

# VALUATION REPORT

British Land Company PLC

**Valuation Date: 31 March 2017**

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### Part 2 – Property Details

The contents of this Report may only be relied upon by:

- (i) Addressees of the Report; or
- (ii) Parties who have received prior written consent from CBRE in the form of a reliance letter.

This Report is to be read and construed in its entirety and reliance on this Report is strictly subject to the disclaimers and limitations on liability on page 12. Please review this information prior to acting in reliance on the contents of this Report. If you do not understand this information, we recommend you seek independent legal counsel.

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## Valuation Report

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<b>Report Date</b>	16 May 2017
<b>Addressee</b>	The Directors British Land Company PLC York House 45 Seymour Street London W1H 7LX  For the attention of: Alex Long
<b>The Properties</b>	As listed in the appended valuation reports (Appendices 1-7).
<b>Instruction</b>	To value on the basis of "Fair Value" (as defined by IFRS 13 or FRS 102) the Properties as at the valuation date in accordance with your instructions as set out specifically within the valuation reports contained within Appendices 1-7.
<b>Valuation Date</b>	31st March 2017, with the exception of: <ul style="list-style-type: none"><li>HUT valued at 30 March 2017 with the exception of the following, which are valued as at 29 March 2017: Broughton Shopping Park, Chester; New Mersey Shopping Park, Speke and Valentine Retail Park, Lincoln.</li></ul> See Appendices 1-7 for full details.
<b>Capacity of Valuer</b>	External Valuer, as defined in the RICS Valuation – Professional Standards January 2014 and the RICS UK Valuation Standards, Appendices and Guidance Notes December 2014 ("the Red Book").
<b>Purpose of Valuation</b>	Accounting and financial reporting.

**Fair Value in accordance  
with UK GAAP (FRS 102)  
and IFRS 13**

£3,488,523,937 (THREE BILLION, FOUR HUNDRED AND EIGHTY EIGHT MILLION, FIVE HUNDRED AND TWENTY THREE THOUSAND, NINE HUNDRED AND THIRTY EIGHT POUNDS) exclusive of VAT, as shown in the Schedule of Capital Values set out below.

The values in the table appended below represent the Addressees' apportioned ownership of the Properties, whereas the Valuation Reports appended set out the 100% values of the Properties.

	<b>FREEHOLD</b>	<b>LEASEHOLD</b>
Properties held for nonspecialised development	£8,362,500	£0
Properties held as an investment	£1,987,815,496	£1,492,345,942
<b>Total</b>	<b>£1,996,177,996</b>	<b>£1,492,345,942</b>
<b>Overall Total of Assets Held</b>		<b>£3,488,523,938</b>

Our valuation pertains to the total value of the properties and on the assumption they can be sold as a whole with full management control. For the avoidance of doubt, no representation is given as to the value of a partial interest of the financial instrument (entity) through which an investment may be held.

We confirm that the "Fair Value" reported above, for the purpose of financial reporting under International Financial Reporting Standards (IFRS) and UK Generally Accepted Accounting Practice (UK GAAP), is effectively the same as "Market Value".

We have valued the Properties individually and no account has been taken of any discount or premium that may be negotiated in the market if all or part of the portfolio was to be marketed simultaneously, either in lots or as a whole.

Where a property is owned by way of a joint tenancy in a trust for sale, or through an indirect investment structure, our valuation represents the relevant apportioned percentage of ownership of the value of the whole property, assuming full management control. Our valuation does not necessarily represent the 'Fair Value' (as defined by IFRS 13 or FRS 102) of the interests in the indirect investment structure through which the property is held.

Our opinion of "Fair Value" is based upon the Scope of Work and Valuation Assumptions attached, and has been primarily derived using comparable recent market transactions on arm's length terms.

The valuations have been prepared in accordance with the RICS Valuation – Professional Standards Global – January 2014 and the RICS Valuation Professional Standards UK January 2014 (revised April 2015), ("the Red Book").

We confirm that we have sufficient current local and national knowledge of the particular property market involved, and have the skills and understanding to undertake the valuations competently.

**Compliance with  
Valuation Standards**

Where the knowledge and skill requirements of the Red Book have been met in aggregate by more than one valuer within CBRE Ltd, we confirm that a list of those valuers has been retained within the working papers, together with confirmation that each named valuer complies with the requirements of the Red Book.

