – We closely monitor the **period until refinancing is required**, which is a key determinant of financing activity, and use scenario modelling tools to evaluate the **likelihood of covenant breach**. – We are committed to maintaining and enhancing relationships with our key financing partners. – We are mindful of relevant emerging regulation which has the potential to impact the way that we finance the Group.	Lucinda Bell commented "We continued to operate an efficient debt book in the year, providing the flexibility required for our investment activity and, in conjunction with our hedging policy, stability of financing costs. We were successful in refinancing at attractive rates during the year including one of our joint ventures with Tesco. Given our sales and purchases profile, we also focused on managing the repayment of existing facilities and ensuring our level of committed facilities is appropriate." For more on our financial policies, see pages 53 to 55

Governance and remuneration

Board of Directors 64
Board of Directors – biographies 66
Chairman's governance review 68
Our governance structure 70
Governance review 72
Report of the Audit Committee 78
Report of the Nomination Committee 82
Remuneration report
- Letter from the Chairman 86
- Summary of Remuneration Policy 88
- Implementation report 98

Directors' report and additional disclosures 113
Directors' responsibility statement 115

Photo taken by Ian Hall
2 Kingdom Street

BOARD OF DIRECTORS

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

Lucinda Bell
Chief Financial Officer

Appointed in March 2011; became Chief Financial Officer in May 2011.

Simon Borrows
Non-Executive Director

Appointed in March 2011.

Tim Roberts
Head of Offices and Residential

Appointed in July 2006.

Laura Wade-Gery
Non-Executive Director

Appointed on 13 May 2015.

Tim Score
Non-Executive Director

Appointed in March 2014.

Aubrey Adams
Non-Executive Director

Appointed in September 2008.

Charles Maudsley
Head of Retail and Leisure

Appointed in February 2010.

Lynn Gladden
Non-Executive Director

Appointed on 20 March 2015.

Chris Grigg
Chief Executive

Appointed in January 2009.

John Gildersleeve
Non-Executive Chairman

Appointed Non-Executive Director in September 2008; became Senior Independent Director in November 2010 and Chairman in January 2013.

Lord Turnbull
Senior Independent Director

Appointed Non-Executive Director in April 2006; became Senior Independent Director in January 2013.

William Jackson
Non-Executive Director

Appointed in April 2011.

Directors' core areas of expertise[1,2]

Property	40%
Finance	40%
Retail and consumer	8%
Academic	6%
Public sector	6%

[1] Some Directors are represented in more than one category
[2] As at 31 March 2015

BOARD OF DIRECTORS – BIOGRAPHIES

Non-Executive Chairman

John Gildersleeve

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

Committee membership: Nomination (Chairman).

Executive Directors' appointments

Executive Directors

Chris Grigg
Chief Executive

Skills and experience: Chris was chief executive of Barclays Commercial Bank until November 2008, having joined the bank in 2005. Prior to Barclays, he was partner of Goldman Sachs, where his career spanned 20 years.

Committee membership: Executive (Chairman), Investment (Chairman), Risk.

External appointments: non-executive director of BAE Systems plc, member of the executive board of the European Public Real Estate Association (EPRA) and board member of the British Property Federation.

Lucinda Bell
Chief Financial Officer

Skills and experience: A chartered accountant with over 20 years of industry experience. In 2006 she was a member of the HM Treasury appointed working party which designed the implementation of the REIT regime.

Committee membership: Risk (Chairman), Sustainability (Chairman), Health and Safety (Chairman), Executive, Investment.

External appointments: non-executive director of Rotork plc and chairman of the reporting and accounting committee of EPRA.

Charles Maudsley
Head of Retail and Leisure

Skills and experience: Charles joined British Land from LaSalle Investment Management. He had also been with AXA Real Estate Investment Managers for seven years.

Committee membership: Executive, Investment, Risk.

Tim Roberts
Head of Offices and Residential

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

Committee membership: Executive, Investment, Risk.

External appointments: trustee and board member of LandAid.

Non-Executive Directors

Aubrey Adams

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

Committee membership: Audit.

Simon Borrows

Skills and experience: Simon is the chief executive of 3i Group plc and a member of the supervisory board of Peer Holdings BV, the Dutch holding company for 3i's investment in Action (the non-food discount retailer). He worked for 28 years in the banking and finance industry, most recently as chairman of Greenhill & Co. International LLP. He had also held the position of chief executive officer of Baring Brothers International Limited, the corporate finance division of ING Barings and was a non-executive director of Inchcape plc until May 2015.

Committee membership: Audit.

Lynn Gladden

Skills and experience: Lynn is pro-vice-chancellor for research and Shell Professor of Chemical Engineering at the University of Cambridge. She is also non-executive director of IP Group plc; fellow of the Royal Society and Royal Academy of Engineering; fellow of the Institution of Chemical Engineers, Royal Society of Chemistry and Institute of Physics. She was appointed Professor, Chemical Engineering Science, at the University of Cambridge in 1999, and from 1995 to 2008 was a consultant at Unilever plc. She is a former Council member of the Engineering and Physical Sciences Research Council.

Committee membership: Remuneration.

William Jackson

Skills and experience: William is managing partner of Bridgepoint, chairman of Pret A Manger and president of Dorna Sports SL. He began his career in NatWest's investment banking arm, before working extensively on private equity transactions in Europe.

Committee membership: Remuneration, Nomination.

Laura Wade-Gery

Skills and experience: Laura is executive director, Multi Channel of Marks and Spencer Group plc and a trustee of both the Royal Opera House and Aldeburgh Music. Prior to July 2011, she had served in a variety of senior roles at Tesco PLC. Laura was also a non-executive director of Trinity Mirror plc until 2012.

Committee membership: Remuneration.

Tim Score

Skills and experience: Tim is chief financial officer of ARM Holdings PLC and a non-executive director of Pearson plc. He held senior financial positions at Rebus Group Limited, William Baird plc, LucasVarity plc and BTR plc. From 2005 to 2014, he was a non-executive director of National Express Group PLC, where he served in various roles.

Committee membership: Audit (Chairman).

Lord Turnbull

Senior Independent Director

Skills and experience: Andrew is a non-executive director of Frontier Economics Ltd. He entered the House of Lords in 2005 as a Crossbench Life Peer. Andrew retired as Secretary of the Cabinet and Head of the Home Civil Service in July 2005. He had previously held the positions of Permanent Secretary of HM Treasury and Permanent Secretary at the Department of the Environment. He was a non-executive director of the Arup Group, chairman of BH Global Limited and a non-executive of Prudential PLC from 2006 until May 2015.

Committee membership: Remuneration (Chairman), Nomination.

Length of Non-Executive Directors' tenures[1]

Under 3 years	29%
3 to 6 years	29%
Over 6 years	42%

[1] As at 31 March 2015

Company Secretary

Charles Middleton

Charles was appointed Interim Company Secretary on 8 May 2015.

CHAIRMAN'S GOVERNANCE REVIEW

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

Directors' attendance during the year ended 31 March 2015

Director	Main Board
John Gildersleeve	6/6
Chris Grigg	6/6
Lord Turnbull	5/6
Aubrey Adams	6/6
Lucinda Bell	6/6
Simon Borrows	6/6
Lynn Gladden[1]	0/0
Dido Harding[2]	3/4
William Jackson	6/6
Charles Maudsley	6/6
Tim Roberts	6/6
Tim Score	6/6

[1] Lynn Gladden was appointed a Non-Executive Director on 20 March 2015. No Board meetings took place between her appointment and the year end.
[2] Dido Harding resigned as a Non-Executive Director on 10 December 2014.

The Board considers that British Land has complied fully with the UK Corporate Governance Code (the Code) throughout the year and this compliance is detailed on pages 72 to 77. Our governance structure shapes the way that information flows throughout the Company. We constantly strive to improve the procedures and processes we have in place.

British Land has performed strongly throughout the year, with underlying profit before tax increasing by 5.4%, EPRA NAV increasing by 20.5% and an increase in the total portfolio valuation of 12.1%. Our portfolio is close to being fully occupied and our development pipeline has been replenished, following the near completion of the 2010 pipeline which has delivered £1bn of profits. Our good governance practices and solid governance structure continue to be an integral part of the decisions and actions we have taken to achieve this.

We undertook an independent external evaluation of the Board's effectiveness during the year. The overall conclusion was that the Board operated very effectively with a continuous, high standard of performance throughout the past year.

Dido Harding resigned as a Non-Executive Director during the year, following her appointment as a non-executive director on the Court of the Bank of England. I would like to thank Dido for her valuable contribution to British Land, both as a Board member and a member of the Nomination and Remuneration Committees, and wish her well for the future. I am delighted that Lynn Gladden and Laura Wade-Gery have recently been appointed as Non-Executive Directors and members of the Remuneration Committee. I look forward to the fresh perspective that Lynn and Laura will bring to the boardroom, and the insight and ideas that they will contribute.

The Board also recognises the importance of continuity and the value that Directors who serve for many years are able to bring. We were therefore happy to approve the recommendation of the Nomination Committee that it was appropriate for Lord Turnbull to remain in office, notwithstanding the length of his service since 2006.

The Operations Committee was established in the previous financial year and I am particularly pleased with the success it has achieved during the year. The Committee consists of senior individuals across British Land's business functions and exists to facilitate the flow of information between the Executive Committee and employees. Throughout the year the Committee has developed and become a forum for discussion, effectively disseminating information about strategic and tactical decisions throughout the Company and in turn allowing timely feedback to be passed back to the Executive

> *"Our good governance practices and solid governance structure continue to be an integral part of the decisions and actions we have taken."*

Committee. Small working groups have been established within the Operations Committee, each with a focus on improving a specific aspect of British Land's business.

The Executive Committee has addressed its remit during the year and undergone a rigorous exercise to challenge and further define its role, working with an external facilitator to increase the effectiveness with which it operates and improve its approach to leadership of the Company. The Committee has consequently developed its forward looking plan and terms of reference. To build on this success a similar evaluation will now be applied to the Operations Committee.

Good governance requires engagement with a wide range of stakeholders. As ever, the Board welcomes feedback from shareholders. Investors' comments and opinions inform the structure within which we lead British Land, and I look forward to receiving these at and in advance of the forthcoming annual general meeting. As well as engaging in two-way communication with our shareholders, we continue to maintain an active dialogue with our lenders to help us to understand their appetite and investment criteria. To truly achieve our strategy of creating Places People Prefer we must also engage with the stakeholders that have an interest in our buildings. These include customers, local communities, staff, suppliers, investors and analysts, and local and central government. Extensive research has been carried out throughout the year to ensure that this range of stakeholder views is heard and incorporated into strategic discussion.

John Gildersleeve
Non-Executive Chairman

Compliance with the Code

The Board has continued to apply good governance practices during the year, operating in compliance with the Code. For ease of reference, this is how we demonstrate our compliance throughout the Governance and remuneration section of the Annual Report and Accounts 2015:

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

OUR GOVERNANCE STRUCTURE

Our governance structure ensures that the right people have access to the right information

Board

Develops strategy and leads British Land to achieve long term success, determines nature and extent of significant risks and maintains a satisfactory level of dialogue with shareholders

Non-Executive Chairman

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

Independent Non-Executive Directors

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

Committees of the Board

Report on their activities to the Board

Audit Committee

Oversees financial and narrative reporting, internal control, risk management systems and audit processes

Report of the Audit Committee see pages 78 to 81

Nomination Committee

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

Report of the Nomination Committee see pages 82 to 85

Management Committees

Report on their activities to the Board and its Committees, as appropriate

Risk Committee

- Manages strategic and operational risk in achieving the Company's performance goals.
- Recommends appropriate risk appetite levels to the Board.
- Monitors the Company's risk exposure.
- Reviews operation of risk management processes.
- Meets four times a year.
- Reports to the Audit Committee.
- Chaired by Chief Financial Officer.
- Membership: Executive Directors.

Executive Committee

- Ongoing management of the Group.
- Considers day-to-day operational matters for running the business.
- Reviews performance of Group's assets and development programme.
- Generally meets twice monthly.
- Reports to the Board.
- Chaired by Chief Executive.
- Membership: Executive Directors and five senior executives (Sally Jones, Darren Richards, Joff Sharpe, Jean-Marc Vandevivere, Nigel Webb).

Health and Safety Committee

- Reviews performance against targets and drives forward actions in pursuit of the Company's health and safety goals.
- Meets four times a year.
- Reports to the Risk Committee.
- Chaired by Chief Financial Officer.
- Membership: staff with relevant responsibilities from across the business.
- Three sub-committees: Construction, Managed Portfolio and Head Office (staff committee).

Operations Committee

- Assists the Executive Committee through owning the operational delivery of our corporate strategy.
- Meets quarterly.
- Membership: senior individuals across British Land's business functions.

Matters reserved for Board approval (A.1.1)

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

Chief Executive and Executive Directors

- Day-to-day management of the business and implementation of strategy.

Remuneration Committee

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

Remuneration report see pages 86 to 112

Investment Committee

- Reviews, approves or recommends capital transactions.
- Meets as required.
- Recommends major transactions for Board approval.
- Chaired by Chief Executive.
- Membership: Executive Directors.

Investment: sticking to our strategy see page 75

Sustainability Committee

- Custodian for sustainability strategy
- Reports to the Board.
- Chaired by Chief Financial Officer.
- Membership: executives with defined areas of responsibility.

Charity and Community Committee

- Approves all spend under the charity and community budget.
- Reports to the Executive Committee.
- Chaired by Senior Retail Asset Manager.

Sustainability Panel

- Receives and provides expert comment on emerging social, environmental and ethical issues.
- Challenges British Land's sustainability strategy.
- Meets twice annually.
- Chaired by Chief Financial Officer.
- Membership includes four independent experts.

GOVERNANCE REVIEW

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

This section of the Annual Report and Accounts 2015 outlines how we have applied the Code's principles and provisions.

The Board considers that the Company has fully complied with the Code throughout the year ended 31 March 2015 and confirms that it will detail in the Annual Report and Accounts 2016 how it has applied the principles and provisions of the Code, as revised by the Financial Reporting Council in 2014.

A copy of the Code is available to view at www.frc.org.uk

Leadership

The Board's core responsibilities include setting British Land's strategic aims and leading the Company as it works to achieve these aims and attain long term, lasting success. The Board focuses on strategy throughout the year and the annual Strategy Days provide an opportunity to do this. Progress against, and the appropriateness of, the agreed strategy are considered at Board meetings during the year, in light of Company performance and changes to the external environment (A.1.1).

The Strategy Days see page 74

To ensure that no one individual has unfettered powers of decision, there is a written division of responsibilities between the Chairman (responsible for running the Board) and the Chief Executive (responsible for running the Company's business), which has been approved by the Board (A.2.1).

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

Investment: sticking to our strategy see page 75

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

The division between major decisions reserved for Board approval and other decisions delegated to the Executive Directors is formally documented (A.1.1). The Executive Directors make decisions within these predefined parameters. Decisions that would normally fall within these parameters may still be taken to the full Board for approval where such decisions relate to activities outside the ordinary course of business or where the Executive Directors consider it appropriate to do so. Specialised Management Committees deal with their specific areas of responsibility before making decisions (where they have authority to do so), or recommending actions for Board-level approval, if this is required. A key consideration when making each decision hinges on whether the proposed action is aligned with the strategy the Board has developed.

Management Committees see pages 70 to 71

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

Effectiveness see page 74

Culture and composition of the Board

The composition of the Board is a fundamental driver of its success as it provides strong and effective leadership; our Non-Executive Directors provide a breadth of knowledge, skills and experience, as detailed in their biographies on pages 66 and 67. The Nomination Committee is responsible for reviewing the composition of the Board and Board-level Committees and assessing whether the balance of skills, experience, knowledge and independence is appropriate to enable them to operate effectively (B.2.2).

Following the resignation of Dido Harding on 10 December 2014, the Nomination Committee reviewed the composition of the Board and recommended the appointments of Lynn Gladden and Laura Wade-Gery on 20 March and 13 May 2015 respectively.

The procedure for the appointment of new Directors is rigorous and transparent. It is explained in more detail in the Report of the Nomination Committee (B.2.4).

Report of the Nomination Committee see pages 82 to 85

Non-Executive Directors are appointed for specified terms and all Directors offer themselves for election or re-election by shareholders at the Annual General Meeting (AGM) each year, if the Board, on the recommendation of the Nomination Committee, deems it appropriate that they remain in office (B.7.1 and B.7.2).

Lord Turnbull has been a Non-Executive Director since April 2006. He has now completed nine years in office. Whilst taking into account the need to progressively refresh its members through new appointments, the Board also recognises the importance of continuity and the value that Directors who serve for many years are able to bring. When a Non-Executive Director's tenure goes further than nine years their independence is carefully reviewed and monitored. Following a rigorous review of Lord Turnbull's contribution and independence over the years, the Nomination Committee was happy to recommend to the Board that it was appropriate for him to remain in office and the Board is satisfied that he remains independent (B.2.3).

We continue to have a strong mix of experienced individuals on the Board, with the majority being Non-Executive Directors who are independent and can offer an external perspective on the business and constructively challenge the Executive Directors, particularly when developing the Company's strategy (B.1.1 and B.1.2). The Non-Executive Directors scrutinise the performance of management in meeting their agreed goals and objectives, and monitor the reporting of performance. They satisfy themselves of the integrity of financial information and that financial controls and systems of risk management are robust and defensible (A.4).

Board of Directors – Biographies see pages 66 to 67

The Board culture is one of openness and constructive debate; the Directors voice their opinions in a relaxed and respectful environment, allowing coherent discussion. The Chairman is responsible for maintaining this culture. He does so by ensuring information of an appropriate quality is provided in a timely manner before Board meetings; the opportunity to properly consider such information in advance leads to focused discussion in the boardroom. When running Board meetings the Chairman maintains a collaborative atmosphere and ensures that all Directors contribute to debates. The Chairman arranges informal meetings and events throughout the year to help build constructive relationships between the Board members (A.3).

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

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

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

Key activities of the Board 2015

Regular agenda items included:

- outcomes of the Board Strategy Days, and feedback;
- reports of the activities of the Audit (including risk), Remuneration and Nomination Committees;
- Chief Executive's Management Reports: quarterly updates on the business including investor relations;
- updates on the portfolio, including developments, acquisitions and disposals;
- updates on financing;
- results of the Board performance appraisal and feedback;
- reappointment of Directors at the 2014 AGM;
- conflicts of interest;
- approval of year end results, the Annual Report and Accounts, the AGM Circular and dividends;
- people: development and succession planning;
- health & safety.

Key agenda items also considered in the year included:

- acquisitions;
- disposals;
- financing;
- sustainability.

GOVERNANCE REVIEW CONTINUED

The Strategy Days

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

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

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

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

Areas focused on at the February 2015 Strategy Days included:

- corporate: exploiting competitive advantage and long term trends;
- finance: supporting long term vision;
- retail: creating and operating places retailers and consumers prefer;
- offices: leveraging our placemaking skills to enhance and grow our offices portfolio;
- residential: creating the right product for the London market;
- development: managing exposure and replenishing the pipeline;
- people: development and succession planning;
- building our capabilities to create Places People Prefer.

Effectiveness

Regular Board and Board-level Committee meetings are scheduled throughout the year, and the Directors ensure that they allocate sufficient time to discharge their duties effectively. Occasionally, Board meetings may be held at short notice, when Board-level decisions of a time-critical nature need to be made. Non-Executive Directors' letters of appointment set out the time commitments expected and each Director's attendance record (shown on page 68) =is considered when assessing whether they should stand for reappointment by shareholders. Fees payable to Non-Executive Directors are dependent in part on their level of attendance at Board and Committee meetings.

The Chairman considers that all the Directors continue to devote sufficient time to discharging their duties to the required high standard and remain committed to their roles. British Land's policy is to allow Executive Directors to take one non-executive directorship at another FTSE company, subject to British Land Board approval (B.3.3 and D.1.2). External appointments of the Directors are disclosed in their biographies.

The Directors are required to notify the Company of any potential conflicts of interest that may affect them in their roles as Directors of British Land. All potential conflicts of interest are recorded and reviewed by the full Board at least annually.

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

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

Care is taken to ensure that information is circulated in good time before both Board and Committee meetings whenever possible, and that reports are presented clearly and contain the appropriate level of detail to allow valid conclusions to be drawn. It is the Company Secretary's role to ensure good information flows within the Board and its Committees, and between senior management and Non-Executive Directors. The Company Secretary is responsible for advising the Board on governance matters, through the Chairman (B.5.2).

The Non-Executive Directors are therefore able to monitor the management of the business and the implementation of the strategic aims effectively, and are able to assess the suitability of the current strategy and the performance of the Chairman and Executive Directors (B.5.1).

Board evaluation

The effectiveness of the Board and its Committees is reviewed annually, with an independent, externally facilitated review being conducted at least once every three years. The latest external review was conducted in 2015 and covered the following areas (B.6.1 and B.6.2):

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

The external facilitator who assisted the Board and its Committees, Ffion Hague, has no connection with the Company beyond evaluating the Board (B.6.2).

The overall conclusion from the externally facilitated evaluation was that the Board of British Land operated very effectively with a continuous, high standard of performance throughout the past year.

In addition, peer reviews took place at a number of private meetings between the Directors. The Chairman met each Non-Executive Director individually to discuss their contribution to the Board and the Senior Independent Director met with the other Non-Executive Directors to discuss the performance of the Chairman (A.4.2). The Remuneration Committee was provided with an appraisal of the Chief Executive's performance by the Chairman, and was provided with a written appraisal of the performance of the Executive Directors by the Chief Executive.

Board training and development

British Land provides for all Directors a tailored and thorough induction, including the opportunity to meet with senior executives to be given an overview of their specific areas of responsibility within the business, and the opportunity to visit the Company's key properties and developments (B.4.1).

The Company also offers Directors opportunities to update and refresh their knowledge on an ongoing basis, to enable them to continue fulfilling their roles as Board members and Committee members effectively. This includes training opportunities and further visits to the Company's assets, as required. In 2015, the Board held one of its meetings at the Meadowhall Shopping Centre in Sheffield. Regulatory and environmental updates are delivered to the Board and relevant committees by external speakers, including corporate governance updates (B.4.2).

Accountability

The Board is responsible for preparing the Annual Report and Accounts and, as confirmed in the Directors' responsibility statement, the Board believes that this Annual Report and Accounts, taken as a whole, is fair, balanced and understandable, and provides the information necessary to assess British Land's position, performance, business model and strategy (C.1.1 and C.3.4). The basis on which the Company creates and preserves value over the long term is described in the business model (C.1.2).

Director's responsibility statement see page 115

Business model see pages 14 to 21

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

The procedure undertaken to enable the Board to provide the fair, balanced and understandable confirmation to shareholders has been reviewed by the Audit Committee. The process is enhanced by a specific meeting between the Chief Financial Officer, Head of Strategy and Investor Relations and the Group Financial Controller and their relevant team members to review and document the key considerations undertaken to ensure that information presented is fair, balanced and understandable. A report detailing those considerations was reviewed by the Audit Committee alongside a summary of the detailed procedures undertaken and the full Annual Report and Accounts.

Risk management and internal control

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

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

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

Managing risk in delivering our strategy see pages 56 to 57

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

Investment: sticking to our strategy

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

1. All new investment opportunities are discussed at weekly deal sourcing meetings, attended by Executive Committee members and investment executives. Potentially attractive deals that are in line with strategy are selected to be investigated and analysed in detail by project teams.
2. Project teams assess whether investment opportunities should be pursued, conducting detailed property and corporate due diligence; ongoing dialogue with relevant Executive Committee members takes place throughout the process.
3. Investment opportunities with potential are presented for Investment Committee approval. Depending on the size and nature of a transaction, the Investment Committee can approve the proposed transaction outright or recommend it for approval by the full Board.
4. Investment opportunities are presented to the full Board for approval, when required.

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

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

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

Report of the Audit Committee see pages 78 to 81

The Board reviews the effectiveness of the Group's system of internal control over financial reporting annually, including the systems of control of material joint ventures and funds. During the course of its review of the risk management and internal control systems over financial reporting, the Board has not identified, nor been advised of, a failing or weakness which it has determined to be significant. Therefore a confirmation in respect of necessary actions is not required (C.2.1).

GOVERNANCE REVIEW CONTINUED

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

Going concern

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

Performance Review

Financial review see pages 49 to 52

Financial policies and principles see pages 53 to 55

The Group currently has considerable undrawn debt facilities and cash deposits which are expected to be sufficient to meet its financing requirements for several years. The Group's success at raising £1.9 billion of financing over the last 12 months (including joint ventures and funds) gives the Directors confidence in the Group's ability to raise further finance as and when required.

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

Covenant ratio see page 55

The Directors therefore believe that the Group is well placed to manage its financing and other business risks satisfactorily in the current economic environment. The Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future and therefore continue to adopt the going concern basis in preparing the Annual Report and Accounts (C.1.3).

Taxation

Our principles of good governance extend to our responsible approach to tax. It remains important to our stakeholders that the Company's approach to tax is aligned to the long term values and strategy of the Group. The Group's tax strategy is the responsibility of the Chief Financial Officer, with close involvement of Executive Directors and senior management in all activity. The Audit Committee is also presented with an annual tax update for review.

Employees

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

Expert people see page 21

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

The Operations Committee (OpCo), which is comprised of senior individuals across British Land's business functions, assists the Executive Committee with operational matters arising in the day-to-day management of the business. The OpCo forms a link between the Executive Committee and wider teams of employees, enhancing the flow of information around the Company, both upwards and downwards, to improve the strategic and tactical decisions that are made. The aim of the OpCo is to strengthen collaboration across the Company in driving initiatives that help us achieve our objectives. The OpCo also plays an increasingly important role in the development of the operational leaderships areas of our business, such as technology.

British Land continues to implement a number of initiatives to help develop our employees and grow internal talent, reinforcing the Company culture of excellence and embedding values and behaviours. As a relatively small Company in terms of number of employees we are proud to be able to invest in our people on an individual basis, taking time to understand specific requirements to progress careers. More information is provided in the Report of the Nomination Committee.

Developing people at British Land see page 85

Wellbeing see pages 32 to 33

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

Staff Turnover

	2015	2014	2013
Head office	31 (12%)	32 (15%)	28 (13%)
Broadgate Estates	28 (11%)	42 (20%)	31 (16%)
Total (average)	59 (12%)	74 (17%)	59 (14%)

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

Our view on diversity see pages 83 to 85

Funding to charity and good causes

British Land has a Community Charter and Charitable and Community Funding Guidelines, approved by the Executive Committee, which state that giving is focused on young people, education, training, employment and local regeneration. Both can be found on our website at www.britishland.com/policies

We allocate funding to national, regional and local community causes, with most funds going to support initiatives around our properties and developments, with particular focus on those which have a positive impact on young people and education, employment and training and local regeneration of facilities.

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

Donations during the year totalled £1,287,500, compared with £1,120,699 in the previous year.

British Land does not make any donations to political organisations.

Health and Safety

We have received formal recognition of our focus on health and safety through receiving OHSAS18001 accreditation. As part of this process we have reviewed our approach to Health and Safety management to ensure that we consistently achieve best practice across all activities in the business (construction, managed portfolio and head office) to deliver Places People Prefer to our employees and our customers.

RIDDOR* Year ended 31 March 2015

	Accident Frequency Rate	Total RIDDOR Accidents
Construction	0.19 per 100,000 hours worked	8
Retail	0.01 per 100,000 footfall	22
Offices	7.50 per 100,000 workers	3
Head office	0 per 100,000 full time equivalents	0

* Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 2013

Remuneration

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

The Policy is also structured to complement our strategy, linking a significant proportion of Executive Directors' remuneration to corporate and individual performance. The Policy was developed by the Remuneration Committee (D.2.2) and was approved by shareholders in July 2014.

Summary of Remuneration Policy see pages 88 to 97

Relations with shareholders

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

British Land has a dedicated Investor Relations team which reports to the Chief Financial Officer. Communication with investors and analysts is an ongoing process throughout the year. This includes regular scheduled Investor Relations events, summarised in the box to the right, one-to-one and group meetings with Executive Directors and tours of our properties, as well as regular contact with the Investor Relations department. During the year, the Chief Executive, Chief Financial Officer and our Investor Relations team met with representatives from over 180 institutions.

The full Board plans to attend the AGM, which provides an opportunity for all shareholders to question the Directors in person.

Significant emphasis is placed on the importance of feeding shareholder views, both positive and negative, back to the Board. A written investor relations report which includes direct market feedback on activity during the period is presented at each scheduled Board meeting for discussion by the full Board. Shareholder opinions are also given due consideration throughout the annual Strategy Days (E.1.1 and E.1.2).

The Strategy Days see page 74

Key investor relations activities during the year included

May 2014	– Full-year results presentation. – Full-year roadshow, London. – Private Client dinner.
June 2014	– Investor property conferences, London and Amsterdam. – Investor roadshows, Paris and Far East.
July 2014	– Q1 interim management statement, investor call. – AGM. – Analyst property tour, Regent's Place.
September 2014	– Investor roadshows, Scotland and US. – Investor property conferences, New York and London.
November 2014	– Half-year results presentation. – Half-year results roadshow, London. – Private Client roadshow, London.
December 2014	– Investor property conference, London. – Investor property tour, the Leadenhall Building.
January 2015	– Investor property conference, London. – Trading statement, investor video and call.
February 2015	– Investor roadshow, Netherlands.
March 2015	– Investor conference, London and US. – Investor property tour, Clarges Marketing Suite.

British Land aims to be informative and accessible to all shareholders. For results and other key announcements we provide information on a timely basis to both retail and institutional shareholders. A number of case studies, covering topics that range from profiles of our key assets to sustainability activities, are also available to view online. Shareholders can ask questions at any time via our contacts page on the website.

Contact British Land

www.britishland.com/contacts

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

Lord Turnbull is the Senior Independent Director and he is available to address any concerns shareholders may wish to raise other than via the usual channels of the Chairman, Chief Executive or other Executive Directors (A.4.1).

REPORT OF THE AUDIT COMMITTEE

We are committed to monitoring the integrity of the Group's reporting

Tim Score
Chairman of the Audit Committee

Committee members' attendance during the year ended 31 March 2015

Tim Score	5/5
Aubrey Adams	5/5
Simon Borrows	5/5

Audit Committee regular attendees (by invitation)

PricewaterhouseCoopers LLP	Independent external auditor to the Group
Knight Frank and CBRE	Group's external valuers
KPMG	Group's Internal Audit function (outsourced)
John Gildersleeve	Chairman of the Company
Chris Grigg	Chief Executive
Lucinda Bell	Chief Financial Officer and Chairman of the Risk Committee
Sally Jones	Head of Strategy and Investor Relations
Victoria Penrice[1]	Company Secretary and Secretary to the Audit and Risk Committees
Rob Hudson	Group Financial Controller
Marc Furlonger	Head of Financial Forecasting and Financial Reporting
Paul Macey	Head of Financial Reporting
Nicola Thomas	Head of Property Valuation
Charles Middleton[2]	Head of Tax
Sian Kilkenny	JV and Funds Reporting Manager (Risk Committee reporting)

[1] Victoria Penrice resigned on 8 May 2015.
[2] Charles Middleton was appointed Interim Company Secretary on 8 May 2015.

Welcome to the report of the Audit Committee.

Key initiatives adopted by the Committee this year included overseeing changes to the Company's finance reporting and forecasting systems and the adoption of a revised non-audit services and fees policy, and a policy on future audit tenders.

Composition of the Committee (C.3.1)

The Committee comprises Aubrey Adams, Simon Borrows and myself as Committee Chairman.

All of the Committee members are considered to be appropriately qualified and experienced to fulfil their role. However, for the purposes of the Code, I am the member of the Committee nominated as having significant, recent and relevant financial experience.

Board of Directors – Biographies see pages 66 to 67

Activities of the Committee

The Committee operates within defined Terms of Reference, which can be found on the Company's website at www.britishland.com/committees (C.3.2 and C.3.3).

During the year the Committee has undertaken each of its principal responsibilities, receiving relevant reports from the valuers, the internal and external auditors, the Risk Committee and management, and challenging assumptions and judgements made. The table on page 80 details the responsibilities of the Committee and its activities throughout the year.

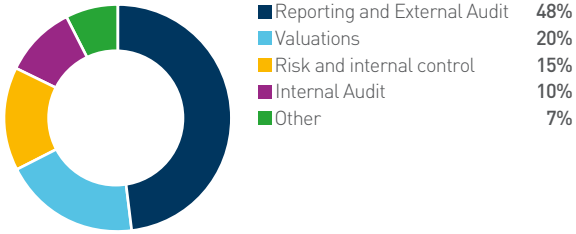
The Committee performs a detailed review of the content and tone of the annual and half-year press releases and the Annual Report and Accounts, as well as trading updates. The Committee has satisfied itself that controls over the accuracy and consistency of information presented in the Annual Report and Accounts are robust, and has confirmed to the Board that it believes this Annual Report and Accounts is fair, balanced and understandable (C.3.4). An assurance opinion is obtained for the Company from PricewaterhouseCoopers over the sustainability statement and a verification exercise is performed by management to ensure consistency and accuracy of information presented.

The allocation of time spent on the Committee's principal responsibilities is shown in the chart on page 79. Significant additional time continues to be spent by members of the Audit Committee meeting with executive management to understand the key issues. The Committee regularly meets with the external auditor and internal auditor without management being present to ensure honest and challenging conversations take place.

Effectiveness of the External Audit process

Following best practice and in accordance with its Terms of Reference, the Committee annually reviews the audit requirements of the Group, both for the business and in the context of the external environment, and considers whether or not to undertake a formal tender. There are no contractual obligations which would restrict the selection of a different auditor. Furthermore, and in view of the statutory audit market reform, the Committee agreed to consider the need for a competitive tender for the role of auditor every five years, with a competitive tender taking place at least every ten years. To the extent that the auditor did not rotate earlier through this process, the Company will rotate its auditor in line with the legislation.
The Committee places great importance on ensuring a high quality, effective External Audit process. When conducting the annual review, the Committee considers the performance of the external auditor as well as their independence, compliance with relevant statutory, regulatory and ethical standards and objectivity.

Allocation of time spent at Audit Committee meetings during the year



As disclosed in the 2014 Annual Report, following a successful tender in early 2014, PricewaterhouseCoopers were appointed as auditor for the financial year under review. The Committee is pleased with the insights brought by the new audit team following a satisfactory transition from Deloitte. An assessment of PricewaterhouseCoopers's effectiveness, its processes, audit quality and performance will be undertaken after completion of this year's audit.

The Committee reviewed PricewaterhouseCoopers's proposals for the audit and is confident that appropriate plans were put in place to carry out an effective and high quality audit. Particular attention was paid to the audit plan and its appropriateness for the Group. PricewaterhouseCoopers confirmed to the Committee that they maintained appropriate internal safeguards to ensure their independence and objectivity. The Committee considered and approved PricewaterhouseCoopers's assessment of their independence and it has recommended their reappointment to the Board, approval of which will be sought from shareholders. PricewaterhouseCoopers raised no significant issues during the course of the audit.

Significant issues

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

The significant issues considered by the Committee during the year ended 31 March 2015 are detailed in the table on page 81, alongside the actions taken by the Committee to address these issues (C.3.8).

Policy on the auditor providing non-audit services (C.3.8)

With respect to other services provided by the external auditor, the following framework was in place during the year.

- Audit related services: audit related services include formal reporting relating to borrowings, shareholder and other circulars and various work in respect of acquisitions and disposals. Where the external auditor must carry out the work because of their office the external auditor is selected. In other circumstances the selection depends on which firm is best suited.
- Sustainability assurance: the selection depends on which firm is best suited and is reviewed on a five yearly basis. Currently the external auditor provides an assurance opinion over the sustainability statement.
- Tax advisory: the selection depends on which firm is best suited in the circumstances.
- General consulting: the external auditor is not selected to provide general consultancy services except in certain limited circumstances, and then only after consideration that they are best placed to provide the service and that their independence and objectivity will not be compromised.

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

- Audit Committee approval is required where there are any doubts as to whether the external auditor has a conflict of interest.
- Approval by the Audit Committee Chairman on behalf of the Committee is required for each additional project over £0.1 million in value where cumulative fees for other work performed by the external auditor are projected to exceed 75% of the combined fee for audit and half-yearly reporting review work.

However, in line with the proposals under the statutory audit market reform, the Committee agreed that from 1 April 2015:

- The total non-audit fees would be limited to 70% of the audit fees in any one year. The audit and non-audit fees for the three year average would be calculated in line with the methodology set out in the 2014 EU Regulations but would additionally include fees for joint ventures and funds;
- Audit Committee approval is required where there are any doubts as to whether the external auditor has a conflict of interest; and
- Approval by the Audit Committee Chairman would be required for each additional project over £0.1m in value where the cumulative fees for non-audit work were projected to exceed 50% of the audit fee in any financial year.

During the year no project approvals by the Audit Committee Chairman were required.

Internal Audit

The Company's Internal Audit function is outsourced to KPMG, who reports regularly to the Committee, as detailed in the table on page 80. The Committee monitors the performance of the Internal Audit function throughout the year, as well as performing an annual review of its effectiveness. The Committee believes KPMG continues to discharge its Internal Audit duties effectively (C.3.6).

REPORT OF THE AUDIT COMMITTEE CONTINUED

Principal responsibilities of the Committee		Key areas formally discussed and reviewed by the Committee during 2015
Reporting and External Audit	– Monitoring the integrity of the Company's financial statements and all formal announcements relating to the Company's financial performance; reviewing financial reporting judgements contained within them. – Making recommendations to the Board regarding the appointment of the external auditor and approving the external auditor's remuneration and terms of engagement (C.3.7). – Monitoring and reviewing the external auditor's independence, objectivity and effectiveness. – Developing and implementing policy on the engagement of the external auditor to supply non-audit services, taking into account relevant guidance.	– Results, commentary and announcements. – Key accounting policy judgements, including valuations. – Impact of future financial reporting standards. – Going concern. – External auditor effectiveness. – Half-yearly external auditor reports on planning, conclusions and final opinion. – External auditor management letter, containing observations arising from the annual audit leading to recommendations for internal control or financial reporting improvement. – Finance systems projects. – External auditor's remuneration and policy on non-audit fees and audit tender frequency.
Valuations	– Monitoring and reviewing the valuation process. – Review of assumptions and methodology. – Valuer competence and effectiveness.	– Annual report on the effectiveness of our valuers, which considers the quality of the valuation process and judgement, with a half-yearly update. – Valuer presentations to the Committee.
Risk and internal control	– Maintaining an effective internal control environment. – Approving the Risk Management Policy, including any changes or updates made. – Reviewing the principal risks and uncertainties, as identified by the Risk Committee, including those that could affect solvency or liquidity. – Reviewing the risk management disclosures on our approach to risk in the Half Year and Annual Reports.	– The outputs from the assessment of the risk register, including identification of the Group's principal risks and movement in the exposure during the year. – The status of key risk indicators including any indicators which had been breached internally. – Oversight of the activities of the Risk Committee, including review of the minutes of all Risk Committee meetings during the year. – An annual report on the effectiveness of internal control systems. – Monitoring the timely response to audit findings and control improvements. – An annual fraud risk assessment. – Insurance programme for property, development and corporate risks. – Credit limits of counterparties.
Internal Audit	– Monitoring and reviewing the effectiveness of the Company's Internal Audit function, including its plans, level of resources and budget. – Reviewing internal audit reports, recommendations and progress in implementation of those recommendations.	– Monitoring KPMG's execution of the Internal Audit and reviewing the resultant audit reports and findings. – Reviewing the annual Internal Audit plan, including consideration of its alignment to the principal risks, consideration of emerging areas of risk and coverage across the Group and its joint ventures. – Internal Audit programme of review of the Group's processes and controls to be undertaken, and an assurance map showing the coverage of audit work over three years against the principal risks. – Internal Audit effectiveness. – Internal Audit charter, defining its role and responsibilities. – The Group's Internal Audit function reports, including those on: treasury, residential sales, HR, non-British Land accounted joint ventures, investment transactions health check, development completion, Meadowhall joint venture, expenses, Sainsbury's joint venture, development planning, procurement (phase 1) and Annual Internal Controls overview.
Other	– Reviewing the Committee's Terms of Reference and monitoring its execution. – Considering compliance with legal requirements, accounting standards and the Listing Rules. – Reviewing the whistle-blowing policy and operation (C.3.5).	– Review of the Audit Committee's Terms of Reference. – Review of the effectiveness of the Audit Committee. – Maintenance of the Group's REIT status. – Compliance with the latest revision of the Code, in view of changes to be effective from 1 October 2014. – Compliance with changes in accounting standards; see note 1 to the Financial Statements (page 129) for details of applicable standards. – Annual tax update and tax policy. – Mandatory carbon reporting. – Review of PricewaterhouseCoopers's Corporate Responsibility Assurance Report. – Treasury policy.

Valuations

The external valuation of British Land's portfolio is a key determinant of the Group's balance sheet, performance and senior management remuneration. In accordance with its Terms of Reference, the Committee undertakes a rigorous approach to monitoring and reviewing the valuation process and the effectiveness of the Group's valuers, Knight Frank and CBRE. The Committee performs a half-yearly review of the effectiveness of the valuers, focusing on a qualitative analysis of capital values; in terms of market testing, yield benchmarking, availability of comparable market evidence and major outliers to subsector movements.

