Half-yearly results for the six months ended 30 September 2020

10 November 2020

Forward-looking statements

These half-yearly 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, strategies, 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; 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 half-yearly 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 half-yearly 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.

Half-yearly results for the six months ended 30 September 2020

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Strong balance sheet and new growth strategy ensure Landsec is well placed despite Covid-19 impact

Chief Executive Mark Allan said:

“While today’s results clearly show the impact of the pandemic on our business, Landsec remains in a fundamentally strong position. Together, the high quality of our portfolio and low leverage of our balance sheet provide a solid foundation for executing our growth strategy and creating value for all stakeholders. This strength also means we have been able to take a proactive and responsible approach to the challenges of Covid-19, supporting our communities and customers.

“As we begin to look beyond Covid-19, I am confident the business is well placed to capitalise on opportunities as they emerge. The investment market for high-quality London office assets, such as those owned by Landsec, has remained robust throughout the pandemic and there is little sign of that interest waning. Access to this liquidity, coupled with the acquisition and development opportunities that are likely to arise as a result of increased obsolescence of older office stock, as well as the long-term need for urban mixed use regeneration, mean there will be ample opportunity for Landsec to create significant value. We look ahead with a clear strategic direction and are optimistic about the future.”

Financial results

- Revenue profit(1)(2) down 48.9% to £115m
- Loss before tax for the period of £835m (2019: loss of £147m)
- Adjusted diluted earnings per share(1)(2) down 49.0% to 15.5p
- Reinstated dividend of 12.0p per share (2019: 23.2p)
- Combined Portfolio(1)(2) valued at £11.8bn, with a valuation deficit(1)(2) of £945m or 7.7%(3)
- EPRA net tangible assets per share(1) down 9.5% to 1,079p
- Ungeared total property return(4) of -5.9%
- Total business return(1) of -9.5%
- Like-for-like net rental income, excluding provisions for bad and doubtful debts, down £31m or 10.3%

Strong financial position

- Resilient central London portfolio consisting of high-quality assets with good liquidity
- Low leverage with a Group LTV ratio(1)(2) at 33.2% (31 March 2020: 30.7%)
- Adjusted net debt(1)(2) of £3.9bn (31 March 2020: £3.9bn)
- Weighted average cost of debt at 2.1% (31 March 2020: 1.8%)
- Weighted average maturity of debt at 10.9 years (31 March 2020: 9.6 years)
- Cash and available facilities(2) of £1.2bn

Responsible and proactive approach to Covid-19

- £80m support fund launched for retail, leisure and hospitality customers impacted by the pandemic
- Measured approach to existing development pipeline, progressing schemes with the best risk adjusted returns

- Operational changes delivered quickly and efficiently to keep staff, customers and consumers safe across the portfolio, strengthening relationships with customers through collaboration
- £500,000 financial assistance made available for existing charity partners

Opportunities beyond Covid-19

- Investor interest in the London office market remains high, offering opportunities to recycle capital, as evidenced by the sale of 7 Soho Square in September ahead of March book value
- Increased occupier demand for high-quality office space with a focus on health and wellbeing is likely to further polarise the market, underpinning demand and values for Landsec's core office product and meaning secondary, outdated stock in the market will be ripe for redevelopment

New strategy, positioning Landsec for growth

- Core pillars of strategy focus on:
  - Optimising central London portfolio; aligning portfolio to growth sectors and locations through targeted recycling and development
  - Reimagining retail; based on sustainable rents, appropriate leasing models and a customer-centric approach
  - Growing urban opportunities; applying our proven skillset to deliver urban mixed use schemes
  - Realising capital; exiting subscale sectors over the medium term
- Emphasis on total return and value creation, recycling £4bn of capital over the coming years

Continued ESG leadership

- Delivered a 46% reduction in carbon emissions compared with 2013/14 baseline, keeping us on track to achieve our science-based target aligned with a 1.5ºC scenario to reduce emissions by 70% by 2030
- Ranked 3rd among FTSE 100 companies by EcoAct for our ambitious net zero strategy and transparency of our sustainability reporting, improving from 5th last year
- Delivered over £3.6m of social value through our community programme in the first half of the financial year

Results summary

	Six months ended 30 September 2020	Six months ended 30 September 2019	Change
Revenue profit[(1)(2)]	£115m	£225m	Down 48.9%
Valuation deficit[(1)(2)]	£(945)m	£(368)m	Down 7.7%[(3)]
Loss before tax	£(835)m	£(147)m	
Basic loss per share	(112.8)p	(19.6)p	
Adjusted diluted earnings per share[(1)(2)]	15.5p	30.4p	Down 49.0%
Dividend per share	12.0p	23.2p	Down 48.3%
	30 September 2020	**31 March 2020**	
Net assets per share	1,068p	1,182p	Down 9.6%
EPRA net tangible assets per share[(1)]	1,079p	1,192p	Down 9.5%
Group LTV ratio[(1)(2)]	33.2%	30.7%	

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 the Financial review and table 15 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 fall in value of the Combined Portfolio over the period, adjusted for net investment.
4. For further details, see the Business analysis section.

Chief Executive's statement

Overview

We have had two main areas of focus during the first half of our 2020/21 financial year. Firstly, proactively addressing the challenges presented by the Covid-19 pandemic and, secondly, undertaking a wide-ranging review of our portfolio, markets and organisation to determine the longer-term strategic direction of the business.

The impact of Covid-19 has been felt throughout the period and that will continue to be the case for the remainder of the financial year as evidenced by the recent introduction of a second national lockdown. Our retail, leisure and hotel portfolios have been particularly affected, both operationally and from a valuation perspective, and while occupancy and footfall has also fallen significantly in central London, the valuation impact on that part of our portfolio has been much less marked, underlining its quality and resilience. We are, however, fortunate that we entered the year in a strong financial position, in terms of both low leverage and good liquidity, enabling us to withstand the impact of the pandemic effectively, and we remain in a similarly strong position midway through the year.

Results and dividend

EPRA NTA per share was 1,079p at 30 September, a fall of 9.5% over the six months attributable primarily to the effects of the global Covid-19 pandemic. Net debt was largely neutral over the period, with capital expenditure on our development programme offset by asset disposal proceeds and retained cash profits, which means that our loan-to-value ratio increased modestly, to 33.2%, largely as a result of capital value declines.

Adjusted earnings for the period were £115m (15.5p per share), down 49% on the same period last year. The decline was almost entirely attributable to Covid-19, either as a result of lower operating income (such as rent on turnover linked leases) or as a result of rent concessions granted and bad debt provisioning, where we have adopted a cautious approach given the ongoing uncertain outlook.

One of the first steps we took to manage the effects of Covid-19 was to suspend dividend payments in April in order to conserve cash in the face of significant uncertainty. Over the subsequent six months, we have seen trading conditions, particularly in terms of rent collection and outlook, begin to improve and consequently we are pleased to be reinstating our dividend alongside these interim results. We are resuming quarterly dividends commencing with a 12.0p per share payment on 4 January 2021, representing an aggregated payment for the first two quarters of the year.

Strategy

The outcomes of our strategy review were set out at our capital markets day on 19 October. Our strategy seeks to position Landsec for growth, leveraging existing areas of competitive advantage to add value and to focus and reposition the business towards sectors and opportunities that offer long-term, structurally supported growth potential.

It is built around a core purpose – sustainable places, connecting communities, realising potential – designed to ensure that Landsec delivers value not just for its shareholders, but for all its stakeholders. This is not intended to dilute shareholder returns but instead to enhance the quality of those returns. Our strategy is based on four strategic priorities – Optimise Central London; Reimagine Regional retail; Realise capital from Subscale sectors; and Grow through Urban opportunities – and envisages recycling approximately £4bn of capital out of lower returning assets and sectors and into growth opportunities over the next few years. We expect both central London and urban mixed use projects to offer good potential in this regard.

Strategic objective – Optimise Central London

Our Central London portfolio is valued at £7.9bn and represents 67% of the Group's portfolio by value. It is defined by its quality, resilience and liquidity and each of these attributes was evident during the first half of the year.

Quality – Our Central London portfolio is characterised by well-located, well designed, modern offices let on long leases to financially strong occupiers. As a result, despite the challenges associated with Covid-19, valuations were robust, down only 3.8%, with the decline largely attributed to the complementary retail and F&B elements of the portfolio that are such a vital element of our overall proposition.

Resilience – Physical occupancy across the office estate was very low as a result of social distancing and work from home guidelines, but office rent collection was largely unaffected. 99% of rents due for the period have been collected, which falls slightly to 94% when non-office rent collection rates are taken into account.

Liquidity – Transaction volumes across the London office investment market have been very low by historical standards as a result of pandemic related restrictions but they have improved recently and investor demand for modern, long let offices remains healthy, as evidenced by our recent sale of 7 Soho Square for £78m, 4% above March book value.

The main elements of our optimise objective involve value creation through greater levels of portfolio recycling, increasing medium-term optionality in the portfolio and offering a wider range of propositions to our customers through asset management and development activity.

Over the next six months, we intend to take advantage of investor interest for high quality, long let assets through further asset disposals. At Dashwood, adjacent to Liverpool Street Crossrail Station, we are refurbishing space to offer a combination of our Myo, Customised and Blank Canvas products and we will also be continuing to progress key aspects of our development programme.

On development, we have been careful to preserve optionality on our speculative programme, retaining the ability to pause at any of our schemes. We are now progressing the speculative schemes that offer the best risk adjusted returns – Lucent and The Forge – in addition to our pre-let development, whilst retaining the remainder of our pipeline in a state of readiness to resume as and when the medium-term outlook for the market becomes clearer. This means our office development programme that we are progressing has a total development cost of £957m, and extends to 848,000 sq ft of which 67% is pre-let.

Longer term we remain confident in London's status and prospects as a global gateway city. While Covid-19 has instilled a fear of densely populated areas in the near term, it is also increasingly highlighting people's desire to come together, the challenges and limitations that emerge when they can't and the significant network effects of mixing commerce, arts, science and power in one place. Cities, and London in particular, have bounced back from many such crises in the past and will do so again.

As we emerge from the pandemic, the way employers and people seek to use office space will change as greater levels of remote working become the norm. Many of the trends of recent years – the importance of sustainability, greater levels of flexibility, the role of the workplace in a health and wellbeing context –

will accelerate. Others, particularly the shift to higher occupational densities will slow or reverse. We believe this is likely to lead to a bifurcation in the market – demand for modern, adaptable, high quality space will increase; obsolescence of older, secondary stock is likely to accelerate. These are the sort of market conditions that should present opportunities for Landsec to create real value.

Strategic objective – Reimagine retail

Our reimagine objective refers to our Regional retail portfolio, comprising outlets (£0.8bn value, 7% of our portfolio) and regional shopping centres and shops (£1.3bn value, 11% of our portfolio). Outlets remain an attractive asset class with good growth prospects underpinned by a compelling consumer offer, but have been disrupted in the near term by Covid-19. Regional shopping centres are more challenged and the structural changes driven by the growth in online retail have been accelerated by Covid-19.

During the period, both our outlets and regional shopping centres were significantly impacted by Covid-19. All non-essential retail units were closed for the first ten weeks, until 15 June, and F&B for a further three weeks, until 4 July. These enforced closures placed significant pressure on our customers' businesses and we took a proactive approach to offer support through rent concessions and deferrals, launching an £80m customer support fund in April.

After re-opening, our outlets recovered particularly strongly and, in September, like-for-like sales across the portfolio were less than 10% down on last year despite ongoing capacity constraints. The performance in our regional shopping centres has been more varied, with the decline in like-for-like sales in September ranging from below 10% to almost 40% in areas where recently enhanced local Covid-19 restrictions were in place prior to the second national lockdown.

The outlets portfolio declined in value by 8.8%, largely as a result of the near-term impact of Covid-19, and we expect values to recover in due course, in line with strong trading. Regional shopping centre valuations were down 20.4%, exacerbated by Covid-19 but reflecting a structural shift to a lower rent model. We believe shopping centre ERVs across our estate will need to fall 35-40% from their 2017/18 peaks in order to reach a sustainable level with retailer total occupancy costs in the low teens. This would imply a further decline of around 15% from September ERVs.

The investment market for regional shopping centres remains difficult, which is likely to contribute to further valuation weakness across the remainder of the year. However, these assets only comprise 11% of our portfolio. Various asset sales are likely across the market, particularly following the administration of intu properties plc, and the ongoing sale of intu Trafford Centre by the administrator is being watched particularly closely.

Our reimagine agenda has five key elements; (i) understanding and monitoring sustainable rents, which will form a more effective basis for decision making; (ii) elevating the consumer experience, involving initiatives to increase footfall and dwell times; (iii) operational excellence and new leasing models, working collaboratively with our occupiers and focusing on delivering value where it matters most for them; (iv) maximising our vibrant outlets, leveraging the strong working relationship we enjoy with our occupiers; and (v) repurposing space to reduce the retail footprint and improve the mix. We have plenty of initiatives underway and expect to show clear progress in each area over the next six months.

Strategic objective – Realise capital from Subscale sectors

As part of our recent strategy review we identified three parts of our portfolio as subscale; areas that are not currently, and are unlikely to become, large enough to materially impact Group performance and where we have little or no competitive advantage. The areas concerned are hotels, leisure and retail parks, valued at a combined £1.4bn and comprising 12% of our total portfolio, and we intend to exit these sectors over the medium term.

Each of these subscale sectors has been significantly impacted by Covid-19 over the past six months, reflected in a combined fall in valuations of 12.4%. The majority of the hotel portfolio was shut for the first 15 weeks of our financial year and, although the majority did re-open in the summer, levels of trade were significantly lower than normal. Due to the turnover related leases, this translates into significantly lower rent. Our leisure portfolio was also closed for much of the period with trade after re-opening hampered by social distancing regulations and the slower recovery of leisure attractions such as cinemas. We are in close contact with our hotels' operator, Accor, and our leisure occupiers, and we expect trading to recover strongly as we emerge from the pandemic.

The assets in this part of the portfolio are high quality and the longer-term prospects of the relevant sectors are fundamentally robust. Our divestment intention is driven simply by lack of scale and the opportunities we see to redeploy capital into structurally supported growth areas where we have competitive advantage. We are under no time pressure to sell these assets and are focused on ensuring that we secure appropriate value when we do.

Strategic objective – Grow through Urban opportunities

One of the structurally supported growth areas where we intend to invest is Urban opportunities. The built environment is likely to undergo significant change in the years ahead as the way we live our lives evolves, be that as a result of technology, changing demographics or adapting to a post Covid world. This will involve different uses, and mix of uses, and creates a clear role for us in helping to shape and deliver the necessary change, bringing together development expertise and capital, leveraging reputation and relationships and doing so in a sustainable way. Landsec has proven expertise in delivering large, complex, mixed use developments and is therefore ideally placed to fulfil such a role – a role that could apply both to London and to major regional centres.

Not only does Landsec have the required skills and track record in this area, it also has a pipeline of exciting opportunities in the form of several suburban London shopping centres (value £0.4bn) that are ripe for regeneration in the years ahead. This regeneration would involve significantly increased density on these sites and a wider range of uses, particularly residential. With up to £4bn of combined investment potential, they therefore present a significant value creation opportunity in the years ahead.

In the near term, we will be focused on progressing and securing planning permission on these projects, with the first, at Finchley Road, on track for late 2021, while also seeking to add to the pipeline.

Culture, capability and organisation

The experience, expertise and capability of our people is one of Landsec's greatest assets. With the benefit of the clear strategy that we have set out and the framework it provides, we are now focused on ensuring that we make the most of this prized asset through promoting greater levels of empowerment and accountability at all levels throughout the organisation.

Our aim is to foster a leaner, more agile organisation that really understands how it creates value and is focused on leveraging its competitive advantage. We have identified five key performance drivers, strengths that will be at the heart of how we create and protect value: our development expertise; capital discipline; customer centricity; data driven decisions; and ESG leadership. These are all areas where Landsec already has, or can attain, sustainable competitive advantage and will be crucial to us delivering against our four strategic priorities.

Over the past six months, we have had to adjust to new ways of working whilst tackling significant, and in many cases unprecedented, challenges. The way in which the teams within Landsec have risen to the challenge is testament to the experience, expertise and capability I mention above; but also to their passion and commitment. I would like to thank them for their efforts and congratulate them on their achievements.

Outlook

The near-term outlook for our business, as for all businesses at the present time, is dominated by Covid-19. The path out of the pandemic – through higher testing volumes, more effective treatments and ultimately a vaccine – is increasingly clear, although the length of that journey and the related economic cost less so. The second national lockdown is clear evidence of that so, in the meantime, we will continue to work collaboratively with our customers to support their businesses where necessary and ensure that our portfolio emerges in a strong position.

We will also remain focused on preserving our financial strength – low leverage and healthy portfolio liquidity – and using that to our advantage as opportunities emerge. Our approach to our near-term development pipeline, progressing the two speculative schemes that offer the best risk adjusted returns while keeping the remainder in a state of readiness to resume, is evidence of this.

Looking longer term, we believe there are reasons to be positive. The investment market for high quality London office assets, such as those owned by Landsec, has remained robust throughout the pandemic and there is little sign of that interest waning. Coupled with the acquisition and development opportunities likely to emerge as a result of increased obsolescence of older office stock, as well as the long-term need for urban mixed use regeneration, there will be ample opportunity for Landsec to create significant value in the years ahead.

Mark Allan
Chief Executive

Financial review

Overview

We began the new financial year with the country in lockdown, many retail and leisure destinations closed and our offices, while open, largely deserted as most people followed Government guidance to work from home. While conditions have improved from the early days of the pandemic, the effect of Covid-19 on our business and financial performance continues to be significant.

In early April, we were quick to acknowledge the effect of lockdown on our occupiers by setting up our £80m customer support fund for those most in need. At about the same time, the Government introduced a temporary rent collection moratorium which has severely impacted our ability to enforce rent collection. With the moratorium still in place, there has been little incentive for our retail and leisure occupiers to make payments or even agree and document rent concessions from our customer support fund when they are able to withhold rent payments without consequences.

