Financial review

Highlights

£442m
Revenue profit[1] (2018: £406m)

59.7p
Adjusted diluted earnings per share[1] (2018: 53.1p)

45.55p
Dividend per share (2018: 44.2p)

£13.8bn
Combined Portfolio[1] (2018: £14.1bn)

1,341p
Net assets per share (2018: 1,404p)[2]

1. Including our proportionate share of subsidiaries and joint ventures, as explained in the Presentation of financial information opposite.
2. Restated as a result of changes in accounting policies. See note 41 to the financial statements for details.

Martin Greenslade reports on our financial performance in detail and explains the movement in our key financial measures.

Overview

Against a backdrop of political uncertainty and retailer difficulties, this has been a challenging year for Landsec. In general, the values of our London offices have held up well while retail assets have had a difficult year. Retailers have faced margin pressure from a variety of rising costs, weakening demand and a continuing shift to online. This has led to administrations and company voluntary arrangements (CVAs), the impact of which can be seen in our results. On page 34 , we explain how CVAs work, how many of our units are affected and the rental implications. The difficult retail environment has led to a fall in the values of our shopping centres, retail parks and, to a lesser extent, our central London shops. Our outlets, leisure and hotel assets have been more resilient, demonstrating the benefit of a diverse revenue stream in our Retail Portfolio.

Revenue profit for the year to 31 March 2019 was £442m, up 8.9% from £406m. The increase in revenue profit was driven by higher net rental income and reduced costs, in particular interest expense. Adjusted diluted earnings per share were up 12.4% at 59.7p due to the increased revenue profit and fewer shares in issue compared with last year following the £475m return of capital and share consolidation in September 2017. Over the year, our assets declined in value by 4.1% or £557m (including our proportionate share of subsidiaries and joint ventures) compared with a £91m decline last year. This decline in the value of our assets is behind the reduction in our EPRA net assets per share in the year, down 4.6% to 1,339p.

Martin Greenslade,
Chief Financial Officer

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 for the year attributable to shareholders, and adjusted diluted earnings per share, which is based on tax-adjusted revenue profit, referred to as adjusted earnings.

Income statement — Table 17

	Table	**Year ended 31 March 2019 £m**	Year ended 31 March 2018[1] £m
Revenue profit	18	**442**	406
Capital and other items	21	**(565)**	(449)
Loss before tax		**(123)**	(43)
Taxation		**4**	(1)
Loss attributable to shareholders		**(119)**	(44)
Basic loss per share		**(16.1)p**	(5.8)p
Adjusted diluted earnings per share		**59.7p**	53.1p

1. Restated as a result of changes in accounting policies. See note 41 to the financial statements for details.

Our loss before tax was £123m, compared with a £43m loss in the prior year, due to a greater fall in the value of our assets this year, particularly in our Retail Portfolio as pressure on our retailers led to falling rental values and higher vacancies. The valuation decline is due to the larger loss from Capital and other items, whereas in the prior year we incurred greater costs associated with the redemption of some of our bonds. The increased loss this year resulted in a 16.1p loss per share, up 10.3p from a 5.8p loss last year. Adjusted diluted earnings per share increased by 12.4%, from 53.1p to 59.7p this year, as a result of the increase in revenue profit from £406m to £442m and a reduction in the weighted average number of shares in issue. 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 on page 34.

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 £13.8bn, 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 of the Group's property interests which under IFRS are required to be presented across a number of line items in the statutory financial statements.

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

As set out in the 2018 Annual Report, the Group amended its accounting policy for debt refinancing with effect from 1 April 2018. This change in accounting policy has resulted in the debt refinancing exercise completed on 3 November 2004 being treated as an extinguishment of the original debt, and therefore the bond exchange de-recognition adjustment previously reported is no longer required. As a consequence of this change, the Group's adjusted diluted net assets per share measure is now aligned with the EPRA definition. The Group therefore no longer separately reports any adjusted net assets per share measures in its financial statements.

While there is also now no difference between our adjusted earnings measure and the EPRA earnings definition, we have continued to report adjusted earnings as there may be occasions in the future when these diverge. The change in accounting policy has been applied retrospectively and comparatives restated accordingly. The revised policy and the impact of the change in accounting policy on the financial statements is detailed in note 41 of the financial statements. There has been no change to our previously reported adjusted earnings and adjusted net assets per share as a result of the restatement of comparative figures.