This Valuation is a professional opinion and is expressly not intended to serve as a warranty, assurance or guarantee of any particular value of the subject properties. Other valuers may reach different conclusions as to the value of the subject properties. This Valuation is for the sole purpose of providing the intended user with the Valuer's independent professional opinion of the value of the subject properties as at the valuation date.

### **Assumptions**

The property details on which each valuation is based are as set out in this report. We have made various assumptions as to tenure, letting, taxation, town planning, and the condition and repair of buildings and sites – including ground and groundwater contamination – as set out below.

If any of the information or assumptions on which the valuation is based is subsequently found to be incorrect, the valuation figures may also be incorrect and should be reconsidered.

### **Variation from standard Assumptions**

None.

### **Valuer**

The Properties have been valued by a valuer who is qualified for the purpose of the valuation in accordance with the Red Book.

### **Independence**

The total fees, including the fee for this assignment, earned by CBRE Ltd (or other companies forming part of the same group of companies within the UK) from the Addressee (or other companies forming part of the same group of companies) is less than 5.0% of the total UK revenues.

### **Disclosure**

The principal signatory of this report has continuously been the signatory of valuations for the same addressee and valuation purpose as this report since 2012. CBRE Ltd has continuously been carrying out valuation instructions for the addressee of this report for in excess of 12 years.

CBRE Ltd has carried out Valuation, Agency and Professional services on behalf of the addressee for in excess of 20 years.



## Conflicts of Interest

We have prepared our valuations in the knowledge of additional roles held by CBRE:

- CBRE are appointed as leasing agents and also provide lease consultancy advice regarding rent reviews and lease renewals in relation to Meadowhall.
- CBRE are currently appointed to provide Lease Consultancy services in respect of Drake Circus Shopping Centre and Building Consultancy services at Ealing Broadway.
- CBRE, from time to time, advise various occupiers, some of whom may have units within the subject properties; an information barrier exists between the teams and therefore any conflict would be considered managed.

We have disclosed the relevant facts to you and the other clients involved, and have received confirmation that it is in order for us to carry out your valuation instruction.

We confirm that we have had no other previous material involvement with any of the properties, and that copies of our conflict of interest checks have been retained within the working papers.

## Reliance

This report is for the use only of the party to whom it is addressed for the specific purpose set out herein and no responsibility is accepted to any third party for the whole or any part of its contents.

We would draw your attention to the fact that where our appointment is from an entity to which the European Parliament and Council Directive 2011/61/EU ('the Directive'), concerning Alternative Investment Fund Managers ('AIFM'), applies, our role is limited to providing valuations of individual property assets or liabilities (based on the assumptions as set out within our valuation report) – not the net asset value ('NAV') of either the Fund or the individual properties within the Fund. Furthermore, and for the avoidance of doubt, we are acting in the capacity of a 'valuation adviser' to the AIFM and not as an 'external valuer' as defined in the Directive. Details of any limitations to our liability in respect of the valuations we carry out are as set out within this report and our terms of engagement.

**Publication**

Neither the whole nor any part of our report nor any references thereto may be included in any published document, circular or statement nor published in any way without our prior written approval of the form and context in which it will appear.

Yours faithfully



**Jonathan Adams MRICS**  
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**RICS Registered Valuer**  
For and on behalf of CBRE Ltd

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## Scope of Work & Sources of Information