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

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

Significant issues considered by the Committee during the year		How these issues were addressed by the Committee
Valuations	Although conducted by external valuers, the valuation of the investment property portfolio is inherently subjective as it is made on the basis of assumptions made by the valuer which may not prove to be accurate. The outcome of this judgement is significant to the Group in terms of its investment decisions, results and remuneration.	The external valuers present to the Committee and are asked to highlight any significant judgements or disagreements with management. The Committee reviews the valuation outcomes and challenges the external valuers' assumptions, procedures and methodologies. The Committee assesses the effectiveness of both external valuers, Knight Frank and CBRE. More information on this can be found on page 80. Furthermore, the external auditor challenges the valuations as part of their audit procedures and report their findings to the Committee.
Accounting for transactions	Increased risk is encountered through property and financing transactions, as large and non-standard accounting entries can be required.	The Committee reviews management papers on key judgements and for significant transactions as well as the external auditor's report presented following their detailed review of accounting entries.
Going concern	Risks to the Company's ongoing solvency and liquidity and the appropriateness of preparing the Group financial statements for the half year and the full year on a going concern basis.	The Committee considers the financing requirements of the Group in the context of available committed facilities and the diversity and longevity of existing debt. In addition a paper is provided to the Committee covering customer concentration, financing options and covenant headroom. The Committee evaluates management's assessment of going concern and the assumptions made. The external auditor shares their review of these papers and their assumptions with the Committee.
REIT status	Maintenance of the Group's REIT status through compliance with certain conditions has a significant impact on the Group's results.	The Committee reviews compliance with the REIT tests annually. Management present the methodology and results of the REIT tests, highlighting any change in long term trends and the current level of headroom.
Non-audit services and fees, and audit tender frequency	Statutory audit market reform	Mindful of the activity at European and UK level in this area, the Committee reviewed the Company's policy on non-audit fees and formalised a policy on audit tender frequency (see page 79).
Finance systems transformation	Changes to the Company's finance reporting and forecasting systems were proposed and implemented during the year to improve efficiency and transparency, strengthen controls, reduce the time taken to produce consolidations and increase the capacity for analysis.	The Committee had regular updates on the project, which reached a successful conclusion in time for the March 2015 year end.
Joint ventures and funds and the impact of new accounting standards	Accounting for and disclosure of the Group's interests in joint ventures and funds in accordance with IFRSs 10, 11 and 12 which became effective in the current year.	The Committee has reviewed management's papers on the treatment of the joint ventures and funds under the new standards. This was also an area of focus for the external auditors with whom it was discussed.
Judgements affecting revenue recognition	For certain transactions, judgement is applied by management as to whether, and to what extent, they should form part of revenue for the financial year.	The Committee and the external auditor considered the appropriateness of the accounting treatment applied by management for each transaction to ensure it was consistent with similar transactions this year and last. The Committee also considered the scope of the accounting standard and the degree of the judgement made.

Identification and evaluation of commercial risks and related control objectives

The Audit Committee is responsible for overseeing the effectiveness of sound risk management and internal control systems (C.2.1). It fulfils this role by monitoring the activities of the Risk Committee, the risk management processes in place and the activities of the Internal Audit function, including its reporting on the effectiveness of controls.

Risk Committee see page 70

Managing risk in delivering our strategy see pages 56 to 57

Principal risks see pages 58 to 61

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

Tim Score
Chairman of the Audit Committee

REPORT OF THE NOMINATION COMMITTEE

The Committee leads the process for Board appointments

John Gildersleeve
Chairman of the Nomination Committee

Directors' attendance during the year ended 31 March 2015

John Gildersleeve	2/2
Dido Harding[1]	0/0
William Jackson[1]	1/2
Lord Turnbull	2/2

[1] Dido Harding resigned on 10 December 2014. William Jackson was appointed following Dido Harding's resignation.

Composition of the Board

Non-Executive Chairman	8%
Independent Non-Executive Directors	59%
Executive Directors	33%

Changes to the Board and its Committees

During the year the Nomination Committee has spent significant time discussing and recommending changes to the Board and its Committees outside of formal meetings, including consulting other Board members and working with The Zygos Partnership (Zygos), an external search agency.

On 10 December 2014 Dido Harding stood down as a Non-Executive Director of British Land, following her appointment as a non-executive director on the Court of the Bank of England. Dido was a member of the Nomination Committee before standing down and William Jackson was appointed as a member of the Committee following Dido's resignation in compliance with the Code (B.2.1).

The Nomination Committee identified the need to appoint new Non-Executive Directors to broaden the Board's collective experience and add a fresh perspective to boardroom discussions regarding the Company's strategy, position and prospects.

Following a rigorous selection process, detailed on page 83, Lynn Gladden and Laura Wade-Gery were appointed as Non-Executive Directors of British Land on 20 March and 13 May 2015 respectively. Lynn's biography details her strong business and academic experience and Laura's biography demonstrates her huge retail and consumer experience.

Board of Directors biographies see pages 66 to 67

Throughout the year the membership of each Committee has comprised independent Non-Executive Directors to the extent required by the Code.

Composition of the Board

The Committee considers that the Board consists of individuals with the right balance of skills, experience and knowledge to provide strong and effective leadership of the Company. The majority of the Board, excluding the Chairman, are independent Non-Executive Directors, and the Board's collective experience covers a range of relevant sectors, as illustrated on page 65. As well as a breadth of property and financial experience, the Board members have personal experience of working in the retail and corporate environments that are typical of many of our occupiers.

Board evaluation see page 74

Lynn Gladden and Laura Wade-Gery will stand for election and all of British Land's other Directors will retire and submit themselves for re-election by shareholders at the 2015 Annual General Meeting. The Committee believes that all the Directors continue to demonstrate commitment to their roles as Board and Committee members, continue to discharge their duties effectively and that each makes a valuable contribution to the leadership of the Company.

> *British Land pays full regard to the benefits of diversity."*

Appointment of Lynn Gladden and Laura Wade-Gery as Non-Executive Directors

During the year, and following the resignation of Dido Harding, the Nomination Committee identified the need to review the composition of the Board and undertook a comprehensive search process against objective criteria and with due regard for the benefits of diversity, including gender.

- The Nomination Committee was chaired by John Gildersleeve, Chairman of the Company, during the selection process.
- Zygos[1], an external search agency, was engaged by the Committee to assist with the selection process. The role of Zygos included:
  - preparing a detailed role specification, incorporating the expected time commitment and duties to be performed as a Non-Executive Director of the Company
  - searching for and benchmarking candidates for the role; and
  - producing detailed profiles of the candidates, to be considered by the Committee.
- During the Committee's search, candidates from a range of business backgrounds were considered, including both male and female candidates.
- The Committee consulted with British Land's advisors throughout the process and took detailed references.
- Following this rigorous selection process, the Nomination Committee recommended that Lynn Gladden and Laura Wade-Gery be appointed to the Board. The Board accepted the recommendation, and Lynn and Laura were duly appointed on 20 March and 13 May 2015 respectively.

Board of Directors – Biographies see pages 66 to 67

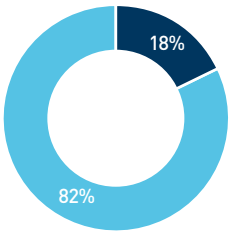
Our view on diversity

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

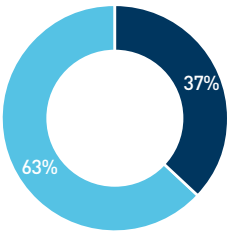
The Board agrees with the conclusions of the Women on boards report by Lord Davies of Abersoch that greater efforts should be made in improving the gender balance of corporate boards and that quotas for female board representation are not the preferred approach. The Company currently has three female directors: Lynn Gladden and Laura Wade-Gery, who were appointed as Non-Executive Directors this year, and Lucinda Bell, who was appointed Chief Financial Officer in May 2011. This currently represents 25% female Board membership, up from 18% at year end.

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

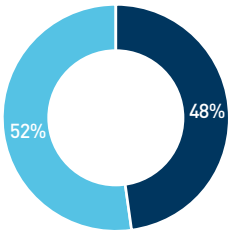
Board of Directors[2,3]



Senior management[2]



Employees[2]



Male
Female

[1] The Zygos Partnership has been engaged by the Company in a search consultancy capacity in the past; it does not provide any other services for the Company (B.2.4).

[2] As at 31 March 2015.

[3] Since the year end we have appointed another female Non-Executive Director bringing the figure to 25%.

REPORT OF THE NOMINATION COMMITTEE CONTINUED

Principal responsibilities of the Committee	Key areas formally discussed and reviewed by the Committee during 2015
Regular review of the structure, size and composition of the Board.	Review of the structure, size, composition of the Board, along with the skills, knowledge and experience of its members to ensure that Directors remain able to discharge their duties and responsibilities effectively and to the required high standard.
Recommendations to the Board with regard to Board changes and Board-level Committee membership changes.	Selection and appointment of Lynn Gladden and Laura Wade-Gery as Non-Executive Directors.
Succession planning for Directors and other senior executives.	Succession planning, including identification of potential internal candidates for senior vacancies which may arise on a crisis, short, medium or long term basis.
Identifying suitable candidates for Board vacancies, to be nominated for Board approval.	Selection and appointment of Lynn Gladden and Laura Wade-Gery as Non-Executive Directors.
Reviewing the leadership needs of the Company.	The Strategy Days see page 74
Reviewing time commitments required from Non-Executive Directors.	Time commitments required from Non-Executive Directors were reviewed as part of the year-end process.
Non-Executive Directors' letters of appointment and recommendations for re-election.	Recommendations to the Board regarding Directors retiring for re-election by shareholders at the 2015 AGM. Recommendation to the Board for the renewal of the letter of appointment of Lord Turnbull.

The Committee's Terms of Reference can be found on the Company's website at www.britishland.com/committees (B.2.1).

Our recruitment practices have long included a commitment to diversity and gender equality, and will continue to do so throughout the Company. As of 31 March 2015, British Land's employees (including Broadgate Estates) comprised 235 females and 253 males; of the employees considered to be executives, 120 are female and 207 are male. Senior executives, comprising the Executive Committee and Operations Committee, consisted of 8 females and 17 males. The headcount at 31 March 2015 was 488. To encourage and help mothers return to work, we offer enhanced maternity leave payments and support flexible working patterns; currently 39 of our female employees take advantage of this facility. We also offer enhanced paternity leave payments and support flexible working patterns for all parents and other employees whose personal circumstances may make this beneficial. Currently 10 men work flexibly and 15 men took advantage of enhanced paternity leave during 2015. Training and mentoring programmes are provided to ensure that all our employees achieve their potential, taking account of their diverse development needs. It is pleasing that our Chief Financial Officer, Lucinda Bell, was an internal appointment, reflecting the development of our own people.

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

The policy throughout British Land is to employ the best candidates available in every position regardless of sex, race (ethnic origin, nationality, colour), age, religion or philosophical belief, sexual orientation, marriage or civil partnership, pregnancy, maternity, gender reassignment or disability. Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicants concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment continues and that appropriate training is arranged. The policy provides that the training, career development and promotion of disabled people should, as far as possible, be identical to that of other employees.

British Land looks at diversity in its broadest sense. As well as focusing on gender, we are also committed to LGBT diversity, as demonstrated by our recent partnership with Stonewall.

Developing people at British Land

The Board recognises the importance of developing people at British Land, particularly in relation to succession planning for senior positions within the Company. People development was a core topic discussed at the Board's Strategy Days in February 2015, as well as being considered by the Nomination Committee. Having 'expert people' is one of the four core focus areas of our business model.

The Strategy Day see page 74

We empower our people to make the most of their potential with us by encouraging all our employees to create a Personal Development Plan. This is supported by regular discussions with their manager and training needs are formally assessed as part of the appraisal process. All new staff members are provided with a formal induction programme which includes presentations from senior business leaders on the key business strategies and values of British Land and finishes with an informal lunch with our Chief Executive. The induction includes an introduction to our approach to sustainability. We are partnered with an award winning provider of training solutions, and provide access to a full range of 'point of need' online solutions to suit preferred learning styles.

This year we introduced a successful series of leadership workshops specifically aimed at helping our managers set the standard for their teams and promoting a development culture through effective delegation and feedback. We also introduced a 'Leadership in Real Estate' programme from the University of Cambridge for high potential staff, and our Executive Committee is working with a leadership coach from Henley Business School.

John Gildersleeve
Chairman of the Nomination Committee

REMUNERATION REPORT: Letter from the Chairman of the Remuneration Committee

Our Remuneration Policy is designed to align management incentives with our strategy

Remuneration Committee members' attendance during the year ended 31 March 2015

Lord Turnbull (Chairman)	3/3
Aubrey Adams[1]	1/1
Lynn Gladden[2]	0/0
Dido Harding[1]	1/2
William Jackson	3/3

Remuneration Committee attendees (by invitation)

Alan Judes[3]	Strategic Remuneration, Committee's Independent Advisor
Victoria Penrice[4] Attended as Secretary to the Committee	Company Secretary from 1 August 2014
Anthony Braine Attended as Secretary to the Committee	Company Secretary until retirement on 31 July 2014
John Gildersleeve	Chairman of the Company
Chris Grigg	Chief Executive
Joff Sharpe	Head of Operations

[1] Aubrey Adams was appointed as a member of the Committee following Dido Harding's resignation on 10 December 2014 and stepped down on Lynn Gladden's appointment.
[2] Lynn Gladden was appointed as a Director of the Company and member of the Remuneration Committee on 20 March 2015. No meetings took place between her appointment and 31 March 2015.
[3] The Committee has appointed Alan Judes as its Independent Advisor. Further detail is provided in the 'Consideration by the Directors of matters relating to Directors' remuneration' paragraph on page 112.
[4] Victoria Penrice resigned on 8 May 2015 and Charles Middleton was appointed Interim Company Secretary.

Dear Shareholder,

Last year we presented our Remuneration Policy and our Remuneration Implementation Report to shareholders to be voted on separately for the first time. We were pleased to receive over 97% of votes in favour of each at the AGM on 18 July 2014. This year we intend to apply the Remuneration Policy approved last year and so the Company does not intend to present the Policy to shareholders in 2015. Shareholders will, however, have an advisory vote on the Remuneration Implementation Report at the AGM. The Policy is summarised on pages 88 to 97 of this report and if you wish to view the full version of the approved Policy you can do this by following the instructions on page 88.

I am pleased to have welcomed new members to the Remuneration Committee during the year. Aubrey Adams joined the Committee following Dido Harding's resignation as a Director of British Land in December 2014. Lynn Gladden joined the Committee in March 2015, at which point Aubrey Adams stepped down. William Jackson has been a member of the Committee throughout the year and, following her appointment on 13 May 2015, Laura Wade-Gery has now also joined the Committee.

Our Remuneration Policy and philosophy

Our Remuneration Policy is designed to align management incentives with our strategy and to encourage and reward high levels of performance. The Policy is also designed to attract highly talented individuals to British Land and to retain them as employees of the Company. A significant proportion of each Executive Director's remuneration package consists of variable remuneration, with pay-out levels linked to performance. These variable elements of remuneration can move total pay above median into the upper quartile, but only when upper quartile performance is achieved.

Targets for the Annual Incentive award are tailored annually by the Committee, and relate to both Company performance and individual performance in each Executive Director's specific areas of focus. The Matching Share Plan (MSP) and Long-Term Incentive Plan (LTIP) are designed to align the interests of Executive Directors with those of shareholders, by ensuring their focus is on strong performance over the long term. The performance conditions attached to MSP and LTIP awards are reviewed each year to ensure they continue to promote performance that is in line with strategy and to ensure that they remain sufficiently challenging. The design of these performance conditions was last changed in 2013. Our Policy outlines the link between each performance condition and our strategy to achieve sustainable long term total returns for our shareholders. Variable elements of remuneration may be subject to malus and clawback in certain circumstances, as described in the Policy.

Pages 98 and 99 of this report describe how the Committee intends to implement the approved Remuneration Policy throughout the year commencing 1 April 2015.

> *We were pleased to receive over 97% of shareholder votes in favour of our Remuneration Policy."*

The context in which decisions have been taken during the year

The Committee has taken account of British Land's strong performance over the year when making decisions relating to the Directors' remuneration. The business has achieved a total accounting return of 24.5% and a total shareholder return of 32.0%. The full year dividend of 27.68p per share is an increase of 2.5% on the previous year. We have outperformed the Investment Property Databank at all property levels and rental values across the business have grown by 4.6%. Profits from the 2010 development pipeline now stand at £1bn, and the pipeline is being replenished.

How we performed over the last year: see pages 24 to 25

Directors' remuneration for the year ended 31 March 2015

No substantial changes relating to Directors' remuneration were made during the year, and all payments have been made in accordance with the Policy approved by shareholders.

The Executive Directors' Annual Incentive awards for the year ended 31 March 2015 have been increased. These amounts reflect the strong performance British Land has achieved over the year against Company targets and reflect the Executive Directors' contributions in their own specific areas of responsibility.

Vesting of the MSP and LTIP awards granted to Executive Directors in 2012 is dependent on Company performance over the three year period ended 31 March 2015. The LTIP award will vest at 100%, as growth in British Land's net asset value (NAV) has significantly outperformed the capital growth component of the Investment Property Databank over the performance period. The LTIP awards vesting in 2015 are the last remaining awards to be linked to this NAV-based performance condition.

The gross income growth element of the MSP, which comprises half of the total MSP award, is expected to vest in full. The total shareholder return element of the MSP award will not vest, as TSR performance fell marginally below the median of the comparator group. Therefore 50% of the MSP award will vest overall.

Full details of the remuneration package receivable by each Director for the year ended 31 March 2015 are provided in the single total figure of remuneration table, on page 100.

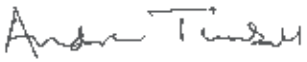
Major decisions on Directors' remuneration taken during the year

The Remuneration Committee has reviewed the salaries of the Executive Directors and the Chairman's annual fee and decided that these should be increased by 5% for the year commencing 1 April 2015, with a 6% increase for the Chief Financial Officer. This increase reflects the Directors' contribution to the strong performance that British Land has achieved over the year. While the increase is marginally higher than the increase in employees' salaries that has been budgeted for throughout the Group, the Committee has taken into account the fact that no increases have been made to Directors' salaries for a number of years. The new salaries are in line with those offered to Directors of other FTSE 100 companies of a similar size.

The Executive Directors' minimum shareholding guideline has been increased for the year commencing 1 April 2015 by 25% of salary to bring our guidelines into line with the median of our comparator group in the FTSE 100.

The Executive Directors are responsible for setting the levels of fees paid to the Non-Executive Directors. These fees are structured so that Non-Executive Directors must attend all Board and relevant Committee meetings throughout a year to achieve a fee that is in line with the fees paid to Non-Executive Directors of other FTSE 100 companies of a similar size. The Executive Directors have decided that the fees paid to the Chairman of the Audit Committee and the Chairman of the Remuneration Committee should be increased for the year commencing 1 April 2015, to reflect the increasing workload and responsibility associated with these positions. The fees are outlined on page 98.

I look forward to again receiving a high level of support at the 2015 AGM.



Lord Turnbull
Chairman of the Remuneration Committee

Key activities of the Remuneration Committee during the year ended 31 March 2015

- Approval of the 2014 Remuneration Implementation Report and Remuneration Policy presented at the AGM on 18 July 2014.
- Review of Company performance against targets during the year ended 31 March 2014.
- Approval of Company and Directors' performance objectives for the year ended 31 March 2015.
- Review of:
  - Chief Executive's remuneration
  - Chairman's annual fee
  - Executive Directors' salaries and bonuses; and
  - Employees' salaries and bonuses.
- Approval of discretionary share scheme grants and vestings.
- Approval of all-employee share scheme grants.

REMUNERATION REPORT: Summary of Remuneration Policy

Our Remuneration Policy is structured to complement our strategy, linking a significant portion to performance

At the Annual General Meeting in July 2014 we presented our Remuneration Policy to shareholders for approval for the first time and received a vote of over 97% in favour. We do not propose to make any changes to the approved Remuneration Policy for the year commencing 1 April 2015.

The following ten pages provide a summary of our Remuneration Policy, describing the main elements that make up the remuneration package for Executive Directors and the fees that are paid to the Chairman and Non-Executive Directors.

The charts on page 96 provide illustrations of how the Policy will be applied to the Executive Directors' remuneration through the coming year, in scenarios where varying levels of performance are achieved.

Following the Summary of Remuneration Policy section of this report, our Implementation Report sets out how we intend to apply our Remuneration Policy through the coming year, and how the Policy was applied through the year ended 31 March 2015.

View our full Remuneration Policy

Our full Remuneration Policy can be viewed on our website www.britishland.com/committees or can be found on pages 84 to 93 of our Annual Report for the year ended 31 March 2014. If you wish to order a hard copy of the 2014 Annual Report, please register your request via our website www.britishland.com/request-printed-report or write to: Company Secretariat, British Land, York House, 45 Seymour Street, London, W1H 7LX.

The full Policy provides additional information not referred to in this summary, covering, among other things, our approach to recruitment remuneration, our policy on loss of office and our approach to remuneration for employees other than Directors.

How we use this report

Throughout the Remuneration Report different elements of remuneration are highlighted using the following colours:

- Basic Salary
- Annual Incentive
- Matching Share Plan (MSP)
- Long-Term Incentive Plan (LTIP)
- Taxable Benefits
- Pension
- Other Items in the Nature of Remuneration

Executive Directors

Fixed Remuneration

Salary
Positioned around the median of our comparator group

Taxable Benefits
Including car allowance, private medical insurance, independent advice and other benefits on substantially the same basis as other employees

Pension
Aiming to provide an appropriate level of pension on retirement

Other Items in the Nature of Remuneration
Including membership of all-employee share plans and other non-taxable benefits on substantially the same basis as other employees

Variable Remuneration (Level of award dependent on performance)

Annual Incentive and Matching Share Plan (MSP)
Annual Incentive award magnitude is dependent on Company and individual performance over the year

Two thirds of Annual Incentive is paid as cash on award

One third is deferred to purchase MSP Bonus Shares. A conditional award of MSP Matching Shares is granted, subject to performance measures

Performance measures assessed over three years

MSP Bonus Shares are released. Number of MSP Matching Shares vesting is dependent on performance

Long-Term Incentive Plan (LTIP)
LTIP award consists of performance shares and / or market value options subject to performance measures

Performance measures assessed over three years

Number of performance shares vesting is dependent on performance

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

Chairman

Annual Fee
Positioned around the median of our comparator group

Benefits
Consisting of car and chauffeur

Non-Executive Directors

Fees
Positioned around the median of our comparator group and reflecting attendance at Board and Committee meetings

REMUNERATION REPORT: Summary of Remuneration Policy continued

Summary of Executive Directors' Remuneration Policy

Component and Purpose	Operation
Basic Salary – Level of salary is intended to attract and retain high-calibre individuals, with an appropriate degree of expertise and experience.	– Reviewed annually by the Remuneration Committee, with any increases taking effect on 1 April for the following year. – Levels of basic salary are positioned around the median of our chosen comparator group (consisting of FTSE 100 companies with broadly similar market capitalisations). – Directors' responsibilities, and employment conditions and salary increases awarded throughout the British Land Group, are taken into account when the Committee set the level of basic salary. – Directors may be eligible to receive fees for sitting on the boards of certain subsidiary companies.
Taxable Benefits – Purpose is to form part of a remuneration package that will attract and retain the best people for the Company.	– Car allowance paid in lieu of providing a company car. – Directors' are provided with private medical insurance (covering themselves, spouses and children under the age of 25); access to independent actuarial, financial and legal advice when necessary; the option to take up gym membership paid for in part by the Company; and certain other benefits on substantially the same basis as for all other employees.
Annual Incentive – Purpose is to reward performance that supports British Land's key strategic priorities. – Level of award reflects Company performance and the Director's individual contribution over the preceding year, against annually tailored targets.	– Awards granted by the Committee following the financial year end, when actual Company and individual performance over the year have been measured. – One third of Annual Incentive is deferred and used to purchase shares (MSP Bonus Shares) under the Matching Share Plan, as detailed below. – The Committee may require some or all of the MSP Bonus Shares to be clawed back at any time before the three-year holding period elapses if it is discovered that the Annual Incentive with which they were purchased was granted on the basis of materially misstated accounts or other data.
Matching Share Plan (MSP) – Designed to ensure participants are focused on long term performance, aligning their interests with those of shareholders. – Two performance measures: one measures total shareholder return (TSR) and one measures gross income growth (GIG). – We aim to deliver superior total returns to shareholders over time: a TSR performance measure directly links the level of remuneration to the total return delivered to shareholders. – We create enduring occupier demand by having the right assets in our portfolio and managing them the right way, creating Places People Prefer. This delivers long term growth in rental income, which in turn drives value creation. A GIG performance measure links the level of remuneration to the degree of growth in income, thereby rewarding the creation of value.	– One third of Annual Incentive is deferred and used to purchase MSP Bonus Shares. – Bonus Share are deferred for a period of three years before being released, during which time the Directors receive any dividends paid on the Bonus Shares. – British Land makes a conditional award of MSP Matching Shares, which match the Bonus Shares on a 2:1 basis. – Matching Shares are held for a three-year performance period following grant and the proportion vesting, if any, is dependent on performance against the MSP performance measures and on the Bonus Shares being held for the requisite three-year period. – Any vesting Matching Shares are immediately transferred to the Directors, along with payments equivalent to the dividends accrued on those shares. – During the three-year performance period, the Committee may require some or all of the Matching Shares that have been granted but have not yet vested to be subject to malus and forfeited if it is discovered that they were awarded on the basis of materially misstated accounts or other data.

Maximum Opportunity	Performance Measures
– Maximum levels of salary will not be greater than the upper quartile of our chosen comparator group. – Increases, if required, will typically be in line with inflation and general salary increases across the Company. – Fees for sitting on the boards of subsidiary companies are capped at a maximum of £1,500 per annum in aggregate, for all qualifying appointments.	– Not applicable.
– Maximum car allowance permitted is £20,000 per annum. – Maximum cost of the other taxable benefits is the amount required to continue providing these benefits at a similar level year-on-year.	– Not applicable.
– Maximum level of Annual Incentive which may be awarded is equivalent to 150% basic salary.	– Targets relate to British Land's strategic focus areas as well as each Director's individual areas of responsibility. – Tailored Company and individual targets are set by the Committee at the beginning of the financial year over which performance will be assessed. – Targets are not strictly weighted; the Committee will take into account performance over the year against all quantitative and qualitative Company targets, as well as the individual's targets, and make an assessment in the round. – If actual performance averaged over all targets is equal to the median level of performance, the Annual Incentive award granted will be equivalent to 37.5% of basic salary. Up to 75% of basic salary is payable for performance that is in line with expectations. – If average performance is below the median level of performance, no Annual Incentive award will be granted.
– Maximum number of MSP Matching Shares receivable is dictated by the size of Annual Incentive award. – Maximum face value of Matching Shares is equivalent to two thirds of the value of Annual Incentive award, which would equate to 100% of the value of basic salary if the maximum permitted level of Annual Incentive were granted.	– The TSR and GIG performance measures are equally weighted. – GIG performance is assessed against that of the Investment Property Databank (IPD) UK Annual Property Index. – TSR performance is assessed against a comparator group determined prior to each performance period and consisting of FTSE 350 property companies. This may be amended during a performance period if there is a corporate event affecting any member of the comparator group. – Vesting hurdles are stepped, requiring high levels of outperformance for 100% of the Matching Shares to vest. – 25% of the Matching Shares will vest if the minimum performance threshold is met. – Performance below the minimum threshold will result in the entire award of Matching Shares lapsing.

REMUNERATION REPORT: Summary of Remuneration Policy continued

Summary of Executive Directors' Remuneration Policy

Component and Purpose	Operation
Long-Term Incentive Plan (LTIP) – Designed to ensure participants are focused on long term performance, aligning their interests with those of shareholders. – Two performance measures: one measures total property return (TPR) and one measures total accounting return (TAR). – The TPR performance measure rewards strong performance at the property level by assessing British Land's performance against the Investment Property Databank UK Annual Property Index (the Index). The Index contains property valued at £183.7 billion, representing 288 entities and funds as at 31 December 2014 and so provides a large enough sample to be a statistically relevant benchmark against which to assess our property performance. The level of remuneration received under this performance measure is linked to the degree that British Land outperforms the Index. – We aim to deliver superior total returns to shareholders over time and believe that concentrating on achieving strong total accounting returns will translate into delivering strong total shareholder returns in the long term. The TAR performance measure thus rewards performance that we believe will lead to superior shareholder returns over time.	– Awards granted annually by the Committee. – Directors indicate a preference as to the proportions they wish to receive as performance shares (conditional rights to receive shares) and market value options. – The value used to determine the number of performance shares and / or options granted is the fair value. The cost to the Company of an award is the same regardless of whether it is comprised of options or performance shares. Allowing a Director to indicate a preference as to the proportions of options and performance shares they receive increases the perceived value of the incentive. – The exercise price of any options will be the average market value of British Land shares over the three dealing days immediately preceding grant. – Awards are held for a three-year performance period following grant and the proportion vesting, if any, depends on Company performance against the LTIP performance measures. – Any vesting performance shares are immediately transferred to the Directors, along with payments equivalent to the dividends accrued and the interest on those deferred dividends. – Any vesting options can be exercised at any point during the seven years following vesting; the exercise price being paid by the Director. – If it is discovered that awards were granted on the basis of materially misstated accounts or other data the Committee may require some or all of the performance shares or options that have been granted but have not yet vested to be subject to malus and forfeited, and / or may require some or all of the options that have vested but have not yet been exercised to be clawed back.
Other Items in the Nature of Remuneration – Directors are eligible to participate in the Company's all-employee share schemes: the Share Incentive Plan (SIP) and the Sharesave Scheme (Sharesave). – Non-taxable benefits are designed to form part of a remuneration package that will attract and retain the best people for the Company.	– Executive Directors participate in the SIP and the Sharesave on the same basis as other eligible employees. – Other non-taxable benefits include life assurance cover (under which a lump sum of four times basic salary will be paid out on the event of death in service); permanent health insurance (under which 75% of basic salary will be paid to the Director in the event of long term absence due to certain medical reasons); annual medical checks; any relevant professional subscription fees and certain other benefits on substantially the same basis as for all other employees.
Pension – Aims to provide an appropriate level of pension on retirement as part of a remuneration package that will attract and retain the best people for the Company.	– Directors who joined the Company before 2006 accrue benefits under the defined benefit scheme, which is now closed to new members. Accrual rates are determined by the rules of the scheme and are dependent on the age at which the Director joined the Company. Benefits up to the limit permitted by the tax legislation are provided in a registered plan. Benefits over that limit are provided in an employer financed retirement benefit scheme (EFRBS). EFRBS participants can choose annually whether they wish to be EFRBS members, or to receive a cash payment in lieu. – Directors who joined, or join, the Company after 2006 are eligible to be members of the defined contribution scheme. Directors may choose whether contributions are made into the Company's defined contribution scheme or into their own personal pension plan, or may elect to take all or part as cash in lieu of pension contributions.

Maximum Opportunity	Performance Measures
– Maximum value of LTIP award which may be granted is equivalent to 200% of basic salary; the Committee determines the actual value of award granted within this limit. – The value of an LTIP award is the aggregate fair value of the relevant performance shares and / or options at the date of grant. – The fair value of a performance share is the average market value of the Company's shares over the three dealing days immediately preceding the grant date. – The fair value of an option is such fraction of that average market value as the Committee sets from time to time and is based on the accounting cost and expected life of an option. This fraction is currently one quarter, but the Committee may change the fraction as it sees fit to reflect the economic models used by the Company for the valuation of options.	– The TPR and TAR performance measures are equally weighted. – TPR performance is assessed against that of the Index. – TAR (which measures change in NAV plus dividends paid) is assessed against a comparator group determined prior to each performance period and consisting of a chosen peer group of FTSE 350 property companies. This may be amended during a performance period if there is a corporate event affecting any member of the comparator group. – Vesting hurdles are stepped, requiring high levels of outperformance for 100% of the LTIP award to vest. – 25% of the LTIP award will vest if the minimum performance threshold is met. – Performance below the minimum threshold will result in the entire LTIP award lapsing. – Both performance measures assess our ability to choose the right sectors to invest in and are appropriate measures in fluctuating property markets, as the vesting hurdles use quartiles, not fixed percentage outperformance of the median.
– Maximum opportunities under the SIP and Sharesave are set by the rules of these schemes and are determined by the statutory limits. Participants must contribute the maximum permitted monthly amounts (deducted from salary) to purchase shares or fund options to receive the maximum opportunities available under these schemes. – Maximum cost of the non-taxable benefits is the amount required to continue providing these benefits at a similar level year-on-year. Such benefits are provided on similar terms to all eligible employees.	– Not applicable.
– Maximum accrual rate for a defined benefit member is that which will give the target benefit at age 60, subject to the accrual rate being no greater than one thirtieth and no less than one sixtieth of salary. The target benefit is the pension that can be provided by the £1.8 million lifetime allowance at 31 March 2012, uplifted by RPI from that date. – Employer pension contributions to Directors eligible for the defined contribution scheme are made at a fixed percentage of salary, between 15% and 35%.	– Not applicable.

REMUNERATION REPORT: Summary of Remuneration Policy continued

Summary of Chairman and Non-Executive Directors' Remuneration Policy

Component and Purpose	Operation
Chairman's Annual Fee – Level is intended to attract and retain a high calibre individual with an appropriate degree of expertise and experience.	– Annual fee of the Chairman is a matter for the Remuneration Committee and is reviewed annually. – Level of the Chairman's annual fee is positioned around the median of our chosen comparator group (consisting of FTSE 100 companies with broadly similar market capitalisations).
Chairman's Benefits – Provided to facilitate the Chairman's travel in the fulfilment of his or her duties.	– The Chairman is provided with a car and chauffeur.
Non-Executive Directors' Fees – Set to take into account the level of responsibility, experience and abilities required. – Reflect attendance at Board and Committee meetings.	– Remuneration of the Non-Executive Directors is a matter for the Executive Directors, and fees are reviewed annually. – Non-Executive Directors receive a basic annual fee, along with additional fees if they hold the position of Senior Independent Director or Committee Chair, plus a fee for each Board or Committee meeting attended. – Aim to deliver a total fee at a level in line with similar positions at our chosen comparator group (consisting of FTSE 100 companies with broadly similar market capitalisations). – Fee structure is designed so that full attendance at Board and Committee meetings is required to achieve a total fee in line with our comparator group. – Expenses reasonably incurred by the Non-Executive Directors in fulfilment of the Company's business, together with any taxes thereon, may be reimbursed.

Maximum Opportunity	Performance Measures
– Maximum annual fee will not be greater than the upper quartile of the chosen comparator group. – Increases, if required, will typically be in line with inflation.	– Not applicable.
– Maximum opportunity is the cost of providing this grossed-up taxable benefit at a similar level each year.	– Not applicable.
– Maximum aggregate amount of basic fees payable to all Non-Executive Directors shall not exceed the £600,000 limit set in the Company's Articles of Association.	– Not applicable.

REMUNERATION REPORT: Summary of Remuneration Policy continued

Illustrations of application of Remuneration Policy

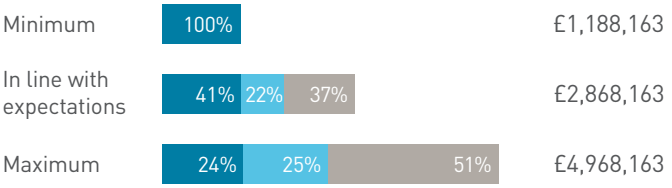
The following bar charts illustrate the levels of remuneration receivable by the Executive Directors under the Remuneration Policy. These illustrations have been prepared in accordance with The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 and do not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

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

For each scenario, the percentage that each remuneration element represents of the total remuneration package is shown, along with the total value of the remuneration package. Further detail of the underlying calculations is shown in the tables on page 97.

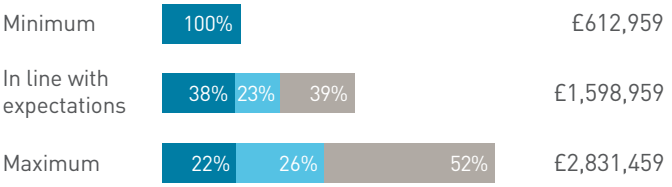
Chris Grigg

Chief Executive



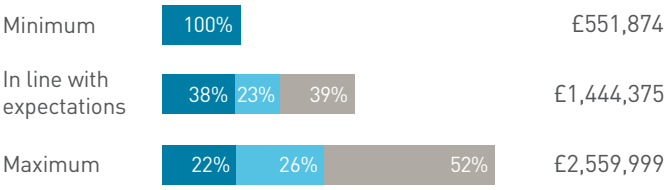
Lucinda Bell

Chief Financial Officer



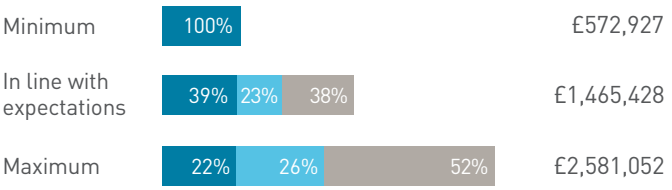
Charles Maudsley

Head of Retail and Leisure



Tim Roberts

Head of Offices and Residential



Key:

- Minimum remuneration consisting of
  - Basic Salary
  - Taxable Benefits
  - Pension
  - Other Items in the Nature of Remuneration
- Annual Incentive
- Total long term incentives consisting of
  - Matching Share Plan (MSP)
  - Long-Term Incentive Plan (LTIP)

Minimum performance

For minimum performance, no Annual Incentive or long term incentive awards will be made; each Director will receive only the minimum remuneration, as detailed in the table below.

	Minimum Remuneration[1]				Annual Incentive[2]	Total Long Term Incentives[3]	
Director	Salary £	Benefits £[4]	SIP £[5]	Pension £[4]	£	MSP Matching Share awards £	LTIP awards £
Chris Grigg	840,000	46,963	7,200	294,000	–	–	–
Lucinda Bell	493,000	30,505	7,200	82,254	–	–	–
Charles Maudsley	446,250	31,486	7,200	66,938	–	–	–
Tim Roberts	446,250	30,860	7,200	88,617	–	–	–

Performance in line with expectation

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

	Minimum Remuneration[1]				Annual Incentive[2]	Total Long Term Incentives[3]	
Director	Salary £	Benefits £[4]	SIP £[5]	Pension £[4]	£	MSP Matching Share awards £	LTIP awards £
Chris Grigg	840,000	46,963	7,200	294,000	630,000	210,000	840,000
Lucinda Bell	493,000	30,505	7,200	82,254	369,750	123,250	493,000
Charles Maudsley	446,250	31,486	7,200	66,938	334,688	111,563	446,250
Tim Roberts	446,250	30,860	7,200	88,617	334,688	111,563	446,250

Maximum performance

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

	Minimum Remuneration[1]				Annual Incentive[2]	Total Long Term Incentives[3]	
Director	Salary £	Benefits £[4]	SIP £[5]	Pension £[4]	£	MSP Matching Share awards £	LTIP awards £
Chris Grigg	840,000	46,963	7,200	294,000	1,260,000	840,000	1,680,000
Lucinda Bell	493,000	30,505	7,200	82,254	739,500	493,000	986,000
Charles Maudsley	446,250	31,486	7,200	66,938	669,375	446,250	892,500
Tim Roberts	446,250	30,860	7,200	88,617	669,375	446,250	892,500

[1] Executive Directors are eligible to participate in the Company's all-employee Sharesave Scheme. Sharesave options have not been included in the above bar charts. Details of the Directors' current Sharesave interests are provided on page 107. Any gains on exercises under the Sharesave Scheme are included within the single total figure of remuneration table on page 100.

[2] One third of the Annual Incentive award value shown will be used to purchase shares, deferred for three years, under the Company's MSP as described on pages 90 to 91.

[3] Figures include the fair values of LTIP awards granted, as described on pages 92 to 93. Figures do not allow for share price appreciation or dividend equivalent payments.

[4] It has been assumed that the values of taxable and non-taxable benefits receivable will be equal to those received in 2015, as there has been no change to the Policy. In practice the values may vary immaterially due to external factors, such as changes in the cost of providing life assurance or permanent health insurance. The Directors' differing pension arrangements are represented in the same manner as in the single total figure of remuneration table.

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

REMUNERATION REPORT: Implementation Report

How we intend to apply our Remuneration Policy during the year commencing 1 April 2015

This spread details how the Remuneration Committee intends to apply the Remuneration Policy during the coming year.

Executive Directors' basic salaries

Basic salaries have been set at the following levels for the year commencing 1 April 2015. Basic salaries have been increased on the previous year, as described on page 87.

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

Chairman and Non-Executive Directors' fees

The following levels will apply for the Chairman's and Non-Executive Directors' fees paid during the year commencing 1 April 2015. The Chairman's annual fee has been increased by 5% and the additional fee payable to a Committee Chair has been increased to £20,000, as described on page 87.

Chairman	£
Annual fee	369,340
Non-Executive Directors	
Basic annual fee	34,250
Senior Independent Director fee per annum	9,450
Committee Chair fee per annum	20,000
Attendance at Board meeting in person	4,200
Attendance at Committee meeting in person	1,890
Attendance at Board or Committee meeting by telephone	840

Annual Incentive award

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

Quantitative measures

- Total accounting return relative to property majors and IPD (total returns basis).
- Unlevered property capital returns vs IPD (total).
- Rental growth above ERV and IPD (total).
- Underlying profit performance growth against budget and property majors.

Qualitative measures

- Progress on key projects including developments.
- Execution of targeted acquisitions and disposals.
- Execution of debt financings.
- Progress on strengthening the dividend.
- Quality of people and management renewal.
- Supporting delivery of sustainability objectives.
- Company reputation with all stakeholders.

The Executive Directors' individual performance will also be assessed against targets relating to their specific areas of responsibility.

Matching Share Plan (MSP)

The MSP is assessed against two equally weighted performance measures. As each performance measure relates to half of the total MSP award, no more than half of the total MSP award can vest if one of the performance measures does not meet its minimum vesting threshold. The performance thresholds are detailed in the tables below.

The Total Shareholder Return (TSR) Part 25% of the TSR Part (i.e. 12.5% of the total MSP award) will vest if British Land's TSR performance is equal to the median TSR of the comparator group. A further 18.75% of the TSR Part will vest for each 1% by which British Land's TSR exceeds the median TSR of the comparator group, up to a maximum of 100% of the TSR Part (i.e. 50% of the total MSP award) vesting.

