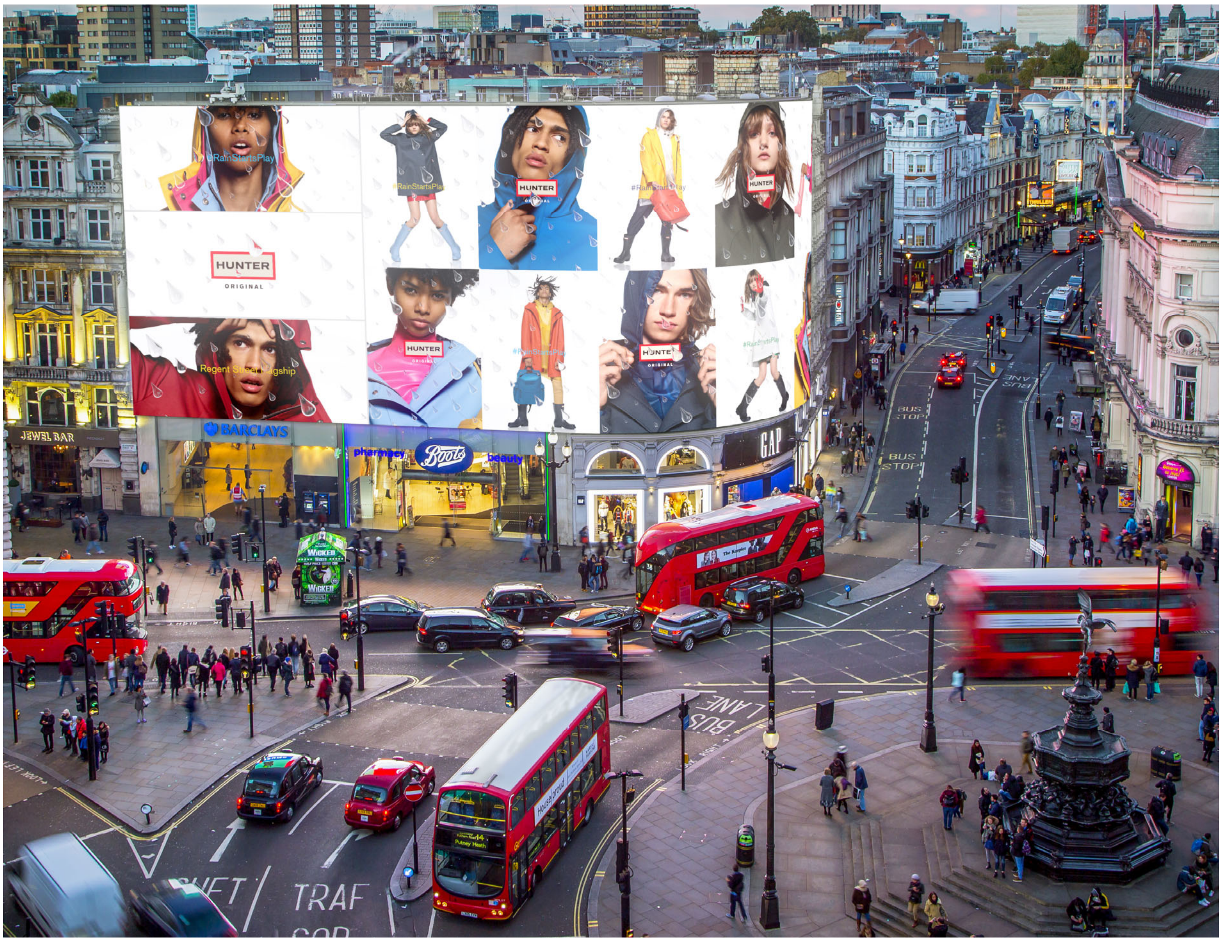
Landsec

Half-yearly results for the six months ended 30 September 2018

13 November 2018



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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 (including the outcome of the negotiations to leave the EU); 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 2018

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Developing future opportunities from a position of strength

Robust performance

- Revenue profit[1][2] up 10.3% to £224m with net rental income up and costs down
- Profit for the period of £42m (2017: £34m)
- Adjusted diluted earnings per share[1][2] up 17.9% to 30.3p
- First half dividend up 14.7% to 22.6p
- EPRA net assets per share[1] down 1.4% to 1,384p
- Combined Portfolio[1][2] valued at £14.0bn, with a valuation deficit[1][2] of £188m or 1.4%
  - London offices up 0.2%; central London shops down 2.9%
  - Shopping centres and shops down 2.9% with outlets flat; retail parks down 4.5%; leisure and hotels down 0.2%
- High occupancy with like-for-like voids[3] down to 1.9% (31 March 2018: 2.2%)
- Ungeared total property return[3] 0.8%
  - London Portfolio 1.6% (IPD Quarterly Universe 2.8%)
  - Retail Portfolio (0.2)% (IPD Quarterly Universe (1.3)%)
- Total business return[1] 0.4%

Healthy financial position

- Group LTV ratio[1][2] at 26.2% (31 March 2018: 25.8%)
- Adjusted net debt[1][2] of £3.7bn (31 March 2018: £3.7bn)
- Weighted average cost of debt at 2.6% (31 March 2018: 2.6%)
- Weighted average maturity of debt at 12.6 years (31 March 2018: 13.1 years)
- Cash and available facilities[2] of £1.1bn

Increased development pipeline and new concepts

- London office development pipeline increased to 2 million sq ft with an estimated cost of £2bn
  - Good progress on site at 21 Moorfields, EC2, with test piling completed successfully
  - Portland House, SW1 added to existing opportunities at Nova East, SW1, 1 Sherwood St, W1, Sumner St, SE1 and Red Lion Court, SE1
- Mixed use development pipeline being worked up at suburban London retail locations
  - In design at Finchley Road, NW3 and Shepherd's Bush, W12, at an estimated cost of £1bn and including over 1,700 new homes
  - Longer term opportunity at Lewisham town centre, SE13
- Flexible office product to be launched in the new year at 123 Victoria Street, SW1

Environmental and social leadership

— Ranked first in the UK among our peer group in the Global Real Estate Sustainability Benchmark (GRESB), achieving a Five Star rating and 90% score
— Ranked first in the UK in the property sector in the Dow Jones Sustainability Index (DJSI), scoring 73 compared with an industry average of 37
— Aerial window cleaning training academy opened at HM Prison Isis in south east London augmenting our Community Employment Programme

Chief Executive Robert Noel said:

“Landsec has delivered a robust performance in an uncertain market. With healthy growth in earnings per share and a strong financial position, we are looking forward with confidence, introducing new concepts and growing our pipeline of development opportunities.

“In Retail, our focus on vibrant destinations that offer the most engaging experiences for retailers and consumers has served us well in tough market conditions. We have made good progress on plans for mixed use development at several of our suburban London assets and will be submitting planning applications which will include over 1,700 homes in two of these locations.

“In London, we’ve expanded our pipeline of office development opportunities to £2bn and will be launching a new flexible office product in the new year, catering for increasing customer demand for flexible, serviced solutions.

“We remain alert to market risks but are confident in our current positioning and excited about the future.”

Results summary

	Six months ended 30 September 2018	**Six months ended 30 September 2017[4]**	**Change**
Revenue profit[1][2]	£224m	£203m	Up 10.3%
Valuation deficit[1][2]	£(188)m	£(19)m	Down 1.4%[5]
Profit before tax	£42m	£34m	
Basic earnings per share	5.9p	4.2p	
Adjusted diluted earnings per share[1][2]	30.3p	25.7p	Up 17.9%
Dividend per share	22.6p	19.7p	Up 14.7%
	30 September 2018	**31 March 2018[4]**	
Net assets per share	1,385p	1,404p	Down 1.4%
EPRA net assets per share[1]	1,384p	1,403p	Down 1.4%
Group LTV ratio[1][2]	26.2%	25.8%	

1. An alternative performance measure. The Group uses a number of financial measures to assess and explain its performance, some of which are considered to be alternative performance measures as they are not defined under IFRS. For further details, see the Financial review and table 15 in the Business analysis section.
2. Including our proportionate share of subsidiaries and joint ventures, as explained in the Financial review.
3. For further details, see the Business analysis section.
4. Restated as a result of changes in accounting policies. See note 17 to the financial statements for details.
5. The % change for the valuation deficit represents the fall in value of the Combined Portfolio over the six month period, adjusted for net investment.

Chief Executive's statement

Landsec delivered a robust performance in the first half. We have benefitted from our excellent levels of leasing activity last year, high quality assets and good operational performance against a backdrop of near-term political uncertainty and tough retail markets. We've added substantial office and mixed use projects to our development pipeline and are expanding our customer offer in London.

Our strategy to create buildings and destinations that deliver a great experience has ensured continued high occupancy. Combined with the effect of refinancing some bonds in the last financial year, this has led to a rise in revenue profit of 10.3% compared with the same period last year, despite us being net sellers in the year to 31 March 2018. Adjusted diluted earnings per share are up 17.9% due to the increase in revenue profit combined with the effect of the capital return and share consolidation last year.

Asset values declined by 1.4% in aggregate over the six month period, reflecting negative sentiment in the retail sector, and this has led to a 1.4% reduction in EPRA net asset value per share to 1,384p. With our portfolio valued at £14.0bn and adjusted net debt at £3.7bn, our loan-to-value is 26.2%. This low gearing, combined with our AA rating, enables us to invest in our growing development pipeline and other opportunities as they arise.

Responding to changing needs

We continue to develop and test new concepts at Landsec Lab, our collaborative centre in Southwark, originally set up to develop our residential concepts in Victoria and our own office environment. Moving forward with new approaches that ensure our space and services meet changing customer expectations and reflect new patterns of work, we're set to launch a new flexible office product early next year, starting with 36,000 sq ft of space at 123 Victoria Street, SW1. This will provide customers with direct access to contemporary serviced space on flexible, all-inclusive terms. At both 80 Victoria Street, SW1 and 20 Eastbourne Terrace, W2, our Landsec Lounge concept has been a great success. This café space enables employees of all occupiers to connect, work, eat, socialise and relax within the building. It's been a popular addition that has helped us re-let space quickly at strong rental levels, and we're now working on introducing lounges elsewhere.

Structural and cyclical challenges have combined to create tough conditions for retailers. We're not immune but have been more resilient than the general market due to diversified income from dominant centres, outlet destinations, affordable retail parks, leisure assets and hotels. With consumer behaviour continuing to evolve, we're keeping a sharp focus on anticipating and meeting customers' changing needs and enhancing the experience we provide. We are very active asset managers in retail, and that includes developing alternative use strategies where we see potential to create value.

Growing the pipeline

Confident in the long-term future of London, we're growing our office-led development pipeline. We have 2 million sq ft either on site, in design, or in feasibility, representing a total development cost of around £2bn. 21 Moorfields, EC2 is on schedule to complete in 2021 when it will be handed over to Deutsche Bank for their new UK headquarters. We're working on revised plans for the development of Nova East, SW1 and are in pre-planning for the redevelopment of Portland House, SW1 underlining our strong belief in Victoria. And we are assessing new sites for the next generation of London developments.

In addition, we are working up plans for significant mixed use developments, including more than 4,000 homes on our suburban London retail sites. At two of these, Finchley Road, NW3 and Shepherd's Bush, W12, we intend to submit planning applications in the first half of 2019 with a total development cost of around £1bn. We also see excellent potential for a new town centre at Lewisham, with our ownership of Lewisham Shopping Centre, SE13 forming the core of a potential 8.3 acre mixed use destination. In addition to this, we are exploring the potential at other locations in London.

Leading on environmental and social issues

We are conscious of the broader impact of our business on our customers, communities, employees and partners. For the second consecutive year, we lead the UK listed real estate sector in the Dow Jones Sustainability Index, and in September we were named leader in both the UK Listed Company and UK Diversified (Office/Retail) categories in the 2018 Global Real Estate Sustainability Benchmark. Recognition in these benchmarking schemes reflects how we’re constantly pushing ourselves to achieve more in terms of creating jobs and opportunities; efficient use of natural resources; and sustainable design and innovation. This requires us to take long-term action on both environmental and social issues. For example, in September, we opened the UK’s first aerial window cleaning training academy at a prison, HMP Isis. This adds to our existing initiatives enabling prisoners to train in dry lining, scaffolding, hospitality and customer service, all of which help address the UK skills shortage and reduce reoffending.

Looking ahead with confidence

There are a number of potential outcomes to the UK’s exit from the EU on 29 March 2019. We approach this date with an appropriate balance of low current risk and exciting future growth prospects. In the second half of the year, we will keep working on our development pipeline and bring more customer experience-led innovation to market.

Robert Noel
Chief Executive

Financial review

Overview

Table 1: Highlights

	Six months ended 30 September 2018	Six months ended 30 September 2017[1]
Revenue profit[2]	**£224m**	£203m
Valuation deficit[2]	**£(188)m**	£(19)m
Profit before tax	**£42m**	£34m
Basic earnings per share	**5.9p**	4.2p
Adjusted diluted earnings per share[2]	**30.3p**	25.7p
Dividend per share	**22.6p**	19.7p
	30 September 2018	31 March 2018[1]
Combined Portfolio[2]	**£14.0bn**	£14.1bn
Net assets per share	**1,385p**	1,404p
EPRA net assets per share	**1,384p**	1,403p
Adjusted net debt[2]	**£3.7bn**	£3.7bn
Group LTV ratio[2]	**26.2%**	25.8%

1. Restated as a result of changes in accounting policies. See note 17 to the financial statements for details.
2. 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 2018 was £224m, up 10.3% from £203m. The increase in revenue profit was driven by higher net rental income and reduced costs, in particular interest expense. Adjusted diluted earnings per share were up 17.9% at 30.3p due to the increased revenue profit and a reduction in the number of shares in issue following the return of capital and share consolidation in September 2017. Over the six month period, our assets declined in value by 1.4% or £188m (including our proportionate share of subsidiaries and joint ventures) compared with a £19m 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 1.4% to 1,384p.

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 £14.0bn, 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 a better explanation to stakeholders of the activities and performance of the Group, as it aggregates the results of all of the Group's property interests which under IFRS are required to be presented across a number of line items in the statutory financial statements.

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

As set out in the 2018 Annual Report, the Group amended its accounting policy for debt refinancing with effect from 1 April 2018. This change in accounting policy has resulted in the debt refinancing exercise completed on 3 November 2004 being treated as an extinguishment of the original debt, and therefore the bond exchange de-recognition adjustment previously reported is no longer required. As a consequence of this change, the Group's adjusted diluted net assets per share measure is now aligned with the EPRA definition. Adjusted net assets per share is therefore no longer reported separately in the Group's financial statements. While there is also now no difference between our adjusted earnings measure and the EPRA earnings definition, we have continued to report adjusted earnings as there may be occasions in the future when these diverge. The change in accounting policy has been applied retrospectively and comparatives restated accordingly. The revised policy and the impact of the change in accounting policy on the consolidated interim financial information is detailed in note 17 of the financial statements. There has been no change to our previously reported adjusted earnings and adjusted net assets per share as a result of the restatement of comparative figures.