Measures presented on a proportionate basis are alternative performance measures as they are not defined under IFRS. Where appropriate, many of the measures we use are based on best practice reporting recommendations published by EPRA. For further details see table 83 in the Business analysis section.

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 London and Retail portfolios, are presented in the table below.

Revenue profit Table 18

		Year ended 31 March 2019			Year ended 31 March 2018			
	Chart	Retail Portfolio £m	London Portfolio £m	Total £m	Retail Portfolio £m	London Portfolio £m	Total £m	Change £m
Gross rental income[1]		350	326	676	351	310	661	15
Net service charge (expense)/income		(10)	1	(9)	(9)	(2)	(11)	2
Net direct property expenditure		(32)	(17)	(49)	(20)	(19)	(39)	(10)
Net rental income	19	308	310	618	322	289	611	7
Indirect costs		(21)	(16)	(37)	(22)	(17)	(39)	2
Segment profit before finance expense		287	294	581	300	272	572	9
Net unallocated expenses				(41)			(43)	2
Net finance expense	20			(98)			(123)	25
Revenue profit				442			406	36

1. Includes finance lease interest, after rents payable.

Company voluntary arrangements

A company voluntary arrangement (CVA) is a procedure under the Insolvency Act 1986 whereby a company concludes a binding agreement with its creditors to compromise its debts or rearrange its affairs. CVAs are often used to restructure leases of underperforming units, most notably in the retail and leisure sectors, and come into force when a company's creditors approve a proposal in respect of that company.

A company proposing a CVA will employ a property agent to assist it in grouping the leases into different categories which form the basis of the varying degrees of rental compromises across its leasehold portfolio. The impact on individual stores can range from no rental reduction (for the most profitable stores) to closure.

A CVA will typically last between three and five years – the compromise period. Following the end of the compromise period, those leases that have been subject to a rental reduction under the terms of the CVA will have their annual rent reset to the higher of the compromise rent or the market rent at that time.

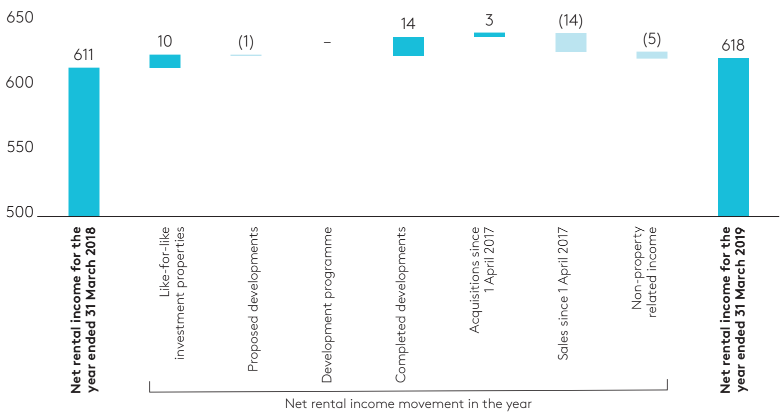
Since 1 April 2017, 92 retail/leisure units in our Combined Portfolio have been subject to a CVA and a further 65 units have gone into administration. By 31 March 2019, annualised rental income on these units had reduced by £6.4m through closure (44 units) or rental compromise.

As at 31 March 2019, 113 retail/leisure units were in CVA or administration and they represented 2.3% of Group rent (£15.4m). We estimate that the future loss of annualised rental income from these units will be £1.6m. We continue to monitor other retailers who are at risk of CVA or administration.

Revenue profit increased by £36m to £442m for the year ended 31 March 2019 (2018: £406m). This was the result of a £7m increase in net rental income for the year as well as a £25m reduction in net finance expense and £4m of lower net indirect expenses. The increase in net rental income was driven by a £15m increase in gross rental income but this was partly offset by £10m of higher net direct property expenditure, principally provisions against a number of retail tenant incentive balances. The movements are explained in more detail below.

Net rental income

Net rental income[1] (£m) Chart 19



1. Including our proportionate share of subsidiaries and joint ventures, as explained in the Presentation of financial information on page 33.

