17 Net debt

	Footnote	2017 £m	2016 £m
Secured on the assets of the Group			
9.125% First Mortgage Debenture Stock 2020	1.1	**34**	34
5.264% First Mortgage Debenture Bonds 2035		**377**	371
5.0055% First Mortgage Amortising Debentures 2035		**99**	100
5.357% First Mortgage Debenture Bonds 2028		**348**	349
6.75% First Mortgage Debenture Stock 2020		**–**	62
Bank loans	1.2, 1.3	**475**	733
Loan notes		**2**	2
		1,335	1,651
Unsecured			
5.50% Senior Notes 2027		**102**	101
3.895% Senior US Dollar Notes 2018	2	**32**	28
4.635% Senior US Dollar Notes 2021	2	**181**	165
4.766% Senior US Dollar Notes 2023	2	**113**	105
5.003% Senior US Dollar Notes 2026	2	**73**	69
3.81% Senior Notes 2026		**114**	113
3.97% Senior Notes 2026		**117**	116
1.5% Convertible Bond 2017		**406**	445
0% Convertible Bond 2020		**331**	334
Bank loans and overdrafts		**477**	634
		1,946	2,110
Gross debt	3	**3,281**	3,761
Interest rate and currency derivative liabilities		**144**	137
Interest rate and currency derivative assets		**(217)**	(167)
Cash and short term deposits	4,5	**(114)**	(114)
Total net debt		**3,094**	3,617
Net debt attributable to non-controlling interests		**(103)**	(104)
Net debt attributable to shareholders of the Company		**2,991**	3,513

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

	2017 £m	2016 £m
1.1 BLD Property Holdings Ltd	**34**	34
1.2 Hercules Unit Trust	**475**	443
1.3 TBL Properties Limited and subsidiaries	**–**	290
	509	767

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 2017 was £3,069m (2015/16: £3,552m). Included in this is the principal amount of secured borrowings and other borrowings of non-recourse companies of £1,238m of which the borrowings of the partly-owned subsidiary, Hercules Unit Trust, not beneficially owned by the Group is £112m.
4 Included within cash and short term deposits is the cash and short term deposits of Hercules Unit Trust, of which £9m is the proportion not beneficially owned by the Group.
5 Cash and deposits not subject to a security interest amount to £99m (2015/16: £93m).

17 Net debt continued

Maturity analysis of net debt

	2017 £m	2016 £m
Repayable: within one year and on demand	**464**	74
Between: one and two years	**31**	504
two and five years	**1,283**	1,491
five and ten years	**783**	807
ten and fifteen years	**332**	500
fifteen and twenty years	**388**	385
twenty and twenty five years	**–**	–
	2,817	3,687
Gross debt	**3,281**	3,761
Interest rate and currency derivatives	**(73)**	(30)
Cash and short term deposits	**(114)**	(114)
Net debt	**3,094**	3,617

1.5% Convertible bond 2012 (maturity 2017)

On 10 September 2012, British Land (Jersey) Limited (the 2012 Issuer), a wholly-owned subsidiary of the Group, issued £400 million 1.5% guaranteed convertible bonds due 2017 (the 2012 bonds) at par. The 2012 Issuer is fully guaranteed by the Company in respect of the 2012 bonds.

Subject to their terms, the 2012 bonds are convertible into preference shares of the 2012 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 20th dealing day before 10 September 2017 (the maturity date).

The initial exchange price was 693.07 pence per ordinary share. The exchange price is adjusted based on certain events.

From 25 September 2015, the Company has the option to redeem the 2012 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 2012 bonds have been converted, redeemed, or purchased and cancelled. The 2012 bonds will be redeemed at par on 10 September 2017 (the maturity date) if they have not already been converted, redeemed or purchased and cancelled. No redemption of the bonds occurred in the year.

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. From 20 July 2015 up to and including 29 June 2018, a bondholder may exercise its conversion right if the share price has traded at a level exceeding 130% of the exchange price for a specified period. Thereafter, and up to but excluding the 7th dealing day before 9 June 2020 (the maturity date), a bondholder may convert at any time.

The initial exchange price was 1103.32 pence per ordinary share. The exchange price is adjusted based on certain events (such as the Company paying dividends in any quarter above 3.418 pence per ordinary share). As at 31 March 2017 the exchange price was 1063.79 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.