British Land's TSR relative to the comparator group at the end of the performance period	Percentage vesting %
Below median	0
Median	25
Further vesting per each 1% TSR exceeds median (to maximum of 100% of matching shares)	18.75

The Gross Income Growth (GIG) Part 25% of the GIG Part (i.e. 12.5% of the total MSP award) will vest if British Land's GIG performance is equal to the Growth Requirement. The Growth Requirement is that GIG is equal to the growth of the Investment Property Databank UK Annual Property Index (the Index) over a three year performance period. A further 25% of the GIG Part will vest for each 0.5% (in absolute terms) by which British Land's annualised GIG exceeds the Growth Requirement, up to a maximum of 100% of the GIG Part (i.e. 50% of the total MSP award) vesting.

British Land's GIG rental growth relative to the the Index at the end of the performance period	Percentage vesting %
Below Growth Requirement	0
Equal to Growth Requirement	25
Further vesting per each 0.5% per annum GIG exceeds Growth Requirement (to a maximum of 100% of matching shares)	25

The comparator group against which performance will be assessed for the TSR performance measure consists of: Great Portland Estates plc, Hammerson plc, Intu Properties plc, Land Securities Group PLC, SEGRO plc, Big Yellow Group PLC, Capital & Counties Properties PLC, Derwent London plc, Grainger plc, Hansteen Holdings plc, Helical Bar plc, LondonMetric Property plc, St. Modwen Properties PLC, Shaftesbury PLC, The UNITE Group plc and UK Commercial Property Trust Ltd.

The Committee has not changed the composition of this comparator group since the 2013 MSP award, when the group was expanded to include a broader range of property companies.

Long-Term Incentive Plan (LTIP)

The thresholds against which the LTIP performance will be assessed are detailed in the tables below.

Total Property Return (TPR)	Percentage vesting %
Below median	0
Median	25
Top quartile	100

Total Accounting Return (TAR)	Percentage vesting %
Below median	0
Median	25
Top quartile	100

The LTIP performance measures are equally weighted and each measure relates to half of the total award. For both LTIP performance measures there will be straight-line vesting between median and top quartile performance.

The comparator group against which performance will be assessed for the TAR performance measure is the same group as that against which MSP TSR performance will be assessed, and has not been changed since the 2013 LTIP award. Performance under the TPR performance measures will be assessed against the Index.

REMUNERATION REPORT: Implementation Report continued

How we applied our Remuneration Policy during the year ended 31 March 2015

Single Total Figure of Remuneration Table (audited information)

The following table discloses all elements of remuneration received by the Directors during the year ended 31 March 2015, alongside comparative figures for remuneration received during 2014. The Directors have confirmed to the Company, in writing, that they have not received any other items in the nature of remuneration beside those detailed below.

	Salary / Fees	Taxable Benefits	Annual Incentive	Long Term Incentives	Other Items in the Nature of Remuneration	Pension	Total
Executive Directors	2015 £	2015 £	2015 £	2015 £	2015 £	2015 £	2015 £
Chris Grigg	800,000	20,983	1,152,000	4,468,394	39,291	280,000	**6,760,668**
Lucinda Bell	465,000	20,883	500,000	1,927,647	16,618	67,805	**2,997,953**
Charles Maudsley	425,000	21,629	540,000	1,709,769	16,448	63,750	**2,776,596**
Tim Roberts	426,500	21,001	570,000	1,736,942	21,077	76,396	**2,851,916**
	2014 £	2014 £	2014 £	2014 £	2014 £	2014 £	2014 £
Chris Grigg	800,000	20,253	1,080,000	3,187,575	29,907	280,000	5,397,735
Lucinda Bell	465,000	20,153	465,000	1,346,795	15,706	61,746	2,374,400
Charles Maudsley	425,000	21,041	505,000	1,556,005	15,606	63,750	2,586,402
Tim Roberts	426,500	20,411	505,000	1,354,708	15,924	70,764	2,393,307

	Fees		Taxable Benefits		Total	
Chairman and Non-Executive Directors	2015 £	2014 £	2015 £	2014 £	2015 £	2014 £
John Gildersleeve (Chairman)	351,750	351,750	28,963	31,396	**380,713**	383,146
Aubrey Adams	68,690	71,244	–	–	**68,690**	71,244
Simon Borrows	66,800	70,702	–	–	**66,800**	70,702
Lynn Gladden[1]	1,142	–	–	–	**1,142**	–
Dido Harding[2]	34,023	69,530	–	–	**34,023**	69,530
William Jackson	65,960	72,470	–	–	**65,960**	72,470
Richard Pym[3]	–	30,313	–	–	**–**	30,313
Tim Score[4]	72,575	1,210	–	–	**72,575**	1,210
Lord Turnbull	78,875	85,808	–	–	**78,875**	85,808

[1] Lynn Gladden was appointed as a Director of the Company on 20 March 2015
[2] Dido Harding resigned as a Director of the Company on 10 December 2014
[3] Richard Pym resigned as a Director of the Company on 5 September 2013
[4] Tim Score was appointed as a Director of the Company on 20 March 2014

Notes to the single total figure of remuneration tables

Taxable Benefits (audited information)

The figures shown in the 'Taxable benefits' column are comprised as follows. All figures are gross values including tax.

	Chauffeur costs £		Car allowance £		Private medical insurance £		Other taxable benefits £[1]		Total taxable benefits £	
Director	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
John Gildersleeve	28,963	31,396	–	–	–	–	–	–	28,963	31,396
Chris Grigg	–	–	16,800	16,800	4,183	3,453	–	–	20,983	20,253
Lucinda Bell	–	–	16,700	16,700	4,183	3,453	–	–	20,883	20,153
Charles Maudsley	–	–	16,700	16,700	4,281	3,753	648	588	21,629	21,041
Tim Roberts	–	–	16,170	16,170	4,183	3,653	648	588	21,001	20,411

[1] Other taxable benefits includes Company contributions to gym membership.

Annual Incentive

The level of Annual Incentive is determined by the Remuneration Committee, based on British Land's performance and the individual's contribution during the preceding year. The assessment for the year ended 31 March 2015 was undertaken with reference to performance against the following quantitative and qualitative targets, using data available at the year end.

Targets	Performance
Quantitative targets	
Accounting return: total NAV-based return plus dividends relative to property majors and IPD (total returns basis)	Accounting return of 24.5% was above the estimated average of the property majors and total property return outperformed IPD.
Unlevered property capital returns relative to IPD	Total return of 13.4%, outperforming IPD by an estimated 130bp, both sectors outperformed.
Rental growth above ERV and IPD	Both sectors performed well, with rental growth ahead of IPD and lettings achieved 10% ahead.
Operating costs as a percentage of rents and assets against budget and property majors	The Company maintained its market leading operating costs ratio compared to other property majors. Operating costs were ahead of budget due to performance related pay from achieving performance targets.
Qualitative targets	
Successful progress on developments	Development performance has been strong with valuations up over 25% in the year. The development pipeline has been replenished, including the £135m acquisition of Surrey Quays Leisure Park to complete Canada Water site assembly. Excellent progress across a number of retail schemes including the refurbishment of Meadowhall.
Successful execution of targeted acquisitions and disposals	Continued repositioning of the portfolio with £2.4bn of gross investment activity. Investment strategy focused on increasing our ownership in and around existing assets, including the acquisition of One Sheldon Square and Surrey Quays, with acquisitions and development spend broadly balancing disposals.
Successful execution of debt financings	£1.7bn (BL share) of refinancings completed since 31 March 2014, maintaining refinancing period beyond 48 months. Weighted average interest rate down to 3.8% (proportionally consolidated) from 4.1%.
Progress on strengthening the dividend	Full year dividend increased by 2.5% to 27.68p per share.
Quality of people and management renewal	Retained One Star rating for employee satisfaction. Succession planning in senior team, including appointments of two new Executive Committee members.
Company reputation with all stakeholders	Launched "Places People Prefer". Old Market, Hereford won the BCSC Gold Award for the New Centre category and Meadowhall won the Gold Award for Sustainability.
Corporate responsibility	Sustainability successes include improving DJSI score to 83% (2014: 70%) and being ranked in the 2015 Global 100 Most Sustainable Companies by Corporate Knights. 83% of our head office employees volunteered on the annual Company Community Day.

As well as the above targets relating to Company performance, the Executive Directors' individual performance was measured against objectives falling within categories that included Company Strategy, Departmental Strategy, Capital Efficiency, Property, Finance, Investment, Organisation and Team Management, External Relations, Future Proofing and Place Making.

The Group does not disclose prospective and retrospective performance targets for each individual's performance beyond that disclosed above as the Directors consider this to be commercially sensitive. Prospective and retrospective individual targets beyond that disclosed above will not be disclosed at future dates for the same reason.

REMUNERATION REPORT: Implementation Report continued

The maximum Annual Incentive award achievable is 150% of base salary. Taking into account the above performance, the Remuneration Committee set the aggregate Annual Incentive received by the Executive Directors for the year ended 31 March 2015 at 87% of the maximum (130% of base salary), as compared with 80% of the maximum for the year ended 31 March 2014.

One third of each Executive Director's Annual Incentive award was deferred and used to purchase MSP Bonus Shares, subject to a three-year holding requirement under British Land's Matching Share Plan (MSP). No further performance measures apply to these deferred shares; the MSP is described on pages 90 to 91.

Long Term Incentives (audited information)

The figures in the 'Long Term Incentives' column are comprised of awards vesting under two share schemes: the Long-Term Incentive Plan (LTIP) and the Matching Share Plan (MSP).

The performance measure attached to these LTIP awards measures the growth in the Company's net asset value (NAV) per share against the capital growth component of the Investment Property Databank UK Annual Property Index (the Index), over a performance period of three years commencing at the start of the financial year in which the awards were granted. Growth in the Company's NAV per share has to exceed that of the Index for a minimum proportion of the award to vest. Stretching outperformance is required for the entire award to vest, as detailed below:

Percentage by which the average annual growth of British Land's net asset value per share exceeds the average annual increase in the capital growth component of the Index	Percentage vesting %
4.5% or more	100
3.5% or more but less than 4.5%	80
2.5% or more but less than 3.5%	60
1.5% or more but less than 2.5%	40
0.5% or more but less than 1.5%	20
More than 0% but less than 0.5%	10
0% or less	0

The vesting values of the LTIP awards granted in 2012, due to vest on 14 September 2015 and shown in the 2015 column of the single total figure of remuneration table, have been calculated using the average closing middle market quotation (MMQ) for the period from 1 January 2015 to 31 March 2015 (824.69 pence) as the vesting share price. Aon Hewitt has calculated that these LTIP awards will vest at a rate of 100% reflecting British Land's growth in NAV of 11.7% per annum during the performance period, compared to the Index increasing by 4.7% per annum. This produces the following estimated values on vesting:

Director	LTIP award date	Award price (exercise price) p	Number of performance shares awarded[1]	Number of options awarded[1]	Percentage of award vesting %	Estimated value of award on vesting £	Estimated dividend equivalent payment due including interest £
Chris Grigg	14/09/2012	538	185,873	743,494	100%	3,664,403	151,836
Lucinda Bell	14/09/2012	538	138,289	138,289	100%	1,536,918	112,965
Charles Maudsley	14/09/2012	538	157,992	–	100%	1,302,945	129,060
Tim Roberts	14/09/2012	538	157,992	–	100%	1,302,945	129,060

[1] For the 2012 LTIP award Chris Grigg and Lucinda Bell received their awards as mixtures of options and performance shares; Charles Maudsley and Tim Roberts received their entire awards as performance shares.

The vesting values of LTIP awards granted in 2011, which vested on 30 June 2014 and are shown in the 2014 column of the single total figure of remuneration table, have been calculated using the MMQ on the day of vesting.

MSP performance is assessed using two equally-weighted performance measures, each relating to half of the total MSP Matching Share award. For these MSP Matching Share awards, one performance measure was based on Total Shareholder Return (the TSR Part); the other on the Company's gross income growth (the GIG Part). The table below shows the performance required by the Company's TSR compared to a comparator group of companies across the three-year performance period for any Matching Shares to vest under the TSR performance condition. For these MSP Matching Share awards the comparator group consisted of Great Portland Estates plc, Hammerson plc, Land Securities Group PLC, Intu Properties plc and SEGRO plc.

British Land's TSR relative to the comparator group at the end of the performance period	Percentage vesting %
Below median	0
Median	35
Further vesting per each 1% TSR exceeds median (to a maximum of 100% of matching shares)	16.25

Under the second MSP performance measure, the Company's gross income growth during the three-year performance period needed to at least equal that of the Investment Property Databank UK Annual Property Index (the Index) (the Growth Requirement) for any MSP Matching Shares to vest, as shown below.

British Land's GIG relative to the Index at the end of the performance period	Percentage Vesting %
Below Growth Requirement	0
Equal to Growth Requirement	35
Further vesting per each 0.5% per annum GIG exceeds Growth Requirement (to a maximum of 100% of matching Shares)	21.67

The vesting values of the MSP Matching Share award granted in 2012, due to vest on 7 September 2015 and shown in the 2015 column of the single total figure of remuneration table, have been calculated using the average MMQ for the period from 1 January 2015 to 31 March 2015 (824.69 pence) as the vesting share price. Aon Hewitt has confirmed the TSR performance of the comparator group which will result in the TSR part of the award lapsing as British Land's TSR over the performance period was 91.8% compared to a median of 95.8% for the comparator group. It is estimated that the GIG part will vest at a rate of 50%; the actual vesting rate will be calculated once the relevant figures are published by the Index. This produces the following estimated values on vesting:

Director	MSP award date	Number of Matching Shares awarded	Percentage of award predicted to vest %	Estimated value of award on vesting £	Estimated dividend equivalent payment due £
Chris Grigg	05/09/2012	144,000	50	593,777	58,378
Lucinda Bell	05/09/2012	61,332	50	252,900	24,864
Charles Maudsley	05/09/2012	61,332	50	252,900	24,864
Tim Roberts	05/09/2012	67,332	50	277,640	27,296

The vesting values of the MSP Matching Share awards granted in 2011, which vested on 27 May 2014 and are shown in the 2014 column of the single total figure of remuneration table, have been calculated using the MMQ on the day of vesting.

Dividend equivalents accrued on all vesting LTIP and MSP awards are also included within the 'Long Term Incentives' column, along with the interest accrued on dividend equivalents paid on vesting LTIP shares.

Other Items in the Nature of Remuneration (audited information)

The values shown in the 'Other items' column comprise the Executive Directors' interests under the Company's all-employee share schemes (the Share Incentive Plan (SIP) and the Sharesave Scheme) and non-taxable benefits received by the Directors during the year, as shown in the table below. These share schemes are offered on the same terms to all eligible employees of the Company. The figures shown are the values of free and matching shares awarded under the SIP during the year and the notional gain on the exercise of any Sharesave options during the year. Further details of the Executive Directors' Sharesave Scheme interests can be found on page 107.

	Life assurance £		Permanent health insurance £		Other non-taxable benefits £[1]		Matching and free shares awarded under the SIP £		Exercise of Sharesave options £		Total other items £	
Director	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Chris Grigg	10,884	10,047	14,571	13,335	525	525	6,604	6,000	6,707	–	39,291	29,907
Lucinda Bell	1,976	2,238	7,121	6,941	525	525	6,996	6,002	–	–	16,618	15,706
Charles Maudsley	2,131	2,360	6,594	6,113	1,132	1,131	6,591	6,002	–	–	16,448	15,606
Tim Roberts	2,131	2,360	6,509	6,344	1,219	1,218	6,995	6,002	4,223	–	21,077	15,924

[1] Other non-taxable benefits include annual medical checkups and relevant professional subscription fees.

Pension (audited information)

The figures shown in the 'Pension' column represent the differing pension arrangements of the Executive Directors. Chris Grigg received 35% of basic salary as cash in lieu of pension. Charles Maudsley received a pension allowance of 15% of basic salary in the defined contribution scheme.

Lucinda Bell and Tim Roberts earned pension benefits in defined benefit schemes sponsored by the Company during the year; the increase in value over the year of their respective pensions is shown in the single total figure of remuneration table and further detail is provided on page 105.

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

REMUNERATION REPORT: Implementation Report continued

Scheme interests awarded during the financial year (audited information)

Awards granted under the Long-Term Incentive Plan

The total fair value of each Director's LTIP award for the year ended 31 March 2015 was equivalent to 200% basic salary at grant. At grant each Director can indicate a preference as to the proportion of the award that they wish to receive as performance shares and the proportion that they wish to receive as market-value options. For the LTIP award granted in 2014 the Directors received awards consisting entirely of performance shares. The share price used to determine the face value of performance shares and fair value of options – and therefore the number of performance shares and / or options awarded – is the average market value of the Company's shares over the three dealing days immediately prior to the day of award. This average share price was 684.3 pence. The proportion of the award that vests, if any, is dependent on Company performance against the LTIP performance measures over the three years following grant. These are detailed on page 99.

Performance shares

Director	Grant date	Number of performance shares granted	Face value £	End of performance period	Vesting date	Percentage vesting on achievement of minimum performance threshold %
Chris Grigg	23/06/2014	233,804	1,599,921	31/03/2017	23/06/2017	25
Lucinda Bell	23/06/2014	135,898	929,950	31/03/2017	23/06/2017	25
Charles Maudsley	23/06/2014	124,208	849,955	31/03/2017	23/06/2017	25
Tim Roberts	23/06/2014	124,208	849,955	31/03/2017	23/06/2017	25

Awards granted under the Matching Share Plan

The total face value of each Director's MSP Matching Share award for the year ended 31 March 2015 was equal to two thirds of their Annual Incentive award for the year ended 31 March 2014, equivalent to 90% basic salary at grant for Chris Grigg, 67% for Lucinda Bell and 79% for both Charles Maudsley and Tim Roberts. The share price used to determine the number of Matching Shares awarded is the market value of the Company's shares on the day the proportion of Annual Incentive is deferred. This share price was 707.5 pence. The proportion of the award that vests, if any, is dependent on Company performance against the MSP performance measures over the three years following grant. These are detailed on page 99.

Matching shares

Director	Grant date	Number of Matching Shares granted	Face value £	End of performance period	Vesting date	Percentage vesting on achievement of minimum performance threshold %
Chris Grigg	30/06/2014	101,766	719,994	31/03/2017	30/06/2017	25
Lucinda Bell	30/06/2014	43,816	309,998	31/03/2017	30/06/2017	25
Charles Maudsley	30/06/2014	47,584	336,657	31/03/2017	30/06/2017	25
Tim Roberts	30/06/2014	47,584	336,657	31/03/2017	30/06/2017	25

Awards granted under the Sharesave Scheme

The following options were granted to Directors during the year under the all-employee Sharesave Scheme. The exercise price is set at a 20% discount to the average market price of the Company's shares over the three dealing days immediately preceding invitation to the scheme. The cost of exercise is met entirely by the Director, and is accumulated by deductions from salary over the period between grant and vesting.

Options

Director	Grant date	Total to be deducted from salary to cover exercise cost £	Number of options granted	Face value £	Exercise price p	Earliest exercise date	Expiry date
Lucinda Bell	23/06/2014	9,000	1,567	8,995	574	01/09/2017	28/02/2018
Tim Roberts	23/06/2014	18,000	3,135	17,995	574	01/09/2019	29/02/2020

Directors' pension entitlements (audited information)

Total pension entitlements for each Director under the defined benefit scheme

The below table details the defined benefit pension accrued by participating Directors at 31 March 2015.

Director	Defined benefit pension accrued at 31 March 2015[1]	Normal retirement date
Lucinda Bell	96,191	01/10/2024
Tim Roberts	76,097	01/08/2024

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

REMUNERATION REPORT: Implementation Report continued

Directors' shareholdings and share interests (audited information)

Executive Directors' interests in the Company's shares and total outstanding share scheme interests at 31 March 2015

The table directly below summarises the Executive Directors' British Land shareholdings and outstanding share and option awards under the Company's share schemes, as at 31 March 2015. The tables that follow detail the movements in these shareholdings and share scheme interests during the year ended 31 March 2015.

		Unvested share awards subject to performance measures					
		MSP Matching Shares			LTIP Performance Shares		
Director	Shares held by Director[1]	Number	End of performance period	Vesting date	Number	End of performance period	Vesting date
Chris Grigg	955,204	144,000	31/03/2015	05/09/2015	185,873	31/03/2015	14/09/2015
		127,096	31/03/2016	02/08/2016	266,222	31/03/2016	05/08/2016
		101,766	31/03/2017	30/06/2017	233,804	31/03/2017	23/06/2017
Lucinda Bell	164,201	61,332	31/03/2015	05/09/2015	138,289	31/03/2015	14/09/2015
		54,720	31/03/2016	02/08/2016	116,056	31/03/2016	05/08/2016
		43,816	31/03/2017	30/06/2017	135,898	31/03/2017	23/06/2017
Charles Maudsley	159,801	61,332	31/03/2015	05/09/2015	157,992	31/03/2015	14/09/2015
		59,428	31/03/2016	02/08/2016	141,430	31/03/2016	05/08/2016
		47,584	31/03/2017	30/06/2017	124,208	31/03/2017	23/06/2017
Tim Roberts	274,189	67,332	31/03/2015	05/09/2015	157,992	31/03/2015	14/09/2015
		59,428	31/03/2016	02/08/2016	141,430	31/03/2016	05/08/2016
		47,584	31/03/2017	30/06/2017	124,208	31/03/2017	23/06/2017

[1] Includes shares held by connected persons, MSP Bonus Shares and shares held under the Company's Share Incentive Plan. All interests are beneficial.

Movements in Executive Directors' interests in the Company's shares during the year ended 31 March 2015

Directors' interests in fully paid ordinary shares, including shares held by connected persons, Matching Share Plan Bonus Shares and shares held under the Company's Share Incentive Plan. All interests are beneficial.

.

Director	Total at 31 March 2015	Total at 1 April 2014
Chris Grigg	955,204	734,855
Lucinda Bell	164,201	113,898
Charles Maudsley	159,801	214,153
Tim Roberts	274,189	193,314

Unvested options subject to performance measures					Unvested options not subject to performance measures				Vested but unexercised options		
LTIP options					Sharesave options				LTIP options		
Number	Option price p	End of performance period	Vesting date	Exercisable until	Number	Option price p	Vesting date	Exercisable until	Number	Option price p	Exercisable until
743,494	538	31/03/2015	14/09/2015	14/09/2022					7,751	387	29/06/2019
									1,073,825	447	11/06/2020
									695,652	575	28/06/2021
138,289	538	31/03/2015	14/09/2015	14/09/2022	2,295	392	01/09/2015	29/02/2016	67,952	447	11/06/2020
154,742	601	31/03/2016	05/08/2016	05/08/2023	1,567	574	01/09/2017	28/02/2018	11,764	510	14/12/2020
					2,348	511	01/09/2018	28/02/2019	17,483	823.6	05/12/2015
					3,135	574	01/09/2019	29/02/2020			

Beneficial interests of the Directors under the Sharesave Scheme

Director	Date of grant	Number of options at 1 April 2014	Number of options granted during the year	Number of options vesting during the year	Number of options exercised during the year	Number of options lapsed during the year	Number of options at 31 March 2015	Exercise price p	Earliest exercise date	Expiry date
Chris Grigg	01/07/2011	1,908		1,908	1,908[1]		–	473	01/09/2014	28/02/2015
Lucinda Bell	26/06/2012	2,295					2,295	392	01/09/2015	29/02/2016
	23/06/2014		1,567				1,567	574	01/09/2017	28/02/2018
Tim Roberts	01/07/2009	1,033		1,033	1,033[2]		–	301	01/09/2014	28/02/2015
	19/06/2013	2,348					2,348	511	01/09/2018	28/02/2019
	23/06/2014		3,135				3,135	574	01/09/2019	29/02/2020

[1] Exercised on 19 February 2015. The market price on the day of exercise was 824.5p, realising a notional gain of 351.5p per share.
[2] Exercised on 10 September 2014. The market price on the day of exercise was 722p, realising a notional gain of 421p per share.

REMUNERATION REPORT: Implementation Report continued

Beneficial interests of the Directors under the Long-Term Incentive Plan – Options

Director	Date of grant	Number of options at 1 April 2014[1]	Number of options granted during the year	Number of options vesting during the year[2]	Number of options exercised during the year	Number of options lapsed during the year	Number of options at 31 March 2015	Exercise price p	Earliest exercise date	Expiry date
Chris Grigg	29/06/2009	1,033,591			1,025,840[3]		7,751	387	29/06/2012	29/06/2019
	11/06/2010	1,073,825					1,073,825	447	11/06/2013	11/06/2020
	28/06/2011	695,652		695,652			695,652	575	28/06/2014	28/06/2021
	14/09/2012	743,494					743,494	538	14/09/2015	14/09/2022
Lucinda Bell	29/11/2004	25,326			25,326[4]		–	659.55	29/11/2007	29/11/2014
	31/05/2005	14,036			14,036[5]		–	726.66	31/05/2008	31/05/2015
	05/12/2005	11,557			11,557[6]		–	823.6	05/12/2008	05/12/2015
	29/06/2009	50,387			50,387[7]		–	387	29/06/2012	29/06/2019
	21/12/2009	36,434			36,434[8]		–	446	21/12/2012	21/12/2019
	11/06/2010	67,952					67,952	447	11/06/2013	11/06/2020
	14/12/2010	11,764					11,764	510	14/12/2013	14/12/2020
	14/09/2012	138,289					138,289	538	14/09/2015	14/09/2022
	05/08/2013	154,742					154,742	601	05/08/2016	05/08/2023
Tim Roberts	31/05/2005	13,210			13,210[9]		–	726.66	31/05/2008	31/05/2015
	05/12/2005	17,483					17,483	823.6	05/12/2008	05/12/2015
	28/06/2011	295,652		295,652	295,652[10]		–	575	28/06/2014	28/06/2021

[1] The numbers of options at 1 April 2014 are the maximum awards achievable under the LTIP on maximum outperformance of the Plan's performance conditions, except options granted before 2012 which have already vested.
[2] These options vested at 100% on 30 June 2014 on full satisfaction of the performance condition. The relevant performance condition is detailed on page 102. Vesting options are included in the 2014 Long Term Incentives column of the single total figure of remuneration table on page 100.
[3] 550,000 of these options were exercised on 08 September 2014. The market price on the day of exercise was 728p, realising a notional gain of 341p per share. 475,840 of these options were exercised on 24 March 2015. The market price on the day of exercise was 875.5p, realising a notional gain of 488.5p per share.
[4] Exercised on 18 August 2014. The market price on the day of exercise was 724.5p, realising a notional gain of 64.95p per share.
[5] Exercised on 14 January 2015. The market price on the day of exercise was 781.5p, realising a notional gain of 54.84p per share.
[6] Exercised on 24 March 2015. The market price on the day of exercise was 875.5p, realising a notional gain of 51.9p per share.
[7] Exercised on 24 March 2015. The market price on the day of exercise was 875.5p, realising a notional gain of 488.5p per share.
[8] Exercised on 24 March 2015. The market price on the day of exercise was 875.5p, realising a notional gain of 429.5p per share.
[9] Exercised on 14 January 2015. The market price on the day of exercise was 781.5p, realising a notional gain of 54.84p per share.
[10] Exercised on 14 January 2015. The market price on the day of exercise was 781.5p, realising a notional gain of 206.5 p per share.

Beneficial interests of the Directors under the Long-Term Incentive Plan – Performance Shares

Director	Date of grant	Number of performance shares at 1 April 2014[1]	Number of performance shares granted during the year[2]	Number of performance shares vesting during the year[3]	Number of performance shares lapsed during the year	Number of performance shares at 31 March 2015	Earliest vesting date
Chris Grigg	28/06/2011	173,913		173,913		–	28/06/2014
	14/09/2012	185,873				185,873	14/09/2015
	05/08/2013	266,222				266,222	05/08/2016
	23/06/2014		233,804			233,804	23/06/2017
Lucinda Bell	28/06/2011	147,826		147,826		–	28/06/2014
	14/09/2012	138,289				138,289	14/09/2015
	05/08/2013	116,056				116,056	05/08/2016
	23/06/2014		135,898			135,898	23/06/2017
Charles Maudsley	28/06/2011	147,826		147,826		–	28/06/2014
	14/09/2012	157,992				157,992	14/09/2015
	05/08/2013	141,430				141,430	05/08/2016
	23/06/2014		124,208			124,208	23/06/2017
Tim Roberts	28/06/2011	73,913		73,913		–	28/06/2014
	14/09/2012	157,992				157,992	14/09/2015
	05/08/2013	141,430				141,430	05/08/2016
	23/06/2014		124,208			124,208	23/06/2017

[1] The numbers of shares at 1 April 2014 are the maximum achievable under the LTIP on maximum outperformance of the Plan's performance conditions.
[2] On 23 June 2014, the date of grant, the market price was 676.0p.
[3] These shares vested at 100% on 30 June 2014 on full satisfaction of the performance condition. The relevant performance condition is detailed on page 102. Vesting shares and accrued dividends are included in the 2014 Long Term Incentives column of the single total figure of remuneration table on page 100.

Beneficial interests of the Directors under the Matching Share Plan – MSP Matching Shares

Director	Date of grant	Number of Matching Shares at 1 April 2014[1]	Number of Matching Shares granted during the year[2]	Number of Matching Shares vesting during the year[3]	Number of Matching Shares lapsed during the year	Number of Matching Shares at 31 March 2015	Earliest vesting date
Chris Grigg	24/05/2011	133,222		117,834	15,388	–	24/05/2014
	05/09/2012	144,000				144,000	05/09/2015
	02/08/2013	127,096				127,096	02/08/2016
	30/06/2014		101,766			101,766	30/06/2017
Lucinda Bell	24/05/2011	26,968		23,853	3,115	–	24/05/2014
	05/09/2012	61,332				61,332	05/09/2015
	02/08/2013	54,720				54,720	02/08/2016
	30/06/2014		43,816			43,816	30/06/2017
Charles Maudsley	24/05/2011	56,618		50,078	6,540	–	24/05/2014
	05/09/2012	61,332				61,332	05/09/2015
	02/08/2013	59,428				59,428	02/08/2016
	30/06/2014		47,584			47,584	30/06/2017
Tim Roberts	24/05/2011	56,618		50,078	6,540	–	24/05/2014
	05/09/2012	67,332				67,332	05/09/2015
	02/08/2013	59,428				59,428	02/08/2016
	30/06/2014		47,584			47,584	30/06/2017

[1] The numbers of shares at 1 April 2014 are the maximum achievable under the MSP on maximum outperformance of the Plan's performance conditions.
[2] On 30 June 2014, the date of grant, the market price was 702.5p.
[3] These shares vested at 88.5% on 27 May 2014 on full satisfaction of the gross income growth performance condition and partial satisfaction of the total shareholder return performance condition. The relevant performance conditions are detailed on pages 102 and 103. Vesting shares and accrued dividends are included in the 2014 Long Term Incentives column of the single total figure of remuneration table on page 100.

REMUNERATION REPORT: Implementation Report continued

Executive Directors' Minimum Shareholding Guideline (audited information)

The Executive Directors' Minimum Shareholding Guideline requires 225% of basic salary to be held in vested and exercised shares by the Chief Executive and 150% to be held by other Executive Directors. These levels have been increased from the previous year's levels of 200% and 125% respectively. The number / value of shares required as the target is fixed once a year.

There is no set timescale required to reach the target but it should be achieved through the regular additions anticipated by Matching Share Plan and Long-Term Incentive Plan vestings. No purchases are required either to reach the level or to respond to share price falls but Executive Directors are expected to increase their holding of shares each year until the target is attained. Shares included are those unfettered and beneficially owned by the Director and by his or her connected persons.

Shown below are the guideline shareholdings fixed for the year to 31 March 2016.

Director	Percentage of basic salary to be held in vested shares	Guideline holding	Unfettered holding at 31 March 2015[1]	Percentage of basic salary held in vested shares at 31 March 2015[1]
Chris Grigg	225%	227,028	860,822	853%
Lucinda Bell	150%	88,829	120,843	204%
Charles Maudsley	150%	80,406	115,324	215%
Tim Roberts	150%	80,406	227,386	424%

[1] The Directors' unfettered holdings do not include MSP Bonus Shares and locked-in SIP Shares.

Although there is no guideline holding for Non-Executive Directors, they are encouraged to hold shares in British Land. The Company facilitates this by offering Non-Executive Directors the ability to purchase shares using their post-tax quarterly fees. Dido Harding, William Jackson, Tim Score and Lord Turnbull received a proportion of their fees in the form of shares during the year.

Chairman and Non-Executive Directors' interests in the Company's shares (audited information)

Interests in fully paid ordinary shares, including shares held by connected persons.

Director	Total at 31 March 2015	Total at 1 April 2014
John Gildersleeve	5,071	5,071
Aubrey Adams	20,000	20,000
Simon Borrows	300,000	300,000
Lynn Gladden	0	0[1]
Dido Harding	12,785[2]	11,045
William Jackson	42,983	38,988
Richard Pym	n/a	11,500[3]
Tim Score	6,946	2,826
Lord Turnbull	18,790	16,884

[1] On 20 March 2015, date of appointment.
[2] On 10 December 2014, date of resignation.
[3] On 5 September 2013, date of resignation.

Purchases after the year end up to one month before the AGM notice

On 14 April 2015 Chris Grigg, Lucinda Bell, Charles Maudsley and Tim Roberts purchased 49, 17, 14 and 26 shares respectively, all at a price of 864.5 pence per share, under the partnership element of the Share Incentive Plan (SIP). Accordingly, Chris Grigg, Lucinda Bell, Charles Maudsley and Tim Roberts were then awarded 98, 34, 28 and 52 shares respectively under the matching element of the SIP, all at a price of 864.5 pence per share.

On 15 April 2015 William Jackson, Tim Score and Lord Turnbull were allotted 400, 1,018 and 291 shares respectively, all at a price of 857.6 pence per share, as part of their standing instructions to receive shares as satisfaction of their Non-Executive Directors' fees.

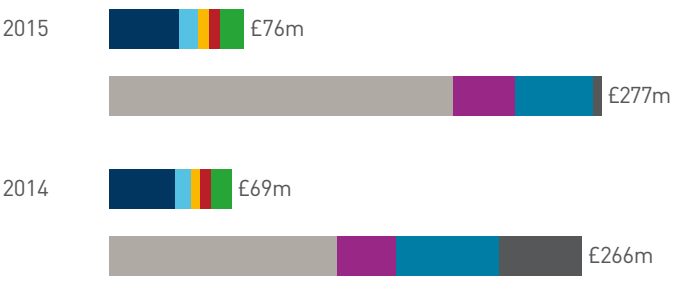
Further disclosures regarding implementation of Remuneration Policy during the year ended 31 March 2015

Relative importance of spend on pay

The graph below shows the amount the Company spent on the remuneration of all employees (including Executive Directors), relative to the amount spent on distributions to shareholders, including ordinary and scrip dividends, during the financial year.

The split between Property Income Distributions (PID) and non-Property Income Distributions (non-PID) is shown. Equivalent amounts are provided for the previous financial year, for comparison.

Relative importance of spend on pay



Remuneration of employees including Directors:
- Wages & salaries
- Annual Incentives
- Social security costs
- Pension costs
- Equity-settled share-based payments

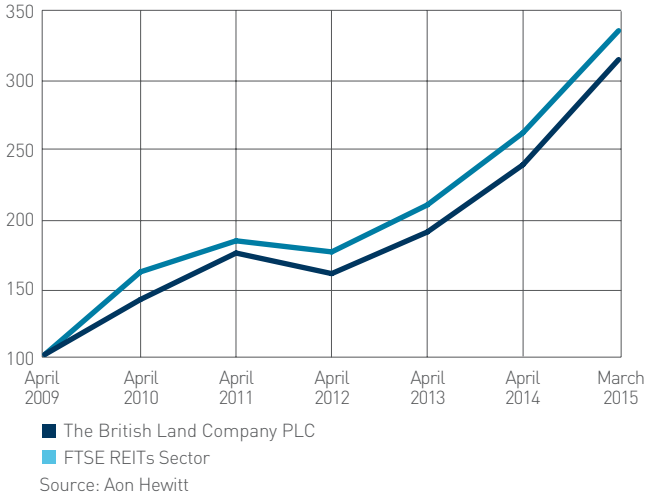
Distributions to shareholders:
- PID cash dividends paid to shareholders
- PID tax withholding
- Net cash equivalent of new shares issued under Non-PID Scrip dividends
- Net cash equivalent of new shares issued under PID Scrip dividends

Six-year total shareholder return and Chief Executive's remuneration

The graph to the right shows the Company's total shareholder return for the six years from 1 April 2009 to 31 March 2015 against that of the FTSE Real Estate Investment Trusts (REIT) Total Return Index for the same period. The graph shows how the total return on a £100 investment in the Company, made on 1 April 2009, would have changed over the six-year period measured, compared with the total return on a £100 investment in the FTSE REIT Total Return Index. The FTSE REIT Total Return Index has been selected as a suitable comparator because it is the index in which the Company's shares are classified.

The 2009 base point, required by the regulations, was close to the bottom of the property cycle. Our share price had not fallen as much at that time as the average share price of the FTSE REITs Sector, thereby setting a higher base point for subsequent growth. The table below details the total remuneration of the person undertaking the role of Chief Executive over the same period, calculated on the same basis as the single total figure of remuneration table, and the annual incentive pay-outs and long term incentive vesting rates as a percentage of the maximum opportunity.

Total Shareholder Return
Rebased to 100, April 2009



Source: Aon Hewitt

Chris Grigg was appointed as Chief Executive of the Company in January 2009. The rules of the LTIP and MSP stipulate that awards are subject to three-year performance periods before vesting. Hence, none of Chris Grigg's LTIP and MSP Matching Share awards were eligible to vest in 2010 or 2011.

	2010	2011	2012	2013	2014	2015
Chief Executive	Chris Grigg	Chris Grigg	Chris Grigg	Chris Grigg	Chris Grigg	Chris Grigg
Chief Executive's single total figure of remuneration (£)	2,082,180	2,329,047	5,352,840	4,810,031	5,397,735	6,760,668
Annual Incentive payout against maximum opportunity (%)	67	83	75	75	90	96
Long Term Incentives vesting rate against maximum opportunity (%)	n/a	n/a	99	63	98	93

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

The below table shows the percentage changes in different elements of the Chief Executive's remuneration, relative to the previous financial year, and the average percentage changes in these elements of remuneration for British Land employees.

Remuneration element	Value of Chief Executive remuneration element 2015 £	Value of Chief Executive remuneration element 2014 £	% Change in Chief Executive remuneration element %	Average % change in remuneration element of British Land employees %
Salary	800,000	800,000	0	3.7
Taxable benefits	20,983	20,253	3.6	4.0
Annual Incentive	1,152,000	1,080,000	6.7	4.6

REMUNERATION REPORT: Implementation Report continued

Executive Directors' external appointments

Executive Directors may take up one non-executive directorship at another FTSE company, subject to British Land Board approval. Chris Grigg was appointed a non-executive director of BAE Systems plc on 1 July 2013. During the year to 31 March 2015, Chris Grigg received a fee of £84,000 from BAE Systems plc, which he retained in full. Lucinda Bell was appointed a non-executive director of Rotork plc on 10 July 2014. Lucinda received a fee of £30,949 from Rotork plc for the period from her appointment to 31 March 2015, which she retained in full.

Statement of voting at Annual General Meeting

The table below details the results of the shareholder votes on resolutions relating to remuneration at the 2014 AGM. The Committee was pleased to note the high levels of shareholder support for both the 2014 Remuneration Report and the Company's Remuneration Policy.

Resolutions at 2014 AGM	Votes for	% for	Votes against	% against	Total votes cast	Votes withheld
Approval of Directors' Remuneration Report	673,635,629	97.17	19,593,933	2.83	693,229,562	10,980,292
Approval of Company's Remuneration Policy	684,058,054	97.30	18,953,426	2.70	703,011,480	1,198,374
Renewal of the Sharesave Scheme	693,030,230	98.55	10,213,511	1.45	703,243,741	966,114

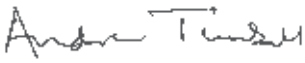
Consideration by the Directors of matters relating to Directors' remuneration

Throughout the year the Remuneration Committee was chaired by Lord Turnbull. William Jackson was a member of the Committee throughout the year. Dido Harding was a member of the Committee until she resigned as a Director of the Company on 10 December 2014. Aubrey Adams was appointed as a member of the Committee following Dido Harding's resignation. Lynn Gladden was appointed as a member of the Committee on her appointment as a Director of the Company on 20 March 2015, at which point Aubrey Adams stepped down. The following persons assisted the Committee during the year: Chris Grigg (Chief Executive), Joff Sharpe (Head of Operations), Tony Braine (who retired as Company Secretary on 31 July 2014), Victoria Penrice (appointed Company Secretary following Tony Braine's retirement until her resignation on 8 May 2015) and Alan Judes.

The Committee appointed Alan Judes, of Strategic Remuneration, as its independent advisor for the year. He also gave advice to the Company on personnel and share plan matters. The Committee is satisfied there is no conflict in him providing such services to the Company. Strategic Remuneration is a member of the Remuneration Consultants Group and adheres to the Remuneration Consultants Group's Code of Conduct. Strategic Remuneration was selected by the Chairman of the Remuneration Committee following a competitive tender process.

The Committee assesses the advice given by Strategic Remuneration to satisfy itself that the advice received is objective and independent. Alan Judes has a private meeting with the Chairman of the Remuneration Committee once a year in accordance with the Code of Conduct of the Remuneration Consultants Group. Fees charged by Strategic Remuneration for the year amounted to £73,400 excluding VAT (£118,200 excluding VAT for the year ended 31 March 2014) and are charged on a time basis.

This Report was approved by the Board on 13 May 2015.



