British Land

News Release

The British Land Company PLC

Full year results for the year ended 31 March 2020

27 May 2020

The British Land Company PLC Full Year Results

27 May 2020

Chris Grigg, Chief Executive said: "Like businesses around the world, in recent months our focus has been on responding to the unprecedented challenges brought about by Covid-19. We have acted quickly and effectively to support our customers, partners and local communities and to protect the long term value of our business. Throughout this time, the safety and wellbeing of our team has been our key priority. Now, more than ever, we are benefitting from their expertise and experience and across our business, they have demonstrated their commitment, resilience and good humour for which I and the Board are extremely grateful.

Over the year we made further good operational and strategic progress and this stands us in good stead today. We have continued to lease well in London and committed developments are close to completion and nearly full, locking in £54m future rents. We have a resolution to grant planning at Canada Water and opportunities throughout our pipeline which we can progress when the time is right. This was already a difficult year for retailers, many of whom have been severely impacted by the lockdown and the early effects of the crisis were reflected in the value of our Retail portfolio.

More broadly, we expect the major trends that inform our strategy to accelerate. This includes the shift to online retail, reinforcing our focus on delivering a more focused Retail business and we made progress on this with £296m of retail sales. All of our offices are in London, and here we expect demand to further polarise towards safe, modern, sustainable and well located workspace. This is exactly what we deliver at our campuses. Sustainability is a key part of that offer, and today we set out ambitious new targets which include delivering a net zero carbon portfolio by 2030.

Near term, we are expecting the offices market to be more cautious, but we continue to conduct virtual viewings and are encouraged by negotiations we are having. In Retail, given current valuations and the lack of liquidity in the investment market, our focus is on delivering value though asset management, working to keep our places full and exploiting demand for assets which support an online offer. Our financial position is robust with debt low, significant covenant headroom and access to £1.3bn of undrawn facilities and cash so we are well placed to weather today's challenges and succeed in the long term."

Update on financial position & operational impact of Covid-19

- **Financial strength and significant covenant headroom – well positioned for today's challenges**
  - £1.3bn undrawn facilities and cash with no requirement to refinance until 2024; £450m ESG-linked RCF agreed in March 2020; further £925m of facilities extended
  - Significant headroom to debt covenants; the Group could withstand a further valuation fall of 45% before any mitigating actions; no income or interest cover covenants on Group unsecured debt
  - Debt remains low, with LTV at 34.0%; weighted average interest rate reduced to 2.5%
- **Operational performance – proactively supporting our customers to protect long term value**
  - Smaller retail, food & beverage and leisure customers released from rental obligations for three months to June; financial impact in terms of lost rent of £2m
  - c.£35m of rent deferred to customers experiencing financial challenges as a result of Covid-19
  - 68% of March rent collected; 97% offices and 43% retail
  - As previously announced, dividends are temporarily suspended. As a result, FY20 dividend down 48%. Dividends will resume at an appropriate level as soon as there is sufficient clarity of outlook
  - Refocusing our existing Community Investment Fund to respond to the crisis, including funding expert, strategic advice for community partners and employment support for staff at our retailers and suppliers
- **Well prepared for the future**
  - All but two assets open and operational; 270 retail units trading representing 15% of total
  - Well placed to respond to new ways of shopping; retail parks more conducive to mission-based trips and social distancing more easily managed; benefitting from in-house property management business
  - Progressing 220,000 sq ft office deals under offer; further 160,000 sq ft in negotiation; responded to 375,000 sq ft of RFPs since the crisis began
  - 100 Liverpool Street now expected to PC in Q3 2020 and 1 Triton Square in Q2 2021

FY20 REVIEW

Summary performance

Year ended 31 March	2019	2020	Change
Income statement			
Underlying earnings per share [2]	34.9p	32.7p	(6.3)%
Underlying Profit	£340m	£306m	(10.0)%
IFRS loss after tax	£(320)m	£(1,114)m	
IFRS basic earnings per share	(30.0)p	(110.0)p	
Dividend per share	31.00p	15.97p	(48.5)%
Total accounting return [2]	(3.3)%	(11.0)%	
Balance sheet			
Portfolio at valuation (proportionally consolidated)	£12,316m	£11,157m	(10.1)%[1]
EPRA Net Asset Value per share[2]	905p	774p	(14.5)%
IFRS net assets	£8,689m	£7,147m	
Loan to value ratio (proportionally consolidated)	28.1%	34.0%	
Operational Statistics			
Lettings and renewals	2.7m sq ft	2.3m sq ft	
Gross investment activity	£1.8bn	£0.9bn	
Committed and recently completed development	1.6m sq ft	1.6m sq ft	
Sustainability Performance			
MSCI ESG	AAA rating	AAA rating	
GRESB	4* and Green Star	4* and Green Star	

Underlying resilience but performance impacted by Covid-19

- Underlying EPS down 6.3% following £900m of net income producing sales over the last two years
- Valuation decline led to IFRS loss of £1,114m
- Portfolio value down 10.1%; Retail down 26.1%, Offices up 2.3% and developments up 6.5%
- EPRA NAV down 14.5% at 774p

Progress on strategy: Becoming the specialist in mixed use

- **Campus-focused London Offices: Continued good progress across the year**
  - 946,000 sq ft of leasing activity representing £40m of headline rents; 97% occupancy
  - Lettings and renewals on the investment portfolio 9.1% ahead of ERV
  - Completed & committed developments 88% pre-let, adding £62m of rent when fully let
  - Significant development optionality within the portfolio. 7.1m sq ft near and medium term pipeline
- **Smaller, more focused Retail: Supporting our customers**
  - 1,361,000 sq ft of leasing activity; deals of more than one year 4% below passing rents; 96% occupancy
  - £296m retail sales (our share), overall 5% ahead of book value
  - CVAs and administrations reducing annualised contracted rent by £11.3m
- **Secured resolution to grant planning for our Canada Water Masterplan; valuation up 9.8%**

5 year 2020 sustainability programme completed; 2030 Sustainability Strategy launched

- **Key achievements from 2020 programme**
  - 73% reduction in landlord carbon intensity
  - 55% reduction in landlord energy intensity over ten years
  - 1,745 people supported into jobs through Bright Lights, our skills and employment programme
- **New strategy launched; ambitious targets including a commitment to be net zero carbon by 2030**
  - All future developments to be net zero carbon; 50% less embodied carbon on all major developments by 2030
  - 75% less carbon at our operations by 2030; Transition Fund established to finance retrofitting of standing portfolio, including R&D; funded by an internal price for carbon of £60/tonne
  - Rolling out successful place-based approach to community engagement across the portfolio

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

Results Presentation Conference Call

A presentation of the results will be broadcast via conference call and slides to accompany the call will be displayed along with a live audio broadcast via the website (Britishland.com) at 8.30am on 27 May 2020. The details for the conference call and weblink are as follows:

UK Toll Free Number:	0800 640 6441
Password:	635830
Click for access:	Audio weblink

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

Replay number:	020 3936 3001
Passcode:	910677

The accompanying slides will be made available at britishland.com just prior to the event starting.

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CHIEF EXECUTIVE'S REVIEW

Covid-19 has brought about an unprecedented situation for our business and our people, as we have had to adapt quickly to new working conditions. One of our company values is to be smarter together, and never has this been more evident right across British Land. The resilience, humour and efficiency with which our team has responded, many working under very challenging circumstances, at our assets, or at home, has been remarkable – and I thank them all on behalf of the Board and leadership team. Reflecting the Covid-19 situation, my review will start with an update on current conditions before covering the financial year.

Covid-19 impact & response

Our immediate priority has been to work alongside and support the communities in which we operate, our suppliers and those customers most affected to protect the long term value of our business. To help do this, we have released smaller retail, food & beverage and leisure customers from their rental obligations for the three months to June; the financial impact of this in terms of lost rent is £2m. Recognising that many other customers, particularly those operating in the retail, food & beverage and leisure sectors are experiencing challenges as a result of Covid-19, we offered to defer their March rents, and will spread repayment over six quarters from September 2020. Around £35m of rent deferrals have been agreed.

Overall, we have collected 68% of the rent originally due for the March quarter (97% for Offices and 43% for Retail), which equates to 91% adjusting for rent deferred, forgiven or moved to monthly payments. The balance owing is primarily from strong retailers.

The value of the retail portfolio declined 26.1% as ongoing structural challenges were exacerbated at the year end valuation date by the early effects of Covid-19. Offices saw an uplift of 2.3% so overall the portfolio was down 10.1%.

In Offices, occupiers are working on plans to get back to the workplace and most feel that it is too early to make fundamental long term changes around their requirements. However, we are mindful that the trend towards greater flexibility may accelerate following this prolonged period of working from home. At the same time, there will be a greater focus on high quality, modern and safe environments, which provide more space per person and we expect the trend towards higher density offices and hot desking to reverse. We continue to make progress on leasing discussions, particularly larger space requirements, which are generally on a longer time frame. Supply at this end of the market remains constrained. Where occupiers are looking for smaller spaces, on a shorter timeframe progress has been delayed due to remote working, and uncertainty around fit out and timing of occupation. We are conducting virtual viewings and have now commenced physical viewings and are encouraged by the level of activity we are seeing.

We suspended work on our developments in March for health and safety reasons, although this has now recommenced at all major sites, including our two largest development sites at 100 Liverpool Street and 1 Triton Square. This work has started with a clear focus on social distancing and safety, meaning that the numbers of people on site is reduced and our productivity is lower. 100 Liverpool Street is now expected to complete in calendar Q3 2020 and subject to social distancing requirements, we are targeting calendar Q2 2021 at 1 Triton Square. We completed 135 Bishopsgate in the year, and the space is now being fitted out, albeit progress will inevitably be slower. When appropriate, we are ready to start work on the next phase of our development programme at 1 Broadgate and Norton Folgate.

We benefit from the work we have done over several years to strengthen our balance sheet. Our leverage increased modestly to 34% and we have access to £1.3bn of undrawn bank facilities and cash. We successfully completed our first ESG linked RCF of £450m and extended £925m of facilities, providing additional flexibility and meaning that we have no requirement to refinance until 2024. We have significant headroom to our debt covenants, meaning we could withstand a fall in asset values across the portfolio of 45% prior to taking any mitigating actions. There are no income or interest cover covenants on the Group's unsecured debt.

Longer term, it is our view that many of the macro trends that have informed our strategy will accelerate. This includes the growth of online shopping, reinforcing our focus on delivering a smaller, more focused retail business. We continue to believe there remains a role for the right kind of retail within our portfolio especially assets that can play a key role for

retailers in terms of fulfilment of online sales, returns and click and collect. This will particularly be the case for well located, open air retail parks, which lend themselves to more mission-based shopping and people may feel more comfortable visiting, as well as those London assets located conveniently in-and-around key transport hubs. We also expect demand to polarise towards workspace which is high quality, modern and sustainable and supports more flexible working patterns, and this plays well to the space we provide including through Storey. However, it remains early days and we do not yet have clarity around what long term trends will emerge so we will remain alert as things develop and flexible in our approach, including evolving or adapting our strategy as appropriate. Near term, it is clear that the management and maintenance of places and buildings is likely to become more important to businesses, their customers and their people, as they place an even greater focus on the safety and quality of their environments. As a result, our property management expertise is likely to become even more of a positive differentiator for our business.

Review of the year ended March 2020

Occupancy remains high at 97% across our London campuses and 96% in Retail. We signed 946,000 sq ft of lettings and renewals in London and 1,361,000 sq ft in Retail over the year. Our progress on development leasing means that £54m of future rental income is secured and speculative exposure is low at just 0.6% of portfolio value.

Reflecting the broader appeal of our campuses, we saw strong demand for repurposed as well as new space with challenger bank Monzo signing at Broadgate and Visa recommitting at Paddington Central. Storey is operational across 297,000 sq ft and occupancy on the stabilised portfolio is 92%. The Offices portfolio saw an uplift in value of 2.3%, led by a strong performance at Broadgate, up 4.7%.

In Retail, we have been pragmatic in our approach to leasing, accepting lower rents and shorter leases where it makes sense to maintain occupancy. Overall, deals of more than one year were 4% below previous passing rent. CVAs and administrations impacted 118 units in the year of which 29% were unaffected; rent reductions resulted in a loss of £5.5m in contracted rent, with store closures accounting for a further £5.8m, together totalling £11.3m on an annualised basis. Several of our customers entered administration post year end, accounting for a further £5.1m of lost contracted rent. Overall, reflecting ongoing challenges in the market and with uncertainty heightened as a result of Covid-19, valuations were down 26.1% in Retail.

At Canada Water, our valuation increased 9.8% reflecting progress on planning and we were delighted to receive a resolution to grant planning on our 53 acre scheme with detailed permission on the first three buildings. This is a major milestone for our process and is the culmination of five years masterplanning and engagement with the local community.

Capital Allocation

In November 2018 we announced a plan to reduce retail to 30-35% of our portfolio over the medium term. Because of valuation declines in Retail, we have now reached this level. However, that does not mean we have achieved our aspirations and over time we expect to make further selective retail sales. Our revised plan is for retail to comprise 25-30% of the portfolio. We have made £296m of retail disposals (our share) in the year, bringing total retail sales since we set out our plan in November 2018 to £610m. Making sales is more challenging in the current market, with a lack of liquidity and depressed values, and so our immediate focus will be on driving value through intensive asset management, keeping our centres as full as possible and exploiting demand for assets which support instore fulfilment and click and collect.

In March, the Board took the difficult decision to temporarily suspend the dividend. This was the appropriate course of action given the circumstances and uncertainty of outlook despite our financial resilience and performance during FY20. Going forward, the Board understands the importance of the dividend to shareholders and is mindful of our obligations as a REIT. We will seek to resume dividends at an appropriate level as soon as there is sufficient clarity of outlook. For this we will need to see a significant improvement in rent collection and have more visibility on the post lockdown productivity of our assets, principally how quickly retail customers and office workers return.

Looking ahead, our business benefits from several key attributes that position us to succeed: we have established a unique network of campuses located in some of the most exciting parts of London; our development pipeline is focused

on further enhancing these places, and is unmatched in scale and optionality; we have a robust financial position and a broad range of skills and expertise across our business which has been very much in evidence in recent months.

COVID-19 OPERATIONAL UPDATE

Rent due 2 March to 30 April	Offices	Retail[1]	Total
Received[3]	97%	43%	68%
Rent deferrals	1%	40%	22%
Rent forgiven	1%	4%	3%
Moved to monthly	-	1%	-
Outstanding	1%	12%	7%
Collection of adjusted billing[2]	99%	78%	91%

1 Includes non-office customers located within our London campuses
2 Total billed rents exclusive of rent deferrals, rent forgiven and tenants moved to monthly payments
3 As at 15th May

Retail
Following the measures announced by the Government on 23 March, two of our retail centres are temporarily closed. All others remain open to provide important access to essential stores such as supermarkets and pharmacies. Overall, as of 25 May, in line with Government measures, c.270 individual units (c.15% of the total) are open.

On 26 March, we announced that at sites we control, we would be releasing smaller retail, food & beverage and leisure customers from their rental obligations for three months (April to June). The financial impact in terms of lost rent is c.£2m.

For other retail, food & beverage and leisure customers experiencing financial challenges because of Covid-19, we agreed to defer c.£35m of rents relating to the March quarter.

As a result, we have now collected 43% of rent due between 2 March and 30 April. Of the remainder, 40% is deferred, 4% is forgiven, 12% is outstanding (primarily owed by strong retailers) and 1% has moved to monthly payments.

Several occupiers entered administration in the wake of the Covid-19 crisis, representing £5.1m of lost contracted rent.

The value of the retail portfolio declined 26.1% as ongoing structural challenges were exacerbated at the year end valuation date by the early effects of Covid-19. The valuers made several Covid-19 adjustments in arriving at their valuation which are set out in the FY20 Business Review; these adjustments accounted for a c.6% valuation decline.

In the period since the lockdown, from 23 March until 10 May, footfall was down 78%, 700 bps ahead of benchmark and like for like sales were down 82%. Grocery anchored sites performed better, with footfall down 70% and sales down 42%.

London Offices
Our London campuses remain open and all offices are operational, although physical occupancy is significantly reduced with the majority of people now working from home. While the crisis has inevitably created uncertainty for our office occupiers, it has not materially affected our rent collection to date and we benefit from a high quality, diverse customer base.

As a result, we have now collected 97% of rent due between 2 March and 30 April, including Storey. Of the remainder 2% is deferred or forgiven and 1% is outstanding.

At Storey, we identified savings from reduced operations and offered all our customers discounted rent for 3 months. This proactive measure has been well received by our customers, in particular smaller local businesses. Some customers have asked for additional flexibility in meeting their rental obligations, and consistent with our approach across the portfolio, we are supporting those companies who have been adversely impacted, but with otherwise strong business models. In these cases, we are providing up to three-month rent deferrals representing c.20% (by number)

of Storey customers and £0.4m per month. Occupancy across stabilised buildings was 92% at year end, and remains unchanged with assets in ramp up at 42% occupancy.

Across the Offices portfolio, we have 220,000 sq ft under offer and 160,000 sq ft in negotiations. We are continuing to make progress, particularly on larger deals which are generally on a longer time frame. On smaller deals, where occupiers are looking to take space soon, progress has been delayed due to uncertainty around fit out and timing of occupation. We are conducting virtual viewings and have responded to 375,000 sq ft of RFPs since the crisis began.

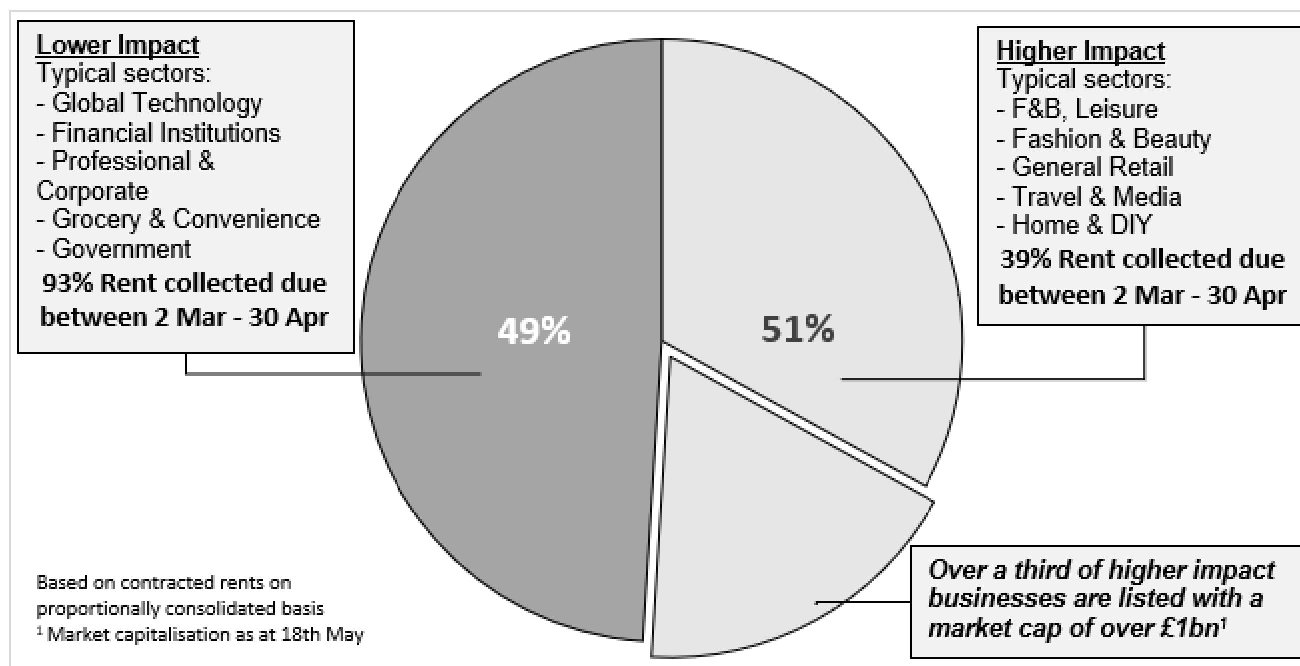
Developments

Having initially closed our major sites as a result of Covid-19, whilst we reviewed how Public Health England guidelines could be adhered to, all our major sites are now open, including both 100 Liverpool Street and 1 Triton Square. However, we are currently operating at much lower levels of productivity due to reduced number of operatives on site and amended working practices. At this stage it remains difficult to accurately assess the impact of these delays. We currently expect that the office element of 100 Liverpool Street will be practically completed in early summer, with full practical completion in calendar Q3 2020. At 1 Triton Square, we are targeting calendar Q2 2021 for practical completion.

We have reached practical completion on 135 Bishopsgate and the space is now being fitted out, albeit progress will inevitably be slower with fewer operatives on site.

FINANCIAL RESILIENCE & BALANCE SHEET STRENGTH

Our assessment of Covid-19 on our offices and retail customers



We have undertaken a bottom up analysis to understand the potential impact of Covid-19 on our customers and therefore the risk associated with our rental cashflows. Based on this analysis, we estimate that those customers likely to suffer a relatively lower impact account for 49% of our contracted rent; this includes sectors such as international technology businesses, financial institutions, professional services and government. Customers we believe are likely to experience a higher impact account for 51% of contracted rent, including sectors such as F&B, leisure, fashion & beauty retail and other general retail. Of this group, over a third are public companies with market capitalisations of over £1bn (as at 18 May 2020).

Furthermore, income from lower impact customers fully covered property, administrative and finance costs in FY20.

Covenant headroom
We continue to have significant headroom to our debt covenants.

There are two financial covenants which apply across all of the Group's unsecured debt:

- Net Borrowings not to exceed 175% of Adjusted Capital and Reserves (as at March 2020: 40%)
- Net Unsecured Borrowings not to exceed 70% of Unencumbered Assets (as at March 2020: 30%)

There are no income or interest cover covenants on the Group's unsecured debt.

Secured debt with recourse to the Group is provided by debentures with long maturities and limited amortisation. These are secured against a combined pool of assets with common covenants; the value of the assets is required to cover the amount of the debentures by a minimum of 1.5 times and net rental income must cover the interest at least once. We use our rights under the debentures to actively manage the assets in the security pool, in line with these cover ratios.

The secured debt in joint ventures and funds is all non-recourse and the Broadgate and Meadowhall securitisations have no loan to value default covenants.

Given our covenant structure across the Group, we could withstand a further fall in asset values across the portfolio of 45% prior to any mitigating actions.

We have access to £1.3bn of undrawn facilities and cash, with no requirement to refinance until 2024.

MARKET BACKDROP FY20

Our operations are entirely located in the UK, so were unaffected by Covid-19 for the first 11 months of the financial year. The below provides context for our performance across the year ended March.

Macro-economic context

The backdrop remained volatile throughout the year, reflecting continued Brexit uncertainty and a fast-changing political environment including December's General Election. The decisive election result and subsequent greater clarity on Brexit improved confidence, but this dropped markedly as the Covid-19 situation developed through February and March. Most shops selling non-essential goods and services, including entertainment, dining and leisure remain closed. The longer term economic impact of these restrictions is expected to be significant, albeit hard to quantify and despite Government support, the Office for Budgetary Responsibility's illustrative projections are for GDP to decline 13% in 2020, with an improvement in 2021 (based on 14 April 2020 report).

London market

The London investment market was subdued in the first half of the year with investors cautious pending greater clarity on Brexit, but there was a notable uptick in activity after the election with £4.4bn of Central London deals in the quarter to December 2019, and yields were widely expected to contract. However, in the wake of Covid-19, a number of transactions were cancelled or postponed, leading to a drop in volumes for the quarter to March 2020. While confidence may be impacted in the short term, longer term the market is underpinned by sound fundamentals and in the context of global uncertainty, London real estate is considered a relative safe haven. These factors should support the investment market longer term.

