Landsec

Annual results for the year ended 31 March 2019

14 May 2019

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Forward-looking statements

These annual results, the latest Annual Report and Landsec's website may contain certain "forward-looking statements" with respect to Land Securities Group PLC (the Company) and the Group's financial condition, results of its operations and business, and certain plans, strategy, objectives, goals and expectations with respect to these items and the economies and markets in which the Group operates.

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

Any forward-looking statements made in these annual 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 annual 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.

Annual results for the year ended 31 March 2019

14 May 2019

Increasing our focus on London with a growing development pipeline

Chief Executive Robert Noel said:

"We've had a strong year operationally, maintaining high occupancy, expanding our development pipeline and delivering new products and services, including our Myo flexible offer. This is against the backdrop of political gridlock and the well-publicised difficulties in the retail market.

The actions we took both this year and last have delivered an increase in revenue profit of 8.9% to £442m. Adjusted diluted earnings per share were up 12.4% to 59.7p. Weaker retail markets account for an overall 4.1% fall in the value of our assets and a 4.6% reduction in EPRA net assets per share to 1,339p.

Our business continues to evolve. 65% of our assets by value and our entire £3.0bn pipeline of development opportunities are now in London and over the coming years the business will be more concentrated in the capital. Outside London, we'll continue to reduce our exposure, maintaining our focus on experience-led destinations.

Landsec is in a healthy financial position. We have a clear sense of where current and future opportunities lie and are well placed to address our customers' changing needs, and deliver sustained value creation for our shareholders. This is an exciting time for real estate companies with the insight and capabilities needed to create the spaces for tomorrow's businesses and communities."

Results summary

	31 March 2019	31 March 2018[1]	Change
Revenue profit[2][3]	£442m	£406m	Up 8.9%
Valuation deficit[2][3]	£(557)m	£(91)m	Down 4.1%[4]
Loss before tax	£(123)m	£(43)m	
Basic loss per share	(16.1)p	(5.8)p	
Adjusted diluted earnings per share[2][3]	59.7p	53.1p	Up 12.4%
Dividend per share	45.55p	44.2p	Up 3.1%
Net assets per share	1,341p	1,404p	Down 4.5%
EPRA net assets per share[2]	1,339p	1,403p	Down 4.6%
Group LTV ratio[2][3]	27.1%	25.8%	

Robust operational performance

- Revenue profit[2][3] up 8.9% to £442m with net rental income up and costs down
- Loss[1] for the year of £119m (2018: £(44)m)
- Adjusted diluted earnings per share[2][3] up 12.4% to 59.7p
- Full year dividend up 3.1% to 45.55p

- Combined Portfolio(2)(3) valued at £13.8bn, with a valuation deficit(2)(3) of £557m or 4.1%(4) impacted by weak retail markets
- EPRA net assets per share(2) down 4.6% to 1,339p
- Like-for-like net rental income up £10m or 1.9%
  - London Portfolio up £20m or 7.9%
  - Retail Portfolio down £10m or 3.6%
- Maintaining low like-for-like voids(5) at 2.7% (31 March 2018: 2.3%)
- Ungeared total property return(5) 0.4%
  - London Portfolio 3.5% (MSCI Quarterly Universe 4.8%)
  - Retail Portfolio (3.4)% (MSCI Quarterly Universe (6.8)%)
- Total business return(2) (1.2)%

Healthy financial position

- Group LTV ratio(2)(3) at 27.1% (31 March 2018: 25.8%)
- Adjusted net debt(2)(3) of £3.7bn (31 March 2018: £3.7bn)
- Weighted average cost of debt at 2.7% (31 March 2018: 2.6%)
- Weighted average maturity of debt at 12.3 years (31 March 2018: 13.1 years)
- Cash and available facilities(3) of £1.6bn

Increasing development pipeline

- London development opportunities increased to 3.6 million sq ft with an estimated total development cost of £3.0bn
- Good progress on site at 21 Moorfields, EC2, with Deutsche Bank confirmed for the whole building
- One Sherwood St, W1 under way, enabling works commenced at Nova East, SW1 with 105 Sumner St, SE1 starting later in the year
- 1.6 acre site at 25 Lavington Street, SE1 acquired during the year
- Planning applications being prepared for Portland House, SW1; Red Lion Court, SE1; Finchley Road, NW3; and Shepherd's Bush, W12
- Master planning of Lewisham town centre, SE13 under way

Sustainability leadership

- Achieved a 39.8% reduction in carbon intensity and an 18.2% reduction in energy intensity compared with 2014 baseline
- CDP A-list ranking for carbon performance and climate disclosure, UK sector leader for both the Global Real Estate Sustainability Benchmark (GRESB) and the Dow Jones Sustainability Index.
- Winner of the 2019 edie Sustainability Leaders Award for the Built Environment
- Signatory to the UN Global Compact, publicly committing to deliver on universal sustainability principles of human rights, ethical labour, environment and anti-corruption

1. Restated as a result of changes in accounting policies. See note 18 to the financial statements for details.
2. An alternative performance measure. The Group uses a number of financial measures to assess and explain its performance, some of which are considered to be alternative performance measures as they are not defined under IFRS. For further details, see the Financial review and table 14 in the Business analysis section.
3. Including our proportionate share of subsidiaries and joint ventures, as explained in the Financial review.
4. The % change for the valuation deficit represents the fall in value of the Combined Portfolio over the year, adjusted for net investment.
5. For further details, see the Business analysis section.

Chief Executive's statement

We entered the year ready to respond to both market opportunity and challenge, focusing on the activities that create value for shareholders. Our priorities were to maintain high occupancy levels, launch new products and, looking through current uncertainty, grow our ambitions in London.

In addressing our priorities, the team has performed with skill and determination. We maintained a high occupancy rate across the portfolio and we launched a number of new products and services, including our Myo flexible offer. We also added to our pipeline of development opportunities, with £3.0bn of schemes in London now on site, being prepared or in feasibility.

We are driven by a clear purpose: to create sustained financial, social and physical value by providing the right space for our customers and communities so that people and businesses can thrive. A growing and ageing population, changing social aspirations, increased demand for digital and physical connectivity and the need to transition to a low carbon economy are reshaping the property market. Landsec has a vital role to play in this changing world and is well positioned to do so.

To do this profitably and sustainably, we apply our industry-leading capabilities and relationships and act to keep costs competitive, working with imagination, skill and care. By getting this right, we build long-term shareholder value through the property cycles while making an important contribution to our communities. In a year marked by turbulent politics and a very challenging retail environment, our clear strategic focus has driven our performance and will direct our future actions.

Our financial results

We've delivered a robust financial performance. Revenue profit is up 8.9% at £442m, reflecting the benefit of income from completed developments, high occupancy, uplifts at rent review and the effect of refinancing some bonds in the previous financial year. Adjusted diluted earnings per share are up 12.4% to 59.7p.

Our assets declined in value by 4.1% in aggregate over the year reflecting the well-publicised difficulties in certain segments of the consumer market. This led to a 4.6% reduction in our EPRA net asset value per share to 1,339p. With our Combined Portfolio valued at £13.8bn and adjusted net debt at £3.7bn, our loan-to-value is 27.1%.

We have raised the dividend 39% over the previous three years. From this re-based level, we are recommending a final dividend of 11.65p giving a total dividend for the year of 45.55p per share, an increase of 3.1% as we build dividend cover to maintain operational flexibility.

Our portfolio

By value, 65% of our assets are in London, one of the most celebrated and best connected cities in the world, energised by long-term positive economic and social trends and a comprehensive public transport system. Most market segments in the capital held up well over a year in which the UK faced, and continues to face, uncertainty, and this speaks volumes for London's attractiveness and resilience as a place to live, work, visit and invest. We've continued to see a flight to quality and flexibility amongst customers and our buildings and developments match these expectations and aspirations.

Workspaces and living spaces are evolving quickly, driven by growing demand for more flexibility, collaboration and connectivity. Retail, leisure and amenity spaces must now be included in the mix. To ensure we meet our customers' changing requirements, we're providing new services to enhance their experience and convenience. This year we progressed plans to roll out our popular Landsec Lounge concept across the portfolio. We also created new entry points to our portfolio through our Myo flexible offer, and we introduced a turnkey solution for customers too. Our aim is to offer great space to a business across its entire lifecycle, from a start-up environment to landmark corporate headquarters.

Led by 21 Moorfields, we are moving forward with new schemes and have 3.6 million sq ft of space in development, planning or feasibility. With low levels of Grade A vacancy in London and occupiers increasingly looking to pre-let, we will be starting 0.5 million sq ft of speculative development this year. In partnership with our suppliers, we've introduced innovations across design and construction to enhance the speed, efficiency, quality and environmental performance at 21 Moorfields and are applying what we learn to other schemes.

The remaining 35% of our portfolio by value is predominantly focused on consumer markets outside London. These are challenging times for retailers. The rise of online retail and cost challenges for the industry have brought store closures and lease restructures, often under company voluntary arrangements (CVAs). We are not immune from market challenges but the impact has been softened by having re-positioned our portfolio in recent years towards destinations which provide a great experience and away from the high street, secondary shopping centres and retail parks. Our destinations play a core role in retailers' multi-channel strategies, drawing visitors with a mix of brand experience, product, food, drink and cinema.

Our outlets and leisure parks held up well in this difficult environment while shopping centres and retail parks were affected by downward pressure on rental values and poor investor sentiment. Operationally, I am pleased with our performance as we continue to attract new brands and upsize existing customers.

Our stakeholders

We aim to be a force for good in society because we know it makes us stronger and more sustainable as a business. This year we hit our long-term target of getting 1,200 disadvantaged people into employment by 2020. Our award-winning approach to community employment is helping to address significant skills gaps in the construction and building maintenance sectors, and enabling ex-offenders to gain training and employment in scaffolding and window cleaning at heights. This year we've set a stretching new target to generate £25m of social value by 2025.

Given the increasingly stark warnings emanating from the Intergovernmental Panel on Climate Change, it's essential we continue to help lead by example in critical areas such as energy, carbon, waste and biodiversity. This is why we've set rigorous science-based carbon reduction targets for the business. Effective collaboration is vital if we are to make progress as a company and an industry. Across the portfolio, we're working with customers and partners to drive energy efficiency, reaching an 18.2% reduction this year against our 2014 baseline.

We were recognised for our actions on sustainability in this year's edie awards, which named Landsec the leader in the built environment sector. We also retained our CDP A-list ranking and were sector leaders in the Global Real Estate Sustainability Benchmark and Dow Jones Sustainability Index.

Our outlook

We expect London to remain a successful global city with enduring appeal for businesses, talent, visitors and investors. Occupational and investment demand in London have remained stable over the last two years despite uncertainties created by the UK's decision to leave the EU.

We have seen a noticeable shift to quality space by occupiers in the capital and the vacancy rate has fallen. Development starts have increased during the year but a good proportion of all new supply is already pre-let. We see positive market conditions for our quality product and have a growing pipeline of development opportunities. The demonstrable quality of our placemaking, spaces and services and our heightened approach to customer experience is central to our ambition and future success.

We see no near-term improvement in retail market conditions, with CVA activity set to continue. Rental values are likely to decline further in shopping centres and retail parks, though we expect continued rental growth in outlets and select leisure destinations. Consumers will continue to be attracted to destinations that provide a broad range of brands and experiences.

Our activities in London as a percentage of our portfolio will increase in the coming years. Much of our portfolio by value and our entire development pipeline is already in the capital and we are alert to further opportunities. Over time, capital allocated to assets outside London will reduce, but we will maintain our focus on experience-led destinations.

We are clear on what we have to do in the year ahead and beyond. Our targets focus on developments in London – both on-site and in the pipeline – together with further innovation in construction and active evolution of the products and services we offer; improving our retail destinations; and continued leadership on social and environmental sustainability.

This is an exciting time for real estate companies with the insight, capabilities and financial capacity needed to create the spaces for tomorrow's businesses and communities. Ultimately, it is the deep expertise of our employees and partners that will deliver our strategy and create sustainable value for shareholders. This is why experience matters.

Robert Noel
Chief Executive

Financial review

Overview

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

Table 1: Highlights

	Year ended 31 March 2019	Year ended 31 March 2018[1]
Revenue profit[2]	**£442m**	£406m
Valuation deficit[2]	**£(557)m**	£(91)m
Loss before tax	**£(123)m**	£(43)m
Basic loss per share	**(16.1)p**	(5.8)p
Adjusted diluted earnings per share[2]	**59.7p**	53.1p
Dividend per share	**45.55p**	44.2p
	31 March 2019	31 March 2018[1]
Combined Portfolio[2]	**£13.8bn**	£14.1bn
Net assets per share	**1,341p**	1,404p
EPRA net assets per share	**1,339p**	1,403p
Adjusted net debt[2]	**£3.7bn**	£3.7bn
Group LTV ratio[2]	**27.1%**	25.8%

1. Restated as a result of changes in accounting policies. See note 18 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 year to 31 March 2019 was £442m, up 8.9% from £406m. The increase in revenue profit was driven by higher net rental income and reduced costs, in particular interest expense. Adjusted diluted earnings per share were up 12.4% at 59.7p due to the increased revenue profit and fewer shares in issue compared with last year following the £475m return of capital and share consolidation in September 2017. Over the year, our assets declined in value by 4.1% or £557m (including our proportionate share of subsidiaries and joint ventures) compared with a £91m decline last year. This decline in the value of our assets is behind the reduction in our EPRA net assets per share in the year, down 4.6% to 1,339p.

Presentation of financial information

Our property portfolio is a combination of properties that are wholly owned by the Group, part owned through joint arrangements and those owned by the Group but where a third party holds a non-controlling interest. Internally, management reviews the results of the Group on a basis that adjusts for these forms of ownership to present a proportionate share. The Combined Portfolio, with assets totalling £13.8bn, is an example of this approach, reflecting the economic interest we have in our properties regardless of our ownership structure. We consider this presentation provides additional information to stakeholders on the activities and performance of the Group, as it aggregates the results of all of the Group's property interests which under IFRS are required to be presented across a number of line items in the statutory financial statements.