The impact on our results from unpaid rent and service charges has been significant. In the six months, we have made bad debt provisions of £87m on top of the £23m we provided in last year's results against quarterly rent due on 25 March. This is based on a cautious assessment of the impact of concessions, CVAs and business failures on how much rent we will collect. In total, we have provided for approximately 45% of the retail and leisure rent for the period. Covid-19 and lockdown has also led to a sharp decline in turnover-related income from our hotels, car parks and outlets. The impact of reduced income and higher bad debt provisions is behind the decline in revenue profit to £115m (2019: £225m).

The decline in asset values we saw in our retail and leisure assets last year has continued while our London offices have been resilient with only a small reduction in values. While our external valuer, CBRE, has removed the material uncertainty clause that they included at the year end (except for our hotel portfolio), the valuation decline in regional shopping centres is more driven by sentiment than transactional activity. This is not true of the London office investment market which continues to demonstrate liquidity, with good investment appetite and transactions completing.

We have made a change to the segmental financial information we disclose. During the six months, we undertook a comprehensive review of our strategy and where our capital is allocated. As a result, we have changed the way we manage assets and the segments we report internally. Our external reporting has also been amended to reflect our four new segments (Central London, Regional retail, Urban opportunities and Subscale sectors).

Table 1: Highlights

	Six months ended 30 September 2020	Six months ended 30 September 2019
Revenue profit[1]	**£115m**	£225m
Valuation deficit[1]	**£(945)m**	£(368)m
Loss before tax	**£(835)m**	£(147)m
Basic loss per share	**(112.8)p**	(19.6)p
Adjusted diluted earnings per share[1]	**15.5p**	30.4p
Dividend per share	**12.0p**	23.2p
	30 September 2020	31 March 2020
Combined Portfolio[1]	**£11.8bn**	£12.8bn
Net assets per share	**1,068p**	1,182p
EPRA net tangible assets per share[2]	**1,079p**	1,192p
Adjusted net debt[1]	**£3.9bn**	£3.9bn
Group LTV ratio[1]	**33.2%**	30.7%

1. Including our proportionate share of subsidiaries and joint ventures, as explained in the Presentation of financial information below.
2. New metric presented as a result of a change in EPRA best practice recommendations. For further details see table 16 in the Business analysis section.

Revenue profit for the six months to 30 September 2020 was £115m, down 48.9% from £225m as a result of the impact of Covid-19 across the portfolio. Adjusted diluted earnings per share were down 49.0% at 15.5p due to the reduction in revenue profit. Over the period, our assets declined in value by 7.7% or £945m (including our proportionate share of subsidiaries and joint ventures) compared with a £368m decline in the same period last year. This decline in the value of our assets is behind our loss before tax of £835m (2019: £147m loss) and the reduction in our EPRA net tangible assets per share in the period, down 9.5% to 1,079p.

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 reviews 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 £11.8bn, 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 additional information to stakeholders on the activities and performance of the Group, as it aggregates the results of all 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 approach 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.

Measures presented on a proportionate basis are alternative performance measures as they are not defined under IFRS. Where appropriate, the measures we use are based on best practice reporting recommendations published by EPRA. For further details see table 15 in the Business analysis section.

Last year, we merged our London Portfolio and Retail Portfolio and amended our segmental reporting to reflect the predominant use class of our assets. These were grouped into Office, Retail and Specialist which are the segments reported at 30 September 2019 and 31 March 2020. Earlier this year, following the initial stages of the strategy review, we changed how we report financial information to better reflect the way we manage our assets. Assets have been reallocated by strategic priority into one of four new segments: Central London, Regional retail, Urban opportunities and Subscale sectors.

The sector breakdown within our Combined Portfolio Analysis disclosure has been re-ordered to reflect the new segments and the level of detail reported in the CPA for the office assets has been reduced to reflect the fact that all the London office assets are managed in a consistent manner irrespective of their location. The prior year has been restated in the new format and a reconciliation to the previous presentation has been provided on our website.

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 bond repurchases, which we call Capital and other items.

We present two measures of earnings per share: the IFRS measure of basic earnings per share, which is derived from the total profit or loss for the period attributable to shareholders, and adjusted diluted earnings per share, which is based on tax-adjusted revenue profit, referred to as adjusted earnings.

Table 2: Income statement

	Table	**Six months ended 30 September 2020 £m**	Six months ended 30 September 2019 £m
Revenue profit	3	**115**	225
Capital and other items	8	**(950)**	(372)
Loss before tax		**(835)**	(147)
Taxation		**-**	2
Loss attributable to shareholders		**(835)**	(145)
Basic loss per share		**(112.8)p**	(19.6)p
Adjusted diluted earnings per share		**15.5p**	30.4p

Our loss before tax was £835m, compared with a loss of £147m for the same period in the prior year, due to a greater fall in the value of our assets this period (down £945m, compared with £368m last year) as well as a £110m reduction in revenue profit. The loss per share this period was 112.8p, compared with a loss per share of 19.6p in the prior period. Adjusted diluted earnings per share decreased by 49.0%, from 30.4p to 15.5p this six months, as a result of the decrease in revenue profit from £225m to £115m. There is no difference between our adjusted diluted earnings per share and the EPRA measure.

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 the Central London, Regional retail, Urban opportunities and Subscale sectors are presented in the table below.

Table 3: Revenue profit

		Six months ended 30 September 2020					Six months ended 30 September 2019					
	Table	**Central London £m**	**Regional retail £m**	**Urban opps £m**	**Subscale sectors £m**	**Total £m**	Central London £m	Regional retail £m	Urban opps £m	Subscale sectors £m	Total £m	**Change £m**
Gross rental income[1]		**156**	**82**	**13**	**42**	**293**	163	96	14	59	332	**(39)**
Net service charge expense		**-**	**(2)**	**-**	**-**	**(2)**	-	(1)	-	(1)	(2)	**-**
Net direct property expenditure		**(1)**	**(7)**	**(2)**	**(3)**	**(13)**	(6)	(9)	(2)	(2)	(19)	**6**
Bad and doubtful debts expense[2]		**(8)**	**(44)**	**(6)**	**(29)**	**(87)**	(1)	(1)	-	-	(2)	**(85)**
Segment net rental income	4	**147**	**29**	**5**	**10**	**191**	156	85	12	56	309	**(118)**
Net indirect expenses						**(37)**					(35)	**(2)**
Revenue profit before interest						**154**					274	**(120)**
Net finance expense	7					**(39)**					(49)	**10**
Revenue profit						**115**					225	**(110)**

1. Includes finance lease interest, after rents payable.
2. Includes **£16m** (2019: £nil) of provisions related to future rent. An additional £23m of bad and doubtful debts expense relating to rental income for the period was recognised in the year ended 31 March 2020.

Revenue profit decreased by £110m to £115m for the six months ended 30 September 2020 (2019: £225m). This was the result of a £118m decrease in net rental income for the period and a £2m increase in net indirect expenses, partly offset by a £10m reduction in net finance expense. The decrease in net rental income was driven by a £39m reduction in gross rental income and an £85m increase in bad and doubtful debt provisions reflecting the impact of Covid-19 on turnover rents and cash collections. The movements are explained in more detail below.

Net rental income

Table 4: Net rental income[1]

	£m
Net rental income for the six months ended 30 September 2019	**309**
Net rental income movement in the period:	
Like-for-like investment properties	**(31)**
Like-for-like investment properties – bad and doubtful debts expense	**(85)**
Proposed developments	**(4)**
Development programme	**-**
Completed developments	**-**
Acquisitions since 1 April 2019	**-**
Disposals since 1 April 2019	**(2)**
Non-property related income	**4**
	(118)
Net rental income for the six months ended 30 September 2020	**191**

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

Net rental income decreased by £118m in the six months ended 30 September 2020 compared with the prior period. Like-for-like net rental income was down £116m, with increased bad and doubtful debts accounting for £85m of the decline. Further information on our rent collections and bad debt provisions is set out below. Like-for-like net rental income before bad debt provisions was down £31m largely due to a reduction in short-term and turnover-related income of £28m, partly offset by a £6m reduction in direct property expenditure. Income from our Accor hotel portfolio, which is all linked to turnover, was down £13m, while car park income reduced by £7m. Turnover-related top ups, principally in our outlet portfolio, declined by £5m and Piccadilly Lights saw a £3m reduction from short-term advertising campaigns. CVAs and administrations reduced rental income this period by £7m.

Outside the like-for-like portfolio, there was a £4m reduction in net rental income from proposed developments, driven by Portland House, SW1, which reached vacant possession of the office space in March ahead of development. There was also a £2m reduction in net rental income following the disposal of Poole retail park in October 2019. The £4m increase in non-property related income largely reflects the release of a provision following an agreement which ended our obligations under one of our last remaining Landflex leases.

Recent rent collection and related provisions

In early April, soon after the start of the first national lockdown, we established a customer support fund of £80m for occupiers who most need our help to survive. During the period, we have worked with our occupiers to agree rent concessions out of the fund and the payment of any outstanding balance. We also agreed with some occupiers for rents to be paid on a monthly basis, or to be deferred to later quarters to assist with cash flow management. £120m of rent was due on the 29 September quarter day, including the Group’s share of joint venture debtors. The table below shows the amount and percentage of this rent collected to date after adjusting for the impact of customers having entered CVAs and administrations, concessions agreed out of the fund and agreed monthly and deferred payment terms. A similar analysis is shown for the rents which were due between 25 March and 28 September.

Table 5: Rent collections

29 September 2020 quarter(1)(2)

	Gross amounts due 29 September £m	Impact of CVAs and admins £m	Agreed changes in payment terms: Concessions £m	Agreed changes in payment terms: Monthly payment terms £m	Agreed changes in payment terms: Deferred payments £m	Net amounts due 29 September £m	Amounts received to date £m	Amounts received to date %	Day 10 amounts received Sept 19 %
Offices	72	-	-	(2)	(1)	**69**	**66**	**96%**	99%
Rest of Central London	8	-	-	-	-	**8**	**4**	**50%**	89%
Regional retail	17	(1)	-	(1)	(1)	**14**	**7**	**50%**	92%
Urban opportunities	5	-	-	-	-	**5**	**3**	**60%**	92%
Subscale sectors	18	(1)	(1)	-	(1)	**15**	**7**	**47%**	90%
	120	**(2)**	**(1)**	**(3)**	**(3)**	**111**	**87**	**78%**	96%

1. Including our proportionate share of subsidiaries and joint ventures, as explained in the Presentation of financial information above.
2. All amounts are shown gross of VAT. Where an amount billed remains uncollected and is subsequently written off, the VAT component will be recovered by the Group.

For the period ended 30 September 2020(1)(2)

	Gross amounts due for the period(3) £m	Impact of CVAs and admins £m	Agreed changes in payment terms: Concessions £m	Agreed changes in payment terms: Deferred payments £m	Net amounts due for the period(3) £m	Amounts received to date £m	Amounts received to date %
Offices	150	-	-	(2)	**148**	**147**	**99%**
Rest of Central London	47	(1)	(4)	-	**42**	**31**	**74%**
Regional retail	105	(1)	(9)	(1)	**94**	**48**	**51%**
Urban opportunities	16	-	(2)	(1)	**13**	**7**	**54%**
Subscale sectors	68	(2)	(4)	(1)	**61**	**42**	**69%**
Total	**386**	**(4)**	**(19)**	**(5)**	**358**	**275**	**77%**

1. Including our proportionate share of subsidiaries and joint ventures, as explained in the Presentation of financial information above.
2. All amounts are shown gross of VAT. Where an amount billed remains uncollected and is subsequently written off, the VAT component will be recovered by the Group.
3. Due dates from 25 March 2020 to 28 September 2020. Does not include 29 September 2020 quarter day rents.

Of the £111m of net rent billed for the 29 September quarter, £24m remains outstanding with £83m outstanding from rents due between 25 March 2020 and 28 September 2020. Following legislation introduced as a result of the pandemic, the options available to landlords to recover outstanding amounts have been significantly reduced. As a result, there is limited incentive for those who can afford to pay rent to do so and for those who are in difficulty to agree and document concessions.

Given this situation, we have assessed the outstanding debtors for recoverability and provided £87m for bad debts in the period. The provision includes £20m for occupiers where we have agreed concessions out of our customer support fund and £10m against tenant lease incentive balances. More detail on the amounts provided, including the impact on revenue profit for the period, is included in the table below.

Table 6: Provisions for doubtful debts[1]

	Group £m	Joint ventures £m	**Total £m**
Provisions related to customer support fund concessions	18	2	**20**
Other provisions for rents receivable	40	5	**45**
Provisions for service charge receivables	10	2	**12**
Tenant lease incentive provisions	9	1	**10**
Bad debt expense charged to revenue profit in the period	**77**	**10**	**87**

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

As we work to agree and document rent concessions with individual retail and leisure occupiers, we expect this to result in the payment of the balance of their outstanding amounts. Nevertheless, we have taken what we believe to be a cautious view on provisions as we recognise the challenge of a new lockdown, and the risk of further CVAs and administrations. Of the total amount of rent which remains outstanding, around 75% is covered by a doubtful debt provision.

Net indirect expenses

Net indirect expenses represent the indirect costs of the Group including joint ventures. In total, net indirect expenses were £37m (2019: £35m). The £2m increase is primarily the result of higher staff costs as the prior period benefitted from higher provision releases.

Net finance expense (included in revenue profit)

Table 7: Net finance expense[1]

	£m
Net finance expense for the six months ended 30 September 2019	**49**
Impact of:	
Interest costs	**(8)**
Capitalised interest	**(2)**
Net finance expense for the six months ended 30 September 2020	**39**

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 £10m to £39m due to reductions in interest payable following debt management exercises carried out last year and an increase in interest capitalised on our developments in the period.

Capital and other items

Table 8: Capital and other items[1]

	Table	**Six months ended 30 September 2020 £m**	Six months ended 30 September 2019 £m
Valuation and profit on disposals			
Valuation deficit	9	**(945)**	(368)
(Loss)/profit on disposals		**(1)**	1
Net finance expense	10	**(4)**	(4)
Other items			
Profit from long-term development contracts		**-**	2
Other		**-**	(3)
Capital and other items		**(950)**	(372)

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

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

Valuation of investment properties

Our Combined Portfolio declined in value by 7.7% or £945m over the six months compared with a decrease in the prior period of £368m. A breakdown of valuation movements by category is shown in table 9.

Table 9: Valuation analysis

	Market value 30 September 2020	Valuation movement	Rental value change[1]	Net initial yield	Equivalent yield	Movement in equivalent yield
	£m	%	%	%	%	bps
Offices	5,817	-1.9	-1.0	4.4	4.6	2
London retail	728	-16.8	-16.5	4.4	4.4	12
Other central London	426	-	-	2.7	4.3	-
Regional shopping centres and shops	1,339	-20.4	-14.4	7.0	6.6	42
Outlets	805	-8.8	-1.3	4.8	6.3	38
Urban opportunities	423	-9.8	-5.8	5.0	5.3	15
Leisure	528	-15.3	-3.9	6.3	7.1	70
Hotels	408	-13.1	-13.2	3.5	5.4	27
Retail parks	411	-7.3	-6.1	7.4	7.6	16
Total like-for-like portfolio	**10,885**	**-8.0**	**-5.7**	**4.9**	**5.2**	**11**
Proposed developments	276	-9.4	n/a	-	n/a	n/a
Development programme	630	-1.2	n/a	-	4.3	n/a
Acquisitions	52	-17.0	n/a	4.1	4.6	n/a
Total Combined Portfolio	**11,843**	**-7.7**	**-5.7**	**4.5**	**5.2**	**11**

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

The 7.7% decline in the value of our Combined Portfolio is almost entirely due to a fall in the value of our retail and leisure assets, driven by reductions in rental values and expanding equivalent yields. Within the like-for-like portfolio, regional shopping centres and shops saw the largest reduction in values, down 20.4% overall but with similar declines at all our centres as rental values reduced by 14.4% and yields moved out 42bps. London retail reduced in value by 16.8% as rental values declined by 16.5% and yields moved out by 12bps. Our leisure assets declined in value by 15.3% with rental values 3.9% lower and yields expanding by 70bps, while hotels were down by 13.1% largely due to the impact of Covid-19 on rental values. Our office assets saw a modest decrease in value of 1.9% as rental values declined by 1.0% and yields moved out slightly. The values of our other central London assets, principally Piccadilly Lights, were broadly unchanged.

Outside the like-for-like portfolio, values in the development programme were down 1.2% due mainly to increased costs and lower rental values at Lucent, W1 and n2, SW1, partly offset by an increase in the value of 21 Moorfields, EC2 as construction at this pre-let scheme progresses. The 9.4% decline in the value of our proposed developments is due mainly to Portland House, SW1 where expected rental values have reduced and anticipated rent free periods have been extended. Our acquisitions fell in value by 17.0%, driven by a decline in value of the X-Leisure portfolio, where we acquired the remaining 5% in December 2019 and increased costs on n2 where we acquired the outstanding 50% in the period.

Profit/(loss) on disposals

The net loss on disposals of £1m in the period (2019: £1m profit) relates to the sale of both investment and trading properties. We made a £2m profit on disposal of 7 Soho Square, W1, which was recognised as a sale on unconditional exchange on 22 September 2020. Off-setting this profit was our £2m share of the Nova joint venture's loss on disposal of Nova Place and n2 which were acquired by the Group in the period, and a £1m loss on the sale of the one remaining apartment at Nova, SW1.

Net finance expense (included in Capital and other items)

In the six months ended 30 September 2020, we incurred £4m of net finance expense which is excluded from revenue profit principally due to losses on our interest-rate swaps as a result of fluctuations in market interest rates in the period.

Table 10: Net finance expense[1]

	Six months ended 30 September 2020 £m	Six months ended 30 September 2019 £m
Fair value movement on interest-rate swaps	**(5)**	(5)
Premium and fees on redemption of medium term notes (MTNs)	**-**	(1)
Other net finance income	**1**	2
Total	**(4)**	(4)

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

Taxation

In the six months ended 30 September 2020, there was no tax charge in the income statement (2019: credit of £2m).

