Landsec Annual Report 2020

Landsec

Welcome to Landsec

Our portfolio

Office

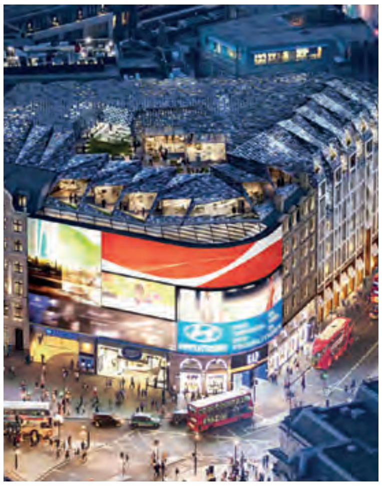
Our Office segment consists of high-quality, modern offices in great locations in central London. Our offer ranges from traditional long-term leases through to shorter-term, flexible space. We also have significant development opportunities.

Pages 24-29

Retail

Our Retail segment includes outlets, retail parks, large regionally dominant shopping centres outside London and shopping centres within London. We also have great retail space within our office buildings.

Pages 24-29



Specialist

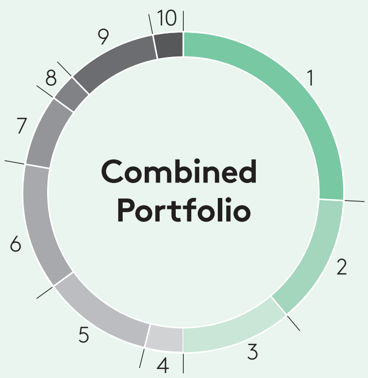
Our Specialist segment comprises 17 standalone leisure parks, 23 hotels and the iconic Piccadilly Lights in central London.

Pages 24-29

A £12.8bn portfolio

Chart 1

1. West End office	26%
2. City office	13%
3. Mid-town office	11%
4. Southwark and other office	4%
5. London retail	11%
6. Regional retail	13%
7. Outlets	7%
8. Retail parks	3%
9. Leisure and hotels	9%
10. Other	3%



Read more on pages 174-177

Comprising 24 million sq ft of space

Chart 2

1. West End office	12%
2. City office	4%
3. Mid-town office	5%
4. Southwark and other office	3%
5. London retail	11%
6. Regional retail	27%
7. Outlets	6%
8. Retail parks	9%
9. Leisure and hotels	23%

Read more on pages 174-177

2020 in numbers

Here are some of the important financial and non-financial performance figures for our year. Some of these measures are impacted by Covid-19.

23.2p
Dividend, down 49.1%

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

1,192p
EPRA net tangible assets per share, down 11.6%

-8.2%
Total business return (2019: -1.1%)

£11.7bn
Total contribution to the UK economy each year from people based at our assets

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

-4.5%
Ungeared total property return (2019: 0.4%)

£4.8m+
Social value created during the year

42%
reduction in carbon emissions (tCO_2e) compared with 2013/14 baseline

We are one of the UK's leading commercial property companies.

We buy, develop, manage and sell high-quality office, retail and leisure space in London and vibrant regional locations.

In this way, we create positive experiences for our stakeholders in the places they work, shop, socialise and live.

Our chosen sectors offer us **diverse market opportunities** that we address by **managing our portfolio of assets**.

We also have a **significant pipeline of development opportunities**, with exciting new office, retail and residential options in the capital.

Our success is based on our **expert team** and **solid balance sheet**. Together, these provide resilience in uncertain conditions and the firepower to address opportunities. Across the Company, our approach is characterised by **customer focus** and a growing **culture of innovation** – all underpinned by an industry-leading approach to sustainability, with our ambition to be a net **zero carbon business by 2030**.

Ultimately, our aim is to create **total shareholder returns**, together with significant **social value and economic value** for **all our stakeholders**.

Currently, we are working with our stakeholders, particularly our **people** and our **customers**, to ensure we emerge from Covid-19 in as strong a position as possible.

Visit our website: landsec.com

Our response to Covid-19

Since Covid-19 began impacting our business in March, we have responded quickly to ensure our stakeholders are supported and the resilience of the business is maintained.

Organising our response

- We responded quickly to establish teams to support our priorities during the pandemic ranging from employee and customer support, operations and corporate affairs through to internal functions including finance and tech.
- We have been working on plans for how Landsec and our markets will emerge from the current conditions based on a number of scenarios to ensure we are well placed to respond quickly for our customers and focus on strategic priorities.

Read more on page 50

Our people

- The health and wellbeing of our people has always been our priority. All of our office-based staff were encouraged to work from home from 16 March.
- We have made changes to our policies, notably our holiday policy to ensure that staff don't miss vital family holiday time and that our business can manage the resourcing demands placed upon it.
- Our trained mental health first aiders have worked tirelessly to support all members of staff, using a range of external resources, toolkits and guides for remote working and those with caring responsibilities in the home.
- Our Senior Management have acted swiftly to provide extraordinary levels of communication via weekly videos, emails, internal intranet and regular telephone and video conferences ensuring that every staff member has some form of regular, daily contact with their line manager or team.
- For those staff whose work has been severely disrupted, we have created a skills hub for them to offer their time to teams with increased demand, thereby ensuring no one is unproductive or isolated during the lockdown.
- We are offering support to our people who continue to work in our assets.

Read more in Our stakeholders on pages 16-17

Our customers

- We understand that Covid-19 has made day-to-day operations difficult and complex for our customers, and we support the Government's view that no organisation should be left unable to survive as a result. We strongly believe that business has a role to play in delivering assistance.
- We have provided support for those customers who are in genuine and immediate financial distress, establishing a support fund to provide up to £80m of rent relief for customers who need our help most to survive.
- Around £15m of this fund will support our food & beverage customers, broadly equivalent to three months' rent free. The remaining £65m will be allocated on a case-by-case basis to small and medium sized businesses with a focus on helping those with limited access to other sources of financial assistance.
- Non-payment of rent has a serious impact on our business. In order for us to help those customers most in need, we expect those who can afford to pay their rent to do so. Where we are unable to offer assistance from our support fund, we will consider requests to defer rents or a move to monthly rents.
- We are responding to the changing environment and investment needs. We're committed to reducing service charge costs, not only in response to the current situation but also through the work started last year on how we run our sites in the most efficient way possible.

Read more in Our stakeholders on pages 16-17

Read more online at landsec.com

Our communities

— We're especially determined to help in the communities in which we operate. Our community employment and education programmes are continuing at this crucial time.
— In addition, in response to the immediate needs of the grass roots charities we support, we are providing financial relief for the charities we know well and who are supporting individuals and communities through these unprecedented times. In the coming months, we will give grants totalling £500,000 to our existing charity partners who are most in need. This will include homeless charities and a £100,000 donation to the property industry charity, LandAid.
— The Directors of the Company have waived 20% of their base salaries or fees for an initial period of three months and the money will be used to supplement the £500,000 of grants mentioned above.
— Our site teams are also providing practical assistance wherever they can. For example, linking our food retailers in London to local homeless charities we work with, for food donations. In Oxford, Leeds and Cardiff we're offering free parking to key workers to reduce the number of people who are travelling on public transport. In London, we're offering space for mobile blood banks and mobile blood transfusion units to reduce the number of visitors to hospitals.
— We're also offering our sites' car parks for NHS Covid-19 testing facilities and we've offered Public Health England free space on Piccadilly Lights to share public health information. And we're establishing virtual volunteering so that our own employees can offer their time and skills to organisations who would like our help.

Read more in our Social review on page 43

Landsec

Our partners

— We continue to focus on maintaining momentum across our development pipeline, whilst ensuring we preserve flexibility around timing of delivery and levels of capital commitment. With the exception of our pre-let to Deutsche Bank at 21 Moorfields, EC2, all of our on-site speculative schemes have flexibility built into their delivery programmes.
— Our on-site developments are controlled and operated by our contractors and we remain in constant communication with each team, ensuring they can strike the right balance between safety and progressing with ongoing construction works. We are focused on supporting this vital part of our supply chain through these challenging times.
— Within our broader pipeline, developments in the design and planning phase are much less disrupted and easily progressed via remote working. Our internal teams continue to work in close, now virtual, partnership with our external professional teams of architects, designers, cost consultants and others.
— Within our non-development assets, efforts are now focused on preparing them for a gradual return to business as usual, with plans developed in line with the Government lifting restrictions.

Read more in Our stakeholders on pages 16-17

Our financial position

— Landsec has a strong balance sheet and remains well placed to deal with the unprecedented challenges Covid-19 presents. Nevertheless, we have taken prudent steps to ensure we are doing all we can to maintain the strength of our business.
— Our development programme has a large amount of flexibility in it. With the exception of 21 Moorfields, we have the ability to progress in a timeframe that works for us. At 31 March 2020, we only had around £340m of committed development capex in our £1.1bn development programme.
— We are financially robust with an LTV of 30.7% at 31 March 2020.
— At 31 March 2020, we had £1.2bn of cash and available facilities, net of repayments due under our commercial paper programme.
— The Board took a prudent decision to cancel our third interim dividend and is not proposing to pay a final dividend. It will regularly review the position on future dividend payments, reinstating them as soon as it is appropriate to do so.

Read more in our Financial review on pages 30-37

This is Landsec

Our top ten assets by value

New Street Square, EC4

Cardinal Place, SW1

One New Change, EC4

1 & 2 New Ludgate, EC4

Gunwharf Quays, Portsmouth

Queen Anne's Gate, SW1

Nova, SW1

21 Moorfields, EC2

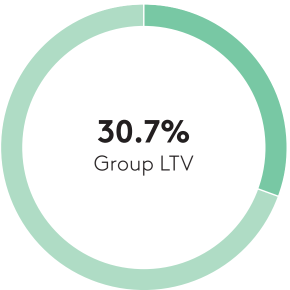
Bluewater, Kent

62 Buckingham Gate, SW1

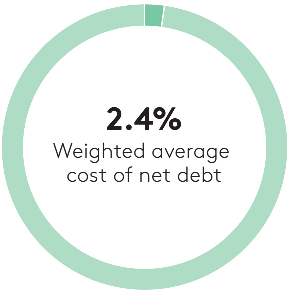
Read more in our
Portfolio review on pages 24-29

A strong balance sheet

Modest gearing level



Low cost of net debt



Long duration of debt

Weighted average maturity of debt

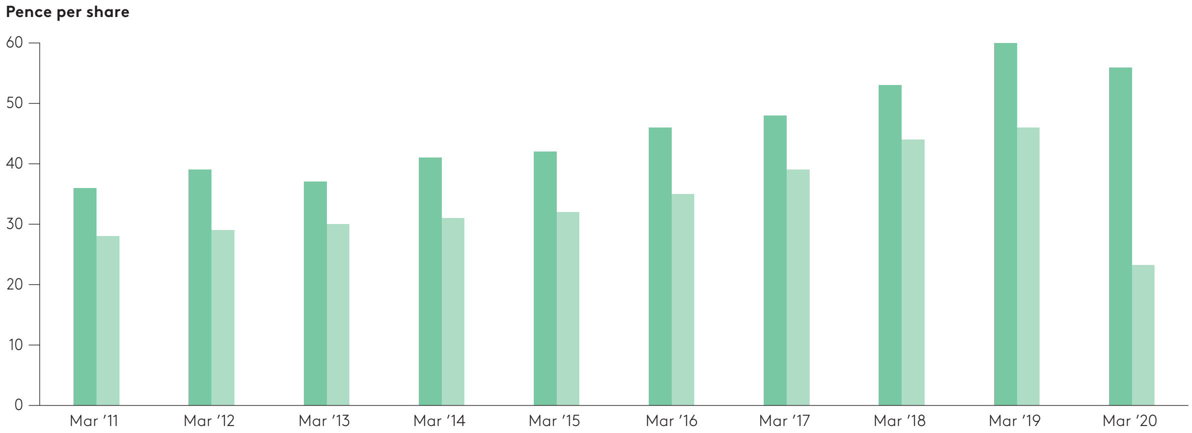
9.6 years

Significant firepower

Cash and available facilities

£1.2bn

Earnings and dividend growth over the last ten years



Adjusted diluted EPS
Dividend per share

Read more in our Financial review on pages 30-37

Our stakeholders

Our stakeholders include our customers, communities, partners, employees and investors. For our business to thrive, we need to have strong relationships with all our stakeholders. We need to understand their short-term needs and longer-term aspirations. The Landsec experience and service we provide to our stakeholders matters to us, as meeting and exceeding their expectations is an essential part of the way we create sustainable economic and social value.

Read more on pages 16-17

A significant pipeline of development opportunities

We have over 4 million sq ft of development opportunities and are making good progress across our London development programme. Importantly, the pipeline has been designed with flexibility, enabling us to slow down our commitments while still progressing the sites as we deal with the impact of Covid-19.

Our on-site schemes and opportunities in London include:

1 21 Moorfields, EC2
2 Lucent, W1
3 Nova East, SW1
4 105 Sumner Street, SE1
5 Portland House, SW1
6 Lavington Street, SE1
7 Red Lion Court, SE1
8 Finchley Road, NW3
9 Shepherd's Bush, W12

Read more in our Portfolio review on pages 24-29

Unrelenting customer focus

Staying close to our customers

We cannot meet our customers' needs and expectations if we don't communicate regularly with them. We engage in many ways. This year, we worked with a group of retail consumers to understand their appetite for using technology when visiting our centres. In our office portfolio, we interviewed a wide range of customers as we develop a 'customer pulse' programme, which will test a new way of measuring experiences, both operationally and strategically.

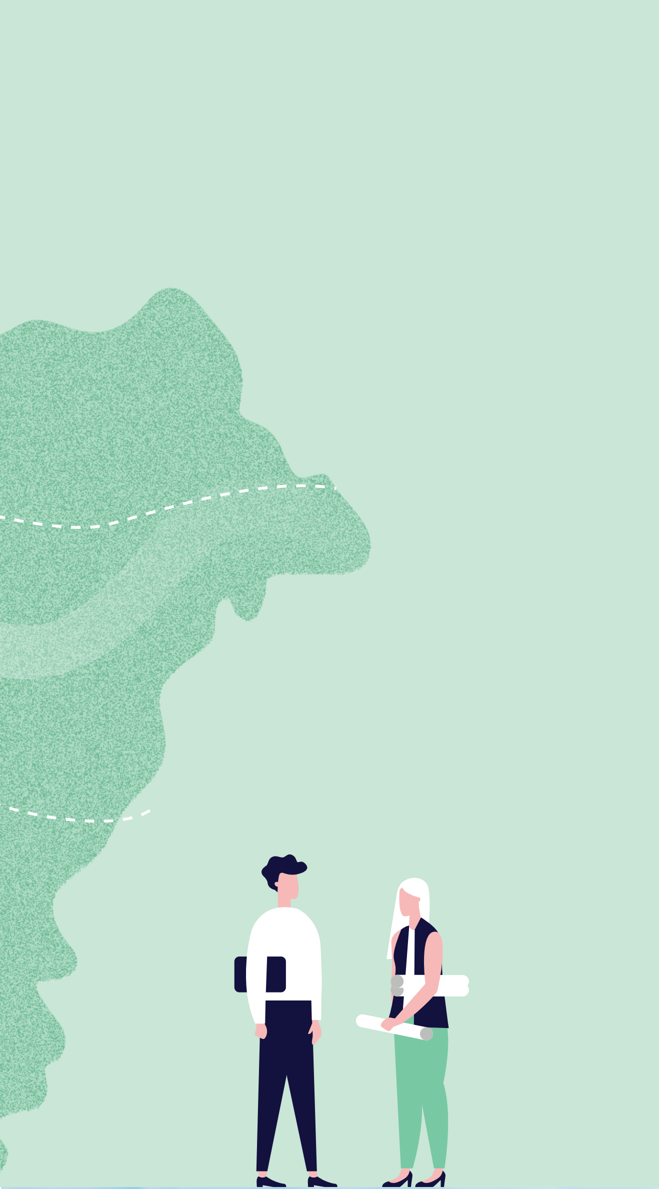
Keeping ahead of market trends

To ensure our spaces are addressing the existing and future needs of customers, we anticipate, monitor and respond to trends that affect our buildings and the people who use them. Five themes are particularly important – experience, community, sustainability, flexibility and wellness/safety.

The future of residential

As we develop our plans for residential and mixed use assets, we are undertaking detailed research to understand customer needs, and how their behaviour and expectations will change over time. This will help us identify the best way to meet their needs and establish a sustainable model which creates value for us at the same time.

Read more in our Social and Physical reviews on pages 38-47



A growing culture of innovation

We are applying innovative thinking to the way we operate and this, combined with a customer-focused approach and our leadership in sustainability, will influence our activity in the future.

Designing for health

Employees are increasingly looking to work in healthy workplaces. More companies are implementing wellness programmes for their staff and are seeking WELL Certification, a performance-based certification scheme developed to put occupant health and wellbeing at the centre of building design for their workspace. Credits are awarded across seven categories including air, water, nourishment, light, fitness, comfort and mind. We ensure that the quality of our base-build design enables certification to this standard.

Technology

We are applying technology to enable us to build faster, more cheaply, with reduced material wastage and a lower environmental impact. From advanced 4D modelling through to using a 'kit of parts' approach to assembly, we are constantly innovating the way we construct the buildings of tomorrow.

Sustainability

A large proportion of a building's carbon footprint relates to construction and materials. We are working on reducing the environmental impact of our developments through using lower carbon materials, such as cross-laminated timber, and steel and concrete with high recycled content.

Read more in our Social and Physical reviews on pages 38-47

An expert team

We have a great breadth and depth of experience, with world-class skills from asset management to development, design and technology to finance. This year, combining some functions across our merged London and Retail portfolios has enhanced knowledge sharing, efficiency and innovation, as you'll read in this report.

But we don't know everything. We are constantly striving to improve, learning from our customers, moving our sustainability forwards, and establishing a strong and shared culture. The work we are doing to change the way we build, and to minimise our carbon footprint, are examples of the challenges we set ourselves.

Read more on pages 68-69

Net zero carbon by 2030

We've always taken sustainability seriously and, as a leader in our sector, we have committed to becoming a net zero carbon company by 2030. It is an ambitious target, but we have a clear strategy.

There are five elements to our strategy to achieve net zero carbon:

1. Reduce operational energy use through our new science-based target, aligned with a 1.5°C warming scenario
2. Invest in renewable energy and implement on-site renewables across our assets
3. Use an internal shadow price of carbon to clearly communicate climate-related risks and opportunities in investment decisions
4. Reduce construction impacts through asset retention, efficient design and responsible sourcing
5. Offset remaining emissions through carefully selected projects which actively take carbon out of the atmosphere

Read more in our Physical review on pages 38-41

Social value

We don't believe anyone should be defined by their background or by any barriers they face. Our ambition is to create opportunities for people from our communities through our social sustainability programmes. That's why we're measuring the social value we generate through our programmes.

Working with The Social Value Portal and our community partners, we're aiming for an ambitious target of generating £25m of social value through our programmes by 2025. This year, we exceeded our in-year target, creating over £4.8m of social value.

Economic value

In addition to social value, we also measure our contribution to the UK economy. This may be through our own activities or via the spaces and places we create, which allow others to thrive.

£11.7bn
Total contribution to the UK economy each year from people based at our assets

£4.4bn
Our ten-year contribution to the economy through property development

128,800
Number of people working across our workplace, retail and leisure destinations

44,900
Number of jobs created in construction through our development activities over the last decade

Read more on pages 42-47

Financial performance

£414m
Revenue profit, down 6.3%

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

55.9p
Adjusted diluted earnings per share, down 6.4%

23.2p
Dividend, down 49.1%

£12.8bn
Combined Portfolio, with a valuation deficit of 8.8%

1,192p
EPRA net tangible assets per share, down 11.6%

Read more on pages 30-37

Chairman's statement

Cressida Hogg reports on our performance during the year, some significant changes to the Board and the impact of Covid-19.

Cressida Hogg
Chairman

Our results

-4.5%
Ungeared total property return

-11.6%
EPRA net tangible assets per share

-6.4%
Adjusted diluted earnings per share

-8.2%
Total business return

This Annual Report covers our performance in the financial year to 31 March 2020. This has been an eventful year in which we have seen the UK depart from the EU, a general election and continued structural change in the retail market. As our year was drawing to a close, it also became clear that the impact of the Covid-19 crisis would have an unprecedented impact on Landsec, the economy and on our society.

As your Chair, I would like to reassure you that Landsec is well positioned to withstand the shocks of this pandemic. The business has ridden through uncertainty and market turmoil before, and it is well placed to weather the current crisis. Financially our business is in robust shape with gearing at prudent levels, and operationally we have been able to react quickly to the crisis. I have been so impressed by how swiftly our colleagues have adapted to working effectively remotely and how technology has enabled this.

This year

Reading this report you should bear in mind that the financial impact of Covid-19 on our performance could only really be seen in the last month of the year. Before the pandemic crisis, our teams had maintained high occupancy rates across our portfolio and we were on track to deliver good rental income and revenue profit despite challenging trading conditions in the retail and leisure sectors. These market conditions continued to impact valuations, especially in these sectors. However, following the December election, the London office market saw an increased demand for quality space and our office portfolio had performed well. Development was ongoing at several exciting projects, in particular our Lucent development behind Piccadilly Lights. For year-end valuations, the independent valuers have assessed the effect of Covid-19 across the portfolio, although it is still unclear what the impact will be over the longer term.

Landsec continues to be recognised as a leader in sustainability in the property sector. We have committed to becoming a net zero carbon company by 2030. This is a stretching target but an essential one as we seek to minimise the environmental impact of our business. As you can see throughout this report, sustainability is key to all that we do, especially at the current time.

Impact of Covid-19

We already know that for many of our stakeholders this crisis will bring permanent change. As a business we are doing our best to work with our employees, customers and communities to help them through very challenging times. The drop in revenue caused by the lockdown has been very damaging for many, and we are working hard to be commercial and fair in the way that we approach discussions with all our customers. Through the rent relief fund that we announced in April, we are providing assistance to those tenants most in need. We have also increased our donations to our charity partners, including to community charities we already work with.

The Board took the difficult decision to cancel the third quarter dividend in April. The Board is very aware how important dividends are to many of our shareholders. However, on balance we decided that, at such an uncertain time with little visibility on the duration or the full impact of the crisis, it would be prudent to conserve cash. The Board also decided not to propose a final dividend for the same reason. It will keep the position on future dividend payments under regular review, reinstating them as soon as it is appropriate to do so.

We have taken other actions in response to the adverse impact on cash flow. Our Board and Executive Directors have taken a 20% pay reduction for the time being, with the money being committed to supporting our charity partners. Our Remuneration Committee has taken action on both Director and wider employee pay. We take seriously our responsibilities as an employer and are doing what we can to support our colleagues as they work in line with Government guidelines on social distancing.

Board changes

At our AGM last July, we announced that after eight years as CEO Robert Noel was to retire from Landsec. After a detailed search during which the Board met a variety of candidates (see page 67 for further detail), we were pleased to announce last November that Mark Allan had been appointed as Landsec's new CEO. Due to commitments to his previous employer Mark only joined Landsec on 14 April, although he had fortunately been able to spend several days in the business meeting teams and spending time with Senior Management before lockdown.

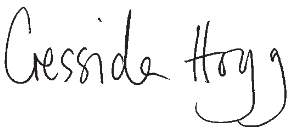
I would like to take this opportunity to thank Rob for his contribution to Landsec, and the energy and commitment with which he led the Company through a period of change and growth. During his tenure, Landsec transformed its portfolio, and changed the skyline of London, most notably with the schemes he led in Victoria and in the City. We wish him well for the future.

This year we also said farewell to Chris Bartram, who has been on the Board for nearly a decade, and kindly agreed last year to stay on for another 12 months particularly to help with our search for a new CEO. Chris has been a valued and insightful colleague with deep knowledge of our sector and will be missed.

Looking ahead

The important role played by companies in modern society had been widely recognised before the current crisis, and must be emphasised even more at this time. As a Board we are very aware that we need to balance our responsibilities to our shareholders with those of our other stakeholders and the wider economy. In these difficult times, there will undoubtedly be decisions Landsec makes that are questioned by some, but the strengths of our management team and our governance structure give me confidence we will do our utmost to be commercial and fair in how we reach decisions.

As our new CEO, Mark Allan is bringing fresh perspectives to our strategy and how we might evolve in a rapidly changing market. We will share our refreshed strategy with you over the next year when we are ready to do so and more confident that the current economic situation is stabilising. In the meantime, we thank you for your continued support.



Cressida Hogg
Chairman

Mark Allan
Chief Executive

Our new Chief Executive

Following the announcement on 11 July 2019 that Robert Noel was to step down as Chief Executive, the Nomination Committee led the search on behalf of the Board to identify and recruit a replacement. Details of this process can be found on page 67.

Mark Allan joined the Board as Chief Executive on 14 April 2020. He was previously Chief Executive at St Modwen Properties PLC and before that at The Unite Group Plc. Mark therefore has deep knowledge of the property market and is highly regarded by investors, equally for his strategic insight and record of delivering value. Mark is a qualified Chartered Accountant and a member of the Royal Institution of Chartered Surveyors.

Chief Executive's statement

Mark Allan
Chief Executive

I joined Landsec on 14 April 2020 and am conscious that I have arrived at an extraordinary time.

The speed and scale of the impact of Covid-19 on business and the economy are unprecedented and profound long-term consequences will play out long after the government lockdown has lifted. Some of the long-term economic and societal trends which were already disrupting the property industry are likely to accelerate, new ones are sure to emerge and major issues such as climate change will remain as significant as ever. How we choose to respond to this unique and fluid combination of challenges will define Landsec for years to come.

Landsec faces this situation from a position of strength. We have a strong balance sheet, a portfolio of properties that are amongst the highest quality for the sectors in which we operate and a team of talented, dedicated people across the business. These attributes stand us in good stead but will need to be allied to bold, ambitious thinking and a willingness to adopt new and creative approaches if we are to make the most of Landsec's undoubted potential.

Overview

Although I did not join Landsec until after the financial year had ended, looking at the results there are three distinct themes that characterise our performance:

— Operational resilience. Despite a backdrop of prolonged political uncertainty and subdued business confidence for much of the year, the Office segment performed well in terms of both occupancy levels and rental growth. And despite changing consumer habits and a challenging market environment for retailers generally, occupancy and rental income across our Retail segment also held up well.

— Structural changes in retail. Ongoing structural changes to the retail property sector, driven by the continued rise of online shopping and changing consumer behaviour, had a material negative impact on asset values. The nature of these changes, accompanied by the continued downward pressure on retail rents, means that the impact on valuations is more likely to be structural in nature than cyclical.

— Covid-19. Although the scale of the global pandemic and associated government policy response only began to become clear in the last month of our financial year, it has had a negative impact on asset valuations, necessitated higher debtor provisions and resulted in significant economic uncertainty, such that the Board concluded it was prudent to cancel the third interim dividend and is not proposing a final dividend, in common with many other listed businesses.

Outside of the themes mentioned above, the business took important action in a number of areas that leaves us well placed for the future:

— We committed to becoming a net zero carbon business by 2030. Climate change remains the defining global challenge of the next 20 years and Landsec is clear in its ambition to play a leading role in the property industry's response.

— We progressed our development programme to take advantage of anticipated supportive conditions in the London market. Importantly, this programme has been established in such a way that we retain full optionality over the scale and extent of speculative commitments for approximately the next six months, allowing us to adapt our approach to best suit post Covid-19 conditions.

— We continued to manage our financial position with prudence and flexibility in mind. As a result, we have significant balance sheet capacity that will allow us both to weather a prolonged downturn or capitalise on opportunities that arise.

Results and dividend

This year, Landsec recorded a loss before tax of £837m (2019: £123m) as underlying earnings were more than offset by a fall in the value of our assets, down 8.8% (or £1,179m). The majority of the valuation deficit is attributable to our Retail segment, which suffered a 20.5% decline over the 12 months as a result of the challenging environment and ongoing structural changes, exacerbated at the year end by the early effects of Covid-19.

Operationally, Landsec's results were resilient despite persistent uncertainties in some of our core markets. We reported revenue profit of £414m (2019: £442m), equating to adjusted diluted earnings per share of 55.9p (2019: 59.7p), with the majority of the decline (£23m) associated with provisions relating to 2020/21 rent that was invoiced in March and where recoverability is affected by Covid-19.

Our EPRA net tangible assets per share were down 11.6% at 1,192p, reflecting the loss for the year, while our loan-to-value ratio increased to 30.7% from 27.1% a year ago, largely as a result of the fall in portfolio value, but it remains at a prudent level providing plenty of balance sheet capacity.

As a result of the significant uncertainty surrounding Covid-19, the Board took the difficult decision in early April to cancel the third interim dividend. With limited change in the situation since then, the Board is also not proposing the payment of a final dividend. We recognise that this is disappointing as income is an important component of our return for shareholders and are committed to resuming dividends at an appropriate level as soon as conditions stabilise.

Covid-19 and our response

Our operational response to Covid-19 was both immediate and proactive. Our site teams continue to follow all guidelines issued by the relevant public health authorities and we are taking a stringent approach to the cleanliness and hygiene of our assets. We have worked with occupiers to allow them to access stock where safe to do so, and our frontline staff are working to keep our assets safe and secure for customers and guests.

We also acted swiftly to offer financial support to our customers and communities. In early April we established an £80m rent relief fund, targeted at our customers most in need, with a particular focus on supporting F&B customers and small and medium sized businesses. Further action will be required in the months ahead; we recognise the importance of all stakeholders working together collaboratively and are committed to playing our part.

The immediate impact of Covid-19 has been particularly significant on our Retail and Specialist segments. Only essential services like supermarkets and pharmacies remain open at our retail destinations, with four of our retail assets shut completely. Although our Office segment has seen a less pronounced immediate impact, the vast majority of our customers' employees are now working from home, with less than 10% usage of our office space. Rent collection rates in March and early April were impacted negatively across the portfolio with an average 63% collected within ten days of falling due, compared with 94% for the same period in 2019.

June rent collection rates are likely to be worse than March given that most of the negative economic impact from Covid-19 has fallen in the second quarter, notwithstanding the commendable scale and intent of the Government's economic response. The pace of subsequent recovery from hereon will vary by sector. Ongoing social distancing measures will affect certain sectors much more than others, all businesses will need time to work with their global supply chains and workforces to resume trading as normal and heightened levels of caution amongst the general public are likely to affect behaviour for many months to come. While it is too early to predict outcomes with any certainty, it seems prudent to plan for more business failures and higher vacancy rates across our portfolio, in particular leisure and retail, and we don't expect to see the economy recover to pre-Covid-19 levels before 2022 at the earliest.

Recognising that the effects of Covid-19 will be felt for some time to come, we will continue to take proactive measures to ensure that Landsec emerges from this crisis in as strong a position as possible:

— We will continue to focus on controlling operating costs, both across our business and within service charges, but are committed to doing so in a way that is sustainable and does not risk service levels in the longer term.

— We will aim to preserve balance sheet capacity and flexibility, both to ensure that we can weather a prolonged downturn but also so that we are well placed to capitalise on any opportunities that emerge over time.

— We will control capital expenditure carefully and retain optionality over our speculative development programme for as long as possible so that we can adapt our approach as the longer-term effects of Covid-19 become clearer.

— We will work proactively with our customers and partners to find solutions that derive mutual benefit at such a challenging time.

We are also mindful that Covid-19 is likely to have profound long-term effects on society and, by extension, the property sector. Understanding, anticipating and responding to these likely effects will be vital to the long-term success of Landsec and we are committed to doing so.

Leadership in sustainability

In the face of the considerable near-term impact of Covid-19, it can be easy to lose sight of the very significant threat posed by climate change. Landsec has always been a sector leader in this space – we were the first commercial real estate company in the world to commit to science-based reduction targets for CO_2 and we built on that in 2019 by committing to become net zero carbon by 2030 – and I am determined that we continue to build on this leadership position in the years ahead.

Of course, sustainability is about more than climate change and I view our commitment to the communities in which we operate as vitally important. In April, we made £500,000 of community grants available to offer immediate financial assistance to our existing charity partners, as they work to support the most disadvantaged in society at this time of crisis. £100,000 of this amount was donated to property charity LandAid to help fund their campaign to end youth homelessness. This amount was further supplemented by the Board of Directors waiving 20% of their base salaries or fees for an initial period of three months.

At our sites, we offered free parking to key workers, offered space for mobile blood banks and blood transfusion units, and Public Health England used Piccadilly Lights free of charge to display advice on health matters. Our community employment programme has now helped over 1,500 people furthest from the job market into work, including ex-offenders who have graduated from one of our three prison academies, and we know this programme will have a vital role in the months to come. We are also committed to the UN Sustainable Development Goals and the Global Compact. And we're making good progress on our commitment to generate £25m of social value by 2025.

Strategy

The arrival of a new CEO provides a good opportunity for the Board to step back and consider the long-term strategic direction of the business and we intend to do exactly this over the next few months, communicating the outcomes in the autumn.

In many ways, this is an ideal time to undertake such an exercise. There are profound structural trends already disrupting the real estate sector that present both risks and opportunities; there is the significant short-term impact of Covid-19 to be navigated and its longer-term consequences still to be determined; and there is a political backdrop which, at least before Covid-19, points to a period of improved stability after three years of sustained uncertainty although we recognise our future trading relationship with Europe is yet to be resolved.

Priorities for the year ahead

For virtually all businesses, 2020 and 2021 will be dominated by tackling the consequences of Covid-19 and it is still too early to predict what that will mean. Like all crises, the Covid-19 crisis will pass in time but its impact in the longer term, from both a societal and economic perspective, is likely to be profound. For this reason, our focus at Landsec in the year ahead will be twofold: firstly, doing everything we can to ensure Landsec emerges from Covid-19 in as strong a position as possible; and secondly, determining the long-term strategic direction for our business. We approach these challenges from a position of strength and are prepared to be bold in our thinking, determined to make the most of Landsec's undoubted potential.

Mark Allan
Chief Executive

Our market

We operate across a diverse mix of sectors in the UK commercial property market.

Market at a glance

12.7m sq ft
Take-up of office space in central London (2019: 13.6 million sq ft)

4.5%
Vacancy rate in central London offices (March 2019: 4.3%)

2.3%
Rise in prime headline office rents in the West End (2019: +2.4%)

2.8%
Rise in prime headline office rents in the City (2019: +3.6%)

-3.2%
BRC physical retail store sales[1] (2019: -2.4%)

-1.1%
BRC non-food retail sales[1] (including online) (2019: -0.2%)

-3.7%
UK footfall[1,2] (2019: -2.7%)

1. 48 weeks to 1 March 2020.
2. Source: ShopperTrak UK national footfall benchmark.

Our markets

We have a broad base of premium assets across central London offices, London shopping centres, regional shopping centres, retail parks, retail outlets, leisure space and hotels. We're also in the early phases of developing plans for significant residential-led, mixed-use schemes at sites we own. The dynamics in each of these market sectors vary and there are also variations between specific locations and assets. You can read our commentary on the year's market dynamics on the following page. Covid-19 had an impact on our markets during the second half of March and has led to significant disruption since then.

Macroeconomic context

2019/20 was affected by significant uncertainty over the UK's departure from the EU and the outcome of the general election. Following the general election in December, there was an initial wave of optimism in early 2020 with clear signs of an improving economic outlook and real estate market but this was halted abruptly by Covid-19.

Despite the challenging market backdrop, consumer spending grew but at a much slower rate in 2019 compared with 2018. In real terms, consumer spending grew by 0.9% and disposable income by 1.3%. Excluding food spending, all retail sales declined by 1.1% (48 weeks to the end of February). Sales continued to shift online, with retail footfall declining 3.7% and online share of retail sales rising to 31.1% by February 2020 (an increase of 2 percentage points from February 2019).

Market dynamics

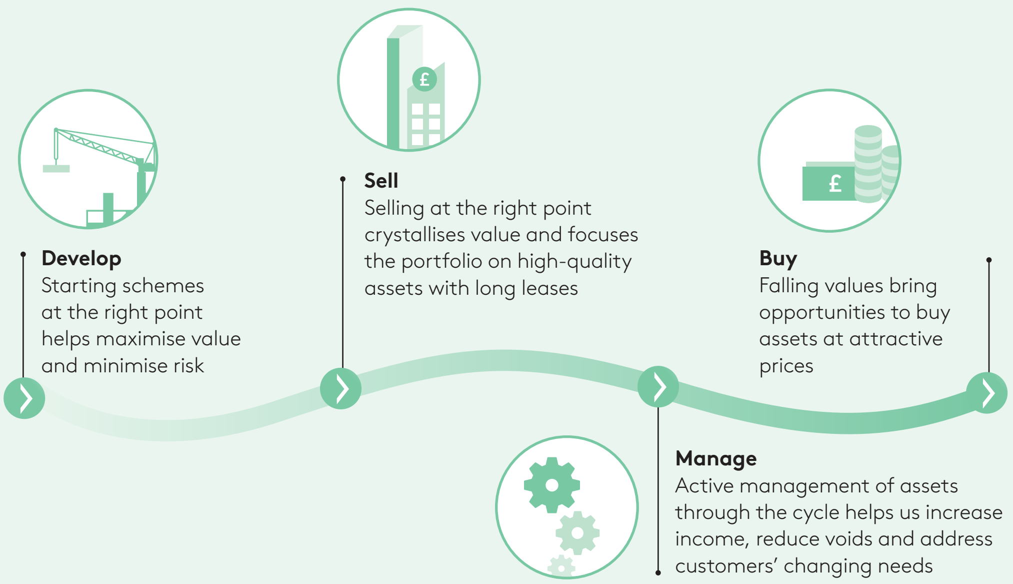
Notwithstanding the impacts from Covid-19, the drivers we describe on the next page will have a significant impact on our markets. Digital technology is disrupting traditional property models and enabling better products, solutions and services. Demographics are changing – there is a growing, ageing population and a larger proportion of millennials and generation Z in the workforce. Changing living, working, shopping and leisure habits will change how property companies operate, with occupiers increasingly demanding a different mix of services. And sustainability is becoming critical to our customers, from social purpose through to resource scarcity and climate change.

Market cycle

Commercial property markets are generally cyclical, with property values mainly following supply and demand, together with market participants' cost of capital.

The larger UK property sectors have many participants and a deep pool of investors. This creates a liquid market for individual properties.

We aim to maintain a healthy position through the cycle, varying the scale of our activity at different points to grow potential opportunities and mitigate risk. The nature of cycles varies as customer behaviour and needs change. Macroeconomic factors, such as low interest rates, can extend or flatten cycles. We manage our business to maximise returns from long-term trends while retaining the flexibility to respond to changing shorter-term conditions



In our biggest sector, central London offices (53% of portfolio by value), occupational demand continued to be strong, with broadly stable vacancy rates and an increase in rental values of 2.6%. Investment transactions in 2019 were down 36% compared with the previous year, as political uncertainty in the UK dampened some overseas demand. Forecasters expected the market to see modest growth in 2020, as the outlook was positive and the supply of new office space completing over the next three years was not excessive. However, Covid-19 will impact the shorter-term dynamics of the market.

London's strengths attract a large, varied mix of property investors, many from overseas. This helps us when selling assets, but increases competition when buying. We see market opportunities in London but also challenges.

London retains its enduring appeal for investors and occupiers, as it offers:

— an attractive mix of offices, retail and leisure, which appeals to employees

— a diverse and growing population

— the capabilities and opportunities that come with being a global financial centre

— a deep, liquid property investment market

— a relatively stable tax environment

— a strong business and transport infrastructure, and international gateway

— access to leading universities.

However, the challenges of London include:

— uncertainty over the Brexit transition period and subsequent negotiations

— the potential impact of Brexit on skills and capacity in construction

— the potential impact of immigration policy on economic growth

— an ageing infrastructure

— continued uncertainty on airport expansion

— high stamp duty

— the need to decarbonise the economy

— the need for better or faster digital connectivity.

We continue to see the lack of housing at affordable or attractive prices as a challenge, but the potential for residential-led densification means this also represents an opportunity for us.

2019 was another difficult year for retailers and the retail property market. Generally speaking, there is too much retail space in the UK and retailers are reviewing where they need physical stores to support their omni-channel offer. As a result, many secondary retail locations have struggled to retain retailers and customers. Dominant destinations that provide an experience remain successful and lively, but they are not immune to the structural and cyclical challenges facing the market. The capital values of shopping centres and retail parks fell significantly for the second year in a row.

The level of administrations or company voluntary arrangements (CVAs) in 2019 was slightly lower than in 2018, but remained near historically high levels, again demonstrating the challenging nature of the retail market. Despite the market environment, some retailers continued to perform well, particularly those with a compelling customer offer, great customer service and an appropriate mix of online and physical stores. Covid-19 had a rapid and significant impact on the retail and leisure market with the majority of businesses no longer trading from physical space. This, inevitably, will put further strain on those businesses already struggling in a challenging market.

In addition, the tax burden on physical retailers, compared to that of online retailers, is contributing to the decline of high streets and has affected retail parks and shopping centres. Changes to planning regulations would support more dynamic and valuable use of buildings and land.

Major longer-term drivers shaping our markets

1. Changing ways of working

The way people use office space is changing. Shifting demographics, the impact of technology and a competitive and fast-moving business environment are raising the expectations of what workspace can provide for an occupier. Employers want offices where teams and individuals can thrive. There is a growing emphasis on flexibility – of layout, capacity, leases and payment terms – together with an expectation of enhanced service from workspace providers. But it is about more than just how our customers use their space – they know their office is an extension of their brand, and sustainability and wellbeing are also both critical to retaining talent and promoting business.

2. Changing ways of shopping

While consumer spending is still rising, growth has slowed, and retailers continue to see a marked difference in the performance of online and physical retail. Online – further powered by the rise of mobile – continues to win a growing share of retail spending. Consumers increasingly use a combination of physical stores and online to complete transactions, and expect to shop seamlessly across channels. Retailers are evolving their offers to meet customers' growing demands for experience, convenience and excellent service. Often this involves adopting an omni-channel model where physical stores play a role in displaying products and offering advice, all while supporting online through managing click and collect and returns. Successful retailers enhance their brands by doing this effectively.

3. Changing ways of living

The proportion of people renting their home has more than doubled since the turn of the century. An undersupply of new homes has contributed to house-price growth exceeding earnings growth over a sustained period. This particularly affects the young and has led to an entire segment of society becoming known as 'Generation Rent'. In the UK, the increase in flexible working, online shopping, and how people use technology to interact is changing people's behaviour in the home. This in turn is changing how we think about designing places for people to live in. The rental model, and the allure of amenity-rich city-centre living, is not restricted to younger generations. It is starting to attract the down-sizer market too.

4. Changing ways of building

To gain competitive advantage and efficiencies, and with the help of advancing technology, property professionals are finding potentially transformative ways to design, develop and build at scale. For example, design is moving from traditional architects' drawings to sophisticated digital models and simulations of operational buildings. Advances like these enable providers to reduce cost, time and risk at the construction stage, and to test and optimise buildings for long-term operational performance. More efficient methods of construction are also emerging, including off-site modular construction.

5. Changing expectations for sustainability

The importance of sustainability is now widely recognised. Many businesses now regard it as essential to their strategy. Government, businesses and communities are working to reduce social inequality and mitigate or adapt to climate change. There is also growing scrutiny of the ways companies treat their partners and supply chain. How businesses respond to these issues will determine their resilience and competitiveness over the long term. Smart, progressive thinking can help support the relationships and resources companies rely on to prosper and grow, and in the transition to a low-carbon economy.

Our stakeholders

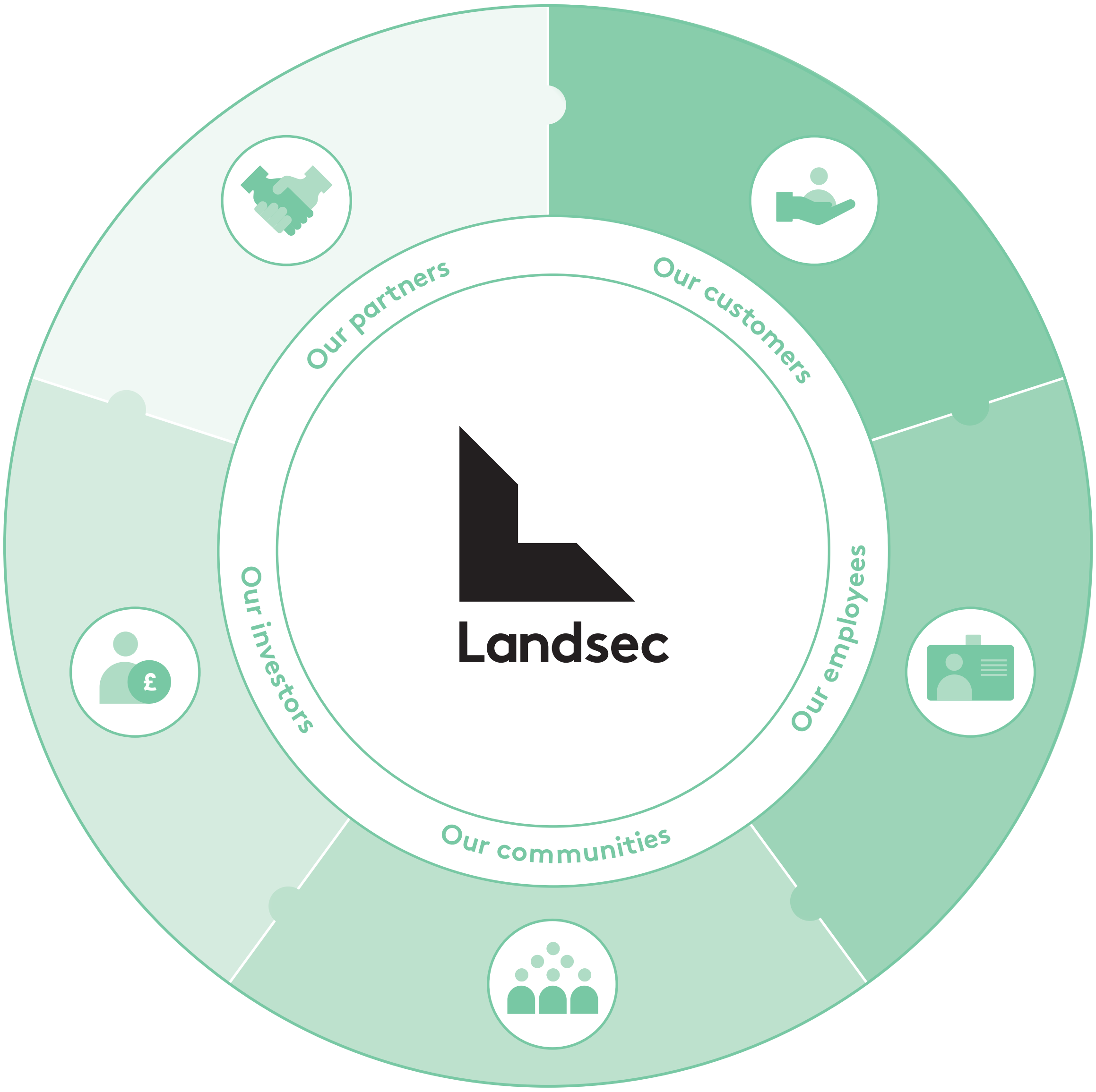
Our vision is to be the best property company in the UK in the eyes of our stakeholders.

To achieve this, we have to understand the needs of those stakeholders, and the most effective way to engage with them. Successful, sustainable companies know their stakeholders and value their input and support.

Section 172

Our section 172 statement and further details on culture at Landsec can be found in our Governance section on pages 68-72.

Our five key stakeholders



	Who are they?	Why are they important to us?	What do they want from us?	How do we engage with them?
Our customers Read more on pages 42-46	Everyone who uses our buildings. That's our office occupiers' employees and guests, our retail and leisure visitors and residents in the accommodation we build. All are our customers.	Serving our customers is the reason we exist. Our occupiers provide us with rental income so it is essential we serve their needs and the needs of their customers.	Customers want us to understand and respond to their changing needs so their businesses can thrive. That means providing sustainable, efficient space and customer service. Customers, visitors and residents want us to provide fabulous space and services that add to their working, shopping, leisure and living experiences.	Through regular contact with our retail and office occupiers to understand what's important to them and to evaluate the service we provide.
Our employees Read more on pages 42-46	Everyone directly employed by Landsec.	Our people are our most important asset. They create and maintain our buildings, provide our customer service and drive innovation throughout the business.	Our employees want a great career, and a positive and motivating work environment where they can thrive, all underpinned by a supportive culture.	We use engagement surveys, our Employee Forum and Town Hall presentations, alongside relevant training and development programmes.
Our communities Read more on pages 42-46	Those who live in areas where we work or where we have assets. For example, local residents, businesses, schools and charities.	We want our buildings and activity to have a positive impact on the local community. To achieve this, we need to develop good relationships and understand local people's needs.	Local people want us to enhance the physical and social infrastructure in their area, helping their community thrive.	Our activity ranges from providing work experience and routes to employment, to helping students and addressing social needs. We consult local communities ahead of all development activity and maintain the relationship following completion.
Our investors Read more on page 72	Those who own shares in Landsec and our bondholders.	Investors provide capital to the business, as well as valuable feedback on our performance and strategic position.	Investors want a clearly articulated long-term strategy together with shorter-term plans and effective communication of our progress. We aim to grow our share price and provide sustainable dividend income through a progressive dividend policy, while being prudent borrowers.	Formal results presentations every six months plus regular capital markets days as appropriate. Financial institutions and debt providers meet our management regularly. We hold an AGM every year.
Our partners Read more on pages 42-46	Those who have a direct working or contractual relationship, or share a mutual interest with us. This includes our joint-venture partners, service providers, suppliers, local and Central Government, NGOs, trade bodies and industry organisations.	Their vital contributions to our business range from providing services and advice through to granting the planning permissions and approvals that allow us to develop buildings and run our business.	Our partners want us to be trustworthy and live up to our promises.	We work to find mutually effective ways to communicate and collaborate with each group. The highest standards of health, safety and security underpin everything we do.

Our business model

To create value, we buy, develop, manage and sell property, drawing on a range of financial, physical and social resources along the way.

Creating and protecting value

We aim to be a sustainable business by anticipating and responding to the changing needs of our customers, communities, partners and employees. We act early to position the Group for the conditions we see ahead and we take a long-term view of value creation. For us, it's about transforming financial, physical and social resources into financial, physical and social value for our shareholders and society.

Input

Financial

Including the different types of funds we use to invest in our business, from shareholder capital to borrowings.

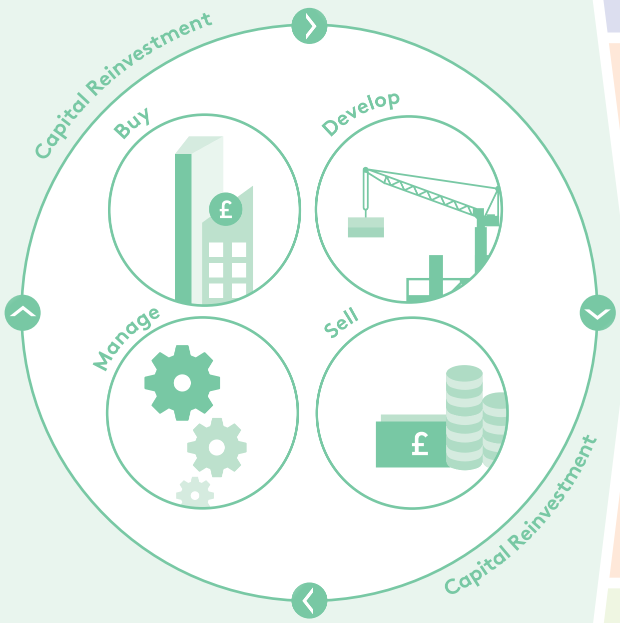
Physical

Including our land and buildings, the materials and technologies we use, and the natural environment.

Social

Including the relationships we have with customers, communities and partners and the capabilities of our employees.

Core activities



Output

Financial

Long-term growth in income and asset values, creating capacity for us to increase dividends for our shareholders.

To read our Financial review go to pages 30-37

Physical

Space that creates value for us by meeting the changing requirements of our customers and communities and being a healthy environment for all.

To read our Physical review go to pages 38-41

Social

Our ability to help businesses and people to thrive – including our own employees.

To read our Social review go to pages 42-47

Creating sustainable long-term value

The way we manage the business – through the life-cycle of our assets – reflects our financial, physical and social approach and priorities.

Financial aims

Growth in income
The total rent paid to us by our customers.

Growth in asset value
The increase in the value of our portfolio generated by our actions and market influences.

Outcome

Dividend
The payments we make to our shareholders.

Capital return
The overall change in the value of our portfolio.

Measure

Total business return

Dividend
The payments we make to our shareholders.

Plus

Change in net asset value
The overall change in value of our net assets.

Portfolio quality

We constantly look to strengthen our portfolio to ensure it meets the changing needs of our customers and communities. We always bring social, economic and environmental benefits to the areas where we operate.

Natural resources

When we buy, use and re-use resources efficiently we reduce costs for our customers, our partners and us, helping to minimise our impact on the environment and enhance our resilience to a warming planet.

Climate change

We're committed to leading the transition to a low-carbon economy. This helps mitigate our current and future risk and presents significant opportunities for our customers and us.

Sustainable design and innovation

Great design increases efficiency, encourages people to spend time in our spaces and enables buildings to adapt to changing customer needs. We design with long-term value in mind.

Customers

We design our buildings to support wellbeing and productivity. From office occupiers to brands and shoppers, we aim to provide our customers with a fabulous experience – creating value for our shareholders.

Employees

We invest to attract and develop great people who add value to our business. We take engagement, wellbeing, diversity and reward seriously and conduct regular reviews.

Communities and partners

We help those furthest from the jobs market access opportunities in our industry. We believe that everyone who works on our behalf must be treated and paid fairly and our business should reflect and support our diverse communities. We work to maintain an exceptional standard of health, safety and security in all the working environments we control and partner to help raise standards in our industry.

Influences

Market sentiment

External responses to:

- Economic conditions
- Property market conditions
- Our reputation
- Our track record
- Our management team
- Our portfolio of assets
- Our level of gearing
- Our position on sustainability

Read more about our market on pages 14-15

Read more about our stakeholders on pages 16-17

Read more about our strategy on pages 20-21

Goal

Total Shareholder return

Our aim is to deliver total shareholder returns, together with significant social and economic value for all of our stakeholders:

Dividend payments
The financial value of the payments we make to shareholders

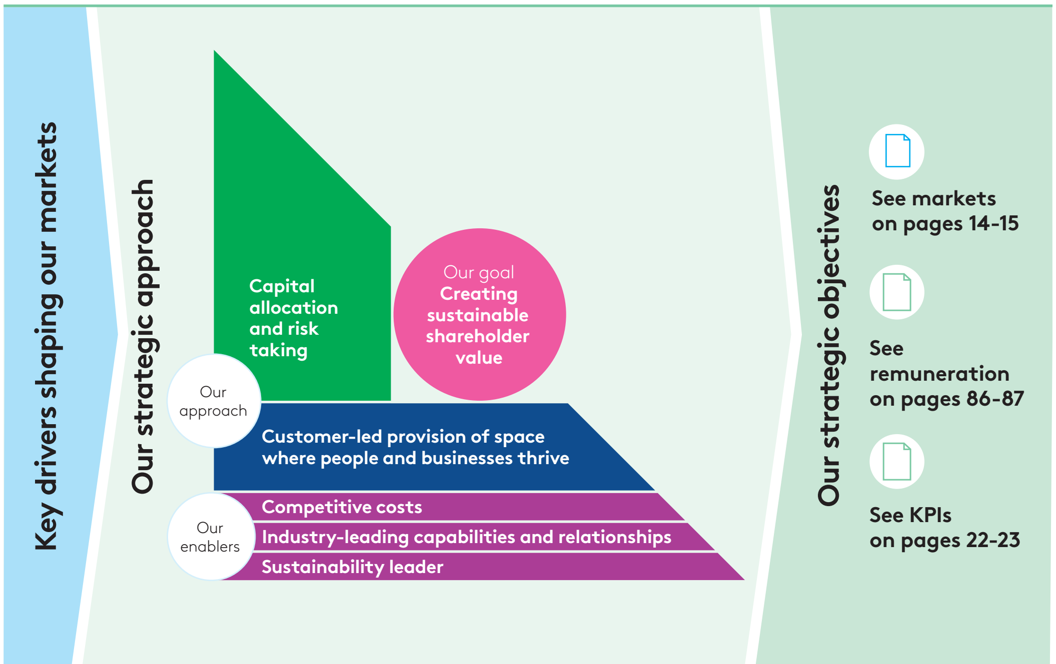
Plus

Share price growth
The increase in the financial value of our shares.

Our strategy

We create sustainable shareholder and social value by providing the right space for our customers and communities, so people and businesses can thrive.

How our strategy is shaped

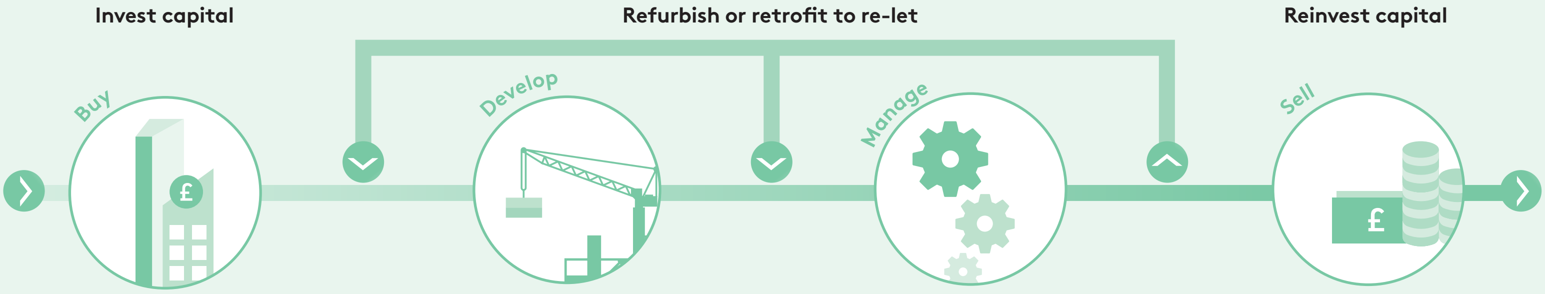


Creating sustainable shareholder value

We make choices at asset, sector and portfolio level to optimise short-term and long-term value and position ourselves to achieve attractive total shareholder returns over the long term. We aim to generate growth in earnings per share so we can pay a progressive dividend.

See our business model on pages 18-19 for more on this

Investing through the life-cycle



We acquire an asset if it has the potential to meet the evolving needs of our customers and communities, can be acquired at the right price, and is likely to create financial value for us.

Our Responsible Property Investment Policy defines the standards we set for acquisitions and guides us when making buying decisions. We may acquire a poorly performing asset if we see an opportunity to improve performance through investment and better management.

We develop to create space that will appeal to customers, enhance the area and create financial value for us. This activity creates job opportunities during construction and operation.

We design for safety, wellbeing, efficiency and productivity. We look to improve public realm, connectivity and wider infrastructure. And we embed our sustainability principles in the design and delivery process.

We work with customers, communities and partners to ensure our buildings operate efficiently and to help increase local prosperity.

We redesign and refurbish space to make it more attractive, useful and valued. And we work with occupiers to manage energy, waste and water. Thinking about sustainability helps protect buildings from external risks such as price volatility, changing regulation, supply issues and premature obsolescence.

We sell an asset when we see an opportunity to deploy capital more effectively elsewhere.

Through our investment and activity, the building we sell should perform at a higher level than the building we bought – financially, physically and socially. This should make it more valuable. We always aim to build a positive legacy, leaving a place in a better state than when we arrived.