Occupier demand for high quality, well located space remained strong throughout the year. Take up in our markets was up 2% in the year, ahead of the long term average and prime rents increased moderately in both the City and the West End to £73 psf and £110 psf, respectively. A preference is also emerging for space which is sustainable with the rental premium for buildings which are rated BREEAM Outstanding or Excellent estimated by JLL to be c. 10% in central London. Flexible workspace continues to be important, and accounts for 12% of take up, although certain business models particularly those who do not own their own space, were struggling even prior to Covid-19, and for these operators, the current environment is proving particularly challenging. Activity slowed in March and looking forward, polarisation towards high quality, well located space is likely to accelerate. Supply is relatively constrained in these markets and pre-letting levels have remained healthy, with 61% of development under construction already taken.

Retail market

Retail markets remained challenging. Investment volumes were low with investors very cautious on value given the challenges faced by occupiers while certain sellers are known to be under pressure, driving down pricing. Liquidity slowly returned to the retail park market, with several transactions announced in early 2020, albeit at relatively wide yields. However, a number of these deals have since fallen away and activity was effectively halted as a result of Covid-19 with increased uncertainty around values. Demand for superstores was good throughout the year and there remains investor appetite for assets with alternative use, including standalone assets.

The occupational market remained tough throughout the year and deteriorated with Covid-19. Many of those with good underlying business models have suffered and despite significant support from many landlords and the Government, the outlook is uncertain and several operators have since entered CVA or administration. Retail deemed essential, including supermarkets and pharmacies, have performed better and across the market there is a renewed focus on supply chain and distribution networks.

FY20 BUSINESS REVIEW

Key metrics

Year ended 31 March	2019	2020
Portfolio valuation	**£12,316m**	**£11,157m**
Occupancy	**97.2%[1]**	**96.6%[1]**
Weighted average lease length to first break	**6.4 yrs**	**5.8 yrs**
Total property return	**(0.9)%**	**(6.4)%**
• Yield shift	**+19 bps**	**+38 bps**
• ERV growth	**(1.6)%**	**(4.7)%**
• Valuation movement	**(4.8)%**	**(10.1)%**
Lettings/renewals (sq ft)	**2.7m**	**2.3m**
Lettings/renewals vs ERV	**+0.4%**	**+2.9%**
Gross investment activity	**£1,822m**	**£885m**
• Acquisitions	**£207m**	**£118m**
• Disposals	**£(1,287)m**	**£(382)m**
• Capital investment	**£328m**	**£385m**
Net investment/(divestment)	**£(752)m**	**£121m**

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

[1] Where occupiers have entered CVA or administration but are still liable for rates, these are treated as occupied. If units expected to become vacant are treated as vacant, then the occupancy rate would reduce from 96.6% to 96.0%

Portfolio performance

At 31 March 2020	Valuation £m	Valuation movement %	ERV movement %	Yield shift bps	Total property return %
Offices	6,773	2.3	3.2	-4	5.7
Retail	3,873	(26.1)	(11.7)	+101	(22.6)
Canada Water	364	9.8	na	na	14.3
Residential	147	(2.7)	na	na	(0.1)
Total	11,157	(10.1)	(4.7)	+38	(6.4)

Overall, the portfolio was down 10.1% in value. All of our valuation reports include a "material valuation uncertainty"' disclosure. This states that valuers can attach less weight to previous market evidence for comparison purposes, and thus less certainty – and a higher degree of caution – should be attached to their valuations than would normally be the case. The Valuers clarify that this does not mean that the valuations cannot be relied upon.

We delivered a value increase of 2.3% in Offices, led by developments (+7.5%), and supported by good ERV growth, which reflected a lack of quality supply in all submarkets, with ERVs in the City up 4.5% and up 2.4% in the West End. While we have seen some variation between the campuses, with the value of Broadgate +4.7% and Paddington Central +1.9%, these were driven by campus-specific lease events.

Retail values declined 26.1% reflecting ongoing structural challenges compounded by the impact of Covid-19. Our third party valuers made Covid-19 adjustments in respect of their FY20 valuations which included the following and together these adjustments accounted for a c.6% valuation decline:

- deducted three months rent roll on all non-essential retail as a capital sum

- non-contractual income such as commercialisation deducted as a capital sum for a period of six months
- increasing yields by between 25-100 bps based on the quality of the scheme and current yield profile
- increasing void periods to reflect additional leasing time
- increasing structural vacancy

In addition, throughout the year there has been little transactional evidence, particularly for larger lot sizes. As a result, we have seen significant outward yield shift for prime assets. There were signs towards the end of the financial year that limited activity was returning to the retail park market, with a number of transactions announced, but this was superseded by the impact of Covid-19.

Canada Water valuation increased 9.8% reflecting good progress on planning, albeit the value declined slightly in the second half as a result of the impact of Covid-19 on the retail existing use element of the valuation. This effect should unwind on drawdown of the headlease and the adoption of a development valuation for the masterplan.

Offices outperformed the Central London Office benchmark and the All Offices benchmark. However, Retail underperformed the benchmark which saw the strongest performances from superstores and high street shops. As a result and reflecting the continued strength of industrials where we have no exposure, the portfolio underperformed the IPD All Property total return index by 600 bps over the year.

Capital activity

From 1 April 2019	Offices	Retail	Residential	Canada Water	Total
	£m	£m	£m	£m	£m
Purchases	86	13	19	-	118
Sales[1]	-	(296)	(86)	-	(382)
Development Spend	243	9	5	25	282
Capital Spend	69	34	-	-	103
Net Investment	398	(240)	(62)	25	121
Gross Investment	398	352	110	25	885

On a proportionally consolidated basis including the Group's share of joint ventures and funds
[1] Includes Clarges residential sales of £86m, of which £6m exchanged prior to FY20

The total gross value of our investment activity since 1 April 2019 was £885m with retail disposals accounting for £296m (our share). Our sale of 12 Sainsbury's superstores to Realty Income Corporation in April 2019 for £429m (our share £194m) was the largest single component of this and was achieved at a modest premium to book. In line with strategy, we have continued to make sales from our standalone (solus) portfolio, including a leisure asset and a Homebase both of which sold significantly ahead of book but have been more pragmatic on other assets with a standalone Debenhams and a Sainsbury's superstore sold below book. Post year end, we agreed the sale of a standalone Tesco in Brislington on an unconditional basis at book value (£42m), with completion expected later this month. We also exchanged and completed on the sale of our share of a portfolio of reversionary interests in Sainsbury's superstores for £102m.

The most notable purchase in the year was a 25% interest in West One, a shopping centre and offices building, above Bond Street station. This 92,000 sq ft scheme provides attractive long-term potential and is in line with our plan to become an increasingly mixed use business. Working with Norges who retain ownership of 75% we will assume responsibility for the asset management and any future development, generating a fee income.

At Clarges, we completed on the sale of eight units, bringing total completed units to 33 with receipts totalling £446m. This leaves one unit remaining, valued at £3m. This has been a highly successful scheme, delivering profits of c.£200m to date.

At Aldgate, we have acquired Barratt's 50% share in our Phase 2 build-to-rent residential-led scheme which has now been added to our near term pipeline. We also completed the purchase of 6 Orsman Road, Haggerston for Storey for £32m.

Data and insights

The insights we generate from data and research help us to understand the needs of our customers. This information can play a real and fundamental role in decision making around leasing, asset management and capital allocation helping to generate incremental value for shareholders and our customers.

This year, we completed our largest ever B2B customer satisfaction survey, spanning retail, office and Storey customers, including 141 senior decision makers, 65 facilities managers and 737 store managers. The research gauged satisfaction with us as a landlord and collected feedback on how service had changed over time, how we compare to competition and what we could do to better support our customers, and changes were implemented as a result. We completed the roll out of footfall counters to our campuses, enabling us to better understand how many people visit and the flow around the campus, helping us to tailor our offer, and we are trialling machine learning to estimate the performance of our retailers at our campuses.

Smart Places

Our Smart Places team deliver digital placemaking across our London campuses, using technology to enhance the experience and operation of our places. We have a clear vision of the functionality and experience that smart should deliver for our customers. Through the course of this year we have engaged with our supply chain to provide clear guidance on how to design and specify smart technology in line with our expectations during development and fitout. We smart-enabled our head office in York House, bringing building systems and sensors into a single cloud environment, which will enable us to control and manage space remotely, giving us much greater understanding and control over how our building operates, allowing us to find efficiencies with both energy usage and space utilisation. We have selected Equiem as a partner to deliver a campus app, initially at Broadgate, with the aim to roll out across our other London campuses in 2021. This builds on the experience we had during FY20 developing and publishing the StoreyPortal app across Storey and Storey Club which gave users a seamless interface to book meeting rooms, arrange catering, book in guests and access space. Reflecting this good progress, we were thrilled to win "Best Adoption of Tech" at the 2019 UK Proptech awards.

REAL ESTATE PERFORMANCE REVIEW

Campus focused London Offices

Key metrics

As at 31 March	2019	2020
Portfolio Valuation (BL share)	**£6,308m**	**£6,773m**
• *Of which campuses*	***£5,047m***	***£5,518m***
Occupancy	**97.7%**	**97.3%**
Weighted average lease length to first break	**5.7 yrs**	**5.7 yrs**
Total property return	**+4.9%**	**+5.7%**
• Yield shift	**+2 bps**	**(4) bps**
• ERV growth	**+1.4%**	**+3.2%**
• Valuation movement	**+1.1%**	**+2.3%**
Lettings/renewals (sq ft)	**1,070,000 sq ft**	**946,000 sq ft**
Lettings/renewals vs ERV	**+1.2%**	**+9.1%**

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

Campus operational and financial highlights

- Portfolio value up 2.3%, with the City up 3.7% and the West End up 1.4%
- ERV growth of 3.2% across the portfolio, with the City strong, +4.5% and the West End +2.4%
- Yields saw 14 bps contraction in the City and no change in the West End
- Activity generating like-for-like income growth of 0.8%
- Leasing activity covering 946,000 sq ft representing £40m of rents
- New lettings and renewals on investment portfolio signed 9.1% ahead of ERV
- 360,000 sq ft rent reviews agreed 6.5% ahead of passing rent adding £1.1m to rents
- Occupancy of 97.3%

Campus operational review

81% of our Offices are located on our three central London campuses, each benefitting from excellent transport connectivity and vibrant local neighbourhoods which are an important part of their appeal. Building on this, our strategy is focused on expanding the mix of uses, to enhance the retail, dining and entertainment offer, embedding our places more firmly within the local community and appealing to a broader mix of occupier.

We agreed 946,000 sq ft of new lettings and renewals in the period, overall 9.1% ahead of ERV as our high quality, well located space continued to drive a premium. Leasing activity inevitably slowed in the final month of the year, but we are under offer on 220,000 sq ft and in negotiations on another 160,000 sq ft. We are continuing to conduct virtual viewings and have responded to 375,000 sq ft of new RFPs since the crisis began.

Each of our campuses has remained open and fully operational throughout the Covid-19 outbreak although physical occupancy was significantly reduced with the majority of people working from home.

Broadgate: Continued strong leasing

Our 1m sq ft development programme at Broadgate is nearing completion and is now 83% let. We have also let well on our standing portfolio, with 51,000 sq ft of leasing at Broadgate Tower, and challenger bank Monzo taking 124,000 sq ft at Broadwalk House.

At 100 Liverpool Street (524,000 sq ft) Bank of Montreal committed to 60,000 sq ft and Japanese Bank SMBCE increased their commitment by 22,000 sq ft taking their total occupation to 184,000 sq ft. As a result, the office space is now 84% pre-let. In retail, we also made good progress this year, we signed L'Occitane, John Reed Gyms, Tommy Hilfiger, Monica Vinader and Space NK in the second half and are under offer on three restaurants. Sitting at the entrance to Liverpool Street and the new Crossrail Station, these are prime retail locations.

At 1 Finsbury Avenue (287,000 sq ft), which completed at the end of FY19, we are under offer on a third restaurant and a leisure operator, which will join two existing restaurants. Technology firm Workday also signed for 29,000 sq ft in the second half; and 73,000 sq ft is allocated to Storey.

At 135 Bishopsgate, which reached practical completion in the second half, we let 9,700 sq ft to FinTech operator FNZ and are under offer on a further 20,000 sq ft, leaving only 7,000 sq ft (representing 10% of space) available to let. Post completion works are well underway, albeit progressing more slowly due to Covid-19 restrictions.

Rent reviews with existing occupiers were agreed on 57,000 sq ft, 10% ahead of passing rent and the campus is virtually full, with occupancy of 97%. Overall, we delivered a valuation uplift of 4.7% reflecting ERV growth of 5.0% and yield contraction of 14bps.

Paddington Central: Recommitment of largest occupier
At Paddington Central, the key leasing event was Visa's recommitment to 1 Sheldon Square with the term extended by six years, demonstrating that the work we have done here is delivering results. We are improving the variety of our F&B offer. The Grand Duchess floating restaurant and a fifth barge, The Cheese Bar, will launch when conditions allow, further enhancing the waterfront and helping to create a dining destination along the Grand Union Canal.

We delivered a valuation uplift of 1.9%, with yield contraction of 1 bp. ERV growth at 0.9%, was reduced by the valuer's treatment of Visa's lease extension which changed from a headline to a net effective basis, although the Visa rent was increased. Occupancy is 98%.

Regent's Place: Repurposing existing space
Consistent with trends at Broadgate and Paddington Central, existing space is also letting well at Regent's Place with 45,000 sq ft let to Skyscanner at 338 Euston Road and Mind Gym, a learning and development specialist taking space at 350 Euston Road. We have continued to strengthen our retail offer with space let to Acai Berry, the Amazon Boost Superfood Bar and renewed leases to Starbucks and Daisy Green. We opened a new café at 17-19 Triton Square entirely built from recycled materials with a more sustainable approach to food, and we are on site with a programme of public realm improvements, including a new community park.

The value of Regent's Place was up 2.6%, with yield contraction of 1 bp and ERV growth of 3.6%. Occupancy is at 97%.

Storey: our flexible workspace brand
Storey, our flexible workspace solution, launched three new buildings over the year, bringing the total space operated to 297,000 sq ft. It is a deliberately differentiated concept providing high quality private workspaces in great locations across London, which customers can brand and personalise themselves. With nearly 70% of customers being UK/European HQs for scale up or large multinational companies, Storey appeals to businesses with 50+ people on average, who want larger floor plates, lower density and private meeting spaces. Now in its third year, Storey provides an additional level of flexibility and service for British Land customers, becoming an integral part of London campuses, supporting our "core-flex" strategy.

Occupancy across stabilised buildings was 92% at year end and remains unchanged. Progress at new buildings has been encouraging, including 1FA where we have let space to 11:FS, a digital financial services firm for banks. At Wells Street, our first standalone building, we are fully let with a recent letting to data management firm Datastax. Average lease lengths are now 26 months to term certain and retention rate is 68% based on lease events, with a further 19% of customers having expanded within Storey.

Storey Club, which offers ad hoc workspace, meeting and dining rooms launched at Paddington Central in the year. This has proved a popular resource with 80% of Paddington occupiers having made chargeable bookings as well as hosting events and workshops aimed at campus occupiers and the local community.

Looking forward, we are committed to a further 90,000 sq ft across 2 Kingdom Street, 6 Orsman Road and 100 Liverpool Street, which is nearing completion and will include Storey Club space.

Smaller, more focused Retail

Key metrics

As at 31 March	2019	2020
Portfolio valuation (BL share)	**£5,577m**	**£3,873m**
• *Of which multi-let*	***£4,737m***	***£3,393m***
Occupancy[1]	**96.7%**	**95.7%**
Weighted average lease length to first break	**7.0 yrs**	**5.9 yrs**
Total property return	**(6.6)%**	**(22.6)%**
• Yield shift	**+37 bps**	**+101 bps**
• ERV growth	**(3.8)%**	**(11.7)%**
• *Multi-let ERV growth*	*(4.0)%*	*(12.0)%*
• Valuation movement	**(11.1)%**	**(26.1)%**
Lettings/renewals (sq ft)	**1,587,000**	**1,361,000**
Lettings/renewals vs ERV	**+0.3%**	**(5.9)%**

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

[1] Where occupiers have entered CVA or administration but are still liable for rates, these are treated as occupied. If units expected to become vacant are treated as vacant, then the occupancy rate for Retail would reduce from 95.7% to 94.7%

Retail operational and financial highlights

- Total Retail portfolio value down 26.1% reflecting ongoing structural challenges and the early impact of Covid-19
- Yield expansion of 101 bps; ERVs down 11.7%
- Leasing activity 1,361,000 sq ft.
- Deals of more than one year were 4% below previous passing rent; retention rate of 72%
- Further 1.2m sq ft of rent reviews agreed with existing occupiers, 3.6% ahead of passing rent
- High occupancy maintained at 95.7%
- Like for like income down 5.1% primarily due to the impact of CVAs and administrations
- CVAs and administrations reducing annualised contracted rent by £11.3m
- Footfall down 2.3% for the year, 460 bps ahead of benchmark; like for like sales down 2.1%, 390 bps ahead of benchmark
- £296m (British Land share) non-core assets sold since April 2019

Performance review

Operational performance

With markets challenging, even prior to the impact of Covid-19, our focus has been on driving operational performance and keeping centres full. This has required a more pragmatic approach at some locations but we have maintained occupancy at 96%, leasing 1,361,000 sq ft, with leases greater than one year on average 4% below previous passing rent, with an average lease term of 6.7 years and average incentives 10 months.

We have seen an increased proportion of temporary deals (less than one year), particularly where units have become vacant at short notice as a result of CVAs or administrations - these now account for 28% based on headline rents.

At Meadowhall, we signed 15 long term deals, overall 7% below previous passing rent. New additions included Rituals, Frasers, Lovisa and Deichmann. Elsewhere on the portfolio, we agreed four new leases with Wren Kitchens, two with Superdrug as well as new deals with Marks and Spencer at Giltbrook, Nottingham, Lidl at Orbital, Swindon and Boots at Nugent, Orpington.

We have continued to outperform on footfall and like for like sales, which were down 2.3% and 2.1% respectively reflecting the market, but were 460 bps and 390 bps ahead of benchmark. In the period since the lockdown, from 23 March until 10 May, footfall was down 78%, 700 bps ahead of benchmark and like for like sales were down 82%. Grocery anchored sites performed better, with footfall down 70% and sales down 42%.

CVAs and administrations
CVAs and administrations impacted 118 units in the year of which 29% were unaffected; rent reductions resulted in a loss of £5.5m in contracted rent, with store closures accounting for a further £5.8m, together totalling £11.3m on an annualised basis. Several of our customers entered administration post year end, including Debenhams, accounting for a further £5.1m of lost contracted rent.

Capital activity
In November 2018 we set out a clear plan to refine our Retail portfolio to deliver a smaller, more focused business representing 30-35% of total assets, we have revised this to 25-30% given the subsequent reduction in values. Since November 2018, we have made £610m (our share) of retail sales with £296m (our share) achieved this year. The sale of 12 Sainsbury's superstores to Realty Income Corporation accounted for the majority (£194m British Land share) but we also sold a leisure asset in the first half and four solus retail assets towards the end of the second half.

DEVELOPMENT

At 31 March 2020	Sq ft '000	Current Value £m	Cost to complete £m	ERV £m	ERV let £m
Recently completed	730	411	2	20	17
Committed	890	763	76	42	37
Near term	1,007	228	605	49	-
Medium term	6,861				

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

Portfolio

Developments are a key element of our investment case as a fundamental driver of sustainable value and growth for the long term. Recently completed and committed developments total 1.6m sq ft and are now 88% let, securing £54m of future rent. This means that speculative exposure is low at 0.6% of portfolio value and costs to come on our committed pipeline are £76m.

Our approach has been to create opportunities for development across our portfolio and in London, where long term fundamentals are strong and there are limited opportunities to acquire assets with development potential, this is a key competitive advantage. In addition, the majority of space in our development pipeline is either income producing or held at low cost, enhancing our flexibility, so we have attractive options we can progress as and when appropriate. If we were to commit to our near term pipeline, our speculative exposure would increase to 7.7%, below our internal risk threshold for speculative development of 8%. Although we will not make further commitments until we have more clarity on outlook.

Construction cost forecasts pre Covid-19 suggested that the rate of growth was likely to be moderate compared with long term historical trends, owing to the continued market uncertainty surrounding Brexit and weaker global growth. However, since Covid-19, there is increased market uncertainty; raw material costs have decreased, wages are static, low productivity is prevalent and market consolidation is expected. This suggests that short term tender price inflation is likely to be very low. This is still set against the risk that a prolonged delay to Brexit terms being agreed increases material costs and reduces labour supply in 2020/21. Therefore, the anticipated range of cost inflation is expected to be between 2%-4% per annum. To mitigate this risk, 97% of the costs on our major committed development programme have been fixed.

Campus developments

Our long term strategy focuses on our London campuses. Development is an important part of how we will deliver that, enabling us to provide new and refurbished space to meet the future needs of occupiers. This has a positive impact beyond the individual building, which supports our overall offer and is reflected in our leasing performance on existing space as well as developments.

Completed developments

We reached practical completion at 1 Finsbury Avenue (287,000 sq ft) in FY19 and 135 Bishopsgate (335,000 sq ft) this year. At 1 Finsbury Avenue, we are now 85% let by ERV (including let Storey space) rising to 97% including all space allocated to Storey. We have four retail units left to let and all office occupiers have now taken occupation. At 135 Bishopsgate, we are now 90% let by ERV, with just 7,000 sq ft remaining.

Committed developments

Our committed office development pipeline is now focused on two buildings, 100 Liverpool Street at Broadgate and 1 Triton Square at Regent's Place together covering 890,000 sq ft. We initially suspended works at both, as a result of Covid-19 restrictions, which has pushed out completion dates (see Covid-19 Operational Update), but work has now recommenced albeit on a restricted basis.

100 Liverpool Street (524,000 sq ft) is 84% let on the office space and with 45,000 sq ft allocated to Storey, we have only 20,000 sq ft left to let. The building is on track to achieve a BREEAM excellent rating, a Well Gold certification for Wellbeing and a WiredScore platinum rating for internet connectivity. Sustainability has been integral to the design and delivery of this building; by retaining half of the existing structure we have saved 7,200 tonnes of embodied carbon and are on track to save a further 4,100 tonnes through carbon-efficient design and use of low-carbon materials. More than half of the construction spend has been with businesses in the City and neighbouring boroughs, ensuring local people benefit from our development.

At 1 Triton Square, Regent's Place, we are fully pre-let on the office space to Dentsu Aegis Network on a 20-year lease. The building topped out in the year and subject to social distancing requirements, we are now targeting practical completion in calendar Q2 2021.

Near Term pipeline

Our near term pipeline covers more than 1m sq ft. At Norton Folgate we have consent for a 336,000 sq ft scheme comprising 257,000 sq ft of office space alongside retail and residential space, to create a mixed use development which is in keeping with the historic fabric of the area. Our plans envisage a mix of floorplates, to appeal to small and growing businesses as well as more established organisations, particularly in the technology and creative sectors. We have commenced enabling works meaning we are able to begin construction when appropriate.

At 1 Broadgate, we have consent for a 538,000 sq ft office-led scheme, including 137,000 sq ft of retail, leisure and dining space, connecting Finsbury Avenue Square with retail at 100 Liverpool Street and the Broadgate Circle.

At Aldgate Place, Phase 2 is a build-to-rent residential scheme delivering 159 homes with 19,000 sq ft of office space. We have achieved planning consent for our revised building layout and will be submitting a second application on the landscaping in the coming months. We would not expect to start on site until we have greater clarity on the market outlook.

Medium Term Pipeline

We have three campus developments in the medium term pipeline, together covering more than 1m sq ft. These buildings progress our mixed use campus vision and support future income growth.

The most significant scheme is 2-3 Finsbury Avenue at Broadgate where our plans add 313,000 sq ft to the existing space to deliver a 563,000 sq ft office-led scheme. The building is currently generating an income through short term, more flexible lettings, including 51,000 sq ft allocated to Storey.