Lord Turnbull
Chairman of the Remuneration Committee

The Directors present their report on the affairs of the Group, together with the audited financial statements and the report of the auditor for the year ended 31 March 2015. Information required to be disclosed in the Directors' Report may be found below and in the following sections of the Annual Report and Accounts 2015:

Information	Section in Annual Report	Page
Dividend recommended during the year	Strategic Report	50
Sustainability governance	Strategic Report	34
Political donations and expenditure	Governance and remuneration	77
Greenhouse gas emissions	Strategic Report	48
Financial instruments – risk management objectives and policies	Strategic Report	53
Future developments of the business of the Company	Strategic Report	26
Employment policies and employee involvement	Governance and remuneration	76
Risk factors and principal risks	Strategic Report	56

Articles of Association

The Company's Articles of Association may only be amended by special resolution at a general meeting of shareholders.

Subject to applicable law and the Company's Articles of Association, the Directors may exercise all powers of the Company.

Matters reserved for Board approval see page 71

Board of Directors

The Directors listed on the Board of Directors pages constituted the Board during the year, save that Dido Harding resigned from the Board on 10 December 2014 and Laura Wade-Gery was appointed on 13 May 2015. In accordance with best practice, the Directors will retire at the AGM and will offer themselves for election and annual re-election, as required (B.7.1).

Board of Directors see pages 64 to 67

Directors' liability insurance and indemnity

The Company has indemnified its current Directors and Dido Harding, while she was in office. The indemnity arrangements are qualifying indemnity provisions under the Companies Act 2006 and are currently in force at the date of this Report.

Purchase of own shares

The Company was granted authority at the AGM in 2014 to purchase its own shares up to a total aggregate value of 10% of the issued nominal capital, subject to market-standard maximum and minimum price constraints. That authority expires at this year's AGM and a resolution will be proposed for its renewal. During the year the Company made no purchases of its own shares.

Share capital

The Company has one class of ordinary share and all shares are fully paid (25 pence each). On a poll at a general meeting every holder or proxy has one vote for every share that they hold. On a show of hands at a general meeting each holder and proxy has one vote.

Each ordinary share carries the right to participate equally in distributions and dividends. There are neither restrictions on the transfer of shares nor on the size of a holding. There are no significant agreements to which the Company is party that take effect, alter or terminate upon a change of control of the Company.

At the AGM in 2014, the Directors were given the power to allot shares up to a nominal amount of £84,329,822, as well as additional authority to allot a further £84,329,822 on a rights issue. This authority expires at this year's AGM and a resolution will be proposed for its renewal.

The issued share capital has been increased during the year by fully paid issues as follows:

		Number of ordinary shares of 25p
14 April 2014 to 29 January 2015	Shares in lieu of Directors' fees	11,508
4 April 2014 to 27 March 2015	On exercise of options under the Long-Term Incentive Plan (LTIP)	2,734,207
1 July 2014 to 16 January 2015	On vesting of shares under the LTIP	853,139
23 June 2014 to 15 September 2014	On vesting of shares under the Fund Managers Performance Plan	482,609
8 July 2014 to 9 March 2015	On exercise of options under the Sharesave Scheme	147,977
2 May 2014 to 7 November 2014	Scrip allotment	7,315,308
22 August 2014	Share Incentive Plan Free Share Award allotment	193,482
27 May 2014	On vesting of Matching Shares under the Matching Share Plan (MSP)	283,575

Substantial interests

As at 31 March 2015, the Company had been notified of the following major interests in its issued ordinary share capital:

	Number of shares	% of issued capital
Norges Bank	62,598,618	6.06
Blackrock, Inc.	52,861,598	5.12
APG Algemene Pensioen Groep NV	44,622,274	4.32
GIC Private Limited	40,803,984	3.95

No changes have been disclosed to the Company since year end until the date of this Report.

Payments policy

We recognise the importance of good supplier relationships to the overall success of our business. We manage dealings with suppliers in a fair, consistent and transparent manner and have signed up to the UK Government's Prompt Payment Code. At the year end there were 36 (2014: 32) suppliers' days outstanding.

DIRECTORS' REPORT AND ADDITIONAL DISCLOSURES CONTINUED

Events after balance sheet date
There were no reportable events after the balance sheet date.

Auditor
The Audit Committee have recommended resolutions at the 2015 AGM to reappoint PricewaterhouseCoopers LLP as the Company's auditor and to authorise the Directors to agree their remuneration.

Disclosure of information to auditor
Each of the persons who is a Director at the date of approval of this Report confirms that:
- so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the Director has taken all the steps that he/she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

Disclosures under Listing Rule 9.8.4R
Information required to be disclosed in compliance with LR 9.8.4R may be found in the following sections:

Information	Section in Annual Report	Page
Amount of interest capitalised by the Group	Financial statements	134
Additional unaudited financial information	Other information	173

Governance arrangements
Information regarding the Company's governance arrangements is included on pages 70 to 77.

Directors' interests in contracts and conflicts of interest
No contract existed during the year in relation to the Company's business in which any Director was materially interested.

The Company's policy is that Directors notify the Chairman and the Company Secretary of all new outside interests and conflicts of interest as and when they arise. The notification is then annually referred to the Board for approval. Furthermore, the Board reviews the policy on an annual basis and following the most recent review in November 2014 it concluded that it operated effectively.

Annual General Meeting (AGM)
The AGM of The British Land Company PLC will be held at The Montcalm London Marble Arch, 34-40 Great Cumberland Place, London, W1H 7TW on Tuesday 21 July 2015, at 11.00 am. Further information will be available on the notice of AGM, which shareholders will receive in due course (E.2.4). The AGM is the principal occasion when shareholders are able to ask questions of their Board and the chairmen of the main committees (E.2.3). We look forward to seeing you there.

Strategic Report approval
The Strategic Report, outlined on pages 1 to 61, provides a comprehensive review of the performance of the Company for the year ended 31 March 2015 and potential future developments. The Strategic Report also includes details of the Company's principal risks and uncertainties.

In accordance with Schedule 7 paragraph 1A of The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, the Directors have chosen to set out the information outlined above, required to be included in the Directors' Report, in the Strategic Report.

The Strategic Report and the Directors' Report together include the 'management report' for the purposes of the FCA's Disclosure & Transparency Rules (DTR 4.1.8R).

Both the Directors' Report and the Strategic Report were approved by the Board and signed on its behalf.

Lucinda Bell
Chief Financial Officer
13 May 2015

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors are responsible for preparing the Annual Report, the Directors' Remuneration Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, and the parent Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under Company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether IFRSs as adopted by the European Union and applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Group and parent Company financial statements respectively;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

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

The Directors consider that the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess a Company's performance, business model and strategy.

Each of the Directors, whose names and functions are listed in the governance and remuneration section confirm that, to the best of their knowledge:

- the Group financial statements, which have been prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the Group; and
- the Strategic Report and the Directors' Report include a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces.

By order of the Board.

Lucinda Bell
Chief Financial Officer
13 May 2015

Financial statements and other information

Report of the auditor 118
Financial statements
Consolidated income statement 124
Consolidated statement of comprehensive income 125
Consolidated balance sheet 126
Consolidated statement of cash flows 127
Consolidated statement of changes in equity 128
Notes to the accounts 129
Company balance sheet 167
Supplementary disclosures 173
Other information 178
Ten year record 190
Shareholder information 191
Glossary 193

Photo taken by Will Hobman
The Leadenhall Building

REPORT OF THE AUDITOR

Report on the financial statements

Our opinion

In our opinion:

- The British Land Company PLC's group financial statements and company financial statements (the "financial statements") give a true and fair view of the state of the group's and of the company's affairs as at 31 March 2015 and of the group's profit and cash flows for the year then ended
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union
- the company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

What we have audited

The British Land Company PLC's financial statements comprise:

- the Consolidated Balance Sheet as at 31 March 2015
- the Company Balance Sheet as at 31 March 2015
- the Consolidated Income Statement and the Consolidated Statement of Comprehensive Income for the year then ended
- the Consolidated Statement of Cash Flows for the year then ended
- the Consolidated Statement of Changes in Equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

Certain required disclosures have been presented elsewhere in the Annual Report, rather than in the notes to the financial statements. These are cross-referenced from the financial statements and are identified as audited.

The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and IFRSs as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our audit approach

Materiality

- Overall Group materiality: £130 million which represents 1% of Total assets.
- Specific Group materiality, applied to underlying pre-tax profit: £15 million which represents 5% of underlying pre-tax profit.

Audit scope

- First year audit procedures on opening balances.
- A full scope audit was performed by the Group audit team for all subsidiaries of the Group, and the following joint ventures: Broadgate, Meadowhall, Leadenhall and BL Sainsbury's Superstores.

Areas of focus

- Valuation of investment properties.
- Revenue recognition, specifically non-standard transactions.
- Acquisitions and disposals, and review of accounting treatment on these transactions.
- Investments in joint ventures and funds, and assessment of impact of new accounting standards.
- Taxation – REIT status and tax provisions.

The scope of our audit and our areas of focus

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)").

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

The risks of material misstatement that had the greatest effect on our audit, including the allocation of our resources and effort, are identified as "areas of focus" in the table below. We have also set out how we tailored our audit to address these specific areas in order to provide an opinion on the financial statements as a whole, and any comments we make on the results of our procedures should be read in this context. This is not a complete list of all risks identified by our audit.

Area of focus	How our audit addressed the area of focus
Valuation of investment and development properties Refer to page 80 (Audit Committee Report), page 129 (Accounting Polices) and pages 138 to 141 (Notes) The Group's investment property portfolio is split between office and residential properties in London, and retail and leisure properties across the UK. The valuation in the Consolidated Balance Sheet is £9,120m. The valuation of the Group's investment property portfolio is inherently subjective due to, among other factors, the individual nature of each property, its location and the expected future rentals for that particular property. For developments, factors include projected costs to complete and timing until practical completion. The valuations were carried out by third party valuers, CB Richard Ellis and Knight Frank (the "Valuers"). The Valuers were engaged by the Directors, and performed their work in accordance with the Royal Institution of Chartered Surveyors ("RICS") Valuation – Professional Standards. The Valuers used by the Group have considerable experience of the markets in which the Group operates. In determining a property's valuation the Valuers take into account property-specific information such as the current tenancy agreements and rental income. They apply assumptions for yields and estimated market rent, which are influenced by prevailing market yields and comparable market transactions, to arrive at the final valuation. For developments, the residual appraisal method is used, by estimating the fair value of the completed project using a capitalisation method less estimated costs to completion and a risk premium. The existence of significant estimation uncertainty, coupled with the fact that only a small percentage difference in individual property valuations, when aggregated, could result in a material misstatement, warrants specific audit focus in this area. There were also a number of specific factors affecting the valuations in the year which we considered when making our judgements: – Significant transactions took place in the market involving shopping centres, which had the effect of increasing the value of shopping centres, specifically Meadowhall. – In the UK supermarket sector, the performance of superstores in particular Tesco and Sainsbury's has had an impact on the valuation of the superstore portfolio held by the Group. Additionally, elements of Broadgate, the Group's largest asset, are currently under development. Particular focus was therefore placed on this project due to the size of the asset and the inherently subjective nature of developments valuations.	We read the valuation reports for all properties and confirmed that the valuation approach for each was in accordance with RICS and suitable for use in determining the carrying value for the purpose of the financial statements. We assessed the Valuers' qualifications and expertise and read their terms of engagement with the Group to determine whether there were any matters that might have affected their objectivity or may have imposed scope limitations upon their work. We also considered fee arrangements between the Valuers and other engagements which might exist between the Group and the Valuers. We found no evidence to suggest that the objectivity of the Valuers in their performance of the valuations was compromised. We performed testing on the standing data in the Group's information systems concerning the valuation process. We carried out procedures, on a sample basis, to satisfy ourselves of the accuracy of the property information supplied to the Valuers by management. For developments, we confirmed that the supporting information for construction contracts and budgets which was supplied to the Valuers was also consistent with the Group's records. We attended meetings with each of the Valuers at which the valuations and the key assumptions therein were discussed. Our work focused on the largest properties in the portfolio and those where the assumptions used and / or year on year capital value movement suggested a possible outlier versus market data for the relevant sector. We also focused on superstores, for the reasons referred to opposite. We compared the investment yields used by the Valuers to an estimated range of expected yields, determined via reference to published benchmarks. We also considered the reasonableness of other assumptions that are not so readily comparable with published benchmarks, such as Estimated Rental Value, void rates and rent free periods. Finally, we evaluated year on year movements in capital value with reference to published benchmarks. Where assumptions were outside the expected range or otherwise unusual, and/or valuations showed unexpected movements, we undertook further investigations and, when necessary, held further discussions with the Valuers. In this way professional scepticism was exercised in our evaluation of whether assumptions were appropriate in light of the evidence provided by significant transactions which had taken place in the market during the year. It was evident from our interaction with management and the Valuers, and from our review of the valuation reports, that close attention had been paid to each property's individual characteristics at a granular, tenant by tenant level, as well as considering the overall quality, geographic location and desirability of the asset as a whole. The revaluation of what were the appropriate assumptions to apply to any given property included determining the level of impact that recent and significant market transactions should have on each individual property's valuation, given its unique characteristics. We saw evidence that alternative assumptions had been considered and evaluated by management and the Valuers, before determining the final valuation. We concluded that the assumptions used in the valuations were supportable in light of available and comparable market evidence.

REPORT OF THE AUDITOR CONTINUED

Area of focus	How our audit addressed the area of focus
Revenue recognition Refer to page 81 (Audit Committee Report), page 130 (Accounting Polices) and page 133 (Notes) Revenue for the Group consists primarily of rental income. Rental income is based on tenancy agreements where there is a standard process in place for recording revenue, which is system generated. There are however certain transactions within revenue which warrant additional audit focus and have an increased inherent risk of error due to the non-standard nature of these transactions. These include: – spreading of tenant incentives and guaranteed rent increases; – surrender premia.	We carried out tests of the controls over the cash and accounts receivable processes and the related IT systems to obtain evidence that postings to these accounts were reliable. For rental income balances, we then used data-enabled audit techniques to identify all standard revenue journals posted using these systems and processes. The remaining journals related to non-standard transactions. These were individually tested through obtaining supporting information for all items and no issues were noted. For balances not included within rental income, we performed substantive testing on a sample basis. No issues were noted.
Accounting for transactions Refer to page 81 (Audit Committee Report), page 131 (Accounting Polices) and pages 158 to 159 (Notes) There have been a number of property transactions during the year. These warranted additional audit focus due to the magnitude of transactions, and the potential for complex contractual terms that introduce judgement into how they are accounted for. Key transactions subject to additional audit focus were as follows. – Purchase of 50% stake in Tesco BL Holdings Limited and the Tesco British Land Property Partnership and sale of the Group's 50% holding in the Tesco Aqua Limited Partnership for a net payment of £102m: This was accounted for as a business combination of the subsidiaries acquired and a disposal of Tesco Aqua Limited Partnership. – Purchase of additional units in the Hercules Unit Trust ("HUT") for £93m: The purchase price of the units was based on the net asset value per unit at the date of purchase. – Acquisition of Surrey Quays Leisure Park for £135m. – Acquisition of additional units in the Speke Unit Trust for £93m: HUT increased its investment in this unit trust which has subsequently been consolidated into the results of HUT. This acquisition has been treated as a business combination. – Various disposals with a net result of £26m. These included the disposal of a portfolio of retail assets for proceeds of £218.6m, Green Lanes Barnstaple for proceeds of £32.1m and Cwmbran Retail Park for proceeds of £31.2m.	For each transaction, we understood the nature of the transaction and assessed the proposed accounting treatment in relation to the Group's accounting policies and relevant IFRSs. For the Tesco and Speke acquisitions that were treated as business combinations, we assessed these in relation to IFRS 3 Business Combinations. We agreed that these acquisitions should be accounted for under IFRS3 because these entities meet the definition of a business under the accounting standard. For the Speke acquisition which resulted in the Unit Trust being consolidated in line with IFRS10 Consolidated Financial Statements, we assessed management's treatment in line with the accounting standard and agreed that the Unit Trust had been properly accounted for because control had been gained of the business. For the purchase of units in HUT and Speke, we agreed the net asset value used in the unit share price calculation to supporting information including external property valuations. For all acquisitions and disposals, we obtained and reviewed the key supporting documentation such as Sales and Purchase Agreements and completion statements. Consideration received or paid was agreed to bank statements and deferred consideration postings. No material issues were noted as a result of these procedures.

Area of focus	How our audit addressed the area of focus
Investments in joint ventures and funds and impact of new accounting standards Refer to page 81 (Audit Committee Report), page 129 (Accounting Polices) and pages 141 to 146 (Notes) The Group is party to a number of joint ventures, including Broadgate, Meadowhall, certain Tesco and Sainsbury's joint ventures, and the Leadenhall Building. The Group also has investments in the Hercules Unit Trust and the Pillar Retail Europark Fund ("PREF"). The nature and complexity of the agreements relating to the Group's investments in joint ventures and funds required specific audit focus. In addition, IFRSs 10, 11 and 12 came into effect in the year (refer to Note 1 to the financial statements), requiring all such agreements to be reassessed to ascertain treatment under the new standards. IFRS10 – Consolidated Financial Statements provides more clear guidance on determining control. HUT continues to be treated as a subsidiary of the Group, and PREF continues to be equity accounted for on introduction of the new standard. IFRS11 – Joint Arrangements focuses on the rights and obligations of specific arrangements. Proportional consolidation for joint ventures is no longer allowed. This has not had an impact on the treatment of the Group's joint ventures. IFRS12 – Disclosure of Interests in Other Entities includes the disclosure arrangements for all interests in other entities, of which joint arrangements and associates are of relevance to the Group. Refer to note 28 of the financial statements.	We performed an assessment as to whether the requirements of IFRS10, 11, and 12 had been appropriately reflected in the consolidated financial statements. This included evaluating management's technical papers on the treatment of HUT and PREF under IFRS10 and the Group's joint ventures under IFRS11, and assessing each arrangement against the relevant accounting standards. For significant arrangements, we agreed the key contractual elements to the legal agreements in place. Based on our audit work we concurred with the Group's treatment of its investments in joint ventures and funds.
Taxation Refer to page 81 (Audit Committee Report), page 130 (Accounting Polices) and page 135 (Notes) The Group's status as a REIT underpins its business model and shareholder returns. For this reason, it warrants specific audit focus. The obligations of the REIT regime include requirements to comply with balance of business, dividend and income cover tests. During the year, the Broadgate joint venture converted to a REIT and as a result REIT compliance is also of relevance for this joint venture in addition to the overall Group. Tax provisions are in place to account for the risk of challenge of certain of the Group's tax positions. Given the subjective nature of these provisions, additional audit focus was placed on tax provisions.	We re-performed the Group's annual REIT compliance tests, and we also evaluated how the Broadgate REIT conversion had been implemented. Based on our work performed, we agreed with management's assessment that all REIT compliance tests had been met to ensure that the Group maintains its REIT status. We used our tax expertise to evaluate tax provisions and potential exposures as at 31 March 2015, challenging the Group's assumptions and judgements through our knowledge of the tax circumstances and by reading relevant correspondence between the Group and Her Majesty's Revenue & Customs and the Group's external tax advisors. Based on our work, we concluded that the tax provisions were within an appropriate range based on the supporting information provided by the Group's tax department.

REPORT OF THE AUDITOR CONTINUED

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

As part of our first year audit procedures, we performed work over opening balances. This involved a review of the predecessor auditor's working papers, performing an assessment of the Group and Company accounting policies and prior year financial statements and discussion with management. The Group and Company financial statements are produced using a single consolidation system that has a direct interface with the general ledger. We performed our audit procedures over the general ledger system and tested the interface with the consolidation system.

A full scope audit was performed by the Group audit team for all subsidiaries of the Group, and the following joint ventures: Broadgate, Meadowhall, Leadenhall and BL Sainsbury's Superstores.

In establishing the overall approach to our audit, we assessed the risk of material misstatement, taking into account the nature, likelihood and potential magnitude of any misstatement. Following this assessment, we applied professional judgement to determine the extent of testing required over each balance in the financial statements.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall group materiality	£130 million
How we determined it	1% of Total assets.
Rationale for benchmark applied	The key driver of the business and determinant of the Group's value is direct property investments. Due to this, the key area of focus in the audit is the valuation of investment properties. On this basis, we set an overall Group materiality level based on total assets.

In addition, we set a specific materiality level of £15 million for items within underlying pre-tax profit. This equates to 5% of this measure which represents profit before tax adjusted for capital and other items. In arriving at this judgement we had regard to the fact that underlying pre-tax profit is a secondary financial indicator of the Group. (Refer to page 124 Consolidated Income Statement). We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £1 million as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Going concern

Under the Listing Rules we are required to review the Directors' statement, set out on page 76, in relation to going concern. We have nothing to report having performed our review.

As noted in the Directors' statement, the Directors have concluded that it is appropriate to prepare the financial statements using the going concern basis of accounting. The going concern basis presumes that the Group and Company have adequate resources to remain in operation, and that the Directors intend them to do so, for at least one year from the date the financial statements were signed. As part of our audit we have concluded that the Directors' use of the going concern basis is appropriate.

However, because not all future events or conditions can be predicted, these statements are not a guarantee as to the Group's and Company's ability to continue as a going concern.

Other required reporting

Consistency of other information

Companies Act 2006 opinion

In our opinion, the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

ISAs (UK & Ireland) reporting

Under ISAs (UK & Ireland) we are required to report to you if, in our opinion:

– Information in the Annual Report is: – materially inconsistent with the information in the audited financial statements; or – apparently materially incorrect based on, or materially inconsistent with, our knowledge of the group and company acquired in the course of performing our audit; or – otherwise misleading.	We have no exceptions to report arising from this responsibility.
– The statement given by the Directors on page 75, in accordance with provision C.1.1 of the UK Corporate Governance Code ("the Code"), that they consider the Annual Report taken as a whole to be fair, balanced and understandable and provides the information necessary for members to assess the Group's and company's performance, business model and strategy is materially inconsistent with our knowledge of the Group and company acquired in the course of performing our audit.	We have no exceptions to report arising from this responsibility.
– The section of the Annual Report on page 79, as required by provision C.3.8 of the Code, describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.	We have no exceptions to report arising from this responsibility.

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Directors' remuneration report – Companies Act 2006 opinion

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Other Companies Act 2006 reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of Directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Corporate governance statement

Under the Listing Rules we are required to review the part of the Corporate Governance Statement relating to the company's compliance with ten provisions of the UK Corporate Governance Code. We have nothing to report having performed our review.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Directors' Responsibilities Statement set out on page 115, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

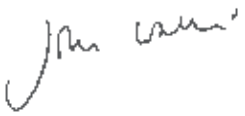
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Group's and the Company's circumstances and have been consistently applied and adequately disclosed
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the Directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.



John Waters (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

13 May 2015

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 MARCH 2015

	Note	2015 Underlying pre-tax[1] £m	2015 Capital and other £m	2015 Total £m	2014 Underlying pre-tax[1] £m	2014 Capital and other £m	2014 Total £m
Gross rental and related income	3	**464**	**–**	**464**	384	–	384
Net rental and related income	3	**375**	**–**	**375**	313	–	313
Fees and other income	4	**12**	**–**	**12**	15	–	15
Joint ventures and funds (see also below)		**129**	**597**	**726**	124	253	377
Administrative expenses		**(82)**	**–**	**(82)**	(72)	–	(72)
Net valuation movement (includes result on disposals)	6	**–**	**910**	**910**	–	615	615
Financing costs							
– financing income	7	**7**	**–**	**7**	9	3	12
– financing charges	7	**(112)**	**(47)**	**(159)**	(90)	(60)	(150)
		(105)	**(47)**	**(152)**	(81)	(57)	(138)
Profit on ordinary activities before taxation		**329**	**1,460**	**1,789**	299	811	1,110
Taxation							
– current tax (expense) income	8		**(1)**	**(1)**		3	3
– deferred tax (expense) income	8		**(23)**	**(23)**		3	3
			(24)	**(24)**		6	6
Profit for the year after taxation				**1,765**			1,116
Attributable to non-controlling interests		**16**	**39**	**55**	2	8	10
Attributable to shareholders of the Company		**313**	**1,397**	**1,710**	297	809	1,106
Earnings per share:							
– basic	2			**168.3p**			110.7p
– diluted	2			**167.3p**			110.2p

[1] As defined in note 2.

All results derive from continuing operations.

	Note	2015 Underlying pre-tax[1] £m	2015 Capital and other £m	2015 Total £m	2014 Underlying pre-tax[1] £m	2014 Capital and other £m	2014 Total £m
Results of joint ventures and funds accounted for using the equity method							
Underlying profit before taxation		**129**	**–**	**129**	124	–	124
Net valuation movement (includes result on disposals)		**–**	**595**	**595**	–	258	258
Current tax expense		**–**	**(2)**	**(2)**	–	(5)	(5)
Deferred tax income		**–**	**4**	**4**	–	–	–
	12	**129**	**597**	**726**	124	253	377

[1] As defined in note 2.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2015

	2015 £m	2014 £m
Profit for the year after taxation	**1,765**	1,116
Other comprehensive income:		
Items that will not be reclassified subsequently to profit or loss:		
Net actuarial loss on pension scheme	**(5)**	(2)
Valuation movements on owner-occupied property	**10**	–
	5	(2)
Items that may be reclassified subsequently to profit or loss:		
(Losses) gains on cash flow hedges		
– Group	**(71)**	14
– Joint ventures and funds	**3**	48
– Reclassification of items from the statement of comprehensive income	**30**	–
	(38)	62
Transferred to the income statement (cash flow hedges)		
– Foreign currency derivatives	**(11)**	8
– Interest rate derivatives	**8**	15
	(3)	23
Exchange differences on translation of foreign operations		
– Hedging and translation	**6**	2
– Other	**(6)**	1
	–	3
Deferred tax taken to equity	**10**	5
	10	5
Other comprehensive (loss) profit for the year	**(26)**	91
Total comprehensive income for the year	**1,739**	1,207
Attributable to non-controlling interests	**53**	10
Attributable to shareholders of the Company	**1,686**	1,197

CONSOLIDATED BALANCE SHEET

AT 31 MARCH 2015

	Note	2015 £m	2014 £m
ASSETS			
Non-current assets			
Investment and development properties	11	**9,120**	7,272
Owner-occupied property	11	**60**	47
		9,180	7,319
Other non-current assets			
Investments in joint ventures and funds	12	**2,901**	2,712
Other investments	13	**379**	262
Interest rate derivative assets	18	**139**	32
		12,599	10,325
Current assets			
Trading properties	11	**274**	271
Debtors	14	**20**	41
Cash and short-term deposits	18	**108**	142
		402	454
Total assets		**13,001**	10,779
LIABILITIES			
Current liabilities			
Short-term borrowings and overdrafts	18	**(102)**	(495)
Creditors	15	**(261)**	(263)
Corporation tax		**(9)**	(8)
		(372)	(766)
Non-current liabilities			
Debentures and loans	18	**(3,847)**	(2,803)
Other non-current liabilities	16	**(79)**	(32)
Deferred tax liabilities	17	**(12)**	(4)
Interest rate derivative liabilities	18	**(126)**	(57)
		(4,064)	(2,896)
Total liabilities		**(4,436)**	(3,662)
Net assets		**8,565**	7,117
Equity			
Share capital	22	**258**	255
Share premium		**1,280**	1,257
Merger reserve		**213**	213
Other reserves		**(82)**	(70)
Retained earnings		**6,563**	5,091
Equity attributable to shareholders of the Company		**8,232**	6,746
Non-controlling interests		**333**	371
Total equity		**8,565**	7,117
EPRA NAV per share[1]	2	**829p**	688p

[1] As defined in note 2.

John Gildersleeve
Chairman

Lucinda Bell
Chief Financial Officer

The financial statements on pages 124 to 166 were approved by the Board of Directors on 13 May 2015
Company number 621920

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2015

	Note	2015 £m	2014 £m
Rental income received from tenants		**397**	312
Fees and other income received		**14**	19
Operating expenses paid to suppliers and employees		**(93)**	(88)
Cash generated from operations		**318**	243
Interest paid		**(124)**	(116)
Interest received		**18**	29
Distributions and other receivables from joint ventures and funds		**73**	63
Net cash inflow from operating activities		**285**	219
Cash flows from investing activities			
Development and other capital expenditure		**(157)**	(175)
Purchase of investment properties		**(172)**	(569)
Sale of investment and trading properties		**415**	352
Payments received in respect of trading properties		**32**	–
Purchase of investments		**(7)**	(84)
Sale of investments		**–**	8
Deferred consideration received		**–**	5
Acquisition of Speke Unit Trust	21	**(90)**	–
Tesco property swap	21	**(93)**	–
Cash acquired on acquisition of Hercules Unit Trust		**–**	18
Acquisition of units in Hercules Unit Trust		**(93)**	(145)
Purchase of joint ventures and funds		**–**	(113)
Sale of joint ventures and funds		**–**	179
Investment in and loans to joint ventures and funds		**(173)**	(162)
Capital distributions and loan repayments from joint ventures and funds		**134**	28
Indirect taxes paid in respect of investing activities		**–**	(2)
Net cash outflow from investing activities		**(204)**	(660)
Cash flows from financing activities			
Issue of ordinary shares		**12**	11
Dividends paid	20	**(228)**	(159)
Dividends paid by subsidiaries		**(19)**	–
Closeout of interest rate derivatives		**(12)**	(16)
Movement in other financial liabilities		**10**	(8)
Decrease in bank and other borrowings		**(581)**	(49)
Drawdowns on bank and other borrowings		**703**	669
Net cash (outflow) inflow from financing activities		**(115)**	448
Net (decrease) increase in cash and cash equivalents		**(34)**	7
Cash and cash equivalents at 1 April		**142**	135
Cash and cash equivalents at 31 March		**108**	142
Cash and cash equivalents consists of:			
Cash and short-term deposits	18	**108**	142

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2015

	Share capital[1] £m	Share premium £m	Hedging and translation reserve[1,2] £m	Revaluation reserve[1] £m	Merger reserve[1] £m	Retained earnings £m	Total £m	Non-controlling interest £m	Total equity £m
Balance at 1 April 2014	**255**	**1,257**	**(32)**	**(38)**	**213**	**5,091**	**6,746**	**371**	**7,117**
Profit for the year after taxation	–	–	–	–	–	1,710	1,710	55	1,765
Losses on cash flow hedges	–	–	(69)	–	–	–	(69)	(2)	(71)
Revaluation of owner-occupied property	–	–	–	10	–	–	10	–	10
Joint ventures and funds revaluations	–	–	–	3	–	–	3	–	3
Reclassification of items from the statement of comprehensive income	–	–	–	30	–	–	30	–	30
Reclassification of (losses) gains on cash flow hedges									
– Foreign currency derivatives	–	–	(11)	–	–	–	(11)	–	(11)
– Interest rate derivatives	–	–	8	–	–	–	8	–	8
Exchange differences on translation of foreign operations	–	–	6	(6)	–	–	–	–	–
Net actuarial loss on pension schemes	–	–	–	–	–	(5)	(5)	–	(5)
Deferred tax taken to equity	–	–	22	(5)	–	(7)	10	–	10
Other comprehensive (loss) income	–	–	(44)	32	–	(12)	(24)	(2)	(26)
Total comprehensive income for the year	–	–	(44)	32	–	1,698	1,686	53	1,739
Share issues	3	23	–	–	–	(10)	16	–	16
Non-controlling interest on acquisition of subsidiary	–	–	–	–	–	–	–	31	31
Purchase of units from non-controlling interest	–	–	–	–	–	2	2	(103)	(101)
Adjustment for share and share option awards	–	–	–	–	–	10	10	–	10
Dividends payable in year (27.3p per share)	–	–	–	–	–	(277)	(277)	–	(277)
Dividends payable by subsidiaries	–	–	–	–	–	–	–	(19)	(19)
Adjustment for scrip dividend element	–	–	–	–	–	49	49	–	49
Balance at 31 March 2015	**258**	**1,280**	**(76)**	**(6)**	**213**	**6,563**	**8,232**	**333**	**8,565**
Balance at 1 April 2013	249	1,242	(71)	(92)	213	4,146	5,687	–	5,687
Profit for the year after taxation	–	–	–	–	–	1,106	1,106	10	1,116
Gains on cash flow hedges	–	–	14	–	–	–	14	–	14
Revaluation through statement of changes in equity	–	–	–	–	–	1	1	–	1
Joint ventures and funds revaluations	–	–	–	48	–	–	48	–	48
Reclassification of gains (losses) on cash flow hedges									
– Foreign currency derivatives	–	–	8	–	–	–	8	–	8
– Interest rate derivatives	–	–	15	–	–	–	15	–	15
Exchange differences on translation of foreign operations	–	–	2	1	–	(1)	2	–	2
Net actuarial loss on pension schemes	–	–	–	–	–	(2)	(2)	–	(2)
Deferred tax taken to equity	–	–	–	5	–		5	–	5
Other comprehensive income (loss)	–	–	39	54	–	(2)	91	–	91
Total comprehensive income for the year	–	–	39	54	–	1,104	1,197	10	1,207
Share issues	6	15	–	–	–	(8)	13	–	13
Non-controlling interest on acquisition of subsidiary	–	–	–	–	–	–	–	374	374
Purchase of units from non-controlling interest	–	–	–	–	–	–	–	(13)	(13)
Adjustment for share and share option awards	–	–	–	–	–	10	10	–	10
Dividends payable in year (26.7p per share)	–	–	–	–	–	(266)	(266)	–	(266)
Adjustment for scrip dividend element	–	–	–	–	–	105	105	–	105
Balance at 31 March 2014	255	1,257	(32)	(38)	213	5,091	6,746	371	7,117

[1] Refer to note 22.
[2] The balance at the beginning of the period includes £4m relating to translation and (£36m) relating to hedging.

1 Basis of preparation, significant accounting policies and accounting judgements

The financial statements for the year ended 31 March 2015 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 therefore comply with article 4 of the EU IAS regulation.

In the current financial year the Group has adopted IFRS 10 'Consolidated financial statements', IFRS 11 'Joint arrangements', IFRS 12 'Disclosures of interests in other entities' and amendments to IAS 32 'Financial Instruments: Presentation', IAS 36 'Impairment of assets' and IAS 39 'Financial Instruments: Recognition and measurement'.

The Group undertook an assessment of the treatment of its subsidiaries, joint ventures and interests in other entities prior to the adoption of IFRS 10, 11 and 12 and concluded that no changes in relation to the presentation of these interests was required.

The adoption of these standards has not had a material impact on the Group and otherwise the accounting policies used are consistent with those contained in the Group's last Annual Report and accounts for the year ended 31 March 2014.

Standards and interpretations issued but not effective for the current accounting period were:

- IAS 19 (amended) – Employee benefits
- Annual Improvements to IFRSs 2010-2012 cycle
- Annual Improvements to IFRSs 2011-2013 cycle
- IAS 16 (amended) – Property, plant and equipment
- IAS 38 (amended) – Intangible assets
- IAS 27 (amended) – Separate financial statements
- IFRS 10 (amended) – Consolidated financial statements
- IFRS 11 (amended) – Joint arrangements
- IFRS 14 – Regulatory deferral accounts
- Annual Improvements to IFRSs 2012-2014 cycle
- IFRS 15 – Revenue from contracts with customers;
- IFRS 9 – Financial Instruments.

The Directors do not expect that the adoption of the standards listed above will have a material impact on the financial statements of the Group in future periods except as follows.

- IFRS 9 will impact both the measurement and disclosures of financial instruments and is effective for the Group's year ending 31 March 2019. The Group has not yet completed its evaluation of the effect of the adoption.

- IFRS 15 does not apply to gross rental income, but does apply to service charge income, other fees and trading property disposals and is effective for the Group's year ending 31 March 2019. The Group does not expect adoption of IFRS 15 to have a material impact on the measurement of revenue recognition, but additional disclosures will be required with regards to the above sources of income.

Going concern

The financial statements are prepared on a going concern basis as explained in the corporate governance section on page 76.

Subsidiaries, joint ventures and associates (including funds)

The consolidated accounts include the accounts of the British Land Company PLC and all subsidiaries (entities controlled by British Land). Control is assumed where British Land has the power and the ability to affect the financial and operating policies of an investee entity so as to gain benefits from its activities.

The results of subsidiaries, joint ventures or associates acquired or disposed of during the year are included from the effective date of acquisition or up to the effective date of disposal. Accounting practices of subsidiaries, joint ventures or associates which differ from Group accounting policies are adjusted on consolidation.

Business combinations are accounted for under the acquisition method. Any excess of the purchase price of business combinations over the fair value of the assets, liabilities and contingent liabilities acquired and resulting deferred tax thereon is recognised as goodwill. Any discount received is credited to the income statement in the period of acquisition.

All intra-Group transactions, balances, income and expenses are eliminated on consolidation.

Joint ventures and associates, including funds, are accounted for under the equity method, whereby the consolidated balance sheet incorporates the Group's share (investor's share) of the net assets of its joint ventures and associates. The consolidated income statement incorporates the Group's share of joint venture and associate profits after tax, upon elimination of upstream and downstream transactions. Their profits include revaluation movements on investment properties. Interest income, management fees and performance fees are proportionately eliminated.

Properties

Properties are externally valued on the basis of fair value at the balance sheet date. Investment and owner-occupied properties are recorded at valuation whereas trading properties are stated at the lower of cost and net realisable value.

Any surplus or deficit arising on revaluing investment properties is recognised in the income statement.

Any surplus arising on revaluing owner-occupied properties above cost is recognised in equity, and any deficit arising in revaluation below cost for owner-occupied and trading properties is recognised in the income statement.

The cost of properties in the course of development includes attributable interest and other associated outgoings. Interest is calculated on the development expenditure by reference to specific borrowings, where relevant, and otherwise on the average rate applicable to short-term loans. Interest is not capitalised where no development activity is taking place. A property ceases to be treated as a development property on practical completion.

Disposals are recognised on completion: Profits and losses arising are recognised through the income statement. The profit on disposal is determined as the difference between the net sales proceeds and the carrying amount of the asset at the commencement of the accounting period plus capital expenditure in the period.

Where properties held for investment are appropriated to trading stock, they are transferred at market value. If properties held for trading are appropriated to investment, they are transferred at book value. In determining whether leases and related properties represent operating or finance leases, consideration is given to whether the tenant or landlord bears the risks and rewards of ownership.

Financial assets and liabilities

Trade debtors and creditors are initially recognised at fair value and subsequently measured at amortised cost and discounted as appropriate.

NOTES TO THE ACCOUNTS CONTINUED

Financial assets and liabilities continued

Other investments include loans and receivables held at amortised cost and investments held for trading classified as fair value through profit or loss. Amortised cost of loans and receivables is measured using the effective interest method, less any impairment. Interest is recognised by applying the effective interest rate. Investments held for trading are initially recorded at fair value and are subsequently externally valued on the same basis at the balance sheet date. Any surplus or deficit arising on revaluing investments held for trading is recognised in the income statement.

Where an investment property is held under a head lease, the head lease is initially recognised as an asset as the sum of the premium paid on acquisition and the present value of minimum ground rent payments. The corresponding rent liability to the head leaseholder is included in the balance sheet as a finance lease obligation.

Debt instruments are stated at their net proceeds on issue. Finance charges including premiums payable on settlement or redemption and direct issue costs are spread over the period to redemption, using the effective interest method.

Convertible bonds are designated as fair value through profit or loss and so are presented on the balance sheet at fair value with all gains and losses, including the write-off of issuance costs, recognised in the income statement within the capital and other component of net financing costs. The interest charge in respect of the coupon rate on the bonds has been recognised within the underlying component of net financing costs on an accruals basis.

As defined by IAS39, cash flow and fair value hedges are carried at fair value on the balance sheet. Changes in the fair value of derivatives that are designated and qualify as effective cash flow hedges are recognised directly in the hedging reserve. Changes in the fair value of derivatives that are designated and qualify as effective fair value hedges are recorded in the income statement, along with any changes in the fair value of the hedged item that is attributable to the hedged risk. Any ineffective portion of all derivatives is recognised in the income statement.

Cash equivalents are limited to instruments with a maturity of less than three months.

Net rental income

Rental income is recognised on an accruals basis. A rent adjustment based on open market estimated rental value is recognised from the rent review date in relation to unsettled rent reviews. Where a rent-free period is included in a lease, the rental income foregone is allocated evenly over the period from the date of lease commencement to the earliest termination date.

Rental income from fixed and minimum guaranteed rent reviews is recognised on a straight-line basis to the earliest termination date. Where such rental income is recognised ahead of the related cash flow, an adjustment is made to ensure that the carrying value of the related property including the accrued rent does not exceed the external valuation.

Initial direct costs incurred in negotiating and arranging a new lease are amortised on a straight-line basis over the period from the date of lease commencement to the earliest termination date.

Where a lease incentive payment, including surrender premia paid, does not enhance the value of a property, it is amortised on a straight-line basis over the period from the date of lease commencement to the earliest termination date. Upon receipt of a surrender premium for the early determination of a lease, the profit, net of dilapidations and non-recoverable outgoings relating to the lease concerned, is immediately reflected in income.

Management and performance fees

Management and performance fees receivable are recognised in the period to which they relate. Performance fees are recognised at the end of the performance period when the fee amount can be estimated reliably and it is virtually certain that the fee will be received. Management and performance fees receivable from joint ventures and funds are proportionately eliminated. Performance fees are discounted for any element subject to subsequent clawback, on a case-by-case basis.

Taxation

Current tax is based on taxable profit for the year and is calculated using tax rates that have been enacted or substantively enacted. At the balance sheet date, taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are not taxable (or tax deductible).

Deferred tax is provided on items that may become taxable at a later date, on the difference between the balance sheet value and tax base value, on an undiscounted basis. On business combinations, the deferred tax effect of fair value adjustments is incorporated in the consolidated balance sheet.

Employee costs

The fair value of equity-settled share-based payments to employees is determined at the date of grant and is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares or options that will eventually vest. In the case of options granted, fair value is measured by a Black-Scholes pricing model. Compensation linked to performance fees accrued by the Group is amortised over the vesting period.