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

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 the bond repurchases, which we call Capital and other items.

We present two measures of earnings per share; the IFRS measure of basic earnings per share, which is derived from the total profit for the 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 2018 £m**	Six months ended 30 September 2017[1] £m
Revenue profit	3	**224**	203
Capital and other items	6	**(182)**	(169)
Profit before tax		**42**	34
Taxation		**2**	(1)
Profit attributable to shareholders		**44**	33
Basic earnings per share		**5.9p**	4.2p
Adjusted diluted earnings per share		**30.3p**	25.7p

1. Restated as a result of changes in accounting policies. See note 17 to the financial statements for details.

Our profit before tax was £42m, compared with £34m in the same period in the prior year, due to higher net rental income and lower costs, primarily net finance expense. Capital and other items recorded a higher loss due to a larger valuation deficit, although in the prior period we incurred costs associated with the redemption of some of our bonds. The higher profit before tax drives a 1.7p increase in earnings per share from 4.2p in the comparative period to 5.9p in the six months ended 30 September 2018. Adjusted diluted earnings per share increased by 17.9%, from 25.7p to 30.3p this period, as a result of the increase in revenue profit from £203m to £224m and a reduction in the weighted average number of shares in issue. There is no difference between our adjusted diluted earnings per share and the EPRA measure.

The reasons behind the movements in revenue profit and Capital and other items are discussed in more detail 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 London and Retail, are presented in the table below.

Table 3: Revenue profit

		Six months ended 30 September 2018			Six months ended 30 September 2017			
	Table	**Retail Portfolio £m**	**London Portfolio £m**	**Total £m**	Retail Portfolio £m	London Portfolio £m	Total £m	**Change £m**
Gross rental income[1]		**175**	**160**	**335**	171	154	325	**10**
Net service charge expense		**(6)**	**1**	**(5)**	(5)	-	(5)	**-**
Net direct property expenditure		**(16)**	**(6)**	**(22)**	(7)	(10)	(17)	**(5)**
Net rental income	4	**153**	**155**	**308**	159	144	303	**5**
Indirect costs		**(10)**	**(8)**	**(18)**	(11)	(9)	(20)	**2**
Segment profit before finance expense		**143**	**147**	**290**	148	135	283	**7**
Net unallocated expenses				**(17)**			(19)	**2**
Net finance expense	5			**(49)**			(61)	**12**
Revenue profit				**224**			203	**21**

1. Includes finance lease interest, after rents payable.

Revenue profit increased by £21m to £224m for the six months ended 30 September 2018 (2017: £203m). This was the result of a £5m increase in net rental income for the period as well as lower net finance expenses and net indirect expenses. The increase in net rental income was driven by a £10m increase in gross rental income but this was partly offset by £5m of higher direct property expenditure, principally provisions against a number of retail tenant incentive balances. The movements are explained in more detail below.

Net rental income

Table 4: Net rental income[1]

	£m
Net rental income for the six months ended 30 September 2017	**303**
Net rental income movement in the period:	
Like-for-like investment properties	**8**
Proposed developments	**-**
Development programme	**-**
Completed developments	**10**
Acquisitions since 1 April 2017	**2**
Sales since 1 April 2017	**(13)**
Non-property related income	**(2)**
	5
Net rental income for the six months ended 30 September 2018	**308**

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

Net rental income increased by £5m in the six months ended 30 September 2018 as rental income growth from our like-for-like portfolio, completed developments and acquisitions was only partly offset by the impact of properties sold since 1 April 2017 and a small decline in non-property related income. Significant disposals included 20 Fenchurch Street, EC3 and Ibis, Euston, both sold in the prior year. Our completed developments generated £10m of additional net rental income following the completion of Westgate Oxford and Nova, Victoria and further lettings at The Zig Zag Building, SW1. Like-for-like net rental income increased by £8m driven by rent reviews in London and higher rental income at Piccadilly Lights, W1, which was under refurbishment for part of the comparative period, partly offset by an increase in provisions against tenant incentives in retail.

Further information on the net rental income performance of the London and Retail portfolios is given in the respective business reviews.

Net indirect expenses

The indirect costs of the London and Retail portfolios and net unallocated expenses should be considered together as collectively they represent the net indirect expenses of the Group including joint ventures. In total, net indirect expenses were £35m (2017: £39m). The £4m decrease is primarily the result of lower share-based payment charges as long-term incentives did not vest in the period resulting in a credit to the income statement.

Net finance expense (included in revenue profit)

Table 5: Net finance expense[1]

	£m
Net finance expense for the six months ended 30 September 2017	**61**
Impact of:	
Refinancing	**(14)**
Lower capitalised interest	**2**
Net finance expense for the six months ended 30 September 2018	**49**

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

Our net finance expense has decreased by £12m to £49m, primarily due to interest savings following the refinancing of medium term notes and the redemption of the £273m Queen Anne’s Gate (QAG) Bond in the prior year.

Capital and other items

Table 6: Capital and other items[1]

	Table	**Six months ended 30 September 2018 £m**	Six months ended 30 September 2017[2] £m
Valuation and profits on disposals			
Valuation deficit	7	**(188)**	(19)
Movement in impairment of trading properties		**-**	(1)
(Loss)/profit on disposal of investment properties		**(4)**	2
Profit on disposal of trading properties		**1**	16
Profit on disposal of investment in joint venture		**-**	66
Fair value movement prior to acquisition of non-owned element of a joint venture		**9**	-
Profit from long-term development contracts		**3**	-
Net finance expense	8	**(2)**	(233)
Other		**(1)**	-
Capital and other items		**(182)**	(169)

1. Including our proportionate share of subsidiaries and joint ventures, as explained in the Presentation of financial information above.
2. Restated as a result of changes in accounting policies. See note 17 to the financial statements for details.

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

Valuation of investment properties

Our Combined Portfolio declined in value by 1.4% or £188m compared with a decrease in the comparative period of £19m. A breakdown of valuation movements by category is shown in table 7.

Table 7: Valuation analysis

	Market value 30 September 2018	Valuation movement	Rental value change[1]	Net initial yield	Equivalent yield	Movement in equivalent yield
	£m	%	%	%	%	bps
Shopping centres and shops	3,451	(3.2)	(1.7)	4.5	4.9	4
Retail parks	720	(4.5)	(1.3)	5.5	5.6	14
Leisure and hotels	1,301	(0.2)	(0.4)	5.1	5.4	-
London offices	5,285	0.4	1.2	4.0	4.5	2
Central London shops	1,297	(2.7)	(0.2)	3.7	4.2	8
Other (Retail and London)	48	(4.6)	1.3	1.9	3.6	15
Total like-for-like portfolio	**12,102**	**(1.4)**	**(0.2)**	**4.3**	**4.8**	**4**
Proposed developments	92	(1.4)	n/a	0.5	n/a	n/a
Development programme	203	4.2	n/a	-	4.4	n/a
Completed developments	1,199	(2.2)	(0.5)	2.7	4.3	7
Acquisitions	368	(0.8)	n/a	5.2	5.5	n/a
Total Combined Portfolio	**13,964**	**(1.4)**	**(0.2)**	**4.1**	**4.7**	**-**

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

Our Combined Portfolio fell in value by 1.4%, with a small increase in the value of our London Offices offset by a decline in retail asset valuations in challenging market conditions. Within the like-for-like portfolio, shopping centres and shops were down 3.2% as rental values declined by 1.7% and equivalent yields moved out by 4 basis points on average, with some yields unchanged and others moving out by up to 15 basis points. The value of our retail parks was down by 4.5% due to a combination of rental value decline and a 14 basis points outward movement in yields. In leisure and hotels, our hotel values were virtually unchanged while our leisure assets reduced in value by 0.4% as rents reduced due to units in administration. In London, our office values were up marginally, driven by rent review settlements in Mid-town, partly offset by a small outward yield shift in Victoria, SW1. Our central London shops declined in value by 2.7%, primarily due to Piccadilly Lights, W1 where there was a reduction in the anticipated income from short-term lettings.

Outside the like-for-like portfolio, our only asset in the development programme is 21 Moorfields, EC2 which saw a 4.2% increase in value while completed developments were down 2.2% due to small outward yield movements at Westgate Oxford and The Zig Zag Building, SW1.

Profits on disposals

Profits on disposals relate to the sale of investment properties, trading properties, joint ventures and other investments. We made a total net loss on disposals of £3m (2017: net profit of £84m). The £4m loss on disposal of investment properties is largely due to the sale of Almondvale South Retail Park in Livingston. The profit on disposal of trading properties of £1m relates to the sale of residential units.

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

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

Net finance expense (included in Capital and other items)

In the six months ended 30 September 2018, we incurred £2m of net finance expense which is excluded from revenue profit.

Table 8: Net finance expense[1]

	Six months ended 30 September 2018 £m	Six months ended 30 September 2017[2] £m
Premium and fees on redemption of medium term notes (MTNs)	**(2)**	(173)
Premium and fees on QAG Bond redemption	**-**	(62)
Fair value movement on interest-rate swaps	**1**	5
Other	**(1)**	(3)
Total	**(2)**	(233)

1. Including our proportionate share of subsidiaries and joint ventures, as explained in the Presentation of financial information above.
2. Restated as a result of changes in accounting policies. See note 17 to the financial statements for details.

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

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 property trading or sales of companies, are subject to corporation tax. In the six months ended 30 September 2018, there was a tax credit of £2m (2017: charge £1m) as a result of movements in deferred tax.

Balance sheet

Table 9: Balance sheet

	30 September 2018 £m	31 March 2018[1] £m
Combined Portfolio	**13,964**	14,103
Adjusted net debt	**(3,675)**	(3,652)
Other net assets	**(45)**	(71)
EPRA net assets	**10,244**	10,380
Fair value of interest-rate swaps	**7**	6
Net assets	**10,251**	10,386
Net assets per share	**1,385p**	1,404p
EPRA net assets per share	**1,384p**	1,403p

1. Restated as a result of changes in accounting policies. See note 17 to the financial statements for details.

Our net assets principally comprise the Combined Portfolio less net debt. Following the change in accounting policy outlined in note 17 to the financial statements, the EPRA measure of net assets now aligns with our calculation of an appropriate adjusted measure of net assets. It is also much more closely aligned with the IFRS measure, which now no longer includes the bond exchange de-recognition adjustment. The only difference between the two is the fair value of interest-rate swaps which is excluded from the calculation of EPRA net assets. Both IFRS net assets and EPRA net assets declined over the six months ended 30 September 2018 due to the reduction in the value of our investment properties.

At 30 September 2018, our net assets per share were 1,385p, a decrease of 19p or 1.4% from 31 March 2018. EPRA net assets per share were 1,384p, a decrease of 19p or 1.4%.

Table 10 summarises the key components of the £136m 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 2018[2]	**10,380**	**1,403**
Revenue profit	**224**	**30**
Valuation deficit	**(188)**	**(25)**
Net loss on disposals	**(3)**	**-**
Dividends	**(181)**	**(25)**
Other	**12**	**1**
EPRA net assets at 30 September 2018	**10,244**	**1,384**

1. Including our proportionate share of subsidiaries and joint ventures, as explained in the Presentation of financial information above.
2. Restated as a result of changes in accounting policies. See note 17 to the financial statements for details.

Net debt and gearing

Table 11: Net debt and gearing

	30 September 2018	31 March 2018[1]
Net debt	**£3,692m**	£3,654m
Adjusted net debt[2]	**£3,675m**	£3,652m
Gearing	**36.0%**	35.2%
Adjusted gearing[3]	**35.9%**	35.2%
Group LTV[2]	**26.2%**	25.8%
Security Group LTV	**27.5%**	27.2%
Weighted average cost of debt[2]	**2.6%**	2.6%

1. Figures for the prior period have been restated as a result of changes in accounting policies. See note 17 to the financial statements for details.
2. Including our proportionate share of subsidiaries and joint ventures, as explained in the Presentation of financial information above.
3. Adjusted net debt divided by EPRA net assets.

Over the six month period, our net debt increased by £38m to £3,692m. 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 £23m to £3,675m. 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 2018	**3,652**
Operating cash inflow	**(163)**
Dividends paid	**168**
Acquisitions	**46**
Development/other capital expenditure	**64**
Disposals	**(96)**
Redemption of medium term notes	**2**
Other	**2**
Adjusted net debt at 30 September 2018	**3,675**

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

Net operating cash inflow was £163m, offset by dividend payments of £168m. Capital expenditure was £64m (£61m on investment properties and £3m on trading properties), largely spent on our development programme, and cash outflow for acquisitions was £46m. Net cash flows from disposals totalled £96m; £61m from the disposal of investment properties and £35m from the disposal of trading properties. We incurred an additional £2m to repurchase medium term notes.

The most widely used gearing measure in our industry is loan-to-value (LTV). We focus most on Group LTV, presented on a proportionate basis, which increased from 25.8% at 31 March 2018 to 26.2% at 30 September 2018, primarily due to the decline in the value of our assets. Our Security Group LTV increased from 27.2% to 27.5% for the same reason.

Financing

At 30 September 2018, our committed revolving facilities totalled £2,115m (31 March 2018: £2,090m). The pricing of our facilities which fall due in more than one year range from LIBOR +65 basis points to LIBOR +80 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 +23 basis points and are unsecured. The total amount drawn under the syndicated bank debt and commercial paper programme was £1,106m (31 March 2018: £1,100m).

During the six months ended 30 September 2018, the Group conducted a limited tender exercise which resulted in us buying back £8m (nominal value) of medium term notes (MTNs) for a premium of £2m. This, in conjunction with the larger debt refinancing exercises carried out in the year ended 31 March 2018, has resulted in a reduction in interest costs of £14m in the six months ended 30 September 2018.

The Group's debt (on a proportionate basis) has a weighted average maturity of 12.6 years (down from 13.1 years at 31 March 2018), a weighted average cost of 2.6% (in line with 2.6% at 31 March 2018) and 82% is at fixed interest rates (excluding finance leases). At 30 September 2018, we had £1.1bn 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 9 Financial Instruments on 1 April 2018. While some accounting policies have been amended on adoption of the standard, none have required the Group's income statement or balance sheet to be adjusted. The new accounting policies are set out in note 17 of the financial statements.

The Group has adopted IFRS 15 Revenue from Contracts with Customers on 1 April 2018. As a result of adopting the standard, service charge income and expense have been presented on a net basis for those properties where the property management activities are performed by a third party (see note 17 of the financial statements for further details). The Group has elected to apply the standard on a full retrospective basis as permitted by IFRS 15. The service charge income and expense for the six months ended 30 September 2017 have both reduced by £11m as a result of adopting this standard. There has been no change in net service charge, revenue profit, profit attributable to shareholders or the Group's balance sheet.

As detailed in the Presentation of financial information above, the Group has amended its accounting policy for debt refinancing from 1 April 2018. The revised policy and the impact of the change in accounting policy on the consolidated interim financial information is detailed in note 17 of the financial statements.