The same principle is applied to many of the other measures we discuss and, accordingly, a number of our financial measures include the results of our joint ventures and subsidiaries on a proportionate basis. Measures that are described as being presented on a proportionate basis include the Group's share of joint ventures on a line-by-line basis, but exclude the non-owned elements of our subsidiaries. This is in contrast to the Group's statutory financial statements, where the Group's interest in joint ventures is presented as one line on the income statement and balance sheet, and all subsidiaries are consolidated at 100% with any non-owned element being adjusted as a non-controlling interest or redemption liability, as appropriate. Our joint operations are presented on a proportionate basis in all financial measures.
As set out in the 2018 Annual Report, the Group amended its accounting policy for debt refinancing with effect from 1 April 2018. This change in accounting policy has resulted in the debt refinancing exercise completed on 3 November 2004 being treated as an extinguishment of the original debt, and therefore the bond exchange de-recognition adjustment previously reported is no longer required. As a consequence of this change, the Group's adjusted diluted net assets per share measure is now aligned with the EPRA definition. The Group therefore no longer separately reports any adjusted net assets per share measures in its financial statements.

While there is also now no difference between our adjusted earnings measure and the EPRA earnings definition, we have continued to report adjusted earnings as there may be occasions in the future when these diverge. The change in accounting policy has been applied retrospectively and comparatives restated accordingly. The revised policy and the impact of the change in accounting policy on the financial statements is detailed in note 18 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 14 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 bond repurchases, which we call Capital and other items.

We present two measures of earnings per share: the IFRS measure of basic earnings per share, which is derived from the total profit for the year attributable to shareholders, and adjusted diluted earnings per share, which is based on tax-adjusted revenue profit, referred to as adjusted earnings.

Table 2: Income statement

	Table	Year ended 31 March 2019 £m	Year ended 31 March 2018[(1)] £m
Revenue profit	3	**442**	406
Capital and other items	6	**(565)**	(449)
Loss before tax		**(123)**	(43)
Taxation		**4**	(1)
Loss attributable to shareholders		**(119)**	(44)
Basic loss per share		**(16.1)p**	(5.8)p
Adjusted diluted earnings per share		**59.7p**	53.1p

1. Restated as a result of changes in accounting policies. See note 18 to the financial statements for details.

Our loss before tax was £123m, compared with a £43m loss in the prior year, due to a greater fall in the value of our assets this year, particularly in our Retail Portfolio as pressure on our retailers led to falling rental values and higher vacancies. The valuation decline is due to the larger loss from Capital and other items, whereas in the prior year we incurred greater costs associated with the redemption of some of our bonds. The increased loss this year resulted in a 16.1p loss per share, up 10.3p from a 5.8p loss last year. Adjusted diluted earnings per share increased by 12.4%, from 53.1p to 59.7p this year, as a result of the increase in revenue profit from £406m to £442m and a reduction in the weighted average number of shares in issue. There is no difference between our adjusted diluted earnings per share and the EPRA measure.

The reasons behind the movements in revenue profit and Capital and other items are discussed in more detail below.

Revenue profit

Revenue profit is our measure of underlying pre-tax profit, presented on a proportionate basis. A full definition of revenue profit is given in the Glossary. The main components of revenue profit, including the contributions from the London and Retail portfolios, are presented in the table below.

Table 3: Revenue profit

		Year ended 31 March 2019			Year ended 31 March 2018			
	Table	**Retail Portfolio £m**	**London Portfolio £m**	**Total £m**	Retail Portfolio £m	London Portfolio £m	Total £m	**Change £m**
Gross rental income[(1)]		**350**	**326**	**676**	351	310	661	**15**
Net service charge (expense)/income		**(10)**	**1**	**(9)**	(9)	(2)	(11)	**2**
Net direct property expenditure		**(32)**	**(17)**	**(49)**	(20)	(19)	(39)	**(10)**
Net rental income	4	**308**	**310**	**618**	322	289	611	**7**
Indirect costs		**(21)**	**(16)**	**(37)**	(22)	(17)	(39)	**2**
Segment profit before finance expense		**287**	**294**	**581**	300	272	572	**9**
Net unallocated expenses				**(41)**			(43)	**2**
Net finance expense	5			**(98)**			(123)	**25**
Revenue profit				**442**			406	**36**

1. Includes finance lease interest, after rents payable.

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

Net rental income

Table 4: Net rental income[1]

	£m
Net rental income for the year ended 31 March 2018	**611**
Net rental income movement in the year:	
Like-for-like investment properties	**10**
Proposed developments	**(1)**
Development programme	**-**
Completed developments	**14**
Acquisitions since 1 April 2017	**3**
Sales since 1 April 2017	**(14)**
Non-property related income	**(5)**
	7
Net rental income for the year ended 31 March 2019	**618**

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

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

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

Net indirect expenses

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

Net finance expense (included in revenue profit)

Table 5: Net finance expense[1]

	£m
Net finance expense for the year ended 31 March 2018	**123**
Impact of:	
Refinancing	**(26)**
Other	**1**
Net finance expense for the year ended 31 March 2019	**98**

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

Capital and other items

Table 6: Capital and other items[1]

	Table	**Year ended 31 March 2019 £m**	Year ended 31 March 2018[2] £m
Valuation and profits on disposals			
Valuation deficit	7	**(557)**	(91)
(Loss)/profit on disposal of investment properties		**(2)**	3
Profit on disposal of investment in joint venture		**-**	66
Profit on disposal of trading properties		**-**	30
Fair value movement prior to acquisition of non-owned element of a joint venture		**9**	-
Movement in impairment of trading properties		**-**	(4)
Profit from long-term development contracts		**3**	-
Net finance expense	8	**(4)**	(453)
Exceptional items		**(14)**	-
Capital and other items		**(565)**	(449)

1. Including our proportionate share of subsidiaries and joint ventures, as explained in the Presentation of financial information above.
2. Restated as a result of changes in accounting policies. See note 18 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 4.1% or £557m compared with a decrease last year of £91m. A breakdown of valuation movements by category is shown in table 7.

Table 7: Valuation analysis

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

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

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

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

Loss on disposals

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

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

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

Net finance expense (included in Capital and other items)

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

Table 8: Net finance expense[1]

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

1. Including our proportionate share of subsidiaries and joint ventures, as explained in the Presentation of financial information above.
2. Restated as a result of changes in accounting policies. See note 18 to the financial statements for details.

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

Exceptional items

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

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

Taxation

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

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

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

Balance sheet

Table 9: Balance sheet

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

1. Restated as a result of changes in accounting policies. See note 18 to the financial statements for details.
2. EPRA net assets per share is a diluted measure.

Our net assets principally comprise the Combined Portfolio less net debt. Following the change in accounting policy outlined in note 18 to the financial statements, the EPRA measure of net assets now aligns with our calculation of an appropriate adjusted measure of net assets. It is also much more closely aligned with the IFRS measure, which now no longer includes the bond exchange de-recognition adjustment. The only difference between the two is the fair value of interest-rate swaps which is excluded from the calculation of EPRA net assets. Both IFRS net assets and EPRA net assets declined over the year ended 31 March 2019 due to the reduction in the value of our investment properties.

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

Table 10 summarises the key components of the £460m decrease in our EPRA net assets over the year.

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	**442**	**59**
Valuation deficit	**(557)**	**(76)**
Dividends	**(349)**	**(47)**
Impairment of intangible asset and goodwill	**(14)**	**(2)**
Other	**18**	**2**
EPRA net assets at 31 March 2019	**9,920**	**1,339**

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 18 to the financial statements for details.

Net debt and gearing

Table 11: Net debt and gearing

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

1. Restated as a result of changes in accounting policies. See note 18 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.

Over the year, our net debt increased by £93m to £3,747m. The main elements behind this increase are set out in our statement of cash flows and note 14 to the financial statements.

Adjusted net debt was up £85m to £3,737m. For a reconciliation of net debt to adjusted net debt, see note 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**
Net operating cash inflow	**(412)**
Dividends paid	**338**
Development/other capital expenditure	**127**
Acquisitions	**140**
Disposals	**(118)**
Other	**10**
Adjusted net debt at 31 March 2019	**3,737**

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

Net operating cash inflow was £412m, offset by dividend payments of £338m. Capital expenditure was £127m (£122m on investment properties and £5m on trading properties), largely spent on our development programme, and cash outflow for acquisitions was £140m. We spent £93m, including acquisition costs, on a development site in Lavington Street, SE1 and £40m on two assets related to the provision of residential accommodation in respect of our development at One Sherwood Street, W1. Net cash flows from disposals totalled £118m; £64m from the disposal of investment properties, principally two retail parks, and £54m from the disposal of trading properties.

The most widely used gearing measure in our industry is loan-to-value (LTV). We focus most on Group LTV, presented on a proportionate basis, which increased from 25.8% at 31 March 2018 to 27.1% at 31 March 2019, largely due to the decline in the value of our assets. Our Security Group LTV increased from 27.2% to 28.6% for the same reason.

Financing

At 31 March 2019, our committed revolving facilities totalled £2,715m (31 March 2018: £2,090m). During the year, we took advantage of our strong credit rating and supportive market conditions to make improvements to our committed revolving facilities. We have entered into two new facilities and upsized an existing facility. We have also extended the maturity profile of all existing facilities. The pricing of our facilities which fall due in more than one year range from LIBOR +65 basis points to LIBOR +75 basis points. Borrowings under our commercial paper programme typically have a maturity of less than three months, currently carry a weighted average interest rate of LIBOR +22 basis points and are unsecured. The total amount drawn under the syndicated bank debt and commercial paper programme was £1,159m (31 March 2018: £1,100m).

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

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

Changes in accounting policy

The Group adopted IFRS 9 Financial Instruments on 1 April 2018. While some accounting policies have been amended on adoption of the standard, none have required the Group's income statement or balance sheet to be adjusted. The new accounting policies are set out in note 18 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 18 of the financial statements for further details). The Group has elected to apply the standard on a full retrospective basis as permitted by IFRS 15. The service charge income and expense for the year ended 31 March 2018 have both reduced by £22m from that previously presented as a result of adopting this standard. There has been no change in net service charge, revenue profit, profit attributable to shareholders or the Group's balance sheet.

As detailed in the Presentation of financial information above, the Group amended its accounting policy for debt refinancing from 1 April 2018. The revised policy and the impact of the change in accounting policy is detailed in note 18 of the financial statements.

Dividend

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

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

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

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

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

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

Martin Greenslade
Chief Financial Officer

Portfolio review

Highlights

- Valuation deficit of 4.1%[1]
- £23m of investment lettings and £9m of development lettings

Actions and outcomes

Focus for 2018/19	Progress in 2018/19
— Growing like-for-like net rental income in the London Portfolio	— Like-for-like net rental income growth of £20m achieved
— Diversify income streams through innovation in retail	— A number of new diversified income streams developed, including Black Box Revolution at Trinity Leeds
— Progress on time and budget at 21 Moorfields, EC2	— Deutsche Bank confirmed they are taking the entire 564,000 sq ft building — Completed piling 6 weeks early, with main contractor on site as of 1 April 2019 — On track to deliver on programme and to budget
— Progress plans for all of the development opportunities in central London — Progress feasibility on London shopping centres — Seek to grow the pipeline through acquisitions and partnerships	— One Sherwood Street, W1, Nova East, SW1 and 105 Sumner Street, SE1 commencing in 2019 — Planning applications being prepared at Shepherd's Bush, W12 and Finchley Road, NW3 and master planning under way at Lewisham — Acquired 1.6 acre site at Lavington Street, SE1
— Progress planning applications for physical improvement plans at our recently acquired outlets	— Planning consent received for improvement plans at all three outlets
— Understanding the changing needs of our customers and ensuring our portfolio responds accordingly	— Worked closely with our customers, launching new initiatives to better meet their needs – Myo, Landsec Fitted and Landsec Lounges
— Securing employment for a further 160 candidates via our Community Employment Programme	— Secured employment for 187 candidates
— Improving energy management in support of 2030 corporate commitments	— 19 energy management initiatives approved, across 15 sites, of which ten projects have already been completed

Focus for 2019/20
— Maintaining like-for-like net rental income — Providing property as a service, harnessing data and technology, to improve customer experiences — Researching and trialling ways to build better, faster and for less — Expanding customer offerings of Myo, Landsec Fitted and Landsec Lounges — Progress on time and on budget at 21 Moorfields, One Sherwood Street, Nova East and 105 Sumner Street — Progress plans for the future development pipeline of 2.6 million sq ft in the existing portfolio and seek to grow the pipeline through acquisitions and partnerships — Delivery of key strategic MSUs at our major shopping centres — Generating £4m of social value across our community programmes, in support of £25m corporate target by 2025 — Improving energy management in support of 2030 energy management corporate commitments

1. On a proportionate basis.

At a glance

London Portfolio

- Valuation deficit of 0.5%[(1)]
- Ungeared total property return of 3.5%
- The portfolio underperformed the MSCI Quarterly Universe at 4.8%
- £7m of investment lettings and £8m of development lettings
- Like-for-like voids: 1.7% (31 March 2018: 1.8%)

Retail Portfolio

- Valuation deficit of 8.4%[(1)]
- Ungeared total property return of (3.4)%
- The portfolio outperformed the MSCI Quarterly Universe at (6.8)%
- £16m of investment lettings and £1m of development lettings
- Like-for-like voids: 3.7% (31 March 2018: 2.7%) and units in administration: 0.8% (31 March 2018: 0.7%)
- Footfall in our regional shopping centres and outlets was down 2.4% (ShopperTrak UK national benchmark down 2.8%)
- Same centre sales, taking into account new lettings and occupier changes, were down 0.9% (BRC national benchmark for physical stores down 2.1%; including online, flat)

Our assets and operations continue to be focused on maximising financial, physical and social value by providing the right space for businesses and people to thrive. As the population grows and ages, and the boundaries between work, living and leisure time become more blurred, it is increasingly important to provide a broader mix of products and services to meet future demand.

In London, we have a portfolio of first-class office-led assets with supporting retail, leisure and amenity space, shopping centres with excellent development potential and hotels with longer term redevelopment opportunity. Strategically, London will become a larger proportion of our business and this year we've grown and progressed our development pipeline. We've also broadened our customer offer, including launching a flexible office product.

Outside London, we're focused on shopping and leisure destinations where people can shop, eat and socialise. In what remains a very challenging time for retailers, we're constantly enhancing the brand mix and reshaping space to provide the best experience. We also have a number of retail parks, a sector where we've significantly reduced our exposure over recent years.

Buy

We are actively tracking a high volume of both development and investment opportunities across London and are looking to buy in both well-established and emerging locations. We regard London as our core market. It is a huge, increasingly polycentric city with a world class public transport system. This year, in a market which has remained very competitive, we were pleased to grow our presence in SE1, with the acquisition of a 1.6 acre site in Lavington Street. We also acquired a small mix-used site on Wardour Street, W1, in order to satisfy part of the affordable housing requirements associated with our development at One Sherwood Street, W1. We didn't see equivalent buying opportunities in the retail and leisure sectors.

