Landsec

Half-yearly results for the six months ended 30 September 2019

12 November 2019

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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, strategy, objectives, goals and expectations with respect to these items and the economies and markets in which the Group operates.

Forward-looking statements are sometimes, but not always, identified by their use of a date in the future or such words as 'anticipates', 'aims', 'due', 'could', 'may', 'should', 'expects', 'believes', 'intends', 'plans', 'targets', 'goal' or 'estimates' or, in each case, their negative or other variations or comparable terminology. Forward-looking statements are not guarantees of future performance. By their very nature forward-looking statements are inherently unpredictable, speculative and involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. Many of these assumptions, risks and uncertainties relate to factors that are beyond the Group's ability to control or estimate precisely. There are a number of such factors that could cause actual results and developments to differ materially from those expressed or implied by these forward-looking statements. These factors include, but are not limited to, changes in the political conditions, economies and markets in which the Group operates; 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 2019

12 November 2019

Strong operational metrics and increased development activity in London

Chief Executive Robert Noel said:

"Landsec had a good first half, delivering resilient results in unsettled market conditions.

"We have made excellent progress on our £3.0bn pipeline of development opportunities, with 1.0 million sq ft now on site. Our new products, Myo and Fitted, have landed well with customers. We have been proactive in the tough retail market, maintaining high occupancy and protecting income. We have extended our leadership in sustainability by setting further stretching targets. And we've upped our pace in innovation, introducing better ways to design, construct and manage space.

"With a general election next month and the UK's proposed exit from the EU further delayed, we remain alert to market risks. However, Landsec enters the next six months with confidence; we're in a strong financial position, have an exciting development pipeline and are agile enough to seize value-creating opportunities as we see them."

Results summary

	Six months ended 30 September 2019	**Six months ended 30 September 2018**	**Change**
Revenue profit(1)(2)	£225m	£224m	Up 0.4%
Valuation deficit(1)(2)	£(368)m	£(188)m	Down 2.8%(3)
(Loss)/profit before tax	£(147)m	£42m	
Basic (loss)/earnings per share	(19.6)p	5.9p	
Adjusted diluted earnings per share(1)(2)	30.4p	30.3p	Up 0.3%
Dividend per share	23.2p	22.6p	Up 2.7%
	30 September 2019	**31 March 2019**	
Net assets per share	1,298p	1,341p	Down 3.2%
EPRA net assets per share(1)	1,296p	1,339p	Down 3.2%
Group LTV ratio(1)(2)	28.1%	27.1%	

Resilient results

- Revenue profit(1)(2) up 0.4% to £225m
- Loss before tax for the period of £147m (2018: profit of £42m)
- Adjusted diluted earnings per share(1)(2) up 0.3% to 30.4p
- First half dividend up 2.7% to 23.2p per share
- Combined Portfolio(1)(2) valued at £13.4bn, with a valuation deficit(1)(2) of £368m or 2.8%(3)
- EPRA net assets per share(1) down 3.2% to 1,296p
- Ungeared total property return(4) of -0.5%
- Total business return(1) of -1.5%

Strong financial position

- Group LTV ratio[(1)(2)] at 28.1% (31 March 2019: 27.1%)
- Adjusted net debt[(1)(2)] of £3.8bn (31 March 2019: £3.7bn)
- Weighted average cost of debt at 2.6% (31 March 2019: 2.7%)
- Weighted average maturity of debt at 11.8 years (31 March 2019: 12.3 years)
- Cash and available facilities[(2)] of £1.6bn

Robust operational metrics

- High occupancy with like-for-like voids[(4)] down to 2.1% (31 March 2019: 2.4%)
  - Office at 0.8% (31 March 2019: 1.0%)
  - Retail at 3.6% (31 March 2019: 4.0%)
  - Specialist at 1.7% (31 March 2019: 1.5%)
- Development activity on track to deliver around 3.5 million sq ft of space in London:
  - On site with 0.9 million sq ft of office space at 21 Moorfields,EC2; Nova East,SW1; and Lucent, W1 at half year
  - On site since September with 0.1 million sq ft development at 105 Sumner Street, SE1
  - 0.8 million sq ft of further office-led developments expected to start in 2020 with the remainder to follow
- Like-for-like net rental income up £4m or 1.4%
  - Office up £3m or 2.5%
  - Retail down £2m or 1.5%
  - Specialist up £3m or 7.7%
- Retail destinations significantly outperforming national benchmarks for footfall and sales
  - Footfall down 1.8% vs benchmark down 4.2%
  - Same centre sales up 0.7% (down 0.7% excluding automotive sales) vs benchmark down 3.8%

Industry leadership in sustainability

- Committed to become a net zero carbon business by 2030, with first net zero carbon building under way at 105 Sumner Street, SE1
- Recognised as sector leader, ranking first in the UK and Europe among our peer group in the Global Real Estate Sustainability Benchmark (GRESB), for mixed office and retail space
- European leader in the Dow Jones Sustainability Index (DJSI), scoring 82 compared with an industry average of 36

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 14 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

Landsec has delivered a good performance for the first six months of the year. We made excellent progress on our £3.0bn pipeline of development opportunities in London – with 1.0 million sq ft now on site – and our new flexible office products have landed well with customers. We have been proactive in a tough retail market, maintaining high occupancy and protecting income. We have extended our leadership in sustainability, setting further stretching targets as we improve the way we operate to the benefit of our customers, communities and environment. And we've upped the pace on innovation, introducing better ways to design, construct and manage space.

The market is facing unsettled conditions with sub-sectors affected in different ways. The office market in London continues to remain in good health as the limited supply of quality space has been more than matched by demand. Rental values have risen modestly while capital values remain broadly unchanged. The retail market continues to be challenged as retailers adapt to structural change, rising costs and a more cautious consumer, with a number of high-profile company voluntary arrangements (CVAs) and administrations during the period. Limited demand for space and poor investor sentiment is impacting rental and capital values.

The actions we have taken to improve the quality of our portfolio over the last few years have enabled us to deliver resilient results in the face of this wider uncertainty and caution. Revenue profit is up 0.4% compared with the same period last year. Adjusted diluted earnings per share are also up 0.3% to 30.4p. Asset values declined by 2.8% in aggregate over the six-month period reflecting the weaker retail market, particularly shopping centres and retail parks. This resulted in a 3.2% reduction in EPRA net asset value per share to 1,296p.

Increasing our development activity in London

Our development pipeline has the potential to deliver around 3.5 million sq ft of space in London. At the end of September, we were on site at 21 Moorfields, Nova East and Lucent (formerly One Sherwood Street), our office-led scheme at Piccadilly Lights. Since the half year, we've started demolition of 105 Sumner Street meaning we now have 1.0 million sq ft of development under way of which 56% is pre-let. We have the ability to increase this by a further 0.8 million sq ft of office-led schemes, with the addition of Portland House and Lavington Street next year.

We continue to progress our plans for the remaining 1.7 million sq ft, an office-led scheme at Red Lion Court and two mixed use schemes in Shepherd's Bush and Finchley Road. With limited availability of high quality office and living space and a modest number of construction starts, we see the opportunity to deliver our developments into favourable conditions.

Improving our portfolio

As the way people want to use buildings continues to change at speed, so we continue to develop new experiences for them.

We now offer our office customers three products – HQ, Fitted and Myo. This gives them options within our portfolio as their needs evolve, all supported by excellent services. Meanwhile, our retail offering provides customers with space options across mixed use destinations, regional shopping centres, outlets, retail parks and leisure destinations.

We are not immune from the tough retail market conditions but, following the upgrading and diversification of our portfolio over the last decade, we have assets better positioned to meet the changing needs of occupiers. Over the six months, we outperformed all industry benchmarks on footfall and sales at our retail destinations.

Our current retail priorities are to protect income while reducing occupier service charge costs and to use data and insight to inform asset management decisions. It's about finding the right occupier to fit shopper demand and the right unit for the occupier, while always striving to broaden and improve the shopper's experience.

Leading on sustainability

We are now committed to becoming a net zero carbon business by 2030. To help us achieve this, we've increased the ambition of our carbon reduction targets in line with the latest climate science. In addition to lowering our operational energy consumption, we're reducing the embodied carbon of our new developments and offsetting our remaining carbon footprint. You can see this in action at 105 Sumner Street, where we're delivering our first net zero carbon building.

We are committed to the UN Sustainable Development Goals and the Global Compact. And we're making good progress on our commitment to generate £25m of social value by 2025.

Innovating in products and services

We are ramping up innovation across the business to ensure we anticipate the changing needs of our customers and improve the efficiency of our business. In construction, we see exciting opportunities to shorten build times, simplify processes, reduce risk, lower cost and improve a building's performance through its lifecycle. That's why, for example, we're now using advanced digital modelling on all schemes and maximising our use of off-site manufacturing.

Looking ahead

We expect the retail market to remain challenging as it continues to be impacted by structural change, CVAs and administrations. Outlets will continue to be among the best performers in this sector and dominant retail destinations will attract a greater share of retailer demand. We'll continue to develop plans for repurposing assets where we see opportunity to create value.

Real estate fundamentals in London are sound. The office market remains in good health and our activities in the capital as a percentage of our portfolio will increase in the coming years – up from 67% today. We have a substantial development pipeline in the capital and will continue to look at further opportunities.

With a general election next month and the UK's proposed exit from the EU further delayed, there will be continued uncertainty in the near term. However, we go into the second half of the year with confidence. We have a clear strategic direction and, with modest gearing, we're well positioned to seize value-creating opportunities as we see them.

Robert Noel
Chief Executive

Financial review

Overview

The political uncertainty and retailer difficulties we encountered last year have continued into the first six months of this financial year. While the values of our London offices have remained broadly unchanged, retail assets, particularly outside London, have continued to fall in value. Retailer administrations and CVAs have also impacted rental income although our vacancy rates remain relatively low.

During the period, we merged our London and Retail business units and changed our financial reporting to reflect the new structure. Further details are disclosed below.

Table 1: Highlights

	Six months ended 30 September 2019	Six months ended 30 September 2018
Revenue profit[(1)]	**£225m**	£224m
Valuation deficit[(1)]	**£(368)m**	£(188)m
(Loss)/profit before tax	**£(147)m**	£42m
Basic (loss)/earnings per share	**(19.6)p**	5.9p
Adjusted diluted earnings per share[(1)]	**30.4p**	30.3p
Dividend per share	**23.2p**	22.6p
	30 September 2019	31 March 2019
Combined Portfolio[(1)]	**£13.4bn**	£13.8bn
Net assets per share	**1,298p**	1,341p
EPRA net assets per share	**1,296p**	1,339p
Adjusted net debt[(1)]	**£3.8bn**	£3.7bn
Group LTV ratio[(1)]	**28.1%**	27.1%

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

Revenue profit for the six months to 30 September 2019 was £225m, up 0.4% from £224m due to a £1m increase in net rental income. Adjusted diluted earnings per share were up 0.3% at 30.4p due to the increased revenue profit. Over the period, our assets declined in value by 2.8% or £368m (including our proportionate share of subsidiaries and joint ventures) compared with a £188m decline in the same period last year. This decline in the value of our assets is behind the reduction in our EPRA net assets per share in the period, down 3.2% to 1,296p.

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 £13.4bn, 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 14 in the Business analysis section.

In previous periods, our segmental reporting reflected the fact that our operations were organised into a London Portfolio and a Retail Portfolio. Earlier this financial year, we merged these two business units and have amended our reporting to reflect this. In order to maintain a detailed level of financial disclosure, our segmental reporting now reflects the predominant use class of our assets, grouped into Office, Retail and Specialist. Previously, part of our indirect costs were allocated to the London and Retail portfolios and part were unallocated. These indirect costs, which are predominantly staff costs, have now all been treated as net indirect expenses and are not allocated to individual segments. The sector breakdown within our Combined Portfolio analysis disclosure has been re-ordered to reflect the new segments but the detailed disclosure remains. Prior reporting periods have been re-stated 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 2019 £m	Six months ended 30 September 2018 £m
Revenue profit	3	**225**	224
Capital and other items	6	**(372)**	(182)
(Loss)/profit before tax		**(147)**	42
Taxation		**2**	2
(Loss)/profit attributable to shareholders		**(145)**	44
Basic (loss)/earnings per share		**(19.6)p**	5.9p
Adjusted diluted earnings per share		**30.4p**	30.3p

Our loss before tax was £147m, compared with a £42m profit for the same period in the prior year, due to a greater fall in the value of our assets this period. While revenue profit is up £1m over the prior period, the valuation decline drives the larger loss from Capital and other items. The increased loss this period resulted in a loss per share of 19.6p, compared with earnings per share of 5.9p in the prior period. Adjusted diluted earnings per share increased by 0.3%, from 30.3p to 30.4p this six months, as a result of the increase in revenue profit from £224m to £225m. 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 Office, Retail and Specialist assets, are presented in the table below.