Capital allocation and risk taking

Our key activities throughout an asset's life-cycle are: buy, develop, manage, sell. We regularly review the outlook and opportunities for our portfolio of assets and our markets, and adjust our portfolio accordingly, using a consistent framework to make plans specific to each asset and market sector.

Market sectors and business structure
For many years, we managed our business through two business units – London Portfolio and Retail Portfolio. Early in the financial year, we merged these, combining their finance, development and operational teams. We now have one team, supporting one portfolio divided into three segments: Office, Retail and Specialist. The market drivers we have identified, and the strategy we have adopted, affect all areas of our business. Operating as one business unit, we further increase the efficiency of our capital allocation, and our ability to share data and respond to changing market conditions and trends.

Our Office segment represents 53% of the portfolio by capital value. It consists of prime, modern office space with good lease lengths and strong occupiers. Our office space ranges from traditional HQ space through to flexible office space that meets the growing demand for flexibility and service. In addition, we have office developments that provide valuable exposure to a London office market, which has further growth prospects over the longer term.

Our Retail segment represents 34% of the portfolio and consists of the retail space within our offices, London shopping centres, regional shopping centres, outlet centres and retail parks. One of the challenges with retail assets is the risk of having too much space for current demand. Our shopping centres in major UK cities present significant development opportunities as we consider how we can add different uses, particularly residential, to the sites. Our outlet centres have proven relatively resilient to the recent trends in retail, and offer further opportunities for us to manage and invest in the assets.

Our Specialist segment represents 13% of the portfolio and consists primarily of our leisure and hotel assets, plus Piccadilly Lights.

Locations
We buy and develop in thriving locations or places with excellent potential. First-class buildings with good transport links are becoming more highly valued than fashionable postcodes. Increasingly, our business focuses on London and other major urban centres supported by long-term trends.

Development exposure
We develop adaptable, sustainable, customer-focused spaces, as these generate returns and portfolio income growth above that available from standing investments alone. Our current pipeline of development opportunities comprises offices, and retail assets where we have the potential to re-purpose the space.

Read more in our Portfolio review on pages 24-29

Timing
We will develop on a pre-let basis at any time in the property cycle. However, we commit to developing speculatively only when we believe we will be completing and leasing the development into a market with strong demand, and therefore when the balance of risk and return is in our favour.

Risk
We believe the best way to mitigate the risks inherent in owning and operating a commercial property portfolio is to:

— identify assets in structurally supported markets that have strong and enduring appeal to customers and consumers

— manage spaces and places actively and responsibly

— act early in mitigating risks related to changes in climate, legislation, available resources and the changing needs of our customers.

Development is riskier than owning and managing existing assets, but offers the potential for greater returns. We manage development risk through strong operational capabilities and processes, ensuring we make any speculative development at the right time in the cycle. We set carefully calculated limits on the amount of development we undertake at any given time, to manage the risk in our portfolio.

Customer-led provision of space where people and businesses thrive

We aspire to be the market leader in providing space for customers and communities. We do this by aiming to understand their needs and aspirations, and creating the best experiences for them.

In response to changes in demographics, the ways people work, shop and live, and the ever-growing importance of sustainability, we shape our buildings around the needs of our customers. We are incorporating services and technology into our developments to create flexible and adaptable workspaces. In retail, we continue to refine our assets, to provide the best experience for our customers.

Competitive costs, industry-leading capabilities and relationships, and leader in sustainability

We secure capital and construction costs at competitive rates. This enables us to access and address development and investment opportunities in competitive property markets. Also, by maintaining a disciplined approach to ongoing operating costs, we optimise value to occupiers and the net income generated from market-determined gross rents.

We use debt to enhance equity returns and lower our cost of capital. The scale and security of our portfolio and conservative balance sheet allow us to access debt capital at attractive rates – our weighted average cost of net debt is currently 2.4%. Scale also helps our efficiency by spreading our overheads and the investments we make in capabilities, systems and relationships, across a broad portfolio of assets.

Our capabilities, reputation and relationships with customers, communities, employees and partners are critical to us successfully executing our strategy. We look to attract, develop and retain the best talent in the UK property sector, and be a partner of choice to our supply chain.

We listen to, understand and work constructively with our key stakeholders. Experience tells us this is the best way to secure the long-term, sustainable success of our business. We do this by supporting people into work, boosting the resilience of our supply chain. We reduce operational costs for our customers through energy efficiency projects. And our approach to sustainable design creates more desirable assets, attracting customers and consumers, giving them a reason to choose our destinations.

We have prioritised four areas for investment in capabilities:

— Building better, faster and at lower cost with less waste, including using digital tools, technology and approaches such as 'design for manufacture and assembly'.

— Improving our processes and abilities to design, monitor and improve customer experiences.

— Bolstering our capacity and capability for developing and operating mixed-use sites.

— Creating competitive advantage from sustainability, through resilient supply chains, lower operational costs and more attractive assets.

See the Physical and Social reviews on pages 38-47 for more on our customers, communities, partners and employees

To see our Stakeholder Engagement Policy, Responsible Property Investment Policy and Sustainability Brief, go to landsec.com

Key performance indicators

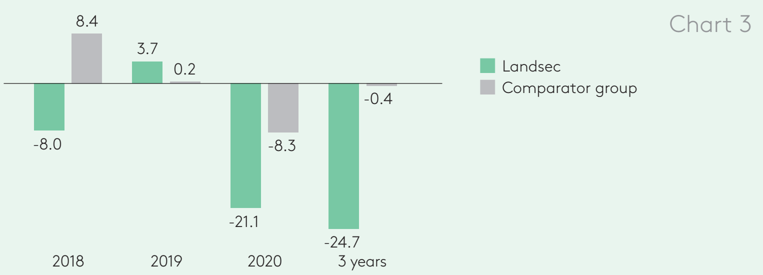
We work to turn our strategic objectives into tangible performance, using individual key performance indicators to measure our progress.

Strategic objectives

- Deliver sustainable long-term shareholder value
- Ensure high levels of customer satisfaction
- Maximise the returns from the investment portfolio
- Attract, develop, retain and motivate high performance individuals
- Maximise development performance
- Be a best-in-class counterparty to our partners and suppliers
- Continually improve sustainability performance

Three-year Total Shareholder Return (TSR) (%)

Chart 3



How we measure it
Three-year TSR performance compared to the TSR performance of a comparator group (weighted by market capitalisation) of property companies within the FTSE 350 Real Estate Index

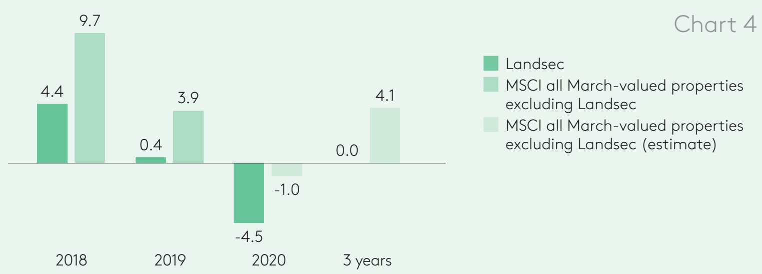
Our progress in 2020
Not achieved

TSR of -24.7% for the three-year period from April 2017 did not exceed our comparator group at -0.4%

Link to remuneration
50% of the award of long-term share investment plans is determined by the three-year TSR performance compared to the comparator group

Three-year total property return (TPR) (%)

Chart 4



How we measure it
Three-year TPR performance compared to all March-valued properties within MSCI (excluding Landsec)

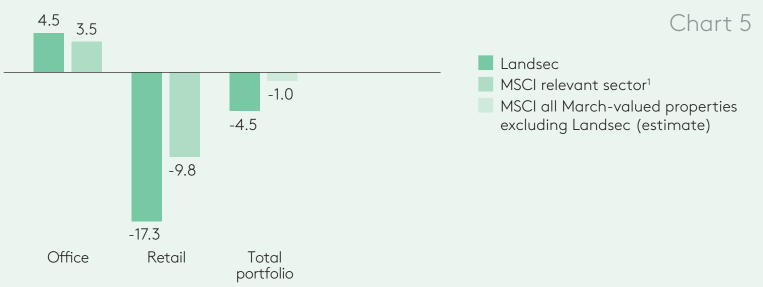
Our progress in 2020
Not achieved

TPR of 0% per annum for the three-year period from April 2017 was below the estimated MSCI benchmark at 4.1% per annum

Link to remuneration
50% of the award of long-term share investment plans is determined by the three-year TPR performance compared to our benchmark

One-year total property return (TPR) (%)

Chart 5



1. MSCI quarterly universe.

How we measure it
One-year TPR compared to all March-valued properties within MSCI (excluding Landsec)

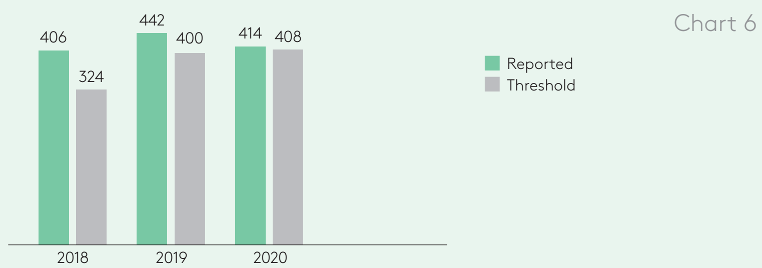
Our progress in 2020
Not achieved

One-year TPR of -4.5% was below the estimated MSCI benchmark of -1.0%

Link to remuneration
The one-year TPR performance compared to our benchmark determines part of the annual bonus

Revenue profit (£m)

Chart 6



How we measure it
Revenue profit compared to an internal minimum threshold which is re-set every three years

Our progress in 2020
Achieved

Revenue profit was above the internal threshold for 2019/20

Link to remuneration
Forms part of the specific business targets which determine a proportion of annual bonus

Development activity

How we measure it
Key developments to be on programme and on budget, including 21 Moorfields

Our progress in 2020
Partially achieved

Specific targets have been set for each major development and have been partially achieved

Link to remuneration
Forms part of the specific business targets which determine a proportion of annual bonus

How we measure it
Measurable progress in the pipeline of developments in London

Our progress in 2020
Achieved

Progress for the year on our three future developments was largely achieved

Link to remuneration
Forms part of the specific business targets which determine a proportion of annual bonus

Innovation

How we measure it
Introducing Modern Methods of Construction (MMC) in the development pipeline to ensure quicker, better and more flexible development

Our progress in 2020
Achieved

MMC has been implemented at Sumner Street

Link to remuneration
Forms part of the specific business targets which determine a proportion of annual bonus

Customers

How we measure it
Delivery of specific enhanced units for key strategic customers at shopping centres

Our progress in 2020
Achieved

Strategic MSU units have been delivered at our shopping centres for key customers

Link to remuneration
Forms part of the specific business targets which determine a proportion of annual bonus

Communities

How we measure it
Significant progress towards our goal of creating £25m of social value through our community programmes by 2025

Our progress in 2020
Achieved

Over £4.8m of social value created in the year exceeding our in-year target to create £4m

Link to remuneration
Forms part of the specific business targets which determine a proportion of annual bonus

Natural resources

How we measure it
Drive quantifiable energy reduction across portfolio in support of our 2030 corporate commitments

Our progress in 2020
Achieved

Approved energy efficiency projects that will deliver over 5,500 MWh of energy savings, achieving a 3.2% reduction against the 2013/14 baseline

Link to remuneration
Forms part of the specific business targets which determine a proportion of annual bonus

Employees

How we measure it
Diversity: make progress towards stated 2025 targets

Our progress in 2020
Achieved

Workplace accreditations achieved. Improved disclosure demonstrated

Link to remuneration
Forms part of the specific business targets which determine a proportion of annual bonus

To read more about how our KPIs link to remuneration, turn to pages 87-90

Portfolio review

This review covers the entire financial year, including the impact of Covid-19 and our responses to it.

CGI of 21 Moorfields, EC2

Key 2020 figures

At a glance

8.8%[1]
Valuation deficit

-4.5%
Ungeared total property return

-0.4%
The portfolio underperformed the MSCI Quarterly Universe (All Property)

£39m
of investment lettings

2.4%
Like-for-like voids (31 March 2019: 2.4%)

Office

1.1%[1]
Valuation surplus

4.5%
Ungeared total property return

3.5%
The portfolio outperformed the MSCI Quarterly benchmark (Central and Inner London Office)

£11m
of investment lettings

1.3%
Like-for-like voids (31 March 2019: 1.0%)

Specialist

8.0%[1]
Valuation deficit

-3.9%
Ungeared total property return

£4m
of investment lettings

1.2%
Like-for-like voids (31 March 2019: 1.5%) and units in administration: 0.1% (31 March 2019: 0.2%)

Retail

20.5%[1]
Valuation deficit

-17.3%
Ungeared total property return

£24m
of investment lettings

3.9%
Like-for-like voids (31 March 2019: 4.0%) and units in administration: 1.9% (31 March 2019: 0.9%)

↓1.2%
Footfall in our regional retail and outlets was down 1.2% but was ahead of the ShopperTrak UK national benchmark (down 3.7%)[2]

-9.8%
The portfolio underperformed the MSCI Quarterly benchmark (All Retail)

↑0.9%
Same centre sales, taking into account new lettings and occupier changes, were up 0.9% (up 0.1% excluding automotive sales) (BRC national benchmark for physical stores down 3.2%; including online, down 1.1%)[2]

1. On a proportionate basis.
2. Year-on-year for the 48 week period to 1 March 2020, reflecting the period before the impact of Covid-19.

Actions and outcomes

<table>
<tr><th>Focus for 2019/20</th><th>Progress in 2019/20</th><th>Focus for 2020/21</th></tr>
<tr><td>— Maintaining like-for-like net rental income</td><td>— Like-for-like net rental income declined £4m (0.7%) before the effect of bad debt provisions relating to next year's rent</td><td rowspan="9">— Balance protecting like-for-like net rental income with the need to support customers facing cash flow difficulties in the wake of Covid-19
— Continue to reduce occupancy costs without compromising rental income by delivering further savings in service charge
— Get 24.0 million sq ft of real estate re-occupied and operating
— Work with our customers and partners to develop mutually beneficial solutions to the challenges of operating in the wake of Covid-19
— Work with our construction partner at 21 Moorfields, EC2 to ensure progress is as fast as possible while maintaining best practice health and safety on site
— Maintain our optionality over speculative developments by progressing build-to-grade works and design; tracking market indicators to take decisions about when and how to exercise our option to progress
— Obtain planning permission for our speculative office schemes in Southwark at 25 Lavington Street, SE1 and Red Lion Court, SE1
— Progress our master planning and design of residential-led re-purposing at our four suburban London shopping centres, widening the scope of the programme to include our regional retail portfolio
— Generate £4m of social value across our community programmes, in support of our £25m corporate target by 2025
— Improve energy management in support of 2030 energy management corporate commitments
— Deliver a review of the long-term strategic direction for our business, wide in our scope and bold in our thinking, taking into account the structural trends disrupting our sector, the short-term challenges of Covid-19 and its longer-term consequences</td></tr>
<tr><td>— Providing property as a service, harnessing data and technology, to improve customer experiences</td><td>— Capital allocation, asset management and leasing decisions are underpinned by improved data, research and technology including in our Retail segment where we analyse and blend multiple data sources to provide insight into the attractiveness of brands to our catchment
— In our Office segment we are engaging directly with our occupiers' people to better understand their needs so that we can optimise our environment and ancillary retail and leisure offers</td></tr>
<tr><td>— Researching and trialling ways to build better, faster and for less</td><td>— Modern methods of construction (MMC) implemented at 105 Sumner Street, SE1 in kit-of-parts approach and automated processes
— Design process embedded in development process at 25 Lavington Street, SE1 and Red Lion Court, SE1
— Hollow piling trial and Friendly Concrete used at Nova East, SW1</td></tr>
<tr><td>— Expanding customer offerings of Myo, Fitted and Landsec Lounges</td><td>— Myo and Fitted fully let at 123 Victoria Street, SW1 and being rolled out in earliest available space at Dashwood House, EC2
— Landsec Lounge in place or under construction at four of our London properties</td></tr>
<tr><td>— Progress on time and on budget at 21 Moorfields, EC2, Lucent, W1, Nova East, SW1 and 105 Sumner Street, SE1</td><td>— Prior to the impact of Covid-19 in March 2020, 21 Moorfields was on budget, with a three-month delay in expected completion to March 2022 due to tenant modifications. Subsequently we have seen a further delay of up to two months with the eventual impact dictated by productivity which is currently around 50% but improving
— Pre-Covid-19, Lucent, Nova East and 105 Sumner Street were on-site progressing build-to-grade on time and on plan. We are now introducing greater flexibility by deferring contractual commitment to the more capital intensive elements of each of these schemes</td></tr>
<tr><td>— 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</td><td>— Planning and vacant possession achieved on Portland House, SW1
— Planning submitted for 25 Lavington Street, SE1
— Continuing to progress design at Red Lion Court, SE1 and master planning for residential development of four inner London retail destinations</td></tr>
<tr><td>— Delivery of key strategic MSUs at our major shopping centres</td><td>— Polo Ralph Lauren at Braintree Village opened November 2019
— Construction underway for Zara at Bluewater, Kent and contractor selected for their letting at St David's, Cardiff</td></tr>
<tr><td>— Generating £4m of social value across our community programmes, in support of £25m corporate target by 2025</td><td>— Over £4.8m of social value generated across our community programmes</td></tr>
<tr><td>— Improving energy management in support of 2030 energy management corporate commitments</td><td>— 21 energy management initiatives approved, which will result in a 3.2% reduction in energy consumption across the portfolio against a 2013/14 baseline</td></tr>
</table>

Overview

The London office market had continued to see strong demand for high-quality space despite political uncertainty in the lead up to the general election. A preference for new rather than second-hand space led to limited availability of new HQ stock. This lack of available supply of high-spec offices, with good transport connections and sustainability credentials, led to an increase in rental values.

The impact of Covid-19 will disrupt the market and, at this stage, the extent of any changes to short- or longer-term trends on the use of office space is uncertain. We anticipate that there is likely to be a greater emphasis on health, air quality and the flexibility of both layouts and working practices. We expect that this will only reinforce a 'flight to quality' and our portfolio is well positioned to meet these demands from occupiers. All of our office customers have been impacted by Covid-19 but the strength of our occupier base gives us confidence in the resilience of the portfolio.

In the very near term, Covid-19 will slow down progress at a number of our development sites. We are keen to progress our schemes as much as we can while minimising further commitments to capital expenditure in the short term but retain the option to pause all but 21 Moorfields, EC2, which is pre-let in its entirety. We remain optimistic about the long-term prospects of London and believe the fundamentals that make the capital the favoured home for business are unchanged.

Even before we saw the impact of Covid-19, it was clear that the retail market was having another tough year as it wrestled with structural challenges, and property values fell further as a result. Although occupancy levels and rental income at our retail assets were relatively resilient, we were affected by the pressures faced by retailers that, in some cases, saw them enter CVA or administration. All our retail assets fell in value but, in particular, regional centres and retail parks saw significant valuation declines as yields moved out.

The effect of Covid-19 on the already struggling retail sector will be significant. Following government action to address the Covid-19 outbreak, most of our shopping centres, outlets and leisure assets have closed save for essential shops. Apart from the major supermarkets and some pure online players, few retailers will emerge from Covid-19 in better financial condition than before the virus arrived. Our immediate focus has been to support our customers by reducing costs, agreeing rent relief for those in most need and working to enable them to reopen as soon as conditions allow and restrictions are lifted. We also continue to progress the re-purposing of excess space at our assets, notably the residential and office opportunities offered in key cities by our retail destinations.

The like-for-like portfolio

Office

We have a high quality office portfolio in one of the greatest cities in the world. Strong demand for quality means our best-in-class office space is virtually full. As a result, we achieved 17 new lettings in the year, totalling £11m, and completed ten rent reviews totalling £23m, 7% ahead of previous rent.

Our focus in the like-for-like portfolio remains on how we improve our assets to secure rental uplifts and lease extensions. Enhancing customer service and meeting future customer needs sit at the heart of our response and, as part of this, we are investing in amenities and introducing Landsec Lounges at a number of our assets.

The high occupancy across our three office products, HQ, Fitted and Myo, reflects the continued demand for space that offers quality, convenience and flexibility. HQ customers will continue to dominate our portfolio in the short term, giving us secure, stable income. Fitted launched in 2019 on two floors at 123 Victoria Street, SW1 and both are now let at a healthy premium to market rents. Our launch of Myo exceeded expectations; the space is now fully let and includes supporting existing HQ customers with their shorter-term needs, as well as customers who are new to us. We will roll out our flexible products within the development programme and our existing portfolio as expiries allow, including at Dashwood House in 2021.

Covid-19 is impacting our office customers with over 90% of their employees now working from home. The vast majority of our customers continue to pay their rent and 89% of the rent due on 25 March 2020 and 1 April 2020 was collected within ten days compared with 98% for the same period last year. Open, collaborative conversations with our customers are key to how we manage our business, and these have been vital in recent weeks as we strive to balance protecting income with supporting customers facing cash flow issues. Under 10% of our occupier base is in sectors which we have identified as at particular risk from the impact of Covid-19 including commodities, serviced offices, construction, fashion and travel. This gives us confidence in the strength of our office occupier base and the resilience of the portfolio.

It's too early to predict the long-term impact of Covid-19 on the office market. However, the way businesses and people use workspaces will change. We anticipate a greater emphasis from customers on the need for healthy buildings with excellent air quality and higher lifting capacity. We expect our customers to operate with lower occupation densities and with more flexible working. They may require layout changes and that requires flexible buildings. We know that occupiers and their insurers demand standards of quality, safety and security of infrastructure that cannot be replicated in the home.

Our offices can respond to change. We developed the majority of our office portfolio and did so with adaptability in mind, describing them as stage sets: changeable to meet our occupiers' needs. With our strength of occupier base and high quality adaptable space, we believe the portfolio is well placed to meet the unprecedented challenges presented by Covid-19.

Retail

Prior to the impact of Covid-19, the retail market continued to face structural changes. Changing consumer shopping habits and rising costs for retailers put pressure on rents across the sector, and negotiations with customers have been challenging. This was reflected in asset pricing, with rental values and market yield movements leading to significant declines in valuations, particularly in regional retail and retail parks.

In our Office segment, we achieved 17 new lettings and completed ten rent reviews during the year

Our Myo space is now fully let and includes supporting existing HQ customers

We have been proactive in our response to the structural challenges the retail market is facing. We have been busy working to reduce service charge costs to ease pressure on retailers in the short term. And, where there is surplus space in our portfolio, we continue to progress our plans to re-purpose retail units, actively working to introduce office and residential, particularly in our key cities.

For the 48 weeks to 1 March 2020, same-centre sales at our regional destinations and outlets were up 0.9% (up 0.1% excluding automotive sales), ahead of the BRC benchmark, which was down 3.2%. Footfall was down 1.2%, but well ahead of the ShopperTrak UK national benchmark, down 3.7%.

The quality of our portfolio provided some protection against the overall impact of CVAs. Like-for-like net rental income was only down by 3.9% compared with last year, before provisions related to next year's rent. Where we were impacted by CVAs, our assets remained popular with occupiers and customers. We saw 94 units across 31 customers go into CVA or administration in the year – some of those entering administration having previously been in CVA – but of these only 29% of the stores closed as a result. Over the last three years, we have had reasonable success with stores that have closed, having now replaced over a third of the income lost from customers entering CVA or administration.

Outlets continued to be our best performer in the Retail segment, and we had a good year of letting activity, adding 33 new brands across the five outlets. Consumer research and sales data enabled us to target brands that will strengthen our line-up. At Gunwharf Quays, Portsmouth, we added retailers including Loake, Dune, Belstaff and Penhaligons, with Pho, Hubbox and The Alchemist enhancing the food and beverage offer. At Braintree Village, last year's opening of Polo Ralph Lauren continued to help the centre's performance. The brand also attracted other premium retailers to the centre including Lindt, Kate Spade and Lyle & Scott.

In regional retail, we continued to improve both tenant mix and experience. Customer data and insight informs our decisions, enabling us to find the right occupiers for customer demand, and the right unit for each occupier. At Bluewater, Kent, following Primark opening in March 2019, footfall was up 3.7% and sales at the centre were up 4.9% (excluding automotive sales) for the 48 weeks to 1 March 2020. Zara signed at St David's, Cardiff and are upsizing significantly at Bluewater. H&M also took a bigger store at Trinity Leeds. We've also introduced new types of retailer to our centres, adding cycling concept store Peloton at Bluewater and Westgate Oxford.

In London retail, the market showed similar trends to the rest of the UK, with restaurants and mid-market fashion struggling. However, we continued to see demand for space. Following the administration of Jamie's Italian, we re-let the majority of the vacated space to The Ivy. And at One New Change, a new flagship for Ivy Asia opened in the former Barbecoa unit. London retail continues to evolve and trends are accelerating. In the future, we anticipate a greater demand for service and experience-led occupiers in increasingly mixed use destinations.

Retail parks now make up 3.5% of our portfolio and we will continue to monitor our exposure to this sector. During the year we made one disposal, selling Poole Retail Park for £45m at a net initial yield to the purchaser of 8.0%.

Our Retail segment has seen a significant impact from Covid-19. The majority of our destinations are closed save for essential shops, and many of our customers are struggling. Only 38% of the rent due on 25 March 2020 and 1 April 2020 was collected within ten days compared with 90% for the same period last year. We have set up an £80m support fund to provide rent relief to those customers who are most in need of help, with a particular focus on supporting F&B customers and small and medium sized businesses. We are also working to reduce service charge costs further, while helping our customers to prepare to re-open as swiftly as possible when conditions allow.

Specialist

Prior to Covid-19, our leisure and hotel assets performed well and occupancy levels remained high. Cinemas continued to be popular, especially for blockbuster movies, and UK admissions were up 8.0% for the 11 months to the end of February compared with the same period last year. Mid-market restaurant chains continued to find the conditions challenging and we expect this trend to continue.

Our hotels provided good income, though performance across the year was variable, often affected by local or seasonal factors such as sporting or cultural events. The underlying site value of our hotels remained well ahead of book value, offering opportunities for future development.

Piccadilly Lights, W1 also performed well. We have two to three-year leases with our long-term partners Coca-Cola, Samsung and Hyundai and income from the shorter-let space continued to grow, exceeding our income expectations for the 11 months to February 2020.

Our Specialist segment has been hit hard by Covid-19. Our leisure operators along with food and beverage occupiers are currently unable to trade following government intervention and face financial difficulties as a result. Only 31% of the rent due on 25 March 2020 and 1 April 2020 was collected within ten days compared with 86% for the same period last year. Our £80m rent relief fund is designed to support these customers in particular. Many of our hotels, the majority of which are let on turnover only deals, are now closed and it remains unclear when they will reopen for business. Demand for Piccadilly Lights diminished in the early weeks of the pandemic, although we have been able to offer this space to Public Health England for essential public health messaging and remain in dialogue with customers regarding bookings on the Lights for later in the year.


CGI of Lucent, W1

Gunwharf Quays, Portsmouth

Net rental income

Net rental income from the Combined Portfolio declined by £35m in the year ended 31 March 2020 primarily due to a £23m provision against rental income invoiced prior to 31 March but which relates to the next financial year. This was in addition to a £4m decline in net rental income from our like-for-like portfolio which was the result of difficult trading conditions in our Retail segment as well as small reductions in income at our proposed developments and from properties acquired and sold since 1 April 2018.

Net rental income from our Office assets increased by £3m to £261m. Net rental income from our like-for-like properties increased by £7m due to rent reviews and new lettings. We lost £2m at our proposed development at Portland House, SW1 as we worked towards vacant possession and £1m from acquisitions where we incurred costs to maintain flexibility at 25 Lavington Street, SE1, acquired as a development site in the prior year.

In Retail, net rental income declined by £33m to £243m, predominantly due to a £19m provision against next year's rental income which was invoiced in March 2020 but where recovery is in doubt due to Covid-19. During the year, we saw a £10m reduction in income from our like-for-like properties, primarily due to the impact of CVAs and administrations across the portfolio. We also lost £2m as a result of the sale of Poole Retail Park this year.

In Specialist, we also took a provision of £4m against next year's rental income invoiced in March 2020 but in doubt due to Covid-19. This was the main driver for a £5m decrease in net rental income to £79m.

Net rental income[1]

Table 7

	Office			Retail			Specialist			Combined Portfolio		
	31 March 2020 £m	31 March 2019 £m	**Change £m**	**31 March 2020 £m**	31 March 2019 £m	**Change £m**	**31 March 2020 £m**	31 March 2019 £m	**Change £m**	**31 March 2020 £m**	31 March 2019 £m	**Change £m**
Like-for-like investment properties	**250**	243	7	**246**	256	(10)	**83**	84	(1)	**579**	583	(4)
Like-for-like investment properties – provisions related to 2020/21 rent	**–**	–	–	**(19)**	–	(19)	**(4)**	–	(4)	**(23)**	–	(23)
Proposed developments	**10**	12	(2)	**–**	–	–	**–**	–	–	**10**	12	(2)
Development programme	**(1)**	–	(1)	**–**	1	(1)	**–**	–	–	**(1)**	1	(2)
Completed developments	**–**	–	–	**9**	9	–	**–**	–	–	**9**	9	–
Acquisitions since 1 April 2018	**(1)**	–	(1)	**–**	–	–	**–**	–	–	**(1)**	–	(1)
Sales since 1 April 2018	**–**	–	–	**2**	4	(2)	**–**	–	–	**2**	4	(2)
Non-property related income	**3**	3	–	**5**	6	(1)	**–**	–	–	**8**	9	(1)
Net rental income	**261**	258	3	**243**	276	(33)	**79**	84	(5)	**583**	618	(35)

1. On a proportionate basis.

The Development portfolio

We have over 4.0 million sq ft of development opportunities in London and are active at four schemes totalling 1.0 million sq ft, of which 56% is pre-let. We are making good progress across our London development programme but development activity has slowed due to Covid-19.

Importantly, however, the pipeline has been designed with flexibility: our speculative schemes in the development programme are all being built to grade, allowing us to call a stop to development activity at ground level if we choose to, and we have not yet committed to Portland House, SW1. This has enabled us to step down our committed total development cost by around £700m from where we had expected to be by March 2020, leaving around £340m of committed unspent development expenditure on sites currently in our development programme where we are still making good progress.

The majority of that commitment is at 21 Moorfields, EC2, our 564,000 sq ft scheme which is pre-let in its entirety. All construction contracts are agreed, and the steel framework has progressed well. A three-month delay in expected practical completion to March 2022 was due to tenant modifications and will not impact rent start date. Following the impact of Covid-19, we have experienced a further delay of up to two months. The eventual completion date will be dictated by productivity which is currently around 50% but improving. We continue to be in close dialogue with the occupier, Deutsche Bank.

Where we are making additional commitments, we are doing so to preserve optionality. At Lucent, W1, Nova East, SW1 and 105 Sumner Street, SE1, we have committed £33m to progress as quickly as possible in the current environment and secure long lead-time packages. We have also negotiated break options before entering into main construction contracts. In doing so, we have deferred until September at the earliest the remaining £251m commitment needed for the most capital intensive stages of these three schemes. This flexibility allows us to keep reviewing the occupational market we might deliver into and to decide at multiple junctures whether to continue work, pause or to cease speculative development entirely.

On the ground, at Nova East, our 166,000 sq ft scheme, we are progressing the build-to-grade works, construction of the cores and detailed design as well as placing orders for certain packages of work.

At Lucent, our 144,000 sq ft scheme in the heart of the West End, demolition is complete and, here too, we are building to grade, constructing the cores and negotiating a flexible main contract with our contractor. At 105 Sumner Street, we have planning consent for two buildings totalling 140,000 sq ft plus a new public square. We'll use our new, partly automated efficient construction methods to reduce building time and cost, and to create our first net zero carbon development. We are building to grade, progressing construction of the basement and procuring long lead time packages as we progress the detailed designs.

At Portland House, we now have planning permission to add a 14-storey extension to the existing building. Our proposed scheme will create 400,000 sq ft of new or refurbished space. We intend to incorporate HQ, Fitted and Myo, together with wellness and leisure facilities and a roof-top restaurant. We achieved vacant possession at the end of March and we are now stripping out the building and advancing the design.

The remaining development opportunities are a mix of central London office-led schemes and mixed use residential-led retail re-purposing. At Lavington Street, SE1, we have submitted planning for two buildings totalling 378,000 sq ft. We aim to deliver a scheme with high sustainability credentials, and plan to use a hybrid cross-laminated timber and steel structure to reduce the carbon footprint of the development. At Red Lion Court, SE1, the existing occupier has extended their lease to 2022. In parallel, we're progressing our plans for a redevelopment of the building, aiming to submit a planning application in Summer 2021. We also continue to progress our plans for transforming our major city retail schemes into ambitious mixed use destinations. We are now working on plans for Finchley Road, NW3, Shepherd's Bush, W12, Southside, Wandsworth, Lewisham shopping centre and Buchanan Galleries, Glasgow.

CGI of Lucent, W1

Financial review

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

Martin Greenslade
Chief Financial Officer

Our results

£414m
Revenue profit[1]
(2019: £442m)

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

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

23.2p
Dividend per share
(2019: 45.55p)

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

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

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

Overview

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

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

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

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

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

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

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

Presentation of financial information

Our property portfolio is a combination of properties that are wholly owned by the Group, part owned through joint arrangements and those owned by the Group but where a third party holds a non-controlling interest. Internally, management reviews the results of the Group on a basis that adjusts for these forms of ownership to present a proportionate share. The Combined Portfolio, with assets totalling £12.8bn, is an example of this approach, reflecting the economic interest we have in our properties regardless of our ownership structure. We consider this presentation provides additional information to stakeholders on the activities and performance of the Group, as it aggregates the results of all the Group's property interests which under IFRS are required to be presented across a number of line items in the statutory financial statements.

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

Measures presented on a proportionate basis are alternative performance measures as they are not defined under IFRS. Where appropriate, the measures we use are based on best practice reporting recommendations published by EPRA. In October 2019, EPRA issued new best practice recommendations for financial disclosures by listed real estate companies introducing three new measures of net asset value: EPRA net tangible assets (NTA), EPRA net reinvestment value (NRV) and EPRA net disposal value (NDV). We have adopted these guidelines in the year ended 31 March 2020 and consider EPRA NTA to be the most relevant measure for our business. EPRA NTA is now our primary measure of net asset value, replacing our previously reported EPRA net assets and EPRA net assets per share measures. Total business return is now calculated based on EPRA NTA. The prior year has been re-stated to reflect this change in metric and a comparison with the previously reported metrics has been provided on our website. For further details see tables 62 and 105 in the Business analysis section.

In previous years, our segmental reporting reflected the fact that our operations were organised into a London Portfolio and a Retail Portfolio. Earlier this financial year, we merged these two business units and have amended our reporting to reflect this. In order to maintain a detailed level of financial disclosure, our segmental reporting now reflects the predominant use class of our assets, grouped into Office, Retail and Specialist. Previously, part of our indirect costs were allocated to the London and Retail portfolios and part was unallocated. These indirect costs, which are predominantly staff costs, have now all been treated as net indirect expenses and are not allocated to individual segments. The sector breakdown within our Combined Portfolio analysis disclosure has been re-ordered to reflect the new segments but the detailed disclosure remains. The prior year has been re-stated in the new format and a reconciliation to the previous presentation has been provided on our website.

Income statement

Our income statement has two key components: the income we generate from leasing our investment properties net of associated costs (including finance expense), which we refer to as revenue profit, and items not directly related to the underlying rental business, principally valuation changes, profits or losses on the disposal of properties and finance charges related to bond repurchases, which we call Capital and other items.

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

Our loss before tax was £837m, compared with £123m in the prior year, due to a greater fall in the value of our assets this year (down £1,179m compared with £557m last year) as well as a £28m reduction in revenue profit. The increased loss this year resulted in a loss per share of 112.4p, compared with loss per share of 16.1p in the previous year. Adjusted diluted earnings per share decreased by 6.4%, from 59.7p to 55.9p this year, as a result of the decrease in revenue profit from £442m to £414m. There is no difference between our adjusted diluted earnings per share and the EPRA measure.

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

Income statement Table 8

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

Revenue profit

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

Revenue profit Table 9

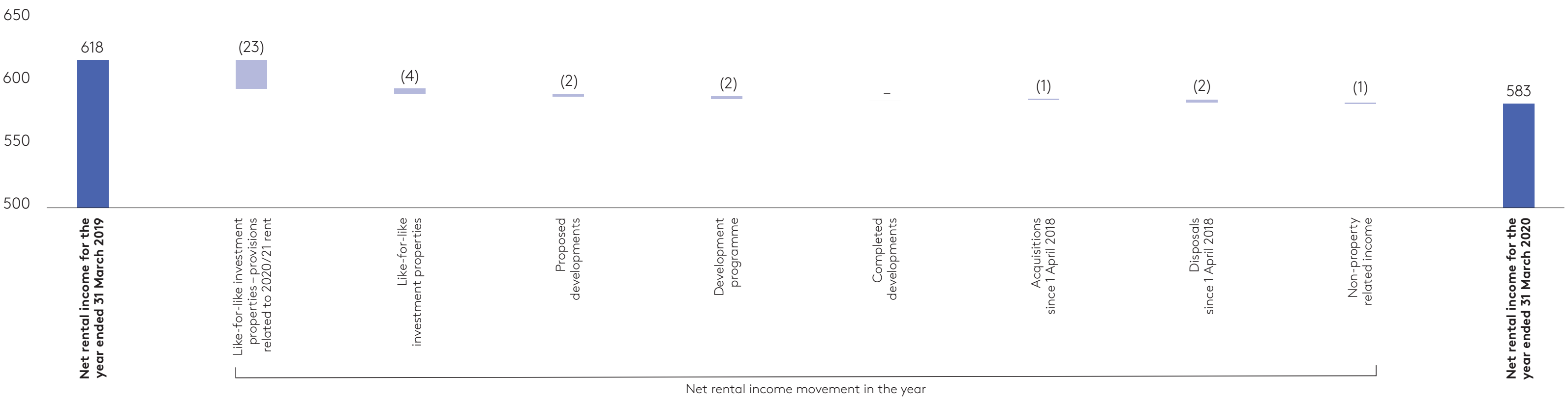
		Year ended 31 March 2020				Year ended 31 March 2019				
	Chart	**Office £m**	**Retail £m**	**Specialist £m**	**Total £m**	Office £m	Retail £m	Specialist £m	Total £m	**Change £m**
Gross rental income[1]		**265**	**300**	**98**	**663**	262	309	99	670	**(7)**
Net service charge income/(expense)		**1**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

1. Includes finance lease interest, after rents payable.

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

Net rental income

Net rental income[1] (£m) Chart 10



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

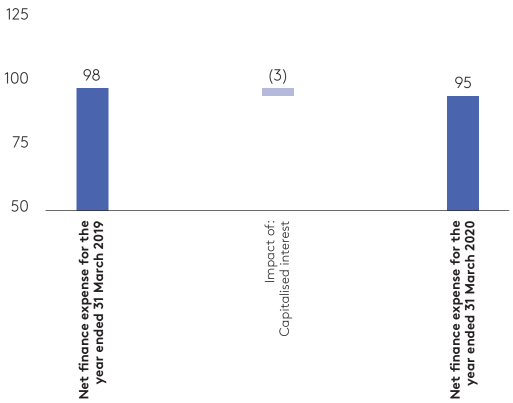
Net rental income decreased by £35m in the year ended 31 March 2020 with reductions in rental income across the portfolio. We recognised £23m of provisions in relation to next year's rent which is explained in more detail below. The remaining £4m decline in like-for-like net rental income reflects reductions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

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

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

Net finance expense (included in revenue profit)

Net finance expense[1] (£m) Chart 11



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

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

Recent rent collection and related provisions

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

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

Rent collections Table 12

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

Capital and other items

Capital and other items[1] Table 13

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

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

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

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

Valuation of investment properties

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

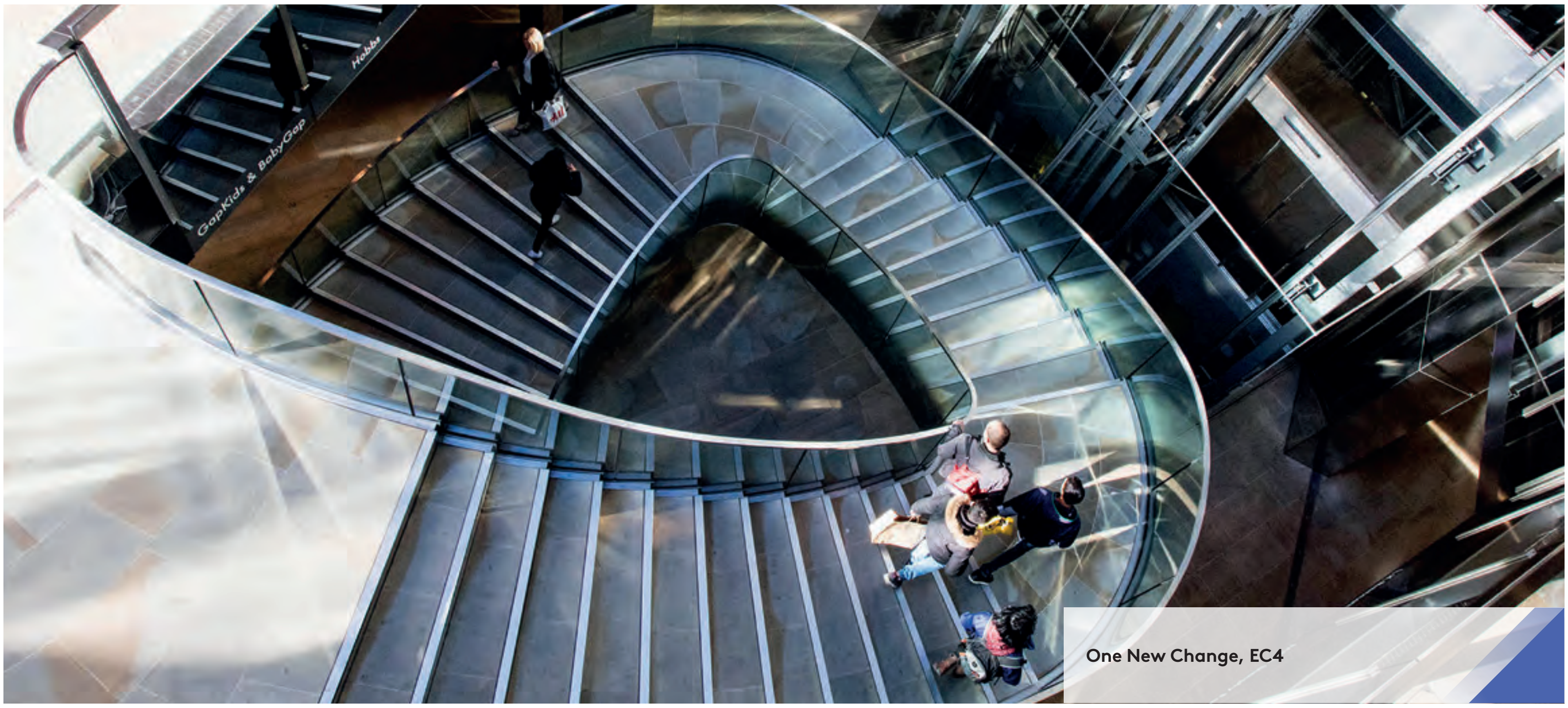
Valuation analysis Table 14

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

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

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

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



One New Change, EC4

Profit/(loss) on disposals

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

Net finance expense (included in Capital and other items)

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

Net finance expense[1] Table 15

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

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

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

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

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

Profit from long-term development contracts

The profit from long-term development contracts in the year of £3m (2019: £3m) is from the development at Selly Oak, Birmingham which was pre-sold during the course of construction.

Exceptional items

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

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

Taxation

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

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

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

Property Income Distributions (PID) Table 16

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

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

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

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

Balance sheet

Balance sheet Table 17

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

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

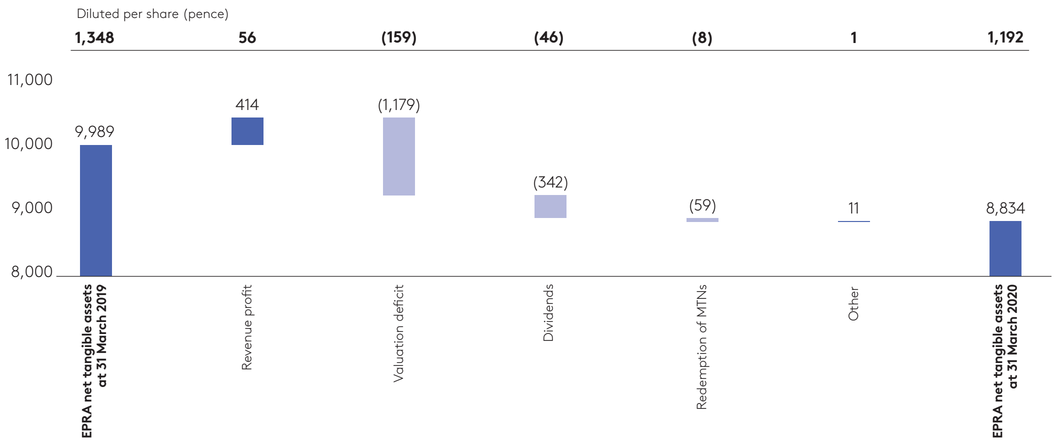
Our net assets principally comprise the Combined Portfolio less net debt. Both IFRS net assets and EPRA net tangible assets declined over the year ended 31 March 2020 primarily due to the reduction in the value of our investment properties.

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

Financial review
continued

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

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



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

Net debt and gearing

Net debt and gearing Table 19

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

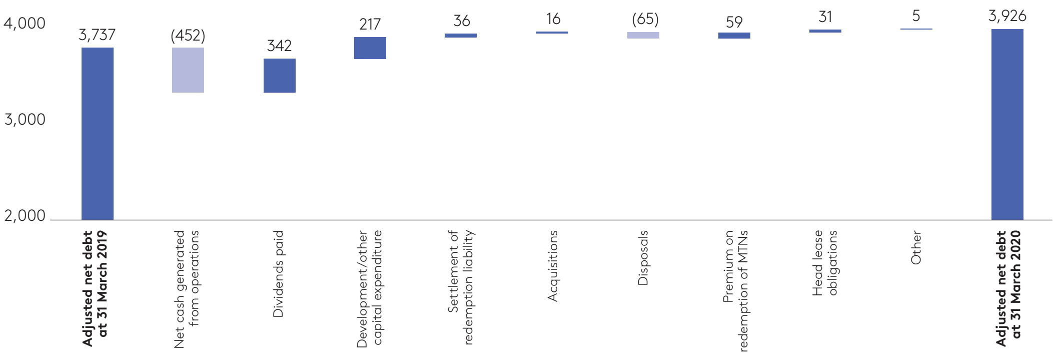
1. Including our proportionate share of subsidiaries and joint ventures, as explained in the Presentation of financial information on page 31.

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

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

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

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



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

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

The most widely used gearing measure in our industry is loan-to-value (LTV). We focus most on Group LTV, presented on a proportionate basis, which increased from 27.1% at 31 March 2019 to 30.7% at 31 March 2020, largely due to the decline in the value of our assets. Our Security Group LTV increased from 28.6% to 32.5% for the same reason.

Financing

At 31 March 2020, our committed revolving facilities totalled £2,715m (2019: £2,715m). The pricing of our facilities which fall due in more than one year range from LIBOR +65 basis points to LIBOR +75 basis points. Borrowings under our commercial paper programme typically have a maturity of less than three months, currently carry a weighted average interest rate of LIBOR +19 basis points and are unsecured.

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

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

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

Redemption of medium term notes Table 21

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

Changes in accounting policy

The Group adopted IFRS 16 Leases on 1 April 2019. As a result of adopting this standard, the Group now reports separately service charge income for leases where a single payment is received to cover both rent and service charge. The total payment received was previously included within rental income, but the service charge component has now been separated and reported as service charge income in the notes to the financial statements. Comparatives have been restated accordingly. In the year ended 31 March 2019, £6m was separated from rental income and reported as service charge income. There has been no net impact on profit attributable to shareholders or on the Group's balance sheet. The Group's revised accounting policies and the impact of the change in accounting policy on the consolidated financial statements are detailed in note 3 of the financial statements.

Dividend

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

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

Martin Greenslade
Chief Financial Officer

CGI of Lucent, W1

Physical review

We want to ensure our physical assets and infrastructure are designed, built and managed in a way that enhances their value to society and the environment. Here, we review our progress this year.

Climate change

Context

Throughout the past decade, Landsec has established itself as a global sustainability leader in its sector. We've set and achieved ambitious carbon targets, invested in renewable energy, and reduced energy use in our buildings.

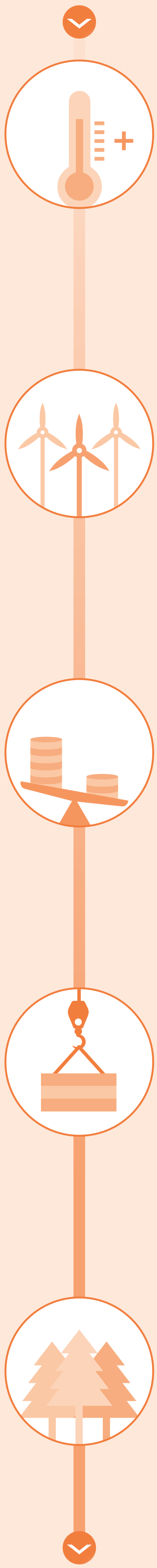
However, in 2019, the world's carbon emissions continued to increase, and so the coming decade is critical for the world's response to climate change, and the need to limit the worst of its impacts. The independent Committee on Climate Change recommended, and Government accepted, that the UK should aim to be net zero carbon by 2050. It stated that this is technically feasible with known technologies, and those who can, should aim to be net zero carbon sooner than this.

As a leader in our sector, we have committed to become a net zero carbon company by 2030. On the following page, we set out our strategy for achieving this. It is an ambitious but credible strategy with clear actions to support the world to limit global warming to 1.5°C.

Business models need to adapt to stay relevant. Since the launch of the Task Force on Climate-related Financial Disclosures (TCFD) recommendations in 2017, we have been assessing and reporting on the financial impact of climate-related risks to our portfolio. By assessing both physical and transitional risks in various scenarios and timeframes, we can put the appropriate strategy in place.

Our ambition to become a net zero carbon business by 2030 is effectively ensuring the long-term resilience and relevance of our business and helping us meet the high expectations of our stakeholders.

Our net zero carbon strategy



1
Reduce operational energy use in support of our updated science-based carbon reduction target, aligned with a 1.5°C scenario

2
Invest in renewable energy through REGO-backed contracts and Power Purchase Agreements and implement on-site renewables across our assets

3
Use an internal shadow price of carbon to clearly communicate climate-related risks and opportunities in investment decisions

4
Reduce construction impacts through asset retention, efficient design and responsible sourcing

5
Offset remaining emissions through carefully selected projects which actively take carbon out of the atmosphere

Our net zero carbon strategy

1. Reduce operational energy use

Meeting our science-based target 11 years early

In 2016, we became the first commercial real estate company in the world to set a science-based carbon reduction target – which was to reduce carbon intensity by 40% by 2030, from a 2013/14 baseline. This year we achieved our target 11 years early, having reduced our carbon intensity by 48% since 2013/14.

Setting an ambitious new carbon target

Following the success in achieving our original science-based carbon target, and in response to the Intergovernmental Panel on Climate Change (IPCC) report on the impacts of global warming of 1.5°C, we have made our carbon reduction commitments more ambitious.

The IPCC report made it clear that the world should aim to limit global warming to 1.5°C to mitigate against the worst effects of global warming. In line with the Science Based Targets initiative's new methodology for 1.5°C targets, we have formulated a new target of a 70% reduction in absolute carbon emissions from Scope 1, 2 and 3 (Scope 3 being downstream leased assets we procure energy for) by 2030, against a 2013/14 baseline. This has been approved by the Science Based Targets initiative. This year we reduced our carbon emissions by 42% in line with the updated target.

Reducing energy use across our portfolio

A key way we can reduce carbon is by lowering the energy use of our assets, and this has the additional benefit of reducing our customers' energy costs. In line with our ISO 50001 Energy Management System, every property we operate has its own energy reduction plan. These plans look at retrofitting energy-efficient equipment, optimising our buildings to use less energy, and working with our customers to reduce the energy they use in their spaces.

Our Hatfield Galleria Outlet Centre has installed corridor temperature sensors which has allowed closer monitoring of our energy usage and allowed early switch off of gas burning boilers. This has achieved a 75.5% reduction is gas use and an overall reduction of 13% in energy use at the site.

To optimise our buildings, we provide detailed energy reports to some of our customers with the largest energy consumption, to help them reduce their energy use. The reports showed how they were using energy in their spaces, and made recommendations to reduce energy wastage. After following some of our recommendations, one customer reduced their energy use by 9%.

These interventions supported our decrease in energy intensity against our 2013/14 baseline, by a further 4% when compared to last year, and it is now 22% below our 2013/14 baseline. We therefore remain on track to achieve our 2030 target of a 40% energy reduction.

Within our commercial developments, we are using the Design for Performance approach to set energy intensity targets for our base building performance, in line with achieving our 2030 targets. This tool aims to close the performance gap by ensuring that new office developments operate as efficiently as they were designed to.

2. Invest in renewable energy

Since 2016, all the electricity we procure is REGO-backed renewable and we are looking to move our procurement towards direct purchasing from renewable projects through Power Purchase Agreements (PPA).

We aim to increase the amount of renewable electricity we generate on our sites. Our current on-site renewable electricity capacity is 1.5 MW, halfway to our commitment of achieving 3 MW.

3. Use an internal shadow price of carbon

To support our net zero ambitions, we calculate an internal shadow price of carbon, so we can consider the carbon cost as well as the financial cost when making investment decisions.

We established our internal price of carbon by estimating how much we're spending on carbon reduction projects currently, and how much more we would need to achieve our 2030 goals. We balance this with figures reflecting the fact that making early design decisions with a low cost increase can have significant carbon-saving potential. Our figure is in line with the Commission on Carbon Pricing's recommendation for a carbon price level consistent with the Paris Agreement, and aligned to guidance from the UN Global Compact.

Importantly, our shadow carbon price is not a tax, but a way to strengthen our decision making, and to highlight carbon risks associated with key decisions. The risk may be an increase in the market price of carbon offsets, or the possibility of being forced by regulations to enter a carbon-emissions trading scheme.

4. Reduce construction impacts

We're committed to continue reducing the carbon emissions associated with our construction activities. When developing a new building today, we include embodied carbon emissions from our supply chain in this commitment. These are emissions arising from the extraction of natural resources, manufacturing, transport and construction, and represent a significant footprint – typically about half of the total emissions associated with the building over its entire life.

Importantly, retaining the existing structure or repositioning assets has the most impact when creating high-quality spaces at minimum carbon emissions. At Portland House, the embodied carbon intensity of our proposed repositioning is about a third of that of a new development, which means we're able to create a high-quality space with less carbon emissions.

We set embodied carbon targets for all our major developments and assess them through a recognised methodology, to understand where to focus our efforts for maximum impact. The first step is to simplify our designs to limit the cost of materials. Buying fewer materials is the best way to reduce carbon. For instance, at Lucent W1, we're reducing embodied carbon by 20% by designing the structure to be leaner and simpler to build, alongside specifying low-carbon materials. This will save materials and programme costs. We're also adopting modern methods of construction, such as a platform approach to design for manufacture and assembly, reducing the construction time, waste and cost. At Sumner Street, this approach achieves a reduction of over 19% in embodied carbon compared to traditional construction methods.

We then focus on the properties of the materials we specify and procure (alongside cost and availability), to adopt low-carbon alternatives wherever possible. This means careful analysis and selection of every raw material we use. Our aim is to avoid materials with a high-carbon intensity such as traditional steel and concrete. We replace them with materials that have a high recycled content, an inherently low-carbon profile, such as engineered timber, or that are sourced locally. Examples from our current development pipeline include Lavington Street which is designed around the partial retention of the existing structure on-site complemented by a hybrid steel and timber structure. The result is embodied carbon emissions associated with the structure are reduced by about 50% compared to a typical office, and timber elements avoid 15,000 tonnes of carbon compared to traditional construction.

5. Offset remaining carbon

As a last resort to achieve a net zero development, we offset the remaining carbon from our construction activities. We will also offset any remaining fossil fuel energy consumed across our portfolio by 2030.

We aim to do this by funding projects that remove carbon from the atmosphere via procurement of carbon credits. By financing projects in developing areas around the world, these credits have a further social impact through job creation and the support of sustainable living in line with the United Nations (UN) Sustainable Development Goals.

Our carbon offsetting projects will meet stringent requirements of due diligence, verification and reporting, as evidenced by third-party standards such as the UN Gold Standard and Verified Carbon Standard. In doing so, we're looking for projects that provide assurance of their impact and backing up credible claims with third-party monitoring and verification.

We'll disclose annually the amount of carbon offsets we buy, so we are open about the carbon reductions our developments and portfolio achieve.

Sustainability progress

Waste management

Effective management of waste throughout our business is important in helping ensure a sustainable operation.

We continue to divert 100% of our operational waste from landfill and have achieved a recycling rate of 72.7% towards our target of 75%. The decrease in our recycling rate has been driven by two main factors; our work with our waste service providers to deliver more accurate and transparent data and the inclusion of new sites with lower recycling rates in our reporting.

As managing waste responsibly becomes an increasingly important issue, we have expanded our waste management commitments to cover both operational and construction activities with demanding targets for re-use and reduction.

We will also continue to work with employees and customers to reduce waste through targeted campaigns and incentives across the business.

We continue to support our customers in reducing single use plastic by partnering with Ape2o and installing two of their filtered water dispensers within the public area of our One New Change and New Street Square sites. The machines allow the public to refill their own water bottles with chilled and sparkling water and since September 2019 have dispensed the equivalent of over 21,000 plastic bottles.

Our updated waste commitments

Reduce construction waste to 6.5 tonnes per 100m² GIA and aspire to further design out and reduce construction waste to 3.2 tonnes per 100m² GIA by 2030	Reduce
Generate value from waste through innovative re-use projects across our portfolio and report on the social value created for our communities	Re-use
Recycle at least 75% of operational waste by 2020 Recycle at least 75% of construction waste by 2030	Recycle
Continue to send zero operational waste to landfill Send zero construction waste to landfill by 2030	Divert

Read more online at landsec.com

Wellbeing

With staff costs typically accounting for about 90% of a company's overall operating costs, we know that investing in features that improve health and productivity of employees makes good business sense. Creating workspaces that positively influence our customers' physical and mental wellbeing remains a priority.

The WELL Building Standard is a performance-based certification scheme developed to put occupant health at the centre of building design. Our own headquarters at Victoria Street are certified to the WELL Building Standard; and we've started the process to recertify: as a performance-based certificate, we're reviewing the quality of the space every three years.

In addition, we're embedding occupant health and wellbeing in the very early design of our developments where we include appropriate features from the WELL Standard.