Defined benefit pension scheme assets are measured using fair values; pension scheme liabilities are measured using the projected unit credit method and discounted at the rate of return of a high-quality corporate bond of equivalent term to the scheme liabilities. The net surplus (where recoverable by the Group) or deficit is recognised in full in the consolidated balance sheet. Any asset resulting from the calculation is limited to past service costs plus the present value of available refunds and reductions in future contributions to the plan.

The current service cost and gains and losses on settlement and curtailments are charged to operating profit. Past service costs are recognised in the income statement if the benefits have vested or, if they have not vested, are amortised on a straight-line basis over the period until vesting occurs. Actuarial gains and losses are recognised in full in the period in which they occur and are presented in the consolidated statement of comprehensive income.

Contributions to the Group's defined contribution schemes are expensed on the basis of the contracted annual contribution.

Accounting judgements and estimates

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

Significant areas of estimation are:

Valuation of properties and investments held for trading: The Group uses external professional valuers to determine the relevant amounts. The primary source of evidence for property valuations should be recent, comparable market transactions on an arms-length basis. However, the valuation of the Group's property portfolio and investments held for trading are inherently subjective, as they are made on the basis of assumptions made by the valuers which may not prove to be accurate.

Other less significant areas of estimation include the valuation of fixed rate debt and interest rate derivatives, the determination

of share-based payment expense, and the actuarial assumptions used in calculating the Group's retirement benefit obligations.

The key areas of accounting judgement are:

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

Accounting for joint ventures and funds: In accordance with IFRS 10 'Consolidated financial statements', IFRS 11 'Joint arrangements', and IFRS 12 'Disclosures of interests in other entities' an assessment is required to determine the degree of control or influence the Group exercises and the form of any control to ensure that the financial statement treatment is appropriate.

Interest in the Group's joint ventures is commonly driven by the terms of the partnership agreements which ensure that control is shared between the partners. These are accounted for under the equity method, whereby the consolidated balance sheet incorporates the Group's share of the net assets of its joint ventures and associates. The consolidated income statement incorporates the Group's share of joint venture and associate profits after tax upon elimination of upstream transactions.

Accounting for transactions: Property transactions are complex in nature and can be material to the financial statements. Assessment is required to determine the most appropriate accounting treatment of assets acquired and of potential contractual arrangements in the legal documents for both acquisitions and disposals. Management consider each transaction separately and, when considered appropriate, seek independent accounting advice. Examples of such transactions completed in the year include the acquisition of Speke Unit Trust, Tesco BL Holdings Limited and TBL Property Partnership which were accounted for as business combinations (see note 21).

NOTES TO THE ACCOUNTS CONTINUED

2 Performance measures

Earnings per share	2015 Earnings £m	2015 Pence per share	2014 Earnings £m	2014 Pence per share
Underlying pre-tax profit attributable to shareholders	313		297	
Tax charge relating to underlying profit	–		(2)	
Underlying earnings	313	30.6	295	29.4
Dilution due to convertible bond	–	(1.1)	–	–
EPRA earnings per share (diluted)		29.5		29.4
Remove dilution due to share options and convertible bond		1.3		0.1
EPRA earnings (basic)		30.8		29.5
Profit for the year after taxation (IFRS)	1,710	167.3	1,106	110.2

The European Public Real Estate Association (EPRA) has issued Best Practices Recommendations, the latest update of which was issued in January 2014, which give guidelines for performance measures. EPRA earnings is the profit after tax excluding investment and development property revaluations and gains or losses on disposals, changes in the fair value of financial instruments and associated close-out costs and their related taxation. A summary of the EPRA Performance Measures is provided in Table B within the Supplementary Disclosures, see page 175.

The EPRA earnings per share (diluted) also takes into account dilution due to the convertible bond issued on 10 September 2012. The Company's share price reached the conversion price of the convertible bond for the first time in the year to 31 March 2015 and therefore was dilutive for the first time in the year.

Underlying earnings consists of the EPRA earnings (diluted) measure, excluding the dilutive impact of the convertible bond.

The weighted average number of shares in issue for the year was: basic: 1,016m (2013/14: 999m); diluted for the effect of share options: 1,022m (2013/14: 1,004m); and the convertible bond: 1,080m (2013/14: 1,004m). Basic undiluted earnings per share for the year, calculated using profit for the year after taxation attributable to shareholders of the Company of £1,710m (2013/14: £1,106m), was 168.3p (2013/14: 110.7p).

Net asset value (NAV) (diluted)	31 March 2015 £m	31 March 2014 £m
Balance sheet net assets (IFRS)	8,565	7,117
Less non-controlling interests	(333)	(371)
Deferred tax arising on revaluation movements	13	6
Mark-to-market on effective cash flow hedges and related debt adjustments	257	173
Surplus on trading properties	96	63
Dilution effect of share options	37	39
Convertible bond adjustment	400	–
EPRA NAV	9,035	7,027
EPRA NAV per share	829p	688p

The EPRA NAV per share excludes the mark-to-market on effective cash flow hedges and related debt adjustments, and the convertible bond, deferred taxation on revaluations, and includes the surplus on trading properties and is calculated on a fully diluted basis. The EPRA NAV per share calculation also takes into account dilution for the convertible bond issued on 10 September 2012. During the year ended 31 March 2015, the Company's share price reached the conversion price of the convertible bond for the first time and therefore it was dilutive at the year end.

At 31 March 2015, the number of shares in issues was: basic: 1,020m (2013/14: 1,008m); diluted for the effect of share options and the convertible bond: 1,090m (2013/14: 1,021m).

Total accounting return per share for the year ended 31 March 2015 of 24.5% includes dividends paid of 27.3p (see note 20) in addition to the increase in EPRA NAV of 141p. Total accounting return per share for the year ended 31 March 2014 was 20.0%.

3 Gross and net rental and related income

	2015 £m	2014 £m
Rent receivable	**369**	310
Spreading of tenant incentives and guaranteed rent increases	**26**	20
Surrender premia	**4**	4
Gross rental income	**399**	334
Service charge income	**65**	50
Gross rental and related income	**464**	384
Service charge expenses	**(65)**	(50)
Property operating expenses	**(24)**	(21)
Net rental and related income	**375**	313

The cash element of net rental income recognised during the year ended 31 March 2015 from properties which were not subject to a security interest was £182m (2013/14: £189m). Property operating expenses relating to investment properties that did not generate any rental income were £2m (2013/14: £1m). Contingent rents of £3m (2013/14: £1m) were recognised in the year.

4 Fees and other income

	2015 £m	2014 £m
Management and performance fees (from joint ventures and funds)	**7**	10
Other fees and commissions	**5**	5
	12	15

5 Other income statement disclosures

(i) Total revenue	Note	2015 £m	2014 £m
Gross rental and related income	3	**464**	384
Fees and other income	4	**12**	15
Financing income	7	**7**	12
Proceeds on property trading	6	**51**	109
Total revenue in the year		**534**	520

(ii) Auditor remuneration – PricewaterhouseCoopers LLP (2013/14: Deloitte LLP)	2015 £m	2014 £m
Audit fees		
Fees payable to the Company's auditor for the audit of the Company's annual accounts	**0.2**	0.3
Fees payable to the Company's auditor for the audit of the Company's subsidiaries, pursuant to legislation	**0.4**	0.2
Total audit fees	**0.6**	0.5
Audit-related assurance services	**0.1**	0.1
Total audit and audit-related assurance services	**0.7**	0.6
Other fees		
Tax advisory services	**–**	0.1
Other services	**0.1**	0.1
Total other fees	**0.1**	0.2
	0.8	0.8

(iii) Exchange losses recognised in the consolidated income statement total £1m (2014: £3m gains).

NOTES TO THE ACCOUNTS CONTINUED

6 Net revaluation gains on property and investments

	2015 £m	2014 £m
Consolidated income statement		
Revaluation of properties	**884**	580
Result on property and investment disposals (excluding trading property disposals)	**20**	17
Result on trading property disposals (see below)	**6**	14
Revaluation of investments	**–**	4
	910	615
Valuation movements of joint ventures and funds accounted for using the equity method	**595**	258
	1,505	873
Consolidated statement of comprehensive income		
Revaluation of owner occupied properties	**10**	–
Total comprehensive income	**1,515**	873
Result on trading property disposals		
Sale proceeds	**51**	109
Cost of sales	**(45)**	(95)
Result on trading property disposals	**6**	14

7 Net financing costs

	2015 £m	2014 £m
Interest payable on:		
Bank loans and overdrafts	**36**	29
Other loans	**88**	77
Obligations under finance leases	**2**	1
	126	107
Development interest capitalised	**(14)**	(17)
	112	90
Interest receivable on:		
Deposits, securities and liquid investments	**(2)**	(3)
Loans to joint ventures	**(5)**	(6)
	(7)	(9)
Net financing costs – underlying	**105**	81
Capital and other:		
Valuation movements on translation of foreign currency debt	**11**	(9)
Hedging reserve recycling	**(11)**	9
Valuation movements on fair value debt	**104**	(62)
Valuation movements on fair value derivatives	**(108)**	62
Net capital movement on convertible bond	**35**	50
Recycling of fair value movement on close-out of derivatives	**12**	10
Capital financing costs	**2**	–
Valuation movement on translation of foreign currency net assets	**1**	(3)
Fair value movement on non-hedge accounted derivatives	**1**	–
Net financing costs – capital	**47**	57
Net financing costs	**152**	138
Total financing income	**(7)**	(12)
Total financing charges	**159**	150
Net financing costs	**152**	138

Interest payable on unsecured bank loans and related interest rate derivatives was £24m (2013/14: £27m). Interest on development expenditure is capitalised at the Group's weighted average interest rate of 3.3% (2013/14: 3.8%). The weighted average interest rate on a proportionally consolidated basis at 31 March 2015 was 3.8% (2013/14: 4.1%).

8 Taxation

	2015 £m	2014 £m
Taxation expense (income)		
Current taxation:		
UK corporation taxation: 21% (2013/14: 23%)	**1**	2
	1	2
Adjustments in respect of prior years	**–**	(5)
Total current taxation expense (income)	**1**	(3)
Deferred taxation on revaluations and derivatives	**23**	(3)
Group total taxation net	**24**	(6)
Attributable to joint ventures and funds	**(2)**	5
Total taxation expense (income)	**22**	(1)

Taxation reconciliation		
Profit on ordinary activities before taxation	**1,789**	1,105
Less: profit attributable to joint ventures and funds[1]	**(726)**	(382)
Group profit on ordinary activities before taxation	**1,063**	723
Tax on profit on ordinary activities at UK corporation taxation rate of 21% (2013/14: 23%)	**223**	166
Effects of:		
REIT exempt income and gains	**(232)**	(160)
Taxation losses	**10**	(4)
Deferred taxation on revaluations and derivatives	**23**	–
Adjustments in respect of prior years	**–**	(8)
Group total taxation expense (income)	**24**	(6)

[1] A current taxation expense of £2m (2013/14: £5m) and a deferred taxation income of £4m (2013/14: £nil) arose on profits attributable to joint ventures and funds.

Taxation expense attributable to underlying profits for the year ended 31 March 2015 was £nil (2013/14: £2m). The underlying taxation rate for the year ended 31 March 2015 was nil% (2013/14: 0.7%).

Corporation taxation payable at year ended 31 March 2015 was £9m (2013/14: £8m) as shown on the balance sheet.

9 Staff costs

Staff costs (including Directors)

	2015 £m	2014 £m
Wages and salaries	**50**	46
Social security costs	**6**	5
Pension costs	**6**	6
Equity-settled share-based payments	**14**	12
	76	69

The average monthly number of employees of the Company during the year was 249 (2013/14: 231). The average monthly number of Group employees, including those employed directly at the Group's properties whose costs are recharged to tenants, was 598 (2013/14: 556).

The Executive Directors and Non-Executive Directors are the key management personnel. Their emoluments are summarised below and further detail is disclosed in the Remuneration Report on pages 86 to 112.

Directors' emoluments

	2015 £m	2014 £m
Short-term employee benefits	**5.8**	5.6
Termination payments	**–**	0.2
Service cost in relation to defined benefit pension schemes	**0.2**	0.2
Share based payments	**6.4**	5.2
	12.4	11.2

NOTES TO THE ACCOUNTS CONTINUED

9 Staff costs continued

Staff costs

The Group's equity-settled share-based payments comprise the Long-Term Incentive Plan (LTIP), the Matching Share Plan (MSP), the Fund Managers Performance Plan (FMPP), the Share Incentive Plan (SIP) and various savings related share option schemes.

The Company expenses an estimate of how many shares are likely to vest based on the market price at the date of grant, taking account of expected performance against the relevant performance targets and service periods.

Long-Term Incentive Plan (LTIP)

Under the LTIP the Company may award employees a combination of performance shares and options. Both components have the same performance targets based on total property return, total accounting return and a three-year service period. For both LTIP components the Company estimates the number of shares or options likely to vest and expenses that estimate over the relevant period. Performance shares are valued at the market value at the date of the award. The options are valued using a Black-Scholes model adjusted for dividends (see table below). Volatility has been estimated by taking the historical volatility in the Company's share price over a four-year period and adjusting where there are known factors that may affect future volatility. No other features of the option grant were incorporated into the measurement of fair value.

Long-Term Incentive Plan: Awards in the year ended 31 March 2015

	12 December 2014	23 June 2014
Share price and exercise price at grant date	**757p**	**648p**
Expected option life in years	**7**	**7**
Risk free rate	**1.5%**	**2.4%**
Expected volatility	**34%**	**34%**
Expected dividend yield	**4%**	**4%**
Value per option	**173p**	**159p**

Matching Share Plan (MSP)

The MSP allows eligible employees to receive one third of their annual bonus in shares, held in trust, which, following performance targets based on total shareholder return and like-for-like rental growth being achieved over a three-year period, will be matched two-for-one by the Company. The Company expenses the estimated number of shares likely to vest over the three-year period based on the market price at the date of grant.

Fund Managers' Performance Plan (FMPP)

Under the FMPP the Company may award employees a combination of cash (20% of the award) and shares based on a maximum of 30% of the annual performance fee awarded by the Unit Trusts and, as agreed by shareholders in 2008, in respect of a comparative notional pool for British Land owned portfolios. The cash is awarded following the performance year under review with the shares released over the following three years, subject to clawback due to subsequent property underperformance. The Company expenses an estimate of the fair value of the award over the period to full vesting. No further grants under the FMPP were made in the year.

Other share plans

Under the SIP the Company gives eligible employees free shares of up to £3,600 a year. They can also purchase partnership shares for up to £1,800 a year that are matched two-for-one by the Company. The free and matching shares are either purchased at fair value in the market or allotted and expensed at the time of allocation.

Under the savings related share option scheme, eligible employees can save up to £500 a month over a three or five-year period and use the savings to exercise an option granted at the outset at a 20% discount to the then prevailing share price. The fair value of the various options is expensed over the service period, based on a Black-Scholes model.

Movements in shares and options are given in note 22.

10 Pensions

The British Land Group of Companies Pension Scheme (the scheme) is the principal pension scheme in the Group. It is a defined benefit scheme which is externally funded and not contracted out of SERPS (State Earnings-Related Pension Scheme). The assets of the scheme are held in a trustee-administered fund and kept separate from those of the Company. It is not planned to admit new employees to the scheme. Existing entitlements will be retained by the members, with freedom to transfer to a new Defined Contribution Scheme. Contributions to this scheme are at a flat rate of 15% of salary and paid by the Company. In certain circumstances it may be necessary to pay higher contributions when recruiting senior executives.

The Group has three other small pension schemes. The total net pension cost charged for the year was £6m (2013/14: £6m), of which £3m (2013/14: £3m) relates to defined contribution plans and £3m (2013/14: £3m) relates to the current service cost of the defined benefit schemes.

10 Pensions continued

A full actuarial valuation of the scheme was carried out at 31 March 2012 by consulting actuaries, AON Hewitt Associates Ltd. The employer's contributions will be paid in the future at the rate recommended by the actuary of 54.4% per annum of basic salaries. The best estimate of employer contributions expected to be paid during the year to 31 March 2016 is £3m. The major assumptions used for the actuarial valuation were:

	2015 % pa	2014 % pa	2013 % pa	2012 % pa	2011 % pa
Discount rate	**3.1%**	4.4	4.1	4.6	5.5
Salary inflation	**4.8%**	5.2	4.7	4.7	5.2
Pensions increase	**3.2%**	3.5	3.1	3.1	3.7
Price inflation	**3.3%**	3.7	3.2	3.2	3.7

The mortality assumptions are based on standard mortality tables which allow for future mortality improvements. The assumptions are that a member currently aged 60 will live on average for a further 29.8 years if they are male and for a further 31.0 years if they are female. For a member who retires in 2035 at age 60, the assumptions are that they will live on average for a further 31.4 years after retirement if they are male and for a further 32.7 years after retirement if they are female.

Composition of scheme assets

	2015 £m	2014 £m
Equities	**55**	51
Diversified Growth Funds (DGF)	**81**	77
Other assets	**3**	3
Total scheme assets	**139**	131

The vast majority of the scheme assets are quoted in an active market.

The amount included in the balance sheet arising from the Group's obligations in respect of its defined benefit scheme is as follows:

	2015 £m	2014 £m	2013 £m	2012 £m	2011 £m
Present value of defined scheme obligations	**(145)**	(125)	(119)	(107)	(99)
Fair value of scheme assets	**139**	131	120	109	110
Irrecoverable surplus	**–**	(6)	(1)	(2)	(11)
Liability recognised in the balance sheet	**(6)**	–	–	–	–

History of experience gains and losses

	2015 £m	2014 £m	2013 £m	2012 £m	2011 £m
Total actuarial loss recognised in the consolidated statement of comprehensive income[1]					
Amount[2]	**(5)**	(2)	(4)	(3)	(2)
Percentage of present value on scheme liabilities	**3.6%**	1.6%	3.1%	2.7%	2.0%

[1] Movements stated after adjusting for irrecoverability of any surplus.
[2] Cumulative loss recognised in the consolidated statement of comprehensive income is £36m (2013/14: £31m).

Movements in the present value of defined benefit obligations were as follows:

	2015 £m	2014 £m
At 1 April	**(125)**	(119)
Current service cost	**(3)**	(3)
Interest cost	**(5)**	(5)
Actuarial gains (losses)		
Gain from change in demographic assumptions	**14**	–
Loss from change in financial assumptions	**(32)**	(3)
Gain on scheme liabilities arising from experience	**4**	3
Benefits paid	**2**	2
At 31 March	**(145)**	(125)

NOTES TO THE ACCOUNTS CONTINUED

10 Pensions continued

Movements in the fair value of the scheme assets were as follows:

	2015 £m	2014 £m
At 1 April	131	120
Interest income on scheme assets	6	5
Contributions by employer	2	4
Actuarial gains	2	4
Benefits paid	(2)	(2)
At 31 March	139	131

The actual return on scheme assets was £8m (2013/14: £9m).

Through its defined benefit plans, the Group is exposed to a number of risks, the most significant of which are detailed below.

Asset volatility The liabilities are calculated using a discount rate set with a reference to corporate bond yields; if assets underperform this yield, this will create a deficit. The Scheme holds a significant portion of growth assets (equities and diversified growth funds) which, though are expected to outperform corporate bonds in the long term, create volatility and risk in the short term. The allocation to growth assets is monitored to ensure it remains appropriate given the Scheme's long term objectives.

Changes in bond yields A decrease in corporate bond yields will increase the value placed on the Scheme's liabilities for accounting purposes, although this will be partially offset by an increase in the value of the Scheme's bond holdings.

Inflation risk The majority of the Scheme's benefit obligations are linked to inflation, and higher inflation will lead to higher liabilities (although, in most cases, caps on the level of inflationary increases are in place to protect against extreme inflation). The majority of the assets are either unaffected by or only loosely correlated with inflation, meaning that an increase in inflation will also increase the deficit.

Life expectancy The majority of the Scheme's obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the liabilities.

11 Property

Property reconciliation 12 months to 31 March 2015

	Investment						
	UK Retail Level 3 £m	Offices and residential Level 3 £m	Developments Level 3 £m	**Investment and development properties £m**	Trading properties £m	Owner-occupied Level 3 £m	**Total £m**
Carrying value at 1 April 2014	4,461	2,550	261	7,272	271	47	7,590
Additions – property purchases	147	–	–	147	–	–	147
– acquisition of subsidiaries (note X)	1,000	–	–	1,000	–	–	1,000
– development expenditure	5	11	52	68	46	–	114
– capitalised interest	–	–	–	–	8	–	8
– capital expenditure on asset management initiatives	41	1	–	42	–	–	42
	1,193	12	52	1,257	54	–	1,311
Depreciation	–	–	–	–	–	(1)	(1)
Disposals	(219)	(102)	(12)	(333)	(45)	–	(378)
Reclassifications	–	(4)	6	2	(6)	4	–
Revaluations included in income statement	390	423	71	884	–	–	884
Revaluation included in SOCIE	–	–	–	–	–	10	10
Movement in tenant incentives and contracted rent uplift balances	8	23	7	38	–	–	38
Carrying value at 31 March 2015	5,833	2,902	385	9,120	274	60	9,454
Head lease liabilities (note 16)							(41)
Surplus on trading properties							96
Total Group property portfolio valuation at 31 March 2015							9,509
Non-controlling interests							(441)
Total Group property portfolio valuation at 31 March 2015 attributable to shareholders							9,068

11 Property continued

Property reconciliation 12 months to 31 March 2014

	Investment						
	UK Retail Level 3 £m	Offices and residential Level 3 £m	Developments Level 3 £m	**Investment and development properties £m**	Trading properties £m	Owner-occupied Level 3 £m	**Total £m**
Carrying value at 1 April 2013	3,360	1,267	861	**5,488**	40	42	**5,570**
Additions – property purchases	53	428	83	**564**	–	–	**564**
– acquisition of Hercules Unit Trust	1,006	–	–	**1,006**	–	–	**1,006**
– development expenditure	10	30	60	**100**	38	–	**138**
– capitalised interest	–	6	4	**10**	7	–	**17**
– capital expenditure on asset management initiatives	25	4	–	**29**	–	–	**29**
	1,094	468	147	**1,709**	45	–	**1,754**
Depreciation	–	–	–	**–**	–	(1)	**(1)**
Disposals	(234)	(11)	–	**(245)**	(97)	–	**(342)**
Reclassifications	(5)	538	(816)	**(283)**	283	–	**–**
Revaluations included in income statement	240	270	65	**575**	–	5	**580**
Revaluation included in SOCIE	–	–	–	**–**	–	1	**1**
Movement in tenant incentives and contracted rent uplift balances	6	18	4	**28**	–	–	**28**
Carrying value at 31 March 2014	4,461	2,550	261	**7,272**	271	47	**7,590**
Head lease liabilities (note 16)							**(32)**
Surplus on trading properties							**58**
Total Group property portfolio valuation at 31 March 2014							**7,616**
Non-controlling interests							**(422)**
Total Group property portfolio valuation at 31 March 2014 attributable to shareholders							**7,194**

The different valuation method levels are defined below.

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

These levels are specified in accordance with IFRS 13 'Fair Value Measurement'. On the following page of this note within the section 'Valuation' our property valuation approach and process is set out. As noted in the Report of the Audit Committee on page 80, 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.

The Group's policy is to recognise transfers between fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. There have been no transfers during the period.

At 31 March 2015, the Group property portfolio valuation of £9,509m (2013/14: £7,616m) comprises freeholds of £6,098m (2013/14: £4,855m); virtual freeholds of £811m (2013/14: £695m); and long leaseholds of £2,600m (2013/14: £2,066m). The historical cost of properties was £6,582m (2013/14: £5,574m).

The property valuation does not include any investment properties held under operating leases (2013/14: £nil).

Properties valued at £2,479m (2013/14: £1,741m) were subject to a security interest and other properties of non-recourse companies amounted to £1,365m (2013/14: £1,066m).

Included within the property valuation is £102m (2013/14: £100m) in respect of accrued contracted rental uplift income, against which the Group holds a provision of £5m (2013/14: £5m). The balance arises through the IFRS treatment of leases containing such arrangements, which requires the recognition of rental income on a straight-line basis over the lease term, with the difference between this and the cash receipt changing the carrying value of the property against which revaluations are measured.

Cumulative interest capitalised against investment, development and trading properties amounts to £81m (2013/14: £73m).

NOTES TO THE ACCOUNTS CONTINUED

11 Property continued

Valuation

The Group's total property portfolio was valued by independent external valuers on the basis of fair value, in accordance with the RICS Valuation – Professional Standards 2014, ninth edition, published by The Royal Institution of Chartered Surveyors.

The information provided to the valuers, and the assumptions and valuations models used by the valuers are reviewed by the property portfolio team, the Head of Offices, the Head of Retail and the Chief Financial Officer. The valuers meet with the external auditors and also present directly to the Audit Committee at the interim and year end review of results. Further details of the Audit Committee's responsibilities in relation to valuations can be found in the Report of the Audit Committee (on page 80).

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 and CBRE can be found on the website at:
www.britishland.com/reports

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

	2015			2014		
	Group £m	**Joint ventures and funds £m**	**Total £m**	Group £m	Joint ventures and funds £m	Total £m
Knight Frank LLP	**6,795**	**3,313**	**10,108**	6,036	2,903	8,939
CBRE	**2,714**	**1,401**	**4,115**	1,580	2,131	3,711
Total property portfolio valuation	**9,509**	**4,714**	**14,223**	7,616	5,034	12,650
Non-controlling interests' share of property	**(441)**	**(105)**	**(546)**	(422)	(188)	(610)
Total property portfolio valuation attributable to shareholders	**9,068**	**4,609**	**13,677**	7,194	4,846	12,040

11 Property continued

Information about fair value measurements using unobservable inputs (Level 3)

	Fair value at 31 March 2015 £m	Valuation technique	ERV per sq ft Min £	ERV per sq ft Max £	ERV per sq ft Weighted average £	Equivalent Yield Min %	Equivalent Yield Max %	Equivalent Yield Weighted average %
Investment								
UK Retail	5,956	Investment methodology	2	75	19	1.4	13.6	3.8
Offices & Residential[1, 2]	2,958	Investment methodology	4	81	49	1.3	8.9	4.2
Developments [2]	225	Residual methodology	54	101	65	3.8	5.0	4.5
Total	**9,139**							
Trading properties and surplus on trading properties	370							
Total Group property portfolio valuation	**9,509**							

[1] Includes Owner-occupied.
[2] Includes Residential with an average capital value per sq ft of £981, including developments at end value and mixed use.

All other factors being equal, a higher equivalent yield or discount rate would lead to a decrease in the valuation of an asset, and an increase in the current or estimated future rental stream would have the effect of increasing the capital value, and vice versa. However, there are interrelationships between the unobservable inputs which are partially determined by market conditions, which would impact on these changes.

12. Joint ventures and funds

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

		Joint ventures £m	Funds £m	Total £m	Equity £m	Loans £m	Total £m
At 1 April 2014		2,274	438	**2,712**	2,278	434	**2,712**
Additions		79	7	**86**	54	32	**86**
Disposals		(318)	(151)	**(469)**	(306)	(163)	**(469)**
Share of profit after taxation		661	65	**726**	726	–	**726**
Distributions and dividends:	Capital	–	(16)	**(16)**	(16)	–	**(16)**
	Revenue	(104)	(21)	**(125)**	(125)	–	**(125)**
Hedging and exchange movements		(6)	(7)	**(13)**	(13)	–	**(13)**
At 31 March 2015		2,586	315	**2,901**	2,598	303	**2,901**

PREF, a fund owning a portfolio of retail property in Europe (in which British Land has a net investment of £32m), has its properties externally valued by CBRE. CBRE have included a market uncertainty clause in the valuation report of the Portuguese properties, due to a lack of transactional evidence and uncertainty over the economic situation in those markets. In 2015 PREF repaid early all outstanding bank loans following the sale of its Spanish assets. In December 2014 a one-year extension of the fund to 26 March 2016 was approved. As a result, the fund is in the process of an orderly disposal of its assets and the underlying financial statements of PREF for the year ended 31 December 2014 were prepared on a break up basis.

At 31 March 2015 the investment in joint ventures included within the total investment in joint ventures and funds was £2,869m (2013/14: £2,658m).

NOTES TO THE ACCOUNTS CONTINUED

12. Joint ventures and funds continued

The summarised income statements and balance sheets below and on the adjacent 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 and exclude all balances which are eliminated on consolidation.

In the prior year the detailed breakdown contained the Group's share of the results in joint ventures and funds. The change in presentation is due to the adoption of IFRS 12 'Disclosures of interests in other entities' in the year.

Joint ventures' and funds' summary financial statements 12 months to 31 March 2015

	Broadgate REIT Ltd	MSC Property Intermediate Holdings Ltd	BL Sainsbury Superstores Ltd	Tesco Joint Ventures[1]
Partners	Euro Bluebell LLP (GIC)	Norges Bank Investment Management	J Sainsbury plc	Tesco PLC
Property sector	City Offices Broadgate	Shopping Centres Meadowhall	Superstores	Superstores
Group share	50%	50%	50%	50%
Summarised income statements	£m	£m	£m	£m
Gross rental and related income	214	94	60	97
Net rental and related income	164	75	60	92
Other underlying expenditure	(1)	–	–	(1)
Net interest payable	(88)	(38)	(28)	(50)
Underlying profit before taxation	75	37	32	41
Surplus on revaluation	664	161	14	17
Other non-underlying (expenditure) income	–	–	(3)	(4)
Profit on ordinary activities before taxation	739	198	43	54
Taxation	–	–	–	9
Profit on ordinary activities after taxation	**739**	**198**	**43**	**63**
Other comprehensive (expenditure) income	(21)	(7)	4	6
Total comprehensive income	**718**	**191**	**47**	**69**
British Land share of total comprehensive income	**359**	**96**	**24**	**35**
British Land share of distributions payable	15	2	42	37
Summarised balance sheets	£m	£m	£m	£m
Investment and trading properties	4,209	1,719	1,039	363
Current assets	5	5	3	–
Upstream loans to joint venture shareholders	–	–	–	–
Cash and deposits	272	32	25	6
Gross assets	**4,486**	**1,756**	**1,067**	**369**
Current liabilities	(82)	(31)	(26)	(5)
Bank and securitised debt	(2,142)	(721)	(478)	(184)
Other non-current liabilities	(64)	(24)	–	(20)
Gross liabilities	**(2,288)**	**(776)**	**(504)**	**(209)**
Net external assets	**2,198**	**980**	**563**	**160**
British Land share of net assets	**1,099**	**490**	**282**	**80**

[1] Tesco joint ventures include BLT Holdings (2010) Limited as at 31 March 2015. In the prior year, this also included Tesco British Land Property Partnership (TBL), Tesco BL Holdings Limited (TBLH), Shopping Centres Limited and the Tesco Aqua Limited Partnership. During the year, the Shopping Centres venture was acquired by TBLH with no net impact on the Group accounts.
On 19 March 2015, TBLH and TBL became subsidiaries of the Group (note 21). The income statement results for these ventures for the period up to and including 19 March 2015 are included within the table above. Thereafter, the results of TBLH and TBL are consolidated within the Group's income statement. Also on 19 March 2015, the Group disposed of its interest in Tesco Aqua Limited Partnership to Tesco PLC. The income statement results for this venture for the period up to and including 19 March 2015 are shown within this table.

[2] USS joint ventures include the Eden Walk Shopping Centre Limited Partnership and the Fareham Property Partnership.

[3] Hercules Unit Trust joint ventures and sub-funds includes 50% of the results of Deepdale Co-Ownership Trust, Gibraltar Limited Partnership and Valentine Co-Ownership Trust and 41.25% of Birstall Co-Ownership Trust. The balance sheet shows 50% of the assets of these joint ventures and sub-funds. At 31 March 2014, Speke Unit Trust (Speke), was a joint venture of the Group. On 23 February 2015 Speke became a subsidiary of the Group (note 21). The income statement results for Speke for the period up to and including 23 February 2015 are included within these numbers. Thereafter, Speke's results are included within the Group's income statement.

The SouthGate Limited Partnership	USS Joint Ventures[2]	Leadenhall Holding Co (Jersey) Ltd	Hercules Unit Trust joint ventures and sub-funds[3]	Other joint ventures and funds[4]	**TOTAL 2015**	**TOTAL Group share 2015**
Aviva Investors	Universities Superannuation Scheme Group PLC	Oxford Properties				
Shopping Centres	Shopping Centres	City Offices Leadenhall	Retail Parks			
50%	50%	50%	Various			
£m	£m	£m	£m	£m	**£m**	**£m**
14	11	15	53	15	**573**	**289**
13	8	6	47	12	**477**	**240**
(1)	–	–	–	(3)	**(6)**	**(4)**
(1)	–	–	(5)	(2)	**(212)**	**(107)**
11	8	6	42	7	**259**	**129**
26	25	201	63	–	**1,171**	**589**
–	–	–	(1)	16	**8**	**6**
37	33	207	104	23	**1,438**	**724**
–	–	–	–	(2)	**7**	**2**
37	**33**	**207**	**104**	**21**	**1,445**	**726**
–	–	–	(1)	(10)	**(29)**	**(13)**
37	**33**	**207**	**103**	**11**	**1,416**	**713**
19	**17**	**104**	**52**	**7**	**713**	
4	4	–	37	–	**141**	
£m	£m	£m	£m	£m	**£m**	**£m**
262	235	770	706	140	**9,443**	**4,719**
2	–	2	2	23	**42**	**25**
–	–	–	–	–	**–**	**–**
2	9	4	11	21	**382**	**192**
266	**244**	**776**	**719**	**184**	**9,867**	**4,936**
(4)	(4)	(4)	(7)	(65)	**(228)**	**(119)**
–	–	–	(127)	–	**(3,652)**	**(1,827)**
(28)	–	–	(1)	(44)	**(181)**	**(89)**
(32)	**(4)**	**(4)**	**(135)**	**(109)**	**(4,061)**	**(2,035)**
234	**240**	**772**	**584**	**75**	**5,806**	**2,901**
117	**120**	**386**	**283**	**44**	**2,901**	

[4] Included in the column headed 'Other joint ventures and funds' are contributions from the following: BL Goodman Limited Partnership, BL Gazeley Limited, The Aldgate Place Limited Partnership, Bluebutton Property Management UK Limited, BL Residential Limited Partnership, 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 unable to exercise control over significant decisions of the fund, the Group equity accounts for its interest in PREF.

These financial statements include the results and financial position of the Group's interest in the Tesco British Land Property Partnership and the Tesco Aqua Limited Partnership (refer to footnote 1), the Fareham Property Partnership, the Aldgate Place Limited Partnership, the BL Goodman Limited Partnership, Auchinlea Partnership, the Gibraltar Limited Partnership and the BL Residential Limited Partnership. Accordingly, advantage has been taken of the exemptions provided by Regulation 7 of the Partnerships and Unlimited Companies (Accounts) Regulations 1993, not to attach the partnership accounts to these financial statements.

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

The commitments and contingent liabilities in respect of joint ventures are detailed in note 26.

NOTES TO THE ACCOUNTS CONTINUED

12. Joint ventures and funds continued

The summarised income statements and balance sheets below and on the adjacent 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 and exclude all balances which are eliminated on consolidation.

In the prior year the detailed breakdown contained the Group's share of the results in joint ventures and funds. The change in presentation is due to the adoption of IFRS 12 'Disclosures of interests in other entities' in the year.

Joint ventures' and funds' summary financial statements 12 months to 31 March 2014

	Broadgate REIT Ltd	MSC Property Intermediate Holdings Ltd	BL Sainsbury Superstores Ltd	Tesco Joint Ventures
Partners	Euro Bluebell LLP (GIC)	Norges Bank Investment Management	J Sainsbury plc	Tesco PLC
Property sector	City Offices Broadgate	Shopping Centres Meadowhall	Superstores	Superstores
Group share	50%	50%	50%	50%
Summarised income statements	£m	£m	£m	£m
Gross rental and related income	216	96	65	101
Net rental and related income	161	76	65	94
Other underlying expenditure	(1)	–	–	(1)
Net interest payable	(90)	(38)	(30)	(55)
Underlying profit (loss) before taxation	70	38	35	38
Surplus (deficit) on revaluation	287	8	6	87
Other non-underlying income (expenditure)	–	–	–	2
Profit (loss) on ordinary activities before taxation	357	46	41	127
Taxation	–	–	–	(3)
Profit (loss) on ordinary activities after taxation	**357**	**46**	**41**	**124**
Other comprehensive income	21	5	4	52
Total comprehensive income	**378**	**51**	**45**	**176**
British Land share of total comprehensive income	**189**	**26**	**22**	**88**
British Land share of distributions payable	6	2	4	17
Summarised balance sheets	£m	£m	£m	£m
Investment and trading properties	3,425	1,541	1,209	1,795
Current assets	7	3	–	2
Upstream loans to joint venture shareholders	–	–	–	–
Cash and deposits	270	31	21	32
Gross assets	**3,702**	**1,575**	**1,230**	**1,829**
Current liabilities	(72)	(30)	(29)	(29)
Bank and securitised debt	(2,092)	(745)	(587)	(1,009)
Other non-current liabilities	(44)	(17)	(4)	(108)
Gross liabilities	**(2,208)**	**(792)**	**(620)**	**(1,146)**
Net external assets	**1,494**	**783**	**610**	**683**
British Land share of net assets	**747**	**392**	**305**	**342**

The SouthGate Limited Partnership	USS Joint Ventures	Leadenhall Holding Co (Jersey) Ltd	Hercules Unit Trust joint ventures and sub-funds	Other joint ventures and funds	**TOTAL 2014**	**TOTAL Group share 2014**
Aviva Investors	Universities Superannuation Scheme Group PLC	Oxford Properties				
Shopping Centres	Shopping Centres	City Offices Leadenhall	Retail Parks			
50%	50%	50%	Various			
£m	£m	£m	£m	£m	**£m**	**£m**
7	10	–	80	40	**615**	**307**
5	7	(1)	72	27	**506**	**253**
–	–	–	(4)	(5)	**(11)**	**(6)**
–	–	–	(26)	(7)	**(246)**	**(123)**
5	7	(1)	42	15	**249**	**124**
5	19	133	10	(28)	**527**	**262**
(3)	1	–	(2)	–	**(2)**	**(4)**
7	27	132	50	(13)	**774**	**382**
–	–	–	–	(7)	**(10)**	**(5)**
7	**27**	**132**	**50**	**(20)**	**764**	**377**
–	–	–	3	–	**85**	**43**
7	**27**	**132**	**53**	**(20)**	**849**	**420**
3	**14**	**66**	**26**	**(14)**	**420**	
2	2	–	23	19	**75**	
£m	£m	£m	£m	£m	**£m**	**£m**
207	198	530	933	195	**10,033**	**5,031**
4	–	–	2	40	**58**	**31**
–	–	–	–	8	**8**	**4**
3	8	1	13	18	**397**	**199**
214	**206**	**531**	**948**	**261**	**10,496**	**5,265**
(6)	(4)	(4)	(10)	(65)	**(249)**	**(138)**
–	–	–	(149)	(29)	**(4,611)**	**(2,330)**
–	–	–	–	(38)	**(211)**	**(85)**
(6)	**(4)**	**(4)**	**(159)**	**(132)**	**(5,071)**	**(2,553)**
208	**202**	**527**	**789**	**129**	**5,425**	**2,712**
104	**101**	**264**	**384**	**73**	**2,712**	

NOTES TO THE ACCOUNTS CONTINUED

12. Joint ventures and funds continued

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

	2015 £m	2014 £m
Rental income received from tenants	**234**	274
Fee and other income received	**1**	–
Operating expenses paid to suppliers and employees	**(26)**	(33)
Cash generated from operations	**209**	241
Interest paid	**(114)**	(135)
Interest received	**2**	1
UK corporation tax paid	**(7)**	(6)
Foreign tax paid	**(2)**	(3)
Cash inflow from operating activities	**88**	98
Cash inflow from operating activities deployed as:		
Surplus cash retained within joint ventures and funds	**15**	35
Revenue distributions per consolidated statement of cash flows	**73**	63
Revenue distributions split between controlling and non-controlling interests:		
Attributable to non-controlling interests	**7**	–
Attributable to shareholders of the Company	**66**	63

13. Other investments

	2015			2014		
	Investment held for trading £m	Loans, receivables and other £m	Total £m	Investment held for trading £m	Loans, receivables and other £m	Total £m
At 1 April 2014	92	170	**262**	–	76	76
Additions	–	113	**113**	83	104	187
Disposals	–	(2)	**(2)**	–	(10)	(10)
Revaluation	7	–	**7**	9	–	9
Depreciation	–	(1)	**(1)**	–	–	–
At 31 March 2015	**99**	**280**	**379**	92	170	262

The investment held for trading comprises interests as a trust beneficiary. The trusts' assets comprise freehold reversions in a pool of commercial properties, comprising Sainsbury's superstores. The investment has been categorised as Level 3 in the fair value hierarchy (see note 11). Fair value of the interest has been determined by the Directors, supported by an external valuation from CBRE. The superstore assets are subject to the same asssumption ranges and sensitivities disclosed in note 11.

Included within the balance as at 31 March 2015 is £243m (2013/14: £145m) in relation to a loan to the Broadgate joint venture, which is carried at amortised cost.

14. Debtors

	2015 £m	2014 £m
Trade and other debtors	**16**	35
Prepayments and accrued income	**4**	6
	20	41

Included within trade and other debtors is deferred consideration of £1m (2013/14: £1m) arising on the sale of investment properties for which the timing of the receipt is contingent and therefore may fall due after one year.

Trade and other debtors are shown after deducting a provision for bad and doubtful debts of £16m (2013/14: £15m). The charge to the income statement was £1m (2013/14: £nil).

The Directors consider that the carrying amount of trade and other debtors is approximate to their fair value. There is no concentration of credit risk with respect to trade debtors as the Group has a large number of customers who are paying their rent in advance.