1. On a proportionate basis.

Develop

We have a 3.6 million sq ft near-term pipeline of opportunities in the capital. This includes 2.2 million sq ft of office-led schemes and 1.4 million sq ft of residential led mixed use opportunities with further schemes being explored.

Work at 21 Moorfields, EC2 is progressing on time and to budget and Deutsche Bank has confirmed they want to lease the entire building. Work below ground has now completed and installation of the steel frame is under way. We're procuring products and services on this scheme in a different way. For example, we worked with four sub-contractors for 24 months to develop the design of the building, using a more collaborative approach to build an accurate forecast of costs earlier in the build process. This is enhanced by our use of building information modelling (BIM), which creates a 3D model of the whole building down to the very last detail. This means we're more likely to get construction and fit-out right first time while avoiding potential delays. We're already seeing significant benefits from BIM at 21 Moorfields and are applying it on all projects.

At One Sherwood Street, W1, we started demolition in April. Completion is scheduled for June 2022. This 144,000 sq ft mixed use scheme behind Piccadilly Lights will comprise offices, retail units and a roof-top restaurant together with a Landsec Lounge at this iconic location.

At Nova East, SW1, we've improved the scheme by simplifying the design and structure, increasing the consented floor area by 19%. We've recently submitted a revised planning application and gained possession of the site back from TfL. Enabling works have commenced and piling is expected to start in July.

At Portland House, SW1, we've moved away from a complete redevelopment and are planning a 401,000 sq ft comprehensive remodelling and extension of the existing building. We're applying every aspect of our customer insight to ensure we maximise the potential of this asset and will submit our planning application in June, aiming to start on site in April next year when the current leases expire.

In Southwark, at 105 Sumner Street we have consent for two buildings totalling 131,000 sq ft and will start on site in October with completion in early 2022. We will be implementing offsite manufacturing and automated on-site assembly techniques here to reduce time, cost and environmental impact. Meanwhile, we are working up our plans for 324,000 sq ft of offices and new public riverside space at Red Lion Court. In addition, our recent acquisition on Lavington Street provides us with redevelopment and refurbishment opportunities for a range of workspaces. This will grow our presence in this increasingly popular part of London.

Outside central London, we've concluded a feasibility exercise on the opportunity to create residential-focused, mixed use developments in two well-connected vibrant locations in Shepherds Bush, W12 and Finchley Road, NW3 comprising around 1,700 new homes in total, much of which we intend to retain as homes for rent. We aim to submit planning applications during the course of this financial year. In Lewisham, we've started master planning our town centre asset which extends to around eight acres and provides the potential for a new residential-led, mixed use destination.

Manage

London Portfolio

The quality and popularity of our central London office space is reflected in its 98% occupancy rate and healthy average lease term of nine years. During the year, we completed £15m of lettings. We also completed £23m of rent reviews at 17% above passing rent. Lettings included completing the line up at Nova where the blend of retail, restaurants and leisure has created a destination for local residents, occupiers and visitors.

With new ways of working and people's expectations of their work environment evolving at speed, we're continuing to enhance and extend the services we provide to office customers, their employees and visitors. For example, our Landsec Lounge concept – which provides communal touch-down meeting spaces in a café-style environment – has proved very popular at 80 Victoria Street, SW1 and 20 Eastbourne Terrace, W2. We are now implementing our Lounge concept at Dashwood House, EC2, and 62 Buckingham Gate, SW1, with 6 New Street Square, EC4, and One New Change, EC4 to follow.

Myo, our new flexible office brand, has opened its doors to a new generation of growing customers, as well as meeting larger customers' core and flex requirements. Myo offers flexible terms, customisable design options, seamless IT and front-of-house support, which means our customers can focus on their business. It adds to the flexible space already provided at our assets through third party operators.

We currently operate 36,000 sq ft as Myo flexible space and plan to grow this significantly through opportunities within our existing portfolio and our development pipeline, providing new and existing customers a broad ecosystem of space from a few desks to head offices.

We have also trialled Landsec Fitted this year, a fully fitted out workspace, providing customers with a faster and more convenient way into occupation. This has proved very successful, reducing leasing times and incentives and attracting rents at a premium to unfitted space.

Retail Portfolio

18% of our Retail Portfolio by value is also located in London. These assets comprise our London shopping centres, which provide good development opportunities in densely populated catchments, and the majority of our hotels by value. Many of the hotels are valued at less than replacement cost and provide good development opportunities in the longer term, with resilient income streams in the meantime.

Outside London, our assets predominantly comprise six shopping, five outlet and 17 leisure destinations, increasingly focused on providing a great day out. The retail market is particularly challenging at the moment and our destinations are not immune from this. However, the work we did in recent years to shift investments away from secondary shopping centres and retail parks has limited our exposure to the retail sector most impacted by retailer difficulties. Our portfolio outperformed the national benchmarks for both footfall and retailer sales during the year.

The challenging nature of retail has been reflected in the level of company voluntary arrangements (CVAs) and administrations in the market. Since the start of 2018, more than 80 retail and food & beverage chains have gone into CVA or administration across the UK impacting more than 6,000 stores.

In this difficult market, the quality of our assets has meant that where retailers have a choice, as they do in a CVA, they are more likely to remain in a Landsec destination with 93% of our stores affected by CVA remaining open and continuing to trade compared with 85% for the market as a whole.

Shopping centres

Our strategy is to focus on dominant destinations with enduring appeal in strong and growing catchments, and core to the multi-channel strategies of both traditional and new retail brands.

Our partnerships with successful retailers are key to successful placemaking. For example, having upsized Primark at Trinity Leeds and introduced them at Westgate Oxford with a flagship unit, this year they came to Bluewater, Kent. Their 60,000 sq ft unit opened for trade in March, bringing a much requested retailer to the destination and adding to a strong and diverse mix of brands there. Also at Bluewater this year, we introduced Polo Ralph Lauren, BMW opened its first UK Urban Store and Beaverbrooks, JD Sports and Rituals all upsized.

We worked closely with Inditex, creating a new flagship for their Zara brand at Westgate Oxford and introducing their Bershka brand into St David's, Cardiff, following the successful opening of the Stradivarius brand at the end of last year. Letting the remaining units at Westgate has proved more difficult than we anticipated due to current market conditions, but we are pleased to have completed flagship units for Urban Outfitters, Mango and Flannels.

We're constantly working to refresh the retailer mix and customer experience. This year, for example, we introduced Black Box Revolution at Trinity Leeds. This enables us to curate space with constantly changing offers while providing brands and retailers new to bricks and mortar retail the ability to nimbly test the water and connect with shoppers in new ways.

Outlets

Outlets provide a shopping experience which is difficult to replicate online as well as being destinations for a day out. Turnover-related flexible leases enable us to capture income growth annually and allow us to regularly introduce new brands which reflect changing consumer preferences.

Again customer relationships are key. For example, during the year we introduced Polo Ralph Lauren at Braintree Village, key to our plans for transforming the brand line-up. This built on our work with the brand at Gunwharf Quays, where we had created a new Polo Ralph Lauren flagship store. Following the retailer's opening at Braintree Village, Polo Ralph Lauren also opted to take a full unit at Bluewater.

During the year, we secured planning consents at the three retail outlets we acquired last year in Braintree, Street and Castleford – each for physical improvement schemes that enable us to implement our business plans.

Leisure parks

Our leisure parks cater for the growing experience segment of consumer spend, providing family friendly cinema and sport anchored experiences and vary from a full day out at the award winning Xscape destinations to accessible family offers in the more traditional parks.

The leisure market remains relatively resilient and we are at near full occupancy, with UK leisure spend forecast to increase by 17% over the next five years (GlobalData). Total cinema admissions in 2018 were up 3.7% on 2017 and at their highest level for 50 years. We're constantly engaging with cinema operators to ensure our portfolio delivers the best movie experience possible and completed two cinema lease extensions and upgrades in the year.

Retail parks

This segment of the market is particularly impacted by over-supply and poor investor confidence. Having reduced the number of retail parks in our portfolio by nearly two thirds over the last ten years to focus on parks that offer convenience and are in locations which are not over supplied, we have retained good occupancy at 95%.

Sell

Having used buoyant market conditions over the last few years to sell many assets that did not form part of our long-term plans, the only significant disposals this year were retail parks at Livingston and Selly Oak. We will continue to reduce our allocation to this market segment further over time.

Net rental income

Table 13: Net rental income(1)

	London Portfolio			Retail Portfolio			Combined Portfolio		
	31 March 2019 £m	31 March 2018 £m	**Change £m**	**31 March 2019 £m**	31 March 2018 £m	**Change £m**	**31 March 2019 £m**	31 March 2018 £m	**Change £m**
Like-for-like investment properties	**273**	253	20	**271**	281	(10)	**544**	534	**10**
Proposed developments	**1**	2	(1)	**-**	-	-	**1**	2	**(1)**
Development programme	**-**	-	-	**-**	-	-	**-**	-	**-**
Completed developments	**33**	23	10	**9**	5	4	**42**	28	**14**
Acquisitions since 1 April 2017	**1**	-	1	**22**	20	2	**23**	20	**3**
Sales since 1 April 2017	**-**	7	(7)	**1**	8	(7)	**1**	15	**(14)**
Non-property related income	**2**	4	(2)	**5**	8	(3)	**7**	12	**(5)**
Net rental income	**310**	289	21	**308**	322	(14)	**618**	611	**7**

1. On a proportionate basis.

Net rental income from the Combined Portfolio increased by £7m to £618m in the year ended 31 March 2019 as rental income growth from our like-for-like portfolio, completed developments and acquisitions was partly offset by the impact of properties sold since 1 April 2017 and a decline in non-property related income.

Net rental income from the London Portfolio increased by £21m to £310m, with additional income from the like-for-like portfolio and developments more than offsetting lost income following the disposal of 20 Fenchurch Street, EC3. The £20m growth in net rental income from the like-for-like portfolio is due to rent reviews, new lettings and the full year effect of the refurbished screen at Piccadilly Lights, W1 which was switched back on in October 2017. Further lettings at our completed developments, principally Nova SW1, added £10m of net rental income. This was partly offset by £7m of income lost as a result of the disposal of 20 Fenchurch St.

Net rental income from the Retail Portfolio has decreased by £14m to £308m. This is driven by our like-for-like properties, disposals and non-property related income, partly offset by completed developments and acquisitions. The £10m reduction in our like-for-like properties is driven by higher bad debts, primarily provisions against tenant incentive balances, and void and re-letting costs. Asset disposals account for a further £7m reduction in net rental income. These include Ibis, Euston, 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 in net rental income were partly offset by the completion and opening of Westgate Oxford in October 2017, which contributed an additional £4m of net rental income and the acquisition of three outlets in May 2017 added £2m.

Principal risks and uncertainties

The Company has identified certain principal risks and uncertainties that could prevent the Group from achieving its strategic objectives and has assessed how these risks could best be mitigated through a combination of internal controls, risk management and the purchase of insurance cover. These risks are reviewed and updated on a regular basis and were last formally assessed by the Board in May 2019.

A description of the principal risks and uncertainties faced by the Group, together with an assessment of their impact is set out below. The Group's approach to the management and mitigation of these risks will be included in the 2019 Annual Report.

Risk description	Impact
Customers — Structural changes in customer and consumer behaviours	— Adverse change in demand for our space and the consequent impact on new lettings, renewals of existing leases and rental growth
Market cyclicality — Market and political uncertainty including the outcome of Brexit negotiations, changes in government and the impact of macro-economic forces	— Reduction in demand or deferral of decisions by occupiers and/or investors — Fall in real estate values — Adversely impacts our ability to buy, develop, manage and sell assets at the appropriate time in the property cycle
Disruption — Failure to react effectively to a disruptive change in the competitive landscape	— Asset obsolescence leading to an adverse change in demand for space — Loss of competitive advantage
People and skills — Inability to attract, retain and develop the right people and skills in a culture and environment where employees can thrive	— Lack the skills necessary to deliver the business objectives
Major health, safety and security incident — Failure to identify or mitigate a major health, safety or security related threat and/or react effectively to an incident	— Serious injury, illness or loss of life to employees, partners, occupiers or visitors to our properties — Criminal/civil proceedings — Loss of consumer confidence — Delays to building projects and access restrictions to our properties resulting in loss of income — Reputational impact
Information security and cyber threat — Data loss or disruption to the corporate systems and building management systems	— Negative reputational, operational, regulatory and/or financial impact

Risk description	Impact
Sustainability — Failure to properly consider and act upon the environmental and social impact of our activities	— Negative impact on our reputation — Delays in our development activities — Poor relationships with our customers and communities — Erosion of shareholder value
Investment and development strategy — Unable to effectively execute our strategy of buying, developing and selling assets at the appropriate time in the property cycle including inappropriate sector selection and weighting; inability to deliver capital expenditure programme to agreed returns; and/or occupiers reluctant to take new space	— Negative property valuation movements — Reduction in income — Loss of competitive advantage

Statement of Directors' Responsibilities

The Annual Report 2019 will contain the following statements regarding responsibility for the financial statements and business reviews included therein.

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group and parent company financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU). Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit and loss of the Group and the Company for that period.

In preparing these financial statements the Directors are required to:

- select suitable accounting policies in accordance with IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- state that the Group and Company has complied with IFRS as adopted by the EU, subject to any material departures disclosed and explained in the financial statements;
- provide additional disclosures when compliance with the specific requirements of IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's and Company's financial position and performance; and
- prepare the Group's and Company's financial statements on a going concern basis, unless it is inappropriate to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and the Company, and to enable them to ensure that the Annual Report complies with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS regulation. They are also responsible for safeguarding the assets of the Group and the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Directors' responsibility statement under the Disclosure and Transparency Rules

Each of the Directors, whose names and functions appear below, confirm to the best of their knowledge:

- the Group financial statements, which have been prepared in accordance with IFRS as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the Group;
- the Company financial statements, prepared in accordance with IFRS as adopted by the EU, give a true and fair view of the assets, liabilities, financial position, performance and cash flows of the Company; and
- the Strategic Report contained in the Annual Report includes a fair review of the development and performance of the business and the position of the Group and the Company, together with a description of the principal risks and uncertainties faced by the Group and Company.

Directors' statement under the UK Corporate Governance Code

Each of the Directors confirm that to the best of their knowledge the Annual Report taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's and Company's position, performance, business model and strategy.