The interior design at Nova East, for instance, revolves around the use of a palette of natural materials such as locally-sourced timber, recycled porcelain tiles and cork. Lucent will also feature

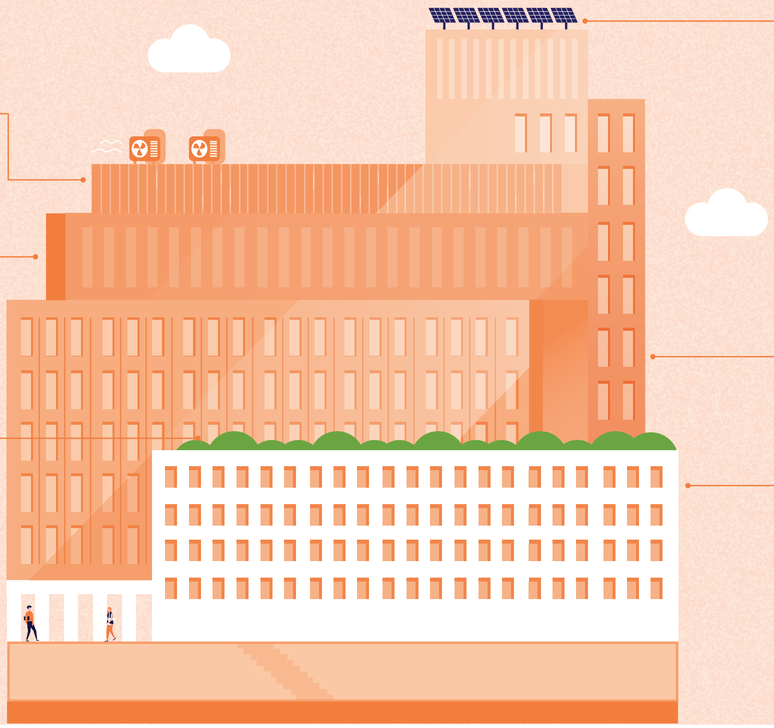
A net zero carbon building at 105 Sumner Street

All electric solution based on highly efficient air-source heat pumps with heat recovery powered with renewable electricity

A 'Design for Performance' approach helps minimise operational energy demand, and aligns with the UK Green Building Council's net zero trajectory

298m²
of green roof installed will result in significant biodiversity net gain for the area

No energy generated from fossil fuels, improving local air quality



107
PV panels to be installed on the roof

The innovative 'Design for Manufacture and Assembly' approach has reduced embodied carbon emissions by
19%
compared to a regular build

Embodied carbon is further minimised by careful specification of materials such as high recycled content in key construction materials and cement replacement

Read more online at landsec.com

a planted winter garden and atrium, bringing daylight and natural elements deep within the building. In addition to these tangible features we're also delivering less visible benefits critical to a healthy building including clean air in abundant volumes, filtered water, non-toxic materials and high-quality lighting.

Where we provide HQ space for our customers, we make sure the quality of our base-build designs enables them to achieve certification to the WELL Building Standard for their own operations, just as we've done at 80 Victoria Street.

Materials

What we buy and where we buy it matters at every level of our supply chain. To get it right, we take a thorough approach to sourcing sustainable materials. This includes environmental and ethical sourcing, health impacts, embodied carbon impacts and resource efficiency considerations.

Across our development pipeline, we have early in-depth conversations with specialist contractors, to be able to influence design and specification, and we request information from suppliers to improve transparency in our decision making.

At 21 Moorfields, we're buying 99.9% of our core construction materials from responsible sources. Steel, in particular, is of paramount importance for the building, given its prominence in the design. This is why we're asking our specialist contractor to get detailed information from their own suppliers about the sustainability of their products – matters such as method of fabrication, recycled content and distance travelled, alongside the necessary responsible sourcing accreditation. From this information, we rate our preferred suppliers, and factor this rating, alongside cost and lead-time, into the decisions we make when placing orders.

What's on the surface matters too, and for our material finishes we're recommending we select, wherever possible, natural low-carbon materials that can be sourced locally. At Nova East, the proposed palette includes extensive areas of carbon-negative materials such as cork and timber.

Biodiversity

Green infrastructure plays an important role not only in increasing ecological habitat in dense urban environments, but also as a resilience feature to lessen surface rainwater on our sites. Importantly, it provides our customers and local communities with a much-needed connection to nature in their daily lives. Our spaces have a vital role to play in linking enhancements for biodiversity with better customer experiences, and we're committed to maximising the ecological potential of our development and operational sites.

Building materials

With our growing development pipeline, we've taken a closer look at our procurement policies to equip ourselves and our partners with the right tools for meeting our expectations. That's why this year we've published our new Prohibited Materials List, to strengthen our fight against modern slavery in the sourcing of construction materials. The list is based on the Walkfree Global Slavery Index and on the Ethical Trading Initiative, to enable us to assess materials and geographical areas at risk, and promote sourcing of responsible materials. We're laying out our expectations from our partners clearly, so we can address human rights challenges within the industry and discuss how we'll work together to increase transparency and minimise risk.

This Prohibited Materials List complements our Sustainability Brief for Developments.

Read more online at landsec.com

Across our development pipeline, we're going well beyond compliance and achieving significant biodiversity net gain as part of all of our designs, in a way that's considerate to each site's ecological context. At Nova East for instance, green infrastructure permeates the design from public realm planting, a 15 metre-long green wall, climbing plants at street level and planted terraces, not forgetting a 385 m^2 green roof. These features enable us to achieve an exemplary improvement in the local biodiversity and create a green corridor to the nearby Royal Parks.

To strengthen our approach, this year we developed a new Biodiversity Brief to guide our partners and expand on our requirements.

We continue to partner with The Wildlife Trusts to enhance biodiversity net gain at five operational sites. We implemented a number of biodiversity enhancements across these sites including over half a square kilometre of wildflower planting. During 2020, we will be undertaking an ecological survey at each site to assess the effectiveness of these enhancements, and to measure progress towards our biodiversity net gain target of 25% by 2030.

Sustainable Development Goals

In 2015, the UN General Assembly adopted a blueprint for building a sustainable future for all by 2030: the 17 Sustainable Development Goals (SDGs). Delivering them requires productive partnerships between business, government and society.

Last year we became a signatory to the UN Global Compact (UNGC), a voluntary initiative which brings together leading businesses committed to UN goals and universal sustainability principles. This year we're pleased to report our first annual Communication on Progress (COP) in our 2020 Sustainability Performance and Data Report.

By demonstrating our ongoing commitment to the UNGC's Ten Principles in the areas of Human Rights, Labour, Environment and Anti-Corruption, we're substantially advancing our vital work towards meeting the SDGs.

Read more online at landsec.com

Social review

Here we set out what we've been doing this year to make sure our business creates lasting value for society through the way we work with our employees, customers, partners and communities.

Creating social value

We don't believe anyone should be defined by their background, or by any barriers they face. Our ambition is to create opportunities, through our social sustainability programmes, for people from our communities, improving social mobility and ensuring we have a diverse industry with the skills we need now, and for the future.

That's why we're measuring the social value we generate through our programmes. This allows us to quantify the positive impact we're having and target our work to where we can make a difference. Last year we published Our Social Contribution, a report that outlined where we are creating the most social value. We continue to focus on groups including young people from diverse socio-economic backgrounds, prisoners and ex-offenders, and people experiencing homelessness.

Our social contribution

£25m

of social value to be created through our programmes by 2025

£4.8m+

of social value created this year

3,400

people benefited from our volunteering programme

95%

of students surveyed reported they feel more prepared for the labour market

Read more online at landsec.com

Working with The Social Value Portal and our community partners, we're aiming for an ambitious target of generating £25m of social value through our programmes by 2025. This year we achieved our year's target of creating over £4.8m of social value.

In planning our future development activity, we're looking to consider social value across the whole portfolio.

Community employment

Our community employment programme is helping address socio-economic challenges that affect people living in our communities. Working with industry partners and customers, we continue to fill significant skills gaps in construction, facilities management and customer service, supporting excluded groups in finding employment.

The positive impact this programme achieves shows the power of creating opportunities for those who need them most. This year approximately £2.5m of social value was generated through a range of initiatives, including employability support, training and job outcomes.

In Lewisham, our partnership with Circle Collective – a charity and social enterprise empowering young people through training and work experience – is just one example of how we're creating value for communities and our customers. Circle Collective is based in our Lewisham shopping centre and consistently helps local people into roles with our brand partners in the centre, and with our own Head Office team. Our collaboration continues to deliver social value by helping those further from employment to access sustainable and exciting opportunities.

We're continuing to evolve our prisons programme through our partnership with Bounce Back, who deliver construction training in prisons and communities in London and Leeds. We've also established a new partnership with Key4Life, a charity supporting some of the hardest-to-reach young offenders, and those at risk of offending, in Brixton, Camden and Shepherd's Bush.

Volunteering with young prisoners to help them prepare for work after release has truly shaped my attitudes. Working to make sure they don't reoffend when released is a side of the rehabilitation process that deserves more recognition."

Development Director at Landsec

Our own employees are lending their expertise too, by mentoring prisoners and ex-offenders, helping them build their emotional resilience and reducing the likelihood of their reoffending. This year Landsec volunteers spent almost 500 hours supporting our prisons programme with their employability skills.

Importantly, our community employment programme also allows our own workforce to offer their skills, and help the beneficiaries of our programme directly. By making this part of our employee volunteering, we've seen positive results for our own people, too.

Education

The property industry is changing rapidly. We know our future workforce will need the skills to address shifts towards modern methods of construction, building information modelling (BIM) and new, innovative technologies, as well as sustainability. We design our education programmes to help develop a pipeline of the talent needed for the future of our business and our industry more widely. We're working with young people in our communities who would most benefit from spending time in a professional environment, helping them develop their skills to prepare for their future careers.

Our Future Property School, run in collaboration with Construction Youth Trust, educates and inspires students from diverse socio-economic backgrounds in Westminster about our industry. Landsec volunteers work closely with students for three months on a project to create their own sustainable development proposals. The programme also includes our partners in construction and architecture, and our retail customers, who all offer their skills and expertise, and provide opportunities for work placements. This not only motivates young people to join our industry, it also helps us instil the skills we'll need for the future.

Our programmes are all fundamentally connected to our Diversity and Inclusion objectives, by engaging students from diverse backgrounds, and focusing on schools where a high proportion of students are on free school meals. This, in turn, is helping address the gender and ethnicity balance in our industry. We generate the most social value when young people from less privileged backgrounds meet professional volunteers over a sustained period, as this has a long-term impact on their skills, confidence and aspirations.

We believe providing young people with visible and diverse role models is crucial, and in turn it helps us better reflect the communities we operate in. We're therefore running the Circl leadership training programme for our employees who coach sixth-form students from Southwark over the course of an academic year. Circl provides long-term support to young people to help develop their career ambitions and, at the same time, is expected to have a positive impact on our own people by enhancing their coaching and managerial skills.

Our response to Covid-19

In response to the Covid-19 pandemic, we've been working closely with our community partners across the UK to support them, both in the initial emergency period, and in planning to help them beyond the crisis. This has helped our charity partners provide immediate support to people facing huge challenges in our local communities. These include people experiencing homelessness, families in poverty, people facing job insecurity and vulnerable individuals in isolation.

Our support will also ensure our partners can continue to provide their services in the coming months. These services include our community employment and education programmes, which are likely to see significantly increased demand beyond Covid-19, and which our employees will support through 'virtual volunteering'.

We are a founding supporter of LandAid's Covid-19 appeal, which united the property industry in providing emergency grants to grass-roots charities that support young people experiencing homelessness across the UK. The fund will help many charities to provide basic necessities for vulnerable young people, including food, accommodation, bill payments and mental health support. We will also provide pro bono business support to charities through LandAid, to help them through this challenging time.

As well as supporting our existing community partners, we've also been working with the NHS at a local level, to help the remarkable people at the front line of fighting Covid-19. We've used our spaces to provide free car parking for NHS staff and other key workers, as well as for mobile blood banks to ease pressure on hospitals.

Read more online at landsec.com

Charity partnerships

Our charity partnerships are all closely aligned with our social value strategy. This way, we can address key societal issues as a business and use our skills and expertise where we know our impact will be the greatest and most sustainable.

This year we expanded our work with LandAid, the property industry's charity, which aims to end youth homelessness in the UK. Our partnership enables us to collaborate with our peers to raise awareness amongst our staff and customers, and to offer grants to specific projects. We also encourage our own employees to use their professional experience to support charities within our areas of operation, through pro bono volunteering.

On a local level, we're continuing our partnerships with smaller charities who support marginalised communities including those experiencing homelessness, young unemployed people and ex-offenders. This work includes our well-established volunteering programme, which over 40% of our employees participated in this year, contributing more than 8,500 volunteering hours to our community partners.

Social review
continued

Diversity

Our ambition is to lead from the front on diversity and inclusion, because we know getting this right is critical to our long-term success. We have made some progress over the past year, but recognise we still have a way to go. We are not yet representative of the communities we serve, and still have work to do in nurturing a culture of inclusion where we can all be our authentic selves in the workplace.

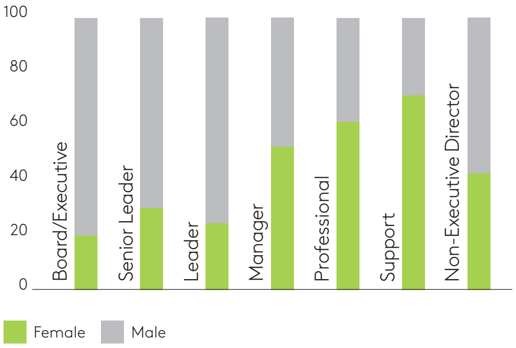
In 2019, we set some specific targets to support our ambitions, but progress towards these has been mixed. In the representation of women at leader level, we moved from 19.5% in March 2019 to 24% in March this year, but at Senior Leader level, we moved back to 30% from 38% last year. Across the whole organisation, though, 52% of our employees are women, exceeding our 50% target for 2025.

Generally, we have made significant progress on improving levels of disclosure and have a much better base to measure progress from. Our representation of black, Asian and minority ethnic (BAME) employees is also very encouraging – 17% across the organisation, comparing favourably with the UK benchmark of 14%. We have also made progress at Leader level, up to 11% from 7% last year, but we don't have any BAME employees at Senior Leader, Executive Committee or Board level.

Our representation of employees disclosing they are lesbian, gay, bi-sexual and transgender (LGBT) remains at 3%, though 11% of our employees have not disclosed their sexual orientation, a figure that has reduced from 15% last year. We want to build on the momentum of having more employees tell us about their sexual orientation, ensuring our LGBT colleagues can be themselves in the workplace. We will undertake some external benchmarking in 2020 to measure our progress in becoming an inclusive employer for LGBT people.

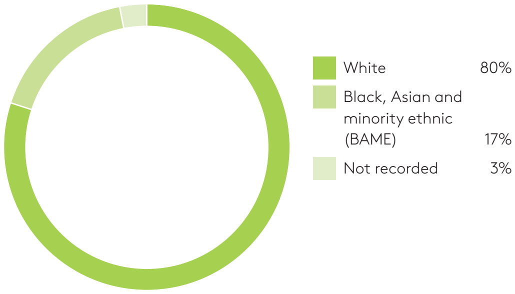
We want to create an environment where employees feel comfortable telling us about a disability, and 3% have done so. However, 10% have not recorded their details or prefer not to say. Having achieved the status of Disability Confident Committed level 1 (external accreditation as an inclusive employer for disabled people) in 2019, we will now focus on achieving level 2 and 3, and aim for all employees to have a rewarding career irrespective of their personal characteristics.

Gender by level Chart 22



We have good female representation at all levels of our organisation except at Leader and Senior Leader level. We are moving in the right direction at Leader level however, we are now at 24%, up from 19.5% last year.

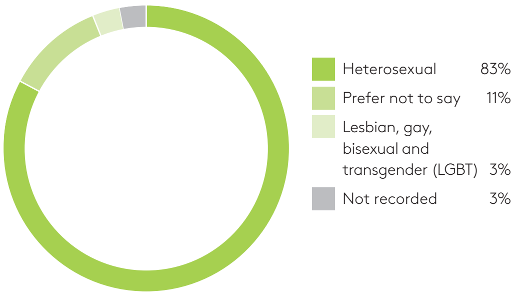
Whole organisation by ethnicity Chart 23



17%

17% of our employees disclose themselves to be from BAME ethnicity backgrounds. This compares favourably to the UK benchmark of 14% as a whole according to the 2011 UK census data. However, this reduces to 11% for Executive Committee, Senior Leader and Leader levels.

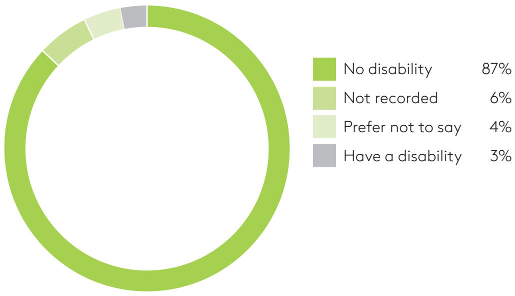
Whole organisation by sexual orientation Chart 24



3%

of Landsec employees have disclosed that they are LGBT. 11% of our employees prefer not to say, a figure that has reduced from 15% last year.

Whole organisation by disability Chart 25



3%

of Landsec employees have disclosed that they have a disability. However, 10% have not recorded their details or prefer not to say.

Key targets

	Whole organisation	Board, Executive Committee and Senior Leaders	Leader level
Female representation (by 2025)	**50%**	**50%**	**40%**
BAME representation (by 2025)	**>14%**	**14%**	**14%**

Sexual orientation
Achieve appropriate accreditation as a welcoming place to work for everyone irrespective of sexual orientation.

Disability
Achieve appropriate accreditation as a welcoming place to work for everyone irrespective of physical ability.

Affinity networks

This year, our affinity networks have played a key role in continuing to establish an inclusive culture across Landsec. Our Women's network hosted a panel discussion to look at cultural and structural barriers women face in the workplace, as part of International Women's Day. The event was useful in educating employees about some of the intersectional challenges women face in the workplace, and the ways organisations have overcome them.

Working with our Disability forum this year, we took part in Purple Tuesday across the organisation, a campaign established to recognise the needs of consumers with disabilities. Many retail assets took part, promoting inclusive shopping with a purple theme in their lighting and promotional items for our customers, such as purple lanyards, flyers and T-shirts.

The Disability forum also supported Autism Awareness Week by co-ordinating with our assets to provide quiet periods and dimmed lights for autistic customers. Keen to ensure this support for autistic customers is ongoing, we signed a pledge to provide tailored support across all our properties.

The LGBT network reviewed our policies to help ensure they are inclusive of LGBT people, and they also supported London Pride this year, where our Piccadilly Lights were centre stage of the celebrations. The LGBT network also sponsored Freehold, a leading and unique networking forum for lesbian, gay, bisexual and transgender real estate professionals working within the real estate sector. The property sector considerably lags behind other industries in tackling sexual orientation issues; our support of Freehold enables us to take a leadership role in helping to address the equality gap for the LGBT community.

Changing the way we work

We will do all we can to ensure diversity and inclusion are central to the way we work by 2025. To help, we've appointed a diversity and inclusion manager, a new role for Landsec, and an appointment we believe will enhance our efforts to meet our diversity goals.

We want to support people throughout their careers, and that means in life outside Landsec, too, removing traditional barriers for those with caring responsibilities. This year we've enhanced our parental leave allowances so employees can balance their home and work life more effectively. We now offer six months' fully paid parental leave to all employees – an increase of 10 weeks. It's important that people have the opportunities to spend more time with their children as their families grow, and that we can ease the financial pressures new and existing parents can often experience.

We also know how important flexible working is to a positive work-life balance, so we've invested in technology that can help, such as full Office 365, and lightweight Microsoft Surface Pros, that people can use to work anywhere.

Recruitment and retention

During 2019 we consulted with our partners and employees and undertook a project to streamline certain services for the benefit of our customers. We also combined two of our business units into one. These changes to our business resulted in a number of Landsec employees transferring to partner organisations and an overall increase in employee turnover to 27% (2018: 15%). Our voluntary employee turnover this year is 12%, just 1% higher than last year. We continue to monitor the number of regretted leavers and to focus on the promotion of internal talent through our recruitment function.

To help us increase representation of women and BAME employees at Leader level and above, our recruitment agencies will look for candidates from the widest pool possible, and we hold them to account in providing diverse shortlists for all roles. In addition, to ensure our roles are attractive to a diverse mix of people, we are rewriting job descriptions and adverts to use universally neutral language. We also ensure all roles advertised internally and on our website are open to flexible working. We publish our family-friendly policies on our website, so everyone can learn how we support parents and carers.

We've also introduced a development programme, Thrive, designed to help more women attain promotion and develop into leadership roles, and also to help men support aspiring female leaders. We are testing the programme with 14 women of high potential at manager level and below, representing a range of ages, experience, background, ethnicities and tenure.

We've configured Workday, our HR system, to collect and report on data to help our decisions about promotions, pay, internal moves and recruitment more powerful and insightful, and helping us continue to build diversity into our processes.

People and culture

Creating opportunity

22
people promoted in the last year

438
Above and Beyond award recognitions in the last year

Developing skills

253
Landsec employees have volunteered to support our community programmes this year

8,527
hours volunteered by our employees

Valuing difference

611
people across the UK

Disability forum target to double membership

Being heard

75%
engagement rate in our employee engagement survey

All new employees invited to attend lunch with our Executive Committee

Enabling health and wellbeing

>40
mental health first aiders across the business

130
people signed up to our cycle to work scheme

Read more online at landsec.com

Employee Forum

Our Employee Forum has continued to evolve and play a growing role in employee life and company culture at Landsec. It now has 15 members, to ensure it speaks for all parts of our business. Over the last year, we have invested in external training for members, which has clarified our engagement model and ways of working, for both them and the colleagues they represent.

With the Board's desire to build closer ties with employees, the Forum met Edward Bonham Carter, Chair of the Remuneration Committee, to better understand Landsec's approach to executive remuneration and to let the Board know its views. The discussion was very informative, and a summary on our staff intranet was well received, opening the topic up to a wider number of colleagues. The Forum also met our Chairman in private to discuss various employee-related topics, which all parties found valuable.

The Employee Forum has three simple aims:

1. Represent our colleagues
2. Support the business with communication
3. Be a sounding board for management

Gender pay gap

Although the gender split of our business is almost even – 48% male, 52% female – our gender pay gap worsened slightly during the year. We're confident that our pay gap is not caused by our approach to setting pay levels. We use an industry standard Job Evaluation methodology and we voluntarily undertake regular independent equal pay audits to confirm that our approach to pay operates fairly and within the law.

We believe that our pay gap is driven by the structure of our workforce because we have significantly more women (66%) than men (34%) in non-management roles (our support and professional roles) and a higher number of men (73%) than women (27%) in leadership and senior leadership roles.

We have put measures in place to support women in their career progression but we recognise that we need to do more. To focus the organisation, we have set some long-term targets to provide an impetus to narrow the gender pay gap over time.

Targets are not enough; these targets will require the organisation to mobilise behind the changes necessary to achieve them. We continue to work hard to provide a welcoming and supportive environment for women, with a strong focus on removing any potential barriers to progression. We have recently reviewed and improved our family-friendly policies to enhance the flexibility that many employees with caring responsibilities need to help them work productively and flexibly. We have also introduced a female coaching programme to support all of our women through their career at Landsec. And we are introducing ways to remove bias when making decisions on hiring people. Although there is much work still to be done to remedy the pay gap, we remain proud of the diverse nature of our teams at senior levels.

Female representation at Landsec

52%
of our employees

24%
of our leaders

53%
of our managers

30%
of our senior leaders

Read more online at landsec.com

As at April 2020

Table 26

Pay element	Male	Female	% difference	Male	Female	% difference	Pay gap year-on-year change (% points)
		April 2020			April 2019		
Mean hourly salary	£47.19	£29.38	(37.7)	£48.02	£30.36	(36.8)	0.9
Median hourly salary	£36.25	£23.80	(34.3)	£36.99	£23.28	(37.1)	(2.8)
Proportion of employees receiving a bonus	82.9%	78.7%	n/a	78.2%	74.5%	n/a	n/a
Mean bonus	£23,382	£9,108	(61.0)	£28,419	£10,053	(64.6)	(3.6)
Median bonus	£11,332	£5,850	(48.4)	£11,236	£4,803	(57.3)	(8.9)

Table 27

	Number	% Male	% Female	Male mean hourly rate	Female mean hourly rate	% difference in hourly rate
Lower quartile	133	30.1	69.9	£15.02	£16.25	8.2
Lower middle	133	36.1	63.9	£24.87	£24.11	(3.0)
Upper middle	132	58.3	41.7	£36.27	£35.92	(0.9)
Upper quartile	132	71.2	28.8	£81.24	£63.84	(21.4)

Fairness

The Real Living Wage

In 2015 we committed to ensuring that everyone working on our behalf, in an environment we control, is given equal opportunities, protected from discrimination and paid at least the Real Living Wage by 2020. Over the past few years we've worked closely with our supply chain partners to achieve this.

We're an official Living Wage Employer, accredited by the Living Wage Foundation. This recognises that everyone in our business is paid at least the Real Living Wage (£10.75 an hour in London; £9.30 outside London), except interns and apprentices who are exempt from the rates. We are on track to meet our 2020 commitment to ensure everyone working on our behalf, in an environment we control, will be paid the Real Living Wage by the end of 2020.

Working with our supply chain

We work alongside our suppliers to prevent modern slavery and to promote fair, ethical treatment of everyone working at our sites, on our behalf.

During 2019, for a second year, we carried out due diligence to assess workforce-related risks on our sites and to understand how our corporate commitments and policies work in practice. We looked at high-risk areas of our supply chain, focusing on cleaning, security and construction labour in the UK. An accredited third party held anonymous interviews with 247 workers from 31 partner organisations at eight of our retail, office and construction sites. This year, for the first time, we also visited two of our suppliers' own sites, including a UK-based steel manufacturer.

The surveys covered a range of issues, including labour exploitation, fair payment, health and safety, right to work and discrimination. We found no cases of modern slavery in this process, but we did identify areas for improvement, including the need for increased guidance on right-to-work checks.

We've extended our due diligence activities for the coming year, to increase our focus on the modern slavery risk across our construction activity, and to include partners outside the UK.

Our Circl leadership programme engages and educates young people on the property industry

Health and safety

We provide healthy, safe and secure places for our customers to live, work, shop and relax, recognising that we can only achieve this through close collaboration with our partners, including our supply chain, investors and enforcing authorities.

In February 2020 we successfully migrated to the international H&S standard ISO 45001, from the British Standard OHSAS 18001.

We've embarked upon an ambitious programme of mandatory health, safety and security training for all our employees, including contingent workers. The training is designed to reduce our organisational risks and comply with local or national policies and government guidelines, while encouraging our people to be risk-aware rather than risk-averse. Our new standards and systems ensure consistent competence for the safe and efficient provision of services.

In response to the Grenfell fire in 2017, we reviewed fire safety across our entire portfolio, prioritising occupancy, height, means of escape and life-safety systems. We have since invested over £7m rectifying approximately 125,000 firestopping defects in our buildings, and £4.3m in resolving cladding risks. We continue to enhance fire safety across the portfolio and ensure we are aligned with new Government initiatives and legislation.

This year, we completed the integration of our online compliance reporting system RiskWise. This tool provides a single accessible platform for all aspects of asset compliance data, incident statistics, development projects, permits to work and environmental management. It allows us to provide rigorous and efficient reporting to the business, as well as offering a consistent approach for managing compliance across the portfolio.

We have also taken the opportunity to embrace innovative construction methods, to realise the full potential of health and safety benefits. This relates to both key design principles and on-site construction risks. We are working with design teams to ensure developments maximise desired operational outcomes while achieving our vision of providing healthy, safe and secure places for our customers to live, work, shop and relax.

Managing risk

Our key successes in 2019/20

— Developed risk dashboards for each of our properties to support the strategic planning process

— Enhanced the process to identify, assess and monitor emerging risks

— Improved the contingency risk planning process for our developments

— Promoted a positive risk culture across the business and raised risk awareness

Our key priorities in 2020/21

— Develop an assurance mapping process to assess the quality of the assurance we receive across the three lines of defence for our principal risks

— Establish a process to analyse risk events as a measure of control effectiveness

— Roll out the new business resilience plans to each property

— Use technology to improve risk aggregation and assessment of risk dependencies

— Continue to assist the business with the response to and recovery from Covid-19

We set out an overview of our risk management process explaining the key elements of our approach to risk, how we have continued to develop our process over the course of the current year, the key successes in risk management and our priorities for 2020/21.

Governance

The Board has overall responsibility for oversight of risk and for maintaining a robust risk management and internal control system. The Board recognises the importance of identifying and actively monitoring our strategic, reputational, financial and operational risks, and other longer-term threats, trends and challenges facing the business. The Audit Committee supports the Board in the management of risk and is responsible for reviewing the effectiveness of the risk management and internal control processes during the year.

Identification of risks

Identifying risk is a continual process. We have established a network of risk champions across the business and we utilise this network, in conjunction with ongoing discussions with management, external agencies and stakeholders, to identify the risks facing our business. The Property Committee also completes a detailed review of the business risks, controls and mitigation strategies four times a year as we continue to further embed the risk culture across our business. This forms the basis for the principal and emerging risks, which are challenged and validated by the Executive Committee and the Audit Committee, before being presented to the Board. In addition, an in-depth risk session is held with the Board every two years, with the most recent one taking place in December 2019.

Evaluation of risks

The business considers both external and internal risks from the property business through to Group level. We use a risk scoring matrix to ensure risks are evaluated consistently. Our matrix considers likelihood, financial impact to income and capital values and reputational impact. When we evaluate risk, we consider the inherent or gross risk (the level of the risk before any mitigating action) and the residual or net risk (the risk that remains after we consider the effect of mitigating actions and controls). From this, we identify principal risks (current risks with relatively high impact and certainty) and emerging risks (risks where the extent and implications are not yet fully understood). We have taken the opportunity this year to enhance our emerging risks process given the pace of business change. Where there is a relatively high inherent risk and relatively low residual risk, we know we have a high dependency on internal controls, which helps to focus the work of the Internal Audit function and other assurance providers.

Management of risks

Ownership and management of the risks is assigned to members of the Executive Committee. They are responsible for ensuring the operating effectiveness of the internal control systems and for implementing risk mitigation plans.

The Board undertakes an annual assessment of the principal risks, taking account of those that would threaten our business model, future performance, solvency or liquidity as well as the Group's strategic objectives.

Helping the business to navigate the challenges and opportunities it faces through proactive risk management."

Risk appetite

The Board is responsible for defining the level and type of risk that the Group is willing to take and ensuring it remains in line with our strategy. The Board regularly reviews the risk appetite of the business, reassesses the information available and the risk factors that are relevant. This ensures our risk exposure remains appropriate at any point in time and that risk is considered dynamic. Our risk appetite is cascaded throughout the organisation by being embedded within our policies, procedures and delegated authorities.

We formally report on the Group risks every six months to the Audit Committee and Board through a principal risk dashboard. This sets out risk appetite statements for each principal risk and risk tolerance ranges which explicitly align our risk appetite and the corresponding key risk indicators (KRIs) to our strategy and key performance indicators (KPIs).

The risk dashboard uses risk indicators to track whether our risk level is within our risk appetite. The risk indicators are a mixture of leading and lagging indicators, and internal and external indicators. The primary aim of the dashboard is to act as a catalyst for discussion about how the principal risks are moving, whether the risk tolerance ranges remain appropriate for the business circumstances, and whether further mitigating actions need to be taken in order to bring a risk back within the desired risk tolerance range. The KRIs are rated red, amber or green based on where the indicators sit in relation to our tolerance level.

Each of the principal risks has a number of KRIs and we provide some examples of the KRIs against our principal risks in the table on page 52. All red rated KRIs will be discussed by the Executive Committee and the relevant business units, with required actions agreed by the Executive Sponsor. These actions may be to refresh the risk tolerance range to reflect a change in the business landscape and/or further mitigating actions. The agreed action will be noted in the Audit Committee and Board reports for final approval by the Board. On an ongoing basis, we will continue to refine the tolerance ranges and to review regularly whether the KRIs continue to be the best indicators.

One of our successes this year has been to develop risk dashboards for each of our properties to support the strategic planning process. The dashboard for each property sets out a balanced scorecard view which is aligned to the principal risks of the Group and ensures that risks are explicitly considered in conjunction with developing the property management strategy.

Risk management framework
As shown in the diagram below, we have an established risk management and control framework that enables us to effectively identify, evaluate and manage our principal and emerging risks. Our approach is not to eliminate risk entirely, but to ensure we have the right structure to effectively navigate the challenges and opportunities we face. We focus on being risk-aware, clearly defining our risk appetite, responding to changes to our risk profile quickly and having a strong risk culture among employees.

The Executive Committee is responsible for the day-to-day management of risk. Senior managers also attend the Executive Committee and the Audit Committee to discuss specific risk areas, and will be accompanied by external advisers where relevant. Some of our specific risk focus areas from this year included cyber security, data governance, fire management strategies and contingency planning for a no-deal Brexit scenario.

The Risk Management function, headed by the Director of Risk Management and Internal Audit, assists management with facilitating the risk discussions and provides challenge and insight where appropriate. The Risk Management function also oversees and provides support to a network of risk champions across the business. These risk champions are critical in promoting a positive risk culture across the business and raising risk awareness.

Internal Audit provides assurance to the Audit Committee and Executive Committee in evaluating the design and operating effectiveness of the risk management and internal control processes, through independent review. On a quarterly basis, management self-certify that the key controls within their area of responsibility have been operating effectively. These results are independently validated by Internal Audit through sample testing. We continue to enhance and refine the key controls to ensure we have the most effective set of key controls to mitigate our principal risks. An area of focus for 2020/21 is to update our assessment of the quality and completeness of assurance provided over each line of defence against a principal risk.

Risk management framework

Oversight, identification, assessment and mitigation of risk at a Group level

Top-down

Bottom-up

Identification, assessment and mitigation of risk at business unit and functional level

Risk governance	**Board** — Set the risk culture — Approve risk appetite — Agree the risk programme — Discuss the Group 'principal' risks with executive management		
	1st line of defence	2nd line of defence	3rd line of defence
Risk management	**Executive Committee:** — Define the risk appetite — Evaluate proposed strategies against risk appetite and risk tolerances — Identify the principal risks — Design, implementation and evaluation of the system of internal control, and for ensuring its operational effectiveness — Identify and monitor emerging risks	**Risk Management:** — Aggregate risk information — Assist management with the identification and assessment of principal and emerging risks — Monitor risks and risk response plans against risk appetite and tolerance levels — Create a common risk framework and language — Provide direction on applying framework — Provide guidance and training — Facilitate risk escalations	**Audit Committee:** — Supports the Board in monitoring risk exposure against risk appetite — Review the effectiveness of our risk management and internal control processes **Internal Audit:** — Provide assurance on effectiveness of the risk programme, testing of key controls and risk response plans for significant risks
Risk ownership	**Business units and risk champions:** — Identify and assess risks — Respond to risks — Monitor risks and risk response — Ensure operating effectiveness of key controls	**Support functions:** — Provide guidance/support to the risk team and business units	

Our response to Covid-19

The risk of Covid-19 has very quickly elevated from being an emerging risk to impacting all of the principal risks facing our business.

The risk of a pandemic outbreak has been a standing item on our risk register and, at an operational level, we have established response plans for each of our properties on how to deal with such a crisis. The speed and scale of the impact of Covid-19 has been unprecedented and fundamentally affected all aspects of our business.

Our business resilience and risk planning has been tested in recent months and the business has responded very well to the challenges presented by the crisis. All levels of our organisation have been rapidly mobilised to assess, plan, respond and mitigate the myriad of risks presented to the business by the current situation.

We have established six workstreams to help us co-ordinate our response to the impact of Covid-19 across our business: Customers, People, Operations, Public Affairs and Regulation, Development and Financial. Each workstream has a team leader, a dedicated team of subject matter experts in the area and an Executive Director sponsor. The workstreams have been co-ordinated by a central project management office and the Executive Committee and the workstream leads have been meeting regularly to discuss issues and concerns, and where required quickly approve decisions. The Board received weekly updates on our response to Covid-19 and briefings at their meetings so that they could make any business critical decisions quickly. In recent weeks we have kicked off our recovery workstream to plan for a relaxation of lockdown restrictions and ensure the business is fully prepared to provide the best possible support to our customers, communities, employees and service partners during this transition. The workstream structure and a high level overview of the scope of each areas is set out below.

We demonstrate the pervasive nature of the Covid-19 impact on our business risks in the heat map on page 51, showing the movement in each principal risk as a consequence of Covid-19. The risk table shows two changes for each risk; the first risk arrow is the change from March 2019 to December 2019 (before the impact of Covid-19) and the second arrow shows the risk change from December 2019 to March 2020 (the quarter covering the first impact of Covid-19).

The risk table also sets out further details of the risk mitigation actions we have taken as a business in each of our workstreams against the Covid-19 impact on our business.

ExecCom/OpCom decision-making body

Co-ordination by a central PMO

Lead: Robin Holgate, Director of Risk Management and Internal Audit; **Team:** Risk and Legal team

1 People	2 Operations	3 Development	4 Public affairs & regulation	5 Financial	6 Customers
Sponsor: Martin Greenslade, CFO	**Sponsor:** Colette O'Shea, MD	**Sponsor:** Colette O'Shea, MD	**Sponsor:** Colette O'Shea, MD	**Sponsor:** Martin Greenslade, CFO	**Sponsor:** Martin Greenslade, CFO
Lead: Barry Hoffman, HR Director	**Lead:** Jamie Taylor, Head of Property Operations	**Lead:** David Heaford, Head of Development	**Lead:** Caroline Hill, Director of Corporate Affairs & Sustainability	**Lead:** Marc Cadwaladr, Group Financial Controller	**Lead:** Rosalind Futter, Head of Finance/Marcus Geddes, Head of Property
Scope: — Internal comms — Working from home practices, including technology — Mental health awareness — People processes — Operations workstreams in progress	**Scope:** — Building response plans — Maintaining essential services in a lockdown — Site closure protocols — Health and safety maintaining statutory compliance — Security — Service provider management — Management of service charge — Co-ordination of marketing activity	**Scope:** — Review of all developments — Management of contractors and supply chain — Review of capex commitments — Assessment of critical work costs and design costs for each programme	**Scope:** — Press comms — Customer comms — Regulation update — Lobbying Central Government — Input into REVO — Input into BPF — Board cadence	**Scope:** — Funding management — Working capital — Scenario analysis — Payments process — Office overheads — Market expectations — Management of valuation process and external audit process	**Scope:** — Credit risk — Payment plans — Concessions and rent deferrals — Protecting service charge — Customer response forum — Sector and sub-sector analysis — Customers with turnover rent

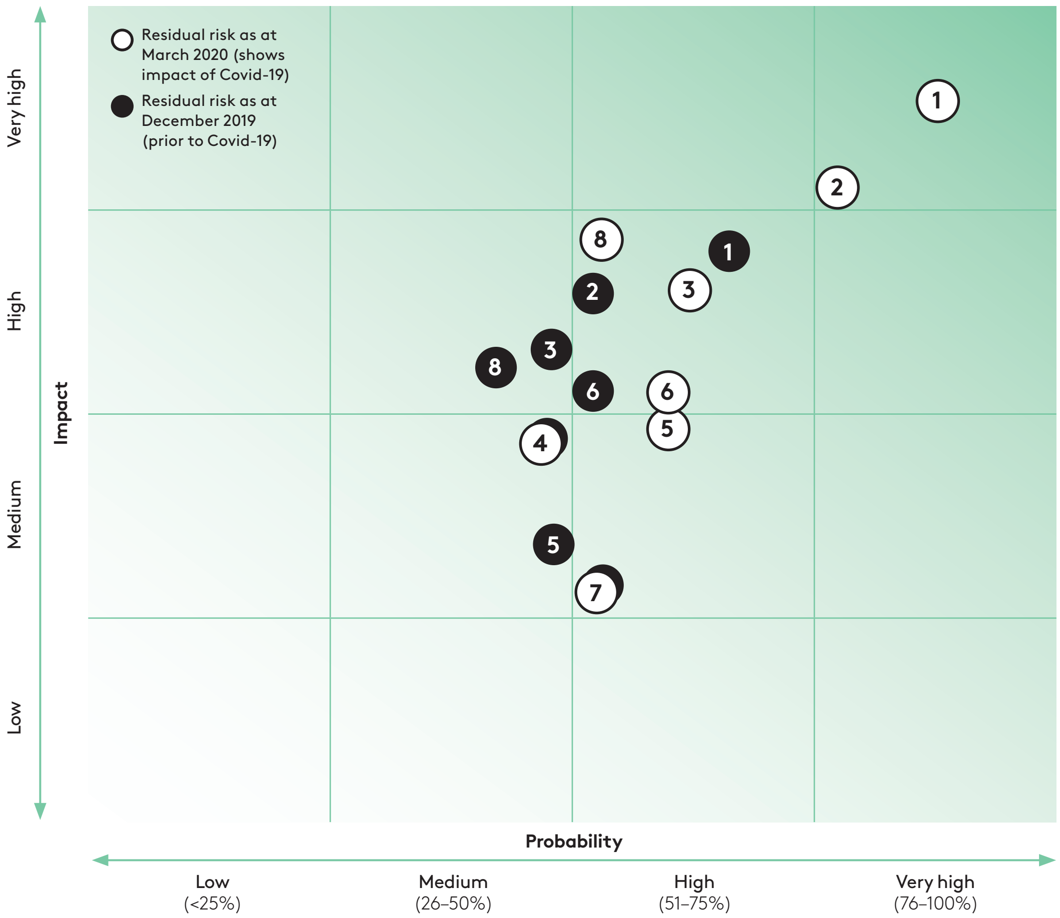
7 Recovery

Sponsor: Martin Greenslade, CFO; **Lead:** Angela Maurer, Head of Innovation; **Scope:** develop 'Return' and 'Reimagine' plans against four scenarios

Our principal risks and uncertainties

Our risk assessment

The risk heatmap (right) sets out the Landsec Group principal risks for the 2019/20 Annual Report. The heatmap shows where the principal risks were as at December 2019 (i.e. before the impact of Covid-19 was felt in the UK) and as at March 2020.



Strategic objectives

- Deliver sustainable long-term shareholder value
- Maximise the returns from the investment portfolio
- Maximise development performance
- Ensure high levels of customer satisfaction
- Attract, develop, retain and motivate high performance individuals
- Be a best-in-class counterparty to our partners and suppliers
- Continually improve sustainability performance

Principal risks overview

	Strategic objectives	Change in the year: Prior to Covid-19	Change in the year: Post Covid-19
1. Customers			
2. Market cyclicality			
3. Disruption			
4. People and skills			
5. Major health, safety and security incident			
6. Information security and cyber threat			
7. Climate change			
8. Investment and development strategy			

1. Customers

Structural changes in customer and consumer expectations leading to a change in demand for space and the consequent impact on income.

Executive responsible: Colette O'Shea

Example KRIs

— UK net retail openings and shopping centre vacancy rates (external metric)
— Amount of people visiting our assets
— Percentage of lease expiries over our five-year plan
— Void rates across our portfolio
— Customer credit risk profile and tenant counterparty risk
— Customer retention
— Like for like rental income metrics
— Customer and space churn

Mitigation

— Our Customer Relationship Management processes actively monitor our customer base and performance
— We have a robust credit policy and process which defines what level of credit risk we will accept
— Our Property Committee reviews customers at risk and agrees the best plan of action, as well as monitoring online sales trends
— The monthly management accounts review lease expiries, breaks, re-gears and compare new lettings against estimated rental value
— We measure footfall and retail sales at our shopping centres to provide insight into consumer trends
— We regularly measure customer satisfaction across our retail and office customer base

Change in year prior to Covid-19

We were already operating in a tough retail environment, with a number of company voluntary arrangements (CVAs) throughout the year, and like-for-like footfall and retail sales declining. We were monitoring our retailers at risk of CVA and looking at more flexible leasing options in retail. The office market had remained resilient through 2019. We elevated this risk last year to reflect the deterioration in the retail market.

Covid-19 impact: change since Dec-19

The Covid-19 outbreak is a very challenging time for many businesses and, in particular, some of our retail and leisure customers. We are regularly communicating with our customers and are engaged in conversations about how we can support them through this difficult time. We continue to closely monitor the cash collections of rents across the whole portfolio and we have seen a material reduction in cash collections in late March 2020. This indicates a likely increase in business failures and we are closely monitoring any customers in financial distress. We expect to see greater non-payment of rent as we move through 2020.

We have established a support fund to provide up to £80m of rent relief for customers – around £15m of this fund will support our F&B customers and the remaining £65m will be allocated on a case-by-case basis to small- and medium-sized businesses.

Opportunity

Enhance and maintain our position as the partner of choice for our customers by better understanding their needs.

We are assessing plans for significant mixed use developments on our suburban London retail sites where we see opportunities to create value.

2. Market cyclicality

Market and political uncertainty leading to a reduction in demand or deferral of decisions by occupiers, impacting real estate values and the ability to buy, develop, manage and sell assets at the appropriate time in the property cycle.

Executive responsible: Mark Allan

Example KRIs

— UK Gross Domestic Product (external metric)
— UK household spending levels (external metric)
— Employment intentions – Business Services (external metric)
— Interest rates (external metric)
— Business confidence (external metric)
— Our loan-to-value ratio

Mitigation

— Our Research team prepare a quarterly report for the Executive and Property Committees, which measures both macroeconomic and internal risk metrics, against tolerance ranges, e.g. occupancy vacancy levels
— Our Research team also produces a bi-annual Cycle Watch document, which analyses macroeconomic, political and market risk factors. This drives the assumptions used in our budget and forecasting process
— We complete scenario analyses as part of our annual budgeting and five-year forecasting process. Specific scenarios we have modelled include the impact of different Brexit outcomes and changes in legislation. These are considered in more detail in the viability scenario assumptions
— Our business portfolios prepare a quarterly report reviewing the market risk for each of our sectors
— We are active members of local business and community groups, as well as industry and professional bodies. This ensures we are actively engaged in decisions affecting our business, customers, partners and communities

Change in year prior to Covid-19

This risk reduced with greater certainty over the political landscape in the UK following the general election and some valuation write-downs already taken in the retail portfolio. We were continuing to plan for a range of potential Brexit trade deal outcomes. The Audit Committee has proactively reviewed and challenged our Brexit risk assessments over the year to ensure we are well prepared and able to minimise downside business consequences.

Covid-19 impact: change since Dec-19

Covid-19 has resulted in high levels of macroeconomic and market uncertainty and volatility. As a result, we have seen a greater reduction in our retail and leisure asset values. We see an increased risk of an economic downturn or recession which could further impact the value of our assets, including those in London.

We have refreshed our own economic outlook and modelled different scenarios to understand and plan for the potential impact of Covid-19 on our business. In light of the extreme market uncertainty the Board believes that conserving liquidity is in the best interests of shareholders. Therefore, the Board took the decision to cancel our third interim dividend and is not proposing a final dividend. We will regularly review the position on future dividend payments, reinstating them as soon as it is appropriate to do so.

Opportunity

The strength of our balance sheet, combined with our strong rating, enables us to invest in our growing development pipeline and other opportunities as they arise.

3. Disruption

Inability to understand and mobilise effectively to changes in our competitive landscape and customer value chain resulting in business model disruption.

Executive responsible: Martin Greenslade

Example KRIs

— Serviced office take-up (external metric)
— Proportion of total retail sales that are online (external metric)
— Engagement survey results – innovation mindset

Mitigation

— We commissioned independent research into customer trends and disruptors so that we have a better understanding of the potential impact on our business
— Our Insight team holds a monthly Future of Work forum examining disruption themes, megatrends and changes in the way people shop, work and live
— We are actively investing in training our people to help create an innovation mindset and have established innovation roles in the business
— We are reviewing each element of our customer journeys to identify opportunities to improve
— We have defined an innovation process to capture ideas and workshop with our customers on their needs in a test office environment. For example, we hosted a Make-a-thon which was a seven-hour competition where teams made up of both Landsec colleagues and customers had to solve customer problems
— Our Innovation team is debating and investigating ways to build more efficiently and effectively with our strategic partners
— We are actively speaking to and involving our customers in creating new experiences

Change in year prior to Covid-19

Consistent with our review of emerging risks impacting the business, we had seen the pace of change continue to accelerate. While we had improved our internal capability in this area over the last year with our expanded Business Foresight team, we continue to experience ongoing structural challenges, particularly within the retail business. Therefore, the residual risk remained unchanged.

Covid-19 impact: change since Dec-19

As outlined in customer above, the Covid-19 outbreak has been disruptive for a number of our customers impacting their ability to trade, supply chains and demand for their products. We believe there could be a structural shift in how our customers use space going forward – for example, the retail sector has seen greater use of online business models as a result of Covid-19 and these new business models may require less physical retail space. In addition, as people become more comfortable and familiar with virtual interactions, the use of permanent office and physical meeting rooms may decline.

Opportunity

Dealing with trends and changes promptly and effectively will help us create further value, and grow while maintaining our competitive advantage. We will be able to make decisions now that have a positive impact in the future.

4. People and skills

Inability to retain and develop the right people and skills required to achieve the business objectives in a culture and environment where employees can thrive.

Executive responsible: Barry Hoffman

Example KRIs

— Employee turnover levels
— High potential employee turnover
— Employee engagement score
— Succession planning
— Employee mental health
— Time to hire
— Diversity of long and shortlists in recruitment

Mitigation

— Our remuneration plans are benchmarked annually to ensure they remain competitive and support us in attracting and retaining the best talent
— The talent management programme identifies high potential individuals within the organisation
— We have robust succession plans in place for senior and critical roles to mitigate key people risks
— Clear employee objectives and development plans to ensure alignment to business goals
— We recognise the value of employee health and wellbeing through our Health and Wellbeing Statement of Practice
— We have set specific diversity metrics to be achieved by 2025
— Our flexible working policy promotes work-life balance, reduces employee stress and improves performance
— We regularly complete employee engagement surveys to understand areas of strength and opportunities for improvement
— We have high profile, market-leading developments and assets to manage, in places people want to work

Change in year prior to Covid-19

Employee uncertainty increased because we had combined the main operating functions of the London and Retail business units and had also begun the process of transitioning to a new CEO following Robert Noel's decision to retire. This led to an increase in the people and skills risk. This is consistent with the elevated risk that we presented at the half-year.

Covid-19 impact: change since Dec-19

In response to Covid-19, the majority of our employees are now working from home. Overall this transition has been smooth from a technology and communications point of view. We have not seen any significant impacts on employee productivity, although we are carefully monitoring employees' mental and physical wellbeing. We have also set up a 'skills exchange hub' to allow people with any spare capacity in the current environment to pick up extra work from teams who are currently under pressure.

Opportunity

Build further expertise, knowledge and capability in the business.

5. Major health, safety and security incident

Failure to identify, mitigate and/or react effectively to a major health, safety or security incident, leading to serious injury, illness or loss of life; criminal/civil proceedings; loss of stakeholder confidence; delays to building projects and access restrictions to our properties resulting in loss of income; inadequate response to regulatory changes; and reputational impact.

Executive responsible: Martin Greenslade

Example KRIs
— Health and safety training
— Number of reportable health and safety incidents
— Progress of fire stopping and cladding project against agreed milestones
— Security Service national threat level (external metric)
— Security risk assessment results of our properties

Mitigation
— The Group Health, Safety & Security (HS&S) Committee is chaired by the CFO and governs the H&S management systems and processes. H&S performance is reported to the Board every six months
— Our 'One Best Way' standards define mandatory H&S compliance policies for the business and our supply chain
— We hold quarterly Customer Improvement Groups with our principal contractors and key Service Providers to drive continuous improvement across our supply chain
— All of our colleagues must attend H&S training relevant to their role
— All our key Service Partners are assessed against H&S KPIs
— All suppliers engaged in construction activities must be approved by the health and safety team to ensure they have the appropriate skills, knowledge, attitude, training and experience
— An event safety management plan is completed for all events at our assets
— We have reviewed fire safety across our entire portfolio and completed a £7m programme of proactive fire safety improvements during the year
— Our fire risk framework categorises and assesses all of our properties based on: occupancy and use, fire safety systems, management systems, adequacy of means of escape and materiality. This drives the ongoing actions as part of our estate management
— The H&S team completes regular property healthchecks at our assets to audit compliance with our policies, procedures and legislation
— All our properties have completed security risk assessments, which drives the physical security measures in place at that property. Our properties have dedicated security teams, which are supported by CCTV and other physical security measures
— Our menu of tactical security options and Group building response levels now give us the ability to react to a local or national criminal threat in a proportionate and reasonable way
— Our Group insurance programme protects against losses of rent and service charge resulting from terrorism
— All accidents and incidents are reported and recorded in our H&S system with analysis performed on trends and root causes of the incidents

Change in year prior to Covid-19

As outlined in our half-year announcement, we evaluated our fire management strategies across our entire property portfolio and identified some fire safety improvements. We have now implemented these improvements, although the regulatory environment continues to evolve and tighten requirements. Physical security risk has decreased with the threat level being changed from severe to substantial. Overall the risk remained the same as last year.

Covid-19 impact: change since Dec-19

We have worked closely with our customers to safely and securely close all non-essential retail premises. As the government eases lockdown restrictions, and occupancy and footfall levels at our assets increase, we remain aware that there is an increased risk of a health and safety incident related to Covid-19.

Our efforts are now focused on ensuring we are well-prepared for a gradual and safe return to our properties as restrictions are eased.

Opportunity

We are testing a prototype of a new construction approach at Sumner Street. In this, we aim to manufacture and assemble off site as much as possible, which reduces the health and safety risk.

We are working with our peers on fire safety, to help advance industry standards.

6. Information security and cyber threat

Data loss or disruption to the corporate systems and building management systems resulting in a negative reputational, operational, regulatory (including GDPR) or financial impact.

Executive responsible: Martin Greenslade

Example KRIs
— Speed of threat and vulnerability detection
— Speed of vulnerability resolution
— Number of data loss events
— Disaster recovery – system availability
— Building Management cyber security risk
— Cyber security and GDPR training

Mitigation
— We have a dedicated Information Security team and Data Privacy Officer who monitor information security and privacy risk and cyber threat
— All of our colleagues complete mandatory cyber security and GDPR training
— Our IT security management policy sets out our standards for security and penetration testing, vulnerability and patch management, data disposal and access control including Multi-Factor Authentication
— We complete a quarterly assessment that key IT controls are operating effectively
— All third-party IT providers must complete an information security vendor assessment which is reviewed and approved by the cyber security officer
— We work closely with our IT service partners to manage risk and improve technical standards
— Our development brief clearly defines the required technical IT standards for all building systems
— Our move to the 'Cloud' has improved the resilience of our disaster recovery and business continuity plans
— We have an effective vulnerability management system, including an annual rolling penetration testing programme across our IT estate.
— All our properties have business continuity and crisis management plans in place, which are tested at least annually

Change in year prior to Covid-19

The level of this risk had not changed, reflecting that, while companies continue to be subject to an increasing number of attempted cyber attacks, we have continued to develop and invest in the maturity of our mitigation controls.

Covid-19 impact: change since Dec-19

This risk has slightly increased following an increase in coronavirus-related phishing and fraud attempts.

Opportunity

We continue to work with our service partners and strategic suppliers to examine our industry's standards, in particular for building systems. We consider new technologies so we can take advantage of the latest innovations and opportunities and enhance our reputation as a trusted and responsible partner.

7. Climate change

Failure to properly identify and mitigate both physical and transition risks from climate change, leading to a negative impact on our reputation, disruption in our operations and stranded assets.

Executive responsible: Caroline Hill

Example KRIs

— Energy intensity and carbon emissions
— Recycling waste
— Renewable electricity
— Embodied carbon for new developments
— Portfolio natural disaster risk

Mitigation

— Through our Responsible Property Investment Policy and sustainability due diligence process, we assess risks and opportunities in potential acquisitions
— We are committed to become net zero carbon by 2030, leading the transition to a low-carbon economy
— We've increased the ambition of science-based target, reducing our emissions in line with a 1.5°C scenario
— To support our strategy, we've created our Green Bond Framework, enabling future green bond issuance
— Our developments are designed to be resilient to climate change and are ready for the low-carbon economy, using our Sustainability Brief for developments and associated processes
— We undergo assurance for data and disclosures across our sustainability programme, enhancing the integrity, quality and usefulness of the information we provide

Change in year prior to Covid-19

We elevated the risk last year in response to public data demonstrating how global emissions continue to grow, increasing climate-related risks. The residual risk is the same as we have intensified our mitigations and launched our ambition to be a net zero carbon business by 2030.

Covid-19 impact: change since Dec-19

Covid-19 has not impacted the residual level of this risk.

Opportunity
Lead our business and the property sector towards a low-carbon economy, creating long-term value for our shareholders and wider stakeholder groups.

8. 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.

Executive responsible: Colette O'Shea

Example KRIs

— Development pipeline
— Portfolio liquidity
— Headroom versus development capital expenditure
— Speculative development, pre-development and trading property risk exposure
— Counterparty credit risk
— Group hedging

Mitigation

— Our Investment Appraisal Guidelines define the key investment criteria (including hurdle rates and alignment to strategic objectives), the risk assessment process, key stakeholders and the delegations of authority to approve investment decisions
— We ensure strong community involvement in the design process for our developments and create employment and education opportunities through our construction and operations activities
— We are actively considering other sector opportunities and running trials as appropriate to test our propositions and market demand and requirements
— Our highly experienced development team and partners have a track record of success
— We have robust succession plans in place for senior and critical development and project management roles
— We have robust and established governance and approval processes, including the Investment Committee

Change in year prior to Covid-19

We have a large development pipeline and planned to have 1.4 million sq ft of development on site by April 2020, increasing our development exposure and therefore our risk in this area.

Covid-19 impact: change since Dec-19

This risk has increased due to the impact of programme delay on our development pipeline and increased uncertainty around the future economic environment we will deliver our developments into.

We have re-profiled our cash flows and commitments for the whole development pipeline, and have completed analysis on the pipeline based on potential future scenarios against the baseline budget.

Opportunity
As mentioned above, the strength of our balance sheet, combined with our strong rating, enables us to invest in our growing development pipeline and other opportunities as they arise.

Our principal risks and uncertainties

continued

Climate-related risks and opportunities

We are committed to implementing the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD), providing investors and other stakeholders with decision-useful information on climate-related risks and opportunities that are relevant to our business.

In this Annual Report, we provide a summary of our TCFD disclosure. Full disclosure of climate change scenarios and how they may affect our business are included in our 2020 Sustainability Performance and Data Report at landsec.com/sustainability. For further disclosures you can access our CDP response at www.cdp.net/en.

Governance

Our Chief Executive has overall responsibility for climate-related risks and opportunities. The Board is updated on our sustainability performance at least once a year, including discussion of climate-related issues. In addition, the Audit Committee supports the Board in the management of risk, which includes climate-related risks.

Ongoing oversight of climate-related issues is carried out by our Sustainability Committee, chaired by the Chief Executive and attended by our Group Corporate Affairs & Sustainability Director, Group HR Director and senior representation from portfolio management and development teams. The Committee meets quarterly and is the senior forum for developing and implementing sustainability strategy and commitments, assessing and managing climate-related risks, and reviewing performance.

Strategy

As a UK real estate company, our business is exposed to both physical and transitional risks and opportunities from climate change. We're committed to assessing and mitigating physical and financial climate change adaptation risks that are material across our portfolio.

We assess the impact of climate-related risks through quantitative and qualitative scenario analysis, considering short- to medium-term until 2030, and long-term beyond 2030 until 2100. Our analysis focuses on two distinct scenarios, a best-case scenario where global average temperature increases by less than two degrees, and a worst-case scenario, where temperatures increase by up to four degrees.

The nature and level of climate-related risk is dependent on government, business and society's response in the short and long term. In the event of a strong response to climate change in the short term up to 2030, our business will be affected in positive and negative ways by the transition period. With a limited response to climate change, our business will be affected in the long term past 2030 by physical effects such as extreme weather and higher temperatures.