Table 3: Revenue profit

		Six months ended 30 September 2019				Six months ended 30 September 2018				
	Table	**Office £m**	**Retail £m**	**Specialist £m**	**Total £m**	Office £m	Retail £m	Specialist £m	Total £m	**Change £m**
Gross rental income[(1)]		**132**	**151**	**49**	**332**	131	154	47	332	**-**
Net service charge income/(expense)		**1**	**(2)**	**(1)**	**(2)**	-	(2)	-	(2)	**-**
Net direct property expenditure		**(2)**	**(13)**	**(6)**	**(21)**	(2)	(12)	(8)	(22)	**1**
Net rental income	4	**131**	**136**	**42**	**309**	129	140	39	308	**1**
Net indirect expenses					**(35)**				(35)	**-**
Revenue profit before interest					**274**				273	**1**
Net finance expense	5				**(49)**				(49)	**-**
Revenue profit					**225**				224	**1**

1. Includes finance lease interest, after rents payable.

Revenue profit increased by £1m to £225m for the six months ended 30 September 2019 (2018: £224m). This was the result of a £1m increase in net rental income for the period which is explained below.

Net rental income

Table 4: Net rental income[1]

	£m
Net rental income for the six months ended 30 September 2018	**308**
Net rental income movement in the period:	
Like-for-like investment properties	**4**
Proposed developments	**(1)**
Development programme	**-**
Completed developments	**-**
Acquisitions since 1 April 2018	**(1)**
Sales since 1 April 2018	**(1)**
Non-property related income	**-**
	1
Net rental income for the six months ended 30 September 2019	**309**

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

Net rental income increased by £1m in the six months ended 30 September 2019 as rental income growth from our like-for-like portfolio was largely offset by a decline in income at our proposed developments and the impact of properties acquired and sold since 1 April 2018. The £4m increase in like-for-like net rental income was driven by new lettings and rent reviews at our Office assets and higher income at Piccadilly Lights, W1, partly offset by lower income in Retail. There was a £2m decline in net rental income as a result of the acquisition of a development opportunity at Lavington Street, SE1 and the sale of Livingston Retail Park, both in the prior year. There was also a £1m reduction in net rental income at Portland House, SW1 as we work towards vacant possession ahead of development.

Further information on the net rental income performance of the portfolio is given in the Portfolio review.

Net indirect expenses

Net indirect expenses represents the indirect costs of the Group including joint ventures. In total, net indirect expenses of £35m were in line with the same period in the prior year (2018: £35m).

Net finance expense (included in revenue profit)

Table 5: Net finance expense[1]

	£m
Net finance expense for the six months ended 30 September 2018	**49**
Impact of:	
Refinancing	**1**
Capitalised interest	**(1)**
Net finance expense for the six months ended 30 September 2019	**49**

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

Our net finance expense is unchanged from the same period in the prior year at £49m with the cost of entering into new facilities offset by higher levels of interest capitalised on our developments.

Capital and other items

Table 6: Capital and other items[1]

	Table	Six months ended 30 September 2019 £m	Six months ended 30 September 2018 £m
Valuation and profits on disposals			
Valuation deficit	7	**(368)**	(188)
Loss on disposal of investment properties		**-**	(4)
Profit on disposal of trading properties		**1**	1
Net finance expense	8	**(4)**	(2)
Other items			
Fair value movement prior to acquisition of non-owned element of a joint venture		**-**	9
Profit from long-term development contracts		**2**	3
Other		**(3)**	(1)
Capital and other items		**(372)**	(182)

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 2.8% or £368m over the six months compared with a decrease in the prior period of £188m. A breakdown of valuation movements by category is shown in table 7.

Table 7: Valuation analysis

	Market value 30 September 2019 £m	Valuation movement %	Rental value change[1] %	Net initial yield %	Equivalent yield %	Movement in equivalent yield bps
Office	5,924	0.3	1.9	4.3	4.6	5
London retail	1,484	-4.3	-2.7	4.2	4.3	4
Regional retail	1,865	-9.4	-3.7	5.3	5.5	36
Outlets	982	0.6	1.0	5.0	5.4	2
Retail parks	523	-11.1	-2.0	6.6	6.7	58
Leisure and hotels	1,254	-3.0	-1.1	5.4	5.6	9
Other	386	0.3	-	3.3	4.2	-
Total like-for-like portfolio	**12,418**	**-2.7**	**-0.4**	**4.7**	**4.9**	**11**
Proposed developments	247	-8.1	n/a	4.6	n/a	n/a
Development programme	450	3.8	n/a	-	4.3	n/a
Completed developments	212	-9.7	-3.6	4.7	5.2	34
Acquisitions	115	-1.7	n/a	0.7	4.6	n/a
Total Combined Portfolio	**13,442**	**-2.8**	**-0.4**	**4.5**	**4.9**	**11**

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

The 2.8% decline in the value of our Combined Portfolio was driven by a reduction in the value of our Retail and leisure assets reflecting market conditions for retailers and casual dining operators. Within the like-for-like portfolio, retail parks saw the largest decline at 11.1%, with rental values declining by 2.0% and the yield moving out by 58bps. Regional retail declined in value by 9.4% as retailer difficulties weighed on rental values, down 3.7%, and yields moved out 36bps. Our outlets continued their more resilient performance with a 0.6% increase in value due to a 1.0% increase in rental values reflecting letting activity in the period. Our Office assets also saw a small increase in value, primarily as a result of an increase in rental values in Victoria. The value of our hotels and other assets, including Piccadilly Lights, remained broadly unchanged from March 2019.

Outside the like-for-like portfolio, Nova East, SW1 and Lucent, W1 have joined 21 Moorfields, EC2 in the development programme, with the 3.8% increase in value in the period primarily due to construction risk reducing at 21 Moorfields. The 8.1% decline in the value of our proposed developments reflects the residual value for Portland House, SW1 in our latest redevelopment plans. Our only completed development, Westgate Oxford, reduced in value by 9.7% with rental values down by 3.6% and a 34bps outward yield shift, in line with the performance of our other regional shopping centres. Lavington Street, SE1, which was acquired last year, remains at its acquisition value with the valuation decline in the period reflecting capital expenditure incurred as we work towards submitting a planning application.

Net finance expense (included in Capital and other items)

In the six months ended 30 September 2019, we incurred £4m of net finance expense which is excluded from revenue profit.

Table 8: Net finance expense[1]

	Six months ended 30 September 2019 £m	Six months ended 30 September 2018 £m
Fair value movement on interest-rate swaps	**(5)**	1
Premium and fees on redemption of medium term notes (MTNs)	**(1)**	(2)
Other net finance income/(expense)	**2**	(1)
Total	**(4)**	(2)

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

The increase over the comparative period in this element of our net finance expense is primarily due to losses on our interest-rate swaps as a result of fluctuations in market interest rates in the period.

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

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

Profit from long-term development contracts

The profit from long-term development contracts in the period of £2m (2018: £3m) is from the development at Selly Oak, Birmingham which was pre-sold during the course of construction.

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. In the six months ended 30 September 2019, there was a tax credit of £2m (2018: £2m), being a deferred tax credit of £2m (2018: £2m).

Balance sheet

Table 9: Balance sheet

	30 September 2019 £m	31 March 2019 £m
Combined Portfolio	**13,442**	13,750
Adjusted net debt	**(3,798)**	(3,737)
Other net liabilities	**(39)**	(93)
EPRA net assets	**9,605**	9,920
Fair value of interest-rate swaps	**-**	-
Net assets	**9,605**	9,920
Net assets per share	**1,298p**	1,341p
EPRA net assets per share[1]	**1,296p**	1,339p

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

Our net assets principally comprise the Combined Portfolio less net debt. Both net assets and EPRA net assets declined over the six months ended 30 September 2019 due to the reduction in the value of our investment properties.

At 30 September 2019, our net assets per share were 1,298p, a decrease of 43p or 3.2% from 31 March 2019. EPRA net assets per share were 1,296p, a decrease of 43p or 3.2%.

Table 10 summarises the key components of the £315m decrease in our EPRA net assets over the six month period.

Table 10: Movement in EPRA net assets[1]

	£m	Diluted per share pence
EPRA net assets at 31 March 2019	**9,920**	**1,339**
Revenue profit	**225**	**30**
Valuation deficit	**(368)**	**(50)**
Dividends	**(170)**	**(23)**
Other	**(2)**	**-**
EPRA net assets at 30 September 2019	**9,605**	**1,296**

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

Net debt and gearing

Table 11: Net debt and gearing

	30 September 2019	31 March 2019
Net debt	**£3,818m**	£3,747m
Adjusted net debt[1]	**£3,798m**	£3,737m
Group LTV[1]	**28.1%**	27.1%
Security Group LTV	**29.5%**	28.6%
Weighted average cost of debt[1]	**2.6%**	2.7%

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 £71m to £3,818m. 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 £61m to £3,798m. For a reconciliation of net debt to adjusted net debt, see note 13 to the financial statements.

Table 12 sets out the main movements behind the increase in our adjusted net debt.

Table 12: Movement in adjusted net debt[1]

	£m
Adjusted net debt at 31 March 2019	**3,737**
Net cash generated from operations	**(225)**
Dividends paid	**170**
Development/other capital expenditure	**112**
Disposals	**(4)**
Other	**8**
Adjusted net debt at 30 September 2019	**3,798**

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 £225m, partly offset by dividend payments of £170m. Capital expenditure was £112m (£111m on investment properties and £1m on trading properties), largely spent on our development programme. Net cash flows 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 27.1% at 31 March 2019 to 28.1% at 30 September 2019, largely due to the decline in the value of our assets. Our Security Group LTV increased from 28.6% to 29.5% for the same reason.

Financing

At 30 September 2019, our committed revolving facilities totalled £2,715m (31 March 2019: £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 +21 basis points and are unsecured. The total amount drawn under the bank debt and commercial paper programme was £1,180m (31 March 2019: £1,159m).

The Group's debt (on a proportionate basis) has a weighted average maturity of 11.8 years (31 March 2019: 12.3 years), a weighted average cost of 2.6% (31 March 2019: 2.7%) and 80% is at fixed interest rates (excluding finance leases). At 30 September 2019, we had £1.6bn of cash and available facilities. This gives the business considerable flexibility to deploy capital quickly when investment opportunities arise.

Changes in accounting policy

The Group adopted IFRS 16 Leases on 1 April 2019. As a result of adopting this standard, the Group now reports separately service charge income for leases where a single payment is received to cover both rent and service charge. The total payment received was previously included within rental income, but the service charge component has now been separated and reported as service charge income in the notes to the financial statements. Comparatives have been restated accordingly. In the six months ended 30 September 2018, the amount previously reported in rental income which has now been separated and reported as service charge income was £3m. There has been no net impact on profit attributable to shareholders or the Group's balance sheet. The Group's revised accounting policy and the impact of the change in accounting policy on the consolidated interim financial information is detailed in note 18 of the financial statements.

Dividend

We will be paying a second quarterly dividend of 11.6p per share on 3 January 2020 to shareholders registered at the close of business on 29 November 2019. This will be paid wholly as a Property Income Distribution. Taken together with the first quarterly dividend of 11.6p per share, paid wholly as a Property Income Distribution on 4 October 2019, our first half dividend will be 23.2p per share (six months ended 30 September 2018: 22.6p per share), representing an increase of 2.7% and a total payment of £172m (six months ended 30 September 2018: £167m).

Martin Greenslade
Chief Financial Officer

Portfolio review

At a glance

- Valuation deficit of 2.8%[1]
- Ungeared total property return of -0.5%
- The portfolio underperformed the MSCI Quarterly Universe (All Property) at 0.8%
- £14m of investment lettings
- Like-for-like voids: 2.1% (31 March 2019: 2.4%)

Office

- Valuation flat[1]
- Ungeared total property return of 2.1%
- The portfolio outperformed the MSCI Quarterly benchmark (Central and Inner London Office) at 2.0%
- £3m of investment lettings
- Like-for-like voids: 0.8% (31 March 2019: 1.0%)

Retail

- Valuation deficit of 6.1%[1]
- Ungeared total property return of -4.4%
- The portfolio underperformed the MSCI Quarterly benchmark (All Retail) at -2.8%
- £10m of investment lettings
- Like-for-like voids: 3.6% (31 March 2019: 4.0%) and units in administration: 1.4% (31 March 2019: 0.9%)
- Footfall in our regional retail and outlets was down 1.8% (ShopperTrak UK national benchmark down 4.2%)
- Same centre sales, taking into account new lettings and occupier changes, were up 0.7% (down 0.7% excluding automotive sales) (BRC national benchmark for physical stores down 3.8%; including online, down 1.9%)

Specialist

- Valuation deficit of 2.2%[1]
- Ungeared total property return of 0.3%
- £1m of investment lettings
- Like-for-like voids: 1.7% (31 March 2019: 1.5%) and units in administration: 0.2% (31 March 2019: 0.2%)

The like-for-like portfolio

Office

The London office market continues to see good demand for space which provides quality, convenience and flexibility and this is reflected in the high occupancy across our three office products. With our office space virtually full, we achieved a limited number of new lettings in the period totalling £3m and completed six rent reviews totalling £16m, 10% ahead of previous passing rent.