17 Net debt continued

Fair value and book value of net debt

	2017			2016		
	Fair value £m	**Book value £m**	**Difference £m**	Fair value £m	Book value £m	Difference £m
Debentures and unsecured bonds	**1,682**	**1,590**	**92**	1,637	1,613	24
Convertible bonds	**737**	**737**	**–**	779	779	–
Bank debt and other floating rate debt	**963**	**954**	**9**	1,384	1,369	15
Gross debt	**3,382**	**3,281**	**101**	3,800	3,761	39
Interest rate and currency derivative liabilities	**144**	**144**	**–**	137	137	–
Interest rate and currency derivative assets	**(217)**	**(217)**	**–**	(167)	(167)	–
Cash and short term deposits	**(114)**	**(114)**	**–**	(114)	(114)	–
Net debt	**3,195**	**3,094**	**101**	3,656	3,617	39
Net debt attributable to non-controlling interests	**(105)**	**(103)**	**(2)**	(106)	(104)	(2)
Net debt attributable to shareholders of the Company	**3,090**	**2,991**	**99**	3,550	3,513	37

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

Short term debtors and creditors and other investments have been excluded from the disclosures on the basis that the fair value is equivalent to the book value. The fair value hierarchy level (as defined in note 10) of debt held at amortised cost whose fair value is disclosed is level 2.

Group loan to value (LTV)

	2017 £m	2016 £m
Group loan to value (LTV)	**22.6%**	25.2%
Principal amount of gross debt	**3,069**	3,552
Less debt attributable to non-controlling interests	**(112)**	(109)
Less cash and short term deposits (balance sheet)	**(114)**	(114)
Plus cash attributable to non-controlling interests	**9**	8
Total net debt for LTV calculation	**2,852**	3,337
Group property portfolio valuation (note 10)	**9,520**	10,111
Investments in joint ventures and funds (note 11)	**2,766**	3,353
Joint venture held for sale (note 11)	**540**	–
Other investments (note 12)	**154**	142
Less property and investments attributable to non-controlling interests	**(364)**	(384)
Total assets for LTV calculation	**12,616**	13,222

Proportionally consolidated loan to value (LTV)

	2017 £m	2016 £m
Proportionally consolidated loan to value (LTV)	**29.9%**	32.1%
Principal amount of gross debt	**4,649**	5,217
Less debt attributable to non-controlling interests	**(128)**	(128)
Less cash and short term deposits	**(323)**	(353)
Plus cash attributable to non-controlling interests	**9**	9
Total net debt for proportional LTV calculation	**4,207**	4,745
Group property portfolio valuation (note 10)	**9,520**	10,111
Share of property of joint ventures and funds (note 10)	**4,801**	4,937
Other investments (note 12)	**154**	142
Less other investments attributable to joint ventures and funds	**(3)**	(4)
Less property attributable to non-controlling interests	**(381)**	(400)
Total assets for proportional LTV calculation	**14,091**	14,786

17 Net debt continued

British Land Unsecured Financial Covenants

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

	2017 £m	2016 £m
Net Borrowings not to exceed 175% of Adjusted Capital and Reserves	**29%**	34%
Principal amount of gross debt	**3,069**	3,552
Less the relevant proportion of borrowings of the partly-owned subsidiary/non-controlling interests	**(112)**	(109)
Less cash and deposits (balance sheet)	**(114)**	(114)
Plus the relevant proportion of cash and deposits of the partly-owned subsidiary/non-controlling interests	**9**	8
Net Borrowings	**2,852**	3,337
Share capital and reserves (balance sheet)	**9,476**	9,619
EPRA deferred tax adjustment (EPRA Table A)	**3**	5
Trading property surpluses (EPRA Table A)	**83**	93
Exceptional refinancing charges (see below)	**274**	287
Fair value adjustments of financial instruments (EPRA Table A)	**155**	198
Less reserves attributable to non-controlling interests (balance sheet)	**(255)**	(277)
Adjusted Capital and Reserves	**9,736**	9,925

In calculating Adjusted Capital and Reserves for the purpose of the unsecured debt financial covenants, there is an adjustment of £274m (2015/16: £287m) to reflect the cumulative net amortised exceptional items relating to the refinancings in the years ended 31 March 2005, 2006 and 2007.