Dividend

We will be paying a second quarterly dividend of 11.3p per share on 4 January 2019 to shareholders registered at the close of business on 30 November 2018. This will be paid wholly as a Property Income Distribution. Taken together with the first quarterly dividend of 11.3p per share, paid wholly as a Property Income Distribution on 5 October 2018, our first half dividend will be 22.6p per share (six months ended 30 September 2017: 19.7p), representing an increase of 14.7% and a total payment of £167m (six months ended 30 September 2017: £151m).

Martin Greenslade
Chief Financial Officer

London Portfolio

At a glance

— Valuation deficit of 0.4%[1]
— Ungeared total property return of 1.6%
— The portfolio underperformed the IPD Quarterly Universe at 2.8%
— £5m of investment lettings and £1m of development lettings
— Like-for-like voids: 0.7% (31 March 2018: 1.8%)

Our strategy

Our London strategy continues to focus on delivering our customers the spaces and experiences they need for their businesses to thrive. We do this by working in partnership with our customers to address their future needs and challenges. Our business growth will be through investment and development activities.

Our market

Central London office take-up and development completions are both slightly above the long-term rolling average. The levels of pre-let activity and take-up of serviced office space have been strong. Demand for second hand space is below average and has been for several quarters now, increasing the proportion of available space that is not meeting the requirements of today's occupiers. These dynamics have kept vacancy rates and rental levels relatively stable. Development starts to date have slowed compared with the same period over the last two years.

Investment volumes remain above the long-term average and the market remains dominated by capital inflows from Asia. Yields and values have remained broadly stable.

Our portfolio – innovating best in class assets

As new patterns of work emerge, requiring increased focus on service and flexibility, we are expanding our flexible office approach. In addition to the offer already provided through third party operators, we will be introducing our own flexible office product early next year. Initially at 123 Victoria Street, SW1, this will provide customers with direct access to contemporary serviced and customisable space on flexible terms. And following the great response to our Landsec Lounge concept at 80 Victoria Street, SW1 and 20 Eastbourne Terrace, W2, we plan to roll out this café-style communal space at Dashwood House, EC2, 6 New Street Square, EC4, 62 Buckingham Gate, SW1 and One New Change, EC4.

The quality, resilience and relevance of our portfolio is reflected in our 99% occupancy and long average lease term. During the period, we completed £5m of lettings and £20m of rent reviews at 19% above passing rent.

At Nova, SW1 we let our last retail unit to a leisure operator as part of our ongoing placemaking, mixing retail, restaurants and leisure into an attractive combination for residents, occupiers and visitors. Sales of residential apartments continue to complete and we now have just five apartments remaining unsold.

1. On a proportionate basis.

At Piccadilly Lights, W1, we have now seen a full six months of activity following refurbishment of the screen, which is divided into six lettable areas. Three of these are committed for the medium term with the remainder available for shorter lettings, providing greater variety, but reducing the certainty of income.

Our like-for-like void rate was 0.7% at 30 September 2018 down from 1.8% at 31 March 2018 primarily driven by lettings at 10 Eastbourne Terrace, W2, 6 New Street Square, EC4 and 16 Palace Street, SW1.

Our pipeline – growing our current and future programme to 2 million sq ft

We are applying new approaches to design, procurement and construction including the use of advanced 3D modelling and offsite manufacturing. These approaches save time, reduce cost, waste and environmental impact and are just two examples of the work that has come out of Landsec Lab, our collaborative workspace where we and other businesses test new ideas.

During the period, we added to our pipeline of development opportunities and now have 2 million sq ft either on site, in design or in feasibility, representing a total development cost of £2bn.

In the City, we are pleased with progress at 21 Moorfields, EC2. Our pre-let to Deutsche Bank is now unconditional, we've successfully completed our test piles for building over the railway and have appointed our main contractor.

At Nova East in Victoria, we have improved the potential return on the scheme by simplifying the structure and design at this technically challenging site, thereby increasing the consented floor area by 19%. We now have the site back from TfL and are working towards a start on site in April next year.

At 1 Sherwood Street, W1, we have made good progress with our plans for a 144,000 sq ft mixed use scheme behind Piccadilly Lights. We have extinguished all third party rights and acquired nearby 116-126 Wardour Street, W1 to provide the affordable residential requirement which enables us to utilise space more efficiently on the site. The scheme will comprise offices, retail units and a roof-top restaurant together with a Landsec Lounge offering on the first floor. We are working towards a start on site in April next year.

South of the river in Southwark, we have two schemes: 105 Sumner Street and Red Lion Court. At Sumner Street we have consent for two buildings totalling 135,000 sq ft and we are working towards a start on site in October 2019. At Red Lion Court, we've just finalised feasibility for a 324,000 sq ft office building and plan to submit a planning application in summer 2019.

Finally, back in Victoria at Portland House, we're working on the feasibility of a new 530,000 sq ft building. The uplift in floor area will require affordable housing and we have secured a planning resolution for 86 units at nearby Castle Lane. We intend to submit a planning application next year.

Net rental income

Table 13: Net rental income[1]

	30 September 2018 £m	30 September 2017 £m	Change £m
Like-for-like investment properties	**136**	122	**14**
Proposed developments	**1**	1	**-**
Development programme	**-**	-	**-**
Completed developments	**17**	11	**6**
Acquisitions since 1 April 2017	**-**	-	**-**
Sales since 1 April 2017	**-**	8	**(8)**
Non-property related income	**1**	2	**(1)**
Net rental income	**155**	144	**11**

1. On a proportionate basis.

Net rental income for the London Portfolio increased by £11m to £155m, with additional income from the like-for-like portfolio and developments more than offsetting lost income following the disposal of 20 Fenchurch Street, EC3.

Approximately half of the £14m growth in income from the like-for-like portfolio is due to the refurbished screen at Piccadilly Lights, W1 being switched back on in October last year. The completion of rent reviews and the letting of void space also contributed to the increase. Further lettings at our completed developments, principally Nova and The Zig Zag Building, both SW1, contributed an additional £6m. This was offset, however, by £8m of income lost as a result of the disposal of 20 Fenchurch St, EC3.

Our outlook

We remain confident in our view that London is a global city with strong long-term prospects. Occupational demand and pre-letting activity have remained steady, and we expect a continued flight to quality. This trend may put pressure on second hand space and we will continue to monitor the market for opportunities to deploy capital.

We have added to our development opportunities and are deploying innovative ways of building more quickly and cost effectively. The location and the nature of the product in our pipeline means it is likely we will develop speculatively, although timing will depend on market conditions.

Retail Portfolio

At a glance

— Valuation deficit of 2.5%[1]
— Ungeared total property return of (0.2)%
— The portfolio outperformed the IPD Quarterly Universe at (1.3)%
— £6m of investment lettings and £1m of development lettings
— Like-for-like voids: 3.0% (31 March 2018: 2.7%) and units in administration: 0.7% (31 March 2018: 0.7%)
— Footfall in our regional shopping centres and outlets was down 2.3% (national benchmark down 3.0%)
— Same centre sales, taking into account new lettings and occupier changes, were down 1.4% (national benchmark down 2.1%; including online, up 0.1%)

Our strategy

Our retail strategy is to focus on vibrant, resilient destinations which offer the most engaging experiences for retailers and consumers. Our diversified portfolio, including outlets, leisure and hotels, is performing well relative to the market in a difficult trading environment. We are introducing innovative concepts into the portfolio and are progressing plans for mixed use development at a number of our suburban London assets.

Our market

Retailers are facing tough conditions, with online sales continuing to grow, increasing costs and pressure on consumer spend. A number of retailers have entered into Company Voluntary Arrangements, or CVAs, with the aim of curtailing leases or reducing rents. This has impacted demand for space and increased voids in locations where these retailers are performing less well. Investment volumes are low and pricing has softened, reflecting cautious investor sentiment towards this sector.

Our portfolio – diversified by sector, focused on the customer

The diversity of our portfolio and customer base means we are less reliant on retailer demand, with our hotel, leisure and outlet assets performing better than shopping centres and retail parks.

Physical stores in the best locations continue to be important to retailers, and our portfolio of great destinations continues to attract occupiers, maintains high occupancy levels and is relatively less impacted by CVAs than the wider market. Our like-for-like portfolio voids are 3.0% and we secured £7m of lettings during the period.

At Bluewater, Kent, Primark is currently fitting out its new 60,000 sq ft store. JD Sports will double its floorspace before Christmas as demand for athleisure continues to grow. Apple's new upsized store has further strengthened the brand proposition at the centre. And BMW has opened its first BMW Urban store, enabling customers to combine digital and physical retailing in one experience. At Trinity Leeds, Timberland opened their new store in the summer, while at White Rose, Leeds, River Island completed a major upsize to create a new flagship store.

1. On a proportionate basis.

At Gunwharf Quays, Portsmouth, we reconfigured a former restaurant, creating four retail units and more than doubling the total rental value. At the outlets we acquired last year, our relationships with retailers and our experience of managing retail outlets is enabling us to enhance the offer, including welcoming Polo Ralph Lauren to Braintree.

Cinemas provide a great experience for our customers and this is reflected in healthy attendance and growing spend. We recently extended the cinema leases at Ashford and Xscape Milton Keynes, bringing the number of lease extensions over the last 12 months to seven. At White Rose, Leeds, we also installed Screen X, the world's first multi-projection immersive cinema auditorium offering a 270-degree viewing experience.

Hotel revenues tend to be closely related to GDP growth, and our 29 hotels, of which 21 are let to Accor, have consistently produced steady and resilient net rental income for us. The investment value of our hotels is typically less than their vacant possession values, demonstrating the underlying site value and potential of these assets.

We continue to innovate at our centres to enhance the experience for our customers and improve sustainability. We will soon be launching Black Box Revolution in Trinity Leeds. This concept aims to lower the barriers to entry for brands to trade in physical space by providing units ready for occupation in an experience-rich environment on short-term leases. Later this month, we will be launching an initiative to provide retailers with relevant, actionable feedback about their customers and their shopping behaviours. This will enable retailers to tailor product suggestions, offers and other information to their customers thereby improving the shopper experience. At White Rose, the 2,903 solar panels installed last year now produce 22% of the centre's annual communal energy requirement.

Westgate Oxford celebrated its first birthday in October and has firmly established itself as the retail destination of Oxford. It attracted just over 19m visitors during its first year of trading. Zara, Urban Outfitters and Flannels complete the line-up of aspirational retailers at the centre.

In June, the Harvest Partnership, a joint venture with Sainsbury's, forward-sold the Selly Oak retail park for a headline price of £94m (100%). Having de-risked the scheme with a 91% pre-let, this sale enabled us to crystallise value on the development, which has transformed a contaminated industrial site in this part of Birmingham. During the period, we also sold Almondvale South Retail Park in Livingston for £30m.

Our pipeline – exploring additional uses

A number of our suburban London retail assets have low site coverage, are in locations with good transport links and offer great potential for mixed use development. We intend to submit two planning applications at existing retail locations in the first half of 2019: one will include more than 1,000 homes at Finchley Road, NW3; and the second around 700 homes in Shepherd's Bush, W12. We have more sites with longer term potential including Lewisham Shopping Centre, SE13 which forms the core of a potential 8.3 acre mixed use destination. These locations are all in vibrant neighbourhoods where people want to live.

Net rental income

Table 14: Net rental income[1]

	30 September 2018 £m	30 September 2017 £m	Change £m
Like-for-like investment properties	**134**	140	**(6)**
Proposed developments	**-**	-	**-**
Development programme	**-**	-	**-**
Completed developments	**5**	1	**4**
Acquisitions since 1 April 2017	**11**	9	**2**
Sales since 1 April 2017	**-**	5	**(5)**
Non-property related income	**3**	4	**(1)**
Net rental income	**153**	159	**(6)**

1. On a proportionate basis.

Net rental income for the Retail Portfolio has decreased by £6m to £153m. This is driven by our like-for-like properties and disposals, partly offset by completed developments and acquisitions. The £6m reduction in our like-for-like properties is driven by higher bad debts, primarily provisions of £4m against tenant incentive balances, and void and re-letting costs. Asset disposals account for a further £5m reduction in net rental income. These include Ibis, Euston and Greyhound Retail Park, Chester, both sold in the second half of last year and Almondvale South Retail Park, Livingston sold earlier this year. These reductions were partly offset by the completion and opening of Westgate Oxford in October 2017, which contributed £4m, and the acquisition of three outlet centres in May last year which contributed a further £2m.

Our outlook

We are not immune from the challenges facing the retail sector, but the diversity of our portfolio means we are resilient relative to the wider market. Over the last six months, we have attracted strong brands to our destinations, further reduced our exposure to retail parks and progressed our plans for alternative use at some of our suburban London assets. Going forward, we'll continue to focus on delivering the space, service and experience that our customers demand, while continuing to explore the development and alternative use potential within our portfolio.

Principal risks and uncertainties

The principal risks of the business are set out on pages 54-57 of the 2018 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 2018 Annual Report and that the existing mitigation actions remain appropriate to manage them. However, the Board notes an increase in the market cyclicality risk due to greater uncertainty regarding the outcome of Brexit negotiations and an increase in customer risk reflecting the tougher retail trading environment.

The Board has 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 its customers and suppliers, the Group has contingency plans to mitigate the risks identified within each workstream.

The Board is 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. At this stage, although the Board recognises the health of our business is closely linked to the health of the UK economy, it does not believe that the UK’s exit from the EU presents a threat to the business model, nor does it pose a material risk to our committed developments or existing operations.