As at 31 March, trade and other debtors outside their payment terms yet not provided for are as follows:

			Outside credit terms but not impaired		
	Total £m	Within credit terms £m	0-1 month £m	1-2 months £m	More than 2 months £m
2015	**16**	**9**	**7**	**–**	**–**
2014	35	22	9	–	4

15. Creditors

	2015 £m	2014 £m
Trade creditors	**61**	85
Amounts owed to joint ventures	**–**	4
Other taxation and social security	**31**	21
Accruals and deferred income	**169**	153
	261	263

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.

16. Other non-current liabilities

	2015 £m	2014 £m
Other creditors	**32**	–
Head leases	**41**	32
Net pension liabilities	**6**	–
	79	32

NOTES TO THE ACCOUNTS CONTINUED

17. Deferred tax liabilities

Deferred tax is calculated on temporary differences under the liability method using a tax rate of 20% (2013/14: 20%).

The movement on deferred tax is as shown below:

	1 April 2014 £m	Expensed (credited) to income £m	Credited to equity £m	Transferred to joint ventures £m	31 March 2015 £m
Property and investment revaluations	–	5	–	–	5
Other timing differences	4	18	(15)	–	7
	4	23	(15)	–	12

	1 April 2013 £m	Expensed (credited) to income £m	Credited to equity £m	Transferred to joint ventures £m	31 March 2014 £m
Property and investment revaluations	12	(3)	–	(9)	–
Other timing differences	4	–	–	–	4
	16	(3)	–	(9)	4

Under the REIT regime development properties which are sold within three years of completion do not benefit from tax exemption. At 31 March 2015 the value of such properties is £1,008m (2013/14: £455m) and if these properties were to be sold and tax exemption was not available the tax arising would be £66m (2013/14: £34m).

Deferred tax assets of £38m (2013/14: £39m) arising on losses from previous years have not been recognised in the financial year.

18. Net debt

	Footnote	2015 £m	2014 £m
Secured on the assets of the Group			
9.125% First Mortgage Debenture Stock 2020	1.1	**35**	36
6.125% First Mortgage Debenture Stock 2014	1.1	**–**	44
5.264% First Mortgage Debenture Bonds 2035		**355**	344
5.0055% First Mortgage Amortising Debentures 2035		**99**	100
5.357% First Mortgage Debenture Bonds 2028		**344**	327
6.75% First Mortgage Debenture Bonds 2020		**176**	176
Bank loans	1.2; 1.3	**963**	523
Loan notes		**2**	2
		1,974	1,552
Unsecured			
5.50% Senior Notes 2027		**98**	98
6.30% Senior US Dollar Notes 2015	2	**104**	92
3.895% Senior US Dollar Notes 2018	3	**28**	25
4.635% Senior US Dollar Notes 2021	3	**158**	136
4.766% Senior US Dollar Notes 2023	3	**99**	83
5.003% Senior US Dollar Notes 2026	3	**64**	52
3.81% Senior Notes 2026		**111**	99
3.97% Senior Notes 2026		**114**	101
1.5% Convertible Bond 2017		**493**	458
Bank loans and overdrafts		**706**	602
		1,975	1,746
Gross debt	4	**3,949**	3,298
Interest rate derivatives liabilities		**126**	57
Interest rate derivatives assets		**(139)**	(32)
		3,936	3,323
Cash and short-term deposits	5,6	**(108)**	(142)
Total net debt		**3,828**	3,181
Net debt attributable to non-controlling interests		**(190)**	(204)
Net debt attributable to shareholders of the Company		**3,638**	2,977

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

	2015 £m	2014 £m
1.1 BLD Property Holdings Ltd	**35**	80
1.2 Hercules Unit Trust	**645**	523
1.3 TBL Properties Limited and subsidiaries	**318**	–
	998	603

[2] Principal and interest on this borrowing was fully hedged into Sterling at the time of issue.
[3] Principal and interest on this borrowing was fully hedged into Sterling at a floating rate at the time of issue.
[4] The principal amount of gross debt at 31 March 2015 was £3,717m (2013/14: £3,209m). Included in this is the principal amount of secured borrowings and other borrowings of non-recourse companies of £1,906m of which the borrowings of the partly-owned subsidiary, Hercules Unit Trust, not benefically owned by the Group is £200m.
[5] Included within cash and short-term deposits is the cash and short-term deposits of Hercules Unit Trust, of which £10m is the proportion not beneficially owned by the Group.
[6] Cash and deposits not subject to a security interest amount to £84m (2013/14: £93m).

NOTES TO THE ACCOUNTS CONTINUED

18. Net debt continued

Maturity analysis of net debt

	2015 £m	2014 £m
Repayable: within one year and on demand	**102**	495
Between: one and two years	**71**	90
two and five years	**1,707**	1,084
five and ten years	**943**	465
ten and fifteen years	**747**	783
fifteen and twenty years	**6**	6
twenty and twenty-five years	**373**	375
	3,847	2,803
Gross debt	**3,949**	3,298
Interest rate and currency derivatives	**(13)**	25
Cash and short-term deposits	**(108)**	(142)
Net debt	**3,828**	3,181

British Land Unsecured Financial Covenants

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

Net Borrowings not to exceed 175% of Adjusted Capital and Reserves

At 31 March 2015, the ratio was 38%:

Net borrowings were £3,419m, being the principal amount of gross debt of £3,717m, less the relevant proportion of borrowings of the partly-owned subsidiary of £200m, plus amounts owed to joint ventures of £nil (see note 15), less the beneficially owned cash and deposits of £98m (being £108m less the relevant proportion of cash and deposits of the partly-owned subsidiary of £10m); and

Adjusted Capital and Reserves were £8,898m, being share capital and reserves of £8,565m (see balance sheet), adjusted for £13m of deferred tax (see note 2), £96m trading property surpluses (see notes 2 and 11), £300m exceptional refinancing charges (see below) and £257m fair value adjustments on financial assets and liabilities (being £164m fair value debt adjustments and mark-to-market on interest derivatives and £93m adjustment on the convertible bond) less £333m reserves attributable to non-controlling interests.

Net Unsecured Borrowings not to exceed 70% of Unencumbered Assets

At 31 March 2015 the ratio is 28%:

Net Unsecured Borrowings were £1,734m, being the principal amount of gross debt of £3,717m, plus amounts owed to joint ventures of £nil (see note 15), less cash and deposits not subject to a security interest of £77m (being £84m less the relevant proportion of cash and deposits of the partly-owned subsidiary of £7m) less the principal amount of secured and non-recourse borrowings of £1,906m; and

Unencumbered assets were £6,076m, being properties of £9,509m (see note 11) plus investments in joint ventures and funds of £2,901m (see balance sheet) and other investments of £379m (see note 13) less investments in joint ventures of £2,869m (see note 12) and encumbered assets of £3,844m.

In calculating Adjusted Capital and Reserves for the purpose of the unsecured debt financial covenants, there is an adjustment of £300m to reflect the cumulative net amortised exceptional items relating to the refinancings in the years ended 31 March 2005, 2006 and 2007.

Convertible Bond

On 10 September 2012 British Land (Jersey) Limited (the Issuer), a wholly-owned subsidiary of the Group, issued £400 million 1.5% guaranteed convertible bonds due 2017 (the bonds) at par. The Company has unconditionally and irrevocably guaranteed the due and punctual performance by the Issuer of all of its obligations (including payments) in respect of the bonds and the obligations of the Company, as guarantor, constitute direct, unsubordinated unconditional and unsecured obligations of the Company.

Subject to their terms, the bonds are convertible into preference shares of the Issuer which are automatically transferred to the Company in exchange for ordinary shares in the Company or, at the Company's election, any combination of ordinary shares and cash. The bonds can be converted from 22 October 2012 up to and including 24 September 2015 if the share price has traded at a level exceeding 130% of the exchange price for a specified period and from 25 September 2015 to (but excluding) the 20th dealing day before 10 September 2017 (the maturity date) at any time.

The initial exchange price was 693.07 pence per ordinary share. Under the terms of the bonds, the exchange price is adjusted on the happening of certain events including the payment of dividends by the Company above 26.4 pence in any year.

On or after 25 September 2015, the bonds may be redeemed at par at the Company's option subject to the Company's ordinary shares having traded at a price exceeding 130% of the exchange price for a specified period, or at any time once 85% by nominal value of the bonds originally issued have been converted, redeemed, or purchased and cancelled. If not previously converted, redeemed or purchased and cancelled, the bonds will be redeemed at par on the maturity date.

18. Net debt continued

Reconciliation of movement in Group Net Debt to Cash Flow Statement

	2014 £m	Cash flow £m	Non cash £m	**2015 £m**
Per cash flow statement:				
Cash and short-term deposits	(142)	34	–	**(108)**
Cash and cash equivalents	(142)	34	–	**(108)**
Term debt (excluding overdrafts)	3,298	122	529	**3,949**
Fair value of interest rate derivatives	25	(12)	(26)	**(13)**
Net debt	3,181	144	503	**3,828**

The Group loan to value (LTV) ratio at 31 March 2015 is 28%, being the principal value of gross debt of £3,717m, less the relevant portion of borrowings of the partly-owned subsidiary of £200m less cash and short-term deposits of £98m (being £108m less the relevant proportion of cash and deposits of the partly-owned subsidiary of £10m), divided by total Group property of £9,509m (see note 11) plus investments in joint ventures and funds of £2,901m (see note 12) and other investments of £379m (see note 13) less the relevant portion of property and investments of the partly-owned subsidiary of £528m.

	2013 £m	Cash flow £m	Non cash £m	2014 £m
Per cash flow statement:				
Cash and short-term deposits	(135)	(7)	–	(142)
Cash and cash equivalents	(135)	(7)	–	(142)
Term debt (excluding overdrafts)	2,178	620	500	3,298
Fair value of interest rate derivatives	(6)	(16)	47	25
Net debt	2,037	597	547	3,181

Comparison of market values and book values

		2015			2014		
	Level	**Market value £m**	**Book value £m**	**Difference £m**	Market value £m	Book value £m	Difference £m
Debentures and unsecured bonds	2	**1,925**	**1,785**	**140**	1,722	1,713	9
Convertible bond	1	**493**	**493**	**–**	458	458	–
Bank debt and other floating rate debt	2	**1,691**	**1,671**	**20**	1,138	1,127	11
Cash and short-term deposits	1	**(108)**	**(108)**	**–**	(142)	(142)	–
		4,001	**3,841**	**160**	3,176	3,156	20
Other financial (assets) liabilities:							
– interest rate derivative assets	2	**(139)**	**(139)**	**–**	(32)	(32)	–
– interest rate derivative liabilities	2	**126**	**126**	**–**	57	57	–
		(13)	**(13)**	**–**	25	25	–
Total		**3,988**	**3,828**	**160**	3,201	3,181	20

Short-term debtors and creditors have been excluded from the disclosures.

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

NOTES TO THE ACCOUNTS CONTINUED

18. Net debt continued

Fair value hierarchy

The table below analyses financial instruments carried at fair value, by the valuation method. The different levels are defined as follows.

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	2015				2014			
	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	–	(139)	–	(139)	–	(32)	–	(32)
Other investments held for trading	–	–	(99)	(99)	–	–	(92)	(92)
Assets	–	(139)	(99)	(238)	–	(32)	(92)	(124)
Interest rate and currency derivative liabilities	–	126	–	126	–	57	–	57
Convertible bond	493	–	–	493	458	–	–	458
Liabilities	493	126	–	619	458	57	–	515
Total	493	(13)	(99)	381	458	25	(92)	391

Categories of financial instruments

	2015 £m	2014 £m
Financial assets		
Fair value through income statement		
Other investments – held for trading	99	92
Derivatives in designated hedge accounting relationships	139	32
Amortised cost		
Trade and other debtors	18	35
Cash and short term deposits	108	142
Other investments – loans and receivables	280	170
	644	471
Financial liabilities		
Fair value through income statement		
Convertible bond	(493)	(458)
Derivatives in designated hedge accounting relationships	(126)	(57)
Amortised cost		
Gross debt	(3,456)	(2,840)
Finance lease payable	(41)	(32)
Trade and other creditors	(95)	(85)
Amounts owed to joint ventures	–	(4)
	(4,211)	(3,476)
Total	(3,567)	(3,005)

Gains and losses on financial instruments, as classed above, are disclosed in note 7 (net financing costs), note 14 (debtors), note 6 (net revaluation gains on property and investments), the consolidated income statement and the consolidated statement of comprehensive income. The Directors consider that the carrying amounts of other investments and finance lease payables are approximate to their fair value, and that the carrying amounts are recoverable.

18. Net debt continued

Capital risk management

The capital structure of the Group consists of net debt and equity attributable to the equity holders of The British Land Company PLC, comprising issued capital, reserves and retained earnings. Risks relating to capital structure are addressed within managing risk on pages 56 to 61. The Group's objectives, policies and processes for managing debt are set out in the financial policies on pages 53 to 55.

Interest rate risk management

The Group uses interest rate swaps to hedge exposure to the variability in cash flows on floating rate debt, such as revolving bank facilities and floating rate bonds caused by movements in market rates of interest.

At 31 March 2015 the market value of these derivatives, which have been designated as cash flow hedges under IAS 39, is a net liability of £126m (2013/14: net liability of £45m).

The cross currency swap of the 2015 US Private Placement, which fully hedges the foreign exchange exposure of the issuance, has been designated as a cash flow hedge. The market value of this is an asset of £6m (2013/4: liability of £5m).

The ineffectiveness recognised in the income statement on cash flow hedges in the year ended 31 March 2015 was £nil (2013/14: £nil).

The cash flows occur and enter into the determination of profit and loss until the maturity of the hedged debt. The table below summarises variable rate debt and foreign currency denominated debt hedged at 31 March 2015.

Cash Flow hedged debt

		2015 £m	2014 £m
Outstanding:	at one year	**1,138**	1,293
	at two years	**538**	1,225
	at five years	**450**	350
	at ten years	**250**	250

The Group uses interest rate swaps to hedge exposure on fixed rate financial liabilities caused by movements in market rates of interest.

At March 2015 the market value of these derivatives, which have been designated as fair value hedges under IAS 39, is a net asset of £133m (2013/14: net asset of £25m).

The cross currency swaps of the 2018/2021/2023/2026 US Private Placements fully hedge the foreign exchange exposure at an average floating rate of 146 basis points above LIBOR. These have been designated as fair value hedges of the US Private Placements.

Interest rate profile – including effect of derivatives

	2015 £m	2014 £m
Fixed rate	**2,589**	2,208
Variable rate (net of cash)	**1,239**	973
	3,828	3,181

All the debt is effectively Sterling denominated except for £39m (2013/14: £68m) of Euro debt of which £36m is at a fixed rate (2013/14: £68m).

At 31 March 2015 the weighted average interest rate of the Sterling fixed rate debt is 4.81% (2013/14: 5.17%). The weighted average period for which the rate is fixed is 7.1 years (2013/14: 8.5 years). The weighted average interest rate for the Euro fixed rate debt is 5.13% (2013/14: 5.20%) and the weighted average period for which the rate is fixed is 1.0 years (2013/14: 1.9 years). The floating rate debt is set for periods of the Company's choosing at the relevant LIBOR (or similar) rate.

The proportion of net debt at fixed or capped rates of interest was 68% at 31 March 2015 on a spot basis. The proportion of net debt at fixed or capped rates of interest as an average over the next five-year forecast period on a proportionally consolidated basis was 64% at 31st March 2015. Based on the Group's interest rate profile at the balance sheet date a 576 bps increase in interest rates would decrease annual profits by £53m (2013/14: £56m decrease). Similarly, a 57 bps reduction would increase profits by £5m (2013/14: £5m increase). The change in interest rates used for this sensitivity analysis is based on the largest annual change in three month Sterling LIBOR over the last ten years. The impact assumes LIBOR does not fall below 0%.

NOTES TO THE ACCOUNTS CONTINUED

18. Net debt continued

Upward movements in medium and long term interest rates, associated with higher interest rate expectations, increase the value of the Group's interest rate swaps that provide protection against such moves. The converse is true for downward movements in the yield curve. The majority of the Group's interest rate swaps which provide such protection qualify as effective cash flow hedges under IAS 39 therefore movements in the fair value are recognised directly in equity rather than the income statement. A 204 bps shift represents the largest annual change in the seven-year Sterling swap rate over the last ten years. At 31 March 2015 a 204 bps parallel upward shift in swap rates would increase the value of these interest rate swaps by £151m (2013/4: £136m). A 204 bps downward shift in swap rates would reduce the value of the interest rate swap portfolio by £155m (2013/14: 164m). Because the interest rate swaps are matched by floating rate debt, the overall effect on Group cash flows of such movements is minimal.

The 1.5% Convertible Bond is designated as fair value through profit or loss. Principal components of the market value include British Land's share price and its volatility, and market interest rates. The fair value at 31 March 2015 was £493m. At 31 March 2015 a 204 bps parallel upward shift in interest rates would reduce the fair value by £24.6m, and a 204 bps downward shift in interest rates would increase the value by £26.2m.

Foreign currency risk management

The Group's policy is to have no material unhedged net assets or liabilities denominated in foreign currencies. The currency risk on overseas investments is hedged via foreign currency denominated borrowings and derivatives. The Group has adopted net investment hedging in accordance with IAS 39 and therefore the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in equity. The ineffective portion of the gain or loss on the hedging instrument is recognised immediately in the income statement.

The table below shows the carrying amounts of the Group's foreign currency denominated assets and liabilities. Provided contingent tax on overseas investments is not expected to occur it will be ignored for hedging purposes, as will the requirement to fair value interest rate swaps. Based on the 31 March 2015 position a 33% appreciation (largest annual change over the last ten years) in the Euro relative to Sterling would result in a £nil change (2013/14: £nil) in reported profits.

	Assets		Liabilities	
	2015 £m	2014 £m	**2015 £m**	**2014 £m**
Euro denominated	**39**	69	**39**	68

Credit risk management

The Group's approach to credit risk management of counterparties is referred to in the financial policies on pages 53 to 55 and the risks addressed within managing risk on pages 56 to 61. The carrying amount of financial assets recorded in the financial statements represents the Group's maximum exposure to credit risk without taking account of the value of any collateral obtained.

Cash and short term deposits at 31 March 2015 amounted to £108m (2013/14: £142m). Deposits and interest rate deposits were placed with financial institutions with A- or better credit ratings.

At 31 March 2015, the fair value of all interest rate derivative assets was £139m (2013/14: £32m).

At 31 March 2015, prior to taking into account any offset arrangements, the largest combined credit exposure to a single counterparty arising from money market deposits, liquid investments and derivatives was £59m (2013/14: £71m). This represents 0.5% (2013/14: 0.7%) of gross assets.

The deposit exposures are with UK and international high street banks and branches.

The Group's exposure to credit risk in respect of its trade receivables is analysed in note 14.

Provisions are made taking account historic credit losses and the creditworthiness of debtors.

Liquidity risk management

The Group's approach to liquidity risk management is discussed in the financial policies on pages 53 to 55, and the risks addressed within managing risk on pages 56 to 61.

The table on page 155 presents a maturity profile of the contracted undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal flows. Where the interest payable is not fixed, the amount disclosed has been determined by reference to the projected interest rates implied by yield curves at the reporting date. For derivative financial instruments that settle on a net basis (e.g. interest rate swaps) the undiscounted net cash flows are shown and for derivatives that require gross settlement (e.g. cross currency swaps) the undiscounted gross cash flows are presented. Where payment obligations are in foreign currencies, the spot exchange rate ruling at the balance sheet date is used. Trade creditors and amounts owed to joint ventures, which are repayable within one year, have been excluded from the analysis.

The Group expects to meet its financial liabilities through the various available liquidity sources, including a secure rental income profile, asset sales, undrawn committed borrowing facilities and, in the longer term, debt refinancings.

18. Net debt continued

Liquidity risk management (continued)

The Group leases out all its investment properties under operating leases with a weighted average lease length of ten years. This secure income profile is generated from upward only rent reviews, long leases and high occupancy rates. The future aggregate minimum rentals receivable under non-cancellable operating leases are also shown in the table below. Income from joint ventures and funds is not included below. Additional liquidity will arise from letting space in properties under construction as well as from distributions received from joint ventures and funds.

	2015				
	Within one year £m	Following year £m	Three to five years £m	Over five years £m	Total £m
Debt[1]	105	76	1,615	1,950	3,746
Interest on debt	126	125	328	619	1,198
Derivative payments	121	16	74	407	618
Finance lease payments	2	2	6	223	233
Total payments	354	219	2,023	3,199	5,795
Derivative receipts	(132)	(24)	(90)	(385)	(631)
Net payment	222	195	1,933	2,814	5,164
Operating leases with tenants	443	431	1,180	2,782	4,836
Liquidity surplus (deficit)	221	236	(753)	(32)	(328)
Cumulative liquidity surplus (deficit)	221	457	(296)	(328)	

	2014				
	Within one year £m	Following year £m	Three to five years £m	Over five years £m	Total £m
Debt[1]	495	93	1,024	1,579	3,191
Interest on debt	114	113	279	676	1,182
Derivative payments	25	119	67	380	591
Finance lease payments	2	2	5	195	204
Total payments	636	327	1,375	2,830	5,168
Derivative receipts	(29)	(117)	(84)	(337)	(567)
Net payment	607	210	1,291	2,493	4,601
Operating leases with tenants	351	342	947	2,549	4,189
Liquidity surplus (deficit)	(256)	132	(344)	56	(412)
Cumulative liquidity surplus (deficit)	(256)	(124)	(468)	(412)	

[1] Gross debt of £3,949m (2013/14: £3,298m) represents the total shown, less unamortised issue costs of £23m (2013/14: £21m), plus fair value adjustments to debt of £226m (2013/14: £128m).

Any short term liquidity gap between the net payments required and the rentals receivable can be met through other liquidity sources available to the Group. The Group currently holds cash and short-term deposits of £108m of which £84m is not subject to a security interest (see footnote 6 to net debt table on page 149). Further liquidity can be achieved through sales of property assets or investments and debt refinancings.

The Group's property portfolio is valued externally £9,509m and the share of joint ventures and funds' property is valued at £4,714m (see note 11. The undrawn committed borrowing facilities available to the Group are a further source of liquidity. The maturity profile of committed undrawn borrowing facilities is shown overleaf.

NOTES TO THE ACCOUNTS CONTINUED

18. Net debt continued

Maturity of committed undrawn borrowing facilities

	2015 £m	2014 £m
Maturity date: over five years	–	160
between four and five years	930	310
between three and four years	–	140
Total facilities available for more than three years	930	610
Between two and three years	61	942
Between one and two years	235	–
Within one year	10	410
Total	1,236	1,962

The above facilities are comprised of British Land undrawn facilities of £1,185m, plus undrawn facilities of Hercules Unit Trust totalling £51m.

19. Leasing

Operating leases with tenants

The Group leases out all of its investment properties under operating leases with a weighted average lease length of ten years (2013/14: ten years) and the average effective borrowing rate was 3.3% (2013/14: 3.5%).

The future aggregate minimum rentals receivable under non-cancellable operating leases are as follows:

	2015 £m	2014 £m
Less than one year	443	351
Between one and two years	431	342
Between three and five years	1,180	947
Between six and ten years	1,353	1,130
Between eleven and fifteen years	783	650
Between sixteen and twenty years	443	433
After twenty years	203	336
Total	4,836	4,189

The Group's leasehold investment properties are typically under non-renewable leases without significant restrictions. Finance lease liabilities are payable as follows, no contingent rents were payable in either period.

	2015			2014		
	Minimum lease payments £m	Interest £m	Principal £m	Minimum lease payments £m	Interest £m	Principal £m
British Land Group						
Less than one year	2	2	–	2	2	–
Between one and two years	2	2	–	2	2	–
Between two and five years	6	6	–	5	5	–
More than five years	223	182	41	195	163	32
Total	233	192	41	204	172	32
Less future finance charges	(192)			(172)		
Present value of lease obligations	41			32		
More than five years	41			32		
Present value of lease obligations	41			32		

20. Dividend

The fourth quarter dividend of 6.92 pence per share, totalling £71m (2013/14: 6.75 pence per share, totalling £68m) was approved by the Board on 13 May 2015 and is payable on 7 August 2015 to shareholders on the register at the close of business on 3 July 2015.

The Board will announce the availability of the Scrip Dividend Alternative via the Regulatory News Service and on its website (www.britishland.com), no later than four business days before the ex-dividend date of 2 July 2015. The Board expects to announce the split between Property Income Distributions (PID) and non-PID income at that time. Any Scrip Dividend Alternative will not be enhanced. PID dividends are paid, as required by REIT legislation, after deduction of withholding tax at the basic rate (currently 20%), where appropriate. Certain classes of shareholders may be able to elect to receive dividends gross. Please refer to our website www.britishland.com for details.

Payment date	Dividend	Pence per share	2015 £m	2014 £m
Current year dividends				
07.08.15	2015 4th interim	6.92		
06.05.15	2015 3rd interim	6.92		
13.02.15	2015 2nd interim	6.92	**71**	
07.11.14	2015 1st interim	6.92	**70**	
		27.68		
Prior year dividends				
08.08.2014	2014 4th interim	6.75[1]	**68**	
02.05.2014	2014 3rd interim	6.75[1]	**68**	
14.02.2014	2014 2nd interim	6.75		68
08.11.2013	2014 1st interim	6.75		67
		27.00		
09.08.2013	2013 4th interim	6.60[1]		65
10.05.2013	2013 3rd interim	6.60[1]		66
Dividends in consolidated statement of changes in equity			**277**	266
Dividends settled in shares			**(49)**	(105)
Dividends settled in cash			**228**	161
Timing difference relating to payment of withholding tax			**–**	(2)
Dividends in cash flow statement			**228**	159

[1] Scrip alternative treated as non-PID for this dividend.

NOTES TO THE ACCOUNTS CONTINUED

21. Acquisition of subsidiaries (business combinations)

Acquisition of Tesco BL Holdings Limited and TBL Property Partnership

On 19 March 2015, the Group acquired the 50% interest in Tesco BL Holdings Limited (TBLH) and TBL Property Partnership (TBL) which were previously owned by Tesco PLC. This resulted in ownership of 100% of the entities. Management determined that the acquisitions should be accounted for as a business combination in accordance with IFRS 3 'Business Combinations'.

The fair value of the Group's 50% equity interest in TBLH and TBL held before the business combination amounted to £149m and £29m respectively. A gain of £5m was recognised as a result of re-measuring the equity interest in TBLH to fair value and a gain of £1m was recognised as a result of re-measuring the equity interest in TBL to fair value as part of the business combinations.

The acquired subsidiaries have contributed net revenues of £1m and underlying profit of £1m to the Group for the period from the date of acquisition to 31 March 2015. If the acquisition had occurred on 1 April 2014, Group net revenue for 2015 would have increased by £37m, and underlying profit for 2015 would have increased by £12m.

The purchase of TBLH and TBL was completed at the same time as the sale of the Group's interest in the Tesco Aqua Limited Partnership ('Aqua'). The consideration paid for TBLH and TBL was net of the sale consideration receivable for Aqua and the settlement of the Group's shareholder loan to Aqua. A reconciliation of the consideration is shown below:

	Attributed fair value		Total
	TBLH £m	TBL £m	£m
Investment Property	639	118	**757**
Other net current (liabilities) assets	(11)	5	**(6)**
Cash and cash equivalents	7	2	**9**
Loans	(337)	(61)	**(398)**
Fair value of acquired interest in net assets of subsidiary	298	64	**362**
Goodwill	–	–	**–**
Total purchase consideration	298	64	**362**
Less: Fair value of previously held interest	(149)	(29)	**(178)**
Consideration	149	35	**184**
Less: cash acquired	(7)	(2)	**(9)**
Net consideration	142	33	**175**

Represented by:	
Cash	**102**
Cash acquired	**(9)**
Settlement of Aqua shareholder loan	**35**
Disposal of interest in Aqua	**47**
Net consideration	**175**

The acquired bank loans and overdrafts in TBLH and TBL have no recourse to other companies or assets in the Group. On 20 March 2015 the £60m secured facility acquired with TBL was repaid.

Acquisition of Speke Unit Trust

On 23 February 2015, the Group acquired an additional 37.5% of the units in the Speke Unit Trust, a unit trust registered in Jersey, which is engaged in property investment, resulting in cumulative ownership of 87.5% of the outstanding units and control of the underlying entity. Management determined that the acquisition of control should be accounted for as a business combination in accordance with IFRS 3 'Business Combinations'

The fair value of the Group's 50% equity interest in the Speke Unit Trust held before the business combination amounted to £122m. No gain or loss was recognised as a result of re-measuring the equity interest at fair value.

The acquired subsidiary has contributed net rents of £1m and underlying profit of £1m to the Group for the period from the date of acquisition to 31 March 2015. If the acquisition had occurred on 1 April 2014, Group net rents for 2015 would have increased by £15m, and underlying profit for 2015 would have increased by £7m.

The purchase consideration disclosed below comprises cash and cash equivalents paid to the acquiree's previous owner of £93m for 37.5% of the units in the Speke Unit Trust.

21. Acquisition of subsidiaries (business combinations) continued

The non-controlling interest (12.5% ownership interest in Speke Unit Trust) recognised at the acquisition date was measured by reference to the identifiable net assets and amounted to £31m at the acquisition date.

	Attributed fair value Speke Unit Trust
	£m
Investment Property	243
Cash and cash equivalent	3
Fair value of acquired interest in net assets of subsidiary	246
Goodwill	–
Total purchase consideration	243
Less: Fair value of previously held interest	(122)
Non-controlling interest	(31)
Consideration	93
Less: cash acquired	(3)
Net consideration	90

22. Share capital and reserves

	2015	2014
Number of ordinary shares in issue at 1 April	1,019,766,481	997,691,488
Share issues	12,021,805	22,074,993
At 31 March	1,031,788,286	1,019,766,481

Of the issued 25p ordinary shares, 98,453 shares were held in the ESOP trust (2013/14: 169,990), 11,266,245 shares were held as treasury shares (2013/14: 11,266,245) and 1,020,423,588 shares were in free issue (2013/14: 1,008,330,246). No treasury shares were acquired by the ESOP trust during the year. All issued shares are fully paid. The rights, preferences and restrictions of share capital are detailed on page 113.

Hedging and translation reserve

The hedging and translation reserve comprises the effective portion of the cumulative net change in the fair value of cash flow and foreign currency hedging instruments, as well as all foreign exchange differences arising from the translation of the financial statements of foreign operations. The foreign exchange differences also include the translation of the liabilities that hedge the Company's net investment in a foreign subsidiary.

Revaluation reserve

The revaluation reserve relates to owner-occupied properties and investments in joint ventures and funds.

Merger reserve

This comprises the premium on the share placing in March 2013. No share premium is recorded in the Company's financial statements, through the operation of the merger relief provisions of the Companies Act 2006.

NOTES TO THE ACCOUNTS CONTINUED

22. Share capital and reserves continued

At 31 March 2015, options over 7,703,110 ordinary shares were outstanding under employee share option plans. The options had a weighted average life of 6.1 years. Details of outstanding share options and shares awarded to employees including Executive Directors are set out below and on the following pages:

Date of grant	At 1 April 2014	Granted	Vested but not exercised	Exercised/ Vested	Lapsed	**At 31 March 2015**	Exercise price pence	Exercise dates From	Exercise dates To
Share options Sharesave Scheme									
30.06.09	126,665	–	–	(126,665)	–	**–**	301.00	01.09.14	28.02.15
28.06.10	1,459	–	–	(1,459)	–	**–**	370.00	01.09.13	28.02.14
28.06.10	38,994	–	–	–	(835)	**38,159**	370.00	01.09.15	29.02.16
01.07.11	14,491	–	–	(14,491)	–	**–**	473.00	01.09.14	28.02.15
01.07.11	11,737	–	–	–	(3,261)	**8,476**	473.00	01.09.16	28.02.17
26.06.12	103,865	–	–	(4,170)	(7,305)	**92,390**	392.00	01.09.15	29.02.16
26.06.12	56,088	–	–	–	(3,826)	**52,262**	392.00	01.09.17	28.02.18
24.06.13	53,878	–	–	(1,192)	(11,485)	**41,201**	511.00	01.09.16	28.02.17
24.06.13	16,376	–	–	–	–	**16,376**	511.00	01.09.18	28.02.19
23.06.14	–	168,505	–	–	(9,090)	**159,415**	574.00	01.09.17	28.02.18
23.06.14	–	139,472	–	–	(7,839)	**131,633**	574.00	01.09.19	28.02.20
	423,553	307,977	–	(147,977)	(43,641)	**539,912**			
Long-Term Incentive Plan – Options Vested, Not Exercised									
28.05.04	14,423	–	–	(8,111)	(6,312)	**–**	549.35	28.05.07	27.05.14
29.11.04	270,830	–	–	(245,538)	(25,292)	**–**	659.55	29.11.07	28.11.14
31.05.05	344,087	–	–	(148,256)	(30,991)	**164,840**	726.66	31.05.08	30.05.15
05.12.05	197,672	–	–	(34,459)	(21,959)	**141,254**	823.60	05.12.08	04.12.15
29.06.09	1,230,931	–	–	(1,209,018)	–	**21,913**	387.00	29.06.12	29.06.19
25.11.09	19,031	–	–	(12,968)	–	**6,063**	475.00	25.11.12	25.11.19
21.12.09	162,879	–	–	(85,436)	–	**77,443**	446.00	21.12.12	21.12.19
11.06.10	1,661,273	–	–	(240,341)	–	**1,420,932**	447.00	11.06.13	11.06.20
14.12.10	182,524	–	–	(91,956)	–	**90,568**	510.00	14.12.13	14.12.20
28.06.11	–	1,544,961	–	(436,071)	–	**1,108,890**	575.00	28.06.14	28.06.21
19.12.11	2,707	397,736	–	(223,175)	(2,444)	**174,824**	451.00	19.12.14	19.12.21
14.09.12	–	9,295	–	(6,652)	(2,643)	**–**	538.00	14.09.15	14.09.22
20.12.12	–	14,790	–	(8,624)	(6,166)	**–**	563.00	20.12.15	20.12.22
	4,086,357	1,966,782	–	(2,750,605)	(95,807)	**3,206,727**			
Long-Term Incentive Plan – Unvested Options									
28.06.11	1,582,699	–	(1,544,961)	–	(37,738)	**–**	575.00	28.06.14	28.06.21
19.12.11	454,423	–	(397,736)	–	(56,687)	**–**	451.00	19.12.14	19.12.21
14.09.12	1,314,742	–	(9,295)	–	(12,708)	**1,292,739**	538.00	14.09.15	14.09.22
20.12.12	225,538	–	(14,790)	–	(12,537)	**198,211**	563.00	20.12.15	20.12.22
05.08.13	829,580	–	–	(472)	(29,816)	**799,292**	601.00	05.08.16	05.08.23
05.12.13	537,788	–	–	–	(28,914)	**508,874**	600.00	05.12.16	05.12.23
23.06.14	–	1,134,880	–	–	(3,652)	**1,131,228**	684.00	23.06.17	23.06.24
12.12.14	–	26,127	–	–	–	**26,127**	757.83	12.12.17	12.12.24
	4,944,770	1,161,007	(1,966,782)	(472)	(182,052)	**3,956,471**			
Total	9,454,680	3,435,766	(1,966,782)	(2,899,054)	(321,500)	**7,703,110**			
Weighted average exercise price of options (pence)	521	598	550	475	583	**563**			

22. Share capital and reserves continued

Date of grant	At 1 April 2014	Granted	Vested but not exercised	Exercised/ Vested	Lapsed	**At 31 March 2015**	Share price at grant date pence	Vesting date
Performance Shares Long-Term Incentive Plan								
28.06.11	702,284	–	–	(696,450)	(5,834)	**–**	575.00	28.06.14
19.12.11	96,580	–	–	(91,164)	(5,416)	**–**	451.00	19.12.14
14.09.12	940,387	–	–	(43,577)	(36,398)	**860,412**	538.00	14.09.15
20.12.12	118,979	–	–	(3,254)	(12,595)	**103,130**	563.00	20.12.15
05.08.13	1,203,410	–	–	(17,932)	(60,866)	**1,124,612**	601.00	05.08.16
05.12.13	290,577	–	–	(762)	(19,481)	**270,334**	600.00	05.12.16
23.06.14	–	1,547,920	–	–	(8,584)	**1,539,336**	684.00	23.06.17
12.12.14	–	4,354	–	–	–	**4,354**	757.83	12.12.17
	3,352,217	1,552,274	–	(853,139)	(149,174)	**3,902,178**		
Fund Managers' Performance Plan								
21.06.11	95,657	–	–	(95,657)	–	**–**	581.90	21.06.14
12.09.12	188,074	–	–	(182,808)	(5,266)	**–**	537.00	12.09.14
12.09.12	188,022	–	–	–	(17,556)	**170,466**	537.00	12.09.15
02.08.13	214,899	–	–	(207,332)	(7,567)	**–**	599.00	02.08.14
02.08.13	214,901	–	–	–	(15,358)	**199,543**	599.00	02.08.15
02.08.13	214,834	–	–	–	(15,358)	**199,476**	599.00	02.08.16
	1,116,387	–	–	(485,797)	(61,105)	**569,485**		
Matching Share Plan								
24.05.11	320,608	–	–	(283,575)	(37,033)	**–**	600.50	24.05.14
05.09.12	386,994	–	–	–	–	**386,994**	500.00	05.09.15
02.08.13	375,338	–	–	–	–	**375,338**	609.66	02.08.16
30.06.14	–	317,166	–	–	–	**317,166**	702.40	30.06.17
	1,082,940	317,166	–	(283,575)	(37,033)	**1,079,498**		
Total	5,551,544	1,869,440	–	(1,622,511)	(247,312)	**5,551,161**		
Weighted average price of shares (pence)	572	687	–	571	582	**611**		

NOTES TO THE ACCOUNTS CONTINUED

23. Segment Information

The Group allocates resources to investment and asset management according to the sectors it expects to perform over the medium term. Its two principal sectors are currently Offices and Retail. The Office sector includes residential, as this is often incorporated into Office schemes, and Retail includes leisure, for a similar rationale.

The relevant revenue, net rental income, operating result, assets and capital expenditure, being the measures of segment revenue, segment result and segment assets used by the management of the business, are set out below. 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.

Revenue is derived principally from the rental of buildings and the sale of trading properties. Operating result is the net of net rental income, fee income and administration expenses. No customer exceeded 10% of the Group's revenues in either year.

Segment Result

	Offices and residential		Retail and leisure		Other/unallocated		Total	
	2015 £m	2014 £m	**2015 £m**	2014 £m	**2015 £m**	2014 £m	**2015 £m**	2014 £m
Revenue								
British Land Group	**121**	99	**254**	231	**–**	–	**375**	330
Share of joint ventures and funds	**89**	84	**146**	168	**8**	15	**243**	267
Total	**210**	183	**400**	399	**8**	15	**618**	597
Net rental income								
British Land Group	**112**	91	**239**	218	**–**	–	**351**	309
Share of joint ventures and funds	**85**	81	**141**	160	**8**	12	**234**	253
Total	**197**	172	**380**	378	**8**	12	**585**	562
Operating result								
British Land Group	**101**	80	**224**	214	**(41)**	(42)	**284**	252
Share of joint ventures and funds	**82**	80	**138**	157	**10**	10	**230**	247
Total	**183**	160	**362**	371	**(31)**	(32)	**514**	499

Reconciliation to underlying profit before taxation	**2015 £m**	2014 £m
Operating result	**514**	499
Net financing costs	**(201)**	(202)
Underlying profit before taxation	**313**	297
Reconciliation to profit before taxation		
Underlying profit before taxation	**313**	297
Capital and other	**1,460**	811
Underlying profit attributable to non-controlling interests	**16**	2
Total profit on ordinary activities before tax	**1,789**	1,110

Of the total revenues above, £8m (2013/14: £15m) was derived from outside the UK.

23. Segment Information continued

Segment Assets

	Offices and residential		Retail and leisure		Other/unallocated		Total	
	2015 £m	2014 £m	**2015 £m**	2014 £m	**2015 £m**	2014 £m	**2015 £m**	2014 £m
Property assets								
British Land Group	**3,550**	3,082	**5,518**	4,113	**–**	–	**9,068**	7,195
Share of joint ventures and funds	**2,530**	2,017	**2,039**	2,739	**40**	89	**4,609**	4,845
Total	**6,080**	5,099	**7,557**	6,852	**40**	89	**13,677**	12,040

Reconciliation to net assets

	2015 £m	2014 £m
British Land Group		
Property assets	**13,677**	12,040
Other non-current assets	**256**	194
Non-current assets	**13,933**	12,234
Other net current liabilities	**(307)**	(304)
Adjusted net debt	**(4,918)**	(4,890)
Other non-current liabilities	**(73)**	(13)
EPRA net assets (undiluted)	**8,635**	7,027
Convertible dilution	**400**	–
EPRA net assets (diluted)	**9,035**	7,027
Non-controlling interest	**333**	371
EPRA adjustments	**(803)**	(281)
Net assets	**8,565**	7,117

NOTES TO THE ACCOUNTS CONTINUED

24. Capital commitments

The aggregate capital commitments to purchase, construct or develop investment property, for repairs, maintenance or enhancements, or for the purchase of investments which are contracted for but not provided, are set out below:

	2015 £m	2014 £m
British Land (includes share of development loan facility)	**198**	119
Share of joint ventures	**42**	113
Share of funds	**2**	5
	242	237

25. Related party transactions

The Company is providing a development loan facility of up to £320m to the Broadgate joint venture, secured against the development, 5 Broadgate. The loan, which is assignable and on commercial terms, includes an interest cost of 3% per annum above LIBOR and market based fees. As at 31 March 2015, £243m (2013/14: £145m) has been drawn by the joint venture. Interest and commitment fees earned on the commercial loan to the Broadgate joint venture was £8m (2013/14: £5m).