	2017 £m	2016 £m
Net Unsecured Borrowings not to exceed 70% of Unencumbered Assets	**26%**	29%
Principal amount of gross debt	**3,069**	3,552
Less cash and deposits not subject to a security interest (being £99m less the relevant proportion of cash and deposits of the partly owned subsidiary/non-controlling interests of £3m)	**(96)**	(88)
Less principal amount of secured and non-recourse borrowings	**(1,238)**	(1,563)
Net Unsecured Borrowings	**1,735**	1,901
Group property portfolio valuation (note 10)	**9,520**	10,111
Investments in joint ventures and funds (note 11)	**2,766**	3,353
Joint venture held for sale (note 11)	**540**	–
Other investments (note 12)	**154**	142
Less investments in joint ventures and joint venture held for sale (note 11)	**(3,299)**	(3,348)
Less encumbered assets (note 10)	**(3,040)**	(3,803)
Unencumbered Assets	**6,641**	6,455

17 Net debt continued

Reconciliation of movement in Group net debt for the year ended 31 March 2017

	2016	Cash flows	Transfers[3]	Foreign exchange	Fair value	Arrangement costs amortisation	2017
Short term borrowings	**74**	**(74)**	**464**	**–**	**–**	**–**	**464**
Long term borrowings	**3,687**	**(423)**	**(464)**	**49**	**(36)**	**4**	**2,817**
Derivatives[1]	**(30)**	**1**	**–**	**(48)**	**4**	**–**	**(73)**
Total liabilities from financing activities	**3,731**	**(496)**	**–**	**1**	**(32)**	**4**	**3,208**
Cash and cash equivalents net decrease in cash in the year SOCF	**(114)**	**–**	**–**	**–**	**–**	**–**	**(114)**
Net debt	**3,617**	**(496)**	**–**	**1**	**(32)**	**4**	**3,094**

Reconciliation of movement in Group net debt for the year ended 31 March 2016

	2015	Cash flows	Transfers[3]	Foreign exchange	Fair value	Arrangement costs amortisation	2016
Short term borrowings	102	(104)	74	2	–	–	74
Long term borrowings	3,847	(98)	(74)	14	(9)	7	3,687
Derivatives[2]	(13)	22	–	(13)	(26)	–	(30)
Total liabilities from financing activities	3,936	(180)	–	3	(35)	7	3,731
Cash and cash equivalents	(108)	(6)	–	–	–	–	(114)
Net debt	3,828	(186)	–	3	(35)	7	3,617

1 Cash flows on derivatives include £14m of net receipts on derivative interest.
2 Cash flows on derivatives include £7m of net receipts on derivative interest.
3 Transfers comprises debt maturing from long term to short term borrowings.

17 Net debt continued

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 10.

	2017				2016			
	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	–	(217)	–	(217)	–	(167)	–	(167)
Other investments – available for sale	(14)	–	–	(14)	–	–	–	–
Other investments – held for trading	–	–	(93)	(93)	–	–	(101)	(101)
Assets	(14)	(217)	(93)	(324)	–	(167)	(101)	(268)
Interest rate and currency derivative liabilities	–	144	–	144	–	137	–	137
Convertible bonds	737	–	–	737	779	–	–	779
Liabilities	737	144	–	881	779	137	–	916
Total	723	(73)	(93)	557	779	(30)	(101)	648

Categories of financial instruments

	2017 £m	2016 £m
Financial assets		
Fair value through income statement		
Other investments – held for trading	93	101
Derivatives in designated hedge accounting relationships	215	164
Derivatives not in designated hedge accounting relationships	2	3
Loans and receivables		
Debtors	166	24
Cash and short term deposits	114	114
Other investments – loans and receivables	61	41
	651	447
Financial liabilities		
Fair value through income statement		
Convertible bonds	(737)	(779)
Derivatives in designated hedge accounting relationships	(143)	(137)
Derivatives not in designated accounting relationships	(1)	–
Amortised cost		
Gross debt	(2,544)	(2,982)
Head leases payable	(64)	(46)
Creditors	(373)	(133)
	(3,862)	(4,077)
Total	(3,211)	(3,630)

Gains and losses on financial instruments, as classed above, are disclosed in note 6 (net financing costs), note 13 (debtors), note 4 (valuation movements on property), 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.