Balance sheet

Table 11: Balance sheet

	30 September 2020 £m	31 March 2020 £m
Combined Portfolio	**11,843**	12,781
Adjusted net debt	**(3,940)**	(3,926)
Other net assets/(liabilities)	**92**	(21)
EPRA net tangible assets	**7,995**	8,834
Excess of fair value over net investment in finance leases book value	**(92)**	(90)
Other intangible assets	**7**	7
Fair value of interest-rate swaps	**(6)**	(1)
Net assets	**7,904**	8,750
Net assets per share	**1,068p**	1,182p
EPRA net tangible assets per share[1]	**1,079p**	1,192p

1. EPRA net tangible assets per share is a diluted measure.

Our net assets principally comprise the Combined Portfolio less net debt. Both IFRS net assets and EPRA net tangible assets declined over the six months ended 30 September 2020 primarily due to the reduction in the value of our investment properties.

At 30 September 2020, our net assets per share were 1,068p, a decrease of 114p or 9.6% from 31 March 2020. EPRA net tangible assets per share were 1,079p, a decrease of 113p or 9.5%.

Table 12 summarises the key components of the £839m decrease in our EPRA net tangible assets over the six month period.

Table 12: Movement in EPRA net tangible assets[1]

	£m	Diluted per share pence
EPRA net tangible assets at 31 March 2020	8,834	1,192
Revenue profit	115	16
Valuation deficit	(945)	(128)
Other	(9)	(1)
EPRA net tangible assets at 30 September 2020	**7,995**	**1,079**

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

Net debt and gearing

Table 13: Net debt and gearing

	30 September 2020	31 March 2020
Net debt	**£3,963m**	£3,942m
Adjusted net debt[1]	**£3,940m**	£3,926m
Group LTV[1]	**33.2%**	30.7%
Security Group LTV	**35.0%**	32.5%
Weighted average cost of debt[1]	**2.1%**	1.8%

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

Over the period, our net debt increased by £21m to £3,963m. 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 £14m to £3,940m, with the main movements outlined in table 14 below. At 30 September, 7 Soho Square was recognised as a disposal following unconditional exchange but the proceeds were not received until 14 October. Taking into account these proceeds, pro forma adjusted net debt at 30 September was £3,862m. For a reconciliation of net debt to adjusted net debt, see note 13 to the financial statements.

Table 14: Movement in adjusted net debt[1]

	£m
Adjusted net debt at 31 March 2020	**3,926**
Net cash generated from operations	**(87)**
Development/other capital expenditure	**93**
Acquisitions	**9**
Disposals	**(4)**
Other	**3**
Adjusted net debt at 30 September 2020	**3,940**

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

Net cash generated from operations was £87m. Capital expenditure on investment properties was £93m, largely related to our development programme, with a further £9m spent on acquiring investment properties. Net cash flow from disposals totalled £4m from the sale of trading properties.

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 30.7% at 31 March 2020 to 33.2% at 30 September 2020, largely due to the decline in the value of our assets. Our Security Group LTV increased from 32.5% to 35.0% for the same reason.

Financing

At 30 September 2020, our committed revolving facilities totalled £2,715m (31 March 2020: £2,715m). The pricing of our facilities which fall due in more than one year range from LIBOR +65 basis points to LIBOR +75 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 +18 basis points and are unsecured.

The total amount drawn under the bank debt was £476m (31 March 2020: £1,944m) with £1,079m of commercial paper in issue (31 March 2020: £977m). At 30 September 2020, we had net bank overdrafts of £2m (31 March 2020: cash balances of £1,345m). During the period, the sterling bond and commercial paper markets began to normalise, having been effectively closed to new issuance at March 2020. As a result, during the period, we repaid the cash balances we were holding as a liquidity buffer. At 30 September 2020, we had £1.2bn of cash and available facilities, net of our outstanding commercial paper.

The weighted average maturity of our debt has increased to 10.9 years following a reduction at 31 March 2020 to 9.6 years after we drew down on our facilities. The weighted average cost of our debt at 30 September 2020 was 2.1% (31 March 2020: 1.8%). The weighted average cost of our net debt at 30 September 2020, which recognises the minimal interest income on cash deposits, was also 2.1% (31 March 2020: 2.4%).

Dividend

As we indicated in July, we are reinstating quarterly dividends with these half-yearly results. We will be paying a second quarterly dividend of 12.0p per share on 4 January 2021 to shareholders registered at the close of business on 27 November 2020. This will be paid wholly as a Property Income Distribution. Following the suspension of dividends due to the pandemic, we did not declare a first quarterly dividend. As a result, this second quarterly dividend should be viewed as a combined first and second quarterly dividend at a level of 6.0p per quarter. Our first half dividend of 12.0p per ordinary share (six months ended 30 September 2019: 23.2p per share) represents a decrease of 48.3% and a total payment of £89m (six months ended 30 September 2019: £172m). It is our intention to pay a third quarterly dividend at the end of March 2021. The amount and precise timing will be announced in due course.

Martin Greenslade
Chief Financial Officer

Portfolio review

At a glance

- Valuation deficit of 7.7%[1]
- Ungeared total property return of -5.9%
- £5m of investment lettings, with a further £19m in solicitors' hands
- Like-for-like voids: 3.4% (31 March 2020: 2.5%)

Central London

- Valuation deficit of 3.8%[1]
- Ungeared total property return of -1.8%
- £1m of investment lettings with a further £6m in solicitors' hands
- Like-for-like voids: 1.9% (31 March 2020: 1.2%) and units in administration: 0.4% (31 March 2020: nil)

Regional retail

- Valuation deficit of 16.4%[1]
- Ungeared total property return of -14.9%
- £2m of investment lettings, with a further £10m in solicitors' hands
- Like-for-like voids: 6.5% (31 March 2020: 4.7%) and units in administration: 5.1% (31 March 2020: 2.1%)
- Footfall for 1 July to 30 September (post initial reopening) down 39.2% (ShopperTrak national benchmark down 39.9%)
- Same centre sales (excluding automotive), taking into account new lettings and occupier changes, down 28.3% (BRC national benchmark down 12.3%)

Urban opportunities

- Valuation deficit of 9.8%[1]
- Ungeared total property return of -8.8%
- £1m of investment lettings in solicitors' hands
- Like-for-like voids: 6.6% (31 March 2020: 4.8%) and units in administration: 0.9% (31 March 2020: 0.4%)

Subscale sectors

- Valuation deficit of 12.4%[1]
- Ungeared total property return of -11.4%
- £1m of investment lettings, with a further £2m in solicitors' hands
- Like-for-like voids: 2.4% (31 March 2020: 2.0%) and units in administration: 2.5% (31 March 2020: 0.9%)

1. On a proportionate basis.

Overview

The London office occupational market has slowed over the last six months, as occupiers delay making significant decisions in response to the Covid-19 pandemic. Take up was 2.2 million sq ft, 67% below the long-term average and availability has increased to 19.9 million sq ft, significantly above the long-term 10-year average of 14.0 million sq ft. Continuing the trend from before March, the increase in availability has been driven by second-hand space, as some occupiers look to sub-let excess office capacity. Despite this, there continues to be demand for high-quality office space, with 48% of total take up being of new space, ahead of the long-term average.

The London office investment market slowed significantly in Q2 this calendar year as an immediate response to the Covid-19 crisis, with investment volumes totalling £0.8bn, 79% below the long-term average. While Q3 investment volumes still remained c.75% below the long-term average at £0.9bn, the increase on Q2 demonstrated renewed confidence in the market and investor appetite for long income assets in a low gilt environment. Q4 investment volumes show momentum with £1.4bn completed or exchanged to date. There have been a number of trophy asset transactions in October, including the sale of CPPIB's 50% interest in our Nova joint venture. As well as long income assets, there is also evidence of strong investor interest in value-add opportunities, evidenced by our sale of 7 Soho Square, W1, ahead of the March book value. The quality of our London office portfolio, and the strength of our customer base gives us confidence in the liquidity of our assets and our ability to effectively recycle capital to fund growth opportunities.

The occupational challenges across the retail and leisure industries have been well documented over the last six months. The initial lockdown period created immediate cash flow challenges for many occupiers, and the continued and ever-changing landscape of local, and now national, restrictions continues to significantly impact both current trade and the outlook.

Covid-19 has simply served to accelerate many of the trends that were already impacting the retail industry, most notably consumer appetite for online retail. In the F&B market, many occupiers are anticipating a prolonged period of reduced trade. As a result, the number of CVAs and administrations over the last six months has increased significantly, as occupiers seek to accelerate cost reductions. In the last six months, 45 customers have entered into either a CVA or administration, impacting 281 of our units and equating to a reduction in annualised rent of £18m. The quality of our destinations and their ability to drive footfall mean that the majority of units subject to these insolvency procedures remain open and trading, but we are clearly impacted by rent reductions. We are alive to the pressures on our customers' profitability and cashflow, and the ability for an insolvency to provide immediate and blanket rent reductions. However, our preference remains to engage in constructive dialogue and work in partnership with our customers ahead of this point where possible.

Our customer support fund, announced in April, was set up to help our retail and leisure customers through the Covid-19 pandemic. Over the last six months, we have had a significant number of conversations across our customer base around the support we can provide through the fund. To date, we have granted £20m of concessions to customers with an annualised rent of £97m and we continue discussions with many more.

The retail investment market for shopping centres remains at a virtual standstill, with no comparable arm's length shopping centre investment transaction for two years. The potential sale of intu Trafford Centre in Manchester as a result of the administration of intu properties plc will be watched closely by the market. Other assets in the market are primarily repurposing opportunities, or those being marketed by distressed sellers. There continues to be activity in the retail parks market, with £291m of transactions in Q3 compared with £101m in Q2. This continued activity is positive, as we look to exit from our retail parks over the medium term.

Optimise our Central London portfolio

Our Central London portfolio comprises £7.9bn of high-quality offices (85%), associated ground level retail (9%) and other assets (6%), the most significant of which is Piccadilly Lights, W1. Our strategy is to optimise our Central London business, evolving a broader range of propositions for our customers, continued deployment of our development expertise and targeted recycling to fund long-term growth.

Our offices remain almost fully-let, although occupancy and the day-to-day operations have been significantly impacted by Covid-19. Despite this, our office collections remain strong (March and June 99%, September 96%), reflecting the strength of our occupier base.

We have been working closely with occupiers across the portfolio to ensure our spaces are Covid-secure and to allow them to use their office space as best suits their business. However, following a period of higher utilisation, occupancy in October was on average only 15% of pre-Covid levels as occupiers respond to government guidance to continue working from home where possible.

We have been able to accommodate the short-term space requirements of a number of customers arising as a result of the pandemic. Some customers are choosing to delay long-term space decisions, and others have been impacted by the delayed completion of new space. We have re-negotiated six leases extending terms by an average of nine months, covering 58,000 sq ft, as well as securing £3m of income. We have also seen breaks being exercised in respect of 65,000 sq ft of space as some customers have taken the opportunity to reduce their office footprint.

We have also had a very active dialogue with customers on the role that offices will play in their businesses in the longer term. It is clear most of our customers consider that the office will continue to be a fundamental part of their business going forward. But the space needs to be the right space. It needs to be high quality, flexible and healthy – space which can facilitate collaboration and creativity, and attract and retain talent. We developed the majority of our office portfolio ourselves, and did so with flexibility in mind. This now works to our advantage as we can more easily adapt our space to meet our customers' needs. We are also seeing an increased focus on sustainability, and we are working towards securing a WELL certified office portfolio.

We are fitting out our second Myo offering at Liverpool Street, and the 35,000 sq ft space will be ready to occupy from March 2021. Myo Liverpool Street will be in Dashwood, EC2, where 124,000 sq ft of lease expiries gives us the opportunity to trial the optimal mix of Blank Canvas, Customised and Myo in one building.

Low office occupancy had a significant impact on trading at our central London retail assets, where footfall in September was 72% lower than last year. These assets represent only 6% of our Combined Portfolio, but the blend of amenity and services is vital to the living and working eco-system in London. In the short term, we are working with our customers to support them where we can, but also thinking about how we evolve these spaces in the future.

At 31 March, we had a development pipeline of over 1.4 million sq ft central London office development opportunities across five schemes, with potential delivery between March 2022 and February 2023. All of these schemes are speculative, with the exception of 21 Moorfields, EC2.

Over the last six months, we have assessed all of our development schemes in light of the current economic situation, the occupational market we might deliver these schemes into and therefore the amount of capital we consider it appropriate to commit. We always design our schemes with programme flexibility, which gives us the ability to pause activity. We have confidence in the long-term prospects of the London office market and are progressing 848,000 sq ft across three office-led schemes. These schemes are 21 Moorfields, Lucent, W1 and The Forge, SE1 (previously 105 Sumner Street). We are also committed to delivering 88 pre-sold affordable housing units at Castle Lane, SW1.

We currently remain on site at two of our other speculative schemes, but expect to pause activity once the current phase of work is complete. Pausing these schemes will allow us to time delivery into the best occupational market, and also ensure we can manage capital recycling and gearing appropriately.

Work has continued on all of our sites over the six months, but has inevitably slowed as we have worked with our contractors to make sure our sites are Covid-secure. At 21 Moorfields, our 564,000 sq ft scheme which is pre-let in its entirety to Deutsche Bank, we are making good progress and productivity is at around 75% of pre-Covid levels. We now expect to reach practical completion in June 2022, four months later than the original programme. We are working with the main contractor to ensure onsite productivity improves to mitigate any further delay, and we continue to be in close dialogue with Deutsche Bank, who are finalising their fit-out modifications.

At Lucent, our 144,000 sq ft scheme in the heart of the West End, we have completed the sub-structure and remain on programme to hand over to the main contractor in February 2021. At our 140,000 sq ft site at The Forge, we are on schedule to complete basement and piling works in December, after which we will start trialling our new modern methods of construction approach to manufacture with a ‘kit of parts’ frame.

During the period, we acquired the remaining undeveloped land on the Nova island site from our joint venture for consideration of £13m. This means we now own 100% of the undeveloped land, which comprises our potential n2 and Nova Place developments. At n2, we are completing the core at the 166,000 sq ft office scheme. Once this phase of works is complete we expect to pause, but will continue with procurement and finalising design.

At Castle Lane, we have agreed a forward-sale agreement for 88 affordable housing units, and construction will commence in July 2021.

At Portland House, where we have planning permission to add a 14-storey extension to the existing building, creating 400,000 sq ft of new or refurbished space, the building is now empty and we are on site completing strip-out works. We intend to pause on-site activity by the end of the financial year.

We continue with pre-development activity at our 380,000 sq ft Timber Square, SE1 development (previously known as Lavington Street). The building remains occupied and we hope to secure planning permission before the end of the year.

At Red Lion Court, SE1, following lengthy planning negotiations, we are working towards submission of a planning application in Q1 2021. The building remains fully occupied, on a lease which expires in 2022.

Reimagine our Regional retail portfolio

Our £2.1bn Regional retail portfolio primarily comprises our six shopping centres and five outlets. Structural shifts are putting retail rents under pressure, but not all parts of the sector are affected in the same way. Our outlets have good sales growth potential, and there is opportunity for a significant reimagining of the model within our six shopping centres.

After the initial restrictions were lifted, footfall across our shopping centres and outlets was broadly in line with the national benchmark, down 39.2% year-on-year. Same centre sales (excluding automotive) for the same period were down 26.3% year-on-year, lower than the national benchmark of 12.3%. Within this, there is significant variation between individual assets and, in general, a much stronger sales performance at the outlets.

Footfall was down 40.8% at our shopping centres, with sales down 31.8%. The performance of individual centres varied significantly depending on geographic location. In the July to September period, two of our six shopping centres were operating under tighter local restrictions. At our outlets, footfall was down 33.8%, outperforming the benchmark, whilst sales were only down 16.6% year-on-year. Their outdoor design has contributed to their popularity in recent months, and the outlet discounting model means they are less challenged by online retail.

In October we set out our five main strategic objectives for our reimagine portfolio, as below.

Determine sustainable rents

Across our shopping centres we have formed a view on the long-term sustainable ERV, which are on average 15% below September 2020 ERVs, which represents an average of 35-40% declines peak to trough. Taking this realistic view will not only help us to make informed leasing decisions in the short to medium term, but it also provides a foundation from which we can assess the best use and occupier mix for our destinations going forward.

Elevate the consumer experience

In the last six months we have had engagements at a senior level with over 30 retail and F&B occupiers. From these conversations it is clear that for our shopping centres to remain attractive to consumers, and therefore occupiers, we need to ensure we have the best retail, F&B and leisure mix. The mix needs to be balanced towards growing sectors and include convenience retail, and reflect catchment demographics. This will create an approach to traditional asset management and occupier engagement more in line with the outlet model, with active brand churn responding to consumer demand. We can use our outlet experience and relationships to build a similar approach to consumer experience at our shopping centres. Our first step is to segment our customer base by relevancy and growth potential, which we are on track to complete by December. We will then use this data to inform targeted leasing strategies for each of our shopping centres.

Create operational excellence and new leasing models

Another clear theme emerging from our conversations with customers is the need to move away from a common leasing model. We are looking at a variety of potential structures for new retail leases, creating different structures to suit our different customer segments. Due to our current lease expiry profile, we do not expect to be able to roll out new lease structures on a widescale basis in the short term, but we are working towards trialling some ideas the second half of the financial year.

We are on track to achieve a 4% saving in our service charge costs this year, in addition to the 8% saving we have made as a result of Covid-19, and we continue to target further savings for next year. As well as these immediate savings, we are looking at a wide range of options for how we can deliver service at our shopping centres and outlets more efficiently, to help reduce occupational costs for our customers.

Maximise our vibrant outlets

Our outlets have performed well in a difficult market, demonstrating their ongoing appeal to customers and resilience to greater online penetration. We have continued to develop the customer mix, completing £1m of letting to new brands such as Under Armour, Fiorelli and the Perfume Shop. We have made good progress on our enhancement works at Braintree Village and Clarks Village, Street, where we have spent £3m in the period on enhancements to the public areas to create a more appealing environment and also in store work to make it easier to rotate brands.