Net rental income increased by £7m in the year ended 31 March 2019 as rental income growth from our like-for-like portfolio, completed developments and acquisitions was only partly offset by the impact of properties sold since 1 April 2017 and a decline in non-property related income. Like-for-like net rental income increased by £10m driven by London where new lettings, rent reviews and higher income at Piccadilly Lights, W1, which was under refurbishment for part of the prior year, added £20m. This was partly offset by a £10m decline in net rental income in Retail largely due to an increase in provisions against unamortised tenant incentive balances. Our completed developments generated £14m of additional net rental income following the completion of Westgate Oxford and Nova, SW1 and further lettings at The Zig Zag Building, SW1. Significant disposals included a retail park in Livingston, sold in the current year, and 20 Fenchurch Street, EC3 and Ibis, Euston, both sold in the prior year.

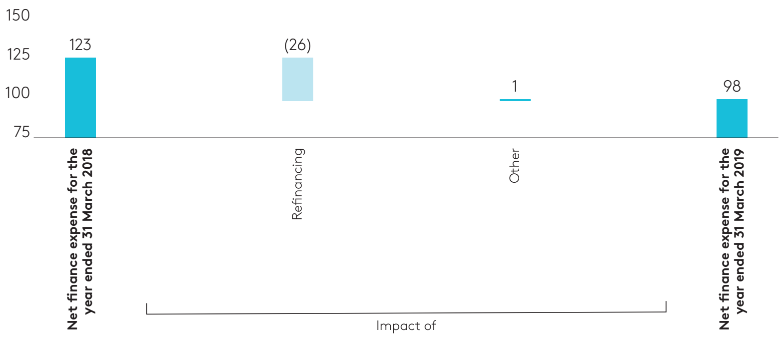
Further information on the net rental income performance of the London and Retail portfolios is given in the Portfolio review.

Net indirect expenses

The indirect costs of the London and Retail portfolios and net unallocated expenses should be considered together as collectively they represent the net indirect expenses of the Group including joint ventures. In total, net indirect expenses were £78m (2018: £82m). The £4m decrease is primarily the result of lower share-based payment charges this year.

Net finance expense (included in revenue profit)

Net finance expense[1] (£m) Chart 20



1. Including our proportionate share of subsidiaries and joint ventures, as explained in the Presentation of financial information on page 33.

Our net finance expense has decreased by £25m to £98m due to interest savings following the refinancing of medium term notes and the redemption of the £273m Queen Anne's Gate (QAG) Bond in the prior year.

Capital and other items

Capital and other items[1] Table 21

	Table	Year ended 31 March 2019 £m	Year ended 31 March 2018[2] £m
Valuation and profits on disposals			
Valuation deficit	22	**(557)**	(91)
(Loss)/profit on disposal of investment properties		**(2)**	3
Profit on disposal of investment in joint venture		**–**	66
Profit on disposal of trading properties		**–**	30
Fair value movement prior to acquisition of non-owned element of a joint venture		**9**	–
Movement in impairment of trading properties		**–**	(4)
Profit from long-term development contracts		**3**	–
Net finance expense	23	**(4)**	(453)
Exceptional items		**(14)**	–
Capital and other items		**(565)**	(449)

1. Including our proportionate share of subsidiaries and joint ventures, as explained in the Presentation of financial information on page 33.
2. Restated as a result of changes in accounting policies. See note 41 to the financial statements for details.

An explanation of the main Capital and other items is given on pages 36 and 37.

Westgate Oxford

Valuation of investment properties

Our Combined Portfolio declined in value by 4.1% or £557m compared with a decrease last year of £91m. A breakdown of valuation movements by category is shown in table 22.

Valuation analysis

Table 22

	Market value 31 March 2019 £m	Valuation movement %	Rental value change[1] %	Net initial yield %	Equivalent yield %	Movement in equivalent yield bps
Shopping centres	2,593	(11.7)	(5.7)	4.8	5.1	24
Outlets	634	(1.4)	(1.1)	4.6	5.0	3
Retail parks	636	(15.5)	(4.9)	6.2	6.2	71
Leisure and hotels	1,283	(1.8)	(0.5)	5.2	5.5	7
London offices	5,266	(0.1)	1.9	4.1	4.6	3
Central London shops	1,284	(3.6)	(0.5)	3.8	4.1	5
Other (Retail and London)	44	(13.6)	0.1	1.6	3.8	35
Total like-for-like portfolio	**11,740**	**(4.6)**	**(1.3)**	**4.5**	**4.8**	**11**
Proposed developments	104	2.6	n/a	0.4	n/a	n/a
Development programme	270	21.5	n/a	–	4.4	n/a
Completed developments	1,177	(5.0)	(1.9)	3.3	4.4	13
Acquisitions	459	(0.4)	n/a	4.4	5.5	n/a
Total Combined Portfolio	**13,750**	**(4.1)**	**(1.3)**	**4.2**	**4.8**	**10**

