FINANCIAL REVIEW CONTINUED

Retail valuations were down 1.8% with outward yield movement of 14 bps partially offset by ERV growth of 1.6%; the multi-let portfolio saw stronger ERV growth of 2.4%, driven by good leasing activity. Further information on Retail valuation performance can be found on page 32.

Office and Residential valuations were down 0.5% with outward yield movement of 15 bps partially offset by ERV growth of 0.5%; We agreed the sale of The Leadenhall Building at a price 24% ahead of the 30 September 2016 valuation and the valuers have recognised the majority of this increase in the 31 March 2017 valuation. Further information on Office & Residential valuation performance can be found on page 35.

The 4 pence impact of finance transaction costs primarily relates to early repayment of term debt and termination of associated interest rate swaps.

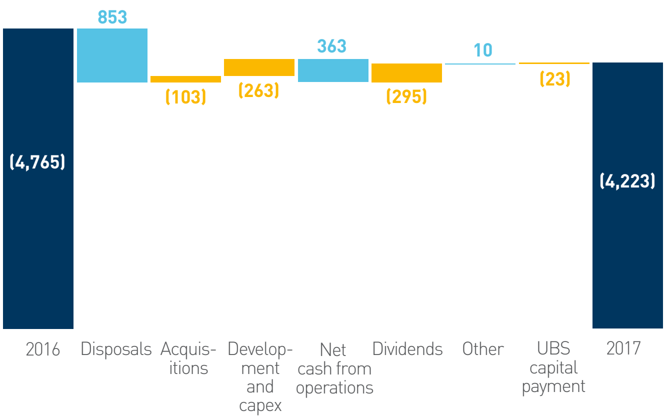
There is a 12 pence benefit to EPRA NAV due to the reversal of the 1.5% convertible bond dilution included in the 2015/16 results. As the share price was below the 693 pence exchange price at year end, no dilution adjustment was made (2015/16: £400 million debt deducted from net asset value and diluted number of shares increased by 57.8 million). Excluding this adjustment, NAV decreased by 1.7%.

5. IFRS net assets

IFRS net assets at 31 March 2017 were £9,476 million, a decrease of £143 million from 31 March 2016. This was primarily due to IFRS profit before tax of £195 million being less than the dividends paid in the year of £296 million.

Cash flow, net debt and financing

6. Adjusted net debt (£m)[1]



[1] Adjusted net debt is a proportionally consolidated measure. It represents the Group net debt as disclosed in Note 17 and the Group's share of joint venture and funds' net debt excluding the mark-to-market on effective cash flow hedges and 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.

Capital activity reduced debt by £0.5 billion in the year. Completed disposals during the year included the sale of Debenhams, Oxford Street for £400 million, a portfolio of non-core Retail assets for £191 million and eight superstores totalling £111 million (British Land share). Acquisitions completed in the year included the New George Street Estate in Plymouth for £64 million which will now be managed as an integrated part of Drake Circus. Other investments included development expenditure of £189 million and capital expenditure of £74 million related to asset management on the standing portfolio.

Net divestment including transactions completing after the year end increased to £1.1 billion. This includes the expected completion of the sale of The Leadenhall Building sale for £575 million (British Land share) and the completion of the Tesco JV swap transaction resulting in a net divestment of £73 million of superstore assets.

We received a £10 million capital payment received in December 2016 from UBS in relation to the development and occupation of 5 Broadgate, and subsequent exit of 100 Liverpool Street, including 8-10 Broadgate.

7. Financing

	Group		Proportionally consolidated	
	2016	**2017**	2016	**2017**
Net debt/adjusted net debt[1]	£3,617m	**£3,094m**	£4,765m	**£4,223m**
Principal amount of gross debt	£3,552m	**£3,069m**	£5,089m	**£4,520m**
Loan to value	25.2%	**22.6%**	32.1%	**29.9%**
Weighted average interest rate	2.6%	**2.4%**	3.3%	**3.1%**
Interest cover	3.3	**4.5**	3.0	**3.6**
Weighted average debt maturity	7.2 years	**6.9 years**	8.1 years	**7.7 years**

[1] Group data as presented in note 17 of the 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 effective cash flow hedges and related debt adjustments and non-controlling interests.

The balance sheet remains resilient. LTV and weighted average interest rate on drawn debt were reduced and interest cover improved. Our proportionally consolidated LTV was 29.9% at 31 March 2017, down 220 bps from 32.1% at March 2016 mainly reflecting the impact of disposals. This reduces by a further 300 bps to 26.9% pro forma for the sale of The Leadenhall Building. Note 17 of the financial statements sets out the calculation of the Group and proportionally consolidated LTV.

The strength of the Group's balance sheet is reflected in British Land's senior unsecured credit rating which continues to be rated by Fitch at A- with the Outlook upgraded to 'Positive'.

Our proportionally consolidated weighted average interest rate reduced to 3.1% at 31 March 2017 from 3.3% at 31 March 2016. This reflects a 60 bps reduction principally as a result of our financing activity and decisions, partially offset by a rise of 40 bps due to repayment of cheaper facilities with sales proceeds received. This increases to 3.4% pro forma for the sale of The Leadenhall Building.

Our weighted average debt maturity is eight years.

British Land has £1.8 billion of committed unsecured revolving banking facilities. Of these facilities, £1.7 billion have maturities of more than two years and £1.3 billion was undrawn at 31 March 2017. Based on our current commitments, these facilities and scheduled debt maturities, we have no requirement to refinance until early 2021 regardless of whether our convertible bonds are cash or equity settled.

Further information on our approach to financing is provided in the Financial policies and principles section on pages 43 to 45.

Lucinda Bell
Chief Financial Officer