Repurpose retail space

We have created a master planning framework to ensure we have a consistent approach to determining the repurposing potential of each asset, drawing on macro-economic, consumer, sector and market specific data to make our decisions. We are on track to have new master plans for each of our six shopping centres by the end of the financial year.

Realise capital from our Subscale sectors

Subscale sectors comprises £1.4bn of hotels, leisure parks and retail parks, which we intend to divest over the medium term.

All of the hotel portfolio reopened over the summer, with the exception of two locations where Accor do not consider there to be sufficient demand. The portfolio is let on turnover-based leases, resulting in significantly lower income in the period. We will continue to work with Accor on their plans across the portfolio, and remain confident in our ability to realise capital from this sector in the medium term.

Our leisure portfolio comprises 18 sites, predominantly out-of-town leisure parks anchored by cinemas, or other leisure attractions. Both the leisure and F&B industries have been significantly impacted by social distancing measures, leading to a mixed trading performance since reopening. Despite the current uncertainty on when restrictions will be lifted, we have agreed £0.2m of lease re-gears during the period, and have a further £2.0m in solicitors' hands.

Retail parks have proved popular with consumers in recent months. This is in part due to their outdoor design, but also increased spend in home and leisure and furniture categories. We have completed £0.8m of lettings in the period, and re-geared £0.2m of income, and have a further £0.4m in solicitors' hands, in line with our strategy to maximise value ahead of sale.

Grow through Urban opportunities

Our £0.4bn Urban opportunities portfolio comprises our five suburban assets with redevelopment potential over 1.6 million sq ft, with the potential to extend to 8.0 million sq ft. All of these assets are existing retail or leisure assets, with the potential to convert into large-scale, mixed use developments.

At Finchley Road, NW3, we continue to work on master planning and design, and are targeting submission of a planning application in 2021. At Lewisham, SE13, we also continue to work on master planning and are working towards submission of a planning application in 2022.

At Shepherd’s Bush, W12, we continue to be in dialogue with the local council, and are working towards agreement on which masterplan to take forward in early 2021.

Principal risks and uncertainties

The principal risks of the business are set out on pages 51 - 55 of the 2020 Annual Report that was published in June. By that stage, Covid-19 was impacting most businesses across the UK including our own. In addition to describing the nature and potential impact of our principal risks, we took the decision in the Annual Report to explain the impact of Covid-19 on each of the principal risks and the related mitigations. These principal risks fall into eight categories: customers; market cyclicality; disruption; people and skills; major health, safety and security incident; information security and cyber threat; climate change; and investment and development strategy.

The Board has reviewed the principal risks in the context of the second half of the current financial year, the ongoing impact of Covid and the risks associated with Brexit. The Board believes there has been no material change to the risk categories (as opposed to the level of risk) outlined in the 2020 Annual Report and that the existing mitigating actions remain appropriate to manage them.

However, the Board notes an increase in the market cyclicality and disruption risks. The market cyclicality risk has increased due to (a) forecasts of a deeper and longer UK recession from the impact of the ongoing pandemic; and (b) renewed uncertainty of achieving a trade deal with the EU for after the Brexit transition period. We continue to focus carefully on managing our liquidity and protecting the strength of our balance sheet in order to mitigate the increased market cyclicality risk. Going forward, as we outlined at our capital markets day on 19 October 2020, we expect to fund investment and capital expenditure (including development activity) through asset disposals over time.

The disruption risk has increased due to heightened uncertainty in both the retail and office market as a consequence of the impact of the pandemic. We have seen a notable increase in the switch to online shopping from physical stores as people stay at home to comply with government guidelines, and some of this change is unlikely to reverse. The larger number of employees working from home during the pandemic has prompted greater uncertainty about how companies will use the office going forward, although again we do not know how much of this change will be permanent.

The key drivers for the increase in these risks are Covid-19 and Brexit. We have set out more context for the risks and what we are doing to manage them below.

Covid-19

The long-term implications of Covid-19 are unclear and our strategy will continue to adapt to ensure we are managing near-term challenges proactively and focused on positioning the business for post-pandemic opportunities.

Structural shifts continue to put retail rents under pressure and Covid-19 has accelerated some of the trends driving this, including the balance between physical shops and online shopping. Our shopping centres have been impacted more severely by this trend than outlets, which have been relatively shielded from online competition and are performing well.

Reimagine retail is one of our four strategic priorities and includes several key objectives to ensure we maximise the performance of our Regional retail. These include determining long-term sustainable rent levels for our customers as the basis for effective decision making as we work collaboratively with customers to introduce new leasing models. Another objective of the Reimagine retail priority is to repurpose space to reduce our retail footprint and enhance the mix. The activities under this strategic priority will be key to managing the disruption risk and structural changes within the retail sector, particularly shopping centres.

Brexit

We have continued to assess the risks to the business and our supply chain that may result from the end of the Brexit transition period, including the increasing likelihood of no meaningful trade deal with the EU. Our assessment of the risks is divided into three distinct workstreams: construction, operations and portfolio management.

In construction, the risks identified include the potential impact of tariffs on imported goods, workforce labour and skills shortages, delayed delivery of products and foreign exchange exposure.

In operations, the risks include the availability of imported goods and spares, which are critical for us to keep our buildings open with a safe and secure environment for our customers.

The portfolio management risks are more general and assessed as having limited impact on the Group. In consultation with our customers and suppliers, we are well prepared with contingency plans to mitigate the risks identified within each workstream.

Across all three workstreams, we are focused on managing the risk of operating effectively with trading partners who are based in the EU and ensuring we have robust processes in place to mitigate regulations around the movement of goods across borders. We have been aware of this threat now for several years.

The Board recognises the health of our business is closely linked to the health of the UK economy. We are actively monitoring events and will continue to assess the broader economic uncertainties, and any consequential impact on the Group, that may result from leaving the EU without a trade deal.

Statement of Directors' Responsibilities

Each of the Directors, whose names and functions appear below, confirm to the best of their knowledge that the condensed consolidated interim financial statements have been prepared in accordance with IAS 34, 'Interim Financial Reporting', as issued by the IASB and adopted by the European Union and that the interim management report herein includes a fair review of the information required by the Disclosure and Transparency Rules (DTR), namely:

- DTR 4.2.7 (R): an indication of important events that have occurred during the six month period ended 30 September 2020 and their impact on the condensed interim financial statements, and a description of the principal risks and uncertainties for the remaining six months of the financial year; and

- DTR 4.2.8 (R): any related party transactions in the six month period ended 30 September 2020 that have materially affected, and any changes in the related party transactions described in the 2020 Annual Report that could materially affect, the financial position or performance of the enterprise during that period.

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

- Cressida Hogg, Chairman*
- Mark Allan, Chief Executive
- Martin Greenslade, Chief Financial Officer
- Colette O'Shea, Managing Director, Portfolio
- Edward Bonham Carter, Senior Independent Director*
- Nicholas Cadbury*
- Madeleine Cosgrave*
- Christophe Evain*
- Stacey Rauch*

*Non-executive Directors

A list of the current Directors is maintained on the Land Securities Group PLC website at landsec.com.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial information differs from legislation in other jurisdictions.

By order of the Board

Tim Ashby
Group General Counsel and Company Secretary
9 November 2020

Independent review report to Land Securities Group PLC

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2020 which comprises the consolidated income statement, the consolidated statement of comprehensive income, the consolidated balance sheet, the consolidated statement of changes in equity, the consolidated statement of cash flows and the related notes to the financial statements 1 to 17. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with guidance contained in International Standard on Review Engagements 2410 (UK and Ireland) 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, for our work, for this report, or for the conclusions we have formed.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with IFRS as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2020 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Ernst & Young LLP
London
9 November 2020

Financial statements

Unaudited income statement	Notes	Six months ended 30 September 2020 Revenue profit £m	Capital and other items £m	Total £m	Six months ended 30 September 2019 Revenue profit £m	Capital and other items £m	Total £m
Revenue	5	**327**	**-**	**327**	368	1	369
Costs	6	**(182)**	**-**	**(182)**	(116)	-	(116)
		145	**-**	**145**	252	1	253
Share of post-tax profit/(loss) from joint ventures	12	**1**	**(124)**	**(123)**	15	(65)	(50)
Profit on disposal of investment properties		**-**	**2**	**2**	-	-	-
Net deficit on revaluation of investment properties	10	**-**	**(824)**	**(824)**	-	(304)	(304)
Operating profit/(loss)		**146**	**(946)**	**(800)**	267	(368)	(101)
Finance income	7	**8**	**1**	**9**	7	2	9
Finance expense	7	**(39)**	**(5)**	**(44)**	(49)	(6)	(55)
Profit/(loss) before tax		**115**	**(950)**	**(835)**	225	(372)	(147)
Taxation				**-**			2
Loss attributable to shareholders				**(835)**			(145)
Loss per share attributable to shareholders:							
Basic loss per share	4			**(112.8)p**			(19.6)p
Diluted loss per share	4			**(112.8)p**			(19.6)p

Unaudited statement of comprehensive income	Six months ended 30 September 2020 Total £m	Six months ended 30 September 2019 Total £m
Loss attributable to shareholders	**(835)**	(145)
Items that will not be subsequently reclassified to the income statement:		
Movement in the fair value of other investments	**(1)**	(1)
Net re-measurement loss on defined benefit pension scheme	**(11)**	-
Deferred tax charge on re-measurement above	**2**	-
Other comprehensive loss attributable to shareholders	**(10)**	(1)
Total comprehensive loss attributable to shareholders	**(845)**	(146)

Unaudited balance sheet

	Notes	30 September 2020 £m	31 March 2020 £m
Non-current assets			
Investment properties	10	**10,525**	11,297
Intangible assets		**13**	14
Net investment in finance leases		**154**	156
Investments in joint ventures	12	**702**	824
Trade and other receivables		**165**	178
Other non-current assets		**21**	32
Total non-current assets		**11,580**	12,501
Current assets			
Trading properties	11	**35**	24
Trade and other receivables		**542**	433
Monies held in restricted accounts and deposits		**9**	9
Cash and cash equivalents		**-**	1,345
Other current assets		**12**	48
Total current assets		**598**	1,859
Total assets		**12,178**	14,360
Current liabilities			
Borrowings	14	**(1,079)**	(977)
Trade and other payables		**(291)**	(270)
Other current liabilities		**(4)**	(2)
Bank overdraft		**(2)**	-
Total current liabilities		**(1,376)**	(1,249)
Non-current liabilities			
Borrowings	14	**(2,887)**	(4,355)
Trade and other payables		**(3)**	(1)
Other non-current liabilities		**(8)**	(5)
Total non-current liabilities		**(2,898)**	(4,361)
Total liabilities		**(4,274)**	(5,610)
Net assets		**7,904**	8,750
Equity			
Capital and reserves attributable to shareholders			
Ordinary shares		**80**	80
Share premium		**317**	317
Other reserves		**26**	27
Retained earnings		**7,481**	8,326
Total equity		**7,904**	8,750

The financial statements on pages 31 to 50 were approved by the Board of Directors on 9 November 2020 and were signed on its behalf by:

M C Allan **M F Greenslade**

Directors

Unaudited statement of changes in equity

	Ordinary shares £m	Share premium £m	Other reserves £m	Retained earnings £m	Attributable to shareholders Total equity £m
At 1 April 2019	80	317	26	9,497	9,920
Total comprehensive loss for the financial period	-	-	-	(146)	(146)
Transactions with shareholders:					
Share-based payments	-	-	-	1	1
Dividends paid to shareholders	-	-	-	(170)	(170)
Total transactions with shareholders	-	-	-	(169)	(169)
At 30 September 2019	80	317	26	9,182	9,605
Total comprehensive loss for the financial period	-	-	-	(685)	(685)
Transactions with shareholders:					
Share-based payments	-	-	1	1	2
Dividends paid to shareholders	-	-	-	(172)	(172)
Total transactions with shareholders	-	-	1	(171)	(170)
At 31 March 2020	80	317	27	8,326	8,750
Total comprehensive loss for the financial period	**-**	**-**	**-**	**(845)**	**(845)**
Transactions with shareholders:					
Share-based payments	**-**	**-**	**2**	**-**	**2**
Acquisition of own shares	**-**	**-**	**(3)**	**-**	**(3)**
Total transactions with shareholders	**-**	**-**	**(1)**	**-**	**(1)**
At 30 September 2020	**80**	**317**	**26**	**7,481**	**7,904**

Unaudited statement of cash flows

	Notes	**Six months ended 30 September 2020** £m	2019 £m
Cash flows from operating activities			
Net cash generated from operations	9	**133**	233
Interest received		**-**	14
Interest paid		**(47)**	(57)
Rents paid		**(3)**	(5)
Capital expenditure on trading properties		**-**	(1)
Other operating cash flows		**1**	-
Net cash inflow from operating activities		**84**	184
Cash flows from investing activities			
Investment property development expenditure		**(77)**	(82)
Other investment property related expenditure		**(20)**	(21)
Acquisition of investment properties		**(8)**	-
Cash contributed to joint ventures	12	**-**	(13)
Cash distributions from joint ventures	12	**7**	38
Other investing cash flows		**(2)**	1
Net cash outflow from investing activities		**(100)**	(77)
Cash flows from financing activities			
Proceeds from new borrowings (net of finance fees)	14	**102**	95
Repayment of bank debt	14	**(1,468)**	(110)
Redemption of medium term notes		**-**	(4)
Premium paid on redemption of medium term notes		**-**	(1)
Net cash inflow from derivative financial instruments		**38**	38
Dividends paid to shareholders	8	**-**	(170)
Decrease in monies held in restricted accounts and deposits		**-**	25
Other financing cash flows		**(3)**	-
Net cash outflow from financing activities		**(1,331)**	(127)
Decrease in cash and cash equivalents for the period		**(1,347)**	(20)
Cash and cash equivalents at the beginning of the period		**1,345**	14
Bank overdraft at the end of the period		**(2)**	(6)

Notes to the financial statements

1. Basis of preparation and consolidation

Basis of preparation

This condensed consolidated interim financial information (financial statements) for the six months ended 30 September 2020 has been prepared on a going concern basis and in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority and IAS 34 'Interim Financial Reporting' as adopted by the European Union (EU).

The condensed consolidated interim financial information does not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006. Statutory accounts for the year ended 31 March 2020, presented in accordance with International Financial Reporting Standards as adopted by the EU (IFRS), were approved by the Board of Directors on 11 May 2020 and delivered to the Registrar of Companies. The report of the auditor on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under section 498 of the Companies Act 2006. The condensed consolidated interim financial information has been reviewed, not audited, and should be read in conjunction with the Group's annual financial statements for the year ended 31 March 2020.

This condensed consolidated interim financial information was approved for issue by the Directors on 9 November 2020.

Going concern

As the impact of Covid-19 on the Group continues to be significant, particularly on our ability to collect rent and service charge from customers, the Directors have continued to place additional focus on the appropriateness of adopting the going concern assumption in preparing the financial statements for the period ended 30 September 2020. The Group's going concern assessment considers changes in the Group's principal risks (see page 27) and is dependent on a number of factors, including our financial performance and continued access to borrowing facilities. Access to our borrowing facilities is dependent on our ability to continue to operate the Group's secured debt structure within its financial covenants, which are described in note 14.

In order to satisfy themselves that the Group has adequate resources to continue as a going concern for the foreseeable future, the Directors have reviewed a cash flow model which, consistent with the approach taken at 31 March 2020, considers the impact of pessimistic assumptions on the Group's operating environment (the 'Viability scenario'). This cash flow model reflects management's experience over the six months ended 30 September 2020 of cash collection levels for rent and service charge, where performance has been favourable when compared with that assumed in the 31 March 2020 Viability scenario.

This experience has then been used to forecast future anticipated rent collection levels in the cash flow model for the period to November 2021, which forms the basis of the going concern assessment. The anticipated movements in the valuation of our Combined Portfolio have also been updated to reflect recent experience and anticipated future changes over this period. The Group's key metrics from the Viability scenario included in the Group's Annual Report for the year ended 31 March 2020 and the latest Viability scenario, both as at the end of the going concern assessment period, are shown below alongside the actual position at 30 September 2020.

Key metrics	**30 September 2020**	**30 September 2020 Latest Viability scenario November 2021**	31 March 2020 Viability scenario November 2021
Loan-to-value ratio	33.2%	**39.9%**	36.8%
Adjusted net debt	£3,940m	**£4,390m**	£4,688m
EPRA Net tangible assets	£7,995m	**£6,594m**	£7,551m
Available financial headroom	£1,184m	**£701m**	£405m

In our latest Viability scenario, the Group has sufficient cash reserves, with our loan-to-value ratio remaining less than 65% and interest cover above 1.45x, for a period of at least 12 months from the date of authorisation of these financial statements. The value of our assets would need to fall by a further 39% from the level assumed in the Viability scenario at November 2021 for LTV to reach 65%. The Security Group requires earnings of at least £74m in the year ending 30 September 2021 for interest cover to remain above 1.45x in the Viability scenario.

Despite the challenging trading conditions, Security Group earnings for the six month period ended 30 September 2020 are above the level required to meet the interest cover covenant for the full year ending 30 September 2021. As the earnings run rate is currently more than double that required, the Directors do not anticipate a reduction in Security Group earnings over the year ending 30 September 2021 to a level that would result in a breach of the interest cover covenant, even if the recently introduced lockdown periods result in similar trading conditions to those seen at the beginning of the financial year.

The Directors have also considered an extreme downside scenario, consistent with that reviewed in preparing the financial statements for the year ended 31 March 2020, which assumes no further rent will be received, to determine when our available cash resources are exhausted. Even in this extreme downside scenario, the Group continues to have sufficient cash reserves to continue in operation throughout the going concern assessment period.