Our strategy to address climate-related risks and opportunities spans all areas of our business including investment, development, operation and divestment. Through our Responsible Property Investment Policy, we assess climate risks when we buy an asset. In our development pipeline, we're designing and constructing high-quality buildings and spaces capable of achieving operational resilience over their lifetime, considering how the UK's climate will change in the coming decades. We're also transitioning towards all-electric solutions, scaling back fossil fuel-dependent boilers in favour of electric heating and cooling.

We continue evolving our strategy to address climate-related risks and opportunities. As part of our approach to manage transition risks, in November 2019, we announced our commitment to becoming a net zero carbon business by 2030 and we increased the ambition level of our science-based target, aligning it with a 1.5°C scenario. Our science-based carbon reduction target is a key part of our net zero carbon strategy. In addition to reducing our operational emissions, by improving the energy efficiency in our assets, we're looking to increase investments in renewables, such as corporate power purchase agreements (PPAs), managing the future risk of higher energy costs. We're also implementing an internal shadow carbon price, anticipating a potential carbon price in the future, to inform our decision-making process. Furthermore, we're reducing carbon emissions across our construction activities by setting embodied carbon intensity and reduction targets for each of our developments. Finally, we'll offset any remaining carbon emissions through carefully selected projects which actively take carbon out of the atmosphere. Further details on our net zero strategy are discussed on pages 38-39.

Our analysis gives us confidence in the resilience of our strategy, as we're supporting the transition to a low-carbon world whilst managing the impact of climate-related risks to our portfolio.

Risk management

Our risk management and control framework enables us to effectively identify, assess and manage climate-related risks. We recognise the importance of identifying and monitoring climate-related risks, which feature prominently on our principal risk register.

Ownership and management of all risks is assigned to members of the Executive Committee, who are responsible for ensuring the operating effectiveness of the internal control systems and for implementing key risk mitigation plans. The Executive Committee is supported by risk champions across the business, who are tasked with maintaining awareness of key risks and control measures.

Responsibility for climate-related risk is assigned to the Group Corporate Affairs & Sustainability Director. Our climate-change principal risk includes both transition and physical climate risk and is monitored on a quarterly basis using a series of key risk indicators. Both the Executive Director and Risk Champion responsible for climate-related risk ensure integration with the overall risk management process. Where climate-related risks correspond to other risks these are discussed between the network of risk champions.

Our risk management process to address climate change is discussed further under principal risks and uncertainties on page 55.

Key metrics and targets

Climate-related financial metrics — Table 28

	2019/20 £m	2018/19 £m	Change £m
Value of BREEAM certified assets	**7,510**	8,283	(773)
Percentage of total portfolio	**59%**	60%	–1%
Rental income derived from BREEAM certified assets	**380**	387	(7)
Percentage of rental income	**56%**	57%	–1%
Operational expenditure in low-carbon equipment and products	**1.5**	1.5	–
Savings from investments in low-carbon equipment and products	**1.6**	1.9	(0.3)
Capital expenditure in low-carbon equipment and products	**1.5**	2.4	(0.9)
Avoided energy consumption costs measured against 2013/14 baseline	**5**	4	1
Insured value of assets exposed to a 10-20% risk of inland, coastal and flash flooding in a ten-year period	**264**	264	–
Percentage value of portfolio exposed to a 10-20% risk of inland, coastal and flash flooding in a ten-year period	**1.1%**	1.4%	–0.3%

Going concern and viability

Going concern

The Directors confirm they have a reasonable expectation that the Company has adequate resources to continue in operational existence for at least 12 months from the date of signing these financial statements. This confirmation is made after having reviewed assumptions about future trading performance, valuation projections, capital expenditure, asset sales and debt requirements contained within the Group's current five-year plan. The Directors also considered potential risks and uncertainties in the business, credit, market and liquidity risks, including the availability and repayment profile of bank facilities, as well as forecast covenant compliance. Further stress testing has been carried out to ensure the Group has sufficient cash resources to continue in operation for at least the next 12 months following the recent deterioration in cash collections as a result of Covid-19. This stress testing included extreme downside scenarios with materially reduced levels of cash receipts over this period. Based on the above, together with available market information and the Directors' knowledge and experience of the Group's property portfolio and markets, the Directors continue to adopt the going concern basis in preparing the accounts for the year ended 31 March 2020. See note 1 of the financial statements for further details.

Viability statement

The viability assessment period

The Directors have assessed the viability of the Group over a five-year period to March 2025, taking account of the Group's current financial position and the potential impact of our principal risks.

The Directors have determined five years to be the most appropriate period for the viability assessment as it fits well with the Group's development and leasing cycles and is broadly aligned to the maturity of the Group's floating rate debt facilities.

Process

Our financial planning process comprises a budget for the next financial year, together with a projection for the following four financial years. Generally, achievement of the one-year budget has a greater level of certainty and is used to set near-term targets across the Group. Achievement of the five-year projection is less certain than the budget, but provides a longer-term outlook against which strategic decisions can be made.

The financial planning process considers the Group's profitability, capital values, gearing, cash flows and other key financial metrics over the projection period. These metrics are subject to sensitivity analysis, in which a number of the main underlying assumptions are flexed and tested to consider alternative macro-economic environments. Additionally, the Group also considers the impact of potential structural changes to the business in light of varying economic conditions, such as significant additional sales and acquisitions or refinancing. These assumptions are then adapted further to assess the impact of considerably worse macro-economic conditions than are currently expected, which forms the basis of the Group's 'viability scenario'.

Given the significant impact of Covid-19 on the macro-economic conditions in which the Group is operating, additional stress-testing has been carried out on the Group's ability to continue in operation under extremely unfavourable operating conditions, including a scenario in which we are unable to collect any rent for an extended period of time. While the assumptions we have applied in these scenarios are possible, they do not represent our view of the likely outturn. However, the results of these tests help to inform the Directors' assessment of the viability of the Group.

Impact on key metrics

We have assessed the impact of these assumptions on the Group's key financial metrics over the assessment period, including profitability, net debt, loan-to-value ratios and available financial headroom.

Key metrics Table 29

	31 March 2020	Viability scenario 31 March 2025
Loan-to-value ratio	30.7%	41.3%
Adjusted net debt	£3,926m	£4,840m
EPRA net assets	£8,751m	£6,636m
Available financial headroom	£1,163m	£(2,983)m

The viability scenario represents a significant contraction in the size of the business over the five-year period considered, with the LTV at 42.7% at its highest point in the assessment period.

The Group would be required to renew, or exercise extension options, for a minimum of £3.0bn of its debt facilities by the end of the period considered. The Directors expect this to be possible considering the Group's expected loan-to-value ratio and the flexibility of the financing structure in place.

Confirmation of viability

Based on this assessment the Directors have a reasonable expectation that the Group will continue in operation and meet its liabilities as they fall due over the period to March 2025.

Key risks

The table below sets out those of the Group's principal risks (see pages 51-56 for full details of the Group's principal risks) that could impact its ability to remain in operation and meet its liabilities as they fall due and how we have taken these into consideration when making our assessment of the Group's viability.

Customers

Structural changes in customer and consumer expectations leading to a change in demand for space and the consequent impact on income.

Link to strategic objectives

Viability scenario assumption

— Cash collections deteriorate significantly over the two years ending March 2022 reflecting the anticipated impact of Covid-19

— Downward pressure on rental values in the Retail and Specialist segments across the forecast period.

Market cyclicality

Impact of Covid-19 and the outcome of Brexit negotiations.

Link to strategic objectives

Viability scenario assumption

— Severe decline in economic activity and weakening occupier demand in the initial years of the period considered as a result of Covid-19, with some recovery towards the end of the period considered

— Decline in capital values and outward yield movements through to March 2023 before partial recovery through to March 2025 driven by our Office assets

— Declines in capital values through to March 2025 for Retail and Specialist assets.

Investment and development strategy

Programme delays caused by Covid-19 and the impact of the outcome of Brexit. Inability to deliver our development pipeline and re-stock the portfolio.

Link to strategic objectives

Viability scenario assumption

— Delays caused by Covid-19 reflected in cash flow assumptions

— No uncommitted debt refinancing takes place, and no new debt or bank facilities are raised or extended

— Any uncommitted forecast acquisitions, disposals and developments do not take place.

Non-financial information statement

This section of the Strategic Report constitutes Landsec's Non-financial information statement and is produced to comply with sections 414CA and 414CB of the Companies Act 2006.

Reporting requirement	Policies and standards which govern our approach	Information necessary to understand our business and its impact, policy due diligence and outcomes
Environmental matters	Sustainability policy[1] Environment and Energy policy[1] Responsible Property Investment policy[1] Sustainability Brief for developments[1] Prohibited Materials List[1] Biodiversity Brief[1]	Understanding the needs of our stakeholders – our communities, page 17 Our net zero carbon strategy, pages 38-39 Physical review, pages 38-41 Our principal risks and uncertainties, pages 51-56
Employees	Health, Safety and Security policy[1] Health and Wellbeing policy[1] Mental Health First Aider policy[1] Employee Code of Conduct[1] GDPR data protection policy Whistleblowing procedure	Understanding the needs of our stakeholders – our people, page 17 People, culture and diversity, pages 42-47 Our principal risks and uncertainties, pages 51-56
Respect for human rights	Human Rights policy[1] Slavery and Human Trafficking statement[1] Equal Opportunities policy[1]	Understanding the needs of our stakeholders – our partners, page 17 People, culture and diversity, pages 42-47
Social matters	Stakeholder Engagement policy[1] Sustainability Charter for suppliers[1]	Understanding the needs of our stakeholders – our customers, page 17 Understanding the needs of our stakeholders – our communities, page 17 Social review, pages 42-47
Anti-corruption and anti-bribery	Anti-bribery Gifts and Hospitality policy[1] Anti-money Laundering policy[1] Conflicts of Interest and Anti-competitive Behaviours policy[1] Group Procurement policy[1] Tax Strategy and Governance[1]	Understanding the needs of our stakeholders – our customers, page 17 Understanding the needs of our stakeholders – our people, page 17
Description of principal risks and impact of business activity		Managing risk, pages 48-50 Risk management framework, page 49 Our principal risks and uncertainties, pages 51-56
Description of the business model		Our business model, pages 18-19
Non-financial key performance indicators		Key performance indicators, pages 22-23 Focus for 2020/21 page 25

1. These policies and statements are published on our corporate website: landsec.com

This Strategic Report was approved by the Board of Directors on 11 May 2020 and signed on its behalf by:

Mark Allan
Chief Executive

Governance

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Introduction from the Chairman

Cressida Hogg
Chairman

Overview

— Managing the CEO transition as Robert Noel resigned as Chief Executive on 11 July 2019 and stepped down from the Board on 31 March 2020

— Mark Allan joined as Chief Executive on 14 April 2020

— Chris Bartram retired as Non-executive Director on 31 March 2020

Dear shareholder

Welcome to the governance section of this year's Annual Report. The purpose of this section is to provide you with an overview of the way in which the Board has operated over the last year, and to give you comfort that, as I have outlined in my letter to shareholders (on page 10), we aim to make good governance an integral part of all that we do.

This year we have presented this section in a different way to try to make it more logical in its layout and more understandable to the reader, as well as meeting the requirements of the 2018 UK Corporate Governance Code.

As in previous years, we begin our governance section with detail on our leadership and decision-making structure, together with information on our Board members and the skills and experience each bring to our meetings. This year, we also give more colour on how we have engaged with our stakeholders, including our investors and employees, to better understand their perspectives.

For the first time, we have included a specific section that gives an insight into our corporate culture, and how this culture is integral to all that we do. It underpins the way that we behave as an organisation and is a core part of our approach to governance. We have also set out some measures against which we will evaluate and monitor our culture going forward.

This year, we carried out an internal evaluation of our performance as a Board, and this section describes the process we followed and the resulting actions and priorities we have taken from this.

The most important decision made by the Board in 2019 was the appointment of Mark Allan to replace Robert Noel as our CEO. Mark's appointment followed a comprehensive process led by the Nomination Committee and we set this out in more detail on page 75.

Finally, it seems appropriate to comment on our governance in the context of the Covid-19 crisis. It is clear that in many situations the balance between corporates and stakeholders has shifted as a result of the stresses placed on the economy. Society is increasingly looking to large companies to help work through the crisis. Against such a backdrop it is particularly important that we listen to our stakeholders and work closely with them. Our clear governance framework has helped us to make decisions in a rapidly changing environment, and play our part responsibly.

Cressida Hogg

Cressida Hogg
Chairman

Roles and responsibilities

Board of Directors
- Responsible for the long-term success of the Group
- Provides leadership and direction to the Group on its culture, values and ethics
- Sets strategy and oversees its implementation
- Agrees risk appetite and is responsible for risk oversight
- Responsible for corporate governance
- Responsible for the overall financial performance of the Group
- Appoints core executive management positions

Audit Committee
- Responsible for oversight of the Group's financial and narrative reporting processes
- Responsible for integrity of financial statements
- Supports the Board in risk management

Remuneration Committee
- Recommends to the Board the executive remuneration policy
- Determines remuneration packages of Executive Directors and Executive Committee members
- Oversight of remuneration practices for all employees

Nomination Committee
- Reviews structure, size and composition of the Board and its Committees
- Oversees succession planning of Directors and Executive Committee
- Leads Board appointment processes
- Recommends appointments to the Board
- Monitors corporate governance

CEO
- Leads the Group
- Articulates vision, values and purpose
- Develops and implements strategy
- Responsible for overall performance of the business
- Manages executive leadership team

Executive Committee
- Composed of the Executive Directors, together with the Group HR Director and the Group General Counsel and Company Secretary
- Advisory Committee to support the Chief Executive on the management of the operational and financial performance of the Group
- Remit includes operating plans, budgets, policies and procedures, risk and reputation management, brand, organisational development and employee remuneration

Management Committees
- Investment Committee
- Property Committee
- Sustainability Committee
- Health, Safety & Security Committee

How we make decisions

Decisions that can only be made by the Board, together with the terms of reference for our Committees, can be found on our website landsec.com/governance.

Decision making on investments, commercial agreements, including the acquisition, disposal and development of assets, is delegated according to value.

Board
over £150m

Chief Executive
£10m–£20m

Investment Committee
£20m–£150m

Property Committee
up to £10m

All other decisions are the responsibility of the CEO with a clear Delegation of Authorities framework which sets out levels of authority for decision making throughout the business.

Board of Directors

Key to symbols

A Audit Committee
N Nomination Committee
R Remuneration Committee

* Independent as per the UK Corporate Governance Code. Cressida Hogg was considered independent upon appointment as Chairman.
† Two additional Board meetings were held during the year relating to CEO succession. Stacey Rauch and Christophe Evain were each unable to attend one of these meetings due to pre-existing commitments.

Chairman of the Board

Cressida Hogg
Chairman

Role: Leads the Board, responsible for governance, major shareholder and other stakeholder engagement.

Years on the Board: 6
Chairman since 12 July 2018

Skills and experience
Cressida has spent over 20 years in the investment industry and has experience of building and developing businesses both in the UK and globally. She has extensive Board experience, including most recently on the Boards of Anglian Water Group and Associated British Ports. Cressida was Global Head of Infrastructure at the $350bn Canada Pension Fund Investment Board, managing a portfolio of investments worth c.£16bn. Prior to that, as Managing Partner she was responsible for managing 3i Infrastructure plc, a FTSE 250 investment company, having co-founded the infrastructure business at 3i in 2005. She was previously a member of the advisory board for Infrastructure UK, the HM Treasury unit working on the UK's long-term infrastructure priorities.

Other current appointments
Non-executive Director, London Stock Exchange Group plc. Non-executive Director, Troy Asset Management.

Board attendance
Attended 100% of scheduled meetings.

Senior Independent Director

Edward Bonham Carter
Non-executive Director*

Role: A sounding board for the Chairman and a trusted intermediary for other Directors and shareholders.

Years on the Board: 6
Senior Independent Director since July 2016

Skills and experience
Edward has significant experience of general management as a former CEO of a private equity backed and a large listed company. Having been a fund manager for many years, he has a comprehensive understanding of stock markets and investor expectations which is beneficial to the Company when it considers its engagement with investors. Edward became Vice Chairman of Jupiter Fund Management plc in March 2014, having been Chief Executive Officer of the company since June 2007 where he oversaw the firm's listing on the London Stock Exchange in 2010. Edward became chairman of the Remuneration Committee in January 2019.

Other current appointments
Vice Chairman, Jupiter Fund Management plc. Senior Independent Director, ITV plc. Board member, The Investor Forum CIC. Trustee, Esmée Fairbairn Foundation. Director, Netwealth Investments Ltd. Member, Strategic Advisory Board Livingbridge LLP.

Board attendance
Attended 100% of scheduled meetings.

Non-executive Directors

Nicholas Cadbury
Non-executive Director*

Years on the Board: 3

Skills and experience
Nicholas brings wide-ranging and international financial and general management experience to the Group gained from working in consumer-facing businesses, particularly in the retail, leisure and hospitality sectors. He also has extensive commercial and operational knowledge and skills in relation to strategy and IT development. This broader commercial perspective adds breadth of discussion in Board discussions and enables Nicholas to provide effective challenge as Chairman of the Audit Committee. Nicholas is Group Finance Director of Whitbread PLC, a position he has held since November 2012. Before that, he was Chief Financial Officer of Premier Farnell PLC. Nicholas originally qualified as an accountant with Price Waterhouse. Nicholas became Chairman of the Audit Committee in September 2017.

Other current appointments
Group Finance Director, Whitbread PLC.

Board attendance
Attended 100% of scheduled meetings.

The Role of our Non-executive Directors

Our Non-executive Directors are responsible for bringing an external perspective, sound judgement and objectivity to the Board's deliberations and decision making. They support and constructively challenge the Executive Directors using their broad range of experience and expertise and monitor the delivery of the agreed strategy within the risk management framework set by the Board.

Madeleine Cosgrave
Non-executive Director*

Years on the Board: 1

Skills and experience
Madeleine has deep knowledge and perspective in relation to investment decisions, property management and market dynamics from her extensive experience in the property industry. She is a fellow of the Royal Institution of Chartered Surveyors and former chair of the INREV Investor Platform and has sat on a number of GIC Real Estate boards across Europe. Madeleine is currently Managing Director and Regional Head of Europe at GIC Real Estate, a position she has held since 2016. She is responsible for the real estate investment strategy and portfolio, leads the real estate business in Europe and is a member of the GIC Real Estate global investment committee. Prior to GIC Madeleine held various positions with JLL in London and Sydney. Madeleine's global real estate experience, combined with her knowledge and perspective of investment decisions, property management and market dynamics, is an asset to Board discussions on all property matters.

Other current appointments
Corporate representative, Euro Lily Private Limited (a corporate director of CeGeREAL SA).

Board attendance
Attended 100% of scheduled meetings.

Christophe Evain
Non-executive Director*

Years on the Board: 1

Skills and experience
Christophe has extensive investment experience in private equity, debt and other alternative asset classes. As the former CEO of a UK listed company, he also has management and leadership strengths, having successfully led the transformation of Intermediate Capital Group PLC (ICG) from a principal investment business into a diversified alternative asset management group with €34bn assets under management. Christophe's broad experience, both as a business leader and an investor, is a valuable asset to the Board. Having started his career in banking, holding various positions at NatWest and Banque de Gestion Privée, he joined ICG in 1994 as an Investment professional, became CEO in 2010 and stepped down from that position in 2017. During this time he held various investment and management roles, founded the Group's businesses in Paris, the Asia-Pacific region and North America, and was instrumental in adding various additional businesses, including a UK property lending business.

Other current appointments
None.

Board attendance
Attended 100% of scheduled meetings†.

Stacey Rauch
Non-executive Director*

Years on the Board: 8

Skills and experience
Stacey brings deep analytical thought to the Board, with considerable expertise of retail trends and insights gained at a leading international management consultancy. She has significant board level experience gained through non-executive positions held in retail and other industries which is of particular relevance and benefit to the Company at a time of challenge in the UK retail sector. Stacey is a Director (Senior Partner) Emeritus of McKinsey & Company where she served clients in the US and internationally for 24 years. Whilst there, she co-founded the New Jersey office and was the first woman to be appointed as an industry practice leader. Stacey retired from McKinsey & Company in 2010 and has since then pursued a portfolio career. In 2019, Stacey was named to the NACD Directorship 100, the annual list of the most influential leaders in boardrooms and in corporate governance in the US.

Other current appointments
Chairman, Board Fiesta Restaurant Group Inc.
Non-executive Director, Ascena Retail Group Inc.
Non-executive Director, Heidrick & Struggles International, Inc.

Board attendance
Attended 100% of scheduled meetings†.

Board of Directors
continued

Executive Directors

Mark Allan
Chief Executive

Role: Responsible for the leadership of the Group, implementation of strategy, managing overall business performance and leading the executive team.

Years on the Board: Appointed in November 2019 and joined the Board on 14 April 2020.

Skills and experience
Mark brings extensive knowledge and experience of the property sector combined with strong operational leadership and financial and strategic management skills to the Board. Prior to joining Landsec, Mark was Chief Executive of St. Modwen Properties PLC. Prior to that he was Chief Executive of The Unite Group since 2006. He moved to Unite in 1999 from KPMG and held a number of financial and commercial roles in the business, including Chief Financial Officer from 2003 to 2006. A qualified Chartered Accountant and a member of the Royal Institution of Chartered Surveyors.

Other current appointments
None.

Management committees
Chairman of the Group's Executive, Investment and Sustainability Committees. He attends the Audit, Remuneration and Nomination Committees at the invitation of the chairs of the relevant Committees.

Board attendance
Mark joined the Board on 14 April 2020.

Martin Greenslade
Chief Financial Officer

Role: Supports the Chief Executive in developing and implementing strategy, determining funding arrangements and reporting Group financial performance.

Years on the Board: 14

Skills and experience
Martin brings extensive and wide-ranging financial experience to the Group from the property, engineering and financial sectors in the UK and overseas. He also has extensive financial expertise, particularly in relation to corporate finance and investment arrangements, and significant listed company experience at board level. Prior to joining Landsec in 2005, Martin was Group Finance Director of Alvis plc and before that he worked in corporate finance serving as a member of the executive committee of Nordea's investment banking division and Managing Director of its UK business.

Other current appointments
Non-executive Director of Tullow Oil plc and Trustee of International Justice Mission UK.

Management committees
A member of the Group's Executive and Investment Committees. Chairman of the Health, Safety & Security Committee. He attends Audit Committee meetings at the invitation of the Committee Chairman.

Board attendance
Attended 100% of scheduled meetings.

Colette O'Shea
Managing Director, Portfolio

Role: Responsible for our Office, Retail and Specialist assets.

Years on the Board: 2

Skills and experience
Colette brings extensive property experience to the Board including investment, asset management and development. She joined Landsec in 2003 and was Head of Development, London Portfolio, before being appointed its Managing Director in April 2014. Colette led the London business through its 2010 three million sq ft speculative London development programme, including the transformation of Victoria. In May 2019, Colette took on responsibility for the Retail Portfolio, in addition to London. Prior to joining Landsec, Colette was Head of Estates at the Mercers' Company where she led the property team whilst also gaining extensive office, retail and residential experience.

Other current appointments
Business Board Member of the Mayor of London's Local Enterprise Partnership for London (LEAP) in 2016. Joint Chair of the Royal Docks Enterprise Zone Programme Board.

Management committees
A member of the Group's Executive and Investment Committees. Chairman of the Property Committee.

Board attendance
Attended 100% of scheduled meetings.

Other Directors who served throughout the year

Robert Noel
Robert Noel stepped down as Executive Director and Chief Executive on 31 March 2020 having served ten years on the Board and having been Chief Executive since April 2012. Robert attended 100% of all scheduled Board meetings throughout the year.

Robert is a Chartered Surveyor with over 30 years in the property industry and significant executive leadership experience.

Chris Bartram
Chris Bartram, Non-executive Director, retired from the Board on 31 March 2020. Chris had been a member of the Board since 2009 and at the time of his retirement was a member of the Nomination and Audit Committees. Chris attended 100% of all scheduled Board meetings throughout the year.

Chris is a scion of the property industry with decades of property investment, fund management and capital allocation experience.

Conflicts of interest and external appointments

The Board has a policy to identify and manage Directors' conflicts or potential conflicts of interest and has delegated authority to the Nomination Committee to (i) approve or otherwise any such disclosed conflicts, and (ii) determine any mitigating actions deemed appropriate to ensure that all matters in the Boardroom are considered solely with a view to promoting the success of Landsec. Directors' conflicts of interest (which extend beyond third-party directorships and include close family) are reviewed by the Nomination Committee annually, with new conflicts arising between meetings dealt with at the time between the Chairman and the Company Secretary.

Robert Noel joined the Board of Taylor Wimpey plc as a Non-executive Director on 1 October 2019. The risk of a potential conflict was considered as part of the Board's approval of this external appointment, but it was agreed that it could be managed and a letter of understanding was put in place.

On 1 November 2019, Martin Greenslade became a Non-executive Director of Tullow Oil plc. No potential conflict was raised in relation to Martin's appointment. The Tullow Board meets six times a year, mostly in London, and has one annual overseas operational site visit. Martin's total time commitment (excluding travel) is anticipated to be circa 22 days per year. There are no clashes identified with Landsec Board dates and Tullow has a December year end.

The Board approved each of these appointments in advance and agreed that the appointments would not impact their commitment as Executive Directors of Landsec.

Overboarding

We follow the Institutional Shareholder Services (ISS) proxy voting guidelines on overboarding and accordingly deem all our Non-executive Directors to be within these guidelines. We appreciate that other proxy bodies and institutional investors impose more stringent guidelines than ISS and that each individual's portfolio of appointments must be considered on a case-by-case basis, which the Board duly does before approving any appointments and then on an annual basis to assess whether each member of the Board is able to continue contributing effectively.

We acknowledge that Edward Bonham Carter and Stacey Rauch are at their maximum number of appointments under the ISS guidelines. Edward Bonham Carter's executive role at Jupiter is on a part-time basis of three days per week and Stacey's time commitment as the chair of Fiesta Restaurant Group Inc and her other non-executive appointments do not in the opinion of the Nomination Committee impact her ability to meet her Board or committee responsibilities at Landsec.

Induction

The induction programme for Madeleine and Christophe continued over the past year. Christophe met senior leaders in the business, principal external advisors and visited portfolio assets. Madeleine has travelled to some of our retail and office assets as well as spending time with our valuation experts.

Our induction plan is delivered over the first year of tenure, after which Directors participate in Board development sessions and ongoing training as required.

Training

Directors attended a number of development sessions during the year, including a detailed session on the planning process in London, fire safety and emerging risks. Directors received regular updates in their Board papers, facilitating greater awareness and understanding of the Group's business and the legal, regulatory and industry-specific environment in which it operates. This was complemented throughout the year by visits to properties owned, managed or being developed by the Group to see our operations and have the opportunity to meet with local management teams and gain customer and community insight.

Board visit to One New Change, EC4

Potential conflicts of interest and how we have managed them

Director	Potential conflict situation	Nomination Committee decision and mitigating action taken
Edward Bonham Carter (Non-executive Director)	Vice Chairman of Jupiter Fund Management plc, a fund manager which invests in listed company shares including, at times, the Company. Jupiter is also a customer of the Group.	Edward Bonham Carter's position means that he is not involved in the selection of investments and has agreed not to participate in any investment decisions which may involve the Group's securities. The Committee concluded that there is no conflict of interest.
Madeleine Cosgrave (Non-executive Director)	As Regional Head of Europe at GIC Real Estate, Madeleine may have commercial relationships with peer/competitor companies. GIC owns a 17.5% stake in Bluewater and Madeleine is a Management Committee member of BWAT Retail Property Unit Trust – the entity that owns the stake in Bluewater. GIC also has a stake in AccorInvest which operates the hotels in Landsec's portfolio.	The potential for a conflict of interest situation is recognised and a letter of understanding was agreed at the time of Madeleine's appointment that governs her involvement in Board decisions (and levels of access to commercially sensitive information) where there is, or may be, a conflict. The Nomination Committee believes that these mitigation principles and actions are sufficient and appropriate to deal with any issues.
Robert Noel (Executive Director)	Chief Executive of Landsec (until 31 March 2020) and Non-executive Director of Taylor Wimpey plc from 1 October 2019. Although not a direct peer of Landsec, Taylor Wimpey plc operates in the real estate sector.	The potential for a conflict of interest situation was recognised and a letter of understanding was agreed that governed his involvement in Board decisions (and levels of access to commercially sensitive information) where there could have been a conflict. The Nomination Committee believed that these mitigation principles and actions were sufficient and appropriate to deal with any issues.

Board of Directors
continued

Executive Committee

Mark Allan
Chief Executive

Full biography on page 64

Martin Greenslade
Chief Financial Officer

Full biography on page 64

Colette O'Shea
Managing Director, Portfolio

Full biography on page 64

Tim Ashby
Group General Counsel and Company Secretary

Joined Landsec in September 2015.

Role: Provides advice and support to the Board, its Committees and the Chairman, and is responsible for legal, compliance and governance activity across the Group.

The appointment and removal of the Company Secretary is a matter for the Board as a whole.

Skills and experience
Tim is a solicitor and has significant legal, compliance and commercial experience gained across a number of different sectors and businesses both in the UK and overseas. Prior to joining Landsec, Tim was Group General Counsel and Company Secretary of Mothercare Plc and previously worked at PepsiCo Inc. and Yum Brands Inc.

Other current appointments
Member of Executive Committee GC100.

Management committees
Member of the Group's Executive Committee. Secretary of Group PLC Board, Secretary of Audit, Nomination and Remuneration Committee. Attends Investment Committee.

Barry Hoffman
Group Human Resources Director

Joined Landsec in June 2019.

Role: Responsible for the articulation and delivery of Landsec's people strategy including talent, reward, organisational design and engagement.

Skills and experience
Barry was previously Group HR Director at Computacenter PLC, the IT infrastructure services business where he was responsible for a large, complex and diverse workforce. In addition, Barry has held senior HR roles at the Legal Services Commission and Volkswagen.

Other current appointments
Barry is a Non-executive Director for international charity Sightsavers.

Management committees
Member of the Group's Executive and Sustainability Committee. Attends Remuneration and Nomination Committee meetings at the invitation of the Chairs of the relevant Committees.

Board activity

The Board attends eight scheduled Board meetings per year. This year, two additional Board meetings were held in relation to the appointment of the new CEO.

The calendar below sets out some of the topics discussed at each Board Meeting. In addition, the following matters were discussed at every Board meeting.

— Property cycle and sector trends

— Group performance versus budget, targets, external benchmarks and peers, consideration of share price versus NAV

— Portfolio liquidity and development exposure

— Significant and emerging risks, including cyber security, terrorism, the loss of key people, ongoing uncertainty arising from the Brexit process and other political risks

— Developments in corporate governance and key legal and regulatory updates

— Meeting reports from the Chairs of the Audit, Remuneration and Nomination Committees

— Stakeholder considerations under section 172 of the Companies Act 2006

Board assets visit 2020

May '19

— Portfolio valuation
— Annual results and the Annual Report
— Going concern and viability statements
— Group's dividend policy
— Risk framework and reporting structure
— Proposals for enhancing worker engagement, including Chairman and SID attendance at the Employee Forum

Jun '19

— Budget scenarios and Annual Funding Strategy
— Composition of the Board and its Committees, including succession planning
— Update on Investor Relations including feedback from the Investor Roadshow

Jul '19

— Meet the NEDs session for employees
— Public Affairs
— Development session on the planning process in London

Sep '19

— Group's Slavery and Human Trafficking Statement
— Adapting to changing markets and customer needs
— Health, safety and security updates including fire safety management
— Debt funding arrangements and gearing levels
— Group's WACC
— Composition of the Board and its Committees, including succession planning, with a particular focus on the succession planning for the Chief Executive
— Data governance risk including GDPR and cyber security
— The Group's risk register and the effectiveness of the systems of internal control and risk management

Nov '19

— Portfolio valuation
— Half-yearly results and presentations to analysts
— Going concern and viability statements and dividend
— Composition of the Board and its Committees, including succession planning, with a particular focus on the succession planning for the Chief Executive and the resulting appointment of Mark Allan

Dec '19

— Development of people, diversity and potential talent in the Group, including succession planning for Senior Leaders
— Development session on emerging risks
— The Board's assessment of culture
— Development opportunities and approval of Nova East
— The Group's 2020 sustainability strategy
— Annual fees for Non-executive Directors

Jan '20

— Themes arising from the Employee Engagement pulse survey
— Dividend
— Development opportunities and approved proceeding with development of Lucent
— Site visit to the development underway at 21 Moorfields
— Asset visits to Dashwood House and One New Change

Mar '20

— Board evaluation and effectiveness review
— Health, safety and security updates (including fire safety management)
— Gender pay and diversity
— Financial performance of the business, the annual budget and key performance targets
— 2020 Annual Report
— Employee Engagement pulse survey
— Composition of the Board, Committees and succession planning
— Impact of Covid-19 on the business

Our culture

Our culture defines what makes Landsec a great place to work and company to do business with, and forms a fundamental basis for our governance.

To explain and demonstrate our culture, we use four themes we feel are critical to operating our business model and implementing our strategy. These allow the Board to measure and monitor any gaps between the actual culture and the culture we would wish to see. This is something our Board members will discuss with employees as they look into the topic of corporate culture in more detail during the year ahead.

Our culture is what makes Landsec a great place to work

Purpose and meaning

Giving our employees a sense of purpose, explaining why we exist and moving beyond profit to focus on doing good for individuals, customers and society

Landsec has a clear purpose of creating shareholder and social value by providing the right space for our customers and communities, so that people and businesses can thrive. With the arrival of our new CEO, this is an opportunity to reassess our purpose and we will report more on this next year.

Our purpose is about more than profit and we have an enviable record of creating social value and you can read more about our programme of social contribution on page 42. All of our Executive Directors have targets that relate to creating social value and, together with our volunteering programme where over 8,500 hours of Landsec time was given to help organisations and communities less fortunate than our own, Landsec is well on its way to meeting its target of creating £25m of social value by 2025.

All of the Board's significant decisions are subject to a section 172 evaluation to identify the likely consequences of any decision in the long term and the impact of the decision on our stakeholders. You can find our section 172 Statement on pages 70 and 71. A new CEO presents an opportunity to reassess our values, vision and strategy and how we communicate these over the year ahead.

% of s172 evaluations completed	100%
Value of social contribution	£4.8m+
% of staff with social value/ESG targets	56%

Ethics and fairness

Using data and technology in a fair and trustworthy way; having clear accountabilities and an effective and transparent decision-making structure

Landsec has a code of conduct, which all employees sign up to and are reminded of, on an occasional basis, throughout the year.

We have a number of committees that meet to make operational, investment and property-related decisions to ensure that decisions are fair and fully informed. We have also created a data governance board to discuss and identify risks and develop our working practices in relation to all the data that Landsec gathers and uses.

We publish our delegated authorities limits to all employees. Our HR policies meet best practice standards and our HR system and monthly reporting processes ensure that fairness is a feature of our working practices and out of process actions are clearly explained.

We use a job evaluation system to ensure that jobs are designed to meet the Company's needs and independent external benchmarking is used to set pay based on job families and levels. Job opportunities are advertised internally as well as externally wherever practical and the Company undertakes regular equal pay reviews to ensure fairness of reward.

For the first time, Landsec now has a Diversity and Inclusion manager, who joined us in 2019.

Code of Conduct in place	✓
Gifts and Hospitality Register in place	✓
Equal Pay claims	None
No. of grievances raised	4
% roles offered internally	73%

Collaboration and growth

Designing jobs and systems of work to achieve successful outcomes affording everyone the opportunity to create, innovate, collaborate and contribute to Landsec's growth

Our culture is one which promotes personal development and growth and we have a flagship development programme for all leaders. All leader level roles, including the Executive Committee, form part of the talent assessment process with succession plans developed for all critical and leadership roles. We monitor staff turnover and encourage internal moves and promotion from within our business.

We have included collaboration in our values and all of our projects rely on teams from across our own business as well as our supply chain who work together to deliver our developments.

At the Company's annual staff conference 'Landsec Live' in July 2019, the keynote speaker, a noted author, gave an inspirational speech on the topic of Growth Mindset. We encourage a culture of growth mindset at all levels of the organisation.

% of management and leadership roles with succession plans in place	52%
% staff turnover – regretted leavers	1.6%
% of roles filled by internal candidates	26%
No. of people on new development programme	33
People promoted in last year	22
Face to face training days per employee	3

Transparency and openness

Sharing information openly and effectively and discussing challenges and mistakes

Our employees told us we needed to do more on internal communications and so during the year we held a number of townhall meetings, where management held Q&A sessions for all staff in our London office, with the sessions broadcast to our regional staff.

We hold regular 'Food for Thought' meetings for employees on specific topics. We have a weekly round-up newsletter which is sent to all employees by email at the end of the week which celebrates successes and provides a platform for communicating any other key messages.

The members of the Executive Committee regularly meet employees and the HR Director holds a 'six months in' meeting for all new employees.

Departing employees are all given the opportunity to complete an exit survey anonymously and the HR Director also reviews external ratings on Glassdoor.

Internal meetings and major projects all end with a 'completion cycle' which encourages feedback and continuous improvement allowing all participants freedom to comment on what went well, not so well and what could be improved.

No. of townhall meetings	5
No. of whistleblowing incidents	3
No. of exit interviews completed	48
No. of Employee Forum meetings	4
Employee engagement index	75%
No. of diversity champions	10

The Board and our stakeholders

Our stakeholders are central to our vision – to be the best property company in the UK in the eyes of our customers, communities, employees, partners and investors – which places our stakeholders at the forefront of the Board's decision making.

This is our section 172 statement.

How has the Board engaged with our stakeholders during the year?

Stakeholder	How the Board has engaged
1. Customers	— Asset visits — MD reports to the Board
2. Employees	— Employee Forum — Meet the NEDs — Asset visits
3. Communities	— Asset visits — Annual sustainability review at the Board — Board session on the increasing importance attached to environment and community by planning authorities
4. Investors	— AGM — Investor Roadshow — Investor meetings — Capital Markets Day — Regular feedback from Head of Investor Relations
5. Partners	— Twice yearly health and safety review at the Board (including fire safety) — MD reports to the Board — Board session on the planning system and political changes in London and the increasing importance attached to environment and community by planning authorities

Read more online at landsec.com

Meeting the Non-executive Directors

For the first time this year, we held a 'Meet the NEDs' event for employees which we held immediately after our Annual General Meeting. This was a great opportunity for employees to hear about our Non-executive Directors' career paths, what attracted them to the Landsec Board and what they most enjoy and find most challenging about being on the Board.

We would like to hold a similar event in 2020, subject to social distancing restrictions imposed by Covid-19, which will build upon the first meeting and focus on themes highlighted by the Employee Forum. This event will also help the Board's assessment of culture.

Employee Forum

Four Employee Forum meetings were held during the year. Edward Bonham Carter, our Senior Independent Director and Chairman of our Remuneration Committee, attended one of the meetings to provide the Employee Forum with an insight into executive remuneration and gain a sense of employee perception of executive remuneration.

Stakeholders and Board decision making

The Board takes the interests of stakeholders into account when making decisions. The relevance of each stakeholder group may increase or decrease by reference to the issue in question, so the Board seeks to understand the needs and priorities of each group during its discussions. This, together with the combination of the consideration of long-term consequences of decisions and the maintenance of our reputation for high standards of business conduct, is integral to the way the Board operates. Stakeholder engagement is on the Board agenda twice a year to assess whether the identity and priorities of our stakeholders have changed, and whether the Board has sufficient engagement with each stakeholder group. The Company Secretary plays a key role in ensuring that stakeholders' interests are fully considered and addressed during the course of the Board's discussions.

We have continued to embed stakeholder interests into the culture and operating model of our business by providing training to management committees that make investment decisions. Papers presented to these committees always include a section on stakeholders' interests.

Lucent, W1 – development decision

In January 2020, the Board approved proceeding on a speculative basis with the development of Lucent, W1, the mixed-use building on the island site behind the Piccadilly Lights. In making its decision, the Board took into account the following s172 considerations:

— the development would complete the Piccadilly Island site providing benefits to customers and the community

— large scale projects create significant development opportunities for our employees

— the project will create long-term, large scale work for our suppliers

— meeting customer needs will be a key requirement for the success of the project and will be continually assessed

— the project offers opportunities to further Landsec's community goals

— the project provides eight affordable housing apartments at Wardour Street, of benefit to the community.

Read more online at landsec.com

Covid-19

The Board took the interests of its stakeholders into account when it decided to establish a rent relief fund of £80m to help our customers most in need, to provide £500,000 to our charity partners and support our employees to transition to home working, reflecting that we recognise that the long-term success of our business is reliant on our customers, employees and the communities in which we operate. In light of the market uncertainty, and taking all stakeholder interests into account, the Board took the decision to cancel our third interim dividend and has not proposed a final dividend. For more information on our Covid-19 response see pages 2 and 3.

Employee Forum met with Edward Bonham Carter, Chair of the Remuneration Committee

Our investors

We want to create sustainable value for our three types of investors: institutional, private, and debt.

No. of equity investors	
11,232	
Institutional investors	Private investors
2,663	8,569
99% of shares	1% of shares
No. of listed bonds	
11	

I Institutional investors

Our Executive Directors once again held meetings with investors representing more than half the register by value during the year. In addition to the UK, meetings were held in Europe, North America and the Far East. Institutional investors were invited to attend the Company's full year and half-yearly results presentations. We held a Capital Markets Day which focused on providing an operational update and included a site visit to our three office offers: HQ, Fitted and Myo. The Senior Independent Director and other Non-executive Directors were available to meet with shareholders and the Chairman conducted a series of meetings with investors as part of the recruitment process for our new CEO.

We conducted a sustainability roadshow in the Netherlands in February and engaged with investors throughout the year on all aspects of environmental, social and governance matters.

Industry conferences

Industry conferences provide Executive Directors with a chance to meet a large number of investors on a formal and informal basis. Conferences attended this year included the UBS Global Property conference in London, the Kempen conferences in Amsterdam and New York, the Bank of America Merrill Lynch conference in New York and the Exane BNP Paribas conference in Paris.

P Private investors

Our private investors are encouraged to give feedback and communicate with the Directors via the Company Secretary throughout the year.

2019 Annual General Meeting

Our main private shareholder event of the year was our Annual General Meeting which we held in July. This annual event gives our investors a great opportunity to receive an overview of our performance, question the Board on matters put to the meeting and informally chat to our Directors and Senior Management over coffee and refreshments.

All resolutions put to the meeting received overwhelming support of those investors who had voted by proxy and in person, being approximately 75% of the shareholder base. The results of the voting at all general meetings are published on our website: landsec.com/investors.

Five-year private investor plan

We have a rolling five-year private investor plan, the intention of which is to maintain an efficient share register with minimal non-cashed dividends, limited paper distributions, effective communications and the provision of best-in-class service to our investors. Key activities under the plan that we have implemented this year include a low-cost share dealing programme which allowed investors holding up to 1,150 shares to either sell or purchase shares at preferential dealing and commission rates and the sale of 25,669 dormant shares. We donated the proceeds of the sale of the dormant shareholdings to our charity partners to help them during the Covid-19 crisis.

From October 2020 onwards, we will no longer be paying dividends by cheque. Dividends will be paid directly into bank accounts, or alternatively, investors can sign up to our Dividend Reinvestment Programme and receive their dividends in additional shares.

D Debt investors

Credit side institutional investors and analysts

Our treasury team held non-deal specific meetings with credit side institutional investors and analysts after the half-yearly and full year results.

Banks

Regular dialogue is maintained with our key relationship banks, including at least bi-annual meetings with our treasury team and in-house events hosted by the Executive and Non-executive Directors. Our treasury team also actively engaged with new and potential lenders.

Credit rating agencies

During the year, business and financial updates were provided by our treasury team and senior managers to Standard & Poor's, Fitch Ratings and Moody's. Further information for our debt investors can be found on our website: landsec.com/investors.

Report of the Nomination Committee

Committee members

— Cressida Hogg (Chairman)

— Chris Bartram (until 31 March 2020)

— Edward Bonham Carter

— Stacey Rauch

Highlights

— Appointment of new CEO

— Internal Board evaluation

Key responsibilities

— Composition of the Board and Committees

— Succession planning

— Board appointment process

— Corporate governance

Number of meetings and attendance

— Four scheduled meetings

— Additional meetings in relation to CEO appointment

— 100% attendance from all members at all meetings

Board and Committee changes

During the year, Mark Allan was appointed as the new CEO and an Executive Director, following Robert Noel's announcement last July that he was stepping down. Mark joined the Board and took over as Chief Executive with effect from 14 April 2020, and Robert left Landsec on 31 March 2020 after ten years on the Board and eight years as CEO. Members of the Nomination Committee, collectively and individually, spent a considerable amount of time over a four-month period on the appointment process, meeting to discuss the required and desirable skills and experience that the new Chief Executive should have, considering potential candidates and interviewing those that made the final selection. More detail of the selection process used to appoint Mark is set out on page 75.

We also announced Chris Bartram's retirement as a Non-executive Director with effect from 31 March 2020. Chris had been on the Board for ten years and the Committee is extremely grateful for his significant contribution during this period.

Board composition and succession

The topic of Director succession planning is discussed at each Committee meeting. The Committee has reviewed the Board and Committee composition and, with the changes made during the year, we believe that the current composition of the Board and its Committees is appropriate for now. However, we note that Stacey Rauch will have served on the Board for nine years in January 2021 and we intend to appoint at least one more Non-executive Director this year.

Diversity

The Nomination Committee expanded its remit last year to oversee certain policies and practices across the wider workforce and this includes monitoring our talent pipeline to ensure we have a diverse succession pool. Diversity is more than just gender-based and the Committee considers this important issue in the wider context, considering ethnicity and social and educational background. We believe that a diverse workforce benefits from a breadth of perspective and debate that aids decision making. The Board believes that a wide range of experience, background, perspective, skills and knowledge combine to contribute towards a high performing, effective Board, which is better able to support and direct the business.

We support the target set by the Hampton-Alexander review for women to represent 33% of board members by 2020 and the percentage of women on our Board was 40% at 31 March 2020, including one female Executive Director. However, the Committee recognises that there is more to do in other areas, such as ethnicity and socio-economic background. Further information on diversity at Landsec can be found on page 44.

Independence and re-election to the Board

The independence, effectiveness and commitment of each of the Non-executive Directors has been reviewed by the Committee. The Committee was satisfied with the contributions and time commitment of all the Non-executive Directors during the year. The Committee also debated and took into consideration the additional commitments of all Directors (including the Chairman) before approving any changes to external appointments and recommending their approval. It considered potential conflict issues as part of that assessment. The Committee is confident that each of the Non-executive Directors remains independent and will be in a position to discharge their duties and responsibilities in the coming year. From a governance perspective, the Board as a whole is independent.

The appointment of Mark Allan is to be ratified by shareholders at the Annual General Meeting in July. The other Directors will stand for re-election with the support of the Board.

Governance

The Committee oversees the governance agenda on behalf of the Board and considers papers and proposals issued by Government, regulatory bodies and investor groups, and their application to Landsec. It ensures that the decisions taken by the Board and its delegated Committees are made in the best interests of the Company and that they address any wider implications that may affect stakeholders.

Landsec complied in full throughout the year with the principles of the 2018 UK Corporate Governance Code.

You will find more detail regarding our compliance, governance and effectiveness elsewhere in this report, including our approach to section 172 of the Companies Act 2006 and how we address the broader stakeholder base, as well as the interests of our investors.

Board evaluation

Board evaluation process 2019/20

In line with year two of our three-year cycle, we carried out this year's review of the Board's effectiveness internally, having used an external facilitator last year. There were two parts to the evaluation process:

— Director appraisals: the Chairman held a meeting with each Director during which she conducted their own individual appraisals. In order to ensure a consistency of approach, the Chairman referred to an outline of the topics and questions that she wanted to cover during each appraisal. As Senior Independent Director, Edward Bonham Carter conducted the Chairman's appraisal on behalf of the Board, having obtained views from the other Directors prior to this meeting.

— Questionnaire: the Board completed an anonymous online questionnaire that addressed a broad range of issues and which enabled them to provide comments on a range of matters. The questions covered Board performance, judgement and culture, the relationships between the Directors and the Executive, the content and scope of topics covered at Board meetings, and the nature and dynamic of Director contributions to meetings. This year, it covered specifically the process followed for the appointment of Mark Allan as the new CEO. The questionnaire also addressed comments relating to the operation of the Audit, Remuneration and Nomination Committees, and in each case the conclusions were discussed by those Committees at their meetings in March. The results of the questionnaire were collated by the Company Secretary on behalf of Edward Bonham Carter and the provisional conclusions were discussed. Mr Bonham Carter then spoke to each of the Directors to ensure that these provisional conclusions were fair and representative of their views, and whether there were any additional points that Directors wanted to make or address.

The output of the effectiveness review was discussed collectively by the Board at its March meeting before its conclusions were confirmed.

Progress against objectives set for 2019/20

Strategy and innovation	People and succession planning	Stakeholder engagement
Our objective 2019/20	**Our objective 2019/20**	**Our objective 2019/20**
The Board wants to continue its focus on strategy and provide time to discuss a broader range of topics by extending the duration of meetings; to retain and use its development sessions for external perspectives and to increase engagement with senior managers.	The Board wants to continue to focus on the diverse talent pipeline and succession management for the business.	The Board wants to reflect on the relevant stakeholder groups and how to engage with them appropriately.
Our performance 2019/20	**Our performance 2019/20**	**Our performance 2019/20**
Board meetings were made longer; there was a continued emphasis on strategy and the longer term when making decisions; there has been a continued use of development sessions for broader discussion topics that often involve a range of senior managers from the business.	The Board considered its own succession planning during the year, obviously including finding and appointing a new CEO; the Board and the Nomination Committee have discussed broader succession planning for Executives and senior levels in the business, and noting employee retention rates and the use of recruitment processes to promote diversity.	The Board reviewed its stakeholder groups every six months; the Chairman and the Non-executive Directors held a well received session with employees on the same day as the AGM; the Chairman and Directors met investors at the AGM, the full and half-year results presentations and the Capital Markets Day last September.

Next year's Board evaluation review (Year 3 of the cycle) will report on the extent to which the areas of focus for 2020/21 have been achieved.

Board evaluation areas of focus for 2020/21

Strategy and risk	People and succession planning	Stakeholder engagement
Our objective 2020/21	**Our objective 2020/21**	**Our objective 2020/21**
— More time will be allocated to strategy next year as the Board listens to the views and perspectives of the new CEO. — More time to be spent on considering and modelling different risk scenarios and their outcomes.	— More opportunity to engage with employees and the broader business to gain a better understanding of Landsec's diverse talent pipeline and succession planning within the business. — Continued emphasis on culture and diversity.	— Ongoing work on engagement with relevant stakeholder groups.

Conclusions from this year's Board evaluation

The general conclusion from this year's Board evaluation was that the Board and its Committees continue to operate to a high standard and work effectively. The fact that it was a year of transition following Robert Noel's decision to step down as CEO was recognised. There were no material issues to report.

The Board considered that it had performed well and, in particular, the Directors believed that CEO succession and appointment was the area where the most value was added during the year, together with a more general focus by the Board on people and succession planning. Other areas of strength included the skills and experience of the Non-executive Directors both to challenge and support the Executive, and to contribute properly to Board discussion and decision making. Directors believe that risk is well understood by the Board, and that sufficient time is allocated to areas of increasing importance such as corporate governance, corporate purpose and culture and section 172 obligations. The opportunity for Directors to engage with employees provided by the 'meet the NEDs' session that followed the AGM was welcomed. Time allocated to Board meetings was increased last year and Directors believe that meetings provide sufficient time for them to consider and discuss the matters on the agenda.

As always, there were areas identified for improvement. Although investment decisions were carefully considered at the time of any approval, Directors would welcome a greater level of review of those projects and initiatives that they had previously approved. Directors expect to allocate more time next year to discuss strategy and risk and listen to Mark Allan's views and perspectives.

At an operational level, the Non-executive Directors hold a private session at each meeting but, with a view to improve the immediacy of comments on its own performance, this will be supplemented by a review to be held at the end of each meeting to review the meeting, discuss the agenda and set expectations for the next Board meeting. The Non-executive Directors are also keen to increase their exposure to the workforce across the business to complement the steps already in place.

Board evaluation: feedback received from Directors

Topic	Feedback
Culture, dynamics and the Non-executive/Executive Director relationship	— Directors are well equipped to contribute effectively to Board discussion and decision making — Directors have sufficient knowledge and expertise both to support and challenge the Executive
Strategy	— The Strategy Day is valued by the Board as an opportunity to understand the business; strategy should also remain a topic for discussion at each Board meeting during the year — The Board welcomes external perspectives and input on its strategy
Performance, risk management and governance	— The Board believes that business performance is measured by a range of appropriate indicators and presented and discussed in an open and transparent manner — The Board refreshed views on risk appetite and emerging risks during the year and would like to spend more time on risk scenarios as part of any debate on strategy — The Board would like a greater level of review of those projects and initiatives previously approved — The Board has sufficient time to address and debate corporate governance topics
Organisation, information and agenda	— The quality of Board papers is good and the volume has reduced; papers are received in a timely fashion — Board meetings have been extended to accommodate time for a broader discussion of 'off-agenda' items — Non-executive Director only sessions are valued and should be complemented by a review at the end of each meeting with all Directors present

Appointment of new CEO

Following the announcement on 11 July 2019 that Robert Noel was to step down as CEO, the Nomination Committee led the search on behalf of the Board to identify and recruit a new CEO.

The Committee considered the likely needs of the Group in the future with reference to its current and future strategy and the Chairman met some leading shareholders and other stakeholders to obtain their views.

Egon Zehnder was appointed as the search consultant because of its knowledge of Landsec and its expertise and strength in similar appointments. Egon Zehnder has no connection with the Company or any of our individual Directors.

The Committee reviewed a long list of candidates that contained a diverse range of individuals from several different sectors and held several meetings and telephone calls before this was reduced to a shortlist.

The Nomination Committee and the other Non-executive Directors met and interviewed the shortlisted candidates. This interview was wide-ranging and included a presentation from each candidate of their views on the future of Landsec.

Before making the final decision, the Committee reviewed the process that it has followed. It believed that the process had been thorough and structured, broad and diverse and produced high-quality candidates to lead the Group.

The Committee decided unanimously that Mark Allan be appointed. Mark is an experienced CEO at St Modwen Properties PLC and previously at The Unite Group Plc, with deep knowledge of the property market. He is highly regarded by investors, equally for his strategic insight and record of delivering value. Mark is a qualified Chartered Accountant and a member of the Royal Institution of Chartered Surveyors.

The Committee recommended the appointment of Mark Allan as the new Group CEO and Executive Director, a decision that was endorsed by the Board. Mark's appointment as CEO was announced on 22 November 2019.

Read more online at landsec.com

Introduction from the Chairman of the Audit Committee

Nicholas Cadbury
Chairman of the Audit Committee

Committee members

— Nicholas Cadbury (Chairman)
— Chris Bartram (until 31 March 2020)
— Madeleine Cosgrave
— Stacey Rauch

Highlights

— Continued focus on integrity of reporting process
— Rigorous assessment of risk management and internal controls with enhanced process to identity, assess and monitor emerging risks
— Review of impact of Covid-19 on the business and implications for the coming year

Key responsibilities

— Reliability of the financial statements and internal controls
— Effective risk identification and management
— Overall transparency and financial governance

Number of meetings and attendance

— Four scheduled meetings
— One additional meeting
— 100% attendance[1]

1. With the exception of Chris Bartram who did not attend the 31 March 2020 additional meeting as he stepped down from the Board that day.

Dear shareholder

I am pleased to report on the key activities and focus of the Audit Committee during the year.

Through the financial year, the Audit Committee continued its focus on financial statements and the integrity of the reporting process, coupled with its oversight of the risk management process and internal controls on which it reported to the Board. This included the impact of Covid-19 at the end of the financial year.

The composition of the Committee changed during the year with Chris's retirement as a Director with effect from 31 March 2020. I would like to add my personal thanks to Chris for his contribution to this Committee, particularly his expertise on the valuation process.

Risk

The Committee used the risks contained in the Group's risk register (set out on pages 51-55 of this Annual Report) as a basis for its activity during the year. The Board held its own biennial risk evaluation session last December that revised risk appetite and considered the principal risks and emerging risks (such as the use of artificial intelligence and advanced technology) affecting the business. This pre-dated the emergence of the Covid-19 pandemic. On behalf of the Board, the Committee manages the process by which risks are identified, prioritised and managed.

The risks identified in the risk register include customer, market cyclicality, and climate change risk. On top of this, the risk of Covid-19 quickly elevated from being an emerging risk to something that impacted all the principal risks facing our business. At a headline level, the categories of principal risk pre-Covid-19 were broadly the same as last year, but that does not mean that things remained static. Matters such as data security and data governance had broadened in scope, as had the considerations relating to health and safety, and the well-being of our employees. At the same time, the Committee recognised the fact that the Brexit risk remains and there are longer-term sustainability risks, including climate change, for us to address. However, the pervasive nature of the Covid-19 pandemic has fundamentally affected all aspects of our business and our response is set out on pages 2 and 3.

Aside from Covid-19 which hit hard in March, at the end of our year, there are three areas that the Committee reviewed that I would like to note because of their importance. First, we continue to monitor and assess Brexit risk and our project group will test our process against the downside risk of leaving the EU without a trade deal. Second, as the risks relating to data protection, data governance and information security continue to expand, we established a data governance project team in September to address any identified threats as well as training, awareness and best practice across the business. The third risk relates to fire safety management, which we discussed several times during the year, including an in-depth review last September, and our role as an owner or superior landlord of buildings we own and the impact of new building design.

The Committee addressed each of these three risks, with in-depth consideration at each of our meetings. The Committee sought assurance from the Company that it had suitable measures in place, with each risk having an appropriate leader and team, and that its risk management processes were being updated regularly. This will continue as each of these three risks affect us in the coming year and beyond.

The Covid-19 outbreak is an example of an unforeseen risk that has affected us all, directly or indirectly. The Committee ensured that the Company started work early on its reaction to Covid-19 and reviewed the ways in which the risk could affect the business, and developed contingency plans for dealing with customers, partners and employees (including those in the head office). It also reviewed the financial impact on the Company and any implications on the financial statements, going concern assessment and viability statement.

Financial statements

The Group's financial statements are of critical importance to investors and the Committee monitors the integrity of the Group's reporting process and financial management. It scrutinises the full and half-yearly financial statements before proposing them to the Board for approval. The Committee reviews in detail the work of the external auditor and external valuer and any significant financial judgement and estimates made by management to ensure that it is satisfied with the outcome.

Asset valuation

The valuation of our assets is an important constituent of our financial results and measurement of our performance. We use CBRE, an industry-leading agency, to provide us with an external valuation of our portfolio twice a year. CBRE has extensive expertise and knowledge and uses the best systems to provide us with a valuation prepared in accordance with the relevant industry standards. The valuation process is an extensive exercise that uses transactional evidence in the market in the period to the valuation date by which each asset can be assessed and analyses the performance of each individual asset (such as cash flow and void data). The Committee analyses, challenges and debates each valuation prepared by CBRE. Further, the external valuation process and the values ascribed to specific assets are also reviewed independently by our auditor, Ernst & Young LLP (EY), as part of its audit scope. This year, the valuation will contain a material uncertainty clause to reflect the Covid-19 impact.

Acquisitions and disposals

There were no material property acquisitions or disposals during the year meaning that no related judgements or estimates required scrutiny.

Company voluntary arrangements (CVAs)

We continued to see CVAs and administrations during the year that affected our customers. Business failures impacted our own revenue income, but not materially, and we had to manage our bad debt provisions accordingly. The Committee reviewed the application of the accounting treatment and the Group's policy to ensure that it was appropriate, including reviewing trade debtor and tenant incentive balances.