17 Net debt continued

Capital risk management
The capital structure of the Group consists of net debt and equity attributable to the equity holders of The British Land Company PLC, comprising issued capital, reserves and retained earnings. Risks relating to capital structure are addressed within Managing risk in delivering Our strategy on pages 46 to 49. The Group's objectives, policies and processes for managing debt are set out in the Financial policies and principles on pages 43 to 45.

Interest rate risk management
The Group uses interest rate swaps to hedge exposure to the variability in cash flows on floating rate debt, such as revolving bank facilities and floating rate bonds caused by movements in market rates of interest.

At 31 March 2017, the fair value of these derivatives is a net liability of £143m. Interest rate swaps with a fair value of £143m have been designated as cash flow hedges under IAS 39.

The ineffectiveness recognised in the income statement on cash flow hedges in the year ended 31 March 2017 was £nil (2015/16: £nil).

The cash flows occur and are charged to profit and loss until the maturity of the hedged debt. The table below summarises variable rate debt hedged at 31 March 2017.

Cash flow hedged debt

		2017 £m	2016 £m
Outstanding:	at one year	**450**	413
	at two years	**450**	663
	at five years	**250**	250
	at ten years	**250**	250

Fair value hedged debt
The Group uses interest rate swaps to hedge exposure on fixed rate financial liabilities caused by movements in market rates of interest.

At 31 March 2017, the fair value of these derivatives is a net asset of £216m. Interest rate swaps with a fair value of £215m have been designated as fair value hedges under IAS 39 (2015/16: asset of £164m).

The cross currency swaps of the 2018/2021/2023/2026 US Private Placements fully hedge the foreign exchange exposure at an average floating rate of 146 basis points above LIBOR. These have been designated as fair value hedges of the US Private Placements.

Interest rate profile – including effect of derivatives

	2017 £m	2016 £m
Fixed or capped rate	**1,604**	2,372
Variable rate (net of cash)	**1,490**	1,245
	3,094	3,617

All the debt is effectively Sterling denominated except for £11m (2015/16: £10m) of Euro debt of which £11m is at a fixed rate (2015/16: £10m).

At 31 March 2017 the weighted average interest rate of the Sterling fixed rate debt is 3.3% (2015/16: 3.5%). The weighted average period for which the rate is fixed is 8.3 years (2015/16: 9.1 years). The floating rate debt is set for periods of the Company's choosing at the relevant LIBOR (or similar) rate.

The proportion of net debt at fixed or capped rates of interest was 78% at 31 March 2017 on a spot basis, pro forma for the Leadenhall transaction (see page 124). The proportion of net debt at fixed or capped rates of interest as an average over the next five year forecast period, on a proportionally consolidated basis, was 60% at 31 March 2017. Based on the Group's interest rate profile, at the balance sheet date, a 576 bps increase in interest rates would decrease annual profits by £87m (2015/16: £72m decrease). Similarly, a 34 bps reduction would increase profits by £5m (2015/16: £7m increase). The change in interest rates used for this sensitivity analysis is based on the largest annual change in three month Sterling LIBOR over the last ten years. The impact assumes LIBOR does not fall below 0%.

17 Net debt continued

Interest rate profile – including effect of derivatives continued

Upward movements in medium and long term interest rates, associated with higher interest rate expectations, increase the value of the Group's interest rate swaps that provide protection against such moves. The converse is true for downward movements in the yield curve. The majority of the Group's interest rate swaps which provide such protection qualify as effective cash flow hedges under IAS 39 therefore movements in the fair value are recognised directly in equity rather than the income statement. A 204 bps shift represents the largest annual change in the seven year Sterling swap rate over the last ten years. At 31 March 2017 a 204 bps parallel upward shift in swap rates would increase the value of these interest rate swaps by £82m (2015/16: £151m). A 204 bps downward shift in swap rates would reduce the value of these interest rate swaps by £131m (2015/16: £197m). Because the interest rate swaps are matched by floating rate debt, the overall effect on Group cash flows of such movements is minimal.

The 1.5% 2012 Convertible Bond and 0% 2015 Convertible Bond are both designated as fair value through profit or loss. Principal components of the market value of both bonds include British Land's share price and its volatility, and market interest rates.

The fair value of the 1.5% 2012 Convertible Bond at 31 March 2017 was a £406m liability. At 31 March 2017 a 204 bps parallel upward shift in interest rates would reduce the fair value liability by £4m, and a 204 bps downward shift in interest rates would increase the fair value liability by £4m.