Based on these considerations, together with available market information and the Directors' knowledge and experience of the Group's property portfolio and markets, the Directors have adopted the going concern basis in preparing these financial statements for the period ended 30 September 2020.

1. Basis of preparation and consolidation continued

Presentation of results

The Group income statement is presented in a columnar format, split into those items that relate to revenue profit and Capital and other items. The Total column represents the Group's results presented in accordance with IFRS; the other columns provide additional information. This is intended to reflect the way in which the Group's senior management review the results of the business and to aid reconciliation to the segmental information.

A number of the financial measures used internally by the Group to measure performance include the results of partly-owned subsidiaries and joint ventures on a proportionate basis. Measures that are described as being 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. These measures are non-GAAP measures and therefore not presented in accordance with IFRS. This is in contrast to the condensed consolidated interim financial information presented in these half-yearly results, where the Group applies equity accounting to its interest in joint ventures, presenting its interest as one line on the income statement and balance sheet, and consolidating all subsidiaries 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 used internally by the Group.

Revenue profit is the Group's measure of underlying pre-tax profit. It excludes all items of a capital nature, such as valuation movements and profits and losses on the disposal of investment properties, as well as exceptional items. The Group believes that revenue profit better represents the results of the Group's operational performance to shareholders and other stakeholder groups. A full definition of revenue profit is given in the Glossary. The components of revenue profit are presented on a proportionate basis in note 3. Revenue profit is a non-GAAP measure.

2. Significant accounting policies

The condensed consolidated interim financial information has been prepared on the basis of the accounting policies, significant judgements and estimates as set out in the notes to the Group's annual financial statements for the year ended 31 March 2020, as amended where relevant to reflect the new standards, amendments and interpretations which became effective in the period. There has been no material impact on the financial statements of adopting these new standards, amendments and interpretations.

Significant accounting estimate – Impairment of trade receivables

As set out in the Group's annual financial statements for the year ended 31 March 2020, the Group's assessment of expected credit losses is inherently subjective due to the forward-looking nature of the assessments. At 30 September 2020, trade receivable balances have increased as a result of unpaid rent and service charge reflecting the impact of Covid-19 on our customers and the Government's ongoing rent collections moratorium. Provisions for expected credit losses have therefore also increased, with a charge of **£87m** (Group and share of joint ventures) recognised in the income statement in the period.

The Group's approach to determining expected credit losses remains consistent with that described in the annual financial statements for the year ended 31 March 2020 and assessments continue to be made on a customer by customer basis. As such, any changes in individual customer credit ratings, payment behaviours, actual or expected insolvency filings or company voluntary arrangements, as well as any agreements reached in allocating our customer support fund, could result in a change in the appropriate level of provisioning. A 10% increase/decrease in the charge in the period would result in a **£9m** decrease/increase in revenue profit and an equivalent increase/reduction in the Group's loss after tax.

3. Segmental information

The Group's operations are managed across four operating segments, being Central London, Regional retail, Urban opportunities and Subscale sectors.

The Central London segment includes all assets geographically located within central London. Regional retail includes all regional shopping centres and shops outside London and our outlets. The Urban opportunities segment includes those assets where we see the most potential for capital investment. Subscale sectors mainly includes assets that will not be a focus for capital investment and consists of leisure and hotel assets and retail parks.

In the year ended 31 March 2020, we merged our London Portfolio and Retail Portfolio and amended our reporting to the Executive Committee (ExecCom) to reflect the predominant use class of our assets, grouped into Office, Retail and Specialist. Subsequently, during the six months ended 30 September 2020, we have merged these three segments into four new reporting segments to support our new strategy and better reflect the way the business is now being managed. The comparative year has been presented in the new format and a reconciliation to the previous presentation has been provided on our website.

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 ExecCom, which comprised the Executive Directors, the Group General Counsel and Company Secretary and the Group HR 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 net rental income is the lowest level to which the profit arising from the ongoing operations of the Group is analysed between the four segments. The indirect costs, which are predominantly staff costs, are all treated as indirect expenses and are not allocated to individual segments.

The Group manages its financing structure, with the exception of joint ventures, on a pooled basis. Individual joint ventures may have specific financing arrangements in place. Debt facilities and finance expenses, including those of joint ventures, are managed centrally and are therefore not attributed to a particular segment. Unallocated income and expenses are items incurred centrally which are not directly attributable to one of the 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 29.

3. Segmental information continued

Revenue profit	Six months ended 30 September 2020 Central London £m	Regional retail £m	Urban opps £m	Subscale sectors £m	Total £m	Six months ended 30 September 2019 Central London £m	Regional retail £m	Urban opps £m	Subscale sectors £m	Total £m
Rental income	**154**	**84**	**13**	**42**	**293**	161	100	14	59	334
Finance lease interest	**4**	**-**	**-**	**-**	**4**	4	-	-	-	4
Gross rental income (before rents payable)	**158**	**84**	**13**	**42**	**297**	165	100	14	59	338
Rents payable[1]	**(2)**	**(2)**	**-**	**-**	**(4)**	(2)	(4)	-	-	(6)
Gross rental income (after rents payable)	**156**	**82**	**13**	**42**	**293**	163	96	14	59	332
Service charge income	**20**	**18**	**3**	**-**	**41**	25	22	3	-	50
Service charge expense	**(20)**	**(20)**	**(3)**	**-**	**(43)**	(25)	(23)	(3)	(1)	(52)
Net service charge expense	**-**	**(2)**	**-**	**-**	**(2)**	-	(1)	-	(1)	(2)
Other property related income	**10**	**5**	**1**	**1**	**17**	7	6	1	1	15
Direct property expenditure	**(11)**	**(12)**	**(3)**	**(4)**	**(30)**	(13)	(15)	(3)	(3)	(34)
Bad and doubtful debts expense[2]	**(8)**	**(44)**	**(6)**	**(29)**	**(87)**	(1)	(1)	-	-	(2)
Segment net rental income	**147**	**29**	**5**	**10**	**191**	156	85	12	56	309
Other income					**1**					1
Indirect expense					**(35)**					(33)
Depreciation					**(3)**					(3)
Revenue profit before interest					**154**					274
Finance income					**8**					7
Finance expense					**(39)**					(49)
Joint venture finance expense					**(8)**					(7)
Revenue profit					**115**					225

1. Included within rents payable is lease interest payable of **£2m** (2019: £1m) for the Central London segment.
2. Includes **£16m** (2019: £nil) of provisions related to future rent. An additional £23m of bad and doubtful debts expense relating to rental income for the period was recognised in the year ended 31 March 2020.

Reconciliation of revenue profit to loss before tax	Six months ended 30 September 2020 Total £m	Six months ended 30 September 2019 Total £m
Revenue profit	**115**	225
Capital and other items		
Valuation and profit on disposals		
Net deficit on revaluation of investment properties	**(945)**	(368)
(Loss)/profit on disposal of trading properties	**(1)**	1
	(946)	(367)
Net finance expense (excluded from revenue profit)		
Fair value movement on interest-rate swaps	**(5)**	(5)
Premium and fees on redemption of medium term notes (MTNs)	**-**	(1)
Other net finance income	**1**	2
	(4)	(4)
Other		
Profit from long-term development contracts	**-**	2
Other	**-**	(3)
	-	(1)
Loss before tax	**(835)**	(147)

4. Performance measures

In the tables below, we present earnings per share and net assets per share calculated in accordance with IFRS, together with our own adjusted measure and certain measures defined by the European Public Real Estate Association (EPRA), which have been included to assist comparison between European property companies. Three of the Group's key financial performance measures are adjusted diluted earnings per share, EPRA net tangible assets per share and 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 provide further insight into 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 period to period.

Earnings per share		Six months ended 30 September 2020			Six months ended 30 September 2019	
	Loss for the period £m	EPRA earnings £m	Adjusted earnings £m	Loss for the period £m	EPRA earnings £m	Adjusted earnings £m
Loss attributable to shareholders	(835)	(835)	(835)	(145)	(145)	(145)
Taxation	-	-	-	-	(2)	(2)
Valuation and profit on disposals	-	946	946	-	367	367
Net finance expense (excluded from revenue profit)	-	4	4	-	4	4
Other	-	-	-	-	1	1
(Loss)/profit used in per share calculation	(835)	115	115	(145)	225	225
	IFRS	EPRA	Adjusted	IFRS	EPRA	Adjusted
Basic (loss)/earnings per share	(112.8)p	15.5p	15.5p	(19.6)p	30.4p	30.4p
Diluted (loss)/earnings per share[1]	(112.8)p	15.5p	15.5p	(19.6)p	30.4p	30.4p

1. In the periods ended 30 September 2020 and 30 September 2019, share options are excluded from the weighted average diluted number of shares when calculating IFRS diluted loss per share because they are not dilutive.

Net assets per share		30 September 2020			31 March 2020	
	Net assets £m	EPRA NDV £m	EPRA NTA £m	Net assets £m	EPRA NDV £m	EPRA NTA £m
Net assets attributable to shareholders	7,904	7,904	7,904	8,750	8,750	8,750
Excess of fair value over net investment in finance leases book value	-	92	92	-	90	90
Deferred tax liability on intangible asset	-	-	1	-	-	1
Goodwill on deferred tax liability	-	(1)	(1)	-	(1)	(1)
Other intangible assets	-	-	(7)	-	-	(7)
Fair value of interest-rate swaps	-	-	6	-	-	1
Excess of fair value of debt over book value (note 14)	-	(338)	-	-	(274)	-
Net assets used in per share calculation	7,904	7,657	7,995	8,750	8,565	8,834
	IFRS	EPRA NDV	EPRA NTA	IFRS	EPRA NDV	EPRA NTA
Net assets per share	1,068p	n/a	n/a	1,182p	n/a	n/a
Diluted net assets per share	1,067p	1,033p	1,079p	1,181p	1,156p	1,192p

Number of shares	Six months ended 30 September 2020 weighted average million	30 September 2020 million	Six months ended 30 September 2019 weighted average million	31 March 2020 million
Ordinary shares	751	751	751	751
Treasury shares	(10)	(10)	(10)	(10)
Own shares	(1)	(1)	(1)	(1)
Number of shares – basic	740	740	740	740
Dilutive effect of share options	1	1	1	1
Number of shares – diluted	741	741	741	741

4. Performance measures continued

Total business return is calculated as the cash dividends per share paid in the period plus the change in EPRA NTA per share, divided by the opening EPRA NTA per share. We consider this to be a useful measure for shareholders as it gives an indication of the total return on equity over the period.

Total business return based on EPRA NTA	Six months ended 30 September 2020	Six months ended 30 September 2019[1]
	pence	pence
Decrease in EPRA NTA per share	(113)	(43)
Dividend paid per share in the period (note 8)	-	23
Total return (a)	**(113)**	(20)
EPRA NTA per share at the beginning of the period (b)	1,192	1,348
Total business return (a/b)	**-9.5%**	-1.5%

1. Restated for change in net asset metric from EPRA net assets to EPRA NTA. Total business return at 30 September 2019 based on EPRA net assets per share as previously reported was -1.5%.

5. Revenue

All revenue is classified within the 'Revenue profit' column of the income statement, with the exception of proceeds from 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.

	Six months ended 30 September 2020			Six months ended 30 September 2019		
	Revenue profit	Capital and other items	Total	Revenue profit	Capital and other items	Total
	£m	£m	£m	£m	£m	£m
Rental income (excluding adjustment for lease incentives)	284	-	284	311	1	312
Adjustment for lease incentives	(16)	-	(16)	(7)	-	(7)
Rental income	**268**	**-**	**268**	304	1	305
Service charge income	38	-	38	45	-	45
Other property related income	16	-	16	14	-	14
Finance lease interest	4	-	4	4	-	4
Other income	1	-	1	1	-	1
Revenue per the income statement	**327**	**-**	**327**	368	1	369

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

	Six months ended 30 September 2020				Six months ended 30 September 2019			
	Group	Joint ventures	Adjustment for non-wholly owned subsidiaries[1]	Total	Group	Joint ventures	Adjustment for non-wholly owned subsidiaries[1]	Total
	£m	£m	£m	£m	£m	£m	£m	£m
Rental income	268	25	-	293	305	30	(1)	334
Service charge income	38	3	-	41	45	5	-	50
Other property related income	16	1	-	17	14	1	-	15
Trading property sales proceeds	-	4	-	4	-	4	-	4
Finance lease interest	4	-	-	4	4	-	-	4
Long-term development contract income	-	1	-	1	-	2	-	2
Other income	1	-	-	1	1	-	-	1
Revenue in the segmental information note	**327**	**34**	**-**	**361**	369	42	(1)	410

1. This represents the interest in X-Leisure which we did not own, but which is consolidated in the Group numbers. In December 2019, the Group purchased this interest thereby settling the redemption liability.

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 and impairments of intangible assets arising on business combinations and the non-owned element of the Group's subsidiaries which are presented in the 'Capital and other items' column.

	Six months ended 30 September 2020			Six months ended 30 September 2019		
	Revenue profit £m	**Capital and other items £m**	**Total £m**	Revenue profit £m	Capital and other items £m	Total £m
Rents payable	**3**	**-**	**3**	5	-	5
Service charge expense	**39**	**-**	**39**	46	-	46
Direct property expenditure	**25**	**-**	**25**	30	-	30
Bad and doubtful debts expense	**77**	**-**	**77**	1	-	1
Indirect expense	**38**	**-**	**38**	34	-	34
Costs per the income statement	**182**	**-**	**182**	116	-	116

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

	Six months ended 30 September 2020				Six months ended 30 September 2019			
	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
Rents payable	**3**	**1**	**-**	**4**	5	1	-	6
Service charge expense	**39**	**4**	**-**	**43**	46	6	-	52
Direct property expenditure	**25**	**5**	**-**	**30**	30	4	-	34
Bad and doubtful debts expense(2)	**77**	**10**	**-**	**87**	1	1	-	2
Indirect expense	**38**	**-**	**-**	**38**	34	2	-	36
Cost of trading property disposals	**-**	**5**	**-**	**5**	-	3	-	3
Long-term development contract expenditure	**-**	**1**	**-**	**1**	-	-	-	-
Costs in the segmental information note	**182**	**26**	**-**	**208**	116	17	-	133

1. This represents the interest in X-Leisure which we did not own, but which was consolidated in the Group numbers. In December 2019, the Group purchased this interest thereby settling the redemption liability.
2. Includes **£16m** (2019: £nil) of provisions related to future rent. An additional £23m of bad and doubtful debts expense relating to rental income for the period was recognised in the year ended 31 March 2020.

The Group's costs include employee costs for the period of **£30m** (2019: £28m), of which **£2m** (2019: £4m) is within service charge expense and **£28m** (2019: £24m) is within indirect expense.

7. Net finance expense

	Six months ended 30 September 2020			Six months ended 30 September 2019		
	Revenue profit £m	**Capital and other items £m**	**Total £m**	Revenue profit £m	Capital and other items £m	Total £m
Finance income						
Interest receivable from joint ventures	**8**	**-**	**8**	7	-	7
Fair value movement on other derivatives	**-**	**1**	**1**	-	1	1
Revaluation of redemption liabilities	**-**	**-**	**-**	-	1	1
	8	**1**	**9**	7	2	9
Finance expense						
Bond and debenture debt	**(33)**	**-**	**(33)**	(41)	-	(41)
Bank and other short-term borrowings	**(11)**	**-**	**(11)**	(11)	-	(11)
Fair value movement on interest-rate swaps	**-**	**(5)**	**(5)**	-	(5)	(5)
Redemption of medium term notes	**-**	**-**	**-**	-	(1)	(1)
	(44)	**(5)**	**(49)**	(52)	(6)	(58)
Interest capitalised in relation to properties under development	**5**	**-**	**5**	3	-	3
	(39)	**(5)**	**(44)**	(49)	(6)	(55)
Net finance expense	**(31)**	**(4)**	**(35)**	(42)	(4)	(46)
Joint venture net finance expense	**(8)**			(7)		
Net finance expense included in revenue profit	**(39)**			(49)		

Lease interest payable of **£2m** (2019: £1m) is included within rents payable as detailed in note 3.

8. Dividends

Dividends paid						
					Six months ended 30 September	
		Pence per share			**2020**	2019
	Payment date	**PID**	**Non-PID**	**Total**	**£m**	£m
For the year ended 31 March 2019:						
Third interim	12 April 2019	11.30	-	11.30		84
Final	25 July 2019	11.65	-	11.65		86
For the year ended 31 March 2020:						
Third interim	-	-	-	-	-	
Final	-	-	-	-	-	
Gross dividends					-	170

In light of extreme market uncertainty due to Covid-19, the Board took the decision to not pay a third interim or final dividend for the year ended 31 March 2020 (2019: 22.95p or £170m paid in total).

The Board has declared a second interim dividend of **12.0p** per ordinary share to be payable wholly as a PID on 4 January 2021 to shareholders registered at the close of business on 27 November 2020. As the Board did not declare a first quarterly dividend, the first half dividend will be **12.0p** per share (2019: 23.2p).

A Dividend Reinvestment Plan (DRIP) has been available in respect of all dividends paid during the period. The last day for DRIP elections for the second interim dividend is close of business on 9 December 2020.

9. Net cash generated from operations

Reconciliation of operating loss to net cash generated from operations	Six months ended 30 September 2020 £m	Six months ended 30 September 2019 £m
Operating loss	**(800)**	(101)
Adjustments for:		
Net deficit on revaluation of investment properties	**824**	304
Profit on disposal of investment properties	**(2)**	-
Share of loss from joint ventures	**123**	50
Depreciation	**3**	3
Rents payable	**3**	5
Other	**3**	-
	154	261
Changes in working capital:		
Increase in receivables	**(24)**	(36)
Increase in payables and provisions	**3**	8
Net cash generated from operations	**133**	233

10. Investment properties

	Six months ended 30 September 2020 £m	Six months ended 31 March 2020 £m	Six months ended 30 September 2019 £m
Net book value at the beginning of the period	**11,297**	11,851	12,094
Acquisitions	**27**	16	-
Capital expenditure	**105**	98	101
Capitalised interest	**5**	4	3
Net movement in head leases capitalised[1]	**-**	30	-
Disposals	**(74)**	(49)	-
Net deficit on revaluation of investment properties	**(824)**	(696)	(304)
Transfers to trading properties	**(11)**	-	-
Transfer to non-current assets held for sale	**-**	43	(43)
Net book value at the end of the period	**10,525**	11,297	11,851

1. See note 14 for details of the amounts payable under head leases and note 6 for details of the rents payable in the income statement.