Group financing

The Company's treasury team has continued to look at the financing of the Group as a whole. During the year, the team's focus remained on enhancing our access to flexible revolving credit facilities. It also concluded another successful bond buyback tender at the beginning of 2020.

Internal audit

The Company maintains its own risk management and internal audit function and the Committee believes that this works well based on the quality of the data and reporting from the Director of Risk Management and Internal Audit. The Committee reviews the scope, skills and competencies of this function each year and considers any recommendations for change. The knowledge, skills and resources of our own team remain appropriate and there is a benefit to having an internal team that has knowledge of how the business operates. This is coupled with a clear understanding that they may require and benefit from specialist external expertise from time to time. We believe that the combination of internal and external advisers continues to provide us with the best insight into areas of risk and appropriate controls, to ensure that the Committee receives clear advice and enables us to report to the Board that the system of internal processes and controls are robust.

External support was provided during the year by a number of consultants (but not our auditor, EY) on topics including corporate cyber security, treasury controls and data analytics.

Next year, the internal audit plan will review matters including fire risk management, development cycle processes, fraud risk assessment and a UK 'Sarbanes-Oxley' readiness assessment.

External auditor

EY was appointed as the Company's auditor in 2013 following a tender process. EY continues to perform to a high standard, although the Committee is aware of the need to put the audit work to tender every ten years. We took the view that an audit tender was not required in 2019 because of EY's performance to date as auditor, and the smooth transition in 2018 to Kathryn Barrow as the new audit engagement partner. Kathryn is supported by other members of the EY audit team who have been involved in the audit for a number of years and now attend Committee meetings. We have no contractual obligation to remain with EY and the choice of audit firm will remain a topic of consideration for the Committee.

I have my own meetings during the year with Kathryn, as do other members of the Committee. We also meet with EY's valuation team. This provides us the opportunity to obtain an independent perspective from EY as auditor on the Company's performance from an accounting perspective, and also to ask questions of the audit work undertaken by EY. We also discuss the changing perception and expectation of the corporate auditor's role, and likely regulatory changes in the year ahead. These meetings are not attended by management. No material concerns have been raised.

Additionally, with Madeleine Cosgrave, I met with the lead valuer at EY to discuss the EY valuation team, the process and methodology behind its valuation work and areas of focus within the portfolio in the coming year.

The fee basis for EY's services is contained on page 81. Based on the Committee's recommendation, the Board is proposing that EY be reappointed to office at this year's AGM.

External valuer

CBRE was reappointed as the Group's valuer in March 2019 for a further three-year period to 2022, as we reported last year. We are pleased with CBRE's performance and do not believe there is any reason to change at this point. However, we have no contractual obligation to remain with CBRE and can terminate their contract on three months' notice should we change our view.

Fair, balanced and understandable

The Committee assessed and recommended to the Board that, taken as a whole, the Company's 2020 Annual Report is fair, balanced and understandable. In order to come to this conclusion, the Committee relied on the Annual Report assurance document produced by management that detailed the individual responsible for each section, the assurance provided by the CFO following his review of the Annual Report and financial statements with the Executive Committee and the confirmation received from EY as external auditor on the process for preparing the full year results and the information contained in the Annual Report. Additionally, the Company used its own internal process to check the consistency of data throughout the Report.

Going concern and viability statement

Given the significant impact of Covid-19 on the macro-economic conditions in which the Group is operating, we have placed a particular focus on the appropriateness of adopting the going concern assumption in preparing the financial statements for the year ended 31 March 2020. The going concern statement is set out on page 57 and detail of the assessment can also be found under significant financial matters on page 83. The viability statement, together with the rationale behind the chosen five-year time horizon, is set out on page 57. The Committee again considered whether there should be any change to the period chosen for the statement, as we do every year, but remained of the opinion that five years remained appropriate taking into account the balance sheet and financial strength of the Company and its current exposure to development risk.

UK Corporate Governance Code/ FRC Guidance on Audit Committees

The Committee considered its compliance with the 2018 UK Corporate Governance Code and the Financial Reporting Council (FRC) Guidance on Audit Committees. We believe that we have addressed both the spirit and the requirements of each.

Committee effectiveness

The Committee's performance was considered as part of the external Board evaluation conducted this year and the Committee assessed its own performance having taken input from its external advisers including EY and CBRE. The conclusion is that we operate to a high standard, with clear priorities, well defined responsibilities and clarity around our work plan. We will continue this next year and remain open to innovation or other, better ways of working.

And finally I would like to thank the other members of the Committee, together with management, CBRE and EY, for their support during the year and I hope that you find this review, and the report that follows, a helpful explanation of the work of the Committee.

Nicholas Cadbury
Chairman, Audit Committee

Report of the Audit Committee

The Committee continued its rigorous oversight of the Group's risk assessment and management, internal controls, reporting process and financial management.

Structure and operations

The Audit Committee's structure and operations, including its delegated responsibilities and authority, are governed by terms of reference which are reviewed annually and approved by the Board. The terms of reference are available on our website: landsec.com/board-committees.

To maintain effective communication between all relevant parties, and in support of its activities, the Chief Executive, Chief Financial Officer, Group General Counsel and Company Secretary, Director of Risk Management and Internal Audit, the partner and representatives of our external auditor, EY, and other members of the senior finance team regularly attend Committee meetings.

The Chairman of the Board and all Directors are invited to attend meetings when the Group's external valuer, CBRE, presents its half-yearly property valuation.

The Committee has private sessions with the internal and external audit teams. In addition, the Committee Chairman has private and informal sessions with the EY audit team and the CBRE valuation team to ensure that open lines of communication exist in case they wish to raise any concerns outside of formal meetings.

The Committee members collectively have a broad range of financial, commercial and property sector expertise that enables them to provide oversight of both financial and risk matters, and to advise the Board accordingly. The Board has determined that Nicholas Cadbury, as Chairman of the Committee, has recent and relevant financial experience for the purposes of satisfying the UK Corporate Governance Code. Details of the experience of all members of the Committee can be found on pages 62 and 63.

The Committee works to a structured programme of activities and meetings to coincide with key events around our financial

Structure and operations

Audit Committee meetings

Regular attendance at meetings to support the Committee

Chief Executive

Chief Financial Officer

Group General Counsel and Company Secretary

Director of Risk Management and Internal Audit

EY

Members of senior finance team

All Directors are invited to attend meetings when the Group's external valuer, CBRE, makes property valuation presentations

Chairman of the Board

All Directors

Committee private sessions

Internal audit team

EY

CBRE valuation team

calendar and, on behalf of the Board, to provide oversight of the Group's risk management process. Following each meeting or whenever it may be appropriate, the Committee Chairman reports on the main discussion points and findings to the Board.

Risk management framework

The Board is responsible for determining both the nature and extent of the Group's risk management framework and the risk appetite that is acceptable in seeking to achieve its strategic objectives. The Committee supports the Board in the management of risk and is responsible for reviewing the effectiveness of risk management and internal control processes during the year.

An overview of the risk management process explaining the key elements of the approach to risk, any changes to the process over the course of the current year and the key risk management priorities for 2020/21 are described on pages 48-56. This includes the risk management process, by which the Property Committee completes a detailed review of the business risks, controls and mitigation strategies. This forms the basis for the principal and emerging risks, which are challenged and validated by the Executive Committee, before being assessed by the Audit Committee.

Primary responsibility for operation of the Company's internal control and risk management systems, which extend to include financial, operational and compliance controls (and accord with the FRC's 2014 'Guidance on Risk Management, Internal Control and Related Financial and Business Reporting'), has been delegated to management. These systems have been designed to manage, rather than eliminate, the risk of failure to achieve the Group's business goals and can provide only reasonable, not absolute, assurance against material misstatement or loss.

Risk management

Under the overall supervision of the Committee, there are several sub-committees and work groups that oversee and manage day-to-day risk within the business. The Group has a Director of Risk Management and Internal Audit (with a direct reporting line to the Audit Committee Chairman) who provides regular oversight of risk matters, evaluates emerging risks that may affect the business and monitors compliance to ensure that any mitigating actions are properly managed and completed. The Committee, in consultation with management, agrees the annual work plan (including any assistance that may be required from external specialists) of the risk management and internal audit function to ensure alignment with the needs of the business and compliance with its governance charter. This work plan is assessed against the risk register and developing market practice.

Internal control

In addition to the items for which external audit support was used, internal audits carried out by the Group and reviewed by the Committee included the governance process for the development cycle, site equipment life-cycle management, the operating controls over the Piccadilly Lights and the delegated authority process.

The internal audit team also provided assurance to the Committee on key controls and programme assurance and used its data analytics capability to improve the identification of any issues in key financial processes, such as accounts payable and accounts receivable.

The key elements of the Group's internal control are as follows:

- an established organisation structure with clear lines of responsibility, approval levels and delegated authorities
- a disciplined management and committee structure which facilitates regular performance review and decision making
- a comprehensive strategic review and annual planning process
- a robust budgeting, projection and financial reporting process
- various policies, procedures and guidelines underpinning the development, asset management, financing and main operations of the business, together with professional services support including legal, human resources, information services, tax, company secretarial and health, safety and security
- a compliance certification process from management conducted in relation to the half-yearly and full year results, and business activities generally
- a quarterly self-certification by management confirming that key internal controls within their area of responsibility have been operating effectively
- a risk management and internal audit function whose work spans the whole Group
- a focused post-acquisition review and integration programme to ensure the Group's governance, procedures, standards and control environment are implemented effectively and on time
- a financial and property information management system
- a whistleblowing process that enables concerns to be reported confidentially and on an anonymous basis and for those concerns to be investigated.

Additionally, the Committee receives and discusses on a quarterly basis:

- the Group's risk register, including significant and emerging risks, and how exposures have changed during the period
- the effectiveness of internal controls and processes at mitigating those risks
- internal audit reports, summary reports of findings and recommendations from completion of the internal audit plan
- progress against completion of agreed actions from internal audit on their review of the effectiveness of various elements of the internal control system maintained by the Group
- the whistleblowing report.

Brexit

The risks associated with Brexit have continued to evolve and now relate to the downside risk of the UK leaving the EU without a trade deal. The negotiation timetables are short and we continue to plan for a range of potential Brexit trade deal outcomes. The Audit Committee has proactively reviewed and challenged our Brexit risk assessments over the year to ensure we are well prepared and able to minimise downside business consequences.

Data governance

The world of data is changing very quickly. For companies and organisations, there are risks associated with the protection of data and systems from attack, processes by which data may be gathered, stored and used internally or externally, and the ability to respond to any data access requests in a timely fashion. There are regular reports in the media of data breaches that have been reported to the Information Commissioner's Office (ICO).

As we noted last year, the Group has migrated its data to a world-class cloud-based server that provides better security than we could provide on our own system. This has worked well and, coupled with our own internal training and additional safeguards, has resulted in a notable decrease in the number of reported data issues (such as successful phishing attacks).

However, the problem of data protection and information security is expanding every year. We are not complacent about the risks and established a Data Governance project team last year, led by the Group General Counsel and Company Secretary, and supported by our Privacy and Compliance Officer, which reports to the Executive Committee, to oversee all aspects of data within the business. This includes training, awareness, best practice sharing and the introduction of technological solutions to provide better security. All this helps but we recognise that it provides no guarantee that breaches may not occur in future. The Committee received updates on data security and governance during the year, together with reports on subject access requests and any potential data breaches and assessed the Company's own evaluation of compliance against the ICO accountability principles and its maturity assessment as part of its oversight process.

General Data Protection Regulation (GDPR)

GDPR has now been in place for nearly two years and its impact continues to evolve. We monitor the guidance and reports from the ICO and oversee what personal data is held by the Group, the business reasons for holding such data, the protections in place to safeguard the data and the process for reporting any breach should that occur. GDPR compliance falls under the remit of the data governance project team and will remain on the agenda in the year ahead.

Fire safety

The Hackitt Report was published in 2018, and following the announcement of the Fire Safety Bill in March 2020 we expect significant changes to the existing Fire Safety Order 2005 to come into effect this year. These will introduce new duties on property owners and superior landlords of multi-occupied residential buildings relating to building design, construction and fire risk management. Working with fire safety experts, we are anticipating these changes and their potential impact on the design of new buildings.

Coronavirus (Covid-19)

We have referenced the impact of Covid-19 on the business throughout this year's Annual Report. It has fundamentally affected all aspects of our business and will influence our financial performance in the 2020/21 financial year and beyond. The Committee will continue to monitor the Group's risk planning and business resilience measures and provide oversight of its financial reporting.

Effectiveness

Last December, the Board undertook a robust assessment of the principal risks faced by the Group, including those that could threaten the business model, future performance, solvency or liquidity. Assisted by the Committee, the Board also reviewed the effectiveness of the systems of internal control and risk management in place throughout the year and up to the date of this report. This took into account the valuable assurance work undertaken by the risk management and internal audit function (which is supplemented by external specialist resource as necessary) and the relevant process, controls and testing work undertaken by EY as part of their half-yearly review and full year audit. No weaknesses or control failures significant to the Group were identified. Where areas for improvement were identified, new procedures have been introduced to strengthen the controls and will themselves be subject to regular review as part of the ongoing assurance process. This work was beneficial to the way Landsec structured its response to Covid-19.

External auditor

EY is Landsec's external auditor and is engaged to conduct a statutory audit and express an opinion on the Company's and the Group's financial statements. Their audit scope includes a review of the property valuation process and methodology using its own chartered surveyors (more details below), to the extent necessary to express an audit opinion.

When carrying out its statutory audit work, EY also has access to a broader range of employees and different parts of the business. If it picks up any information as part of this process, it would report to the Audit Committee anything that it believes the Committee should know in order to fulfil its duties and responsibilities. As audit partner, Kathryn Barrow is authorised to contact the Committee Chairman directly at any time to raise any matter of concern.

Audit plan

EY presented their proposed audit plan (reviewed by Senior Management and the Director of Risk Management and Internal Audit) to the Committee for discussion. The objective was to ensure that the focus of their work remained aligned to the Group's structure and strategy. The audit plan was again focused on risk and materiality, challenging management and designed to provide valuable insights beyond the remit of the statutory audit brief.

Accordingly, to support this wider purpose, the Committee is keen to ensure that its auditor feels able to challenge management and is afforded all the access it requires to report on matters that may not be part of the statutory audit but which, in the opinion of the auditor, should be brought to the attention of the Audit Committee. These matters may be financial or non-financial and may be based on fact or opinion (including any concern over culture or behaviour). An example may be the use or adequacy of any controls used by the Company to detect any fraud or improper behaviour.

EY is afforded such access through attendance at each Committee meeting, supported by other meetings held during the year with the Committee Chairman without management being present and the knowledge that it can raise any matter of concern to the Committee Chairman at any time without going through management. During the year, no issues were reported to the Committee.

Independence and objectivity

The Committee is responsible for monitoring and reviewing the objectivity and independence of the external auditor. In undertaking its annual assessment, the Committee took into account the new UK Ethical Independence Standards introduced by the FRC in December 2019 and effective from 15 March 2020.

The Committee reviewed:

— the confirmation from EY that they maintain appropriate internal safeguards in line with applicable professional standards, together with an explanation of the due diligence process followed to provide such a confirmation

— the mitigation actions we take in seeking to safeguard EY's independent status, including the operation of policies designed to regulate the amount of non-audit services provided by EY and the employment of former EY employees

— the tenure of the audit engagement partner (not being greater than five years); Kathryn Barrow was appointed as EY audit partner to the Group in April 2018

— the internal performance and effectiveness review of EY referred to above.

No Committee member has any connection with the current auditors. Taking the above review into account, the Committee concluded that EY remained objective and independent in their role as external auditor.

Effectiveness of the external audit

Following the issue of our Annual Report each year, the Director of Risk Management and Internal Audit conducts a performance evaluation and effectiveness review of the external audit. This is conducted against structured guidelines in consultation with the Executive Directors and members of the senior finance team. The Committee Chairman meets privately with the audit engagement partner before the Committee considers the results of the effectiveness review. The Committee's preliminary view is that EY have again performed their audit services effectively and to a high standard, and this is consistent with performance each year since appointment in 2013. Areas identified for development will be shared with them for inclusion in their audit and service delivery plans going forward.

Audit tendering

EY were first appointed to the office of auditor, following a competitive tender process, in respect of the 2013/14 financial year.

Under current regulations, we are required to retender the audit by no later than the 2023/24 financial year. Kathryn Barrow took over as audit engagement partner with effect from 1 April 2018. The Committee has assessed the quality, stability and continuity of the relationship with EY as the current auditor. It has recommended to the Board that it is in the best interests of the Company and shareholders to tender the audit contract by a date no later than that stipulated by the current regulations. There is no contractual obligation to remain with EY and the choice of audit firm will remain a topic of consideration for the Audit Committee.

On the recommendation of the Audit Committee, the Board is proposing a resolution at this year's Annual General Meeting that EY be reappointed to office for a further year.

The Company has complied with the Statutory Audit Services Order 2014 for the year under review.

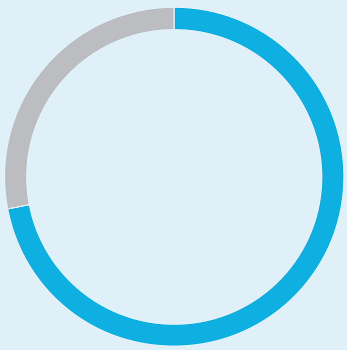
Audit fee

The fees payable to EY for the audit for 2019/20 (including the audit of the Group's joint ventures) are £0.8m (2018/19: £0.8m).

Non-audit services

To help safeguard EY's objectivity and independence, we operate a non-audit services policy that sets out the circumstances and financial limits within which EY may be permitted to provide certain non-audit services. As noted above, the Committee also incorporated the new FRC UK Ethical Independence Standards into its approval process and approval of non-audit services since December has been assessed against these standards.

Audit vs. non-audit fees Chart 30



Audit	70%
Non-audit	30%

(excluding the audit of the Group's joint ventures)

The Committee monitors compliance with the policy, including the prior approvals required for non-audit services, which are as follows:

Table 31

	Per assignment (£)	Aggregate during the year (£)
Chief Financial Officer	0–25,000	<100,000
Audit Committee Chairman	25,000–100,000	100,000–321,000
Committee	>100,000	>321,000

EY was engaged during the year to provide non-audit services to the Group that related to a range of minor matters totalling £25,000, work relating to the Company's half-year review (£60,000), providing a comfort letter to Land Securities Capital Markets PLC in connection with a bond prospectus (£33,000), the assurance statement on sustainability (£71,000) and a non-statutory audit of another subsidiary (£18,000). It was decided that it would be in the interests of the Company to use EY for these services, recognising that the use of audit firms for non-audit work should generally be kept to a minimum. Total fees for non-audit services, including the half-yearly review and other assurance-related services, amounted to £207,000. Details of the fees charged by EY during the year can be found in note 8 to the financial statements.

The total of £207,000 paid for non-audit services represented 30% of the audit fees payable by the Group to EY during the year (excluding the audit of its joint ventures). No non-audit fees were approved or paid on a contingent basis.

External valuations and valuers

The valuation of the Group's property portfolio, including properties held within the development programme and in joint arrangements, is undertaken by external valuers. The Group provides input, such as source data, and support to the valuation process. CBRE has been the Company's principal valuer since 2015 and was re-appointed in 2019 for a further three-year period. The valuation helps to determine a significant part of the Group's total property return and net asset value, which have consequential implications for the Group's reported performance and the level of variable remuneration received by Senior Management through bonus and long-term incentive schemes. Accordingly, the scrutiny of each valuation and the valuer's objectivity and effectiveness represent an important part of the Committee's work.

Valuations for the full and half-year were presented to the Committee by CBRE. These were reviewed and challenged by the Committee, with reference to CBRE's approach, methodology, valuation basis and underlying property and market assumptions. Other Non-executive Directors attended the full and half-year presentations. The Committee Chairman and other members of the Committee also had separate meetings with CBRE as part of this process to provide an opportunity to test and challenge the valuation outcomes and the principles and evidence used in the determination.

Additionally, CBRE met with EY and exchanged information independently of management. EY has experienced chartered surveyors on its team who consider the valuer's qualifications and assess and challenge the valuation approach, assumptions and judgements made by them. Their audit procedures are targeted at addressing the risks in respect of the valuations and the potential for any undue management influence in arriving at them. This year EY identified 37 properties (comprising 73% of the portfolio) for substantive review by its valuation experts primarily on the basis of their value, type, risk profile and location. This year, EY was restricted in its ability to visit sites due to Covid-19 but did visit two properties and completed analytical reviews over the input data for the valuations, comparing this to market data. The Committee reviewed their findings.

An internal evaluation of CBRE's performance and effectiveness will be conducted after the year-end results are finalised with the results reported to the Committee.

A fixed-fee arrangement (subject to adjustment for acquisitions and disposals) is in place with CBRE for the valuation of the Group's properties and, given the importance of their work, we have disclosed the fees paid to them in note 8 to the financial statements. The total valuation fees paid by the Company to CBRE during the year represented less than 5% of their total fee income for the year.

Significant financial matters

The Committee reviewed three significant financial matters in connection with the financial statements, namely the valuation of the Group's property portfolio, revenue recognition and going concern and viability in the context of the impact of Covid-19. Further details are set out in the table on page 83.

These items were considered to be significant taking into account the level of materiality and the degree of judgement exercised by management and, in respect of the valuation, the external valuer. The Committee discussed these with both parties, as well as EY.

Report of the Audit Committee
continued

In addition, the Committee considered, took action and made onward recommendations to the Board, as appropriate, in respect of other key matters including the going concern basis and viability statement on which the financial statements are prepared, accounting for property acquisitions and disposals, maintenance of the Group's REIT status and other specific areas of individual property and audit focus. As part of this consideration, the Committee discussed the viability and financial resilience of the Company in the medium to long term, taking into account the impact of Covid-19 and the predicted outcomes when various downside scenarios were applied.

The Committee was satisfied that all issues had been fully and adequately addressed and that the judgements made were reasonable and appropriate and had been reviewed and debated with the external auditor who concurred with the approach taken by management.

Non-financial matters

The Committee understands the level of reliance that is placed by shareholders on the statutory audit and the report of the external auditor. As noted in the Brydon Report, the purpose of the audit should go further than the financial statements and help to establish and maintain deserved confidence in a company, in its directors and information for which they have responsibility in the Annual Report.

We report on alternative performance measures on page 187. The Committee debated and discussed these measures and agreed that they were appropriate for the business.

Fair, balanced and understandable

The Committee applied the same due diligence approach adopted in previous years in order to assess whether the Annual Report is fair, balanced and understandable, one of the key UK Corporate Governance Code requirements. The Committee received assurance from the verification process carried out on the content of the Annual Report by the Executive Directors to ensure consistent reporting and the existence of appropriate links between key messages and relevant sections of the Annual Report and this was supported by an annual report assurance document produced by the Company.

Taking the above into account, together with the views expressed by EY, the Committee recommended, and in turn the Board confirmed, that the 2020 Annual Report, taken as a whole, is fair, balanced and understandable and provides the necessary information for shareholders to assess the Company's position, performance, business model and strategy.

Whistleblowing policy

The Board receives a whistleblowing report at each meeting. The Audit Committee reviews the Group's whistleblowing policy which allows employees to report concerns about suspected impropriety or wrongdoing (whether financial or otherwise) on a confidential basis, and anonymously if preferred. This includes an independent third-party reporting facility comprising a telephone hotline and an alternative online process. Any matters reported are investigated by the General Counsel and Company Secretary (or the Director of Risk Management and Internal Audit) and escalated to the Committee, as appropriate. During the year, one whistleblowing incident was reported through the hotline, although other grievances were received through different channels and fully investigated. The reports of the investigations were provided to the Board and the Committee.

We monitor whistleblowing awareness and remind employees that a dedicated hotline exists should they ever need to 'blow the whistle'. The arrangements also form part of the induction programme for new employees. Details of the whistleblowing hotline are included in our Sustainability Charter and procurement tender documentation.

Bribery and corruption policy

The Board has a zero tolerance policy for bribery and corruption of any sort. We provide training to staff on the procedures, highlighting areas of vulnerability, and the policy is reinforced through our Code of Conduct. Our principal suppliers are required to have similar policies and practices in place within their own businesses.

Significant financial matters

Significant financial matters considered	How the Committee addressed the matters
Valuation of the Group's property portfolio (including investment properties, investment properties held in joint ventures and trading properties) The valuation of the Group's property portfolio is a major determinant of the Group's performance and drives an element of the variable remuneration for Senior Management. Although the portfolio valuation is conducted by an external valuer, the nature of the valuation estimates is inherently subjective and requires the making of significant judgements and assumptions by management and the valuer. Significant assumptions and judgements made by the valuer in determining valuations may include the appropriate yield (based on recent market evidence), changes to market rents (ERVs), what will occur at the end of each lease, the level of non-recoverable costs and alternative uses. Development valuations also include assumptions around costs to complete the development, the level of letting at completion, incentives, lease terms and the length of time space remains void. The uncertainties over the current economic environment caused by Covid-19 has had an impact on the valuation of the Group's properties, with the Group's external valuer reporting the valuation on the basis of 'material valuation uncertainty'.	The Audit Committee adopts a formal approach by which the valuation process, methodology, assumptions and outcomes are reviewed and robustly challenged. This includes separate review and scrutiny by management, the Committee Chairman and the Committee itself. The Group uses CBRE, a leading firm in the UK property market, as its valuer. It also involves EY as the external auditor which is assisted by its own specialist team of chartered surveyors who are familiar with the valuation approach and the UK property market. EY met with CBRE separately from management and their remit extends to investigating and confirming that no undue influence has been exerted by management in relation to CBRE arriving at its valuations. CBRE submits its valuation report to the Committee as part of the half-yearly and full year results process. They were asked to attend and present their report to the Board and to highlight any significant judgements made or disagreements which existed between themselves and management. There were none. CBRE proposed changes to the values of our properties and developments during the year, which were discussed by the Committee in detail and accepted. Based on the degree of oversight and challenge applied to the valuation process, the Committee concluded that the valuations had each been conducted appropriately, objectively and in accordance with the valuer's professional standards.
Revenue recognition (including the timing of revenue recognition, the treatment of rents, incentives and recognition of trading property proceeds) Certain transactions require management to make judgements as to whether and to what extent they should be recognised as revenue in the year. Market expectations and revenue profit-based targets may place pressure on management to distort revenue recognition. This may result in overstatement or deferral of revenues to assist in meeting current or future targets or expectations.	The Committee and EY considered the main areas of judgement exercised by management in accounting for matters related to revenue recognition, including timing and treatment of rents, incentives, surrender premia and other property-related revenue. EY reviewed and tested individual transactions on a sample basis to ensure there was a contractual relationship and consistency of accounting treatment between last year and this year. It performed data analytics over the whole population of leases in the Group's portfolio, analysing data held in the Group's document and property management system. In its assessment, the Committee, in consultation with EY, considered all relevant facts, challenged the recoverability of occupier incentives, the options that management had in terms of accounting treatment and the appropriateness of the judgements made by management. These matters had themselves been the subject of prior discussion between EY and management. The Committee, having consulted with EY, concurred with the judgements made by management and was satisfied that the revenue reported for the year had been appropriately recognised.
Going concern in the context of Covid-19 The Group's going concern assessment is dependent on a number of factors, including the Group's financial performance, the Group's continued access to borrowing facilities and the Group's ability to continue to operate within its financial covenants. The value of our investment properties supports the Group's borrowing facilities which are secured against a ring-fenced group of property assets and are subject to financial covenants. There is a significant degree of uncertainty about the further spread of Covid-19 and the impact this could have on the world economy and a risk that this could adversely impact the Group's ability to continue to operate as a going concern. There is also a risk that the impact of Covid-19 on the going concern basis has not been adequately disclosed in the Annual Report and Accounts.	Given the significant impact of Covid-19 on the macro-economic conditions in which the Group is operating, the Directors have placed a particular focus on the appropriateness of adopting the going concern basis in preparing the financial statements for the year ended 31 March 2020. The Group's going concern assessment considers the Group's principal risks (see page 57) and is dependent on a number of factors, including financial performance, continued access to borrowing facilities and the ability to continue to operate the Group's secured debt structure within its financial covenants. 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 either of these limits are exceeded, the allowed operating environment becomes more restrictive with provisions coming into effect to encourage a reduction in gearing. However, it is not until the loan-to-value exceeds 100% or the interest cover ratio falls below 1.0x that a breach occurs at which point the Group would enter a remedy period. The going concern assessment is based on the first 12 months of the Group's viability model, which is based on a severe but plausible downside scenario including the anticipated impact of Covid-19. The Committee has reviewed the going concern disclosures in relation to Covid-19 in the Annual Report and Accounts and has concluded that they adequately disclose the risk to the extent it can be evaluated at this time. For further information on the Group's going concern and viability assessments, see page 57.

The above description of the significant financial matters should be read in conjunction with the Independent Auditor's Report on pages 109-114 and the significant accounting policies disclosed in the notes to the financial statements.

Directors' Remuneration Report – Chairman's Annual Statement

Edward Bonham Carter
Chairman, Remuneration Committee

Committee members

— Edward Bonham Carter (Chairman)
— Cressida Hogg
— Stacey Rauch
— Christophe Evain

Highlights

— Engagement with Employee Forum
— Post-cessation shareholding policy introduced
— New Chief Executive appointed

Key responsibilities

— Oversight of reward matters across the Group
— Maintaining a strong link between returns to shareholders and reward for Executives
— Approving individual reward outcomes for the Executive Directors and Executive Committee

Number of meetings and attendance

— Four scheduled meetings
— Three additional meetings
— 96% attendance[1]

1. Christophe Evain was unable to attend one additional meeting.

Dear Shareholder,

I am pleased to introduce the Directors' Remuneration Report for the year.

I cannot introduce this year's report without acknowledging the serious and sobering impact that Covid-19 has had on our communities, our partners and our employees. However the management team has worked hard to minimise the potentially devastating impact of the virus and follow the plans we set out at the beginning of the year under review.

This report comprises two sections: first, the annual report on remuneration, which describes how the Directors' Remuneration Policy has been implemented during the year and second, a summary of our current Policy which received a 99.4% vote from shareholders at the Company's AGM in 2018. My letter to you provides: context on the performance of the business and its management; the decisions made by the Committee during a turbulent year; and a description of how the Policy has been and will be implemented. I hope you find it useful.

Performance for the 2019/20 financial year
It is important that the pay for our Executive Directors should be seen against the background of the performance of the business, both during the financial year in question and over the performance period of the Long-Term Incentive Plan (LTIP).

Although overshadowed by the Covid-19 pandemic, Landsec's performance was mixed for the financial year ended 31 March 2020. We have been proactive in a tough retail market, maintaining high occupancy and protecting income. We have extended our leadership in sustainability, setting further stretching targets as we improve the way we operate for the benefit of our customers, communities and environment.

The market has faced unsettled conditions with different sub-sectors affected in different ways. The office market in London continued to be strong with stable levels of demand, rising rental values and capital values broadly flat. The retail market continued to be challenged, with limited demand for space and poor investor sentiment impacting rental and capital values. Covid-19 has affected both markets, with retail being particularly impacted with the majority of physical stores closed.

The actions we have taken to improve the quality of our portfolio over the last few years have enabled us to achieve resilient results in the face of this wider uncertainty and caution. Revenue profit, before provisions related to 2020/21 rent, is down 1.1%. Adjusted diluted earnings per share are also down 6.4% to 55.9p. Asset values declined by 8.8% in aggregate reflecting the weaker retail market, particularly shopping centres and retail parks. This resulted in a 11.6% reduction in EPRA net tangible assets per share to 1,192p.

These results are clearly reflected in the variable pay awarded to the Executive Directors.

Annual bonus performance
The annual bonus for the year comprises two parts: company performance and personal performance. Company performance is determined by three key measures – total property return (TPR), revenue profit and performance against specific business objectives. Approximately half of our workforce benefits from the Company performance element, which is calculated using the same methodology for everyone and all employees are eligible for a personal performance bonus.

For 2019/20, we made a revenue profit of £414m; a decrease of 6.3% on the prior year. TPR fell below our external benchmark, but we made important progress against many of our strategic objectives. For each Executive Director, the personal performance element of the bonus (which makes up 13% of the total opportunity) comprises a number of individual targets. Performance against each target was thoroughly tested by the Committee. Executive Directors were awarded, on average, an annual bonus of 46% of the maximum for the year – a full assessment of performance under each metric is provided on pages 89-90. In view of the Covid-19 impact, this bonus will not be paid in cash, but will be deferred in full into shares, vesting in July 2021.

Long-Term Incentive Plan performance
Vesting of the LTIP is determined by performance against two equally-weighted measures of total property return (TPR), measured versus an MSCI benchmark, and total shareholder return (TSR) relative to FTSE 350 real estate companies. Performance under both measures was below the threshold level and as such there is no vesting of the 2017 LTIP award.

Management changes
On 11 July 2019 Robert Noel announced his intention to retire from the Board during 2020. He stepped down as CEO on 31 March 2020 and full details of the financial arrangements of his departure are explained on page 91.

Following Robert's announcement, the Board instigated a search for a replacement CEO and after thorough consideration Mark Allan was appointed. He joined the business on 14 April 2020. Full details of his remuneration arrangements are set out on page 91.

Discretion
The Committee considers the exercise of discretion very carefully. The departure of Robert Noel was comprehensively reviewed by the Committee and after taking into account Robert's length of service, commitment to the business and his record in steering the Company through a turbulent economic environment, the Committee deemed him to be a good leaver under the terms of the LTIP and bonus schemes. Robert continued to lead the business and fulfil his role, offering his full cooperation during handover; he will also maintain a substantial shareholding for two years from 1 April 2020. Full details can be found on page 91.

When considering the total amounts earned under the annual bonus and LTIP, the Committee considers the overall performance of the Company and any exceptional factors. The Committee determined that no discretion needed to be exercised to override the bonus or LTIP for 2019/20.

Executive remuneration for 2020/21
Impact of Covid-19
The Committee has considered the potential impact of stock market movements on the number of shares to be granted under the 2020 LTIP. The Committee is aware of concerns expressed by some shareholder bodies that the recent general stock market decline may distort the numbers of shares granted under companies' LTIP plans in 2020. We have therefore ensured that the Remuneration Committee has discretion to apply a downward adjustment to the level of LTIP vesting in 2023 if it considers that the vesting value represents an unjustified 'windfall gain' to executives, taking account of the level of performance achieved over the relevant period.

The 2020 annual salary review for Executive Directors has been cancelled and the Executive and Non-executive Directors have also agreed to waive 20% of base salary or fees for a three-month period commencing 1 May 2020. The funds will be used for charitable contributions towards the fight against the pandemic and to support the most vulnerable members of society in the communities we serve.

No cash bonus will be paid to Executive Directors for the year under review. Instead all bonus earned will be paid in July 2020 in the form of deferred shares.

Additionally the Executive Directors have agreed to waive their annual bonus related to financial measures for at least the first quarter of 2020/21.

1. Base salary
Annual salary reviews, normally effective from June, for Executive Directors have been cancelled.

Colette O'Shea's role expanded significantly during the course of the year under review. With effect from 1 April 2019 her role changed to take accountability for our large Retail Portfolio, in addition to the London Portfolio she already managed. From the second half of 2019, she also took on accountability for leading and managing our extensive development pipeline in suburban London. Colette's role also now includes leading our transformation programme, including driving the customer agenda and managing the complex and high profile relationships with retail and office occupiers at a time of economic pressure. The Committee made an adjustment to Colette's salary, effective 1 January 2020, to recognise the significant expansion of her role, responsibilities and leadership status. The Committee has benchmarked the role considering these expanded responsibilities and her greater leadership accountabilities, and has taken input from its internal and external advisors. The new salary is £480,000, an increase of £40,000 (9.1%). There will be no further review until June 2021.

2. Annual bonus
Executive Directors will be eligible for an annual bonus of up to 150% of salary. As in previous years, this will be based on a mix of financial and strategic measures, with a minority based on personal performance targets. Further detail is provided on page 95. As noted above, annual bonus related to financial measures will be waived for at least the first quarter for 2020/21.

3. Long-Term Incentive Plan
No changes are proposed for the LTIP in 2020. We will be making awards under the LTIP in June 2020, which will be subject to TSR and TPR performance conditions over the three-year performance period. Any vesting awards will continue to be subject to a two-year post-vesting holding period. Further detail is provided on page 95.

Remuneration across the Company
We oversee all remuneration policies and practices across the organisation, and are regularly briefed by the Group HR Director on their implementation throughout the business. When making any decisions on remuneration matters, the Committee takes account of the interests of all internal and external stakeholders.

Gender pay gap
During the course of the year, the Committee was disappointed to learn that the Company's gender pay gap had not improved. We remain concerned about the gap and continue to review management's response to this important topic. More information on the measures being taken to deal with this can be found on page 46 and on the Company's website.

Employee voice
In addition to our first 'Meet the NEDs' event (more details can be found on page 71), I took the opportunity to meet with our Employee Forum in 2019, specifically to understand the views of the wider workforce in respect of Executive remuneration, and to allow employees to ensure their voice was heard directly by this Committee. I was pleased to answer a number of questions posed by the forum and we engaged in a lively and constructive discussion.

Governance review
Minimum shareholding requirements (MSR)
During the year, the Committee approved the Company's minimum shareholding requirement (MSR) policy. The MSR applying to our new CEO has been increased to 300% of salary (250% for the former CEO), and the MSR remains at 200% of salary for other Executive Directors. From 1 April 2020 the MSR will apply in full for a period of two years after leaving the Board, to ensure alignment with shareholder interests even after an Executive Director leaves the Company.

Pension
Complying with recent corporate governance developments, our new CEO will receive a pension allowance of 10.5% in line with the wider workforce. Colette O'Shea also received a reduced pension allowance of 10.5% from 1 January 2020. Martin Greenslade's pension allowance will reduce from 25% to 20% from 1 June 2020 and will be subject to further consideration as part of the Policy review in 2021.

Directors' remuneration policy
We tabled our Directors' remuneration policy (DRP) at the Annual General Meeting on 12 July 2018 which was overwhelmingly supported with a 99.4% shareholder vote in favour. The Committee intends to carry out a full review of the Directors' Remuneration Policy during 2020, to ensure that it remains appropriate and aligned with the interests of the business for the coming period. In doing so, we will take account of developments in market best practice and investor expectations, as well as the specific nature of our business and the sector in which we operate. An amended policy will be presented for approval at our 2021 AGM.

Conclusion
Having chaired the Remuneration Committee since 1 January 2019 on a transitional basis, I have handed over the role of Chair to Christophe Evain from 6 May 2020. I will continue to serve on the Committee. Christophe has gained experience as a member of this Committee and the Board since his appointment in April 2019. He will lead the Committee through the upcoming Policy review process.

I hope that you have found my letter useful, informative and clear. I am grateful for the engagement and support provided by our shareholders, and welcome your feedback on this report.

B. H. Bonham Carter.

Edward Bonham Carter
Chairman, Remuneration Committee

Remuneration at a glance

Our at a glance summary sets out clearly and transparently the total remuneration paid to our Executive Directors in 2019/20.

We aim to align the total remuneration for our Executive Directors to our business strategy through a combination of salary, bonus and long-term incentive schemes, underpinned by stretching performance targets.

Remuneration structure

Remuneration principles

We will materially differentiate reward according to performance.	Performance targets will be stretching, and will balance both long- and short-term performance, absolute and relative measures.	We will reward competitively to attract and retain the best talent.	The breakdown of fixed and variable pay will be appropriate to each role.	Our framework will be transparent with clear line of sight from Landsec's performance to individual outcomes.	Performance-related variable pay will be subject to malus and clawback.

Fixed pay
— base salary
— benefits
— pension

More details on page 100

Annual bonus

More details on page 100

Long-Term Incentive

More details on page 101

Performance

£414m
Revenue profit
(2019: £442m)

-35.4%
Annual TSR
(2019: 2.9%)

-4.5%
Ungeared TPR
(2019: 0.4%)

55.9p
Adjusted diluted EPS
(2019: 59.7p)

Remuneration across the Group

£51m
Total pay bill
(2019: £51m)

0%
Employees received an annual increase
(2019: 83.3%)

0%
Average pay increase
(2019: 2.5%)

99.6%
Employees to be paid a bonus
(2019: 93.9%)

Chief Executive remuneration

£1,569,474
Single figure
(2019: £1,624,153)

43.8%
Annual bonus percentage
(2019: 50.5%)

0%
LTIP vesting
(2019: 0%)

-3.4%
Total remuneration
(2019: -4.1%)

Gender pay gap reporting

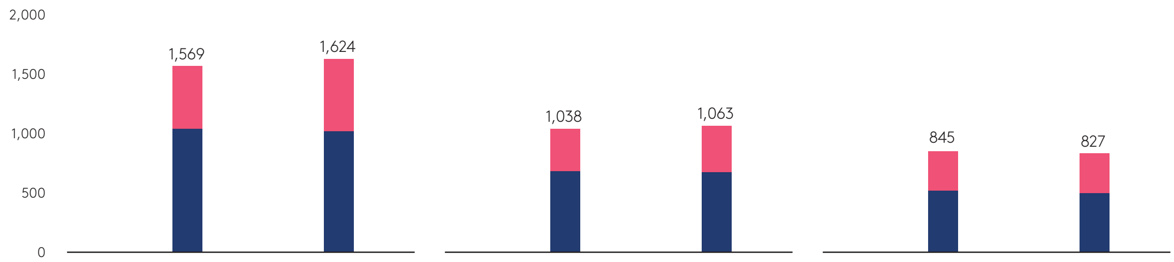
37.7%
Mean hourly pay gap
(2019: 36.8%)

34.3%
Median hourly pay gap
(2019: 37.1%)

61.0%
Mean bonus pay gap
(2019: 64.6%)

Summary of Executive Directors' total remuneration

Table 32

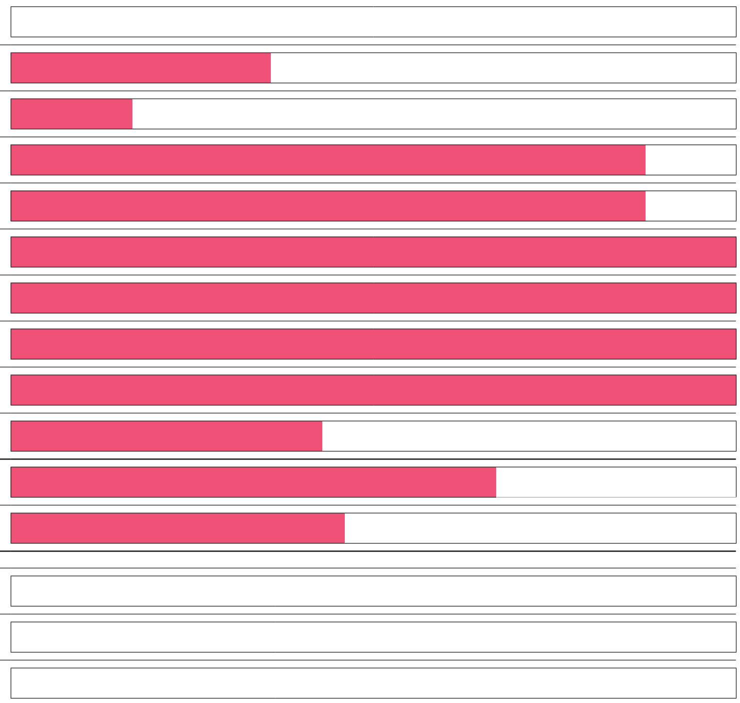


	Robert Noel, Chief Executive (£000) 2019/20	2018/19	Martin Greenslade, Chief Financial Officer (£000) 2019/20	2018/19	Colette O'Shea, Managing Director, Property (£000) 2019/20	2018/19
Base salary earned	**812**	797	**528**	519	**444**	422
Benefits	**22**	22	**20**	20	**17**	17
Pension allowance	**202**	199	**132**	130	**53**	55
Annual bonus paid in cash	**–**	400	**–**	260	**–**	212
Annual bonus deferred into shares	**533**	206	**358**	134	**331**	121
Long-term incentives vested	–	–	–	–	–	–
Total remuneration	**1,569**	1,624	**1,038**	1,063	**845**	827

Summary of Executive Directors' variable remuneration

		Weighting	Outturn
Annual bonus	One-year TPR	26%	0.0%
	Revenue profit	26%	9.3%
	London development projects	6%	1.0%
	London pipeline	12%	10.5%
	Modern Methods of Construction	4%	3.5%
	Enhanced retail offer	4%	4.0%
	Social contribution	3%	3.0%
	Energy reduction	3%	3.0%
	People and diversity	3%	3.0%
	Total Company bonus opportunity	**87%**	**37.3%**
	Individual targets	13%	8.7%[1]
	Total bonus opportunity	**100%**	**46.0%[1]**
LTIP	Three-year TSR	50%	0.0%
	Three-year TPR	50%	0.0%
	Total LTIP opportunity	**100%**	**0.0%**

% of weighting achieved



1. Average achieved for Robert Noel, Martin Greenslade and Colette O'Shea.

To read more on our strategy, go to page 20

Annual Report on Remuneration

The Annual Report on Remuneration describes how the Directors' Remuneration Policy ('The Policy'), approved by shareholders at the Annual General Meeting in July 2018, has been applied in the financial year ended 31 March 2020.

In this section

Fixed pay

Annual bonus

Long-Term Incentive Plan awards

During the course of 2019/20, the Remuneration Committee was engaged in a number of key matters, including:

— Determining salary increases for the Executive Directors and Executive Committee members, together with the overall level of salary increases for employees across the Group

— Setting and subsequently reviewing the outcomes for corporate, business unit and personal targets under the annual bonus scheme for Executive Directors and Executive Committee members

— Reviewing and determining the outturns against the performance conditions, and subsequent vesting outcome, of awards granted under the Long-Term Incentive Plan (LTIP) awarded in 2017

— Reviewing the long-term incentive arrangements below Executive level

— Determining the annual level of LTIP grants to Executive Directors and Executive Committee members

— Monitoring Directors' compliance with the Company's share ownership policy

— Monitoring developments in stakeholder sentiment on executive pay and corporate governance, including participating in consultation exercises where appropriate

— Overseeing the calculation and publishing of the Group's gender pay report

— Determining the remuneration terms for Robert Noel following his retirement

— Determining the remuneration terms for Mark Allan, our newly appointed CEO

Unless otherwise stated, narrative and tables are unaudited and TPR refers to the Group's ungeared total property return relative to an MSCI benchmark comprising all March-valued properties.

1. Remuneration outcomes for Directors during the year

In this section, we explain the pay outcomes for Directors in relation to the financial year ended 31 March 2020. Tables 33 and 34 show the payments we expect to make and then tables 35-38 give more detail on how we have measured the performance outcomes with respect to the annual bonus and LTIP in the context of value created for shareholders.

1.1 Directors' emoluments (Audited)

The basis of disclosure in the table below is on an 'accruals' basis. This means that the annual bonus column includes the amount that will be awarded in July 2020 in connection with performance achieved in the financial year ended 31 March 2020.

The values shown for the 2019/20 annual bonus and the 2017 LTIP awards (for the three-year performance period ended 31 March 2020) are based on estimated achievement against total property return performance measures. The estimated LTIP achievement is based on actual TSR data and together with the estimated TPR; the vesting level for the 2017 LTIP is projected to be zero.

Single figure of remuneration for each Executive Director (£000) Table 33

		Base salary[1]	Benefits[2]	Pension allowance[3]	Annual bonus paid in cash[4]	Annual bonus deferred into shares[4]	Long-term incentives vested[5]	Total	Total fixed pay	Total variable pay
Executive Directors										
Robert Noel	**2019/20**	**812**	**22**	**202**	**–**	**533**	**–**	**1,569**	**1,036**	**533**
	2018/19	797	22	199	400	206	–	1,624	1,018	606
Martin Greenslade	**2019/20**	**528**	**20**	**132**	**–**	**358**	**–**	**1,038**	**680**	**358**
	2018/19	519	20	130	260	134	–	1,063	669	394
Colette O'Shea	**2019/20**	**444**	**17**	**53**	**–**	**331**	**–**	**845**	**514**	**331**
	2018/19	422	17	55	212	121	–	827	494	333

1. Base salary earned during the year. See table 46 for details of annual salary effective from 1 June 2019.
2. Benefits consist of a car allowance, private medical insurance, income protection and life assurance premiums.
3. The pension amount for Robert Noel and Martin Greenslade is a cash allowance of 25% of base salary. The pension amount for Colette O'Shea was 12.5% of base salary up to 31 December 2019 and 10.5% from 1 January 2020.
4. In response to the Covid-19 pandemic, Executive Directors' 2019/20 annual bonus award will be wholly deferred into shares vesting in 2021.
5. As no LTIP awards were eligible to vest in respect of 2018/19 or 2019/20, figures in this table do not include the impact of any share price appreciation. Dividend equivalents do not accrue on these awards between grant and vesting.

Single figure of remuneration for each Non-executive Director (£000) Table 34

		Fees[1]	Benefits[2]	Pension allowance	Annual bonus paid in cash	Annual bonus deferred into shares	Long-term incentives vested	Total	Total fixed remuneration	Total variable remuneration
Non-executive Directors										
Cressida Hogg	**2019/20**	**375**	**–**	**–**	**–**	**–**	**–**	**375**	**–**	**375**
	2018/19	290	–	–	–	–	–	290	–	290
Chris Bartram	**2019/20**	**70**	**–**	**–**	**–**	**–**	**–**	**70**	**–**	**70**
	2018/19	70	–	–	–	–	–	70	–	70
Stacey Rauch[2]	**2019/20**	**70**	**5**	**–**	**–**	**–**	**–**	**75**	**–**	**75**
	2018/19	70	3	–	–	–	–	73	–	73
Edward Bonham Carter	**2019/20**	**95**	**–**	**–**	**–**	**–**	**–**	**95**	**–**	**95**
	2018/19	84	–	–	–	–	–	84	–	84
Nicholas Cadbury	**2019/20**	**90**	**–**	**–**	**–**	**–**	**–**	**90**	**–**	**90**
	2018/19	90	–	–	–	–	–	90	–	90
Madeleine Cosgrave	**2019/20**	**70**	**–**	**–**	**–**	**–**	**–**	**70**	**–**	**70**
	2018/19	18	–	–	–	–	–	18	–	18
Christophe Evain[3]	**2019/20**	**70**	**–**	**–**	**–**	**–**	**–**	**70**	**–**	**70**
	2018/19	–	–	–	–	–	–	–	–	–

1. Represents fees paid to Directors during the year. See table 47 for annual fees as at 31 March 2020.
2. Stacey Rauch receives UK tax return support which is treated as a benefit in kind.
3. Christophe Evain was appointed to the Board on 1 April 2019.

1.2 Annual bonus outturn

In the year under review, Executive Directors had the potential to receive a maximum annual bonus of up to 150% of base salary. Of this, 130% was dependent on meeting Group targets and 20% dependent on meeting personal targets. All targets were set at the beginning of the year. The following table confirms the targets and their respective outcomes. The on-target bonus is 75% of salary (equivalent to 50% of the maximum opportunity). The bonus payable for threshold performance is 37.5% of salary (equivalent to 25% of the maximum opportunity).

Annual bonus performance 2019/20: Company objectives Table 35

Measure	Weighting	Description	Performance outcome				Outturn (% of maximum)
Ungeared total property return (TPR)	26%	The Group's ungeared TPR relative to an MSCI benchmark comprising all March-valued properties (excl. Landsec)	**Threshold (6.5%)** Benchmark	**Target (13%)** Benchmark +0.7%	**Maximum (26%)** Benchmark +2.0%	**Actual** Below benchmark	0.0%
Revenue profit	26%	Once the Group has met a threshold revenue profit, 5% of the excess is contributed to the bonus pool for the Group (capped at 26%)	**Threshold (0%)** £408m	**Target (13%)** £426m	**Maximum (26%)** £444m	**Actual** £421m[1]	9.3%
London development projects	6%	Progress on key developments, including 21 Moorfields. High profile London developments are key drivers of income and revenue profit for the future	Specific targets have been set for each major development in relation to project progress versus time and budget and have been partially achieved.				1.0%
London development pipeline	12%	Pipeline of future developments ensures future ability to drive income and capital growth	**Threshold (3%)** 1 On track	**Target (6%)** 2 On track	**Maximum (12%)** 3 On track	**Actual** 3 On track	10.5%
Modern Methods of Construction	4%	Introduction of Modern Methods of Construction enables quicker and more efficient construction, which reduces costs	**Threshold (1%)** Sumner Street	**Target (3%)** Sumner Street +1	**Maximum (4%)** Sumner Street +2	**Actual** Sumner Street +1	3.5%
Delivery of enhanced retail units	4%	Delivery of specific enhanced units for key, strategic customers at shopping centres is key to the delivery of our projected performance targets	**Threshold (1%)** 1 Complete	**Target (3%)** 2 Complete	**Maximum (4%)** 3 Complete	**Actual** 3 Complete	4.0%
Social value creation	3%	Landsec has committed to deliver £25m of social value through our community programmes by 2025	**Threshold (1%)** £3.5m value created	**Target (2%)** £4.0m value created	**Maximum (3%)** £4.5m value created	**Actual** £4.8m value created	3.0%
Energy usage reduction	3%	Delivery of quantifiable energy reduction targets across our portfolio	**Threshold (1%)** 1% reduction	**Target (2%)** 2% reduction	**Maximum (3%)** 3% reduction	**Actual** 3% reduction	3.0%
Diversity	3%	Improving the diversity of our internal and external talent pipeline	**Threshold (1%)** Establish capability to measure shortlists	**Target (2%)** Workplace accreditations achieved	**Maximum (3%)** Improved disclosure demonstrated	**Actual** Accreditation and disclosure achieved	3.0%
Total Group targets	**87%**						**37.3%**
Personal objectives	13%	A mix of short- and long-term individual goals set at the beginning of the year.	See table 36 overleaf.				8.7%[2]
Total annual bonus	**100%**						**46.0%**

1. Adjusted revenue profit.
2. Average achieved for Robert Noel, Martin Greenslade and Colette O'Shea.

Annual bonus performance 2019/20: Personal objectives — Table 36

The Executive Directors shared a number of common targets which included:

Personal objectives	Assessment
— Oversee the successful rationalisation of business units into a streamlined organisational structure to deliver efficiencies and synergies.	— Integration completed in the first half with synergies created and minimal regretted leavers. Smooth transition to internal and external reporting in the new structure.
— Strengthen our position as a sustainability leader.	— Established a strategy to be a net zero carbon business by 2030. Science-based carbon reduction targets amended for 1.5°C of warming. CDP A list for third consecutive year.
— Develop succession and talent plans for critical leadership roles, with a strong focus on diversity.	— Succession plans delivered, diversity strategy refreshed and transition arrangements for smooth CEO handover implemented.

Each Director's contribution towards these shared objectives was rigorously assessed by the Committee and a performance rating awarded out of a maximum of 13% of the total opportunity (equivalent to 20% of salary) as shown in table 37 below.

Annual bonus achievement as a percentage of salary — Table 37

	Company bonus (87%)		Individual bonus (13%)		Total bonus (100%)	
	Maximum achievable	% Salary awarded	Maximum achievable	% Salary awarded	Maximum achievable	% Salary awarded[1]
Robert Noel	130%	55.5%	20%	10%	150%	65.5%
Martin Greenslade	130%	55.5%	20%	12%	150%	67.5%
Colette O'Shea	130%	55.5%	20%	18%	150%	73.5%

1. Due to the impact of the Covid-19 pandemic, the Committee decided to defer cash bonus payments into shares, which will vest in July 2021.

1.3 Long-Term Incentive Plan outturns

The table below summarises how we have assessed our LTIP performance achievement over the three years to 31 March 2020.

LTIP performance 2017-2020 — Table 38

Measure	Weighting	Description	Performance outcome				Outturn (% of maximum)
Total shareholder return (TSR)[1]	50%	TSR relative to the FTSE 350 Real Estate Index, weighted by market capitalisation, measured over the three-year performance period.	**Threshold (10%)** Index	**Target (25%)** Index +1.3% p.a.	**Maximum (50%)** Index +3% p.a.	**Actual** Below index	0%
Ungeared total property return (TPR)[2]	50%	The Group's ungeared TPR relative to an MSCI benchmark comprising all March-valued properties (excluding Landsec), measured over a three-year period.	**Threshold (10%)** Benchmark	**Target (25%)** Benchmark +0.4% p.a.	**Maximum (50%)** Benchmark +1.0% p.a.	**Actual** Below benchmark	0%
Total	**100%**		**20%**	**50%**	**100%**		**0%**

1. Index excludes Landsec.
2. The outturn is adjusted to take account of the performance of trading properties.

2. Management changes during the year

2.1 Retirement of Robert Noel

As announced on 11 July 2019, Robert has retired from his role as CEO. He stepped down as CEO and as a Director of the Board on 31 March 2020 and his employment ends on 10 July 2020 in accordance with his 12-month notice period.

Salary and benefits
Robert will receive salary, benefits, and pension allowance as normal up until the end of his employment. The total value of these for the period from 1 April to 10 July 2020 is £292,227 (subject to all necessary deductions).

Annual bonus
As explained on page 85, the Committee exercised its discretion and deemed him to be a 'good leaver' under the terms of the Policy and relevant incentive plan rules. In line with Company policy on 'good leaver' status, in July 2020 Robert will be paid his annual bonus of £533,357. This is in respect of the year ended 31 March 2020 which he served in full. The total bonus amount will be deferred into shares in line with other Executive Directors and will vest after one year. No bonus award will be made for the financial year commencing 1 April 2020.

Share awards
Outstanding LTIP awards have been pro-rated for the portion of the performance period served (see table below). The awards will remain subject to their performance conditions measured over the full performance period. Any vesting awards will be subject to the normal two-year post-vesting holding period.

Outstanding unvested deferred bonus options over 25,076 shares will vest in full and become exercisable for a six-month period from the normal vesting date, 25 June 2020, subject to the rules of the Deferred Share Bonus Plan (DSBP).

As noted above, Robert will receive a further award under the DSBP in respect of his full bonus for the Company's financial year ended 31 March 2020.

Post-cessation shareholding
Although Robert's retirement from Landsec was announced prior to the approval of the Company's post-cessation shareholding policy, Robert is required to hold 100,000 shares for a period of two years from 1 April 2020.

Compensation for loss of office
Robert will not be eligible for any payments for loss of office.

Malus and clawback
Malus and clawback provisions will continue to apply to annual bonus, deferred bonus and LTIP award.

Governance

Outstanding LTIP awards – Robert Noel Table 39

Award	Number of shares subject to award	Maximum number of shares which could vest[1]	Vesting date
2017 LTIP share option granted on 26 June 2017	228,583	228,583	26 June 2020
2018 LTIP share option granted on 25 June 2018	251,880	167,920	25 June 2021
2019 LTIP share option granted on 25 June 2019	297,950	99,316	25 June 2022

1. Subject to performance conditions.

2.2 Appointment of Mark Allan

Mark Allan was appointed as our new CEO with effect from 14 April 2020. The Committee determined Mark's remuneration taking account of pay levels in our sector peers and for companies similar in size to Landsec, as well as the skills and experience he brings. His remuneration has been set within the parameters of the approved Policy, and consists of:

- A base salary of £800,000
- A standard Company benefits package including car allowance, health cover and life insurance
- A one-time relocation allowance of £200,000 (subject to tax and NI) repayable on a pro-rata basis in the event of termination within two years
- A pension allowance of 10.5% of salary, in line with the majority workforce rate
- A maximum annual bonus of 150% of salary and
- LTIP awards of 300% of salary.

Mark will also be required to comply with the Company's newly approved Minimum Shareholding Policy, and build and hold a shareholding to the value of 300% of salary within five years of his appointment, which he will also be required to retain for a two-year period post-cessation.