Our flexible office products, Fitted and Myo, have exceeded our expectations. Fitted, which offers customers the ability to rent space fully fitted-out and ready for occupation, was launched earlier this year and both floors at 123 Victoria Street, SW1 are now let at a healthy premium to market rents. Myo is 61%

1. On a proportionate basis.

occupied and includes existing HQ customers, supporting their shorter-term needs, as well as customers who are new to us.

We are delighted with this response to Fitted and Myo and plan to include these offers in our new developments. We will actively manage our current and future portfolio to achieve the right balance of HQ and flexible products at each location. One example of active management of our current portfolio is at Dashwood House, EC2 where upcoming expiries give us the opportunity to open a Myo facility in early 2021.

Following the success of our first Landsec Lounge at 80 Victoria Street, SW1 we have now completed the lounge at 62 Buckingham Gate, SW1 with Dashwood House expected to complete next month. We are in the process of transforming the double floor reception space at One New Change, EC4 and we are finalising design work for a lounge at 6 New Street Square, EC4.

Retail

The retail market continues to be challenging with retailers facing structural change, economic pressures and a rising cost base. This is reflected in asset pricing, with rental values and market yield movements driving significant valuation declines, particularly in regional retail and retail parks. We have seen further high-profile CVAs and administrations in the period, notably Debenhams and Arcadia. Clearly, we are not immune from these trends but, where we have been hit by CVAs, our assets remain popular with occupiers and customers. And where stores have closed, we have had reasonable re-letting success – with more than half of units re-let or in solicitors' hands as at 30 September. Despite the impact of CVAs and administrations, like-for-like net rental income declined by only 1.5% in the period (see below for further details).

Same centre sales at our regional destinations and outlets were up 0.7% (down 0.7% excluding automotive sales) ahead of the BRC benchmark, down 3.8%. Footfall was down 1.8%, but well ahead of the ShopperTrak UK national benchmark, down 4.8%.

Outlets continue to be the best performer within the Retail segment having had a strong six months of letting activity. We use consumer research and sales data to target the brands which will strengthen our line-up. During the period, we added 20 brands including Loake, Dune and Beauty Outlet at Gunwharf Quays, Portsmouth together with Pho, Bill's and The Alchemist adding to the food and beverage offer. At Braintree Village, the opening of Polo Ralph Lauren last November has continued to benefit performance at the centre with total sales up 3.7% in the first half of this year. This brand also attracted others to the centre including Havaianas, Lindt and Lyle & Scott during the first half.

In regional retail, our centres are dominant destinations in strong and growing catchments. The current market conditions mean that short-term performance is challenging, but we are taking action to address medium-term issues around tenant mix and experience. And again, we are using customer data and insight to inform asset management decisions – finding the right occupier to fit customer demand, and the right unit to fit the occupier. An example of this is at Bluewater, Kent, where footfall was up 2.5% and same store sales up 1.2% (excluding automotive sales) since Primark opened in March 2019. Other examples include bringing Zara to St David's, Cardiff for the first time and upsizing H&M at Trinity Leeds and Zara at Bluewater. We are also bringing new types of retailer to our centres; we have recently added cycling concept store Peloton at Bluewater and Westgate Oxford.

In London retail, following the administration of Jamie's Italian, we re-let the majority of the vacated space to the Ivy. And at One New Change, a new flagship for Ivy Asia will open shortly in the former Barbecoa unit.

Retail parks remains the retail asset class most affected by over supply. Since 30 September, we have sold Poole Retail Park for £45m. Retail parks now make up less than 4% of our portfolio.

Specialist

Relative to Retail, our leisure assets are performing well and occupancy levels remain high. Cinema operators have had a solid performance with UK admissions up 9% on last year. We expect this performance to continue for the rest of the year. Though casual dining remains a more challenged sector with some operators looking to restructure, leisure parks anchored by dominant cinemas will continue to be attractive locations for these operators.

Our hotels continue to perform well albeit some locations were impacted by local factors such as weaker programmes of sporting and cultural events than last year. The underlying site value of our hotels is attractive, remaining well ahead of book value.

At Piccadilly Lights, W1, we have two to three year leases with Coca-Cola, Samsung and Hyundai. The portion of the screen allocated to short lettings has performed ahead of expectations in the first six months – we have already secured over 90% of our target income for the full year.

Development

The dynamics of the London office market have remained broadly unchanged and the balance between supply and demand remains healthy. Despite above average development completions, occupier preference for new, as opposed to second-hand, space has led to limited availability of new HQ space. This position is set to continue for the next two to three years; available grade A space as a share of overall availability has fallen below 30% – levels last seen back in 2010. These conditions give us confidence to progress our developments.

We have a 3.5 million sq ft pipeline of opportunities in London and we are now on site at four schemes totalling 1.0 million sq ft, of which 56% is pre-let.

At 21 Moorfields, EC2, construction continues at this 564,000 sq ft scheme with piling finished and the steel framework progressing well. At Nova East, SW1, we have received a revised planning approval for 165,000 sq ft and are on site with piling under way. This scheme will complete the pedestrian routes that permeate our Victoria estate. At Lucent, W1 (formerly One Sherwood Street), demolition is nearing completion and we will soon place the main build contract to deliver 144,000 sq ft of mixed use space at this iconic scheme.

At 105 Sumner Street, SE1, we are seeking some revisions to our existing planning consent for two buildings totalling 136,000 sq ft plus a new public square. While we wait on planning, we are on site demolishing the existing warehouse. We will deploy our new, partly automated construction methods to reduce build time and cost, and this will be our first net zero carbon development.

In October, we received planning permission to add a 14-storey extension to the existing building at Portland House, SW1. In total, our proposed scheme will deliver 394,000 sq ft of new or refurbished space and will incorporate HQ, Fitted and Myo together with wellness and leisure facilities. We expect to commit to the scheme in the second half of this year and achieve vacant possession by the end of March 2020.

The five schemes where we are on site, or plan to be within the next six months, total c.1.4 million sq ft with a combined total development cost of c.£1.5bn (our share) and an estimated rental value of £96m (our share).

The remaining pipeline comprises 2.1 million sq ft.

At Lavington Street, SE1, we intend to submit a planning application this financial year for two buildings totalling 370,000 sq ft. We have set out to ensure that the sustainability credentials of this scheme are high and plan to use a hybrid cross-laminated timber/steel structure to reduce the carbon footprint of the development.

At Red Lion Court, SE1, we have agreed terms for a short-term letting while we optimise plans for this site. We continue to progress our plans for mixed use development at Finchley Road, NW3 and Shepherd's Bush, W12. We are reviewing the designs for both schemes to ensure we achieve an appropriate mix of office, retail, leisure and living space.

Net rental income

Table 13: Net rental income(1)

	Office			Retail			Specialist			Combined Portfolio		
	30 Sep 2019	30 Sep 2018	Change	**30 Sep 2019**	30 Sep 2018	Change	**30 Sep 2019**	30 Sep 2018	Change	**30 Sep 2019**	30 Sep 2018	Change
	£m	£m	£m	**£m**	£m	£m	**£m**	£m	£m	**£m**	£m	£m
Like-for-like investment properties	**125**	122	3	**128**	130	(2)	**42**	39	3	**295**	291	**4**
Proposed developments	**5**	6	(1)	**-**	-	-	**-**	-	-	**5**	6	**(1)**
Development programme	**-**	-	-	**-**	-	-	**-**	-	-	**-**	-	**-**
Completed developments	**-**	-	-	**5**	5	-	**-**	-	-	**5**	5	**-**
Acquisitions since 1 April 2018	**(1)**	-	(1)	**-**	-	-	**-**	-	-	**(1)**	-	**(1)**
Sales since 1 April 2018	**-**	-	-	**-**	1	(1)	**-**	-	-	**-**	1	**(1)**
Non-property related income	**2**	1	1	**3**	4	(1)	**-**	-	-	**5**	5	**-**
Net rental income	**131**	129	2	**136**	140	(4)	**42**	39	3	**309**	308	**1**

1. On a proportionate basis.

Net rental income from the Combined Portfolio increased by £1m in the six months ended 30 September 2019 as rental growth from our like-for-like portfolio was largely offset by the impact of declining income at our proposed developments and the impact of properties acquired and sold since 1 April 2018.

Net rental income from our Office assets increased by £2m to £131m. Net rental income from our like-for-like properties grew by £3m due to rent reviews and new lettings. We lost £1m at our proposed development at Portland House as we work towards vacant possession and, at Lavington Street, acquired as a development site in the prior year, we had costs of £1m related to vacant space.

In Retail, net rental income declined by £4m, predominantly due to a £2m reduction in income from our like-for-like properties due to the impact of CVAs and administrations across the portfolio. We also lost £1m as a result of the sale of Livingston Retail Park in the prior year.

Improved performance at Piccadilly Lights in the period is the main driver for a £3m increase in net rental income at our Specialist assets to £42m.

Principal risks and uncertainties

The principal risks of the business are set out on pages 56-59 of the 2019 Annual Report alongside their potential impact and related mitigations. These risks fall into eight categories: customers; market cyclicality; disruption; people and skills; major health, safety and security incident; information security and cyber threat; sustainability; 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 Board believes there has been no material change to the risk categories outlined in the 2019 Annual Report and that the existing mitigation actions remain appropriate to manage them. However, the Board notes an increase in the people and skills risk and in the health, safety and security risk.

Employee uncertainty has increased because we are currently combining the main operating functions of the London and Retail business units and are also in the process of appointing a new CEO following Robert Noel’s decision to retire. This has led to an increase in the people and skills risk.

Following the Grenfell tragedy, we evaluated our fire management strategies across our entire property portfolio and identified some fire safety improvements. While we implement these, we have elevated the health, safety and security risk.

We have assessed risks to the business that may result from the UK leaving the EU, including under a ‘no deal’ Brexit, by reference to three distinct workstreams: construction, operations and portfolio management. In construction, the risks identified included the potential impact of tariffs on imported goods, workforce labour and skills shortages, delayed delivery of products and foreign exchange exposure. On operations, the risks included the availability of imported goods required to keep our buildings open and providing a safe and secure environment for our customers. The portfolio risks were 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.

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 or the outcome of the general election.