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 2018 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 2018 that have materially affected, and any changes in the related party transactions described in the 2018 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, London Portfolio
— Scott Parsons, Managing Director, Retail Portfolio
— Edward Bonham Carter, Senior Independent Director*
— Chris Bartram*
— Nicholas Cadbury*
— Simon Palley*
— 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
12 November 2018

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 2018 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 18. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

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

Directors' responsibilities

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

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

Our responsibility

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

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2018 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
12 November 2018

Financial statements

Unaudited income statement	Notes	Six months ended 30 September 2018 Revenue profit £m	Capital and other items £m	Total £m	Six months ended 30 September 2017[1] Revenue profit £m	Capital and other items £m	Total £m
Revenue	5	**371**	**7**	**378**	355	30	385
Costs	6	**(119)**	**(7)**	**(126)**	(112)	(22)	(134)
		252	**-**	**252**	243	8	251
Share of post-tax profit/(loss) from joint ventures	12	**11**	**(25)**	**(14)**	5	18	23
(Loss)/profit on disposal of investment properties		**-**	**(2)**	**(2)**	-	1	1
Profit on disposal of investment in joint venture		**-**	**-**	**-**	-	66	66
Net deficit on revaluation of investment properties	10	**-**	**(153)**	**(153)**	-	(29)	(29)
Operating profit/(loss)		**263**	**(180)**	**83**	248	64	312
Finance income	7	**10**	**1**	**11**	19	5	24
Finance expense	7	**(49)**	**(3)**	**(52)**	(64)	(238)	(302)
Profit/(loss) before tax		**224**	**(182)**	**42**	203	(169)	34
Taxation				**2**			(1)
Profit attributable to shareholders				**44**			33
Earnings per share attributable to shareholders:							
Basic earnings per share	4			**5.9p**			4.2p
Diluted earnings per share	4			**5.9p**			4.2p

1. Restated as a result of changes in accounting policies. See note 17 for details.

Unaudited statement of comprehensive income	Six months ended 30 September 2018 Total £m	Six months ended 30 September 2017[1] Total £m
Profit attributable to shareholders	**44**	33
Items that may be subsequently reclassified to the income statement:		
Fair value movement on cash flow hedges arising during the period	**-**	19
Items that will not be subsequently reclassified to the income statement:		
Net re-measurement gain/(loss) on defined benefit pension scheme	**4**	(1)
Deferred tax credit on re-measurement above	**(1)**	-
Other comprehensive income attributable to shareholders	**3**	18
Total comprehensive income attributable to shareholders	**47**	51

1. Restated as a result of changes in accounting policies. See note 17 for details.

Unaudited balance sheet	Notes	30 September 2018 £m	31 March 2018[1] £m
Non-current assets			
Investment properties	10	**12,236**	12,336
Intangible assets		**32**	34
Net investment in finance leases		**161**	162
Investments in joint ventures	12	**1,131**	1,151
Trade and other receivables		**168**	165
Other non-current assets		**41**	49
Total non-current assets		**13,769**	13,897
Current assets			
Trading properties	11	**23**	24
Trade and other receivables		**481**	471
Monies held in restricted accounts and deposits		**28**	15
Cash and cash equivalents		**8**	62
Other current assets		**12**	-
Total current assets		**552**	572
Total assets		**14,321**	14,469
Current liabilities			
Borrowings	14	**(881)**	(872)
Trade and other payables		**(280)**	(294)
Other current liabilities		**(15)**	(14)
Total current liabilities		**(1,176)**	(1,180)
Non-current liabilities			
Borrowings	14	**(2,848)**	(2,858)
Trade and other payables		**(3)**	-
Other non-current liabilities		**(6)**	(8)
Redemption liability		**(37)**	(37)
Total non-current liabilities		**(2,894)**	(2,903)
Total liabilities		**(4,070)**	(4,083)
Net assets		**10,251**	10,386
Equity			
Capital and reserves attributable to shareholders			
Ordinary shares		**80**	80
Share premium	15	**317**	317
Other reserves		**24**	26
Retained earnings		**9,830**	9,963
Total equity		**10,251**	10,386

1. Restated as a result of changes in accounting policies. See note 17 for details.

The financial statements on pages 23 to 46 were approved by the Board of Directors on 12 November 2018 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 2017[(1)]	80	791	30	10,301	11,202
Total comprehensive income for the financial period[(1)]	-	-	-	51	51
Transactions with shareholders:					
Share-based payments	-	1	4	1	6
Capital distribution	-	(475)	-	-	(475)
Dividends paid to shareholders	-	-	-	(163)	(163)
Acquisition of own shares	-	-	(5)	-	(5)
Total transactions with shareholders	-	(474)	(1)	(162)	(637)
At 30 September 2017[(1)]	80	317	29	10,190	10,616
Total comprehensive loss for the financial period[(1)]	-	-	-	(77)	(77)
Transactions with shareholders:					
Share-based payments	-	-	2	1	3
Dividends paid to shareholders	-	-	-	(151)	(151)
Acquisition of own shares	-	-	(5)	-	(5)
Total transactions with shareholders	-	-	(3)	(150)	(153)
At 31 March 2018[(1)]	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**

1. Restated as a result of changes in accounting policies. See note 17 for details.

Unaudited statement of cash flows		**Six months ended 30 September**	
		2018	2017
	Notes	**£m**	£m
Cash flows from operating activities			
Net cash generated from operations	9	**223**	159
Interest received		**2**	11
Interest paid		**(58)**	(68)
Capital expenditure on trading properties		**(1)**	(12)
Disposal of trading properties		**16**	55
Other operating cash flows		**(2)**	(3)
Net cash inflow from operating activities		**180**	142
Cash flows from investing activities			
Investment property development expenditure		**(28)**	-
Acquisition of investment properties		**(42)**	(331)
Other investment property related expenditure		**(20)**	(49)
Disposal of investment properties		**38**	24
Disposal of investment in joint venture		**-**	633
Cash contributed to joint ventures	12	**(26)**	(67)
Loan advances to joint ventures		**-**	(72)
Cash distributions from joint ventures	12	**30**	146
Other investing cash flows		**(1)**	-
Net cash (outflow)/inflow from investing activities		**(49)**	284
Cash flows from financing activities			
Proceeds from new borrowings (net of finance fees)		**-**	23
Repayment of borrowings	14	**(9)**	(151)
Redemption of medium term notes	14	**(8)**	(502)
Premium paid on redemption of medium term notes	14	**(2)**	(171)
Redemption of QAG Bond		**-**	(273)
Premium paid on redemption of QAG Bond		**-**	(61)
Issue of medium term notes (net of finance fees)		**-**	988
Net cash inflow from derivative financial instruments		**15**	38
Dividends paid to shareholders	8	**(168)**	(150)
(Increase)/decrease in monies held in restricted accounts and deposits		**(14)**	12
Other financing cash flows		**1**	(4)
Net cash outflow from financing activities		**(185)**	(251)
(Decrease)/increase in cash and cash equivalents for the period		**(54)**	175
Cash and cash equivalents at the beginning of the period		**62**	30
Cash and cash equivalents at the end of the period		**8**	205

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 2018 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 2018, presented in accordance with International Financial Reporting Standards as adopted by the EU (IFRS), were approved by the Board of Directors on 14 May 2018 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 2018.

This condensed consolidated interim financial information was approved for issue on 12 November 2018.

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. The Group’s share of post-tax profit from joint ventures has been included in Operating profit on the face of the income statement in the half-yearly financial statements, to better reflect the way in which the Group’s senior management view the results of joint ventures. The presentation of the comparative income statement has also been amended to reflect this change.

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 2018, 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 17.

Changes in accounting policy

The Group has adopted IFRS 9 Financial Instruments on 1 April 2018. While some accounting policies have been amended on adoption of the standard, there have been no adjustments to the Group's income statement or balance sheet. The new accounting policies are set out in note 17.

The Group has adopted IFRS 15 Revenue from Contracts with Customers on 1 April 2018. The Group has elected to apply the standard on a full retrospective basis as permitted by IFRS 15. Certain elements of service charge income and expense are now presented on a net basis as a result of adopting this standard. See note 17 for further details.

The Group has amended its accounting policy for debt refinancing from 1 April 2018 such that it no longer carries a bond exchange de-recognition adjustment on its balance sheet. The revised policy and the impact of the change in accounting policy on the consolidated interim financial information is detailed in note 17.

Amendments to IFRS

A number of new standards and amendments to standards have been issued but are not yet effective for the Group. The most significant of these is IFRS 16 Leases (effective for the Group from 1 April 2019). The Group continues to assess the impact of this standard. Based on the initial impact assessment, the Group expects to report separately service charge income for leases where a single payment is received to cover both rent and service charge. The total payment received is currently reported as rental income, but upon adoption of the standard, the service charge component will be separated and reported as service charge income in the notes to the financial statements. In the six months ended 30 September 2018, the amount reported in rental income which would be separated and reported as service charge income was £6m. There will be no net impact on profit attributable to shareholders or the Group's balance sheet.

3. Segmental information

The Group's operations are organised into two operating segments, being the London Portfolio and the Retail Portfolio. The London Portfolio includes all our London offices and central London shops and the Retail Portfolio includes all our shopping centres and shops (excluding central London shops), hotel and leisure assets and retail parks. 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.

The Group's primary measure of underlying profit before tax is revenue profit. However, segment profit is the lowest level to which the profit arising from the on-going operations of the Group is analysed between the two segments. The Group manages its financing structure, with the exception of joint ventures, on a pooled basis and, as such, debt facilities and finance expenses (other than those relating to joint ventures) are not specific to a particular segment. Unallocated income and expenses (Group Services) are items incurred centrally which are neither directly attributable nor can be reasonably allocated to individual 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 23.

3. Segmental information continued

Revenue profit	Six months ended 30 September 2018 Retail Portfolio £m	London Portfolio £m	Total £m	Six months ended 30 September 2017[1] Retail Portfolio £m	London Portfolio £m	Total £m
Rental income	**180**	**157**	**337**	176	151	327
Finance lease interest	**-**	**4**	**4**	-	4	4
Gross rental income (before rents payable)	**180**	**161**	**341**	176	155	331
Rents payable[2]	**(5)**	**(1)**	**(6)**	(5)	(1)	(6)
Gross rental income (after rents payable)	**175**	**160**	**335**	171	154	325
Service charge income	**20**	**25**	**45**	15	23	38
Service charge expense	**(26)**	**(24)**	**(50)**	(20)	(23)	(43)
Net service charge expense	**(6)**	**1**	**(5)**	(5)	-	(5)
Other property related income	**9**	**8**	**17**	10	8	18
Direct property expenditure	**(25)**	**(14)**	**(39)**	(17)	(18)	(35)
Net rental income	**153**	**155**	**308**	159	144	303
Indirect property expenditure	**(9)**	**(8)**	**(17)**	(11)	(8)	(19)
Depreciation	**(1)**	**-**	**(1)**	-	(1)	(1)
Segment profit before finance expense	**143**	**147**	**290**	148	135	283
Joint venture finance expense	**(2)**	**(8)**	**(10)**	(4)	(12)	(16)
Segment profit	**141**	**139**	**280**	144	123	267
Group Services – other income			**2**			1
– expense			**(19)**			(20)
Finance income			**10**			19
Finance expense			**(49)**			(64)
Revenue profit			**224**			203

1. Restated as a result of changes in accounting policies. See note 17 for details.
2. Included within rents payable is finance lease interest payable of **£1m** (2017: £1m) for the London Portfolio.

Reconciliation of revenue profit to profit before tax	Six months ended 30 September 2018 Total £m	Six months ended 30 September 2017[1] Total £m
Revenue profit	**224**	203
Capital and other items		
Valuation and profits on disposals		
Net deficit on revaluation of investment properties	**(188)**	(19)
(Loss)/profit on disposal of investment properties	**(4)**	2
Profit on disposal of investment in joint venture	**-**	66
Profit on disposal of trading properties	**1**	16
Fair value movement prior to acquisition of non-owned element of a joint venture	**9**	-
Movement in impairment of trading properties	**-**	(1)
Profit from long-term development contracts	**3**	-
	(179)	64
Net finance expense		
Fair value movement on interest-rate swaps	**1**	5
Premium and fees on redemption of medium term notes (MTNs)[2]	**(2)**	(173)
Premium and fees on redemption of QAG Bond[2]	**-**	(62)
Other	**(1)**	(3)
	(2)	(233)
Other	**(1)**	-
Profit before tax	**42**	34

1. Restated as a result of changes in accounting policies. See note 17 for details.
2. Previously included within Exceptional items. The cost of redeeming medium term notes and the QAG Bond have been reclassified to Net finance expense within Capital and other items as a result of the increased frequency of these types of transactions. The comparative disclosures have been restated accordingly. There is no impact on IFRS, EPRA or adjusted earnings per share as a result of this change.

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 better represent 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 2018**			Six months ended 30 September 2017(1)		
	Profit for the financial period	**EPRA earnings**	**Adjusted earnings**	Profit for the financial period	EPRA earnings	Adjusted earnings
	£m	**£m**	**£m**	£m	£m	£m
Profit attributable to shareholders	**44**	**44**	**44**	33	33	33
Taxation	**-**	**(2)**	**(2)**	-	1	1
Valuation and profits on disposal	**-**	**179**	**179**	-	(64)	(64)
Net finance expense(2)	**-**	**2**	**2**	-	233	233
Other	**-**	**1**	**1**	-	-	-
Profit used in per share calculation	**44**	**224**	**224**	33	203	203

	IFRS	**EPRA**	**Adjusted**	IFRS	EPRA	Adjusted
Basic earnings per share	**5.9p**	**30.3p**	**30.3p**	4.2p	25.7p	25.7p
Diluted earnings per share	**5.9p**	**30.3p**	**30.3p**	4.2p	25.7p	25.7p

1. Restated as a result of changes in accounting policies. See note 17 for details.
2. Net finance expense now includes the cost of redeeming MTNs and the QAG Bond. These items were previously included within Exceptional items.

Net assets per share	**30 September 2018**			31 March 2018(1)		
	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	**10,251**	**10,251**	**10,251**	10,386	10,386	10,386
Fair value of interest-rate swaps	**-**	**-**	**(7)**	-	-	(6)
Deferred tax liability on intangible asset	**-**	**-**	**4**	-	-	4
Goodwill on deferred tax liability	**-**	**(4)**	**(4)**	-	(4)	(4)
Excess of fair value of debt over book value (note 14)	**-**	**(132)**	**-**	-	(217)	-
Net assets used in per share calculation	**10,251**	**10,115**	**10,244**	10,386	10,165	10,380

	IFRS	**EPRA triple**	**EPRA**	IFRS	EPRA triple	EPRA
Net assets per share	**1,385p**	**n/a**	**n/a**	1,404p	n/a	n/a
Diluted net assets per share	**1,385p**	**1,367p**	**1,384p**	1,404p	1,374p	1,403p

1. Restated as a result of changes in accounting policies. See note 17 for details.

Number of shares	**Six months ended 30 September 2018**		Six months ended 30 September 2017(1)	
	Weighted average	**30 September 2018**	Weighted average	31 March 2018
	million	**million**	million	million
Ordinary shares	**751**	**751**	800	751
Treasury shares	**(10)**	**(10)**	(10)	(10)
Own shares	**(1)**	**(1)**	(1)	(1)
Number of shares – basic	**740**	**740**	789	740
Dilutive effect of share options	**-**	**-**	1	-
Number of shares – diluted	**740**	**740**	790	740

1. Restated as a result of changes in accounting policies (see note 17 for details of the change) which means that the earnings used in the earnings per share calculation is a profit, rather than a loss, for the six months ended 30 September 2017. The share options are therefore dilutive to earnings per share for the six months ended 30 September 2017.