At 5 Kingdom Street, Paddington Central, our planning application to increase our consented scheme from 240,000 sq ft to 429,000 sq ft was rejected by Westminster City Council but has since been called in by the Mayor and we are awaiting a decision. The scheme includes the opportunity to develop a former Crossrail works site which reverts to British Land on completion of Crossrail, providing 80,000 sq ft of community, retail, leisure and cultural facilities, reflecting feedback from focus groups and residents who we consulted on how this space could best be used. At the Gateway Building, Paddington, we have consent for a 105,000 sq ft premium hotel.

Retail development: enhancing and repositioning our portfolio for the future

In line with our disciplined approach to capital allocation and reflecting our longer term view on the role of retail within our portfolio, we do not expect to undertake significant retail development in the near term. We do however maintain a range of opportunities across our portfolio which preserve our optionality but we would only commit to projects which are aligned with our strategy, most likely comprising a mixed use element, and when market conditions are supportive.

Completed developments

We completed our 108,000 sq ft leisure extension at Drake Circus, Plymouth comprising a 12-screen cinema and 14 restaurants which is 67% let.

We have no committed retail developments.

Medium term pipeline
Our medium term pipeline is focused on mixed use opportunities. At Ealing Broadway, we are working up plans for an exciting new 303,000 sq ft office led mixed use scheme that will sit adjacent to our Ealing Broadway shopping centre, outside the new Crossrail entrance. The first step is a refurbishment of 54 The Broadway where we are on site delivering 20,000 sq ft of offices. At Eden Walk, Kingston (jointly owned with USS) our consented mixed use development plans include 380 new homes, alongside shops, restaurants and 35,000 sq ft of flexible office space. At Meadowhall, we have consent for a 333,000 sq ft leisure extension but are unlikely to progress this in the current environment.

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

Highlights

- Secured resolution to grant planning permission for the Canada Water Masterplan, a 5m sq ft mixed use scheme, unanimously supported by Southwark Council
- Received Stage 2 confirmation from The Mayor of London that he will not be calling in the application for further consideration
- Drawdown of the headlease may be delayed due to impact of Covid-19 on finalising the S106 Agreement; anticipated earliest Summer 2020
- Net valuation movement up 9.8% to £364m reflecting progress on planning

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

In September we received a resolution to grant outline planning on the entire 5m sq ft masterplan from Southwark Council, including detailed consent on the first three buildings, covering 580,000 sq ft. In February 2020, we received confirmation from the Mayor of London that he would not be calling in the scheme for further consideration. Following the completion of the S106 Agreement and issue of planning permission, which may be delayed due to the impact of Covid-19 on finalising the S106 Agreement, we will be in a position to draw down the headlease under the terms of the Master Development Agreement signed with Southwark Council in May 2018, which we anticipate being earliest summer 2020. This will combine the ownership of our assets at Canada Water into a single 500-year headlease, with Southwark Council as the Lessor. At that point, British Land will own 80% of the scheme with Southwark Council owning the remaining 20% and going forward, they will be able to participate in the development, up to a maximum of 20% with returns pro-rated accordingly.

The resolution to grant planning decision, which was unanimously agreed by Southwark Council, is a positive endorsement of our programme of engagement with the local community, which has included over 120 public consultations and local outreach events, attracting over 5,000 individuals. As part of this, we worked with Southwark Council, to develop a Social Regeneration Charter which captures local residents' priorities for the benefits of the development, and proposals for how these will be delivered.

Sustainability has been integral to our approach from the start, and we are committed to a strategy that ensures the masterplan will support low carbon living. In total, a minimum of 35% of the 53 acres will be public open space and we will be planting more than 1,200 additional trees, both on and offsite. Our plans will also benefit the existing and growing local community, with investment into education, health and community facilities in the local area.

The first three buildings will deliver 265 homes, of which 35% will be affordable (split 70:30 between social rent and intermediate housing), as well as a new leisure centre, new public spaces and improved pedestrian connections.

Building K1 will be solely residential while building A1 will provide a mix of residential and workspace and building A2 will provide workspace and the new leisure centre. Both A1 and A2 will include retail at ground floor.

Potential funding structures will be explored on formal receipt of planning, ahead of which, we are seeing interest in the space from a range of sectors and discussions are underway on several buildings. This year, we announced our partnership with TEDI-London, a higher education establishment led by Arizona State University, Kings College London and UNSW Sydney to deliver an engineering curriculum at Canada Water.

The net valuation movement for Canada Water over the year showed an uplift of 9.8% reflecting the progress made on planning.

OUR STRATEGY

We expect many of the macro trends we have built our strategy around to accelerate as a result of the current crisis, so our long term strategic focus remains unchanged. However, it remains early days and we do not yet have clarity around what long term trends will emerge so we will remain alert as things develop and flexible in our approach, including evolving or adapting our strategy as appropriate.

A Mixed Use Specialist

We have a clear long term strategy to build an increasingly mixed-use business.

Progress on our strategy

Key focus areas	Indicative business mix	Progress
Campus focused London Offices	60-65% Of which Storey c.5%	• Progressing development on our campuses and de-risking through pre-lets with 88% of our recently completed and committed developments now let to a broad range of occupiers • Creating options with 760,000 sq ft of planning applications submitted • Storey operational across 297,000 sq ft on all three campuses with further 90,000 sq ft identified • Smart-specific guidance documents produced for internal teams and supply chain; smart-enabled our head office bringing building systems and sensors into a single cloud environment, which will enable us to control and manage space remotely; selected partner to deliver our Campus app
Refocused Retail	25-30%	• £296m assets (our share) sold since April 2019, 5% above book value • Outperformance on footfall and sales • Focusing on assets which support instore fulfilment and click and collect
Canada Water & Residential	c.10%	• Completed on eight units in the period at Clarges with one unit remaining at a book value of £3m • Achieved resolution to grant planning at Canada Water and confirmation that the Mayor will not call in the scheme, positioning us to progress our masterplan which includes 3,000 new homes • Aldgate Phase 2, a BTR scheme delivering 159 units added to our near term pipeline with planning on the building now agreed

Business mix percentages have been revised downwards to reflect retail valuation declines.

Why mixed use?

We recognise that the way people use real estate is changing and that the most effective way to drive enduring demand for our space is to evolve our offer in line with those trends. In the wake of Covid-19, there is likely to be an increasing emphasis on workspace which is high quality, modern and supports more flexible working; places which benefit from green and open spaces are also more likely to be preferred. The ability to shop quickly and efficiently near to the place of work is a key advantage in the short term, and long term, people will again want opportunities to socialise or be entertained nearby. There is also a growing expectation that businesses and places of work minimise their impact on the environment and make a positive contribution to local communities. Workspaces which meet these expectations help businesses attract and retain talent and support productivity and effectiveness.

How does it deliver value?
A successful mixed-use strategy, with strong environmental and social credentials is fully aligned to the evolving needs of our customers and how people use our places. By helping drive enduring demand for our space, it supports the delivery of long term sustainable value through rental growth and high occupancy. At our campuses and multi-let spaces we control not just the buildings, but the spaces between them. As such, investment we make into the broader environment has a positive impact on the value of our individual assets. As long term owners and managers of space, we are also fully incentivised to develop buildings which are sustainable and to invest in local areas to support the local communities around which we operate; we believe that by playing a role within a thriving local community, our places are better able to succeed. Our scale and unique network also mean we have the flexibility to re-allocate uses within our places over time to better reflect the needs of our customers as they change and ensure that we always make the best use of our space.

How are we delivering it?
We have a clear and consistent plan to reshape our business to comprise three core, complementary elements as part of an increasingly mixed use business:

- **Campus focused London offices**: with a blend of core and flexible space, including the further build out of Storey, integrated alongside a world-class retail and leisure offering
- **A smaller, more focused Retail portfolio**: high quality, accessible and well located assets which are affordable to retailers and can play a role facilitating online fulfilment such as click and collect. In London, assets focused on transport hubs, especially assets with mixed use potential
- **Canada Water & Residential**: plans for 3,000 homes at Canada Water with further opportunities within our portfolio

Campus-focused London offices
At our London campuses, we create and manage some of the best connected, most accessible space in London. Located in vibrant and exciting neighbourhoods, they provide world-class, modern and sustainable offices alongside public spaces, with a range of places to spend time outside of work. These unique campus benefits are the result of specific investment over many years and represent a clear attraction to businesses seeking to hire and retain the best people.

Increasingly what differentiates our space is the range of product and depth of services we provide. We have evolved our offer to attract a much broader range of industries and occupiers and to cater to their changing needs over time. Our menu of products spans more traditional core space, typically on long term leases, with a range of services priced on a bespoke basis; to fully fitted and furnished, generally on a short to medium term lease, with a basic package of services; to Storey, our fully serviced, flexible workspace offer.

Storey is deliberately differentiated from other flexible offerings in allowing occupiers to personalise their space through their own branding while benefitting from the shared amenities in the building and on our campuses. It has helped attract new types of occupier to our campuses, particularly tech and creative businesses who benefit from being located around some of the world's leading financial, legal and professional companies. Storey has also become a valued service for existing occupiers on our campuses, providing overflow or project space, and through Storey Club at Paddington, we offer ad hoc meeting and events space to all our Paddington occupiers.

A smaller, more focused Retail portfolio
In the context of rapid and fundamental structural change in retail, which could be accelerated as a result of Covid-19, we plan to reduce this part of our business to 25-30% of the total portfolio over the medium term. Retail will remain a significant part of British Land reflecting our longer term view that as part of an increasingly mixed use business, the right assets in the right locations will succeed. These include high quality, accessible and well located assets which are affordable to retailers and can play a role facilitating online fulfilment such as click and collect; in particular, retail parks which are more conducive to mission-based shopping and are open air, so people may feel more comfortable visiting. In London, we will focus on transport hubs, especially those assets with mixed use potential.

We have made £296m of retail disposals (our share) in the year, bringing total retail sales since we set out our plan in November 2018 to £610m but with more to do. Future sales will be selective and primarily comprise solus assets, with limited asset management potential, and some multi-let centres, particularly those outside London which do not fit our longer term strategy. In the context of today's valuations, our focus is on intensive asset management, keeping our assets full and exploiting demand for assets which support instore fulfilment and click and collect, so we expect progress on sales to be slower near term.

Residential

Residential is complementary to our existing expertise and longer term will be additive to our mixed use strategy. We see most potential to build exposure in this market at Canada Water where we have potential to deliver 3,000 homes; other opportunities in our portfolio, include Aldgate Phase 2, in our near term pipeline. Building this business organically is the most effective way of ensuring that our product is high quality, reflects our strategy, adheres to the highest standards of safety and sustainability but inevitably means that it will be delivered over a longer time frame.

SUSTAINABILITY – LAUNCH OF 2030 STRATEGY

Completion of 2020 Strategy

At the end of FY20, we concluded our five-year sustainability programme, which drove progress across multiple environmental and social factors. We were particularly pleased to achieve a 73% reduction in carbon intensity, exceeding our target of 55% against our 2009 baseline, and a 55% reduction in energy intensity in line with our target of 55%.

The programme helped us make sustainable new buildings our standard, with 100% of British Land's current new developments on-track for BREEAM Excellent or above ratings, and in the last year we achieved a further step change by prioritising retro-fit above demolition. At 1 Triton Square, Regent's Place, we have saved 36,000 tonnes of embodied carbon compared to a typical new build and will achieve a 40% reduction in operational emissions, which we expect to result in an Outstanding BREEAM rating. At Broadgate's 100 Liverpool Street we expect an Excellent BREEAM rating due to the retro-fit, alongside Well Gold certification and a WiredScore platinum rating for internet connectivity.

Our ability to support the communities where we operate has increased through the programme. We have supported 1,745 individuals into employment, exceeding our target of 1,700 and 96% of strategic suppliers have now adopted our Code of Conduct, mandating responsible business practices throughout operations associated with British Land. Our long-standing partnership with the National Literacy Trust has now helped 42,700 children improve their reading ability.

Looking forward

As we conclude our 2020 programme, we are pleased to launch our new targets for 2030. Building on the momentum we have established over the last five years, these targets will be similarly stretching and will focus on two areas where action is most urgent:

1. Creation of a Net Zero Carbon Portfolio by 2030

The main drivers of this will be:

- All developments delivered after April 2020 to be net zero embodied carbon
- A 50% reduction in embodied carbon emissions at our developments, to below 500 kg CO_2e per m^2 by 2030
- A 75% reduction in operational carbon emissions across our portfolio by 2030
- Creation of a Transition Fund, resourced by an internal carbon fee at £60/tonne levied on new developments, to finance retrofitting of our standing portfolio, including research and development.

To bring focus to operational performance, we undertook a pilot certification of seven assets under BREEAM In Use. We will certify a further 30 assets over the next 24 months and have underpinned this goal with the announcement in March of a £450m ESG-linked Revolving Credit Facility that requires a continual increase in green building certifications.

With a growing number of London businesses making firm commitments to reduce their carbon footprint, strong sustainability credentials are an increasingly relevant and important part of our overall leasing offer. Research from JLL demonstrates that buildings rated BREEAM Outstanding or Excellent generally achieve a premium of c. 10% compared to prime rents, and 24 months post completion achieve a lower vacancy rate of c.7% compared to c.20% for a building rated Very Good.

2. A place-based approach to social contribution

As a long-term investor in places, we help build relationships with local people and organisations that generate mutual benefit. Examples include our Recruitment & Skills centre at Fort Kinnaird and our Community Fund at Regent's Place. We will now adopt this place-based approach across our entire managed portfolio, deepening connections between stakeholders - ourselves, our communities, customers and supply chain partners - in pursuit of a shared local goal. Using the framework of our Local Charter, our ambition is to increase the resilience and community experienced by everyone in and around our places, so the benefit is shared widely. Our reporting will also shift over time from focusing on British Land's input to the social outcomes that result from our approach.

We will run three pilots building on our work at Regent's Place and Fort Kinnaird. Through these we will define common parameters and support for our place teams, enabling decisions to be devolved to a local level.

Supporting communities through Covid-19

Supporting local communities has been at the heart of our response to Covid-19. In 2008 we established a community investment fund, which now commits over £1.3m of funding annually through which we have provided support to those most in need. We were able to swiftly deploy part of the fund to support our communities through the crisis. We funded expert strategic advice for the leadership teams of our partners from the CASS Centre for Charity Effectiveness to help them deal with the crisis, as well as funding bespoke employment support programmes through organisations such as the East London Business Alliance for those whose livelihoods were affected. Elsewhere we helped individuals to develop new skills and donated equipment to support non-profit organisations to work effectively from home. In 20 of our places, we also worked with the National Literacy Trust to support vulnerable families with home schooling to maintain their children's progress.

Commitment to leadership

Our continued strong sustainability performance is reflected in our rankings in ESG indices, including a green star rating for the tenth consecutive year in the Global Real Estate Sustainability Benchmark (GRESB), AAA rating in MSCI, 96th percentile in Sustainalytics for our sector, and inclusion in FTSE4Good and Dow Jones Sustainability Indices (DJSI) 2019. We have been a signatory to the UN Global Compact since 2009 and will continue to support human rights, fair labour practices, good environmental performance and oppose corruption through our strategy, governance and business operations.

FINANCE REVIEW

Year end 31 March	2019	2020
Underlying earnings per share[1,2]	34.9p	32.7p
Underlying Profit[1,2]	£340m	£306m
IFRS (loss) after tax	£(320)m	£(1,114)m
Dividend per share	31.00p	15.97p
Total accounting return[1,3]	(3.3%)	(11.0%)
EPRA net asset value per share[1,2]	905p	774p
IFRS net assets	£8,689m	£7,147m
LTV [1,4,5]	28.1%	34.0%
Weighted average interest rate [5]	2.9%	2.5%

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

Overview

Financial performance for the year was resilient in the context of significant sales over the last two years, an especially challenging retail environment and the impact of the Covid-19 which arose in the fourth quarter and so primarily impacted the balance sheet valuations. Underlying earnings per share (EPS) were down 6.3% at 32.7p, while Underlying Profit was down 10.0% at £306m. The impact of lower profits on EPS has been partially mitigated by the effect of share buybacks which added 1.1p in the year.

Capital activity (sales net of acquisitions and share buybacks) decreased EPS by 1.4p in the year. Proceeds from sales have been deployed into our value accretive development programme. The recently completed and committed schemes are expected to generate EPS accretion of 4.2p once fully let based on expected rental income of £62m, of which 88% is pre-let. Setting aside capital activity, earnings decreased by 0.8p, primarily due to increased provisioning for tenant incentives in light of Covid-19. Cost savings through administrative and financing activities offset the impact of retailer CVAs and administrations throughout the year.

Since April 2019, we have completed £0.9bn of gross capital activity. This includes £296m sales (our share) of income producing assets, primarily the sale of 12 Sainsbury's superstores to Realty Income Corporation in April 2019 for £429m (our share £194m). In addition, we completed on £86m of residential sales at Clarges, Mayfair, £6m of which exchanged prior to this financial year. We also acquired a 25% interest (£54m) in West One, a shopping centre and offices building, above Bond Street station.

Valuations reduced by 10.1% on a proportionally consolidated basis resulting in an overall EPRA net asset value (NAV) per share decline of 14.5%.

Reflecting the strength of our balance sheet coming into this period our financial position remains resilient. LTV has increased by 590bps during the year to 34.0% with the key drivers being valuation declines contributing 340bps and capital spend contributing 210bps. We had £1.3bn of undrawn facilities and cash at year end and our weighted average interest rate reduced to a new low of 2.5%.

Presentation of financial information

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

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

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

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

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

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

Income statement

1. Underlying Profit

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

	Section	2019 £m	2020 £m
Gross rental income		576	560
Property operating expenses		(44)	(82)
Net rental income	1.2	**532**	**478**
Net fees and other income		10	13
Administrative expenses	1.3	(81)	(74)
Net financing costs	1.4	(121)	(111)
Underlying Profit		**340**	**306**
Non-controlling interests in Underlying Profit		12	12
EPRA adjustments[1]		(672)	(1,432)
IFRS profit/(loss) after tax	2	**(320)**	**(1,114)**
Underlying EPS	1.1	34.9p	32.7p
IFRS basic EPS	2	(30.0)p	(110.0)p
Dividend per share	3	31.00p	15.97p

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

1.1 Underlying EPS

Underlying EPS is 32.7p, a decline of 6.3% on the prior year. This reflects Underlying Profit decline of 10.0%, partially offset by the impact of share buybacks which added 1.1p in the year.

1.2 Net rental income

	£m
Net rental income for the year ended 31 March 2019	**532**
Sales	(36)
Acquisitions	3
Like-for-like rent (incl. CVA and administrations)	(14)
Tenant incentive provisions	(7)
Rental debtor provisions	(6)
IFRS 16 adoption	3
Development and other	3
Net rental income for the year ended 31 March 2020	**478**

Net sales of income producing assets over the last 2 years was £0.9bn. This reduced rents by £33m in the year, including £12m from superstore sales, £4m from the sale of 5 Broadgate in June 2018 and £11m from the sale of the Spirit Pubs portfolio in March 2019. Proceeds from these sales are being reinvested in the development pipeline which is expected to deliver £62m in rents in future years and is already 88% pre-let (£54m).

Retail like-for-like net rental decline is 5.1% in the year, primarily reflecting the impact of CVAs and administrations. The offices portfolio saw like-for-like growth of 0.8% which is lower than the historic run-rate due to lease expiries. Office expiries contributed a 3.0% decrease to net rents, however the space has either been re-let or is to be refurbished. Expiries have been more than offset by the impact of leasing activity in the year.

In light of Covid-19, an impairment of £7m was made against tenant incentive balances primarily within the retail portfolio. These non-cash provisions primarily relate to the spreading of historic rent frees and fixed uplifts. A further £6m was provided against tenant debtors that were deemed high risk. The March quarter rent we offered to defer for our retail and leisure customers facing challenges due to Covid-19 were not receivable at year end and therefore not a trade debtor.

Accounting changes upon adoption of IFRS 16 results in a £3m increase to net rents, due to recognising head lease assets under the fair value model.

1.3 Administrative expenses

Administrative expenses decreased by 8.6% in the year. The Group's operating cost ratio increased by 480 bps to 23.5% (2018/19: 18.7%) as a result of lower rental income following sales activity and an increase in property outgoing expenses due to write-offs and provisions made in respect of tenant incentive. Excluding write-offs and provisions made in respect of tenant incentives and guaranteed rent increases, the Group's cost ratio is 19.8%.

1.4 Net financing costs

	£m
Net financing costs for the year ended 31 March 2019	**(121)**
Financing activity	6
Net divestment	6
Developments	1
Share buybacks	(3)
Net financing costs for the year ended 31 March 2020	**(111)**

Lower interest rates and our financing activity undertaken over the last 24 months reduced costs by £6m. Financing during the year included the issuance of a new £100m 2034 USPP note following prepayment of a £98m 2027 note, and repayment of £30m of secured Broadgate bonds (BL share, in addition to the £111m repaid in October 2018).

The reduction in finance costs as a result of proceeds from net divestment includes the repayment of £86m (BL share) of secured Sainsbury's JV bonds on the sale of a portfolio of superstores, partially offset by share buybacks.

We have a risk managed approach to interest rates on debt. At 31 March 2020, on average over the next 5 years the interest rate on 75% of our debt is hedged, based on current commitments. On a spot basis we are 81% hedged. Our use of interest rate caps as part of our hedging (alongside swaps) means that around half of our debt benefits if market rates remain low.

2. IFRS profit before tax

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

The IFRS loss after tax for the year was £1,114m, compared with a loss after tax for the prior year of £320m. As a result, IFRS basic EPS was (110.0)p per share, compared to (30.0)p per share in the prior year. This primarily reflects the downward valuation movement on the Group's properties of £1,105m, and an increase in the capital and other income loss from joint ventures and funds of £306m, both driven principally by outward yield shift of 101 bps and ERV decline of 11.7% in the Retail portfolio.

The basic weighted average number of shares in issue during the year was 934m (2018/19: 971m).

3. Dividends

In March, the Company announced the Board's decision to temporarily suspend future dividend payments. This was considered prudent to best ensure we can effectively support our retail and leisure customers who are hardest hit, protect the long-term value of the business, and further strengthen our financial position. Accordingly, the third interim dividend due for payment in May was suspended. We will seek to resume dividends at an appropriate level as soon as there is sufficient clarity of outlook. For this we will need to see a significant improvement in rent collection and have more visibility on the post lockdown productivity of our assets, principally how quickly retail customers and office workers return. The dividend for the year ended 31 March 2020 was 15.97p.

Balance sheet

As at	Section	2019 £m	2020 £m
Properties assets		12,316	11,177
Other non-current assets		151	131
		12,467	**11,308**
Other net current liabilities		(297)	(241)
Adjusted net debt	6	(3,521)	(3,854)
Other non-current liabilities		-	-
EPRA net assets		**8,649**	**7,213**
EPRA NAV per share	4	**905p**	**774p**
Non-controlling interests		211	112
Other EPRA adjustments[1]		(171)	(178)
IFRS net assets	5	**8,689**	**7,147**

Proportionally consolidated basis

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

4. EPRA net asset value per share

	pence
EPRA NAV per share at 31 March 2019	**905**
Valuation performance	(137)
Underlying Profit	33
Dividends	(31)
Financing activity	(2)
Share buyback	6
EPRA NAV per share at 31 March 2020	**774**

The 14.5% decrease in EPRA NAV per share primarily reflects a valuation decrease of 10.1% across the portfolio. Valuation gains in the Office portfolio and Canada Water were more than offset by a fall in Retail values.

Office valuations were up 2.3% driven by strong leasing at our developments which were up 7.5%, including 100 Liverpool Street where values were up 19%. ERV growth was 3.2% across the standing investments and yields moved in 4bps.

