Landsec

Annual results for the year ended 31 March 2018

15 May 2018

Forward-looking statements

These annual results, the latest Annual Report and Landsec's website may contain certain "forward-looking statements" with respect to Land Securities Group PLC (the Company) and the Group's financial condition, results of its operations and business, and certain plans, strategy, objectives, goals and expectations with respect to these items and the economies and markets in which the Group operates.

Forward-looking statements are sometimes, but not always, identified by their use of a date in the future or such words as "anticipates", "aims", "due", "could", "may", "should", "expects", "believes", "intends", "plans", "targets", "goal" or "estimates" or, in each case, their negative or other variations or comparable terminology. Forward-looking statements are not guarantees of future performance. By their very nature forward-looking statements are inherently unpredictable, speculative and involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. Many of these assumptions, risks and uncertainties relate to factors that are beyond the Group's ability to control or estimate precisely. There are a number of such factors that could cause actual results and developments to differ materially from those expressed or implied by these forward-looking statements. These factors include, but are not limited to, changes in the political conditions, economies and markets in which the Group operates (including the outcome of the negotiations to leave the EU); changes in the legal, regulatory and competition frameworks in which the Group operates; changes in the markets from which the Group raises finance; the impact of legal or other proceedings against or which affect the Group; changes in accounting practices and interpretation of accounting standards under IFRS, and changes in interest and exchange rates.

Any forward-looking statements made in these annual results, the latest Annual Report or Landsec's website, or made subsequently, which are attributable to the Company or any other member of the Group, or persons acting on their behalf, are expressly qualified in their entirety by the factors referred to above. Each forward-looking statement speaks only as of the date it is made. Except as required by its legal or statutory obligations, the Company does not intend to update any forward-looking statements.

Nothing contained in these annual results, the latest Annual Report or Landsec's website should be construed as a profit forecast or an invitation to deal in the securities of the Company.

Annual results for the year ended 31 March 2018

15 May 2018

“Landsec has had an active and successful year. We continue to deliver outstanding destinations and experiences for our customers and communities across the UK, while addressing the big drivers of change in our market sectors. We’ve had one of our best years for leasing space. We bought and sold well, returned capital to shareholders and continued to reduce our cost of debt”, said Landsec’s Chief Executive, Robert Noel.

“We’ve worked on both sides of our balance sheet during the year, returning £475m to shareholders and refinancing over £1.5bn of our bonds which reduced our weighted average cost of debt to 2.6% and lengthened its duration to 13.1 years. The cost of this refinancing was behind both our loss for the year of £251m and the slight reduction in adjusted diluted net asset value per share to 1,403p. Revenue profit increased by 6.3% to £406m and adjusted diluted earnings per share rose by 9.9% to 53.1p.

“The successful leasing of our speculative development programme, combined with the increase in adjusted diluted earnings per share, sees us recommend a final dividend of 14.65p which increases the dividend for the year by 14.7%.

“In London, we completed 560,000 sq ft of mixed use space at Nova, which is now 97% let. We sold 20 Fenchurch Street, crystallising exceptional returns for shareholders. We pre-let and started construction of 564,000 sq ft at 21 Moorfields, and made good progress with a number of future development opportunities.

“In Retail, we opened Westgate Oxford which is now 96% let or in solicitors’ hands and acquired three new outlet destinations for £333m. Looking ahead, we are working up feasibility plans for significant mixed use development at our suburban London retail assets and will be enhancing our outlets.

“The business is in a strong position. Our portfolio is well let and adaptable to changing customer expectations. In a market facing short-term uncertainty, we have conservative gearing, market-leading debt facilities and a growing pipeline of opportunities for the future.”

Results summary

	31 March 2018	31 March 2017	Change
Revenue profit(1)(2)	£406m	£382m	Up 6.3%
Valuation deficit(1)(2)	£(91)m	£(147)m	Down 0.7%(3)
(Loss)/profit before tax	£(251)m	£112m	
Basic (loss)/earnings per share	(32.9)p	14.3p	
Adjusted diluted earnings per share(1)(2)	53.1p	48.3p	Up 9.9%
Dividend per share	44.2p	38.55p	Up 14.7%
Basic net assets per share	1,418p	1,458p	Down 2.7%
Adjusted diluted net assets per share(1)	1,403p	1,417p	Down 1.0%
Group LTV ratio(1)(2)	25.8%	22.2%	

1. An alternative performance measure. The Group uses a number of financial measures to assess and explain its performance, some of which are considered to be alternative performance measures as they are not defined under IFRS. For further details, see table 16 in the Business analysis section.
2. Including our proportionate share of subsidiaries and joint ventures, as explained in the Financial review.
3. The % change for the valuation deficit represents the decrease in value of the Combined Portfolio over the year, adjusted for net investment.

Activity

- £23m of investment lettings
- £48m of development lettings including pre-let at 21 Moorfields, EC2
- Acquisitions, development and refurbishment expenditure(1) of £534m
- Disposals(1) of £1.1bn
- £1.5bn (nominal) of bonds repurchased and £1.4bn of new issuances
- Capital distribution to shareholders of £475m accompanied by a 15 for 16 share consolidation
- Supported the 1,000th person from a disadvantaged background into employment through our award winning Community Employment Programme, which we launched in 2011
- Over 5 million visitors a week to our properties

Performance

- Ungeared total property return(1) of 4.3% (IPD Quarterly Universe 10.1%)
- Total business return(2) of 1.8%
- Combined Portfolio(2) valued at £14.1bn, with a valuation deficit(2) of £91m or 0.7%
- Profit on disposals of £99m
- Voids in the like-for-like portfolio(1)(3): 2.4% (31 March 2017: 2.9%)

Financials

- Group LTV ratio(2) at 25.8% (31 March 2017: 22.2%), based on adjusted net debt(2) of £3.7bn (31 March 2017: £3.3bn)
- Weighted average maturity of debt at 13.1 years (31 March 2017: 9.4 years)
- Weighted average cost of debt at 2.6% (31 March 2017: 4.2%)
- Cash and available facilities of £1.1bn
- Full year dividend of 44.2p, up 14.7%

Development

- Nova, SW1, now 97% let
- Successful launch of Westgate Oxford, now 96% let or in solicitors' hands
- Selly Oak, Birmingham, construction started with 95% pre-let or in solicitors' hands
- Pre-let a minimum of 469,000 sq ft to Deutsche Bank at 21 Moorfields, EC2 and construction started

Recognition

- Winner: Refurbished Workplace 2017 at the National BCO Awards for 20 Eastbourne Terrace, W2
- Winner: Impact on the Environment 2017 at the BIFM Awards for the London Portfolio
- Awarded a position in this year's Climate A List by CDP, in which only 5% of companies participating in its climate change programme are featured
- BREEAM 2014 Outstanding awarded for 80-100 Victoria Street, SW1, the highest rated office fit out globally
- Winner: Global Investor's "Sterling Corporate Bond of the Year"

1. For further details, see the Business analysis section.
2. An alternative performance measure. The Group uses a number of financial measures to assess and explain its performance, some of which are considered to be alternative performance measures as they are not defined under IFRS. For further details, see table 16 in the Business analysis section.
3. Like-for-like voids now exclude the screen at Piccadilly Lights, W1. Comparative figures have been restated.

All measures above are presented on a proportionate basis, as explained in the Financial review.

Chief Executive's statement

Our results

Ungeared total property return 4.3%
Decrease in adjusted diluted net assets per share 1.0%
Increase in adjusted diluted earnings per share 9.9%
Total business return 1.8%

Our activity

— £23m of investment lettings
— £48m of development lettings including pre-let at 21 Moorfields, EC2
— Acquisitions of £351m
— Development and refurbishment expenditure of £183m
— Disposals of £1.1bn of which £475m returned to shareholders
— £1.5bn (nominal) of bonds repurchased and £1.4bn of new issuances

Landsec has continued to execute well. During the year, we completed and let major development projects at Nova, SW1 and Westgate Oxford. We pre-let and have subsequently started a 564,000 sq ft development at 21 Moorfields. We acquired three retail outlet destinations. We sold one of our largest developments, crystallising exceptional returns, and distributed the majority of proceeds to shareholders. We further reduced our cost of debt, increased its duration and renewed our revolving credit facilities on improved terms. And we enabled the 1,000th person from a disadvantaged background to gain employment through our Community Employment Programme.

The cost of refinancing £1.5bn of bonds is behind both the loss for the year of £251m and the slight fall in adjusted diluted net asset value per share to 1,403p. Revenue profit is up 6.3% to £406m and adjusted diluted earnings per share are up 9.9% to 53.1p. Our Combined Portfolio is valued at £14.1bn. With adjusted net debt at £3.7bn, our loan-to-value is 25.8%.

The business is in good shape for the uncertain market conditions, with a portfolio well matched to customer needs and with conservative gearing. We're recommending a final dividend of 14.65p – raising the dividend for the year by 14.7%. This brings the growth in dividend per share since we restarted speculative development in 2010 to 58%, broadly in line with the growth in adjusted diluted earnings per share we've generated over that period.

Our market

Last year, I said our markets were healthy but had paused for breath. That prognosis remained accurate for the year in both the London office market and the retail sector, although demand from office occupiers was somewhat stronger than we anticipated and demand from retailers weaker. Generally, vacancy rates are continuing to rise, albeit slowly, in both our markets. However, our quality space saw good demand enabling us to achieve one of our best leasing years and reduce voids to 2.4%.

We remain confident in our view that London will continue to be a world-class city with opportunity for our customers and for Landsec. We have a growing pipeline of development opportunities in the capital and a strong balance sheet, which means we can time when we deliver new space in line with customer demand. While our current development activity is based on pre-lettings, with the UK's exit from the EU likely to lead to fewer construction commitments, speculative development will become an attractive option in due course.

The retail market continues to be affected by structural change in shopping habits and has been impacted by weaker consumer confidence as inflation outstripped growth in pay during the year. Coupled with this, retail businesses face higher costs, with business rates rising, increasing investment in multi-channel solutions and the roll-out of the National Living Wage increasing employment costs.

So, retailers are operating in tough conditions. As for retail real estate, the gap between the best space and the rest keeps growing. To thrive, an asset must be dominant in its catchment and provide convenience or experience. The successful leasing of Westgate Oxford speaks volumes for the value of experience-led destinations – delivered in the right way in the right locations. There's clearly an important role for great physical retailing in a multi-channel world, not least enabling brands and shoppers to connect in a variety of exciting ways.

Our portfolio

The foundations of the business remain strong, underpinned by our resilient portfolio and low leverage.

In London, our modern, well-let space is well matched to the evolving needs of customers. The outstanding quality of the space we create was reflected in the sale of 20 Fenchurch Street for a record City of London price, generating exceptional lifecycle returns. This year we strengthened our portfolio with the completion of 560,000 sq ft of mixed use space at Nova. And we've started construction of a pre-let London headquarters for Deutsche Bank at 21 Moorfields. We continue to work up substantial development opportunities in Victoria, Soho and Southwark, together with options to develop some of our suburban London shopping centres into mixed use destinations.

In Retail, we have transformed our portfolio of destinations in line with our focus on dominance, convenience and experience. We continued to enhance the portfolio this year, completing and letting Westgate Oxford; carrying out various asset management plans to bring in exciting brands; and acquiring three outlet destinations with good growth potential.

Our sustainability

We aim to be the best property company in the UK in the eyes of our customers, communities, employees and partners. Their experience of us determines whether they will continue to support us, and their support is vital if we're to sustain our business. In a year that saw the tragedy at Grenfell Tower and the collapse of Carillion, the importance of good governance, long-term thinking and a wider social purpose has been brought sharply into focus.

From climate change to social inclusion, sustainability is so critical to our future that we embed it in every part of the business. Our employee engagement scores are in line with the best performing companies. We remain the only property company in the UK with an approved science-based carbon reduction target and we followed this up by signing the Task Force on Climate-related Financial Disclosures' pledge to demonstrate our commitment to sustainable business. Our Community Employment Programme created 187 new job opportunities this year, keeping us on track to meet our target of helping 1,200 disadvantaged people into employment by 2020.

Our Chairman

After 14 years on the Board and nine years as Chairman, Dame Alison Carnwath will be retiring from the Board following the AGM in July. With her broad range of skills, Alison helped steer Landsec through the financial crisis in 2008/9, our subsequent successful push into speculative development and the transformation of our Retail Portfolio. She leaves us a strong business in a very sound position. On behalf of my colleagues, I would like to record our thanks for her leadership, support and challenge. Alison will be succeeded by Cressida Hogg, a Non-executive Director who joined the Board in 2014.

Outlook

We are a long-term business and we have to manage what we do by reference to market cycles and customer trends. As the UK prepares for its exit from the EU, we are navigating uncertain waters in the near term and we expect investment and leasing volumes in the property market to be more subdued. We are prepared for this uncertainty with conservative gearing and a development exposure which we have shifted from speculative to pre-let. Looking ahead, we are working on a growing pipeline of development opportunities in London and are ready to buy when we think the time is right.

Further out, profound change in the way we work, live, shop, play and travel will be a much greater force in determining which companies are sustainable. We will continue to address and identify opportunities from the big drivers of change in our market sectors, from product innovation to sustainability, adapting our portfolio as appropriate. We are well equipped for this with a great and increasingly diverse team, alert to change, with the expertise to provide great experiences for our customers and communities – helping businesses and people to thrive.

Robert Noel
Chief Executive

Financial review

Overview

Table 1: Highlights

	Year ended 31 March 2018	Year ended 31 March 2017
Revenue profit[1]	**£406m**	£382m
Valuation deficit[1]	**£(91)m**	£(147)m
(Loss)/profit before tax	**£(251)m**	£112m
Basic (loss)/earnings per share	**(32.9)p**	14.3p
Adjusted diluted earnings per share[1]	**53.1p**	48.3p
Dividend per share	**44.2p**	38.55p
	31 March 2018	31 March 2017
Combined Portfolio[1]	**£14.1bn**	£14.4bn
Basic net assets per share	**1,418p**	1,458p
Adjusted diluted net assets per share	**1,403p**	1,417p
Adjusted net debt[1]	**£3.7bn**	£3.3bn
Group LTV ratio[1]	**25.8%**	22.2%

1. Including our proportionate share of subsidiaries and joint ventures, as explained in the Presentation of financial information below.

In the property markets in which we operate, valuations proved more resilient than we expected at the start of the year, despite the backdrop of political and economic uncertainty. Over the year, our assets declined in value by 0.7% or £91m (including our proportionate share of subsidiaries and joint ventures) compared with a £147m decline last year.

During the year, we continued to look for opportunities to buy back legacy bonds in a cost effective manner and issue new debt at the significantly lower interest rates which prevail today. In total, we repurchased £1,529m of bonds at a premium of £446m. This debt management activity is behind the loss per share of 32.9p and the reduction in our net assets. It is also a significant contributor to the increase in our underlying earnings as a result of lower ongoing interest costs. Revenue profit was up 6.3% from £382m to £406m and adjusted diluted earnings per share were up 9.9% at 53.1p.

Adjusted diluted earnings per share grew at a faster rate than revenue profit as we reduced the number of shares in issue in September 2017 with a 15 for 16 share consolidation. This accompanied the £475m return of capital associated with the sale of 20 Fenchurch Street, EC3 at record pricing for a building in the City.

Presentation of financial information

Our property portfolio is a combination of properties that are wholly owned by the Group, part owned through joint arrangements and those owned by the Group but where a third party holds a non-controlling interest. Internally, management review the results of the Group on a basis that adjusts for these forms of ownership to present a proportionate share. The Combined Portfolio, with assets totalling £14.1bn, is an example of this approach, reflecting the economic interest we have in our properties regardless of our ownership structure. We consider this presentation provides a better explanation to stakeholders of the activities and performance of the Group, as it aggregates the results of all of the Group's property interests which under IFRS are required to be presented across a number of line items in the statutory financial statements.

The same principle is applied to many of the other measures we discuss and, accordingly, a number of our financial measures include the results of our joint ventures and subsidiaries on a proportionate basis. Measures that are described as being presented on a proportionate basis include the Group's share of joint ventures on a line-by-line basis, but exclude the non-owned elements of our subsidiaries. This is in contrast to the Group's statutory financial statements, where the Group's interest in joint ventures is presented as one line on the income statement and balance sheet, and all subsidiaries are consolidated at 100% with any non-owned element being adjusted as a non-controlling interest or redemption liability, as appropriate. Our joint operations are presented on a proportionate basis in all financial measures.

Most of the measures discussed in this Financial review are presented on a proportionate basis. Measures presented on a proportionate basis are alternative performance measures as they are not defined under IFRS. For further details see table 16 in the Business analysis section.

Income statement

Our income statement has two key components: the income we generate from leasing our investment properties net of associated costs (including finance expense), which we refer to as revenue profit, and items not directly related to the underlying rental business, principally valuation changes, profits or losses on the disposal of properties and finance charges related to the bond repurchases, which we refer to as Capital and other items.

We present two measures of earnings per share; the IFRS measure of earnings per share is based on the total profit for the year attributable to owners of the parent, while adjusted diluted earnings per share is based on tax-adjusted revenue profit, referred to as adjusted earnings.

Table 2: Income statement

	Table	**Year ended 31 March 2018 £m**	Year ended 31 March 2017 £m
Revenue profit	3	**406**	382
Capital and other items	6	**(657)**	(270)
(Loss)/profit before tax		**(251)**	112
Taxation		**(1)**	1
(Loss)/profit attributable to shareholders		**(252)**	113
Basic (loss)/earnings per share		**(32.9)p**	14.3p
Adjusted diluted earnings per share		**53.1p**	48.3p

Our loss before tax was £251m, compared with a profit of £112m in the prior year due to higher costs in Capital and other items. While the valuation deficit was smaller this year, we incurred higher costs associated with the redemption of some of our bonds. The loss before tax drives a 47.2p reduction in earnings per share from 14.3p in the prior year to a loss per share of 32.9p in the year ended 31 March 2018. Adjusted diluted earnings per share increased by 9.9% from 48.3p to 53.1p this year as a result of an increase in revenue profit from £382m to £406m and a reduction in the weighted average number of shares in issue.

The reasons behind the movements in revenue profit and Capital and other items are discussed in more detail below.

Revenue profit

Revenue profit is our measure of underlying pre-tax profit, presented on a proportionate basis. A full definition of revenue profit is given in the glossary. The main components of revenue profit, including the contributions from London and Retail, are presented in the table below.

Table 3: Revenue profit

		31 March 2018			31 March 2017			
	Table	**Retail Portfolio £m**	**London Portfolio £m**	**Total £m**	Retail Portfolio £m	London Portfolio £m	Total £m	**Change £m**
Gross rental income[1]		**351**	**310**	**661**	335	302	637	**24**
Net service charge expense		**(9)**	**(2)**	**(11)**	(4)	(1)	(5)	**(6)**
Net direct property expenditure		**(20)**	**(19)**	**(39)**	(16)	(16)	(32)	**(7)**
Net rental income	4	**322**	**289**	**611**	315	285	600	**11**
Indirect costs		**(22)**	**(17)**	**(39)**	(22)	(17)	(39)	**-**
Segment profit before finance expense		**300**	**272**	**572**	293	268	561	**11**
Net unallocated expenses				**(43)**			(40)	**(3)**
Net finance expense	5			**(123)**			(139)	**16**
Revenue profit				**406**			382	**24**

1. Includes finance lease interest, after rents payable.

Revenue profit increased by £24m to £406m for the year ended 31 March 2018 (2017: £382m). This was the result of an £11m increase in net rental income for the year and a lower net finance expense, partly offset by higher net indirect expenses. The movements are explained in more detail below.

Net rental income

Table 4: Net rental income[1]

	£m
Net rental income for the year ended 31 March 2017	**600**
Net rental income movement in the year:	
Like-for-like investment properties	**(2)**
Proposed developments	**-**
Development programme	**5**
Completed developments	**13**
Acquisitions since 1 April 2016	**20**
Sales since 1 April 2016	**(27)**
Non-property related income	**2**
	11
Net rental income for the year ended 31 March 2018	**611**

1. Including our proportionate share of subsidiaries and joint ventures, as explained in the Presentation of financial information above.

Net rental income increased by £11m in the year ended 31 March 2018 as rental income growth from our development portfolio and acquisitions was only partly offset by the impact of properties sold since 1 April 2016 and a small decline in like-for-like income. Significant disposals included 20 Fenchurch Street, EC3, Greyhound Retail Park, Chester and some Accor hotels sold in the current year, as well as The Printworks, Manchester and The Cornerhouse, Nottingham, both sold in the prior year. Our developments generated £18m of additional net rental income following the completion of Nova, SW1, 20 Eastbourne Terrace, W2 and 1 New Street Square, EC4. Like-for-like net rental income declined by £2m primarily due to an increase in bad debt provisions.

Further information on the net rental income performance of the London and Retail portfolios is given in the respective business reviews.

Net indirect expenses

The indirect costs of the London and Retail portfolios and net unallocated expenses should be considered together as collectively they represent the net indirect expenses of the Group including joint ventures. In total, net indirect expenses were £82m (2017: £79m). The £3m increase is the result of higher share-based payment charges, depreciation and administration costs.

Net finance expense (included in revenue profit)

Table 5: Net finance expense[(1)]

	£m
Net finance expense for the year ended 31 March 2017	**139**
Impact of:	
Refinancing	**(30)**
Lower capitalised interest	**17**
Other	**(3)**
Net finance expense for the year ended 31 March 2018	**123**

1. Including our proportionate share of subsidiaries and joint ventures, as explained in the Presentation of financial information above.

