

Changes in financial reporting

At the end of April 2019, we announced that the Group would move to combine the London and Retail business units to operate under a single operating committee, 'PropCom'. As a result of this change in operating structure, we have revisited the way in which we report financial information, both internally and externally, so that it better reflects the way in which the business is now being managed.

Instead of analysing the Combined Portfolio between the London Portfolio and the Retail Portfolio, it is now analysed between 'Office', 'Retail' and 'Specialist' assets.

The Office segment includes all the office space, substantially all of which is located in London. Retail includes all of the Group's retail assets, incorporating the London suburban assets and the retail units within our London office buildings as well as the shopping centres outside London, the outlets and the retail parks.

Piccadilly Lights, which have previously been included in the London Portfolio within Central London shops are now reported as part of the Specialist segment, along with the hotel and leisure assets and other specialist assets which don't easily fit within one of the other segments.

Segmental information

The Group's segmental information, as reported in its annual and half-yearly financial statements, is now presented in a format which reflects these changes. The Group's two previous segments, the Retail Portfolio and the London Portfolio have been split between the three new segments, Office, Retail and Specialist.

The net rental income for each segment is now the lowest level to which the profit arising from the ongoing operations of the Group is analysed between its segments. Previously the Group reported Segment profit, which for the year ended 31 March 2019 was £56m lower (30 September 2018: £28m lower) than the net rental income for the Group as Segment profit included indirect property costs as well as the net finance costs directly incurred by our joint ventures. This change reflects the fact that indirect costs and net finance costs are now managed collectively across the Group, rather than by individual segment.

An additional subtotal, Revenue profit before interest, is also now presented in the Group's segmental information disclosures. This new subtotal represents the Group's underlying profit before finance costs.

In addition to the changes in the format of the Group's segmental information, the Group adopted IFRS 16 Leases on 1 April 2019. As a result of adopting this standard, the Group now reports separately service charge income for leases where a single payment is received to cover both rent and service charge. The total payment received was previously included within rental income, but the service charge component has now been separated and reported as service charge income. There is no net impact on net rental income or revenue profit for the Group.

The Group's segmental information as presented in its Annual Report for the year ended 31 March 2019 and its half-yearly announcement for the six months ended 30 September 2018 is shown below, along with the revised presentation of our segmental information. This is followed by a reconciliation of our previously presented segments to the new segments in this revised format.

Previously reported segmental information

Revenue profit	For the year ended 31 March 2019			For the six months ended 30 September 2018		
	Retail Portfolio £m	London Portfolio £m	Total £m	Retail Portfolio £m	London Portfolio £m	Total £m
Rental income	360	320	680	180	157	337
Finance lease interest	-	9	9	-	4	4
Gross rental income (before rents payable)	360	329	689	180	161	341
Rents payable	(10)	(3)	(13)	(5)	(1)	(6)
Gross rental income (after rents payable)	350	326	676	175	160	335
Service charge income	41	48	89	20	25	45
Service charge expense	(51)	(47)	(98)	(26)	(24)	(50)
Net service charge expense	(10)	1	(9)	(6)	1	(5)
Other property related income	18	16	34	9	8	17
Direct property expenditure	(50)	(33)	(83)	(25)	(14)	(39)
Net rental income	308	310	618	153	155	308
Indirect property expenditure	(20)	(15)	(35)	(9)	(8)	(17)
Depreciation	(1)	(1)	(2)	(1)	-	(1)
Segment profit before finance expense	287	294	581	143	147	290
Joint venture finance expense	(3)	(16)	(19)	(2)	(8)	(10)
Segment profit	284	278	562	141	139	280
Group Services – other income			3			2
– expense			(44)			(19)
Finance income			20			10
Finance expense			(99)			(49)
Revenue profit			442			224

Revised segmental information

Revenue profit	For the year ended 31 March 2019				For the six months ended 30 September 2018			
	Office £m	Retail £m	Specialist £m	Total £m	Office £m	Retail £m	Specialist £m	Total £m
Rental income ⁽¹⁾	256	319	99	674	128	159	47	334
Finance lease interest	9	-	-	9	4	-	-	4
Gross rental income (before rents payable)	265	319	99	683	132	159	47	338
Rents payable	(3)	(10)	-	(13)	(1)	(5)	-	(6)
Gross rental income (after rents payable)	262	309	99	670	131	154	47	332
Service charge income ⁽¹⁾	44	51	-	95	22	25	1	48
Service charge expense	(43)	(53)	(2)	(98)	(22)	(27)	(1)	(50)
Net service charge expense	1	(2)	(2)	(3)	-	(2)	-	(2)
Other property related income	15	17	2	34	7	9	1	17
Direct property expenditure	(20)	(48)	(15)	(83)	(9)	(21)	(9)	(39)
Segment net rental income	258	276	84	618	129	140	39	308
Other income				3				2
Indirect expenses				(76)				(35)
Depreciation				(5)				(2)
Revenue profit before interest				540				273
Finance income				20				10
Finance expense				(99)				(49)
Joint venture net finance expense				(19)				(10)
Revenue profit				442				224