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 2019 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 2019 that have materially affected, and any changes in the related party transactions described in the 2019 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*
— Robert Noel, Chief Executive
— Martin Greenslade, Chief Financial Officer
— Colette O'Shea, Managing Director, Portfolio
— Edward Bonham Carter, Senior Independent Director*
— Chris Bartram*
— 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
11 November 2019

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 2019 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 19. 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 (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. 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 2019 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
11 November 2019

Financial statements

Unaudited income statement	Notes	Six months ended 30 September 2019 Revenue profit £m	Capital and other items £m	Total £m	Six months ended 30 September 2018 Revenue profit £m	Capital and other items £m	Total £m
Revenue	5	**368**	**1**	**369**	371	7	378
Costs	6	**(116)**	**-**	**(116)**	(119)	(7)	(126)
		252	**1**	**253**	252	-	252
Share of post-tax profit/(loss) from joint ventures	12	**15**	**(65)**	**(50)**	11	(25)	(14)
Loss on disposal of investment properties		**-**	**-**	**-**	-	(2)	(2)
Net deficit on revaluation of investment properties	10	**-**	**(304)**	**(304)**	-	(153)	(153)
Operating profit/(loss)		**267**	**(368)**	**(101)**	263	(180)	83
Finance income	7	**7**	**2**	**9**	10	1	11
Finance expense	7	**(49)**	**(6)**	**(55)**	(49)	(3)	(52)
Profit/(loss) before tax		**225**	**(372)**	**(147)**	224	(182)	42
Taxation				**2**			2
(Loss)/profit attributable to shareholders				**(145)**			44
(Loss)/earnings per share attributable to shareholders:							
Basic (loss)/earnings per share	4			**(19.6)p**			5.9p
Diluted (loss)/earnings per share	4			**(19.6)p**			5.9p

Unaudited statement of comprehensive income	Six months ended 30 September 2019 Total £m	Six months ended 30 September 2018 Total £m
(Loss)/profit attributable to shareholders	**(145)**	44
Items that will not be subsequently reclassified to the income statement:		
Movement in the fair value of other investments	**(1)**	-
Net re-measurement gain on defined benefit pension scheme	**-**	4
Deferred tax credit on re-measurement above	**-**	(1)
Other comprehensive (loss)/income attributable to shareholders	**(1)**	3
Total comprehensive (loss)/income attributable to shareholders	**(146)**	47

Unaudited balance sheet	Notes	30 September 2019 £m	31 March 2019 £m
Non-current assets			
Investment properties	10	**11,851**	12,094
Intangible assets		**18**	20
Net investment in finance leases		**158**	159
Investments in joint ventures	12	**956**	1,031
Trade and other receivables		**170**	176
Other non-current assets		**28**	30
Total non-current assets		**13,181**	13,510
Current assets			
Trading properties	11	**23**	23
Trade and other receivables		**472**	437
Monies held in restricted accounts and deposits		**11**	36
Cash and cash equivalents		**-**	14
Other current assets		**12**	14
Total current assets		**518**	524
Non-current assets held for sale	17	**43**	-
Total assets		**13,742**	14,034
Current liabilities			
Borrowings	14	**(1,065)**	(934)
Trade and other payables		**(271)**	(273)
Bank overdraft		**(6)**	-
Other current liabilities		**(24)**	(18)
Total current liabilities		**(1,366)**	(1,225)
Non-current liabilities			
Borrowings	14	**(2,734)**	(2,847)
Trade and other payables		**-**	(1)
Other non-current liabilities		**(3)**	(5)
Redemption liability		**(34)**	(36)
Total non-current liabilities		**(2,771)**	(2,889)
Total liabilities		**(4,137)**	(4,114)
Net assets		**9,605**	9,920
Equity			
Capital and reserves attributable to shareholders			
Ordinary shares		**80**	80
Share premium		**317**	317
Other reserves		**26**	26
Retained earnings		**9,182**	9,497
Total equity		**9,605**	9,920

The financial statements on pages 21 to 41 were approved by the Board of Directors on 11 November 2019 and were signed on its behalf by:

R M Noel **M F Greenslade**

Directors

Unaudited statement of changes in equity

	Attributable to shareholders				
	Ordinary shares £m	Share premium £m	Other reserves £m	Retained earnings £m	Total equity £m
At 1 April 2018	80	317	26	9,963	10,386
Total comprehensive income for the financial period	-	-	-	47	47
Transactions with shareholders:					
Share-based payments	-	-	(2)	1	(1)
Dividends paid to shareholders	-	-	-	(181)	(181)
Total transactions with shareholders	-	-	(2)	(180)	(182)
At 30 September 2018	80	317	24	9,830	10,251
Total comprehensive loss for the financial period	-	-	-	(166)	(166)
Transactions with shareholders:					
Share-based payments	-	-	2	1	3
Dividends paid to shareholders	-	-	-	(168)	(168)
Total transactions with shareholders	-	-	2	(167)	(165)
At 31 March 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**

Unaudited statement of cash flows

		Six months ended 30 September	
		2019	2018
	Notes	**£m**	£m
Cash flows from operating activities			
Net cash generated from operations	9	**228**	223
Interest received		**14**	2
Interest paid		**(57)**	(58)
Capital expenditure on trading properties		**(1)**	(1)
Disposal of trading properties		**-**	16
Other operating cash flows		**-**	(2)
Net cash inflow from operating activities		**184**	180
Cash flows from investing activities			
Investment property development expenditure		**(82)**	(28)
Other investment property related expenditure		**(21)**	(20)
Acquisition of investment properties		**-**	(42)
Disposal of investment properties		**-**	38
Cash contributed to joint ventures	12	**(13)**	(26)
Cash distributions from joint ventures	12	**38**	30
Other investing cash flows		**1**	(1)
Net cash outflow from investing activities		**(77)**	(49)
Cash flows from financing activities			
Proceeds from new borrowings (net of finance fees)	14	**95**	-
Repayment of borrowings	14	**(110)**	(9)
Redemption of medium term notes	14	**(4)**	(8)
Premium paid on redemption of medium term notes	14	**(1)**	(2)
Net cash inflow from derivative financial instruments		**38**	15
Dividends paid to shareholders	8	**(170)**	(168)
Decrease/(increase) in monies held in restricted accounts and deposits		**25**	(14)
Other financing cash flows		**-**	1
Net cash outflow from financing activities		**(127)**	(185)
Decrease in cash and cash equivalents for the period		**(20)**	(54)
Cash and cash equivalents at the beginning of the period		**14**	62
(Bank overdraft)/cash and cash equivalents at the end of the period		**(6)**	8

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 2019 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). In order to satisfy themselves that the Group has adequate resources to continue in operational existence for the foreseeable future, the Directors have reviewed an 18-month cash flow forecast extracted from the Group's current five-year plan, which includes assumptions about future trading performance and debt requirements, and an assessment of the potential impact of significant changes to those cash flows. This, together with available market information and experience of the Group's property portfolio and markets, has given the Directors sufficient confidence to adopt the going concern basis in preparing the financial statements.

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 2019, presented in accordance with International Financial Reporting Standards as adopted by the EU (IFRS), were approved by the Board of Directors on 13 May 2019 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 2019.

This condensed consolidated interim financial information was approved for issue on 11 November 2019.

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, key assumptions and estimates as set out in the notes to the Group's annual financial statements for the year ended 31 March 2019, as amended where relevant to reflect the new standards, amendments and interpretations which became effective in the period. The impact of adopting these new standards and accounting policies is outlined below and in note 18.

Changes in accounting policy

The Group has adopted IFRS 16 Leases on 1 April 2019. As a result of adopting this standard, the Group now reports separately service charge income for leases where a single payment is received to cover both rent and service charge. The total payment received was previously included within rental income, but the service charge component has now been separated and reported as service charge income in the notes to the financial statements. Comparatives have been restated accordingly. The Group's revised accounting policy and the impact of the change in accounting policy on the consolidated interim financial information is detailed in note 18.

3. Segmental information

The Group's operations are managed across three operating segments, being the Office, Retail and Specialist segments.

The Office segment includes all our offices, substantially all of which are located in London. The Retail segment includes all our shopping centres, outlets, retail parks and the retail units within our London office buildings. The Specialist segment includes our leisure and hotel assets, Piccadilly Lights and other specialist assets which do not fall within either of the other segments. All of the Group's operations are in the UK.

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

In previous periods, our segmental reporting reflected that our operations were organised into a London Portfolio and a Retail Portfolio. In the six months ended 30 September 2019, we merged these two business units and amended our reporting to the ExecCom to reflect this. In order to maintain a detailed level of financial disclosure, our segmental reporting now reflects the predominant use class of our assets, grouped into Office, Retail and Specialist. The comparative period has been presented in the new format and a reconciliation to the previous presentation has been provided on our website.

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 on-going operations of the Group is analysed between the three segments. Previously the Group reported Segment profit, which for the six months ended 30 September 2018 was £28m lower than the Segment net rental income for the same period as it included indirect property costs, including depreciation, as well as the net finance costs directly incurred by our joint ventures. The indirect costs, which are predominantly staff costs, have now all been treated as net indirect expenses and are not allocated to individual segments. Depreciation previously included within Group Services expenses has also been separated and reported together with the depreciation previously included in Segment profit.

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. Since the use class of individual joint ventures may span more than one segment, debt facilities and finance expenses are not specific 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 22.

3. Segmental information continued

Revenue profit	Six months ended 30 September 2019 Office £m	Retail £m	Specialist £m	Total £m	Six months ended 30 September 2018[1] Office £m	Retail £m	Specialist £m	Total £m
Rental income	**129**	**156**	**49**	**334**	128	159	47	334
Finance lease interest	**4**	**-**	**-**	**4**	4	-	-	4
Gross rental income (before rents payable)	**133**	**156**	**49**	**338**	132	159	47	338
Rents payable[2]	**(1)**	**(5)**	**-**	**(6)**	(1)	(5)	-	(6)
Gross rental income (after rents payable)	**132**	**151**	**49**	**332**	131	154	47	332
Service charge income	**24**	**26**	**-**	**50**	22	25	1	48
Service charge expense	**(23)**	**(28)**	**(1)**	**(52)**	(22)	(27)	(1)	(50)
Net service charge expense	**1**	**(2)**	**(1)**	**(2)**	-	(2)	-	(2)
Other property related income	**7**	**8**	**-**	**15**	7	9	1	17
Direct property expenditure	**(9)**	**(21)**	**(6)**	**(36)**	(9)	(21)	(9)	(39)
Segment net rental income	**131**	**136**	**42**	**309**	129	140	39	308
Other income				**1**				2
Indirect expense				**(33)**				(35)
Depreciation				**(3)**				(2)
Revenue profit before interest				**274**				273
Finance income				**7**				10
Finance expense				**(49)**				(49)
Joint venture finance expense				**(7)**				(10)
Revenue profit				**225**				224

1. Restated for changes in accounting policies. See note 18 for details.
2. Included within rents payable is lease interest payable of **£1m** (2018: £1m) for the Office segment.

Reconciliation of revenue profit to (loss)/profit before tax	Six months ended 30 September 2019 Total £m	Six months ended 30 September 2018 Total £m
Revenue profit	**225**	224
Capital and other items		
Valuation and profits on disposals		
Net deficit on revaluation of investment properties	**(368)**	(188)
Loss on disposal of investment properties	**-**	(4)
Profit on disposal of trading properties	**1**	1
	(367)	(191)
Net finance expense		
Fair value movement on interest-rate swaps	**(5)**	1
Premium and fees on redemption of medium term notes (MTNs)	**(1)**	(2)
Other net finance income/(expense)	**2**	(1)
	(4)	(2)
Other		
Fair value movement prior to acquisition of non-owned element of a joint venture	**-**	9
Profit from long-term development contracts	**2**	3
Other	**(3)**	(1)
	(1)	11
(Loss)/profit before tax	**(147)**	42

4. Performance measures

Three of the Group's key financial performance measures are adjusted diluted earnings per share, EPRA net assets per share and total business return. In the tables below we present earnings per share and net assets per share calculated in accordance with IFRS, together with our own adjusted measure and certain measures defined by EPRA, which have been included to assist comparison between European property companies. We also present the calculation of total business return.

Adjusted earnings, which is a tax adjusted measure of revenue profit, is the basis for the calculation of adjusted earnings per share. We believe adjusted earnings and adjusted earnings per share provide further understanding of 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.

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

Earnings per share		**Six months ended 30 September 2019**			Six months ended 30 September 2018	
	Loss for the period	**EPRA earnings**	**Adjusted earnings**	Profit for the period	EPRA earnings	Adjusted earnings
	£m	**£m**	**£m**	£m	£m	£m
(Loss)/profit attributable to shareholders	**(145)**	**(145)**	**(145)**	44	44	44
Taxation	**-**	**(2)**	**(2)**	-	(2)	(2)
Valuation and profits on disposals	**-**	**367**	**367**	-	191	191
Net finance expense	**-**	**4**	**4**	-	2	2
Other	**-**	**1**	**1**	-	(11)	(11)
(Loss)/profit used in per share calculation	**(145)**	**225**	**225**	44	224	224

	IFRS	**EPRA**	**Adjusted**	IFRS	EPRA	Adjusted
Basic (loss)/earnings per share	**(19.6)p**	**30.4p**	**30.4p**	5.9p	30.3p	30.3p
Diluted (loss)/earnings per share[(1)]	**(19.6)p**	**30.4p**	**30.4p**	5.9p	30.3p	30.3p

1. In the period ended 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 2019**			31 March 2019	
	Net assets	**EPRA triple net assets**	**EPRA net assets**	Net assets	EPRA triple net assets	EPRA net assets
	£m	**£m**	**£m**	£m	£m	£m
Net assets attributable to shareholders	**9,605**	**9,605**	**9,605**	9,920	9,920	9,920
Deferred tax liability on intangible asset	**-**	**-**	**2**	-	-	2
Goodwill on deferred tax liability	**-**	**(2)**	**(2)**	-	(2)	(2)
Excess of fair value of debt over book value (note 14)	**-**	**(386)**	**-**	-	(239)	-
Net assets used in per share calculation	**9,605**	**9,217**	**9,605**	9,920	9,679	9,920