4. Performance measures continued

Total business return	Six months ended 30 September 2018	Six months ended 30 September 2017[1]
	pence	pence
(Decrease)/increase in EPRA net assets per share	**(19)**	15
Dividend paid per share in the period (note 8)	**25**	21
Total return (a)	**6**	36
EPRA net assets per share at the beginning of the period (b)	**1,403**	1,417
Total business return (a/b)	**0.4%**	2.5%

1. Restated as a result of changes in accounting policies. See note 17 for details.

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 2018			Six months ended 30 September 2017[1]		
	Revenue profit	Capital and other items	Total	Revenue profit	Capital and other items	Total
	£m	£m	£m	£m	£m	£m
Rental income (excluding adjustment for lease incentives)	**306**	**1**	**307**	282	1	283
Adjustment for lease incentives	**3**	**-**	**3**	17	-	17
Rental income	**309**	**1**	**310**	299	1	300
Service charge income	**40**	**-**	**40**	35	-	35
Other property related income	**16**	**-**	**16**	16	-	16
Trading property sales proceeds	**-**	**6**	**6**	-	29	29
Finance lease interest	**4**	**-**	**4**	4	-	4
Other income	**2**	**-**	**2**	1	-	1
Revenue per the income statement	**371**	**7**	**378**	355	30	385

1. Restated as a result of changes in accounting policies. See note 17 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 2018				Six months ended 30 September 2017[1]			
	Group	Joint ventures	Adjustment for non-wholly owned subsidiaries[2]	Total	Group	Joint ventures	Adjustment for non-wholly owned subsidiaries[2]	Total
	£m	£m	£m	£m	£m	£m	£m	£m
Rental income	**310**	**28**	**(1)**	**337**	300	28	(1)	327
Service charge income	**40**	**5**	**-**	**45**	35	3	-	38
Other property related income	**16**	**1**	**-**	**17**	16	2	-	18
Trading property sales proceeds	**6**	**17**	**-**	**23**	29	56	-	85
Finance lease interest	**4**	**-**	**-**	**4**	4	-	-	4
Long-term development contract income	**-**	**16**	**-**	**16**	-	-	-	-
Other income	**2**	**-**	**-**	**2**	1	-	-	1
Revenue in the segmental information note	**378**	**67**	**(1)**	**444**	385	89	(1)	473

1. Restated as a result of changes in accounting policies. See note 17 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 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 2018			Six months ended 30 September 2017[1]		
	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	**44**	**-**	**44**	38	-	38
Direct property expenditure	**34**	**-**	**34**	30	-	30
Indirect property expenditure	**36**	**-**	**36**	39	-	39
Cost of trading property disposals	**-**	**6**	**6**	-	22	22
Movement in impairment of trading properties[2]	**-**	**-**	**-**	-	(1)	(1)
Amortisation of intangible asset	**-**	**1**	**1**	-	1	1
Costs per the income statement	**119**	**7**	**126**	112	22	134

1. Restated as a result of changes in accounting policies. See note 17 for details.
2. The movement in impairment of trading properties in the six months ended 30 September 2017 relates to the reversal of previous impairment charges related to residential land, where the valuer's assessment of net realisable value increased over the period.

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

	Six months ended 30 September 2018				Six months ended 30 September 2017[1]			
	Group	**Joint ventures**	**Adjustment for non-wholly owned subsidiaries[2]**	**Total**	Group	Joint ventures	Adjustment for non-wholly owned subsidiaries[2]	Total
	£m	**£m**	**£m**	**£m**	£m	£m	£m	£m
Rents payable	**5**	**1**	**-**	**6**	5	1	-	6
Service charge expense	**44**	**6**	**-**	**50**	38	5	-	43
Direct property expenditure	**34**	**5**	**-**	**39**	30	5	-	35
Indirect property expenditure	**36**	**1**	**-**	**37**	39	1	-	40
Cost of trading property disposals	**6**	**16**	**-**	**22**	22	47	-	69
Movement in impairment of trading properties	**-**	**-**	**-**	**-**	(1)	2	-	1
Long-term development contract expenditure	**-**	**13**	**-**	**13**	-	-	-	-
Amortisation of intangible asset	**1**	**-**	**-**	**1**	1	-	-	1
Costs in the segmental information note	**126**	**42**	**-**	**168**	134	61	-	195

1. Restated as a result of changes in accounting policies. See note 17 for details.
2. 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 **£29m** (2017: £31m), of which **£4m** (2017: £3m) is within service charge expense and **£25m** (2017: £28m) is within indirect property expenditure, of which **£10m** relates to Group Services (2017: £13m).

7. Net finance expense

	Six months ended 30 September 2018			Six months ended 30 September 2017[1]		
	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	**10**	**-**	**10**	19	-	19
Fair value movement on interest-rate swaps	**-**	**1**	**1**	-	5	5
	10	**1**	**11**	19	5	24
Finance expense						
Bond and debenture debt	**(41)**	**-**	**(41)**	(57)	-	(57)
Bank and other short-term borrowings	**(10)**	**-**	**(10)**	(7)	-	(7)
Fair value movement on other derivatives	**-**	**(1)**	**(1)**	-	-	-
Redemption of medium term notes[2]	**-**	**(2)**	**(2)**	-	(173)	(173)
Redemption of QAG Bond[2]	**-**	**-**	**-**	-	(62)	(62)
Revaluation of redemption liabilities	**-**	**-**	**-**	-	(1)	(1)
Other interest payable	**-**	**-**	**-**	(1)	(2)	(3)
	(51)	**(3)**	**(54)**	(65)	(238)	(303)
Interest capitalised in relation to properties under development	**2**	**-**	**2**	1	-	1
	(49)	**(3)**	**(52)**	(64)	(238)	(302)
Net finance expense	**(39)**	**(2)**	**(41)**	(45)	(233)	(278)
Joint venture net finance expense	**(10)**			(16)		
Net finance expense included in revenue profit	**(49)**			(61)		

1. Restated as a result of changes in accounting policies. See note 17 for details.
2. In the six months ended 30 September 2017, the Group redeemed the QAG Bond in its entirety and repurchased £502m of medium term notes.

Finance lease interest payable of **£1m** (2017: £1m) is included within rents payable as detailed in note 3.

8. Dividends

Ordinary dividends paid					Six months ended 30 September	
		Pence per share			**2018**	2017
	Payment date	PID	Non-PID	Total	£m	£m
For the year ended 31 March 2017:						
Third interim	7 April 2017	8.95	-	8.95		71
Final	27 July 2017	11.70	-	11.70		92
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**	
Gross dividends					**181**	163
Dividends in statement of changes in equity					**181**	163
Timing difference on payment of withholding tax					**(13)**	(13)
Dividends in the statement of cash flows					**168**	150

On 5 October 2018, the Company paid a first interim dividend in respect of the current financial year of **11.3p** per ordinary share, wholly as a Property Income Distribution (PID), representing **£84m** in total (2017: 9.85p or £78m in total).

The Board has declared a second interim dividend of **11.3p** per ordinary share to be payable wholly as a PID (2017: 9.85p) on 4 January 2019 to shareholders registered at the close of business on 30 November 2018.

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 11 December 2018.

9. Net cash generated from operations

Reconciliation of operating profit to net cash generated from operations	Six months ended 30 September 2018 £m	Six months ended 30 September 2017 £m
Operating profit	**83**	312
Adjustments for:		
Net deficit on revaluation of investment properties	**153**	29
Movement in impairment of trading properties	**-**	(1)
Profit on disposal of trading properties	**-**	(7)
Loss/(profit) on disposal of investment properties	**2**	(1)
Profit on disposal of investment in joint venture	**-**	(66)
Share of loss/(profit) from joint ventures	**14**	(23)
Share-based payment charge	**1**	4
Other	**5**	4
	258	251
Changes in working capital:		
Increase in receivables	**(24)**	(75)
Decrease in payables and provisions	**(11)**	(17)
Net cash generated from operations	**223**	159

10. Investment properties

	Six months ended 30 September 2018 **£m**	Six months ended 31 March 2018 £m	Six months ended 30 September 2017 £m
Net book value at the beginning of the period	**12,336**	12,503	12,144
Acquisitions	**42**	3	348
Transfer from trading properties	**-**	-	1
Capital expenditure	**42**	37	55
Capitalised interest	**2**	2	1
Disposals	**(33)**	(140)	(17)
Net deficit on revaluation of investment properties	**(153)**	(69)	(29)
Net book value at the end of the period	**12,236**	12,336	12,503

The fair value of investment properties at 30 September 2018 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 lease incentives, tenant finance leases and head leases separately. The following table reconciles the net book value of the investment properties to the market value.

	30 September 2018				31 March 2018			
	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
Net book value	**12,236**	**1,188**	**(35)**	**13,389**	12,336	1,235	(35)	13,536
Plus: tenant lease incentives	**339**	**36**	**-**	**375**	337	30	(1)	366
Less: head leases capitalised	**(31)**	**(8)**	**-**	**(39)**	(31)	(8)	-	(39)
Plus: properties treated as finance leases	**240**	**-**	**(1)**	**239**	241	-	(1)	240
Market value	**12,784**	**1,216**	**(36)**	**13,964**	12,883	1,257	(37)	14,103
Net (deficit)/surplus on revaluation of investment properties	**(153)**	**(35)**	**-**	**(188)**	(98)	7	-	(91)

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 2017	108	14	122
Capital expenditure	12	(1)	11
Disposals	(15)	(7)	(22)
Transfer to investment properties	-	(1)	(1)
Movement in impairment	1	-	1
30 September 2017	106	5	111
Capital expenditure	5	(1)	4
Disposals	(89)	(1)	(90)
Movement in impairment	(1)	-	(1)
31 March 2018	**21**	**3**	**24**
Acquisitions	**-**	**3**	**3**
Capital expenditure	**1**	**1**	**2**
Disposals	**-**	**(6)**	**(6)**
At 30 September 2018	**22**	**1**	**23**

The cumulative impairment provision at 30 September 2018 in respect of Development land and infrastructure was **£nil** (31 March 2018: £nil); and in respect of Residential was **£nil** (31 March 2018: £1m).

12. Joint arrangements

The Group's joint arrangements are described below:

Joint ventures	Percentage owned & voting rights	Business segment	Year end date[1]	Joint venture partner
Held at 30 September 2018				
Nova, Victoria[2]	50%	London	31 March	Canada Pension Plan Investment Board
Southside Limited Partnership[3]	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[4][5]	50%	Retail	31 March	J Sainsbury plc
The Ebbsfleet Limited Partnership[4]	50%	London	31 March	Ebbsfleet Property Limited
West India Quay Unit Trust[4][6]	50%	Retail	31 March	Schroder Exempt Property Unit Trust

Joint operation	Ownership interest	Business segment		Joint operation partners
Bluewater, Kent	30%	Retail		M&G Real Estate and GIC Lend Lease Retail Partnership Royal London Asset Management Aberdeen Asset Management

The Group acquired the remaining 50% interest in the following joint arrangement in the six months ended 30 September 2018:

Joint venture	Ownership interest	Business segment		Joint venture partner
The Oriana Limited Partnership[4][7]	50%	London	31 March	Frogmore Real Estate Partners Limited Partnership

1. The year end date shown is the accounting reference date of the joint venture. 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. On 13 April 2017, Metro Shopping Fund Limited Partnership (Metro) completed the sale of one of its assets to DV4 (a fund advised by Delancey Real Estate Asset Management Limited (Delancey)). On the same date, Delancey sold its stake in Metro to Invesco Real Estate European Fund. The partnership was subsequently renamed Southside Limited Partnership.
4. Included within Other in subsequent tables.
5. Harvest includes Harvest 2 Limited Partnership, Harvest Development Management Limited, Harvest 2 Selly Oak Limited, Harvest 2 GP Limited and Harvest GP Limited.
6. West India Quay Unit Trust is held in the X-Leisure Unit Trust (X-Leisure) in which the Group holds a 95% share.
7. On 12 April 2018, the Group purchased the remaining 50% interest in The Oriana Limited Partnership which it did not already own for consideration of £4m. The Group therefore owns 100% of the share capital at 30 September 2018.

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. The Westgate Oxford Alliance Limited Partnership, Nova, Victoria and The Oriana Limited Partnership are also engaged in the development of investment and trading 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

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	Six months ended 30 September 2018 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**
Segment profit before finance expense	**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

Six months ended 30 September 2017[1]

Joint ventures

Comprehensive income statement	20 Fenchurch Street Limited Partnership[2] 100% £m	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[3]	21	123	7	21	4	2	178	89
Gross rental income (after rents payable)	16	9	7	17	3	2	54	27
Net rental income	16	5	6	13	2	2	44	22
Segment profit before finance expense	16	4	6	13	2	1	42	21
Finance expense	(8)	(16)	(3)	-	(10)	-	(37)	(19)
Capitalised interest	-	-	-	-	5	-	5	3
Net finance expense	(8)	(16)	(3)	-	(5)	-	(32)	(16)
Revenue profit/(loss)	8	(12)	3	13	(3)	1	10	5
Capital and other items								
Net surplus/(deficit) on revaluation of investment properties	-	16	2	(19)	12	9	20	10
Impairment of trading properties	-	(4)	-	-	-	-	(4)	(2)
Profit on disposal of investment properties	-	-	-	-	-	2	2	1
Profit on disposal of trading properties	-	18	-	-	-	-	18	9
Profit/(loss) before tax	8	18	5	(6)	9	12	46	23
Post-tax profit/(loss)	8	18	5	(6)	9	12	46	23
Total comprehensive income/(loss)	8	18	5	(6)	9	12	46	23
	50%	50%	50%	50%	50%	50%	50%	
Group share of profit/(loss) before tax	4	9	3	(3)	4	6	23	23
Group share of post-tax profit/(loss)	4	9	3	(3)	4	6	23	23
Group share of total comprehensive income/(loss)	4	9	3	(3)	4	6	23	23

1. Restated as a result of changes in accounting policies. See note 17 for details.
2. The Group disposed of its interest in 20 Fenchurch Street Limited Partnership on 24 August 2017.
3. Revenue includes gross rental income (before rents payable), service charge income, other property related income and trading properties disposal proceeds.

12. Joint arrangements continued

30 September 2018

Joint ventures 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]	842	296	617	551	71	2,377	1,188
Non-current assets	**842**	**296**	**617**	**551**	**71**	**2,377**	**1,188**
Cash and cash equivalents	7	2	4	29	23	65	32
Other current assets	86	9	18	25	85	223	112
Current assets	**93**	**11**	**22**	**54**	**108**	**288**	**144**
Total assets	**935**	**307**	**639**	**605**	**179**	**2,665**	**1,332**
Trade and other payables and provisions	(14)	(7)	(12)	(22)	(28)	(83)	(41)
Current liabilities	**(14)**	**(7)**	**(12)**	**(22)**	**(28)**	**(83)**	**(41)**
Non-current liabilities	(161)	(143)	(16)	-	-	(320)	(160)
Non-current liabilities	**(161)**	**(143)**	**(16)**	**-**	**-**	**(320)**	**(160)**
Total liabilities	**(175)**	**(150)**	**(28)**	**(22)**	**(28)**	**(403)**	**(201)**
Net assets	**760**	**157**	**611**	**583**	**151**	**2,262**	**1,131**
Market value of investment properties[1]	**882**	**298**	**613**	**567**	**72**	**2,432**	**1,216**
Net cash/(debt)	**7**	**2**	**(13)**	**29**	**23**	**48**	**24**

31 March 2018

Joint ventures 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]	845	295	664	549	117	2,470	1,235
Non-current assets	845	295	664	549	117	2,470	1,235
Cash and cash equivalents	7	2	2	10	12	33	16
Other current assets	101	8	18	21	39	187	94
Current assets	108	10	20	31	51	220	110
Total assets	953	305	684	580	168	2,690	1,345
Trade and other payables and provisions	(24)	(5)	(12)	(15)	(10)	(66)	(33)
Current liabilities	(24)	(5)	(12)	(15)	(10)	(66)	(33)
Non-current financial liabilities	(144)	(143)	(16)	-	(18)	(321)	(161)
Non-current liabilities	(144)	(143)	(16)	-	(18)	(321)	(161)
Total liabilities	(168)	(148)	(28)	(15)	(28)	(387)	(194)
Net assets	785	157	656	565	140	2,303	1,151
Market value of investment properties[1]	874	298	661	562	118	2,513	1,257
Net cash/(debt)	7	1	(15)	10	12	15	8

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	20 Fenchurch Street Limited Partnership[1] 50% £m	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 2017	527	437	104	352	203	111	1,734
Total comprehensive income/(loss)	4	9	3	(3)	4	6	23
Cash contributed	-	13	-	-	46	8	67
Cash distributions	-	(65)	(27)	(7)	-	(47)	(146)
Disposal of investment	(531)	-	-	-	-	-	(531)
At 30 September 2017	-	394	80	342	253	78	1,147
Total comprehensive (loss)/income	-	(3)	-	(6)	8	5	4
Cash contributed	-	7	-	-	33	4	44
Cash distributions	-	(5)	(2)	(8)	(12)	(17)	(44)
At 31 March 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**

1. On 24 August 2017, the Group disposed of its interest in 20 Fenchurch Street Limited Partnership for £633m, realising a profit of £66m, after settling outstanding interest receivable of £36m.