1. Restated as a result of adopting IFRS 16.

Reconciliation of net rental income

Year ended 31 March 2019	As reported	Segment reporting adjustments					New Segment
		Retail Portfolio £m	Change in accounting policy £m	Retail Portfolio to Office £m	Retail Portfolio to Specialist £m	London Portfolio to Specialist £m	
Rental income	360	(6)	(1)	(78)	-	44	319
Finance lease interest	-	-	-	-	-	-	-
Gross rental income (before rents payable)	360	(6)	(1)	(78)	-	44	319
Rents payable	(10)	-	-	-	-	-	(10)
Gross rental income (after rents payable)	350	(6)	(1)	(78)	-	44	309
Service charge income	41	6	(1)	-	-	5	51
Service charge expense	(51)	-	1	2	-	(5)	(53)
Net service charge expense	(10)	6	-	2	-	-	(2)
Other property related income	18	-	-	(2)	-	1	17
Direct property expenditure	(50)	-	1	7	-	(6)	(48)
Segment net rental income	308	-	-	(71)	-	39	276

	London Portfolio £m	Change in accounting policy £m	Retail Portfolio to Office £m	Retail Portfolio to Specialist £m	London Portfolio to Specialist £m	London Portfolio to Retail £m	Office £m
Rental income	320	-	1	-	(21)	(44)	256
Finance lease interest	9	-	-	-	-	-	9
Gross rental income (before rents payable)	329	-	1	-	(21)	(44)	265
Rents payable	(3)	-	-	-	-	-	(3)
Gross rental income (after rents payable)	326	-	1	-	(21)	(44)	262
Service charge income	48	-	1	-	-	(5)	44
Service charge expense	(47)	-	(1)	-	-	5	(43)
Net service charge expense	1	-	-	-	-	-	1
Other property related income	16	-	-	-	-	(1)	15
Direct property expenditure	(33)	-	(1)	-	8	6	(20)
Segment net rental income	310	-	-	-	(13)	(39)	258

Year ended 31 March 2019	As reported	Change in accounting policy	Segment reporting adjustments				New Segment	
			N/A	Retail Portfolio to Office	Retail Portfolio to Specialist	London Portfolio to Specialist		London Portfolio to Retail
				£m	£m	£m		£m
Rental income		-	-	78	21	-	99	
Finance lease interest		-	-	-	-	-	-	
Gross rental income (before rents payable)		-	-	78	21	-	99	
Rents payable		-	-	-	-	-	-	
Gross rental income (after rents payable)		-	-	78	21	-	99	
Service charge income		-	-	-	-	-	-	
Service charge expense		-	-	(2)	-	-	(2)	
Net service charge expense		-	-	(2)	-	-	(2)	
Other property related income		-	-	2	-	-	2	
Direct property expenditure		-	-	(7)	(8)	-	(15)	
Segment net rental income		-	-	71	13	-	84	

Six months ended 30 September 2018	As reported	Change in accounting policy	Segment reporting adjustments				New Segment	
			Retail Portfolio	Retail Portfolio to Office	Retail Portfolio to Specialist	London Portfolio to Specialist		London Portfolio to Retail
			£m	£m	£m	£m		£m
Rental income	180	(3)	(1)	(39)	-	22	159	
Finance lease interest	-	-	-	-	-	-	-	
Gross rental income (before rents payable)	180	(3)	(1)	(39)	-	22	159	
Rents payable	(5)	-	-	-	-	-	(5)	
Gross rental income (after rents payable)	175	(3)	(1)	(39)	-	22	154	
Service charge income	20	3	-	-	-	2	25	
Service charge expense	(26)	-	-	1	-	(2)	(27)	
Net service charge expense	(6)	3	-	1	-	-	(2)	
Other property related income	9	-	-	(1)	-	1	9	
Direct property expenditure	(25)	-	-	5	-	(1)	(21)	
Segment net rental income	153	-	(1)	(34)	-	22	140	