In compensation for incentive awards forfeited on his resignation from his previous employer, three share awards were made shortly after Mark joined the Company, see table below for detail of the awards. These awards will vest on the same timeframe as the awards they replace. As the performance period for the first two tranches has been completed, or substantially completed, their value has been determined based on the extent to which the performance conditions were satisfied up to 30 November 2019, and these tranches will vest subject to continued service only. The third tranche will be subject to Landsec's TSR and TPR performance over the two-year period starting 1 April 2020, with the same performance targets as the 2020 LTIP grant made to other Landsec employees. All three tranches will be subject to a two-year post-vesting holding period, and are granted on materially equivalent terms to the rules of the Landsec LTIP including malus and clawback.

As compensation for the annual bonus that would have been received from his former employer, Mark will receive a replacement award of £674,630, repayable on a pro-rata basis if he leaves Landsec within two years. In line with the plan rules of his previous employer, 40% of the net amount of this award will be used to purchase shares in Landsec to be held for a period of at least three years.

Compensation for forfeited awards – Mark Allan Table 40

	Date of grant	Landsec awards granted	Vesting date	Face value (£) of award[1]	Performance conditions
2019 award	On appointment	113,753	June 2022	1,039,476	Yes
2018 award	On appointment	70,419	April 2021	643,488	No[2]
2017 award	On appointment	96,890	July 2020	885,379	No[2]

1. Based on the Landsec share price as at 15 November 2019 of 913.8p.
2. These are based on previous employer's performance, for which the performance periods are completed or substantially completed. They will vest subject to continued service only.

3. Directors' interests

3.1 Total shareholding (Audited)

Details of the Directors' interests, including those of their immediate families and connected persons, in the issued share capital of the Company at the beginning and end of the year, together with their required shareholding, are set out in the table below.

Executive Directors are expected to meet the minimum shareholding requirements within five years of appointment to the Board. Where the minimum level is not met, or where the value of shareholding falls below the required level due to movements in the share price, the Executive Director is expected to retain 100% of the shares acquired, net of tax, under any share plan awarded by the Company.

Non-executive Directors are expected to meet the minimum shareholding requirements within three years of appointment to the Board. The shareholding requirements are considered met once the Non-executive Director has obtained the required holding value and, provided those shares are retained, no adjustment is required due to movements in the share price.

Directors' shares Table 41

Name	Salary/ base fee at 31 March 2020 (£)	Minimum shareholding requirements (% of salary/ base fee)	Required holding value (£)	Holding (ordinary shares) 1 April 2019	Holding (ordinary shares) 31 March 2020	Deferred bonus shares under holding period	Value of holding (£)[1]	In compliance with policy
Robert Noel[2]	814,000	250%	2,035,000	396,810	100,000	13,290	630,799	–
Martin Greenslade[3]	530,000	200%	1,060,000	432,653	444,087	8,651	2,520,845	✓
Colette O'Shea	480,000	200%	960,000	66,309	66,309	7,850	412,923	✓
Cressida Hogg	375,000	100%	375,000	9,375	41,375	n/a	230,376	✓
Chris Bartram	70,000	100%	70,000	19,080	19,080	n/a	106,237	✓
Stacey Rauch	70,000	100%	70,000	8,000	8,000	n/a	44,544	✓
Edward Bonham Carter	70,000	100%	70,000	9,375	9,375	n/a	52,200	✓
Nicholas Cadbury	70,000	100%	70,000	4,481	7,481	n/a	41,654	✓
Madeleine Cosgrave	70,000	100%	70,000	–	4,883	n/a	27,189	✓
Christophe Evain	70,000	100%	70,000	–	8,000	n/a	44,544	✓

1. Using the closing share price of 556.8p on 31 March 2020 and including deferred shares at 100%, net of the notional tax and employee NIC.
2. Robert Noel retired from the Board on 31 March 2020 and details of his post-termination shareholding obligations are detailed on page 91.
3. The number of shares held by Martin Greenslade at 31 March 2019 was 432,653 and not 422,153 as disclosed in last year's report.

3.2 Outstanding share awards held by Executive Directors (Audited)

The table below shows share awards granted and vested during the year, together with the outstanding and unvested awards at the year end. From 2015, Matching Share Plan (MSP) awards for Executive Directors have been discontinued. LTIP awards are granted in the form of nil cost options, which may be exercised from the third anniversary of the date of grant, until their expiry on the tenth anniversary of the date of grant.

Outstanding LTIP and MSP share awards and those which vested during the year Table 42

		Award date	Market price at award date (p)	Options awarded	Options vested	Market price at date of vesting (p)	Vesting date
Robert Noel	LTIP shares	27/06/2016	1,005	229,453	–	n/a	27/06/2019
		26/06/2017	1,029	228,583			26/06/2020
		25/06/2018	953	167,920			25/06/2021
	Deferred shares	25/06/2018	953	31,458	31,458	835	25/06/2019
		25/06/2019	820	25,076			25/06/2020
Martin Greenslade	LTIP shares	27/06/2016	1,005	149,361	–	n/a	27/06/2019
		26/06/2017	1,029	148,795			26/06/2020
		25/06/2018	953	163,960			25/06/2021
	Deferred shares	25/06/2018	953	20,477	20,477	835	25/06/2019
		25/06/2019	820	16,323			25/06/2020
Colette O'Shea	LTIP shares	27/06/2016	1,005	50,497	–	n/a	27/06/2019
		26/06/2017	1,029	49,908			26/06/2020
		25/06/2018	953	88,881			25/06/2021
	Matching shares	27/06/2016	1,005	30,298	–	n/a	27/06/2019
		26/06/2017	1,029	29,945			26/06/2020
	Deferred shares	25/06/2019	820	14,812			25/06/2020

Awards were granted under the LTIP in June 2019, subject to two equally-weighted performance conditions over a three-year performance period, as set out below. No awards will vest if the threshold performance targets are not met.

Table 43

	Number of awards	Share price (p)[1]	Face value	Performance period	Performance conditions
Robert Noel	297,950[2]	819.6	£2,441,998	1 April 2019 to 31 March 2022	50% TSR relative to the FTSE 350 Real Estate Index, weighted by market capitalisation. 50% ungeared TPR relative to an MSCI benchmark.
Martin Greenslade	193,997	819.6	£1,589,999		
Colette O'Shea	134,211	819.6	£1,099,993		

1. Face value of awards has been determined based on the closing share price on the trading day immediately prior to the date of grant.
2. Number of shares have been pro-rated to 99,316 in line with termination date. See page 91 for further details

3.3. Directors' options over ordinary shares (Audited)

The options over shares set out below relate to the Company's Savings Related Share Option Scheme (SAYE). The Scheme is open to all qualifying employees (including Executive Directors) and under HMRC rules does not include performance conditions.

Outstanding SAYE grants and those which were exercised during the year

Table 44

	Number of options at 1 April 2019	Exercise price per share (p)	Number of options granted in year to 31 March 2020	Number options exercised	Market price at exercise (p)	Number of options at 31 March 2020	Exercisable dates
Martin Greenslade	1,047	859	–	–	–	1,047	08/2020-02/2021
	2,373	759	–	–	–	2,373	08/2021-02/2022
Total	**3,420**		**–**	**–**	**–**	**3,420**	
Colette O'Shea	1,047	859	–	–	–	1,047	08/2020-02/2021
	1,186	759	–	–	–	1,186	08/2021-02/2022
Total	**2,233**		**–**	**–**	**–**	**2,233**	

1. SAYE awards may be exercised during a six-month window after the end of the three-year contract.
2. The exercise price for the 2017 SAYE awards was determined based on the average share price over the period 24 May to 26 May 2017, discounted by 20%.
3. The exercise price for the 2018 SAYE awards was determined based on the average share price over the period 22 May to 24 May 2018, discounted by 20%.

3.4 External appointments for Executive Directors

Executive Directors are permitted to hold one external directorship subject to prior approval by the Board and are permitted to retain any fees paid. Robert Noel was appointed as a Non-executive Director of Taylor Wimpey plc with effect from 1 October 2019, and received fees of £30,000 for the year ended 31 March 2020 (£60,000 annually) in respect of this appointment. Martin Greenslade was appointed as a Non-Executive Director of Tullow Oil plc with effect from 1 November 2019, and received fees of £27,113 (£65,000 annually) in respect of this appointment.

3.5 Directors' Service Contracts and Letters of Appointment

Dates of appointment for Directors

Table 45

Name	Date of appointment	Date of contract
Executive Directors		
Robert Noel	1 January 2010	23 January 2012
Martin Greenslade	1 September 2005	9 May 2013
Colette O'Shea	1 January 2018	1 January 2018
Non-executive Directors		
Cressida Hogg[1]	12 July 2018	14 May 2018
Chris Bartram	1 August 2009	13 May 2015
Stacey Rauch	1 January 2012	13 May 2015
Edward Bonham Carter	1 January 2014	13 May 2015
Nicholas Cadbury	1 January 2017	1 January 2017
Madeleine Cosgrave	1 January 2019	22 November 2018
Christophe Evain	1 April 2019	14 March 2019

1. Cressida Hogg was appointed to the Board on 1 January 2014 as a Non-executive Director. The dates above reflect her appointment as Chairman in 2018.

4. Application of Policy for 2020/21

4.1 Executive Directors' base salaries

A formal salary benchmarking exercise was conducted in 2018 and refreshed in 2019 prior to the appointment of Mark Allan. Current remuneration arrangements are competitive and the Committee expects to undertake a further benchmarking exercise in 2021. Colette O'Shea's salary was adjusted in January 2020 to reflect a change in responsibilities as explained on page 85. The annual salary review for Executive Directors, due in June 2020, was cancelled due to the impact of Covid-19 and therefore no Executive Director will receive an annual increase in the 2020/21 financial year.

Executive Directors Table 46

Name	Current salary (£000)	New salary (£000)	Percentage increase	Average annual percentage increase over five years (including 2019/20)
Robert Noel	814	–	–	1.5%
Martin Greenslade	530	530	–	1.5%
Colette O'Shea	480	480	–	6.6%
Mark Allan[1]	–	800	–	–

1. From 14 April 2020.

4.2 Non-executive Directors' fees

In December 2019, the fees for Non-executive Directors were reviewed by the Board and the Chairman's fee was reviewed by this Committee. From 1 April 2020, the fees below will apply. We review Non-executive Director fees annually and this year we concluded that the core fees remained broadly competitive. Adjustments to the fees for the Remuneration Committee Chairman and the Senior Independent Director were deemed necessary. In line with the Committee's Terms of Reference, no individual was involved in the decisions relating to their own remuneration.

Non-executive Directors' fees Table 47

Base fees	1 April 2020 (£000)	1 April 2019 (£000)
Chairman	375	375
Non-executive Director	70	70
Additional fees		
Audit Committee Chairman	20	20
Remuneration Committee Chairman	20	15
Senior Independent Director	15	10

4.3 Performance targets for the coming year

Executive Directors are normally eligible for an annual bonus of up to 150% of salary. In response to the Covid-19 pandemic the Executive Directors have agreed to waive annual bonus related to financial measures for at least the first quarter of 2020/21. Details will be provided in the 2021 report.

Annual bonus 2020/21: Performance criteria Table 48

Measure	Weighting	Description	Performance range
Ungeared total property return (TPR)	26%	The Group's ungeared TPR relative to relevant MSCI benchmarks comprising March-valued properties (excluding Landsec).	Full details will be provided in the 2021 report.
Revenue profit	26%	Once the Group has met a threshold revenue profit, 5% of the excess is contributed to the bonus pool for the Group (capped at 26% of the overall award).	Full details will be provided in the 2021 report.
Business KPIs	35%	A mix of strategic and operational goals set at the beginning of the year.	Full details will be provided in the 2021 report.
Total Group targets	**87%**		
Personal objectives	13%	A mix of short- and long-term individual goals set at the beginning of the year.	Full details will be provided in the 2021 report.
Total annual bonus	**100%**		

LTIP 2020/21: Performance criteria Table 49

Measure	Weighting	Description	Performance range		
Total shareholder return (TSR)	50%	TSR relative to the FTSE 350 Real Estate Index, weighted by market capitalisation, measured over a three-year period, from 1 April 2020.	**Threshold (10%)** Index	**Target (25%)** Index +1.3% p.a.	**Maximum (50%)** Index +3% p.a.
Ungeared total property return (TPR)	50%	The Group's ungeared TPR relative to an MSCI benchmark comprising all March-valued properties (excluding Landsec), measured over a three-year period, from April 2020.	**Threshold (10%)** Benchmark	**Target (25%)** Benchmark +0.4% p.a.	**Maximum (50%)** Benchmark +1.0% p.a.

The Committee has considered the potential impact of stock market movements on the number of shares to be granted under the 2020 LTIP. The Committee is aware of concerns expressed by some shareholder bodies that the recent general stock market decline may distort the numbers of shares granted under companies' LTIP plans in 2020. We have therefore ensured that the Remuneration Committee has discretion to apply a downward adjustment to the level of LTIP vesting in 2023 if it considers that the vesting value represents an unjustified 'windfall gain' to Executive Directors, taking account of the level of performance achieved over the relevant period.

Linking remuneration and our strategic objectives Table 50

Remuneration measures	Strategic objectives						
Total property return benchmark	●		●		●	●	
Revenue profit growth	●		●		●	●	●
Business KPIs (a mix of strategic and operational goals)	●	●	●	●	●	●	●

Key

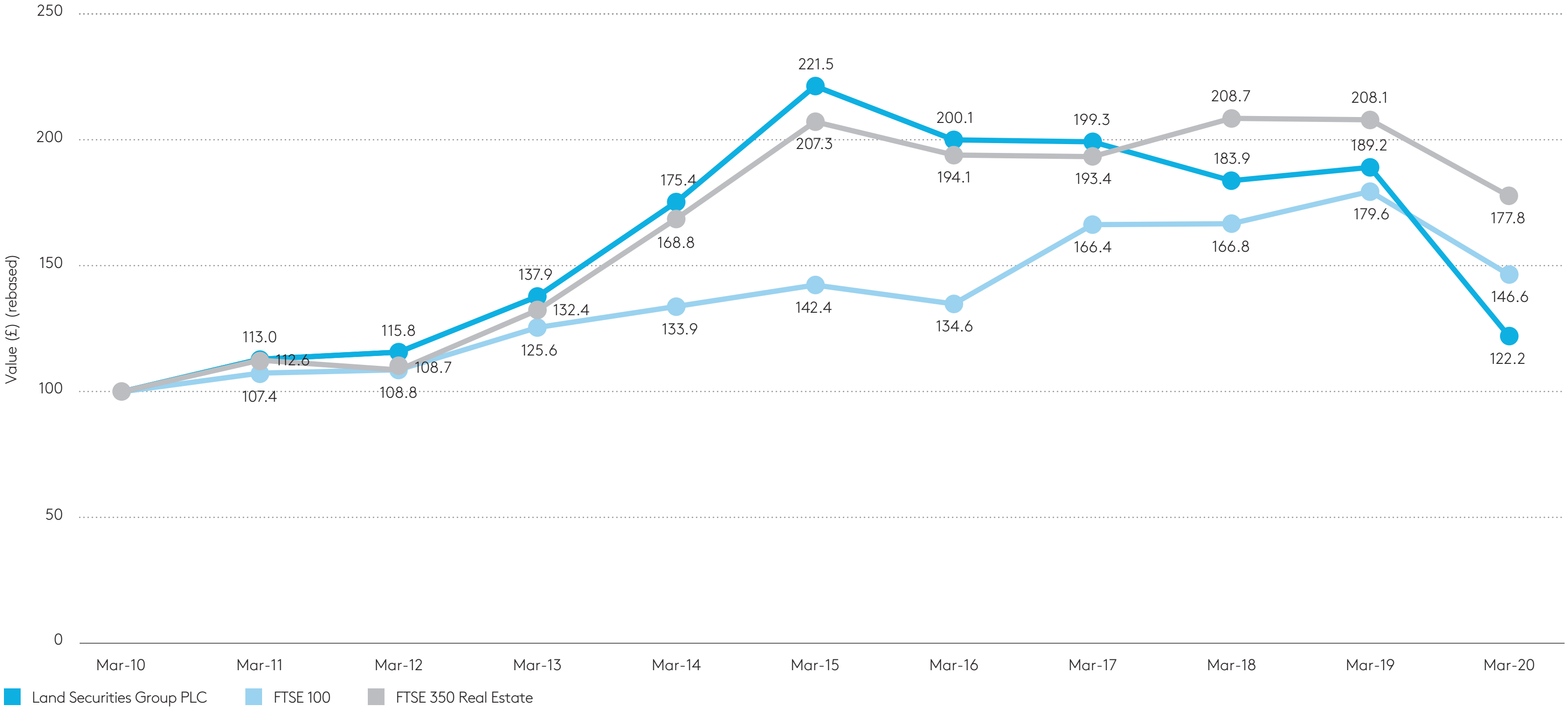
- Deliver sustainable long-term shareholder value
- Attract, develop, retain and motivate high performance individuals
- Maximise the returns from the investment portfolio
- Be a best-in-class counterparty to our partners and suppliers
- Maximise development performance
- Continually improve sustainability performance
- Ensure high levels of customer satisfaction

5. Comparison of Chief Executive pay to Total Shareholder Return

The following graph illustrates the performance of the Company measured by TSR (share price growth plus dividends paid) against a 'broad equity market index' over a period of ten years. As the Company is a constituent of the FTSE 350 Real Estate Index, this is considered to be the most appropriate benchmark for the purposes of the graph. An additional line to illustrate the Company's performance compared with the FTSE 100 Index over the previous ten years is also included.

This graph shows the value, by 31 March 2020, of £100 invested in Landsec on 31 March 2010, compared with the value of £100 invested in the FTSE 100 and FTSE 350 Real Estate Indices on the same date.

Total Shareholder Return Chart 51



The following table shows how the 'single figure' of total remuneration for the Chief Executive has moved over a period of ten years.

Chief Executive remuneration over ten years Table 52

Year	Chief Executive	Single figure of total remuneration (£000)	Annual bonus award against maximum opportunity[1] (%)	Long-term incentive vesting against amount awarded (%)
2020	Robert Noel	1,569	43.8	0.0
2019	Robert Noel	1,624	50.5	0.0
2018	Robert Noel	1,693	58.8	0.0
2017	Robert Noel	2,692	58.8	50.0
2016	Robert Noel	2,011	67.5	13.1
2015	Robert Noel	4,776	94.5	84.7
2014	Robert Noel	2,274	71.0	62.5
2013	Robert Noel	2,678	86.0	76.1
2012	Francis Salway	2,769	24.0	85.9
2011	Francis Salway	1,798	39.0	27.5

1. Under the policy covering the years 2011–2012 shown in the table, bonus arrangements for Executive Directors comprised three elements: an annual bonus with a maximum potential of 100% of base salary, a discretionary bonus with a maximum potential of 50% of base salary and an additional bonus with a maximum potential of 200% of salary. The first two elements were subject to an overall aggregate cap of 130% of base salary, with the overall amount of the three elements capped at 300% of base salary.
2012: 73.4% of the maximum opportunity was awarded under the annual bonus with no awards made under the discretionary bonus or additional bonus.
2011: 94.5% of the maximum opportunity was awarded under the annual bonus, discretionary bonus of 60% of the maximum opportunity with no awards made under the additional bonus.

6. The context of pay in Landsec

6.1 Pay across the Group

a. Senior Management

For the year under review, performance-related pay for our 20 most senior employees (excluding the Executive Directors) is expected to range from 27% to 50% of salary (2019: 30% to 63%). The average bonus is expected to be 37% of salary (2019: 43%). The LTIP awards made to Senior Management in June 2017 vested on the same basis as the awards made to Executive Directors.

b. All other employees

Due to the impact of the Covid-19, a decision on whether to award any pay increases to employees below the Board has been deferred to September 2020. As at 31 March 2020, the ratio of the base salary of the Chief Executive to the average base salary across the Group (excluding Executive Directors) was 13:1 (£814,000: £64,602).

c. Change in base salary, benefits and bonus during the year

Table 53

	Salary change (%)	Benefits change (%)	Bonus change (%)
Chief Executive	No change	No change	-11.9
Average employee	No change	No change	1.7

d. CEO pay ratio

The tables below shows how pay for the CEO compares to employees at the lower, median and upper quartiles (calculated on a full-time equivalent basis). The ratios have been calculated in accordance with Option A of The Companies (Miscellaneous Reporting) Regulations 2018, which uses the total pay and benefits for all employees, and is the same methodology that is used to calculate the CEO's single figure of the remuneration table on page 88.

Table 54

Year	Method	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
2020	Option A	36:1	23:1	15:1
2019	Option A	38:1	25:1	16:1

e. Total pay and benefits

Table 55

Year	CEO	25th percentile pay	Median pay	75th percentile pay
2020	£1,569,474	£44,140	£69,393	£104,438
2019	£1,624,153	£42,859	£64,694	£98,886

f. Salary component of total pay and benefits

Table 56

Year	CEO	25th percentile pay	Median pay	75th percentile pay
2020	£811,620[1]	£29,785	£58,565	£79,203
2019	£797,108	£33,667	£51,167	£73,750

1. Actual salary earned during the year ended 31 March 2020.

The median pay ratio has fallen between 2019 and 2020 due to a 3.4% reduction in CEO total pay. The combination of a decrease in CEO pay and a 7% increase in median employee pay has contributed to a narrowing in the ratio between total CEO remuneration and total employee remuneration at the median, upper and low quartile levels.

Figures are calculated by reference to 31 March 2020 using actual pay data from April 2019 to March 2020. Excluded from our analysis are joiners, leavers and long-term absentees from the Company during the year. As at the date of this analysis the annual bonus amounts were not known, therefore estimates have been used for all employees.

The pay ratio is relatively low by comparison with other FTSE 100 companies and reflects both the profile of roles in our workforce and our policies which are inclusive of bonus for all permanent employees and employer pension contributions of 10.5% for all employees.

6.2 The relative importance of spend on pay

The table below shows the total spend on pay for all Landsec employees, compared with our returns to shareholders in the form of dividends:

Table 57

	March 2020 (£m)	March 2019 (£m)	% change
Spend on pay[1]	51	51	–
Dividend paid[2]	172	338	-49%

1. Including base salaries for all employees, bonus and share-based payments.
2. Dividend paid represents dividends declared for the year. See note 11 to the financial statements.

Annual Report on Remuneration
continued

7. Dilution

Awards granted under the Company's long-term incentive arrangements, which cover those made under the LTIP, MSP, Deferred Share Bonus Plan and the ESOP, are satisfied through the funding of an Employee Benefit Trust (administered by an external trustee) which acquires existing Land Securities Group PLC shares in the market. The Employee Benefit Trust held 957,692 shares at 31 March 2020.

The exercise of share options under the Savings Related Share Option Scheme (SAYE), which is open to all employees who have completed more than one month's service with the Group, can be satisfied by the allotment of newly issued shares. At 31 March 2020, the total number of shares which could be allotted under this Scheme was 440,322 shares, which represents less than 0.1% of the issued share capital of the Company.

8. Remuneration Committee meetings

The Committee met for four scheduled meetings over the course of the year, and for three additional meetings as a result of the CEO appointment process. All members attended all the scheduled meetings. Edward Bonham Carter served as the Chairman. The other members during the year were Cressida Hogg, Stacey Rauch and Christophe Evain. The Committee meetings were also attended by the Chief Executive, the Group Human Resources Director, and the Group General Counsel and Company Secretary who acted as the Committee's Secretary.

Over the course of the year, the Committee received advice on remuneration and ancillary legal matters from Aon plc's executive remuneration practice. It has also made use of various published surveys to help determine appropriate remuneration levels and relied on information and advice provided by the Group General Counsel and Company Secretary and the Group Human Resources Director. Aon is a member of the Remuneration Consultants Group and is a signatory to its Code of Conduct, which requires its advice to be impartial. The Committee is satisfied that the advice it receives is independent and objective. Aside from some support in benchmarking remuneration and design of pay and grading structures for roles below the Board, the Remuneration Advisors have no other connection with the Group. For the financial year under review, Aon received fees of £129,269 in connection with its work for the Committee.

9. Shareholder voting

Table 58

	% of votes For	% of votes Against	Number of votes withheld[1]
Annual Report on Remuneration (2019 AGM)	93.1	6.9	2,778,071
Directors' Remuneration Policy (2018 AGM)	99.4	0.6	651,391

1. A vote withheld is not a vote at law.

The Directors' Remuneration Report was approved by the Board on 11 May 2020 and signed on its behalf by:

Edward Bonham Carter
Chairman, Remuneration Committee

Summary of Directors' Remuneration Policy

Approach to policy
Our Directors' Remuneration Policy (DRP) was approved at the 2018 AGM receiving a 99.4% vote in favour.

The DRP includes the following key features:

— It is based on a pay-for-performance model

— Annual performance is assessed against a scorecard of financial and strategic key performance indicators (KPIs), with an emphasis on financial outcomes

— Part of the annual bonus is deferred into shares

— Long-term performance is assessed by the delivery of long-term sustainable returns to shareholders (Total Shareholder Return) and superior relative investment returns on the Company's property portfolio

— A two-year LTIP post-vesting holding period operates

— There is shareholding requirement of 300% of salary for the new Chief Executive and 200% of salary for other Executive Directors.

There have been no material changes in the nature or scope of the business over the past three years, which remains focused on the UK commercial real estate sector. We believe the current DRP provides a competitive and targeted remuneration package that will only reward the Executive Directors for achieving our objectives of long-term sustainable returns to shareholders and maximising investment returns.

The Committee will always operate within the policy. It will also operate the various incentive plans and schemes according to their respective rules and consistent with normal market practice, the UK Corporate Governance Code and, as applicable, the Listing Rules. Within the DRP, the Committee will retain the discretion to look at performance 'in the round', including withholding or deferring payments in certain circumstances where the outcomes for Directors are clearly misaligned with the outcomes for shareholders. Any specific circumstances which necessitate the use of discretion will always be explained clearly in the following year's Annual Report on Remuneration.

More detail on the discretion reserved to the Committee for each element of the remuneration package can be found on page 102.

Payment schedule
The following table illustrates in which financial years the various payments in the charts are actually made or released to Executive Directors. For illustration purposes only, the table assumes that the annual bonus payment is equivalent to at least 100% of salary.

Payment schedule

	Base year	Base year +1	Base year +2	Base year +3	Base year +4	Base year +5
Fixed pay	Paid over financial year	Base salary review effective 1 June				
Annual bonus	Performance period	The first portion of the annual bonus (i.e. up to 50% of salary) is paid in cash The remainder is deferred into nil-cost options	The first deferred portion of the annual bonus (i.e. between 50% and 100% of salary) vests	The second portion of the annual bonus (i.e. awards in excess of 100% of salary) vests		
Long-Term Incentive	Performance period			LTIP awards vest but remain subject to a two-year holding period		Holding period on LTIP awards ends
Share ownership	CEO 300% of salary Other Executive Directors 200% of salary					

1. Executive Directors

Base salary	
Purpose and link to strategy	— To aid the recruitment, retention and motivation of high performing Executive Directors — To reflect the value of their experience, skills and knowledge, and importance to the business.
Operation	Reviewed annually, with effect from 1 June, and reflects: — Increases throughout the rest of the business — Market benchmarking exercise undertaken periodically to ensure salaries are set at around the median of the market competitive level for people in comparable roles with similar levels of experience, performance and contribution — Changes in the scope of an Executive Director's role may also require a further adjustment to salary.
Opportunity	— The maximum annual salary increase will not normally exceed the average increase across the rest of the workforce (2019: 2.5%). Higher increases will be exceptional, and made in specific circumstances, including: — Increase in responsibilities or scope of the role — To apply salary progression for a newly appointed Executive Director — Where the Executive Director's salary has fallen below the market positioning.

Benefits	
Purpose and link to strategy	— To provide protection and market competitive benefits to aid recruitment and retention of high performing Executive Directors.
Operation	Executive Directors receive a combination of: — Car allowance — Private medical insurance — Life assurance — Ill health income protection — Holiday and sick pay — Professional advice in connection with their directorship — Travel, subsistence and accommodation as necessary — Occasional gifts, for example appropriate long service or leaving gifts.
Opportunity	— The value of benefits may vary from year to year depending on the cost to the Company.

Pension	
Purpose and link to strategy	— To help recruit and retain high performing Executive Directors — To reward continued contribution to the business by enabling Executive Directors to build retirement benefits.
Operation	— Participation into a defined contribution pension scheme or cash equivalent.
Opportunity	— Unless they choose to take membership of the occupational pension scheme, Directors receive a pension contribution or cash allowance of 10.5% of salary, in line with the maximum employer contribution for all employees in the Company's Group Personal Pension Plan. Robert Noel and Martin Greenslade each received a cash contribution of 25% of salary, which was the previous policy. Martin Greenslade's pension cash allowance will reduce to 20% from 1 June 2020. Mark Allan and Colette O'Shea receive a cash contribution of 10.5% of salary.

Annual bonus	
Purpose and link to strategy	— To incentivise the achievement of stretching, near-term business targets and personal performance objectives — To reward near-term outperformance relative to industry benchmarks — Specific business measures and targets, for example development lettings targets, progress of new developments, and asset management initiatives, will protect the value of our properties in the short term, provide future opportunity for the business and create long-term revenue profit performance — The inclusion of broader KPIs – for example sustainability and diversity targets, ensure that these important priorities get the required focus from the executives — The ability to recognise performance through variable remuneration enables the Group to control its cost base flexibly and react to events and market circumstances — Deferral of a portion of annual bonuses into shares encourages a longer-term focus aligned to shareholders' interests and discourages excessive risk taking.

Annual bonus – continued	
Operation	— All measures and targets are reviewed and set by the Board at the beginning of the year and payments are determined by the Committee after the year end, based on performance against the targets set — Specific measures and targets will be set each year, but will always include a measure of total property return versus that of the market — Other measures and targets will reflect the most critical business performance indicators for the year ahead and will be both specific and measurable. Revenue profit performance will always feature as a key measure — The achievement of on-target performance should result in a payment of 50% of the maximum opportunity (i.e. 75% of salary) — A small proportion (no more than 20% of base salary) of an Executive Director's bonus is based on the Committee's assessment of the achievement of pre-set personal performance objectives — The structure of the plan incentivises outperformance by ensuring that the threshold targets are stretching — Bonuses up to 50% of salary are paid in cash — Any amounts in excess of 50% of salary are deferred into shares for one year. Any amounts in excess of 100% of salary are deferred into shares for two years — Deferred shares are potentially forfeitable if the individual leaves prior to the share release date — Bonus payments are not pensionable — Withholding and recovery provisions (malus and clawback) apply where any overpayment was made as a result of a material misstatement of the Company's results or a performance condition, or where there has been fraud or gross misconduct, whether or not this caused the overpayment.
Opportunity	— Minimum bonus payable is 0% of salary — Maximum bonus potential is 150% of salary.
Long-term incentive	
Purpose and link to strategy	— Incentivises value creation over the long term in excess of that created by general market increases, and equally rewards outperformance of our peer group when the overall market has declined — Rewards execution of our strategy and the long-term outperformance of our competitors — Aligns the long-term interests of Executive Directors and shareholders — Promotes retention.
Operation	— The Committee may make an annual award of shares under the LTIP — Vesting is determined on the basis of the Group's achievements against stretching performance targets over a fixed three-year financial period and continued employment. There is no re-testing — The Committee reviews the measures, their relative weightings and targets prior to each award — The measures selected are relative and directly aligned to the interests of shareholders. 50% of an award is weighted to a measure of total property return versus the industry benchmark over a three-year period and 50% to total shareholder return versus our listed comparator group over a three-year period — For each measure, no awards vest for performance below that of the benchmark. Only a proportion (20%) will vest for matching the performance of the benchmark and significant outperformance is required for the maximum award to vest — In order to give the participants greater flexibility over the timing of exercise, the awards are given as nil-cost share options with a seven-year exercise period. Any outstanding awards also vest as nil-cost options, and dividends accrue on vested options where they are subject to a two-year holding period, but not thereafter — Executive Directors are required to hold vested awards for a further two years (including post-employment) following the three-year vesting period expiry — Withholding and recovery provisions (malus and clawback) apply where any overpayment was made as a result of a material misstatement of the Company's results or a performance condition or where there has been fraud or gross misconduct, whether or not this caused the overpayment.
Opportunity	— Award limit – 300% of salary.
Savings Related Share Scheme (SAYE)	
Purpose and link to strategy	— To encourage all employees to make a long-term investment in the Company's shares, through a savings-related arrangement.
Operation	— All employees, including Executive Directors, are entitled to participate in the SAYE Scheme operated by the Company in line with UK HMRC guidelines currently prevailing.
Opportunity	— The maximum participation levels may vary in line with HMRC limits. For 2019/20, participants may save up to £500 per month for either three or five years, using their accumulated savings at the end of the period to purchase shares at a 20% discount to the market price at the date of grant.
Share ownership guidelines	
Purpose and link to strategy	— To provide close alignment between the longer-term interests of Executive Directors and shareholders in terms of the Company's growth and performance.

Operation	— Executive Directors are expected to build up and maintain shareholdings with a value set at a percentage of base salary:
	  — Incoming Chief Executive – 300% of salary
	  — Outgoing Chief Executive – 250% of salary
	  — Other Executive Directors – 200% of salary
	  — These levels are normally required to be achieved within five years of appointment in order to qualify for future long-term incentive awards. Deferred or unvested share awards not subject to performance conditions may count towards the ownership levels on a net of tax basis
	— Post cessation restriction of two years applies to the Minimum Shareholding levels.

Opportunity	— n/a

Summary of Directors' Remuneration Policy
continued

Discretions retained by the Committee
The Committee operates the Group's various incentive plans according to their respective rules and in accordance with HMRC regulations where relevant. To ensure the efficient administration and appropriate governance of all remuneration arrangements the Committee may apply certain operational discretions, within the limits of the Directors' Remuneration Policy and relevant plan rules. These include, but are not limited to, the following:

— selecting the participants in the plans

— determining the timing of awards and/or payments

— determining the quantum of awards and/or payments

— selecting appropriate performance criteria and determining weightings, and adjusting these if necessary

— setting performance targets for the various criteria, and adjusting these if necessary

— adjusting the constituents of the TSR, TPR or other comparator groups

— determining the extent of vesting based on the assessment of performance

— determining 'good leaver' status and the extent of vesting in the case of the share-based plans and annual bonus

— determining the treatment of awards under share-based plans in the event of a change of control

— making the appropriate adjustments required in certain circumstances (e.g. rights issues, corporate restructuring events, variation of capital, special dividends etc.).

In all cases, the Committee retains its absolute discretion to override formulaic outcomes in the bonus, LTIP and any other remuneration arrangements should the payouts be excessive in light of the performance of the Company in the round (or in exceptional circumstances).

2. Non-executive Directors

Base fee	
Purpose and link to strategy	— To aid the recruitment, retention and motivation of high performing Non-executive Directors — To reflect the time commitment given by Non-executive Directors to the business.
Operation	— The Chairman is paid a single fee for all Board duties and the other Non-executive Directors receive a basic Board fee, with supplementary fees payable for additional responsibilities — Reviewed (but not necessarily changed) annually by the Board, having regard to independent advice and published surveys — The Chairman's fee is also reviewed by the Board rather than the Remuneration Committee.
Opportunity	— Any increases reflect relevant benchmark data for Non-executive Directors in companies of a similar size and complexity, and the time commitment required.
Additional fees	
Purpose and link to strategy	— To reflect the additional time commitment required from Non-executive Directors in chairing various Board sub-committees or becoming the Board's Senior Independent Director. Occasionally awarded to a Non-executive Director who completes a specific additional piece of work on behalf of the Board.
Operation	— Reviewed (but not necessarily changed) annually by the Board, having regard to independent advice and published surveys.
Opportunity	— The opportunity depends on which, if any, additional roles are assumed by an individual Non-executive Director over the course of their tenure — Any increases reflect relevant benchmark data for Non-executive Directors in companies of a similar size and complexity, and the time commitment required.
Other incentives and benefits	
Operation	— Non-executive Directors do not receive any other remuneration or benefits beyond the fees noted above. Expenses in relation to Company business will be reimbursed (including any tax thereon, where applicable) — If deemed necessary, and in the performance of their duties, Non-executive Directors may take independent professional advice at the Company's expense.
Opportunity	— n/a
Share ownership	
Purpose and link to strategy	— To provide close alignment between the longer-term interests of Non-executive Directors and shareholders in terms of the Company's growth and performance.
Operation	— The current share ownership guidelines require Non-executive Directors to achieve an ownership level of 100% of annual fees within three years of appointment.
Opportunity	— n/a

3. Directors' Service Agreements and Letters of Appointment

3.1 Service Agreements – Executive Directors
The Executive Directors have Service Agreements with the Company which normally continue until the Director's agreed retirement date or such other date as the parties agree. In line with Group policy, the Executive Directors' employment can be terminated at any time by either party on giving 12 months' prior written notice.

The Company allows Executive Directors to hold external non-executive directorships, subject to the prior approval of the Board, and to retain fees from these roles.

3.2 Termination Provisions – Executive Directors
An Executive Director's Service Agreement may be terminated without notice and without further payment or compensation, except for sums earned up to the date of termination, on the occurrence of certain events such as gross misconduct. The circumstances of the termination (taking into account the individual's performance) and an individual's opportunity to mitigate losses are taken into account by the Committee when determining amounts payable on termination, including pay in lieu of notice. The Group's normal approach is to stop or reduce compensatory payments to former Executive Directors when they receive remuneration from other employment during the compensation period. The Company does not make any arrangements that guarantee pensions with limited or no abatement on severance or early retirement. There are no special provisions for Executive Directors with regard to compensation in the event of loss of office.

Any share-based entitlements granted under the Company's share plans will be determined on the basis of the relevant plan rules. The default position is that any outstanding unvested awards automatically lapse on cessation of employment. However, under the rules of the LTIP, in certain prescribed circumstances, such as redundancy, disability, retirement or other circumstances at the discretion of the Committee (taking into account the individual's performance and the reasons for their departure), 'good leaver' status can be applied. For example, if an Executive Director's role has effectively been made redundant, and there are no significant performance issues, the Committee is likely to look favourably on the granting of some 'good leaver' provisions. However, if an Executive Director has resigned for a similar role in a competitor organisation then such provisions are extremely unlikely to apply. Where 'good leaver' provisions in respect of share awards are deemed to be appropriate, a participant's awards will vest on a pro-rated basis and subject to the satisfaction of the relevant performance criteria with the balance of the awards lapsing. The Committee retains discretion to decide not to pro-rate if it is inappropriate to do so in particular circumstances. For the avoidance of doubt, if the termination of employment is not for one of the specified reasons, and the Committee does not exercise its discretion to allow an award to vest, all outstanding awards automatically lapse.

3.3 Remuneration of newly appointed Executive Directors
The remuneration package for a new externally appointed Executive Director will be set in accordance with the terms of the Company's approved DRP in force at the time of appointment. The Committee has the flexibility to set the base salary of a new hire at a discount to the market level initially, with a series of planned increases implemented over the following few years (subject to performance in the role) to bring the salary to the desired positioning. Only in very exceptional circumstances will the salary of a newly appointed Executive Director exceed the market median benchmark for the role.

The annual bonus will operate in accordance with the terms of the approved DRP, albeit with the opportunity pro-rated for the period of employment in the first year. Depending on the timing and responsibilities of the appointment, it may be necessary to set different performance measures and targets initially. The LTIP will also operate in accordance with the DRP. The maximum level of variable pay that may be offered to a new Executive Director is therefore at an aggregate maximum of 450% of salary, but it may be lower. This limit does not include the value of any buy-out arrangements deemed appropriate.

In addition to the elements of the remuneration package covered by the policy, the Committee may 'buy out' certain existing remuneration arrangements of an incoming Executive Director through the offer of either additional cash and/or share-based elements (on a one-time basis or ongoing) when it considers these to be in the best interests of the Company. Any such payments will be based solely on remuneration lost when leaving the former employer and will take into account the existing delivery mechanism (i.e. cash, shares, options), time horizons and performance conditions.

In the case of an internally appointed Executive Director, any variable pay element awarded in respect of the prior role would be paid out according to its terms, adjusted as relevant to take into account the appointment. In addition, any other ongoing remuneration obligations existing prior to appointment will continue, provided that they are put to shareholders for approval at the earliest opportunity.

For external and internal appointments, the Committee may agree that the Company will meet certain relocation expenses, for a limited period only, as appropriate. Where a Director is recruited from overseas, flexibility is retained to provide benefits that take account of market practice in their country of residence. The Company may offer a cash amount on recruitment, payment of which may be staggered over a period of up to two years, to reflect the value of benefits a new recruit may have received from a former employer.

Shareholders will be informed of the remuneration package and all additional payments to newly-appointed Executive Directors at the time of their appointment.

3.4 Chairman and Non-executive Directors' Letters of Appointment
The Chairman and the Non-executive Directors do not have Service Agreements with the Company. Instead, each of them has a Letter of Appointment which sets out the terms of their appointment, including the three months' prior written notice on which their appointment can be terminated by either party at any time. The dates of the current Letters of Appointment are shown in the Annual Report on Remuneration and these, together with the Executive Directors' Service Agreements, are available for inspection at the Company's registered office.

On appointment, the fee arrangements for a new Non-executive Director are set in accordance with the approved remuneration policy in force at that time.

Directors' Report

The Directors present their report for the year ended 31 March 2020.

Additional disclosures

Other information that is relevant to this report, and which is also incorporated by reference, including information required in accordance with the UK Companies Act 2006 and Listing Rule 9.8.4R, can be located as follows:

Table 59

	Pages
Likely future developments in the business	12-13
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Going concern and viability statement	57
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UK Corporate Governance Code

The Company has complied throughout the year with all relevant provisions of the 2018 UK Corporate Governance Code. The Code can be found on the FRC's website: frc.org.uk.

Company status

Land Securities Group PLC is a public limited liability company incorporated under the laws of England and Wales. It has a premium listing on the London Stock Exchange main market for listed securities (LON:LAND) and is a constituent member of the FTSE 100 Index.

Landsec is a Real Estate Investment Trust (REIT). It is expected that the Company, which has no branches, will continue to operate as the holding company of the Group.

Dividends

The results for the year are set out in the financial statements on pages 107-164.

The Company has paid two quarterly interim dividends to shareholders for the year under review, each of 11.6p per ordinary share:

Table 60

	1st Interim 2019/20	2nd Interim 2019/20	3rd Interim 2019/20	Final 2019/20 (proposed)
Property Income Distribution (PID)/Non-PID	PID	PID	Cancelled	Not proposed
Record date	6 September 2019	29 November 2019	–	–
Payment date	4 October 2019	3 January 2020	–	–
Amount (per ordinary share)	11.6p	11.6p	–	–

The third interim dividend was cancelled as announced by the Board on 2 April 2020 as part of the Company's response to Covid-19. The Board is not proposing a final dividend for 2019/20. No decision has been made as to when dividends will be resumed. Further announcements will be made in due course.

A Dividend Reinvestment Plan (DRIP) election is currently available in respect of all dividends paid by Landsec.

Events since the balance sheet date

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

Directors

The names and biographical details of the current Directors and the Board Committees of which they are members are set out on pages 62-64.

All the Directors proposed for re-election held office throughout the year except Mark Allan who joined the Board on 14 April 2020.

The Service Agreements of the Executive Directors and the Letters of Appointment of the Non-executive Directors are available for inspection at Landsec's registered office. A summary of these documents is also included in the Directors' Remuneration Policy on page 103.

Appointment and removal of Directors

The appointment and replacement of Directors is governed by Landsec's Articles of Association (Articles), the UK Corporate Governance Code (Code), the Companies Act 2006 (Act) and related legislation. The Board may appoint a Director either to fill a vacancy or as an addition to the Board so long as the total number of Directors does not exceed the limit prescribed in the Articles. An appointed Director must retire and seek election to office at the next Landsec AGM. In addition to any power of removal conferred by the Act, Landsec may by ordinary resolution remove any Director before the expiry of their period of office and may, subject to the Articles, by ordinary resolution appoint another person who is willing to act as a Director in their place. In line with the Code and the Board's policy, all Directors are required to stand for re-election at each AGM.

Directors' powers

The Board manages the business of Landsec under the powers set out in the Articles. These powers include the Directors' ability to issue or buy back shares. Shareholders' authority to empower the Directors to make market purchases of up to 10% of its own ordinary shares is sought at the AGM each year. The Articles can only be amended, or new Articles adopted, by a resolution passed by shareholders in general meeting and being approved by at least three quarters of the votes cast.

Directors' interests

Save as disclosed in the Directors' Remuneration Report, none of the Directors, nor any person connected with them, has any interest in the share or loan capital of Landsec or any of its subsidiaries. At no time during the year ended 31 March 2020 did any Director hold a material interest, directly or indirectly, in any contract of significance with Landsec or any subsidiary other than the Executive Directors in relation to their Service Agreements.

Directors' indemnities and insurance

Landsec has agreed to indemnify each Director against any liability incurred in relation to acts or omissions arising in the ordinary course of their duties. The indemnity applies only to the extent permitted by law. A copy of the deed of indemnity is available for inspection at Landsec's registered office. Landsec has in place appropriate Directors' & Officers' Liability insurance cover in respect of potential legal action against its Directors.

Share capital

Landsec has a single class of share capital which is divided into ordinary shares of nominal value 10⅔p each ranking pari passu. No other securities have been issued by the Company. At 31 March 2020, there were 751,313,063 ordinary shares in issue and fully paid, of which 9,839,179 are held in treasury. No shares were bought back during the year. Further details relating to share capital, including movements during the year, are set out in note 35 to the financial statements.

At the Company's AGM held on 11 July 2019, shareholders authorised the Company to make market purchases of ordinary shares representing up to 10% of its issued share capital at that time and to allot shares within certain limits approved by shareholders. These authorities will expire at the 2020 AGM (see below) and a renewal of that authority will be sought. The Company received no other DTR notifications by way of change to the information set out below in the substantial shareholders table during the period from 1 April to 11 May 2020, being the period from the year end through to the date on which this report has been signed. Information provided to the Company under the DTR is publicly available to view via the regulatory information service on the Company's website.

Employee Benefit Trust

Equiniti Trust (Jersey) Limited continues as trustee (Trustee) of Landsec's Employee Benefit Trust (EBT). The EBT is used to purchase Land Securities Group PLC ordinary shares in the market from time to time for the benefit of employees, including to satisfy outstanding awards under Landsec's various employee share plans. The EBT did not purchase any shares in the market during the year. The EBT released 122,932 shares during the year to satisfy vested share plan awards. At 31 March, the EBT held 957,692 Land Securities Group PLC shares. A dividend waiver is in place from the Trustee in respect of all dividends payable by Landsec on shares which it holds.

Substantial shareholders

As at 31 March 2020, the Company had been notified under the Disclosure and Transparency Rules (DTR 5) of the following holdings of voting rights in its issued share capital:

Shareholders holding 3% or more of the Company's issued share capital Table 61

Shareholder name	Number of ordinary shares	Percentage of total voting rights attaching to issued share capital[1]
BlackRock, Inc.	86,056,196	11.60
Norges Bank Investment Management	56,199,252	7.58
State Street Global Advisors Ltd	32,711,239	4.41
The Vanguard Group, Inc.	32,579,373	4.39
Legal & General Investment Management Ltd	26,679,743	3.60

1. The total number of voting rights attaching to the issued share capital of the Company on 31 March 2020 was 741,473,884.

Further details regarding the EBT, and of shares issued pursuant to Landsec's various employee share plans during the year, are set out in notes 34-36 to the financial statements.

Shareholder voting rights and restrictions on transfer of shares

All the issued and outstanding ordinary shares of Landsec have equal voting rights with one vote per share. There are no special control rights attaching to them save that the control rights of ordinary shares held in the EBT can be directed by the Company to satisfy the vesting of outstanding awards under its various employee share plans.

In relation to the EBT, the Trustee has agreed not to vote any shares held in the EBT at any general meeting. If any offer is made to all shareholders to acquire their shares in Landsec, the Trustee will not be obliged to accept or reject the offer in respect of any shares which are at the time subject to subsisting awards, but will have regard to the interests of the award holders and will have power to consult them to obtain their views on the offer. Subject to the above, the Trustee may take such action with respect to an offer as it thinks fit.

Landsec is not aware of any agreements or control rights between existing shareholders that may result in restrictions on the transfer of securities or on voting rights. The rights, including full details relating to voting of shareholders and any restrictions on transfer relating to Landsec's ordinary shares, are set out in the Articles and in the explanatory notes that accompany the Notice of the 2020 AGM. These documents are available on Landsec's website at: landsec.com/agm.

Change of control

There are a number of agreements that take effect, alter or terminate upon a change of control of the Company following a takeover. None of these are considered significant. The Company's share plans contain provisions that take effect in such an event but do not entitle participants to a greater interest in the shares of the Company than created by the initial grant or award under the relevant plan. There are no agreements between the Company and its Directors or employees providing for compensation for loss of office or employment or otherwise that occurs specifically because of a takeover.

Human rights and equal opportunities

Landsec operates a Human Rights Policy which aims to recognise and safeguard the human rights of all citizens in the business areas under our control. We support the principles set out within both the UN Universal Declaration of Human Rights and the International Labour Organization's Declaration on Fundamental Principles and Rights at Work. Our Policy is built on these foundations including, without limitation, the principles of equal opportunities, collective bargaining, freedom of association and protection from forced or child labour. The Policy takes account of the Modern Slavery Act that came into force in October 2015 and requires Landsec to report annually on its workforce and supply chain, specifically to confirm that workers are not enslaved or trafficked. Landsec's latest slavery and human trafficking statement, relating to the financial year ended 31 March 2019, was approved by the Board on 25 September 2019 and posted on our website on 30 September 2019.

Landsec is an equal opportunities employer and our range of employment policies and guidelines reflects legal and employment requirements in the UK and safeguards the interests of employees, potential employees and other workers. We do not condone unfair treatment of any kind and offer equal opportunities in all aspects of employment and advancement regardless of race, nationality, gender, age, marital status, sexual orientation, disability, religious or political beliefs. Landsec recognises that it has clear obligations towards all its employees and the community at large to ensure that people with disabilities are afforded equal opportunities to enter employment and progress. Landsec has therefore established procedures designed to provide fair consideration and selection of disabled applicants and to satisfy their training and career development needs. If an employee becomes disabled, wherever possible Landsec takes steps to accommodate the disability by making adjustments to their existing employment arrangements, or by redeployment and providing appropriate retraining to enable continued employment in the Group. Further information can be found in the Social review on pages 44-46.

Directors' Report
continued

Political donations
The Company did not make any political donations or expenditure in the year that require disclosure (2019: nil).

Auditor and disclosure of information to the auditor
So far as the Directors are aware, there is no relevant audit information that has not been brought to the attention of the Company's auditor. Each Director has taken all reasonable steps to make himself or herself aware of any relevant audit information and to establish that such information was provided to the auditor.

A resolution to confirm the reappointment of Ernst & Young LLP as auditor of the Company will be proposed at the 2020 AGM. The reappointment has been recommended to the Board by the Audit Committee and EY has indicated its willingness to remain in office.

2020 Annual General Meeting
This year's AGM is scheduled to be held at 10.00 am on Thursday, 9 July 2020 at 80 Victoria Street, London SW1E 5JL. Due to social distancing measures imposed by the Government as a response to Covid-19, this will be a closed meeting and no shareholders will be able to attend. We will continue to monitor the impact of the pandemic as the situation evolves, with the health and safety of our shareholders as our priority. If it becomes necessary or appropriate to make changes to the proposed format of the AGM, we will inform shareholders as soon as we can. Shareholders are encouraged to monitor our website at landsec.com/agm and London Stock Exchange announcements for any updates regarding the AGM arrangements.

A separate circular, comprising a letter from the Chairman, Notice of Meeting and explanatory notes in respect of the resolutions proposed, can be found on our website: landsec.com/agm.

Disclaimer
The purpose of this Annual Report is to provide information to the members of the Company and it has been prepared for, and only for, the members of the Company as a body, and no other persons. The Company, its Directors and employees, agents and advisers do not accept or assume responsibility to any other person to whom this document is shown or into whose hands it may come and any such responsibility or liability is expressly disclaimed.

A cautionary statement in respect of forward-looking statements contained in this Annual Report appears on the inside back cover of this document.

The Directors' Report was approved by the Board on 11 May 2020.

By Order of the Board

Tim Ashby
Group General Counsel and Company Secretary

Land Securities Group PLC
Company number 4369054

Financial statements

Contents

Statement of Directors' Responsibilities

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 the 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 Annual Report are as set out below:

— Cressida Hogg, Chairman*

— Mark Allan, Chief Executive

— Martin Greenslade, Chief Financial Officer

— Colette O'Shea, Managing Director, Portfolio

— Edward Bonham Carter, Senior Independent Director*

— Nicholas Cadbury*

— Madeleine Cosgrave*

— Christophe Evain*

— Stacey Rauch*

* Non-executive Directors.

The Statement of Directors' Responsibilities was approved by the Board of Directors on 11 May 2020 and is signed on its behalf by:

Mark Allan
Chief Executive

Martin Greenslade
Chief Financial Officer

Independent Auditor's Report

To the members of Land Securities Group PLC

Opinion

In our opinion:
— Land Securities Group PLC's Group financial statements and Parent company financial statements (the 'financial statements') give a true and fair view of the state of the Group's and of the Parent company's affairs as at 31 March 2020 and of the Group's loss for the year then ended;
— The Group financial statements have been properly prepared in accordance with IFRS as adopted by the European Union;
— The Parent company financial statements have been properly prepared in accordance with IFRS as adopted by the European Union as applied in accordance with the provisions of the Companies Act 2006; and
— The financial statements have been prepared in accordance with the requirements of the Companies Act 2006, and, as regards the Group financial statements, Article 4 of the IAS Regulation.

We have audited the financial statements of Land Securities Group PLC which comprise:

Group	Parent company
Consolidated balance sheet as at 31 March 2020	Balance sheet as at 31 March 2020
Consolidated income statement for the year then ended	
Consolidated statement of comprehensive income for the year then ended	
Consolidated statement of changes in equity for the year then ended	Statement of changes in equity for the year then ended
Consolidated statement of cash flows for the year then ended	Statement of cash flows for the year then ended
Related notes 1 to 40 to the financial statements, including a summary of significant accounting policies	Related notes 1 to 40 to the financial statements, including a summary of significant accounting policies

The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union and as regards the Parent company financial statements as applied in accordance with the provisions of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Group and Parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to principal risks, going concern and viability statement

We have nothing to report in respect of the following information in the Annual Report, in relation to which the ISAs (UK) require us to report to you whether we have anything material to add or draw attention to:
— the disclosures in the Annual Report set out on pages 51-56 that describe the principal risks and explain how they are being managed or mitigated;
— the Directors' confirmation set out on pages 48-49 in the Annual Report that they have carried out a robust assessment of the principal risks facing the entity, including those that would threaten its business model, future performance, solvency or liquidity;
— the Directors' statement set out on page 57 in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the entity's ability to continue to do so over a period of at least 12 months from the date of approval of the financial statements;
— whether the Directors' statement in relation to going concern required under the Listing Rules in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit; or
— the Directors' explanation set out on page 57 in the Annual Report as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Overview of our audit approach

Key audit matters	— The valuation of the property portfolio, including investment properties and investment properties held in joint ventures — Revenue recognition, including the timing of revenue recognition, the treatment of rents, incentives and recognition of trading property proceeds — (New in 2020) Going concern basis used in the preparation of the Annual Report and Accounts.
Audit scope	— The Group solely operates in the United Kingdom and operates through one portfolio, which is split into three segments, Office, Retail and Specialist, all of which were subject to the same audit scope. This included the Group audit team performing direct audit procedures on joint venture balances included within the Group financial statements.
Materiality	— Overall Group materiality of £131m which represents 1% of total assets in the Group balance sheet, adjusted for certain cash items, at 31 March 2020 — Specific materiality of £21m which represents 5% of revenue profit before tax at 31 March 2020 is applied to account balances not related to investment properties (either wholly owned or held within joint ventures).

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole and in our opinion thereon, and we do not provide a separate opinion on these matters.