The fair value of investment properties at 30 September 2020 was determined by the Group's external valuer, CBRE. The valuations are in line with RICS standards and were arrived at by reference to market evidence of transactions for similar properties. The valuations performed by the independent valuer are reviewed internally by Senior Management and relevant people within the business. This includes discussions of the assumptions used by the external valuer, as well as a review of the resulting valuations. Discussions about the valuation process and results are held between Senior Management, the Audit Committee and the external valuer on a half-yearly basis.

The Valuer's report for the six months ended 30 September 2020 contained a 'material uncertainty' clause in relation to the valuation of the Group's hotel assets due to the continued uncertainty in the market for those assets at that date caused by Covid-19. The inclusion of this clause indicates that there is substantially more uncertainty than normal and therefore a higher likelihood that the assumptions upon which the external valuer has based its valuations prove to be inaccurate. Sensitivities to illustrate the changes in key unobservable inputs on the fair value of the Group's properties have been included below.

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 tenant finance leases, head leases and lease incentives separately. The following table reconciles the net book value of the investment properties to the market value.

	30 September 2020				31 March 2020			
	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
Market value	**11,000**	**843**	**-**	**11,843**	11,802	979	-	12,781
Less: properties treated as finance leases	**(249)**	**-**	**-**	**(249)**	(249)	-	-	(249)
Plus: head leases capitalised	**61**	**9**	**-**	**70**	60	9	-	69
Less: tenant lease incentives	**(287)**	**(41)**	**-**	**(328)**	(316)	(42)	-	(358)
Net book value	**10,525**	**811**	**-**	**11,336**	11,297	946	-	12,243
Net deficit on revaluation of investment properties	**(824)**	**(121)**	**-**	**(945)**	(1,000)	(181)	2	(1,179)

1. Refer to note 12 for a breakdown of this amount by entity.
2. This represents the interest in X-Leisure which we did not own, but which is consolidated in the Group numbers. In December 2019, the Group purchased this additional interest thereby settling the redemption liability.

The sensitivities below illustrate the impact of changes in key unobservable inputs (in isolation) on the fair value of the Group's properties:

Sensitivities							**30 September 2020**
		Impact on valuations of 5% change in estimated rental value		**Impact on valuations of 25 bps change in equivalent yield**		**Impact on valuations of 5% change in costs**	
	Market value £m	**Increase £m**	**Decrease £m**	**Decrease £m**	**Increase £m**	**Decrease £m**	**Increase £m**
Total Central London (excluding developments)	**6,793**	**266**	**(266)**	**433**	**(390)**	**23**	**(23)**
Total Regional retail (excluding developments)	**1,853**	**80**	**(80)**	**81**	**(75)**	**2**	**(1)**
Total Urban opportunities (excluding developments)	**359**	**16**	**(14)**	**19**	**(18)**	**-**	**-**
Total Subscale sectors (excluding developments)	**1,365**	**52**	**(48)**	**56**	**(50)**	**1**	**(1)**
Developments: residual method	**630**	**31**	**(32)**	**67**	**(61)**	**19**	**(21)**
Market value at 30 September 2020 – Group	**11,000**	**445**	**(440)**	**656**	**(594)**	**45**	**(46)**

11. Trading properties

	Development land and infrastructure £m	Residential £m	Total £m
At 1 April 2019	23	-	23
At 30 September 2019	23	-	23
Capital expenditure	1	-	1
At 31 March 2020	24	-	24
Transfer from investment properties	**-**	**11**	**11**
At 30 September 2020	**24**	**11**	**35**

There were no cumulative impairment provisions in respect of either Development land and infrastructure or Residential at 30 September 2020 and 31 March 2020.

12. Joint arrangements

The Group's principal joint arrangements are described below:

Joint ventures	Percentage owned & voting rights	Business segment	Year end date(1)	Joint venture partner
Held at 30 September 2020				
Nova, Victoria(2)	50%	Central London	31 March	Canada Pension Plan Investment Board
Southside Limited Partnership	50%	Urban opportunities	31 March	Invesco Real Estate European Fund
St. David's Limited Partnership	50%	Regional retail	31 December	Intu Properties plc
Westgate Oxford Alliance Limited Partnership	50%	Regional retail, Subscale sectors	31 March	The Crown Estate Commissioners
Harvest(3)(4)	50%	Subscale sectors	31 March	J Sainsbury plc
The Ebbsfleet Limited Partnership(3)	50%	Subscale sectors	31 March	Ebbsfleet Property Limited
West India Quay Unit Trust(3)(5)	50%	Subscale sectors	31 March	Schroder Exempt Property Unit Trust

Joint operation	Ownership interest	Business segment	Year end date(1)	Joint operation partners
Held at 30 September 2020				
Bluewater, Kent	30%	Regional retail	31 March	M&G Real Estate and GIC Lendlease Retail LP Royal London Asset Management Aberdeen Standard Investments

1. The year end date shown is the accounting reference date of the joint arrangement. 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 Nova Limited Partnership, Nova Residential Limited Partnership, Victoria Circle Developer Limited, Nova GP Limited, Nova Business Manager Limited, Nova Residential (GP) Limited, Nova Developer Limited, Nova Residential Intermediate Ltd, Nova Estate Management Company Limited, Nova Nominee 1 Limited and Nova Nominee 2 Limited. On 19 June 2020, the Group acquired Nova's interests in n2 and Nova Place from the joint venture.
3. Included within Other in subsequent tables.
4. Harvest includes Harvest 2 Limited Partnership, Harvest Development Management Limited, Harvest 2 Selly Oak Limited, Harvest 2 GP Limited and Harvest GP Limited.
5. West India Quay Unit Trust is held in the X-Leisure Unit Trust (X-Leisure). Until 5 December 2019 the Group held a 95% share in X-Leisure, but purchased the remaining interest thereby settling the redemption liability on that date. The Group owned 100% of X-Leisure at 30 September 2020.

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 a trading property and Harvest which is engaged in long-term development contracts. 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

Joint ventures

Six months ended 30 September 2020

Comprehensive income statement	Nova, Victoria 100% £m	Southside Limited Partnership 100% £m	St. David's Limited Partnership 100% £m	Westgate Oxford Alliance Partnership 100% £m	Other 100% £m	Total 100% £m	Total Group share £m
Revenue[1]	29	5	16	16	3	69	34
Gross rental income (after rents payable)	18	5	12	11	2	48	24
Net rental income	16	1	1	1	-	19	9
Revenue profit before interest	16	-	-	1	-	17	9
Finance expense	(13)	(3)	-	-	-	(16)	(8)
Net finance expense	(13)	(3)	-	-	-	(16)	(8)
Revenue profit	3	(3)	-	1	-	1	1
Capital and other items							
Net deficit on revaluation of investment properties	(22)	(38)	(107)	(67)	(8)	(242)	(121)
Loss on disposal of investment properties	(4)	-	-	-	-	(4)	(2)
Loss on disposal of trading properties	(1)	-	-	-	-	(1)	(1)
Loss before tax	(24)	(41)	(107)	(66)	(8)	(246)	(123)
Post-tax loss	(24)	(41)	(107)	(66)	(8)	(246)	(123)
Total comprehensive loss	(24)	(41)	(107)	(66)	(8)	(246)	(123)
	50%	50%	50%	50%	50%	50%	
Group share of loss before tax	(12)	(21)	(53)	(33)	(4)	(123)	(123)
Group share of post-tax loss	(12)	(21)	(53)	(33)	(4)	(123)	(123)
Group share of total comprehensive loss	(12)	(21)	(53)	(33)	(4)	(123)	(123)

1. 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

Joint ventures

Six months ended 30 September 2019

Comprehensive income statement	Nova, Victoria 100% £m	Southside Limited Partnership 100% £m	St. David's Limited Partnership 100% £m	Westgate Oxford Alliance Partnership 100% £m	Other 100% £m	Total 100% £m	Total Group share £m
Revenue[1]	32	6	22	18	5	83	42
Gross rental income (after rents payable)	19	6	17	14	1	57	29
Net rental income	17	5	13	11	1	47	24
Revenue profit before interest	16	5	12	10	1	44	22
Finance expense	(11)	(3)	-	-	-	(14)	(7)
Net finance expense	(11)	(3)	-	-	-	(14)	(7)
Revenue profit	5	2	12	10	1	30	15
Capital and other items							
Net deficit on revaluation of investment properties	(4)	(30)	(52)	(46)	(1)	(133)	(66)
Movement in impairment of trading properties	1	-	-	-	-	1	-
Profit on disposal of trading properties	1	-	-	-	-	1	1
Profit on long-term development contracts	-	-	-	-	5	5	2
Profit/(loss) before tax	3	(28)	(40)	(36)	5	(96)	(48)
Taxation	-	-	-	-	(3)	(3)	(2)
Post-tax profit/(loss)	3	(28)	(40)	(36)	2	(99)	(50)
Total comprehensive income/(loss)	3	(28)	(40)	(36)	2	(99)	(50)
	50%	50%	50%	50%	50%	50%	
Group share of profit/(loss) before tax	1	(14)	(20)	(18)	3	(48)	(48)
Group share of post-tax profit/(loss)	1	(14)	(20)	(18)	1	(50)	(50)
Group share of total comprehensive income/(loss)	1	(14)	(20)	(18)	1	(50)	(50)

1. 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

Joint ventures — 30 September 2020

Balance sheet	Nova, Victoria 100% £m	Southside Limited Partnership 100% £m	St. David's Limited Partnership 100% £m	Westgate Oxford Alliance Partnership 100% £m	Other 100% £m	Total 100% £m	Total Group share £m
Investment properties[1]	799	154	320	291	59	1,623	811
Non-current assets	799	154	320	291	59	1,623	811
Cash and cash equivalents	25	2	9	13	4	53	26
Other current assets	75	5	14	17	2	113	57
Current assets	100	7	23	30	6	166	83
Total assets	899	161	343	321	65	1,789	894
Trade and other payables and provisions	(20)	(8)	(11)	(12)	(1)	(52)	(26)
Current liabilities	(20)	(8)	(11)	(12)	(1)	(52)	(26)
Non-current liabilities	(171)	(145)	(16)	-	-	(332)	(166)
Non-current liabilities	(171)	(145)	(16)	-	-	(332)	(166)
Total liabilities	(191)	(153)	(27)	(12)	(1)	(384)	(192)
Net assets	708	8	316	309	64	1,405	702
Market value of investment properties[1]	861	154	310	302	60	1,687	843
Net cash/(debt)	25	-	(7)	13	4	35	17

Joint ventures — 31 March 2020

Balance sheet	Nova, Victoria 100% £m	Southside Limited Partnership 100% £m	St. David's Limited Partnership 100% £m	Westgate Oxford Alliance Partnership 100% £m	Other 100% £m	Total 100% £m	Total Group share £m
Investment properties[1]	849	192	425	358	67	1,891	946
Non-current assets	849	192	425	358	67	1,891	946
Cash and cash equivalents	17	2	12	10	6	47	23
Other current assets	75	3	13	19	-	110	55
Current assets	92	5	25	29	6	157	78
Total assets	941	197	450	387	73	2,048	1,024
Trade and other payables and provisions	(33)	(4)	(12)	(12)	(1)	(62)	(31)
Current liabilities	(33)	(4)	(12)	(12)	(1)	(62)	(31)
Non-current liabilities	(179)	(144)	(16)	-	-	(339)	(169)
Non-current liabilities	(179)	(144)	(16)	-	-	(339)	(169)
Total liabilities	(212)	(148)	(28)	(12)	(1)	(401)	(200)
Net assets	729	49	422	375	72	1,647	824
Market value of investment properties[1]	908	193	417	372	68	1,958	979
Net cash/(debt)	17	2	(4)	10	6	31	15

1. 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	Nova, Victoria 50% £m	Southside Limited Partnership 50% £m	St. David's Limited Partnership 50% £m	Westgate Oxford Alliance Partnership 50% £m	Other 50% £m	Total Group share £m
At 1 April 2019	359	61	277	258	76	1,031
Total comprehensive income/(loss)	1	(14)	(20)	(18)	1	(50)
Cash contributed	13	-	-	-	-	13
Cash distributions	-	(1)	(5)	(4)	(28)	(38)
At 30 September 2019	373	46	252	236	49	956
Total comprehensive (loss)/income	(6)	(21)	(39)	(41)	6	(101)
Cash distributions	(2)	-	(2)	(8)	(19)	(31)
At 31 March 2020	365	25	211	187	36	824
Total comprehensive loss	**(12)**	**(21)**	**(53)**	**(33)**	**(4)**	**(123)**
Non-cash contributions	**8**	**-**	**-**	**-**	**-**	**8**
Cash distributions	**(7)**	**-**	**-**	**-**	**-**	**(7)**
At 30 September 2020	**354**	**4**	**158**	**154**	**32**	**702**

13. Capital structure

	30 September 2020			31 March 2020		
	Group £m	Joint ventures £m	Combined £m	Group £m	Joint ventures £m	Combined £m
Property portfolio						
Market value of investment properties	**11,000**	**843**	**11,843**	11,802	979	12,781
Trading properties and long-term contracts	**35**	**-**	**35**	24	3	27
Total property portfolio (a)	**11,035**	**843**	**11,878**	11,826	982	12,808
Net debt						
Borrowings	**3,966**	**9**	**3,975**	5,332	8	5,340
Monies held in restricted accounts and deposits	**(9)**	**-**	**(9)**	(9)	-	(9)
Bank overdraft/(cash and cash equivalents)	**2**	**(26)**	**(24)**	(1,345)	(23)	(1,368)
Fair value of interest-rate swaps	**6**	**-**	**6**	1	-	1
Fair value of foreign exchange swaps and forwards	**(2)**	**-**	**(2)**	(37)	-	(37)
Net debt (b)	**3,963**	**(17)**	**3,946**	3,942	(15)	3,927
Less: Fair value of interest-rate swaps	**(6)**	**-**	**(6)**	(1)	-	(1)
Adjusted net debt (c)	**3,957**	**(17)**	**3,940**	3,941	(15)	3,926
Adjusted total equity						
Total equity (d)	**7,904**	**-**	**7,904**	8,750	-	8,750
Fair value of interest-rate swaps	**6**	**-**	**6**	1	-	1
Adjusted total equity (e)	**7,910**	**-**	**7,910**	8,751	-	8,751
Gearing (b/d)	**50.1%**		**49.9%**	45.1%		44.9%
Adjusted gearing (c/e)	**50.0%**		**49.8%**	45.0%		44.9%
Group LTV (c/a)	**35.9%**		**33.2%**	33.3%		30.7%
Security Group LTV	**35.0%**			32.5%		
Weighted average cost of debt	**2.1%**		**2.1%**	1.8%		1.8%

14. Borrowings

	Secured/ unsecured	Fixed/ floating	Effective interest rate %	30 September 2020 Nominal/ notional value £m	Fair value £m	Book value £m	31 March 2020 Nominal/ notional value £m	Fair value £m	Book value £m
Current borrowings									
Commercial paper									
Sterling	Unsecured	Floating	LIBOR + margin	**14**	**14**	**14**	4	4	4
Euro	Unsecured	Floating	LIBOR + margin	**832**	**832**	**832**	796	796	796
US Dollar	Unsecured	Floating	LIBOR + margin	**233**	**233**	**233**	177	177	177
Total current borrowings				**1,079**	**1,079**	**1,079**	977	977	977
Non-current borrowings									
Medium term notes (MTN)									
A10 4.875% MTN due 2025	Secured	Fixed	5.0	**10**	**11**	**10**	10	11	10
A12 1.974% MTN due 2026	Secured	Fixed	2.0	**400**	**411**	**399**	400	406	399
A4 5.391% MTN due 2026	Secured	Fixed	5.4	**17**	**20**	**17**	17	20	17
A5 5.391% MTN due 2027	Secured	Fixed	5.4	**95**	**113**	**94**	95	113	94
A6 5.376% MTN due 2029	Secured	Fixed	5.4	**65**	**84**	**65**	65	84	65
A16 2.375% MTN due 2029	Secured	Fixed	2.5	**350**	**372**	**347**	350	366	347
A13 2.399% MTN due 2031	Secured	Fixed	2.4	**300**	**322**	**299**	300	314	299
A7 5.396% MTN due 2032	Secured	Fixed	5.4	**81**	**112**	**80**	81	111	80
A11 5.125% MTN due 2036	Secured	Fixed	5.1	**50**	**71**	**50**	50	71	50
A14 2.625% MTN due 2039	Secured	Fixed	2.6	**500**	**549**	**494**	500	521	494
A15 2.750% MTN due 2059	Secured	Fixed	2.7	**500**	**574**	**495**	500	542	495
				2,368	**2,639**	**2,350**	2,368	2,559	2,350
Syndicated and bilateral bank debt	Secured	Floating	LIBOR + margin	**476**	**476**	**476**	1,944	1,944	1,944
Amounts payable under head leases	Unsecured	Fixed	4.6	**61**	**110**	**61**	61	126	61
Total non-current borrowings				**2,905**	**3,225**	**2,887**	4,373	4,629	4,355
Total borrowings				**3,984**	**4,304**	**3,966**	5,350	5,606	5,332

Reconciliation of the movement in borrowings	**Six months ended 30 September 2020** £m	Year ended 31 March 2020 £m
At the beginning of the period	**5,332**	3,781
Proceeds from new borrowings	**102**	1,701
Repayment of bank debt	**(1,468)**	-
Repayment of MTNs	**-**	(47)
Redemption of MTNs	**-**	(196)
Foreign exchange movement on non-Sterling borrowings	**-**	60
Other	**-**	33
At the end of the period	**3,966**	5,332

Reconciliation of movements in liabilities arising from financing activities — **Six months ended 30 September 2020**

	At the beginning of the period £m	Cash flows £m	Non-cash changes: Foreign exchange movements £m	Non-cash changes: Other changes in fair values £m	Other changes £m	At the end of the period £m
Borrowings	**5,332**	**(1,366)**	**-**	**-**	**-**	**3,966**
Derivative financial instruments	**(36)**	**38**	**(3)**	**5**	**-**	**4**
	5,296	**(1,328)**	**(3)**	**5**	**-**	**3,970**
						Year ended 31 March 2020
Borrowings	3,781	1,458	60	-	33	5,332
Derivative financial instruments	16	1	(60)	7	-	(36)
	3,797	1,459	-	7	33	5,296

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, the X-Leisure fund, and the Group's investment in Westgate Oxford Alliance Limited Partnership, Nova, Victoria, St. David's Limited Partnership and Southside Limited Partnership, in total valued at **£11.2bn** at 30 September 2020 (31 March 2020: £12.1bn). 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 1.45x 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. 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 period, the Group did not purchase any MTNs (31 March 2020: £196m).