Details of transactions with joint ventures and funds are given in notes 4, 7 and 24. During the year the Group recognised management and performance fees receivable from funds of £nil (2013/14 £3m) and joint venture management fees of £7m (2013/14: £7m).

Details of Directors' remuneration are given in the Remuneration Report on pages 86 to 112. Details of transactions with key management personnel are provided in note 9.

Details of transactions with The British Land Group of Companies Pension Scheme, and other smaller pension schemes, are given in note 10.

During the year, the Company entered into transactions, in the normal course of business, with other related parties as follows:

John Gildersleeve is Deputy Chairman of Carphone Warehouse Group plc. Rental income of £11m (2013/14: £2m) was earned from Carphone Warehouse Group plc and there is an associated debtor balance at 31 March 2015 of £1m (2013/14: £nil).

Lord Turnbull is a non-executive director of Prudential plc. Rental income of £2m (2013/14: £2m) was earned from Prudential plc.

Aubrey Adams is head of property in Royal Bank of Scotland's Global Restructuring Group. Royal Bank of Scotland are British Land's principal bankers. Rental income of £7m (2013/14: £7m) was earned from Royal Bank of Scotland.

William Jackson is the Managing Partner of Bridgepoint and serves on a number of Bridgepoint portfolio boards. A number of Bridgepoint's investments are tenants. Rental income of £3m (2013/14: £3m) was earned from these companies.

During the year two related parties of Simon Borrows agreed to purchase two one-bed residential flats in London from a wholly-owned subsidiary of the Group, at a combined value of approximately £4m. Negotiations were conducted at arm's length, involved independent real estate agents marketing the relevant developments, and the terms are similar to those negotiated with other purchases at the same development.

26. Contingent liabilities

Group, joint ventures and funds

The Group, joint ventures and funds have contingent liabilities in respect of legal claims, guarantees and warranties arising in the ordinary course of business. It is not anticipated that any material liabilities will arise from contingent liabilities.

27. Audit exemptions taken for subsidiaries

The following subsidiaries are exempt from the requirements of the Companies Act 2006 relating to the audit of individual accounts by virtue of Section 479A of that Act.

Current Company Name	Companies House Reg. No.	Current Company Name	Companies House Reg. No.
BF Propco (No 19) Limited	5270113	Pillar Developments Limited	2850421
The Liverpool Exchange Company Limited	490255	35 Basinghall Street First Limited	3902915
Meadowbank Retail Park Edinburgh Limited	5489809	British Land Hercules No.1 Limited	3527580
Pillar (Beckton) Limited	2783376	British Land Hercules No.3 Limited	2967308
Broadgate (PHC 8) Limited	3707220	British Land HIF Limited	2774183
Blaxmill (Twenty-nine) Limited	5279010	Renash (Unlimited)	5489776
Blaxmill (Thirty) Limited	5282747	Ritesol (Unlimited)	5489811
FRP Group Limited	2844685	Number 80 Cheapside Limited	634498
Pillar Hercules No.2 Limited	2839069	Broadgate Square Limited	1797326
BL European Holdings Limited	3044033	Six Broadgate Limited	1881641
British Land Hercules No.4 Limited	3108851	WK Holdings Limited	2487591
Ivorydell Limited	3264791	Pillar Estates Limited	3044028
Finsbury Avenue Estates Limited	1526447	PillarStore Limited	2850422
Broadgate Court Investments Limited	2048475	Vintners' Place Limited	2149495
BLSSP (Funding) PLC	4104074	Wates City Point Limited	2973114
Wates City Property Management Limited	1085036	BL West (Watling House) Limited	4067234
Pillar Retail Parks Limited	2725163	Parwick Holdings Limited	6049168
Pillar Speke Limited	3074360	Hilden Properties Limited	NI062887
PillarStore No.3 Limited	3589118	Paddington Central I (GP) Limited	3891376
Wates City of London Properties Limited	1788526	Paddington Central II (GP) Limited	5092409
Caymall Limited	5189368	Lancaster General Partner Limited	5452195
Dinwell Limited	5035303	BL Wardrobe Court Holdings Limited	7687459
Cavendish Geared Limited	2779045	Meadowhall Holdings Limited	2125982
Pillar Auchinlea Limited	2661047	Meadowhall Centre Limited	3918066
Hyfleet Limited	2835919	BVP Developments Limited	3534586
Regis Property Holdings Limited	891470	British Land Investment Management Limited	4088640
Tweed Premier 1 Limited	2847978	BL Health Clubs PH No 1 Limited	5643248
Tweed Premier 2 Limited	2847985	BL Health Clubs PH No 2 Limited	5643261
London and Henley (UK) Limited	3576158	BLD (SJ) Limited	2924321
Cavendish Geared II Limited	2847571	BLD (SJ) Investments Limited	4484750
London and Henley Limited	3074917	8-10 Throgmorton Avenue Limited	3669490
Ivorydell Subsidiary Limited	5520010	Rohawk Properties Limited	381930
United Kingdom Property Company Limited	266486	Ludgate West Limited	4882129
Pillar Nugent Limited	2567031		

NOTES TO THE ACCOUNTS CONTINUED

28. Subsidiaries with material non-controlling interests – summarised financial information

Set out below is summarised financial information for each subsidiary that has non-controlling interests that are material to the Group. The information below is presented before intercompany eliminations. The non-controlling interests shown below relate to that from the Group perspective.

Summarised income statement for the year ended 31 March

	Hercules Unit Trust	
	2015 £m	2014 £m
Gross rental and related income	**58**	58
Net rental and related income	**55**	55
Other income and expenditure	**(13)**	(10)
Underlying profit before taxation	**42**	45
Surplus on revaluation	**69**	28
Share of profit (loss) of joint ventures and funds	**31**	(11)
Profit on ordinary activities before taxation	**142**	62
Current tax	**–**	–
Deferred tax	**–**	–
Profit on ordinary activities after taxation	**142**	62
Attributable to non-controlling interests	**55**	10
Attributable to the shareholders of the Company	**87**	52

Summarised balance sheet as at 31 March

	Hercules Unit Trust	
	2015 £m	2014 £m
Non-current		
Assets	**1,647**	1,404
Liabilities	**(653)**	(525)
Total non-current net assets	**994**	879
Current		
Assets	**40**	39
Liabilities	**(21)**	(21)
Total current net assets	**19**	18
Net assets	**1,013**	897
Non-controlling interests	**333**	371
Equity attributable to shareholders of the Company	**680**	526

Summarised cash flows

	Hercules Unit Trust	
	2015 £m	2014 £m
Cash flows from operating activities		
Cash generated from operations	**69**	74
Interest paid	**(24)**	(25)
Net cash generated from operating activities	**45**	49
Net cash used in investing activities	**(111)**	31
Net cash used in financing activities	**68**	(80)
Net increase in cash and cash equivalents	**2**	–
Cash and cash equivalents at 1 April	**33**	33
Cash and cash equivalents at 31 March	**35**	33

The Hercules Unit Trust is a publicly listed Unit Trust. The unit price at 31 March 2015 is £711 (2013/14: £651).

COMPANY BALANCE SHEET

PREPARED IN ACCORDANCE WITH UK GAAP AS AT 31 MARCH 2015

	Note	2015 £m	2014 £m
Fixed assets			
Investments and loans to subsidiaries	D	**27,370**	25,477
Investments in joint ventures	D	**392**	802
Other investments	D	**264**	159
Interest rate derivative assets	E	**139**	32
		28,165	26,470
Current assets			
Debtors	G	**4**	48
Cash and short-term deposits	E	**18**	61
		22	109
Current liabilities			
Short-term borrowings and overdrafts	E	**(102)**	(420)
Creditors	H	**(101)**	(89)
Amounts due to subsidiaries		**(18,881)**	(18,786)
		(19,084)	(19,295)
Net current liabilities		**(19,062)**	(19,186)
Total assets less current liabilities		**9,103**	7,284
Non-current liabilities			
Debentures and loans	E	**(2,462)**	(1,895)
Interest rate derivative liabilities	E	**(111)**	(54)
Deferred tax and other non-current liabilities		**(13)**	–
		(2,586)	(1,949)
Net assets		**6,517**	5,335
Equity			
Called up share capital	I	**258**	255
Share premium	J	**1,283**	1,260
Other reserves	J	**(94)**	(24)
Merger reserve	J	**213**	213
Retained earnings	J	**4,857**	3,631
Equity shareholders' funds		**6,517**	5,335

John Gildersleeve
Chairman

Lucinda Bell
Chief Financial Officer

Approved by the Board on 13 May 2015

Company number 621920

COMPANY BALANCE SHEET CONTINUED

(A) Accounting policies

The financial statements are prepared in accordance with applicable United Kingdom law and accounting standards (UK GAAP).

The major accounting policies of the Company are set out below and have been applied consistently throughout the current and the previous year, with the exception of the accounting policy in relation to capitalisation of interest. In the year, the Company opted to align the accounting policy in relation to capitalised interest with the Group (see note J).

The policies that differ from those applied by the Group (as stated in Note 1 of the consolidated financial statements) are for investments and deferred taxation.

- **Going concern**
  The financial statements are prepared on the going concern basis as explained in the corporate governance section on page 76.

- **Investments**
  Investments in joint ventures are stated at cost less provision for impairment. Investments in subsidiaries are stated at cost or Directors' valuation less provision for impairment.

- **Deferred taxation**
  Deferred taxation is not recognised when fixed assets are revalued unless by the balance sheet date there is a binding agreement to sell the revalued assets and the gain or loss expected to arise on the sale has been recognised in the financial statements. A deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Adoption of financial reporting standard (FRS) 101 - reduced disclosure framework

Following the publication of FRS 100 Application of Financial Reporting Requirements by the Financial Reporting Council, The British Land Company plc is required to change its accounting framework for its Company only financial statements, which is currently in UK GAAP, for its financial year commencing 1 April 2015.

The Board considers that it is in the best interests of the Group for The British Land Company plc to adopt FRS 101 Reduced Disclosure Framework. No disclosures in the current UK GAAP financial statements would be omitted on adoption of FRS 101. A shareholder or shareholders holding in aggregate 5% or more of the total allotted shares in The British Land Company plc may serve objections to the use of the disclosure exemptions on The British Land Company plc, in writing, to its registered office (York House, 45 Seymour Street, London, W1H 7LX) not later than 31 July 2015.

(B) Dividends

Details of dividends paid and proposed are included in note 20 of the consolidated financial statements.

(C) Company profit for the financial year after tax

The Company has not presented its own profit and loss account as permitted by Section 408 of the Companies Act 2006. The profit after tax for the year was £1,422m (2013/14: profit £749m).

The average monthly number of employees of the Company during the year was 249 (2013/14: 231).

Employee costs include wages and salaries of £33m (2013/14: £30m), social security costs of £5m (2013/14: £4m) and pension costs of £5m (2013/14: £5m). Details of the Executive Directors' remuneration are disclosed in the Remuneration Report.

Audit fees in relation to the parent Company only were £0.2m (2013/14: £0.3m).

(D) Investments and loans to subsidiaries

	Shares in subsidiaries £m	Loans to subsidiaries £m	Investments in joint ventures £m	Other investments £m	**Total £m**
On 1 April 2014	18,299	7,178	802	159	**26,438**
Additions	995	471	26	107	**1,599**
Disposals	–	(476)	(436)	(2)	**(914)**
Write back of impairment	903	–	–	–	**903**
As at 31 March 2015	20,197	7,173	392	264	**28,026**

Shares in subsidiaries are included at cost or directors' valuation in 1977, 1995, 1997 and 1999 to 2010 inclusive; their historical cost is £20,558m (2013/14: £19,563m). The amount of £392m (2013/14: £802m) includes £205m (2013/14: £250m) of loans to joint ventures by the Company. The Company has a 50% interest in Broadgate REIT Limited, registered and operating in Jersey and MSC Property Intermediate Holdings Limited, registered and operating in England and Wales. Results of the joint ventures are set out in note 12 of the consolidated financial statements. The historical cost of other investments is £252m (2013/14 : £155m).

The Group comprises a large number of companies so has taken advantage of the exemption under Section 410(2) of the Companies Act 2006 in providing information only in relation to subsidiary undertakings whose results or financial position, in the opinion of Directors, principally affect the financial statements. The principal subsidiaries, wholly-owned and, except where stated, registered and operating in England and Wales, are:

Executive

The British Land Corporation Limited

Finance, Investment and Management

British Land Property Management Limited
BLD Property Holdings Limited
BL European Fund Management LLP
British Land (Joint Ventures) Limited
Linestair Limited
British Land Investment Netherlands Holdings BV (Netherlands)

Property

British Land Retail Warehouses Limited
10 Brock Street Limited
BF Propco (No 10) Limited
Stockton Retail Park Limited
20 Triton Street Limited
Euston Tower Limited
Drake Circus Limited Partnership (United States)
Paddington Central IV Unit Trust (Jersey)
BL Piccadilly Residential Limited
10 Portman Square Unit Trust (Jersey)
British Land Ealing BV (Netherlands)
1 & 4 & 7 Triton Limited
Surrey Quays Limited
TBL (Milton Keynes) Limited

COMPANY BALANCE SHEET CONTINUED

(E) Net debt

	2015 £m	2014 £m
Secured on the assets of the Company		
5.264% First Mortgage Debenture Bonds 2035	**355**	344
5.0055% First Mortgage Amortising Debentures 2035	**98**	100
5.357% First Mortgage Debenture Bonds 2028	**344**	327
6.75% First Mortgage Debenture Bonds 2020	**184**	185
	981	956
Unsecured		
5.50% Senior Notes 2027	**98**	98
6.30% Senior US Dollar Notes 2015[1]	**104**	92
Series A 3.895% Senior US Notes 2018[2]	**28**	25
Series B 4.635% Senior US Notes 2021[2]	**158**	136
Series C 4.766% Senior US Notes 2023[2]	**99**	83
Series D 5.003% Senior US Notes 2026[2]	**64**	52
Fair value of options to issue under 1.5% convertible bond 2017	**100**	72
Bank loans & overdrafts	**707**	601
3.81% senior notes 2026	**111**	99
3.97% senior notes 2026	**114**	101
	1,583	1,359
Gross debt	**2,564**	2,315
Interest rate derivatives: liabilities	**111**	54
Interest derivatives: assets	**(139)**	(32)
	2,536	2,337
Cash short-term deposits	**(18)**	(61)
Net debt	**2,518**	2,276

[1] Principal and interest on this borrowing was fully hedged into Sterling at the time of issue.
[2] Principal and interest on these borrowings were fully hedged into Sterling at a floating rate at the time of issue.

On 10 September 2012 British Land (Jersey) Limited (the Issuer) – a wholly-owned subsidiary of the Company – issued £400 million 1.5% Guaranteed Convertible Bonds due 2017 (the Bonds) at par. The proceeds have been loaned to the Company and the Company has unconditionally and irrevocably guaranteed the due and punctual performance by the Issuer of all of its obligations (including payments) in respect of the Bonds and the obligations of the Company, as Guarantor, constitute direct, unsubordinated, unconditional and unsecured obligations of the Company.

Subject to their terms, the Bonds are convertible into preference shares of the Issuer which are automatically transferred to the Company in exchange for ordinary shares in the Company or, at the Company's election, any combination of ordinary shares and cash.

The intercompany loan between the Issuer and the Company arising from the transfer of the loan proceeds was initially recognised at fair value, net of capitalised issue costs, and is accounted for using the amortised cost method.

In addition to the intercompany loan, the Company has entered into a derivative contract relating to its guarantee of the obligations of the Issuer in respect of the Bonds and the commitment to provide shares or a combination of shares and cash on conversion of the Bonds. This derivative contract is included within the balance sheet as a liability carried at fair value through profit and loss.

See Note 18 in the consolidated financial statements for further details about the convertible bond.

(E) Net debt continued

Maturity analysis of net debt

	2015 £m	2014 £m
Repayable within one year and on demand	**102**	420
between: one and two years	**75**	92
two and five years	**697**	174
five and ten years	**561**	465
ten and fifteen years	**747**	783
fifteen and twenty years	**6**	6
twenty and twenty five years	**376**	375
	2,462	1,895
Gross debt	**2,564**	2,315
Interest rate derivatives	**(28)**	22
Cash and short term deposits	**(18)**	(61)
	2,518	2,276

(F) Pension

The Company's pension scheme is the principal pension scheme of the Group and details are set out in note 10 of the consolidated financial statements.

(G) Debtors

	2015 £m	2014 £m
Trade and other debtors	**2**	45
Prepayments and accrued income	**2**	3
	4	48

(H) Creditors

	2015 £m	2014 £m
Trade creditors	**23**	14
Corporation tax	**19**	19
Other taxation and social security	**22**	21
Accruals and deferred income	**37**	35
	101	89

COMPANY BALANCE SHEET CONTINUED

(I) Share capital

	£m	Ordinary shares of 25p each
Issued, called and fully paid		
At 1 April 2014	255	1,019,766,481
Issued	3	12,021,805
At 31 March 2015	**258**	**1,031,788,286**

	£m	Ordinary shares of 25p each
Issued, called and fully paid		
At 1 April 2013	249	997,691,488
Issued	6	22,074,993
At 31 March 2014	**255**	**1,019,766,481**

(J) Share capital and reserves

	Share capital £m	Share premium £m	Other reserves £m	Merger reserve £m	Profit and loss account £m	**Total £m**
At 1 April 2014	255	1,260	(24)	213	3,631	**5,335**
Adjustment for change in capitalised interest accounting policy[1]	–	–	–	–	37	**37**
Share issues	3	23	–	–	–	**26**
Adjustment for scrip dividend element	–	–	–	–	49	**49**
Dividend paid	–	–	–	–	(277)	**(277)**
Pension scheme movements	–	–	–	–	(5)	**(5)**
Retained profit (loss)	–	–	–	–	1,422	**1,422**
Derivative valuation movement	–	–	(70)	–	–	**(70)**
At 31 March 2015	258	1,283	(94)	213	4,857	**6,517**

[1] During the year, the Company changed its accounting policy in relation to capitalisation of interest on borrowing costs. The policy changed from not opting to capitalise applicable interest to opting to capitalise in the current year. Reserves have been restated by £37m as a result of this change.

The value of distributable reserves within the profit and loss account is £3,514m (2013/14: £2,299m).

(K) Contingent liabilities, capital commitments and related party transactions

The Company has contingent liabilities in respect of legal claims, guarantees and warranties arising in the ordinary course of business. It is not anticipated that any material liabilities will arise from the contingent liabilities.

At 31 March 2015, the company has £27m of capital commitments (2013/14: £93m).

The Company has chosen to provide a development loan facility of up to £320m to the Broadgate joint venture secured against the development, 5 Broadgate. The loan, which is assignable and on commercial terms, includes an interest cost of 3% per annum above LIBOR and market based fees. As at 31 March 2015 £243m had been drawn by the joint venture (2013/14: £145m).

Related party transactions are the same for the Company as for the Group. For details refer to note 25 of the consolidated financial statements.

The Company has used the exemption under FRS 8 where disclosure is not required of transactions with fellow subsidiary undertakings 100% of whose voting rights are controlled within the Group. The Company has utilised the exemptions provided by FRS 1 (Revised) and has not presented a cash flow statement. A consolidated cash flow statement has been presented in the Group financial statements.

SUPPLEMENTARY DISCLOSURES

UNAUDITED

Table A: Summary income statement and balance sheet

Summary income statement based on proportional consolidation for the year ended 31 March 2015.
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, and excluding non-controlling interests, i.e. proportional basis. The underlying profit before taxation and underlying profit after taxation are the same as presented in the consolidated income statement.

	Year ended 31 March 2015				Year ended 31 March 2014			
	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	**399**	**250**	**(31)**	**618**	334	267	(4)	597
Property operating expenses	**(24)**	**(10)**	**1**	**(33)**	(21)	(14)	–	(35)
Net rental income	**375**	**240**	**(30)**	**585**	313	253	(4)	562
Administrative expenses	**(82)**	**(4)**	**1**	**(85)**	(72)	(6)	–	(78)
Fees and other income	**12**	**–**	**2**	**14**	15	–	–	15
Ungeared Income Return	**305**	**236**	**(27)**	**514**	256	247	(4)	499
Net interest	**(105)**	**(107)**	**11**	**(201)**	(81)	(123)	2	(202)
Underlying profit before taxation	**200**	**129**	**(16)**	**313**	175	124	(2)	297
Underlying tax	**–**	**–**	**–**	**–**	(2)	–	–	(2)
Underlying profit after taxation	**200**	**129**	**(16)**	**313**	173	124	(2)	295
Underlying earnings per share – diluted basis				**30.6p**				29.4p
Valuation movement				**1,505**				873
Other capital and tax (net)[1]				**18**				53
Capital and other				**1,523**				926
Total return				**1,836**				1,221

The underlying earnings per share is calculated on underlying profit before taxation of £313m, tax attributable to underlying profits of £nil and 1,022m shares on a diluted basis for the year ended 31 March 2015.

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

SUPPLEMENTARY DISCLOSURES CONTINUED

UNAUDITED

Table A (continued)

Summary balance sheet based on proportional consolidation as at 31 March 2015

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, and excluding non-controlling interests i.e. proportional basis, and assuming full dilution.

	Group £m	Share of joint ventures & funds £m	Less non-controlling interest £m	Share options £m	Deferred tax £m	Mark-to-market on effective cash flow hedges and related debt adjustments £m	Head leases £m	Convertible bond adjustment £m	Valuation surplus on trading properties £m	**EPRA Net assets 2015 £m**	EPRA Net assets 2014 £m
Retail properties	5,986	2,149	(546)	–	–	–	(32)	–	–	**7,557**	6,852
Office properties	3,468	2,530	–	–	–	–	(14)	–	96	**6,080**	5,099
Other properties	–	40	–	–	–	–	–	–	–	**40**	89
Total properties	9,454	4,719	(546)	–	–	–	(46)	–	96	**13,677**	12,040
Investments in joint ventures and funds	2,901	(2,901)	–	–	–	–	–	–	–	**–**	–
Other investments	379	(123)	–	–	–	–	–	–	–	**256**	194
Other net (liabilities) assets	(341)	(140)	5	37	13	–	46	–	–	**(380)**	(317)
Net debt	(3,828)	(1,555)	208	–	–	257	–	–	–	**(4,918)**	(4,890)
Dilution due to convertible bond	–	–	–	–	–	–	–	400	–	**400**	–
Net assets	8,565	–	(333)	37	13	257	–	400	96	**9,035**	7,027
EPRA NAV per share (note 2)										**829p**	688p

EPRA Net Assets Movement

	Year ended 31 March 2015		Year ended 31 March 2014	
	£m	**Pence per share**	£m	Pence per share
Opening EPRA NAV	**7,027**	**688**	5,967	596
Income return	**313**	**31**	295	29
Capital return	**1,523**	**145**	926	90
Dividend paid	**(228)**	**(27)**	(161)	(27)
Dilution due to convertible bond	**400**	**(8)**	–	–
Closing EPRA NAV	**9,035**	**829**	7,027	688

Table B: EPRA Performance measures

EPRA Performance measures summary table

	2015		2014	
	£m	Pence per share	£m	Pence per share
EPRA Earnings – basic	313	30.8p	295	29.5
– diluted	313	29.5p	295	29.4
EPRA NAV	9,035	829p	7,027	688
EPRA NNNAV	8,359	767p	6,700	656
EPRA Net Initial Yield		4.3%		4.8%
EPRA 'topped-up' Net Initial Yield		4.8%		5.3%
EPRA Vacancy Rate		2.9%		5.2%

Calculation of EPRA earnings and EPRA earnings per share

	2015 £m	2014 £m
Profit attributable to the shareholders of the Company	1,710	1,106
Exclude:		
Group – non-underlying current tax	1	(5)
Group – deferred tax	23	(3)
Joint ventures and funds – non-underlying current tax	2	5
Joint ventures and funds – deferred tax	(4)	–
Group – net valuation movement (including result on disposals)	(910)	(615)
Joint ventures and funds – net valuation movement (including result on disposals)	(595)	(258)
Changes in fair value of financial instruments and associated close-out costs	47	57
Non-controlling interest in respect of the above	39	8
EPRA earnings	313	295

	2015 Number million	2014 Number million
Weighted average number of shares	1,027	1,010
Adjustment for Treasury shares	(11)	(11)
Weighted average number of shares (basic)	1,016	999
Dilutive effect of share options	2	2
Dilutive effect of ESOP shares	4	3
Dilutive effect of convertible bond	58	–
Weighted average number of shares (diluted)	1,080	1,004

	2015 Pence	2014 Pence
Earnings per share (basic)	168.3	110.7
Earnings per share (diluted)	167.3	110.2
Underlying earnings per share	30.6	29.4
EPRA earnings per share – basic	30.8	29.5
– diluted	29.5	29.4

SUPPLEMENTARY DISCLOSURES CONTINUED

UNAUDITED

Table B continued

Net assets per share

	2015 £m	2015 Pence per share	2014 £m	2014 Pence per share
Balance sheet net assets	**8,565**		7,117	
Deferred tax arising on revaluation movements	**13**		6	
Mark-to-market on effective cash flow hedges and related debt adjustments	**257**		173	
Dilution effect of share options	**37**		39	
Surplus on trading properties	**96**		63	
Convertible bond adjustment	**400**		–	
Less non-controlling interests	**(333)**		(371)	
EPRA NAV	**9,035**	**829p**	7,027	688p
Deferred tax arising on revaluation movements	**(13)**		(6)	
Mark-to-market on effective cash flow hedges and related debt adjustments	**(257)**		(173)	
Mark-to-market on debt	**(406)**		(148)	
EPRA NNNAV	**8,359**	**767p**	6,700	656p

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.

EPRA Net Initial Yield and 'topped-up' Net Initial Yield

	2015 £m	2014 £m
Investment property – wholly-owned	**9,068**	7,194
Investment property – share of joint ventures and funds	**4,569**	4,757
Less developments, residential and land	**(1,148)**	(1,192)
Completed property portfolio	**12,489**	10,759
Allowance for estimated purchasers' costs	**784**	639
Gross up completed property portfolio valuation	**13,273**	11,398
Annualised cash passing rental income	**575**	554
Property outgoings	**(8)**	(8)
Annualised net rents	**567**	546
Rent expiration of rent-free periods and fixed uplifts[1]	**64**	53
'Topped-up' net annualised rent	**631**	599
EPRA Net Initial Yield	**4.3%**	4.8%
EPRA 'topped-up' Net Initial Yield	**4.8%**	5.3%
Including fixed/minimum uplifts received in lieu of rental growth	**26**	26
Total 'topped-up' net rents	**657**	625
Overall 'topped-up' Net Initial Yield	**4.9%**	5.5%
'Topped-up' net annualised rent	**631**	599
ERV vacant space	**20**	33
Reversions	**18**	(9)
Total ERV	**669**	623
Net Reversionary Yield	**5.0%**	5.5%

[1] The period over which rent-free periods expire is 1 year (2013/14: 2 years).

The above is stated for the UK portfolio only.

EPRA Net Initial Yield (NIY) basis of calculation

EPRA NIY is calculated as the annualised net rent (on a cash flow basis), divided by the gross value of the completed property portfolio. The valuation of our completed property portfolio is determined by our external valuers as at 31 March 2015, 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.

Table B continued

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

	2015 £m	2014 £m
Annualised potential rental value of vacant premises	**20**	33
Annualised potential rental value for the completed property portfolio	**692**	626
EPRA Vacancy Rate	**2.9%**	5.2%

The above is stated for the UK portfolio only.

EPRA Cost Ratios

	2015 £m	2014 £m
Property outgoings	**23**	21
Administrative expenses	**81**	72
Share of joint ventures and funds expenses	**14**	20
Less: Performance & management fees (from joint ventures & funds)	**(9)**	(10)
Other fees and commission	**(5)**	(5)
Ground rent costs	**(3)**	(2)
EPRA Costs (including direct vacancy costs) (A)	**101**	96
Direct vacancy costs	**(11)**	(13)
EPRA Costs (excluding direct vacancy costs) (B)	**90**	83
Gross Rental Income less ground rent costs	**374**	330
Share of joint ventures and funds (GRI less ground rent costs)	**241**	265
Total Gross Rental Income (C)	**615**	595
EPRA Cost Ratio (including direct vacancy costs) (A/C)	**16.4%**	16.2%
EPRA Cost Ratio (excluding direct vacancy costs) (B/C)	**14.6%**	13.9%
Overhead and operating expenses capitalised (including share of joint ventures and funds)	**–**	–

No overhead or operating expenses, including employee costs, are capitalised.

Table C: Gross rental income and accounting return

Calculation of gross rental income[1]

	Year ended 31 March 2015 £m	Year ended 31 March 2014 £m
Rent receivable	**581**	570
Spreading of tenant incentives and guaranteed rent increases	**33**	23
Surrender premia	**4**	4
Gross rental income	**618**	597

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

	Year ended 31 March 2015	Year ended 31 March 2014
Total accounting return	**24.5%**	20.0%

Other Information Unaudited

Portfolio valuation 180
Portfolio yield and ERV movements 180
Total property return 181
Property weighting 181
Portfolio net yields 182
Annualised rent and estimated rental value (ERV) 182
Gross rental income 183
Lease length and occupancy 183
Rent subject to lease break or expiry 184
Rent subject to open market rent review 184
Major holdings 185
Occupiers representing over 0.5% of total contracted rent 185
Acquisitions and disposals 186
Development:
- Recently completed and committed developments 187
- Near-term pipeline 187
- Medium-term pipeline 188
- Residential development programme 188

Superstores 188
Environmental performance measures 189
Ten year record 190
Shareholder information 191
Glossary 193

Photo taken by Tim Downes
The Leadenhall Building

UNAUDITED

Portfolio valuation

At 31 March 2015	Group £m	JVs & Funds[1] £m	Total[1] £m	Change[2] H1 %	Change[2] H2 %	Change[2] FY %
Shopping parks	2,161	1,169	3,330	7.2	1.1	7.5
Shopping centres	1,106	1,079	2,185	5.8	3.2	8.7
Superstores	233	701	934	3.1	(1.0)	1.9
Department stores	592	1	593	6.5	10.1	17.3
Leisure	511	4	515	7.1	2.0	7.1
Retail & Leisure[3]	**4,603**	**2,954**	**7,557**	**6.0**	**2.0**	**7.5**
West End	3,251	–	3,251	9.0	9.0	18.6
City	77	2,490	2,567	9.0	11.3	20.6
Provincial	3	–	3	6.5	12.2	18.7
All Offices	**3,331**	**2,490**	**5,821**	**8.9**	**10.0**	**19.4**
Residential[4]	220	39	259	4.9	2.8	7.4
All Offices & Residential[3]	**3,551**	**2,529**	**6,080**	**8.7**	**9.7**	**18.8**
Total	**8,154**	**5,483**	**13,637**	**7.2**	**5.2**	**12.1**

Table shows UK total, excluding assets held in Europe. Total portfolio valuation including Europe of £13.7bn at year end, +12.1% valuation movement.

1 Group's share of properties in joint ventures and funds including HUT at share.
2 Valuation movement during the period (after taking account of capital expenditure) of properties held at the balance sheet date, including developments (classified by end use), purchases and sales.
3 Including committed developments.
4 Stand-alone residential.

Portfolio yield and ERV movements

At 31 March 2015	ERV £m	NEY %	ERV growth[1] H1 %	ERV growth[1] H2 %	ERV growth[1] FY %	NEY yield compression[2] H1 bps	NEY yield compression[2] H2 bps	NEY yield compression[2] FY bps
Shopping parks	184	5.1	0.9	2.1	3.0	45	7	52
Shopping centres	125	5.1	0.3	1.8	2.1	38	13	48
Superstores	51	5.2	0.1	(0.1)	(0.1)	12	(11)	3
Department stores	24	4.5	8.6	0.0	8.7	19	42	56
Leisure	23	5.4	0.7	0.3	1.1	57	21	86
Retail & Leisure	**407**	**5.2**	**1.1**	**1.5**	**2.5**	**35**	**10**	**47**
West End	145	4.6	2.6	3.6	6.3	21	24	46
City[3]	128	4.7	5.9	4.4	10.6	34	30	59
Offices	**273**	**4.6**	**3.9**	**4.0**	**8.0**	**26**	**27**	**51**
Total[4]	**680**	**4.9**	**2.1**	**2.4**	**4.6**	**32**	**17**	**48**

Table shows UK total, excluding assets held in Europe.

1 As calculated by IPD.
2 Including notional purchaser's costs.
3 City ERV growth 6.7% on a like-for-like basis.
4 Table excludes Residential ERV of £3m.

Total property return (as calculated by IPD excluding Europe)

Full-year to 31 March 2015	Retail British Land %	Retail IPD %	Offices British Land %	Offices IPD %	Total British Land %	Total IPD %
Capital return	8.5	7.8	20.5	16.1	13.4	11.5
– ERV growth	2.5	0.8	8.0	7.3	4.6	3.3
– Yield compression[1]	47 bps	47 bps	51 bps	68 bps	48 bps	57 bps
Income return	5.4	5.3	3.3	4.3	4.5	5.1
Total property return	**14.4**	**13.5**	**24.4**	**21.1**	**18.4**	**17.1**

[1] Net equivalent yield movement.

Portfolio weighting

At 31 March	2014 %	2015 (current) %	2015 (current) £m	2015 (pro forma[1]) %
Shopping parks	23.1	24.4	3,330	23.1
Shopping centres	15.6	16.0	2,185	15.2
Superstores	11.1	6.9	934	6.5
Department stores	4.7	4.3	593	4.1
Leisure	2.8	3.8	515	3.6
Retail & Leisure	**57.3**	**55.4**	**7,557**	**52.5**
West End	22.7	23.9	3,251	26.9
City	17.1	18.8	2,567	18.1
Provincial	0.8	–	3	–
Offices	**40.6**	**42.7**	**5,821**	**45.0**
Residential[2]	2.1	1.9	259	2.5
Offices & Residential	**42.7**	**44.6**	**6,080**	**47.5**
Total	**100.0**	**100.0**	**13,637**	**100.0**

Table shows UK total, excluding assets held in Europe.

[1] Pro forma for developments under construction at estimated end value (as determined by the Group's external valuers) and post period end transactions.

[2] Stand-alone residential.

UNAUDITED CONTINUED

Portfolio net yields[1,2]

At 31 March 2015	EPRA net initial yield %	EPRA topped-up net initial yield[3] %	Overall topped-up net initial yield[4] %	Net equivalent yield %	Net reversionary yield %
Shopping parks	4.9	5.1	5.2	5.1	5.1
Shopping centres	4.6	4.9	4.9	5.1	5.1
Superstores	5.2	5.2	5.2	5.2	5.1
Department stores	4.1	4.1	6.1	4.5	3.8
Leisure	5.1	5.1	6.3	5.4	4.1
Retail & Leisure	**4.8**	**5.0**	**5.2**	**5.2**	**4.9**
West End	3.1	4.2	4.3	4.6	4.8
City	3.9	4.7	4.7	4.7	5.7
Offices	**3.5**	**4.4**	**4.5**	**4.6**	**5.2**
Total	**4.3**	**4.8**	**4.9**	**4.9**	**5.0**

Table shows UK total, excluding assets held in Europe.
1 Including notional purchaser's costs.
2 Excluding developments under construction and assets held for development.
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).

Annualised rent and estimated rental value (ERV)[1]

	Annualised rent (valuation basis) Total £m[2]			ERV £m	Average rent £psf	
At 31 March 2015	Group	JVs & Funds	Total	Total	Contracted[3,4] £	ERV[3] £
Shopping parks	114	62	176	184	25.4	25.6
Shopping centres	63	51	114	125	29.3	30.9
Superstores	13	38	51	51	21.4	21.2
Department stores	25	–	25	24	15.1	14.0
Leisure	27	–	27	23	14.8	11.9
Retail & Leisure	**242**	**151**	**393**	**407**	**23.6**	**23.6**
West End	94	–	94	145	50.6	55.3
City	4	84	88	128	48.8	55.5
Offices	**98**	**84**	**182**	**273**	**49.6**	**55.3**
Residential[5]	4	–	4	3		
Offices & Residential	**102**	**84**	**186**	**276**		
Total	**344**	**235**	**579**	**683**	**28.1**	**30.0**

Table shows UK total, excluding assets held in Europe.
1 Excluding developments under construction and assets held for development.
2 Gross rents plus, where rent reviews are outstanding, any increases to ERV (as determined by the Group's external valuers), less any ground rents payable under head leases, excludes contracted rent subject to rent free and future uplift.
3 Office average rent & ERV £psf is based on office space only.
4 Annualised rent, plus rent subject to rent free.
5 Stand-alone residential.

Gross rental income[1]

Accounting basis £m	12 months to 31 March 2015			Annualised as at 31 March 2015[4]		
	Group	JVs & Funds[2]	Total	Group	JVs & Funds[2]	Total
Shopping parks	106	53	159	114	62	176
Shopping centres	61	51	112	63	50	113
Superstores	11	57	68	13	38	51
Department stores	32	–	32	29	–	29
Leisure	29	–	29	31	–	31
Retail & Leisure	**239**	**161**	**400**	**250**	**150**	**400**
West End	109	–	109	110	–	110
City	5	89	94	4	94	98
Provincial	4	–	4	–	–	–
Offices	**118**	**89**	**207**	**114**	**94**	**208**
Residential[3]	3	–	3	3	–	3
Offices & Residential	**121**	**89**	**210**	**117**	**94**	**211**
Total	**360**	**250**	**610**	**367**	**244**	**611**

Table shows UK total, and includes completed developments.

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

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

[3] Stand-alone residential.

[4] Position as at 31 March 2015. One Sheldon Square acquired post period end with gross rental income of £9m in financial year 2016.

Lease length and occupancy[1]

At 31 March 2015	Average lease length yrs		Occupancy rate %	
	To expiry	To break	Occupancy	Occupancy (underlying)[2]
Shopping parks	8.9	7.9	97.4	98.2
Shopping centres	9.0	7.9	96.5	97.7
Superstores	14.8	14.5	100.0	100.0
Department stores	21.5	21.4	100.0	100.0
Leisure	18.9	18.8	100.0	100.0
Retail & Leisure	**11.2**	**10.4**	**97.8**	**98.5**
West End	10.6	8.6	98.0	98.7
City	9.4	7.5	93.3	97.4
Provincial	17.0	7.0	100.0	100.0
Offices	**10.1**	**8.1**	**95.8**	**98.1**
Total	**10.8**	**9.5**	**97.0**	**98.3**

Table shows UK total, excluding assets held in Europe.

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

[2] Including accommodation under offer or subject to asset management.

UNAUDITED CONTINUED

Rent subject to lease break or expiry[1]

At 31 March 2015 For period to 31 March	2016 £m	2017 £m	2018 £m	2019 £m	2020 £m	2016–18 £m	2016–20 £m
Shopping parks	12	7	11	12	14	30	56
Shopping centres	10	9	9	6	9	28	43
Superstores	1	–	–	–	–	1	1
Department stores	–	–	–	–	–	–	–
Leisure	–	–	–	–	–	–	–
Retail & Leisure	**23**	**16**	**20**	**18**	**23**	**59**	**100**
West End	1	19	–	17	13	20	50
City	3	8	8	10	4	19	33
Offices[2]	**4**	**27**	**8**	**27**	**17**	**39**	**83**
Total	**27**	**43**	**28**	**45**	**40**	**98**	**183**
% of contracted rent	**4.1%**	**6.5%**	**4.3%**	**6.8%**	**6.3%**	**15.0%**	**28.1%**
Potential uplift at current ERV	**4**	**7**	**–**	**4**	**2**	**11**	**17**

Table shows UK total, excluding assets held in Europe.
[1] Excluding developments under construction and assets held for development.
[2] Based on office space only.

Rent subject to open market rent review[1]

At 31 March 2015 For period to 31 March	2016 £m	2017 £m	2018 £m	2019 £m	2020 £m	2016–18 £m	2016–20 £m
Shopping parks	19	17	26	27	18	62	107
Shopping centres	14	14	18	16	10	46	72
Superstores	15	5	4	9	15	24	48
Department stores	–	–	–	–	–	–	–
Leisure	–	–	2	1	–	2	3
Retail & Leisure	**48**	**36**	**50**	**53**	**43**	**134**	**230**
West End	17	13	13	20	22	43	85
City	14	2	15	14	15	31	60
Offices	**31**	**15**	**28**	**34**	**37**	**74**	**145**
Total	**79**	**51**	**78**	**87**	**80**	**208**	**375**
Potential uplift at current ERV	**4**	**1**	**1**	**2**	**1**	**6**	**9**

Table shows UK total, excluding assets held in Europe.
[1] Excluding developments under construction and assets held for development.

Major holdings

At 31 March 2015 (excluding developments under construction)	British Land share %	Sq ft '000	Rent per annum[1] £m	Occupancy rate[2] %	Lease length Years[3]
Broadgate, London EC2	50	3,963	194	99.9	6.5
Regent's Place, London NW1	100	1,588	72	99.4	8.4
Meadowhall Shopping Centre, Sheffield	50	1,448	85	97.3	7.1
Paddington Central	100	608	24	99.5	9.2
Sainsbury's Superstores[4]	50	2,715	59	100.0	14.7
The Leadenhall Building	50	602	22	83.3	14.5
Debenhams, Oxford Street	100	363	11	100.0	24.0
Tesco Superstores[4]	64	1,238	27	100.0	14.8
Teeside Shopping Park, Stockton-on-Tees	100	417	15	96.6	7.1
Drake Circus Shopping Centre, Plymouth	100	414	16	96.0	5.6

[1] Annualised contracted rent, topped up for rent free, including 100% of Joint Ventures & Funds.
[2] Includes accommodation under offer or subject to asset management.
[3] Weighted average to first break.
[4] Comprises stand-alone assets/properties.