This year we have included a new key audit matter: Going concern basis used in the preparation of the Annual Report and Accounts. The audit partner and other senior members of the audit team spent a significant amount of time assessing whether there was a material uncertainty over the Company's ability to continue as a going concern in light of the Covid-19 pandemic.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
The valuation of the property portfolio, including investment properties and investment properties held in joint ventures 2020: £11,297m in investment properties and £946m (the Group's share) in investment properties held in joint ventures (2019: £12,094m in investment properties and £1,117m in investment properties held in joint ventures). Refer to the Report of the Audit Committee (pages 78-83); Accounting policies (pages 131-133); notes 14 & 16 of the financial statements (pages 133-141). The valuation of property including investment properties, investment properties held in joint ventures and trading properties requires significant judgement and estimation by management and its external valuers. Any input inaccuracies or unreasonable bases used in these judgements (such as in respect of estimated rental value, yield profile applied or costs to complete for development properties) could result in a material misstatement of the income statement and balance sheet. There is also a risk that management may influence the significant judgements and estimates in respect of property valuations in order to meet market expectations or bonus targets. The uncertainties over the current economic environment caused by Covid-19 had an impact on the valuation of the Group's properties. As referred to in note 14, CBRE has highlighted in its assessment of the fair value of the property portfolio that there is limited transactional evidence and less certainty with regard to valuations and that market values can change rapidly in the context of current market conditions. Accordingly, CBRE and management have stated that it has been necessary to make more judgements than are usually required and the Group has reported the valuation of the property portfolio at 31 March 2020 on the basis of a 'material valuation uncertainty'.	Our audit procedures over the valuation of property included: We tested the Group's controls to determine that data used in the valuation of the property portfolio and management's review of the valuations was correct and complete. We evaluated the competence of the Group's external valuer, CBRE, which included consideration of their qualifications and expertise. We met with CBRE to discuss their valuation approach and the judgements they made in assessing the property valuation. Such judgements included the estimated rental value, yield profile and other assumptions that impact the value. We also discussed any adjustment to the assumptions that were made to take into consideration the impact of the Covid-19 outbreak. We assessed and challenged the judgements made by CBRE in light of the valuation uncertainties they highlight in their report in respect of the limited transactional evidence that can be used to inform their opinion of fair value in certain classes of assets. Our audit procedures also considered the impact of Covid-19 as incorporated below. We selected a sample based on a number of factors including size, risk (including Covid-19), representation across asset classes and segments and including a further random selection which in total comprised 73% of the market value of investment properties (including investment properties held in joint ventures). For this sample of properties we tested source documentation provided by the Group to CBRE. This included agreeing a sample back to underlying lease data and vouching costs incurred to date in respect of development properties. We included Chartered Surveyors on our audit team who reviewed and challenged the valuation approach and assumptions for the same sample of properties. Our Chartered Surveyors compared the yields applied to each property to an expected range of yields taking into account available market data and asset specific considerations. They considered whether the other assumptions applied by the external valuer, such as the estimated rental values, voids, tenant incentives and development costs to complete were supported by available data. They also considered the appropriateness of adjustments made to take into consideration the impact of the Covid-19 outbreak. Together with our Chartered Surveyors, we met with the external valuer to further discuss the findings from our audit work described above and to seek further explanations as required. We also discussed the impact of current market conditions, including Covid-19, on the property valuations. We conducted analytical procedures on the properties not included in the sample reviewed in detail by our Chartered Surveyors by comparing assumptions and the value of each property in the portfolio by reference to our understanding of the UK real estate market, external market data and asset specific considerations to evaluate the appropriateness of the valuations adopted by the Group. Where values or assumptions were not in line with our expectations we investigated further by discussing with management and our Chartered Surveyors and, where appropriate, obtaining further evidence to support the movement in values. We attended meetings between management and CBRE to assess for evidence of undue management influence and we obtained a confirmation from CBRE that they had not been subject to undue influence from management. We performed site visits accompanied by our Chartered Surveyors, including 21 Moorfields, being the largest property in the development programme by value. This enabled us to assess the stage of completion of, and gain specific insights into, the development. We met with development directors and project managers for major properties in the development programme and assessed project costs, progress of development and leasing status and considered the reasonableness of the forecast costs to complete included in the valuations as well as identified contingencies, exposures and remaining risks, by comparing the total forecast costs to contractual arrangements and approved budgets. We corroborated the information provided by the development directors and the project managers through our review of cost analysis as well as the valuation outcome. We also reviewed development feasibilities and reporting against budget. We assessed the adequacy of the additional disclosures of estimates in note 14 and valuation assumptions in note 14 that were made in accordance with IFRS 13 – Fair Value Measurement. **Scope of our procedures** We performed full scope audit procedures over valuation of all properties, including investment properties, investment properties held in joint ventures and trading properties.	We have tested the inputs, assumptions and methodology used by CBRE. We have concluded that the methodology applied is reasonable and that the external valuations are an appropriate assessment of the market value of investment properties at 31 March 2020. We concluded that the sample of properties reviewed by our Chartered Surveyors was within the reasonable range of values as assessed by them. We consider that management provided an appropriate level of review and challenge over the valuations, but we did not identify evidence of undue management influence. We have reviewed the disclosures in the financial statements relating to the material uncertainty paragraph included by CBRE in their valuation report and consider the disclosure appropriate.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Revenue recognition, including the timing of revenue recognition and the treatment of lease incentives 2020: £611m rental income (2019: £619m rental income). Refer to the Report of the Audit Committee (pages 78-83); Accounting policies (pages 124-125); note 6 of the financial statements (pages 124-125). Market expectations and revenue profit-based targets may place pressure on management to distort revenue recognition. This may result in overstatement or deferral of revenues to assist in meeting current or future targets or expectations, including through incorrect treatment of lease incentives.	Our audit procedures over revenue recognition included: We tested controls governing approvals and changes to lease terms and the upload of this information to the Group's property information management system (PIMS). We also performed controls testing over the billings process. We selected a sample of new or amended lease agreements in the year and agreed the key lease terms input into PIMS, including lease incentive clauses. We performed data analytics procedures to recalculate rental income across the whole population of leases in the Group's portfolio; this also covers the straight-lining rent adjustment for lease incentives. We tested 98% of total rental income. We obtained the schedules used to calculate straight-lining of revenue in accordance with IFRS 16 Leases. We tested the arithmetical accuracy of these schedules and that the straight lining was calculated in accordance with the guidance. For a sample of leases we agreed the lease information per the schedules back to lease agreements. We assessed the recoverability of the tenant lease incentives' receivable balance by evaluating the financial viability of the tenants with significant related lease incentive debtors. In doing so, we considered the accounting impact of Covid-19 on rent concessions, the Group's rent relief fund as well as additional assumptions impacting management's assessment of the fair value of rent receivables. We assessed whether the revenue recognition policies adopted complied with IFRS as adopted by the European Union. We performed audit procedures specifically designed to address the risk of management override of controls including journal entry testing, which included a particular focus on journal entries which impact revenue. **Scope of our procedures** The whole Group was subject to full scope audit procedures over revenue.	We audited the timing of revenue recognition, treatment of lease incentives and assessed the risk of management override. Based upon the audit procedures performed, we concluded that revenue has been recognised on an appropriate basis in the year.
(New in 2020) Going concern basis used in the preparation of the Annual Report and Accounts Refer to Going concern and viability (page 57), the Report of the Audit Committee (pages 78-83) and note 1 Basis of preparation and consolidation of the financial statements (page 119). The Group's Annual Report and Accounts are prepared on the going concern basis of accounting. This basis is dependent on a number of factors, including the Group's financial performance, the Group's continued access to borrowing facilities and the Group's ability to continue to operate within its financial covenants. The Covid-19 pandemic is of an unprecedented scale and has severely impacted the global economy and businesses across all industries. There is a significant degree of uncertainty about the further spread of the virus and the state of the world economy and a risk that this adversely impacts the Group's ability to continue to operate as a going concern. The value of Investment properties support the Group's borrowing facilities which are secured against a ring-fenced group of property assets and are subject to financial covenants, tested on a six-monthly basis, including loan to value and interest cover ratios. There is also a risk that management has not adequately disclosed the impact of Covid-19 on the going concern basis in the Annual Report and Accounts.	We obtained an understanding of the process followed by management to prepare the Group's going concern assessment, including identifying and assessing the impact of Covid-19. We obtained the base case cash flow and liquidity forecasts covering the going concern period and the additional scenarios prepared by management including the extreme downside scenario. We tested the mathematical accuracy of the models. We challenged the appropriateness of those forecasts by assessing historical forecasting accuracy, challenging management's consideration of downside sensitivity analysis and applying further sensitivities where appropriate to stress test the impact on liquidity. We performed testing to evaluate whether the covenant requirements of the debt facilities would be breached under either the base case or the stress scenarios. We reperformed additional reverse stress testing on key assumptions and considered the likelihood of outcomes including controllable mitigating actions over and above the scenarios modelled. In doing so, we considered the perspective of our Chartered Surveyors. We obtained evidence of the agreements with lenders setting out terms and conditions of lending including covenant compliance. We reviewed minutes of board meetings with a view to identifying any matters which may impact the going concern assessment. We reviewed the disclosures in the financial statements in relation to Covid-19 with a view to confirming that they adequately disclose the risk, the impact on the Group's operations and results and potential mitigation actions. **Scope of our procedures** The Group was subject to full scope audit procedures over the use of the going concern assumption.	Based on the results of our audit procedures, we agreed with management's conclusion that there is no material uncertainty related to the Group's ability to continue as a going concern. The going concern and viability forecasts, including stress testing scenarios, are consistent with the results of our audit procedures. We concluded that the disclosures were fair, balanced and understandable having compared the disclosure to the knowledge gained during the audit.

In the prior year, our auditor's report included a key audit matter in relation to the valuation of the property portfolio, including investment properties, investment properties held in joint ventures and trading properties. At 31 March 2020, we excluded trading properties from the key audit matter due to materiality considerations, in the context of the overall property portfolio balance.

An overview of the scope of our audit

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for each entity within the Group. Taken together, this enables us to form an opinion on the consolidated financial statements.

The Group solely operates in the United Kingdom and operates through three segments, Office, Retail and Specialist, all of which were subject to the same audit scope. The Group audit team performed all the work necessary to issue the Group and Parent company audit opinion, including undertaking all of the audit work on the risks of material misstatement identified above.

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

The table below sets out the materiality, performance materiality and threshold for reporting audit differences applied on our audit:

	Basis	Materiality	Performance materiality	Audit differences
Overall	1% of total assets adjusted for certain cash items (2019: 1% of the carrying value of investment properties)	£131m (2019: £121m)	£98m (2019: £91m)	£7m (2019: £6m)
Specific – account balances not related to investment properties (either wholly owned or held within joint ventures) or loans and borrowings	5% of revenue profit before tax (2019: 5% of revenue profit before tax)	£21m (2019: £22m)	£16m (2019: £17m)	£1m (2019: £1m)

When establishing our overall audit strategy, we determined a magnitude of uncorrected misstatements that we judged would be material for the financial statements as a whole. We determined that an asset-based measure would be the most appropriate basis for determining overall materiality given that key users of the Group's financial statements are primarily focused on the valuation of the Group's assets. We benchmarked our basis for overall materiality against other UK listed REITs and determined that it is appropriate to change the overall materiality basis from the carrying value of investment property to total assets such that a comparable approach is applied. Based on this, we determined that it is appropriate to set the overall materiality at 1% of total assets (2019: 1% of the carrying value of investment properties). We have adjusted this to remove cash drawn from facilities close to the year end.

We also challenged the financial statement items to which we apply overall materiality. In a further change to prior year, we determined to apply overall materiality to the balance sheet value of loans and borrowings as they directly relate to investment properties and they are secured against the Group's investment properties. This is also consistent with the approach to other UK listed REITs.

This provided a basis for determining the nature, timing and extent of risk assessment procedures, identifying and assessing the risk of material misstatement and determining the nature, timing and extent of further audit procedures.

We have determined that for other account balances not related to investment properties (either wholly owned or held within joint ventures) or loans and borrowings, a misstatement of less than materiality for the financial statements as a whole could influence the economic decisions of users. We have determined that materiality for these areas should be based upon revenue profit before tax of £414m (2019: £442m). We believe that it is appropriate to use a profit-based measure as profit is also a focus of users of the financial statements.

We reassessed initial materiality at the year end date and, as actual total assets were lower than that which we had used as the initial basis for determining overall materiality, our final materiality was lower than the materiality we calculated initially.

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgement is that overall performance materiality and specific performance materiality (i.e. our tolerance for misstatement in an individual account or balance) for the Group should be 75% (2019: 75%) of the respective materiality. We have set performance materiality at this percentage due to our past experience of the audit that indicates a lower risk of misstatements, both corrected and uncorrected.

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to the Committee all uncorrected audit differences in excess of £7m (2019: £6m), as well as audit differences in excess of £1m (2019: £1m) that relate to our specific testing of the other account balances not related to investment properties or loans and borrowings which are set at 5% of their respective planning materiality. We also agreed to report differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Other information

The other information comprises the information included in the Annual Report, including the Strategic Report and Governance set out on pages 2-106 other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

In this context, we also have nothing to report in regard to our responsibility to specifically address the following items in the other information and to report as uncorrected material misstatements of the other information where we conclude that those items meet the following conditions:

— Fair, balanced and understandable set out on page 108 – the statement given by the Directors that they consider the Annual Report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or

— Audit Committee reporting set out on pages 78-83 – the section describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee; or

— Directors' statement of compliance with the UK Corporate Governance Code set out on page 108 – the parts of the Directors' statement required under the Listing Rules relating to the Company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

— the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and

— the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the Parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

— adequate accounting records have not been kept by the Parent company, or returns adequate for our audit have not been received from branches not visited by us; or

— the Parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or

— certain disclosures of Directors' remuneration specified by law are not made; or

— we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

As explained more fully in the Directors' Responsibilities Statement set out on page 108, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group and Parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Parent company or to cease operations, or have no realistic alternative but to do so.

Independent Auditor's Report
continued

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

The objectives of our audit, in respect to fraud, are; to identify and assess the risks of material misstatement of the financial statements due to fraud; to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses; and to respond appropriately to fraud or suspected fraud identified during the audit. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows:

— We obtained an understanding of the legal and regulatory frameworks that are applicable to the Group and determined that the most significant frameworks which are directly relevant to specific assertions in the financial statements are those that relate to the reporting framework (IFRS, the Companies Act 2006 and UK Corporate Governance Code) and the relevant tax regulations in the United Kingdom, including the UK REIT regulations.

— We understood how the Parent company is complying with those frameworks through enquiry with management, and by identifying the Parent company's policies and procedures regarding compliance with laws and regulations. We also identified those members of management who have the primary responsibility for ensuring compliance with laws and regulations, and for reporting any known instances of non-compliance to those charged with governance.

— We assessed the susceptibility of the Group's financial statements to material misstatement, including how fraud might occur by reviewing the Companies risk register, enquiry with management and the Audit Committee during the planning and execution phases of our audit.

— Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved the following:

  — Inquire of members of Senior Management, and when appropriate, those charged with governance regarding their knowledge of any non-compliance or potential non-compliance with laws and regulations that could affect the financial statements.

  — Reading minutes of meetings of those charged with governance.

  — Obtaining and reading correspondence from legal and regulatory bodies including HMRC.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditor's Report.

Other matters we are required to address

— We were appointed by the Parent company at the AGM on 18 July 2013 to audit the financial statements for the year ending 31 March 2014 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments is six years, covering all year ends between 31 March 2014 and 31 March 2020. Our audit engagement letter was updated on 22 October 2019.

— The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Parent company and we remain independent of the Group and the Parent company in conducting the audit.

— The audit opinion is consistent with the additional report to the Audit Committee.

Use of our report

This report is made solely to the Parent company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Parent company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Parent company and the Parent company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Ernst & Young LLP

Kathryn Barrow (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
12 May 2020

Notes:
1. The maintenance and integrity of the Land Securities Group PLC website is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
2. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Income statement
for the year ended 31 March 2020

	Notes	**2020** Revenue profit £m	Capital and other items £m	Total £m	2019 Revenue profit £m	Capital and other items £m	Total £m
Revenue	6	**740**	**1**	**741**	748	9	757
Costs	7	**(269)**	**(5)**	**(274)**	(249)	(22)	(271)
		471	**(4)**	**467**	499	(13)	486
Share of post-tax profit/(loss) from joint ventures	16	**22**	**(173)**	**(151)**	22	(107)	(85)
Loss on disposal of investment properties		**–**	**(6)**	**(6)**	–	–	–
Net deficit on revaluation of investment properties	14	**–**	**(1,000)**	**(1,000)**	–	(441)	(441)
Operating profit/(loss)		**493**	**(1,183)**	**(690)**	521	(561)	(40)
Finance income	10	**17**	**1**	**18**	20	6	26
Finance expense	10	**(96)**	**(69)**	**(165)**	(99)	(10)	(109)
Profit/(loss) before tax		**414**	**(1,251)**	**(837)**	442	(565)	(123)
Taxation	12			**5**			4
Loss attributable to shareholders				**(832)**			(119)
Loss per share attributable to shareholders:							
Basic loss per share	5			**(112.4)p**			(16.1)p
Diluted loss per share	5			**(112.4)p**			(16.1)p

Statement of comprehensive income
for the year ended 31 March 2020

	Notes	**2020** Total £m	2019 Total £m
Loss attributable to shareholders		**(832)**	(119)
Items that may be subsequently reclassified to the income statement:			
Movement in cash flow hedges		**(1)**	(1)
Items that will not be subsequently reclassified to the income statement:			
Movement in the fair value of other investments		**(3)**	–
Net re-measurement gain on defined benefit pension scheme	33	**6**	1
Deferred tax charge on re-measurement above	12	**(1)**	–
Other comprehensive income attributable to shareholders		**1**	–
Total comprehensive loss attributable to shareholders		**(831)**	(119)

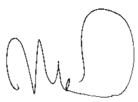
Balance sheets

at 31 March 2020

	Notes	Group 2020 £m	2019 £m	Company 2020 £m	2019 £m
Non-current assets					
Investment properties	14	**11,297**	12,094	**–**	–
Intangible assets	19	**14**	20	**–**	–
Net investment in finance leases	18	**156**	159	**–**	–
Investments in joint ventures	16	**824**	1,031	**–**	–
Investments in subsidiary undertakings	28	**–**	–	**6,213**	6,213
Trade and other receivables	26	**178**	176	**–**	–
Other non-current assets	29	**32**	30	**–**	–
Total non-current assets		**12,501**	13,510	**6,213**	6,213
Current assets					
Trading properties	15	**24**	23	**–**	–
Trade and other receivables	26	**433**	437	**–**	–
Monies held in restricted accounts and deposits	22	**9**	36	**4**	4
Cash and cash equivalents	23	**1,345**	14	**–**	–
Other current assets	30	**48**	14	**–**	–
Total current assets		**1,859**	524	**4**	4
Total assets		**14,360**	14,034	**6,217**	6,217
Current liabilities					
Borrowings	21	**(977)**	(934)	**–**	–
Trade and other payables	27	**(270)**	(273)	**(2,406)**	(1,978)
Other current liabilities	31	**(2)**	(18)	**–**	–
Total current liabilities		**(1,249)**	(1,225)	**(2,406)**	(1,978)
Non-current liabilities					
Borrowings	21	**(4,355)**	(2,847)	**–**	–
Trade and other payables	27	**(1)**	(1)	**–**	–
Other non-current liabilities	32	**(5)**	(5)	**–**	–
Redemption liability		**–**	(36)	**–**	–
Total non-current liabilities		**(4,361)**	(2,889)	**–**	–
Total liabilities		**(5,610)**	(4,114)	**(2,406)**	(1,978)
Net assets		**8,750**	9,920	**3,811**	4,239
Equity					
Capital and reserves attributable to shareholders					
Ordinary shares	35	**80**	80	**80**	80
Share premium		**317**	317	**317**	317
Other reserves		**27**	26	**27**	26
Merger reserve		**–**	–	**374**	374
Retained earnings		**8,326**	9,497	**3,013**	3,442
Total equity		**8,750**	9,920	**3,811**	4,239

The loss for the year of the Company was **£89m** (2019: profit of £700m).

The financial statements on pages 115 to 164 were approved by the Board of Directors on 11 May 2020 and were signed on its behalf by:



M C Allan **M F Greenslade**
Directors

Statements of changes in equity

for the year ended 31 March 2020

			Attributable to shareholders		Group
	Ordinary shares £m	Share premium £m	Other reserves £m	Retained earnings £m	Total equity £m
At 1 April 2018	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
Total comprehensive loss for the financial year	**–**	**–**	**–**	**(831)**	**(831)**
Transactions with shareholders:					
Share-based payments	**–**	**–**	**1**	**2**	**3**
Dividends paid to shareholders	**–**	**–**	**–**	**(342)**	**(342)**
Total transactions with shareholders	**–**	**–**	**1**	**(340)**	**(339)**
At 31 March 2020	**80**	**317**	**27**	**8,326**	**8,750**

				Attributable to shareholders		Company
	Ordinary shares £m	Share premium £m	Other reserves £m	Merger reserves £m	Retained earnings[1] £m	Total equity £m
At 1 April 2018	80	317	26	374	3,089	3,886
Total comprehensive income for the financial year	–	–	–	–	700	700
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	374	3,442	4,239
Total comprehensive loss for the financial year	**–**	**–**	**–**	**–**	**(89)**	**(89)**
Transactions with shareholders:						
Share-based payments	**–**	**–**	**1**	**–**	**2**	**3**
Dividends paid to shareholders	**–**	**–**	**–**	**–**	**(342)**	**(342)**
Total transactions with shareholders	**–**	**–**	**1**	**–**	**(340)**	**(339)**
At 31 March 2020	**80**	**317**	**27**	**374**	**3,013**	**3,811**

1. Available for distribution.

Statement of cash flows

for the year ended 31 March 2020

	Notes	2020 £m	2019 £m
Cash flows from operating activities			
Net cash generated from operations	13	**504**	528
Interest received		**16**	4
Interest paid		**(108)**	(114)
Rents paid		**(12)**	(12)
Capital expenditure on trading properties		**(2)**	(2)
Disposal of trading properties		**–**	22
Other operating cash flows		**3**	(2)
Net cash inflow from operating activities		**401**	424
Cash flows from investing activities			
Investment property development expenditure		**(154)**	(54)
Other investment property related expenditure		**(47)**	(46)
Acquisition of investment properties		**(16)**	(136)
Disposal of investment properties		**45**	41
Cash contributed to joint ventures	16	**(13)**	(29)
Cash distributions from joint ventures	16	**69**	62
Other investing cash flows		**–**	(4)
Net cash outflow from investing activities		**(116)**	(166)
Cash flows from financing activities			
Proceeds from new borrowings (net of finance fees)	21	**1,701**	81
Repayment of medium term notes	21	**(47)**	–
Redemption of medium term notes	21	**(196)**	(8)
Repayment of bank debt	21	**–**	(3)
Premium paid on redemption of medium term notes	21	**(59)**	(2)
Net cash outflow from derivative financial instruments		**(1)**	(15)
Settlement of redemption liability		**(36)**	–
Dividends paid to shareholders	11	**(342)**	(338)
Decrease/(increase) in monies held in restricted accounts and deposits		**27**	(21)
Other financing cash flows		**(1)**	–
Net cash inflow/(outflow) from financing activities		**1,046**	(306)
Increase/(decrease) in cash and cash equivalents for the year		**1,331**	(48)
Cash and cash equivalents at the beginning of the year		**14**	62
Cash and cash equivalents at the end of the year	23	**1,345**	14

The Company did not hold any cash and cash equivalents balances at 31 March 2020 (2019: none) and therefore did not have any cash flows in the year then ended (2019: none).

Section 1 – General

This section contains a description of the Group's significant accounting policies that relate to the financial statements as a whole. A description of accounting policies specific to individual areas (e.g. investment properties) is included within the relevant note to the financial statements.

This section also includes a summary of new accounting standards, amendments and interpretations that have been applied in the year and those not yet adopted, and their actual or expected impact on the reported results of the Group.

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.

Land Securities Group PLC (the Company) has not presented its own statement of comprehensive income (and separate income statement), as permitted by section 408 of Companies Act 2006. The merger reserve arose on 6 September 2002 when the Company acquired 100% of the issued share capital of Land Securities PLC. The merger reserve represents the excess of the cost of acquisition over the nominal value of the shares issued by the Company to acquire Land Securities PLC. The merger reserve does not represent a realised or distributable profit. Other reserves includes the Capital redemption reserve, which represents the nominal value of cancelled shares, the Share-based payment reserve and Own shares held by the Group.

Going concern
Given the significant impact of Covid-19 on the macro-economic conditions in which the Group is operating, the Directors have placed a particular focus on the appropriateness of adopting the going concern basis in preparing the financial statements for the year ended 31 March 2020. The Group's going concern assessment considers the Group's principal risks (see pages 51-56) and is dependent on a number of factors, including financial performance, continued access to borrowing facilities and the ability to continue to operate the Group's secured debt structure within its financial covenants. 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 either of these limits are exceeded, the allowed operating environment becomes more restrictive with provisions coming into effect to encourage a reduction in gearing. However, it is not until the loan-to-value exceeds 100% or the interest cover ratio falls below 1.0x that a breach occurs, at which point the Group would enter a remedy period.

The going concern assessment is based on the first 12 months of the Group's viability model, which is based on a severe but plausible downside scenario including the anticipated impact of Covid-19, reflecting the following key assumptions:

- GDP growth declines significantly in the short term, with a recession in 2021 and increased rates of inflation from 1 April 2021
- Rental yields expand by up to 70bps and rental values decline by up to 10% across the Combined Portfolio, driving a further decline in capital values
- 75% reduction in rent receipts from our Retail and Specialist tenants and a 20% reduction in rent receipts from our Office tenants over a majority of the going concern assessment period
- A three-month pause in committed developments, and no new developments progressing
- No asset sales
- No new financing is assumed in the assessment period, but existing facilities are assumed to remain available.

Throughout this severe but plausible downside scenario the Group has sufficient cash reserves, with the loan-to-value covenant remaining less than 65% and interest cover above 1.45x, for a period of at least 12 months from the date of authorisation of these financial statements. The Directors have also considered an extreme downside scenario, which assumes no further rent will be received, to determine when our available cash resources are exhausted. Even in this extreme downside scenario, the Group continues to have sufficient cash reserves to continue in operation throughout the going concern assessment period.

Based on these considerations, together with available market information and the Directors' knowledge and experience of the Group's property portfolio and markets, the Directors have adopted the going concern basis in preparing the accounts for the year ended 31 March 2020.

Basis of consolidation
The consolidated financial statements for the year ended 31 March 2020 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.

Joint arrangements are those entities over whose activities the Group has joint control, established by contractual agreement. Interests in joint arrangements are accounted for as either a joint venture or a joint operation. A joint arrangement is accounted for as a joint venture when the Group, along with the other parties that have joint control of the arrangement, have rights to the net assets of the arrangement. Interests in joint ventures are equity accounted. The equity method requires the Group's share of the joint venture's post-tax profit or loss for the year to be presented separately in the income statement and the Group's share of the joint venture's net assets to be presented separately in the balance sheet. A joint arrangement is accounted for as a joint operation when the Group, along with the parties that have joint control of the arrangement, have rights to the assets and obligations for the liabilities relating to the arrangement. Joint operations are accounted for by including the Group's share of the assets, liabilities, income and expenses on a line-by-line basis.

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.

2. Significant accounting judgements and estimates

The preparation of financial statements in conformity with IFRS requires management to exercise judgement in applying the Group's accounting policies. The areas where the Group considers the judgements to be most significant involve assumptions or estimates in respect of future events, where actual results may differ from these estimates.

Judgements
— Recognising revenue where property management activities are performed by a third party (note 6)

— Compliance with the Real Estate Investment Trust (REIT) taxation regime and the recognition of deferred tax assets and liabilities (note 12)

— Accounting for property acquisitions and disposals (note 14)

Estimates
— Valuation of investment and trading properties (note 14)

— Impairment of trade receivables (note 26)

3. 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.

Changes in accounting policy
The Group adopted IFRS 16 Leases on 1 April 2019. As a result of adopting this standard, the Group now reports separately service charge income for leases where a single payment is received to cover both rent and service charge. The total payment received was previously included within rental income, but the service charge component has now been separated and reported as service charge income in notes 4 and 6. In the year ended 31 March 2019, £6m was separated from rental income and reported as service charge income. There has been no net impact on profit attributable to shareholders or on the Group's balance sheet. The Group's revised accounting policies and the impact of the change in accounting policies on the financial statements is detailed in notes 6, 7 and 14.

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 application of these new standards, amendments and interpretations are not expected to have a significant impact on the Group's income statement or balance sheet.

Section 2 – Performance

This section focuses on the performance of the Group for the year, including segmental information, earnings per share and net assets per share, together with further details on specific components of the income statement and dividends paid.

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 **£12.8bn**, is an example of this approach, reflecting the economic interest we have in our properties regardless of our ownership structure. We consider this presentation provides 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.

Our income statement has two key components: the income we generate from leasing our investment properties net of associated costs (including interest 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, refinancing activity and exceptional items, which we refer to as Capital and other items. Our income statement is presented in a columnar format, split into those items that relate to revenue profit and Capital and other items. The total column represents the Group's results presented in accordance with IFRS; the other columns provide additional information. We believe revenue profit provides further understanding of the results of the Group's operational performance to stakeholders as it focuses on the rental income performance of the business and excludes Capital and other items which can vary significantly from year to year. A full definition of revenue profit is given in the Glossary. The components of revenue profit are presented on a proportionate basis in note 4.

4. Segmental information

The Group's operations are managed across three operating segments, being Office, Retail and Specialist.

The Office segment includes all our offices, substantially all of which are located in London. The Retail segment includes all our shopping centres, outlets, retail parks and the retail units within our London office buildings. The Specialist segment includes our leisure and hotel assets, Piccadilly Lights and other specialist assets which do not fall within either of the other segments. 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 until December 2019, the Corporate Affairs and Sustainability Director. The information presented to the ExecCom includes reports from all functions of the business as well as strategy, financial planning, succession planning, organisational development and Group-wide policies.

In previous years, our segmental reporting reflected that our operations were organised into a London Portfolio and a Retail Portfolio. In the year ended 31 March 2020, we merged these two business units and amended our reporting to the ExecCom to reflect this. In order to maintain a detailed level of financial disclosure, our segmental reporting now reflects the predominant use class of our assets, grouped into Office, Retail and Specialist. The comparative year has been presented in the new format and a reconciliation to the previous presentation has been provided on our website.

The Group's primary measure of underlying profit before tax is revenue profit. However, Segment net rental income is the lowest level to which the profit arising from the on-going operations of the Group is analysed between the three segments. Previously the Group reported Segment profit, which for the year ended 31 March 2019 was £56m lower than the Segment net rental income for the same year as it included indirect property costs, including depreciation, as well as the net finance costs directly incurred by our joint ventures. The indirect costs, which are predominantly staff costs, have now all been treated as indirect expenses and are not allocated to individual segments. Depreciation previously included within Group Services expenses has also been separated and reported together with the depreciation previously included in Segment profit.

The Group manages its financing structure, with the exception of joint ventures, on a pooled basis. Individual joint ventures may have specific financing arrangements in place. Since the use class of individual joint ventures may span more than one segment, debt facilities and finance expenses are not specific to a particular segment. Unallocated income and expenses are items incurred centrally which are not directly attributable to one of the 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 106.

4. Segmental information continued

Revenue profit	Office £m	Retail £m	Specialist £m	2020 Total £m	Office £m	Retail £m	Specialist £m	2019[1] Total £m
Rental income	**261**	**310**	**98**	**669**	256	319	99	674
Finance lease interest	**9**	**–**	**–**	**9**	9	–	–	9
Gross rental income (before rents payable)	**270**	**310**	**98**	**678**	265	319	99	683
Rents payable[2]	**(5)**	**(10)**	**–**	**(15)**	(3)	(10)	–	(13)
Gross rental income (after rents payable)	**265**	**300**	**98**	**663**	262	309	99	670
Service charge income	**46**	**52**	**–**	**98**	44	51	–	95
Service charge expense	**(45)**	**(55)**	**(2)**	**(102)**	(43)	(53)	(2)	(98)
Net service charge expense	**1**	**(3)**	**(2)**	**(4)**	1	(2)	(2)	(3)
Other property related income	**16**	**15**	**2**	**33**	15	17	2	34
Direct property expenditure	**(21)**	**(50)**	**(15)**	**(86)**	(20)	(48)	(15)	(83)
Provisions related to 2020/21 rent	**–**	**(19)**	**(4)**	**(23)**	–	–	–	–
Segment net rental income	**261**	**243**	**79**	**583**	258	276	84	618
Other income				**2**				3
Indirect expense				**(72)**				(76)
Depreciation				**(4)**				(5)
Revenue profit before interest				**509**				540
Finance income				**17**				20
Finance expense				**(96)**				(99)
Joint venture finance expense				**(16)**				(19)
Revenue profit				**414**				442

1. Restated for changes in accounting policies. See note 3 for details.
2. Included within rents payable is lease interest payable of **£3m** (2019: £1m) and **£1m** (2019: £1m) for the Office and Retail segments respectively.

Reconciliation of revenue profit to loss before tax	2020 Total £m	2019 Total £m
Revenue profit	**414**	442
Capital and other items		
Valuation and profits on disposals		
Net deficit on revaluation of investment properties	**(1,179)**	(557)
Loss on disposal of investment properties	**(6)**	(2)
Profit on disposal of trading properties	**7**	–
	(1,178)	(559)
Net finance expense		
Fair value movement on interest-rate swaps	**(9)**	(6)
Premium and fees on redemption of medium term notes (MTNs)	**(59)**	(2)
Other net finance income	**–**	4
	(68)	(4)
Exceptional items		
Impairment of intangible asset	**(4)**	(12)
Impairment of goodwill	**(1)**	(2)
	(5)	(14)
Other		
Fair value movement prior to acquisition of non-owned element of a joint venture	**–**	9
Profit from long-term development contracts	**3**	3
Other	**(3)**	–
	–	12
Loss before tax	**(837)**	(123)

5. Performance measures

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 the European Public Real Estate Association (EPRA), which have been included to assist comparison between European property companies. Three of the Group's key financial performance measures are adjusted diluted earnings per share, EPRA net tangible assets per share and total business return.

During the year, EPRA issued new best practice reporting guidelines incorporating three new measures of net asset value: EPRA Net Tangible Assets (NTA), Net Reinvestment Value (NRV) and Net Disposal Value (NDV). We have adopted these guidelines in the year ended 31 March 2020 and EPRA NTA is considered to be the most relevant measure for our business. EPRA NTA is now our primary measure of net asset value, replacing our previously reported EPRA net assets and EPRA net assets per share metrics. Total business return is now calculated based on EPRA NTA. Refer to the EPRA disclosures on page 166 for more details, including calculations of EPRA NRV, EPRA net assets and EPRA triple net assets.

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 insight into 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.

Earnings per share		**Year ended 31 March 2020**			Year ended 31 March 2019	
	Loss for the year £m	**EPRA earnings £m**	**Adjusted earnings £m**	Loss for the year £m	EPRA earnings £m	Adjusted earnings £m
Loss attributable to shareholders	**(832)**	**(832)**	**(832)**	(119)	(119)	(119)
Taxation	**–**	**(5)**	**(5)**	–	(4)	(4)
Valuation and profits on disposals	**–**	**1,178**	**1,178**	–	559	559
Net finance expense	**–**	**68**	**68**	–	4	4
Exceptional items	**–**	**5**	**5**	–	14	14
Other	**–**	**–**	**–**	–	(12)	(12)
(Loss)/profit used in per share calculation	**(832)**	**414**	**414**	(119)	442	442
	IFRS	**EPRA**	**Adjusted**	IFRS	EPRA	Adjusted
Basic (loss)/earnings per share	**(112.4)p**	**55.9p**	**55.9p**	(16.1)p	59.7p	59.7p
Diluted (loss)/earnings per share[1]	**(112.4)p**	**55.9p**	**55.9p**	(16.1)p	59.7p	59.7p

1. In the years ended 31 March 2019 and 2020, share options are excluded from the weighted average diluted number of shares when calculating IFRS diluted loss per share because they are not dilutive.

Net assets per share		**31 March 2020**			31 March 2019[1]	
	Net assets £m	**EPRA NDV £m**	**EPRA NTA £m**	Net assets £m	EPRA NDV £m	EPRA NTA £m
Net assets attributable to shareholders	**8,750**	**8,750**	**8,750**	9,920	9,920	9,920
Excess of fair value over net investment in finance lease book value	**–**	**90**	**90**	–	80	80
Deferred tax liability on intangible asset	**–**	**–**	**1**	–	–	2
Goodwill on deferred tax liability (note 19)	**–**	**(1)**	**(1)**	–	(2)	(2)
Other intangible assets (note 19)	**–**	**–**	**(7)**	–	–	(11)
Fair value of interest-rate swaps	**–**	**–**	**1**	–	–	–
Excess of fair value of debt over book value (note 21)	**–**	**(274)**	**–**	–	(239)	–
Net assets used in per share calculation	**8,750**	**8,565**	**8,834**	9,920	9,759	9,989
	IFRS	**EPRA NDV**	**EPRA NTA**	IFRS	EPRA NDV	EPRA NTA
Net assets per share	**1,182p**	**n/a**	**n/a**	1,341p	n/a	n/a
Diluted net assets per share	**1,181p**	**1,156p**	**1,192p**	1,339p	1,317p	1,348p

1. New metrics presented as a result of the change in EPRA best practice recommendations. See table 62 in the Business analysis section for more details. EPRA net assets at 31 March 2019 as previously reported were £9,920m and EPRA triple net assets were £9,679m (1,339p and 1,306p per share respectively).

5. Performance measures continued

Number of shares	2020 Weighted average million	2020 31 March million	2019 Weighted average million	2019 31 March million
Ordinary shares	**751**	**751**	751	751
Treasury shares	**(10)**	**(10)**	(10)	(10)
Own shares	**(1)**	**(1)**	(1)	(1)
Number of shares – basic	**740**	**740**	740	740
Dilutive effect of share options	**1**	**1**	–	1
Number of shares – diluted	**741**	**741**	740	741

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

Total business return	Year ended 31 March 2020 pence	Year ended 31 March 2019[1] pence
Decrease in EPRA NTA per share	**(156)**	(62)
Dividend paid per share in the year (note 11)	**46**	47
Total return (a)	**(110)**	(15)
EPRA NTA per share at the beginning of the year (b)	**1,348**	1,410
Total business return (a/b)	**–8.2%**	–1.1%

1. Restated for change in net asset metric from EPRA net assets to EPRA NTA. See table 62 in the Business analysis section for further details. Total business return at 31 March 2019 based on EPRA net assets per share as previously reported was -1.2%.

6. Revenue

Accounting policy

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. Where a single payment is received from a tenant to cover both rent and service charge, the service charge component is separated and reported as service charge income.

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.

Significant accounting judgement

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

— selecting suppliers and ensuring all services are delivered

— establishing prices and seeking efficiencies

— risk management and compliance

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

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.

	2020			2019[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)	**630**	**1**	**631**	616	2	618
Adjustment for lease incentives	**(20)**	**–**	**(20)**	1	–	1
Rental income	**610**	**1**	**611**	617	2	619
Service charge income	**88**	**–**	**88**	86	–	86
Other property related income	**31**	**–**	**31**	33	–	33
Trading property sales proceeds	**–**	**–**	**–**	–	7	7
Finance lease interest	**9**	**–**	**9**	9	–	9
Other income	**2**	**–**	**2**	3	–	3
Revenue per the income statement	**740**	**1**	**741**	748	9	757

1. Restated for changes in accounting policies. See note 3 for details.

The following table reconciles revenue per the income statement to the individual components of revenue presented in note 4.

	2020				2019[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	**611**	**59**	**(1)**	**669**	619	57	(2)	674
Service charge income	**88**	**10**	**–**	**98**	86	9	–	95
Other property related income	**31**	**2**	**–**	**33**	33	1	–	34
Trading property sales proceeds	**–**	**21**	**–**	**21**	7	32	–	39
Finance lease interest	**9**	**–**	**–**	**9**	9	–	–	9
Long-term development contract income	**–**	**3**	**–**	**3**	–	30	–	30
Other income	**2**	**–**	**–**	**2**	3	–	–	3
Revenue in the segmental information note	**741**	**95**	**(1)**	**835**	757	129	(2)	884

1. Restated for changes in accounting policies. See note 3 for details.
2. This represents the interest in X-Leisure which we did not own, but which is consolidated in the Group numbers. In December 2019, the Group settled the redemption liability which represented this interest resulting in 100% ownership.

7. Costs

Accounting policy

The carrying amounts of the Group's non-financial assets, other than investment properties, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised in the income statement whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount of an asset is the greater of its fair value less costs to sell and its value in use. The value in use is determined as the net present value of the future cash flows expected to be derived from the asset, discounted using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount after the reversal does not exceed the amount that would have been determined, net of applicable depreciation, if no impairment loss had been recognised.

Rents payable reflect amounts due under head leases. Where rents payable are variable and do not depend on an index or rate, the payments are recognised in the income statement as incurred. Where these rents are fixed, or in-substance fixed, at the inception of the agreement, or become fixed or in-substance fixed at some point over the life of the agreement, an asset representing the right to use the underlying land and a corresponding liability for the present value of the minimum future lease payments are recognised on the Group's balance sheet within Investment properties and Borrowings respectively.

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.

			2020			2019
	Revenue profit £m	**Capital and other items £m**	**Total £m**	Revenue profit £m	Capital and other items £m	Total £m
Rents payable	**13**	**–**	**13**	10	–	10
Service charge expense	**90**	**–**	**90**	88	–	88
Direct property expenditure	**72**	**–**	**72**	72	–	72
Provisions related to 2020/21 rent	**21**	**–**	**21**	–	–	–
Indirect expense	**73**	**–**	**73**	79	–	79
Cost of trading property disposals	**–**	**–**	**–**	–	7	7
Amortisation of other intangible asset	**–**	**–**	**–**	–	1	1
Impairment of intangible asset	**–**	**4**	**4**	–	12	12
Impairment of goodwill	**–**	**1**	**1**	–	2	2
Costs per the income statement	**269**	**5**	**274**	249	22	271

The following table reconciles costs per the income statement to the individual components of costs presented in note 4.

			2020			2019
	Group £m	**Joint ventures £m**	**Total £m**	Group £m	Joint ventures £m	Total £m
Rents payable	**13**	**2**	**15**	10	3	13
Service charge expense	**90**	**12**	**102**	88	10	98
Direct property expenditure	**72**	**14**	**86**	72	11	83
Provisions related to 2020/21 rent	**21**	**2**	**23**	–	–	–
Indirect expense	**73**	**3**	**76**	79	2	81
Cost of trading property disposals	**–**	**14**	**14**	7	32	39
Long-term development contract expenditure	**–**	**–**	**–**	–	27	27
Amortisation of other intangible asset	**–**	**–**	**–**	1	–	1
Impairment of intangible asset	**4**	**–**	**4**	12	–	12
Impairment of goodwill	**1**	**–**	**1**	2	–	2
Costs in the segmental information note	**274**	**47**	**321**	271	85	356

The Group's costs include employee costs for the year of **£59m** (2019: £62m), of which **£7m** (2019: £7m) is within service charge expense and **£52m** (2019: £55m) is within indirect expense, of which **£23m** relates to Group Services (2019: £24m).

Employee costs	2020 £m	2019 £m
Salaries and wages	**49**	49
Employer payroll taxes	**5**	7
Other pension costs (note 33)	**3**	4
Share-based payments (note 34)	**2**	2
	59	62

	2020 Number	2019 Number
The average monthly number of employees during the year was:		
Indirect property or contract and administration	**429**	432
Direct property or contract services:		
Full-time	**130**	135
Part-time	**9**	11
	568	578

With the exception of the Executive Directors and two employees who are deferred members of the Defined Benefit Pension scheme, who are employed by Land Securities Group PLC, all employees are employed by subsidiaries of the Group. The employee costs for Land Securities Group PLC are borne by another Group company.

During the year, **one** (2019: one) of the Executive Directors had retirement benefits accruing under the defined contribution pension scheme. **None** (2019: none) of the Executive Directors had retirement benefits accruing under the defined benefit scheme. Information on Directors' emoluments, share options and interests in the Company's shares is given in the Directors' Remuneration Report on pages 84 to 103.

Details of the employee costs associated with the Group's key management personnel are included in note 38.

8. Auditor remuneration

	2020 £m	2019 £m
Services provided by the Group's auditor		
Audit fees:		
Audit of parent company and consolidated financial statements	**0.5**	0.4
Audit of subsidiary undertakings	**0.3**	0.3
Audit of joint ventures	**0.1**	0.1
	0.9	0.8
Non-audit fees:		
Other assurance services	**0.2**	0.1
	1.1	0.9

It is the Group's policy to employ the Group's auditor on assignments additional to their statutory duties where their expertise and experience with the Group are important. Where appropriate the Group seeks tenders for services. If fees for an assignment are expected to be greater than £25,000, they are pre-approved by the Audit Committee.

9. External valuer remuneration

	2020 £m	2019 £m
Services provided by the Group's external valuer		
Year end and half-yearly valuations – Group	**0.7**	0.7
– Joint ventures	**0.1**	0.1
Other consultancy and agency services	**0.8**	1.7
	1.6	2.5

CBRE Limited (CBRE) is the Group's principal valuer. The fee arrangement with CBRE for the valuation of the Group's properties is fixed, subject to an adjustment for acquisitions and disposals. CBRE undertakes other consultancy and agency work on behalf of the Group. CBRE has confirmed to us that the total fees paid by the Group represented less than 5% of its total revenues in the current year.

10. Net finance expense

	2020			2019		
	Revenue profit £m	**Capital and other items £m**	**Total £m**	Revenue profit £m	Capital and other items £m	Total £m
Finance income						
Interest receivable from joint ventures	**17**	**–**	**17**	19	–	19
Fair value movement on other derivatives	**–**	**1**	**1**	–	6	6
Other	**–**	**–**	**–**	1	–	1
	17	**1**	**18**	20	6	26
Finance expense						
Bond and debenture debt	**(80)**	**–**	**(80)**	(81)	–	(81)
Bank and other short-term borrowings	**(22)**	**–**	**(22)**	(22)	–	(22)
Fair value movement on interest-rate swaps	**–**	**(9)**	**(9)**	–	(6)	(6)
Fair value movement on other derivatives	**–**	**–**	**–**	–	(1)	(1)
Redemption of medium term notes	**–**	**(59)**	**(59)**	–	(2)	(2)
Revaluation of redemption liabilities	**–**	**(1)**	**(1)**	–	(1)	(1)
Other interest payable	**(1)**	**–**	**(1)**	–	–	–
	(103)	**(69)**	**(172)**	(103)	(10)	(113)
Interest capitalised in relation to properties under development	**7**	**–**	**7**	4	–	4
	(96)	**(69)**	**(165)**	(99)	(10)	(109)
Net finance expense	**(79)**	**(68)**	**(147)**	(79)	(4)	(83)
Joint venture net finance expense	**(16)**			(19)		
Net finance expense included in revenue profit	**(95)**			(98)		

Lease interest payable of **£4m** (2019: £2m) is included within rents payable as detailed in note 4.

11. Dividends

Accounting policy

Interim dividend distributions to shareholders are recognised in the financial statements when paid. Final dividend distributions are recognised as a liability in the period in which they are approved by shareholders.

Dividends paid	Payment date	PID	Non-PID	Total	2020 £m	2019 £m
		Pence per share			Year ended 31 March	
For the year ended 31 March 2018:						
Third interim	6 April 2018	9.85	–	9.85		73
Final	27 July 2018	14.65	–	14.65		108
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
Third interim	**12 April 2019**	**11.30**	**–**	**11.30**	**84**	
Final	**25 July 2019**	**11.65**	**–**	**11.65**	**86**	
For the year ended 31 March 2020:						
First interim	**4 October 2019**	**11.60**	**–**	**11.60**	**86**	
Second interim	**3 January 2020**	**11.60**	**–**	**11.60**	**86**	
Gross dividends					**342**	349
Dividends in the statement of changes in equity					**342**	349
Timing difference on payment of withholding tax					**–**	(11)
Dividends in the statement of cash flows					**342**	338

A third interim dividend of **11.6p** per ordinary share was declared on 5 February 2020 (2019: 11.30p or £84m paid in total). As announced on 2 April 2020, in light of extreme market uncertainty due to Covid-19, the Board took the decision to cancel the third interim dividend that was due to be paid on 9 April 2020. The Board is not proposing a final dividend for the year ended 31 March 2020 (2019: 11.65p). The total dividend paid and recommended in respect of the year ended 31 March 2020 was **23.2p** per ordinary share (2019: 45.55p) resulting in a total distribution of **£172m** (2019: £338m).

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

12. Income tax

Accounting policy

Income tax on the profit for the year comprises current and deferred tax. Current tax is the tax payable on the taxable income for the year and any adjustment in respect of previous years. Deferred tax is provided in full using the balance sheet liability method on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is determined using tax rates that have been enacted or substantively enacted by the reporting date and are expected to apply when the asset is realised, or the liability is settled.

No provision is made for temporary differences (i) arising on the initial recognition of assets or liabilities, other than on a business combination, that affect neither accounting nor taxable profit and (ii) relating to investments in subsidiaries to the extent that they will not reverse in the foreseeable future.

Significant accounting judgement

The Group is a Real Estate Investment Trust (REIT). As a result, the Group does not pay UK corporation tax on its profits and gains from the qualifying rental business in the UK. Non-qualifying profits and gains of the Group continue to be subject to corporation tax as normal. In order to maintain group REIT status, certain ongoing criteria must be met. The main criteria are as follows:

— at the start of each accounting period, the assets of the tax exempt business must be at least 75% of the total value of the Group's assets;

— at least 75% of the Group's total profits must arise from the tax exempt business; and

— at least 90% of the notional taxable profit of the property rental business must be distributed.

12. Income tax continued

The Directors intend that the Group should continue as a REIT for the foreseeable future, with the result that deferred tax is no longer recognised on temporary differences relating to the property rental business.

Deferred tax assets and liabilities require management judgement in determining the amounts, if any, to be recognised. In particular, judgement is required when assessing the extent to which deferred tax assets should be recognised, taking into account the expected timing and level of future taxable income. Deferred tax assets are only recognised when management believe they will be recovered against future taxable profits.

The income tax credit in the income statement comprises tax credits received and a payment for losses surrendered to one of the Group's joint ventures of **£4m** (2019: £nil) and a deferred tax credit of **£1m** (2019: £4m). There is also a deferred tax charge of **£1m** (2019: £nil) included within Other comprehensive income. The current tax credit relates to land remediation relief received and payment for losses surrendered to a joint venture company.

The tax for the year is lower than the standard rate of corporation tax in the UK of **19%**. The differences are explained in the table below.

	2020 £m	2019 £m
Loss before tax	**(837)**	(123)
Loss before tax multiplied by the rate of corporation tax in the UK of 19%	**159**	23
Exempt property rental losses and revaluations in the year	**(158)**	(27)
	1	(4)
Effects of:		
Timing difference on repurchase of medium term notes	**–**	10
Interest rate fair value movements and other temporary differences	**–**	3
Non-allowable expenses and non-taxable items	**(1)**	(2)
Movement in unrecognised tax losses	**3**	(3)
Other tax adjustments	**2**	–
Total income tax credit in the income statement	**5**	4

	2020 £m	2019 £m
The Group's deferred tax liability is analysed as follows:		
Arising on business combination	**1**	2
Arising on pension surplus	**3**	2
Total deferred tax liability	**4**	4

Deferred tax is calculated at the rate substantively enacted at the balance sheet date of **19%**. The movement in the deferred tax liability arising on the re-measurement gain on the defined benefit pension scheme surplus is included within Other comprehensive income in the Statement of comprehensive income.

There are unrecognised deferred tax assets on the following items due to the high degree of uncertainty as to their future utilisation by non-REIT qualifying activities.

	2020 £m	2019 £m
Revenue losses	**46**	47
Capital losses	**272**	237
Other unrecognised temporary differences	**447**	445
Total unrecognised items	**765**	729

The other unrecognised temporary differences relate to the premium paid on the redemption of the Group's medium term notes. For further details see note 21.

13. Net cash generated from operations

Reconciliation of operating loss to net cash generated from operations	Group		Company	
	2020 £m	2019 £m	**2020 £m**	2019 £m
Operating loss	**(690)**	(40)	**(21)**	(30)
Adjustments for:				
Net deficit on revaluation of investment properties	**1,000**	441	**–**	–
Loss on disposal of investment properties	**6**	–	**–**	–
Share of loss from joint ventures	**151**	85	**–**	–
Share-based payment charge	**2**	2	**–**	–
Impairment of intangible asset	**4**	12	**–**	–
Impairment of goodwill	**1**	2	**–**	–
Impairment of investment in subsidiary	**–**	–	**2**	–
Rents payable	**13**	10	**–**	–
Other	**6**	10	**–**	–
	493	522	**(19)**	(30)
Changes in working capital:				
Decrease in receivables	**3**	20	**–**	–
Increase/(decrease) in payables and provisions	**8**	(14)	**19**	30
Net cash generated from operations	**504**	528	**–**	–

Section 3 – Properties

This section focuses on the property assets which form the core of the Group's business. It includes details of investment properties, investments in joint ventures and trading properties.

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. In the Group's IFRS balance sheet, wholly owned properties are presented as either 'Investment properties' or 'Trading properties'. The Group applies equity accounting to its investments in joint ventures, which requires the Group's share of properties held by joint ventures to be presented within 'Investments in joint ventures'.

Internally, management review the results of the Group on a basis that adjusts for these forms of ownership to present a proportionate share. The Combined Portfolio, with assets totalling **£12.8bn**, is an example of this proportionate share, reflecting the economic interest we have in our properties regardless of our ownership structure. We consider this presentation provides further insight to stakeholders about 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 Group's investment properties are carried at fair value and trading properties are carried at the lower of cost and net realisable value. Both of these values are determined by the Group's external valuers. The combined value of the Group's total investment property portfolio (including the Group's share of investment properties held through joint ventures) is shown as a reconciliation in note 14.

Accounting policy

Investment properties

Investment properties are properties, either owned or leased by the Group, that are held either to earn rental income or for capital appreciation, or both. Investment properties are measured initially at cost including related transaction costs, and subsequently at fair value. Fair value is based on market value, as determined by a professional external valuer at each reporting date. The difference between the fair value of an investment property at the reporting date and its carrying amount prior to re-measurement is included in the income statement as a valuation surplus or deficit. Investment properties are presented on the balance sheet within non-current assets.

Some of the Group's investment properties are owned through long-leasehold arrangements, as opposed to the Group owning the freehold. Where the Group is a lessee, a right-of-use asset is recognised at the commencement date of the lease and accounted for as investment property. Initially, the cost of investment properties held under leases includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. The investment properties held under leases are subsequently carried at their fair value. A corresponding liability is recorded within Borrowings. Each lease payment is allocated between repayment of the liability and a finance charge to achieve a constant interest rate on the outstanding liability.

Trading properties
Trading properties are those properties held for sale, or those being developed with a view to sell. Trading properties are recorded at the lower of cost and net realisable value. The net realisable value of a trading property is determined by a professional external valuer at each reporting date. If the net realisable value of a trading property is lower than its carrying value, an impairment loss is recorded in the income statement. If, in subsequent periods, the net realisable value of a trading property that was previously impaired increases above its carrying value, the impairment is reversed to align the carrying value of the property with the net realisable value. Trading properties are presented on the balance sheet within current assets.

Acquisition of properties
Properties are treated as acquired when the Group assumes control of the property.

Capital expenditure and capitalisation of borrowing costs
Capital expenditure on properties consists of costs of a capital nature, including costs associated with developments and refurbishments. Where a property is being developed or undergoing major refurbishment, interest costs associated with direct expenditure on the property are capitalised. The interest capitalised is calculated using the Group's weighted average cost of borrowings. Interest is capitalised from the commencement of the development work until the date of practical completion. Certain internal staff and associated costs directly attributable to the management of major schemes are also capitalised. The total staff and associated costs are capitalised based on the proportion of time spent on the relevant scheme. Internal staff costs are capitalised from the date the Group determines it is probable that the development will progress until the date of practical completion.

Transfers between investment properties and trading properties
When the Group begins to redevelop an existing investment property for continued future use as an investment property, the property continues to be held as an investment property. When the Group begins to redevelop an existing investment property with a view to sell, the property is transferred to trading properties and held as a current asset. The property is re-measured to fair value as at the date of the transfer with any gain or loss being taken to the income statement. The re-measured amount becomes the deemed cost at which the property is then carried in trading properties.

Disposal of properties
Properties are treated as disposed when control of the property is transferred to the buyer. Typically, this will either occur on unconditional exchange or on completion. Where completion is expected to occur significantly after exchange, or where the Group continues to have significant outstanding obligations after exchange, the control will not usually transfer to the buyer until completion.

The profit on disposal is determined as the difference between the sales proceeds and the carrying amount of the asset at the beginning of the accounting period plus capital expenditure to the date of disposal. The profit on disposal of investment properties is presented separately on the face of the income statement. Proceeds received on the sale of trading properties are recognised within Revenue, and the carrying value at the date of disposal is recognised within Costs.

Significant accounting judgement

Acquisition and disposal of properties
Property transactions can be complex in nature and material to the financial statements. To determine when an acquisition or disposal should be recognised, management consider whether the Group assumes or relinquishes control of the property, and the point at which this is obtained or relinquished. Consideration is given to the terms of the acquisition or disposal contracts and any conditions that must be satisfied before the contract is fulfilled. In the case of an acquisition, management must also consider whether the transaction represents an asset acquisition or business combination.

Significant accounting estimates

Valuation of the Group's properties
The valuation of the Group's property portfolio is inherently subjective due to, among other factors, the individual nature of each property, its location and the expected future rental revenues from that particular property. As a result, the valuations the Group places on its property portfolio are subject to a degree of uncertainty and are made on the basis of assumptions which may not prove to be accurate, particularly in periods of volatility or low transaction flow in the property market.

The investment property valuation contains a number of assumptions upon which the Group's valuer has based its valuation of the Group's properties. The assumptions on which the property valuation reports have been based include, but are not limited to, matters such as the tenure and tenancy details for the properties, ground conditions at the properties, the structural condition of the properties, prevailing market yields and comparable market transactions. These assumptions are market standard and accord with the Royal Institution of Chartered Surveyors (RICS) Valuation – Professional Standards UK 2014 (revised April 2015).

The estimation of the net realisable value of the Group's trading properties, in particular the development land and infrastructure programmes, is inherently subjective due to a number of factors, including their complexity, unusually large size, the substantial expenditure required and long timescales to completion. In addition, as a result of these timescales to completion, the plans associated with these programmes could be subject to significant variation. As a result, and similar to the valuation of investment properties, the net realisable values of the Group's trading properties are subject to a degree of uncertainty and are determined on the basis of assumptions which may not prove to be accurate.

If the assumptions upon which the external valuer has based its valuations prove to be inaccurate, this may have an impact on the value of the Group's investment and trading properties, which could in turn have an effect on the Group's financial position and results.

The valuer's report for the year ended 31 March 2020 contained a 'material uncertainty' clause due to the disruption to the market at that date caused by Covid-19. The inclusion of this clause indicates that there is substantially more uncertainty than normal and therefore a higher likelihood that the assumptions upon which the external valuer has based its valuations prove to be inaccurate. As a result of this increased uncertainty, sensitivities for more extensive changes in assumptions have been disclosed in the tables on page 134.

14. Investment properties

	2020 £m	2019 £m
Net book value at the beginning of the year	**12,094**	12,336
Acquisitions	**16**	136
Capital expenditure	**199**	94
Capitalised interest	**7**	5
Net movement in head leases capitalised[1]	**30**	–
Disposals	**(49)**	(36)
Net deficit on revaluation of investment properties	**(1,000)**	(441)
Net book value at the end of the year	**11,297**	12,094

1. See note 21 for details of the amounts payable under head leases and note 10 for details of the associated rents payable in the income statement.

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, capitalised head leases and lease incentives separately. The following table reconciles the net book value of the investment properties to the market value.

	2020				2019			
	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	**11,802**	**979**	**–**	**12,781**	12,637	1,149	(36)	13,750
Less: properties treated as finance leases	**(249)**	**–**	**–**	**(249)**	(239)	–	1	(238)
Plus: head leases capitalised	**60**	**9**	**–**	**69**	30	8	–	38
Less: tenant lease incentives	**(316)**	**(42)**	**–**	**(358)**	(334)	(40)	1	(373)
Net book value	**11,297**	**946**	**–**	**12,243**	12,094	1,117	(34)	13,177
Net deficit on revaluation of investment properties	**(1,000)**	**(181)**	**2**	**(1,179)**	(441)	(117)	1	(557)

1. Refer to note 16 for a breakdown of this amount by entity.
2. This represents the interest in X-Leisure which we did not own, but which is consolidated in the Group numbers. In December 2019, the Group settled the redemption liability which represented this interest resulting in 100% ownership.

The net book value of leasehold properties where head leases have been capitalised is **£2,561m** (2019: £2,110m).

Investment properties include capitalised interest of **£221m** (2019: £214m). The average rate of interest capitalisation for the year is **2.6%** (2019: 3.5%). The historical cost of investment properties is **£7,463m** (2019: £7,277m).

Valuation process
The fair value of investment properties at 31 March 2020 was determined by the Group's external valuer, CBRE. The valuations are in accordance with RICS standards and were arrived at by reference to market evidence of transactions for similar properties. The valuations performed by the valuer are reviewed internally by Senior Management and other relevant people within the business. This process includes discussions of the assumptions used by the valuer, as well as a review of the resulting valuations. Discussions of the valuation process and results are held between Senior Management, the Audit Committee and the valuer on a half-yearly basis.

The valuer's opinion of fair value was primarily derived using comparable recent market transactions on arm's length terms and using appropriate valuation techniques. The fair value of investment properties is determined using the income capitalisation approach. Under this approach, forecast net cash flows, based upon current market derived estimated rental values (market rents) together with estimated costs, are discounted at market derived capitalisation rates to produce the valuer's opinion of fair value. The average discount rate, which, if applied to all cash flows would produce the fair value, is described as the equivalent yield.

14. Investment properties continued

Properties in the development programme are typically valued using a residual valuation method. Under this methodology, the valuer assesses the completed development value using income and yield assumptions. Deductions are then made for estimated costs to complete, including finance and developer's profit, to arrive at the valuation. Costs include future estimated costs associated with refurbishment or development (excluding finance costs), together with an estimate of cash incentives to be paid to tenants. As the development approaches completion, the valuer may consider the income capitalisation approach to be more appropriate.

The Group considers all of its investment properties to fall within 'Level 3', as defined by IFRS 13 and as explained in note 25(iii). Accordingly, there have been no transfers of properties within the fair value hierarchy in the financial year.