	London Portfolio	Change in accounting policy	Retail Portfolio to Office	Retail Portfolio to Specialist	London Portfolio to Specialist	London Portfolio to Retail	Office	
							£m	£m
							£m	
Rental income	157	-	1	-	(8)	(22)	128	
Finance lease interest	4	-	-	-	-	-	4	
Gross rental income (before rents payable)	161	-	1	-	(8)	(22)	132	
Rents payable	(1)	-	-	-	-	-	(1)	
Gross rental income (after rents payable)	160	-	1	-	(8)	(22)	131	
Service charge income	25	-	-	-	(1)	(2)	22	
Service charge expense	(24)	-	-	-	-	2	(22)	
Net service charge expense	1	-	-	-	(1)	-	-	
Other property related income	8	-	-	-	-	(1)	7	
Direct property expenditure	(14)	-	-	-	4	1	(9)	
Segment net rental income	155	-	1	-	(5)	(22)	129	

	N/A	Change in accounting policy	Retail Portfolio to Office	Retail Portfolio to Specialist	London Portfolio to Specialist	London Portfolio to Retail	Specialist
							£m
							£m
Rental income		-	-	39	8	-	47
Finance lease interest		-	-	-	-	-	-
Gross rental income (before rents payable)		-	-	39	8	-	47
Rents payable		-	-	-	-	-	-
Gross rental income (after rents payable)		-	-	39	8	-	47
Service charge income		-	-	-	1	-	1
Service charge expense		-	-	(1)	-	-	(1)
Net service charge expense		-	-	(1)	1	-	-
Other property related income		-	-	1	-	-	1
Direct property expenditure		-	-	(5)	(4)	-	(9)
Segment net rental income		-	-	34	5	-	39

Combined Portfolio analysis

Consistent with the changes in the presentation of the Group's segmental information, the presentation of the Combined Portfolio analysis has also been revised to reflect the new way in which the portfolio is now being managed. The revised Combined Portfolio analysis at 31 March 2019 and 30 September 2018 is presented below, along with a reconciliation showing the way in which the market value of our Combined Portfolio has been allocated in the new analysis.

Revised Combined Portfolio analysis – 31 March 2019

Like-for-like segmental analysis	Market value ⁽¹⁾		Valuation movement ⁽¹⁾		Rental income ⁽¹⁾		Annualised rental income ⁽¹⁾		Annualised net rent ⁽¹⁾		Net estimated rental value ⁽¹⁾		Gross estimated rental value ⁽¹⁾		Net initial yield ⁽¹⁾		Equivalent yield ⁽¹⁾		Voids (by ERV) ⁽¹⁾	
	31 March 2019	Surplus/ (deficit)	31 March 2019	Surplus/ (deficit)	31 March 2019	31 March 2019	31 March 2019	31 March 2019	31 March 2019	31 March 2019	31 March 2019	31 March 2019	31 March 2019	31 March 2019	31 March 2019	31 March 2019	31 March 2019	31 March 2019	31 March 2019	31 March 2019
	£m	£m	%	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	%	%	%	%	%	%	%
Office																				
West End	2,322	(53)	(2.3%)	108	106	113	119	118	118	4.4%	4.6%	3.9%								
City	1,221	5	0.4%	49	49	55	62	63	63	4.2%	4.5%	-								
Mid-town	1,400	43	3.4%	60	60	48	69	71	71	3.2%	4.5%	-								
Southwark and other	336	1	0.3%	15	15	15	19	19	19	4.1%	5.2%	4.8%								
Total Office	5,279	(4)	(0.1%)	232	230	231	269	271	271	4.0%	4.6%	2.0%								
Retail																				
London retail	1,469	(54)	(3.6%)	67	65	65	69	69	69	4.2%	4.3%	2.4%								
Regional retail	2,058	(310)	(13.2%)	128	121	115	120	128	128	4.9%	5.2%	5.2%								
Outlets	634	(9)	(1.4%)	36	35	36	37	37	37	4.6%	5.0%	2.7%								
Retail parks	636	(114)	(15.5%)	43	43	43	42	43	43	6.2%	6.2%	2.8%								
Total Retail	4,797	(487)	(9.3%)	274	264	259	268	277	277	4.8%	5.0%	3.8%								
Specialist																				
Leisure and hotels	1,283	(23)	(1.8%)	79	78	74	78	78	78	5.2%	5.5%	1.5%								
Other	381	(33)	(8.1%)	20	11	11	18	18	18	3.1%	4.2%	0.6%								
Total Specialist	1,664	(56)	(3.3%)	99	89	85	96	96	96	4.7%	5.2%	1.4%								
Like-for-like portfolio	11,740	(547)	(4.6%)	605	583	575	633	644	644	4.5%	4.8%	2.7%								
Proposed developments	104	3	2.6%	2	1	1	3	3	3	0.4%	n/a	n/a								
Development programme	270	48	21.5%	-	-	-	38	40	40	-	4.4%	n/a								
Completed developments	1,177	(59)	(5.0%)	50	50	43	55	57	57	3.3%	4.4%	n/a								
Acquisitions	459	(2)	(0.4%)	26	24	25	26	26	26	4.4%	5.5%	n/a								
Sales	-	-	-	-	-	-	-	-	-	-	n/a	n/a								
Combined Portfolio	13,750	(557)	(4.1%)	683	658	644	755	770	770	4.2%	4.8%	n/a								
Properties treated as finance leases				(9)																
Combined Portfolio	13,750	(557)	(4.1%)	674																