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

Over the year, London office values were broadly unchanged while retail assets declined significantly as rents fell and investor appetite evaporated. Overall, our Combined Portfolio fell in value by 4.1%. Within the like-for-like portfolio, shopping centres were down 11.7% as retailer failure led to rental values falling by 5.7% in aggregate with equivalent yields moving out by 24 basis points. The difficult climate for retailers also impacted the value of our retail parks, which reduced by 15.5% as a result of a 4.9% rental value decline and a 71 basis points outward movement in equivalent yields. In leisure and hotels, our hotel values were virtually unchanged while our leisure assets reduced in value by 3.1% due to a small decline in rental values and an 8 basis points outward movement in equivalent yields. In London, our office values were down marginally, largely due to a small outward yield shift in Victoria, SW1, partly offset by rental growth, particularly in Mid-town. Our central London shops declined in value by 3.6%, primarily due to Piccadilly Lights, W1 where there was a reduction in the anticipated income from short-term lettings.

Outside the like-for-like portfolio, our only asset in the development programme is 21 Moorfields, EC2 which saw a 21.5% increase in value as construction risk reduced and Deutsche Bank confirmed they would occupy the whole building. Completed developments were down 5.0% due to outward yield movements at Westgate Oxford and The Zig Zag Building, SW1.

Piccadilly Lights, W1

Loss on disposals

Loss on disposals in the year relates to the sale of investment properties. We made a total net loss on disposals of £2m (2018: net profit of £99m), largely due to the sale of Almondvale South Retail Park in Livingston.

Fair value movement prior to acquisition of non-owned element of a joint venture

The £9m fair value movement relates to a previously unrealised profit being recognised upon our acquisition of the remaining 50% interest in The Oriana Limited Partnership.

Net finance expense (included in Capital and other items)

In the year ended 31 March 2019, we incurred £4m of net finance expense which is excluded from revenue profit.

Net finance expense[1] Table 23

	Year ended 31 March 2019 £m	Year ended 31 March 2018[2] £m
Premium and fees on redemption of medium term notes (MTNs)	**2**	390
Premium and fees on QAG Bond redemption	**–**	62
Fair value movement on interest-rate swaps	**6**	(8)
Other	**(4)**	9
Total	**4**	453

1. Including our proportionate share of subsidiaries and joint ventures, as explained in the Presentation of financial information on page 33.
2. Restated as a result of changes in accounting policies. See note 41 to the financial statements for details.

The decrease over the prior year in this element of our net finance expense is due to the much lower level of debt management activity.

Exceptional items

This year, we have incurred £14m of impairment charges which have been classified as exceptional.

As a result of a decline in the value of Bluewater, Kent, we carried out an impairment test of the intangible asset related to the management rights for the centre. This has resulted in impairment charges this year of £12m against the intangible asset we hold in the balance sheet and £2m against the related goodwill. These charges have arisen primarily from a change in the level of internal costs allocated to Bluewater reducing our net income from the management contract.

Taxation

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

This year, there was a tax credit of £4m (2018: charge of £1m) being current tax of £nil (2018: credit of £1m) and a deferred tax credit of £4m (2018: charge of £2m). The deferred tax credit in the year relates to movements in deferred tax on the Group's intangible assets and property, plant and equipment.

Our tax strategy is published on our corporate website. The Group has a low tax risk rating from HMRC. In the year, the total taxes we incurred and collected were £158m (2018: £193m), of which £36m (2018: £46m) was directly borne by the Group including environmental taxes, business rates and stamp duty land tax.

Balance sheet

Balance sheet Table 24

	31 March 2019 £m	31 March 2018[1] £m
Combined Portfolio	**13,750**	14,103
Adjusted net debt	**(3,737)**	(3,652)
Other net assets	**(93)**	(71)
EPRA net assets	**9,920**	10,380
Fair value of interest-rate swaps	**–**	6
Net assets	**9,920**	10,386
Net assets per share	**1,341p**	1,404p
EPRA net assets per share[2]	**1,339p**	1,403p

1. Restated as a result of changes in accounting policies. See note 41 to the financial statements for details.
2. EPRA net assets per share is a diluted measure.

