Financial review

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

Martin Greenslade
Chief Financial Officer

Our results

£414m
Revenue profit[1]
(2019: £442m)

£(837)m
Loss before tax
(2019: £(123)m)

55.9p
Adjusted diluted earnings per share[1]
(2019: 59.7p)

23.2p
Dividend per share
(2019: 45.55p)

£12.8bn
Combined Portfolio[1]
(2019: £13.8bn)

1,182p
Net assets per share
(2019: 1,341p)

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

Overview

While the Covid-19 pandemic only manifested itself in the final month of this financial year, its impact on our financial performance has been pronounced. It has resulted in additional declines in asset values, a significant reduction in revenue profit and the Board's decision to suspend dividends.

But even before the arrival of Covid-19, conditions in parts of our market had been challenging. The political uncertainty and retailer difficulties of last year had continued into this year leading to further declines in retail values. However, once some of the political uncertainty lifted following the UK general election, occupational and investment demand for London offices increased and office values rose in the final part of our financial year. The UK lockdown in March, however, curtailed further growth and precipitated additional difficulties for our retail and leisure occupiers with asset values falling further.

The decline in the value of our assets is the main reason for the £837m loss before tax this year and an increase in our loan-to-value gearing measure to 30.7%. However, our balance sheet remains strong and our £1.2bn of cash and available facilities gives us plenty of capacity to withstand a reduction in cash flow from rents and progress our development programme.

At a time of such significant upheaval to our normal way of life, it is natural that there is a heightened degree of uncertainty. The external valuation of our portfolio at 31 March 2020 contains a material uncertainty clause from CBRE, which is in line with the RICS guidance to valuers and simply reflects the increased difficulty in determining asset values when few, if any, comparable transactions have occurred in the new trading environment. As part of the preparation of our financial statements, there has been a particular focus on our going concern assessment. Further information on our approach and the results of our assessment is included in note 1 of the financial statements.

The UK lockdown has significantly impacted the level of recent rent collections, leading to provisions for year end debtors although the rent predominantly relates to the early part of 2020/21. We expect reduced rental payments to continue into the new financial year. To assist our occupiers, we have a variety of options from monthly rents, rent deferrals and a recently established £80m rent relief fund for those most in need.

We have made a few changes to the financial information we disclose. During the year, we merged our London and Retail business units and changed our financial reporting to reflect the new structure. We have also adopted the EPRA best practice recommendations (BPR) published in October 2019 and therefore report EPRA net tangible assets (NTA) as our primary measure of net asset value. Comparative disclosures have been adjusted to reflect this change. Further details are disclosed to the right.

Revenue profit for the year to 31 March 2020 was £414m, down 6.3% from £442m primarily due to the impact of Covid-19 on the likelihood of us being able to collect a portion of our contracted rents for the first quarter of 2020/21. Adjusted diluted earnings per share were down 6.4% at 55.9p due to the reduction in revenue profit. Over the year, our assets declined in value by 8.8% or £1,179m (including our proportionate share of subsidiaries and joint ventures) compared with a £557m decline in the prior year. This decline in the value of our assets is behind our loss before tax of £837m (2019: £123m) and the reduction in our EPRA net tangible assets per share in the year, down 11.6% to 1,192p.

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 £12.8bn, is an example of this approach, reflecting the economic interest we have in our properties regardless of our ownership structure. We consider this presentation provides additional information to stakeholders on the activities and performance of the Group, as it aggregates the results of all the Group's property interests which under IFRS are required to be presented across a number of line items in the statutory financial statements.

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

Measures presented on a proportionate basis are alternative performance measures as they are not defined under IFRS. Where appropriate, the measures we use are based on best practice reporting recommendations published by EPRA. In October 2019, EPRA issued new best practice recommendations for financial disclosures by listed real estate companies introducing three new measures of net asset value: EPRA net tangible assets (NTA), EPRA net reinvestment value (NRV) and EPRA 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 is now our primary measure of net asset value, replacing our previously reported EPRA net assets and EPRA net assets per share measures. Total business return is now calculated based on EPRA NTA. The prior year has been re-stated to reflect this change in metric and a comparison with the previously reported metrics has been provided on our website. For further details see tables 62 and 105 in the Business analysis section.