Our net finance expense has decreased by £16m to £123m, primarily due to interest savings following the repurchase of medium term notes in the current and prior years and the redemption of the £273m Queen Anne's Gate (QAG) Bond this year. This has been partly offset by lower capitalised interest following the completion of developments.

Capital and other items

An explanation of the main Capital and other items is given below.

Table 6: Capital and other items[(1)]

	Table	**Year ended 31 March 2018 £m**	Year ended 31 March 2017 £m
Valuation and profits on disposals			
Valuation deficit	7	**(91)**	(147)
Movement in impairment of trading properties		**(4)**	12
Profit on disposal of investment properties		**3**	20
Profit on disposal of trading properties		**30**	36
Profit/(loss) on disposal of investment in joint venture		**66**	(2)
Profit on disposal of other investment		**-**	13
Net finance expense	8	**(661)**	(204)
Exceptional items			
Head office relocation		**-**	1
Other		**-**	1
Capital and other items		**(657)**	(270)

1. Including our proportionate share of subsidiaries and joint ventures, as explained in the Presentation of financial information above.

Valuation of investment properties

Our Combined Portfolio declined in value by 0.7% or £91m compared with a decrease in the prior year of £147m. A breakdown of valuation movements by category is shown in table 7.

Table 7: Valuation analysis

	Market value 31 March 2018 £m	Valuation movement %	Rental value change[1] %	Net initial yield %	Equivalent yield %	Movement in equivalent yield bps
Shopping centres and shops	3,558	(3.0)	0.8	4.4	4.9	10
Retail parks	786	(1.1)	(1.0)	5.4	5.6	(3)
Leisure and hotels	1,304	0.7	1.0	5.1	5.4	(5)
London offices	4,440	(1.5)	(1.6)	4.3	4.6	(4)
Central London shops	1,357	0.9	1.5	3.1	4.1	2
Other (Retail and London)	55	(11.1)	(3.5)	1.2	3.6	1
Total like-for-like portfolio	**11,500**	**(1.5)**	**(0.2)**	**4.4**	**4.8**	1
Proposed developments	-	-	n/a	-	n/a	n/a
Development programme	447	18.3	n/a	0.7	4.5	n/a
Completed developments	1,816	1.0	(1.9)	2.1	4.2	(5)
Acquisitions	340	(1.9)	n/a	5.7	5.9	n/a
Total Combined Portfolio	**14,103**	**(0.7)**	**(0.4)**	**4.0**	**4.7**	**6**

1. Rental value change excludes units materially altered during the year.

Over the year to 31 March 2018, we saw a small decline in values in a number of the categories within our Combined Portfolio. Overall values were down 0.7%, with the like-for-like portfolio down 1.5%. With the property sectors in which we operate experiencing limited change in rental values and equivalent yields, our valuation performance is more influenced by individual asset performance than wider market movements.

Within the like-for-like portfolio, our shopping centres fell in value by 3.0% as rental value growth was insufficient to offset a 10 basis points outward yield shift. The largest movement was at Bluewater where the value was down 11% as the valuer moved its yield out by 50 basis points based on the limited transactional evidence available. The value of our Retail parks was down 1.1% as rental values declined by a similar amount while our Leisure and hotel assets were up in value by 0.7% as rental values grew. Rental value declines and a 12% fall in the value of one of our oldest assets, Portland House, SW1 were behind the 1.5% reduction in London office values.

Outside the like-for-like portfolio, our pre-letting to Deutsche Bank at 21 Moorfields, EC2 and completion of Westgate Oxford led to the 18.3% valuation surplus on our Development programme. Completed developments were up 1.0% in value on the back of the successful letting of Nova, SW1 during the year, while the requirement to adjust for future purchaser’s costs was behind the 1.9% fall in the value of our Acquisitions, partly offset by rental growth at the outlets we acquired.

Profits on disposals

Profits on disposals relate to the sale of investment properties, trading properties, joint ventures and other investments. We made a total profit on disposals of £99m (2017: £67m). The profit on disposal of trading properties of £30m primarily relates to the sale of residential units at Nova and Kings Gate, both SW1, and the disposal of Eastern Quarry, Ebbsfleet. The £66m profit on disposal of our investment in a joint venture relates to the sale of 20 Fenchurch Street, EC3.

Net finance expense (included in Capital and other items)

This year, we incurred £661m of net finance expense which is excluded from revenue profit.

Table 8: Net finance expense[1]

	Table	Year ended 31 March 2018 £m	Year ended 31 March 2017 £m
Premium and fees on redemption of medium term notes (MTNs)	13	**390**	140
Bond exchange de-recognition adjustment on redeemed MTNs	13	**189**	30
		579	170
Premium and fees on QAG Bond redemption		**62**	-
Fair value movement on interest-rate swaps		**(8)**	8
Other		**28**	26
Total		**661**	204

1. Including our proportionate share of subsidiaries and joint ventures, as explained in the Presentation of financial information above.

The increase this year in net finance expense in Capital and other items is due to the increased level of debt management activity.

Exceptional items

We have not classified any items as exceptional during the year. In the prior year a £1m net credit in respect of our London office relocation has been classified as exceptional. It was excluded from revenue profit by virtue of its exceptional nature, but formed part of our loss before tax.

Taxation

As a REIT, our income and capital gains from Qualifying activities are exempt from corporation tax. 90% of this income must be distributed as a Property Income Distribution, and is taxed at the shareholder level to give a similar tax position to direct property ownership. Non-qualifying activities, such as property trading or sales of companies, are subject to corporation tax.

This year, there was a tax charge of £1m (2017: credit £1m) being a current tax credit of £1m (2017: nil) and a deferred tax charge of £2m (2017: credit £1m). The gain on the disposal of the corporate structure holding the 20 Fenchurch Street property was offset by brought forward capital losses on which no deferred tax asset had previously been recognised.

Our tax strategy is published on our corporate website. The Group has a low tax risk rating from HMRC. In the year, the total taxes we incurred and collected were £193m (2017: £129m), of which £46m (2017: £41m) was directly borne by the Group including environmental taxes, business rates and stamp duty land tax.

Balance sheet

Table 9: Balance sheet

	31 March 2018 £m	31 March 2017 £m
Combined Portfolio	**14,103**	14,439
Adjusted net debt	**(3,652)**	(3,261)
Other net assets	**(71)**	28
Adjusted net assets	**10,380**	11,206
Fair value of interest-rate swaps	**6**	(4)
Bond exchange de-recognition adjustment	**106**	314
Net assets	**10,492**	11,516
Net assets per share	**1,418p**	1,458p
Adjusted diluted net assets per share	**1,403p**	1,417p

Our net assets principally comprise the Combined Portfolio less net debt. We calculate an adjusted measure of net assets, which is lower than our net assets reported under IFRS due to an adjustment to increase our net debt to its nominal value. We believe this better reflects the underlying net assets attributable to shareholders as it more accurately reflects the future cash flows associated with our debt instruments. Both our net assets and our adjusted net assets declined over the year due to the premiums paid to redeem bonds and the impact of the return of £475m to shareholders by way of a capital distribution.

At 31 March 2018, our net assets per share were 1,418p, a decrease of 40p or 2.7% from 31 March 2017. Adjusted diluted net assets per share were 1,403p, a decrease of 14p or 1.0%. These decreases were primarily driven by the debt management transactions in the year, which have a greater impact on our net assets per share as the related bond exchange adjustment is crystallised in addition to the premium payable. The bond exchange adjustment does not impact adjusted net assets as this measure already takes into account the face value of the medium term notes.

Table 10 summarises the key components of the £826m decrease in our adjusted net assets over the year.

Table 10: Movement in adjusted net assets[1]

	£m	Diluted per share pence
Adjusted net assets at 31 March 2017	**11,206**	**1,417**
Revenue profit	**406**	**53**
Valuation deficit	**(91)**	**(12)**
Profits on disposals	**99**	**13**
Dividends	**(314)**	**(40)**
Redemption of medium term notes	**(390)**	**(51)**
Redemption of QAG Bond	**(62)**	**(8)**
Other	**1**	**-**
Capital distribution	**(475)**	**(60)**
Impact of share consolidation	**-**	**91**
Adjusted net assets at 31 March 2018	**10,380**	**1,403**

1. Including our proportionate share of subsidiaries and joint ventures, as explained in the Presentation of financial information above.

Net debt and gearing

Table 11: Net debt and gearing

	31 March 2018	31 March 2017
Net debt	**£3,548m**	£2,905m
Adjusted net debt[1]	**£3,652m**	£3,261m
Gearing	**33.8%**	25.2%
Adjusted gearing[2]	**35.2%**	29.1%
Group LTV[1]	**25.8%**	22.2%
Security Group LTV	**27.2%**	28.3%
Weighted average cost of debt[1]	**2.6%**	4.2%

1. Including our proportionate share of subsidiaries and joint ventures, as explained in the Presentation of financial information above.
2. Adjusted net debt divided by adjusted net assets.

Over the year, our net debt increased by £643m to £3,548m. The main elements behind this increase are set out in our statement of cash flows and note 14 to the financial statements.

Adjusted net debt was up £391m to £3,652m. For a reconciliation of net debt to adjusted net debt, see note 13 to the financial statements. Table 12 sets out the main movements behind the increase in our adjusted net debt.

Table 12: Adjusted net debt[1]

	Year ended 31 March 2018 £m
Adjusted net debt at the beginning of the year	**3,261**
Operating cash inflow	**(345)**
Dividends paid	**314**
Acquisitions	**350**
Development/refurbishment capital expenditure	**205**
Disposals	**(1,065)**
Redemption of medium term notes	**390**
Redemption of QAG Bond	**62**
Settlement of interest-rate swaps	**16**
Capital distribution	**475**
Other	**(11)**
Adjusted net debt at the end of the year	**3,652**

1. Including our proportionate share of subsidiaries and joint ventures, as explained in the Presentation of financial information above.

Net operating cash inflow was £345m, substantially offset by dividend payments of £314m. Capital expenditure was £205m (£171m on investment properties and £34m on trading properties), largely relating to our development programme. Net cashflows from disposals totalled £1,065m; £247m from the disposal of investment properties, £185m from the disposal of trading properties and £633m from the disposal of investments in joint ventures. We incurred an additional £390m to repurchase the medium term notes and £62m for the redemption of the QAG Bond.

The most widely used gearing measure in our industry is loan-to-value (LTV). We focus most on Group LTV, presented on a proportionate basis, which increased from 22.2% at 31 March 2017 to 25.8% at 31 March 2018, primarily due to the increase in adjusted net debt explained above. Despite this increase in the adjusted net debt, our Security Group LTV decreased from 28.3% to 27.2% primarily due to a permitted change in the calculation method, which now allows bonds purchased and held within the Security Group to be offset against debt outstanding.

Financing

At 31 March 2018, our committed revolving facilities totalled £2,090m (31 March 2017: £1,940m). The pricing of our facilities which fall due in more than one year range from LIBOR +65 basis points to LIBOR +80 basis points. Borrowings under our commercial paper programme typically have a maturity of less than three months, currently carry a weighted average interest rate of LIBOR +32 basis points and are unsecured. The total amount drawn under the syndicated bank debt and commercial paper programme was £1,100m (31 March 2017: £441m).

During the year, the Group repurchased and redeemed all £273m of the outstanding QAG Bond for an additional cost of £62m. In addition, in September, December and March, we conducted tender exercises which resulted in us buying back £1,256m (nominal value) of medium term notes (MTNs). Further details are set out in table 13 and note 14 to the financial statements. In conjunction with the tender offers, in September, we issued a £500m MTN paying a coupon of 2.625% with an expected maturity of 2037 and a £500m MTN paying a coupon of 2.750% with an expected maturity of 2057 and, in March, we issued a £350m MTN paying a coupon of 2.375% with an expected maturity of 2027.

Table 13: Redemption of medium term notes

							Medium term note series
	A4	A5	A6	A7	A10	A11	Total
	£m	£m	£m	£m	£m	£m	£m
Nominal value purchased	2	398	233	164	15	444	1,256
Premium paid	-	90	73	57	3	162	385
Fees / unamortised finance fees written off	-	1	1	1	-	2	5
	-	91	74	58	3	164	390
Amortisation of bond exchange de-recognition adjustment	-	82	60	47	-	-	189
Redemption of medium term notes – total cost	**-**	**173**	**134**	**105**	**3**	**164**	**579**

A premium to par of £385m was paid on the MTN purchases, reflecting future gross coupon savings of £761m. Taking into account the timing and interest cost of the notes issued to fund the MTN purchases, we estimate a further net interest saving next year of £24m.

The Group's debt (on a proportionate basis) has a weighted average maturity of 13.1 years (up from 9.4 years at 31 March 2017), a weighted average cost of 2.6% (down from 4.2% at 31 March 2017) and 83% is at fixed interest rates. At 31 March 2018, we had £1.1bn of cash and available facilities. This gives the business considerable flexibility to deploy capital quickly should acquisition opportunities arise.

Changes in accounting policy

As part of the Group's review of the impact of adopting IFRS 9 on the bond exchange de-recognition adjustment (see note 14 for further details on the bond exchange de-recognition adjustment), the Group has taken the opportunity to revisit its accounting policy on determining whether an existing liability has been extinguished when carrying out a debt refinancing transaction. With effect from 1 April 2018, the Group's revised policy is:

'When debt refinancing exercises are carried out, existing liabilities will be treated as having been extinguished when the new liability is substantially different from the existing liability. In making this assessment, the Group will consider the transaction as a whole, taking into account both qualitative and quantitative characteristics'.

The revised accounting policy will result in the debt refinancing exercise completed on 3 November 2004 being treated as an extinguishment of the original debt, and therefore the bond exchange de-recognition adjustment will no longer be held on the Group's balance sheet. Further details are given in note 2 to the financial statements.

The revised accounting policy will provide more relevant and reliable information by more accurately reflecting the Group's current net asset position and the carrying value of its borrowings. The Group currently reports this revised position using alternative performance measures which adjust net debt (see note 13) and net assets (see note 4). Under the revised accounting policy, the Group will report fewer alternative performance measures.

The change in accounting policy will be applied retrospectively and comparatives restated accordingly. Had this policy been applied at 31 March 2018, net assets would have been £106m lower at £10,386m, and the loss attributable to shareholders would have been £208m lower at £44m. Net assets per share would have been 14p lower at 1,404p, and the loss per share would have been 27.1p lower at 5.8p. The change in accounting policy will have no impact on adjusted net assets per share and adjusted earnings per share as these measures already exclude the bond exchange de-recognition adjustment and the related amortisation charge respectively.

Dividend

We're recommending a final dividend of 14.65p to be paid on 27 July 2018 entirely as a Property Income Distribution to shareholders registered at the close of business on 22 June 2018. Taken together with the three quarterly dividends of 9.85p per share already paid, our full year dividend will be up 14.7% at 44.2p per share (2017: 38.55p) or £332m (2017: £305m). The first quarterly dividend for 2018/19 will be 11.3p per share (2017: 9.85p).

Landsec has a progressive dividend policy, which aims to deliver sustainable growth in dividends over time, broadly in line with our underlying earnings growth as measured by our adjusted earnings per share. The reason we use underlying earnings is that it excludes Capital and other items such as valuation movements and non-recurring income or costs.

We don't pay out a fixed percentage of adjusted earnings each year, due to the earnings volatility that can come from our investment decisions. For example, when we empty a building in advance of development, we lose rent which isn't recovered until after the new building has been built and let. Similarly, selling assets in the current low interest rate environment is likely to be earnings dilutive. Our dividend policy aims to smooth out that earnings volatility with a more consistent dividend progression.

The degree to which our adjusted earnings per share exceeds the dividend per share (known as our dividend cover) will vary for the reasons described above. In addition, when setting our dividend, we're mindful of the earnings risks we have in the business (for example, from unlet speculative developments) and the degree of flexibility we believe we require (for example, if we intend to sell properties despite the negative impact on earnings). In addition to our focus on risk and flexibility when setting the dividend, we also consider underlying cash flows, recognising that these are generally lower than underlying earnings due to the lease incentives we give our customers and refurbishment capital expenditure. Taking all these factors together, we anticipate that dividend cover will be in the range of 1.2x to 1.3x. This range is indicative only although it's unlikely that we would consistently pay a dividend per share in excess of our adjusted earnings per share and, as a minimum, we will satisfy our dividend obligation under the REIT legislation.

The proposed dividend increase for this year is 14.7% compared with underlying earnings growth of 9.9%, reducing our dividend cover to 1.2x. With almost no speculative development exposure following our letting success at Nova, SW1 and Westgate Oxford, we believe it to be appropriate for our dividend cover to be at the bottom of the anticipated range.

At 31 March 2018, the Company had distributable reserves of £3.1bn which compares with the dividend payable in respect of this year of £332m. We don't anticipate that the level of distributable reserves will limit distributions for the foreseeable future.

Martin Greenslade
Chief Financial Officer

London Portfolio

Highlights

- Valuation surplus of 0.1%
- £10m of investment lettings
- £45m of development lettings including the pre-let of a minimum of 469,000 sq ft to Deutsche Bank at 21 Moorfields, EC2

Actions and outcomes

Focus for 2017/18	Progress in 2017/18
— Outperform IPD sector benchmark	— The total return of the London Portfolio was 5.0% underperforming its IPD sector benchmark at 8.5%
— Growing like-for-like net rental income	— Like-for-like net rental income flat
— Complete the letting of The Zig Zag Building, SW1, 20 Eastbourne Terrace, W2 and Nova, SW1	— The Zig Zag Building 95% let, 20 Eastbourne Terrace 100% let and Nova 97% let
— Complete the construction and letting of Piccadilly Lights, W1	— Construction of the new screen completed on time in October 2017, with space let to a range of advertisers
— Progress build to grade on time and budget at 21 Moorfields, EC2	— Entered into agreement for lease with Deutsche Bank for a minimum of 469,000 sq ft — Resolution to grant revised planning permission received — Enabling works for piling completed and piling on programme and to budget
— Growing future development pipeline through acquisitions and 1.4 million sq ft of existing opportunities within the portfolio	— Progressed plans for 1.4 million sq ft pipeline of development opportunities — No acquisitions in the year
— Secure employment for a further 95 candidates via our Community Employment Programme	— Secured employment for 101 people from disadvantaged backgrounds
— Improving energy management in support of 2030 corporate commitments	— 32 energy management initiatives delivered, across 11 sites

Focus for 2018/19
— Growing like-for-like net rental income — Progress on time and budget at 21 Moorfields — Progress plans for all of the 0.8 million sq ft of development opportunities in the existing portfolio and seek to grow the pipeline through acquisitions and partnerships — Understanding the changing needs of our customers and ensuring our portfolio responds accordingly — Securing employment for a further 95 candidates via our Community Employment Programme — Improving energy management in support of 2030 corporate commitments

At a glance

- Valuation surplus of 0.1%[(1)]
- Ungeared total property return of 5.0%
- The portfolio underperformed its IPD Quarterly Universe sector benchmark at 8.5%
- £10m of investment lettings and £45m of development lettings including the pre-let of a minimum of 469,000 sq ft to Deutsche Bank at 21 Moorfields, EC2
- Like-for-like voids: 2.0% (31 March 2017: 3.0%)

Over a busy 12 months, we focused on maximising income, letting the remaining space in our developments and advancing our pipeline of development opportunities. Just 20,000 sq ft of the 3 million sq ft speculative development programme we started in 2010 remains to be let. We have a strong, diverse mix of customers and a weighted average unexpired office lease term of 9.6 years.

In our market, economic and political uncertainty continues to weigh on the decision-making of occupiers and developers. Overall, however, the investment market remained strong this year, and continued to be dominated by overseas investors helped by a weaker pound. This generated good demand and record pricing for trophy assets. Healthy levels of leasing activity, boosted by the serviced office sector, slowed the rise of the vacancy rate and led to a smaller decline in headline rents than we expected.

Customers are continuing to look for greater services, amenities and flexibility. The expansion of the serviced office and co-worker sector is in part a response to this need and something we have been accommodating in the portfolio by working in partnership with operators. 3% of the portfolio is now let to these occupiers. Customers and communities continue to set high expectations around sustainability, including environmental and social impact, and this remains central to how we design, build and manage assets.

Buy

We made no material acquisitions during the year.

Develop

Nova, SW1 completed in April 2017, helping to further establish Victoria as a high-profile business and dining destination. 97% of the space is now let. Sales of residential apartments in SW1 remain slower than we would like but we have just 12 of the 170 apartments remaining.

Nova brought our successful 3 million sq ft speculative development programme to a close as planned but we haven't stopped designing, preparing sites and building. Of our 1.4 million sq ft pipeline of development opportunities, we have begun construction on 564,000 sq ft at 21 Moorfields and made good progress with the remainder.

At 21 Moorfields, Deutsche Bank has committed to take a 25-year lease on a minimum of 469,000 sq ft of the 564,000 sq ft available. The new building will incorporate state of the art office services and technologies. Built over an entrance to Liverpool Street Crossrail station, our development will help transform this part of the City. We secured a resolution to grant planning permission in February 2018 and expect to complete construction in November 2021.

1. On a proportionate basis.

Following our success at Nova, the next phase at Nova East provides us with the option to continue the regeneration of Victoria with a 14 storey 137,000 sq ft mixed use scheme and a later second building of 59,000 sq ft. We're currently working on the detailed design with a potential start on site in March 2019. In the West End, completion of the new screen at Piccadilly Lights, W1 has freed up a 142,000 sq ft development opportunity on neighbouring Sherwood Street. We have planning and listed building consent for an exciting mixed use scheme and are working on the detailed design with the potential to be on site in April 2019. In Southwark we are progressing two substantial opportunities. At Sumner Street, SE1 we've secured planning permission for a 135,000 sq ft mixed use scheme and have begun detailed design, aiming to start on site in October 2019. At Red Lion Court, SE1 we aim to submit a planning application for a mixed use scheme during the course of this financial year.