Valuations in Retail were down 26.1%, with outward yield shift of 101 bps and ERV decline of 11.7%. These values reflect ongoing structural challenges faced by occupiers, the lack of transactional evidence and the initial impact of Covid-19. Across our largest assets, yields have moved between 100-160bps. For smaller retail parks, a number of assets were transacted earlier in the year which have provided some valuation evidence.

While financing activity initially decreased NAV by 2p, it delivers future interest cost savings. Completion of the £125m share buyback programme during the year has contributed 6p to EPRA NAV.

EPRA published its latest Best Practices Recommendations in October 2019 which included three replacement Net Asset Valuation metrics, namely EPRA Net Reinstatement Value (NRV), EPRA Net Tangible Assets (NTA) and EPRA Net Disposal Value (NDV). We will report all three metrics going forwards, adopting EPRA NTA as our primary metric as it is the closest to our current primary metric, EPRA NAV. The three metrics have been presented below as at 31 March 2020 to provide a comparison to the current measures, EPRA NAV and EPRA NNNAV.

	£m	pence
EPRA Net Reinstatement Value (NRV)	7,872	845
EPRA Net Tangible Assets (NTA)	7,202	773
EPRA Net Disposal Value (NDV)	6,762	726

5. IFRS net assets

IFRS net assets at 31 March 2020 were £7,147m, a decrease of £1,542m from 31 March 2019. This was primarily due to the IFRS loss after tax of £1,114m, along with £295m of dividends paid and £125m of share purchases under the share buyback programme.

Cash flow, net debt and financing

6. Adjusted net debt[1]

	£m
Adjusted net debt at 31 March 2019	**(3,521)**
Disposals	382
Acquisitions	(118)
Development and capex	(388)
Net cash from operations	375
Dividends	(295)
Share buyback	(125)
Other	(164)
Adjusted net debt at 31 March 2020	**(3,854)**

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

Net sales reduced debt by £264m whilst development spend totalled £291m with a further £97m on capital expenditure related to Storey fitout and asset management on the standing portfolio. The value of recently completed and committed developments is £1,174m, with £78m costs to come. Speculative development exposure is 0.6% of the portfolio. There are 1m sq ft of developments in our near term pipeline with anticipated cost of £605m.

7. Financing

	Group		Proportionally consolidated	
	2019	2020	2019	2020
Net debt / adjusted net debt [1]	£2,765m	£3,247m	£3,521m	£3,854m
Principal amount of gross debt	£2,881m	£3,294m	£3,895m	£4,158m
Loan to value	22.2%	28.9%	28.1%	34.0%
Weighted average interest rate	2.2%	1.9%	2.9%	2.5%
Interest cover	6.3	5.8	3.8	3.8
Weighted average maturity of drawn debt	7.3 years	6.8 years	8.1 years	7.5 years

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

At 31 March 2020, our proportionally consolidated LTV was 34.0%, up 590 bps from 28.1% at 31 March 2019. Valuation declines contributed 340 bps of this increase, and capital spend contributed 210bps. Note 14 of the condensed financial statements sets out the calculation of the Group and proportionally consolidated LTV.

During the year, we issued a new £100m 2034 USPP note following prepayment of a £98m 2027 note, extending debt maturity and delivering future interest cost savings.

In March, we completed our first ESG linked Revolving Credit Facility at £450m with a group of eight banks, by extending and amending one of our existing unsecured RCFs. The extended RCF has a headline margin of 90 basis points over LIBOR (unchanged) and an initial five-year term which may be extended to a maximum of seven years at British Land's request, subject to banks' consent. The facility may continue to be used for our general corporate purposes. Aligning with our sustainability strategy, the facility includes two ESG-related KPIs focused on the BREEAM ratings of our developments and assets under management.

We also extended a total of £925m under other committed bank facilities by a further 1 year.

After the year end, one of the bank facilities in HUT which was due to mature in September 2020 was refinanced with an extended facility to December 2023.

Our liability and debt management activity has enabled us to reduce our weighted average interest rate to a new low of 2.5%. Our weighted average debt maturity is 7.5 years.

At 31 March 2020, British Land had £1.8bn of committed unsecured revolving bank facilities; undrawn facilities and cash amounted to £1.3bn. Based on our current commitments, these facilities and debt maturities, we have no requirement to refinance until 2024.

The current uncertain environment reinforces the importance of a strong balance sheet.

Simon Carter
Chief Financial Officer

Notes to Editors

About British Land

Our portfolio of high quality UK commercial property is focused on London Offices and Retail around the UK. We own or manage a portfolio valued at £14.8bn (British Land share: £11.2bn) as at 31 March 2020 making us one of Europe's largest listed real estate investment companies.

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

Our Offices portfolio comprises three office-led campuses in central London as well as high quality standalone buildings and accounts for 60% of our portfolio. Our Retail portfolio is focused on retail parks and shopping centres, and accounts for 35% of our portfolio. Increasingly our focus is on providing a mix of uses and this is most evident at Canada Water, our 53 acre redevelopment opportunity where we have plans to create a new neighbourhood for London.

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

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

Risk Management and Principal Risks

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

The general risk environment in which the Group operates has increased over the course of the year, which is largely due to the continued level of uncertainty associated with the Brexit process, the challenging UK retail market and weaker investment markets. This has been compounded more recently by the Covid-19 outbreak.

Covid-19 presents a new and major risk to the business. As yet, it is impossible to fully predict the impact on the global and UK economy and thus the consequential impact on our business and our key markets. The Board will continue to closely monitor and adapt to the developing situation and its effect on the Company, although the Board is reassured by the strength of our balance sheet, our high quality diverse portfolio of assets and operational expertise; which means we are positioned to protect our business through the near term period of uncertainty. We have robust crisis management and business continuity plans in place and have acted swiftly in dealing with the exceptional challenges posed by Covid-19; our focus is to ensure the safety of our people, our assets are securely maintained and to support our customers and suppliers.

The Board confirms that a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity, was carried out during the year and more recently taking into account the current Covid-19 risk to our business. Whilst we consider there has been no material change to the nature of the Group's principal risks, not surprisingly, a number of risks have increased as a result of the challenging external environment and significant ongoing uncertainty. The emerging threat from Covid-19 is incorporated within our catastrophic business event principal risk (but will clearly also impact other principal risks).

Our current assessment is that the principal risks we flagged as elevated at last year end remain heightened and we expect Covid-19 to adversely impact the economic outlook and present an increased risk to the investment and occupier markets as well as to our people, our investment strategy and income sustainability principal risks. Also, the dynamics in the retail and office markets are very different and thus we now assess the risks of occupier and investment demand separately; with retail already showing a much-increased risk profile. The risk outlook for office is also elevated but to a lesser extent than retail.

The principal risks are summarised below, including an assessment of how the risks have changed in the year and the potential impact of Covid-19. A more comprehensive explanation of the Group's approach to risk management will be included in the 2020 Annual Report.

External risks

Risks and impacts	How we monitor and manage the risks	Change in risk assessment in year	
Economic outlook			
The UK economic climate and future movements in interest rates present risks and opportunities in property and financing markets and the businesses of our customers which can impact both the delivery of our strategy and our financial performance.	• The Risk Committee reviews the economic environment in which we operate quarterly to assess whether any changes to the economic outlook justify a reassessment of the risk appetite of the business. • Key indicators including forecast GDP growth, employment rates, business and consumer confidence, interest rates and inflation/deflation are considered, as well as central bank guidance and government policy updates. • We stress test our business plan against a downturn in economic outlook to ensure our financial position is sufficiently flexible and resilient. • Our resilient business model focuses on a high quality portfolio underpinned by our balance sheet and financial strength.	↑	• Economic growth remained volatile throughout the year. The outcome of the General Election and Brexit withdrawal deal had initially been positive for the UK economy; however, the recent Covid-19 outbreak has derailed any revival in the UK economic outlook. • GDP forecasts for 2020 have continued to reduce with many commentators predicting the impact on the economy will be deeper than the post Global Financial Crisis downturn, with the trajectory of recovery difficult to forecast. • Also, failure to achieve a UK-EU arrangement conducive to trade is also a key risk to the outlook for the UK economy. • Strong levels of government spending and measures announced by the Bank of England to lower interest rates will initially help mitigate some of the impact of Covid-19. • Covid-19: Looking ahead, whilst the long term economic impact of Covid-19 is hard to predict, the economy faces a challenging short term outlook, with an increased risk posed by a global recession. Whilst it is inevitable that our business, like many others, will be negatively impacted; our business has a strong

			balance sheet and clear long term strategy.
Political and regulatory outlook			
Significant political events and regulatory changes, including the decision to leave the EU, bring risks principally in three areas: • reluctance of investors and businesses to make investment and occupational decisions whilst the outcome remains uncertain • on determination of the outcome, the impact on the case for investment in the UK, and on specific policies and regulation introduced, particularly those which directly impact real estate or our customers • the potential for a change of leadership or political direction	• Whilst we are not able to influence the outcome of significant political events, we do take the uncertainty related to such events and the range of possible outcomes into account when making strategic investment and financing decisions. • Internally we review and monitor proposals and emerging policy and legislation to ensure that we take the necessary steps to ensure compliance if applicable. Additionally, we engage public affairs consultants to ensure that we are properly briefed on the potential policy and regulatory implications of political events. We also monitor public trust in business. • Where appropriate, we act with other industry participants and representative bodies to contribute to policy and regulatory debate. We monitor and respond to social and political reputational challenges relevant to the industry and apply our own evidence-based research to engage in thought leadership discussions, such as with Design for Life.	←→	• The political risk outlook remains high dictated by the national and global response to Covid-19 and there remains significant uncertainty until our future relationship with the EU has been determined. • Furthermore, the global geopolitical and trade environments remain uncertain. • Covid-19: It is not possible to predict fully the impact Covid-19 and Brexit will have on our business and our markets, but we are well placed to respond proactively to the key risks and have modelled various scenarios as part of our five-year forecasts.

Commercial property investor demand			
Reduction in investor demand for UK real estate may result in falls in asset valuations and could arise from variations in: • the health of the UK economy • the attractiveness of investment in the UK • availability of finance • relative attractiveness of other asset classes	• The Risk Committee reviews the property market quarterly to assess whether any changes to the market outlook present risks and opportunities which should be reflected in the execution of our strategy and our capital allocation plan. The Committee considers indicators such as margin between property yields and borrowing costs and property capital growth forecasts, which are considered alongside the Committee members' knowledge and experience of market activity and trends. • We focus on prime assets and sectors which we believe will be less susceptible over the medium term to a reduction in occupier and investor demand. • We maintain strong relationships with agents and direct investors active in the market. • We stress test our business plan for the effect of a change in property yields.	↑ ↑	**London Offices** • Investment volumes were low but picked up in the final quarter of 2019 following the UK election and Brexit outcome. However, in the wake of Covid-19, a number of transactions have been cancelled or postponed. • Covid-19: We expect investor confidence and volumes will be impacted in the short term. However, in the longer term we expect market fundamentals to continue to favour London Offices as yields remain attractive compared to many other European markets, and London is considered a relatively safe haven. **Retail** • Investment markets were significantly weaker, reflecting challenges in the occupational market. Liquidity did return to certain parts of the market, with a pick-up in transactional activity, particularly in retail parks, but this has not continued as a result of Covid-19. • There has been limited liquidity and a lack of transactional evidence, particularly for larger lot sizes, and as a result we have seen significant outward yield shift for prime assets. • Covid-19: We expect the retail investment market will remain challenging and materially weaker as a result of Covid-19. We remain committed to our plan to refine our Retail portfolio;

			however, we recognise that making progress with sales in the coming period will be more difficult.
Occupier demand and tenant default			
Underlying income, rental growth and capital performance could be adversely affected by weakening occupier demand and occupier failures resulting from variations in the health of the UK economy and corresponding weakening of consumer confidence, business activity and investment. Changing consumer and business practices including the growth of internet retailing, flexible working practices and demand for energy efficient buildings, new technologies, new legislation and alternative locations may result in earlier than anticipated obsolescence of our buildings if evolving occupier and regulatory requirements are not met.	• The Risk Committee reviews indicators of occupier demand quarterly including consumer confidence surveys and employment and ERV growth forecasts, alongside the Committee members' knowledge and experience of occupier plans, trading performance and leasing activity in guiding execution of our strategy. • We have a high quality, diversified occupier base and monitor concentration of exposure to individual occupiers or sectors. We perform rigorous occupier covenant checks ahead of approving deals and on an ongoing basis so that we can be proactive in managing exposure to weaker occupiers • Through our Key Occupier Account programme, we work together with our customers to find ways to best meet their evolving requirements. • Our sustainability strategy links action on customer health and wellbeing, energy efficiency, community and sustainable design	↑ ↑	**London Offices** • Over the year, occupier demand for high quality, well located London offices has remained strong with take-up in our markets, ahead of the long term average. However, activity has slowed since March 2020 and Covid-19 is likely to impact some office occupiers. • Covid-19: Whilst it is too early to predict the full impact of Covid-19 and its effect on how office occupiers will want to utilise their space, it is likely to accelerate the ongoing trend for flexible working, and trends for hot desking and increased densification may slow. Also a reduction in rental growth is possible as decision making goes on hold. However, office supply for large occupiers remains limited and interest levels remain robust for the best quality space. Our London campuses continue to appeal to a broader range of businesses and are effectively full. **Retail** • The retail occupational market has remained tough and the challenges facing UK retail have been compounded by the Covid-19 lockdown. In the short term, this is playing out in several ways, including rent

	to our business strategy. Our social and environmental targets help us comply with new legislation and respond to customer demands; for example, we expect all our current new developments to achieve a BREEAM Excellent or above rating.		reductions, rent deferments and non-payment, but also an increase in retailers entering CVAs or administrations. • Covid-19: The outlook will remain challenging as the structural changes facing retail accelerate and we expect further retailers will fail. Our focus is on helping the customers who are hardest hit but with otherwise sound business models. We have a pragmatic approach to leasing to maintain occupancy.
Availability and cost of finance			
Reduced availability of finance may adversely impact ability to refinance debt and/or drive up cost. Regulation and capital costs of lenders may increase cost of finance.	• Market borrowing rates and real estate debt availability are monitored by the Risk Committee quarterly and reviewed regularly in order to guide our financing actions in executing our strategy. • We monitor our projected LTV and our debt requirements using several internally generated reports focused on borrowing levels, debt maturity, available facilities and interest rate exposure. • We maintain good long term relationships with our key financing partners. • The scale and quality of our business enables us to access a diverse range of sources of finance with a spread of repayment dates. We aim always to have a good level of undrawn,	←→	• Markets have been adversely affected globally by Covid-19. Governments and central banks have cut interest rates and increased economic stimulus in response. • In the UK, lenders' appetite and support varies in different debt markets. For real estate, strength of sponsor and quality of property remain key. Availability of finance for retail assets has significantly reduced. • Covid-19: British Land has maintained good access to sources of funds in the unsecured markets. We achieved good support from our banking group with our new ESG linked RCF of £450m and the extension of £925m of other committed bank facilities for a further year.

	committed, unsecured revolving facilities to ensure we have adequate financing availability to support business requirements and opportunities. • We work with industry bodies and other relevant organisations to participate in debate on emerging finance regulations where our interests and those of our industry are affected.		
Catastrophic business event			
An external event such as a civil emergency, including a large-scale terrorist attack, cybercrime, pandemic disease, extreme weather occurrence, environmental disaster or power shortage could severely disrupt global markets (including property and finance) and cause significant damage and disruption to British Land's portfolio, operations and people.	• 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 level and we have access to security threat information services. • Asset emergency procedures are regularly reviewed, and scenario tested. Physical security measures are in place at properties and development sites. • Our Sustainability Committee continues to monitor environmental risks and we have established a TCFD Steering Committee to review our management processes for climate-related risks and opportunities. Asset risk assessments are carried out to assess a range of	↑	• While the Home Office threat level from international terrorism has been reduced to 'Substantial', the emerging threat from Covid-19 is incorporated within our catastrophic business event principal risk and means our residual risk assessment has increased since the prior year. Under the new Covid Alert System, the threat level of Covid-19 on a scale of one to five is currently rated four ('Severe'), but moving towards level three ('Substantial) meaning some lockdown and social distancing measures need to remain in place. • The wider use and enhancement of digital technology across the Group increases the risks associated with information and cyber security. • The awareness of climate-related risks has been elevated in the year, although we have already

	risks including security, flood, environmental and health and safety. • We have implemented corporate cyber security systems which are supplemented by incident management, disaster recovery and business continuity plans, all of which are regularly reviewed to be able to respond to changes in the threat landscape and organisational requirements. • We also have appropriate insurance in place across the portfolio for physical damage.		been focused on this for some time. We have a long track record of focusing on sustainability matters and have a comprehensive strategy to address climate change risks. • Covid-19: We have robust crisis management and business continuity plans in place and have acted swiftly in responding to the exceptional challenges posed by Covid-19; our focus is to ensure the safety of our people, our assets are securely maintained and to support our customers and suppliers. We protected the interests of our employees by moving to working from home even before the lockdown.

Key

Change in risk assessment from last year

↑ Increase

←→ No change

↓ Decrease

Internal risks

Risks and impacts	How we monitor and manage the risks	Change in risk assessment in year	
Investment strategy			
In order to meet our strategic objectives, we aim to invest in and exit from the right properties at the right time. Underperformance could result from changes in market sentiment as well as inappropriate determination and execution of our property investment strategy, including: • sector selection and weighting • timing of investment and divestment decisions • exposure to developments • asset, occupier, region concentration • co-investment arrangements	• 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. • The Board carries out an annual review of the overall corporate strategy including the current and prospective asset portfolio allocation. • Individual investment decisions are subject to robust risk evaluation overseen by our Investment Committee including consideration of returns relative to risk adjusted hurdle rates. • Review of prospective performance of individual assets and their business plans. • We foster collaborative relationships with our co-investors and enter into ownership agreements which	↑	• We have a clear and consistent strategy to build an increasingly mixed use business, focused on three core areas; campus focused London Offices; refocused Retail and residential. • We have a plan to reduce Retail to 25-30% of our portfolio over the medium term; based on today's values. We have made progress on this with £296m of retail sales, bringing the total since we set out our plan in November 2018 to c.£610m. • Covid-19: Making value-accretive sales will be more challenging in the current market so we will only progress on an opportunistic basis and will continue to allocate capital thoughtfully in light of the current market conditions.

	balance the interests of the parties.		
Development strategy			
Development provides an opportunity for outperformance but usually brings with it elevated risk. **This is reflected in our decision-making process around which schemes to develop, the timing of the development, as well as the execution of these projects.** **Development strategy addresses several development risks that could adversely impact underlying income and capital performance including:** • development letting exposure • construction timing and costs (including construction cost inflation) • major contractor failure • adverse planning judgements	• We manage our levels of total and speculative development exposure as a proportion of the investment portfolio value within a target range considering associated risks and the impact on key financial metrics. This is monitored quarterly by the Risk Committee along with progress of developments against plan. • Prior to committing to a development, a detailed appraisal is undertaken. This includes consideration of returns relative to risk adjusted hurdle rates and is overseen by our Investment Committee. • Pre-lets are used to reduce development letting risk where considered appropriate. • Competitive tendering of construction contracts and, where appropriate, fixed price contracts entered into. • Detailed selection and close monitoring of contractors including covenant reviews. • Experienced development management team closely monitors design, construction	←→	• Development is a key element of our investment case as a fundamental driver of value, but is inherently higher risk, particularly when pursued on a speculative basis. We limit our development exposure to 15% of the total investment portfolio by value, with a maximum of 8% to be developed speculatively. • We actively manage our development risk and pre-letting our space is an important part of that approach. Reflecting our continued successful leasing activity, 88% of our recently completed and committed developments are pre-let. • Covid-19: We chose to halt construction on our committed pipeline; however, work has safely recommenced at all our major developments, albeit currently operating at much lower levels of productivity due to reduced numbers of people on site and amended working practices. Delays in construction may lead to increased cost and there is a risk of disputes with development partners as to who bears the cost of delays. However, our committed developments are close to completion

	and overall delivery process. • Early engagement and strong relationships with planning authorities. • We actively engage with the communities in which we operate, as detailed in our Local Charter, to ensure that our development activities consider the interests of all stakeholders. • We manage environmental and social risks across our development supply chain by engaging with our suppliers, including through our Supplier Code of Conduct, Sustainability Brief for Developments and Health and Safety Policy.		and 88% pre-let. Our speculative exposure is low at 0.6% of the total investment portfolio, and we are unlikely to make further commitments until we have further clarity on the macro outlook.
Capital structure - leverage			
Our capital structure recognises the need for balance between performance, risk and flexibility: • leverage magnifies property returns, both positive and negative • an increase in leverage increases the risk of a breach of covenants on borrowing facilities and may increase finance costs	• We manage our use of debt and equity finance to balance the benefits of leverage against the risks, including magnification of property valuation movements. • We aim to manage our loan to value (LTV) through the property cycle such that our financial position would remain robust in the event of a significant fall in property values. This means we do not adjust our approach to	←→	• Over the last few years we have lowered our leverage and benefit from a sound financial position, with a proportionally consolidated LTV of 34%. This financial strength provides us with the capacity to progress opportunities. • Covid-19: Given our debt covenant structure across the Group, we could withstand a further fall in asset values of c.45% before any mitigating actions.

	leverage based on changes in property market yields. • We manage our investment activity, the size and timing of which can be uneven, as well as our development commitments to ensure that our LTV level remains appropriate. • We leverage our equity and achieve benefits of scale while spreading risk through joint ventures and funds which are typically partly financed by debt without recourse to British Land.		
Finance strategy			
Finance strategy addresses risks both to continuing solvency and profits generated. Failure to manage refinancing requirements may result in a shortage of funds to sustain the operations of the business or repay facilities as they fall due.	• Five key principles guide our financing, employed together to manage the risks in this area: diversify our sources of finance, phase maturity of debt portfolio, maintain liquidity, maintain flexibility, and maintain strong metrics. • We monitor the period until financing is required, which is a key determinant of financing activity. Debt and capital market conditions are reviewed regularly to identify financing opportunities that meet our business requirements.	←→	• The scale of our business and quality of our assets have enabled us to access a broad range of debt finance on attractive terms. During the year, we have completed £550m of refinancing and extended £925m of facilities. • Our senior unsecured rating was affirmed at 'A' and our short term IDR was upgraded to 'F1' during the year. • Covid-19: We have £1.3bn of undrawn facilities and cash and no requirement to refinance until 2024.