A copy of the financial statements of the Group is placed on the Company's website. The Directors are responsible for the maintenance and integrity of statutory and audited information on the Company's website at landsec.com. Information published on the internet is accessible in many countries with different legal requirements. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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
— Edward Bonham Carter, Senior Independent Director*
— Chris Bartram*
— Nicholas Cadbury*
— Madeleine Cosgrave*
— Christophe Evain*
— Stacey Rauch*

*Non-executive Directors

The Statement of Directors' Responsibilities was approved by the Board of Directors on 13 May 2019 and is signed on its behalf by:

Robert Noel	**Martin Greenslade**
Chief Executive	**Chief Financial Officer**

Financial statements

Income statement	Notes	Year ended 31 March 2019 Revenue profit £m	Capital and other items £m	Total £m	Year ended 31 March 2018[1] Revenue profit £m	Capital and other items £m	Total £m
Revenue	5	**748**	**9**	**757**	731	99	830
Costs	6	**(249)**	**(22)**	**(271)**	(239)	(82)	(321)
		499	**(13)**	**486**	492	17	509
Share of post-tax profit/(loss) from joint ventures	12	**22**	**(107)**	**(85)**	9	18	27
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	10	**-**	**(441)**	**(441)**	-	(98)	(98)
Operating profit/(loss)		**521**	**(561)**	**(40)**	501	4	505
Finance income	7	**20**	**6**	**26**	31	8	39
Finance expense	7	**(99)**	**(10)**	**(109)**	(126)	(461)	(587)
(Loss)/profit before tax		**442**	**(565)**	**(123)**	406	(449)	(43)
Taxation				**4**			(1)
Loss attributable to shareholders				**(119)**			(44)
Loss per share attributable to shareholders:							
Basic loss per share	4			**(16.1)p**			(5.8)p
Diluted loss per share	4			**(16.1)p**			(5.8)p

1. Restated as a result of changes in accounting policies. See note 18 for details.

Statement of comprehensive income	Year ended 31 March 2019 Total £m	Year ended 31 March 2018[1] Total £m
Loss attributable to shareholders	**(119)**	(44)
Items that may be subsequently reclassified to the income statement:		
Movement in cash flow hedges	**(1)**	20
Items that will not be subsequently reclassified to the income statement:		
Revaluation of other investments	**-**	(1)
Net re-measurement gain/(loss) on defined benefit pension scheme	**1**	(2)
Deferred tax credit on re-measurement above	**-**	1
Other comprehensive income attributable to shareholders	**-**	18
Total comprehensive loss attributable to shareholders	**(119)**	(26)

1. Restated as a result of changes in accounting policies. See note 18 for details.

Balance sheet

	Notes	2019 £m	2018[1] £m
Non-current assets			
Investment properties	10	**12,094**	12,336
Intangible assets		**20**	34
Net investment in finance leases		**159**	162
Investments in joint ventures	12	**1,031**	1,151
Investments in subsidiary undertakings		**-**	-
Trade and other receivables		**176**	165
Other non-current assets		**30**	49
Total non-current assets		**13,510**	13,897
Current assets			
Trading properties	11	**23**	24
Trade and other receivables		**437**	471
Monies held in restricted accounts and deposits	15	**36**	15
Cash and cash equivalents	16	**14**	62
Other current assets		**14**	-
Total current assets		**524**	572
Total assets		**14,034**	14,469
Current liabilities			
Borrowings	14	**(934)**	(872)
Trade and other payables		**(273)**	(294)
Other current liabilities		**(18)**	(14)
Total current liabilities		**(1,225)**	(1,180)
Non-current liabilities			
Borrowings	14	**(2,847)**	(2,858)
Trade and other payables		**(1)**	-
Other non-current liabilities		**(5)**	(8)
Redemption liability		**(36)**	(37)
Total non-current liabilities		**(2,889)**	(2,903)
Total liabilities		**(4,114)**	(4,083)
Net assets		**9,920**	10,386
Equity			
Capital and reserves attributable to shareholders			
Ordinary shares		**80**	80
Share premium		**317**	317
Other reserves		**26**	26
Merger reserve		**-**	-
Retained earnings		**9,497**	9,963
Total equity		**9,920**	10,386

1. Restated as a result of changes in accounting policies. See note 18 for details.

The financial statements on pages 28 to 51 were approved by the Board of Directors on 13 May 2019 and were signed on its behalf by:

R M Noel **M F Greenslade**

Directors

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 loss for the financial year[1]	-	-	-	(26)	(26)
Transactions with shareholders:					
Share-based payments	-	1	6	2	9
Capital distribution	-	(475)	-	-	(475)
Dividends paid to shareholders	-	-	-	(314)	(314)
Acquisition of own shares	-	-	(10)	-	(10)
Total transactions with shareholders	-	(474)	(4)	(312)	(790)
At 31 March 2018[1]	80	317	26	9,963	10,386
Total comprehensive loss for the financial year	**-**	**-**	**-**	**(119)**	**(119)**
Transactions with shareholders:					
Share-based payments	**-**	**-**	**-**	**2**	**2**
Dividends paid to shareholders	**-**	**-**	**-**	**(349)**	**(349)**
Total transactions with shareholders	**-**	**-**	**-**	**(347)**	**(347)**
At 31 March 2019	**80**	**317**	**26**	**9,497**	**9,920**

1. Restated as a result of changes in accounting policies. See note 18 for details.

Statement of cash flows	Notes	Year ended 31 March 2019 £m	2018 £m
Cash flows from operating activities			
Net cash generated from operations	9	**516**	439
Interest received		**4**	29
Interest paid		**(114)**	(100)
Capital expenditure on trading properties		**(2)**	(24)
Disposal of trading properties		**22**	102
Other operating cash flows		**(2)**	(1)
Net cash inflow from operating activities		**424**	445
Cash flows from investing activities			
Investment property development expenditure		**(54)**	(33)
Acquisition of investment properties		**(136)**	(349)
Other investment property related expenditure		**(46)**	(58)
Disposal of investment properties		**41**	158
Disposal of investment in joint venture		**-**	633
Cash contributed to joint ventures	12	**(29)**	(111)
Loan advances to joint ventures		**-**	(72)
Cash distributions from joint ventures	12	**62**	190
Other investing cash flows		**(4)**	-
Net cash (outflow)/inflow from investing activities		**(166)**	358
Cash flows from financing activities			
Proceeds from new borrowings (net of finance fees)		**81**	629
Repayment of bank debt	14	**(3)**	-
Redemption of medium term notes	14	**(8)**	(1,256)
Premium paid on redemption of medium term notes	14	**(2)**	(385)
Redemption of QAG Bond	14	**-**	(273)
Premium paid on redemption of QAG Bond	14	**-**	(61)
Issue of medium term notes (net of finance fees)	14	**-**	1,334
Net cash (outflow)/inflow from derivative financial instruments	14	**(15)**	31
Dividends paid to shareholders	8	**(338)**	(314)
Capital distribution	17	**-**	(475)
(Increase)/decrease in monies held in restricted accounts and deposits		**(21)**	7
Other financing cash flows		**-**	(8)
Net cash outflow from financing activities		**(306)**	(771)
(Decrease)/increase in cash and cash equivalents for the year		**(48)**	32
Cash and cash equivalents at the beginning of the year		**62**	30
Cash and cash equivalents at the end of the year	16	**14**	62

Notes to the financial statements

1. Basis of preparation and consolidation

Basis of preparation

These financial statements have been prepared on a going concern basis and in accordance with International Financial Reporting Standards as adopted by the EU (IFRS), IFRIC Interpretations and the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements have been prepared in Pounds Sterling (rounded to the nearest one million), which is the presentation currency of the Group (Land Securities Group PLC and all its subsidiary undertakings), and under the historical cost convention as modified by the revaluation of investment property, financial assets at fair value through other comprehensive income (without recycling), derivative financial instruments and pension assets.

The preparation of financial statements in conformity with generally accepted accounting principles (GAAP) requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates. The Group's share of post-tax profit from joint ventures has been included in Operating profit on the face of the income statement, 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.

On 13 May 2019, the consolidated financial statements of the Group and this preliminary announcement were authorised for issue in accordance with a resolution of the Directors and will be delivered to the Registrar of Companies following the Group's Annual General Meeting. Statutory accounts for the year ended 31 March 2018 have been filed unqualified and do not contain any statement under Section 498(2) or Section 498(3) of the Companies Act 2006. The annual financial information presented in this preliminary announcement for the year ended 31 March 2019 is based on, and consistent with, the financial information in the Group's audited financial statements for the year ended 31 March 2019. The audit report on these financial statements is unqualified and did not contain a statement under Section 498(2) or 498(3) of the Companies Act 2006. This preliminary announcement does not constitute statutory financial statements of the Group within the meaning of Section 435 of the Companies Act 2006. Whilst the information included in this preliminary announcement has been prepared in accordance with the recognition and measurement criteria of IFRS, this announcement does not itself contain sufficient information to comply with IFRS.

A copy of the Group's Annual Report for the year ended 31 March 2018 can be found on the website at landsec.com/investors.

Basis of consolidation

The consolidated financial statements for the year ended 31 March 2019 incorporate the financial statements of the Company and all its subsidiary undertakings. Subsidiary undertakings are those entities controlled by the Company. Control exists where an entity is exposed to variable returns and has the ability to affect those returns through its power over the investee.

The results of subsidiaries and joint ventures acquired or disposed of during the year are included from the effective date of acquisition or to the effective date of disposal. Accounting policies of subsidiaries and joint ventures which differ from Group accounting policies are adjusted on consolidation.

Where instruments in a subsidiary held by third parties are redeemable at the option of the holder, these interests are classified as a financial liability, called the redemption liability. The liability is carried at fair value; the value is reassessed at the balance sheet date and movements are recognised in the income statement.

Intra-group balances and any unrealised gains and losses arising from intra-group transactions are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with joint ventures are eliminated to the extent of the Group's interest in the joint venture concerned. Unrealised losses are eliminated in the same way, but only to the extent that there is no evidence of impairment.

Our property portfolio is a combination of properties that are wholly owned by the Group, part owned through joint arrangements and properties owned by the Group but where a third party holds a non-controlling interest. Internally, management review the results of the Group on a basis that adjusts for these different forms of ownership to present a proportionate share. The Combined Portfolio, with assets totalling **£13.8bn**, is an example of this approach, reflecting the economic interest we have in our properties regardless of our ownership structure. We consider this presentation provides further understanding 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, and are adjusted to 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.

2. Changes in accounting policies and standards

The accounting policies used in these financial statements are consistent with those applied in the last annual financial statements, as amended where relevant to reflect the adoption of new standards, amendments and interpretations which became effective in the year, the impact of which is outlined below and in note 18.

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 18.

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 18 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 financial statements is detailed in note 18.

Amendments to IFRS

A number of new standards, amendments to standards and interpretations 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). Based on the impact assessment carried out, 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 year ended 31 March 2019, the amount reported in rental income which would be separated and reported as service charge income was **£7m**. 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 year, 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	Retail Portfolio £m	London Portfolio £m	2019 Total £m	Retail Portfolio £m	London Portfolio £m	2018(1) Total £m
Rental income	**360**	**320**	**680**	359	304	663
Finance lease interest	**-**	**9**	**9**	1	9	10
Gross rental income (before rents payable)	**360**	**329**	**689**	360	313	673
Rents payable(2)	**(10)**	**(3)**	**(13)**	(9)	(3)	(12)
Gross rental income (after rents payable)	**350**	**326**	**676**	351	310	661
Service charge income	**41**	**48**	**89**	36	45	81
Service charge expense	**(51)**	**(47)**	**(98)**	(45)	(47)	(92)
Net service charge expense	**(10)**	**1**	**(9)**	(9)	(2)	(11)
Other property related income	**18**	**16**	**34**	20	18	38
Direct property expenditure	**(50)**	**(33)**	**(83)**	(40)	(37)	(77)
Net rental income	**308**	**310**	**618**	322	289	611
Indirect property expenditure	**(20)**	**(15)**	**(35)**	(21)	(16)	(37)
Depreciation	**(1)**	**(1)**	**(2)**	(1)	(1)	(2)
Segment profit before finance expense	**287**	**294**	**581**	300	272	572
Joint venture finance expense	**(3)**	**(16)**	**(19)**	(8)	(20)	(28)
Segment profit	**284**	**278**	**562**	292	252	544
Group Services – other income			**3**			2
– expense			**(44)**			(45)
Finance income			**20**			31
Finance expense			**(99)**			(126)
Revenue profit			**442**			406

1. Restated as a result of changes in accounting policies. See note 18 for details.
2. Included within rents payable is finance lease interest payable of **£1m** (2018: £1m) and **£1m** (2018: £1m) for the Retail and London portfolios respectively.

Reconciliation of revenue profit to loss before tax	2019 Total £m	2018(1) Total £m
Revenue profit	**442**	406
Capital and other items		
Valuation and profits on disposals		
Net deficit on revaluation of investment properties	**(557)**	(91)
(Loss)/profit on disposal of investment properties	**(2)**	3
Profit on disposal of investment in joint venture	**-**	66
Profit on disposal of trading properties	**-**	30
Fair value movement prior to acquisition of non-owned element of a joint venture	**9**	-
Movement in impairment of trading properties	**-**	(4)
Profit from long-term development contracts	**3**	-
	(547)	4
Net finance expense		
Fair value movement on interest-rate swaps	**(6)**	8
Premium and fees on redemption of medium term notes (MTNs)	**(2)**	(390)
Premium and fees on redemption of QAG Bond	**-**	(62)
Other	**4**	(9)
	(4)	(453)
Exceptional items		
Impairment of intangible asset	**(12)**	-
Impairment of goodwill	**(2)**	-
	(14)	-
Loss before tax	**(123)**	(43)

1. Restated as a result of changes in accounting policies. See note 18 for details.

4. Performance measures

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

Adjusted earnings, which is a tax adjusted measure of revenue profit, is the basis for the calculation of adjusted earnings per share. We believe adjusted earnings and adjusted earnings per share provide further understanding of the results of the Group's operational performance to stakeholders as they focus on the rental income performance of the business and exclude Capital and other items which can vary significantly from year to year.