In previous years, 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 was 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. The prior year has 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 year attributable to shareholders, and adjusted diluted earnings per share, which is based on tax-adjusted revenue profit, referred to as adjusted earnings.

Our loss before tax was £837m, compared with £123m in the prior year, due to a greater fall in the value of our assets this year (down £1,179m compared with £557m last year) as well as a £28m reduction in revenue profit. The increased loss this year resulted in a loss per share of 112.4p, compared with loss per share of 16.1p in the previous year. Adjusted diluted earnings per share decreased by 6.4%, from 59.7p to 55.9p this year, as a result of the decrease in revenue profit from £442m to £414m. 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.

Income statement Table 8

	Table	**Year ended 31 March 2020 £m**	Year ended 31 March 2019 £m
Revenue profit	9	**414**	442
Capital and other items	13	**(1,251)**	(565)
Loss before tax		**(837)**	(123)
Taxation		**5**	4
Loss attributable to shareholders		**(832)**	(119)
Basic loss per share		**(112.4)p**	(16.1)p
Adjusted diluted earnings per share		**55.9p**	59.7p

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.

Revenue profit Table 9

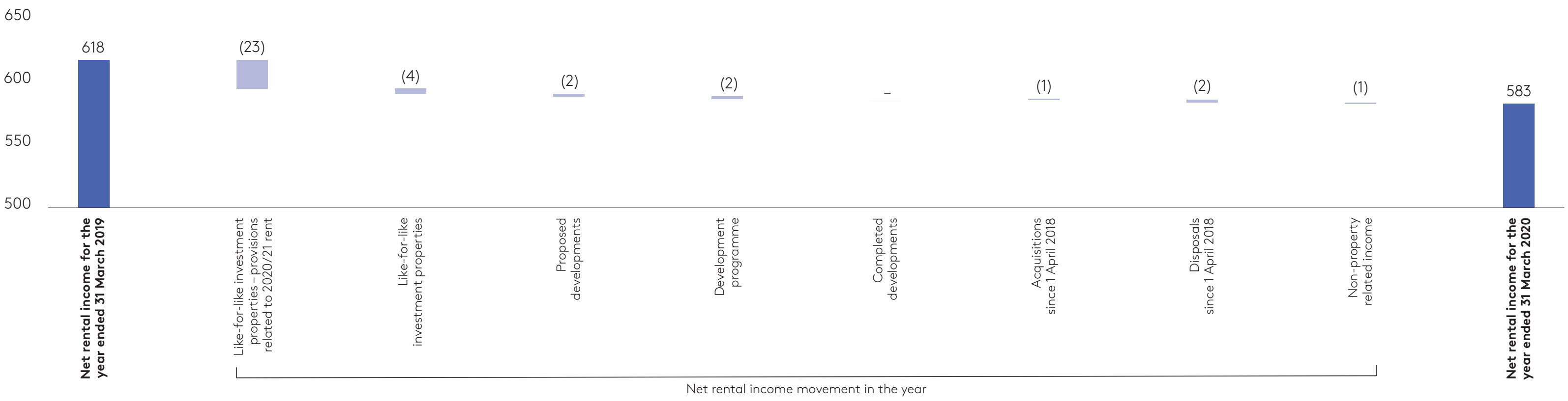
	Chart	Year ended 31 March 2020 Office £m	Retail £m	Specialist £m	Total £m	Year ended 31 March 2019 Office £m	Retail £m	Specialist £m	Total £m	Change £m
Gross rental income[1]		**265**	**300**	**98**	**663**	262	309	99	670	**(7)**
Net service charge income/(expense)		**1**	**(3)**	**(2)**	**(4)**	1	(2)	(2)	(3)	**(1)**
Net direct property expenditure		**(5)**	**(35)**	**(13)**	**(53)**	(5)	(31)	(13)	(49)	**(4)**
Provisions related to 2020/21 rent		**–**	**(19)**	**(4)**	**(23)**	–	–	–	–	**(23)**
Segment net rental income	10	**261**	**243**	**79**	**583**	258	276	84	618	**(35)**
Net indirect expenses					**(74)**				(78)	**4**
Revenue profit before interest					**509**				540	**(31)**
Net finance expense	11				**(95)**				(98)	**3**
Revenue profit					**414**				442	**(28)**