	IFRS	**EPRA triple**	**EPRA**	IFRS	EPRA triple	EPRA
Net assets per share	**1,298p**	**n/a**	**n/a**	1,341p	n/a	n/a
Diluted net assets per share	**1,296p**	**1,244p**	**1,296p**	1,339p	1,306p	1,339p

Number of shares	**Six months ended 30 September 2019 Weighted average**	**30 September 2019**	Six months ended 30 September 2018 Weighted average	31 March 2019
	million	**million**	million	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
Number of shares – diluted	**741**	**741**	740	741

Total business return	**Six months ended 30 September 2019**	Six months ended 30 September 2018
	pence	pence
Decrease in EPRA net assets per share	**(43)**	(19)
Dividend paid per share in the period (note 8)	**23**	25
Total return (a)	**(20)**	6
EPRA net assets per share at the beginning of the period (b)	**1,339**	1,403
Total business return (a/b)	**-1.5%**	0.4%

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 2019			Six months ended 30 September 2018[1]		
	Revenue profit £m	**Capital and other items £m**	**Total £m**	Revenue profit £m	Capital and other items £m	Total £m
Rental income (excluding adjustment for lease incentives)	**311**	**1**	**312**	303	1	304
Adjustment for lease incentives	**(7)**	**-**	**(7)**	3	-	3
Rental income	**304**	**1**	**305**	306	1	307
Service charge income	**45**	**-**	**45**	43	-	43
Other property related income	**14**	**-**	**14**	16	-	16
Trading property sales proceeds	**-**	**-**	**-**	-	6	6
Finance lease interest	**4**	**-**	**4**	4	-	4
Other income	**1**	**-**	**1**	2	-	2
Revenue per the income statement	**368**	**1**	**369**	371	7	378

1. Restated for changes in accounting policies. See note 18 for details.

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

	Six months ended 30 September 2019				Six months ended 30 September 2018[1]			
	Group £m	**Joint ventures £m**	**Adjustment for non-wholly owned subsidiaries[2] £m**	**Total £m**	Group £m	Joint ventures £m	Adjustment for non-wholly owned subsidiaries[2] £m	Total £m
Rental income	**305**	**30**	**(1)**	**334**	307	28	(1)	334
Service charge income	**45**	**5**	**-**	**50**	43	5	-	48
Other property related income	**14**	**1**	**-**	**15**	16	1	-	17
Trading property sales proceeds	**-**	**4**	**-**	**4**	6	17	-	23
Finance lease interest	**4**	**-**	**-**	**4**	4	-	-	4
Long-term development contract income	**-**	**2**	**-**	**2**	-	16	-	16
Other income	**1**	**-**	**-**	**1**	2	-	-	2
Revenue in the segmental information note	**369**	**42**	**(1)**	**410**	378	67	(1)	444

1. Restated for changes in accounting policies. See note 18 for details.
2. This represents the interest in X-Leisure which we do not own, but which is consolidated in the Group numbers.

6. Costs

All costs are classified within the ‘Revenue profit’ column of the income statement, with the exception of the cost of sale of trading properties, costs arising on long-term development contracts, amortisation 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 2019			Six months ended 30 September 2018		
	Revenue profit	**Capital and other items**	**Total**	Revenue profit	Capital and other items	Total
	£m	**£m**	**£m**	£m	£m	£m
Rents payable	**5**	**-**	**5**	5	-	5
Service charge expense	**46**	**-**	**46**	44	-	44
Direct property expenditure	**31**	**-**	**31**	34	-	34
Indirect expense	**34**	**-**	**34**	36	-	36
Cost of trading property disposals	**-**	**-**	**-**	-	6	6
Amortisation of other intangible asset	**-**	**-**	**-**	-	1	1
Costs per the income statement	**116**	**-**	**116**	119	7	126

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

	Six months ended 30 September 2019				Six months ended 30 September 2018			
	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
Rents payable	**5**	**1**	**-**	**6**	5	1	-	6
Service charge expense	**46**	**6**	**-**	**52**	44	6	-	50
Direct property expenditure	**31**	**5**	**-**	**36**	34	5	-	39
Indirect expense	**34**	**2**	**-**	**36**	36	1	-	37
Cost of trading property disposals	**-**	**3**	**-**	**3**	6	16	-	22
Long-term development contract expenditure	**-**	**-**	**-**	**-**	-	13	-	13
Amortisation of other intangible asset	**-**	**-**	**-**	**-**	1	-	-	1
Costs in the segmental information note	**116**	**17**	**-**	**133**	126	42	-	168

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

The Group’s costs include employee costs for the period of **£28m** (2018: £29m), of which **£4m** (2018: £4m) is within service charge expense and **£24m** (2018: £25m) is within indirect expense.

7. Net finance expense

	Six months ended 30 September 2019			Six months ended 30 September 2018		
	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	**7**	**-**	**7**	10	-	10
Fair value movement on interest-rate swaps	**-**	**-**	**-**	-	1	1
Fair value movement on other derivatives	**-**	**1**	**1**	-	-	-
Revaluation of redemption liabilities	**-**	**1**	**1**	-	-	-
	7	**2**	**9**	10	1	11
Finance expense						
Bond and debenture debt	**(41)**	**-**	**(41)**	(41)	-	(41)
Bank and other short-term borrowings	**(11)**	**-**	**(11)**	(10)	-	(10)
Fair value movement on interest-rate swaps	**-**	**(5)**	**(5)**	-	-	-
Fair value movement on other derivatives	**-**	**-**	**-**	-	(1)	(1)
Redemption of medium term notes	**-**	**(1)**	**(1)**	-	(2)	(2)
	(52)	**(6)**	**(58)**	(51)	(3)	(54)
Interest capitalised in relation to properties under development	**3**	**-**	**3**	2	-	2
	(49)	**(6)**	**(55)**	(49)	(3)	(52)
Net finance expense	**(42)**	**(4)**	**(46)**	(39)	(2)	(41)
Joint venture net finance expense	**(7)**			(10)		
Net finance expense included in revenue profit	**(49)**			(49)		

Lease interest payable of **£1m** (2018: £1m) is included within rents payable as detailed in note 3.

8. Dividends

Dividends paid					Six months ended 30 September	
		Pence per share			**2019**	2018
	Payment date	**PID**	**Non-PID**	**Total**	**£m**	£m
For the year ended 31 March 2018:						
Third interim	6 April 2018	9.85	-	9.85		73
Final	27 July 2018	14.65	-	14.65		108
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**	
Gross dividends					**170**	181
Dividends in the statement of changes in equity					**170**	181
Timing difference on payment of withholding tax					**-**	(13)
Dividends in the statement of cash flows					**170**	168

On 4 October 2019, the Company paid a first interim dividend in respect of the current financial year of **11.6p** per ordinary share, wholly as a Property Income Distribution (PID), representing **£86m** in total (2018: 11.3p or £84m in total).

The Board has declared a second interim dividend of **11.6p** per ordinary share to be payable wholly as a PID (2018: 11.3p) on 3 January 2020 to shareholders registered at the close of business on 29 November 2019.

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 10 December 2019.

9. Net cash generated from operations

Reconciliation of operating (loss)/profit to net cash generated from operations	**Six months ended 30 September 2019 £m**	Six months ended 30 September 2018 £m
Operating (loss)/profit	**(101)**	83
Adjustments for:		
Net deficit on revaluation of investment properties	**304**	153
Loss on disposal of investment properties	**-**	2
Share of loss from joint ventures	**50**	14
Depreciation	**3**	2
Share-based payment charge	**-**	1
Other	**-**	3
	256	258
Changes in working capital:		
Increase in receivables	**(36)**	(24)
Increase/(decrease) in payables and provisions	**8**	(11)
Net cash generated from operations	**228**	223

10. Investment properties

	Six months ended 30 September 2019 **£m**	Six months ended 31 March 2019 £m	Six months ended 30 September 2018 £m
Net book value at the beginning of the period	**12,094**	12,236	12,336
Acquisitions	**-**	94	42
Capital expenditure	**101**	52	42
Capitalised interest	**3**	3	2
Disposals	**-**	(3)	(33)
Net deficit on revaluation of investment properties	**(304)**	(288)	(153)
Transfer to non-current assets held for sale	**(43)**	-	-
Net book value at the end of the period	**11,851**	12,094	12,236

The fair value of investment properties at 30 September 2019 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 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 2019				31 March 2019			
	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	**12,389**	**1,087**	**(34)**	**13,442**	12,637	1,149	(36)	13,750
Less: properties treated as finance leases	**(240)**	**-**	**1**	**(239)**	(239)	-	1	(238)
Plus: head leases capitalised	**30**	**8**	**-**	**38**	30	8	-	38
Less: tenant lease incentives	**(328)**	**(42)**	**1**	**(369)**	(334)	(40)	1	(373)
Net book value	**11,851**	**1,053**	**(32)**	**12,872**	12,094	1,117	(34)	13,177
Net deficit on revaluation of investment properties	**(304)**	**(66)**	**2**	**(368)**	(441)	(117)	1	(557)

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

11. Trading properties

	Development land and infrastructure £m	**Residential £m**	**Total £m**
At 1 April 2018	21	3	24
Acquisitions	-	3	3
Capital expenditure	1	1	2
Disposals	-	(6)	(6)
30 September 2018	22	1	23
Acquisitions	-	1	1
Capital expenditure	1	(1)	-
Disposals	-	(1)	(1)
31 March 2019	23	-	23
At 30 September 2019	**23**	**-**	**23**

There were no cumulative impairment provisions in respect of either Development land and infrastructure or Residential at 30 September 2019 and 31 March 2019.

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 2019				
Nova, Victoria[2]	50%	Office, Retail, Specialist	31 March	Canada Pension Plan Investment Board
Southside Limited Partnership	50%	Retail	31 March	Invesco Real Estate European Fund
St. David's Limited Partnership	50%	Retail	31 December	Intu Properties plc
Westgate Oxford Alliance Limited Partnership	50%	Retail	31 March	The Crown Estate Commissioners
Harvest[3][4]	50%	Retail	31 March	J Sainsbury plc
The Ebbsfleet Limited Partnership[3]	50%	Specialist	31 March	Ebbsfleet Property Limited
West India Quay Unit Trust[3][5]	50%	Specialist	31 March	Schroder Exempt Property Unit Trust

Joint operation	Ownership interest	Business segment	Year end date[1]	Joint operation partners
Bluewater, Kent	30%	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 Victoria Circle Limited Partnership, Nova Residential Limited Partnership and Victoria Circle Developer Limited.
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) in which the Group holds a 95% share.

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. Nova, Victoria is also engaged in the development of investment properties. The activities of all the Group's joint arrangements are therefore strategically important to the business activities of the Group.

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

12. Joint arrangements continued

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

Six months ended 30 September 2018

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]	49	7	22	21	34	133	67
Gross rental income (after rents payable)	15	7	17	13	2	54	27
Net rental income	13	5	14	10	2	44	22
Revenue profit before interest	12	5	13	10	2	42	21
Finance expense	(17)	(3)	-	-	-	(20)	(10)
Net finance expense	(17)	(3)	-	-	-	(20)	(10)
Revenue (loss)/profit	(5)	2	13	10	2	22	11
Capital and other items							
Net (deficit)/surplus on revaluation of investment properties	(11)	1	(47)	(14)	-	(71)	(35)
Loss on disposal of investment properties	-	-	-	-	(4)	(4)	(2)
Fair value movement prior to acquisition of non-owned element of a joint venture	-	-	-	-	17	17	9
Profit on disposal of trading properties	-	-	-	1	1	2	1
Profit on long-term development contracts	-	-	-	-	6	6	3
Other	(1)	-	-	-	-	(1)	(1)
(Loss)/profit before tax	(17)	3	(34)	(3)	22	(29)	(14)
Post-tax (loss)/profit	(17)	3	(34)	(3)	22	(29)	(14)
Total comprehensive (loss)/income	(17)	3	(34)	(3)	22	(29)	(14)
	50%	50%	50%	50%	50%	50%	
Group share of (loss)/profit before tax	(8)	2	(17)	(2)	11	(14)	(14)
Group share of post-tax (loss)/profit	(8)	2	(17)	(2)	11	(14)	(14)
Group share of total comprehensive (loss)/income	(8)	2	(17)	(2)	11	(14)	(14)