Manage

We have a portfolio of modern assets well matched to the evolving needs and expectations of customers.

In October 2017, we switched the Piccadilly Lights back on, completing our refurbishment of this London landmark to time and budget. The new state-of-the-art LED digital screen can respond quickly to brand campaigns and external factors such as weather, engaging 100 million passers-by each year. Core brands campaigning during the year included Coca-Cola, Samsung and Hyundai, and we secured short-term lettings to brands including L'Oréal, Hunter/Stella McCartney and Ebay.

We have continued to agree lettings and secure rent reviews across the portfolio. Investment lettings were £10m, and we agreed £36m of rent reviews. At 123 Victoria Street, SW1, we settled five rent reviews (57% of the income) at an average of 10% ahead of passing rent and at 40 Strand, WC2, we reviewed £5m (76%) of the income, increasing the passing rent by 12%. At 80-100 Victoria Street, SW1, we completed the second rent review cycle, reviewing £15m (54%) of the income, increasing the office rents by 12% and the retail rents by 19% above passing rent.

Through our letting and rent review activity, we have worked closely with our customers to understand their requirements. Intuit, a growing technology company, is a good example of this partnership approach. They have taken 38,000 sq ft in 80 Victoria Street, as their expansion plans meant they were going to outgrow their existing space at 123 Victoria Street. They have increased the space they occupy by 119% and doubled their lease length to 10 years. They are also taking overflow space from the serviced office operator, London Executive Offices, at Nova until their space at 80 Victoria Street is ready.

Our like-for-like void rate was 2.0%, down from 3.0% at 31 March 2017, primarily due to the success of letting at 80-100 Victoria Street. As reported at 30 September 2017, the screen at Piccadilly Lights is excluded from our void reporting.

Sell

In August 2017, we completed the sale of our 50% interest in 20 Fenchurch Street, EC3 at a headline price of £1.3bn (100%). The sale crystallised a profit on cost of £400m (our 50% share). This development was a success story. Despite scepticism in some quarters at the time, we took the opportunity to build in an uncertain market when construction costs were low. We saw supply-constrained conditions ahead, used our experience to create space that was right for the insurance market, and executed on plan from design to construction, launch and leasing. Popular with customers and visitors, the building enabled us to take advantage of strong investor interest in trophy assets to sell at a record price in the City of London.

Trading property disposals totalled £171m and included sales of residential units at Nova and Kings Gate, both SW1, together with the disposal of Eastern Quarry, Ebbsfleet.

Net rental income

Table 14: Net rental income[1]

	31 March 2018 £m	31 March 2017 £m	Change £m
Like-for-like investment properties	**222**	222	**-**
Proposed developments	**-**	-	**-**
Development programme	**-**	-	**-**
Completed developments	**56**	43	**13**
Acquisitions since 1 April 2016	**-**	-	**-**
Sales since 1 April 2016	**7**	18	**(11)**
Non-property related income	**4**	2	**2**
Net rental income	**289**	285	**4**

1. On a proportionate basis.

Net rental income for the London Portfolio increased by £4m to £289m, with additional income from developments more than offsetting lost income following the disposal of 20 Fenchurch Street, EC3.

Completed developments, principally 1 New Street Square, EC4 and Nova, SW1, contributed £13m. This more than offsets the £11m income lost as a result of the disposal of 20 Fenchurch Street.

Net rental income from the like-for-like portfolio was flat with additional income received from letting activity and completed rent reviews being offset by higher voids and letting costs at Piccadilly Lights, W1 and 80-100 Victoria Street, SW1 and the impact of bad debts.

Outlook

London is a successful global city with enduring appeal for businesses, talent and property investors. The capital remains at the top of the Global Financial Centres index and attracts more cross-border investment into real estate than any other global city.

We expect demand for high quality space to continue, but we must be smart in how we navigate uncertain market conditions and continue to provide the right product in the right locations. Strong take-up meant the fall in headline rents this year was lower than anticipated and we expect this shallow decline to continue. Capital values are likely to be tested and buying opportunities may emerge.

Our strategy has reduced our speculative development exposure at this point, though we have the flexibility to develop and deliver space as demand evolves. We also have the expertise and resources needed to make acquisitions when the right opportunities appear.

Retail Portfolio

Highlights

- Valuation deficit of 1.7%
- £13m of investment lettings
- £3m of development lettings

Actions and outcomes

Focus for 2017/18	Progress in 2017/18
— Outperform IPD sector benchmark	— The total return of the Retail Portfolio was 3.4% outperforming its IPD sector benchmark at 2.3%
— Growing like-for-like net rental income	— Like-for-like net rental income down £2m
— Progressing lettings at Westgate Oxford; Selly Oak, Birmingham; and the Plaza reconfiguration at Bluewater	— Westgate Oxford 90% let; Selly Oak 91% pre-let; and the Plaza reconfiguration at Bluewater 93% let
— Progressing the Plaza reconfiguration at Bluewater to time and budget	— Plaza reconfiguration at Bluewater delivered to time and budget
— Successfully launching Westgate Oxford after achieving practical completion on time and on budget	— Successfully launched Westgate Oxford on time but marginally behind budget due to slightly higher letting incentives
— Integrating the three newly acquired outlet centres	— Three new outlet centres successfully integrated into the Retail Portfolio
— Further developing the Community Employment Programme beyond its current focus on construction with 75 disadvantaged people being supported into jobs in retail	— Community Employment Programme expanded with programme delivered at Westgate Oxford, St David's, Cardiff and Lewisham and secured employment for 86 candidates
— Improving energy management in support of 2030 corporate commitments	— Successfully implemented 28 energy reduction opportunities across the portfolio, which have contributed to a reduction of 4% in energy use

Focus for 2018/19
— Progress feasibility on suburban London shopping centres
— Progress planning applications for physical improvement plans for the new outlet centres
— Diversify income streams through innovation in retail
— Continue to develop our Community Employment Programme in construction and customer service, with the aim of supporting 75 disadvantaged people into jobs
— Drive energy reduction across the portfolio in support of our 2030 corporate commitments

At a glance

- Valuation deficit of 1.7%[1]
- Ungeared total property return of 3.4%
- The portfolio outperformed its IPD Quarterly Universe sector benchmark at 2.3%
- £13m of investment lettings and £3m of development lettings
- Like-for-like voids: 2.7% (31 March 2017: 2.9%) and units in administration: 0.8% (31 March 2017: 0.4%)

Key indicators

- Footfall in our shopping centres was down 1.9% (national benchmark down 2.5%)
- Same centre non-food retail sales, taking into account new lettings and occupier changes, were down 0.5% (national benchmark down 2.2%; including online, down 0.1%)
- Same store non-food retail sales were down 1.0% (national benchmark down 2.9%)
- Retailers' rent to sales ratio in our portfolio was 10.3%, with total occupancy costs (including rent, rates, service charges and insurance) representing 17.7% of sales

We have taken decisive steps to reposition our portfolio with a focus on vibrant, resilient assets in the best locations. Our reinvention of the offer at our centres – creating and constantly refreshing a diverse mix of brands and experiences – means our assets are much better matched to people's changing expectations and priorities. And our reinvestment in the strongest assets helps them to remain dominant within their catchment and resilient in uncertain market conditions.

Looking at our market, physical stores remain the dominant retail sales channel, with more than 85% of spend on retail goods in the UK touching a store in some way. The retail property market is polarised between destination centres and convenience-led assets, with space caught in the middle facing growing pressure. Shopping destinations can achieve higher dwell time and average spend per visit by providing a great visitor experience based on a strong mix of retail, food and leisure.

Buy

In May 2017, we became the leading owner-manager of outlet centres in the UK when we acquired Freeport in Braintree, Clarks Village in Somerset and Junction 32 in West Yorkshire for £333m. At each centre we're strengthening the mix of retailers and enhancing the overall 'day out' experience.

Develop

In October 2017, we opened Westgate Oxford – our 800,000 sq ft retail and leisure destination in Oxford city centre, developed in joint venture with The Crown Estate. The centre is anchored by John Lewis and includes a fantastic range of 100 shops with an eclectic mix of places to eat, drink and play. The centre attracted 9 million visitors in the first six months and is now 96% let or in solicitors' hands.

The opening of Westgate Oxford was the culmination of a seven-year journey. We took on a series of complex challenges to deliver a centre deserving of its place at the heart of a very special and under-served city. We set and achieved the goal of creating one of the most sustainable retail destinations in the country. Along the way we created 566 construction jobs and 3,400 full time equivalent retail jobs, including 86 jobs created this year for people from disadvantaged backgrounds through our Community Employment Programme.

1. On a proportionate basis.

In August 2017, in joint venture with Sainsbury's, we started construction at Selly Oak on a 190,000 sq ft scheme that includes a Sainsbury's supermarket and retail and leisure units. It's 95% pre-let or in solicitors' hands, with lettings including M&S, Next and JD Sports. The development includes a student accommodation block, which we've pre-sold to Unite. We're on schedule to complete in late 2018.

Manage

This year, we secured £13m of investment lettings. Our like-for-like portfolio has voids of 2.7% and a weighted average lease term of 7.9 years.

At Bluewater, Kent, we secured planning consent and started construction of a new store for Primark. We've also unlocked value by reconfiguring space, doubling the size of the Apple store and using previously redundant space to create a new statement store for Snow & Rock. We've redeveloped the former Glow events venue too, adding four screens to provide a state of the art cinema along with a 25,000 sq ft trampoline park. And we launched an online shopping portal for Bluewater that supported £5m of transactions during the year – an example of how digital and physical retailing can successfully interact.

At White Rose, Leeds, we opened the new extension, delivering an 11-screen IMAX cinema and six new restaurant units. We also completed the UK's largest ever installation of solar PV in a retail asset, with the new rooftop system providing up to 20% of the centre's annual communal energy requirement.

At Gunwharf Quays, Portsmouth, we negotiated the surrender of the Jamie's Italian lease to facilitate a new flagship store for Timberland. We continued to bring in aspirational outlet brands, including Kate Spade, Furla and Karl Lagerfield. And we started work on a longer-term masterplan with a vision of creating a day-out destination with the feel of a resort.

In terms of food and beverage, successful mid-market operators have saturated the market and visitors seek variety, so we have worked to keep refreshing the brand mix. At Westgate Oxford, for example, there's an exciting range of food brands at Westgate Social and fine dining with views on the roof terrace.

Cinemas can play a big role in providing an experience and we're now the largest cinema landlord in the UK. Screens attract visitors, increase dwell time and boost the turnover of restaurants. This year we worked with Cine, our largest cinema operator, to ensure that their cinemas in our centres remain dominant and attractive. That means ensuring each cinema is regularly refurbished and has either an IMAX or large 4DX screen.

We're constantly developing new ways to help brands connect with visitors and provide customers with a great time. This year we hosted pop-up experiences throughout our centres including 3D chocolate printing, the launch of Shepherd Neame's first cider and a Christmas store for sparkling wine brand Chapel Down. We took London-based brands out to our regional centres, with Sticks'n'Sushi and Pizza Pilgrims opening at Westgate Oxford, H&M sister brand Arket arriving in Bluewater and international cosmetics brand NYX choosing Trinity Leeds. Our customers now get to enjoy virtual reality experiences too, with the first 'in cinema' VR screen at Curzon, Westgate Oxford. Virgin Holidays has a VR-enabled concept store in Cardiff, and Vertigo VR is a virtual reality entertainment centre at Xscape, Milton Keynes.

Sell

Disposals totalled £200m during the year, which includes the sale of Chester Retail Park and Ibis, Euston, which was compulsorily purchased by HS2.

Net rental income

Table 15: Net rental income[1]

	31 March 2018 £m	31 March 2017 £m	Change £m
Like-for-like investment properties	**283**	285	**(2)**
Proposed developments	**-**	-	**-**
Development programme	**5**	-	**5**
Completed developments	**-**	-	**-**
Acquisitions since 1 April 2016	**20**	-	**20**
Sales since 1 April 2016	**5**	21	**(16)**
Non-property related income	**9**	9	**-**
Net rental income	**322**	315	**7**

1. On a proportionate basis.

Net rental income has increased by £7m to £322m for the year. The acquisition of three outlet centres has resulted in a £20m increase to net rental income which is partly offset by a £16m reduction from assets sold. These include Ibis, Euston and Greyhound Retail Park this year, and The Cornerhouse, Nottingham and Printworks, Manchester both sold in the second half of last year. The £2m reduction in our like-for-like portfolio is mainly due to lower surrender receipts, an increase in car park rates and higher bad debt provisions.

Outlook

The outlook for retail and retail property is challenging, with the sector facing both structural and cyclical pressures. We’re not immune from the challenges but, given the polarisation in our market between experience and convenience, our portfolio is well matched to the trends we see ahead. Over the next 12 months, we’ll continue to be very active managers – refreshing the mix at our centres and helping brands to enhance the experiences they provide and the value they create.

Principal risks and uncertainties

The Company has identified certain principal risks and uncertainties that could prevent the Group from achieving its strategic objectives and has assessed how these risks could best be mitigated through a combination of internal controls, risk management and the purchase of insurance cover. These risks are reviewed and updated on a regular basis and were last formally assessed by the Board in May 2018.

A description of the principal risks and uncertainties faced by the Group, together with an assessment of their impact is set out below. The Group's approach to the management and mitigation of these risks is included in the 2018 Annual Report.

Risk description	Impact
Customers — Structural changes in customer and consumer behaviours	— Adverse change in demand for our space and the consequent impact on new lettings, renewals of existing leases and rental growth
Market cyclicality — Market and political uncertainty including the outcome of Brexit negotiations, changes in government and the impact of macro-economic forces	— Reduction in demand or deferral of decisions by occupiers and/or investors — Fall in real estate values — Adversely impacts our ability to buy, develop, manage and sell assets at the appropriate time in the property cycle
Disruption — Failure to react effectively to a disruptive change in the competitive landscape	— Asset obsolescence leading to an adverse change in demand for office and retail space — Loss of competitive advantage
People and skills — Inability to attract, retain and develop the right people and skills in a culture and environment where employees can thrive	— Lack the skills necessary to deliver the business objectives
Major health, safety and security incident — Failure to identify or mitigate a major health, safety or security related threat and/or react effectively to an incident	— Serious injury, illness or loss of life to employees, partners, occupiers or visitors to our properties — Criminal/civil proceedings — Loss of consumer confidence — Delays to building projects and access restrictions to our properties resulting in loss of income — Reputational impact
Information security and cyber threat — Data loss or disruption to the corporate systems and building management systems	— Negative reputational, operational and/or financial impact

Risk description	Impact
Sustainability — Failure to properly consider and act upon the environmental and social impact of our activities	— Negative impact on our reputation — Delays in our development activities — Poor relationships with our customers — Erosion of shareholder value
Investment and development strategy — Unable to effectively execute our strategy of buying, developing and selling assets at the appropriate time in the property cycle. Specifically: — Investment – inappropriate sector or asset selection — Development – unable to deliver capex programme to agreed returns and/or occupiers reluctant to commit to take new space	— Negative property valuation movements — Reduction in income — Loss of competitive advantage

Statement of Directors' Responsibilities

The Annual Report 2018 contains the following statements regarding responsibility for the financial statements and business reviews included therein.

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group and parent company financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit and loss of the Group and the Company for that period.

In preparing these financial statements the Directors are required to:

— select suitable accounting policies in accordance with IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' and then apply them consistently;
— make judgements and accounting estimates that are reasonable and prudent;
— present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
— state that the Group and Company has complied with IFRS as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements;
— provide additional disclosures when compliance with the specific requirements of IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's and Company's financial position and performance; and
— prepare the Group's and Company's financial statements on a going concern basis, unless it is inappropriate to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and the Company, and to enable them to ensure that the Annual Report complies with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS regulation. They are also responsible for safeguarding the assets of the Group and the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Directors' responsibility statement under the Disclosure and Transparency Rules

Each of the Directors, whose names and functions appear below, confirm to the best of their knowledge:

— the Group financial statements, which have been prepared in accordance with IFRS as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the Group; and
— the Company financial statements, prepared in accordance with IFRS as adopted by the EU, give a true and fair view of the assets, liabilities, financial position, performance and cash flows of the Company; and
— the Strategic Report contained in the Annual Report includes a fair review of the development and performance of the business and the position of the Group and the Company, together with a description of the principal risks and uncertainties faced by the Group and Company.

Directors’ statement under the UK Corporate Governance Code

Each of the Directors confirm that to the best of their knowledge the Annual Report taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group’s and Company’s position, performance, business model and strategy.

A copy of the financial statements of the Group is placed on the Company’s website. The Directors are responsible for the maintenance and integrity of statutory and audited information on the Company’s website at landsec.com. Information published on the internet is accessible in many countries with different legal requirements. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Directors of Land Securities Group PLC as at the date of this announcement are as set out below:

- Dame Alison Carnwath, Chairman*
- Robert Noel, Chief Executive
- Martin Greenslade, Chief Financial Officer
- Colette O’Shea, Managing Director, London Portfolio
- Scott Parsons, Managing Director, Retail Portfolio
- Edward Bonham Carter, Senior Independent Director*
- Chris Bartram*
- Nicholas Cadbury*
- Cressida Hogg*
- Simon Palley*
- Stacey Rauch*

*Non-executive Directors

The Statement of Directors’ Responsibilities was approved by the Board of Directors on 14 May 2018 and is signed on its behalf by:

Robert Noel	**Martin Greenslade**
Chief Executive	**Chief Financial Officer**

Financial statements

Income statement	Notes	Year ended 31 March 2018 Revenue profit £m	Year ended 31 March 2018 Capital and other items £m	Year ended 31 March 2018 Total £m	Year ended 31 March 2017 Revenue profit £m	Year ended 31 March 2017 Capital and other items £m	Year ended 31 March 2017 Total £m
Revenue	5	**753**	**99**	**852**	721	66	787
Costs	6	**(261)**	**(82)**	**(343)**	(242)	(24)	(266)
		492	**17**	**509**	479	42	521
Profit on disposal of investment properties		**-**	**1**	**1**	-	19	19
Profit/(loss) on disposal of investment in joint venture		**-**	**66**	**66**	-	(2)	(2)
Profit on disposal of other investment		**-**	**-**	**-**	-	13	13
Net deficit on revaluation of investment properties	10	**-**	**(98)**	**(98)**	-	(186)	(186)
Operating profit/(loss)		**492**	**(14)**	**478**	479	(114)	365
Share of post-tax profit from joint ventures	12	**9**	**18**	**27**	21	48	69
Finance income	7	**31**	**8**	**39**	37	-	37
Finance expense	7	**(126)**	**(669)**	**(795)**	(155)	(204)	(359)
(Loss)/profit before tax		**406**	**(657)**	**(251)**	382	(270)	112
Taxation		**-**	**(1)**	**(1)**	-	1	1
(Loss)/profit attributable to shareholders		**406**	**(658)**	**(252)**	382	(269)	113
Earnings per share attributable to shareholders:							
Basic (loss)/earnings per share	4			**(32.9)p**			14.3p
Diluted (loss)/earnings per share	4			**(32.9)p**			14.3p

Statement of comprehensive income	Year ended 31 March 2018 Total £m	Year ended 31 March 2017 Total £m
(Loss)/profit attributable to shareholders	**(252)**	113
Items that may be subsequently reclassified to the income statement:		
Fair value movement on cash flow hedges arising during the year	**20**	-
Revaluation of other investments	**(1)**	-
Items that will not be subsequently reclassified to the income statement:		
Net re-measurement loss on defined benefit pension scheme	**(2)**	(12)
Deferred tax credit on re-measurement above	**1**	2
Other comprehensive income/(loss) attributable to shareholders	**18**	(10)
Total comprehensive (loss)/income attributable to shareholders	**(234)**	103

Balance sheet

	Notes	2018 £m	2017 £m
Non-current assets			
Investment properties	10	**12,336**	12,144
Intangible assets		**34**	36
Net investment in finance leases		**162**	165
Investments in joint ventures	12	**1,151**	1,734
Trade and other receivables		**165**	123
Other non-current assets		**49**	51
Total non-current assets		**13,897**	14,253
Current assets			
Trading properties	11	**24**	122
Trade and other receivables		**471**	418
Monies held in restricted accounts and deposits	15	**15**	21
Cash and cash equivalents	16	**62**	30
Total current assets		**572**	591
Total assets		**14,469**	14,844
Current liabilities			
Borrowings	14	**(872)**	(404)
Trade and other payables		**(294)**	(302)
Other current liabilities		**(14)**	(7)
Total current liabilities		**(1,180)**	(713)
Non-current liabilities			
Borrowings	14	**(2,752)**	(2,545)
Trade and other payables		**-**	(25)
Other non-current liabilities		**(8)**	(9)
Redemption liability		**(37)**	(36)
Total non-current liabilities		**(2,797)**	(2,615)
Total liabilities		**(3,977)**	(3,328)
Net assets		**10,492**	11,516
Equity			
Capital and reserves attributable to shareholders			
Ordinary shares		**80**	80
Share premium	17	**317**	791
Other reserves		**26**	30
Merger reserve		**-**	-
Retained earnings		**10,069**	10,615
Total equity		**10,492**	11,516

The financial statements on pages 29 to 51 were approved by the Board of Directors on 14 May 2018 and were signed on its behalf by:

R M Noel **M F Greenslade**

Directors

Statement of changes in equity

	Attributable to shareholders				
	Ordinary shares £m	Share premium £m	Other reserves £m	Retained earnings £m	Total equity £m
At 1 April 2016	80	790	28	10,801	11,699
Total comprehensive income for the financial year	-	-	-	103	103
Transactions with shareholders:					
Share-based payments	-	1	8	-	9
Dividends paid to shareholders	-	-	-	(289)	(289)
Acquisition of own shares	-	-	(6)	-	(6)
Total transactions with shareholders	-	1	2	(289)	(286)
At 31 March 2017	80	791	30	10,615	11,516
Total comprehensive loss for the financial year	**-**	**-**	**-**	**(234)**	**(234)**
Transactions with shareholders:					
Share-based payments	**-**	**1**	**6**	**2**	**9**
Capital distribution	**-**	**(475)**	**-**	**-**	**(475)**
Dividends paid to shareholders	**-**	**-**	**-**	**(314)**	**(314)**
Acquisition of own shares	**-**	**-**	**(10)**	**-**	**(10)**
Total transactions with shareholders	**-**	**(474)**	**(4)**	**(312)**	**(790)**
At 31 March 2018	**80**	**317**	**26**	**10,069**	**10,492**

Statement of cash flows for the year ended 31 March 2018

	Notes	**2018** £m	2017 £m
Cash flows from operating activities			
Net cash generated from operations	9	**439**	464
Interest received		**29**	15
Interest paid		**(100)**	(152)
Capital expenditure on trading properties		**(24)**	(12)
Disposal of trading properties		**102**	69
Other operating cash flows		**(1)**	2
Net cash inflow from operating activities		**445**	386
Cash flows from investing activities			
Investment property development expenditure		**(33)**	(46)
Acquisition of investment properties		**(349)**	(16)
Other investment property related expenditure		**(58)**	(80)
Disposal of investment properties		**158**	245
Disposal of investment in joint venture		**633**	13
Cash contributed to joint ventures	12	**(111)**	(67)
Loan advances to joint ventures		**(72)**	(45)
Loan repayments by joint ventures	12	**-**	54
Cash distributions from joint ventures	12	**190**	44
Other investing cash flows		**-**	(19)
Net cash inflow from investing activities		**358**	83
Cash flows from financing activities			
Proceeds from new borrowings (net of finance fees)		**629**	356
Repayment of borrowings	14	**-**	(391)
Redemption of medium term notes	14	**(1,256)**	(690)
Premium paid on redemption of medium term notes	14	**(385)**	(137)
Redemption of QAG Bond	14	**(273)**	-
Premium paid on redemption of QAG Bond	14	**(61)**	-
Issue of medium term notes (net of finance fees)	14	**1,334**	698
Net cash inflow/(outflow) from derivative financial instruments		**31**	(4)
Dividends paid to shareholders	8	**(314)**	(289)
Capital distribution		**(475)**	-
Other financing cash flows		**(1)**	(7)
Net cash outflow from financing activities		**(771)**	(464)
Increase in cash and cash equivalents for the year		**32**	5
Cash and cash equivalents at the beginning of the year		**30**	25
Cash and cash equivalents at the end of the year	16	**62**	30

Notes to the financial statements

1. Basis of preparation and consolidation

Basis of preparation

These financial statements have been prepared on a going concern basis and in accordance with International Financial Reporting Standards as adopted by the EU (IFRS), IFRIC Interpretations and the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements have been prepared in Pounds Sterling (rounded to the nearest one million), which is the presentation currency of the Group (Land Securities Group PLC and all its subsidiary undertakings), and under the historical cost convention as modified by the revaluation of investment property, available for sale investments, derivative financial instruments and pension assets.

The preparation of financial statements in conformity with generally accepted accounting principles (GAAP) requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates.

On 14 May 2018, the consolidated financial statements of the Group and this preliminary announcement were authorised for issue in accordance with a resolution of the Directors and will be delivered to the Registrar of Companies following the Group's Annual General Meeting. Statutory accounts for the year ended 31 March 2017 have been filed unqualified and do not contain any statement under Section 498(2) or Section 498(3) of the Companies Act 2006. The annual financial information presented in this preliminary announcement for the year ended 31 March 2018 is based on, and consistent with, the financial information in the Group's audited financial statements for the year ended 31 March 2018. The audit report on these financial statements is unqualified and did not contain a statement under Section 498(2) or 498(3) of the Companies Act 2006. This preliminary announcement does not constitute statutory financial statements of the Group within the meaning of Section 435 of the Companies Act 2006. Whilst the information included in this preliminary announcement has been prepared in accordance with the recognition and measurement criteria of IFRS, this announcement does not itself contain sufficient information to comply with IFRS.

A copy of the Group's Annual Report for the year ended 31 March 2017 can be found on the website at landsec.com/investors.

Basis of consolidation

The consolidated financial statements for the year ended 31 March 2018 incorporate the financial statements of the Company and all its subsidiary undertakings. Subsidiary undertakings are those entities controlled by the Company. Control exists where an entity is exposed to variable returns and has the ability to affect those returns through its power over the investee.

The results of subsidiaries and joint ventures acquired or disposed of during the year are included from the effective date of acquisition or to the effective date of disposal. Accounting policies of subsidiaries and joint ventures which differ from Group accounting policies are adjusted on consolidation.

Where instruments in a subsidiary held by third parties are redeemable at the option of the holder, these interests are classified as a financial liability, called the redemption liability. The liability is carried at fair value; the value is reassessed at the balance sheet date and movements are recognised in the income statement.

Intra-group balances and any unrealised gains and losses arising from intra-group transactions are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with joint ventures are eliminated to the extent of the Group's interest in the joint venture concerned. Unrealised losses are eliminated in the same way, but only to the extent that there is no evidence of impairment.

Our property portfolio is a combination of properties that are wholly owned by the Group, part owned through joint arrangements and properties owned by the Group but where a third party holds a non-controlling interest. Internally, management review the results of the Group on a basis that adjusts for these different forms of ownership to present a proportionate share. The Combined Portfolio, with assets totalling £14.1bn, is an example of this approach, reflecting the economic interest we have in our properties regardless of our ownership structure. We consider this presentation provides a better explanation to stakeholders of the activities and performance of the Group, as it aggregates the results of all of the Group's property interests which under IFRS are required to be presented across a number of line items in the statutory financial statements.

The same principle is applied to many of the other measures we discuss and accordingly, a number of our financial measures include the results of our joint ventures and subsidiaries on a proportionate basis. Measures that are described as being presented on a proportionate basis include the Group's share of joint ventures on a line-by-line basis, and are adjusted to exclude the non-owned elements of our subsidiaries. This is in contrast to the Group's statutory financial statements, where the Group's interest in joint ventures is presented as one line on the income statement and balance sheet, and all subsidiaries are consolidated at 100% with any non-owned element being adjusted as a non-controlling interest or redemption liability, as appropriate. Our joint operations are presented on a proportionate basis in all financial measures.

2. Changes in accounting policies and standards

The accounting policies used in these financial statements are consistent with those applied in the last annual financial statements, as amended where relevant to reflect the adoption of new standards, amendments and interpretations which became effective in the year. These amendments have not had an impact on the financial position or performance of the Group, but have resulted in additional disclosures. Additional disclosures included in the financial statements as a result of adopting the Amendments to IAS 7 Statement of Cash Flows, relating to changes in liabilities resulting from financing activities are included in note 14.

Change in accounting policy

As part of the Group's review of the impact of adopting IFRS 9 on the bond exchange de-recognition adjustment (see note 14 for further details on the bond exchange de-recognition adjustment), the Group has taken the opportunity to revisit its accounting policy on determining whether an existing liability has been extinguished when carrying out a debt refinancing transaction. Under the Group's current accounting policy, the result of the quantitative '10% test', as described in IAS 39, is the key criterion considered to determine whether an existing liability has been extinguished. Under the revised policy, greater weight will be given to qualitative factors when assessing the appropriate treatment. With effect from 1 April 2018, the Group's revised policy is:

'When debt refinancing exercises are carried out, existing liabilities will be treated as having been extinguished when the new liability is substantially different from the existing liability. In making this assessment, the Group will consider the transaction as a whole, taking into account both qualitative and quantitative characteristics.'

This change in accounting policy will result in the debt refinancing exercise completed on 3 November 2004 being treated as an extinguishment of the original debt, and therefore the bond exchange de-recognition adjustment will no longer be held on the Group's balance sheet.

The revised accounting policy will provide more relevant and reliable information by more accurately reflecting the Group's current net asset position and the carrying value of its borrowings. The Group currently reports this revised position using alternative performance measures which adjust net assets (see note 4) and net debt (see note 13). Under the revised accounting policy, the Group will report fewer alternative performance measures.

The change in accounting policy will be applied retrospectively and comparatives restated accordingly. Had this policy been applied at 31 March 2018, net assets would have been £106m lower at £10,386m, and the loss attributable to shareholders would have been £208m smaller at £44m. Net assets per share would have been 14p lower at 1,404p, and the loss per share would have been 27.1p smaller at 5.8p. The change in accounting policy will have no impact on adjusted net assets per share and adjusted earnings per share as these measures already exclude the bond exchange de-recognition adjustment and the related amortisation charge respectively.

Amendments to IFRS

A number of new standards and amendments to standards have been issued but are not yet effective for the Group. The most significant of these, and their potential impact on the Group's accounting, are set out below:

— IFRS 9 Financial Instruments (effective from 1 April 2018) – the standard applies to classification and measurement of financial assets and financial liabilities, impairment provisioning and hedge accounting. The Group has completed its impact assessment and does not expect IFRS 9 to have a material impact on its reported results.
— IFRS 15 Revenue from Contracts with Customers (effective 1 April 2018) – the standard will be applicable to service charge income, other property related income, trading property sales proceeds and proceeds from the sale of investment properties, but not rental income arising from the Group's leases with tenants. Based on the transactions impacting the current financial year and future known transactions, the Group does not expect the adoption of IFRS 15 to have a material impact on the Group's reported results. However, service charge income and expense will be presented on a net basis for those properties where the property management activities are performed by a third party, which the Group considers to be the principal delivering the service. The impact on presentation for the year ended 31 March 2018 is expected to be a £21m reduction in both service charge income and expense.
— IFRS 16 Leases (effective from 1 April 2019) - the Group continues to assess the impact of IFRS 16 Leases, effective from 1 April 2019. Based on the initial impact assessment, the Group expects to report separately service charge income for leases where a single payment is received to cover both rent and service charge. The total payment received is currently reported as rental income, but upon adoption of the standard, the service charge component will be separated and reported as service charge income in the notes to the financial statements. There will be no net impact on profit attributable to shareholders.

3. Segmental information

The Group's operations are organised into two operating segments, being the London Portfolio and the Retail Portfolio. The London Portfolio includes all our London offices and central London shops and the Retail Portfolio includes all our shopping centres and shops (excluding central London shops), hotel and leisure assets and retail parks. All of the Group's operations are in the UK.

Management has determined the Group's operating segments based on the information reviewed by senior management to make strategic decisions. During the year, the chief operating decision maker was the Executive Committee (ExecCom), which comprised the Executive Directors, the Group General Counsel and Company Secretary, the Group HR Director and the Corporate Affairs and Sustainability Director. The information presented to ExecCom includes reports from all functions of the business as well as strategy, financial planning, succession planning, organisational development and Group-wide policies.

The Group's primary measure of underlying profit before tax is revenue profit. However, segment profit is the lowest level to which the profit arising from the on-going operations of the Group is analysed between the two segments. The Group manages its financing structure, with the exception of joint ventures, on a pooled basis and, as such, debt facilities and finance expenses (other than those relating to joint ventures) are not specific to a particular segment. Unallocated income and expenses (Group services) are items incurred centrally which are neither directly attributable nor can be reasonably allocated to individual segments.

All items in the segmental information note are presented on a proportionate basis. A reconciliation from the Group income statement to the information presented in the segmental information note is included in table 26.

3. Segmental information continued

Revenue profit	2018 Retail Portfolio £m	2018 London Portfolio £m	2018 Total £m	2017 Retail Portfolio £m	2017 London Portfolio £m	2017 Total £m
Rental income	**359**	**304**	**663**	342	296	638
Finance lease interest	**1**	**9**	**10**	1	9	10
Gross rental income (before rents payable)	**360**	**313**	**673**	343	305	648
Rents payable[1]	**(9)**	**(3)**	**(12)**	(8)	(3)	(11)
Gross rental income (after rents payable)	**351**	**310**	**661**	335	302	637
Service charge income	**60**	**45**	**105**	56	45	101
Service charge expense	**(69)**	**(47)**	**(116)**	(60)	(46)	(106)
Net service charge expense	**(9)**	**(2)**	**(11)**	(4)	(1)	(5)
Other property related income	**20**	**18**	**38**	20	14	34
Direct property expenditure	**(40)**	**(37)**	**(77)**	(36)	(30)	(66)
Net rental income	**322**	**289**	**611**	315	285	600
Indirect property expenditure	**(21)**	**(16)**	**(37)**	(21)	(16)	(37)
Depreciation	**(1)**	**(1)**	**(2)**	(1)	(1)	(2)
Segment profit before finance expense	**300**	**272**	**572**	293	268	561
Joint venture finance expense	**(8)**	**(20)**	**(28)**	(4)	(17)	(21)
Segment profit	**292**	**252**	**544**	289	251	540
Group services – other income			**2**			2
– expense			**(45)**			(42)
Finance income			**31**			37
Finance expense			**(126)**			(155)
Revenue profit			**406**			382

1. Included within rents payable is finance lease interest payable of **£1m** (2017: £1m) and **£1m** (2017: £1m) for the Retail and London portfolios respectively.

Reconciliation of revenue profit to (loss)/profit before tax	2018 Total £m	2017 Total £m
Revenue profit	**406**	382
Capital and other items		
Valuation and profits on disposals		
Profit on disposal of investment properties	**3**	20
Profit/(loss) on disposal of investment in joint venture	**66**	(2)
Profit on disposal of other investment	**-**	13
Net deficit on revaluation of investment properties	**(91)**	(147)
Movement in impairment of trading properties	**(4)**	12
Profit on disposal of trading properties	**30**	36
	4	(68)
Net finance expense		
Fair value movement on interest-rate swaps	**8**	(8)
Amortisation of bond exchange de-recognition adjustment	**(19)**	(24)
Redemption of medium term notes (MTNs)[1]	**(390)**	(140)
Amortisation of bond exchange de-recognition adjustment on redeemed MTNs[1]	**(189)**	(30)
Redemption of QAG Bond	**(62)**	-
Other	**(9)**	(2)
	(661)	(204)
Exceptional items		
Head office relocation	**-**	1
	-	1
Other	**-**	1
(Loss)/profit before tax	**(251)**	112

1. Previously included within Exceptional items. The cost of redeeming medium term notes, and the associated amortisation of the bond exchange de-recognition adjustment have been reclassified to Net finance expense within Capital and other items in the current year as a result of the increased frequency of these types of transactions. The comparative disclosures have been restated accordingly. There is no impact on EPRA, Adjusted or IFRS earnings per share as a result of this change.

4. Performance measures

Three of the Group's key financial performance measures are adjusted diluted earnings per share, adjusted diluted net assets per share and total business return. In the tables below we present earnings per share and net assets per share calculated in accordance with IFRS, together with our own adjusted measures and certain measures required by EPRA. We also present the calculation of total business return.

Adjusted earnings, which is a tax adjusted measure of revenue profit, is the basis for the calculation of adjusted earnings per share. We believe adjusted earnings and adjusted earnings per share better represent the results of the Group's operational performance to stakeholders as they focus on the rental income performance of the business and exclude Capital and other items which can vary significantly from year to year.

Adjusted net assets excludes the fair value of interest-rate swaps used for hedging purposes and the bond exchange de-recognition adjustment. We believe this better reflects the underlying net assets attributable to shareholders as it more accurately reflects the future cash flows associated with our debt instruments.

Total business return is calculated as the cash dividends paid in the year plus the change in adjusted diluted net assets per share, divided by the opening adjusted diluted net assets per share. We consider this to be a useful measure for shareholders as it gives an indication of the total return on investment over the year.

EPRA measures for both earnings per share and net assets per share have been included to assist comparison between European property companies.

Earnings per share			2018			2017
	Loss for the financial year	EPRA earnings	Adjusted earnings	Profit for the financial year	EPRA earnings	Adjusted earnings
	£m	£m	£m	£m	£m	£m
(Loss)/profit attributable to shareholders	(252)	(252)	(252)	113	113	113
Taxation	-	1	1	-	(1)	(1)
Valuation and profits on disposal	-	(4)	(4)	-	68	68
Net finance expense(1)	-	642	661	-	180	204
Exceptional items(2)	-	-	-	-	-	(1)
Other	-	-	-	-	(1)	(1)
(Loss)/profit used in per share calculation	(252)	387	406	113	359	382

	IFRS	EPRA	Adjusted	IFRS	EPRA	Adjusted
Basic (loss)/earnings per share	(32.9)p	50.6p	53.1p	14.3p	45.4p	48.4p
Diluted (loss)/earnings per share	(32.9)p	50.6p	53.1p	14.3p	45.4p	48.3p

1. The difference in the adjustment for EPRA earnings and adjusted earnings relates to the amortisation of the bond exchange de-recognition adjustment, which is included in EPRA earnings, but excluded from adjusted earnings. Net finance expense now includes the cost of redeeming MTNs and, for Adjusted earnings, the associated bond exchange de-recognition adjustment. These items were previously reported as exceptional items.
2. The difference in the adjustment for EPRA earnings and Adjusted earnings in 2017 relates to the head office relocation costs, which are included in EPRA earnings, but excluded from Adjusted earnings.

Net assets per share				2018				2017
	Net assets	EPRA net assets	EPRA triple net assets	Adjusted net assets	Net assets	EPRA net assets	EPRA triple net assets	Adjusted net assets
	£m	£m	£m	£m	£m	£m	£m	£m
Net assets attributable to shareholders	10,492	10,492	10,492	10,492	11,516	11,516	11,516	11,516
Fair value of interest-rate swaps - Group	-	(6)	-	(6)	-	2	-	2
- Joint ventures	-	-	-	-	-	2	-	2
Bond exchange de-recognition adjustment	-	-	-	(106)	-	-	-	(314)
Deferred tax liability arising on business combination	-	4	-	4	-	4	-	4
Goodwill on deferred tax liability	-	(4)	(4)	(4)	-	(4)	(4)	(4)
Excess of fair value of debt over book value (note 14)	-	-	(323)	-	-	-	(1,010)	-
Net assets used in per share calculation	10,492	10,486	10,165	10,380	11,516	11,520	10,502	11,206

	IFRS	EPRA	EPRA triple	Adjusted	IFRS	EPRA	EPRA triple	Adjusted
Net assets per share	1,418p	n/a	n/a	1,403p	1,458p	n/a	n/a	1,418p
Diluted net assets per share	1,418p	1,417p	1,374p	1,403p	1,456p	1,456p	1,328p	1,417p

Number of shares	Weighted average	31 March 2018	Weighted average	31 March 2017
	million	million	million	million
Ordinary shares	776	751	801	801
Treasury shares	(10)	(10)	(10)	(10)
Own shares	(1)	(1)	(1)	(1)
Number of shares – basic	765	740	790	790
Dilutive effect of share options	-	-	1	1
Number of shares – diluted	765	740	791	791

4. Performance measures continued

Total business return	2018 pence	2017 pence
Decrease in adjusted diluted net assets per share	**(14)**	(17)
Dividend paid per share in the year (note 8)	**40**	37
Total return (a)	**26**	20
Adjusted diluted net assets per share at the beginning of the year (b)	**1,417**	1,434
Total business return (a/b)	**1.8%**	1.4%

5. Revenue

All revenue is classified within the 'Revenue profit' column of the income statement, with the exception of proceeds on the sale of trading properties, income from long-term development contracts and the non-owned element of the Group's subsidiaries which are presented in the 'Capital and other items' column.

	2018			2017		
	Revenue profit £m	Capital and other items £m	Total £m	Revenue profit £m	Capital and other items £m	Total £m
Rental income (excluding adjustment for lease incentives)	**581**	**2**	**583**	541	2	543
Adjustment for lease incentives	**29**	**-**	**29**	44	-	44
Rental income	**610**	**2**	**612**	585	2	587
Service charge income	**95**	**1**	**96**	92	2	94
Other property related income	**36**	**-**	**36**	32	-	32
Trading property sales proceeds	**-**	**96**	**96**	-	62	62
Finance lease interest	**10**	**-**	**10**	10	-	10
Other income	**2**	**-**	**2**	2	-	2
Revenue per the income statement	**753**	**99**	**852**	721	66	787

The following table reconciles revenue per the income statement to the individual components of revenue presented in note 3.

	2018				2017			
	Group £m	Joint ventures £m	Adjustment for non-wholly owned subsidiaries[1] £m	Total £m	Group £m	Joint ventures £m	Adjustment for non-wholly owned subsidiaries[1] £m	Total £m
Rental income	**612**	**53**	**(2)**	**663**	587	53	(2)	638
Service charge income	**96**	**10**	**(1)**	**105**	94	9	(2)	101
Other property related income	**36**	**2**	**-**	**38**	32	2	-	34
Trading property sales proceeds	**96**	**86**	**-**	**182**	62	72	-	134
Finance lease interest	**10**	**-**	**-**	**10**	10	-	-	10
Long-term development contract income	**-**	**6**	**-**	**6**	-	-	-	-
Other income	**2**	**-**	**-**	**2**	2	-	-	2
Revenue in the segmental information note	**852**	**157**	**(3)**	**1,006**	787	136	(4)	919

1. This represents the interest in X-Leisure which we do not own, but which is consolidated in the Group numbers.

6. Costs

All costs are classified within the Revenue profit column of the income statement, with the exception of the cost of sale of trading properties, costs arising on long-term development contracts, amortisation of intangible assets arising on business combinations, head office relocation costs, and the non-owned element of the Group's subsidiaries which are presented in the Capital and other items column.