1. Includes finance lease interest, after rents payable.

Revenue profit decreased by £28m to £414m for the year ended 31 March 2020 (2019: £442m). This was the result of a £35m decrease in net rental income for the year which was partly offset by a £4m reduction in net indirect expenses and a £3m reduction in net finance expense. The decrease in net rental income was primarily driven by provisions against trade debtors at 31 March 2020 reflecting the impact of Covid-19 on cash collections. There was also a £7m decrease in gross rental income in the year, primarily in the Retail segment. The £4m increase in net direct property expenditure largely relates to higher void related costs and advisory fees. The movements are explained in more detail below.

Net rental income

Net rental income[1] (£m) Chart 10



1. Including our proportionate share of subsidiaries and joint ventures, as explained in the Presentation of financial information on page 31.

Net rental income decreased by £35m in the year ended 31 March 2020 with reductions in rental income across the portfolio. We recognised £23m of provisions in relation to next year's rent which is explained in more detail below. The remaining £4m decline in like-for-like net rental income reflects reductions in income across our retail assets of £10m, primarily as a result of CVAs and administrations leading to lower rents or voids. In our Specialist assets (£1m lower than last year), we saw similar rental pressure in leisure although this was largely offset by improved revenue from Piccadilly Lights. Also, there was a £1m reduction in the income from our hotels in the final weeks of the year as a result of lower occupancy caused by Covid-19. The declines in Retail and Specialist net rental income were partly offset by a £7m increase in net rental income from our offices as a result of lettings and rent reviews in the current and prior years. There was a £1m decline in net rental income as a result of the acquisition of a development opportunity at Lavington Street, SE1 in the prior year and a £2m reduction in net rental income following the sale of Poole Retail Park. The £2m reduction in net rental income from assets in the development programme reflects the reduction in income and higher costs at these assets. In proposed developments, there was also a £2m reduction in net rental income at Portland House, SW1, as we work towards vacant possession ahead of development. Looking ahead, Portland House was almost entirely vacated at the end of March 2020 so £11m of rental income we recognised this year will no longer be received next year.

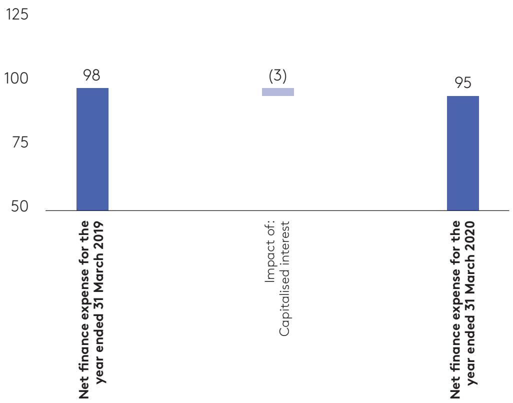
Further information on the net rental income performance of the portfolio is given in the Portfolio review on page 28.

Net indirect expenses

Net indirect expenses represent the indirect costs of the Group including joint ventures. In total, net indirect expenses were £74m (2019: £78m). The £4m decrease is primarily the result of lower staff costs.

Net finance expense (included in revenue profit)

Net finance expense[1] (£m) Chart 11



1. Including our proportionate share of subsidiaries and joint ventures, as explained in the Presentation of financial information on page 31.

Our net finance expense has decreased by £3m to £95m due to an increase in interest capitalised on our developments in the year.

Recent rent collection and related provisions

In general, rent is payable in advance, often on a quarterly basis. In recent years, we have agreed with a number of occupiers for rents to be paid on a monthly basis to assist with cash flow management. £121m of rent was due on the 25 March quarter day and a further £20m of rent was due on 1 April. The following table shows the amount and percentage of this rent collected within ten days of the due date. All of the amounts due relate to rent for the year ending March 2021 with the exception of a small element of the 25 March rents, which relate to the last few days of March 2020.