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 2019

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]	846	232	511	448	70	2,107	1,053
Non-current assets	846	232	511	448	70	2,107	1,053
Cash and cash equivalents	24	2	6	16	8	56	28
Other current assets	67	5	15	21	28	136	68
Current assets	91	7	21	37	36	192	96
Total assets	937	239	532	485	106	2,299	1,149
Trade and other payables and provisions	(28)	(5)	(11)	(12)	(8)	(64)	(32)
Current liabilities	(28)	(5)	(11)	(12)	(8)	(64)	(32)
Non-current liabilities	(164)	(142)	(17)	-	-	(323)	(161)
Non-current liabilities	(164)	(142)	(17)	-	-	(323)	(161)
Total liabilities	(192)	(147)	(28)	(12)	(8)	(387)	(193)
Net assets	745	92	504	473	98	1,912	956
Market value of investment properties[1]	901	234	504	464	71	2,174	1,087
Net cash/(debt)	24	2	(11)	16	8	39	20

Joint ventures — 31 March 2019

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]	843	263	562	495	71	2,234	1,117
Non-current assets	843	263	562	495	71	2,234	1,117
Cash and cash equivalents	10	4	1	13	4	32	16
Other current assets	68	4	17	22	161	272	136
Current assets	78	8	18	35	165	304	152
Total assets	921	271	580	530	236	2,538	1,269
Trade and other payables and provisions	(26)	(6)	(11)	(13)	(85)	(141)	(70)
Current liabilities	(26)	(6)	(11)	(13)	(85)	(141)	(70)
Non-current liabilities	(178)	(142)	(16)	-	-	(336)	(168)
Non-current liabilities	(178)	(142)	(16)	-	-	(336)	(168)
Total liabilities	(204)	(148)	(27)	(13)	(85)	(477)	(238)
Net assets	717	123	553	517	151	2,061	1,031
Market value of investment properties[1]	893	265	557	511	72	2,298	1,149
Net cash/(debt)	11	4	(13)	14	4	20	10

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 2018	393	78	328	282	70	1,151
Total comprehensive (loss)/income	(8)	2	(17)	(2)	11	(14)
Cash contributed	10	-	-	14	2	26
Cash distributions	(15)	(2)	(6)	(2)	(5)	(30)
Disposal of investment	-	-	-	-	(2)	(2)
At 30 September 2018	380	78	305	292	76	1,131
Total comprehensive (loss)/income	(11)	(16)	(21)	(25)	2	(71)
Cash contributed	3	-	-	-	-	3
Cash distributions	(13)	(1)	(7)	(9)	(2)	(32)
At 31 March 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**

13. Capital structure

	30 September 2019				31 March 2019			
	Group £m	Joint ventures £m	Adjustment for non-wholly owned subsidiaries[1] £m	Combined £m	Group £m	Joint ventures £m	Adjustment for non-wholly owned subsidiaries[1] £m	Combined £m
Property portfolio								
Market value of investment properties	**12,389**	**1,087**	**(34)**	**13,442**	12,637	1,149	(36)	13,750
Trading properties and long-term contracts	**23**	**15**	**-**	**38**	23	18	-	41
Non-current assets held for sale	**43**	**-**	**-**	**43**	-	-	-	-
Total property portfolio (a)	**12,455**	**1,102**	**(34)**	**13,523**	12,660	1,167	(36)	13,791
Net debt								
Borrowings	**3,799**	**8**	**-**	**3,807**	3,781	8	-	3,789
Monies held in restricted accounts and deposits	**(11)**	**-**	**-**	**(11)**	(36)	(2)	-	(38)
Bank overdraft/(cash and cash equivalents)	**6**	**(28)**	**-**	**(22)**	(14)	(16)	-	(30)
Fair value of foreign exchange swaps and forwards	**24**	**-**	**-**	**24**	16	-	-	16
Net debt (b)	**3,818**	**(20)**	**-**	**3,798**	3,747	(10)	-	3,737
Adjusted net debt (c)	**3,818**	**(20)**	**-**	**3,798**	3,747	(10)	-	3,737
Adjusted total equity								
Total equity (d)	**9,605**	**-**	**-**	**9,605**	9,920	-	-	9,920
Adjusted total equity (e)	**9,605**	**-**	**-**	**9,605**	9,920	-	-	9,920
Gearing (b/d)	**39.8%**			**39.5%**	37.8%			37.7%
Adjusted gearing (c/e)	**39.8%**			**39.5%**	37.8%			37.7%
Group LTV (c/a)	**30.7%**			**28.1%**	29.6%			27.1%
Security Group LTV	**29.5%**				28.6%			
Weighted average cost of debt	**2.6%**			**2.6%**	2.7%			2.7%

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

Fair values

The fair value of the amounts payable under the Group's lease obligations, using a discount rate of **2.6%** (31 March 2019: 2.7%), is **£63m** (31 March 2019: £62m). The fair value of the Group's finance lease receivables, using a discount rate of **2.6%** (31 March 2019: 2.7%), is **£233m** (31 March 2019: £235m).

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, 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 finance 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 redemption liability is determined as the present value of the amount the Group would be required to pay to settle the liability (an exit price). The fair value is calculated by reference to the net assets of the underlying subsidiary. The valuation is not based on observable market data and therefore the redemption liability is considered to fall within Level 3 of the fair value hierarchy.

13. Capital structure continued

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 of the fair value hierarchy.

14. Borrowings

	Secured/ unsecured	Fixed/ floating	Effective interest rate %	30 September 2019 Nominal/ notional value £m	30 September 2019 Fair value £m	30 September 2019 Book value £m	31 March 2019 Nominal/ notional value £m	31 March 2019 Fair value £m	31 March 2019 Book value £m
Current borrowings									
Commercial paper									
Sterling	Unsecured	Floating	LIBOR + margin	**5**	**5**	**5**	-	-	-
Euro	Unsecured	Floating	LIBOR + margin	**907**	**907**	**907**	729	729	729
US Dollar	Unsecured	Floating	LIBOR + margin	**153**	**153**	**153**	205	205	205
Total current borrowings				**1,065**	**1,065**	**1,065**	934	934	934
Non-current borrowings									
Medium term notes (MTN)									
A3 5.425% MTN due 2022	Secured	Fixed	5.4	**46**	**47**	**46**	46	48	46
A10 4.875% MTN due 2025	Secured	Fixed	5.0	**14**	**15**	**14**	14	15	14
A12 1.974% MTN due 2026	Secured	Fixed	2.0	**400**	**412**	**399**	400	405	399
A4 5.391% MTN due 2026	Secured	Fixed	5.4	**21**	**25**	**21**	25	30	25
A5 5.391% MTN due 2027	Secured	Fixed	5.4	**186**	**226**	**186**	186	224	186
A6 5.376% MTN due 2029	Secured	Fixed	5.4	**78**	**99**	**77**	78	97	77
A16 2.375% MTN due 2029	Secured	Fixed	2.5	**350**	**373**	**347**	350	362	347
A13 2.399% MTN due 2031	Secured	Fixed	2.4	**300**	**322**	**299**	300	310	299
A7 5.396% MTN due 2032	Secured	Fixed	5.4	**156**	**215**	**156**	156	209	156
A11 5.125% MTN due 2036	Secured	Fixed	5.1	**56**	**80**	**56**	56	76	56
A14 2.625% MTN due 2039	Secured	Fixed	2.6	**500**	**544**	**493**	500	508	493
A15 2.750% MTN due 2059	Secured	Fixed	2.7	**500**	**584**	**495**	500	515	494
				2,607	**2,942**	**2,589**	2,611	2,799	2,592
Syndicated and bilateral bank debt	Secured	Floating	LIBOR + margin	**115**	**115**	**115**	225	225	225
Amounts payable under leases	Unsecured	Fixed	5.7	**30**	**63**	**30**	30	62	30
Total non-current borrowings				**2,752**	**3,120**	**2,734**	2,866	3,086	2,847
Total borrowings				**3,817**	**4,185**	**3,799**	3,800	4,020	3,781

Reconciliation of the movement in borrowings	**Six months ended 30 September 2019 £m**	Year ended 31 March 2019 £m
At the beginning of the period	**3,781**	3,730
Proceeds from new borrowings	**95**	84
Repayment of borrowings	**(110)**	-
Redemption of MTNs	**(4)**	(8)
Foreign exchange movement on non-Sterling borrowings	**36**	(25)
Other	**1**	-
At the end of the period	**3,799**	3,781

Reconciliation of movements in liabilities arising from financing activities	**At the beginning of the period £m**	**Cash flows £m**	**Non-cash changes: Changes in fair values £m**	**Non-cash changes: Other changes £m**	**At the end of the period £m**
Six months ended 30 September 2019					
Borrowings	**3,781**	**(19)**	**-**	**37**	**3,799**
Derivative financial instruments	**16**	**39**	**(31)**	**-**	**24**
	3,797	**20**	**(31)**	**37**	**3,823**
Year ended 31 March 2019					
Borrowings	3,730	76	-	(25)	3,781
Derivative financial instruments	1	(15)	30	-	16
	3,731	61	30	(25)	3,797

14. Borrowings continued

Medium term notes

The MTNs are secured on the fixed and floating pool of assets of the Security Group. The Security Group includes investment properties, development properties and the Group's investment in the X-Leisure fund, Westgate Oxford Alliance Limited Partnership, Nova, Victoria, St. David's Limited Partnership and Southside Limited Partnership, in total valued at **£12.9bn** at 30 September 2019 (31 March 2019: £13.2bn). 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, whereupon the interest rate for the last two years may either become floating on a LIBOR basis plus an increased margin (relative to that at the time of issue), or subject to a fixed coupon uplift, depending on the terms and conditions of the specific notes.

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

During the period, the Group purchased **£4m** of MTNs for a total premium of **£1m**. Details of the purchases and associated premium by series are as follows:

MTN purchases		Six months ended 30 September 2019		Year ended 31 March 2019	
		Purchases £m	**Premium £m**	Purchases £m	Premium £m
A4	5.391% MTN due 2026	**4**	**1**	-	-
A6	5.376% MTN due 2029	**-**	**-**	7	2
A7	5.396% MTN due 2032	**-**	**-**	1	-
		4	**1**	8	2

At 30 September 2019, the Group's committed revolving facilities totalled **£2,715m** (31 March 2019: £2,715m).

Syndicated and bilateral bank debt		Authorised		Drawn		Undrawn	
	Maturity as at 30 Sept 2019	**30 Sept 2019 £m**	31 March 2019 £m	**30 Sept 2019 £m**	31 March 2019 £m	**30 Sept 2019 £m**	31 March 2019 £m
Syndicated debt	2023-24	**2,490**	2,490	**-**	100	**2,490**	2,390
Bilateral debt	2023-24	**225**	225	**115**	125	**110**	100
		2,715	2,715	**115**	225	**2,600**	2,490

All syndicated and bilateral facilities are committed and secured on the assets of the Security Group. During the period ended 30 September 2019, the amounts drawn under the Group's facilities decreased by **£110m**.

The terms of the Security Group funding arrangements require undrawn facilities to be reserved where syndicated and bilateral facilities mature within one year, or where commercial paper has been issued. Accordingly, the Group's available undrawn facilities at 30 September 2019 were **£1,535m** (31 March 2019: £1,556m), compared with undrawn facilities of **£2,600m** (31 March 2019: £2,490m).

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. Non-current assets held for sale

On 11 September 2019, the Group exchanged contracts for the sale of Poole Retail Park for consideration of £45m. The sale completed on 16 October 2019. Control of the property had not fully transferred to the buyer as at 30 September 2019. As a result, the property was classified as a non-current asset held for sale with a carrying value of **£43m**.

18. Changes in accounting policies

IFRS 16 Leases

The Group has adopted IFRS 16 Leases on 1 April 2019. As a result of adopting this standard, the Group now reports separately service charge income for leases where a single payment is received to cover both rent and service charge. The total payment received was previously included within rental income, but the service charge component has now been separated and reported as service charge income in the notes to the financial statements. Comparatives have been restated accordingly. In the six months ended 30 September 2018, the amount previously reported in rental income which has now been separated and reported as service charge income was **£3m**. There has been no net impact on the Group's income statement or balance sheet. The Group's revised accounting policies are set out below.

Accounting policies

Revenue

Rental income, including fixed rental uplifts, is recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives being offered to occupiers to enter into a lease, such as an initial rent-free period or a cash contribution to fit out or similar costs, are an integral part of the net consideration for the use of the property and are therefore recognised on the same straight-line basis. Contingent rents, being lease payments that are not fixed at the inception of a lease, for example turnover rents, are variable consideration and are recorded as income in the period in which they are earned. Where a single payment is received from a tenant to cover both rent and service charge, the service charge component is separated and reported as service charge income.

Service charge income and management fees are recorded as income over time in the period in which the services are rendered. Revenue is recognised over time because the tenants benefit from the services as soon as they are rendered by the Group. The actual service provided during each reporting period is determined using cost incurred as the input method.