Syndicated and bilateral bank debt		Authorised		Drawn		Undrawn	
	Maturity as at 30 September 2020	**30 Sept 2020**	31 March 2020	**30 Sept 2020**	31 March 2020	**30 Sept 2020**	31 March 2020
		£m	£m	**£m**	£m	**£m**	£m
Syndicated debt	**2025**	**2,490**	2,490	**415**	1,797	**2,075**	693
Bilateral debt	**2024-25**	**225**	225	**61**	147	**164**	78
		2,715	2,715	**476**	1,944	**2,239**	771

At 30 September 2020, the Group's committed revolving facilities totalled **£2,715m** (31 March 2020: £2,715m).

All syndicated and bilateral facilities are committed and secured on the assets of the Security Group. During the period ended 30 September 2020, the amounts drawn under the Group's facilities decreased by **£1,468m**.

The terms of the Security Group funding arrangements require undrawn facilities to be reserved where syndicated and bilateral facilities mature within one year, or when commercial paper is issued. The total amount of cash and available facilities at 30 September 2020 was **£1,158m** (31 March 2020: £1,139m).

Fair values

The fair value of the amounts payable under the Group's lease obligations, using a discount rate of **2.1%** (31 March 2020: 1.8%), is **£110m** (31 March 2020: £126m). The fair value of the Group's net investment in tenant finance leases, calculated by the Group's external valuer by applying a weighted average equivalent yield of **4.7%** (31 March 2020: discount rate of 1.8%), is **£249m** (31 March 2020: £247m).

The fair values of any floating rate financial liabilities are assumed to be equal to their nominal value. The fair values of the MTNs fall within Level 1 of the fair value hierarchy, the syndicated and bilateral facilities, commercial paper, interest-rate swaps and foreign exchange swaps fall within Level 2, and the amounts payable and receivable under leases fall within Level 3.

The fair values of the financial instruments have been determined by reference to relevant market prices, where available. The fair values of the Group's outstanding interest-rate swaps have been estimated by calculating the present value of future cash flows, using appropriate market discount rates. These valuation techniques fall within Level 2.

The fair value of the other investments is calculated by reference to the net assets of the underlying entity. The valuation is not based on observable market data and therefore the other investments are considered to fall within Level 3.

15. Contingencies

The Group has contingent liabilities in respect of legal claims, guarantees, and warranties arising in the ordinary course of business. It is not anticipated that any material liabilities will arise from the contingent liabilities.

16. Related party transactions

There have been no related party transactions during the period that require disclosure under Section 4.2.8 (R) of the Disclosure and Transparency Rules or under IAS 34 Interim Financial Reporting.

17. Events after the reporting period

There were no significant events occurring after the reporting period, but before the financial statements were authorised for issue.

Alternative performance measures

Table 15: 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 and 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.

Alternative performance measure	**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
EPRA net tangible assets	Net assets attributable to shareholders	Note 4
EPRA net tangible 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

EPRA disclosures

Table 16: EPRA net asset measures

EPRA net asset measures			**30 September 2020**
	EPRA NRV £m	**EPRA NTA £m**	**EPRA NDV £m**
Net assets attributable to shareholders	**7,904**	**7,904**	**7,904**
Excess of fair value over net investment in finance lease book value	**92**	**92**	**92**
Deferred tax liability on intangible asset	**1**	**1**	**-**
Goodwill on deferred tax liability	**(1)**	**(1)**	**(1)**
Other intangible assets	**-**	**(7)**	**-**
Fair value of interest-rate swaps	**6**	**6**	**-**
Excess of fair value of debt over book value (note 14)	**-**	**-**	**(338)**
Purchasers' costs[1]	**712**	**-**	**-**
Net assets used in per share calculation	**8,714**	**7,995**	**7,657**

	EPRA NRV	**EPRA NTA**	**EPRA NDV**
Diluted net assets per share	**1,176p**	**1,079p**	**1,033p**

			31 March 2020
	EPRA NRV £m	EPRA NTA £m	EPRA NDV £m
Net assets attributable to shareholders	8,750	8,750	8,750
Excess of fair value over net investment in finance lease book value	90	90	90
Deferred tax liability on intangible asset	1	1	-
Goodwill on deferred tax liability	(1)	(1)	(1)
Other intangible assets	-	(7)	-
Fair value of interest-rate swaps	1	1	-
Excess of fair value of debt over book value (note 14)	-	-	(274)
Purchasers' costs[1]	768	-	-
Net assets used in per share calculation	9,609	8,834	8,565

	EPRA NRV	EPRA NTA	EPRA NDV
Diluted net assets per share	1,297p	1,192p	1,156p

1. EPRA NTA and EPRA NDV reflect IFRS values which are net of purchasers' costs. Purchasers' costs are added back when calculating EPRA NRV.

Table 17: EPRA performance measures

Measure	Definition for EPRA measure	Notes	30 September 2020 Landsec measure	30 September 2020 EPRA Measure
Adjusted earnings	Recurring earnings from core operational activity	4	**£115m**	**£115m**
Adjusted earnings per share	Adjusted earnings per weighted number of ordinary shares	4	**15.5p**	**15.5p**
Adjusted diluted earnings per share	Adjusted diluted earnings per weighted number of ordinary shares	4	**15.5p**	**15.5p**
EPRA net tangible assets (NTA)	Net assets adjusted to exclude the fair value of interest-rate swaps, intangible assets and excess of fair value over net investment in finance lease book value	4	**£7,995m**	**£7,995m**
EPRA net tangible assets per share	Diluted net tangible assets per share	4	**1,079p**	**1,079p**
EPRA net disposal value (NDV)	Net assets adjusted to exclude the fair value of debt and goodwill on deferred tax and to include excess of fair value over net investment in finance lease book value	4	**£7,657m**	**£7,657m**
EPRA net disposal value per share	Diluted net disposal value per share	4	**1,033p**	**1,033p**
		Table		
Voids/vacancy rate	ERV of vacant space as a % of ERV of Combined Portfolio excluding the development programme(1)	18	**3.4%**	**3.3%**
Net initial yield (NIY)	Annualised rental income less non-recoverable costs as a % of market value plus assumed purchasers' costs(2)	20	**4.9%**	**4.8%**
Topped-up NIY	NIY adjusted for rent free periods(2)	20	**5.0%**	**4.9%**
Cost ratio	Total costs as a percentage of gross rental income (including direct vacancy costs)(3)		**16.8%**	**46.9%**
	Total costs as a percentage of gross rental income (excluding direct vacancy costs)(3)		**n/a**	**44.8%**

1. Our measure reflects voids in our like-for-like portfolio only. The EPRA measure reflects voids in the Combined Portfolio excluding only properties under development.
2. 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 only properties currently under development. Topped-up NIY reflects adjustments of **£14m** and **£14m** for rent free periods and other incentives for the Landsec measure and EPRA measure, respectively.
3. The EPRA cost ratio is calculated based on gross rental income after rents payable and excluding costs recovered through rents but not separately invoiced of **£3m**, whereas our measure is based on gross rental income before rents payable and 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. Provisions for bad and doubtful debts have been excluded from our cost ratio.

Table 18: EPRA vacancy rate

The EPRA vacancy rate is based on the ratio of the estimated market rent for vacant properties versus total estimated market rent, for the Combined Portfolio excluding properties under development. There are no significant distorting factors influencing the EPRA vacancy rate.

	30 September 2020 £m
ERV of vacant properties	**22**
ERV of Combined Portfolio excluding properties under development	**664**
EPRA vacancy rate (%)	**3.3%**

Table 19: Change in net rental income from the like-for-like portfolio (before provisions for bad and doubtful debts)

	2020	2019	**Change**	
	£m	£m	**£m**	**%**
Central London	**150**	152	**(2)**	**-1.3**
Regional retail	**71**	84	**(13)**	**-15.5**
Urban opportunities	**11**	12	**(1)**	**-8.3**
Subscale sectors	**39**	54	**(15)**	**-27.8**
	271	302	**(31)**	**-10.3**

Table 20: EPRA Net initial yield (NIY) and Topped-up NIY

	30 September 2020 £m
Combined Portfolio	11,843
Trading properties	36
Less: Properties under development, trading properties under development and land	(678)
Like-for-like investment property portfolio, proposed and completed developments, and completed trading properties	**11,201**
Plus: Allowance for estimated purchasers' costs	675
Grossed-up completed property portfolio valuation (b)	**11,876**
EPRA Annualised cash passing rental income[1]	590
Net service charge expense[2]	(4)
Void costs and other deductions	(18)
EPRA Annualised net rent[1] (a)	**568**
Plus: Rent-free periods and other lease incentives	14
Topped-up annualised net rents (c)	**582**
EPRA NIY (a/b)	**4.8%**
EPRA Topped-up NIY (c/b)	**4.9%**

1. EPRA Annualised cash passing rental income and EPRA Annualised net rent as calculated by the Group's external valuer.
2. Including costs recovered through rents but not separately invoiced.

Table 21: Acquisitions, disposals and capital expenditure

Investment properties	Group (excl. joint ventures) £m	Joint ventures £m	Six months ended 30 September 2020 Combined Portfolio £m	Six months ended 30 September 2019 Combined Portfolio £m
Net book value at the beginning of the period	**11,297**	**946**	**12,243**	13,177
Acquisitions	27	-	**27**	-
Capital expenditure	105	1	**106**	103
Capitalised interest	5	-	**5**	3
Disposals	(74)	(15)	**(89)**	-
Transfers to trading property	(11)	-	**(11)**	-
Net deficit on revaluation of investment properties	(824)	(121)	**(945)**	(368)
Transfer of non-current assets held for sale	-	-	**-**	(43)
Net book value at the end of the period	**10,525**	**811**	**11,336**	12,872
Profit/(loss) on disposal of investment properties	**2**	**(2)**	**-**	-

Trading properties	£m	£m	£m	£m
Net book value at the beginning of the period	**24**	**3**	**27**	41
Transfers from investment property	11	-	**11**	-
Disposals	-	(3)	**(3)**	(3)
Net book value at the end of the period	**35**	**-**	**35**	38
(Loss)/profit on disposal of trading properties	**-**	**(1)**	**(1)**	1

Acquisitions, development and other capital expenditure	Investment properties[1] £m	Trading properties £m	Combined Portfolio £m	Combined Portfolio £m
Acquisitions[2]	27	-	**27**	-
Development capital expenditure[3]	85	-	**85**	85
Other capital expenditure	21	-	**21**	18
Capitalised interest	5	-	**5**	3
Acquisitions, development and other capital expenditure	**138**	**-**	**138**	106

Disposals	£m	£m
Net book value – investment property disposals	**89**	-
Net book value – trading property disposals	**3**	3
(Loss)/profit on disposal – trading properties	**(1)**	1
Total disposal proceeds	**91**	4

1. See EPRA analysis of capital expenditure table 22 for further details.
2. Properties acquired in the period.
3. Development capital expenditure for investment properties comprises expenditure on the development pipeline and completed developments.

Table 22: EPRA analysis of capital expenditure

Six months ended 30 September 2020

	Acquisitions[1]	Development capital expenditure[2]	Other capital expenditure: Incremental lettable space[3]	Other capital expenditure: No incremental lettable space	Other capital expenditure: Tenant improvements	Other capital expenditure: Total	Capitalised interest	Total capital expenditure – Combined Portfolio	Total capital expenditure – joint ventures (Group share)	Total capital expenditure – Group
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Central London										
Offices	**27**	**83**	-	9	-	**9**	**5**	**124**	**1**	**123**
London retail	**-**	**1**	-	1	-	**1**	**-**	**2**	**-**	**2**
Other central London	**-**	**1**	-	-	-	**-**	**-**	**1**	**-**	**1**
Total Central London	**27**	**85**	**-**	**10**	**-**	**10**	**5**	**127**	**1**	**126**
Regional retail										
Regional shopping centres and shops	**-**	**-**	-	4	-	**4**	**-**	**4**	**-**	**4**
Outlets	**-**	**-**	-	2	-	**2**	**-**	**2**	**-**	**2**
Total Regional retail	**-**	**-**	**-**	**6**	**-**	**6**	**-**	**6**	**-**	**6**
Urban opportunities	**-**	**-**	**1**	**-**	**-**	**1**	**-**	**1**	**-**	**1**
Subscale sectors										
Leisure	**-**	**-**	-	-	1	**1**	**-**	**1**	**-**	**1**
Hotels	**-**	**-**	-	2	-	**2**	**-**	**2**	**-**	**2**
Retail parks	**-**	**-**	-	1	-	**1**	**-**	**1**	**-**	**1**
Total Subscale sectors	**-**	**-**	**-**	**3**	**1**	**4**	**-**	**4**	**-**	**4**
Total capital expenditure	**27**	**85**	**1**	**19**	**1**	**21**	**5**	**138**	**1**	**137**
Conversion from accrual to cash basis								(36)	(4)	(32)
Total capital expenditure on a cash basis								**102**	**(3)**	**105**

1. Investment properties acquired in the period.
2. Expenditure on the development pipeline and completed developments.
3. Capital expenditure where the lettable area increases by at least 10%.

Other business analysis

Table 23: Top 12 occupiers at 30 September 2020

	% of Group rent[1]
Central Government	5.9
Deloitte	5.8
Cineworld	1.9
Mizuho Bank	1.8
Boots	1.7
Sainsbury's	1.5
Taylor Wessing	1.4
Equinix	1.3
Lloyds Banking	1.1
Next	1.1
M&S	1.1
H&M	1.0
	25.6

1. On a proportionate basis.

Table 24: Development pipeline and trading property development schemes at 30 September 2020

Property	Description of use	Ownership interest %	Size sq ft	Letting status %	Market value £m	Net income/ ERV £m	Estimated completion date	Total development costs to date £m	Forecast total development cost £m
Developments approved or in progress									
21 Moorfields, EC2	Office	100	564,000	100	471	38	Jun 2022	326	576
The Forge, SE1	Office	100	139,000	-	51	10	Jun 2022	48	140
(formerly 105 Sumner Street)	Retail		1,000						
Wardour Street, W1[1]	Residential	100	5,000	-	6	n/a	Jul 2022	8	11
Lucent, W1	Office	100	111,000	-	89	14	Dec 2022	115	241
	Retail		30,000						
	Residential		3,000						
n2, SW1	Office	100	166,000	-	26	13	Jan 2024	40	206
Proposed developments									
Timber Square, SE1	Office	100	363,000	n/a	n/a	n/a	Nov 2023	n/a	n/a
(formerly Lavington Street)	Retail		17,000						
Portland House, SW1	Office	100	360,000	n/a	n/a	n/a	Nov 2024	n/a	n/a
	Retail		40,000						

1. Affordable housing component of the Lucent development.

Property	Description of use	Ownership interest %	Size sq ft	Number of units	Sales exchanged by unit %	Estimated completion date	Total development costs to date £m	Forecast total development cost £m
Trading property development schemes								
Castle Lane, SW1	Residential	100	55,000	89	99	Apr 2023	10	46

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 30 September 2020. Trading property development schemes are excluded from the development pipeline.

Total development cost

Refer to the Glossary for definition. Of the properties in the development pipeline at 30 September 2020, the only property on which interest was capitalised on the land cost was 21 Moorfields, EC2.

Net income/ERV

Net income/ERV represents headline annual rent on let units plus ERV at 30 September 2020 on unlet units, both after rents payable.

Table 25: Combined Portfolio value by location at 30 September 2020[1]

	Central London	Regional retail	Urban opportunities	Subscale sectors	Total
	%	%	%	%	%
Central, inner, and outer London	66.6	-	2.6	3.7	**72.9**
South East and East	-	9.2	4.8	-	**14.0**
Midlands	-	-	1.0	-	**1.0**
Wales and South West	-	2.4	0.5	-	**2.9**
North, North West, Yorkshire, and Humberside	-	4.9	2.0	-	**6.9**
Scotland and Northern Ireland	-	1.6	0.7	-	**2.3**
Total	**66.6**	**18.1**	**11.6**	**3.7**	**100.0**

1. % figures calculated by reference to the Combined Portfolio value of **£11.8bn**.

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

Table 26: Combined Portfolio performance relative to MSCI Total property return – six months ended 30 September 2020

	Landsec	MSCI
	%	%
Central London	-1.8	-1.3 (1)
Regional retail	-14.9	-12.3 (2)
Urban opportunities	-8.8	-9.1 (3)
Subscale sectors	-11.4	n/a (4)
Combined Portfolio	**-5.9**	**-1.6** (5)

1. MSCI Central and Inner London Office benchmark / Central London Retail weighted by Landsec exposure.
2. MSCI All Shopping Centres benchmark.
3. MSCI Rest of London Shopping Centres benchmark.
4. No benchmark available.
5. MSCI All Property Quarterly Universe.