	• Financial covenant headroom is evaluated regularly and in conjunction with transactions. • We are committed to maintaining and enhancing relationships with our key financing partners. • We are mindful of relevant emerging regulation which has the potential to impact the way that we finance the business.		
People			
A number of critical business processes and decisions lie in the hands of a few people. **Failure to recruit, develop and retain staff and Directors with the right skills and experience may result in significant underperformance or impact the effectiveness of operations and decision making, in turn impacting business performance.**	Our HR strategy is designed to minimise risk through: • informed and skilled recruitment processes • talent performance management and succession planning for key roles • highly competitive compensation and benefits • people development and training The risk is measured through employee engagement surveys, employee turnover and retention metrics. We monitor this through voluntary staff turnover in addition to conducting exit interviews. We engage with our employees and suppliers to make clear our requirements in managing key risks including health and safety, fraud and bribery and other social and environmental risks, as detailed in our policies and codes of conduct.	↑	• Our people strategy is focused on creating a diverse team with a range of skills and experiences who can deliver Places People Prefer. • Over the year, we have continued to make significant advances in ensuring that British Land remains a great place to work, so that our employees remain motivated and engaged to deliver our strategy. • Covid-19: The Covid-19 crisis presents a health & safety risk to our people and has made day-to-day operations more difficult and complex; and in the medium term our operating model may need to change. The health and wellbeing of our people has always been our priority and we were quick to encourage all our office-based staff to work from home. We are providing the

			resources our people need to work effectively from home, as well as actively monitoring our staff wellbeing during this prolonged period of lockdown.
Income sustainability			
We are mindful of maintaining sustainable income streams which underpin a stable and growing dividend and provide the platform from which to grow the business. We consider sustainability of our income streams in: • execution of investment strategy and capital recycling, notably timing of reinvestment of sale proceeds • nature and structure of leasing activity • nature and timing of asset management and development activity	• We undertake comprehensive profit and cash flow forecasting incorporating scenario analysis to model the impact of proposed transactions. • We take a proactive asset management approach to maintain a strong occupier line-up. We monitor our market letting exposure including vacancies, upcoming expiries and breaks and speculative development as well as our weighted average unexpired lease term. • We have a high quality and diversified occupier base and monitor concentration of exposure to individual occupiers or sectors. • We are proactive in addressing key lease breaks and expiries to minimise periods of vacancy. • We actively engage with the communities in which we operate, as detailed in our Local Charter, to ensure we provide places that	↑	• Our income streams are underpinned by high quality assets and a diverse occupier base with high occupancy. However, our income will be negatively impacted by the challenges facing the retail market compounded by Covid-19. • We continue to actively monitor our exposure to occupiers at risk of default and administration and are selective about the sectors and occupiers we target. • Covid-19: We are mindful of the challenges facing the retail market which has seen more retailers fail. To support our smaller retail, food & beverage and leisure customers facing financial challenges we have been offering rental reductions and for larger occupiers rent deferrals. Given the likely impact of the current crisis on occupiers, there is a risk of higher levels of non-payment of rent. There is also a risk that UK government initiatives temporarily structurally alter the ongoing legal obligations of occupiers

	meet the needs of all relevant stakeholders.		to meet their contractual commitments to landlords. To preserve flexibility the Board has temporarily suspended dividends until there is sufficient clarity of outlook.

Key

Change in risk assessment from last year

↑ Increase

←→ No change

↓ Decrease

Consolidated income statement

For the year ended 31 March 2020

	Note	2020 Underlying[1] £m	2020 Capital and other £m	2020 Total £m	2019 Underlying[1] £m	2019 Capital and other £m	2019 Total £m
Revenue	3	526	87	613	554	350	904
Costs	3	(148)	(70)	(218)	(141)	(258)	(399)
	3	378	17	395	413	92	505
Joint ventures and funds (see also below)	8	79	(306)	(227)	86	(79)	7
Administrative expenses		(73)	–	(73)	(80)	–	(80)
Valuation movement	4	–	(1,105)	(1,105)	–	(620)	(620)
Profit (loss) on disposal of investment properties and investments		–	1	1	–	(18)	(18)
Net financing costs							
financing income	5	1	–	1	–	–	–
financing charges	5	(67)	(41)	(108)	(67)	(46)	(113)
		(66)	(41)	(107)	(67)	(46)	(113)
Profit (loss) on ordinary activities before taxation		318	(1,434)	(1,116)	352	(671)	(319)
Taxation	6	–	2	2	–	(1)	(1)
Loss for the year after taxation				(1,114)			(320)
Attributable to non-controlling interests		12	(99)	(87)	12	(41)	(29)
Attributable to shareholders of the Company		306	(1,333)	(1,027)	340	(631)	(291)
Earnings per share:							
basic	2			(110.0)p			(30.0)p
diluted	2			(110.0)p			(30.0)p

All results derive from continuing operations.

	Note	2020 Underlying[1] £m	2020 Capital and other £m	2020 Total £m	2019 Underlying[1] £m	2019 Capital and other £m	2019 Total £m
Results of joint ventures and funds accounted for using the equity method							
Underlying Profit		79	–	79	86	–	86
Valuation movement	4	–	(284)	(284)	–	(63)	(63)
Capital financing costs		–	(22)	(22)	–	(21)	(21)
Profit on disposal of investment properties, trading properties and investments		–	–	–	–	3	3
Taxation		–	–	–	–	2	2
	8	79	(306)	(227)	86	(79)	7

1. See definition in note 2

Consolidated statement of comprehensive income

For the year ended 31 March 2020

	2020 £m	2019 £m
Loss for the year after taxation	(1,114)	(320)
Other comprehensive income:		
Items that will not be reclassified subsequently to profit or loss:		
Valuation movements on owner-occupied properties	1	3
	1	3
Items that may be reclassified subsequently to profit or loss:		
Gains (losses) on cash flow hedges		
– Group	2	1
– Joint ventures and funds	(1)	–
	1	1
Transferred to the income statement (cash flow hedges)		
– Interest rate derivatives – Group	–	–
– Interest rate derivatives – joint ventures[1]	–	18
Deferred tax on items of other comprehensive income	–	(1)
Other comprehensive income for the year	2	21
Total comprehensive loss for the year	(1,112)	(299)
Attributable to non-controlling interests	(86)	(29)
Attributable to shareholders of the Company	(1,026)	(270)

1. Represents a reclassification of cumulative losses within the Group revaluation reserve to capital profit and loss, because the hedged item has affected profit or loss

Consolidated balance sheet

As at 31 March 2020

	Note	2020 £m	2019 £m
ASSETS			
Non-current assets			
Investment and development properties	7	**8,188**	8,931
Owner-occupied properties	7	**68**	73
		8,256	9,004
Other non-current assets			
Investments in joint ventures and funds	8	**2,358**	2,560
Other investments	9	**125**	129
Property, plant and equipment		**6**	22
Deferred tax assets	13	**–**	1
Interest rate and currency derivative assets	14	**231**	154
		10,976	11,870
Current assets			
Trading properties	7	**20**	87
Debtors	10	**56**	57
Cash and short term deposits	14	**193**	242
		269	386
Total assets		**11,245**	12,256
LIABILITIES			
Current liabilities			
Short term borrowings and overdrafts	14	**(637)**	(99)
Creditors	11	**(253)**	(289)
Corporation tax		**(17)**	(25)
		(907)	(413)
Non-current liabilities			
Debentures and loans	14	**(2,865)**	(2,932)
Other non-current liabilities	12	**(156)**	(92)
Deferred tax liabilities	13	**(1)**	–
Interest rate and currency derivative liabilities	14	**(169)**	(130)
		(3,191)	(3,154)
Total liabilities		**(4,098)**	(3,567)
Net assets		**7,147**	8,689
EQUITY			
Share capital		**234**	240
Share premium		**1,307**	1,302
Merger reserve		**213**	213
Other reserves		**38**	37
Retained earnings		**5,243**	6,686
Equity attributable to shareholders of the Company		**7,035**	8,478
Non-controlling interests		**112**	211
Total equity		**7,147**	8,689

	Note	2020	2019
EPRA NAV per share[1]	2	**774p**	905p

1. As defined in note 2

Consolidated statement of cash flows

For the year ended 31 March 2020

	Note	2020 £m	2019 £m
Rental income received from tenants		**415**	449
Fees and other income received		**42**	62
Operating expenses paid to suppliers and employees		**(146)**	(162)
Indirect taxes received in respect of operating activities		**11**	–
Sale of trading properties		**82**	268
Cash generated from operations		**404**	617
Interest paid		**(79)**	(75)
Interest received		**5**	7
Corporation taxation (payments) repayments		**(4)**	5
Distributions and other receivables from joint ventures and funds	8	**49**	59
Net cash inflow from operating activities		**375**	613
Cash flows from investing activities			
Development and other capital expenditure		**(259)**	(218)
Purchase of investment properties		**(52)**	(185)
Sale of investment properties		**77**	380
Acquisition of remaining share of Aldgate JV		**(21)**	–
Acquisition of investment in WOSC joint venture		**(57)**	–
Purchase of investments		**(9)**	(9)
Sale of investments		**19**	13
Indirect taxes received (paid) in respect of investing activities		**1**	(3)
Investment in and loans to joint ventures and funds		**(191)**	(298)
Loan repayments from joint ventures and funds		**–**	247
Capital distributions from joint ventures and funds		**131**	260
Net cash (outflow) inflow from investing activities		**(361)**	187
Cash flows from financing activities			
Issue of ordinary shares		**5**	2
Purchase of own shares		**(125)**	(204)
Dividends paid	15	**(295)**	(298)
Dividends paid to non-controlling interests		**(13)**	(14)
Capital payments in respect of interest rate derivatives		**(14)**	(19)
Decrease in lease liabilities		**(8)**	–
Decrease in bank and other borrowings		**(189)**	(576)
Drawdowns on bank and other borrowings		**576**	446
Net cash outflow from financing activities		**(63)**	(663)
Net (decrease) increase in cash and cash equivalents		**(49)**	137
Cash and cash equivalents at 1 April		**242**	105
Cash and cash equivalents at 31 March		**193**	242
Cash and cash equivalents consists of:			
Cash and short term deposits	14	**193**	242

Consolidated statement of changes in equity

For the year ended 31 March 2020

	Share capital £m	Share premium £m	Hedging and translation reserve[1] £m	Re-valuation reserve £m	Merger reserve £m	Retained earnings £m	**Total £m**	Non-controlling interests £m	**Total equity £m**
Balance at 1 April 2019	**240**	**1,302**	**11**	**26**	**213**	**6,686**	**8,478**	**211**	**8,689**
Loss for the year after taxation	**–**	**–**	**–**	**–**	**–**	**(1,027)**	**(1,027)**	**(87)**	**(1,114)**
Revaluation of owner-occupied property	**–**	**–**	**–**	**1**	**–**	**–**	**1**	**–**	**1**
Gains on cash flow hedges – Group	**–**	**–**	**1**	**–**	**–**	**–**	**1**	**1**	**2**
Losses on cash flow hedges – joint ventures	**–**	**–**	**–**	**(1)**	**–**	**–**	**(1)**	**–**	**(1)**
Deferred tax on items of other comprehensive income	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Other comprehensive income	**–**	**–**	**1**	**–**	**–**	**–**	**1**	**1**	**2**
Total comprehensive income for the year	**–**	**–**	**1**	**–**	**–**	**(1,027)**	**(1,026)**	**(86)**	**(1,112)**
Share issues	**–**	**5**	**–**	**–**	**–**	**–**	**5**	**–**	**5**
Fair value of share and share option awards	**–**	**–**	**–**	**–**	**–**	**(2)**	**(2)**	**–**	**(2)**
Purchase of own shares	**(6)**	**–**	**–**	**–**	**–**	**(119)**	**(125)**	**–**	**(125)**
Dividends payable in year (31.47p per share)	**–**	**–**	**–**	**–**	**–**	**(295)**	**(295)**	**–**	**(295)**
Dividends payable by subsidiaries	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(13)**	**(13)**
Balance at 31 March 2020	**234**	**1,307**	**12**	**26**	**213**	**5,243**	**7,035**	**112**	**7,147**
Balance at 1 April 2018	248	1,300	11	22	213	7,458	9,252	254	9,506
Loss for the year after taxation	–	–	–	–	–	(291)	(291)	(29)	(320)
Revaluation of owner-occupied property	–	–	–	3	–	–	3	–	3
Gains on cash flow hedges – Group	–	–	1	–	–	–	1	–	1
Closeout of cash flow hedges – joint ventures and funds	–	–	–	18	–	–	18	–	18
Reserves transfer – joint venture cash flow hedges	–	–	–	(17)	–	17	–	–	–
Deferred tax on items of other comprehensive income	–	–	(1)	–	–	–	(1)	–	(1)
Other comprehensive income	–	–	–	4	–	17	21	–	21
Total comprehensive income for the year	–	–	–	4	–	(274)	(270)	(29)	(299)
Share issues	–	2	–	–	–	–	2	–	2
Fair value of share and share option awards	–	–	–	–	–	(4)	(4)	–	(4)
Purchase of own shares	(8)	–	–	–	–	(196)	(204)	–	(204)
Dividends payable in year (30.54p per share)	–	–	–	–	–	(298)	(298)	–	(298)
Dividends payable by subsidiaries	–	–	–	–	–	–	–	(14)	(14)
Balance at 31 March 2019	240	1,302	11	26	213	6,686	8,478	211	8,689

1. The balance at the beginning of the current year includes £15m in relation to translation and (£4m) in relation to hedging (2018/19: £15m and (£4m)). Opening and closing balances in relation to hedging relate to continuing hedges only

Notes to the accounts

1 Basis of preparation, significant accounting policies and accounting judgements

The financial statements for the year ended 31 March 2020 have been prepared on the historical cost basis, except for the revaluation of properties, investments held for trading and derivatives. The financial statements have also been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and interpretations issued by the IFRS Interpretations Committee (IFRS IC), and therefore comply with article 4 of the EU IAS regulation, and in accordance with the Companies Act 2006. In the current financial year the Group has adopted a number of minor amendments to standards effective in the year issued by the IASB and endorsed by the EU, none of which have had a material impact on the Group. The accounting policies used are otherwise consistent with those contained in the Group's previous Annual Report and Accounts for the year ended 31 March 2019.

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

IFRS 16 – Leases

The new standard was adopted by the Group on 1 April 2019. The Group adopted IFRS 16 in accordance with IFRS 16 C8. This approach allows the recognition of the lease liability and asset as at 1 April 2019 with no restatement of prior period financial statements. The Group has applied the practical expedient on transition to apply a single discount rate to a portfolio of leases with reasonably similar characteristics. The Group has also adopted the practical expedients relating to short term and low value assets which allow these to be expensed through the income statement.

The leases which have been brought onto the balance sheet include management agreements between the Group and its Broadgate JV partner, which are in substance lease agreements, as well as a small number of leases the Group holds as lessee. These leases were previously classified as operating leases under IAS 17. IFRS 16 has not impacted the accounting treatment of leases the Group holds as lessor, therefore the adoption of the accounting standard has not had a material impact on the Group.

The impact on the balance sheet at 1 April 2019, on adoption of IFRS 16, is a £56m increase in investment property, a £1m reduction in current assets and a corresponding £55m increase in liabilities. The impact relating to new leases which commenced during the year is a £40m increase in investment property and a £40m increase in liabilities. New leases which commenced in the year relate to the management agreements described above.

On transition the lease liability was calculated as the present value of the outstanding rental payments, discounted using the Group's incremental borrowing rate at the date of initial application. The right of use asset was then set as being equal to the liability, adjusted by a £1m increase in relation to prepaid rent which is added to the right-of-use asset on adoption. Therefore the impact on net assets on adoption is nil. The weighted average incremental borrowing rate applied to the lease liabilities recognised at the date of initial application was 1.5%.

The right-of-use assets meet the definition of investment property and are subsequently measured under the fair value model. The adoption of IFRS 16 has increased profit/(loss) before tax by £19m, £20m of which results from the revaluation gain recognised on the right-of-use assets and (£1m) of which results from interest on lease liabilities.

The Group has considered amendments to standards endorsed by the European Union effective for the current accounting period and determined that these do not have a material impact on the consolidated financial statements of the Group. These amendments include, amendments to IFRS 9 (prepayments features), IAS 28 (long term interests), IAS 19 (plan amendments) and IFRIC 23.

A number of new standards and amendments to standards and interpretations have been issued but are not yet effective for the current accounting period.

Amendments to IFRS 3 (Business Combinations) is effective for financial years commencing on or after 1 January 2020. The amendments relate to changes in the criteria for determining whether an acquisition is a business combination or an asset acquisition. These amendments will be applied to any future business combinations.

Amendments to IFRS 9 (Financial Instruments) is effective for financial years commencing on or after 1 January 2020. The amendments offer relief in meeting the criteria for hedge accounting on the transition from LIBOR to IBOR. The adoption of these amendments is not considered to have a material impact on the financial statements of the Group.

Amendments to References to the Conceptual Framework are effective for financial years commencing on or after 1 January 2020. The adoption of these amendments is not considered to have a material impact on the consolidated financial statements of the Group.

Amendments to IAS 8 (Accounting Policies, Changes in Accounting Estimates and Errors) are also effective for financial years commencing on or after 1 January 2020. The amendments will be applied to any future changes in Accounting Policy, Accounting Estimates or Errors.

Notes to the accounts continued

1 Basis of preparation, significant accounting policies and accounting judgements continued

Going concern

The financial statements are prepared on a going concern basis. The Balance Sheet shows that the company has net current liabilities, mainly as a result of the convertible bond and a credit facility within the HUT fund reaching maturity within the next twelve months. As the Group has access to £1.1bn of undrawn facilities and the HUT facility was refinanced post period end, the Directors believe the Group will be able to meet these current liabilities as they fall due. In making this assessment the Directors took into account the covenant headroom on the Group's unsecured facilities, equivalent to a 45% fall in property values, the absence of interest cover covenants on these facilities and the limited capital expenditure remaining on the Group's committed development programme. Before factoring in any income receivable, the facilities should also be sufficient to cover forecast property operating costs, administrative expenses and interest over the next 12 months. As a consequence of this, the Directors feel that the Group is well placed to manage its business risks successfully despite the current economic climate. Accordingly, they believe the going concern basis is an appropriate one.

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 investment, trading and owner-occupied properties and investments classified as fair value through profit or loss. 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 classified as fair value through profit or loss are inherently subjective, as they are based upon valuer assumptions which may prove to be inaccurate.

The third party valuers for properties recognised at 31 March 2020 include a material valuation uncertainty clause in their reports. The clause highlights significant estimation uncertainty regarding the valuation of investment property due to the Covid-19 pandemic. The valuations as at the current balance sheet date should therefore be treated with additional caution.

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

The following items are ongoing areas of accounting judgement, however, significant judgment has not been required for any of these items in the current financial year.

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

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

Joint ventures are accounted for under the equity method, whereby the consolidated balance sheet incorporates the Group's share of the net assets of its joint ventures and associates. The consolidated income statement incorporates the Group's share of joint venture and associate profits after tax.

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

2 Performance measures

Earnings per share

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

EPRA earnings per share is calculated using EPRA earnings, which is the IFRS loss after taxation attributable to shareholders of the Company excluding investment and development property revaluations, gains/losses on investing and trading property disposals, changes in the fair value of financial instruments and associated close-out costs and their related taxation. In the current year, diluted EPRA earnings per share did not include the dilutive impact of the 2015 convertible bond, as the Group's share price was below the current exchange price of 975.09 pence. IFRS diluted earnings per share would include the dilutive impact as IAS 33 ignores this hurdle to conversion, however due to the current year loss, this would be anti-dilutive and therefore no adjustment is made. In the prior year, both EPRA and IFRS measures exclude the dilutive impact of the 2015 convertible bond as the Company's share price had not exceeded the level required for the convertible conditions attached to the bond to trigger conversion into shares.

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

	2020			2019		
Earnings per share	**Relevant earnings £m**	**Relevant number of shares million**	**Earnings per share pence**	Relevant earnings £m	Relevant number of shares million	Earnings per share pence
Underlying						
Underlying basic	**306**	**934**	**32.8**	340	971	35.0
Underlying diluted	**306**	**937**	**32.7**	340	974	34.9
EPRA						
EPRA basic	**306**	**934**	**32.8**	340	971	35.0
EPRA diluted	**306**	**937**	**32.7**	340	974	34.9
IFRS						
Basic	**(1,027)**	**934**	**(110.0)**	(291)	971	(30.0)
Diluted	**(1,027)**	**934**	**(110.0)**	(291)	971	(30.0)

Net asset value

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

As at 31 March 2020, EPRA NAV and EPRA NNNAV did not include the dilutive impact of the 2015 convertible bond, as the Group's share price was below the exchange price of 975.09 pence. IFRS net assets also does not include the convertible impact following the treatment of IFRS earnings per share. In the prior year, both EPRA and IFRS measures exclude the dilutive impact of the 2015 convertible bond as the Company's share price had not exceeded the level required for the convertible conditions attached to the bond to trigger conversion into shares.

	2020			2019		
Net asset value per share	**Relevant net assets £m**	**Relevant number of shares million**	**Net asset value per share pence**	Relevant net assets £m	Relevant number of shares million	Net asset value per share pence
EPRA						
EPRA NAV	**7,213**	**932**	**774**	8,649	956	905
EPRA NNNAV	**6,762**	**932**	**726**	8,161	956	854
IFRS						
Basic	**7,147**	**927**	**771**	8,689	949	916
Diluted	**7,147**	**932**	**767**	8,689	956	909

Notes to the accounts continued

2 Performance measures continued

Total accounting return

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

	2020			2019		
	Decrease in NAV per share pence	Dividend per share paid pence	Total accounting return	Decrease in NAV per share pence	Dividend per share paid pence	Total accounting return
Total accounting return	**(131)**	**31.47**	**(11.0%)**	(62)	30.54	(3.3%)

EPRA published updated Best Practice Recommendations in October 2019 which introduced three new Net Asset valuations. These are applicable for accounting periods starting on or after 1 January 2020 and the Group will adopt these Recommendations for the year ended 31 March 2021. Total accounting return will be based upon one of these new asset valuations, EPRA Net Tangible Assets, which the Board judges to be closely aligned with EPRA Net Asset Value. See Supplementary Disclosures, Table B for further details.

3 Revenue and costs

	2020			2019		
	Underlying £m	Capital and other £m	Total £m	Underlying £m	Capital and other £m	Total £m
Rent receivable	**431**	**–**	**431**	444	–	444
Spreading of tenant incentives and guaranteed rent increases	**(3)**	**–**	**(3)**	(6)	–	(6)
Surrender premia	**5**	**–**	**5**	1	–	1
Gross rental income	**433**	**–**	**433**	439	–	439
Trading property sales proceeds	**–**	**87**	**87**	–	350	350
Service charge income	**64**	**–**	**64**	76	–	76
Management and performance fees (from joint ventures and funds)	**8**	**–**	**8**	7	–	7
Other fees and commissions	**21**	**–**	**21**	32	–	32
Revenue	**526**	**87**	**613**	554	350	904
Trading property cost of sales	**–**	**(70)**	**(70)**	–	(258)	(258)
Service charge expenses	**(61)**	**–**	**(61)**	(76)	–	(76)
Property operating expenses	**(50)**	**–**	**(50)**	(35)	–	(35)
Impairment of tenant incentives and guaranteed rent increases[1]	**(20)**	**–**	**(20)**	–	–	–
Other fees and commissions expenses	**(17)**	**–**	**(17)**	(30)	–	(30)
Costs	**(148)**	**(70)**	**(218)**	(141)	(258)	(399)
	378	**17**	**395**	413	92	505

1. In the current year this balance includes £15m (2018/19: £nil) in relation to write-offs and provision against tenant incentive balances held by the Group and £5m (2018/19: £nil) in relation to write-offs of guaranteed rent increases.

The cash element of net rental income (gross rental income less property operating expenses) recognised during the year ended 31 March 2020 from properties which were not subject to a security interest was £316m (2018/19: £356m). Property operating expenses relating to investment properties that did not generate any rental income were £nil (2018/19: £1m). Contingent rents of £3m (2018/19: £3m) were recognised in the year.

As a result of adopting IFRS 16, the Group now reports separately service charge income for leases where a single payment is received to cover both rent and service charge. The total payment is included within rental income in the prior year. In the current year, the service charge component has now been separated and reported as service charge income in the notes to the financial statements.

4 Valuation movements on property

	2020 £m	2019 £m
Consolidated income statement		
Revaluation of properties	**(1,105)**	(620)
Revaluation of properties held by joint ventures and funds accounted for using the equity method	**(284)**	(63)
	(1,389)	(683)
Consolidated statement of comprehensive income		
Revaluation of owner-occupied properties	**1**	3
	(1,388)	(680)

Notes to the accounts continued

5 Net financing costs

	2020 £m	2019 £m
Underlying		
Financing charges		
Bank loans and overdrafts	**(25)**	(21)
Derivatives	**30**	29
Other loans	**(76)**	(75)
Obligations under head leases	**(4)**	(3)
	(75)	(70)
Development interest capitalised	**8**	3
	(67)	(67)
Financing income		
Deposits, securities and liquid investments	**1**	–
	1	–
Net financing charges – underlying	**(66)**	(67)
Capital and other		
Financing charges		
Valuation movements on fair value hedge accounted derivatives[2]	**62**	41
Valuation movements on fair value hedge accounted debt[2]	**(62)**	(38)
Capital financing costs[1]	**3**	(32)
Fair value movement on convertible bonds	**(4)**	(6)
Valuation movement on non-hedge accounted derivatives	**(40)**	(11)
	(41)	(46)
Net financing charges – capital	**(41)**	(46)
Net financing costs		
Total financing income	**1**	–
Total financing charges	**(108)**	(113)
Net financing costs	**(107)**	(113)

Interest payable on unsecured bank loans and related interest rate derivatives was £9m (2018/19: £8m). Interest on development expenditure is capitalised at the Group's weighted average interest rate of 1.9% (2018/19: 2.2%). The weighted average interest rate on a proportionately consolidated basis at 31 March 2020 was 2.5% (2018/19: 2.9%).