Costs

Rents payable reflect amounts due under head leases. Where rents payable are variable, the payments are recognised in the income statement as incurred. Where these rents are fixed at the inception of the agreement, an asset representing the right to use the underlying land and a corresponding liability for the minimum future lease payments are reflected on the Group's balance sheet.

19. Events after the reporting period

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

Business analysis

Table 14: 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(2)	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 assets	Net assets attributable to shareholders	Note 4
EPRA net assets per share	Net assets attributable to shareholders	Note 4
Total business return	n/a	Note 4
Combined Portfolio	Investment properties	Note 10
Adjusted net debt	Borrowings	Note 13
Group LTV	n/a	Note 13

Table 15 : EPRA performance measures

Measure	Definition for EPRA measure	Notes	30 September 2019 Landsec measure	 EPRA measure
Adjusted earnings	Recurring earnings from core operational activity	4	**£225m**	**£225m**
Adjusted earnings per share	Adjusted earnings per weighted number of ordinary shares	4	**30.4p**	**30.4p**
Adjusted diluted earnings per share	Adjusted diluted earnings per weighted number of ordinary shares	4	**30.4p**	**30.4p**
EPRA net assets	Net assets adjusted to exclude the fair value of interest-rate swaps	4	**£9,605m**	**£9,605m**
EPRA net assets per share	Diluted net assets per share adjusted to exclude the fair value of interest-rate swaps	4	**1,296p**	**1,296p**
EPRA triple net assets	Net assets adjusted to include the fair value of financial instruments and debt	4	**£9,217m**	**£9,217m**
EPRA triple net assets per share	Diluted triple net assets per share	4	**1,244p**	**1,244p**
Net initial yield (NIY)	Annualised rental income less non-recoverable costs as a % of market value plus assumed purchasers’ costs(1)		**4.5%**	**4.6%**
Topped-up NIY	NIY adjusted for rent free periods(1)		**4.6%**	**4.8%**
Voids/vacancy rate	ERV of vacant space as a % of ERV of Combined Portfolio excluding the development programme(2)		**2.1%**	**2.1%**
Cost ratio	Total costs as a percentage of gross rental income (including direct vacancy costs)(3)		**16.4%**	**16.7%**
	Total costs as a percentage of gross rental income (excluding direct vacancy costs)(3)		**n/a**	**14.5%**

1. Our NIY and Topped-up NIY relate to the Combined Portfolio, excluding properties in the development programme that have not yet reached practical completion, and are calculated by our external valuer. EPRA NIY and EPRA Topped-up NIY calculations are consistent with ours, but exclude all developments. Topped-up NIY reflects adjustments of **£21m** and **£12m** for rent free periods and other incentives for the Landsec measure and EPRA measure, respectively.
2. Our measure reflects voids in our like-for-like portfolio only. The EPRA measure reflects voids in the Combined Portfolio excluding only the development programme.
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, whereas our measure is based on gross rental income before rents payable and excluding costs recovered through rents but not separately invoiced. We do not calculate a cost ratio excluding direct vacancy costs as we do not consider this to be helpful.

Table 16 : Top 12 occupiers at 30 September 2019

	% of Group rent[1]
Central Government	5.2
Deloitte	5.1
Accor	4.4
Cineworld	1.6
Mizuho Bank	1.6
Boots	1.5
Sainsbury's	1.3
Taylor Wessing	1.2
Equinix	1.1
Next	1.0
H&M	1.0
M&S	1.0
	26.0

1. On a proportionate basis.

Table 17: Development pipeline at 30 September 2019

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	348	38	Nov 2021	230	576
Nova East, SW1	Office	50	164,000	-	9	6	Apr 2022	11	96
	Retail		1,000						
Lucent, W1	Office	100	110,000	-	93	14	Jun 2022	92	221
(formerly One Sherwood Street)	Retail		30,000						
	Residential		4,000						
Proposed developments									
105 Sumner Street, SE1	Office	100	136,000	n/a	n/a	n/a	Jan 2022	n/a	n/a
Portland House, SW1	Office	100	352,000	n/a	n/a	n/a	Oct 2022	n/a	n/a
	Retail		42,000						

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 2019. 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 2019, 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 2019 on unlet units, both after rents payable.

Table 18: Combined Portfolio value by location at 30 September 2019[1]

	Office	Retail	Specialist	Total
	%	%	%	%
Central, inner and outer London	49.5	11.7	5.9	67.1
South East and East	-	0.5	0.6	1.1
Midlands	-	3.0	0.5	3.5
Wales and South West	-	13.9	2.8	16.7
North, North West, Yorkshire and Humberside	0.1	6.9	1.6	8.6
Scotland and Northern Ireland	-	2.2	0.8	3.0
Total	**49.6**	**38.2**	**12.2**	**100.0**

1. % figures calculated by reference to the Combined Portfolio value of £13.4bn.

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

Table 19: Combined Portfolio performance relative to MSCI Total property return – six months ended 30 September 2019

	Landsec	MSCI
	%	%
Office	2.1	2.0 [1]
Retail	-4.4	-2.8 [2]
Specialist	0.3	n/a [3]
Combined Portfolio	**-0.5**	**0.8** [4]

1. MSCI Central and Inner London Office benchmark.
2. MSCI All Retail benchmark.
3. No benchmark available.
4. MSCI All Property Quarterly Universe.

Table 20: Combined Portfolio analysis
Like-for-like segmental analysis

	Market value[1] 30 September 2019	Market value[1] 31 March 2019	Valuation movement[1] Surplus/(deficit)	Valuation movement[1] Surplus/(deficit)	Rental income[1] 30 September 2019	Rental income[1] 30 September 2018	Annualised rental income[2] 30 September 2019	Annualised net rent[3] 30 September 2019	Annualised net rent[3] 31 March 2019	Net estimated rental value[4] 30 September 2019	Net estimated rental value[4] 31 March 2019
	£m	£m	£m	%	£m	£m	£m	£m	£m	£m	£m
Office											
West End	**2,960**	2,944	**15**	**0.5%**	**66**	64	**131**	**139**	129	**139**	136
City	**1,218**	1,221	**(1)**	**-0.1%**	**25**	25	**50**	**55**	55	**62**	61
Mid-town	**1,409**	1,400	**4**	**0.3%**	**29**	29	**61**	**65**	48	**70**	69
Southwark and other	**337**	336	**1**	**0.5%**	**7**	7	**15**	**16**	15	**21**	19
Total Office	**5,924**	5,901	**19**	**0.3%**	**127**	125	**257**	**275**	247	**292**	285
Retail											
London retail	**1,484**	1,547	**(66)**	**-4.3%**	**34**	35	**66**	**67**	69	**71**	73
Regional retail	**1,865**	2,058	**(191)**	**-9.4%**	**62**	64	**119**	**114**	115	**116**	120
Outlets	**982**	971	**6**	**0.6%**	**31**	30	**59**	**60**	59	**62**	62
Retail parks	**523**	585	**(64)**	**-11.1%**	**19**	20	**39**	**39**	39	**38**	39
Total Retail	**4,854**	5,161	**(315)**	**-6.1%**	**146**	149	**283**	**280**	282	**287**	294
Specialist											
Leisure and hotels	**1,254**	1,288	**(37)**	**-3.0%**	**39**	39	**78**	**75**	74	**77**	78
Other	**386**	385	**1**	**0.3%**	**10**	8	**11**	**11**	11	**18**	18
Total Specialist	**1,640**	1,673	**(36)**	**-2.2%**	**49**	47	**89**	**86**	85	**95**	96
Like-for-like portfolio[8]	**12,418**	12,735	**(332)**	**-2.7%**	**322**	321	**629**	**641**	614	**674**	675
Proposed developments[1]	**247**	262	**(22)**	**-8.1%**	**6**	7	**12**	**13**	13	**21**	22
Development programme[9]	**450**	352	**16**	**3.8%**	**-**	1	**-**	**-**	1	**58**	40
Completed developments[10]	**212**	235	**(22)**	**-9.7%**	**7**	6	**12**	**11**	11	**12**	13
Acquisitions[11]	**115**	115	**(2)**	**-1.7%**	**1**	-	**1**	**1**	1	**1**	1
Sales[12]	**-**	-	**-**	**-**	**-**	1	**-**	**-**	-	**-**	-
Combined Portfolio	**13,442**	13,699	**(362)**	**-2.7%**	**336**	336	**654**	**666**	640	**766**	751
Non-current assets held for sale[13]	**n/a**	51	**(6)**	**-12.5%**	**2**	2					
Properties treated as finance leases					**(4)**	(4)					
Combined Portfolio	**13,442**	13,750	**(368)**	**-2.8%**	**334**	334					

Total portfolio analysis

	Market value[1] 30 September 2019	Market value[1] 31 March 2019	Valuation movement[1] Surplus/(deficit)	Valuation movement[1] Surplus/(deficit)	Rental income[1] 30 September 2019	Rental income[1] 30 September 2018	Annualised rental income[2] 30 September 2019	Annualised net rent[3] 30 September 2019	Annualised net rent[3] 31 March 2019	Net estimated rental value[4] 30 September 2019	Net estimated rental value[4] 31 March 2019
	£m	£m	£m	%	£m	£m	£m	£m	£m	£m	£m
Office											
West End	**3,249**	3,248	**(19)**	**-0.6%**	**70**	69	**142**	**152**	141	**176**	158
City	**1,565**	1,491	**15**	**1.0%**	**25**	25	**50**	**54**	55	**100**	100
Mid-town	**1,409**	1,400	**4**	**0.3%**	**30**	30	**61**	**65**	48	**70**	69
Southwark and other	**451**	446	**1**	**0.2%**	**8**	8	**16**	**16**	16	**21**	19
Total Office	**6,674**	6,585	**1**	**-**	**133**	132	**269**	**287**	260	**367**	346
Retail											
London retail	**1,542**	1,591	**(56)**	**-3.5%**	**35**	36	**67**	**68**	70	**76**	76
Regional retail	**2,078**	2,292	**(213)**	**-9.4%**	**69**	70	**131**	**125**	126	**128**	133
Outlets	**982**	971	**6**	**0.6%**	**31**	30	**59**	**60**	59	**62**	62
Retail parks	**523**	585	**(64)**	**-11.1%**	**19**	21	**39**	**40**	39	**38**	38
Total Retail	**5,125**	5,439	**(327)**	**-6.1%**	**154**	157	**296**	**293**	294	**304**	309
Specialist											
Leisure and hotels	**1,254**	1,288	**(37)**	**-3.0%**	**39**	39	**78**	**75**	74	**77**	78
Other	**389**	387	**1**	**0.4%**	**10**	8	**11**	**11**	12	**18**	18
Total Specialist	**1,643**	1,675	**(36)**	**-2.2%**	**49**	47	**89**	**86**	86	**95**	96
Combined Portfolio	**13,442**	13,699	**(362)**	**-2.7%**	**336**	336	**654**	**666**	640	**766**	751
Non-current assets held for sale	**n/a**	51	**(6)**	**-12.5%**	**2**	2					
Properties treated as finance leases					**(4)**	(4)					
Combined Portfolio	**13,442**	13,750	**(368)**	**-2.8%**	**334**	334					
Represented by:											
Investment portfolio	**12,357**	12,603	**(302)**	**-2.5%**	**304**	306	**600**	**618**	594	**699**	689
Share of joint ventures	**1,085**	1,147	**(66)**	**-5.9%**	**30**	28	**54**	**48**	46	**67**	62
Combined Portfolio	**13,442**	13,750	**(368)**	**-2.8%**	**334**	334	**654**	**666**	640	**766**	751