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

Earnings per share		**Year ended 31 March 2019**			Year ended 31 March 2018[1]	
	Loss for the financial year £m	**EPRA earnings £m**	**Adjusted earnings £m**	Loss for the financial year £m	EPRA earnings £m	Adjusted earnings £m
Loss attributable to shareholders	**(119)**	**(119)**	**(119)**	(44)	(44)	(44)
Taxation	**-**	**(4)**	**(4)**	-	1	1
Valuation and profits on disposals	**-**	**547**	**547**	-	(4)	(4)
Net finance expense	**-**	**4**	**4**	-	453	453
Exceptional items	**-**	**14**	**14**	-	-	-
(Loss)/profit used in per share calculation	**(119)**	**442**	**442**	(44)	406	406
	IFRS	**EPRA**	**Adjusted**	IFRS	EPRA	Adjusted
Basic (loss)/earnings per share	**(16.1)p**	**59.7p**	**59.7p**	(5.8)p	53.1p	53.1p
Diluted (loss)/earnings per share	**(16.1)p**	**59.7p**	**59.7p**	(5.8)p	53.1p	53.1p

1. Restated as a result of changes in accounting policies. See note 18 for details.

Net assets per share		**31 March 2019**			31 March 2018[1]	
	Net assets £m	**EPRA triple net assets £m**	**EPRA net assets £m**	Net assets £m	EPRA triple net assets £m	EPRA net assets £m
Net assets attributable to shareholders	**9,920**	**9,920**	**9,920**	10,386	10,386	10,386
Fair value of interest-rate swaps	**-**	**-**	**-**	-	-	(6)
Deferred tax liability on intangible asset	**-**	**-**	**2**	-	-	4
Goodwill on deferred tax liability	**-**	**(2)**	**(2)**	-	(4)	(4)
Excess of fair value of debt over book value (note 14)	**-**	**(239)**	**-**	-	(217)	-
Net assets used in per share calculation	**9,920**	**9,679**	**9,920**	10,386	10,165	10,380
	IFRS	**EPRA triple**	**EPRA**	IFRS	EPRA triple	EPRA
Net assets per share	**1,341p**	**n/a**	**n/a**	1,404p	n/a	n/a
Diluted net assets per share	**1,339p**	**1,306p**	**1,339p**	1,404p	1,374p	1,403p

1. Restated as a result of changes in accounting policies. See note 18 for details.

Number of shares	**Weighted average million**	**31 March 2019 million**	Weighted average million	31 March 2018 million
Ordinary shares	**751**	**751**	776	751
Treasury shares	**(10)**	**(10)**	(10)	(10)
Own shares	**(1)**	**(1)**	(1)	(1)
Number of shares – basic	**740**	**740**	765	740
Dilutive effect of share options	**-**	**1**	-	-
Number of shares – diluted	**740**	**741**	765	740

Total business return	**2019 pence**	2018[1] pence
Decrease in EPRA net assets per share	**(64)**	(14)
Dividend paid per share in the year (note 8)	**47**	40
Total return (a)	**(17)**	26
EPRA net assets per share at the beginning of the year (b)	**1,403**	1,417
Total business return (a/b)	**(1.2)%**	1.8%

1. Restated as a result of changes in accounting policies. See note 18 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.

	2019			2018[1]		
	Revenue profit £m	Capital and other items £m	Total £m	Revenue profit £m	Capital and other items £m	Total £m
Rental income (excluding adjustment for lease incentives)	**622**	**2**	**624**	581	2	583
Adjustment for lease incentives	**1**	**-**	**1**	29	-	29
Rental income	**623**	**2**	**625**	610	2	612
Service charge income	**80**	**-**	**80**	73	1	74
Other property related income	**33**	**-**	**33**	36	-	36
Trading property sales proceeds	**-**	**7**	**7**	-	96	96
Finance lease interest	**9**	**-**	**9**	10	-	10
Other income	**3**	**-**	**3**	2	-	2
Revenue per the income statement	**748**	**9**	**757**	731	99	830

1. Restated as a result of changes in accounting policies. See note 18 for details.

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

	2019				2018[1]			
	Group £m	Joint ventures £m	Adjustment for non-wholly owned subsidiaries[2] £m	Total £m	Group £m	Joint ventures £m	Adjustment for non-wholly owned subsidiaries[2] £m	Total £m
Rental income	**625**	**57**	**(2)**	**680**	612	53	(2)	663
Service charge income	**80**	**9**	**-**	**89**	74	8	(1)	81
Other property related income	**33**	**1**	**-**	**34**	36	2	-	38
Trading property sales proceeds	**7**	**32**	**-**	**39**	96	86	-	182
Finance lease interest	**9**	**-**	**-**	**9**	10	-	-	10
Long-term development contract income	**-**	**30**	**-**	**30**	-	6	-	6
Other income	**3**	**-**	**-**	**3**	2	-	-	2
Revenue in the segmental information note	**757**	**129**	**(2)**	**884**	830	155	(3)	982

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

6. Costs

All costs are classified within the Revenue profit column of the income statement, with the exception of the cost of sale of trading properties, costs arising on long-term development contracts, amortisation and impairments of intangible assets arising on business combinations and the non-owned element of the Group's subsidiaries which are presented in the 'Capital and other items' column.

	2019			2018[1]		
	Revenue profit	**Capital and other items**	**Total**	Revenue profit	Capital and other items	Total
	£m	**£m**	**£m**	£m	£m	£m
Rents payable	**10**	**-**	**10**	11	-	11
Service charge expense	**88**	**-**	**88**	82	1	83
Direct property expenditure	**72**	**-**	**72**	65	-	65
Indirect property expenditure	**79**	**-**	**79**	81	-	81
Cost of trading property disposals	**-**	**7**	**7**	-	79	79
Amortisation of other intangible asset	**-**	**1**	**1**	-	2	2
Impairment of intangible asset	**-**	**12**	**12**	-	-	-
Impairment of goodwill	**-**	**2**	**2**	-	-	-
Costs per the income statement	**249**	**22**	**271**	239	82	321

1. Restated as a result of changes in accounting policies. See note 18 for details.

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

	2019				2018[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	**10**	**3**	**-**	**13**	11	1	-	12
Service charge expense	**88**	**10**	**-**	**98**	83	10	(1)	92
Direct property expenditure	**72**	**11**	**-**	**83**	65	12	-	77
Indirect property expenditure	**79**	**2**	**-**	**81**	81	3	-	84
Cost of trading property disposals	**7**	**32**	**-**	**39**	79	73	-	152
Movement in impairment of trading properties	**-**	**-**	**-**	**-**	-	4	-	4
Long-term development contract expenditure	**-**	**27**	**-**	**27**	-	6	-	6
Amortisation of other intangible asset	**1**	**-**	**-**	**1**	2	-	-	2
Impairment of intangible asset	**12**	**-**	**-**	**12**	-	-	-	-
Impairment of goodwill	**2**	**-**	**-**	**2**	-	-	-	-
Costs in the segmental information note	**271**	**85**	**-**	**356**	321	109	(1)	429

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

7. Net finance expense

	31 March 2019 Revenue profit £m	Capital and other items £m	Total £m	31 March 2018[1] Revenue profit £m	Capital and other items £m	Total £m
Finance income						
Interest receivable from joint ventures	**19**	**-**	**19**	31	-	31
Fair value movement on other derivatives	**-**	**6**	**6**	-	-	-
Fair value movement on interest-rate swaps	**-**	**-**	**-**	-	8	8
Other interest receivable	**1**	**-**	**1**	-	-	-
	20	**6**	**26**	31	8	39
Finance expense						
Bond and debenture debt	**(81)**	**-**	**(81)**	(112)	-	(112)
Bank and other short-term borrowings	**(22)**	**-**	**(22)**	(15)	-	(15)
Fair value movement on interest-rate swaps	**-**	**(6)**	**(6)**	-	-	-
Fair value movement on other derivatives	**-**	**(1)**	**(1)**	-	(7)	(7)
Redemption of medium term notes[2]	**-**	**(2)**	**(2)**	-	(390)	(390)
Redemption of QAG Bond[2]	**-**	**-**	**-**	-	(62)	(62)
Revaluation of redemption liabilities	**-**	**(1)**	**(1)**	-	(2)	(2)
Other interest payable	**-**	**-**	**-**	(2)	-	(2)
	(103)	**(10)**	**(113)**	(129)	(461)	(590)
Interest capitalised in relation to properties under development	**4**	**-**	**4**	3	-	3
	(99)	**(10)**	**(109)**	(126)	(461)	(587)
Net finance expense	**(79)**	**(4)**	**(83)**	(95)	(453)	(548)
Joint venture net finance expense	**(19)**			(28)		
Net finance expense included in revenue profit	**(98)**			(123)		

1. Restated as a result of changes in accounting policies. See note 18 for details.
2. In the year ended 31 March 2018, the Group redeemed the QAG Bond in its entirety and repurchased £1,256m of medium term notes.

Finance lease interest payable of **£2m** (2018: £2m) is included within rents payable as detailed in note 3.

8. Dividends

Dividends paid	Payment date	Pence per share PID	Non-PID	Total	Year ended 31 March 2019 £m	2018 £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:						
First interim	6 October 2017	9.85	-	9.85		78
Second interim	5 January 2018	-	9.85	9.85		73
Third interim	**6 April 2018**	**9.85**	**-**	**9.85**	**73**	
Final	**27 July 2018**	**14.65**	**-**	**14.65**	**108**	
For the year ended 31 March 2019:						
First interim	**5 October 2018**	**11.30**	**-**	**11.30**	**84**	
Second interim	**4 January 2019**	**11.30**	**-**	**11.30**	**84**	
Gross dividends					**349**	314
Dividends in statement of changes in equity					**349**	314
Timing difference on payment of withholding tax					**(11)**	-
Dividends in the statement of cash flows					**338**	314

A third quarterly interim dividend of **11.30p** per ordinary share, or **£84m** in total (2018: 9.85p or £73m in total), was paid on 12 April 2019 as a Property Income Distribution (PID). The Board has recommended a final dividend for the year ended 31 March 2019 of **11.65p** per ordinary share (2018: 14.65p) to be paid as a PID. This final dividend will result in a further estimated distribution of **£86m** (2018: £108m). Subject to shareholders' approval at the Annual General Meeting, the final dividend will be paid on 25 July 2019 to shareholders registered at the close of business on 21 June 2019.

The total dividend paid and recommended in respect of the year ended 31 March 2019 is **45.55p** per ordinary share (2018: 44.2p) resulting in a total estimated distribution of **£338m** (2018: £332m).

The first quarterly dividend for the year ending 31 March 2020 will be **11.6p**. It will be paid on 4 October 2019 to shareholders on the register at the close of business on 6 September 2019.

A Dividend Reinvestment Plan (DRIP) has been available in respect of all dividends paid during the year.

9. Net cash generated from operations

Reconciliation of operating (loss)/profit to net cash generated from operations	2019 £m	2018[1] £m
Operating (loss)/profit	**(40)**	505
Adjustments for:		
Net deficit on revaluation of investment properties	**441**	98
Profit on disposal of trading properties	**-**	(17)
Profit on disposal of investment properties	**-**	(1)
Profit on disposal of investment in joint venture	**-**	(66)
Share of loss/(profit) from joint ventures	**85**	(27)
Share-based payment charge	**2**	6
Impairment of intangible asset	**12**	-
Impairment of goodwill	**2**	-
Other	**10**	8
	512	506
Changes in working capital:		
Decrease/(increase) in receivables	**20**	(53)
(Decrease)/increase in payables and provisions	**(16)**	(14)
Net cash generated from operations	**516**	439

1. Restated to reflect the change in presentation of the income statement to include the Group's share of post-tax profit from joint ventures in Operating profit. See note 1 for details.

10. Investment properties

	2019 £m	2018 £m
Net book value at the beginning of the year	**12,336**	12,144
Acquisitions	**136**	351
Transfer from trading properties	**-**	1
Capital expenditure: Investment portfolio	**42**	53
Development programme	**52**	39
Capitalised interest	**5**	3
Disposals	**(36)**	(157)
Net deficit on revaluation of investment properties	**(441)**	(98)
Net book value at the end of the year	**12,094**	12,336

The market value of the Group's investment properties, as determined by the Group's external valuer, differs from the net book value presented in the balance sheet due to the Group presenting tenant finance leases, head leases and lease incentives separately. The following table reconciles the net book value of the investment properties to the market value.

	2019				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
Market value	**12,637**	**1,149**	**(36)**	**13,750**	12,883	1,257	(37)	14,103
Less: properties treated as finance leases	**(239)**	**-**	**1**	**(238)**	(241)	-	1	(240)
Plus: head leases capitalised	**30**	**8**	**-**	**38**	31	8	-	39
Less: tenant lease incentives	**(334)**	**(40)**	**1**	**(373)**	(337)	(30)	1	(366)
Net book value	**12,094**	**1,117**	**(34)**	**13,177**	12,336	1,235	(35)	13,536
Net (deficit)/surplus on revaluation of investment properties	**(441)**	**(117)**	**1**	**(557)**	(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.

The net book value of leasehold properties where head leases have been capitalised is **£2,110m** (2018: £2,096m).

Investment properties include capitalised interest of **£214m** (2018: £209m). The average rate of interest capitalisation for the year is **3.5%** (2018: 4.0%). The historical cost of investment properties is **£7,277m** (2018: £7,081m).

11. Trading properties

	Development land and infrastructure £m	Residential £m	Total £m
At 1 April 2017	108	14	122
Capital expenditure	17	(2)	15
Disposals	(104)	(8)	(112)
Transfer to investment properties	-	(1)	(1)
31 March 2018	21	3	24
Acquisitions	**-**	**4**	**4**
Capital expenditure	**2**	**-**	**2**
Disposals	**-**	**(7)**	**(7)**
At 31 March 2019	**23**	**-**	**23**

The cumulative impairment provision at 31 March 2019 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 principal joint arrangements are described below:

Joint ventures	Percentage owned & voting rights	Business segment	Year end date[1]	Joint venture partner
Held at 31 March 2019				
Nova, Victoria[2]	50%	London	31 March	Canada Pension Plan Investment Board
Southside Limited Partnership	50%	Retail	31 March	Invesco Real Estate European Fund
St. David's Limited Partnership	50%	Retail	31 December	Intu Properties plc
Westgate Oxford Alliance Limited Partnership	50%	Retail	31 March	The Crown Estate Commissioners
Harvest[3][4]	50%	Retail	31 March	J Sainsbury plc
The Ebbsfleet Limited Partnership[3]	50%	London	31 March	Ebbsfleet Property Limited
West India Quay Unit Trust[3][5]	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 Lendlease Retail LP Royal London Asset Management Aberdeen Asset Management

The Group acquired the remaining 50% interest in the following joint arrangement in the year ended 31 March 2019:

Joint venture	Ownership interest	Business segment		Joint venture partner
The Oriana Limited Partnership[3][6]	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. Included within Other in subsequent tables.
4. Harvest includes Harvest 2 Limited Partnership, Harvest Development Management Limited, Harvest 2 Selly Oak Limited, Harvest 2 GP Limited and Harvest GP Limited.
5. West India Quay Unit Trust is held in the X-Leisure Unit Trust (X-Leisure) in which the Group holds a 95% share.
6. 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 31 March 2019.