1. Primarily bond redemption costs.
2. The difference between valuation movements on designated fair value hedge accounted derivatives (hedging instruments) and the valuation movements on fair value hedge accounted debt (hedged item) represents hedge ineffectiveness for the period of £nil (2018/19: £3m)

Notes to the accounts continued

6 Taxation

	2020 £m	2019 £m
Taxation (expense) income		
Current taxation:		
UK corporation taxation: 19% (2018/19: 19%)	**(1)**	(10)
Adjustments in respect of prior years	**5**	13
Total current taxation income	**4**	3
Deferred taxation on revaluations and derivatives	**(2)**	(4)
Group total taxation	**2**	(1)
Attributable to joint ventures and funds	**–**	2
Total taxation income	**2**	1

	2020 £m	2019 £m
Taxation reconciliation		
Loss on ordinary activities before taxation	**(1,116)**	(319)
Less: loss (profit) attributable to joint ventures and funds[1]	**227**	(5)
Group loss on ordinary activities before taxation	**(889)**	(324)
Taxation on loss on ordinary activities at UK corporation taxation rate of 19% (2018/19: 19%)	**169**	62
Effects of:		
– REIT exempt income and gains	**(165)**	(73)
– Taxation losses	**(5)**	1
– Deferred taxation on revaluations and derivatives	**(2)**	(4)
– Adjustments in respect of prior years	**5**	13
Group total taxation income (expense)	**2**	(1)

1. A current taxation income of £nil (2018/19: £2m) and a deferred taxation credit of £nil (2018/19: £nil) arose on profits attributable to joint ventures and funds. The low tax charge reflects the Group's REIT status

Taxation expense attributable to Underlying Profit for the year ended 31 March 2020 was £nil (2018/19: £nil). Corporation taxation payable at 31 March 2020 was £17m (2018/19: £25m) as shown on the balance sheet. During the year to 31 March 2020 tax provisions in respect of historic taxation matters and current points of uncertainty in the UK have been released and provisions made.

A REIT is required to pay Property Income Distributions (PIDs) of at least 90% of the taxable profits from its UK property rental business within twelve months of the end of each accounting period. Following the temporary suspension of future dividends to best ensure we can effectively support our customers who are hardest hit and protect the long term value of the business as a result of Covid-19, we are discussing an extension to this deadline with HMRC. To date £29m of the PID required in respect of the year to 31 March 2020 has been paid. Whilst we intend pay the required PID amount within the agreed deadline, the balance of the required PID not paid by the extended due date would instead be subject to corporation tax and a charge of up to £37m would become due. The Group is currently in discussions with HMRC over the timing of payments of Property Income Distributions required by the REIT regime.

Notes to the accounts continued

7 Property

Property reconciliation for the year ended 31 March 2020

	Retail Level 3 £m	Offices and Residential Level 3 £m	Canada Water Level 3 £m	Developments Level 3 £m	**Investment and development properties Level 3 £m**	Trading Properties £m	Owner-Occupied Level 3 £m	**Total £m**
Carrying value at 1 April 2019	**4,317**	**3,776**	**318**	**520**	**8,931**	**87**	**73**	**9,091**
Additions								
– property purchases	19	34	–	41	94	–	–	94
– development expenditure	1	2	24	129	156	–	–	156
– capitalised interest and staff costs	–	–	4	5	9	–	–	9
– capital expenditure on asset management initiatives[1]	36	54	–	2	92	–	–	92
– right-of-use assets	5	48	21	–	74	–	–	74
	61	138	49	177	425	–	–	425
Depreciation	–	–	–	–	–	–	(1)	(1)
Disposals	(58)	–	–	–	(58)	(67)	–	(125)
Reclassifications	45	(14)	–	(26)	5	–	(5)	–
Revaluations included in income statement	(1,158)	35	33	(15)	(1,105)	–	–	(1,105)
Revaluations included in OCI	–	–	–	–	–	–	1	1
Movement in tenant incentives and contracted rent uplift balances	(19)	6	–	3	(10)	–	–	(10)
Carrying value at 31 March 2020	**3,188**	**3,941**	**400**	**659**	**8,188**	**20**	**68**	**8,276**
Lease liabilities (note 11 and 12)								(163)
Less valuation surplus on right-of-use assets[2]								(20)
Valuation surplus on trading properties								13
Group property portfolio valuation at 31 March 2020								**8,106**
Non-controlling interests								(185)
Group property portfolio valuation at 31 March 2020 attributable to shareholders								**7,921**

1. Offices capital expenditure includes £36m of flexible workspace fitout in the current year which has been reclassified from property, plant and equipment to property additions.
2. Relates to properties held under leasing agreements. The fair value of right-of-use assets is determined by calculating the present value of net rental cashflows over the term of the lease agreements. IFRS 16 right-of-use assets are not externally valued, their fair value is determined by management, and are therefore not included in the Group property portfolio valuation of £8,106m above.

Property valuation

The different valuation method levels are defined below:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

During the current financial period, the Group adopted the new accounting standard IFRS 16, Leases. The right-of-use asset recognised on adoption is included within the investment and development property line. The carrying amount of right-of-use assets included within the line is £67m. An adjustment is made to reflect the fact that separate lease liabilities are recognised on balance sheet in relation to right-of-use assets.

The general risk environment in which the Group operates has heightened during the period, which is largely due to the continued level of uncertainty of the future impact of the UK's exit from the EU, the outbreak of the Novel Coronavirus (Covid-19) and the significant deterioration in the UK retail market and weaker investment markets. This environment could have a significant impact upon property valuations.

The Group's total property portfolio was valued by external valuers on the basis of fair value, in accordance with the RICS Valuation – Professional Standards 2014, ninth edition, published by The Royal Institution of Chartered Surveyors.

Notes to the accounts continued

7 Property continued

The outbreak of Covid-19, declared by the World Health Organisation as a "Global Pandemic" on 11 March 2020, has impacted global financial markets. Travel restrictions have been implemented by many countries. Market activity is being impacted in many sectors. As at the valuation date, the external valuers consider that they can attach less weight to previous market evidence for comparison purposes, to inform opinions of value. The current response to Covid-19 means that external valuers are faced with an unprecedented set of circumstances on which to base a judgment. The valuations across all asset classes are therefore reported on the basis of "material valuation uncertainty" as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty – and a higher degree of caution – should be attached to the valuations provided than would normally be the case. The external valuers have confirmed, the inclusion of the "material valuation uncertainty" declaration does not mean that valuations cannot be relied upon. Rather, the phrase is used in order to be clear and transparent with all parties, in a professional manner that – in the current extraordinary circumstances – less certainty can be attached to valuations than would otherwise be the case. In light of this material valuation uncertainty we have reviewed the ranges used in assessing the impact of changes in unobservable inputs on the fair value of the Group's property portfolio. Whilst the property valuations reflect the external valuers' assessment of the impact of Covid-19 at the valuation date, we consider +/-10% for ERV, +/-50bps for NEY and +/-10% for development costs to capture the increased uncertainty in these key valuation assumptions.

There has been no change in the valuation methodology used for investment property as a result of Covid-19.

A provision of £17m (2018/19: £14m) has been made against tenant incentives and contracted rent uplift balances. The charge to the income statement in relation to write-offs and provisions made against tenant lease incentives and guaranteed rents was £20m (see note 3).

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

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

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

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

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

	2020			2019		
	Group £m	**Joint ventures and funds £m**	**Total £m**	Group £m	Joint ventures and funds £m	Total £m
Knight Frank LLP	**1,420**	**54**	**1,474**	1,434	2,256	3,690
CBRE	**2,097**	**183**	**2,280**	2,675	231	2,906
Jones Lang LaSalle	**1,348**	**765**	**2,113**	1,889	1,099	2,988
Cushman & Wakefield	**3,241**	**2,270**	**5,511**	3,030	19	3,049
Total property portfolio valuation	**8,106**	**3,272**	**11,378**	9,028	3,605	12,633
Non-controlling interests	**(185)**	**(36)**	**(221)**	(267)	(50)	(317)
Total property portfolio valuation attributable to shareholders	**7,921**	**3,236**	**11,157**	8,761	3,555	12,316

Notes to the accounts continued

7 Property continued

Information about fair value measurements using unobservable inputs (Level 3) for the year ended 31 March 2020

Investment	Fair value at 31 March 2020 £m	Valuation technique	ERV per sq ft Min £	ERV per sq ft Max £	ERV per sq ft Average £	Equivalent yield Min %	Equivalent yield Max %	Equivalent yield Average %	Costs to complete per sq ft Min £	Costs to complete per sq ft Max £	Costs to complete per sq ft Average £
Retail	**3,128**	Investment methodology	**2**	**87**	**21**	**4**	**11**	**7**	**–**	**85**	**15**
Offices[1]	**3,851**	Investment methodology	**9**	**177**	**60**	**4**	**5**	**4**	**–**	**421**	**62**
Canada Water	**364**	Investment methodology	**15**	**31**	**20**	**2**	**6**	**4**	**–**	**–**	**–**
Residential	**70**	Investment methodology	**38**	**38**	**38**	**4**	**4**	**4**	**–**	**–**	**–**
Developments	**660**	Residual methodology	**48**	**62**	**55**	**4**	**5**	**4**	**–**	**367**	**220**
Total	**8,073**										
Trading properties at fair value	**33**										
Group property portfolio valuation	**8,106**										

1. Includes owner-occupied

8 Joint ventures and funds

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

	Joint ventures £m	Funds £m	**Total £m**	Equity £m	Loans £m	**Total £m**
At 1 April 2019	2,330	230	**2,560**	2,112	448	**2,560**
Additions	256	3	**259**	7	252	**259**
Disposals	(23)	–	**(23)**	(22)	(1)	**(23)**
Share of profit on ordinary activities after taxation	(179)	(48)	**(227)**	(227)	–	**(227)**
Distributions and dividends:						
– Capital	(131)	(2)	**(133)**	(133)	–	**(133)**
– Revenue	(64)	(13)	**(77)**	(77)	–	**(77)**
Hedging and exchange movements	(1)	–	**(1)**	(1)	–	**(1)**
At 31 March 2020	2,188	170	**2,358**	1,659	699	**2,358**

Notes to the accounts continued

8 Joint ventures and funds continued

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

Joint ventures' and funds' summary financial statements for the year ended 31 March 2020

	Broadgate REIT Ltd	MSC Property Intermediate Holdings Ltd	WOSC Partners Limited Partnership
Partners	Euro Bluebell LLP (GIC)	Norges Bank Investment Management	Norges Bank Investment Management
Property sector	City Offices Broadgate	Shopping Centres Meadowhall	Offices
Group share	50%	50%	25%
Summarised income statements	£m	£m	£m
Revenue[4]	203	103	4
Costs	(78)	(27)	(1)
	125	76	3
Administrative expenses	(1)	–	–
Net interest payable	(63)	(30)	–
Underlying Profit	61	46	3
Net valuation movement	204	(542)	(3)
Capital financing costs[5]	(12)	–	–
(Loss) profit on disposal of investment properties and investments	–	–	–
Profit (loss) on ordinary activities before taxation	253	(496)	–
Taxation	–	–	–
Profit (loss) on ordinary activities after taxation	**253**	**(496)**	**–**
Other comprehensive income	–	(2)	–
Total comprehensive income (expense)	**253**	**(498)**	**–**
British Land share of total comprehensive income (expense)	**127**	**(249)**	**–**
British Land share of distributions payable	17	4	–
Summarised balance sheets			
Investment and trading properties	4,539	1,202	218
Current assets	28	8	3
Cash and deposits	209	20	4
Gross assets	**4,776**	**1,230**	**225**
Current liabilities	(118)	(30)	(4)
Bank and securitised debt	(1,368)	(583)	–
Loans from joint venture partners	(850)	(409)	(217)
Other non-current liabilities	–	(21)	(4)
Gross liabilities	**(2,336)**	**(1,043)**	**(225)**
Net assets	**2,440**	**187**	**–**
British Land share of net assets less shareholder loans	**1,220**	**93**	**–**

1. USS joint ventures include the Eden Walk Shopping Centre Unit Trust and the Fareham Property Partnership
2. Hercules Unit Trust joint ventures and sub-funds includes 50% of the results of Deepdale Co-Ownership Trust, Fort Kinnaird Limited Partnership and Valentine Co-Ownership Trust and 41.25% of Birstall Co-Ownership Trust. The balance sheet shows 50% of the assets of these joint ventures and sub-funds
3. Included in the column headed 'Other joint ventures and funds' are contributions from the following: BL Goodman Limited Partnership, Bluebutton Property Management UK Limited, City of London Office Unit Trust and BL Sainsbury's Superstores Limited and Pillar Retail Europark Fund (PREF). The Group's ownership share of PREF is 65%, however as the Group is not able to exercise control over significant decisions of the fund, the Group equity accounts for its interest in PREF.
4. Revenue includes gross rental income at 100% share of £284m (2018/19: £310m)
5. Capital financing costs of £32m in other joint ventures and funds relates to bond redemption costs in a joint venture with Sainsbury's

Notes to the accounts continued

The SouthGate Limited Partnership	USS joint ventures[1]	Hercules Unit Trust joint ventures and sub-funds[2]	Other joint ventures and funds[3]	**Total 2020**	**Total Group share 2020**
Aviva Investors	Universities Superannuation Scheme Group PLC				
Shopping Centres	Shopping Centres	Retail Parks			
50%	50%	Various			
£m	£m	£m	£m	**£m**	**£m**
18	14	32	9	**383**	**191**
(5)	(5)	(8)	–	**(124)**	**(62)**
13	9	24	9	**259**	**129**
(1)	–	–	(1)	**(3)**	**(1)**
(1)	–	–	(2)	**(96)**	**(49)**
11	9	24	6	**160**	**79**
(45)	(49)	(129)	(5)	**(569)**	**(284)**
–	–	–	(32)	**(44)**	**(22)**
–	–	1	(2)	**(1)**	**–**
(34)	(40)	(104)	(33)	**(454)**	**(227)**
–	–	–	–	**–**	**–**
(34)	**(40)**	**(104)**	**(33)**	**(454)**	**(227)**
–	–	–	–	**(2)**	**(1)**
(34)	**(40)**	**(104)**	**(33)**	**(456)**	**(228)**
(17)	**(20)**	**(52)**	**(17)**	**(228)**	
6	4	13	136	**180**	
208	188	332	–	**6,687**	**3,288**
2	1	2	–	**44**	**24**
5	6	11	10	**265**	**131**
215	**195**	**345**	**10**	**6,996**	**3,443**
(4)	(3)	(9)	(3)	**(171)**	**(85)**
–	–	–	–	**(1,951)**	**(975)**
–	(31)	–	(3)	**(1,510)**	**(701)**
(28)	–	–	–	**(53)**	**(25)**
(32)	**(34)**	**(9)**	**(6)**	**(3,685)**	**(1,786)**
183	**161**	**336**	**4**	**3,311**	**1,657**
91	**80**	**171**	**2**	**1,657**	

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

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

Notes to the accounts continued

8 Joint ventures and funds continued

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

	2020 £m	2019 £m
Rental income received from tenants	131	160
Operating expenses paid to suppliers and employees	(27)	(23)
Cash generated from operations	104	137
Interest paid	(56)	(70)
Interest received	1	1
UK corporation tax paid	(2)	(2)
Cash inflow from operating activities	47	66
Cash inflow from operating activities deployed as:		
(Deficit) surplus cash retained within joint ventures and funds	(2)	7
Revenue distributions per consolidated statement of cash flows	49	59
Revenue distributions split between controlling and non-controlling interests		
Attributable to non-controlling interests	2	3
Attributable to shareholders of the Company	47	56

9 Other investments

	2020				2019			
	Fair value through profit or loss £m	Amortised cost £m	Intangible assets £m	Total £m	Fair value through profit or loss £m	Amortised cost £m	Intangible assets £m	Total £m
At 1 April	114	5	10	129	112	28	10	150
Additions	4	2	4	10	–	8	4	12
Transfers / disposals	–	(4)	–	(4)	–	(27)	–	(27)
Revaluation	(7)	–	–	(7)	2	(4)	–	(2)
Depreciation / amortisation	–	–	(3)	(3)	–	–	(4)	(4)
At 31 March	111	3	11	125	114	5	10	129

Included within fair value through profit or loss is £93m (2018/19: £100m) comprising interests as a trust beneficiary. The trust's assets comprise freehold reversions in a pool of commercial properties, comprising Sainsbury's superstores. The interest, categorised as Level 3 in the fair value hierarchy, is subject to the same inputs as those disclosed in note 7, and its fair value was determined by the Directors, supported by an external valuation. The remaining amounts included in the fair value through profit or loss relate to private equity/venture capital investments of £2m (2019/18: £nil) which are categorised as Level 3 in the fair value hierarchy and government bonds of £16m (2018/19: £14m) which are classified as Level 1. The fair value of private equity/venture capital investments is determined by the Directors.

10 Debtors

	2020 £m	2019 £m
Trade and other debtors	29	34
Prepayments and accrued income	10	9
Rental deposits	17	14
	56	57

Trade and other debtors are shown after deducting a provision for bad and doubtful debts of £14m (2018/19: £6m). The provision for doubtful debts is calculated as an expected credit loss on trade and other debtors in accordance with IFRS 9. The charge to the income statement in relation to write-offs and provisions made against doubtful debts was £8m (2018/19: £1m).

The expected credit loss is recognised on initial recognition of a debtor and is reassessed at each reporting period. In order to calculate the expected credit loss, the Group applies a forward-looking outlook to historic default rates. In the current reporting period, the forward-looking outlook has considered the impacts of Covid-19. The historic default rates used are specific to how many days past due a receivable is. Specific provisions are also made in excess of the expected credit loss where information is available to suggest that a higher provision than the expected credit loss is required. In the current reporting period, an additional review of tenant debtors was undertaken to assess recoverability in light of the Covid-19 pandemic.

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.

Notes to the accounts continued

11 Creditors

	2020 £m	2019 £m
Trade creditors	**55**	94
Other taxation and social security	**27**	28
Accruals	**89**	82
Deferred income	**58**	71
Lease liabilities	**7**	–
Rental deposits due to tenants	**17**	14
	253	289

Trade creditors are interest-free and have settlement dates within one year. The Directors consider that the carrying amount of trade and other creditors is approximate to their fair value.

12 Other non-current liabilities

	2020 £m	2019 £m
Lease liabilities	**156**	92
	156	92

During the current financial period, the Group adopted the new accounting standard IFRS 16, Leases. The lease liabilities recognised as a result of IFRS 16 represent £40m of the total in the table above and £7m of lease liabilities disclosed in note 11.

13 Deferred tax

The movement on deferred tax is as shown below:

Deferred tax assets year ended 31 March 2020

	1 April 2019 £m	Debited to income[1] £m	Credited to equity[2] £m	31 March 2020 £m
Interest rate and currency derivative revaluations	**1**	**(1)**	**–**	**–**
Other timing differences	**6**	**(1)**	**–**	**5**
	7	**(2)**	**–**	**5**

Deferred tax liabilities year ended 31 March 2020

	£m	£m	£m	£m
Property and investment revaluations	**(6)**	**–**	**–**	**(6)**
	(6)	**–**	**–**	**(6)**
Net deferred tax liabilities	**1**	**(2)**	**–**	**(1)**

1. A £1m credit in respect of the deferred tax asset, credited to income, results from the change in the tax rate used to calculate the deferred tax to 19% (2018/19: 17%)
2. A £1m debit in respect of the deferred tax liability, debited to equity, results from the change in the tax rate used to calculate deferred tax to 19% (2018/19: 17%)

Deferred tax assets year ended 31 March 2019

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

Deferred tax liabilities year ended 31 March 2019

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

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

The Group has recognised a deferred tax asset calculated at 19% (2018/19: 17%) of £4m (2018/19: £6m) in respect of capital losses from previous years available for offset against future capital profit. Further unrecognised deferred tax assets in respect of capital losses of £135m (2018/19: £123m) exist at 31 March 2020.

Notes to the accounts continued

13 Deferred tax continued

The Group has recognised deferred tax assets on derivative revaluations to the extent that future matching taxable profits are expected to arise. At 31 March 2020, the Group had an unrecognised deferred tax asset calculated at 19% (2018/19: 17%) of £52m (2018/19: £49m) in respect of UK revenue tax losses from previous years.

Under the REIT regime, development properties which are sold within three years of completion do not benefit from tax exemption. At 31 March 2020, the value of such properties is £254m (2018/19: £148m) and if these properties were to be sold and no tax exemption was available, the tax arising would be £21m (2018/19: £11m).

14 Net debt

	Footnote	2020 £m	2019 £m
Secured on the assets of the Group			
5.264% First Mortgage Debenture Bonds 2035		**375**	368
5.0055% First Mortgage Amortising Debentures 2035		**91**	94
5.357% First Mortgage Debenture Bonds 2028		**249**	252
Bank loans	1	**515**	512
Loan notes		**–**	2
		1,230	1,228
Unsecured			
5.50% Senior Notes 2027		**–**	99
4.635% Senior US Dollar Notes 2021	2	**180**	168
4.766% Senior US Dollar Notes 2023	2	**117**	106
5.003% Senior US Dollar Notes 2026	2	**80**	69
3.81% Senior Notes 2026		**113**	111
3.97% Senior Notes 2026		**115**	113
0% Convertible Bond 2020		**347**	343
2.375% Sterling Unsecured Bond 2029		**298**	298
4.16% Senior US Dollar Notes 2025	2	**89**	78
2.67% Senior Notes 2025		**37**	37
2.75% Senior Notes 2026		**37**	37
Floating Rate Senior Notes 2028		**80**	80
Floating Rate Senior Notes 2034		**102**	–
Bank loans and overdrafts		**677**	264
		2,272	1,803
Gross debt	3	**3,502**	3,031
Interest rate and currency derivative liabilities		**169**	130
Interest rate and currency derivative assets		**(231)**	(154)
Cash and short term deposits	4,5	**(193)**	(242)
Total net debt		**3,247**	2,765
Net debt attributable to non-controlling interests		**(107)**	(104)
Net debt attributable to shareholders of the Company		**3,140**	2,661
Amounts payable under leases (note 11 and 12)		**163**	92
Total net debt (including lease liabilities)		**3,410**	2,857
Net debt attributable to non-controlling interests (including lease liabilities)		**(112)**	(109)
Net debt attributable to shareholders of the Company (including lease liabilities)		**3,298**	2,748

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

	2020 £m	2019 £m
Hercules Unit Trust	**515**	512
	515	512

2. Principal and interest on these borrowings were fully hedged into Sterling at a floating rate at the time of issue
3. The principal amount of gross debt at 31 March 2020 was £3,294m (2018/19: £2,881m). Included in this is the principal amount of secured borrowings and other borrowings of non-recourse companies of £1,156m of which the borrowings of the partly-owned subsidiary, Hercules Unit Trust, not beneficially owned by the Group are £113m
4. Included within cash and short term deposits is the cash and short term deposits of Hercules Unit Trust, of which £6m is the proportion not beneficially owned by the Group
5. Cash and deposits not subject to a security interest amount to £173m (2018/19: £228m)

14 Net debt continued

Maturity analysis of net debt

		2020 £m	2019 £m
Repayable: within one year and on demand		**637**	99
Between:	one and two years	**188**	710
	two and five years	**829**	644
	five and ten years	**1,141**	808
	ten and fifteen years	**107**	305
	fifteen and twenty years	**600**	465
		2,865	2,932
Gross debt		**3,502**	3,031
Interest rate and currency derivatives		**(62)**	(24)
Cash and short term deposits		**(193)**	(242)
Net debt		**3,247**	2,765

0% Convertible bond 2015 (maturity 2020)

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

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

The initial exchange price was 1103.32 pence per ordinary share. The exchange price is adjusted based on certain events (such as the Company paying dividends in any quarter above 3.418 pence per ordinary share). As at 31 March 2020 the exchange price was 975.09 pence per ordinary share.