13. Capital structure

	30 September 2018				31 March 2018[1]			
	Group	**Joint ventures**	**Adjustment for non-wholly owned subsidiaries[2]**	**Combined**	Group	Joint ventures	Adjustment for non-wholly owned subsidiaries[2]	Combined
	£m	**£m**	**£m**	**£m**	£m	£m	£m	£m
Property portfolio								
Market value of investment properties	**12,784**	**1,216**	**(36)**	**13,964**	12,883	1,257	(37)	14,103
Trading properties and long-term contracts	**23**	**32**	**-**	**55**	24	50	-	74
Total property portfolio (a)	**12,807**	**1,248**	**(36)**	**14,019**	12,907	1,307	(37)	14,177
Net debt								
Borrowings	**3,729**	**8**	**-**	**3,737**	3,730	8	-	3,738
Monies held in restricted accounts and deposits	**(28)**	**-**	**-**	**(28)**	(15)	-	-	(15)
Cash and cash equivalents	**(8)**	**(32)**	**-**	**(40)**	(62)	(16)	-	(78)
Fair value of interest-rate swaps	**(7)**	**-**	**-**	**(7)**	(6)	-	-	(6)
Fair value of foreign exchange swaps and forwards	**6**	**-**	**-**	**6**	7	-	-	7
Net debt (b)	**3,692**	**(24)**	**-**	**3,668**	3,654	(8)	-	3,646
Less: Fair value of interest-rate swaps	**7**	**-**	**-**	**7**	6	-	-	6
Adjusted net debt (c)	**3,699**	**(24)**	**-**	**3,675**	3,660	(8)	-	3,652
Adjusted total equity								
Total equity (d)	**10,251**	**-**	**-**	**10,251**	10,386	-	-	10,386
Fair value of interest-rate swaps	**(7)**	**-**	**-**	**(7)**	(6)	-	-	(6)
Adjusted total equity (e)	**10,244**	**-**	**-**	**10,244**	10,380	-	-	10,380
Gearing (b/d)	**36.0%**			**35.8%**	35.2%			35.1%
Adjusted gearing (c/e)	**36.1%**			**35.9%**	35.3%			35.2%
Group LTV (c/a)	**28.9%**			**26.2%**	28.4%			25.8%
Security Group LTV	**27.5%**				27.2%			
Weighted average cost of debt	**2.6%**			**2.6%**	2.6%			2.6%

1. Restated as a result of changes in accounting policies. See note 17 for details.
2. This represents the interest in X-Leisure which we do not own, but which is consolidated in the Group numbers.

14. Borrowings

	Secured/ unsecured	Fixed/ floating	Effective interest rate %	30 September 2018 Nominal/ notional value £m	30 September 2018 Fair value £m	30 September 2018 Book value £m	31 March 2018 Nominal/ notional value £m	31 March 2018 Fair value £m	31 March 2018 Book value[(1)] £m
Current borrowings									
Commercial paper									
Sterling	Unsecured	Floating	LIBOR + margin	**3**	**3**	**3**	-	-	-
Euro	Unsecured	Floating	LIBOR + margin	**730**	**730**	**730**	833	833	833
US Dollar	Unsecured	Floating	LIBOR + margin	**148**	**148**	**148**	39	39	39
Total current borrowings				**881**	**881**	**881**	872	872	872
Non-current borrowings									
Sterling									
A3 5.425% MTN due 2022	Secured	Fixed	5.5	**46**	**49**	**46**	46	50	46
A10 4.875% MTN due 2025	Secured	Fixed	5.0	**14**	**15**	**14**	14	16	14
A12 1.974% MTN due 2026	Secured	Fixed	2.0	**400**	**399**	**399**	400	401	399
A4 5.391% MTN due 2026	Secured	Fixed	5.4	**25**	**30**	**25**	25	30	25
A5 5.391% MTN due 2027	Secured	Fixed	5.4	**186**	**222**	**186**	186	229	186
A6 5.376% MTN due 2029	Secured	Fixed	5.4	**77**	**95**	**77**	84	107	84
A16 2.375% MTN due 2029	Secured	Fixed	2.5	**350**	**350**	**347**	350	352	347
A13 2.399% MTN due 2031	Secured	Fixed	2.4	**300**	**298**	**299**	300	300	299
A7 5.396% MTN due 2032	Secured	Fixed	5.4	**156**	**201**	**155**	156	210	156
A11 5.125% MTN due 2036	Secured	Fixed	5.1	**56**	**74**	**56**	56	78	56
A14 2.625% MTN due 2039	Secured	Fixed	2.6	**500**	**483**	**493**	500	498	493
A15 2.750% MTN due 2059	Secured	Fixed	2.8	**500**	**475**	**495**	500	512	494
				2,610	**2,691**	**2,592**	2,617	2,783	2,599
Syndicated bank debt	Secured	Floating	LIBOR + margin	**225**	**225**	**225**	228	228	228
Amounts payable under finance leases	Unsecured	Fixed	5.7	**31**	**64**	**31**	31	64	31
Total non-current borrowings				**2,866**	**2,980**	**2,848**	2,876	3,075	2,858
Total borrowings				**3,747**	**3,861**	**3,729**	3,748	3,947	3,730

1. Restated as a result of changes in accounting policies. See note 17 for details.

Reconciliation of the movement in borrowings	**Six months ended 30 September 2018** £m	Year ended 31 March 2018[(1)] £m
At the beginning of the period	**3,730**	3,263
Proceeds from new borrowings	**-**	632
Repayment of borrowings	**(9)**	-
Redemption of MTNs	**(8)**	(1,256)
Redemption of QAG Bond	**-**	(273)
Issue of MTNs (net of finance fees)	**-**	1,334
Foreign exchange movement on non-Sterling borrowings	**16**	26
Other	**-**	4
At the end of the period	**3,729**	3,730

1. Restated as a result of changes in accounting policies. See note 17 for details.

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 2018					
Borrowings	**3,730**	**(17)**	**-**	**16**	**3,729**
Derivative financial instruments	**1**	**15**	**(17)**	**-**	**(1)**
	3,731	**(2)**	**(17)**	**16**	**3,728**
Year ended 31 March 2018[(1)]					
Borrowings	3,263	437	-	30	3,730
Derivative financial instruments	7	31	(53)	16	1
	3,270	468	(53)	46	3,731

1. Restated as a result of changes in accounting policies. See note 17 for details.

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 **£13.5bn** at 30 September 2018 (31 March 2018: £13.7bn). 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 1.45 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 conducted tender exercises and purchased **£8m** of MTNs for a total premium of **£2m**. Details of the purchases and associated premium by series are as follows:

MTN purchases		**30 September 2018**		31 March 2018	
		Purchases £m	**Premium £m**	Purchases £m	Premium £m
A10	4.875% MTN due 2025	**-**	**-**	15	3
A4	5.391% MTN due 2026	**-**	**-**	2	-
A5	5.391% MTN due 2027	**-**	**-**	398	90
A6	5.376% MTN due 2029	**7**	**2**	233	73
A7	5.396% MTN due 2032	**1**	**-**	164	57
A11	5.125% MTN due 2036	**-**	**-**	444	162
		8	**2**	1,256	385

In conjunction with tender exercises, in September 2017, the Group issued a £500m 2.625% MTN due 2039 and a £500m 2.750% MTN due 2059 and, in March 2018, the Group issued a £350m 2.375% MTN due 2029.

Syndicated and bilateral bank debt		**Authorised**		**Drawn**		**Undrawn**	
	Maturity as at 30 Sept 2018	**30 Sept 2018 £m**	31 March 2018 £m	**30 Sept 2018 £m**	31 March 2018 £m	**30 Sept 2018 £m**	31 March 2018 £m
Syndicated debt	2023-24	**1,990**	1,965	**100**	103	**1,890**	1,862
Bilateral debt	2022	**125**	125	**125**	125	**-**	-
		2,115	2,090	**225**	228	**1,890**	1,862

At 30 September 2018, the Group's committed revolving facilities totalled **£2,115m** (31 March 2018: £2,090m). The **£25m** increase in committed facilities is the result of an increase in the syndicated debt facility arranged on 9 August 2018.

All syndicated and bilateral facilities are committed and secured on the assets of the Security Group. During the period ended 30 September 2018, the amounts drawn under the Group's facilities decreased by **£3m**.

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 2018 were **£1,009m** (31 March 2018: £990m), compared with undrawn facilities of **£1,890m** (31 March 2018: £1,862m).

Queen Anne's Gate Bond

In two tranches, on 25 April 2017 and 9 May 2017, the Group repurchased and redeemed the £273m QAG Bond in its entirety for a total premium to nominal value of £61m, with associated costs of £1m.

Fair values

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 under finance leases fall within Level 3, as defined by IFRS 13. The fair value of the amounts payable under finance leases is determined using a discount rate of **2.6%** (31 March 2018: 2.6%).

15. Capital distribution

On 27 September 2017, the Group's shareholders approved a return of capital to shareholders of £475m through the issue of new B shares, which the Group then redeemed in order to return 60p per ordinary share to shareholders, reducing the Group's share premium account. The capital distribution was paid on 13 October 2017.

Following the redemption of the B shares, there was a share consolidation in the ratio of 15 ordinary shares for every 16 existing shares. The share consolidation did not result in a change in the carrying value of the Group's share capital, but reduced the number of ordinary shares in issue by 50,085,104 of which 655,946 were held in Treasury.

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. Changes in accounting policies

IFRS 9 Financial instruments

The Group has adopted IFRS 9 with effect from 1 April 2018. IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, de-recognition of financial instruments, impairment of financial assets and hedge accounting. While some accounting policies have been amended on adoption of the standard, there have been no adjustments required to the Group's income statement or balance sheet. The new accounting policies are set out below.

On 1 April 2018 (the date of initial application of IFRS 9), the Group has assessed whether it intends to hold its financial assets to collect the contractual cash flows, or whether it intends to sell them before maturity and has classified its financial instruments into the appropriate IFRS 9 categories. There is no net impact on the income statement or balance sheet as a result of these changes.

Financial asset	Classification – IAS 39	Classification – IFRS 9	Measurement
Trade and other receivables			
Trade receivables	Loans and receivables	Financial assets at amortised cost	Amortised cost
Property sales debtors	Loans and receivables	Financial assets at amortised cost	Amortised cost
Amounts due from joint ventures	Loans and receivables	Financial assets at amortised cost	Amortised cost
Net investment in finance lease	Loans and receivables	Financial assets at amortised cost	Amortised cost
Cash and cash equivalents	Amortised cost	Financial assets at amortised cost	Amortised cost
Other investments			
Equity investments	Available for sale	Financial assets at fair value through Other comprehensive income (without recycling)	Fair value, with changes recognised in Other comprehensive income

The Group's financial assets are subject to the standard's new expected credit loss model for assessing impairment. The Group applies the simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables, the net investment in finance leases and contract assets. There has been no adjustment to the loss allowance on 1 April 2018 as the impact of adopting the revised accounting policy is not material.

IFRS 15 Revenue from contracts with customers

The Group has also adopted IFRS 15 with effect from 1 April 2018, which is applicable to service charge income, other property related income, trading property sales proceeds and proceeds from the sale of investment properties, but not rental income. As a result of adopting this standard, the service charge income and expenses for those properties where the property management activities are performed by a third party are now presented on a net basis. For these properties, the Group considers the third party performing the activities to be the principal delivering the service. The impact of this change on the Group's income statement is shown in the tables on page 46. There is no impact on the Group's balance sheet.

Borrowings

With effect from 1 April 2018, the Group has amended its accounting policy on determining whether an existing liability has been extinguished when carrying out a debt refinancing transaction. Under the Group's previous accounting policy, the result of the quantitative '10% test', as described in IAS 39, was the key criterion considered to determine whether an existing liability had been extinguished. Under the revised policy, greater weight is given to qualitative factors when assessing the appropriate treatment.

The revised accounting policy provides more relevant and reliable information by more accurately reflecting the Group's current net asset position, and the carrying value of its borrowings. The Group previously reported this position using alternative performance measures which adjusted net assets and net debt. Under the revised accounting policy, the Group no longer reports the adjusted net assets per share performance measures, as the calculation is now consistent with that for EPRA net assets per share.

The change in accounting policy has been applied retrospectively in accordance with the requirements of IAS 8 – Changes in accounting policies, changes in accounting estimates and errors. The impact of this change on the Group's comparative income statement and balance sheet is shown in the tables on page 46.

17. Changes in accounting policies continued

Accounting policies

The Group's revised accounting policies are outlined below.

Trade receivables

Trade and other receivables are recognised initially at fair value, subsequently at amortised cost and, where relevant, adjusted for the time value of money. The Group assesses on a forward-looking basis the expected credit losses associated with its trade receivables. A provision for impairment is made for the lifetime expected credit losses on initial recognition of the receivable. If collection is expected in more than one year, the balance is presented within non-current assets.

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 periods in which they are earned.

The Group's revenue from contracts with customers, as defined in IFRS 15 includes service charge income, other property related income, trading property sales proceeds and long-term development contract 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.

Other property related income includes development and asset management fees. These fees are recognised over time, using time elapsed as the input method which measures the benefit simultaneously received and consumed by the customer, over the period the development or asset management services are provided.

Proceeds received on the sale of trading properties are recognised when control of the property transfers to the buyer, i.e. the buyer has the ability to direct the use of the property and the right to the cash inflows and outflows generated by it. This generally occurs on unconditional exchange or on completion. If completion is expected to occur significantly after exchange or if the Group has significant outstanding obligations between exchange and completion, the Group assesses whether there are multiple performance obligations in the contract and recognises revenue as each performance obligation is satisfied.