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 and Nova, Victoria 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

Year ended 31 March 2019

Comprehensive income statement	Nova, Victoria 100% £m	Southside Limited Partnership 100% £m	St. David's Limited Partnership 100% £m	Westgate Oxford Alliance Partnership 100% £m	Other 100% £m	Total 100% £m	Total Group share £m
Revenue[1]	97	13	44	38	66	258	129
Gross rental income (after rents payable)	32	13	35	26	3	109	54
Net rental income	28	10	26	20	3	87	43
Segment profit before finance expense	25	10	26	19	3	83	41
Finance expense	(33)	(6)	-	-	-	(39)	(19)
Net finance expense	(33)	(6)	-	-	-	(39)	(19)
Revenue (loss)/profit	(8)	4	26	19	3	44	22
Capital and other items							
Net deficit on revaluation of investment properties	(25)	(32)	(101)	(74)	(1)	(233)	(117)
Movement in impairment of trading properties	(1)	-	-	-	-	(1)	-
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
(Loss)/profit on disposal of trading properties	(3)	-	-	1	3	1	-
Profit on long-term development contracts	-	-	-	-	7	7	3
(Loss)/profit before tax	(37)	(28)	(75)	(54)	25	(169)	(85)
Post-tax (loss)/profit	(37)	(28)	(75)	(54)	25	(169)	(85)
Total comprehensive (loss)/income	(37)	(28)	(75)	(54)	25	(169)	(85)
	50%	50%	50%	50%	50%	50%	
Group share of (loss)/profit before tax	(19)	(14)	(38)	(27)	13	(85)	(85)
Group share of post-tax (loss)/profit	(19)	(14)	(38)	(27)	13	(85)	(85)
Group share of total comprehensive (loss)/income	(19)	(14)	(38)	(27)	13	(85)	(85)

1. Revenue includes gross rental income (before rents payable), service charge income, other property related income, trading properties disposal proceeds and income from long-term development contracts.

12. Joint arrangements continued

Joint ventures

Year ended 31 March 2018[1]

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	147	14	44	41	43	310	155
Gross rental income (after rents payable)	16	20	14	35	15	3	103	52
Net rental income	16	11	13	28	11	2	81	40
Segment profit before finance expense	16	9	11	26	11	2	75	37
Finance expense	(8)	(33)	(6)	-	(15)	-	(62)	(31)
Capitalised interest	-	-	-	-	5	-	5	3
Net finance expense	(8)	(33)	(6)	-	(10)	-	(57)	(28)
Revenue profit/(loss)	8	(24)	5	26	1	2	18	9
Capital and other items								
Net surplus/(deficit) on revaluation of investment properties	-	24	-	(44)	20	14	14	7
Impairment of trading properties	-	(8)	-	-	-	-	(8)	(4)
Profit on disposal of investment properties	-	-	1	-	-	2	3	2
Profit on disposal of trading properties	-	19	-	-	4	4	27	13
Profit/(loss) before tax	8	11	6	(18)	25	22	54	27
Post-tax profit/(loss)	8	11	6	(18)	25	22	54	27
Total comprehensive income/(loss)	8	11	6	(18)	25	22	54	27
	50%	50%	50%	50%	50%	50%	50%	
Group share of profit/(loss) before tax	4	6	3	(9)	12	11	27	27
Group share of post-tax profit/(loss)	4	6	3	(9)	12	11	27	27
Group share of total comprehensive income/(loss)	4	6	3	(9)	12	11	27	27

1. Restated as a result of changes in accounting policies. See note 18 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, trading properties disposal proceeds and income from long-term development contracts.

12. Joint arrangements continued

Joint ventures 2019

Balance sheet	Nova, Victoria 100% £m	Southside Limited Partnership 100% £m	St. David's Limited Partnership 100% £m	Westgate Oxford Alliance Partnership 100% £m	Other 100% £m	Total 100% £m	Total Group share £m
Investment properties(1)	843	263	562	495	71	2,234	1,117
Non-current assets	843	263	562	495	71	2,234	1,117
Cash and cash equivalents	10	4	1	13	4	32	16
Other current assets	68	4	17	22	161	272	136
Current assets	78	8	18	35	165	304	152
Total assets	921	271	580	530	236	2,538	1,269
Trade and other payables and provisions	(26)	(6)	(11)	(13)	(85)	(141)	(70)
Current liabilities	(26)	(6)	(11)	(13)	(85)	(141)	(70)
Non-current liabilities	(178)	(142)	(16)	-	-	(336)	(168)
Non-current liabilities	(178)	(142)	(16)	-	-	(336)	(168)
Total liabilities	(204)	(148)	(27)	(13)	(85)	(477)	(238)
Net assets	717	123	553	517	151	2,061	1,031
Market value of investment properties(1)	893	265	557	511	72	2,298	1,149
Net cash/(debt)	11	4	(13)	14	4	20	10

Joint ventures 2018

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	6	3	(9)	12	11	27
Cash contributed	-	20	-	-	79	12	111
Cash distributions	-	(70)	(29)	(15)	(12)	(64)	(190)
Disposal of investment	(531)	-	-	-	-	-	(531)
At 31 March 2018	-	393	78	328	282	70	1,151
Total comprehensive (loss)/income	**-**	**(19)**	**(14)**	**(38)**	**(27)**	**13**	**(85)**
Cash contributed	**-**	**13**	**-**	**-**	**14**	**2**	**29**
Cash distributions	**-**	**(28)**	**(3)**	**(13)**	**(11)**	**(7)**	**(62)**
Disposal of investment	**-**	**-**	**-**	**-**	**-**	**(2)**	**(2)**
At 31 March 2019	**-**	**359**	**61**	**277**	**258**	**76**	**1,031**

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

	2019				2018[1]			
	Group £m	Joint ventures £m	Adjustment for non-wholly owned subsidiaries[2] £m	Combined £m	Group £m	Joint ventures £m	Adjustment for non-wholly owned subsidiaries[2] £m	Combined £m
Property portfolio								
Market value of investment properties	**12,637**	**1,149**	**(36)**	**13,750**	12,883	1,257	(37)	14,103
Trading properties and long-term contracts	**23**	**18**	**-**	**41**	24	50	-	74
Total property portfolio (a)	**12,660**	**1,167**	**(36)**	**13,791**	12,907	1,307	(37)	14,177
Net debt								
Borrowings	**3,781**	**8**	**-**	**3,789**	3,730	8	-	3,738
Monies held in restricted accounts and deposits	**(36)**	**(2)**	**-**	**(38)**	(15)	-	-	(15)
Cash and cash equivalents	**(14)**	**(16)**	**-**	**(30)**	(62)	(16)	-	(78)
Fair value of interest-rate swaps	**-**	**-**	**-**	**-**	(6)	-	-	(6)
Fair value of foreign exchange swaps and forwards	**16**	**-**	**-**	**16**	7	-	-	7
Net debt (b)	**3,747**	**(10)**	**-**	**3,737**	3,654	(8)	-	3,646
Less: Fair value of interest-rate swaps	**-**	**-**	**-**	**-**	6	-	-	6
Adjusted net debt (c)	**3,747**	**(10)**	**-**	**3,737**	3,660	(8)	-	3,652
Adjusted total equity								
Total equity (d)	**9,920**	**-**	**-**	**9,920**	10,386	-	-	10,386
Fair value of interest-rate swaps	**-**	**-**	**-**	**-**	(6)	-	-	(6)
Adjusted total equity (e)	**9,920**	**-**	**-**	**9,920**	10,380	-	-	10,380
Gearing (b/d)	**37.8%**			**37.7%**	35.2%			35.1%
Adjusted gearing (c/e)	**37.8%**			**37.7%**	35.3%			35.2%
Group LTV (c/a)	**29.6%**			**27.1%**	28.4%			25.8%
Security Group LTV	**28.6%**				27.2%			
Weighted average cost of debt	**2.7%**			**2.7%**	2.6%			2.6%

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

14. Borrowings

	Secured/ unsecured	Fixed/ floating	Effective interest rate %	2019 Nominal/ notional value £m	2019 Fair value £m	2019 Book value £m	2018 Nominal/ notional value £m	2018 Fair value £m	2018 Book value(1) £m
Current borrowings									
Commercial paper									
Euro	Unsecured	Floating	LIBOR + margin	**729**	**729**	**729**	833	833	833
US Dollar	Unsecured	Floating	LIBOR + margin	**205**	**205**	**205**	39	39	39
Total current borrowings				**934**	**934**	**934**	872	872	872
Non-current borrowings									
Medium term notes (MTN)									
A3 5.425% MTN due 2022	Secured	Fixed	5.5	**46**	**48**	**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**	**405**	**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**	**224**	**186**	186	229	186
A6 5.376% MTN due 2029	Secured	Fixed	5.4	**78**	**97**	**77**	84	107	84
A16 2.375% MTN due 2029	Secured	Fixed	2.5	**350**	**362**	**347**	350	352	347
A13 2.399% MTN due 2031	Secured	Fixed	2.4	**300**	**310**	**299**	300	300	299
A7 5.396% MTN due 2032	Secured	Fixed	5.4	**156**	**209**	**156**	156	210	156
A11 5.125% MTN due 2036	Secured	Fixed	5.1	**56**	**76**	**56**	56	78	56
A14 2.625% MTN due 2039	Secured	Fixed	2.6	**500**	**508**	**493**	500	498	493
A15 2.750% MTN due 2059	Secured	Fixed	2.8	**500**	**515**	**494**	500	512	494
				2,611	**2,799**	**2,592**	2,617	2,783	2,599
Syndicated and bilateral bank debt	Secured	Floating	LIBOR + margin	**225**	**225**	**225**	228	228	228
Amounts payable under finance leases	Unsecured	Fixed	5.7	**30**	**62**	**30**	31	64	31
Total non-current borrowings				**2,866**	**3,086**	**2,847**	2,876	3,075	2,858
Total borrowings				**3,800**	**4,020**	**3,781**	3,748	3,947	3,730

1. Restated as a result of changes in accounting policies. See note 18 for details.

Reconciliation of the movement in borrowings	**2019** £m	2018(1) £m
At the beginning of the year	**3,730**	3,263
Proceeds from new borrowings	**84**	632
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	**(25)**	26
Other	**-**	4
At 31 March	**3,781**	3,730

1. Restated as a result of changes in accounting policies. See note 18 for details.

Reconciliation of movements in liabilities arising from financing activities

2019	At 1 April £m	Cash flows £m	Non-cash changes: Changes in fair values £m	Non-cash changes: Other changes £m	At 31 March £m
Borrowings	**3,730**	**76**	**-**	**(25)**	**3,781**
Derivative financial instruments	**1**	**(15)**	**30**	**-**	**16**
	3,731	**61**	**30**	**(25)**	**3,797**
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 18 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 **£13.2bn** at 31 March 2019 (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 1.45x respectively. If these limits are exceeded, the operating environment becomes more restrictive with provisions to encourage a reduction in gearing. The interest rate of each MTN is fixed until the expected maturity, being two years before the legal maturity date of the MTN, whereupon the interest rate for the last two years may either become floating on a LIBOR basis plus an increased margin (relative to that at the time of issue), or subject to a fixed coupon uplift, depending on the terms and conditions of the specific notes.

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

During the year, 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	**2019**		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 31 March 2019	**2019 £m**	2018 £m	**2019 £m**	2018 £m	**2019 £m**	2018 £m
Syndicated debt	2023-24	**2,490**	1,965	**100**	103	**2,390**	1,862
Bilateral debt	2023-24	**225**	125	**125**	125	**100**	-
		2,715	2,090	**225**	228	**2,490**	1,862

At 31 March 2019, the Group's committed revolving facilities totalled **£2,715m** (31 March 2018: £2,090m). The **£625m** increase in committed facilities is the result of several increases in the syndicated debt facilities arranged throughout the year.

All syndicated and bilateral facilities are committed and secured on the assets of the Security Group. During the year ended 31 March 2019, 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 31 March 2019 were **£1,556m** (31 March 2018: £990m), compared with undrawn facilities of **£2,490m** (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.

15. Monies held in restricted accounts and deposits

	2019	2018
	£m	£m
Cash at bank and in hand	**29**	7
Short-term deposits	**7**	8
	36	15

The credit quality of monies held in restricted accounts and deposits can be assessed by reference to external credit ratings of the counterparty where the account or deposit is placed.

	2019	2018
	£m	£m
Counterparties with external credit ratings		
A+	**32**	-
A	**4**	15
	36	15

16. Cash and cash equivalents

	2019	2018
	£m	£m
Cash at bank and in hand	**14**	62
	14	62

The credit quality of cash and cash equivalents can be assessed by reference to external credit ratings of the counterparty where the account or deposit is placed.

	2019	2018
	£m	£m
Counterparties with external credit ratings		
A+	**14**	-
A	**-**	62
	14	62

17. 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.

18. 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.

18. Changes in accounting policies continued

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 by calculating 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 table on page 51. There is no impact on the Group's balance sheet. The new accounting policy for revenue from contracts with customers is set on page 50.

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 IFRS 9 (and previously 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 51. The revised accounting policy is set out on page 50.

18. 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.

In determining the expected credit losses the Group takes into account any recent payment behaviours and future expectations of likely default events (i.e. not making payment on the due date) based on individual customer credit ratings, actual or expected insolvency filings or company voluntary arrangements and market expectations and trends in the wider macro-economic environment in which our customers operate.

Trade and other receivables are written off once all avenues to recover the balances are exhausted and the lease has ended. Receivables written off are no longer subject to any enforcement activity.

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 year 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 year 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.

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.

18. 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	Year ended 31 March 2018		
	Reported £m	Adjustments £m	Restated £m
Revenue[1]	852	(22)	830
Costs[1]	(343)	22	(321)
	509	-	509
Share of post-tax profit from joint ventures	27	-	27
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	(98)	-	(98)
Operating profit	505	-	505
Finance income	39	-	39
Finance expense[2]	(795)	208	(587)
Loss before tax	(251)	208	(43)
Taxation	(1)	-	(1)
Loss attributable to shareholders	(252)	208	(44)
Earnings per share attributable to shareholders:			
Basic loss per share	(32.9)p	27.1p	(5.8)p
Diluted loss per share	(32.9)p	27.1p	(5.8)p

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.