	2018 Revenue profit £m	2018 Capital and other items £m	2018 Total £m	2017 Revenue profit £m	2017 Capital and other items £m	2017 Total £m
Rents payable	**11**	**-**	**11**	10	-	10
Service charge expense	**104**	**1**	**105**	95	1	96
Direct property expenditure	**65**	**-**	**65**	58	-	58
Indirect property expenditure	**81**	**-**	**81**	79	-	79
Cost of trading property disposals	**-**	**79**	**79**	-	33	33
Movement in impairment of trading properties[1]	**-**	**-**	**-**	-	(12)	(12)
Head office relocation[2]	**-**	**-**	**-**	-	(1)	(1)
Amortisation of intangible asset	**-**	**2**	**2**	-	2	2
Impairment of goodwill	**-**	**-**	**-**	-	1	1
Costs per the income statement	**261**	**82**	**343**	242	24	266

1. The movement in impairment of trading properties in the year ended 31 March 2017 relates to the reversal of previous impairment charges related to residential land, where the valuer's assessment of net realisable value increased over the year.
2. The net credit of £1m in respect of the head office relocation in the prior year comprises the £2m release of an onerous lease provision following the assignment of the lease on the Group's previous head office at lower net cost than originally anticipated, partly offset by relocation costs incurred in the year.

The following table reconciles costs per the income statement to the individual components of costs presented in note 3.

	2018 Group £m	2018 Joint ventures £m	2018 Adjustment for non-wholly owned subsidiaries[1] £m	2018 Total £m	2017 Group £m	2017 Joint ventures £m	2017 Adjustment for non- wholly owned subsidiaries[1] £m	2017 Total £m
Rents payable	**11**	**1**	**-**	**12**	10	1	-	11
Service charge expense	**105**	**12**	**(1)**	**116**	96	11	(1)	106
Direct property expenditure	**65**	**12**	**-**	**77**	58	8	-	66
Indirect property expenditure	**81**	**3**	**-**	**84**	79	2	-	81
Cost of trading property disposals	**79**	**73**	**-**	**152**	33	65	-	98
Movement in impairment of trading properties	**-**	**4**	**-**	**4**	(12)	-	-	(12)
Long-term development contract expenditure	**-**	**6**	**-**	**6**	-	-	-	-
Head office relocation	**-**	**-**	**-**	**-**	(1)	-	-	(1)
Amortisation of intangible asset	**2**	**-**	**-**	**2**	2	-	-	2
Impairment of goodwill	**-**	**-**	**-**	**-**	1	-	-	1
Costs in the segmental information note	**343**	**111**	**(1)**	**453**	266	87	(1)	352

1. This represents the interest in X-Leisure which we do not own, but which is consolidated in the Group numbers.

7. Net finance expense

	Year ended 31 March 2018 Revenue profit £m	Capital and other items £m	Total £m	Year ended 31 March 2017 Revenue profit £m	Capital and other items £m	Total £m
Finance income						
Interest receivable from joint ventures	**31**	**-**	**31**	35	-	35
Fair value movement on interest-rate swaps	**-**	**8**	**8**	-	-	-
Other interest receivable	**-**	**-**	**-**	2	-	2
	31	**8**	**39**	37	-	37
Finance expense						
Bond and debenture debt	**(112)**	**-**	**(112)**	(144)	-	(144)
Bank and other short-term borrowings	**(15)**	**-**	**(15)**	(15)	-	(15)
Fair value movement on interest-rate swaps	**-**	**-**	**-**	-	(8)	(8)
Fair value movement on other derivatives	**-**	**(7)**	**(7)**	-	-	-
Amortisation of bond exchange de-recognition adjustment	**-**	**(19)**	**(19)**	-	(24)	(24)
Redemption of medium term notes(1)	**-**	**(390)**	**(390)**	-	(140)	(140)
Amortisation of bond exchange de-recognition adjustment on redemption(1)	**-**	**(189)**	**(189)**	-	(30)	(30)
Redemption of QAG Bond(1)	**-**	**(62)**	**(62)**	-	-	-
Revaluation of redemption liabilities	**-**	**(2)**	**(2)**	-	(3)	(3)
Other interest payable	**(2)**	**-**	**(2)**	(1)	1	-
	(129)	**(669)**	**(798)**	(160)	(204)	(364)
Interest capitalised in relation to properties under development	**3**	**-**	**3**	5	-	5
	(126)	**(669)**	**(795)**	(155)	(204)	(359)
Net finance expense	**(95)**	**(661)**	**(756)**	(118)	(204)	(322)
Joint venture net finance expense	**(28)**			(21)		
Net finance expense included in revenue profit	**(123)**			(139)		

1. During the year, the Group redeemed the QAG Bond in its entirety and repurchased £1,256m of medium term notes. Further details are given in note 14.

Finance lease interest payable of **£2m** (2017: £2m) is included within rents payable as detailed in note 3.

8. Dividends

Ordinary dividends paid					Year ended 31 March	
		Pence per share			2018	2017
	Payment date	PID	Non-PID	Total	£m	£m
For the year ended 31 March 2016:						
Third interim	8 April 2016	8.15	-	8.15		64
Final	28 July 2016	10.55	-	10.55		83
For the year ended 31 March 2017:						
First interim	7 October 2016	8.95	-	8.95		71
Second interim	7 January 2017	-	8.95	8.95		71
Third interim	**7 April 2017**	**8.95**	**-**	**8.95**	**71**	
Final	**27 July 2017**	**11.70**	**-**	**11.70**	**92**	
For the year ended 31 March 2018:						
First interim	**6 October 2017**	**9.85**	**-**	**9.85**	**78**	
Second interim	**5 January 2018**	**-**	**9.85**	**9.85**	**73**	
Gross dividends					**314**	289

A third quarterly interim dividend of **9.85p** per ordinary share, or **£73m** in total (2017: 8.95p or £71m in total), was paid on 6 April 2018 as a Property Income Distribution (PID). The Board has recommended a final dividend for the year ended 31 March 2018 of **14.65p** per ordinary share (2017: 11.7p) to be paid as a PID. This final dividend will result in a further estimated distribution of **£108m** (2017: £92m). Subject to shareholders' approval at the Annual General Meeting, the final dividend will be paid on 27 July 2018 to shareholders registered at the close of business on 22 June 2018. The total dividend paid and recommended in respect of the year ended 31 March 2018 is therefore **44.2p** per ordinary share (2017: 38.55p). The first quarterly dividend for the year ending 31 March 2019 will be **11.3p**. It will be paid on 5 October 2018 to shareholders on the register at the close of business on 7 September 2018.

A Dividend Reinvestment Plan (DRIP) has been available in respect of all dividends paid during the year.

9. Net cash generated from operations

Reconciliation of operating profit/(loss) to net cash generated from operations	2018 £m	2017 £m
Operating profit/(loss)	**478**	365
Adjustments for:		
Net deficit on revaluation of investment properties	**98**	186
Movement in impairment of trading properties	**-**	(12)
Profit on disposal of trading properties	**(17)**	(29)
Profit on disposal of investment properties	**(1)**	(19)
Profit on disposal of other investment	**-**	(13)
(Profit)/loss on disposal of investment in joint venture	**(66)**	2
Share-based payment charge	**6**	5
Other	**8**	8
	506	493
Changes in working capital:		
Increase in receivables	**(53)**	(17)
(Decrease)/increase in payables and provisions	**(14)**	(12)
Net cash generated from operations	**439**	464

10. Investment properties

	2018 £m	2017 £m
Net book value at the beginning of the year	**12,144**	12,358
Acquisitions	**351**	14
Transfer from trading properties	**1**	-
Capital expenditure: Investment portfolio	**53**	80
Development programme	**39**	46
Capitalised interest	**3**	5
Disposals	**(157)**	(205)
Net movement in finance leases	**-**	32
Net deficit on revaluation of investment properties	**(98)**	(186)
Net book value at 31 March	**12,336**	12,144

The market value of the Group's investment properties, as determined by the Group's external valuer, differs from the net book value presented in the balance sheet due to the Group presenting lease incentives, tenant finance leases and head leases separately. The following table reconciles the net book value of the investment properties to the market value.

	2018				2017			
	Group (excl. joint ventures) £m	**Joint ventures[(1)] £m**	**Adjustment for proportionate share[(2)] £m**	**Combined Portfolio £m**	Group (excl. joint ventures) £m	Joint ventures[(1)] £m	Adjustment for proportionate share[(2)] £m	Combined Portfolio £m
Net book value	**12,336**	**1,235**	**(35)**	**13,536**	12,144	1,763	(34)	13,873
Plus: tenant lease incentives	**337**	**30**	**(1)**	**366**	311	57	(1)	367
Less: head leases capitalised	**(31)**	**(8)**	**-**	**(39)**	(31)	(8)	-	(39)
Plus: properties treated as finance leases	**241**	**-**	**(1)**	**240**	238	-	-	238
Market value	**12,883**	**1,257**	**(37)**	**14,103**	12,662	1,812	(35)	14,439
Net (deficit)/surplus on revaluation of investment properties	**(98)**	**7**	**-**	**(91)**	(186)	40	(1)	(147)

1. Refer to note 12 for a breakdown of this amount by entity.
2. This represents the interest in X-Leisure which we do not own, but which is consolidated in the Group numbers.

The net book value of leasehold properties where head leases have been capitalised is **£2,096m** (2017: £1,169m).

Investment properties include capitalised interest of **£209m** (2017: £206m). The average rate of interest capitalisation for the year is **4.0%** (2017: 4.7%). The historical cost of investment properties is **£7,081m** (2017: £6,713m).

11. Trading properties

	Development land and infrastructure £m	**Residential £m**	**Total £m**
At 1 April 2016	88	36	124
Capital expenditure	17	2	19
Disposals	(9)	(24)	(33)
Movement in impairment	12	-	12
31 March 2017	108	14	122
Capital expenditure	**17**	**(2)**	**15**
Disposals	**(104)**	**(8)**	**(112)**
Transfer to investment properties	**-**	**(1)**	**(1)**
At 31 March 2018	**21**	**3**	**24**

The cumulative impairment provision at 31 March 2018 in respect of Development land and infrastructure was **£nil** (31 March 2017: £67m); and in respect of Residential was **£1m** (31 March 2017: £1m).

12. Joint arrangements

The Group's joint arrangements are described below:

Joint ventures	Percentage owned & voting rights	Business segment	Year end date[1]	Joint venture partner
Held at 31 March 2018				
Nova, Victoria[2]	50%	London	31 March	Canada Pension Plan Investment Board
Southside Limited Partnership[3]	50%	Retail	31 March	Invesco Real Estate European Fund
St. David's Limited Partnership	50%	Retail	31 December	Intu Properties plc
Westgate Oxford Alliance Limited Partnership	50%	Retail	31 March	The Crown Estate Commissioners
The Oriana Limited Partnership[4][5]	50%	London	31 March	Frogmore Real Estate Partners Limited Partnership
Harvest[5][6]	50%	Retail	31 March	J Sainsbury plc
The Ebbsfleet Limited Partnership[5]	50%	London	31 March	Ebbsfleet Property Limited
West India Quay Unit Trust[5][7]	50%	Retail	31 March	Schroder Exempt Property Unit Trust

Joint operation	Ownership interest	Business segment		Joint operation partners
Bluewater, Kent	30%	Retail		M&G Real Estate and GIC Lend Lease Retail Partnership Royal London Asset Management Aberdeen Asset Management

The following joint arrangement was liquidated in the year ended 31 March 2018:

Joint venture	Ownership interest	Business segment		Joint venture partner
Millshaw Property Co. Limited	50%	Retail		Evans Property Group Limited

The following joint arrangement was sold in the year ended 31 March 2018:

Joint venture	Ownership interest	Business segment		Joint venture partner
20 Fenchurch Street Limited Partnership[8]	50%	London		Canary Wharf Group plc

1. The year end date shown is the accounting reference date of the joint venture. In all cases the Group's accounting is performed using financial information for the Group's own reporting period and reporting date.
2. Nova, Victoria includes the Victoria Circle Limited Partnership, Nova Residential Limited Partnership and Victoria Circle Developer Limited.
3. On 13 April 2017, Metro Shopping Fund Limited Partnership (Metro) completed the sale of one of its assets to DV4 (a fund advised by Delancey Real Estate Asset Management Limited (Delancey)). On the same date Delancey sold its stake in Metro to Invesco Real Estate European Fund. The partnership was subsequently renamed Southside Limited Partnership.
4. On 12 April 2018, the Group purchased the remaining 50% interest in The Oriana Limited Partnership which it did not already own for consideration of £4m. The Group therefore owns 100% of the share capital as of 12 April 2018.
5. Included within Other in subsequent tables.
6. Harvest includes Harvest 2 Limited Partnership, Harvest Development Management Limited, Harvest 2 Selly Oak Limited, Harvest 2 GP Limited and Harvest GP Limited.
7. West India Quay Unit Trust is held in the X-Leisure Unit Trust (X-Leisure) in which the Group holds a 95% share.
8. On 24 August 2017, the Group disposed of its interest in 20 Fenchurch Street Limited Partnership for £633m, realising a profit of £66m, after settling outstanding interest receivable of £36m.

All of the Group's joint arrangements have their principal place of business in the United Kingdom. All of the Group's joint arrangements own and operate investment property with the exception of The Ebbsfleet Limited Partnership which holds development land as trading properties. The Westgate Oxford Alliance Limited Partnership, Nova, Victoria and The Oriana Limited Partnership are also engaged in the development of investment and trading properties. The activities of all the Group's joint arrangements are therefore strategically important to the business activities of the Group.

All joint ventures are registered in England and Wales with the exception of Southside Limited Partnership and West India Quay Unit Trust which are registered in Jersey.

12. Joint arrangements continued

Year ended 31 March 2018

Joint ventures Comprehensive income statement	20 Fenchurch Street Limited Partnership 100% £m	Nova, Victoria 100% £m	Southside Limited Partnership[1] 100% £m	St. David's Limited Partnership 100% £m	Westgate Oxford Alliance Partnership 100% £m	Individually material JVs (Group share) 50% £m	Other Group share £m	Total Group share £m
Revenue[2]	**21**	**147**	**17**	**44**	**41**	**135**	**22**	**157**
Gross rental income (after rents payable)	**16**	**20**	**14**	**35**	**15**	**50**	**2**	**52**
Net rental income	**16**	**11**	**13**	**28**	**11**	**39**	**1**	**40**
Segment profit before finance expense	**16**	**9**	**11**	**26**	**11**	**36**	**1**	**37**
Finance expense	**(8)**	**(33)**	**(6)**	**-**	**(15)**	**(31)**	**-**	**(31)**
Capitalised interest	**-**	**-**	**-**	**-**	**5**	**3**	**-**	**3**
Net finance expense	**(8)**	**(33)**	**(6)**	**-**	**(10)**	**(28)**	**-**	**(28)**
Revenue profit/(loss)	**8**	**(24)**	**5**	**26**	**1**	**8**	**1**	**9**
Capital and other items								
Net surplus/(deficit) on revaluation of investment properties	**-**	**24**	**-**	**(44)**	**20**	**-**	**7**	**7**
Impairment of trading properties	**-**	**(8)**	**-**	**-**	**-**	**(4)**	**-**	**(4)**
Profit on disposal of investment properties	**-**	**-**	**1**	**-**	**-**	**1**	**1**	**2**
Profit on disposal of trading properties	**-**	**19**	**-**	**-**	**4**	**11**	**2**	**13**
Profit/(loss) before tax	**8**	**11**	**6**	**(18)**	**25**	**16**	**11**	**27**
Post-tax profit/(loss)	**8**	**11**	**6**	**(18)**	**25**	**16**	**11**	**27**
Total comprehensive income/(loss)	**8**	**11**	**6**	**(18)**	**25**	**16**	**11**	**27**
	50%	**50%**	**50%**	**50%**	**50%**			
Group share of total comprehensive income/(loss)	**4**	**6**	**3**	**(9)**	**12**	**16**	**11**	**27**

1. Previously called Metro Shopping Fund Limited Partnership.
2. Revenue includes gross rental income (before rents payable), service charge income, other property related income, trading properties disposal proceeds and income from long-term development contracts.

12. Joint arrangements continued

Year ended 31 March 2017

Joint ventures Comprehensive income statement	20 Fenchurch Street Limited Partnership 100% £m	Nova, Victoria 100% £m	Southside Limited Partnership[1] 100% £m	St. David's Limited Partnership 100% £m	Westgate Oxford Alliance Partnership 100% £m	Individually material JVs (Group share) 50% £m	Other Group share £m	Total Group share £m
Revenue[2]	48	147	21	43	3	131	5	136
Gross rental income (after rents payable)	39	7	17	35	3	50	2	52
Net rental income	37	2	15	29	2	43	1	44
Segment profit before finance expense	36	1	15	27	2	41	1	42
Finance expense	(22)	(36)	(8)	-	(11)	(39)	-	(39)
Capitalised interest	-	25	-	-	10	18	-	18
Net finance expense	(22)	(11)	(8)	-	(1)	(21)	-	(21)
Revenue profit/(loss)	14	(10)	7	27	1	20	1	21
Capital and other items								
Net surplus/(deficit) on revaluation of investment properties	43	41	-	(22)	19	40	-	40
Profit on disposal of investment properties	-	-	2	-	-	1	-	1
Profit on disposal of trading properties	-	14	-	-	-	7	-	7
Profit before tax	57	45	9	5	20	68	1	69
Post-tax profit	57	45	9	5	20	68	1	69
Total comprehensive income	57	45	9	5	20	68	1	69
	50%	50%	50%	50%	50%			
Group share of total comprehensive income	28	23	5	2	10	68	1	69

1. Previously called Metro Shopping Fund Limited Partnership.
2. Revenue includes gross rental income (before rents payable), service charge income, other property related income, trading properties disposal proceeds and income from long-term development contracts.

12. Joint arrangements continued

31 March 2018

Joint ventures **Balance sheet**	**20 Fenchurch Street Limited Partnership** **100%** **£m**	**Nova, Victoria** **100%** **£m**	**Southside Limited Partnership[1]** **100%** **£m**	**St. David's Limited Partnership** **100%** **£m**	**Westgate Oxford Alliance Partnership** **100%** **£m**	**Individually material JVs (Group share)** **50%** **£m**	**Other** **Group share** **£m**	**Total** **Group share** **£m**
Investment properties[2]	-	845	295	664	549	1,177	58	1,235
Non-current assets	**-**	**845**	**295**	**664**	**549**	**1,177**	**58**	**1,235**
Cash and cash equivalents	-	7	2	2	10	10	6	16
Other current assets	-	101	8	18	21	74	20	94
Current assets	**-**	**108**	**10**	**20**	**31**	**84**	**26**	**110**
Total assets	**-**	**953**	**305**	**684**	**580**	**1,261**	**84**	**1,345**
Trade and other payables and provisions	-	(24)	(5)	(12)	(15)	(28)	(5)	(33)
Current liabilities	**-**	**(24)**	**(5)**	**(12)**	**(15)**	**(28)**	**(5)**	**(33)**
Non-current liabilities	-	(144)	(143)	(16)	-	(152)	(9)	(161)
Non-current liabilities	**-**	**(144)**	**(143)**	**(16)**	**-**	**(152)**	**(9)**	**(161)**
Total liabilities	**-**	**(168)**	**(148)**	**(28)**	**(15)**	**(180)**	**(14)**	**(194)**
Net assets	**-**	**785**	**157**	**656**	**565**	**1,081**	**70**	**1,151**
Market value of investment properties[2]	**-**	**874**	**298**	**661**	**562**	**1,198**	**59**	**1,257**
Net cash/(debt)	**-**	**7**	**1**	**(15)**	**10**	**2**	**6**	**8**

31 March 2017

Joint ventures **Balance sheet**	20 Fenchurch Street Limited Partnership 100% £m	Nova, Victoria 100% £m	Southside Limited Partnership[1] 100% £m	St. David's Limited Partnership 100% £m	Westgate Oxford Alliance Partnership 100% £m	Individually material JVs (Group share) 50% £m	Other Group share £m	Total Group share £m
Investment properties[2]	1,046	809	376	708	412	1,676	87	1,763
Non-current assets	1,046	809	376	708	412	1,676	87	1,763
Cash and cash equivalents	16	43	6	4	10	40	9	49
Other current assets	93	195	7	21	15	165	29	194
Current assets	109	238	13	25	25	205	38	243
Total assets	1,155	1,047	389	733	437	1,881	125	2,006
Trade and other payables and provisions	(100)	(174)	(39)	(12)	(32)	(179)	(5)	(184)
Current liabilities	(100)	(174)	(39)	(12)	(32)	(179)	(5)	(184)
Non-current financial liabilities	-	-	(142)	(16)	-	(79)	(9)	(88)
Non-current liabilities	-	-	(142)	(16)	-	(79)	(9)	(88)
Total liabilities	(100)	(174)	(181)	(28)	(32)	(258)	(14)	(272)
Net assets	1,055	873	208	705	405	1,623	111	1,734
Market value of investment properties[2]	1,135	815	379	707	411	1,724	88	1,812
Net cash/(debt)	16	43	(166)	(12)	10	(55)	9	(46)

1. Previously called Metro Shopping Fund Limited Partnership.
2. The difference between the book value and the market value of investment properties is the amount recognised in respect of lease incentives, head leases capitalised and properties treated as finance leases, where applicable.

