

Changes in performance measures

In October 2019, the European Public Real Estate Association ('EPRA') published new Best Practice Recommendations ('BPR') for financial disclosures by listed real estate companies. Landsec supports standardised reporting to improve the quality and comparability of information for investors. The BPR introduced three new measures of net asset value: EPRA Net Tangible Assets (NTA), Net Reinvestment Value (NRV) and Net Disposal Value (NDV). We have adopted these guidelines in the year ended 31 March 2020 and consider EPRA NTA to be the most relevant measure for our business. EPRA NTA will now be our primary measure of net asset value, replacing our previously reported EPRA net assets and EPRA net assets per share measures. Total business return will also now be calculated based on EPRA NTA.

The Group's net asset value performance measures as presented in its Annual Report for the year ended 31 March 2019 and its half-yearly announcement for the six months ended 30 September 2019 are shown below, alongside the three new measures of net asset value which will be presented in the Group's annual results announcement and annual report for the year ending 31 March 2020. This is followed by the previously presented total business return calculations based on EPRA net assets and the total business return calculated based on EPRA NTA.

Net asset value performance measures

	31 March 2019				
	New measures			Previously reported measures	
	EPRA NRV £m	EPRA NTA £m	EPRA NDV £m	EPRA net assets £m	EPRA triple net assets £m
Net assets attributable to shareholders (IFRS)	9,920	9,920	9,920	9,920	9,920
Excess of fair value over net investment in finance leases book value ⁽¹⁾	80	80	80	-	-
Deferred tax liability on intangible asset	2	2	-	2	-
Goodwill on deferred tax liability	(2)	(2)	(2)	(2)	(2)
Other intangible assets	-	(11)	-	-	-
Excess of fair value of debt over book value	-	-	(239)	-	(239)
Purchasers' costs ⁽²⁾	829	-	-	-	-
Net assets used in per share calculation	10,829	9,989	9,759	9,920	9,679

	EPRA NRV	EPRA NTA	EPRA NDV	EPRA net assets	EPRA triple net assets
Diluted net assets per share	1,461p	1,348p	1,317p	1,339p	1,306p

	30 September 2019				
	New measures			Previously reported measures	
	EPRA NRV £m	EPRA NTA £m	EPRA NDV £m	EPRA net assets £m	EPRA triple net assets £m
Net assets attributable to shareholders (IFRS)	9,605	9,605	9,605	9,605	9,605
Excess of fair value over net investment in finance leases book value ⁽¹⁾	82	82	82	-	-
Deferred tax liability on intangible asset	2	2	-	2	-
Goodwill on deferred tax liability	(2)	(2)	(2)	(2)	(2)
Other intangible assets	-	(11)	-	-	-
Excess of fair value of debt over book value	-	-	(386)	-	(386)
Purchasers' costs ⁽²⁾	814	-	-	-	-
Net assets used in per share calculation	10,501	9,676	9,299	9,605	9,217

	EPRA NRV	EPRA NTA	EPRA NDV	EPRA net assets	EPRA triple net assets
Diluted net assets per share	1,417p	1,306p	1,255p	1,296p	1,244p

1. While the previous definition of EPRA net assets included this adjustment, it has historically not been considered sufficiently material to adjust. As the value of this difference has grown in recent years, the adjustment will now be included when calculating EPRA net asset values.
2. EPRA NTA and EPRA NDV reflect IFRS values which are net of purchasers' costs. Purchasers' costs are added back when calculating EPRA NRV.

Restatement of total business return

Total business return was previously calculated as the cash dividends per share paid in the year 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 equity over the year. The table below presents the previously reported calculations for total business return.

Total business return based on EPRA net assets	Year ended 31 March 2019 pence	Six months ended 30 September 2019 pence
Decrease in EPRA net assets per share	(64)	(43)
Dividend paid per share in the period	47	23
Total return (a)	(17)	(20)
EPRA net assets per share at the beginning of the period (b)	1,403	1,339
Total business return (a/b)	-1.2%	-1.5%

Total business return is now calculated as the cash dividends paid in the year plus the change in NTA per share, divided by the opening EPRA NTA per share as shown in the table below.

Total business return based on EPRA NTA	Year ended 31 March 2019 pence	Six months ended 30 September 2019 pence
Decrease in EPRA NTA per share	(62)	(42)
Dividend paid per share in the period	47	23
Total return (a)	(15)	(19)
EPRA NTA per share at the beginning of the period (b)	1,410	1,348
Total business return (a/b)	-1.1%	-1.4%