19. Events after the reporting period

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

Business analysis

Table 14: Alternative performance measures

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

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

Alternative performance measure	Nearest IFRS measure	Reconciliation
Revenue profit	Profit before tax	Note 3
Adjusted earnings	Profit attributable to shareholders	Note 4
Adjusted earnings per share	Basic earnings per share	Note 4
Adjusted diluted earnings per share	Diluted earnings per share	Note 4
EPRA net assets	Net assets attributable to shareholders	Note 4
EPRA net assets per share	Net assets attributable to shareholders	Note 4
Total business return	n/a	Note 4
Combined Portfolio	Investment properties	Note 10
Adjusted net debt	Borrowings	Note 13
Group LTV	n/a	Note 13

Table 15 : EPRA performance measures

			31 March 2019	
Measure	Definition for EPRA measure	Notes	Landsec measure	EPRA measure
Adjusted earnings	Recurring earnings from core operational activity	4	**£442m**	**£442m**
Adjusted earnings per share	Adjusted earnings per weighted number of ordinary shares	4	**59.7p**	**59.7p**
Adjusted diluted earnings per share	Adjusted diluted earnings per weighted number of ordinary shares	4	**59.7p**	**59.7p**
EPRA net assets	Net assets adjusted to exclude the fair value of interest-rate swaps	4	**£9,920m**	**£9,920m**
EPRA net assets per share	Diluted net assets per share adjusted to exclude the fair value of interest-rate swaps	4	**1,339p**	**1,339p**
EPRA triple net assets	Net assets adjusted to include the fair value of financial instruments and debt	4	**£9,679m**	**£9,679m**
EPRA triple net assets per share	Diluted triple net assets per share	4	**1,306p**	**1,306p**
Net initial yield (NIY)	Annualised rental income less non-recoverable costs as a % of market value plus assumed purchasers' costs(1)		**4.2%**	**4.4%**
Topped-up NIY	NIY adjusted for rent free periods(1)		**4.6%**	**4.7%**
Voids/vacancy rate	ERV of vacant space as a % of ERV of Combined Portfolio excluding the development programme(2)		**2.7%**	**2.7%**
Cost ratio	Total costs as a percentage of gross rental income (including direct vacancy costs)(3)		**18.2%**	**18.6%**
	Total costs as a percentage of gross rental income (excluding direct vacancy costs)(3)		**n/a**	**16.6%**

1. Our NIY and Topped-up NIY relate to the Combined Portfolio, excluding properties in the development programme that have not yet reached practical completion, and are calculated by our external valuer. EPRA NIY and EPRA Topped-up NIY calculations are consistent with ours, but exclude all developments. Topped-up NIY reflects adjustments of **£42m** and **£29m** for rent free periods and other incentives for the Landsec measure and EPRA measure, respectively.
2. Our measure reflects voids in our like-for-like portfolio only. The EPRA measure reflects voids in the Combined Portfolio excluding only the development programme.
3. The EPRA cost ratio is calculated based on gross rental income after rents payable and excluding costs recovered through rents but not separately invoiced, whereas our measure is based on gross rental income before rents payable and excluding costs recovered through rents but not separately invoiced. We do not calculate a cost ratio excluding direct vacancy costs as we do not consider this to be helpful.

Table 16 : Top 12 occupiers at 31 March 2019

	% of Group rent[1]
Central Government	5.2
Deloitte	5.0
Accor	4.4
Cineworld	1.7
Mizuho Bank	1.5
Boots	1.5
Sainsbury's	1.2
Equinix	1.1
Next	1.1
H&M	1.0
Taylor Wessing	1.0
M&S	0.9
	25.6

1. On a proportionate basis.

Table 17: Development pipeline at 31 March 2019

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	100	270	38	Nov 2021	170	576
Proposed developments									
105 Sumner St, SE1	Office	100	131,000	n/a	n/a	n/a	Jan 2022	n/a	n/a
Nova East, SW1	Office	50	167,000	n/a	n/a	n/a	Feb 2022	n/a	n/a
One Sherwood St, W1	Office	100	111,000	n/a	n/a	n/a	Jun 2022	n/a	n/a
	Retail		30,000						
	Residential		3,000						

Where the property is not 100% owned, floor areas and letting status shown above represent the full scheme whereas all other figures represent our proportionate share. Letting % is measured by ERV and shows letting status at 31 March 2019. Trading property development schemes are excluded from the development pipeline.

Total development cost

Refer to the Glossary for definition. Of the properties in the development pipeline at 31 March 2019, the only property on which interest was capitalised on the land cost was 21 Moorfields, EC2.

Net income/ERV

Net income/ERV represents headline annual rent on let units plus ERV at 31 March 2019 on unlet units, both after rents payable.

Table 18: Combined Portfolio value by location at 31 March 2019

	Shopping centres and shops %	Outlets %	Retail parks %	Offices %	Hotels, leisure, residential & other %	Total %
Central, inner and outer London	14.2	-	0.2	47.7	3.2	65.3
South East and East	5.8	5.5	3.1	-	2.9	17.3
Midlands	-	-	0.5	-	0.6	1.1
Wales and South West	2.1	1.0	0.4	-	0.5	4.0
North, North West, Yorkshire and Humberside	6.4	0.6	0.4	0.1	1.7	9.2
Scotland and Northern Ireland	2.3	-	-	-	0.8	3.1
Total	**30.8**	**7.1**	**4.6**	**47.8**	**9.7**	**100.0**

% figures calculated by reference to the Combined Portfolio value of £13.8bn.

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

Table 19: Combined Portfolio performance relative to MSCI

Total property returns – year ended 31 March 2019

	Landsec %	MSCI [1] %
Retail – Shopping centres[2]	(4.5)	(7.2)
– Retail parks	(9.2)	(4.0) [3]
Central London shops	(2.0)	3.4
Central London offices	4.5	5.0
Total	**0.4** [4]	**4.6**

1. MSCI Quarterly Universe.
2. Includes outlets.
3. MSCI Retail Warehouses Quarterly Universe.
4. Includes leisure, hotel portfolio and other.

Table 20: Cost analysis

	£m
Gross rental income (before rents payable)	**689**
Rents payable	(13)
Gross rental income (after rents payable)	**676**
Net service charge expense	(9)
Net direct property expenditure	(49)
Net rental income	**618**
Indirect costs	(37)
Segment profit before finance expense	**581**
Net unallocated expenses	(41)
Net finance expense - Group	(79)
Net finance expense - joint ventures	(19)
Revenue profit	**442**

Direct property costs £58m

Indirect expenses[2] £78m

Total cost ratio[1] **18.2%**

	Year ended 31 March 2019 Total £m	**Year ended 31 March 2019 Cost ratio %[1]**	Year ended 31 March 2018 Total £m	Year ended 31 March 2018 Cost ratio %[1]
Gross rental income (before rents payable)	**689**		673	
Costs recovered through rents but not separately invoiced	(13)		(9)	
Adjusted gross rental income	**676**		664	
Rents payable	(13)		(12)	
EPRA gross rental income	**663**		652	
Managed operations	**10**	**1.5**	9	1.4
Tenant default	**10**	**1.5**	5	0.8
Void related costs	**13**	**1.9**	20	3.0
Other direct property costs	**22**	**3.2**	14	2.1
Development expenditure	**12**	**1.8**	14	2.1
Asset management, administration and compliance	**69**	**10.2**	70	10.5
Total (incl. direct vacancy costs)	**136**	**20.1**	132	19.9
Costs recovered through rents	(13)		(9)	
Adjusted total costs	**123**	**18.2**	123	18.5
EPRA costs (incl. direct vacancy costs)	**123**	**18.6**	123	18.9
Less: Direct vacancy costs	(13)		(20)	
EPRA (excl. direct vacancy costs)	**110**	**16.6**	103	15.8

1. Percentages represent costs divided by Adjusted gross rental income, except for EPRA measures which represent costs divided by EPRA gross rental income.
2. Indirect expenses amounting to **£5m** (2018: £1m) have been capitalised as development costs and are excluded from table 20.

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)	
	31 March 2019	31 March 2018	**Surplus/ (deficit)**	**Surplus/ (deficit)**	**31 March 2019**	31 March 2018	**31 March 2019**	**31 March 2019**	31 March 2018	**31 March 2019**	31 March 2018
	£m	£m	**£m**	**%**	**£m**	£m	**£m**	**£m**	£m	**£m**	£m
Retail Portfolio											
Shopping centres and shops	**2,593**	2,921	**(341)**	**(11.7)%**	**157**	159	**148**	**141**	144	**150**	159
Outlets	**634**	642	**(9)**	**(1.4)%**	**36**	38	**35**	**36**	36	**37**	37
Retail parks	**636**	751	**(114)**	**(15.5)%**	**43**	45	**43**	**43**	45	**42**	44
Leisure and hotels	**1,283**	1,304	**(23)**	**(1.8)%**	**79**	77	**78**	**74**	75	**78**	78
Other	**16**	16	**-**	**(0.2)%**	**1**	1	**1**	**1**	1	**2**	2
Total Retail Portfolio	**5,162**	5,634	**(487)**	**(8.7)%**	**316**	320	**305**	**295**	301	**309**	320
London Portfolio											
West End	**2,325**	2,369	**(54)**	**(2.3)%**	**108**	106	**106**	**113**	108	**119**	116
City	**1,221**	1,223	**6**	**0.5%**	**49**	49	**49**	**55**	52	**62**	62
Mid-town	**1,400**	1,347	**42**	**3.4%**	**60**	56	**60**	**48**	45	**69**	66
Inner London	**320**	320	**1**	**0.4%**	**14**	14	**14**	**15**	14	**16**	16
Total London offices	**5,266**	5,259	**(5)**	**(0.1)%**	**231**	225	**229**	**231**	219	**266**	260
Central London shops	**1,284**	1,333	**(48)**	**(3.6)%**	**57**	47	**49**	**49**	49	**57**	60
Other	**28**	33	**(7)**	**(19.8)%**	**2**	2	**-**	**-**	-	**1**	1
Total London Portfolio	**6,578**	6,625	**(60)**	**(1.0)%**	**290**	274	**278**	**280**	268	**324**	321
Like-for-like portfolio(8)	**11,740**	12,259	**(547)**	**(4.6)%**	**606**	594	**583**	**575**	569	**633**	641
Proposed developments(1)	**104**	81	**3**	**2.6%**	**2**	2	**1**	**1**	2	**3**	3
Development programme(9)	**270**	166	**48**	**21.5%**	**-**	-	**-**	**-**	-	**38**	37
Completed developments(10)	**1,177**	1,203	**(59)**	**(5.0)%**	**50**	36	**50**	**43**	26	**55**	57
Acquisitions(11)	**459**	336	**(2)**	**(0.4)%**	**31**	25	**24**	**25**	24	**26**	24
Sales(12)	**-**	58	**-**	**-**	**-**	16	**-**	**-**	2	**-**	4
Combined Portfolio	**13,750**	14,103	**(557)**	**(4.1)%**	**689**	673	**658**	**644**	623	**755**	766
Properties treated as finance leases					**(9)**	(10)					
Combined Portfolio	**13,750**	14,103	**(557)**	**(4.1)%**	**680**	663					

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)	
	31 March 2019	31 March 2018	**Surplus/ (deficit)**	**Surplus/ (deficit)**	**31 March 2019**	31 March 2018	**31 March 2019**	**31 March 2019**	31 March 2018	**31 March 2019**	31 March 2018
	£m	£m	**£m**	**%**	**£m**	£m	**£m**	**£m**	£m	**£m**	£m
Retail Portfolio											
Shopping centres and shops	**2,828**	3,181	**(376)**	**(11.9)%**	**170**	166	**160**	**153**	150	**163**	172
Outlets	**971**	971	**(4)**	**(0.4)%**	**67**	62	**58**	**59**	60	**62**	61
Retail parks	**636**	809	**(114)**	**(15.5)%**	**43**	51	**43**	**43**	47	**42**	48
Leisure and hotels	**1,288**	1,309	**(23)**	**(1.8)%**	**79**	80	**78**	**74**	75	**78**	79
Other	**16**	16	**-**	**(0.2)%**	**1**	1	**1**	**1**	1	**2**	2
Total Retail Portfolio	**5,739**	6,286	**(517)**	**(8.4)%**	**360**	360	**340**	**330**	333	**347**	362
London Portfolio											
West End	**3,239**	3,235	**(71)**	**(2.2)%**	**141**	132	**141**	**141**	124	**158**	155
City	**1,491**	1,388	**54**	**3.9%**	**49**	57	**49**	**55**	52	**100**	99
Mid-town	**1,400**	1,347	**42**	**3.4%**	**60**	55	**60**	**48**	45	**69**	66
Inner London	**430**	324	**(1)**	**(0.5)%**	**14**	14	**14**	**15**	15	**17**	17
Total London offices	**6,560**	6,294	**24**	**0.4%**	**264**	258	**264**	**259**	236	**344**	337
Central London shops	**1,417**	1,480	**(57)**	**(3.9)%**	**63**	53	**53**	**54**	53	**63**	66
Other	**34**	43	**(7)**	**(16.2)%**	**2**	2	**1**	**1**	1	**1**	1
Total London Portfolio	**8,011**	7,817	**(40)**	**(0.5)%**	**329**	313	**318**	**314**	290	**408**	404
Combined Portfolio	**13,750**	14,103	**(557)**	**(4.1)%**	**689**	673	**658**	**644**	623	**755**	766
Properties treated as finance leases					**(9)**	(10)					
Combined Portfolio	**13,750**	14,103	**(557)**	**(4.1)%**	**680**	663					
Represented by:											
Investment portfolio	**12,603**	12,848	**(440)**	**(3.5)%**	**623**	610	**604**	**598**	587	**693**	701
Share of joint ventures	**1,147**	1,255	**(117)**	**(9.5)%**	**57**	53	**54**	**46**	36	**62**	65
Combined Portfolio	**13,750**	14,103	**(557)**	**(4.1)%**	**680**	663	**658**	**644**	623	**755**	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)	
	31 March 2019	31 March 2018	**31 March 2019**	31 March 2018	**31 March 2019**	31 March 2018	**31 March 2019**	31 March 2018
	£m	£m	**%**	%	**%**	%	**%**	%
Retail Portfolio								
Shopping centres and shops	**157**	166	**4.8%**	4.4%	**5.1%**	4.8%	**4.7%**	3.8%
Outlets	**37**	37	**4.6%**	4.6%	**5.0%**	5.0%	**2.7%**	3.0%
Retail parks	**43**	45	**6.2%**	5.3%	**6.2%**	5.5%	**2.8%**	-
Leisure and hotels	**78**	79	**5.2%**	5.1%	**5.5%**	5.4%	**1.5%**	0.8%
Other	**2**	2	**2.1%**	0.9%	**8.2%**	8.5%	**40.9%**	40.9%
Total Retail Portfolio	**317**	329	**5.1%**	4.7%	**5.3%**	5.1%	**3.7%**	2.7%
London Portfolio								
West End	**118**	116	**4.4%**	4.3%	**4.6%**	4.5%	**3.9%**	3.4%
City	**63**	63	**4.2%**	4.1%	**4.5%**	4.5%	**-**	0.2%
Mid-town	**71**	68	**3.2%**	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	**268**	263	**4.1%**	4.0%	**4.6%**	4.5%	**1.7%**	1.7%
Central London shops	**58**	60	**3.8%**	3.2%	**4.1%**	4.1%	**1.6%**	2.2%
Other	**1**	1	**1.4%**	1.3%	**1.3%**	1.1%	**20.0%**	20.0%
Total London Portfolio	**327**	324	**4.0%**	3.8%	**4.5%**	4.4%	**1.7%**	1.8%
Like-for-like portfolio(8)	**644**	653	**4.5%**	4.2%	**4.8%**	4.7%	**2.7%**	2.3%
Proposed developments(1)	**3**	3	**0.4%**	2.3%	**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**	58	**3.3%**	1.8%	**4.4%**	4.3%	**n/a**	n/a
Acquisitions(11)	**26**	24	**4.4%**	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	**770**	780	**4.2%**	4.0%	**4.8%**	n/a	**n/a**	n/a