As a result of the unusually low level of rent receipts, particularly from Retail and Specialist occupiers, we have assessed these debtors for recoverability and provided £24m. Of this, £23m relates to rent for the next financial year (and there is a corresponding deferred income creditor on the balance sheet) but, under accounting rules, we are required to take the full charge of any debtor provision this year. The element of this charge which relates to next year but is included as part of this year's revenue profit has been referred to as 'Provisions related to 2020/21 rent'.

Rent collections Table 12

	Amounts due on 25 March £m	Amounts due on 1 April £m	Total £m	Day 10 amounts received March 2020 £m	Day 10 amounts received March 2020 %	Day 10 amounts received March 2019 %
Office	71	1	**72**	**64**	**89**	98
Retail	37	19	**56**	**21**	**38**	90
Specialist	13	–	**13**	**4**	**31**	86
Total	**121**	**20**	**141**	**89**	**63**	94

Capital and other items

Capital and other items[1] Table 13

	Table	Year ended 31 March 2020 £m	Year ended 31 March 2019 £m
Valuation and profits on disposals			
Valuation deficit	14	**(1,179)**	(557)
Loss on disposal of investment properties		**(6)**	(2)
Profit on disposal of trading properties		**7**	–
Net finance expense	15	**(68)**	(4)
Other items			
Fair value movement prior to acquisition of non-owned element of a joint venture		**–**	9
Profit from long-term development contracts		**3**	3
Other		**(3)**	–
Exceptional items		**(5)**	(14)
Capital and other items		**(1,251)**	(565)

1. Including our proportionate share of subsidiaries and joint ventures, as explained in the Presentation of financial information on page 31.

An explanation of the main Capital and other items is given on pages 34-35.

Myo, our flexible office brand, at 123 Victoria Street, SW1

Valuation of investment properties

Our Combined Portfolio declined in value by 8.8% or £1,179m compared with a decrease last year of £557m. A breakdown of valuation movements by category is shown in table 14.