1. Please refer to the Glossary in the Group's 2019 Annual Report for definitions.

Total portfolio analysis	Market value ⁽¹⁾		Valuation movement ⁽¹⁾		Rental income ⁽¹⁾		Annualised rental	Annualised net	Net estimated	Gross estimated	Net initial yield ⁽¹⁾
	31 March 2019	Surplus/ (deficit)	Surplus/ (deficit)	31 March 2019	31 March 2019	31 March 2019	rent ⁽¹⁾	rental value ⁽¹⁾	rental value ⁽¹⁾	31 March 2019	31 March 2019
	£m	£m	%	£m	£m	£m	£m	£m	£m	£m	%
Office											
West End	3,248	(70)	(2.2%)	141	141	141	158	158	4.0%		
City	1,491	53	3.8%	49	49	55	100	103	3.5%		
Mid-town	1,400	42	3.4%	60	60	48	69	71	3.2%		
Southwark and other	446	(1)	(0.5%)	15	15	16	19	19	3.2%		
Total Office	6,585	24	0.4%	265	265	260	346	351	3.7%		
Retail											
London retail	1,591	(62)	(3.8%)	72	69	70	76	76	4.1%		
Regional retail	2,292	(346)	(13.2%)	142	133	126	133	142	4.8%		
Outlets	971	(4)	(0.4%)	62	58	59	62	62	5.0%		
Retail parks	636	(114)	(15.5%)	43	43	43	42	43	6.2%		
Total Retail	5,490	(526)	(8.8%)	319	303	298	313	323	4.8%		
Specialist											
Leisure and hotels	1,288	(23)	(1.8%)	79	78	74	78	78	5.2%		
Other	387	(32)	(7.7%)	20	12	12	18	18	3.0%		
Total Specialist	1,675	(55)	(3.2%)	99	90	86	96	96	4.7%		
Combined Portfolio	13,750	(557)	(4.1%)	683	658	644	755	770	4.2%		
Properties treated as finance leases				(9)							
Combined Portfolio	13,750	(557)	(4.1%)	674							
Represented by:											
Investment portfolio	12,603	(440)	(3.5%)	617	604	598	693	707	4.3%		
Share of joint ventures	1,147	(117)	(9.5%)	57	54	46	62	63	3.5%		
Combined Portfolio	13,750	(557)	(4.1%)	674	658	644	755	770	4.2%		

1. Please refer to the Glossary in the Group's 2019 Annual Report for definitions.

Total portfolio analysis	Market value ⁽¹⁾		Valuation movement ⁽¹⁾		Rental income ⁽¹⁾		Annualised rental income ⁽¹⁾		Annualised net rent ⁽¹⁾		Net estimated rental value ⁽¹⁾		Gross estimated rental value ⁽¹⁾		Net initial yield ⁽¹⁾	
	30 September		30 September		30 September		30 September		30 September		30 September		30 September		30 September	
	2018	Surplus/ (deficit)	Surplus/ (deficit)	Surplus/ (deficit)	2018	2018	2018	2018	2018	2018	2018	2018	2018	2018	2018	2018
	£m	£m	%	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	%	
Office																
West End	3,259	(41)	(1.3%)	69	141	134	156	156	3.8%							
City	1,426	12	0.9%	25	50	55	100	103	3.6%							
Mid-town	1,392	40	3.2%	30	60	47	69	71	3.3%							
Southwark and other	355	1	0.7%	8	15	16	19	19	4.0%							
Total Office	6,432	12	0.2%	132	266	252	344	349	3.7%							
Retail																
London retail	1,629	(17)	(1.0%)	36	71	69	76	77	3.9%							
Regional retail	2,517	(117)	(4.5%)	70	133	127	140	149	4.4%							
Outlets	972	-	-	30	57	58	61	61	5.0%							
Retail parks	720	(33)	(4.5%)	23	43	43	44	44	5.5%							
Total Retail	5,838	(167)	(2.8%)	159	304	297	321	331	4.5%							
Specialist																
Leisure and hotels	1,306	(3)	(0.2%)	39	78	76	78	79	5.1%							
Other	388	(30)	(7.3%)	8	12	11	19	19	3.0%							
Total Specialist	1,694	(33)	(1.9%)	47	90	87	97	98	4.6%							
Combined Portfolio	13,964	(188)	(1.4%)	338	660	636	762	778	4.1%							
Properties treated as finance leases				(4)												
Combined Portfolio	13,964	(188)	(1.4%)	334												
Represented by:																
Investment portfolio	12,750	(153)	(1.2%)	306	605	595	699	713	4.2%							
Share of joint ventures	1,214	(35)	(2.9%)	28	55	41	63	65	2.9%							
Combined Portfolio	13,964	(188)	(1.4%)	334	660	636	762	778	4.1%							