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

The Group has the ability to repay these bonds via existing committed undrawn credit facilities.

Fair value and book value of net debt

	2020			2019		
	Fair value £m	Book value £m	Difference £m	Fair value £m	Book value £m	Difference £m
Debentures and unsecured bonds	**2,022**	**1,964**	**58**	2,036	1,910	126
Convertible bonds	**347**	**347**	**–**	343	343	–
Bank debt and other floating rate debt	**1,197**	**1,191**	**6**	784	778	6
Gross debt	**3,566**	**3,502**	**64**	3,163	3,031	132
Interest rate and currency derivative liabilities	**169**	**169**	**–**	130	130	–
Interest rate and currency derivative assets	**(231)**	**(231)**	**–**	(154)	(154)	–
Cash and short term deposits	**(193)**	**(193)**	**–**	(242)	(242)	–
Net debt	**3,311**	**3,247**	**64**	2,897	2,765	132
Net debt attributable to non-controlling interests	**(107)**	**(107)**	**–**	(105)	(104)	(1)
Net debt attributable to shareholders of the Company	**3,204**	**3,140**	**64**	2,792	2,661	131

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

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

Notes to the accounts continued

14 Net debt continued

Group loan to value (LTV)

	2020 £m	2019 £m
Group loan to value (LTV)	**28.9%**	22.2%
Principal amount of gross debt	**3,294**	2,881
Less debt attributable to non-controlling interests	**(113)**	(112)
Less cash and short term deposits (balance sheet)	**(193)**	(242)
Plus cash attributable to non-controlling interests	**6**	9
Total net debt for LTV calculation	**2,994**	2,536
Group property portfolio valuation (note 7)	**8,106**	9,028
Investments in joint ventures and funds (note 8)	**2,358**	2,560
Other investments and property, plant and equipment (balance sheet)	**131**	151
Less property and investments attributable to non-controlling interests	**(221)**	(317)
Total assets for LTV calculation	**10,374**	11,422

Proportionally consolidated loan to value (LTV)

	2020 £m	2019 £m
Proportionally consolidated loan to value (LTV)	**34.0%**	28.1%
Principal amount of gross debt	**4,271**	4,007
Less debt attributable to non-controlling interests	**(113)**	(112)
Less cash and short term deposits	**(322)**	(402)
Plus cash attributable to non-controlling interests	**6**	9
Total net debt for proportional LTV calculation	**3,842**	3,502
Group property portfolio valuation (note 7)	**8,106**	9,028
Share of property of joint ventures and funds (note 8)	**3,272**	3,605
Other investments and property, plant and equipment (balance sheet)	**131**	151
Less property attributable to non-controlling interests	**(221)**	(317)
Total assets for proportional LTV calculation	**11,288**	12,467

British Land Unsecured Financial Covenants

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

	2020 £m	2019 £m
Net Borrowings not to exceed 175% of Adjusted Capital and Reserves	**40%**	29%
Principal amount of gross debt	**3,294**	2,881
Less the relevant proportion of borrowings of the partly-owned subsidiary/non-controlling interests	**(113)**	(112)
Less cash and deposits (balance sheet)	**(193)**	(242)
Plus the relevant proportion of cash and deposits of the partly-owned subsidiary/non-controlling interests	**6**	9
Net Borrowings	**2,994**	2,536
Share capital and reserves (balance sheet)	**7,147**	8,689
EPRA deferred tax adjustment (EPRA Table A)	**6**	5
Trading property surpluses (EPRA Table A)	**13**	29
Exceptional refinancing charges (see below)	**199**	216
Fair value adjustments of financial instruments (EPRA Table A)	**141**	113
Less reserves attributable to non-controlling interests (balance sheet)	**(112)**	(211)
Adjusted Capital and Reserves	**7,394**	8,841

In calculating Adjusted Capital and Reserves for the purpose of the unsecured debt financial covenants, there is an adjustment of £199m (2018/19: £216m) to reflect the cumulative net amortised exceptional items relating to the refinancings in the years ended 31 March 2005, 2006 and 2007.

Notes to the accounts continued

14 Net debt continued

	2020 £m	2019 £m
Net Unsecured Borrowings not to exceed 70% of Unencumbered Assets	**30%**	21%
Principal amount of gross debt	**3,294**	2,881
Less cash and deposits not subject to a security interest (being £173m less the relevant proportion of cash and deposits of the partly-owned subsidiary/non-controlling interests of £4m)	**(169)**	(221)
Less principal amount of secured and non-recourse borrowings	**(1,156)**	(1,158)
Net Unsecured Borrowings	**1,969**	1,502
Group property portfolio valuation (note 7)	**8,106**	9,028
Investments in joint ventures and funds (note 8)	**2,358**	2,560
Other investments and property, plant and equipment (balance sheet)	**131**	151
Less investments in joint ventures	**(2,358)**	(2,560)
Less encumbered assets	**(1,733)**	(2,134)
Unencumbered Assets	**6,504**	7,045

Reconciliation of movement in Group net debt for the year ended 31 March 2020

	2019 £m	Cash flows £m	Transfers[3] £m	Foreign exchange £m	Fair value £m	Arrangement costs amortisation £m	2020 £m
Short term borrowings	99	(121)	637	–	22	–	637
Long term borrowings	2,932	507	(637)	21	37	5	2,865
Derivatives[1]	(24)	4	–	(21)	(21)	–	(62)
Total liabilities from financing activities[4]	3,007	390	–	–	38	5	3,440
Cash and cash equivalents	(242)	49	–	–	–	–	(193)
Net debt	2,765	439	–	–	38	5	3,247

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

	2018 £m	Cash flows £m	Transfers[3] £m	Foreign exchange £m	Fair value £m	Arrangement costs amortisation £m	2019 £m
Short term borrowings	27	(25)	99	(2)	–	–	99
Long term borrowings	3,101	(105)	(99)	(22)	53	4	2,932
Derivatives[2]	23	(2)	–	24	(69)	–	(24)
Total liabilities from financing activities[5]	3,151	(132)	–	–	(16)	4	3,007
Cash and cash equivalents	(105)	(137)	–	–	–	–	(242)
Net debt	3,046	(269)	–	–	(16)	4	2,765

1. Cash flows on derivatives include £17m of net receipts on derivative interest
2. Cash flows on derivatives include £17m of net receipts on derivative interest
3. Transfers comprises debt maturing from long term to short term borrowings
4. Cash flows of £390m shown above represents net cash flows on capital payments in respect of interest rate derivative of £14m, decrease in bank and other borrowings of £189m and drawdowns on bank and other borrowings of £576m shown in the consolidated statement of cash flows, along with £17m of net receipts on derivative interest
5. Cash flows of £132m shown above represents net cash flows on interest rate derivative closeouts of £19m, decrease in bank and other borrowings of £576m and drawdowns on bank and other borrowings of £446m shown in the consolidated statement of cash flows, along with £17m of net receipts on derivative interest

Fair value hierarchy

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

	2020				2019			
	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	–	(231)	–	(231)	–	(154)	–	(154)
Other investments – fair value through profit or loss (note 9)	(16)	–	(95)	(111)	(14)	–	(100)	(114)
Assets	(16)	(231)	(95)	(342)	(14)	(154)	(100)	(268)
Interest rate and currency derivative liabilities	–	169	–	169	–	130	–	130
Convertible bonds	347	–	–	347	343	–	–	343
Liabilities	347	169	–	516	343	130	–	473
Total	331	(62)	(95)	174	329	(24)	(100)	205

Notes to the accounts continued

14 Net debt continued

Categories of financial instruments

	2020 £m	2019 £m
Financial assets		
Amortised cost		
Cash and short term deposits	**193**	242
Trade and other debtors (note 10)	**46**	48
Other investments (note 9)	**3**	5
Fair value through profit or loss		
Derivatives in designated fair value hedge accounting relationships[1,2]	**209**	148
Derivatives not in designated hedge accounting relationships	**22**	6
Other investments (note 9)	**111**	114
	584	563
Financial liabilities		
Amortised cost		
Creditors	**(180)**	(208)
Gross debt	**(3,155)**	(2,688)
Lease liabilities (notes 11 and 12)	**(163)**	(92)
Fair value through profit or loss		
Derivatives not in designated accounting relationships	**(167)**	(126)
Convertible bond	**(347)**	(343)
Fair value through other comprehensive income		
Derivatives in designated cash flow hedge accounting relationships[1,2]	**(2)**	(4)
	(4,014)	(3,461)
Total	**(3,430)**	(2,898)

1. Derivative assets and liabilities in designated hedge accounting relationships sit within the derivative assets and derivative liabilities balances of the consolidated balance sheet
2. The fair value of derivative assets in designated hedge accounting relationships represents the accumulated amount of fair value hedge adjustments on hedged items

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

Maturity of committed undrawn borrowing facilities

		2020 £m	2019 £m
Maturity date:	over five years	**50**	275
	between four and five years	**1,046**	832
	between three and four years	**–**	86
Total facilities available for more than three years		**1,096**	1,193
Between two and three years		**20**	435
Between one and two years		**–**	–
Within one year		**–**	–
Total		**1,116**	1,628

The above facilities are comprised of British Land undrawn facilities of £1,096m plus undrawn facilities of Hercules Unit Trust totalling £20m.

Notes to the accounts continued

15 Dividends

As announced on 26 March 2020, the Board deems it prudent to temporarily suspend future dividend payments, including the third interim and final dividend that were due for payment in May and August respectively.

A REIT is required to pay Property Income Distributions (PIDs) of at least 90% of the taxable profits from its UK property rental business within twelve months of the end of each accounting period and we are discussing an extension to this deadline with HMRC. While we intend to pay the required PID amount within the agreed extended deadline, we have agreed with HMRC that any underpayment of the PID required would instead be subject to corporation tax at 19% provided that it arises as a consequence of Covid-19. The Group comfortably passes all other REIT tests and intends to remain a REIT for the foreseeable future.

PID dividends are paid, as required by REIT legislation, after deduction of withholding tax at the basic rate (currently 20%), where appropriate. Certain classes of shareholders may be able to elect to receive dividends gross. Please refer to our website britishland.com/dividends for details.

Payment date	Dividend	Pence per share	2020 £m	2019 £m
Current year dividends				
07.02.2020	2020 2nd interim	7.9825	74	
08.11.2019	2020 1st interim	7.9825	74	
		15.97		
Prior year dividends				
02.08.2019	2019 4th interim	7.75[1]	73	
03.05.2019	2019 3rd interim	7.75	74	
08.02.2019	2019 2nd interim	7.75		74
09.11.2018	2019 1st interim	7.75		76
		31.00		
03.08.2018	2018 4th interim	7.52		74
04.05.2018	2018 3rd interim	7.52		74
Dividends in consolidated statement of changes in equity			295	298
Dividends settled in shares			–	–
Dividends settled in cash			295	298
Timing difference relating to payment of withholding tax			–	–
Dividends in cash flow statement			295	298

1. Dividend split half PID, half non-PID

16 Share capital and reserves

	2020	2019
Number of ordinary shares in issue at 1 April	960,589,072	993,857,125
Share issues	1,144,135	404,377
Repurchased and cancelled	(23,795,110)	(33,672,430)
At 31 March	937,938,097	960,589,072

Of the issued 25p ordinary shares, 7,376 shares were held in the ESOP trust (2018/19: 7,376), 11,266,245 shares were held as treasury shares (2018/19: 11,266,245) and 926,664,476 shares were in free issue (2018/19: 949,315,451). No treasury shares were acquired by the ESOP trust during the year. All issued shares are fully paid. In the year ended 31 March 2020 the Company repurchased and cancelled 23,795,110 ordinary shares at a weighted average price of 525 pence.

17 Segment information

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

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

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

Notes to the accounts continued

17 Segment information continued

Segment result

	Offices		Retail		Canada Water		Other/unallocated		Total	
	2020 £m	2019 £m	**2020 £m**	2019 £m	**2020 £m**	2019 £m	**2020 £m**	2019 £m	**2020 £m**	2019 £m
Gross rental income										
British Land Group	**166**	150	**236**	260	**9**	9	**4**	4	**415**	423
Share of joint ventures and funds	**71**	70	**71**	83	**–**	–	**–**	–	**142**	153
Total	**237**	220	**307**	343	**9**	9	**4**	4	**557**	576
Net rental income										
British Land Group	**145**	139	**189**	238	**8**	9	**4**	4	**346**	390
Share of joint ventures and funds	**63**	66	**66**	76	**–**	–	**–**	–	**129**	142
Total	**208**	205	**255**	314	**8**	9	**4**	4	**475**	532
Operating result										
British Land Group	**146**	132	**193**	235	**3**	4	**(42)**	(42)	**300**	329
Share of joint ventures and funds	**57**	61	**60**	71	**–**	–	**–**	–	**117**	132
Total	**203**	193	**253**	306	**3**	4	**(42)**	(42)	**417**	461

Reconciliation to Underlying Profit	**2020 £m**	2019 £m
Operating result	**417**	461
Net financing costs	**(111)**	(121)
Underlying Profit	**306**	340

Reconciliation to loss on ordinary activities before taxation		
Underlying Profit	**306**	340
Capital and other	**(1,434)**	(671)
Underlying Profit attributable to non-controlling interests	**12**	12
Loss on ordinary activities before taxation	**(1,116)**	(319)

Reconciliation to Group revenue		
Gross rental income per operating segment result	**557**	576
Less share of gross rental income of joint ventures and funds	**(142)**	(153)
Plus share of gross rental income attributable to non-controlling interests	**18**	16
Gross rental income (note 3)	**433**	439
Trading property sales proceeds	**87**	350
Service charge income	**64**	76
Management and performance fees (from joint ventures and funds)	**8**	7
Other fees and commissions	**21**	32
Revenue (consolidated income statement)	**613**	904

A reconciliation between net financing costs in the consolidated income statement and net financing costs of £111m (2018/19: £121m) in the segmental disclosures above can be found within Table A in the supplementary disclosures. Of the total revenues above, £nil (2018/19: £nil) was derived from outside the UK.

Notes to the accounts continued

17 Segment information continued

Segment assets

	Offices		Retail		Canada Water		Other/unallocated		Total	
	2020 £m	2019 £m	**2020 £m**	2019 £m	**2020 £m**	2019 £m	**2020 £m**	2019 £m	**2020 £m**	2019 £m
Property assets										
British Land Group	**4,470**	4,296	**2,960**	4,053	**364**	303	**147**	109	**7,941**	8,761
Share of joint ventures and funds	**2,323**	2,012	**913**	1,524	**–**	–	**–**	19	**3,236**	3,555
Total	**6,793**	6,308	**3,873**	5,577	**364**	303	**147**	128	**11,177**	12,316

Reconciliation to net assets

British Land Group	2020 £m	2019 £m
Property assets	**11,177**	12,316
Other non-current assets	**131**	151
Non-current assets	**11,308**	12,467
Other net current liabilities	**(241)**	(297)
Adjusted net debt	**(3,854)**	(3,521)
Other non-current liabilities	**–**	–
EPRA net assets (diluted)	**7,213**	8,649
Non-controlling interests	**112**	211
EPRA adjustments	**(178)**	(171)
Net assets	**7,147**	8,689

Supplementary disclosures

Unaudited unless otherwise stated

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

Summary income statement based on proportional consolidation for the year ended 31 March 2020

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

	Year ended 31 March 2020				Year ended 31 March 2019			
	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[2]	436	142	(18)	560	439	155	(18)	576
Property operating expenses	(70)	(13)	1	(82)	(35)	(10)	1	(44)
Net rental income	366	129	(17)	478	404	145	(17)	532
Administrative expenses	(73)	(1)	–	(74)	(80)	(1)	–	(81)
Net fees and other income	12	–	1	13	9	–	1	10
Ungeared income return	305	128	(16)	417	333	144	(16)	461
Net financing costs	(66)	(49)	4	(111)	(67)	(58)	4	(121)
Underlying Profit	239	79	(12)	306	266	86	(12)	340
Underlying taxation	–	–	–	–	–	–	–	–
Underlying Profit after taxation	239	79	(12)	306	266	86	(12)	340
Valuation movement				(1,389)				(683)
Other capital and taxation (net)[1]				56				52
Result attributable to shareholders of the Company				(1,027)				(291)

1. Includes other comprehensive income, movement in dilution of share options and the movement in items excluded for EPRA NAV
2. Group gross rental income includes £3m of all inclusive rents relating to service charge income

Summary balance sheet based on proportional consolidation as at 31 March 2020

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

	Group £m	Share of joint ventures and funds £m	Less non-controlling interests £m	Share options £m	Deferred tax £m	Mark-to-market on derivatives and related debt adjustments £m	Lease Liabilities £m	Valuation surplus on trading properties £m	EPRA Net assets 31 March 2020 £m	EPRA Net assets 31 March 2019 £m
Retail properties	3,204	964	(221)	–	–	–	(74)	–	3,873	5,577
Office properties	4,525	2,324	–	–	–	–	(69)	13	6,793	6,308
Canada Water properties	400	–	–	–	–	–	(36)	–	364	303
Other properties	147	–	–	–	–	–	–	–	147	128
Total properties[1]	8,276	3,288	(221)	–	–	–	(179)	13	11,177	12,316
Investments in joint ventures and funds	2,358	(2,358)	–	–	–	–	–	–	–	–
Other investments	125	–	–	–	–	–	–	–	125	129
Other net (liabilities) assets	(365)	(77)	4	18	6	–	179	–	(235)	(275)
Net debt	(3,247)	(853)	105	–	–	141	–	–	(3,854)	(3,521)
Net assets	7,147	–	(112)	18	6	141	–	13	7,213	8,649
EPRA NAV per share (note 2)									774p	905p

1. Included within the total property value of £11,177m is a right-of-use assets net of lease liabilities of £20m, which in substance, relates to properties held under leasing agreements. The fair value of the right-of-use asset is determined by calculating the present value of net rental cashflows over the term of the lease agreements.

Supplementary disclosures continued

Table A continued

EPRA Net assets movement

	Year ended 31 March 2020		Year ended 31 March 2019	
	£m	Pence per share	£m	Pence per share
Opening EPRA NAV	**8,649**	**905**	9,560	967
Income return	**306**	**33**	340	35
Capital return	**(1,322)**	**(139)**	(749)	(77)
Dividend paid	**(295)**	**(31)**	(298)	(30)
Purchase of own shares	**(125)**	**6**	(204)	10
Closing EPRA NAV	**7,213**	**774**	8,649	905

Table B: EPRA Performance measures

EPRA Performance measures summary table

	2020		2019	
	£m	Pence per share	£m	Pence per share
EPRA Earnings – basic	**306**	**32.8**	340	35.0
– diluted	**306**	**32.7**	340	34.9
EPRA Net Initial Yield		**4.6%**		4.5%
EPRA 'topped-up' Net Initial Yield		**5.1%**		4.7%
EPRA Vacancy Rate		**6.3%**		4.1%

	2020		2019	
	Net assets £m	Net asset value per share (pence)	Net assets £m	Net asset value per share (pence)
EPRA NAV	**7,213**	**774**	8,649	905
EPRA NNNAV	**6,762**	**726**	8,161	854

Calculation and reconciliation of EPRA/IFRS earnings and EPRA/IFRS earnings per share

(Audited)	2020 £m	2019 £m
Loss attributable to the shareholders of the Company	**(1,027)**	(291)
Exclude:		
Group – current taxation	**(4)**	(3)
Group – deferred taxation	**2**	4
Joint ventures and funds – taxation	**–**	(2)
Group – valuation movement	**1,105**	620
Group – (profit) loss on disposal of investment properties and investments	**(1)**	18
Group – profit on disposal of trading properties	**(17)**	(92)
Joint ventures and funds – net valuation movement (including result on disposals)	**284**	60
Joint ventures and funds – capital financing costs	**22**	21
Changes in fair value of financial instruments and associated close-out costs	**41**	46
Non-controlling interests in respect of the above	**(99)**	(41)
Underlying Profit	**306**	340
Group – underlying current taxation	**–**	–
EPRA earnings – basic and diluted	**306**	340
Loss attributable to the shareholders of the Company	**(1,027)**	(291)
Dilutive effect of 2015 convertible bond	**–**	–
IFRS earnings – diluted	**(1,027)**	(291)

Supplementary disclosures continued

Table B continued

	2020 Number million	2019 Number million
Weighted average number of shares	945	982
Adjustment for treasury shares	(11)	(11)
IFRS/EPRA Weighted average number of shares (basic)	934	971
Dilutive effect of share options	–	1
Dilutive effect of ESOP shares	3	2
EPRA Weighted average number of shares (diluted)	937	974
Strip out anti-dilutive	(3)	(3)
IFRS Weighted average number of shares (diluted)	934	971

Net assets per share (Audited)

	2020		2019	
	£m	Pence per share	£m	Pence per share
Balance sheet net assets	7,147		8,689	
Deferred tax arising on revaluation movements	6		5	
Mark-to-market on derivatives and related debt adjustments	141		113	
Dilution effect of share options	18		24	
Surplus on trading properties	13		29	
Less non-controlling interests	(112)		(211)	
EPRA NAV	7,213	774	8,649	905
Deferred tax arising on revaluation movements	(9)		(11)	
Mark-to-market on derivatives and related debt adjustments	(141)		(113)	
Mark-to-market on debt	(301)		(364)	
EPRA NNNAV	6,762	726	8,161	854

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.

	2020 Number million	2019 Number million
Number of shares at year end	938	960
Adjustment for treasury shares	(11)	(11)
IFRS/EPRA number of shares (basic)	927	949
Dilutive effect of share options	3	2
Dilutive effect of ESOP shares	2	5
IFRS / EPRA number of shares (diluted)	932	956

New EPRA Best Practice Recommendations

EPRA published its latest Best Practices Recommendations in October 2019 which included three new Net Asset Valuation metrics, namely EPRA Net Reinstatement Value (NRV), EPRA Net Tangible Assets (NTA) and EPRA Net Disposal Value (NDV). These metrics are effective from 1 January 2020 but have been presented below as at 31 March 2020 to provide a comparison to the current measures, EPRA NAV and EPRA NNNAV.

	EPRA NRV £m	EPRA NTA £m
At 31 March 2020		
EPRA net asset value	7,213	7,213
Adjustment for:		
Purchasers' costs	659	–
Intangibles	–	(11)
Deferred tax adjustment[1]	–	–
	7,872	7,202
Per share measure	845p	773p

1. The new EPRA guidance states that deferred taxes expected to crystallize should no longer be excluded. The group will conduct a review of such items upon adoption of the guidance but does not expect any resulting EPRA adjustment to be material.

Supplementary disclosures continued

Table B continued

As the Group's EPRA NDV is the same as the EPRA NNNAV, there are no reconciling items.