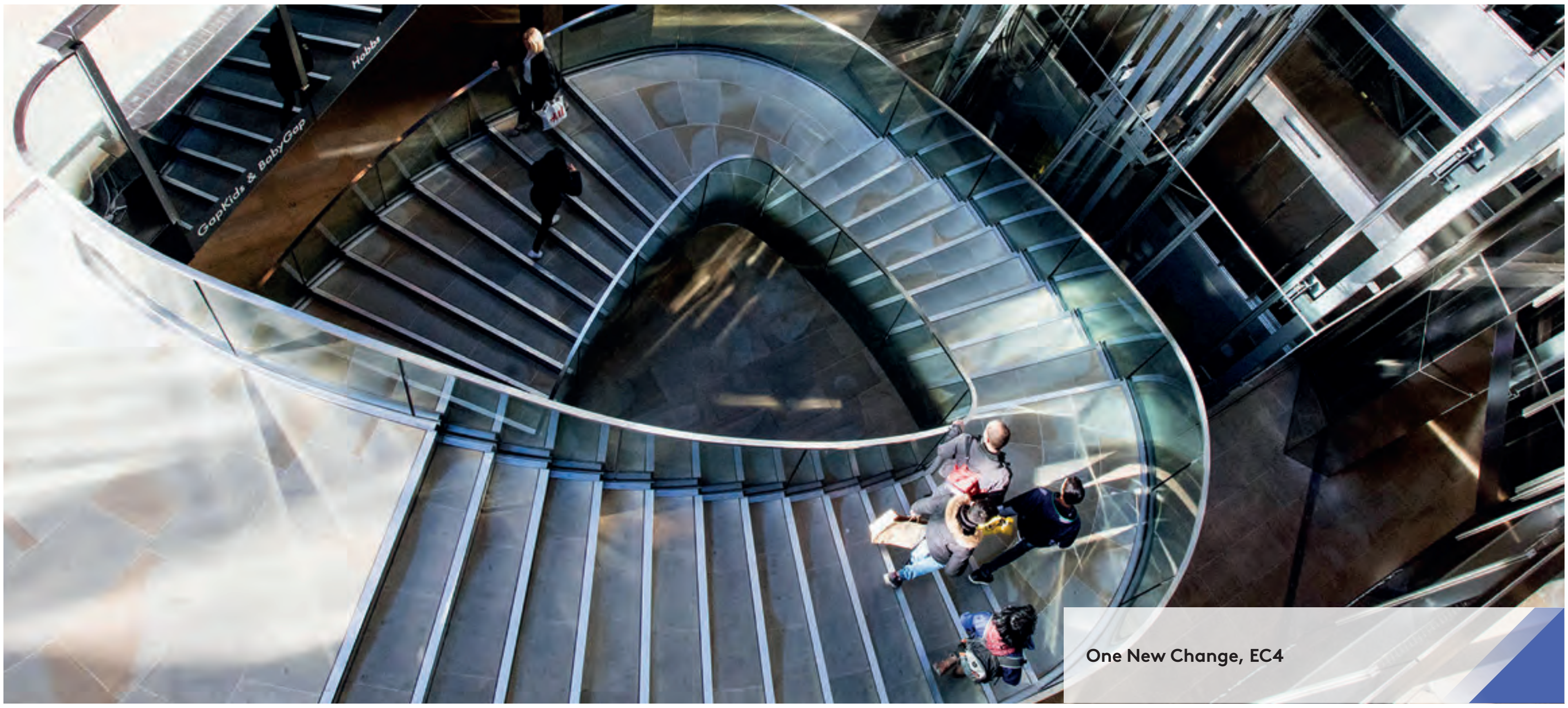
Valuation analysis Table 14

	Market value 31 March 2020 £m	Valuation movement %	Rental value change[1] %	Net initial yield %	Equivalent yield %	Movement in equivalent yield bps
Office	6,009	1.9	4.6	4.3	4.6	6
London retail	1,307	–15.8	–5.6	4.6	4.6	37
Regional retail	1,494	–27.5	–9.8	6.4	6.2	103
Outlets	871	–10.3	2.3	5.6	5.9	56
Retail parks	444	–25.5	–7.7	7.5	7.4	111
Leisure and hotels	1,153	–10.9	–1.9	4.3	5.8	31
Other	398	1.7	–	3.3	4.4	18
Total like-for-like portfolio	**11,676**	**–8.8**	**–1.0**	**4.8**	**5.1**	**27**
Proposed developments	218	–14.7	n/a	–	n/a	n/a
Development programme	558	3.5	n/a	–	4.3	n/a
Completed developments	169	–28.1	–11.4	6.1	6.0	113
Acquisitions	160	–9.3	n/a	2.2	4.8	n/a
Total Combined Portfolio	**12,781**	**–8.8**	**–1.2**	**4.5**	**5.1**	**25**

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

It has been another challenging year for retailers and casual dining operators, exacerbated at the year end by the UK lockdown. The 8.8% decline in the value of our Combined Portfolio is entirely due to a fall in the value of our retail and leisure assets with around a third of the decline attributable to the impact of Covid-19. Within the like-for-like portfolio, regional retail saw the largest reduction at 27.5% with similar results at all our centres as rental values declined by 9.8% and yields moved out 103bps. Retail parks fell in value by 25.5% as rental values declined by 7.7% and yields expanded by 111bps. Our Leisure assets declined in value by 14.0% with rental values 2.9% lower and yields moving out by 59bps, while hotels were down by 5.9% largely due to the impact of Covid-19. Our Office assets proved resilient, increasing in value by 1.9% as rental values rose by 4.6% and yields expanded slightly. The value of our other assets increased by 1.7%, primarily due to higher income expectations from Piccadilly Lights.

Outside the like-for-like portfolio, values in the development programme were up 3.5% over the year as construction risk reduced at 21 Moorfields, EC2. The 14.7% decline in the value of our proposed developments reflects the residual value of Portland House, SW1 where income has now ceased and costs of the latest redevelopment plans have increased. Our only completed development, Westgate Oxford, reduced in value by 28.1%, in line with other regional retail assets. Our acquisitions fell in value by 9.3% with Lavington Street, SE1 down 8.3% reflecting capital expenditure incurred as we work towards submitting a planning application as well as higher expected construction costs.