The fair value of the 0% 2015 Convertible Bond at 31 March 2017 was a £331m liability. At 31 March 2017 a 204 bps parallel upward shift in interest rates would reduce the fair value liability by £21m, and a 204 bps downward shift in interest rates would increase the fair value liability by £22m.

Foreign currency risk management

The Group's policy is to have no material unhedged net assets or liabilities denominated in foreign currencies. The currency risk on overseas investments is hedged via foreign currency denominated borrowings and derivatives. The Group has adopted net investment hedging in accordance with IAS 39 and therefore the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in equity. The ineffective portion of the gain or loss on the hedging instrument is recognised immediately in the income statement.

The table below shows the carrying amounts of the Group's foreign currency denominated assets and liabilities. Provided contingent tax on overseas investments is not expected to occur it will be ignored for hedging purposes, as is the requirement to fair value interest rate swaps. Based on the 31 March 2017 position a 33% appreciation (largest annual change over the last ten years) in the Euro relative to Sterling would result in a £nil change (2015/16: £nil) in reported profits.

	Assets		Liabilities	
	2017 £m	2016 £m	**2017 £m**	2016 £m
Euro denominated	**11**	10	**11**	10

Credit risk management

The Group's approach to credit risk management of counterparties is referred to in the Financial policies and principles on pages 43 to 45 and the risks addressed within Managing risk in delivering Our strategy on pages 46 to 49. The carrying amount of financial assets recorded in the financial statements represents the Group's maximum exposure to credit risk without taking account of the value of any collateral obtained.

Cash and short term deposits at 31 March 2017 amounted to £114m (2015/16: £114m). Deposits and interest rate deposits were placed with financial institutions with BBB+ or better credit ratings.

At 31 March 2017, the fair value of all interest rate derivative assets was £217m (2015/16: £167m).

At 31 March 2017, prior to taking into account any offset arrangements, the largest combined credit exposure to a single counterparty arising from money market deposits, liquid investments and derivatives was £120m (2015/16: £85m). This represents 0.9% (2015/16: 0.6%) of gross assets.

The deposit exposures are with UK banks and UK branches of international banks.

The Group's exposure to credit risk in respect of its trade receivables is analysed in note 13. Provisions are made taking account historic credit losses and the creditworthiness of debtors.

Liquidity risk management

The Group's approach to liquidity risk management is discussed in the Financial policies and principles on pages 43 to 45, and the risks addressed within Managing risk in delivering Our strategy on pages 46 to 49.

The following table presents a maturity profile of the contracted undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal flows. Where the interest payable is not fixed, the amount disclosed has been determined by reference to the projected interest rates implied by yield curves at the reporting date. For derivative financial instruments that settle on a net basis (e.g. interest rate swaps) the undiscounted net cash flows are shown and for derivatives that require gross settlement (e.g. cross currency swaps) the undiscounted gross cash flows are presented. Where payment obligations are in foreign currencies, the spot exchange rate ruling at the balance sheet date is used. Trade creditors and amounts owed to joint ventures, which are repayable within one year, have been excluded from the analysis.

Question you may ask:
Given the Viability statement on p49 is claiming adequate substantial covenant headroom against unsecured borrowing as part of the justification for the going concern basis, why is there cumulative liquidity deficit below? How can the two positions be reconciled? 2017 is worse than 2016 but there is no explanation for the decline.

Answer:
Whereas all the obligations relating to financial liabilities are included, only the amounts due from tenants are included. Consequently, the liquidity deficit is not a sign of weakness, but of incompleteness, as the other liquidity sources identified in the introductory statement (e.g. undrawn committed borrowing facilities) are readily accessible to cover any deficit as they arise. Read notes below.

This question and answer is an example of how you should read SBR texts "actively" with "anticipation". Write out questions and try answering them; and then query the disclosures to determine if they are adequate, cluttered or concise. If you practise like this you will be developing adequate professional presentation skills.

17 Net debt continued

Liquidity risk management continued

The Group expects to meet its financial liabilities through the various available liquidity sources, including a secure rental income profile, asset sales, undrawn committed borrowing facilities and, in the longer term, debt refinancings.

Why not?