Table 27: Lease lengths

	Weighted average unexpired lease term at 30 September 2020	
	Like-for-like portfolio	Like-for-like portfolio, completed developments and acquisitions
	Mean[1]	Mean[1]
	Years	Years
Central London		
Offices	7.9	7.9
London retail	5.6	5.6
Other central London	54.0	54.0
Total Central London	**7.8**	**7.8**
Regional retail		
Regional shopping centres and shops	5.0	5.0
Outlets	3.3	3.3
Total Regional retail	**4.5**	**4.5**
Urban opportunities	**6.3**	**6.2**
Subscale sectors		
Leisure	10.3	10.3
Hotels	11.7	11.7
Retail parks	5.5	5.5
Total Subscale sectors	**8.2**	**8.2**
Combined Portfolio	**6.9**	**7.0**

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 28: 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)	
	30 September 2020	31 March 2020	Surplus/ (deficit)	Surplus/ (deficit)	30 September 2020	30 September 2019	30 September 2020	30 September 2020	30 September 2020	31 March 2020
	£m	£m	£m	%	£m	£m	£m	£m	£m	£m
Central London										
Offices	**5,817**	5,931	**(106)**	**-1.9%**	**129**	125	**258**	**277**	**292**	294
London retail	**728**	876	**(145)**	**-16.8%**	**20**	20	**37**	**37**	**34**	41
Other central London	**426**	427	**-**	**-**	**7**	11	**13**	**13**	**21**	21
Total Central London	**6,971**	7,234	**(251)**	**-3.7%**	**156**	156	**308**	**327**	**347**	356
Regional retail										
Regional shopping centres and shops	**1,339**	1,679	**(338)**	**-20.4%**	**61**	70	**111**	**107**	**104**	122
Outlets	**805**	881	**(77)**	**-8.8%**	**23**	31	**47**	**48**	**62**	63
Total Regional retail	**2,144**	2,560	**(415)**	**-16.4%**	**84**	101	**158**	**155**	**166**	185
Urban opportunities	**423**	469	**(46)**	**-9.8%**	**13**	14	**24**	**25**	**28**	29
Subscale sectors										
Leisure	**528**	615	**(91)**	**-15.3%**	**21**	23	**39**	**38**	**42**	43
Hotels	**408**	469	**(62)**	**-13.1%**	**2**	15	**6**	**6**	**26**	30
Retail parks	**411**	444	**(32)**	**-7.3%**	**18**	19	**34**	**35**	**33**	36
Total Subscale sectors	**1,347**	1,528	**(185)**	**-12.3%**	**41**	57	**79**	**79**	**101**	109
Like-for-like portfolio(8)	**10,885**	11,791	**(897)**	**-8.0%**	**294**	328	**569**	**586**	**642**	679
Proposed developments(1)	**276**	303	**(29)**	**-9.4%**	**1**	6	**1**	**1**	**-**	-
Development programme(9)	**630**	557	**(8)**	**-1.2%**	**-**	-	**-**	**-**	**67**	68
Acquisitions(10)	**52**	55	**(11)**	**-17.0%**	**1**	-	**3**	**3**	**10**	3
Sales(11)	**-**	75	**-**	**-**	**1**	2	**-**	**-**	**-**	4
Combined Portfolio	**11,843**	12,781	**(945)**	**-7.7%**	**297**	336	**573**	**590**	**719**	754
Non-current assets held for sale	**-**	-	**-**	**-**	**-**	2				
Properties treated as finance leases					**(4)**	(4)				
Combined Portfolio	**11,843**	12,781	**(945)**	**-7.7%**	**293**	334				

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)	
	30 September 2020	31 March 2020	Surplus/ (deficit)	Surplus/ (deficit)	30 September 2020	30 September 2019	30 September 2020	30 September 2020	30 September 2020	31 March 2020
	£m	£m	£m	%	£m	£m	£m	£m	£m	£m
Central London										
Offices	**6,721**	6,810	**(146)**	**-2.3%**	**131**	133	**258**	**277**	**363**	362
London retail	**744**	928	**(148)**	**-16.7%**	**20**	21	**38**	**39**	**38**	45
Other central London	**426**	437	**1**	**0.2%**	**7**	11	**13**	**13**	**21**	21
Total Central London	**7,891**	8,175	**(293)**	**-3.8%**	**158**	165	**309**	**329**	**422**	428
Regional retail										
Regional shopping centres and shops	**1,339**	1,679	**(338)**	**-20.4%**	**61**	69	**111**	**107**	**104**	122
Outlets	**805**	881	**(77)**	**-8.8%**	**23**	31	**47**	**48**	**62**	63
Total Regional retail	**2,144**	2,560	**(415)**	**-16.4%**	**84**	100	**158**	**155**	**166**	185
Urban opportunities	**436**	484	**(47)**	**-9.8%**	**13**	14	**25**	**25**	**28**	30
Subscale sectors										
Leisure	**553**	649	**(96)**	**-15.3%**	**22**	23	**41**	**40**	**44**	45
Hotels	**408**	469	**(62)**	**-13.1%**	**2**	15	**6**	**6**	**26**	30
Retail parks	**411**	444	**(32)**	**-7.3%**	**18**	19	**34**	**35**	**33**	36
Total Subscale sectors	**1,372**	1,562	**(190)**	**-12.4%**	**42**	57	**81**	**81**	**103**	111
Combined Portfolio	**11,843**	12,781	**(945)**	**-7.7%**	**297**	336	**573**	**590**	**719**	754
Non-current assets held for sale	**-**	-	**-**	**-**	**-**	2				
Properties treated as finance leases					**(4)**	(4)				
Combined Portfolio	**11,843**	12,781	**(945)**	**-7.7%**	**293**	334				
Represented by:										
Investment portfolio	**11,000**	11,802	**(824)**	**-7.3%**	**268**	304	**524**	**543**	**660**	688
Share of joint ventures	**843**	979	**(121)**	**-13.0%**	**25**	30	**49**	**47**	**59**	66
Combined Portfolio	**11,843**	12,781	**(945)**	**-7.7%**	**293**	334	**573**	**590**	**719**	754
Analysis by asset use:										
Offices	**6,736**	6,826	**(146)**	**-2.3%**	**131**	133	**260**	**279**	**366**	364
Retail	**3,672**	4,348	**(637)**	**-14.9%**	**133**	154	**251**	**250**	**261**	291
Leisure, hotels and other	**1,435**	1,607	**(162)**	**-10.3%**	**33**	49	**62**	**61**	**92**	99
Combined Portfolio	**11,843**	12,781	**(945)**	**-7.7%**	**297**	336	**573**	**590**	**719**	754

Table 28: 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]	
	30 September 2020	31 March 2020	**30 September 2020**	31 March 2020	**30 September 2020**	31 March 2020	**30 September 2020**	31 March 2020
	£m	£m	**%**	%	**%**	%	**%**	%
Central London								
Offices	**295**	298	**4.4%**	4.3%	**4.6%**	4.6%	**1.8%**	1.1%
London retail	**35**	42	**4.4%**	4.4%	**4.4%**	4.2%	**3.2%**	2.4%
Other central London	**21**	21	**2.7%**	3.4%	**4.3%**	4.3%	**-**	0.5%
Total Central London	**351**	361	**4.3%**	4.3%	**4.6%**	4.5%	**1.9%**	1.2%
Regional retail								
Regional shopping centres and shops	**112**	130	**7.0%**	6.4%	**6.6%**	6.2%	**6.7%**	4.8%
Outlets	**62**	63	**4.8%**	5.6%	**6.3%**	5.9%	**6.1%**	4.4%
Total Regional retail	**174**	193	**6.2%**	6.1%	**6.5%**	6.1%	**6.5%**	4.7%
Urban opportunities	**27**	29	**5.0%**	4.9%	**5.3%**	5.2%	**6.6%**	4.8%
Subscale sectors								
Leisure	**42**	44	**6.3%**	5.8%	**7.1%**	6.4%	**3.1%**	2.3%
Hotels	**26**	30	**3.5%**	2.3%	**5.4%**	5.2%	**-**	-
Retail parks	**34**	36	**7.4%**	7.6%	**7.6%**	7.4%	**3.2%**	3.3%
Total Subscale sectors	**102**	110	**5.8%**	5.2%	**6.7%**	6.3%	**2.4%**	2.0%
Like-for-like portfolio[8]	**654**	693	**4.9%**	4.8%	**5.2%**	5.1%	**3.4%**	2.5%
Proposed developments[1]	**-**	-	**-**	-	**n/a**	n/a	**n/a**	n/a
Development programme[9]	**70**	70	**-**	-	**4.3%**	4.3%	**n/a**	n/a
Acquisitions[10]	**10**	3	**4.1%**	5.5%	**4.6%**	5.8%	**n/a**	n/a
Sales[11]	**-**	3	**-**	2.0%	**n/a**	n/a	**n/a**	n/a
Combined Portfolio	**734**	769	**4.5%**	4.5%	**5.2%**	5.1%	**n/a**	n/a

Total portfolio analysis

	Gross estimated rental value[5]		Net initial yield[6]	
	30 September 2020	31 March 2020	**30 September 2020**	31 March 2020
	£m	£m	**%**	%
Central London				
Offices	**369**	367	**3.8%**	3.8%
London retail	**38**	46	**4.4%**	4.3%
Other central London	**21**	21	**2.7%**	3.3%
Total Central London	**428**	434	**3.8%**	3.8%
Regional retail				
Regional shopping centres and shops	**112**	130	**7.0%**	6.4%
Outlets	**62**	63	**4.8%**	5.6%
Total Regional retail	**174**	193	**6.2%**	6.1%
Urban opportunities	**28**	30	**4.9%**	4.9%
Subscale sectors				
Leisure	**44**	46	**6.3%**	5.8%
Hotels	**26**	30	**3.5%**	2.3%
Retail parks	**34**	36	**7.4%**	7.6%
Total Subscale sectors	**104**	112	**5.8%**	5.2%
Combined Portfolio	**734**	769	**4.5%**	4.5%
Represented by:				
Investment portfolio	**673**	702	**4.6%**	4.6%
Share of joint ventures	**61**	67	**4.4%**	4.4%
Combined Portfolio	**734**	769	**4.5%**	4.5%
Analysis by use type:				
Offices	**372**	370	**3.8%**	3.8%
Retail	**269**	300	**5.6%**	5.8%
Leisure, hotels and other	**93**	99	**5.0%**	4.1%
Combined Portfolio	**734**	769	**4.5%**	4.5%

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 using the same methodology as annualised rental income but is stated net of rent payable and before tenant lease incentive 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 2019.
11. Includes all properties sold since 1 April 2019.

Table 29: 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.

	Six months ended 30 September 2020				
	Group income statement £m	**Joint ventures[1] £m**	**Total £m**	**Revenue profit £m**	**Capital and other items £m**
Rental income	268	25	293	293	-
Finance lease interest	4	-	4	4	-
Gross rental income (before rents payable)	**272**	**25**	**297**	**297**	**-**
Rents payable	(3)	(1)	(4)	(4)	-
Gross rental income (after rents payable)	**269**	**24**	**293**	**293**	**-**
Service charge income	38	3	41	41	-
Service charge expense	(39)	(4)	(43)	(43)	-
Net service charge expense	(1)	(1)	(2)	(2)	-
Other property related income	16	1	17	17	-
Direct property expenditure	(25)	(5)	(30)	(30)	-
Bad and doubtful debts expense[2]	(77)	(10)	(87)	(87)	-
Segment net rental income	**182**	**9**	**191**	**191**	**-**
Other income	1	-	1	1	-
Indirect expense	(35)	-	(35)	(35)	-
Depreciation	(3)	-	(3)	(3)	-
Revenue profit before interest	**145**	**9**	**154**	**154**	**-**
Share of post-tax loss from joint ventures	(123)	123	-	-	-
Net deficit on revaluation of investment properties	(824)	(121)	(945)	-	(945)
Profit/(loss) on disposal of investment properties	2	(2)	-	-	-
Loss on disposal of trading properties	-	(1)	(1)	-	(1)
Operating (loss)/profit	**(800)**	**8**	**(792)**	**154**	**(946)**
Finance income	9	-	9	8	1
Finance expense	(44)	(8)	(52)	(47)	(5)
(Loss)/profit before tax	**(835)**	**-**	**(835)**	**115**	**(950)**
Taxation	-	-	-		
Loss attributable to shareholders	**(835)**	**-**	**(835)**		

1. Reallocation of the share of post-tax loss from joint ventures reported in the Group income statement to the individual line items reported in the segmental information note.
2. Includes **£16m** of provisions related to future rent. An additional £23m of bad and doubtful debts expense relating to rental income for the period was recognised in the year ended 31 March 2020.

Table 29: Reconciliation of segmental information note to statutory reporting continued

	Six months ended 30 September 2019					
	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	305	30	(1)	334	334	-
Finance lease interest	4	-	-	4	4	-
Gross rental income (before rents payable)	**309**	**30**	**(1)**	**338**	**338**	**-**
Rents payable	(5)	(1)	-	(6)	(6)	-
Gross rental income (after rents payable)	**304**	**29**	**(1)**	**332**	**332**	**-**
Service charge income	45	5	-	50	50	-
Service charge expense	(46)	(6)	-	(52)	(52)	-
Net service charge expense	(1)	(1)	-	(2)	(2)	-
Other property related income	14	1	-	15	15	-
Direct property expenditure	(30)	(4)	-	(34)	(34)	-
Bad and doubtful debts expense	(1)	(1)	-	(2)	(2)	-
Segment net rental income	**286**	**24**	**(1)**	**309**	**309**	**-**
Other income	1	-	-	1	1	-
Indirect expense	(31)	(2)	-	(33)	(33)	-
Depreciation	(3)	-	-	(3)	(3)	-
Revenue profit before interest	**253**	**22**	**(1)**	**274**	**274**	**-**
Share of post-tax loss from joint ventures	(50)	50	-	-	-	-
Net deficit on revaluation of investment properties	(304)	(66)	2	(368)	-	(368)
Profit on disposal of trading properties	-	1	-	1	-	1
Profit from long-term development contracts	-	2	-	2	-	2
Other	-	-	(1)	(1)	-	(1)
Operating (loss)/profit	**(101)**	**9**	**-**	**(92)**	**274**	**(366)**
Finance income	9	-	-	9	7	2
Finance expense	(55)	(7)	-	(62)	(56)	(6)
Joint venture tax	-	(2)	-	(2)	-	(2)
(Loss)/profit before tax	**(147)**	**-**	**-**	**(147)**	**225**	**(372)**
Taxation	2	-	-	2		
Loss attributable to shareholders	**(145)**	**-**	**-**	**(145)**		

1. Reallocation of the share of post-tax loss 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.

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 ordinarily open from 08:30 to 17:30, Monday to Friday, excluding UK public holidays. Due to Covid-19, the hours are currently reduced to 09:00 to 17:00.

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 ordinarily open Monday to Friday 08:00 to 16:30 for dealing and until 18:00 for enquiries, excluding UK public holidays. Due to Covid-19, the hours are currently reduced in to 09:00 to 17:00.

5. 2020/21 second quarterly dividend

The Board has declared a second quarterly dividend for the year ending 31 March 2021 of 12.0p per ordinary share which will be paid on 4 January 2021 to shareholders registered at the close of business on 27 November 2020. This will be paid wholly as a Property Income Distribution (PID). As the Board did not declare a first quarterly dividend, the first half dividend will be 12.0p per ordinary share (six months ended 30 September 2019: 23.2p).

6. Dividend related services

Dividend payments to UK shareholders – Dividend mandates
Dividends are no longer paid by cheque. Shareholders whose dividends have previously been paid by cheque will need to have their dividends paid directly into their personal bank or building society account or alternatively participate in our Dividend Reinvestment Plan (see below) to receive dividends in the form of additional shares. To facilitate this, please contact Equiniti or complete a mandate instruction available on our website: landsec.com/investors and return it to Equiniti.

Dividend payments to overseas shareholders – Overseas Payment Service (OPS)
Dividends are no longer paid by cheque. Shareholders need to request that their dividends be paid directly to a personal bank account overseas. For more information, please contact Equiniti or download an application form online at https://shareview.co.uk.

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

	2021
Financial year end	31 March
Preliminary results announcement	11 May*
Half-yearly results announcement	9 November*

* 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 debt
Net debt excluding cumulative fair value movements on interest-rate swaps and amounts payable under head 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 2019.

Development pipeline
The development programme together with proposed developments.

Development programme
The development programme consists of committed developments (Board approved projects), 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 period.

EPRA
European Public Real Estate Association.

EPRA net disposal value (NDV) per share
Diluted net assets per share adjusted to remove the impact of goodwill arising as a result of deferred tax, and to include the difference between the fair value and the book value of the net investment in tenant finance leases and fixed interest rate debt.

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.

EPRA net tangible assets (NTA) per share
Diluted net assets per share adjusted to remove the cumulative fair value movements on interest-rate swaps and similar instruments, the carrying value of goodwill arising as a result of deferred tax and other intangible assets, deferred tax on intangible assets and to include the difference between the fair value and the book value of the net investment in tenant finance leases.

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 Group as lessor to the lessee.

F&B
Food and beverage.

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, capitalised interest and interest on the pension scheme assets and liabilities). The calculation excludes joint ventures.

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 2019 but excluding those which are acquired or sold since that date. Properties in the development pipeline and completed developments are also excluded.

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).

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

Net assets per share
Equity attributable to owners divided by the number of ordinary shares in issue at the end of the period. 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.

Net zero carbon building
A building for which an overall balance has been achieved between carbon emissions produced and those taken out of the atmosphere, including via offset arrangements. This relates to operational emissions for all buildings while, for a new building, it also includes supply-chain emissions associated with its construction.

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

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

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 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.

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-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.

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

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 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 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 IFRS 16 (previously, 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.

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.

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, 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 period plus the change in EPRA net tangible assets per share, divided by EPRA net tangible assets per share at the beginning of the period.

Total cost ratio
Total cost ratio represents all costs included within revenue profit, other than rents payable, financing costs and provisions for bad and doubtful debts, 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 (TPR)
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 period.

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 accounting for lease incentives under IFRS 16 (previously SIC-15). 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.