12. Joint arrangements continued

Joint ventures Net investment	20 Fenchurch Street Limited Partnership 50% £m	Nova, Victoria 50% £m	Southside Limited Partnership[1] 50% £m	St. David's Limited Partnership 50% £m	Westgate Oxford Alliance Partnership 50% £m	Individually material JVs (Group share) 50% £m	Other Group share £m	Total Group share £m
At 1 April 2016	491	414	103	366	126	1,500	168	1,668
Total comprehensive income	28	23	5	2	10	68	1	69
Cash contributed	-	-	-	-	67	67	-	67
Loan advances	8	37	-	-	-	45	-	45
Loan repayments	-	(37)	(1)	(16)	-	(54)	-	(54)
Other distributions	-	-	-	-	-	-	(12)	(12)
Cash distributions	-	-	(3)	-	-	(3)	(41)	(44)
Disposal of investment	-	-	-	-	-	-	(5)	(5)
At 31 March 2017	527	437	104	352	203	1,623	111	1,734
Total comprehensive income/(loss)	**4**	**6**	**3**	**(9)**	**12**	**16**	**11**	**27**
Cash contributed	**-**	**20**	**-**	**-**	**79**	**99**	**12**	**111**
Cash distributions	**-**	**(70)**	**(29)**	**(15)**	**(12)**	**(126)**	**(64)**	**(190)**
Disposal of investment	**(531)**	**-**	**-**	**-**	**-**	**(531)**	**-**	**(531)**
At 31 March 2018	**-**	**393**	**78**	**328**	**282**	**1,081**	**70**	**1,151**

1. Previously called Metro Shopping Fund Limited Partnership.

13. Capital structure

	2018 Group £m	2018 Joint ventures £m	2018 Adjustment for non-wholly owned subsidiaries[1] £m	2018 Combined £m	2017 Group £m	2017 Joint ventures £m	2017 Adjustment for non-wholly owned subsidiaries[1] £m	2017 Combined £m
Property portfolio								
Market value of investment properties	**12,883**	**1,257**	**(37)**	**14,103**	12,662	1,812	(35)	14,439
Trading properties and long-term contracts	**24**	**50**	**-**	**74**	122	126	-	248
Total property portfolio (a)	**12,907**	**1,307**	**(37)**	**14,177**	12,784	1,938	(35)	14,687
Net debt								
Borrowings	**3,624**	**8**	**-**	**3,632**	2,949	93	-	3,042
Monies held in restricted accounts and deposits	**(15)**	**-**	**-**	**(15)**	(21)	-	-	(21)
Cash and cash equivalents	**(62)**	**(16)**	**-**	**(78)**	(30)	(49)	-	(79)
Fair value of interest-rate swaps	**(6)**	**-**	**-**	**(6)**	2	2	-	4
Fair value of foreign exchange swaps and forwards	**7**	**-**	**-**	**7**	5	-	-	5
Net debt (b)	**3,548**	**(8)**	**-**	**3,540**	2,905	46	-	2,951
Less: Fair value of interest-rate swaps	**6**	**-**	**-**	**6**	(2)	(2)	-	(4)
Reverse bond exchange de-recognition (note 14)	**106**	**-**	**-**	**106**	314	-	-	314
Adjusted net debt (c)	**3,660**	**(8)**	**-**	**3,652**	3,217	44	-	3,261
Adjusted total equity								
Total equity (d)	**10,492**	**-**	**-**	**10,492**	11,516	-	-	11,516
Fair value of interest-rate swaps	**(6)**	**-**	**-**	**(6)**	2	2	-	4
Reverse bond exchange de-recognition (note 14)	**(106)**	**-**	**-**	**(106)**	(314)	-	-	(314)
Adjusted total equity (e)	**10,380**	**-**	**-**	**10,380**	11,204	2	-	11,206
Gearing (b/d)	**33.8%**			**33.7%**	25.2%			25.6%
Adjusted gearing (c/e)	**35.3%**			**35.2%**	28.7%			29.1%
Group LTV (c/a)	**28.4%**			**25.8%**	25.2%			22.2%
Security Group LTV	**27.2%**				28.3%			
Weighted average cost of debt	**2.6%**			**2.6%**	4.2%			4.2%

1. This represents the interest in X-Leisure which we do not own, but which is consolidated in the Group numbers.

14. Borrowings

	Secured/ unsecured	Fixed/ floating	Effective interest rate %	2018 Nominal/ notional value £m	2018 Fair value £m	2018 Book value £m	2017 Nominal/ notional value £m	2017 Fair value £m	2017 Book value £m
Current borrowings									
Sterling									
5.253% QAG Bond	Secured	Fixed	5.3	**-**	**-**	**-**	18	22	18
Commercial paper									
Sterling	Unsecured	Floating	LIBOR + margin	**-**	**-**	**-**	3	3	3
Euro	Unsecured	Floating	LIBOR + margin	**833**	**833**	**833**	261	261	261
Swiss Franc	Unsecured	Floating	LIBOR + margin	**-**	**-**	**-**	28	28	28
US Dollar	Unsecured	Floating	LIBOR + margin	**39**	**39**	**39**	94	94	94
Total current borrowings				**872**	**872**	**872**	404	408	404
Non-current borrowings									
Sterling									
A3 5.425% MTN due 2022	Secured	Fixed	5.5	**46**	**50**	**46**	46	53	46
A10 4.875% MTN due 2025	Secured	Fixed	5.0	**14**	**16**	**14**	28	34	28
A12 1.974% MTN due 2026	Secured	Fixed	2.0	**400**	**401**	**399**	400	411	399
A4 5.391% MTN due 2026	Secured	Fixed	5.4	**25**	**30**	**25**	27	33	27
A5 5.391% MTN due 2027	Secured	Fixed	5.4	**186**	**229**	**186**	585	749	583
A6 5.376% MTN due 2029	Secured	Fixed	5.4	**84**	**107**	**84**	318	420	317
A16 2.375% MTN due 2029	Secured	Fixed	2.5	**350**	**352**	**347**	-	-	-
A13 2.399% MTN due 2031	Secured	Fixed	2.4	**300**	**300**	**299**	300	314	299
A7 5.396% MTN due 2032	Secured	Fixed	5.4	**156**	**210**	**156**	321	441	320
A11 5.125% MTN due 2036	Secured	Fixed	5.1	**56**	**78**	**56**	500	689	499
A14 2.625% MTN due 2039	Secured	Fixed	2.6	**500**	**498**	**493**	-	-	-
A15 2.750% MTN due 2059	Secured	Fixed	2.8	**500**	**512**	**494**	-	-	-
Bond exchange de-recognition adjustment						**(106)**			(314)
				2,617	**2,783**	**2,493**	2,525	3,144	2,204
5.253% QAG Bond	Secured	Fixed	5.3	**-**	**-**	**-**	255	310	255
Syndicated bank debt	Secured	Floating	LIBOR + margin	**228**	**228**	**228**	55	55	55
Amounts payable under finance leases	Unsecured	Fixed	5.7	**31**	**64**	**31**	31	42	31
Total non-current borrowings				**2,876**	**3,075**	**2,752**	2,866	3,551	2,545
Total borrowings				**3,748**	**3,947**	**3,624**	3,270	3,959	2,949

Reconciliation of the movement in borrowings

	2018 £m	2017 £m
At the beginning of the year	**2,949**	2,873
Proceeds from new borrowings	**632**	361
Repayment of borrowings	**-**	(391)
Redemption of MTNs	**(1,256)**	(690)
Redemption of QAG Bond	**(273)**	-
Issue of MTNs (net of finance fees)	**1,334**	698
Amortisation of bond exchange de-recognition adjustment on redeemed MTNs	**189**	30
Amortisation of bond exchange de-recognition adjustment	**19**	24
Foreign exchange movement on non-Sterling borrowings	**26**	23
Other	**4**	21
At 31 March	**3,624**	2,949

Reconciliation of movements in liabilities arising from financing activities 2018

	At 1 April 2017 £m	Cash flows £m	Non-cash changes: Changes in fair values £m	Non-cash changes: Other changes £m	At 31 March 2018 £m
Borrowings	**2,949**	**437**	**-**	**238**	**3,624**
Derivative financial instruments	**7**	**31**	**(53)**	**16**	**1**
	2,956	**468**	**(53)**	**254**	**3,625**

14. Borrowings continued

Medium term notes

The MTNs are secured on the fixed and floating pool of assets of the Security Group. The Security Group includes investment properties, development properties and the Group's investment in the X-Leisure fund, Westgate Oxford Alliance Limited Partnership, Nova, Victoria, St. David's Limited Partnership and Southside Limited Partnership, in total valued at **£13.7bn** at 31 March 2018 (31 March 2017: £12.9bn). The secured debt structure has a tiered operating covenant regime which gives the Group substantial flexibility when the loan-to-value and interest cover in the Security Group are less than 65% and more than 1.45 respectively. If these limits are exceeded, the operating environment becomes more restrictive with provisions to encourage a reduction in gearing. The interest rate of each MTN is fixed until the expected maturity, being two years before the legal maturity date of the MTN, whereupon the interest rate for the last two years may either become floating on a LIBOR basis plus an increased margin (relative to that at the time of issue), or subject to a fixed coupon uplift, depending on the terms and conditions of the specific notes.

The effective interest rate is based on the coupon paid and includes the amortisation of issue costs. The MTNs are listed on the Irish Stock Exchange and their fair values are based on their respective market prices.

During the year, the Group conducted tender exercises and purchased **£1,256m** of MTNs for a total premium of **£385m**, with associated costs of **£5m**. Details of the purchases and associated premium by series are as follows:

MTN purchases		**31 March 2018**		31 March 2017	
		Purchases £m	**Premium £m**	Purchases £m	Premium £m
A3	5.425% MTN due 2022	**-**	**-**	209	29
A10	4.875% MTN due 2025	**15**	**3**	272	57
A4	5.391% MTN due 2026	**2**	**-**	184	44
A5	5.391% MTN due 2027	**398**	**90**	23	6
A6	5.376% MTN due 2029	**233**	**73**	2	1
A7	5.396% MTN due 2032	**164**	**57**	-	-
A11	5.125% MTN due 2036	**444**	**162**	-	-
		1,256	**385**	690	137

In conjunction with the tender exercises, in September 2017, the Group issued a £500m 2.625% MTN due 2039 and a £500m 2.750% MTN due 2059 and, in March 2018, the Group issued a £350m 2.375% due 2029.

Syndicated and bilateral bank debt		**Authorised**		**Drawn**		**Undrawn**	
	Maturity as at 31 March 2018	**2018 £m**	2017 £m	**2018 £m**	2017 £m	**2018 £m**	2017 £m
Syndicated debt	2022-23	**1,965**	1,815	**103**	55	**1,862**	1,760
Bilateral debt	2022	**125**	125	**125**	-	**-**	125
		2,090	1,940	**228**	55	**1,862**	1,885

At 31 March 2018, our committed revolving facilities totalled **£2,090m** (31 March 2017: £1,940m). The **£150m** increase in committed facilities is the result of an increase in the syndicated debt facility arranged on 29 March 2018.

All syndicated and bilateral facilities are committed and secured on the assets of the Security Group. During the year ended 31 March 2018, the amounts drawn under the Group's facilities increased by **£173m**.

The terms of the Security Group funding arrangements require undrawn facilities to be reserved where syndicated and bilateral facilities mature within one year, or where commercial paper has been issued. Accordingly, the Group's available undrawn facilities at 31 March 2018 were **£990m** (31 March 2017: £1,499m), compared with undrawn facilities of **£1,862m** (31 March 2017: £1,885m).

Queen Anne's Gate Bond

In two tranches, on 25 April 2017 and 9 May 2017, the Group repurchased and redeemed the **£273m** QAG Bond in its entirety for a total premium to nominal value of **£61m**, with associated costs of **£1m**.

Fair values

The fair values of any floating rate financial liabilities are assumed to be equal to their nominal value. The fair values of the MTNs and the QAG Bond fall within Level 1, the syndicated and bilateral facilities, commercial paper, interest-rate swaps and foreign exchange swaps fall within Level 2, and the amounts payable under finance leases fall within Level 3, as defined by IFRS 13. The fair value of the amounts payable under finance leases is determined using a discount rate of **2.6%** (31 March 2017: 4.2%).

Bond exchange de-recognition

On 3 November 2004, a debt refinancing was completed resulting in the Group exchanging all of its outstanding bond and debenture debt for new MTNs with higher nominal values. The new MTNs did not meet the IAS 39 conditions to be considered substantially different from the debt that they replaced. Consequently, the book value of the new debt is reduced to the book value of the original debt by the 'bond exchange de-recognition' adjustment which is then amortised to zero over the life of the new MTNs. The amortisation is included in finance expense in the income statement, as part of the Capital and other items column. From 1 April 2018, the Group has changed its accounting policy for debt refinancing transactions such that the bond exchange de-recognition adjustment will no longer be held on the balance sheet. See note 2 for further details.

15. Monies held in restricted accounts and deposits

	2018 £m	2017 £m
Cash at bank and in hand	**7**	12
Short-term deposits	**8**	9
	15	21

The credit quality of monies held in restricted accounts and deposits can be assessed by reference to external credit ratings of the counterparty where the account or deposit is placed.

	2018 £m	2017 £m
Counterparties with external credit ratings		
A	**15**	13
BBB+	**-**	8
	15	21

16. Cash and cash equivalents

	2018 £m	2017 £m
Cash at bank and in hand	**62**	21
Short-term deposits	**-**	9
	62	30

Short-term deposits

The credit quality of cash and cash equivalents can be assessed by reference to external credit ratings of the counterparty where the account or deposit is placed.

	2018 £m	2017 £m
Counterparties with external credit ratings		
A	**62**	29
BBB+	**-**	1
	62	30

17. Capital distribution

On 27 September 2017, the Group's shareholders approved a return of capital to shareholders of **£475m** through the issue of new B shares, which the Group then redeemed in order to return 60p per ordinary share to shareholders, reducing the Group's share premium account. The capital distribution was paid on 13 October 2017.

Following the redemption of the B shares, there was a share consolidation in the ratio of 15 ordinary shares for every 16 existing shares. The share consolidation did not result in a change in the carrying value of the Group's share capital, but reduced the number of ordinary shares in issue by **50,085,104** of which **655,946** were held in Treasury at 31 March 2018.

18. Events after the reporting period

There were no significant events occurring after the reporting period, but before the publication of this report.

Business analysis

Table 16: Alternative performance measures

The Group has applied the European Securities and Markets Authority (ESMA) 'Guidelines on Alternative Performance Measures' in these results. In the context of these results, an alternative performance measure (APM) is a financial measure of historical or future financial performance, position or cash flows of the Group which is not a measure defined or specified in IFRS.

The table below summarises the APMs included in these results, where the definitions and reconciliations of these measures can be found, as well where further discussion is included. The definitions of all APMs are included in the Glossary and further discussion of these measures can be found in the Financial review.

	Nearest IFRS measure	Reconciliation
Revenue profit	Profit before tax	Note 3
Adjusted earnings	Profit attributable to shareholders	Note 4
Adjusted earnings per share	Basic earnings per share	Note 4
Adjusted diluted earnings per share	Diluted earnings per share	Note 4
Adjusted net assets	Net assets attributable to shareholders	Note 4
Adjusted net assets per share	Net assets attributable to shareholders	Note 4
Adjusted diluted net assets per share	Net assets attributable to shareholders	Note 4
Total business return	n/a	Note 4
Combined Portfolio	Investment properties	Note 10
Adjusted net debt	Borrowings	Note 13
Group LTV	n/a	Note 13

Table 17: EPRA performance measures

	Definition for EPRA measure	Notes	31 March 2018 Landsec measure	31 March 2018 EPRA measure
Adjusted earnings	Recurring earnings from core operational activity(1)	4	**£406m**	**£387m**
Adjusted earnings per share	Adjusted earnings per weighted number of ordinary shares(1)	4	**53.1p**	**50.6p**
Adjusted diluted earnings per share	Adjusted diluted earnings per weighted number of ordinary shares(1)	4	**53.1p**	**50.6p**
Adjusted net assets	Net assets adjusted to exclude fair value movements on interest-rate swaps(2)	4	**£10,380m**	**£10,486m**
Adjusted diluted net assets per share	Adjusted diluted net assets per share(2)	4	**1,403p**	**1,417p**
Triple net assets	Adjusted net assets amended to include the fair value of financial instruments and debt	4	**£10,165m**	**£10,165m**
Diluted triple net assets per share	Diluted triple net assets per share	4	**1,374p**	**1,374p**
Net initial yield (NIY)	Annualised rental income less non-recoverable costs as a % of market value plus assumed purchasers' costs(3)		**4.0%**	**4.4%**
Topped-up NIY	NIY adjusted for rent free periods(3)		**4.5%**	**4.6%**
Voids/vacancy rate	ERV of vacant space as a % of ERV of Combined Portfolio excluding the development programme(4)		**2.4%**	**2.3%**
Cost ratio	Total costs as a percentage of gross rental income (including direct vacancy costs)(5)		**18.5%**	**18.9%**
	Total costs as a percentage of gross rental income (excluding direct vacancy costs)(5)		**n/a**	**15.8%**

1. EPRA adjusted earnings and EPRA adjusted earnings per share include the amortisation of bond exchange de-recognition adjustment of £19m.
2. EPRA adjusted net assets and adjusted diluted net assets per share include the bond exchange de-recognition adjustment of £106m.
3. Our NIY and Topped-up NIY relate to the Combined Portfolio, excluding properties in the development programme that have not yet reached practical completion, and are calculated by our external valuer. EPRA NIY and EPRA Topped-up NIY calculations are consistent with ours, but exclude all developments. Topped-up NIY reflects an adjustment of £61m and £59m for rent free periods and other incentives for the Landsec measure and EPRA measure, respectively.
4. Our measure reflects voids in our like-for-like portfolio only. The EPRA measure reflects voids in the Combined Portfolio excluding only the development programme.
5. The EPRA cost ratio is calculated based on gross rental income after rents payable and excluding costs recovered through rents but not separately invoiced, whereas our measure is based on gross rental income before rents payable and excluding costs recovered through rents but not separately invoiced. We do not calculate a cost ratio excluding direct vacancy costs as we do not consider this to be helpful.

Table 18: Top 12 occupiers at 31 March 2018

	% of Group rent(1)
Central Government	5.0
Deloitte	5.0
Accor	4.2
Mizuho Bank	1.7
Boots	1.5
Next	1.2
Sainsbury's	1.2
Cineworld	1.2
Taylor Wessing	1.1
H&M	1.1
M&S	1.1
K&L Gates	1.1
	25.4

1. On a proportionate basis.

Table 19: Development pipeline and trading property development schemes at 31 March 2018

Development pipeline

Property	Description of use	Ownership interest %	Size sq ft	Letting status %	Market value £m	Net income/ ERV £m	Actual/ estimated completion date	Total development costs to date £m	Forecast total development cost £m
Developments after practical completion									
Westgate Oxford	Retail	50	800,000	90	259	14	Oct 2017	206	218
Developments approved or in progress									
Selly Oak, Birmingham	Retail	50	190,000	91	22	3	Sep 2018	16	34
21 Moorfields, EC2	Office	100	564,000	83(1)	166	38	Nov 2021	115	583
Developments let and transferred or sold									
The Zig Zag Building, SW1(2)	Office	100	192,700	94	n/a(4)	17	Nov 2015	181	181
	Retail		38,700	100					
Nova, SW1	Office	50	481,400	98	n/a(4)	20	Apr 2017	263	263
	Retail		79,200	89					
20 Eastbourne Terrace, W2	Office	100	92,800	100	n/a(4)	6	May 2017	67	67
Oriana, W1 – Phase II(3)	Retail	50	30,700	100	n/a(4)	n/a	n/a	n/a	n/a

1. We have entered into a conditional agreement for lease with Deutsche Bank for between 469,000 and 564,000 sq ft at 21 Moorfields, EC2. The letting status of 83% represents a letting of 469,000 sq ft.
2. Includes retail within Kings Gate, SW1.
3. This represents the disposal of 28-32 Oxford Street, W1.
4. Once properties are transferred from the development pipeline, we do not report on their individual value.

Where the property is not 100% owned, floor areas and letting status shown above represent the full scheme whereas all other figures represent our proportionate share. Letting % is measured by ERV and shows letting status at 31 March 2018. Trading property development schemes are excluded from the development pipeline.

Total development cost

Refer to glossary for definition. Of the properties in the development pipeline at 31 March 2018, the only properties on which interest was capitalised on the land cost were Westgate Oxford and 21 Moorfields, EC2.

Net income/ERV

Net income/ERV represents headline annual rent on let units plus ERV at 31 March 2018 on unlet units, both after rents payable.

Trading property development schemes

Property	Description of use	Ownership interest %	Size sq ft	Number of units	Sales exchanged by unit %	Completion date	Total development costs to date £m	Forecast total development cost £m
Kings Gate, SW1	Residential	100	108,600	100	99	Oct 2015	161	161
Nova, SW1	Residential	50	166,800	170	93	Apr 2017	147	147
Oriana, W1 – Phase II	Residential	50	20,200	18	89	Oct 2017	16	16
Westgate Oxford	Residential	50	36,700	59	90	Dec 2017	11	11

Table 20: Combined Portfolio value by location at 31 March 2018

	Shopping centres and shops %	Retail parks %	Offices %	Hotels, leisure, residential & other %	Total %
Central, inner and outer London	14.5	0.2	44.7	3.2	62.6
South East and East	11.5	3.5	-	2.9	17.9
Midlands	-	0.8	-	0.5	1.3
Wales and South West	3.4	0.5	-	0.6	4.5
North, North West, Yorkshire and Humberside	7.8	0.5	0.1	1.7	10.1
Scotland and Northern Ireland	2.7	0.2	-	0.7	3.6
Total	**39.9**	**5.7**	**44.8**	**9.6**	**100.0**

% figures calculated by reference to the Combined Portfolio value of £14.1bn.