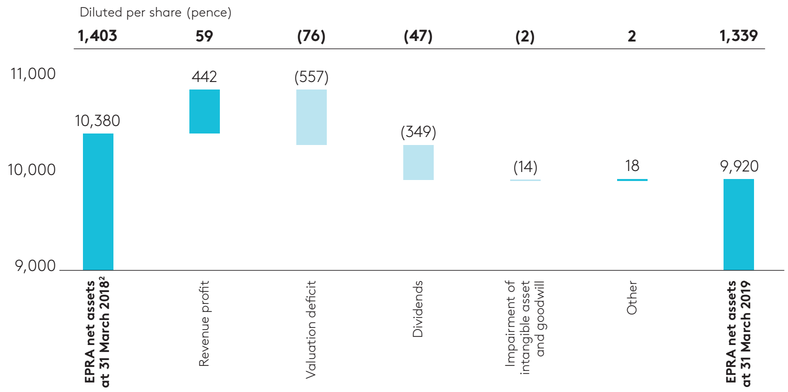
Our net assets principally comprise the Combined Portfolio less net debt. Following the change in accounting policy outlined in note 41 to the financial statements, the EPRA measure of net assets now aligns with our calculation of an appropriate adjusted measure of net assets. It is also much more closely aligned with the IFRS measure, which now no longer includes the bond exchange de-recognition adjustment. The only difference between the two is the fair value of interest-rate swaps which is excluded from the calculation of EPRA net assets. Both IFRS net assets and EPRA net assets declined over the year ended 31 March 2019 due to the reduction in the value of our investment properties.

At 31 March 2019, our net assets per share were 1,341p, a decrease of 63p or 4.5% from 31 March 2018. EPRA net assets per share were 1,339p, a decrease of 64p or 4.6%.

Chart 25 summarises the key components of the £460m decrease in our EPRA net assets over the year.

Movement in EPRA net assets[1] (£m) Chart 25

Year ended 31 March 2019



1. Including our proportionate share of subsidiaries and joint ventures, as explained in the Presentation of financial information on page 33.
2. Restated as a result of changes in accounting policies. See note 41 to the financial statements for details.

Net debt and gearing

Net debt and gearing — Table 26

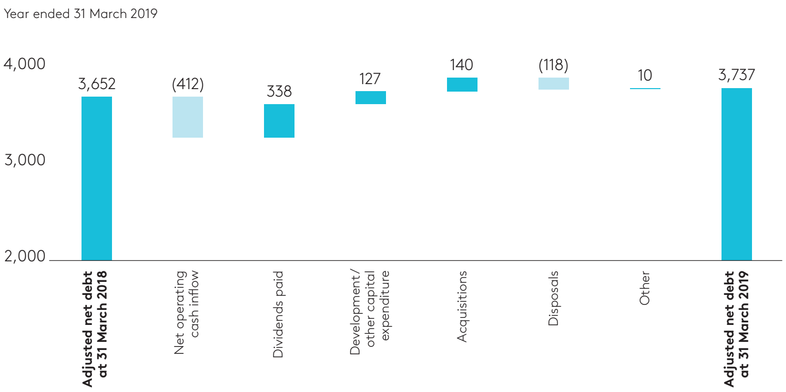
	31 March 2019	31 March 2018[1]
Net debt	£3,747m	£3,654m
Adjusted net debt[2]	£3,737m	£3,652m
Group LTV[2]	27.1%	25.8%
Security Group LTV	28.6%	27.2%
Weighted average cost of debt[2]	2.7%	2.6%

1. Restated as a result of changes in accounting policies. See note 41 to the financial statements for details.
2. Including our proportionate share of subsidiaries and joint ventures, as explained in the Presentation of financial information on page 33.

Over the year, our net debt increased by £93m to £3,747m. The main elements behind this increase are set out in our statement of cash flows and note 21 to the financial statements.

Adjusted net debt was up £85m to £3,737m. For a reconciliation of net debt to adjusted net debt, see note 20 to the financial statements. Chart 27 sets out the main movements behind the increase in our adjusted net debt.