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<b>Sources of Information</b>	We have carried out our work based upon information supplied to us and as specified in Appendices 1-7, as set out within this report, which we have assumed to be correct and comprehensive.
<b>The Properties</b>	Our report contains a brief summary of the property details on which our valuation has been based.
<b>Inspections</b>	All properties are subject to inspection on an annual basis. A schedule of most recent inspection dates is maintained within our working papers and can be made available if required.
<b>Areas</b>	We have not measured the Properties but have relied upon the floor areas provided to us by British Land Company PLC.
<b>Environmental Matters</b>	<p>We have not undertaken, nor are we aware of the content of, any environmental audit or other environmental investigation or soil survey which may have been carried out on the Properties and which may draw attention to any contamination or the possibility of any such contamination.</p> <p>We have not carried out any investigations into the past or present uses of the Properties, nor of any neighbouring land, in order to establish whether there is any potential for contamination and have therefore assumed that none exists.</p> <p>Where we have been provided with environmental reports in respect of specific properties these are set out within the valuation reports contained in Appendices 1-7.</p>
<b>Services and Amenities</b>	<p>We understand that all main services including water, drainage, electricity and telephone are available to the properties.</p> <p>None of the services have been tested by us.</p>
<b>Repair and Condition</b>	<p>We have not carried out building surveys, tested services, made independent site investigations, inspected woodwork, exposed parts of the structure which were covered, unexposed or inaccessible, nor arranged for any investigations to be carried out to determine whether or not any deleterious or hazardous materials or techniques have been used, or are present, in any part of the Properties. We are unable, therefore, to give any assurance that the Properties are free from defect.</p> <p>Where we have been provided with building survey reports in respect of specific properties these are set out within the valuation reports contained in Appendices 1-7.</p>
<b>Town Planning</b>	We have not undertaken planning enquiries.
<b>Titles, Tenures and Lettings</b>	Details of title/tenure under which the Properties are held and of lettings to which they are subject are as supplied to us. We have not generally examined nor had access to all the deeds, leases or other documents relating thereto. Where information from deeds, leases



or other documents is recorded in this report, it represents our understanding of the relevant documents. We should emphasise, however, that the interpretation of the documents of title (including relevant deeds, leases and planning consents) is the responsibility of your legal adviser.

We have not conducted credit enquiries on the financial status of any tenants. We have, however, reflected our general understanding of purchasers' likely perceptions of the financial status of tenants.

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## Valuation Assumptions

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### Capital Values

Each valuation has been prepared on the basis of "Fair Value" (in accordance with International Financial Reporting Standard (IFRS) 13), which is defined as:

"The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date."

And also on the basis of "Fair Value" (in accordance with Financial Reporting Standard (FRS) 102 and UK Generally Accepted Accounting Principles (UKGAAP)), which is defined as:

"The amount for which an asset could be exchanged, a liability settled, or an equity instrument granted could be exchanged, between knowledgeable, willing parties in an arm's length transaction".

We confirm that "Fair Value", for the purpose of financial reporting under IFRS 13 and also FRS 102 (UK GAAP), is effectively the same as "Market Value", which is defined as:

"The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion."

The valuation represents the figure that would appear in a hypothetical contract of sale at the valuation date. No adjustment has been made to this figure for any expenses of acquisition or realisation - nor for taxation which might arise in the event of a disposal.

No account has been taken of any inter-company leases or arrangements, nor of any mortgages, debentures or other charge.

No account has been taken of the availability or otherwise of capital based Government or European Community grants.

### Rental Values

Rental values indicated in our report are those which have been adopted by us as appropriate in assessing the capital value and are not necessarily appropriate for other purposes, nor do they necessarily accord with the definition of Market Rent in the Red Book, which is as follows:

"The estimated amount for which an interest in real property should be leased on the valuation date between a willing lessor and a willing lessee on appropriate lease terms in an arm's-length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion."

## The Properties

Where appropriate we have regarded the shop fronts of retail and showroom accommodation as forming an integral part of the building.

Landlord's fixtures such as lifts, escalators, central heating and other normal service installations have been treated as an integral part of the building and are included within our valuations.

Process plant and machinery, tenants' fixtures and specialist trade fittings have been excluded from our valuations.

All measurements, areas and ages quoted in our report are approximate.

## Environmental Matters

In the absence of any information to the contrary, we have assumed that:

- (a) the Properties are not contaminated and are not adversely affected by any existing or proposed environmental law;
- (b) any processes which are carried out on the Properties which are regulated by environmental legislation are properly licensed by the appropriate authorities.
- (c) the properties possess current Energy Performance Certificates (EPCs) as required under the Government's Energy Performance of Buildings Directive, and that they have an energy efficient standard of 'E', or better. We would draw your attention to the fact that the Energy Act 2011 is due to come into force in England and Wales no later than 1 April 2018 (although it may be earlier), and in Scotland, no earlier than April 2015 (although it may be later). From such date, it will be unlawful for landlords to rent out a residential or business premise unless they have reached a minimum energy efficient standard – most likely, 'E' – or carried out the maximum package of measures funded under the 'Green Deal' or the Energy Company Obligation (ECO).
- (d) the properties are either not subject to flooding risk or, if they are, that sufficient flood defences are in place and that appropriate building insurance could be obtained at a cost that would not materially affect the capital value.