For a full list of the Group's properties please refer to the website landsec.com.

Table 21: Combined Portfolio performance relative to IPD
Total property returns – year ended 31 March 2018

	Landsec %	IPD [1] %
Retail – Shopping centres	1.9	1.5
– Retail parks	7.0	6.8 [2]
Central London shops	3.4	11.5
Central London offices	5.3	8.0
Total	**4.3** [3]	**10.1**

1. IPD Quarterly Universe.
2. IPD Retail Warehouses Quarterly Universe.
3. Includes leisure, hotel portfolio and other.

Table 22: Cost analysis

	£m
Gross rental income (before rents payable)	**673**
Rents payable	(12)
Gross rental income (after rents payable)	**661**
Net service charge expense	(11)
Net direct property expenditure	(39)
Net rental income	**611**
Indirect costs	(39)
Segment profit before finance expense	**572**
Net unallocated expenses	(43)
Net finance expense - Group	(95)
Net finance expense - joint ventures	(28)
Revenue profit	**406**

Direct property costs £50m

Indirect Expenses[2] £82m

Total cost ratio[1] **18.5%**

	Year ended 31 March 2018 Total £m	Year ended 31 March 2018 Cost ratio %[1]	Year ended 31 March 2017 Total £m	Year ended 31 March 2017 Cost ratio %[1]
Gross rental income (before rents payable)	**673**		648	
Costs recovered through rents but not separately invoiced	(9)		(2)	
Adjusted gross rental income	**664**		646	
Rents payable	(12)		(11)	
EPRA gross rental income	**652**		635	
Managed operations	**9**	**1.4**	8	1.2
Tenant default	**5**	**0.8**	2	0.3
Void related costs	**20**	**3.0**	13	2.0
Other direct property costs	**14**	**2.1**	12	1.9
Development expenditure	**14**	**2.1**	16	2.5
Asset management, administration and compliance	**70**	**10.5**	65	10.1
Total (incl. direct vacancy costs)	**132**	**19.9**	116	18.0
Costs recovered through rents	(9)		(2)	
Adjusted total costs	**123**	**18.5**	114	17.6
Head office relocation	-		(1)	
EPRA costs (incl. direct vacancy costs)	**123**	**18.9**	113	17.8
Less: Direct vacancy costs	(20)		(13)	
EPRA (excl. direct vacancy costs)	**103**	**15.8**	100	15.7

1. Percentages represent costs divided by Adjusted gross rental income, except for EPRA measures which represent costs divided by EPRA gross rental income.
2. Indirect expenses amounting to **£1m** (2017: £1m) have been capitalised as development costs and are excluded from table 22.

Table 23: Combined Portfolio analysis

Like-for-like segmental analysis

	Market value[1]		Valuation movement[1]		Rental income[1]		Annualised rental income[2]	Annualised net rent[3]		Net estimated rental value[4]	
	31 March 2018	31 March 2017	**Surplus/ (deficit)**	**Surplus/ (deficit)**	**31 March 2018**	31 March 2017	**31 March 2018**	**31 March 2018**	31 March 2017	**31 March 2018**	31 March 2017
	£m	£m	**£m**	**%**	**£m**	£m	**£m**	**£m**	£m	**£m**	£m
Retail Portfolio											
Shopping centres and shops	**3,558**	3,635	**(110)**	**(3.0%)**	**196**	193	**186**	**180**	179	**196**	194
Retail parks	**786**	791	**(9)**	**(1.1%)**	**48**	48	**47**	**47**	47	**47**	47
Leisure and hotels	**1,304**	1,288	**8**	**0.7%**	**77**	78	**77**	**75**	76	**78**	78
Other	**16**	19	**(2)**	**(11.6%)**	**1**	1	**1**	**1**	1	**2**	2
Total Retail Portfolio	**5,664**	5,733	**(113)**	**(2.0%)**	**322**	320	**311**	**303**	303	**323**	321
London Portfolio											
West End	**2,388**	2,439	**(57)**	**(2.4%)**	**106**	105	**107**	**108**	106	**117**	117
City	**718**	726	**(6)**	**(0.8%)**	**30**	29	**30**	**32**	32	**40**	40
Mid-town	**1,010**	1,013	**(1)**	**(0.1%)**	**41**	40	**41**	**45**	42	**49**	49
Inner London	**324**	323	**1**	**0.3%**	**14**	14	**14**	**15**	15	**16**	17
Total London offices	**4,440**	4,501	**(63)**	**(1.5%)**	**191**	188	**192**	**200**	195	**222**	223
Central London shops	**1,357**	1,336	**12**	**0.9%**	**48**	47	**49**	**48**	37	**60**	60
Other	**39**	41	**(5)**	**(11.0%)**	**2**	2	**1**	**1**	1	**1**	1
Total London Portfolio	**5,836**	5,878	**(56)**	**(1.0%)**	**241**	237	**242**	**249**	233	**283**	284
Like-for-like portfolio[8]	**11,500**	11,611	**(169)**	**(1.5%)**	**563**	557	**553**	**552**	536	**606**	605
Proposed developments[1]	**-**	-	**-**	**-**	**-**	-	**-**	**-**	-	**-**	-
Development programme[9]	**447**	262	**68**	**18.3%**	**7**	-	**11**	**6**	(2)	**52**	14
Completed developments[1]	**1,816**	1,749	**17**	**1.0%**	**65**	49	**67**	**41**	5	**84**	85
Acquisitions[10]	**340**	4	**(7)**	**(1.9%)**	**25**	-	**24**	**24**	-	**24**	-
Sales[11]	**-**	813	**-**	**-**	**13**	42	**-**	**-**	31	**-**	39
Combined Portfolio	**14,103**	14,439	**(91)**	**(0.7%)**	**673**	648	**655**	**623**	570	**766**	743
Properties treated as finance leases					**(10)**	(10)					
Combined Portfolio	**14,103**	14,439	**(91)**	**(0.7%)**	**663**	638					

Total portfolio analysis

	Market value[1]		Valuation movement[1]		Rental income[1]		Annualised rental income[2]	Annualised net rent[3]		Net estimated rental value[4]	
	31 March 2018	31 March 2017	**Surplus/ (deficit)**	**Surplus/ (deficit)**	**31 March 2018**	31 March 2017	**31 March 2018**	**31 March 2018**	31 March 2017	**31 March 2018**	31 March 2017
	£m	£m	**£m**	**%**	**£m**	£m	**£m**	**£m**	£m	**£m**	£m
Retail Portfolio											
Shopping centres and shops	**4,152**	3,860	**(105)**	**(2.5%)**	**228**	195	**221**	**210**	180	**233**	210
Retail parks	**809**	861	**(2)**	**(0.2%)**	**51**	52	**47**	**47**	51	**48**	51
Leisure and hotels	**1,309**	1,384	**8**	**0.6%**	**80**	94	**77**	**75**	80	**79**	83
Other	**16**	20	**(2)**	**(11.5%)**	**1**	2	**1**	**1**	1	**2**	2
Total Retail Portfolio	**6,286**	6,125	**(101)**	**(1.7%)**	**360**	343	**346**	**333**	312	**362**	346
London Portfolio											
West End	**3,235**	3,247	**(42)**	**(1.3%)**	**132**	123	**135**	**124**	107	**155**	157
City	**1,388**	1,853	**48**	**3.7%**	**57**	66	**49**	**52**	53	**99**	87
Mid-town	**1,347**	1,336	**-**	**-**	**55**	48	**56**	**45**	42	**66**	67
Inner London	**324**	323	**1**	**0.4%**	**14**	14	**14**	**15**	15	**17**	17
Total London offices	**6,294**	6,759	**7**	**0.1%**	**258**	251	**254**	**236**	217	**337**	328
Central London shops	**1,480**	1,514	**8**	**0.6%**	**53**	52	**54**	**53**	40	**66**	68
Other	**43**	41	**(5)**	**(9.9%)**	**2**	2	**1**	**1**	1	**1**	1
Total London Portfolio	**7,817**	8,314	**10**	**0.1%**	**313**	305	**309**	**290**	258	**404**	397
Combined Portfolio	**14,103**	14,439	**(91)**	**(0.7%)**	**673**	648	**655**	**623**	570	**766**	743
Properties treated as finance leases					**(10)**	(10)					
Combined Portfolio	**14,103**	14,439	**(91)**	**(0.7%)**	**663**	638					
Represented by:											
Investment portfolio	**12,848**	12,628	**(98)**	**(0.8%)**	**610**	585	**606**	**587**	523	**701**	650
Share of joint ventures	**1,255**	1,811	**7**	**0.6%**	**53**	53	**49**	**36**	47	**65**	93
Combined Portfolio	**14,103**	14,439	**(91)**	**(0.7%)**	**663**	638	**655**	**623**	570	**766**	743

Table 23: Combined Portfolio analysis continued
Like-for-like segmental analysis

	Gross estimated rental value[5]		Net initial yield[6]		Equivalent yield[7]		Voids (by ERV)[1]	
	31 March 2018	31 March 2017	**31 March 2018**	31 March 2017	**31 March 2018**	31 March 2017	**31 March 2018**	31 March 2017
	£m	£m	**%**	%	**%**	%	**%**	%
Retail Portfolio								
Shopping centres and shops	**203**	201	**4.4%**	4.3%	**4.9%**	4.8%	**3.6%**	4.0%
Retail parks	**48**	48	**5.4%**	5.5%	**5.6%**	5.6%	**-**	-
Leisure and hotels	**79**	78	**5.1%**	5.2%	**5.4%**	5.5%	**0.8%**	0.8%
Other	**2**	2	**1.3%**	3.8%	**8.3%**	8.3%	**40.9%**	34.8%
Total Retail Portfolio	**332**	329	**4.7%**	4.7%	**5.1%**	5.0%	**2.7%**	2.9%
London Portfolio								
West End	**117**	117	**4.3%**	4.0%	**4.5%**	4.6%	**3.4%**	6.4%
City	**41**	41	**4.3%**	4.2%	**4.8%**	4.8%	**-**	-
Mid-town	**50**	50	**4.4%**	4.0%	**4.5%**	4.5%	**0.6%**	-
Inner London	**17**	17	**4.2%**	4.2%	**4.9%**	5.0%	**0.6%**	-
Total London offices	**225**	225	**4.3%**	4.0%	**4.6%**	4.6%	**2.0%**	3.3%
Central London shops	**60**	61	**3.1%**	2.5%	**4.1%**	4.0%	**2.2%**	1.7%
Other	**1**	1	**1.2%**	0.9%	**1.4%**	1.3%	**20.0%**	33.3%
Total London Portfolio	**286**	287	**4.0%**	3.7%	**4.4%**	4.5%	**2.0%**	3.0%
Like-for-like portfolio[8]	**618**	616	**4.4%**	4.2%	**4.8%**	4.7%	**2.4%**	2.9%
Proposed developments[1]	**-**	-	**-**	-	**n/a**	n/a	**n/a**	n/a
Development programme[9]	**54**	15	**0.7%**	-	**4.5%**	4.6%	**n/a**	n/a
Completed developments[1]	**84**	86	**2.1%**	0.2%	**4.2%**	4.3%	**n/a**	n/a
Acquisitions[10]	**24**	-	**5.7%**	5.5%	**5.9%**	n/a	**n/a**	n/a
Sales[11]	**-**	39	**-**	3.5%	**n/a**	n/a	**n/a**	n/a
Combined Portfolio	**780**	756	**4.0%**	3.6%	**4.7%**	n/a	**n/a**	n/a

Total portfolio analysis

	Gross estimated rental value[5]		Net initial yield[6]	
	31 March 2018	31 March 2017	**31 March 2018**	31 March 2017
	£m	£m	**%**	%
Retail Portfolio				
Shopping centres and shops	**243**	219	**4.3%**	4.1%
Retail parks	**49**	52	**5.1%**	5.4%
Leisure and hotels	**79**	83	**5.1%**	5.2%
Other	**2**	2	**1.3%**	3.8%
Total Retail Portfolio	**373**	356	**4.6%**	4.5%
London Portfolio				
West End	**154**	156	**3.6%**	3.0%
City	**101**	89	**3.6%**	2.7%
Mid-town	**68**	68	**3.3%**	3.0%
Inner London	**17**	17	**4.2%**	4.2%
Total London offices	**340**	330	**3.6%**	3.0%
Central London shops	**66**	69	**3.1%**	2.4%
Other	**1**	1	**1.3%**	0.9%
Total London Portfolio	**407**	400	**3.5%**	2.9%
Combined Portfolio	**780**	756	**4.0%**	3.6%
Represented by:				
Investment portfolio	**714**	661	**4.1%**	3.7%
Share of joint ventures	**66**	95	**2.3%**	2.4%
Combined Portfolio	**780**	756	**4.0%**	3.6%

Notes:

1. Refer to glossary for definition.
2. Annualised rental income is annual 'rental income' (as defined in the glossary) at the balance sheet date, except that car park and commercialisation income are included on a net basis (after deduction for operational outgoings). Annualised rental income includes temporary lettings.
3. Annualised net rent is annual cash rent, after the deduction of rent payable, as at the balance sheet date. It is calculated with the same methodology as annualised rental income but is stated net of rent payable and before SIC15 adjustments.
4. Net estimated rental value is gross estimated rental value, as defined in the glossary, after deducting expected rent payable.
5. Gross estimated rental value (ERV) – refer to glossary for definition. The figure for proposed developments relates to the existing buildings and not the schemes proposed.
6. Net initial yield - refer to glossary for definition. This calculation includes all properties including those sites with no income.
7. Equivalent yield – refer to glossary for definition. Proposed developments are excluded from the calculation of equivalent yield on the Combined Portfolio.
8. The like-for-like portfolio – refer to glossary for definition. Capital expenditure on refurbishments, acquisitions of head leases and similar capital expenditure has been allocated to the like-for-like portfolio in preparing this table.
9. The development programme - refer to glossary for definition. Net initial yield figures are only calculated for properties in the development programme that have reached practical completion.
10. Includes all properties acquired since 1 April 2016.
11. Includes all properties sold since 1 April 2016.

Table 24: Lease lengths

	Weighted average unexpired lease term at 31 March 2018	
	Like-for-like portfolio Mean(1) Years	Like-for-like portfolio, completed developments and acquisitions Mean(1) Years
Retail Portfolio		
Shopping centres and shops	6.2	5.8
Retail parks	6.8	6.8
Leisure and hotels	12.5	12.5
Other	3.1	3.1
Total Retail Portfolio	**7.9**	**7.5**
London Portfolio		
West End	7.6	8.8
City	5.1	8.7
Mid-town	8.5	11.2
Inner London	14.8	14.8
Total London offices	**7.9**	**9.6**
Central London shops	6.3	6.9
Other	5.7	5.7
Total London Portfolio	**7.6**	**9.2**
Combined Portfolio	**7.8**	**8.4**

1. Mean is the rent weighted average of the unexpired lease term across all leases (excluding short-term leases). Term is defined as the earlier of tenant break or expiry.

Table 25: Development pipeline financial summary

	Cumulative movements on the development programme to 31 March 2018						Total scheme details[1]				
	Market value at start of scheme	Capital expenditure incurred to date	Capitalised interest to date	Valuation surplus/(deficit) to date[2]	Disposals, SIC15 rent and other adjustments	**Market value at 31 March 2018**	Estimated total capital expenditure	Estimated total capitalised interest	Estimated total development cost[3]	Net Income/ ERV[4]	**Valuation surplus for the year ended 31 March 2018[2]**
	£m	£m	£m	£m	£m	**£m**	£m	£m	£m	£m	**£m**
Developments let and transferred or sold											
Shopping centres and shops	**-**	-	-	-	-	**-**	-	-	-	-	**-**
Retail parks	**-**	-	-	-	-	**-**	-	-	-	-	**-**
London Portfolio	**195**	381	44	387	(62)	**945**	272	44	511	43	**13**
	195	381	44	387	(62)	**945**	272	44	511	43	**13**
Developments after practical completion, approved or in progress											
Shopping centres and shops	**30**	170	11	42	6	**259**	177	11	218	14	**11**
Retail parks	**6**	10	-	6	-	**22**	28	-	34	3	**6**
London Portfolio	**73**	39	3	51	-	**166**	469	41	583	38	**51**
	109	219	14	99	6	**447**	674	52	835	55	**68**
	Movement on proposed developments for the year ended 31 March 2018										
Proposed developments											
Shopping centres and shops	**-**	-	-	-	-	**-**	-	-	-	-	**-**
Retail parks	**-**	-	-	-	-	**-**	-	-	-	-	**-**
London Portfolio	**-**	-	-	-	-	**-**	-	-	-	-	**-**
	-	-	-	-	-	**-**	-	-	-	-	**-**

1. Total scheme details exclude properties sold in the year.
2. Includes profit realised on the disposal of investment properties and any surplus or deficit on investment properties transferred to trading.
3. Includes the property at its market value at the start of the financial year in which the property was added to the development programme together with estimated capitalised interest.
4. Net headline annual rent on let units plus net ERV at 31 March 2018 on unlet units.

Table 26: Reconciliation of segmental information note to statutory reporting

The table below reconciles the Group's income statement to the segmental information note (note 3 to the financial statements). The Group's income statement is prepared using the equity accounting method for joint ventures and includes 100% of the results of the Group's non-wholly owned subsidiaries. In contrast, the segmental information note is prepared on a proportionately consolidated basis and excludes the non-wholly owned share of the Group's subsidiaries. This is consistent with the financial information reviewed by management.

	Year ended 31 March 2018					
	Group income statement £m	Joint ventures[1] £m	Proportionate share of earnings[2] £m	Total £m	Revenue profit £m	Capital and other items £m
Rental income	612	53	(2)	663	663	-
Finance lease interest	10	-	-	10	10	-
Gross rental income (before rents payable)	**622**	**53**	**(2)**	**673**	**673**	**-**
Rents payable	(11)	(1)	-	(12)	(12)	-
Gross rental income (after rents payable)	**611**	**52**	**(2)**	**661**	**661**	**-**
Service charge income	96	10	(1)	105	105	-
Service charge expense	(105)	(12)	1	(116)	(116)	-
Net service charge expense	(9)	(2)	-	(11)	(11)	-
Other property related income	36	2	-	38	38	-
Direct property expenditure	(65)	(12)	-	(77)	(77)	-
Net rental income	**573**	**40**	**(2)**	**611**	**611**	**-**
Indirect property expenditure	(81)	(3)	-	(84)	(84)	-
Other income	2	-	-	2	2	-
	494	**37**	**(2)**	**529**	**529**	**-**
Profit on disposal of investment properties	1	2	-	3	-	3
Profit on disposal of investment in joint venture	66	-	-	66	-	66
Net (deficit)/surplus on revaluation of investment properties	(98)	7	-	(91)	-	(91)
Movement in impairment of trading properties	-	(4)	-	(4)	-	(4)
Profit on disposal of trading properties	17	13	-	30	-	30
Other	(2)	-	2	-	-	-
Operating profit	**478**	**55**	**-**	**533**	**529**	**4**
Finance income	39	-	-	39	31	8
Finance expense	(795)	(28)	-	(823)	(154)	(669)
Share of post-tax profit from joint ventures	27	(27)	-	-	-	-
(Loss)/profit before tax	**(251)**	**-**	**-**	**(251)**	**406**	**(657)**
Taxation	(1)	-	-	(1)	-	(1)
(Loss)/profit attributable to shareholders	**(252)**	**-**	**-**	**(252)**	**406**	**(658)**

1. Reallocation of the share of post-tax profit from joint ventures reported in the Group income statement to the individual line items reported in the segmental information note.
2. Removal of the non-wholly owned share of results of the Group's subsidiaries. The non-wholly owned subsidiaries are consolidated at 100% in the Group's income statement, but only the Group's share is included in revenue profit reported in the segmental information note.

Table 26: Reconciliation of segmental information note to statutory reporting continued

	Year ended 31 March 2017					
	Group income statement £m	Joint ventures[1] £m	Proportionate share of earnings[2] £m	Total £m	Revenue profit £m	Capital and other items £m
Rental income	587	53	(2)	638	638	-
Finance lease interest	10	-	-	10	10	-
Gross rental income (before rents payable)	**597**	**53**	**(2)**	**648**	**648**	**-**
Rents payable	(10)	(1)	-	(11)	(11)	-
Gross rental income (after rents payable)	**587**	**52**	**(2)**	**637**	**637**	**-**
Service charge income	94	9	(2)	101	101	-
Service charge expense	(96)	(11)	1	(106)	(106)	-
Net service charge expense	(2)	(2)	(1)	(5)	(5)	-
Other property related income	32	2	-	34	34	-
Direct property expenditure	(58)	(8)	-	(66)	(66)	-
Net rental income	**559**	**44**	**(3)**	**600**	**600**	**-**
Indirect property expenditure	(79)	(2)	-	(81)	(81)	-
Other income	2	-	-	2	2	-
	482	**42**	**(3)**	**521**	**521**	**-**
Profit on disposal of investment properties	19	1	-	20	-	20
Loss on disposal of investment in joint venture	(2)	-	-	(2)	-	(2)
Profit on disposal of other investment	13	-	-	13	-	13
Net (deficit)/surplus on revaluation of investment properties	(186)	40	(1)	(147)	-	(147)
Movement in impairment of trading properties	12	-	-	12	-	12
Profit on disposal of trading properties	29	7	-	36	-	36
Head office relocation	1	-	-	1	-	1
Other	(3)	-	4	1	-	1
Operating profit	**365**	**90**	**-**	**455**	**521**	**(66)**
Finance income	37	-	-	37	37	-
Finance expense	(359)	(21)	-	(380)	(176)	(204)
Share of post-tax profit from joint ventures	69	(69)	-	-	-	-
Profit before tax	**112**	**-**	**-**	**112**	**382**	**(270)**
Taxation	1	-	-	1	-	1
Profit attributable to shareholders	**113**	**-**	**-**	**113**	**382**	**(269)**

1. Reallocation of the share of post-tax profit from joint ventures reported in the Group income statement to the individual line items reported in the segmental information note.
2. Removal of the non-wholly owned share of results of the Group's subsidiaries. The non-wholly owned subsidiaries are consolidated at 100% in the Group's income statement, but only the Group's share is included in revenue profit reported in the segmental information note.