Movement in adjusted net debt[1] (£m) — Chart 27



1. Including our proportionate share of subsidiaries and joint ventures, as explained in the Presentation of financial information on page 33.

Net operating cash inflow was £412m, offset by dividend payments of £338m. Capital expenditure was £127m (£122m on investment properties and £5m on trading properties), largely spent on our development programme, and cash outflow for acquisitions was £140m. We spent £93m, including acquisition costs, on a development site in Lavington Street, SE1 and £40m on two assets related to the provision of residential accommodation in respect of our development at One Sherwood Street, W1. Net cash flows from disposals totalled £118m; £64m from the disposal of investment properties, principally two retail parks, and £54m from the disposal 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 25.8% at 31 March 2018 to 27.1% at 31 March 2019, largely due to the decline in the value of our assets. Our Security Group LTV increased from 27.2% to 28.6% for the same reason.

Financing

At 31 March 2019, our committed revolving facilities totalled £2,715m (31 March 2018: £2,090m). During the year, we took advantage of our strong credit rating and supportive market conditions to make improvements to our committed revolving facilities. We have entered into two new facilities and upsized an existing facility. We have also extended the maturity profile of all existing facilities. 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 +22 basis points and are unsecured. The total amount drawn under the syndicated bank debt and commercial paper programme was £1,159m (31 March 2018: £1,100m).

In contrast to previous years, this year we did not conduct any significant tender exercises for our bonds. We bought back £8m (nominal value) of medium term notes (MTNs) for a premium of £2m following a reverse enquiry by an investor. However, we benefited from the full year effect of last year's larger debt refinancing exercises, which resulted in a reduction in interest costs of £26m in the year ended 31 March 2019.

The Group's debt (on a proportionate basis) has a weighted average maturity of 12.3 years (down from 13.1 years at 31 March 2018), a weighted average cost of 2.7% (2.6% at 31 March 2018) and 81% is at fixed interest rates (excluding finance leases). At 31 March 2019, we had £1.6bn of cash and available facilities. This gives the business considerable flexibility to deploy capital quickly when investment opportunities arise, as was the case with our purchase of 25 Lavington Street, SE1.

Changes in accounting policy

The Group adopted IFRS 9 Financial Instruments on 1 April 2018. While some accounting policies have been amended on adoption of the standard, none have required the Group's income statement or balance sheet to be adjusted. The new accounting policies are set out in the notes to the financial statements.

The Group has adopted IFRS 15 Revenue from Contracts with Customers on 1 April 2018. As a result of adopting the standard, service charge income and expense have been presented on a net basis for those properties where the property management activities are performed by a third party (see note 41 of the financial statements for further details). The Group has elected to apply the standard on a full retrospective basis as permitted by IFRS 15. The service charge income and expense for the year ended 31 March 2018 have both reduced by £22m from that previously presented as a result of adopting this standard. There has been no change in net service charge, revenue profit, profit attributable to shareholders or the Group's balance sheet.

As detailed in the Presentation of financial information on page 33, the Group amended its accounting policy for debt refinancing from 1 April 2018. The revised policy is set out in note 21 of the financial statements and the impact of the change in accounting policy is detailed in note 41 of the financial statements.

Dividend

We're recommending a final dividend of 11.65p to be paid on 25 July 2019 entirely as a Property Income Distribution to shareholders registered at the close of business on 21 June 2019. Taken together with the three quarterly dividends of 11.3p per share already paid, our full year dividend will be up 3.1% at 45.55p per share (2018: 44.2p) or £338m (2018: £332m). The first quarterly dividend for 2019/20 will be 11.6p per share (2018: 11.3p).

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

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

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

The proposed dividend increase for this year is 3.1% compared with underlying earnings growth of 12.4%, increasing our dividend cover to 1.3x. As we look ahead, in the short term we see continued downward pressure on retail rents and a loss of income from properties entering development. This increased dividend cover provides the business with the flexibility to navigate these earnings pressures and make disposals, if the opportunity arises, while maintaining our progressive dividend policy.

At 31 March 2019, the Company had distributable reserves of £3.4bn which compares with the dividend payable in respect of this year of £338m. We don't anticipate that the level of distributable reserves will limit distributions for the foreseeable future.

Martin Greenslade
Chief Financial Officer


21 Moorfields, EC2