One New Change, EC4

Profit/(loss) on disposals

Profit on disposals in the year relates to the sale of investment properties and trading properties. We made a total net profit on disposals of £1m (2019: net loss of £2m). The loss on disposal of investment properties of £6m primarily relates to the sale of Poole Retail Park. The profit on disposal of trading properties of £7m primarily relates to the sale of our freehold land holding at Ebbsfleet and residential units at Nova.

Net finance expense (included in Capital and other items)

In the year ended 31 March 2020, we incurred £68m of net finance expense which is excluded from revenue profit.

Net finance expense[1] Table 15

	Year ended 31 March 2020 £m	Year ended 31 March 2019 £m
Premium and fees on redemption of medium term notes (MTNs)	**59**	2
Fair value movement on interest-rate swaps	**9**	6
Other net finance income	**–**	(4)
Total	**68**	4

1. Including our proportionate share of subsidiaries and joint ventures, as explained in the Presentation of financial information on page 31.

The increase over the prior year in this element of our net finance expense is due to higher costs associated with the redemption of medium term notes, and losses on our interest-rate swaps as a result of fluctuations in market interest rates in the year.

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

The £9m fair value movement in the prior year 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 year of £3m (2019: £3m) is from the development at Selly Oak, Birmingham which was pre-sold during the course of construction.

Exceptional items

In the year ended 31 March 2020, we have incurred £5m (2019: £14m) of impairment charges which have been classified as exceptional.

As a result of a decline in the value of Bluewater, Kent, an impairment test of the intangible asset related to the management rights for the centre was carried out. This resulted in impairment charges of £4m in the year (2019: £12m) against the intangible asset we hold in the balance sheet and £1m (2019: £2m) against the related goodwill.

Taxation

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

This year, there was a tax credit of £5m (2019: £4m) being a current tax credit of £4m (2019: £nil) and a deferred tax credit of £1m (2019: £4m). The current tax credit relates to land remediation relief received and payment for losses surrendered to a joint venture company.

The Group has met the REIT requirements, including the payment by 31 March 2020 of the required Property Income Distribution (PID) for the year ended 31 March 2019. The forecast minimum PID for the year ended 31 March 2020 is £282m, which must be paid by 31 March 2021. The Group has already made PID dividends relating to 31 March 2020 of £204m, leaving £78m to be paid.

Property Income Distributions (PID) Table 16

	PID 31 March 2020 £m	PID 31 March 2019 £m	PID Pre-31 March 2019 £m	Ordinary dividend £m	Total dividend £m
Dividends paid in year ended 31 March 2019	**–**	202	147	–	349
Dividends paid in year ended 31 March 2020	**204**	138	–	–	342
Minimum PID to be paid by 31 March 2021	**78**	–	n/a	n/a	n/a
Total PID required	**282**	340			

If the minimum PID is not paid within 12 months of the end of an accounting period, tax is payable on the underpaid amount at the current corporation tax rate. Therefore, the potential tax charge if no PID is made before 31 March 2021 is £15m. It is our preference not to pay such a charge but to pay the dividends instead, which would mean a distribution by 31 March 2021 of a minimum of £78m, or 10.5p per share.

Within the REIT regulations, there are additional requirements which the Group must satisfy including interest cover and balance of business tests, either to avoid a tax charge or the loss of REIT status. While the Group is confident it will continue to satisfy the requirements for REIT status, our discussions with HMRC indicate that they are likely to make allowance for any Covid-19 related breach of these requirements by REITs.

Our latest tax strategy can be found on our corporate website. In the year, the total taxes we incurred and collected were £171m (2019: £158m), of which £47m (2019: £36m) was directly borne by the Group including environmental taxes, business rates and stamp duty land tax. The Group has a low tax risk rating from HMRC.