Table 27: Acquisitions, disposals and capital expenditure

	Group (excl. joint ventures) £m	Joint ventures £m	Adjustment for proportionate share[1] £m	Year ended 31 March 2018 Combined Portfolio £m	Year ended 31 March 2017 Combined Portfolio £m
Investment properties					
Net book value at the beginning of the year	**12,144**	**1,763**	**(34)**	**13,873**	13,954
Acquisitions	351	-	-	**351**	15
Transfer from/(to) trading properties	1	1	-	**2**	(5)
Capital expenditure	92	73	(1)	**164**	240
Capitalised interest	3	3	-	**6**	18
Disposals	(157)	(612)	-	**(769)**	(244)
Net movement in finance leases	-	-	-	**-**	42
Net (deficit)/surplus on revaluation of investment properties	(98)	7	-	**(91)**	(147)
Net book value at the end of the year	**12,336**	**1,235**	**(35)**	**13,536**	13,873
Profit on disposal of investment properties	**1**	**2**	**-**	**3**	20
Trading properties					
Net book value at the beginning of the year	**122**	**124**	**-**	**246**	281
Capital expenditure	15	4	-	**19**	46
Capitalised interest	-	-	-	**-**	5
Disposals	(112)	(73)	-	**(185)**	(101)
Transfer (to)/from investment properties	(1)	(1)	-	**(2)**	5
Movement in impairment	-	(4)	-	**(4)**	12
Net book value at the end of the year	**24**	**50**	**-**	**74**	248
Profit on disposal of trading properties	**17**	**13**	**-**	**30**	36
Investment in joint ventures					
Profit/(loss) on disposal of investment in joint venture	**66**	**-**	**-**	**66**	(2)
Other investments					
Profit on disposal of other investment	**-**	**-**	**-**	**-**	13

Acquisitions, development and refurbishment expenditure	£m	£m
Acquisitions of investment properties	**351**	15
Capital expenditure – investment properties	**58**	81
Development capital expenditure – investment properties	**106**	159
Capital expenditure – trading properties	**16**	19
Development capital expenditure – trading properties	**3**	27
Acquisitions, development and refurbishment expenditure	**534**	301

Disposals	£m	£m
Net book value – investment property disposals	**769**	244
Net book value – trading property disposals	**185**	101
Net book value – other net liabilities of trading property disposals	**(34)**	-
Net book value – other net assets of joint venture disposals	**46**	-
Profit on disposal – investment properties	**3**	20
Profit on disposal – trading properties	**30**	36
Profit/(loss) on disposal – investment in joint venture	**66**	(2)
Profit on disposal – other investment	**-**	13
Other	**2**	1
Total disposal proceeds	**1,067**	413

1. This represents the interest in X-Leisure which we do not own, but which is consolidated in the Group numbers.

Table 28: Analysis of capital expenditure

Year ended 31 March 2018

	Acquisitions – investment properties £m	Development capital expenditure – investment properties £m	Capital expenditure – investment properties: Incremental lettable space £m	No incremental lettable space £m	Agent fees £m	Tenant improvements £m	Total £m	Capitalised interest £m	Total capital expenditure £m
Retail Portfolio									
Shopping centres and shops	**344**	**56**	15	9	-	3	**27**	**3**	**430**
Retail parks	**-**	**11**	-	4	-	(1)	**3**	**-**	**14**
Leisure and hotels	**6**	**-**	2	2	-	1	**5**	**-**	**11**
Other	**1**	**-**	-	2	-	-	**2**	**-**	**3**
Total Retail Portfolio	**351**	**67**	**17**	**17**	**-**	**3**	**37**	**3**	**458**
London Portfolio									
West End	**-**	**-**	-	10	2	-	**12**	**-**	**12**
City	**-**	**39**	-	(2)	-	-	**(2)**	**3**	**40**
Mid-town	**-**	**-**	-	(1)	-	-	**(1)**	**-**	**(1)**
Inner London	**-**	**-**	-	-	-	-	**-**	**-**	**-**
Central London shops	**-**	**-**	-	11	1	-	**12**	**-**	**12**
Total London Portfolio	**-**	**39**	**-**	**18**	**3**	**-**	**21**	**3**	**63**
Combined Portfolio[1]	**351**	**106**	**17**	**35**	**3**	**3**	**58**	**6**	**521**

1. On a cash basis, total capital expenditure was **£522m**, with **£440m** relating to the Group.

Investor information

1. Company website: landsec.com

The Group's half-yearly and annual reports to shareholders, results announcements and presentations, are available to view and download from the Company's website. The website also provides details of the Company's current share price, the latest news about the Group, its properties and operations, and details of future events and how to obtain further information.

2. Registrar: Equiniti Group PLC

Enquiries concerning shareholdings, dividends and changes in personal details should be referred to the Company's registrar, Equiniti Group PLC (Equiniti), in the first instance. They can be contacted using the details below:

Telephone:

— 0371 384 2128 (from the UK)
— +44 121 415 7049 (from outside the UK)
— Lines are open from 08:30 to 17:30, Monday to Friday, excluding UK public holidays.

Correspondence address:

Equiniti Group PLC
Aspect House
Spencer Road
Lancing
West Sussex
BN99 6DA

Information on how to manage your shareholding can be found at https://help.shareview.co.uk. If you are not able to find the answer to your question within the general Help information page, a personal enquiry can be sent directly through Equiniti's secure e-form on their website. Please note that you will be asked to provide your name, address, shareholder reference number and a valid e-mail address. Alternatively, shareholders can view and manage their shareholding through the Landsec share portal which is hosted by Equiniti – simply visit https://portfolio.shareview.co.uk and follow the registration instructions.

3. Shareholder enquiries

If you have an enquiry about the Company's business or about something affecting you as a shareholder (other than queries which are dealt with by the Registrar), please email Investor Relations (see details in 8. below).

4. Share dealing services: https://shareview.co.uk

The Company's shares can be traded through most banks, building societies and stockbrokers. They can also be traded through Equiniti. To use their service, shareholders should contact Equiniti: 0345 603 7037 from the UK. Lines are open Monday to Friday 08:00 to 16:30 for dealing and until 18:00 for enquiries, excluding UK public holidays.

5. Dividends

The Board has recommended a final dividend for the year ended 31 March 2018 of 14.65p per ordinary share to be paid as Property Income Distribution (PID). Subject to shareholders' approval at the Annual General Meeting the final dividend will be paid on 27 July 2018 to shareholders registered at the close of business on 22 June 2018. The total dividend paid and payable in respect of the year ended 31 March 2018 is 44.2p (2017: 38.55p). The first quarterly dividend for the year ending 31 March 2019 will be 11.3p. It will be paid on 5 October 2018, to shareholders on the register at the close of business on 7 September 2018.

6. Dividend related services

— Dividend payments to UK shareholders – Dividend Mandates

We recommend that dividends are paid directly into a nominated bank or building society account through the Bankers Automated Clearing System (BACS). This service provides cleared funds on the dividend payment date, is more secure than sending a cheque by post and avoids the inconvenience of paying each dividend by cheque. This arrangement is only available in respect of dividends paid in sterling.

— Dividend payments to overseas shareholders – International Payment Service

For international shareholders who would prefer to receive payment of their dividends in local currency and directly into their local bank account, an Overseas Payment Service (OPS) is available. This can be more convenient and effective than otherwise receiving dividend payments by sterling cheque or into a UK bank account.

The OPS service is available from Equiniti who, in partnership with Citibank, may be able to convert sterling dividends into your local currency at competitive rates and either arrange for those funds to be sent to you by currency draft or credited to your bank account directly.

— Dividend Reinvestment Plan (DRIP)

A DRIP is available from Equiniti. This facility provides an opportunity by which shareholders can conveniently and easily increase their holding in the Company by using their cash dividends to buy more shares. Participation in the DRIP will mean that your dividend payments will be reinvested in the Company's shares and these will be purchased on your behalf in the market on, or as soon as practical after, the dividend payment date.

You may only participate in the DRIP if you are resident in the European Economic Area, Channel Islands or Isle of Man.

For further information (including terms and conditions) and to register for any of these dividend-related services, simply visit www.shareview.co.uk.

7. Financial reporting calendar

	2018
Annual Report and AGM Notice mailed to shareholders	11 June
Annual General Meeting	12 July
Half-yearly results announcement	13 November
	2019
Financial year end	31 March
Preliminary results announcement	14 May*

* Provisional date only

8. Investor relations enquiries

For investor relations enquiries, please contact Edward Thacker, Head of Investor Relations at Landsec, by telephone on +44 (0)20 7413 9000 or by email at enquiries@landsec.com.

Glossary

Adjusted earnings per share (Adjusted EPS)
Earnings per share based on revenue profit after related tax.

Adjusted net assets per share
Net assets per share adjusted to remove the effect of the de-recognition of the 2004 bond exchange and cumulative fair value movements on interest-rate swaps and similar instruments.

Adjusted net debt
Net debt excluding cumulative fair value movements on interest-rate swaps, the adjustment arising from the de-recognition of the bond exchange and amounts payable under finance leases. It generally includes the net debt of subsidiaries and joint ventures on a proportionate basis.

Book value
The amount at which assets and liabilities are reported in the financial statements.

BREEAM
Building Research Establishment's Environmental Assessment Method.

Combined Portfolio
The Combined Portfolio comprises the investment properties of the Group's subsidiaries, on a proportionately consolidated basis when not wholly owned, together with our share of investment properties held in our joint ventures.

Completed developments
Completed developments consist of those properties previously included in the development programme, which have been transferred from the development programme since 1 April 2016.

Development pipeline
The development programme together with proposed developments.

Development programme
The development programme consists of committed developments (Board approved projects with the building contract let), authorised developments (Board approved), projects under construction and developments which have reached practical completion within the last two years but are not yet 95% let.

Diluted figures
Reported results adjusted to include the effects of potentially dilutive shares issuable under employee share schemes.

Dividend Reinvestment Plan (DRIP)
The DRIP provides shareholders with the opportunity to use cash dividends received to purchase additional ordinary shares in the Company immediately after the relevant dividend payment date. Full details appear on the Company's website.

Earnings per share
Profit after taxation attributable to owners divided by the weighted average number of ordinary shares in issue during the year.

EPRA
European Public Real Estate Association.

EPRA net initial yield
EPRA net initial yield is defined within EPRA's Best Practice Recommendations as the annualised rental income based on the cash rents passing at the balance sheet date, less non-recoverable property operating expenses, divided by the gross market value of the property. It is consistent with the net initial yield calculated by the Group's external valuer.

Equivalent yield
Calculated by the Group's external valuer, equivalent yield is the internal rate of return from an investment property, based on the gross outlays for the purchase of a property (including purchase costs), reflecting reversions to current market rent and such items as voids and non-recoverable expenditure but ignoring future changes in capital value. The calculation assumes rent is received annually in arrears.

ERV - Gross estimated rental value
The estimated market rental value of lettable space as determined biannually by the Group's external valuer. For investment properties in the development programme, which have not yet reached practical completion, the ERV represents management's view of market rents.

Fair value movement
An accounting adjustment to change the book value of an asset or liability to its market value (see also mark-to-market adjustment).

Finance lease
A lease that transfers substantially all the risks and rewards of ownership from the lessor to the lessee.

Gearing
Total borrowings, including bank overdrafts, less short-term deposits, corporate bonds and cash, at book value, plus cumulative fair value movements on financial derivatives as a percentage of total equity. For adjusted gearing, see note 13.

Gross market value
Market value plus assumed usual purchaser's costs at the reporting date.

Head lease
A lease under which the Group holds an investment property.

Interest Cover Ratio (ICR)
A calculation of a company's ability to meet its interest payments on outstanding debt. It is calculated using revenue profit before interest, divided by net interest (excluding the mark-to-market movement on interest-rate swaps, foreign exchange swaps, bond exchange de-recognition, capitalised interest and interest on the pension scheme assets and liabilities). The calculation excludes joint ventures.

IPD
Refers to the MSCI IPD Direct Property indexes which measure the property level investment returns in the UK.

Interest-rate swap
A financial instrument where two parties agree to exchange an interest rate obligation for a predetermined amount of time. These are generally used by the Group to convert floating-rate debt or investments to fixed rates.

Investment portfolio
The investment portfolio comprises the investment properties of the Group's subsidiaries, on a proportionately consolidated basis where not wholly owned.

Joint venture
An arrangement in which the Group holds an interest and which is jointly controlled by the Group and one or more partners under a contractual arrangement. Decisions on the activities of the joint venture that significantly affect the joint venture's returns, including decisions on financial and operating policies and the performance and financial position of the operation, require the unanimous consent of the partners sharing control.

Lease incentives
Any incentive offered to occupiers to enter into a lease. Typically, the incentive will be an initial rent-free period, or a cash contribution to fit-out or similar costs. For accounting purposes the value of the incentive is spread over the non-cancellable life of the lease.

LIBOR
The London Interbank Offered Rate, the interest rate charged by one bank to another for lending money, often used as a reference rate in bank facilities.

Like-for-like portfolio
The like-for-like portfolio includes all properties which have been in the portfolio since 1 April 2016, but excluding those which are acquired, sold or included in the development pipeline at any time since that date.

Loan-to-value (LTV)
Group LTV is the ratio of adjusted net debt, including subsidiaries and joint ventures, to the sum of the market value of investment properties and the book value of trading properties of the Group, its subsidiaries and joint ventures, all on a proportionate basis, expressed as a percentage. For the Security Group, LTV is the ratio of net debt lent to the Security Group divided by the value of secured assets.

Market value
Market value is determined by the Group's external valuer, in accordance with the RICS Valuation Standards, as an opinion of the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing.

Mark-to-market adjustment
An accounting adjustment to change the book value of an asset or liability to its market value (see also fair value movement).

Net assets per share
Equity attributable to owners divided by the number of ordinary shares in issue at the year end. Net assets per share is also commonly known as net asset value per share (NAV per share).

Net initial yield
Net initial yield is a calculation by the Group's external valuer of the yield that would be received by a purchaser, based on the Estimated Net Rental Income expressed as a percentage of the acquisition cost, being the market value plus assumed usual purchasers' costs at the reporting date. The calculation is in line with EPRA guidance. Estimated Net Rental Income is determined by the valuer and is based on the passing cash rent less rent payable at the balance sheet date, estimated non-recoverable outgoings and void costs including service charges, insurance costs and void rates.

Net rental income
Net rental income is the net operational income arising from properties, on an accruals basis, including rental income, finance lease interest, rents payable, service charge income and expense, other property related income, direct property expenditure and bad debts. Net rental income is presented on a proportionate basis.

Over-rented
Space where the passing rent is above the ERV.

Passing rent
The estimated annual rent receivable as at the reporting date which includes estimates of turnover rent and estimates of rent to be agreed in respect of outstanding rent review or lease renewal negotiations. Passing rent may be more or less than the ERV (see over-rented, reversionary and ERV). Passing rent excludes annual rent receivable from units in administration save to the extent that rents are expected to be received. Void units and units that are in a rent-free period at the reporting date are deemed to have no passing rent. Although temporary lets of less than 12 months are treated as void, income from temporary lets is included in passing rents.

Passing cash rent
Passing cash rent is passing rent excluding units that are in a rent free period at the reporting date.

Planning permission
There are two common types of planning permission: full planning permission and outline planning permission. A full planning permission results in a decision on the detailed proposals on how the site can be developed. The grant of a full planning permission will, subject to satisfaction of any conditions, mean no further engagement with the local planning authority will be required to build the consented development. An outline planning permission approves general principles of how a site can be developed. Outline planning permission is granted subject to conditions known as 'reserved matters'. Consent must be sought and achieved for discharge of all reserved matters within a specified time-limit, normally three years from the date outline planning permission was granted, before building can begin. In both the case of full and outline planning permission, the local planning authority will 'resolve to grant permission'. At this stage, the planning permission is granted subject to agreement of legal documents, in particular the s106 agreement. On execution of the s106 agreement, the planning permission will be issued. Work can begin on satisfaction of any 'pre-commencement' planning conditions.

Pre-let
A lease signed with an occupier prior to completion of a development.

Pre-development properties
Pre-development properties are those properties within the like-for-like portfolio which are being managed to align vacant possession within a three year horizon with a view to redevelopment.

Property Income Distribution (PID)
A PID is a distribution by a REIT to its shareholders paid out of qualifying profits. A REIT is required to distribute at least 90% of its qualifying profits as a PID to its shareholders.

Proposed developments
Proposed developments are properties which have not yet received final Board approval or are still subject to main planning conditions being satisfied, but which are more likely to proceed than not.

Qualifying activities/ Qualifying assets
The ownership (activity) of property (assets) which is held to earn rental income and qualifies for tax-exempt treatment (income and capital gains) under UK REIT legislation.

Real Estate Investment Trust (REIT)
A REIT must be a publicly quoted company with at least three-quarters of its profits and assets derived from a qualifying property rental business. Income and capital gains from the property rental business are exempt from tax but the REIT is required to distribute at least 90% of those profits to shareholders. Corporation tax is payable on non-qualifying activities in the normal way.

Rental value change
Increase or decrease in the current rental value, as determined by the Group's external valuer, over the reporting period on a like-for-like basis.

Rental income
Rental income is as reported in the income statement, on an accruals basis, and adjusted for the spreading of lease incentives over the term certain of the lease in accordance with SIC 15. It is stated gross, prior to the deduction of ground rents and without deduction for operational outgoings on car park and commercialisation activities.

Return on average capital employed
Group profit before net finance expense, plus joint venture profit before net finance expense, divided by the average capital employed (defined as shareholders' funds plus adjusted net debt).

Return on average equity
Group profit before tax plus joint venture tax divided by the average equity shareholders' funds.

Revenue profit
Profit before tax, excluding profits on the sale of non-current assets and trading properties, profits on long-term development contracts, valuation movements, fair value movements on interest-rate swaps and similar instruments used for hedging purposes, the adjustment to finance expense resulting from the amortisation of the bond exchange de-recognition adjustment, debt restructuring charges, and any other items of an exceptional nature.

Reversionary or under-rented
Space where the passing rent is below the ERV.

Reversionary yield
The anticipated yield to which the initial yield will rise (or fall) once the rent reaches the ERV.

Security Group
Security Group is the principal funding vehicle for the Group and properties held in the Security Group are mortgaged for the benefit of lenders. It has the flexibility to raise a variety of different forms of finance.

Temporary lettings
Lettings for a period of one year or less. These are included within voids.

Topped-up net initial yield
Topped-up net initial yield is a calculation by the Group's external valuer. It is calculated by making an adjustment to net initial yield in respect of the annualised cash rent foregone through unexpired rent-free periods and other lease incentives. The calculation is consistent with EPRA guidance.

Total business return
Dividend paid per share in the year plus the change in adjusted diluted net assets per share, divided by adjusted diluted net assets per share at the beginning of the year.

Total cost ratio
Total cost ratio represents all costs included within revenue profit, other than rents payable and financing costs, expressed as a percentage of gross rental income before rents payable adjusted for costs recovered through rents but not separately invoiced.

Total development cost (TDC)
Total development cost refers to the book value of the site at the commencement of the project, the estimated capital expenditure required to develop the scheme from the start of the financial year in which the property is added to our development programme, together with capitalised interest, being the Group's borrowing costs associated with direct expenditure on the property under development. Interest is also capitalised on the purchase cost of land or property where it is acquired specifically for redevelopment. The TDC for trading property development schemes excludes any estimated tax on disposal.

Total property return
The change in market value, adjusted for net investment, plus the net rental income of our investment properties expressed as a percentage of opening market value plus the time weighted capital expenditure incurred during the year.

Total Shareholder Return (TSR)
The growth in value of a shareholding over a specified period, assuming that dividends are reinvested to purchase additional units of the stock.

Trading properties
Properties held for trading purposes and shown as current assets in the balance sheet.

Turnover rent
Rental income which is related to an occupier's turnover.

Valuation surplus/deficit
The valuation surplus/deficit represents the increase or decrease in the market value of the Combined Portfolio, adjusted for net investment and the effect of SIC-15 under IFRS. The market value of the Combined Portfolio is determined by the Group's external valuer.

Voids
Voids are expressed as a percentage of ERV and represent all unlet space, including voids where refurbishment work is being carried out and voids in respect of pre-development properties. Temporary lettings for a period of one year or less are also treated as voids. The screen at Piccadilly Lights, W1 is excluded from the void calculation as it will always carry advertising although the number and duration of our agreements with advertisers will vary. Commercialisation lettings are also excluded from the void calculation.

Weighted average cost of capital (WACC)
Weighted average cost of debt and notional cost of equity, used as a benchmark to assess investment returns.

Weighted average unexpired lease term
The weighted average of the unexpired term of all leases other than short-term lettings such as car parks and advertising hoardings, temporary lettings of less than one year, residential leases and long ground leases.

Yield shift
A movement (negative or positive) in the equivalent yield of a property asset.

Zone A
A means of analysing and comparing the rental value of retail space by dividing it into zones parallel with the main frontage. The most valuable zone, Zone A, is at the front of the unit. Each successive zone is valued at half the rate of the zone in front of it.