The Group leases out all its investment properties under operating leases with a weighted average lease length of eight years. This secure income profile is generated from upward only rent reviews, long leases and high occupancy rates. The future aggregate minimum rentals receivable under non-cancellable operating leases is also shown in the table below. Income from joint ventures and funds is not included below. Additional liquidity will arise from letting space in properties under construction as well as from distributions received from joint ventures and funds.

2017	Within one year £m	Following year £m	Three to five years £m	Over five years £m	Total £m
Debt[1]	459	33	1,240	1,420	3,152
Interest on debt	89	86	235	468	878
Derivative payments	12	44	189	263	508
Head lease payments	2	2	7	254	265
Total payments	562	165	1,671	2,405	4,803
Derivative receipts	(26)	(61)	(255)	(251)	(593)
Net payment	536	104	1,416	2,154	4,210
Operating leases with tenants	405	382	984	1,750	3,521
Liquidity surplus (deficit)	(131)	278	(432)	(404)	(689)
Cumulative liquidity surplus (deficit)	(131)	147	(285)	(689)	

2016	Within one year £m	Following year £m	Three to five years £m	Over five years £m	Total £m
Debt[1]	76	461	1,471	1,577	3,585
Interest on debt	103	100	268	538	1,009
Derivative payments	13	14	77	395	499
Head lease payments	2	2	6	239	249
Total payments	194	577	1,822	2,749	5,342
Derivative receipts	(23)	(25)	(104)	(383)	(535)
Net payment	171	552	1,718	2,366	4,807
Operating leases with tenants	437	419	1,133	2,389	4,378
Liquidity surplus (deficit)	266	(133)	(585)	23	(429)
Cumulative liquidity surplus (deficit)	266	133	(452)	(429)	

1 Gross debt of £3,281m (2015/16: £3,761m) represents the total of £3,152m, less unamortised issue costs of £15m (2015/16: £19m), plus fair value adjustments to debt of £144m (2015/16: £195m).

Explanatory notes - see Question and answer above.

Any short term liquidity gap between the net payments required and the rentals receivable can be met through other liquidity sources available to the Group. The Group currently holds cash and short term deposits of £114m of which £99m is not subject to a security interest (see footnote 5 to net debt table on page 127). Further liquidity can be achieved through sales of property assets or investments and debt refinancings.

The Group's property portfolio is valued externally at £9,520m and the share of joint ventures and funds' property is valued at £4,801m. The undrawn committed borrowing facilities available to the Group are a further source of liquidity. The maturity profile of committed undrawn borrowing facilities is shown overleaf.

This is good background information: useful to drawn on when discussing liquidity issues in strategic business reporting questions.

17 Net debt continued

Maturity of committed undrawn borrowing facilities

		2017 £m	2016 £m
Maturity date:	over five years	**125**	–
	between four and five years	**1,110**	1,113
	between three and four years	**58**	95
Total facilities available for more than three years		**1,293**	1,208
Between two and three years		**149**	85
Between one and two years		**–**	–
Within one year		**2**	60
Total		**1,444**	1,353

The above facilities are comprised of British Land undrawn facilities of £1,322m, plus undrawn facilities of Hercules Unit Trust totalling £122m.

18 Leasing

Operating leases with tenants

The Group leases out all of its investment properties under operating leases with a weighted average lease length of eight years (2015/16: nine years).

The future aggregate minimum rentals receivable under non-cancellable operating leases are as follows:

	2017 £m	2016 £m
Less than one year	**405**	437
Between one and two years	**382**	419
Between three and five years	**984**	1,133
Between six and ten years	**980**	1,241
Between eleven and fifteen years	**460**	626
Between sixteen and twenty years	**181**	357
After twenty years	**129**	165
Total	**3,521**	4,378

The Group's leasehold investment properties are typically under non-renewable leases without significant restrictions. Finance lease liabilities are payable as follows; no contingent rents were payable in either period.

	2017			2016		
	Minimum lease payments £m	Interest £m	Principal £m	Minimum lease payments £m	Interest £m	Principal £m
British Land Group						
Less than one year	**2**	**2**	**–**	2	2	–
Between one and two years	**2**	**2**	**–**	2	2	–
Between two and five years	**7**	**7**	**–**	6	6	–
More than five years	**269**	**205**	**64**	239	193	46
Total	**280**	**216**	**64**	249	203	46
Less future finance charges	**(216)**			(203)		
Present value of lease obligations	**64**			46		
More than five years	**64**			46		
Present value of lease obligations	**64**			46		