Balance sheet

Balance sheet Table 17

	31 March 2020 £m	31 March 2019 £m
Combined Portfolio	**12,781**	13,750
Adjusted net debt	**(3,926)**	(3,737)
Other net liabilities	**(21)**	(24)
EPRA net tangible assets	**8,834**	9,989
Excess of fair value over net investment in finance leases book value	**(90)**	(80)
Other intangible assets	**7**	11
Fair value of interest-rate swaps	**(1)**	–
Net assets	**8,750**	9,920
Net assets per share	**1,182p**	1,341p
EPRA net tangible assets per share[1,2]	**1,192p**	1,348p

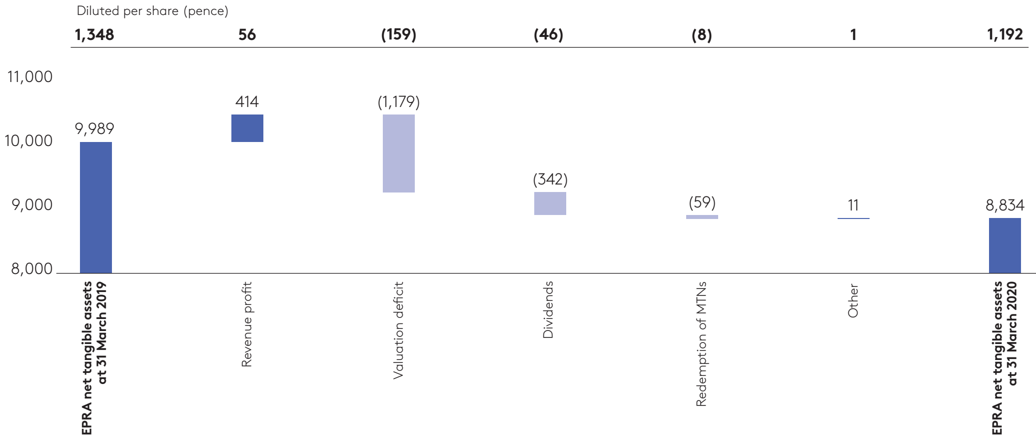
1. EPRA net tangible assets per share is a diluted measure.
2. New metric presented as a result of the change in EPRA best practice recommendations. For further details see table 62 in the Business analysis section.

Our net assets principally comprise the Combined Portfolio less net debt. Both IFRS net assets and EPRA net tangible assets declined over the year ended 31 March 2020 primarily due to the reduction in the value of our investment properties.

At 31 March 2020, our net assets per share were 1,182p, a decrease of 159p or 11.9% from 31 March 2019. EPRA net tangible assets per share were 1,192p, a decrease of 156p or 11.6%.

Chart 18 summarises the key components of the £1,155m decrease in our EPRA net tangible assets in the year.

Movement in EPRA net tangible assets[1,2] (£m) Chart 18



1. Including our proportionate share of subsidiaries and joint ventures, as explained in the Presentation of financial information on page 31.
2. New metric presented as a result of the change in EPRA best practice recommendations. For further details see table 62 in the Business analysis section.

Net debt and gearing

Net debt and gearing Table 19

	31 March 2020	31 March 2019
Net debt	**£3,942m**	£3,747m
Adjusted net debt[1]	**£3,926m**	£3,737m
Group LTV[1]	**30.7%**	27.1%
Security Group LTV	**32.5%**	28.6%
Weighted average cost of debt[1]	**1.8%**	2.7%

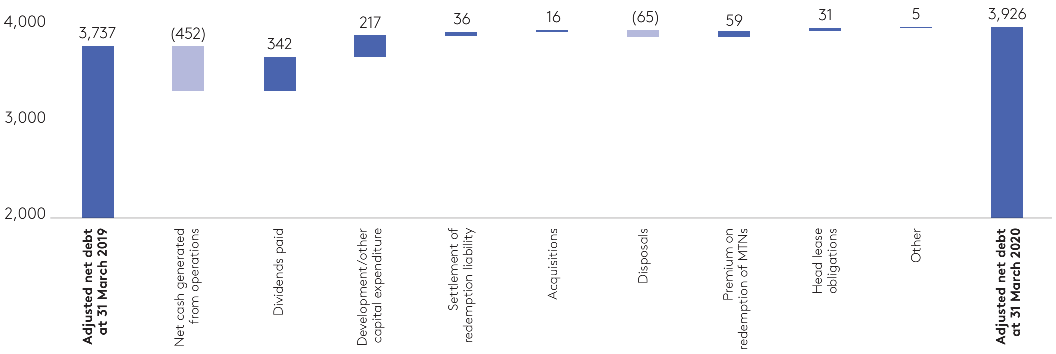
1. Including our proportionate share of subsidiaries and joint ventures, as explained in the Presentation of financial information on page 31.