Occupiers representing over 0.5% of total contracted rent

At 31 March 2015	% of total rent		% of total rent
Tesco plc	6.5	Vodafone plc	0.9
Debenhams	5.7	Facebook	0.9
J Sainsbury plc	5.0	Aon Plc	0.9
HM Government	3.2	JPMorgan	0.8
UBS AG	3.0	Reed Smith	0.8
Kingfisher (B&Q)	2.6	H&M Hennes & Mauritz AB	0.8
Home Retail Group	2.6	Deutsche Bank AG	0.7
Next plc	2.5	Children's World Ltd (Mothercare)	0.7
Virgin Active	1.9	Gazprom	0.7
Spirit Group	1.6	JD Sports	0.7
Dixons Carphone	1.6	Mayer Brown	0.7
Alliance Boots	1.6	ICAP plc	0.6
Marks & Spencer Plc	1.5	Pets at Home	0.6
Arcadia Group	1.4	Steinhoff	0.6
Herbert Smith	1.3	Carlson (TGI Friday's)	0.6
Royal Bank of Scotland	1.1	Lewis Trust (River Island)	0.6
Aegis Group	1.1	Credit Agricole	0.6
TJX Cos Inc (TK Maxx)	1.0	Nokia Oyj	0.5
New Look	1.0	Henderson	0.5
SportsDirect	0.9	Santander	0.5
Asda Group	0.9	DFS	0.5

UNAUDITED CONTINUED

Acquisitions and disposals

Acquisitions

From 1 April 2014		Area	Price (Gross) £m	British Land share £m	Annual passing rent £m[2]
Completed					
50% share of two Tesco JVs	Retail	Various	381	381	20
1 Sheldon Square	Offices	London	210	210	10
Hercules Unit Trust unit purchase[1]	Retail	Various	169	169	10
Surrey Quays Leisure Park	Retail	London	135	135	2
Speke New Mersey Shopping Park[3]	Retail	North West	93	59	4
Next, Ealing Broadway	Retail	London	5	5	0
Total			**993**	**959**	**46**

[1] Units purchased over the course of the year. £169m represents purchased GAV.
[2] BL share of net rent topped up for rent frees.
[3] Hercules Unit Trust increased ownership by 37.5%.

Disposals

From 1 April 2014		Area	Price (Gross) £m	British Land share £m	Annual passing rent £m[1]
Completed					
50% share of Tesco Superstore JV	Retail	Various	352	352	18
Grenfell Island, Maidenhead	Offices	South East	90	90	6
Leamington Shopping Park	Retail	West Midlands	72	22	1
House of Fraser, Birmingham	Retail	Midlands	71	71	5
Nassica & Vista Alegre Retail Parks	Europe	Spain	70	46	4
Sainsbury's, Rugby	Retail	Midlands	59	30	2
Kingswood Retail Park, Hull	Retail	Yorkshire	58	58	3
Sainsbury's, Nottingham	Retail	Midlands	50	25	1
Sainsbury's, Cambridge	Retail	East Anglia	50	25	1
Green Lanes Shopping Centre, Barnstaple	Retail	South West	36	36	3
Sainsbury's, Cardiff (Thornhill)	Retail	Wales	35	17	1
Cwmbran Retail Park	Retail	Wales	32	32	2
Tesco, Ferndown	Retail	South West	29	15	1
52 Poland Street, W1	Offices	London	26	26	1
Springfield Retail Park, Elgin	Retail	Scotland	23	23	1
103 Colmore Row, Birmingham	Offices	Midlands	15	15	–
Morrisons, Hounslow West	Retail	London	9	9	–
Residential Units	Residential	London	69	63	–
Other			20	11	–
Exchanged					
Clarges Mayfair Residential	Residential	London	259	259	–
Aldgate Place Residential[2]	Residential	London	79	40	–
The Hempel	Residential	London	8	8	–
Total			**1,512**	**1,273**	**50**

[1] BL share of net rent topped up for rent frees.
[2] Including £15m (BL share) of affordable units and £1m (BL share) of ground rents.

Development

Recently completed and committed developments

At 31 March 2015	Sector	British Land share %	Sq ft '000	Practical completion calendar Year	Current value £m	Cost to complete £m[1,2]	ERV £m[3]	Let and under offer £m	Residential end value £m[4]
The Leadenhall Building	Offices	50	601	Completed	385	12	19.4	16.2	–
Broadgate Circle	Offices	50	42	Completed	23	1	1.2	1.0	–
Old Market, Hereford	Retail	100	305	Completed	92	4	4.9	4.8	–
Meadowhall Surrounding Land	Retail	50	22	Completed	9	–	0.4	0.4	–
Fort Kinnaird, Edinburgh	Retail	35	57	Completed	8	1	0.5	0.5	–
Deepdale, Preston	Retail	35	64	Completed	6	1	0.4	0.4	–
Broughton Park, Chester	Retail	69	54	Completed	11	1	0.7	0.7	–
Total Completed in Period			**1,145**		**534**	**20**	**27.5**	**24.0**	**–**
5 Broadgate	Offices	50	710	2015	399	23	19.2	19.2	–
Yalding House	Offices	100	29	2015	21	6	1.6	–	–
4 Kingdom Street	Offices	100	147	2017	36	82	8.6	–	–
Clarges Mayfair	Mixed Use	100	192	2017	310	170	5.9	–	464
Whiteley Leisure, Fareham	Retail	50	58	2015	8	2	0.6	0.5	–
Glasgow Fort, M&S & Retail Terrace	Retail	69	112	2015	19	10	1.8	0.9	–
The Hempel Phase 1[5]	Residential	100	25	2016	42	2	–	–	51
The Hempel Phase 2	Residential	100	40	2016	50	16	–	–	81
Aldgate Place, Phase 1[6]	Residential	50	221	2016	24	47	–	–	80
Total Under Construction			**1,534**		**909**	**358**	**37.7**	**20.6**	**676**

Data includes Group's share of properties in Joint Ventures and Funds (except area which is shown at 100%).

1 From 1 April 2015 to practical completion (PC).
2 Cost to complete excludes notional interest as interest is capitalised individually on each development at our capitalisation rate.
3 Estimated headline rental value net of rent payable under head leases (excluding tenant incentives).
4 Residential development of which £315m completed or exchanged and a further £9m under offer.
5 Previously Craven Hill Gardens.
6 End value excludes sale of hotel site, receipts of £6m (BL Share).

Near-term pipeline

At 31 March 2015	Sector	British Land share %	Sq ft '000	Start On Site	Total cost £m[2]	Status
5 Kingdom Street[1]	Offices	100	240	2016	188	Consented
100 Liverpool Street	Offices	50	517	2017	236	Consented[3]
Blossom Street, Shoreditch	Mixed Use	100	347	2016	219	Submitted
Glasgow Fort (Restaurants & Additional Retail Unit)	Retail	69	42	2015	12	Consented
Plymouth Leisure	Retail	100	100	2016	36	Consented
New Mersey Shopping Park, Speke – Leisure	Retail	61	66	2015	16	Submitted
Aldgate Place, Phase 2	Residential	50	145	2016	56	Consented
Crystal House, Ealing Broadway	Residential	100	34	2016	18	Submitted
Total Near-Term			**1,491**		**781**	

1 210,000 sq ft of which is consented.
2 Total cost including site value. Excludes notional interest as interest is capitalised individually on each development at our capitalisation rate.
3 Post year end, the City of London Corporation's Planning Committee has resolved to grant planning permission.

UNAUDITED CONTINUED

Development
Medium-term pipeline

At 31 March 2015	Sector	British Land share %	Sq ft '000	Status
Eden Walk Shopping Centre, Kingston	Mixed Use	50	545	Pre-submission
Canada Water Masterplan[1]	Mixed Use	100	5,500	Pre-submission
1 – 3 Finsbury Avenue[2]	Offices	50	460	Pre-submission
Forster Retail Park, Bradford, Phase 3	Retail	100	60	Pre-submission
Meadowhall Land	Retail	50	350	Pre-submission
Total Medium-Term			**6,915**	

[1] Assumed net area based on gross area of up to 7m sq ft.
[2] Existing net areas, scheme in early design stages.

Residential development programme

At 31 March 2015	Sq Ft '000	No. Market Units	PC Date/ Status	BL Share %	Mar 15 Value[1] £m	Cost To come[2] £m	End Value £m	Sales Exchanged & Completed £m
Clarges Mayfair[3]	103	34	2017	100	228	137	464	259
Mixed use	**103**	**34**			**228**	**137**	**464**	**259**
Bedford Street[4]	28	17	Completed	100	18	–	28	24
The Hempel Phase 1	25	15	2016	100	42	2	51	18
The Hempel Phase 2	40	19	2016	100	50	16	81	–
Aldgate Place Phase 1	221	154	2016	50	24	47	80	38
Residential-led	**314**	**205**			**134**	**65**	**240**	**80**
Aldgate Place Phase 2	145		Consented	50				
Ealing, Crystal House	34		Submitted	100				
Near Term prospective	**179**							
Total Committed Residential	**417**	**239**			**362**	**202**	**704**	**339**

Data includes Group's share of properties in Joint Ventures & Funds (except area which is shown at 100%)
[1] Excluding completed sales.
[2] From 1 April 2015 to practical completion (PC). Cost to complete excludes notional interest as interest is capitalised individually on each development at our capitalisation rate.
[3] Includes 9,500 sq ft of affordable housing (11 units).
[4] Includes 14,000 sq ft of retail space.

Superstores

	Stand-alone Superstores[1]				In Shopping Centres & Shopping Parks[2]				Total Exposure[1,2,3]			
Store Size '000 SQ FT	Nº of Stores	Valuation (BL share) £m	Capital Value psf	WALL to FB yrs	Nº of Stores	Valuation (BL share) £m	Capital Value psf	WALL to FB yrs	Nº of Stores	Valuation (BL share) £m	Capital Value psf	WALL to FB yrs
>100	9	242	377	13.6	5	366	552	13.8	14	608	466	13.7
75-100	14	294	470	18.7	1	41	483	12.9	15	335	471	17.9
50-75	17	296	443	13.2	1	12	190	12.1	18	308	421	13.1
25-50	9	64	244	9.4	3	31	437	15.5	12	95	285	11.3
0-25	8	28	200	13.3	19	79	405	11.6	27	107	321	12.1
March 2015	**57**	**924**	**395**	**14.5**	**29**	**529**	**491**	**13.9**	**86**	**1,453**	**426**	**14.4**
Sept 2014	**81**	**1,286**	**423**	**14.5**	**26**	**337**	**479**	**13.9**	**107**	**1,623**	**433**	**14.4**

Geographical Spread		Gross Rent (BL Share)		Lease Structure	
London & South	59%	Tesco	£4m	RPI and Fixed	11%
Rest of UK	41%	Sainsburys	£3m	OMRR	89%
		Other	£7m		

[1] Excludes £10m non-foodstore occupiers in superstore led assets.
[2] Excludes non food-format stores e.g. Asda Living.
[3] Excludes £99m of investments held for trading comprising freehold reversions in a pool of Sainsbury's Superstores.

Environmental performance measures

The data below follows EPRA best practice recommendations on sustainability reporting for managed properties. It also includes additional developments data and Scope 3 carbon emissions to provide a comprehensive picture of resource use across our business. It covers 74% of our total investment portfolio, as we focus on our managed properties and developments, where we can influence performance.

		2014/15	2013/14	2012/13	Scope (number of assets)
EPRA best practice recommendations across our managed portfolio[1]					
3.1: Energy consumption from electricity (MWh)		171,486	163,913	173,866	128/139
3.2: Energy consumption from district heating and cooling (MWh)		0	289	349	0/0
3.3: Energy consumption from fuels (MWh)		36,355	29,840	30,358	45/47
3.4: Building energy intensity (kWh per m^2)	Offices	246.98	253.02	274.06	37/38
	Shopping centres	56.44	54.13	57.76	12/13
	Retail parks	8.90	9.12	10.44	40/42
3.4: Building energy intensity (kWh per workstation or 10,000 visitors)	Offices	6,008	5,663	6,319	33/38
	Shopping centres	1,450	1,741	2,197	11/13
	Retail parks	272	306	431	39/42
3.5: Direct (Scope 1) greenhouse gas emissions (tonnes CO_2e)		7,519	7,335	6,756	45/47
3.6: Indirect (Scope 2) greenhouse gas emissions (tonnes CO_2e)		42,503	38,619	37,289	128/139
3.7: Greenhouse gas intensity from building energy (tonnes CO_2e per m^2)	Offices	0.14	0.14	0.15	37/38
	Shopping centres	0.03	0.03	0.03	12/13
	Retail parks	0.005	0.005	0.005	40/42
3.8: Water withdrawal by source (m^3)		579,727	665,670	664,339	65/76
3.9: Building water intensity (m^3 per m^2)	Offices	0.62	0.63	0.66	34/35
	Shopping centres	0.33	0.30	0.26	10/11
	Retail parks	0.10	0.11	0.28	13/15
3.9: Building water intensity (m^3 per workstation or 10,000 visitors)	Offices	14.52	13.67	15.12	31/35
	Shopping centres	8.84	9.70	9.92	10/11
	Retail parks	3.07	3.38	11.78	13/15
3.10 and 3.11: Waste by disposal route (tonnes and %)	Recycled and reused	13,134(68%)	13,028 (66%)	10,422 (61%)	75/75
	Incinerated	5,462(29%)	5,020(27%)	5,041(29%)	75/75
	Landfilled	615 (3%)	1,457 (7%)	1,739 (10%)	75/75
Additional developments data					
Site energy use (MWh)		7,741	4,111	5,295	38/47
Site water use (m^3)		51,374	31,089	54,302	38/47
Waste diverted from landfill on developments (tonnes and %)		222,232 (95%)	52,366 (86%)	272,667 (92%)	38/47
Absolute Scope 3 emissions (tonnes CO_2e)[2]					
Occupier energy use – Offices Managed portfolio electricity and gas use		50,652	43,270	49,651	29/29
Occupier energy use – Retail Managed portfolio electricity and gas use		1,131	1,387	1,735	4/4
Lifecycle emissions – Offices, Retail and Residential Managed portfolio and head office		12,095	11,154	10,104	128/139
Water Managed portfolio		195	223	219	65/76
Embodied carbon Developments		93,215	157,100	175,300	6/9
Business travel by British Land staff Head office		168	252	212	1/1
Total		157,456	213,386	237,220	134/148

[1] As per EPRA best practice recommendations, total energy and water data covers energy and water procured by British Land. Energy, water and carbon intensity data covers whole building usage for Offices and common parts usage for shopping centres and retail parks.

[2] Energy data covers energy procured by British Land. The majority of retail energy use is procured directly by retail occupiers. For Scope 1 and 2 carbon data, please see page 48.

For more detailed data on all these indicators and additional indicators, please see our Full Data Report 2015: www.britishland.com/data.

TEN YEAR RECORD

The table below summarises the last ten years' results, cash flows and balance sheets. All figures are prepared under IFRS.

	2015 £m	2014 £m	2013 £m	2012 £m	2011 £m	2010 £m	2009 £m	2008 £m[5]	2007 £m	2006 £m
Income										
Gross rental income[1]	**618**	597	567	572	541	561	650	709	706	751
Net rental income	**585**	562	541	546	518	545	598	667	661	701
Fees and other income	**14**	15	15	17	18	15	20	40	50	50
Interest expense (net)	**(201)**	(202)	(206)	(218)	(212)	(246)	(292)	(350)	(370)	(436)
Administrative expense	**(85)**	(78)	(76)	(76)	(68)	(65)	(58)	(73)	(84)	(87)
Underlying profit	**313**	297	274	269	256	249	268	284	257	228
Exceptional costs (not included in underlying profit)[4]	**–**	–	–	–	–	–	(119)	–	(305)	(122)
Dividends declared	**277**	266	234	231	231	225	198	179	107	88
Summarised balance sheets										
Total properties at valuation[1,3]	**13,677**	12,040	10,499	10,337	9,572	8,539	8,625	13,471	16,903	14,414
Net debt	**(4,918)**	(4,890)	(4,266)	(4,690)	(4,173)	(4,081)	(4,941)	(6,413)	(7,741)	(6,684)
Other assets and liabilities	**276**	(123)	(266)	(266)	(298)	(51)	(297)	(122)	(300)	72
EPRA NAV/Fully diluted adjusted net assets	**9,035**	7,027	5,967	5,381	5,101	4,407	3,387	6,936	8,862	7,802
Cash flow movement – Group only										
Cash generated from operations	**318**	243	197	211	182	248	406	477	494	455
Cash outflow from operations	**(33)**	(24)	(7)	(5)	28	(112)	(201)	(295)	(275)	(351)
Net cash inflow from operating activities	**285**	219	190	206	210	136	205	182	219	104
Cash (outflow) inflow from capital expenditure, investments, acquisitions and disposals	**(204)**	(660)	(202)	(547)	(240)	(39)	418	857	(54)	986
Equity dividends paid	**(228)**	(159)	(203)	(212)	(139)	(154)	(188)	(161)	(91)	(84)
Cash inflow (outflow) from management of liquid resources and financing	**113**	607	213	630	157	(485)	(58)	(830)	(11)	(1,025)
(Decrease) increase in cash[6]	**(34)**	7	(2)	77	(12)	(542)	377	48	63	(19)
Capital returns										
Growth in net assets[2]	**28.6%**	17.8%	10.9%	5.5%	15.7%	30.1%	(51.1%)	(21.6%)	13.6%	31.9%
Total return[4]	**24.5%**	20.0%	4.5%	9.5%	17.7%	33.5%	(61.6%)	(18.1%)	14.3%	33.2%
Total return – pre-exceptional	**24.5%**	20.0%	4.5%	9.5%	17.7%	33.5%	(60.3%)	(18.1%)	21.3%	34.6%
Per share information[8]										
Net asset value per share	**829p**	688p	596p	595p	567p	504p	398p	1,114p	1,394p	1,231p
Memorandum:										
Dividends declared in the year	**27.7p**	27.0p	26.4p	26.1p	26.0p	26.0p	29.8p	29.0p	16.9p	14.1p
Dividends paid in the year	**27.3p**	26.7p	26.3p	26.0p	26.0p	27.3p	30.0p	26.7p	14.4p	13.3p
Diluted earnings:										
Underlying earnings per share	**30.6p**	29.4p	30.3p	29.7p	28.5p	28.4p	41.0p	44.3p	35.9p	29.4p
IFRS earnings (loss) per share[4,7]	**167.3p**	110.2p	31.5p	53.8p	95.2p	132.6p	(614.1p)	(251.0p)	389.4p	188.3p

1 Including share of results of joint ventures and funds on a proportional basis.
2 Represents movement in diluted EPRA NAV.
3 Including surplus over book value of trading and development properties.
4 Including exceptional finance costs in 2006 £122m, 2007 £305m and 2009 £119m.
5 2008 restated for IFRS. The UK GAAP accounts shows gross rental income of £620m and underlying profit of £175m.
6 Represents movement in cash and cash equivalents under IFRS and movements in cash under UK GAAP.
7 Under UK GAAP the revaluation of investment properties is not included in earnings per share.
8 Adjusted for the rights issue of 341m shares in March 2009.

SHAREHOLDER INFORMATION

Financial calendar

2015	
Fourth quarter ex-dividend date	02 July 2015
Fourth quarter dividend payment date	07 August 2015

2016	
First quarter Trading Statement	20 July 2015
First quarter ex-dividend date	1 October 2015
First quarter dividend payment date	6 November 2015
Half year results	17 November 2015
Second quarter ex-dividend date	January 2016
Second quarter dividend payment date	February 2016
Third quarter Trading Statement	January 2016
Third quarter ex-dividend date	April 2016
Third quarter dividend payment date	May 2016
Full year results	May 2016
Fourth quarter ex-dividend date	July 2016
Fourth quarter dividend payment date	August 2016

The Board will announce the availability of a Scrip Alternative for each dividend via the Regulatory News Service and on the Group's website www.britishland.com, no later than four business days before each ex-dividend date. For the fourth quarter dividend of 2015, the Board expects to announce the split between PID and non-PID income at the same time. Any Scrip Alternative will not be enhanced.

Analysis of shareholders – 31 March 2015

Range	Number of holdings	%	Balance as at 31 March 2015[1]	%
1–1,000	8,017	53.80	3,813,029	0.37
1,001–5,000	5,099	34.21	10,918,783	1.06
5,001–20,000	898	6.03	8,481,924	0.82
20,001–50,000	270	1.81	8,748,128	0.85
50,001–Highest	619	4.15	999,826,422	96.90
Total	14,903	100	1,031,788,286	100

Holder type	Number of holders	%	Balance as at 31 March 2015[1]	%
Individuals	6,954	46.66	12,293,027	1.19
Nominee and institutional investors	7,949	53.34	1,019,495,259	98.81
Total	14,903	100	1,031,788,286	100

[1] Excluding 11,266,245 shares held in treasury.

SHAREHOLDER INFORMATION CONTINUED

Registrars
British Land's Share Registrar is Equiniti Limited (Equiniti), who can be contacted at: Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA.

The Shareholder Helpline is: 0871 384 2143. Calls cost 8 pence per minute plus network extras. Lines are open from 8.30am to 5.30pm, Monday to Friday. The general enquiries number for overseas callers is: +44 (0)121 415 7047.

Equiniti's website is: www.shareview.co.uk. Registering on this site will enable you to, amongst other features:
- view your British Land shareholding online;
- update your details; and
- opt to receive shareholder mailings electronically.

Equiniti is also the Registrar for the BLD Property Holdings Limited Stock.

Bank of New York (operating through Capita) is British Land's Debentures Registrar and they can be contacted at: The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU.

The Bondholder Enquiry Line is: 0871 664 0300. Calls cost 10 pence per minute plus network extras. Lines are open from 9.00am to 5.30pm, Monday to Friday.

Share dealing service
Equiniti offers Shareview, a service which allows you to buy or sell British Land shares if you are a UK resident.

You can deal in your shares on the internet or by phone. Log on to www.shareview.co.uk/dealing or call 0845 603 7037 between 8.30am and 4.30pm, Monday to Friday, for more information about Shareview and for details of the rates. If you are an existing shareholder, you will need your shareholder reference number which appears on your share certificate.

Dividends
As a REIT, British Land pays Property Income Distribution (PID) and non-Property Income Distribution (non-PID) dividends. More information on REITs and PIDs can be found in the glossary on page 195, or in the Investors section of our website at www.britishland.com/dividends

British Land dividends can be paid directly into your bank or building society account instead of being despatched to you by cheque. More information about the benefits of having dividends paid directly into your bank or building society account, and the mandate form to set this up, can be found in the Investors section of our website at www.britishland.com/dividends

Scrip Dividend Scheme
British Land offers the opportunity to participate in the Scrip Dividend Scheme, which enables participating shareholders to receive shares instead of cash when a Scrip Alternative is offered for a particular dividend. For more information and for details of how to sign up to the Scrip Dividend Scheme, please visit the Investors section of our website at www.britishland.com/dividends/scrip-dividend-scheme

Honorary President
Sir John Ritblat became Managing Director of British Land in 1970 and Chairman in 1971. He retired from the Board in December 2006 and was appointed Honorary President, in recognition of his work building British Land into the industry leading company it is today.

Website and shareholder communications
The British Land corporate website contains a wealth of material for shareholders, including the current share price, press releases and information on, among other things, REITs and dividends. The website can be accessed at www.britishland.com

If you currently receive paper copies of shareholder communications, you may prefer to receive electronic copies via the British Land website instead. When a document is produced for shareholders you will receive an email containing a link directly to the new document.

If you would like further information, or would like to elect for website delivery of shareholder communications, please visit www.shareview.co.uk or telephone the Shareholder Helpline.

Annual General Meeting
The Annual General Meeting of The British Land Company PLC will be held at The Montcalm London Marble Arch, 34-40 Great Cumberland Place, London W1H 7TW on 21 July 2015, at 11.00am.

ShareGift
Shareholders with a small number of shares, the value of which makes it uneconomic to sell them, may wish to consider donating them to the charity ShareGift (registered charity 1052686), which specialises in using such holdings for charitable benefit.

A ShareGift transfer form can be obtained from Equiniti.

For further information, contact:

ShareGift
17 Carlton House Terrace
London SW1Y 5AH
Telephone: +44 (0)20 7930 3737
Website: www.sharegift.org

Unsolicited mail
On request, British Land is legally required to make its share register available to other organisations. The Mailing Preference Service is an independent organisation offering free services to help reduce the amount of unsolicited mail you receive. For more information, or to register, visit: www.mpsonline.org.uk

Registered Office
The British Land Company PLC's registered office is:

York House
45 Seymour Street
London W1H 7LX

Telephone: +44 (0)20 7486 4466
Fax: +44 (0)20 7935 5552

GLOSSARY

Annualised rent is the gross property rent receivable on a cash basis as at the reporting date. Additionally, it includes the external valuers' estimate of additional rent in respect of unsettled rent review, turnover rent and sundry income such as that from car parks and commercialisation, less any ground rents payable under head leases.

Assets under management is the full value of all assets managed by British Land and includes 100% of the value of all joint ventures and funds.

BREEAM (Building Research Establishment Environmental Assessment Method) assesses the sustainability of buildings against a range of social and environmental criteria.

Capital return is calculated as the change in capital value of the UK portfolio, less any capital expenditure incurred, expressed as a percentage of capital employed over the period, as calculated by IPD. Capital returns are calculated monthly and indexed to provide a return over the relevant period.

Capped rents are rents subject to a maximum level of uplift at the specified rent reviews as agreed at the time of letting.

Collar rents are rents subject to a minimum level of uplift at the specified rent reviews as agreed at the time of letting.

Contracted rent is the annualised rent adjusting for the inclusion of rent subject to rent free periods.

Customer satisfaction our definition of customer satisfaction has this year been expanded to include consumers as well as occupiers, to better relate to our focus on creating Places People Prefer. This year we have included exit survey data for consumer satisfaction in the retail business (FY2014-15 vs FY2013-14), as well as office and retail occupier satisfaction scores, and in future we aim to be able to further expand to include consumer satisfaction for other sectors.

Developer's profit is the profit on cost estimated by the valuers that a developer would expect. The developer's profit is typically calculated by the valuers to be a percentage of the estimated total development costs, including land and notional finance costs.

Development uplift is the total increase in the value (after taking account of capital expenditure and capitalised interest) of properties held for development during the period. It also includes any developer's profit recognised by valuers in the period.

Development cost is the total cost of construction of a project to completion, excluding site values and finance costs (finance costs are assumed by the valuers at a notional rate of 5.5% per annum).

EPRA is the European Public Real Estate Association, the industry body for European REITs.

EPRA Cost Ratio (including direct vacancy costs) is the ratio of net overheads and operating expenses against gross rental income (with both amounts excluding ground rents payable). Net overheads and operating expenses relate to all administrative and operating expenses including the share of joint ventures' overheads and operating expenses, net of any service fees, recharges or other income specifically intended to cover overhead and property expenses.

EPRA Cost Ratio (excluding direct vacancy costs) is the ratio calculated above, but with direct vacancy costs removed from net overheads and operating expenses balance.

EPRA earnings is the profit after taxation excluding investment and development property revaluations and gains/losses on disposals, changes in the fair value of financial instruments and associated close-out costs and their related taxation.

EPRA NAV per share is EPRA NAV divided by the diluted number of shares at the period end.

EPRA net assets (EPRA NAV) are the balance sheet net assets excluding the mark-to-market on effective cash flow hedges and related debt adjustments and deferred taxation on revaluations.

EPRA net initial yield is the annualised rents generated by the portfolio, after the deduction of an estimate of annual recurring irrecoverable property outgoings, expressed as a percentage of the portfolio valuation (adding notional purchaser's costs), excluding development and residential properties.

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

EPRA Topped-Up Net Initial Yield is the current annualised rent, net of costs, topped-up for contracted uplifts, where these are not in lieu of rental growth, expressed as a percentage of capital value, after allowing for notional purchaser's costs.

EPRA vacancy rate is the estimated market rental value (ERV) of vacant space divided by ERV of the whole portfolio, excluding developments and residential property. This is the inverse of the occupancy rate.

Estimated Rental Value (ERV) is the external valuers' opinion as to the open market rent which, on the date of valuation, could reasonably be expected to be obtained on a new letting or rent review of a property.

GLOSSARY CONTINUED

Fair value movement is accounting adjustment to change the book value of an asset or liability to its market value.

Footfall is the annualised number of visitors entering our assets (calculated on a weighted basis).

Gross investment activity as measured by our share of acquisitions, sales and investment in committed development.

Gross rental income is the gross accounting rent receivable (quoted either for the period or on an annualised basis) prepared under IFRS which requires that rental income from fixed / minimum guaranteed rent reviews and tenant incentives is spread on a straight-line basis over the entire lease to first break. This can result in income being recognised ahead of cash flow.

Group is The British Land Company PLC and its subsidiaries and excludes its share of joint ventures and funds (where not treated as a subsidiary) on a line-by-line basis (i.e. not proportionally consolidated).

Headline rent is the contracted gross rent receivable which becomes payable after all the tenant incentives in the letting have expired.

IFRS are the International Financial Reporting Standards as adopted by the European Union.

Income return is calculated as net income expressed as a percentage of capital employed over the period, as calculated by IPD. Income returns are calculated monthly and indexed to provide a return over the relevant period.

Interest cover is the number of times net interest payable is covered by underlying profit before net interest payable and taxation.

IPD is Investment Property Databank Ltd which produces an independent benchmark of property returns and British Land UK portfolio returns.

Lettings and lease renewals are compared both to the previous passing rent as at the start of the financial year and the ERV immediately prior to letting. Both comparisons are made on a net effective basis.

Leverage see loan to value (LTV).

Like-for-like ERV growth is the change in ERV over a period on the standing investment properties expressed as a percentage of the ERV at the start of the period. Like-for-like ERV growth is calculated monthly and compounded for the period subject to measurement, as calculated by IPD.

Like-for-like rental income growth is the growth in net rental income on properties owned throughout the current and previous periods under review. This growth rate includes revenue recognition and lease accounting adjustments but excludes properties held for development in either period and properties with guaranteed rent reviews.

Loan to value (LTV) is the ratio of principal value of gross debt less cash, short term deposits and liquid investments to the aggregate value of properties and investments.

Mark-to-market is the difference between the book value of an asset or liability and its market value.

Multi-channel retailing is the use of a variety of channels in a customer's shopping experience, including research, before a purchase. Such channels include: retail stores, online stores, mobile stores, mobile app stores, telephone sales and any other method of transacting with a customer. Transacting includes browsing, buying, returning as well as pre- and post-sale service.

Net Development Value is the estimated end value of a development project as determined by the external valuers for when the building is completed and fully let (taking into account tenant incentives and notional purchaser's costs). It is based on the valuers view on ERVs, yields, letting voids and rent-frees.

Net effective rent is the contracted gross rent receivable taking into account any rent-free period or other tenant incentives. The incentives are treated as a cost-to-rent and spread over the lease to the earliest termination date.

Net equivalent yield is the weighted average income return (after allowing for notional purchaser's costs) a property will produce based upon the timing of the income received. In accordance with usual practice, the equivalent yields (as determined by the external valuers) assume rent is received annually in arrears.

Net Initial Yield is the current annualised rent, net of costs, expressed as a percentage of capital value, after allowing for notional purchaser's costs.

Net rental income is the rental income receivable in the period after payment of direct property outgoings which typically comprise ground rents payable under head leases, void costs, net service charge expenses and other direct irrecoverable property expenses. Net rental income is quoted on an accounting basis. Net rental income will differ from annualised net cash rents and passing rent due to the effects of income from rent reviews, net property outgoings and accounting adjustments for fixed and minimum contracted rent reviews and lease incentives.

Net reversionary yield is the anticipated yield to which the initial yield will rise (or fall) once the rent reaches the estimated rental value.

Occupancy rate is the estimated rental value of let units as a percentage of the total estimated rental value of the portfolio, excluding development properties. It includes accommodation under offer or subject to asset management (where they have been taken back for refurbishment and are not available to let as at the balance sheet date).

Omni-channel retailing is the evolution of multi-channel retailing, but is concentrated more on a seamless approach to the consumer experience through all available shopping channels i.e. mobile internet devices, computers, bricks and mortar, television, radio, direct mail, catalogue, etc.

Over rented is the term used to describe when the contracted rent is above the estimated rental value (ERV).

Overall 'topped-up' net initial yield is the EPRA Net 'topped-up' Initial Yield, adding all contracted uplifts to the annualised rents.

Passing rent is the gross rent, less any ground rent payable under head leases.

Portfolio valuation movement is the increase in value of the portfolio of properties held at the balance sheet date and net sales receipts of those sold during the period, expressed as a percentage of the capital value at the start of the period plus net capital expenditure, capitalised interest and transaction costs.

Property Income Distributions (PIDs) are profits distributed to shareholders which are subject to tax in the hands of the shareholders as property income. PIDs are normally paid net of withholding tax currently at 20% which the REIT pays to the tax authorities on behalf of the shareholder. Certain types of shareholder (i.e. pension funds) are tax exempt and receive PIDs without withholding tax. Property companies also pay out normal dividends, called non-PIDs, which are treated as normal dividends and are not subject to withholding tax.

Property valuation is reported by the Group's external valuers. In accordance with usual practice, they report valuations net, after the deduction of the notional purchaser's costs, including stamp duty land tax, agent and legal fees.

Rack rented is the term used to describe when the contracted rent is in line with the estimated rental value (ERV), implying a nil reversion.

Rent-free period see Tenant (or lease) incentives.

REITs are property companies that allow people and organisations to invest in commercial property and receive benefits as if they directly owned the properties themselves. The rental income, after costs, is passed directly to shareholders in the form of dividends. In the UK REITs are required to distribute at least 90% of their tax exempt property income to shareholders as dividends. As a result, over time, a significant proportion of the total return for shareholders is likely to come from dividends. The effect is that taxation is moved from the corporate level to the investor level as investors are liable for tax as if they owned the property directly. British Land became a REIT in January 2007

Rent reviews take place at intervals agreed in the lease (typically every five years) and their purpose is usually to adjust the rent to the current market level at the review date. For upwards-only rent reviews, the rent will either remain at the same level or increase (if market rents have increased) at the review date.

Rents with fixed and minimum uplifts are either where rents are subject to contracted uplifts at a level agreed at the time of letting; or where the rent is subject to an agreed minimum level of uplift at the specified rent review.

Retail planning consents are separated between A1, A2 and A3 – as set out in The Town and Country Planning (Use Classes) Order. Within the A1 category, Open A1 permission allows for any type of retail to be accommodated, while Restricted A1 permission places limits on the types of retail that can operate (for example, a restriction that only bulky goods operators are allowed to trade at that site).

Class	Description	Use for all/any of the following purposes
A1	Shops	Shops, retail warehouses, hairdressers, undertakers, travel and ticket agencies, post offices, pet shops, sandwich bars, showrooms, domestic hire shops, dry cleaners, funeral directors and internet cafes.
A2	Financial and professional services	Financial services such as banks and building societies, professional services (other than health and medical services) and including estate and employment agencies. It does not include betting offices or pay day loan shops - these are now classed as "sui generis" uses.
A3	Restaurants and cafes	For the sale of food and drink for consumption on the premises - restaurants, snack bars and cafes.
D2	Assembly and leisure	Cinemas, music and concert halls, bingo and dance halls (but not night clubs), swimming baths, skating rinks, gymnasiums or areas for indoor or outdoor sports and recreations.

Reversion is the increase in rent estimated by the external valuers, where the passing rent is below the estimated rental value. The increases to rent arises on rent reviews and lettings.

Scrip dividend British Land offers its shareholders the opportunity to receive dividends in the form of shares instead of cash. This is known as a Scrip dividend.

Standing investments are assets which are directly held and not in the course of development.

GLOSSARY CONTINUED

Tenant (or lease) incentives are incentives offered to occupiers to enter into a lease. Typically this will be an initial rent-free period, or a cash contribution to fit-out. Under accounting rules the value of lease incentives is amortised through the income statement on a straight-line basis to the earliest lease termination date.

TMT stands for technology, media and telecommunications.

The residual site value of a development is calculated as the estimated (net) development value, less development profit, all development construction costs, finance costs (assumed at a notional rate) of a project to completion and notional site acquisition costs. The residual is determined to be the current site value.

Topping out is a traditional construction ceremony to mark the occasion when the structure of the building reaches the highest point.

Total property return is calculated as the change in capital value, less any capital expenditure incurred, plus net income, expressed as a percentage of capital employed over the period, as calculated by IPD. Total property returns are calculated monthly and indexed to provide a return over the relevant period.

Total return (total accounting return) is the growth in EPRA NAV plus dividends paid, and this can be expressed as a percentage of EPRA NAV per share at the beginning of the period.

Total Shareholder Return is the growth in value of a shareholding over a specified period, assuming dividends are reinvested to purchase additional units of stock.

Total tax contribution is a more comprehensive view of tax contributions than the accountancy-defined tax figure quoted in most financial statements. It comprises taxes and levies paid directly, as well as taxes collected from others which we administered.

Turnover rents is where all or a portion of the rent is linked to the sales or turnover of the occupier.

Under rented is the term used to describe when the contracted rent is below the estimated rental value (ERV), implying a positive reversion.

Underlying earnings per share (EPS) consists of underlying profit after tax divided by the diluted weighted average number of shares in issue during the period.

Underlying profit before tax is the pre-tax EPRA earnings measure with additional Company adjustments. Adjustments include mark-to-market adjustments on, or profits on disposal of, held for trading assets, mark-to-market adjustments on the convertible bond and issue costs of the convertible bond.

Virtual freehold represents a long leasehold tenure for a period of up to 999 years. A 'peppercorn', or nominal, rent is paid annually.

Weighted average debt maturity – each tranche of Group debt is multiplied by the remaining period to its maturity and the result is divided by total Group debt in issue at the period end.

Weighted average interest rate is the Group loan interest and derivative costs per annum at the period end, divided by total Group debt in issue at the period end.

Weighted average unexpired lease term is the average lease term remaining to first break, or expiry, across the portfolio weighted by contracted rental income (including rent-frees). The calculation excludes residential leases and properties allocated as developments.

Yield compression occurs when the net equivalent yield of a property decreases, measured in basis points.

Yield on cost is the estimated annual rent of the completed development divided by the total cost of development including site value and notional finance costs to the point of assumed rent commencement, expressed as a percentage return.

Yield shift is a movement (usually expressed in bps) in the yield of a property asset, or like-for-like portfolio, over a given period. Yield compression is a commonly-used term for a reduction in yields.

Forward-looking statements

This Report contains certain 'forward-looking' statements. Such statements reflect current views on, among other things, our markets, activities, projections, objectives and prospects. Such 'forward-looking' statements can sometimes, but not always, be identified by their reference to a date or point in the future or the use of 'forward-looking' terminology, including terms such as 'believes', 'estimates', 'anticipates', 'expects', 'forecasts', 'intends', 'due', 'plans', 'projects', 'goal', 'outlook', 'schedule' 'target', 'aim', 'may', 'likely to', 'will', 'would', 'could', 'should' or similar expressions or in each case their negative or other variations or comparable terminology. By their nature, forward-looking statements involve inherent risks, assumptions and uncertainties because they relate to future events and depend on circumstances which may or may not occur and may be beyond our ability to control or predict. Forward-looking statements should be regarded with caution as actual results may differ materially from those expressed in or implied by such statements.

Important factors that could cause actual results, performance or achievements of British Land to differ materially from any outcomes or results expressed or implied by such forward-looking statements include, among other things: (a) general business and political, social and economic conditions globally, (b) industry and market trends (including demand in the property investment market and property price volatility), (c) competition, (d) the behaviour of other market participants, (e) changes in government and other regulation, including in relation to the environment, health and safety and taxation (in particular, in respect of British Land's status as a Real Estate Investment Trust), (f) inflation and consumer confidence, (g) labour relations and work stoppages, (h) natural disasters and adverse weather conditions, (i) terrorism and acts of war, (j) British Land's overall business strategy, risk appetite and investment choices in its portfolio management, (k) legal or other proceedings against or affecting British Land, (l) reliable and secure IT infrastructure, (m) changes in occupier demand and tenant default, (n) changes in financial and equity markets including interest and exchange rate fluctuations, (o) changes in accounting practices and the interpretation of accounting standards and (p) the availability and cost of finance. The Company's principal risks are described in greater detail in the section of this Report headed Managing risk in delivering our strategy. Forward-looking statements in this Report, or the British Land website or made subsequently, which are attributable to British Land or persons acting on its behalf should therefore be construed in light of all such factors.

Information contained in this Report relating to British Land or its share price or the yield on its shares are not guarantees of, and should not be relied upon as an indicator of, future performance. Any forward-looking statements made by or on behalf of British Land speak only as of the date they are made. Such forward-looking statements are expressly qualified in their entirety by the factors referred to above and no representation, assurance, guarantee or warranty is given in relation to them (whether by British Land or any of its associates, directors, officers, employees or advisers), including as to their completeness, accuracy or the basis on which they were prepared.

Other than in accordance with our legal and regulatory obligations (including under the UK Financial Conduct Authority's Listing Rules and Disclosure Rules and Transparency Rules), British Land does not intend or undertake to update or revise forward-looking statements to reflect any changes in British Land's expectations with regard thereto or any changes in information, events, conditions or circumstances on which any such statement is based. This document shall not, under any circumstances, create any implication that there has been no change in the business or affairs of British Land since the date of this document or that the information contained herein is correct as at any time subsequent to this date.

Design and production
Addison Group
addison-group.net

Board photography Barry Willis
Print CPI Colour

Printed on Amadeus 50:50 Silk, a recycled paper containing 50% recycled waste and 50% virgin fibre. It is manufactured at a paper mill certified with ISO 14001 environmental management standard. The paper is Forest Stewardship Council (FSC) certified. The pulp used in this product is bleached using Elemental chorine Free process (ECF).

Printed by CPI Colour, an ISO 14001, FSC and CarbonNeutral® printing company.

Head Office and registered office
York House
45 Seymour Street
London
W1H 7LX
Telephone +44 (0)20 7486 4466
Fax +44 (0)20 7935 5552

www.britishland.com

info@britishland.com

@BritishLandPLC

British Land