	EPRA NDV £m
At 31 March 2020	
EPRA net disposal value	**6,762**
Per share measure	**726p**

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

	2020 £m	2019 £m
Investment property – wholly-owned	**7,941**	8,761
Investment property – share of joint ventures and funds	**3,236**	3,555
Less developments, residential and land	**(1,140)**	(1,098)
Completed property portfolio	**10,037**	11,218
Allowance for estimated purchasers' costs	**724**	751
Gross up completed property portfolio valuation (A)	**10,761**	11,969
Annualised cash passing rental income	**517**	548
Property outgoings	**(21)**	(14)
Annualised net rents (B)	**496**	534
Rent expiration of rent-free periods and fixed uplifts[1]	**49**	32
'Topped-up' net annualised rent (C)	**545**	566
EPRA Net Initial Yield (B/A)	**4.6%**	4.5%
EPRA 'topped-up' Net Initial Yield (C/A)	**5.1%**	4.7%
Including fixed/minimum uplifts received in lieu of rental growth	**10**	8
Total 'topped-up' net rents (D)	**555**	574
Overall 'topped-up' Net Initial Yield (D/A)	**5.2%**	4.8%
'Topped-up' net annualised rent	**545**	566
ERV vacant space	**38**	22
Reversions	**13**	30
Total ERV (E)	**596**	618
Net Reversionary Yield (E/A)	**5.5%**	5.2%

1. The weighted average period over which rent-free periods expire is one year (2018/19: one year)

EPRA Net Initial Yield (NIY) basis of calculation

EPRA NIY is calculated as the annualised net rent (on a cash flow basis), divided by the gross value of the completed property portfolio. The valuation of our completed property portfolio is determined by our external valuers as at 31 March 2020, plus an allowance for estimated purchaser's costs. Estimated purchaser's costs are determined by the relevant stamp duty liability, plus an estimate by our valuers of agent and legal fees on notional acquisition. The net rent deduction allowed for property outgoings is based on our valuers' assumptions on future recurring non-recoverable revenue expenditure.

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

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

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

EPRA Vacancy Rate

	2020 £m	2019 £m
Annualised potential rental value of vacant premises	**38**	26
Annualised potential rental value for the completed property portfolio	**603**	629
EPRA Vacancy Rate	**6.3%**	4.1%

Supplementary disclosures continued

Table B continued

EPRA Cost Ratios (Unaudited)

	2020 £m	2019 £m
Property operating expenses[1]	69	34
Administrative expenses	73	80
Share of joint ventures and funds expenses	14	11
Less: Performance and management fees (from joint ventures and funds)	(8)	(8)
Net other fees and commissions	(5)	(2)
Ground rent costs and operating expenses de facto included in rents	(16)	(9)
EPRA Costs (including direct vacancy costs) (A)	127	106
Direct vacancy costs	(30)	(13)
EPRA Costs (excluding direct vacancy costs) (B)	97	93
Gross Rental Income less ground rent costs and operating expenses de facto included in rents	398	414
Share of joint ventures and funds (GRI less ground rent costs)	142	153
Total Gross Rental Income less ground rent costs (C)	540	567
EPRA Cost Ratio (including direct vacancy costs) (A/C)	23.5%	18.7%
EPRA Cost Ratio (excluding direct vacancy costs) (B/C)	18.0%	16.4%
Impairment of tenant incentives and guaranteed rent increases[1] (D)	20	–
Adjusted EPRA Cost ratio (including direct vacancy costs and excluding impairment of tenant incentives and guaranteed rent increases) (A-D)/C	19.8%	18.7%
Adjusted EPRA Cost ratio (excluding direct vacancy costs and excluding impairment of tenant incentives and guaranteed rent increases) (B-D)/C	14.3%	16.4%
Overhead and operating expenses capitalised (including share of joint ventures and funds)	6	6

1. Included within property operating expenses in the current year is £15m (2018/19: £nil) in relation to write-offs and provision against tenant incentive balances held by the group and £5m (2018/19: £nil) in relation to write-offs of guaranteed rent increases.

In the current year, employee costs in relation to staff time on development projects have been capitalised into the base cost of relevant development assets. In addition to the standard EPRA Cost ratios (both including and excluding direct vacancy costs), adjusted versions of these ratios have also been presented which remove the impact of the impairment of tenant incentives and guaranteed rent increases which are exceptional items in the current year, to show the impact of these items on the ratios.

Table C: Gross rental income

	2020 £m	2019 £m
Rent receivable[1]	558	587
Spreading of tenant incentives and guaranteed rent increases	(3)	(13)
Surrender premia	5	2
Gross rental income	560	576

1. Group gross rental income includes £3m of all inclusive rents relating to service charge income

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

Table D: Property related capital expenditure

	2020			2019		
	Group £m	Joint ventures and funds £m	Total £m	Group £m	Joint ventures and funds £m	Total £m
Acquisitions	94	54	148	221	15	236
Development	156	126	282	183	91	274
Like-for-like portfolio[1]	83	20	103	35	19	54
Other	18	11	29	12	8	20
Total property related capex	351	211	562	451	133	584

1. Includes £36m of flexible workspace fitout in the current year which has been reclassified from property, plant and equipment to property additions.

The above is presented on a proportionally consolidated basis, excluding non-controlling interests and business combinations. The 'Other' category contains amounts owing to tenant incentives of £12m (2018/19: £7m), letting fees of £3m (2018/19: £5m), capitalised staff costs of £6m (2018/19: £6m) and capitalised interest of £8m (2018/19: £3m).

DIRECTORS' RESPONSIBILITY STATEMENT

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

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

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group and Company for that period. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently
- state whether applicable IFRSs as adopted by the European Union have been followed for the Group financial statements and United Kingdom Accounting Standards, comprising FRS 101, have been followed for the parent Company financial statements, subject to any material departures disclosed and explained in the financial statements
- make judgements and accounting estimates that are reasonable and prudent
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business

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

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

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

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

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

- the Company financial statements, which have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law), give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company
- the Group financial statements, which have been prepared in accordance with IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group
- the Strategic Report and the Directors' Report include a fair review of the development and performance of the business and the position of the Group and Company, together with a description of the principal risks and uncertainties they face.

By order of the Board.

Simon Carter
Chief Financial Officer
26 May 2020

SUPPLEMENTARY TABLES

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

Since 1 April 2019 Sales	Sector	Price (100%) £m	Price (BL Share) £m	Annual Passing Rent £m[1]
Completed				
Portfolio of Sainsbury's stores	Retail	522	246	15
David Lloyd, Croydon	Retail	22	22	1
Homebase, Walton on Thames	Retail	20	20	1
Debenhams, Bournemouth	Retail	8	8	1
Clarges[2]	Residential	86	86	-
Total		**658**	**382**	**18**

[1] BL share of annualised rent topped up for rent frees
[2] £6m of which exchanged prior to FY20

Since 1 April 2019 Purchases	Sector	Price (100%) £m	Price (BL Share) £m	Annual Passing Rent £m[1]
Completed				
West One	Offices	217	54	2
6 Orsman Road, Haggerston	Offices	32	32	2
Aldgate Place, Phase 2	Residential	19	19	-
Former ToysRus unit, Stockton-on-Tees	Retail	8	8	-
Sainsbury's, Burton upon Trent	Retail	5	5	1
Total		**281**	**118**	**5**

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

Portfolio Valuation by Sector

At 31 March 2020	Group	JVs & Funds	Total	Change%[1]		
	£m	£m	£m	H1	H2	FY
West End	4,151	53	4,204	(0.1)	1.5	1.4
City	300	2,269	2,569	1.3	2.5	3.7
Offices	**4,451**	**2,322**	**6,773**	**0.4**	**1.9**	**2.3**
Retail Parks	1,115	724	1,839	(12.4)	(18.8)	(28.7)
Shopping Centre	753	757	1,510	(11.8)	(19.8)	(29.2)
Superstores	89	-	89	(1.5)	(7.7)	(4.7)
Department Stores	33	-	33	(10.5)	(33.3)	(40.3)
High Street	133	1	134	(9.7)	(11.0)	(19.8)
Leisure	249	19	268	0.8	(8.4)	(7.1)
Retail	**2,372**	**1,501**	**3,873**	**(10.7)**	**(18.2)**	**(26.1)**
Residential[2]	**147**	**-**	**147**	**(2.1)**	**(0.6)**	**(2.7)**
Canada Water	**364**	**-**	**364**	**12.4**	**(1.6)**	**9.8**
Total	**7,334**	**3,823**	**11,157**	**(4.3)**	**(6.3)**	**(10.1)**
Standing Investments	***6,593***	***3,432***	***10,025***	***(5.2)***	***(7.4)***	***(12.0)***
Developments	***741***	***391***	***1,132***	***4.6***	***2.3***	***6.5***

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

[2] Stand-alone residential

Gross Rental Income[1]

Accounting Basis £m	12 months to 31 March 2020			Annualised as at 31 March 2020		
	Group	JVs & Funds	Total	Group	JVs & Funds	Total
West End	155	1	156	144	2	146
City	15	69	84	7	63	70
Offices	**170**	**70**	**240**	**151**	**65**	**216**
Retail Parks	94	58	152	90	55	145
Shopping Centre	64	52	116	61	49	110
Superstores	5	5	10	5	2	7
Department Stores	7	-	7	5	-	5
High Street	6	-	6	6	-	6
Leisure	15	1	16	14	1	15
Retail	**191**	**116**	**307**	**181**	**107**	**288**
Residential[2]	**4**	**-**	**4**	**4**	**-**	**4**
Canada Water	**9**	**-**	**9**	**8**	**-**	**8**
Total	**374**	**186**	**560**	**344**	**172**	**516**

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

[2] Stand-alone residential

Portfolio Net Yields[1,2]

As at 31 March 2020	EPRA net initial yield %	EPRA topped up net initial yield %[3]	Overall topped up net initial yield %[4]	Net equivalent yield %	Net equivalent yield movement bps	Net reversionary yield %	ERV Growth %[5]
West End	3.5	4.1	4.1	4.3	-	4.8	2.4
City	3.2	4.0	4.0	4.5	(14)	5.3	4.5
Offices	**3.4**	**4.1**	**4.1**	**4.4**	**(4)**	**5.0**	**3.2**
Retail Parks	7.0	7.2	7.3	7.0	117	6.8	(13.6)
Shopping Centre	6.1	6.2	6.3	6.4	99	6.4	(10.2)
Superstore	6.9	6.9	6.9	5.7	38	5.6	(9.8)
Department Store	15.6	15.6	22.9	9.2	185	10.4	(19.8)
High Street	3.8	4.0	4.0	5.5	57	5.9	(9.8)
Leisure	5.3	5.4	6.0	5.8	22	5.1	(1.2)
Retail	**6.5**	**6.6**	**6.9**	**6.6**	**101**	**6.5**	**(11.7)**
Canada Water	**3.4**	**3.4**	**3.4**	**4.0**	**25**	**4.0**	**(5.8)**
Total	**4.6**	**5.1**	**5.2**	**5.2**	**38**	**5.5**	**(4.7)**

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

[1] Including notional purchaser's costs

[2] Excluding committed developments, assets held for development and residential assets

[3] Including rent contracted from expiry of rent-free periods and fixed uplifts not in lieu of rental growth

[4] Including fixed/minimum uplifts (excluded from EPRA definition)

[5] As calculated by IPD

Total Property Return (as calculated by IPD)

12 months to 31 March 2020	Offices		Retail		Total	
%	British Land	IPD	British Land	IPD	British Land	IPD
Capital Return	2.5	(0.5)	(27.3)	(14.5)	(10.3)	(4.8)
- ERV Growth	3.2	1.3	(11.7)	(5.8)	(4.7)	(1.0)
- Yield Movement[1]	(4 bps)	(2 bps)	101 bps	59 bps	38 bps	18 bps
Income Return	3.1	3.8	6.2	5.4	4.3	4.5
Total Property Return	**5.7**	**3.3**	**(22.6)**	**(9.8)**	**(6.4)**	**(0.4)**

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

[1] Net equivalent yield movement

Top 20 Tenants by Sector

As at 31 March 2020	% of retail rent		% of office rent
Retail		**Offices**	
Tesco plc[1]	7.8	Facebook	7.8
Next plc	4.9	Government	6.4
Kingfisher	3.6	Dentsu Aegis[2]	4.4
Walgreens (Boots)	3.5	Visa	4.0
M&S Plc	2.8	Herbert Smith Freehills	3.2
J Sainsbury	2.6	Gazprom	2.5
Dixons Carphone	2.5	Microsoft Corp	2.4
Debenhams	2.5	Vodafone	2.0
Frasers	2.4	Tullett Prebon	2.0
JD Sports	2.2	Deutsche Bank	1.9
TJX (TK Maxx)	2.1	Henderson	1.7
Arcadia Group	2.0	Reed Smith	1.7
New Look	1.9	The Interpublic Group (McCann)	1.6
Asda Group	1.7	Mayer Brown	1.4
Virgin	1.6	Skyscanner	1.3
TGI Fridays	1.5	Mimecast Ltd	1.3
Steinhoff	1.5	Credit Agricole	1.2
H&M	1.4	Aramco	1.2
Hutchison Whampoa Ltd	1.4	Kingfisher	1.2
DFS Furniture	1.3	Monzo Bank	1.1

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

[2] Taking into account their pre-let of 310,000 sq ft at 1 Triton Square, % of contracted rent would rise to 13.0%. As part of this new letting, Dentsu Aegis have an option to return their existing space at 10 Triton Street in 2021. If this option is exercised, there is an adjustment to the rent free period in respect of the letting at 1 Triton Square to compensate British Land.

Major Holdings

As at 31 March 2020	BL Share %	Sq ft '000	Rent (100%) £m pa[1,4]	Occupancy rate %[2,4]	Lease length yrs[3,4]
Broadgate	50	4,468	162	96.9	6.3
Regent's Place	100	1,740	80	97.1	5.3
Paddington Central	100	958	46	97.6	5.8
Portman Square	100	134	10	100.0	5.4
Meadowhall, Sheffield	50	1,500	82	96.1	4.9
Drake's Circus, Plymouth	100	1,190	20	90.1	6.3
Teesside, Stockton	100	569	16	96.5	3.8
Ealing Broadway	100	540	15	92.1	3.8
Glasgow Fort	78	510	20	96.1	5.7
New Mersey, Speke	68	502	14	94.4	5.7

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

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

[3] Weighted average to first break

[4] Excludes committed and near term developments

Lease Length & Occupancy

As at 31 March 2020	Average lease length yrs		Occupancy rate %	
	To expiry	To break	EPRA Occupancy	Occupancy[1,2,3]
West End	6.4	5.4	97.6	97.7
City	7.5	6.3	85.4	96.6
Offices	**6.8**	**5.7**	**92.9**	**97.3**
Retail Parks	6.8	5.5	94.1	96.1
Shopping Centre	6.6	5.2	94.2	95.6
Superstores	6.9	6.8	100.0	100.0
Department Stores	18.1	9.1	97.9	97.9
High Street	4.7	4.0	91.7	92.1
Leisure	14.6	14.3	93.1	93.1
Retail	**7.3**	**5.9**	**94.2**	**95.7**
Canada Water	**4.9**	**4.7**	**97.7**	**97.9**
Total	**7.0**	**5.8**	**93.6**	**96.6**

[1] Space allocated to Storey is shown as occupied where there is a Storey tenant in place otherwise it is shown as vacant. Total occupancy would rise from 96.6% to 97.1% if Storey space were assumed to be fully let.

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

[3] Where occupiers have entered administration or CVA but are still liable for rates, these are treated as occupied. Reflecting units currently occupied but expected to become vacant, then the occupancy rate for Retail would reduce from 95.7% to 94.7%, and total occupancy would reduce from 96.6% to 96.0%

Portfolio Weighting

As at 31 March	2019	2020	2020
	%	%	£m
West End	33.0	37.7	4,204
City	18.2	23.0	2,569
Offices	**51.2**	**60.7**	**6,773**
Retail Parks	21.0	16.5	1,839
Shopping Centre	17.2	13.5	1,510
Superstores	2.7	0.8	89
Department Stores	0.6	0.3	33
High Street	1.4	1.2	134
Leisure	2.4	2.4	268
Retail	**45.3**	**34.7**	**3,873**
Residential[1]	**1.0**	**1.3**	**147**
Canada Water	**2.5**	**3.3**	**364**
Total	**100.0**	**100.0**	**11,157**
London Weighting	**61%**	**71%**	**7,878**

[1] Stand-alone residential

Annualised Rent & Estimated Rental Value (ERV)

As at 31 March 2020	Annualised rent (valuation basis) £m[1]			ERV £m	Average rent £psf	
	Group	JVs & Funds	Total	Total	Contracted[2]	ERV
West End[3]	136	2	138	191	62.8	69.4
City[3]	6	64	70	118	50.3	63.1
Offices[3]	**142**	**66**	**208**	**309**	**58.0**	**66.9**
Retail Parks	91	58	149	140	25.0	22.9
Shopping Centre	62	51	113	116	29.7	29.9
Superstores	7	-	7	5	21.0	17.1
Department Stores	6	-	6	4	6.6	4.6
High Street	6	-	6	9	13.1	18.6
Leisure	14	1	15	15	17.1	16.3
Retail	**186**	**110**	**296**	**289**	**24.1**	**23.0**
Residential[4]	**4**	**-**	**4**	**4**	**44.7**	**37.4**
Canada Water[5]	**8**	**-**	**8**	**9**	**17.7**	**20.5**
Total	**340**	**176**	**516**	**611**	**30.9**	**33.4**

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

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

[3] £psf metrics shown for office space only

[4] Standalone residential

[5] Reflects standing investment only

Rent Subject to Open Market Rent Review

For period to 31 March	2021	2022	2023	2024	2025	2021-23	2021-25
As at 31 March 2020	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
West End	17	9	23	7	16	49	72
City	11	-	-	15	11	11	37
Offices	**28**	**9**	**23**	**22**	**27**	**60**	**109**
Retail Parks	17	11	14	6	6	42	54
Shopping Centre	12	7	12	7	4	31	42
Superstores	-	-	-	1	3	-	4
Department Stores	-	-	1	2	-	1	3
High Street	-	-	1	-	-	1	1
Leisure	-	-	-	-	1	-	1
Retail	**29**	**18**	**28**	**16**	**14**	**75**	**105**
Residential	**-**	**1**	**-**	**-**	**-**	**1**	**1**
Canada Water[1]	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total	**57**	**28**	**51**	**38**	**41**	**136**	**215**

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

Rent Subject to Lease Break or Expiry

For year to 31 March	2021	2022	2023	2024	2025	2021-23	2020-25
As at 31 March 2020	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
West End	13	29	17	14	16	59	89
City	12	3	4	12	6	19	37
Offices	**25**	**32**	**21**	**26**	**22**	**78**	**126**
Retail Parks	17	11	16	25	12	44	81
Shopping Centre	14	14	14	14	7	42	63
Superstores	-	-	2	-	-	2	2
Department Stores	-	3	-	-	-	3	3
High Street	2	1	1	1	1	4	6
Leisure	-	-	-	-	-	-	-
Retail	**33**	**29**	**33**	**40**	**20**	**95**	**155**
Residential	**3**	**-**	**-**	**-**	**-**	**3**	**3**
Canada Water[1]	**1**	**1**	**1**	**2**	**-**	**3**	**5**
Total	**62**	**62**	**55**	**68**	**42**	**179**	**289**
% of contracted rent	**10.9**	**10.8**	**9.6**	**11.8**	**7.4**	**31.3**	**50.5**

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

Recently Completed and Committed Developments

As at 31 March 2020	Sector	BL Share %	100% sq ft '000	PC Calendar Year	Current Value £m	Cost to come £m[1]	ERV £m[2]	Let £m
1 Finsbury Avenue	Office	50	287	Q1 2019	171	-	8.3	7.0
135 Bishopsgate	Office	50	335	Q1 2020	214	-	9.7	8.7
Plymouth (Leisure)	Retail	100	108	Q4 2019	26	2	1.8	1.2
Total Recently Completed			**730**		**411**	**2**	**19.8**	**16.9**
100 Liverpool Street	Office	50	524	Q3 2020	378	27	19.3	15.4
1 Triton Square[3]	Office	100	366	Q2 2021	385	49	22.6	21.8
Total Committed			**890**		**763**	**76**	**41.9**	**37.2**
Other Capital Expenditure[4]						57		

1 From 1 April 2020. Cost to come excludes notional interest as interest is capitalised individually on each development at our capitalisation rate

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

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

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

Near Term Development Pipeline

As at 31 March 2020	Sector	BL Share %	100% sq ft '000	Earliest Start On Site	Current Value £m	Cost to Come £m[1]	ERV £m[2]	Let & Under Offer £m	Planning Status
Norton Folgate	Office	100	336	Q3 2020	95	280	22.0	-	Consented
1 Broadgate	Office	50	538	Q2 2021	96	230	20.0	-	Consented
Aldgate Place, Phase 2	Residential	100	133	Q4 2020	37	95	7.0		Consented
Total Near Term			**1,007**		**228**	**605**	**49.0**	**-**	
Other Capital Expenditure [3]						22			

[1] From 1 April 2020. Cost to come excludes notional interest as interest is capitalised individually on each development at our capitalisation rate

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

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

Medium Term Development Pipeline

As at 31 March 2020	Sector	BL Share %	100% Sq ft '000	Planning Status
5 Kingdom Street[1]	Office	100	438	Submitted
2-3 Finsbury Avenue	Office	50	563	Consented
Eden Walk Retail & Residential	Mixed Use	50	452	Consented
Ealing – 10-40 The Broadway	Retail	100	303	Pre-submission
Gateway Building	Leisure	100	105	Consented
Canada Water[2]	Mixed Use	100	5,000	Resolution to grant planning
Total Medium Term			**6,861**	

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

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

Forward-looking statements

This Press Release contains certain (and we may make other verbal or written) 'forward-looking' statements. These forward-looking statements include all matters that are not historical fact. Such statements reflect current views, intentions, expectations, forecasts and beliefs of British Land concerning, among other things, our markets, activities, projections, strategy, plans, initiatives, objectives, performance, financial condition, liquidity, growth and prospects, as well as assumptions about future events. Such 'forward-looking' statements can sometimes, but not always, be identified by their reference to a date or point in the future, the future tense, or the use of 'forward-looking' terminology, including terms such as 'believes', 'considers', 'estimates', 'anticipates', 'expects', 'forecasts', 'intends', 'continues', 'due', 'potential', 'possible', 'plans', 'seeks', 'projects', 'budget', 'goal', 'guidance', 'trends', 'future', 'outlook', 'schedule', 'target', 'aim', 'may', 'likely to', 'will', 'would', 'could', 'should' or similar expressions or in each case their negative or other variations or comparable terminology. By their nature, forward-looking statements involve inherent known and unknown risks, assumptions and uncertainties because they relate to future events and circumstances and depend on circumstances which may or may not occur and may be beyond our ability to control, predict or estimate. Forward-looking statements should be regarded with caution as actual outcomes or results, or plans or objectives, may differ materially from those expressed in or implied by such statements. Recipients should not place reliance on, and are cautioned about relying on, any forward-looking statements.

Important factors that could cause actual results (including the payment of dividends), performance or achievements of British Land to differ materially from any outcomes or results expressed or implied by such forward-looking statements include, among other things: (a) general business and political, social and economic conditions globally, (b) the consequences of the referendum on Britain leaving the EU, (c) industry and market trends (including demand in the property investment market and property price volatility), (d) competition, (e) the behaviour of other market participants, (f) changes in government 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), (g) inflation and consumer confidence, (h) labour relations and work stoppages, (i) natural disasters and adverse weather conditions, (j) terrorism and acts of war, (k) British Land's overall business strategy, risk appetite and investment choices in its portfolio management, (l) legal or other proceedings against or affecting British Land, (m) reliable and secure IT infrastructure, (n) changes in occupier demand and tenant default, (o) changes in financial and equity markets including interest and exchange rate fluctuations, (p) changes in accounting practices and the interpretation of accounting standards (q) the availability and cost of finance and (r) the consequences of the covid-19 pandemic . The Company's principal risks are described in greater detail in the section of this Press Releases headed "Risk Management and Principal Risks". Forward-looking statements in this Press Release, 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 Press Release 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, and nothing in this Press Release should be construed as a profit forecast or profit estimate, or be taken as implying that the earnings of British Land for the current year or future years will necessarily match or exceed the historical or published earnings of British Land. 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, fairness, reliability, the basis on which they were prepared, or their achievement or reasonableness.

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