When property is let under a finance lease, the Group recognises a receivable equal to the net investment in the lease at inception of the lease. Rentals received are accounted for as repayments of principal and finance income as appropriate. Finance income is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining net investment in the finance lease and is recognised within revenue.

Revenue on long-term development contracts is recognised over time over the period of the contract as the Group creates or enhances an asset that the customer controls. Progress towards completion of the development, by reference to the value of work completed using the costs incurred to date as a proportion of total costs expected to be incurred over the term of the contract is used as the input method.

Significant accounting judgement

For those properties where the property management activities are performed by a third party, the Group considers the third party to be the principal delivering the service. The key factors considered by the Group when making this judgement include the following responsibilities of the third party:

- selecting suppliers and ensuring all services are delivered
- establishing prices and seeking efficiencies
- risk management and compliance

In addition, the residual rights residing with the Group are generally protective in nature.

Borrowings

Borrowings, other than bank overdrafts, are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, borrowings are stated at amortised cost with any difference between the amount initially recognised and the redemption value being recognised in the income statement over the period of the borrowings, using the effective interest method.

When debt refinancing exercises are carried out, existing liabilities will be treated as being extinguished when the new liability is substantially different from the existing liability. In making this assessment, the Group will consider the transaction as a whole, taking into account both qualitative and quantitative characteristics.

17. Changes in accounting policies continued

Impact on the financial statements

The following tables show the adjustments made to previously reported results for each individual line item. Line items in the balance sheet that were not affected by the changes have not been shown separately.

Income statement	Six months ended 30 September 2017 Reported £m	Adjustments £m	Restated £m
Revenue[(1)]	396	(11)	385
Costs[(1)]	(145)	11	(134)
	251	-	251
Share of post-tax profit from joint ventures	23	-	23
Profit on disposal of investment properties	1	-	1
Profit on disposal of investment in joint venture	66	-	66
Net deficit on revaluation of investment properties	(29)	-	(29)
Operating profit	312	-	312
Finance income	24	-	24
Finance expense[(2)]	(369)	67	(302)
(Loss)/profit before tax	(33)	67	34
Taxation	(1)	-	(1)
(Loss)/profit attributable to shareholders	(34)	67	33
Earnings per share attributable to shareholders:			
Basic (loss)/earnings per share	(4.3)p	8.5p	4.2p
Diluted (loss)/earnings per share	(4.3)p	8.5p	4.2p

1. Adjustment to present service charge income and expense on a net basis, for those properties managed by a third party.
2. Adjustment to remove amortisation of the bond exchange de-recognition adjustment.

Balance sheet	31 March 2018 Reported £m	Adjustments £m	31 March 2018 Restated £m	1 April 2017 Reported £m	Adjustments £m	1 April 2017 Restated £m
Total assets	14,469	-	14,469	14,844	-	14,844
Total current liabilities	(1,180)	-	(1,180)	(713)	-	(713)
Non-current liabilities						
Borrowings[(1)]	(2,752)	(106)	(2,858)	(2,545)	(314)	(2,859)
Other non-current liabilities	(45)	-	(45)	(70)	-	(70)
Total non-current liabilities	(2,797)	(106)	(2,903)	(2,615)	(314)	(2,929)
Total liabilities	(3,977)	(106)	(4,083)	(3,328)	(314)	(3,642)
Net assets	10,492	(106)	10,386	11,516	(314)	11,202
Equity						
Capital and reserves attributable to shareholders						
Retained earnings[(1)]	10,069	(106)	9,963	10,615	(314)	10,301
Other components of equity	423	-	423	901	-	901
Total equity	10,492	(106)	10,386	11,516	(314)	11,202

1. Adjustment to remove the bond exchange de-recognition adjustment.

18. Events after the reporting period

There were no significant events occurring after the reporting period, but before the publication of this report.

Business analysis

Table 15: Alternative performance measures

The Group has applied the European Securities and Markets Authority (ESMA) 'Guidelines on Alternative Performance Measures' in these results. In the context of these results, an alternative performance measure (APM) is a financial measure of historical or future financial performance, position or cash flows of the Group which is not a measure defined or specified in IFRS.

The table below summarises the APMs included in these results, where the definitions and reconciliations of these measures can be found and where further discussion is included. The definitions of all APMs are included in the Glossary and further discussion of these measures can be found in the Financial review.

	Nearest IFRS measure	**Reconciliation**
Revenue profit	Profit before tax	Note 3
Adjusted earnings	Profit attributable to shareholders	Note 4
Adjusted earnings per share	Basic earnings per share	Note 4
Adjusted diluted earnings per share	Diluted earnings per share	Note 4
EPRA net 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 16: EPRA performance measures

			30 September 2018	
	Definition for EPRA measure	**Notes**	**Landsec measure**	**EPRA measure**
Adjusted earnings	Recurring earnings from core operational activity	4	**£224m**	**£224m**
Adjusted earnings per share	Adjusted earnings per weighted number of ordinary shares	4	**30.3p**	**30.3p**
Adjusted diluted earnings per share	Adjusted diluted earnings per weighted number of ordinary shares	4	**30.3p**	**30.3p**
EPRA net assets	Net assets adjusted to exclude the fair value of interest-rate swaps	4	**£10,244m**	**£10,244m**
EPRA net assets per share	Diluted net assets per share adjusted to exclude the fair value of interest-rate swaps	4	**1,384p**	**1,384p**
EPRA triple net assets	Net assets adjusted to include the fair value of financial instruments and debt	4	**£10,115m**	**£10,115m**
EPRA triple net assets per share	Diluted triple net assets per share	4	**1,367p**	**1,367p**
Net initial yield (NIY)	Annualised rental income less non-recoverable costs as a % of market value plus assumed purchasers' costs(1)		**4.1%**	**4.3%**
Topped-up NIY	NIY adjusted for rent free periods(1)		**4.5%**	**4.6%**
Voids/vacancy rate	ERV of vacant space as a % of ERV of Combined Portfolio excluding the development programme(2)		**1.9%**	**1.9%**
Cost ratio	Total costs as a percentage of gross rental income (including direct vacancy costs)(3)		**17.0%**	**17.4%**
	Total costs as a percentage of gross rental income (excluding direct vacancy costs)(3)		**n/a**	**14.9%**

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 an adjustment of £50m for rent free periods and other incentives for both the Landsec measure and EPRA measures.
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 17: Top 12 occupiers at 30 September 2018

	% of Group rent[1]
Deloitte	5.5
Central Government	5.2
Accor	4.2
Mizuho Bank	1.7
Boots	1.5
Cineworld	1.2
Taylor Wessing	1.2
K&L Gates	1.1
Next	1.1
Equinix (formerly known as Telecity)	1.1
Deutsche Bank	1.1
H&M	1.1
	26.0

1. On a proportionate basis.

Table 18: Development pipeline at 30 September 2018

Development pipeline

Property	Description of use	Ownership interest %	Size sq ft	Letting status %	Market value £m	Net income/ ERV £m	Actual/ 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	83[1]	203	38	Nov 2021	144	581
Proposed developments									
Nova East, SW1	Office	50	166,000	n/a	n/a	n/a	Feb 2022	n/a	n/a
105 Sumner St, SE1	Office	100	135,000	n/a	n/a	n/a	Apr 2022	n/a	n/a
1 Sherwood St, W1	Office	100	111,000	n/a	n/a	n/a	May 2022	n/a	n/a
	Retail		30,000						
	Residential		3,000						
Developments let and transferred or sold									
The Zig Zag Building, SW1[2]	Office	100	192,700	100	n/a[3]	17	Nov 2015	182	182
	Retail		38,700	100					
Nova, SW1	Office	50	481,400	98	n/a[3]	19	Apr 2017	266	266
	Retail		79,200	100					
20 Eastbourne Terrace, W2	Office	100	92,800	100	n/a[3]	6	May 2017	67	67
Westgate Oxford	Retail	50	800,000	96	n/a[3]	14	Oct 2017	214	218
Oriana, W1 – Phase II[4]	Retail	50	30,700	100	n/a[3]	n/a	n/a	n/a	n/a
Selly Oak, Birmingham[5]	Retail	50	190,000	91	n/a[3]	n/a	n/a	n/a	n/a

1. We have entered into an agreement for lease with Deutsche Bank for between 469,000 and 564,000 sq ft at 21 Moorfields, EC2. The letting status of 83% represents a letting of 469,000 sq ft.
2. Includes retail within Kings Gate, SW1.
3. Once properties are transferred from the development pipeline, we do not report on their individual value.
4. This represents the disposal of 28-32 Oxford Street, W1.
5. This represents the forward sale of the Selly Oak retail park.

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 2018. Trading property development schemes are excluded from the development pipeline.

<u>Total development cost</u>

Refer to the Glossary for definition. Of the properties in the development pipeline at 30 September 2018, the only property on which interest was capitalised on the land cost was 21 Moorfields, EC2.

<u>Net income/ERV</u>

Net income/ERV represents headline annual rent on let units plus ERV at 30 September 2018 on unlet units, both after rents payable.

Table 19: Combined Portfolio value by location at 30 September 2018

	Shopping centres and shops	Retail parks	Offices	Hotels, leisure, residential & other	Total
	%	%	%	%	%
Central, inner and outer London	14.0	0.2	45.9	3.4	63.5
South East and East	11.6	3.4	-	2.9	17.9
Midlands	-	0.6	-	0.6	1.2
Wales and South West	3.2	0.4	-	0.6	4.2
North, North West, Yorkshire and Humberside	7.5	0.5	0.1	1.7	9.8
Scotland and Northern Ireland	2.6	-	-	0.8	3.4
Total	**38.9**	**5.1**	**46.0**	**10.0**	**100.0**

% figures calculated by reference to the Combined Portfolio value of £14.0bn.

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

Table 20: Combined Portfolio performance relative to IPD
Total property returns – six months ended 30 September 2018

	Landsec	IPD [(1)]
	%	%
Retail – Shopping centres	(0.7)	(1.5)
– Retail parks	(1.7)	- [(2)]
Central London shops	(2.2)	2.4
Central London offices	2.3	2.8
Total	**0.8** [(3)]	**3.3**

1. IPD Quarterly Universe.
2. IPD Retail Warehouses Quarterly Universe.
3. Includes leisure, hotel portfolio and other.

Table 21: Combined Portfolio analysis

Like-for-like segmental analysis

	Market value[1]		Valuation movement[1]		Rental income[1]		Annualised rental income[2]	Annualised net rent[3]		Net estimated rental value[4]	
	30 September 2018	31 March 2018	Surplus/ (deficit)	Surplus/ (deficit)	30 September 2018	30 September 2017	30 September 2018	30 September 2018	31 March 2018	30 September 2018	31 March 2018
	£m	£m	£m	%	£m	£m	£m	£m	£m	£m	£m
Retail Portfolio											
Shopping centres and shops	**3,451**	3,559	**(114)**	**(3.2%)**	**96**	97	**183**	**179**	180	**193**	196
Retail parks	**720**	752	**(33)**	**(4.5%)**	**22**	22	**43**	**43**	45	**44**	44
Leisure and hotels	**1,301**	1,304	**(3)**	**(0.2%)**	**39**	38	**77**	**76**	75	**78**	78
Other	**16**	16	**-**	**0.3%**	**1**	1	**1**	**1**	1	**2**	2
Total Retail Portfolio	**5,488**	5,631	**(150)**	**(2.7%)**	**158**	158	**304**	**299**	301	**317**	320
London Portfolio											
West End	**2,350**	2,369	**(23)**	**(1.0%)**	**54**	53	**108**	**110**	108	**117**	116
City	**1,223**	1,223	**4**	**0.3%**	**25**	25	**50**	**55**	52	**62**	62
Mid-town	**1,392**	1,347	**40**	**3.2%**	**30**	27	**59**	**47**	45	**69**	66
Inner London	**320**	320	**-**	**0.2%**	**7**	7	**14**	**14**	14	**16**	16
Total London offices	**5,285**	5,259	**21**	**0.4%**	**116**	112	**231**	**226**	219	**264**	260
Central London shops	**1,297**	1,332	**(36)**	**(2.7%)**	**27**	20	**49**	**49**	49	**57**	60
Other	**32**	34	**(2)**	**(6.8%)**	**1**	1	**1**	**1**	1	**1**	1
Total London Portfolio	**6,614**	6,625	**(17)**	**(0.3%)**	**144**	133	**281**	**276**	269	**322**	321
Like-for-like portfolio[8]	**12,102**	12,256	**(167)**	**(1.4%)**	**302**	291	**585**	**575**	570	**639**	641
Proposed developments[1]	**92**	81	**(1)**	**(1.4%)**	**1**	1	**2**	**2**	2	**4**	3
Development programme[9]	**203**	166	**8**	**4.2%**	**-**	-	**-**	**-**	-	**38**	37
Completed developments[10]	**1,199**	1,203	**(25)**	**(2.2%)**	**22**	15	**49**	**35**	25	**55**	57
Acquisitions[11]	**368**	340	**(3)**	**(0.8%)**	**15**	11	**24**	**24**	24	**26**	24
Sales[12]	**-**	57	**-**	**-**	**1**	13	**-**	**-**	2	**-**	4
Combined Portfolio	**13,964**	14,103	**(188)**	**(1.4%)**	**341**	331	**660**	**636**	623	**762**	766
Properties treated as finance leases					**(4)**	(4)					
Combined Portfolio	**13,964**	14,103	**(188)**	**(1.4%)**	**337**	327					

Total portfolio analysis

	Market value[1]		Valuation movement[1]		Rental income[1]		Annualised rental income[2]	Annualised net rent[3]		Net estimated rental value[4]	
	30 September 2018	31 March 2018	Surplus/ (deficit)	Surplus/ (deficit)	30 September 2018	30 September 2017	30 September 2018	30 September 2018	31 March 2018	30 September 2018	31 March 2018
	£m	£m	£m	%	£m	£m	£m	£m	£m	£m	£m
Retail Portfolio											
Shopping centres and shops	**4,047**	4,152	**(121)**	**(2.9%)**	**116**	109	**217**	**211**	210	**231**	233
Retail parks	**720**	809	**(33)**	**(4.5%)**	**23**	26	**43**	**43**	47	**44**	48
Leisure and hotels	**1,306**	1,309	**(3)**	**(0.2%)**	**40**	40	**78**	**76**	75	**78**	79
Other	**16**	16	**-**	**0.3%**	**1**	1	**1**	**1**	1	**2**	2
Total Retail Portfolio	**6,089**	6,286	**(157)**	**(2.5%)**	**180**	176	**339**	**331**	333	**355**	362
London Portfolio											
West End	**3,251**	3,235	**(40)**	**(1.3%)**	**69**	66	**141**	**134**	124	**156**	155
City	**1,426**	1,388	**12**	**0.9%**	**25**	32	**50**	**55**	52	**100**	99
Mid-town	**1,392**	1,347	**40**	**3.2%**	**30**	27	**60**	**47**	45	**69**	66
Inner London	**338**	324	**1**	**0.8%**	**7**	7	**14**	**15**	15	**17**	17
Total London offices	**6,407**	6,294	**13**	**0.2%**	**131**	132	**265**	**251**	236	**342**	337
Central London shops	**1,431**	1,480	**(42)**	**(2.9%)**	**29**	22	**55**	**53**	53	**64**	66
Other	**37**	43	**(2)**	**(5.2%)**	**1**	1	**1**	**1**	1	**1**	1
Total London Portfolio	**7,875**	7,817	**(31)**	**(0.4%)**	**161**	155	**321**	**305**	290	**407**	404
Combined Portfolio	**13,964**	14,103	**(188)**	**(1.4%)**	**341**	331	**660**	**636**	623	**762**	766
Properties treated as finance leases					**(4)**	(4)					
Combined Portfolio	**13,964**	14,103	**(188)**	**(1.4%)**	**337**	327					
Represented by:											
Investment portfolio	**12,750**	12,848	**(153)**	**(1.2%)**	**309**	299	**605**	**595**	587	**699**	701
Share of joint ventures	**1,214**	1,255	**(35)**	**(2.9%)**	**28**	28	**55**	**41**	36	**63**	65
Combined Portfolio	**13,964**	14,103	**(188)**	**(1.4%)**	**337**	327	**660**	**636**	623	**762**	766