Table 20: 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 2019	31 March 2019	30 September 2019	31 March 2019	30 September 2019	31 March 2019	30 September 2019	31 March 2019
	£m	£m	%	%	%	%	%	%
Office								
West End	**139**	136	**4.4%**	4.0%	**4.6%**	4.5%	**1.1%**	1.5%
City	**63**	62	**4.2%**	4.2%	**4.5%**	4.5%	**-**	-
Mid-town	**73**	71	**4.4%**	3.2%	**4.5%**	4.5%	**-**	-
Southwark and other	**21**	19	**4.2%**	4.1%	**5.1%**	5.2%	**3.3%**	4.8%
Total Office	**296**	288	**4.3%**	3.9%	**4.6%**	4.5%	**0.8%**	1.0%
Retail								
London retail	**71**	73	**4.2%**	4.1%	**4.3%**	4.3%	**2.4%**	2.3%
Regional retail	**124**	128	**5.3%**	4.9%	**5.5%**	5.2%	**5.2%**	5.2%
Outlets	**62**	62	**5.0%**	5.0%	**5.4%**	5.4%	**2.2%**	4.1%
Retail parks	**38**	39	**6.6%**	6.1%	**6.7%**	6.2%	**2.9%**	3.1%
Total Retail	**295**	302	**5.0%**	4.8%	**5.3%**	5.0%	**3.6%**	4.0%
Specialist								
Leisure and hotels	**78**	78	**5.4%**	5.2%	**5.6%**	5.5%	**1.8%**	1.5%
Other	**18**	18	**3.3%**	3.0%	**4.2%**	4.2%	**1.1%**	1.1%
Total Specialist	**96**	96	**4.9%**	4.7%	**5.3%**	5.2%	**1.7%**	1.5%
Like-for-like portfolio(8)	**687**	686	**4.7%**	4.4%	**4.9%**	4.8%	**2.1%**	2.4%
Proposed developments(1)	**21**	22	**4.6%**	4.5%	**n/a**	n/a	**n/a**	n/a
Development programme(9)	**60**	43	**-**	-	**4.3%**	4.3%	**n/a**	n/a
Completed developments(10)	**13**	14	**4.7%**	3.9%	**5.2%**	4.9%	**n/a**	n/a
Acquisitions(11)	**1**	1	**0.7%**	0.7%	**4.6%**	4.5%	**n/a**	n/a
Sales(12)	**-**	-	**-**	-	**n/a**	n/a	**n/a**	n/a
Combined Portfolio	**782**	766	**4.5%**	4.2%	**4.9%**	4.8%	**n/a**	n/a

Total portfolio analysis

	Gross estimated rental value(5)		Net initial yield(6)	
	30 September 2019	31 March 2019	30 September 2019	31 March 2019
	£m	£m	%	%
Office				
West End	**176**	158	**4.3%**	4.0%
City	**103**	103	**3.3%**	3.5%
Mid-town	**72**	71	**4.4%**	3.2%
Southwark and other	**21**	19	**3.2%**	3.2%
Total Office	**372**	351	**4.0%**	3.7%
Retail				
London retail	**76**	76	**4.1%**	4.1%
Regional retail	**137**	142	**5.2%**	4.8%
Outlets	**63**	62	**5.0%**	5.0%
Retail parks	**38**	39	**6.6%**	6.1%
Total Retail	**314**	319	**5.0%**	4.8%
Specialist				
Leisure and hotels	**78**	78	**5.4%**	5.2%
Other	**18**	18	**3.2%**	3.0%
Total Specialist	**96**	96	**4.9%**	4.7%
Combined Portfolio	**782**	766	**4.5%**	4.2%
Represented by:				
Investment portfolio	**714**	703	**4.5%**	4.3%
Share of joint ventures	**68**	63	**3.8%**	3.5%
Combined Portfolio	**782**	766	**4.5%**	4.2%

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. Completed developments – refer to Glossary for definition. Comprises Westgate Oxford.
11. Includes all properties acquired since 1 April 2018.
12. Includes all properties sold since 1 April 2018.
13. As at 30 September 2019, non-current assets held for sale have been excluded from the Combined Portfolio and shown separately on the balance sheet as 'Non-current assets held for sale'.

Table 21: Lease lengths

	Weighted average unexpired lease term at 30 September 2019	
	Like-for-like portfolio	Like-for-like portfolio, completed developments and acquisitions
	Mean[(1)]	Mean[(1)]
	Years	Years
Office		
West End	8.1	8.1
City	7.8	7.8
Mid-town	9.5	9.5
Southwark and other	13.9	13.7
Total Office	**8.7**	**8.7**
Retail		
London retail	6.6	6.7
Regional retail	5.1	5.4
Outlets	3.5	3.5
Retail parks	6.0	6.0
Total Retail	**5.3**	**5.4**
Specialist		
Leisure and hotels	11.8	11.8
Other	n/a	n/a
Total Specialist	**11.8**	**11.8**
Combined Portfolio	**7.6**	**7.6**

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 22: 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 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	(31)	(5)	-	(36)	(36)	-
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.

Table 22: Reconciliation of segmental information note to statutory reporting continued

	Six months ended 30 September 2018[1]					
	Group income statement £m	Joint ventures[2] £m	Proportionate share of earnings[3] £m	Total £m	Revenue profit £m	Capital and other items £m
Rental income	307	28	(1)	334	334	-
Finance lease interest	4	-	-	4	4	-
Gross rental income (before rents payable)	**311**	**28**	**(1)**	**338**	**338**	**-**
Rents payable	(5)	(1)	-	(6)	(6)	-
Gross rental income (after rents payable)	**306**	**27**	**(1)**	**332**	**332**	**-**
Service charge income	43	5	-	48	48	-
Service charge expense	(44)	(6)	-	(50)	(50)	-
Net service charge expense	(1)	(1)	-	(2)	(2)	-
Other property related income	16	1	-	17	17	-
Direct property expenditure	(34)	(5)	-	(39)	(39)	-
Segment net rental income	**287**	**22**	**(1)**	**308**	**308**	**-**
Other income	2	-	-	2	2	-
Indirect expense	(34)	(1)	-	(35)	(35)	-
Depreciation	(2)	-	-	(2)	(2)	-
Revenue profit before interest	**253**	**21**	**(1)**	**273**	**273**	**-**
Share of post-tax loss from joint ventures	(14)	14	-	-	-	-
Net deficit on revaluation of investment properties	(153)	(35)	-	(188)	-	(188)
Loss on disposal of investment properties	(2)	(2)	-	(4)	-	(4)
Profit on disposal of trading properties	-	1	-	1	-	1
Fair value movement prior to acquisition of non-owned element of a joint venture	-	9	-	9	-	9
Profit on long-term development contracts	-	3	-	3	-	3
Other	(1)	(1)	1	(1)	-	(1)
Operating profit/(loss)	**83**	**10**	**-**	**93**	**273**	**(180)**
Finance income	11	-	-	11	10	1
Finance expense	(52)	(10)	-	(62)	(59)	(3)
Profit/(loss) before tax	**42**	**-**	**-**	**42**	**224**	**(182)**
Taxation	2	-	-	2		
Profit attributable to shareholders	**44**	**-**	**-**	**44**		

1. Restated as a result of changes in accounting policies. See note 18 of the financial statements for details.
2. 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.
3. Removal of the non-wholly owned share of results of the Group's subsidiaries. The non-wholly owned subsidiaries are consolidated at 100% in the Group's income statement, but only the Group's share is included in revenue profit reported in the segmental information note.

Table 23: Acquisitions, disposals and capital expenditure

Investment properties	Group (excl. joint ventures) £m	Joint ventures £m	Adjustment for proportionate share[1] £m	Six months ended 30 September 2019 Combined Portfolio £m	Six months ended 30 September 2018 Combined Portfolio £m
Net book value at the beginning of the period	**12,094**	**1,117**	**(34)**	**13,177**	13,536
Acquisitions	-	-	-	**-**	42
Capital expenditure	101	2	-	**103**	56
Capitalised interest	3	-	-	**3**	2
Disposals	-	-	-	**-**	(59)
Net deficit on revaluation of investment properties	(304)	(66)	2	**(368)**	(188)
Transfer of non-current assets held for sale	(43)	-	-	**(43)**	-
Net book value at the end of the period	**11,851**	**1,053**	**(32)**	**12,872**	13,389
Loss on disposal of investment properties	**-**	**-**	**-**	**-**	(4)

Trading properties	£m	£m	£m	£m	£m
Net book value at the beginning of the period	**23**	**18**	**-**	**41**	74
Acquisitions	-	-	-	**-**	3
Capital expenditure	-	-	-	**-**	2
Disposals	-	(3)	-	**(3)**	(24)
Net book value at the end of the period	**23**	**15**	**-**	**38**	55
Profit on disposal of trading properties	**-**	**1**	**-**	**1**	1

Acquisitions, development and other capital expenditure	Investment properties[2] £m	Trading properties £m	Combined Portfolio £m	Combined Portfolio £m
Acquisitions[3]	-	-	**-**	45
Development capital expenditure[4]	85	-	**85**	42
Other capital expenditure	18	-	**18**	16
Capitalised interest	3	-	**3**	2
Total acquisitions, development and other capital expenditure	**106**	**-**	**106**	105

Disposals	£m	£m
Net book value – investment property disposals	**-**	59
Net book value – trading property disposals	**3**	24
Loss on disposal – investment properties	**-**	(4)
Profit on disposal – trading properties	**1**	1
Other	**-**	(2)
Total disposal proceeds	**4**	78

1. This represents the interest in X-Leisure which we do not own, but which is consolidated in the Group numbers.
2. See table 24 for further details.
3. Properties acquired in the period.
4. Development capital expenditure for investment properties comprises expenditure on the development pipeline and completed developments.

Table 24: Analysis of capital expenditure

Six months ended 30 September 2019

			Other capital expenditure							
	Acquisitions[1] £m	Development capital expenditure[2] £m	Incremental lettable space[3] £m	No incremental lettable space £m	Tenant improvements £m	Total £m	Capitalised interest £m	Total capital expenditure – Combined Portfolio £m	Total capital expenditure – joint ventures (Group share) £m£m	Total capital expenditure – Group £m
Office										
West End	**-**	**20**	-	4	-	**4**	**-**	**24**	**2**	**22**
City	**-**	**57**	-	1	-	**1**	**3**	**61**	**-**	**61**
Mid-town	**-**	**-**	-	-	-	**-**	**-**	**-**	**-**	**-**
Southwark and other	**-**	**3**	2	-	-	**2**	**-**	**5**	**-**	**5**
Total Office	**-**	**80**	2	5	-	**7**	**3**	**90**	**2**	**88**
Retail										
London retail	**-**	**4**	3	2	-	**5**	**-**	**9**	**-**	**9**
Regional retail	**-**	**-**	-	-	-	**-**	**-**	**-**	**-**	**-**
Outlets	**-**	**-**	-	4	-	**4**	**-**	**4**	**-**	**4**
Retail parks	**-**	**-**	-	-	-	**-**	**-**	**-**	**-**	**-**
Total Retail	**-**	**4**	3	6	-	**9**	**-**	**13**	**-**	**13**
Specialist										
Leisure and hotels	**-**	**-**	-	1	1	**2**	**-**	**2**	**-**	**2**
Other	**-**	**1**	-	-	-	**-**	**-**	**1**	**-**	**1**
Total Specialist	**-**	**1**	-	1	1	**2**	**-**	**3**	**-**	**3**
Total capital expenditure	**-**	**85**	**5**	**12**	**1**	**18**	**3**	**106**	**2**	**104**
Conversion from accrual to cash basis								5	6	(1)
Total capital expenditure on a cash basis								**111**	**8**	**103**

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%.

Investor information

1. Company website: landsec.com

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

2. Registrar: Equiniti Group PLC

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

Telephone:

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

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West Sussex
BN99 6DA

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

3. Shareholder enquiries

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

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

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

5. 2019/2020 second quarterly dividend

The Board has declared a second quarterly dividend for the year ending 31 March 2020 of 11.6p per ordinary share which will be paid on 3 January 2020 to shareholders registered at the close of business on 29 November 2019. This will be paid wholly as a Property Income Distribution (PID). Together with the first quarterly dividend of 11.6p already paid on 4 October 2019 wholly as a PID, the first half dividend will be 23.2p per ordinary share (six months ended 30 September 2018: 22.6p).

6. Dividend related services

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

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

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

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

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

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

7. Financial reporting calendar

	2020
Financial year end	31 March
Preliminary results announcement	12 May
Half-yearly results announcement	10 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 finance leases. It generally includes the net debt of subsidiaries and joint ventures on a proportionate basis.

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

BREEAM
Building Research Establishment's Environmental Assessment Method.

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

Completed developments
Completed developments consist of those properties previously included in the development programme, which have been transferred from the development programme since 1 April 2018.

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 assets per share
Diluted net assets per share adjusted to remove the effect of cumulative fair value movements on interest-rate swaps and similar instruments.

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

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

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

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

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

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

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

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

Interest Cover Ratio (ICR)
A calculation of a company's ability to meet its interest payments on outstanding debt. It is calculated using revenue profit before interest, divided by net interest (excluding the mark-to-market movement on interest-rate swaps, foreign exchange swaps, 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 2018, 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 (previously IPD 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 period end. Net assets per share is also commonly known as net asset value per share (NAV per share).

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

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

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 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.

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

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

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

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

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

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

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

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

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

Rental income
Rental income is as reported in the income statement, on an accruals basis, and adjusted for the spreading of lease incentives over the term certain of the lease in accordance with 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.

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 assets per share, divided by EPRA net 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 and financing costs, expressed as a percentage of gross rental income before rents payable adjusted for costs recovered through rents but not separately invoiced.

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

Total property return (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.