High voltage electrical supply equipment may exist within, or in close proximity of, the Properties. The National Radiological Protection Board (NRPB) has advised that there may be a risk, in specified circumstances, to the health of certain categories of people. Public perception may, therefore, affect marketability and future value of the properties. Our valuation reflects our current understanding of the market and we have not made a discount to reflect the presence of this equipment.

**Repair and Condition**

In the absence of any information to the contrary, we have assumed that:

- (a) there are no abnormal ground conditions, nor archaeological remains, present which might adversely affect the current or future occupation, development or value of the Properties;
- (b) the Properties are free from rot, infestation, structural or latent defect;
- (c) no currently known deleterious or hazardous materials or suspect techniques have been used in the construction of, or subsequent alterations or additions to, the Properties; and
- (d) the services, and any associated controls or software, are in working order and free from defect.

We have otherwise had regard to the age and apparent general condition of the Properties. Comments made in the property details do not purport to express an opinion about, or advise upon, the condition of uninspected parts and should not be taken as making an implied representation or statement about such parts.

**Title, Tenure, Lettings, Planning, Taxation and Statutory & Local Authority requirements**

Unless stated otherwise within this report, and in the absence of any information to the contrary, we have assumed that:

- (a) the Properties possess a good and marketable title free from any onerous or hampering restrictions or conditions;
- (b) all buildings have been erected either prior to planning control, or in accordance with planning permissions, and have the benefit of permanent planning consents or existing use rights for their current use;
- (c) the Properties are not adversely affected by town planning or road proposals;
- (d) all buildings comply with all statutory and local authority requirements including building, fire and health and safety regulations;
- (e) only minor or inconsequential costs will be incurred if any modifications or alterations are necessary in order for occupiers of each Property to comply with the provisions of the Disability Discrimination Act 1995 (in Northern Ireland) or the Equality Act 2010 (in the rest of the UK);
- (f) all rent reviews are upward only and are to be assessed by reference to full current market rents;
- (g) there are no tenant's improvements that will materially affect our opinion of the rent that would be obtained on review or renewal;

- (h) tenants will meet their obligations under their leases, and are responsible for insurance, payment of business rates, and all repairs, whether directly or by means of a service charge;
- (i) there are no user restrictions or other restrictive covenants in leases which would adversely affect value;
- (ii) where more than 50% of the floorspace of a property is in residential use, the Landlord and Tenant Act 1987 (the "Act") gives certain rights to defined residential tenants to acquire the freehold/head leasehold interest in the property. Where this is applicable, we have assumed that necessary notices have been given to the residential tenants under the provisions of the Act, and that such tenants have elected not to acquire the freehold/head leasehold interest. Disposal on the open market is therefore unrestricted;
- (k) where appropriate, permission to assign the interest being valued herein would not be withheld by the landlord where required; and
- (l) vacant possession can be given of all accommodation which is unlet or is let on a service occupancy.
- (m) Stamp Duty Land Tax (SDLT) – or, in Scotland, Land and Buildings Transaction Tax (LABTT) – will apply at the rate currently applicable.

## LEGAL NOTICE

This valuation report (the "Report") has been prepared by CBRE Limited ("CBRE") exclusively for British Land Company PLC (the "Client") in accordance with the terms of their instructions ("the Instruction"). The Report is confidential and it must not be disclosed to any person other than the Client without CBRE's prior written consent. CBRE has provided this report on the understanding that it will only be seen and used by the Client and no other person is entitled to rely upon it, unless CBRE has expressly agreed in writing. Where CBRE has expressly agreed that a person other than the Client can rely upon the report then CBRE shall have no greater liability to any party relying on this report than it would have had if such party had been named as a joint client under the Instruction.

CBRE's maximum aggregate liability to all parties, howsoever arising under, in connection with or pursuant to reliance upon this Report, and whether in contract, tort, negligence or otherwise shall not exceed the lower of:

CBRE's maximum aggregate liability to all parties, howsoever arising under, in connection with or pursuant to reliance upon this Report, and whether in contract, tort, negligence or otherwise is detailed within the appended certificates (Appendices 1-7).

CBRE shall not be liable for any indirect, special or consequential loss or damage howsoever caused, whether in contract, tort, negligence or otherwise, arising from or in connection with this Report. Nothing in this Report shall exclude liability which cannot be excluded by law.