Table 21: 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 2018	31 March 2018	**30 September 2018**	31 March 2018	**30 September 2018**	31 March 2018	**30 September 2018**	31 March 2018
	£m	£m	**%**	%	**%**	%	**%**	%
Retail Portfolio								
Shopping centres and shops	**201**	204	**4.5%**	4.4%	**4.9%**	4.9%	**3.9%**	3.6%
Retail parks	**44**	45	**5.5%**	5.3%	**5.6%**	5.5%	**-**	-
Leisure and hotels	**78**	79	**5.1%**	5.1%	**5.4%**	5.4%	**1.4%**	0.8%
Other	**2**	2	**3.0%**	0.9%	**8.4%**	8.5%	**40.9%**	40.9%
Total Retail Portfolio	**325**	330	**4.8%**	4.7%	**5.1%**	5.1%	**3.0%**	2.7%
London Portfolio								
West End	**117**	116	**4.4%**	4.3%	**4.6%**	4.5%	**1.2%**	3.4%
City	**63**	63	**4.2%**	4.1%	**4.5%**	4.5%	**-**	0.2%
Mid-town	**71**	68	**3.3%**	3.3%	**4.5%**	4.4%	**-**	0.4%
Inner London	**16**	16	**4.2%**	4.2%	**5.0%**	4.9%	**-**	0.6%
Total London offices	**267**	263	**4.0%**	4.0%	**4.5%**	4.5%	**0.5%**	1.7%
Central London shops	**58**	60	**3.7%**	3.2%	**4.2%**	4.1%	**1.4%**	2.2%
Other	**1**	1	**1.3%**	1.3%	**1.2%**	1.1%	**20.0%**	20.0%
Total London Portfolio	**326**	324	**3.9%**	3.8%	**4.5%**	4.4%	**0.7%**	1.8%
Like-for-like portfolio(8)	**651**	654	**4.3%**	4.2%	**4.8%**	4.7%	**1.9%**	2.2%
Proposed developments(1)	**4**	3	**0.5%**	2.2%	**n/a**	n/a	**n/a**	n/a
Development programme(9)	**40**	38	**-**	-	**4.4%**	4.4%	**n/a**	n/a
Completed developments(10)	**57**	57	**2.7%**	1.7%	**4.3%**	4.3%	**n/a**	n/a
Acquisitions(11)	**26**	24	**5.2%**	5.7%	**5.5%**	n/a	**n/a**	n/a
Sales(12)	**-**	4	**-**	3.6%	**n/a**	n/a	**n/a**	n/a
Combined Portfolio	**778**	780	**4.1%**	4.0%	**4.7%**	n/a	**n/a**	n/a

Total portfolio analysis

	Gross estimated rental value(5)		Net initial yield(6)	
	30 September 2018	31 March 2018	**30 September 2018**	31 March 2018
	£m	£m	**%**	%
Retail Portfolio				
Shopping centres and shops	**240**	243	**4.5%**	4.3%
Retail parks	**44**	49	**5.4%**	5.1%
Leisure and hotels	**79**	79	**5.1%**	5.1%
Other	**2**	2	**3.0%**	1.3%
Total Retail Portfolio	**365**	373	**4.8%**	4.6%
London Portfolio				
West End	**156**	154	**3.8%**	3.6%
City	**103**	101	**3.6%**	3.6%
Mid-town	**71**	68	**3.3%**	3.3%
Inner London	**17**	17	**4.1%**	4.2%
Total London offices	**347**	340	**3.7%**	3.6%
Central London shops	**65**	66	**3.5%**	3.1%
Other	**1**	1	**1.5%**	1.3%
Total London Portfolio	**413**	407	**3.6%**	3.5%
Combined Portfolio	**778**	780	**4.1%**	4.0%
Represented by:				
Investment portfolio	**713**	714	**4.2%**	4.1%
Share of joint ventures	**65**	66	**2.9%**	2.3%
Combined Portfolio	**778**	780	**4.1%**	4.0%

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 with the same methodology as annualised rental income but is stated net of rent payable and before SIC 15 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 The Zig Zag Building, SW1, Nova, SW1, 20 Eastbourne Terrace, W2 and Westgate Oxford.
11. Includes all properties acquired since 1 April 2017.
12. Includes all properties sold since 1 April 2017.

Table 22: Lease lengths

	Weighted average unexpired lease term at 30 September 2018	
	Like-for-like portfolio Mean(1) Years	Like-for-like portfolio, completed developments and acquisitions Mean(1) Years
Retail Portfolio		
Shopping centres and shops	5.9	5.7
Retail parks	6.3	6.3
Leisure and hotels	12.1	12.1
Other	2.3	2.3
Total Retail Portfolio	**7.5**	**7.2**
London Portfolio		
West End	7.2	8.3
City	8.2	8.2
Mid-town	10.6	10.6
Inner London	14.5	14.5
Total London offices	**8.7**	**9.1**
Central London shops	6.4	7.0
Other	5.2	5.2
Total London Portfolio	**8.4**	**8.8**
Combined Portfolio	**8.0**	**8.1**

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 23: 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 2018					
	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	310	28	(1)	337	337	-
Finance lease interest	4	-	-	4	4	-
Gross rental income (before rents payable)	**314**	**28**	**(1)**	**341**	**341**	**-**
Rents payable	(5)	(1)	-	(6)	(6)	-
Gross rental income (after rents payable)	**309**	**27**	**(1)**	**335**	**335**	**-**
Service charge income	40	5	-	45	45	-
Service charge expense	(44)	(6)	-	(50)	(50)	-
Net service charge expense	(4)	(1)	-	(5)	(5)	-
Other property related income	16	1	-	17	17	-
Direct property expenditure	(34)	(5)	-	(39)	(39)	-
Net rental income	**287**	**22**	**(1)**	**308**	**308**	**-**
Indirect property expenditure	(36)	(1)	-	(37)	(37)	-
Other income	2	-	-	2	2	-
	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. Reallocation of the share of post-tax profit 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 23: Reconciliation of segmental information note to statutory reporting continued

	Six months ended 30 September 2017[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	300	28	(1)	327	327	-
Finance lease interest	4	-	-	4	4	-
Gross rental income (before rents payable)	**304**	**28**	**(1)**	**331**	**331**	**-**
Rents payable	(5)	(1)	-	(6)	(6)	-
Gross rental income (after rents payable)	**299**	**27**	**(1)**	**325**	**325**	**-**
Service charge income	35	3	-	38	38	-
Service charge expense	(38)	(5)	-	(43)	(43)	-
Net service charge expense	(3)	(2)	-	(5)	(5)	-
Other property related income	16	2	-	18	18	-
Direct property expenditure	(30)	(5)	-	(35)	(35)	-
Net rental income	**282**	**22**	**(1)**	**303**	**303**	**-**
Indirect property expenditure	(39)	(1)	-	(40)	(40)	-
Other income	1	-	-	1	1	-
	244	**21**	**(1)**	**264**	**264**	**-**
Share of post-tax profit from joint ventures	23	(23)	-	-	-	-
Net (deficit)/surplus on revaluation of investment properties	(29)	10	-	(19)	-	(19)
Profit on disposal of investment properties	1	1	-	2	-	2
Profit on disposal of investment in joint venture	66	-	-	66	-	66
Profit on disposal of trading properties	7	9	-	16	-	16
Movement in impairment of trading properties	1	(2)	-	(1)	-	(1)
Other	(1)	-	1	-	-	-
Operating profit	**312**	**16**	**-**	**328**	**264**	**64**
Finance income	24	-	-	24	19	5
Finance expense	(302)	(16)	-	(318)	(80)	(238)
Profit/(loss) before tax	**34**	**-**	**-**	**34**	**203**	**(169)**
Taxation	(1)	-	-	(1)		
Profit attributable to shareholders	**33**	**-**	**-**	**33**		

1. Restated as a result of changes in accounting policies. See note 17 of the financial statements for details.
2. Reallocation of the share of post-tax profit 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 24: Acquisitions, disposals and capital expenditure

	Group (excl. joint ventures) £m	Joint ventures £m	Adjustment for proportionate share[1] £m	Six months ended 30 September 2018 Combined Portfolio £m	Six months ended 30 September 2017 Combined Portfolio £m
Investment properties					
Net book value at the beginning of the period	**12,336**	**1,235**	**(35)**	**13,536**	13,873
Acquisitions	42	-	-	**42**	348
Transfer from trading properties	-	-	-	**-**	2
Capital expenditure	42	14	-	**56**	101
Capitalised interest	2	-	-	**2**	4
Disposals	(33)	(26)	-	**(59)**	(629)
Net deficit on revaluation of investment properties	(153)	(35)	-	**(188)**	(19)
Net book value at the end of the period	**12,236**	**1,188**	**(35)**	**13,389**	13,680
(Loss)/profit on disposal of investment properties	**(2)**	**(2)**	**-**	**(4)**	2

Trading properties				£m	£m
Net book value at the beginning of the period	**24**	**50**	**-**	**74**	246
Acquisitions	3	-	-	**3**	-
Capital expenditure	2	-	-	**2**	14
Disposals	(6)	(18)	-	**(24)**	(69)
Transfer to investment properties	-	-	-	**-**	(2)
Movement in impairment	-	-	-	**-**	(1)
Net book value at the end of the period	**23**	**32**	**-**	**55**	188
Profit on disposal of trading properties	**-**	**1**	**-**	**1**	16

Investment in joint ventures				£m	£m
Profit on disposal of investment in joint venture	**-**	**-**	**-**	**-**	66

Acquisitions, development and other capital expenditure	Investment properties[2] £m	Trading properties £m	Combined Portfolio £m	Combined Portfolio £m
Acquisitions[3]	42	3	**45**	348
Development capital expenditure[4]	42	-	**42**	64
Other capital expenditure	14	2	**16**	51
Capitalised interest	2	-	**2**	4
Acquisitions, development and other capital expenditure	**100**	**5**	**105**	467

Disposals	£m	£m
Net book value – investment property disposals	**59**	629
Net book value – trading property disposals	**24**	69
Net book value – other net assets of joint venture disposals	**-**	46
(Loss)/profit on disposal – investment properties	**(4)**	2
Profit on disposal – trading properties	**1**	16
Profit on disposal – investment in joint venture	**-**	66
Other	**(2)**	2
Total disposal proceeds	**78**	830

1. This represents the interest in X-Leisure which we do not own, but which is consolidated in the Group numbers.
2. See table 25 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 25: Analysis of acquisitions, development and other capital expenditure – investment properties

Six months ended 30 September 2018

	Acquisitions[1] £m	Development capital expenditure[2] £m	Other capital expenditure: Incremental lettable space £m	Other capital expenditure: No incremental lettable space £m	Other capital expenditure: Tenant improvements £m	Other capital expenditure: Total £m	Capitalised interest £m	Total capital expenditure – Combined Portfolio £m	Total capital expenditure – Joint ventures (Group share) £m	Total capital expenditure – Group (excl JVs) £m
Retail Portfolio										
Shopping centres and shops	**2**	**8**	1	4	1	**6**	**-**	**16**	**8**	**8**
Retail parks	**-**	**-**	3	1	-	**4**	**-**	**4**	**2**	**2**
Leisure and hotels	**-**	**-**	-	1	-	**1**	**-**	**1**	**-**	**1**
Other	**-**	**-**	-	-	-	**-**	**-**	**-**	**-**	**-**
Total Retail Portfolio	**2**	**8**	**4**	**6**	**1**	**11**	**-**	**21**	**10**	**11**
London Portfolio										
West End	**9**	**5**	-	3	-	**3**	**-**	**17**	**3**	**14**
City	**-**	**27**	-	-	-	**-**	**2**	**29**	**-**	**29**
Mid-town	**-**	**-**	-	-	-	**-**	**-**	**-**	**-**	**-**
Inner London	**-**	**1**	-	-	-	**-**	**-**	**1**	**-**	**1**
Central London shops	**31**	**1**	-	-	-	**-**	**-**	**32**	**1**	**31**
Total London Portfolio	**40**	**34**	**-**	**3**	**-**	**3**	**2**	**79**	**4**	**75**
Total capital expenditure	**42**	**42**	**4**	**9**	**1**	**14**	**2**	**100**	**14**	**86**
Conversion from accrual to cash basis								**3**	**(1)**	**4**
Total capital expenditure on a cash basis								**103**	**13**	**90**

1. Investment properties acquired in the period.
2. Expenditure on the development pipeline and completed developments.

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.

Correspondence address:

Equiniti Group PLC
Aspect House
Spencer Road
Lancing
West Sussex
BN99 6DA

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

3. Shareholder enquiries

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

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

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

5. 2018/19 second quarterly dividend

The Board has declared a second quarterly dividend for the year ending 31 March 2019 of 11.3p per ordinary share which will be paid on 4 January 2019 to shareholders registered at the close of business on 30 November 2018. This will be paid wholly as a Property Income Distribution (PID). Together with the first quarterly dividend of 11.3p already paid on 5 October 2018 wholly as a PID, the first half dividend will be 22.6p per ordinary share (six months ended 30 September 2017: 19.7p).

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 – International Payment Service
For international shareholders who would prefer to receive payment of their dividends in local currency and directly into their local bank account, an Overseas Payment Service (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 service 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

	2019
Financial year end	31 March
Preliminary results announcement	14 May
Half-yearly results announcement	12 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 2017.

Development pipeline
The development programme together with proposed developments.

Development programme
The development programme consists of committed developments (Board approved projects with the building contract let), authorised developments (Board approved), 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.

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

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 2017, but excluding those which are acquired, sold or included in the development pipeline at any time since that date.

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).

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

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 and units that are in a rent-free period 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 final 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 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
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 year.

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 SIC 15 under IFRS. 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.