1. Please refer to the Glossary in the Group's 2019 Annual Report for definitions.

Combined Portfolio market value reconciliation

As at 31 March 2019 Total portfolio analysis	As reported	Segment reporting adjustments					Transfer between categories	New Segment
		Retail Portfolio to Office	Retail Portfolio to Specialist	London Portfolio to Specialist	London Portfolio to Retail	Retail		
		£m	£m	£m	£m	£m		
Regional retail ⁽¹⁾	2,828	-	-	-	-	(536)	2,292	
Outlets	971	-	-	-	-	-	971	
Retail parks	636	-	-	-	-	-	636	
London retail	-	-	-	-	1,055	536	1,591	
Leisure and hotels	1,288	-	(1,288)	-	-	-	-	
Other	16	(16)	-	-	-	-	-	
Total	5,739	(16)	(1,288)	-	1,055	-	5,490	

	London Portfolio £m	Retail Portfolio to Office £m	Retail Portfolio to Specialist £m	London Portfolio to Specialist £m	London Portfolio to Retail £m	Transfer between categories £m	Office £m
West end	3,239	-	-	-	-	9	3,248
City	1,491	-	-	-	-	-	1,491
Mid-town	1,400	-	-	-	-	-	1,400
Southwark and other ⁽²⁾	430	16	-	-	-	-	446
Central London shops	1,417	-	-	(353)	(1,055)	(9)	-
Other	34	-	-	(34)	-	-	-
Total	8,011	16	-	(387)	(1,055)	-	6,585

	N/A	Retail Portfolio to Office £m	Retail Portfolio to Specialist £m	London Portfolio to Specialist £m	London Portfolio to Retail £m	Transfer between categories £m	Specialist £m
Leisure and hotels		-	1,288	-	-	-	1,288
Other		-	-	387	-	-	387
Total		-	1,288	387	-	-	1,675

1. Previously Shopping centres and shops.
2. Previously Inner London.

As at 30 September 2018 Total portfolio analysis	As reported	Segment reporting adjustments					New Segment
		Retail Portfolio to Office	Retail Portfolio to Specialist	London Portfolio to Specialist	London Portfolio to Retail	Transfer between categories	
		£m	£m	£m	£m	£m	
Regional retail ⁽¹⁾	4,047	-	-	-	-	(1,530)	2,517
Outlets	-	-	-	-	-	972	972
Retail parks	720	-	-	-	-	-	720
London Retail	-	-	-	-	1,072	557	1,629
Leisure and hotels	1,306	-	(1,306)	-	-	-	-
Other	16	(16)	-	-	-	-	-
Total	6,089	(16)	(1,306)	-	1,072	(1)	5,838

	London Portfolio £m	Retail Portfolio to Office £m	Retail Portfolio to Specialist £m	London Portfolio to Specialist £m	London Portfolio to Retail £m	Transfer between categories £m	Office £m
West end	3,251	-	-	-	-	8	3,259
City	1,426	-	-	-	-	-	1,426
Mid-town	1,392	-	-	-	-	-	1,392
Southwark and other ⁽²⁾	338	16	-	-	-	1	355
Central London shops	1,431	-	-	(351)	(1,072)	(8)	-
Other	37	-	-	(37)	-	-	-
Total	7,875	16	-	(388)	(1,072)	1	6,432

	N/A	Retail Portfolio to Office £m	Retail Portfolio to Specialist £m	London Portfolio to Specialist £m	London Portfolio to Retail £m	Transfer between categories £m	Specialist £m
Leisure and hotels		-	1,306	-	-	-	1,306
Other		-	-	388	-	-	388
Total		-	1,306	388	-	-	1,694

1. Previously Shopping centres and shops.
2. Previously Inner London.