Total portfolio analysis

	Gross estimated rental value(5)		Net initial yield(6)	
	31 March 2019	31 March 2018	**31 March 2019**	31 March 2018
	£m	£m	**%**	%
Retail Portfolio				
Shopping centres and shops	**171**	182	**4.7%**	4.1%
Outlets	**62**	61	**5.0%**	5.0%
Retail parks	**43**	49	**6.2%**	5.1%
Leisure and hotels	**78**	79	**5.2%**	5.1%
Other	**2**	2	**2.1%**	0.9%
Total Retail Portfolio	**356**	373	**5.0%**	4.6%
London Portfolio				
West End	**158**	154	**4.0%**	3.6%
City	**103**	101	**3.5%**	3.6%
Mid-town	**71**	68	**3.2%**	3.3%
Inner London	**17**	17	**3.2%**	4.2%
Total London offices	**349**	340	**3.7%**	3.6%
Central London shops	**64**	66	**3.7%**	3.1%
Other	**1**	1	**1.5%**	1.3%
Total London Portfolio	**414**	407	**3.7%**	3.5%
Combined Portfolio	**770**	780	**4.2%**	4.0%
Represented by:				
Investment portfolio	**707**	714	**4.3%**	4.1%
Share of joint ventures	**63**	66	**3.5%**	2.3%
Combined Portfolio	**770**	780	**4.2%**	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 31 March 2019	
	Like-for-like portfolio Mean(1) Years	Like-for-like portfolio, completed developments and acquisitions Mean(1) Years
Retail Portfolio		
Shopping centres and shops	5.8	6.0
Outlets	4.6	3.7
Retail parks	6.1	6.1
Leisure and hotels	12.0	12.0
Other	1.7	1.7
Total Retail Portfolio	**7.3**	**7.0**
London Portfolio		
West End	6.8	7.9
City	8.2	8.2
Mid-town	10.2	10.2
Inner London	13.9	13.9
Total London offices	**8.4**	**8.8**
Central London shops	6.0	6.5
Other	4.7	4.7
Total London Portfolio	**8.1**	**8.5**
Combined Portfolio	**7.7**	**7.8**

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.

	Year ended 31 March 2019					
	Group income statement £m	Joint ventures[1] £m	Proportionate share of earnings[2] £m	Total £m	Revenue profit £m	Capital and other items £m
Rental income	625	57	(2)	680	680	-
Finance lease interest	9	-	-	9	9	-
Gross rental income (before rents payable)	**634**	**57**	**(2)**	**689**	**689**	**-**
Rents payable	(10)	(3)	-	(13)	(13)	-
Gross rental income (after rents payable)	**624**	**54**	**(2)**	**676**	**676**	**-**
Service charge income	80	9	-	89	89	-
Service charge expense	(88)	(10)	-	(98)	(98)	-
Net service charge expense	(8)	(1)	-	(9)	(9)	-
Other property related income	33	1	-	34	34	-
Direct property expenditure	(72)	(11)	-	(83)	(83)	-
Net rental income	**577**	**43**	**(2)**	**618**	**618**	**-**
Indirect property expenditure	(79)	(2)	-	(81)	(81)	-
Other income	3	-	-	3	3	-
	501	**41**	**(2)**	**540**	**540**	**-**
Share of post-tax loss from joint ventures	(85)	85	-	-	-	-
Net deficit on revaluation of investment properties	(441)	(117)	1	(557)	-	(557)
Loss on disposal of investment properties	-	(2)	-	(2)	-	(2)
Fair value movement prior to acquisition of non-owned element of a joint venture	-	9	-	9	-	9
Profit from long-term development contracts	-	3	-	3	-	3
Exceptional items	(14)	-	-	(14)	-	(14)
Other	(1)	-	1	-	-	-
Operating (loss)/profit	**(40)**	**19**	**-**	**(21)**	**540**	**(561)**
Finance income	26	-	-	26	20	6
Finance expense	(109)	(19)	-	(128)	(118)	(10)
(Loss)/profit before tax	**(123)**	**-**	**-**	**(123)**	**442**	**(565)**
Taxation	4	-	-	4		
Loss attributable to shareholders	**(119)**	**-**	**-**	**(119)**		

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

	Group income statement £m	Joint ventures[2] £m	Proportionate share of earnings[3] £m	Total £m	Revenue profit £m	Capital and other items £m
	Year ended 31 March 2018[1]					
Rental income	612	53	(2)	663	663	-
Finance lease interest	10	-	-	10	10	-
Gross rental income (before rents payable)	**622**	**53**	**(2)**	**673**	**673**	**-**
Rents payable	(11)	(1)	-	(12)	(12)	-
Gross rental income (after rents payable)	**611**	**52**	**(2)**	**661**	**661**	**-**
Service charge income	74	8	(1)	81	81	-
Service charge expense	(83)	(10)	1	(92)	(92)	-
Net service charge expense	(9)	(2)	-	(11)	(11)	-
Other property related income	36	2	-	38	38	-
Direct property expenditure	(65)	(12)	-	(77)	(77)	-
Net rental income	**573**	**40**	**(2)**	**611**	**611**	**-**
Indirect property expenditure	(81)	(3)	-	(84)	(84)	-
Other income	2	-	-	2	2	-
	494	**37**	**(2)**	**529**	**529**	**-**
Share of post-tax profit from joint ventures	27	(27)	-	-	-	-
Net (deficit)/surplus on revaluation of investment properties	(98)	7	-	(91)	-	(91)
Profit on disposal of investment properties	1	2	-	3	-	3
Profit on disposal of investment in joint venture	66	-	-	66	-	66
Profit on disposal of trading properties	17	13	-	30	-	30
Movement in impairment of trading properties	-	(4)	-	(4)	-	(4)
Other	(2)	-	2	-	-	-
Operating profit	**505**	**28**	**-**	**533**	**529**	**4**
Finance income	39	-	-	39	31	8
Finance expense	(587)	(28)	-	(615)	(154)	(461)
(Loss)/profit before tax	**(43)**	**-**	**-**	**(43)**	**406**	**(449)**
Taxation	(1)	-	-	(1)		
Loss attributable to shareholders	**(44)**	**-**	**-**	**(44)**		

1. Restated as a result of changes in accounting policies. See note 18 of the financial statements for details.
2. Reallocation of the share of post-tax 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

Investment properties	Group (excl. joint ventures) £m	Joint ventures £m	Adjustment for proportionate share[1] £m	Year ended 31 March 2019 Combined Portfolio £m	Year ended 31 March 2018 Combined Portfolio £m
Net book value at the beginning of the year	**12,336**	**1,235**	**(35)**	**13,536**	13,873
Acquisitions	136	-	-	**136**	351
Transfer from trading properties	-	-	-	**-**	2
Capital expenditure	94	23	-	**117**	164
Capitalised interest	5	-	-	**5**	6
Disposals	(36)	(24)	-	**(60)**	(769)
Net deficit on revaluation of investment properties	(441)	(117)	1	**(557)**	(91)
Net book value at the end of the year	**12,094**	**1,117**	**(34)**	**13,177**	13,536
(Loss)/profit on disposal of investment properties	**-**	**(2)**	**-**	**(2)**	3

Trading properties	£m	£m	£m	£m	£m
Net book value at the beginning of the year	**24**	**50**	**-**	**74**	246
Acquisitions	4	-	-	**4**	-
Capital expenditure	2	-	-	**2**	19
Disposals	(7)	(32)	-	**(39)**	(185)
Transfer to investment properties	-	-	-	**-**	(2)
Movement in impairment	-	-	-	**-**	(4)
Net book value at the end of the year	**23**	**18**	**-**	**41**	74
Profit on disposal of trading properties	**-**	**-**	**-**	**-**	30

Investment in joint ventures	£m	£m	£m	£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]	136	4	**140**	351
Development capital expenditure[4]	52	-	**52**	109
Other capital expenditure	65	2	**67**	74
Capitalised interest	5	-	**5**	6
Acquisitions, development and other capital expenditure	**258**	**6**	**264**	540

Disposals	£m	£m
Net book value – investment property disposals	**60**	769
Net book value – trading property disposals	**39**	185
Net book value – other net liabilities of trading property disposals	**-**	(34)
Net book value – other net assets of joint venture disposals	**-**	46
(Loss)/profit on disposal – investment properties	**(2)**	3
Profit on disposal – trading properties	**-**	30
Profit on disposal – investment in joint venture	**-**	66
Other	**-**	2
Total disposal proceeds	**97**	1,067

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 year.
4. Development capital expenditure for investment properties comprises expenditure on the development pipeline and completed developments.

Table 25: Analysis of capital expenditure

Year ended 31 March 2019

	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: Agent fees £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 £m
Retail Portfolio											
Shopping centres and shops	**3**	-	2	19	-	-	**21**	-	**24**	**10**	**14**
Outlets	-	-	-	3	-	1	**4**	-	**4**	-	**4**
Retail parks	-	-	3	1	-	1	**5**	-	**5**	**2**	**3**
Leisure and hotels	-	-	-	3	-	-	**3**	-	**3**	-	**3**
Other	-	-	-	-	-	-	-	-	-	-	-
Total Retail Portfolio	**3**	**-**	**5**	**26**	**-**	**2**	**33**	**-**	**36**	**12**	**24**
London Portfolio											
West End	**9**	-	-	27	1	-	**28**	-	**37**	**10**	**27**
City	-	**52**	-	-	-	-	-	**5**	**57**	-	**57**
Mid-town	-	-	-	-	-	-	-	-	-	-	-
Inner London	**93**	-	-	2	-	-	**2**	-	**95**	-	**95**
Central London shops	**31**	-	-	2	-	-	**2**	-	**33**	**1**	**32**
Total London Portfolio	**133**	**52**	**-**	**31**	**1**	**-**	**32**	**5**	**222**	**11**	**211**
Total capital expenditure	**136**	**52**	**5**	**57**	**1**	**2**	**65**	**5**	**258**	**23**	**235**
Conversion from accrual to cash basis									**1**	**-**	**1**
Total capital expenditure on a cash basis									**259**	**23**	**236**

1. Investment properties acquired in the year.
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. Dividends

The Board has recommended a final dividend for the year ended 31 March 2019 of 11.65p per ordinary share to be paid as Property Income Distribution (PID). Subject to shareholders' approval at the Annual General Meeting the final dividend will be paid on 25 July 2019 to shareholders registered at the close of business on 21 June 2019. The last date for Dividend Reinvestment Plan (DRIP) elections will be 4 July 2019. The total dividend paid and payable in respect of the year ended 31 March 2019 is 45.55p (2018: 44.2p). The first quarterly dividend for the year ending 31 March 2020 will be 11.6p. It will be paid on 4 October 2019, to shareholders on the register at the close of business on 6 September 2019. The last date for DRIP elections will be 13 September 2019.

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
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
Annual Report and AGM Notice mailed to shareholders	10 June
Annual General Meeting	11 July
Half-yearly results announcement	12 November
	2020
Financial year end	31 March
Preliminary results announcement	12 May*

* 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 year.

EPRA
European Public Real Estate Association.

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

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

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

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

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

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

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

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

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

Interest Cover Ratio (ICR)
A calculation of a company's ability to meet its interest payments on outstanding debt. It is calculated using revenue profit before interest, divided by net interest (excluding the mark-to-market movement on interest-rate swaps, foreign exchange swaps, capitalised interest and interest on the pension scheme assets and liabilities). The calculation excludes joint ventures.

Interest-rate swap
A financial instrument where two parties agree to exchange an interest rate obligation for a predetermined amount of time. These are generally used by the Group to convert floating-rate debt or investments to fixed rates.

Investment portfolio
The investment portfolio comprises the investment properties of the Group's subsidiaries, on a proportionately consolidated basis where not wholly owned.

Joint venture
An arrangement in which the Group holds an interest and which is jointly controlled by the Group and one or more partners under a contractual arrangement. Decisions on the activities of the joint venture that significantly affect the joint venture's returns, including decisions on financial and operating policies and the performance and financial position of the operation, require the unanimous consent of the partners sharing control.

Lease incentives
Any incentive offered to occupiers to enter into a lease. Typically, the incentive will be an initial rent-free period, or a cash contribution to fit-out or similar costs. For accounting purposes the value of the incentive is spread over the non-cancellable life of the lease.

LIBOR
The London Interbank Offered Rate, the interest rate charged by one bank to another for lending money, often used as a reference rate in bank facilities.

Like-for-like portfolio
The like-for-like portfolio includes all properties which have been in the portfolio since 1 April 2017, but excluding those which are acquired or sold since that date. Properties in the development pipeline and completed developments are also excluded.

Loan-to-value (LTV)
Group LTV is the ratio of adjusted net debt, including subsidiaries and joint ventures, to the sum of the market value of investment properties and the book value of trading properties of the Group, its subsidiaries and joint ventures, all on a proportionate basis, expressed as a percentage. For the Security Group, LTV is the ratio of net debt lent to the Security Group divided by the value of secured assets.

Market value
Market value is determined by the Group's external valuer, in accordance with the RICS Valuation Standards, as an opinion of the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing.

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

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

Net assets per share
Equity attributable to owners divided by the number of ordinary shares in issue at the 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 year plus the change in EPRA net assets per share, divided by EPRA net assets per share at the beginning of the year.

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.