Over the year, our net debt increased by £195m to £3,942m. The main elements behind this increase are set out in our statement of cash flows and note 21 to the financial statements.

Adjusted net debt was up £189m to £3,926m. For a reconciliation of net debt to adjusted net debt, see note 20 to the financial statements.

Chart 20 sets out the main movements behind the increase in our adjusted net debt.

Movement in adjusted net debt[1] (£m) Chart 20



1. Including our proportionate share of subsidiaries and joint ventures, as explained in the Presentation of financial information on page 31.

Net cash generated from operations was £452m, partly offset by dividend payments of £342m. Capital expenditure was £217m (£215m on investment properties and £2m on trading properties), largely spent on our development programme. We settled the redemption liability in the X-Leisure unit trust for £36m by buying the remaining units we didn't own. The cost of investment properties acquired in the year was £16m. Net cash flows from disposals totalled £45m from the sale of investment properties and £20m from the sale of trading properties. The premium paid on the redemption of some of our medium term notes was £59m and a £31m increase in head lease obligations was reflected on the balance sheet in the year.

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 30.7% at 31 March 2020, largely due to the decline in the value of our assets. Our Security Group LTV increased from 28.6% to 32.5% for the same reason.

Financing

At 31 March 2020, our committed revolving facilities totalled £2,715m (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 +19 basis points and are unsecured.

The total amount drawn under the bank debt was £1,944m (2019: £225m) with £977m of commercial paper in issue (2019: £934m). During March 2020, the sterling bond and commercial paper markets effectively closed to new issuance as the Covid-19 crisis worsened. To ensure that we had no liquidity issues in the first half of 2020/21 as our issued commercial paper becomes due for repayment, we drew down sufficient funds from our bank facilities to cover those redemptions and provide an additional liquidity buffer. As a result, at 31 March 2020, the Group held cash balances of £1,345m (31 March 2019: £14m). At 31 March 2020, we had £1.2bn of cash and available facilities, net of our outstanding commercial paper.

By drawing additional amounts on our shorter-term bank facilities, the weighted average maturity of our debt has declined to 9.6 years (2019: 12.3 years) at a weighted average cost of 1.8% (2019: 2.7%). The weighted average cost of net debt, which recognises the minimal interest income on cash deposits, was 2.4%.

During the year, the Group conducted tender exercises which resulted in us buying back £196m (nominal value) of medium term notes for a total premium of £59m. Further details are set out in table 21 and note 21 to the financial statements.

Redemption of medium term notes Table 21

	Medium term note series						
	A4 £m	A5 £m	A6 £m	A7 £m	A10 £m	A11 £m	**Total £m**
Nominal value purchased	8	91	12	75	4	6	**196**
Premium paid	1	20	3	31	1	3	**59**

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 year ended 31 March 2019, £6m was separated from rental income and reported as service charge income. There has been no net impact on profit attributable to shareholders or on the Group's balance sheet. The Group's revised accounting policies and the impact of the change in accounting policy on the consolidated financial statements are detailed in note 3 of the financial statements.

Dividend

A third interim dividend of 11.6p per ordinary share was declared on 5 February 2020. As announced on 2 April 2020, in light of extreme market uncertainty due to Covid-19, the Board took the decision to cancel the third interim dividend that was due to be paid on 9 April 2020 and has decided not to propose a final dividend. The Board will keep this situation under regular review and intends to reinstate the payment of dividends as soon as it considers it appropriate to do so. Based on our two quarterly dividends of 11.6p per share already paid, our full year dividend will be down 49.1% at 23.2p per share (2019: 45.55p) or £172m (2019: £338m).

At 31 March 2020, the Company had distributable reserves of £3.0bn. We do not anticipate that the level of distributable reserves will limit distributions for the foreseeable future.

Martin Greenslade
Chief Financial Officer

CGI of Lucent, W1