The table below summarises the key unobservable inputs used in the valuation of the Group's wholly owned investment properties at 31 March 2020:

										2020
	Market value £m	Estimated rental value £ per sq ft			Equivalent yield %			Costs £ per sq ft		
		Low	Average	High	Low	Average	High	Low	Average[1]	High
Office										
West End	**2,794**	**20**	**68**	**82**	**4.0%**	**4.6%**	**5.0%**	**–**	**7**	**378**
City	**1,247**	**56**	**42**	**70**	**4.0%**	**4.5%**	**5.9%**	**–**	**4**	**97**
Mid-town	**1,423**	**20**	**63**	**69**	**4.3%**	**4.5%**	**6.2%**	**–**	**12**	**22**
Southwark and other	**431**	**19**	**44**	**65**	**4.5%**	**4.9%**	**8.5%**	**–**	**1**	**456**
Total Office (excluding developments)	**5,895**	**19**	**60**	**82**	**4.0%**	**4.6%**	**8.5%**	**–**	**7**	**456**
Retail										
London retail	**1,206**	**13**	**42**	**123**	**3.4%**	**4.5%**	**7.5%**	**–**	**12**	**300**
Regional retail	**1,286**	**18**	**29**	**47**	**5.3%**	**6.2%**	**7.3%**	**–**	**5**	**32**
Outlets	**871**	**23**	**48**	**56**	**5.4%**	**5.9%**	**8.6%**	**–**	**–**	**–**
Retail parks	**444**	**9**	**18**	**26**	**5.1%**	**7.4%**	**10.0%**	**–**	**2**	**21**
Total Retail (excluding developments)	**3,807**	**9**	**36**	**123**	**3.4%**	**5.7%**	**10.0%**	**–**	**6**	**300**
Specialist										
Leisure and hotels	**1,137**	**7**	**16**	**34**	**3.8%**	**5.9%**	**7.8%**	**–**	**–**	**–**
Other[2]	**417**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**
Total Specialist (excluding developments)	**1,554**	**7**	**16**	**34**	**3.8%**	**5.9%**	**7.8%**	**–**	**–**	**–**
Developments: residual method	**546**	**–**	**75**	**124**	**4.0%**	**4.4%**	**4.5%**	**–**	**–**	**–**
Development programme	**546**	**–**	**75**	**124**	**4.0%**	**4.4%**	**4.5%**	**–**	**–**	**–**
Market value at 31 March 2020 – Group	**11,802**									

1. The calculation for average costs excludes those properties which are assumed by the Group's external valuer to be substantially refurbished or redeveloped, but which do not yet form part of the development programme.
2. The 'Other' category contains a range of low value properties of a diverse nature. As a result, it is not meaningful to present assumptions used in valuing these properties.

The sensitivities illustrate the impact of changes in key unobservable inputs (in isolation) on the fair value of the Group's properties:

Sensitivities							2020
	Market value £m	Impact on valuations of 10% change in estimated rental value		Impact on valuations of 50 bps change in equivalent yield		Impact on valuations of 10% change in costs	
		Increase £m	Decrease £m	Decrease £m	Increase £m	Decrease £m	Increase £m
Total Office (excluding developments)	**5,895**	**435**	**(416)**	**801**	**(633)**	**38**	**(30)**
Total Retail (excluding developments)	**3,807**	**293**	**(275)**	**395**	**(327)**	**3**	**(3)**
Total Specialist (excluding developments)	**1,554**	**125**	**(116)**	**161**	**(131)**	**4**	**(4)**
Developments: residual method	**546**	**55**	**(55)**	**133**	**(106)**	**40**	**(40)**
Market value at 31 March 2020 – Group	**11,802**	**908**	**(862)**	**1,490**	**(1,197)**	**85**	**(77)**

The table below summarises the key unobservable inputs used in the valuation of the Group's wholly owned investment properties at 31 March 2019:

										2019[1]
	Market value £m	Estimated rental value £ per sq ft			Equivalent yield %			Costs £ per sq ft		
		Low	Average	High	Low	Average	High	Low	Average[2]	High
Office										
West End	2,838	20	64	91	4.0%	4.5%	4.9%	–	8	937
City	1,221	55	61	65	4.2%	4.5%	5.8%	–	1	55
Mid-town	1,400	31	60	64	4.3%	4.5%	4.6%	–	7	11
Southwark and other	446	27	40	63	1.8%	4.9%	8.2%	–	1	610
Total Office (excluding developments)	5,905	20	61	91	1.8%	4.5%	8.2%	–	6	937
Retail										
London retail	1,423	18	67	179	3.1%	4.2%	7.3%	–	–	937
Regional retail	1,780	20	32	48	4.5%	5.1%	6.3%	–	8	23
Outlets	971	23	47	55	4.7%	5.4%	7.1%	–	3	18
Retail parks	636	11	20	26	4.8%	6.2%	9.0%	–	1	10
Total Retail (excluding developments)	4,810	11	44	179	3.1%	5.0%	9.0%	–	4	937
Specialist										
Leisure and hotels	1,267	6	15	33	3.8%	5.5%	8.9%	–	1	9
Other[3]	385	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Total Specialist (excluding developments)	1,652	6	15	33	3.8%	5.5%	8.9%	–	1	9
Developments: residual method	270	71	71	71	4.4%	4.4%	4.4%	–	–	–
Development programme	270	71	71	71	4.4%	4.4%	4.4%	–	–	–
Market value at 31 March 2019 – Group	12,637									

1. Restated as a result of changes in segmental reporting. See note 4 for details.
2. The calculation for average costs excludes those properties which are assumed by the Group's external valuer to be substantially refurbished or redeveloped, but which do not yet form part of the development programme.
3. The 'Other' category contains a range of low value properties of a diverse nature. As a result, it is not meaningful to present assumptions used in valuing these properties.

The sensitivities illustrate the impact of changes in key unobservable inputs (in isolation) on the fair value of the Group's properties:

Sensitivities							2019[1]
	Market value £m	Impact on valuations of 5% change in estimated rental value		Impact on valuations of 25 bps change in equivalent yield		Impact on valuations of 5% change in costs	
		Increase £m	Decrease £m	Decrease £m	Increase £m	Decrease £m	Increase £m
Total Office (excluding developments)	5,905	208	(206)	347	(308)	21	(19)
Total Retail (excluding developments)	4,810	207	(198)	273	(241)	3	(3)
Total Specialist (excluding developments)	1,652	68	(66)	84	(77)	2	(2)
Developments: residual method	270	11	(11)	38	(34)	12	(12)
Market value at 31 March 2019 – Group	12,637	494	(481)	742	(660)	38	(36)

1. Restated as a result of changes in segmental reporting. See note 4 for details.

15. Trading properties

	Development land and infrastructure £m	Residential £m	Total £m
At 1 April 2018	21	3	24
Acquisitions	–	4	4
Capital expenditure	2	–	2
Disposals	–	(7)	(7)
31 March 2019	23	–	23
Capital expenditure	**1**	**–**	**1**
At 31 March 2020	**24**	**–**	**24**

There were no cumulative impairment provisions in respect of either Development land and infrastructure or Residential at 31 March 2020 and 31 March 2019.

16. Joint arrangements

Accounting policy

Joint arrangements are those entities over whose activities the Group has joint control, established by contractual agreement. Interests in joint arrangements are accounted for as either a joint venture or a joint operation. The treatment as either a joint venture or a joint operation will depend on whether the Group has rights to the net assets, or a direct interest in the assets and liabilities of the arrangement.

A joint arrangement is accounted for as a joint venture when the Group, along with the other parties that have joint control of the arrangement, has rights to the net assets of the arrangement. Interests in joint ventures are accounted for using the equity method of accounting. The equity method requires the Group's share of the joint venture's post-tax profit or loss for the year to be presented separately in the income statement and the Group's share of the joint venture's net assets to be presented separately in the balance sheet.

A joint arrangement is accounted for as a joint operation when the Group, along with the parties that have joint control of the arrangement, has rights to the assets and obligations for the liabilities relating to the arrangement. The Group's share of jointly controlled assets, related liabilities, income and expenses are combined with the equivalent items in the financial statements on a line-by-line basis.

The Group's principal joint arrangements are described below:

Joint ventures	Percentage owned and voting rights	Business segment	Year end date[1]	Joint venture partner
Held at 31 March 2020				
Nova, Victoria[2]	50%	Office, Retail, Specialist	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, 5]	50%	Specialist	31 March	Ebbsfleet Property Limited
West India Quay Unit Trust[3, 6]	50%	Specialist	31 March	Schroder Exempt Property Unit Trust

Joint operation	Ownership interest	Business segment	Year end date[1]	Joint operation partners
Held at 31 March 2020				
Bluewater, Kent	30%	Retail	31 March	M&G Real Estate and GIC Lendlease Retail LP Royal London Asset Management Aberdeen Standard Investments

1. The year end date shown is the accounting reference date of the joint arrangement. In all cases, the Group's accounting is performed using financial information for the Group's own reporting year and reporting date.
2. Nova, Victoria includes the Victoria Circle Limited Partnership, Nova Residential Limited Partnership, Victoria Circle Developer Limited, Victoria Circle GP Limited, LS Victoria Circle GP Investments Limited, LS Victoria Circle Development Management Limited, Victoria Circle Business Manager Limited, Nova Residential (GP) Limited and Nova 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. On 15 October 2019, The Ebbsfleet Limited Partnership disposed of its interest in development land for **£17m**.
6. West India Quay Unit Trust is held in the X-Leisure Unit Trust (X-Leisure). Until 5 December 2019 the Group held a 95% share in X-Leisure, but settled the redemption liability on that date. The Group owned 100% of X-Leisure at 31 March 2020.

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 held development land as a trading property and Harvest which is engaged in long-term development contracts. Nova, Victoria is also engaged in the development of investment 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.

16. Joint arrangements continued

Joint ventures

Year ended 31 March 2020

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]	55	12	42	37	43	189	95
Gross rental income (after rents payable)	36	12	33	28	4	113	57
Net rental income	32	7	22	19	3	83	41
Revenue profit before interest	28	7	21	18	3	77	38
Finance expense	(27)	(6)	–	–	–	(33)	(16)
Net finance expense	(27)	(6)	–	–	–	(33)	(16)
Revenue profit	1	1	21	18	3	44	22
Capital and other items							
Net deficit on revaluation of investment properties	(12)	(72)	(139)	(135)	(3)	(361)	(181)
Movement in impairment of trading properties	1	–	–	–	–	1	–
Profit on disposal of trading properties	1	–	–	–	12	13	7
Profit on long-term development contracts	–	–	–	–	5	5	3
(Loss)/profit before tax	(9)	(71)	(118)	(117)	17	(298)	(149)
Taxation	–	–	–	–	(3)	(3)	(2)
Post-tax (loss)/profit	(9)	(71)	(118)	(117)	14	(301)	(151)
Total comprehensive (loss)/income	(9)	(71)	(118)	(117)	14	(301)	(151)
	50%	50%	50%	50%	50%	50%	
Group share of (loss)/profit before tax	(5)	(35)	(59)	(59)	9	(149)	(149)
Group share of post-tax (loss)/profit	(5)	(35)	(59)	(59)	7	(151)	(151)
Group share of total comprehensive (loss)/income	(5)	(35)	(59)	(59)	7	(151)	(151)

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.

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
Revenue profit before interest	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.

16. Joint arrangements continued

Joint ventures

Balance sheet	Nova, Victoria 100% £m	Southside Limited Partnership 100% £m	St. David's Limited Partnership 100% £m	Westgate Oxford Alliance Partnership 100% £m	Other 100% £m	Total 100% £m	Total Group share £m
							2020
Investment properties[1]	849	192	425	358	67	1,891	946
Non-current assets	849	192	425	358	67	1,891	946
Cash and cash equivalents	17	2	12	10	6	47	23
Other current assets	75	3	13	19	–	110	55
Current assets	92	5	25	29	6	157	78
Total assets	941	197	450	387	73	2,048	1,024
Trade and other payables and provisions	(33)	(4)	(12)	(12)	(1)	(62)	(31)
Current liabilities	(33)	(4)	(12)	(12)	(1)	(62)	(31)
Non-current liabilities	(179)	(144)	(16)	–	–	(339)	(169)
Non-current liabilities	(179)	(144)	(16)	–	–	(339)	(169)
Total liabilities	(212)	(148)	(28)	(12)	(1)	(401)	(200)
Net assets	729	49	422	375	72	1,647	824
Market value of investment properties[1]	908	193	417	372	68	1,958	979
Net cash/(debt)	17	2	(4)	10	6	31	15
							2019
Balance sheet							
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

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.

Joint ventures Net investment	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 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
Total comprehensive (loss)/income	**(5)**	**(35)**	**(59)**	**(59)**	**7**	**(151)**
Cash contributed	**13**	**–**	**–**	**–**	**–**	**13**
Cash distributions	**(2)**	**(1)**	**(7)**	**(12)**	**(47)**	**(69)**
At 31 March 2020	**365**	**25**	**211**	**187**	**36**	**824**

17. Capital commitments

	2020 £m	2019 £m
Contracted capital commitments at the end of the year in respect of:		
Investment properties	**323**	85
Joint ventures (our share)	**11**	7
Total capital commitments	**334**	92

Capital commitments include contractually committed obligations to purchase goods or services used in the construction, development, repair, maintenance or other enhancement of the Group's properties.

18. Net investment in finance leases

Accounting policy

Where the Group's leases transfer the significant risks and rewards incidental to ownership of the underlying asset to the tenant, the lease is accounted for as a finance lease. At the outset of the lease the fair value of the asset is de-recognised from investment property and recognised as a finance lease receivable. Lease income is recognised over the period of the lease, reflecting a constant rate of return. The difference between the gross receivable and the present value of the receivable is recognised as finance income within Revenue over the lease term.

	2020 £m	2019 £m
Non-current		
Finance leases – gross receivables	**237**	250
Unearned finance income	**(115)**	(125)
Unguaranteed residual value	**34**	34
	156	159
Current		
Finance leases – gross receivables	**12**	12
Unearned finance income	**(9)**	(9)
	3	3
Net investment in finance leases	**159**	162
Gross receivables from finance leases due:		
No later than one year	**12**	12
Later than one year but not more than five years	**52**	51
More than five years	**185**	199
	249	262
Unearned finance income	**(124)**	(134)
Unguaranteed residual value	**34**	34
Net investment in finance leases	**159**	162

The Group has leased out a number of investment properties under finance leases, which range from 30 to 99 years in duration from the inception of the lease.

19. Intangible assets

Accounting policy

Intangible assets comprise goodwill and other intangible assets arising on business combinations and software used internally within the business. Intangible assets arising on business combinations are initially recognised at fair value. Goodwill is not amortised but is tested at least annually for impairment. Other intangible assets arising on business combinations are amortised to the income statement over their expected useful lives. Software assets are stated at cost less accumulated amortisation and are amortised on a straight-line basis over their estimated useful economic lives, normally three to five years.

	Goodwill £m	Software £m	Other intangible asset £m	Total £m
At 1 April 2018	4	6	24	34
Capital expenditure	–	4	–	4
Amortisation	–	(3)	(1)	(4)
Impairment	(2)	–	(12)	(14)
At 31 March 2019	2	7	11	20
Capital expenditure	**–**	**2**	**–**	**2**
Amortisation	**–**	**(3)**	**–**	**(3)**
Impairment	**(1)**	**–**	**(4)**	**(5)**
At 31 March 2020	**1**	**6**	**7**	**14**

The other intangible asset relates to the Group's acquisition of its interest in Bluewater, Kent in 2014 and represents the estimated fair value of the management rights for the centre. The fair value at the date of acquisition was £30m and the asset is being amortised over a period of 20 years. On recognition of the intangible asset, the Group recognised a deferred tax liability of £6m, and corresponding goodwill of the same amount. The deferred tax liability is being released to the income statement as the intangible asset is amortised or impaired, and the corresponding element of the goodwill is being tested for impairment.

In the year ended 31 March 2020, the intangible asset has been impaired by **£4m** (2019: £12m) as a result of a decline in the management fees expected to be earned by the Group for managing the asset following a decline in its valuation. As a result of this impairment, **£1m** (2019: £2m) of the deferred tax liability has also been released in the year and the corresponding goodwill has therefore also been impaired by **£1m** (2019: £2m). The recoverable amount of the intangible asset has been based on its value in use, using a discount rate of **4.0%**.

Section 4 – Capital structure and financing

This section focuses on the Group's financing structure, including borrowings and financial risk management.

The total capital of the Group consists of shareholders' equity and net debt. The Group's strategy is to maintain an appropriate net debt to total equity ratio (gearing) and loan-to-value ratio (LTV) to ensure that asset level performance is translated into enhanced returns for shareholders whilst maintaining an appropriate risk reward balance to accommodate changing financial and operating market cycles. The table in note 20 details a number of the Group's key metrics in relation to managing its capital structure.

A key element of the Group's capital structure is that the majority of our borrowings are secured against a large pool of our assets (the Security Group). This enables us to raise long-term debt in the bond market, as well as shorter-term flexible bank facilities, both at competitive rates. In general, we follow a secured debt strategy as we believe this gives the Group better access to borrowings at a lower cost.

In addition, the Group holds a number of assets outside the Security Group structure (in the Non-restricted Group). By having both the Security Group and the Non-restricted Group, and considerable flexibility to move assets between the two, we are able to raise the most appropriate finance for each specific asset or joint venture.

20. Capital structure

	2020				2019			
	Group £m	**Joint ventures £m**	**Adjustment for non-wholly owned subsidiaries[1] £m**	**Combined £m**	Group £m	Joint ventures £m	Adjustment for non-wholly owned subsidiaries[1] £m	Combined £m
Property portfolio								
Market value of investment properties	**11,802**	**979**	**–**	**12,781**	12,637	1,149	(36)	13,750
Trading properties and long-term contracts	**24**	**3**	**–**	**27**	23	18	–	41
Total property portfolio (a)	**11,826**	**982**	**–**	**12,808**	12,660	1,167	(36)	13,791
Net debt								
Borrowings	**5,332**	**8**	**–**	**5,340**	3,781	8	–	3,789
Monies held in restricted accounts and deposits	**(9)**	**–**	**–**	**(9)**	(36)	(2)	–	(38)
Cash and cash equivalents	**(1,345)**	**(23)**	**–**	**(1,368)**	(14)	(16)	–	(30)
Fair value of interest-rate swaps	**1**	**–**	**–**	**1**	–	–	–	–
Fair value of foreign exchange swaps and forwards	**(37)**	**–**	**–**	**(37)**	16	–	–	16
Net debt (b)	**3,942**	**(15)**	**–**	**3,927**	3,747	(10)	–	3,737
Less: Fair value of interest-rate swaps	**(1)**	**–**	**–**	**(1)**	–	–	–	–
Adjusted net debt (c)	**3,941**	**(15)**	**–**	**3,926**	3,747	(10)	–	3,737
Adjusted total equity								
Total equity (d)	**8,750**	**–**	**–**	**8,750**	9,920	–	–	9,920
Fair value of interest-rate swaps	**1**	**–**	**–**	**1**	–	–	–	–
Adjusted total equity (e)	**8,751**	**–**	**–**	**8,751**	9,920	–	–	9,920
Gearing (b/d)	**45.1%**			**44.9%**	37.8%			37.7%
Adjusted gearing (c/e)	**45.0%**			**44.9%**	37.8%			37.7%
Group LTV (c/a)	**33.3%**			**30.7%**	29.6%			27.1%
Security Group LTV	**32.5%**				28.6%			
Weighted average cost of debt	**1.8%**			**1.8%**	2.7%			2.7%

1. This represents the interest in X-Leisure which we did not own, but which is consolidated in the Group numbers. In December 2019, the Group settled the redemption liability which represented this interest resulting in 100% ownership.

21. Borrowings

Accounting policy

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.

						2020			2019
	Secured/ unsecured	Fixed/ floating	Effective interest rate %	Nominal/ notional value £m	Fair value £m	Book value £m	Nominal/ notional value £m	Fair value £m	Book value £m
Current borrowings									
Commercial paper									
Sterling	Unsecured	Floating	LIBOR + margin	**4**	**4**	**4**	–	–	–
Euro	Unsecured	Floating	LIBOR + margin	**796**	**796**	**796**	729	729	729
US Dollar	Unsecured	Floating	LIBOR + margin	**177**	**177**	**177**	205	205	205
Total current borrowings				**977**	**977**	**977**	934	934	934
Non-current borrowings									
Medium term notes (MTN)									
A3 5.425% MTN due 2022	Secured	Fixed	5.5	**–**	**–**	**–**	46	48	46
A10 4.875% MTN due 2025	Secured	Fixed	5.0	**10**	**11**	**10**	14	15	14
A12 1.974% MTN due 2026	Secured	Fixed	2.0	**400**	**406**	**399**	400	405	399
A4 5.391% MTN due 2026	Secured	Fixed	5.4	**17**	**20**	**17**	25	30	25
A5 5.391% MTN due 2027	Secured	Fixed	5.4	**95**	**113**	**94**	186	224	186
A6 5.376% MTN due 2029	Secured	Fixed	5.4	**65**	**84**	**65**	78	97	77
A16 2.375% MTN due 2029	Secured	Fixed	2.5	**350**	**366**	**347**	350	362	347
A13 2.399% MTN due 2031	Secured	Fixed	2.4	**300**	**314**	**299**	300	310	299
A7 5.396% MTN due 2032	Secured	Fixed	5.4	**81**	**111**	**80**	156	209	156
A11 5.125% MTN due 2036	Secured	Fixed	5.1	**50**	**71**	**50**	56	76	56
A14 2.625% MTN due 2039	Secured	Fixed	2.6	**500**	**521**	**494**	500	508	493
A15 2.750% MTN due 2059	Secured	Fixed	2.7	**500**	**542**	**495**	500	515	494
				2,368	**2,559**	**2,350**	2,611	2,799	2,592
Syndicated and bilateral bank debt	Secured	Floating	LIBOR + margin	**1,944**	**1,944**	**1,944**	225	225	225
Amounts payable under head leases	Unsecured	Fixed	4.6	**61**	**126**	**61**	30	62	30
Total non-current borrowings				**4,373**	**4,629**	**4,355**	2,866	3,086	2,847
Total borrowings				**5,350**	**5,606**	**5,332**	3,800	4,020	3,781

Financial statements

21. Borrowings continued

Reconciliation of the movement in borrowings	2020 £m	2019 £m
At the beginning of the year	**3,781**	3,730
Proceeds from new borrowings	**1,701**	84
Repayment of MTNs	**(47)**	–
Redemption of MTNs	**(196)**	(8)
Foreign exchange movement on non-Sterling borrowings	**60**	(25)
Other	**33**	–
At 31 March	**5,332**	3,781

Reconciliation of movements in liabilities arising from financing activities			Non-cash changes			2020
	At the beginning of the year £m	Cash flows £m	Foreign exchange movements £m	Other changes in fair values £m	Other changes £m	At the end of the year £m
Borrowings	**3,781**	**1,458**	**60**	**–**	**33**	**5,332**
Derivative financial instruments	**16**	**1**	**(60)**	**7**	**–**	**(36)**
	3,797	**1,459**	**–**	**7**	**33**	**5,296**

			Non-cash changes			2019
	At the beginning of the year £m	Cash flows £m	Foreign exchange movements £m	Other changes in fair values £m	Other changes £m	At the end of the year £m
Borrowings	3,730	76	(25)	–	–	3,781
Derivative financial instruments	1	(15)	25	5	–	16
	3,731	61	–	5	–	3,797

Medium term notes

The MTNs are secured on the fixed and floating pool of assets of the Security Group (see note 25). The Security Group includes investment properties, development properties, the X-Leisure fund, and the Group's investment in Westgate Oxford Alliance Limited Partnership, Nova, Victoria, St. David's Limited Partnership and Southside Limited Partnership, in total valued at **£12.1bn** at 31 March 2020 (31 March 2019: £13.2bn). 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 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. 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 purchased **£196m** (2019: £8m) of MTNs for a total premium of **£59m** (2019: £2m). Details of the purchases and associated premium by series are as follows:

MTN purchases		2020		2019
	Purchases £m	Premium £m	Purchases £m	Premium £m
A10 4.875% MTN due 2025	**4**	**1**	–	–
A4 5.391% MTN due 2026	**8**	**1**	–	–
A5 5.391% MTN due 2027	**91**	**20**	–	–
A6 5.376% MTN due 2029	**12**	**3**	7	2
A7 5.396% MTN due 2032	**75**	**31**	1	–
A11 5.125% MTN due 2036	**6**	**3**	–	–
	196	**59**	8	2

Syndicated and bilateral bank debt		Authorised		Drawn		Undrawn	
	Maturity as at 31 March 2020	**2020 £m**	2019 £m	**2020 £m**	2019 £m	**2020 £m**	2019 £m
Syndicated debt	**2024-25**	**2,490**	2,490	**1,797**	100	**693**	2,390
Bilateral debt	**2023-24**	**225**	225	**147**	125	**78**	100
		2,715	2,715	**1,944**	225	**771**	2,490

At 31 March 2020, the Group's committed revolving facilities totalled **£2,715m** (31 March 2019: £2,715m).

All syndicated and bilateral facilities are committed and secured on the assets of the Security Group. During the year ended 31 March 2020, the amounts drawn under the Group's facilities increased by **£1,719m**.

The terms of the Security Group funding arrangements require undrawn facilities to be reserved where syndicated and bilateral facilities mature within one year, or when commercial paper is issued. The total amount of cash and available facilities at 31 March 2020 were **£1,139m** (2019: £1,570m).

22. Monies held in restricted accounts and deposits

Accounting policy

Monies held in restricted accounts and deposits represent cash held by the Group in accounts with conditions that restrict the use of these monies by the Group and, as such, does not meet the definition of cash and cash equivalents. Restrictions include funds held by the Group's captive insurer and the Employee Benefit Trust. Holding cash in restricted accounts does not prevent the Group from optimising returns by putting these monies on short-term deposit.

	Group		Company	
	2020 £m	2019 £m	**2020 £m**	2019 £m
Cash at bank and in hand	**4**	29	**4**	4
Short-term deposits	**5**	7	**–**	–
	9	36	**4**	4

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.

	Group		Company	
	2020 £m	2019 £m	**2020 £m**	2019 £m
Counterparties with external credit ratings				
A+	**5**	32	**–**	–
A	**3**	4	**3**	4
BBB+	**1**	–	**1**	–
	9	36	**4**	4

23. Cash and cash equivalents

Accounting policy

Cash and cash equivalents comprise cash balances, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are deducted from cash and cash equivalents for the purpose of the statement of cash flows.

	Group		Company	
	2020 £m	2019 £m	**2020 £m**	2019 £m
Cash at bank and in hand	**1,345**	14	**–**	–
	1,345	14	**–**	–

As a result of the uncertainty created by Covid-19, the Group drew down on its facilities in March 2020 in order to cover the short-term commercial paper in issue at 31 March 2020 and to provide additional liquid funds.

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.

	2020 £m	2019 £m
Counterparties with external credit ratings		
A+	**1,345**	14
	1,345	14

The Group's cash and cash equivalents and bank overdrafts are subject to cash pooling arrangements. The following table provides details of cash balances and bank overdrafts which are subject to offsetting agreements.

	2020			2019		
	Gross amounts of financial assets £m	**Gross amounts of financial liabilities £m**	**Net amounts recognised in the balance sheet £m**	Gross amounts of financial assets £m	Gross amounts of financial liabilities £m	Net amounts recognised in the balance sheet £m
Assets						
Cash and cash equivalents	**1,363**	**(18)**	**1,345**	63	(49)	14
	1,363	**(18)**	**1,345**	63	(49)	14

24. Derivative financial instruments

Accounting policy

The Group uses interest-rate and foreign exchange swaps and forwards to manage its market risk. In accordance with its treasury policy, the Group does not hold or issue derivatives for trading purposes.

All derivatives are recognised on the balance sheet at fair value. The fair value of interest-rate and foreign exchange swaps is based on counterparty or market quotes. Those quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market rates for similar instruments at the measurement date. The gain or loss on derivatives are recognised immediately in the income statement, within net finance expense.

Carrying value of derivative financial instruments	Group	
	2020 £m	2019 £m
Current assets	**39**	2
Non-current assets	**–**	1
Current liabilities	**(2)**	(18)
Non-current liabilities	**(1)**	(1)
	36	(16)

Notional amount

	2020 £m	2019 £m
Interest-rate swaps[1]	**675**	400
Foreign exchange swaps	**996**	993
	1,671	1,393

1. At 31 March 2020, the Group held forward starting pay-fixed interest-rate swaps of **£275m** (2019: £nil) which are included in the notional amounts above.

25. Financial risk management

Introduction

A review of the Group's objectives, policies and processes for managing and monitoring risk is set out in 'Managing risk' and 'Our principal risks and uncertainties' (pages 48 to 56). This note provides further detail on financial risk management and includes quantitative information on specific financial risks.

The Group is exposed to a variety of financial risks: market risks (principally interest rate risk), credit risk and liquidity risk. The Group's overall risk management strategy seeks to minimise the potential adverse effects of these on the Group's financial performance and includes the use of derivative financial instruments to hedge certain risk exposures.

Financial risk management is carried out by the Group's treasury function under policies approved by the Board of Directors.

The Group assesses whether it intends to hold its financial assets to collect the contractual cash flows, or whether it intends to sell them before maturity and classifies its financial instruments into the appropriate categories. The following table summarises the Group's financial assets and liabilities into the categories required by IFRS 7 Financial Instruments: Disclosures:

	Group		Company	
	2020 £m	2019 £m	2020 £m	2019 £m
Financial assets at amortised cost	**741**	738	**4**	4
Cash and cash equivalents	**1,345**	14	**–**	–
Financial assets at fair value through other comprehensive income (without recycling)	**9**	12	**–**	–
Financial liabilities at amortised cost	**(5,461)**	(3,910)	**(2,406)**	(1,978)
Financial instruments at fair value through profit or loss	**36**	(52)	**–**	–
	(3,330)	(3,198)	**(2,402)**	(1,974)

Financial risk factors

(i) Credit risk

The Group's principal financial assets are cash and cash equivalents, trade and other receivables, net investment in finance leases and amounts due from joint ventures. Further details concerning the credit risk of counterparties is provided in the note that specifically relates to each type of asset.

Bank and financial institutions

The principal credit risks of the Group arise from financial derivative instruments and deposits with banks and financial institutions. In line with the policy approved by the Board of Directors, where the Group manages the deposit, only independently rated banks and financial institutions with a minimum rating of A- are accepted. For UK banks and financial institutions with which the Group has a committed lending relationship, the minimum rating is lowered to BBB+. The Group's treasury function currently performs regular reviews of the credit ratings of all financial institution counterparties. Furthermore, the treasury function ensures that funds deposited with a single financial institution remain within the Group's policy limits.

Trade receivables

Trade receivables are presented in the balance sheet net of allowances for doubtful receivables. 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. 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, likely deferrals of payments due and those tenants expected to be offered a period of rent free as a result of temporary closures imposed in order to limit the spread of Covid-19 and market expectations and trends in the wider macro-economic environment in which our customers operate. These assessments are made on a customer by customer basis.

While the balance has increased in the year ended 31 March 2020, it remains low relative to the scale of the balance sheet. The long-term nature and diversity of the Group's tenancy arrangements mean the credit risk of trade receivables is usually considered to be low. This risk has increased at 31 March 2020 following reduced rent collections as a result of Covid-19.

To limit the Group's exposure to credit risk on trade receivables, a credit report is usually obtained from an independent rating agency prior to the inception of a lease with a new counterparty. This report, alongside the Group's internal assessment of credit risk, is used to determine the size of the deposit that is required, if any, from the tenant at inception. In general, these deposits represent between three and six months' rent.

25. Financial risk management continued

Net investment in finance leases
This balance relates to amounts receivable from tenants in respect of tenant finance leases. This is not considered a significant credit risk as the tenants are generally of good financial standing.

(ii) Liquidity risk
The Group actively maintains a mixture of notes with final maturities between 2025 and 2059, commercial paper and medium-term committed bank facilities that are designed to ensure that the Group has sufficient available funds for its operations and its committed capital expenditure programme.

Management monitors the Group's available funds as follows:

	2020 £m	2019 £m
Cash and cash equivalents	**1,345**	14
Commercial paper	**(977)**	(934)
Undrawn facilities	**771**	2,490
Cash and available undrawn facilities	**1,139**	1,570
As a proportion of drawn debt	**21.5%**	41.7%

The Group's core financing structure is in the Security Group, although the Non-restricted Group may also secure independent funding.

Security Group
The Group's principal financing arrangements utilise the credit support of a ring-fenced group of assets (the Security Group) that comprises the majority of the Group's investment property portfolio and certain investments in joint ventures. These arrangements operate in 'tiers' determined by LTV and interest cover ratio (ICR). This structure is most flexible at lower tiers (with a lower LTV and a higher ICR) and allows property acquisitions, disposals and developments to occur with relative freedom. In higher tiers, the requirements become more prescriptive. No financial covenant default is triggered until the applicable LTV exceeds 100% or the ICR is less than 1.0x.

As at 31 March 2020, the reported LTV for the Security Group was **32.5%** (2019: 28.6%), meaning that the Group was operating in Tier 1 and benefited from maximum operational flexibility.

Management monitors the key covenants attached to the Security Group on a monthly basis, including LTV, ICR, sector and regional concentration and disposals.

Non-restricted Group
The Non-restricted Group obtains funding when required from a combination of inter-company loans from the Security Group, equity and external bank debt. Bespoke credit facilities are established with banks when required for the Non-restricted Group and joint ventures, usually on a limited-recourse basis.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the expected maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

					2020
	Less than 1 year £m	Between 1 and 2 years £m	Between 2 and 5 years £m	Over 5 years £m	Total £m
Borrowings (excluding lease liabilities)	**1,058**	**82**	**2,698**	**2,556**	**6,394**
Lease liabilities	**3**	**3**	**9**	**337**	**352**
Derivative financial instruments	**2**	**1**	**1**	**–**	**4**
Trade payables	**6**	**–**	**–**	**–**	**6**
Capital accruals	**23**	**–**	**–**	**–**	**23**
Accruals	**48**	**–**	**–**	**–**	**48**
Amounts owed to joint ventures	**1**	**–**	**–**	**–**	**1**
Other payables	**50**	**1**	**–**	**–**	**51**
	1,191	**87**	**2,708**	**2,893**	**6,879**

					2019
	Less than 1 year £m	Between 1 and 2 years £m	Between 2 and 5 years £m	Over 5 years £m	Total £m
Borrowings (excluding lease liabilities)	1,064	81	902	2,929	4,976
Lease liabilities	2	2	5	199	208
Derivative financial instruments	18	–	2	–	20
Trade payables	7	–	–	–	7
Capital accruals	24	–	–	–	24
Accruals	59	–	–	–	59
Amounts owed to joint ventures	3	–	–	–	3
Other payables	35	–	–	–	35
Redemption liability	–	–	–	36	36
	1,212	83	909	3,164	5,368

(iii) Market risk
The Group is exposed to market risk through interest rates, availability of credit and foreign exchange movements.

Interest rates
The Group uses derivative products to manage its interest rate exposure and has a hedging policy that generally requires at least 70% of its existing debt plus increases in debt associated with net committed capital expenditure to be at fixed interest rates for the coming five years. Due to a combination of factors, including the degree of certainty required under IFRS 9 Financial instruments, the Group does not apply hedge accounting to hedging instruments used in this context. Specific interest-rate hedges are also used from time to time to fix the interest rate exposure on our debt. Where specific hedges are used to fix the interest exposure on floating rate debt, these may qualify for hedge accounting.

At 31 March 2020, the Group (including joint ventures) had pay-fixed interest-rate swaps in place with a nominal value of **£400m** (2019: £400m) and forward starting pay-fixed interest-rate swaps of **£275m** (2019: £nil). The Group's net debt was **71.3%** fixed (2019: 81.5%) and based on the Group's debt balances at 31 March 2020, a 1% increase/(decrease) in interest rates would increase/(decrease) the annual net finance expense in the income statement and reduce/(increase) equity by **£12m** (2019: £7m). The sensitivity has been calculated by applying the interest rate change to the variable rate borrowings, net of interest-rate swaps and cash and cash equivalents.

Foreign exchange
Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the Group's functional currency.

As it is solely UK based, the Group's foreign exchange risk is low. The vast majority of the Group's foreign currency transactions relate to foreign currency borrowing under the Group's commercial paper programme. It is the Group's policy to hedge 100% of this exposure. At 31 March 2020, the Group had issued **€901m** (2019: €847m) and **$220m** (2019: $268m) of commercial paper, fully hedged through foreign exchange swaps. A 10% weakening or strengthening of Sterling would therefore have **£nil** (2019: £nil) impact in the income statement and equity arising from foreign currency borrowings.

Where additional foreign exchange risk is identified (not linked to commercial paper borrowing), it is the Group's policy to assess the likelihood of the risk crystallising and if deemed appropriate use derivatives to hedge some or all of the risk. At 31 March 2020, the Group had **€29m** (2019: €50m) and **CHF12m** (2019: CHFnil) of foreign currency exposures being managed using foreign currency derivative contracts. These were entered into in order to economically hedge our exposure to movements in foreign currencies. A 10% weakening of Sterling would reduce the loss before tax and increase total equity by **£7m** (2019: £5m). A 10% strengthening in Sterling would increase the loss before tax and reduce equity by **£5m** (2019: £4m).

Financial maturity analysis
The interest rate profile of the Group's borrowings is set out below (based on notional values):

			2020			2019
	Fixed rate £m	**Floating rate £m**	**Total £m**	Fixed rate £m	Floating rate £m	Total £m
Sterling	**2,429**	**1,948**	**4,377**	2,641	225	2,866
Euro	**–**	**796**	**796**	–	729	729
US Dollar	**–**	**177**	**177**	–	205	205
	2,429	**2,921**	**5,350**	2,641	1,159	3,800

25. Financial risk management continued

The expected maturity profiles of the Group's borrowings are as follows (based on notional values):

	2020 Fixed rate £m	2020 Floating rate £m	2020 Total £m	2019 Fixed rate £m	2019 Floating rate £m	2019 Total £m
One year or less, or on demand	**–**	**977**	**977**	46	934	980
More than two years but not more than five years	**522**	**1,944**	**2,466**	439	225	664
More than five years	**1,907**	**–**	**1,907**	2,156	–	2,156
Borrowings	**2,429**	**2,921**	**5,350**	2,641	1,159	3,800
Effect of hedging	**400**	**(400)**	**–**	400	(400)	–
Borrowings net of interest-rate swaps	**2,829**	**2,521**	**5,350**	3,041	759	3,800

The expected maturity profiles of the Group's derivative instruments are as follows (based on notional values):

	2020 Foreign exchange swaps £m	2020 Interest-rate swaps £m	2019 Foreign exchange swaps £m	2019 Interest-rate swaps £m
One year or less, or on demand	**981**	**–**	993	–
More than one year but not more than two years	**15**	**–**	–	–
Two years but not more than five years	**–**	**675**	–	–
More than five years	**–**	**–**	–	400
	996	**675**	993	400

Valuation hierarchy

Derivative financial instruments, financial assets at fair value through other comprehensive income (other investments) and the redemption liability are the only financial instruments which are carried at fair value. For financial instruments other than borrowings disclosed in note 21, the carrying value in the balance sheet approximates their fair values. The table below shows the aggregate assets and liabilities carried at fair value by valuation method:

	2020 Level 1 £m	2020 Level 2 £m	2020 Level 3 £m	2020 Total £m	2019 Level 1 £m	2019 Level 2 £m	2019 Level 3 £m	2019 Total £m
Assets	**–**	**39**	**9**	**48**	–	3	12	15
Liabilities	**–**	**(3)**	**–**	**(3)**	–	(19)	(36)	(55)

Note:
Level 1: valued using unadjusted quoted prices in active markets for identical financial instruments.
Level 2: valued using techniques based on information that can be obtained from observable market data.
Level 3: valued using techniques incorporating information other than observable market data.

The fair value of the amounts payable under the Group's lease obligations, using a discount rate of **1.8%** (31 March 2019: 2.7%) is **£126m** (31 March 2019: £62m). The fair value of the Group's net investment in tenant finance leases using a discount rate of **1.8%** (31 March 2019: 2.7%), is **£247m** (31 March 2019: £235m).

The fair values of any floating rate financial liabilities are assumed to be equal to their nominal value. The fair values of the MTNs fall within Level 1, the syndicated and bilateral facilities, commercial paper, interest-rate swaps and foreign exchange swaps fall within Level 2, and the amounts payable and receivable under leases fall within Level 3.

The fair values of the financial instruments have been determined by reference to relevant market prices, where available. The fair values of the Group's outstanding interest-rate swaps have been estimated by calculating the present value of future cash flows, using appropriate market discount rates. These valuation techniques fall within Level 2.

The fair value of the redemption liability was determined as the present value of the amount the Group would be required to pay to settle the liability (an exit price). The fair value was calculated by reference to the net assets of the underlying subsidiary. The valuation was not based on observable market data and therefore the redemption liability was considered to fall within Level 3 of the fair value hierarchy.

The fair value of the other investments is calculated by reference to the net assets of the underlying entity. The valuation is not based on observable market data and therefore the other investments are considered to fall within Level 3 of the fair value hierarchy.

Section 5 – Working capital

This section focuses on our working capital balances, including trade and other receivables, trade and other payables, and provisions.

26. Trade and other receivables

Accounting policy

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.

Significant accounting estimate

Impairment of trade receivables

The Group's assessment of expected credit losses is inherently subjective due to the forward-looking nature of the assessments, in particular, the Group's assessment of expected insolvency filings or company voluntary arrangements, likely deferrals of payments due and those tenants expected to be offered a period of rent free as a result of temporary closures imposed to limit the spread of Covid-19. As a result, the value of the provisions for impairment of the Group's trade receivables are subject to a degree of uncertainty and are made on the basis of assumptions which may not prove to be accurate, particularly in the year ended 31 March 2020, with the unprecedented uncertainty caused by Covid-19. See note 25 for further details of the Group's assessment of the credit risk associated with trade receivables.

	2020 £m	2019 £m
Net trade receivables	**77**	67
Tenant lease incentives (note 14)	**316**	334
Prepayments	**24**	23
Accrued income	**1**	3
Amounts due from joint ventures	**2**	2
Other receivables	**13**	8
Total current trade and other receivables	**433**	437
Non-current amounts due from joint ventures	**161**	160
Non-current property sales receivables	**17**	16
Total trade and other receivables	**611**	613

The accounting for lease incentives is set out in note 6. The value of the tenant lease incentives, included in current trade and other receivables, is spread over the non-cancellable life of the lease.

The non-current amounts due from joint ventures have maturity dates ranging from April 2022 to the dissolution of the joint venture. Interest is charged at rates ranging from **4%** to **5%** (2019: 4% to 5%).

Ageing of trade receivables — Group

	Not past due £m	Up to 30 days past due £m	Up to 6 months past due £m	Up to 12 months past due £m	More than 12 months past due £m	Total £m
As at 31 March 2020						
Not impaired	**33**	**38**	**5**	**1**	**–**	**77**
Impaired	**6**	**15**	**2**	**2**	**5**	**30**
Gross trade receivables	**39**	**53**	**7**	**3**	**5**	**107**
As at 31 March 2019						
Not impaired	36	25	4	1	1	67
Impaired	–	–	2	1	5	8
Gross trade receivables	36	25	6	2	6	75

26. Trade and other receivables continued

A significant proportion of the Group's trade receivables are considered not past due as they relate to rents receivable from tenants which are billed in the current year for periods commencing in the following year. None of the Group's other receivables are past due and therefore no ageing has been shown (2019: £nil).

Movement in allowances for doubtful debts	**2020 £m**	2019 £m
At the beginning of the year	**8**	9
Increase to provision[1]	**27**	5
Decrease to provision	**(4)**	(4)
Utilised in the year	**(1)**	(2)
At 31 March	**30**	8

1. Of the £27m increase to provision in the year ended 31 March 2020, £21m relates to rents receivables from tenants which are payable in advance and therefore relate to revenue which will be recognised in the year ending 31 March 2021.

Movement in tenant lease incentives	**2020 £m**	2019 £m
At the beginning of the year	**334**	337
Revenue recognised	**(20)**	1
Capital incentives granted	**7**	–
Provision for doubtful receivables	**(3)**	(4)
Disposal of properties	**(2)**	–
At 31 March	**316**	334

27. Trade and other payables

	Group		Company	
	2020 £m	2019 £m	**2020 £m**	2019 £m
Trade payables	**6**	7	**–**	–
Capital accruals	**23**	24	**–**	–
Other payables	**50**	35	**10**	11
Accruals	**48**	59	**3**	14
Deferred income	**142**	145	**–**	–
Amounts owed to joint ventures	**1**	3	**–**	–
Loans from subsidiary undertakings	**–**	–	**2,393**	1,953
Total current trade and other payables	**270**	273	**2,406**	1,978
Non-current other payables	**1**	1	**–**	–
Total trade and other payables	**271**	274	**2,406**	1,978

Capital accruals represent amounts due under contracts to purchase properties, which were unconditionally exchanged at the year end, and for work completed on investment properties but not paid for at the year end. Deferred income principally relates to rents received in advance.

The Loans from Group undertakings are repayable on demand with no fixed repayment date. Interest is charged at **4.1%** per annum (2019: 4.1%).

Section 6 – Other required disclosures

This section gives further disclosure in respect of other areas of the financial statements, together with mandatory disclosures required in accordance with IFRS.

28. Investments in subsidiary undertakings

Accounting policy

Investments in subsidiary undertakings are stated at cost in the Company's balance sheet, less any provision for impairment in value.

In accordance with IFRS 2 Share Based Payments the equity settled share-based payment charge for the employees of the Company's subsidiaries is treated as an increase in the cost of investment in the subsidiaries, with a corresponding increase in the Company's equity.

	2020 £m	2019 £m
At the beginning of the year	**6,213**	6,211
Capital contributions relating to share-based payments (note 34)	**2**	2
Impairment charge	**(2)**	–
At 31 March	**6,213**	6,213

A full list of subsidiary undertakings at 31 March 2020 is included on pages 192 to 194.

29. Other non-current assets

	2020 £m	2019 £m
Other property, plant and equipment	**14**	17
Net pension surplus (note 33)	**18**	12
Derivative financial instruments	**–**	1
Total other non-current assets	**32**	30

30. Other current assets

	2020 £m	2019 £m
Derivative financial instruments	**39**	2
Other investments	**9**	12
Total other current assets	**48**	14

31. Other current liabilities

	2020 £m	2019 £m
Derivative financial instruments	**2**	18
Total other current liabilities	**2**	18

32. Other non-current liabilities

	2020 £m	2019 £m
Derivative financial instruments	**1**	1
Deferred tax liability (note 12)	**4**	4
Total other non-current liabilities	**5**	5

33. Net pension surplus

Accounting policy

Contributions to defined contribution schemes are charged to the income statement as incurred.

The pension obligations arising under the Group's defined benefit pension scheme are measured at discounted present value. The scheme assets are measured at fair value, except annuities which are valued to match the liability or benefit value. The operating and financing costs of the scheme are recognised separately in the income statement. Service costs are spread using the projected unit credit method. Past service costs are recognised immediately in the income statement in the period in which they are identified. Net financing costs are recognised in the period in which they arise, calculated with reference to the discount rate, and are included in finance income or expense on a net basis. Re-measurement gains and losses arising from either experience differing from previous actuarial assumptions, or changes to those assumptions, are recognised immediately in other comprehensive income.

Defined contribution schemes
The charge to operating profit for the year in respect of defined contribution schemes was **£2m** (2019: £2m).

Defined benefit scheme
The Pension & Assurance Scheme of the Land Securities Group of Companies (the Scheme) is a registered defined benefit final salary scheme subject to the UK regulatory framework for pensions, including the Scheme Specific Funding requirements. The Scheme is operated under trust and as such, the Trustees of the Scheme are responsible for operating the Scheme and they have a statutory responsibility to act in accordance with the Scheme's Trust Deed and Rules, in the best interest of the beneficiaries of the Scheme and UK legislation (including trust law). The Trustees and the Group have the joint power to set the contributions that are paid to the Scheme.

In setting contributions to the Scheme, the Trustees and the Group are guided by the advice of a qualified independent actuary on the basis of triennial valuations using the projected unit credit method. The Scheme is closed to new members (and was closed to future accrual on 31 October 2019). A full actuarial valuation of the Scheme was undertaken on 30 June 2018 by the independent actuaries, Hymans Robertson LLP. This valuation was updated to 31 March 2020 using, where required, assumptions prescribed by IAS 19 Employee Benefits. The next full actuarial valuation will be performed as at 30 June 2021.

There have been no employer contributions following the closure of the Scheme to future accrual. Prior to this, the employer contribution rate was **43.1%** of pensionable salary to cover the costs of accruing benefits. It was also agreed that no further deficit contributions were required from the Group. Employee contributions are paid by salary sacrifice, and therefore appear as Group contributions. In the year ended 31 March 2020, employee contributions were **8.0%** (2019: 8.0%) of monthly pensionable salary. The Group expects to make no employee or employer contributions to the Scheme in the year to 31 March 2021 (2019: £1m).

All death-in-service and incapacity benefits arising during employment are wholly insured. No post-retirement benefits other than pensions are made available to employees of the Group.

Analysis of the amounts charged to the income statement	**2020 £m**	2019 £m
Analysis of the amount charged to operating profit		
Current service costs	**1**	1
Past service costs	**–**	1
Charge to operating profit	**1**	2
Analysis of amount credited to net finance expense		
Interest income on plan assets	**(5)**	(6)
Interest expense on defined benefit scheme liabilities	**5**	6
Net credit to finance income	**–**	–

Analysis of the amounts recognised in other comprehensive income	**2020 £m**	2019 £m
Analysis of gains and losses		
Net re-measurement losses on scheme assets	**(10)**	(2)
Net re-measurement gains on scheme liabilities	**16**	3
Net re-measurement gain	**6**	1
Cumulative net re-measurement loss recognised in other comprehensive income	**(34)**	(40)

33. Net pension surplus continued

The net surplus recognised in respect of the defined benefit scheme can be analysed as follows:

	%	2020 £m	%	2019 £m
Equities	**11**	**24**	17	41
Bonds – Government	**31**	**69**	28	66
Bonds – Corporate	**15**	**34**	7	18
Insurance contracts	**42**	**96**	44	105
Cash and cash equivalents	**1**	**3**	4	8
Fair value of scheme assets	**100**	**226**	100	238
Fair value of scheme liabilities		**(208)**		(226)
Net pension surplus		**18**		12

In the year ended 31 March 2020, **£8m** (2019: £8m) of benefits were paid to members.

Insurance contracts are annuities which are unquoted assets. All other Scheme assets have quoted prices in active markets. The Scheme assets do not include any directly owned financial instruments issued by the Group. Indirectly owned financial instruments had a fair value of **£nil** (2019: £nil).

The defined benefit scheme liabilities are split **9%** (2019: 9%) in respect of active scheme participants, **24%** (2019: 24%) in respect of deferred scheme participants, and **67%** (2019: 67%) in respect of retirees. The weighted average duration of the defined benefit scheme liabilities at 31 March 2020 is **15.8 years** (2019: 15.7 years).

The assumptions agreed with the Trustees of the Scheme for the triennial valuation at 30 June 2018 have been restated to the assumptions described by IAS 19 Employee Benefits. The major assumptions used in the valuation were (in nominal terms):

	2020 %	2019 %
Rate of increase in pensionable salaries	**2.80**	3.45
Rate of increase in pensions with no cap	**2.80**	3.45
Rate of increase in pensions with 5% cap	**2.75**	3.30
Discount rate	**2.30**	2.35
Inflation – Retail Price Index	**2.80**	3.45
– Consumer Price Index	**2.00**	2.65

The mortality assumptions used in this valuation were:

	2020 Years	2019 Years
Life expectancy at age 60 for current pensioners – Men	**27.6**	27.4
– Women	**29.1**	29.0
Life expectancy at age 60 for future pensioners (current age 40) – Men	**29.8**	29.7
– Women	**31.6**	31.5

The sensitivities regarding the principal assumptions used to measure the Scheme liabilities are set out below. These were calculated using approximate methods taking into account the duration of the Scheme liabilities.

Assumption	Change in assumption	Impact on Scheme liabilities
Discount rate	Decrease by 0.5%	Increase by £16m
Life expectancy	Increase by 1 year	Increase by £8m
Rate of inflation	Increase by 0.5%	Increase by £14m

As the above table demonstrates, changes in assumptions can have a significant impact on the Scheme liabilities. The assumptions agreed with the Trustees of the Scheme for the triennial valuation and subsequent interim updates differ from those prescribed by IAS 19 Employee Benefits. Using the assumptions agreed with the Trustees would result in a balance sheet deficit for the Scheme of **£4m** at 31 March 2020, as opposed to a surplus of **£18m**.

In order to reduce risk within the Scheme, **43%** (2019: 44%) of the Scheme assets are invested in annuities that match the liabilities of some pensioners. The assets that the Scheme holds are designed to match a significant proportion of the Scheme liabilities and the Scheme has hedged over **80%** (2019: 72%) of the interest rate risk and **80%** (2019: 79%) of the inflation risk (when measured on a gilts flat discount rate) to which it is exposed.

The Company did not operate any defined contribution schemes or defined benefit schemes during the financial years ended 31 March 2020 or 31 March 2019.

34. Share-based payments

Accounting policy

The cost of granting shares, options over shares and other share-based remuneration to employees and Executive Directors is recognised through the income statement. All awards are equity settled and therefore the fair value is measured at the grant date. Where the awards have non-market related performance criteria, the Group uses the Black-Scholes option valuation model to establish the relevant fair values. Where the awards have Total Shareholder Return (TSR) market related performance criteria, the Group has used the Monte Carlo simulation valuation model to establish the relevant fair values. The resulting values are amortised through the income statement over the vesting period of the awards. For awards with non-market related criteria, the charge is reversed if it appears probable that the performance or service criteria will not be met.

The following table analyses the total cost recognised in the income statement for the year between each plan, together with the number of options outstanding.

		2020		2019
	Charge £m	**Number (millions)**	Charge £m	Number (millions)
Long-Term Incentive Plan	**1**	**2**	1	2
Deferred bonus share plan	**1**	**–**	1	–
Share award plan	**–**	**–**	–	–
Executive share option scheme	**–**	**2**	–	2
Restricted share option plan	**–**	**–**	–	–
	2	**4**	2	4

A summary of the main features of each type of plan is given below. The plans have been split into two categories: Executive plans and Other plans. For further details on the Executive plans, see the Directors' Remuneration Report on pages 84-103.

34. Share-based payments continued

Executive plans:

Long-Term Incentive Plan (LTIP)

The LTIP is open to Executive Directors and ExecCom members with awards made at the discretion of the Remuneration Committee. The LTIP was previously also open to Senior Management. In addition, other than for Executive Directors, an award of 'matching shares' could be made where the individual acquired shares in Land Securities Group PLC and pledged to hold them for a period of three years. The awards are issued at nil consideration, subject to performance and vesting conditions being met. Awards of LTIP shares and matching shares are subject to the same performance criteria and normally vest after three years. Awards are satisfied by the transfer of existing shares held by the Employee Benefit Trust (EBT). The weighted average share price at the date of vesting during the year was **988p** (2019: 899p). The estimated fair value of awards granted during the year under the scheme was **£2m** (2019: £3m).

Deferred bonus share plan

The Executive Directors' annual bonus is structured in two distinct parts made up of an initial payment and deferred shares. The shares are deferred for one or two years and are not subject to additional performance criteria. Awards are satisfied by the transfer of existing shares held by the EBT at nil consideration. The weighted average share price at the date of vesting during the year was **745p** (2019: 937p). The estimated fair value of awards granted during the year under the scheme was **£nil** (2019: £nil).

Other plans:

Executive share option scheme (ESOS)

The 2005 ESOS was previously open to managers not eligible to participate in the LTIP, but has largely been replaced by the new Restricted Share Option Plan in the year ended 31 March 2020. Awards are discretionary and are granted over ordinary shares of the Company at the middle market price on the three dealing days immediately preceding the date of grant. Awards normally vest after three years and are not subject to performance conditions. Awards are satisfied by the transfer of shares from the EBT and lapse ten years after the date of grant. The weighted average share price at the date of exercise for awards exercised during the year was **927p** (2019: 918p). The estimated fair value of awards granted during the year under the scheme was **£nil** (2019: £nil).

Savings related share option plan

Under the savings related share option plan, Executive Directors and other eligible employees are invited to make regular monthly contributions into a Sharesave plan operated by Equiniti. On completion of the three- or five-year contract period, ordinary shares in the Company may be purchased at a price based upon the market price at date of invitation less 20% discount. The weighted average share price at the date of exercise for awards exercised during the year was **944p** (2019: 930p). The estimated fair value of awards granted during the year under the scheme was **£nil** (2019: £nil).

Restricted share option plan (RSP)

The RSP started in the year ended 31 March 2020. It is open to qualifying management level employees with awards granted as nil cost options. Awards are discretionary and are granted over ordinary shares of the Company at the middle market price on the day immediately preceding date of grant. Awards normally vest after three years and are not subject to performance conditions. Awards are satisfied by the transfer of shares from the EBT and lapse ten years after the date of grant. There were no awards exercised during the year (2019: none). The estimated fair value of awards granted during the year under the scheme was **£1m** (2019: £nil).

The aggregate number of awards outstanding, and the weighted average exercise price, are shown below:

	Executive plans[1]		Other plans			
	Number of awards		Number of awards		Weighted average exercise price	
	2020 Number (millions)	2019 Number (millions)	**2020 Number (millions)**	2019 Number (millions)	**2020 Pence**	2019 Pence
At the beginning of the year	**2**	2	**2**	2	**976**	947
Granted	**1**	1	**–**	1	**–**	891
Exercised	**–**	–	**–**	–	**–**	–
Lapsed	**(1)**	(1)	**–**	(1)	**884**	1,035
At 31 March	**2**	2	**2**	2	**873**	976
Exercisable at the end of the year	**–**	–	**1**	1	**1,039**	1,033
	Years	Years	**Years**	Years		
Weighted average remaining contractual life	**1**	1	**5**	6		

1. Executive plans are granted at nil consideration.

The number of share awards outstanding for the Group by range of exercise prices is shown below:

Exercise price – range	**Outstanding at 31 March 2020**			Outstanding at 31 March 2019		
	Weighted average exercise price	**Number of awards**	**Weighted average remaining contractual life**	Weighted average exercise price	Number of awards	Weighted average remaining contractual life
Pence	**Pence**	**Number (millions)**	**Years**	Pence	Number (millions)	Years
Nil[1]	**–**	**2**	**1**	–	2	1
400 – 599	**584**	**–**	**–**	529	–	1
600 – 799	**720**	**–**	**2**	763	–	3
800 – 999	**899**	**1**	**6**	899	1	6
1,000 – 1,199	**1,022**	**1**	**6**	1,022	1	7
1,200 – 1,399	**1,328**	**–**	**5**	1,328	–	6

1. Executive plans are granted at nil consideration.

Fair value inputs for awards with non-market performance conditions

Fair values are calculated using the Black-Scholes option pricing model for awards with non-market performance conditions. The weighted average inputs into this model for the grants under each plan in the financial year are as follows:

	Long-Term Incentive Plan		**Deferred bonus share plan**		**2005 ESOS**	
Year ended 31 March	**2020**	2019	**2020**	2019	**2020**	2019
Share price at grant date	**820p**	953p	**820p**	953p	**n/a**	953p
Exercise price	**n/a**	n/a	**n/a**	n/a	**n/a**	953p
Expected volatility	**20%**	20%	**20%**	20%	**n/a**	20%
Expected life	**3 years**	3 years	**1 year**	1 year	**n/a**	3 years
Risk-free rate	**0.53%**	0.75%	**0.66%**	0.68%	**n/a**	0.75%
Expected dividend yield	**5.55%**	4.64%	**nil**	nil	**n/a**	4.64%

	Restricted share option plan		**Savings related share option plan**	
Year ended 31 March	**2020**	2019	**2020**	2019
Share price at grant date	**820p**	n/a	**837p**	948p
Exercise price	**n/a**	n/a	**670p**	759p
Expected volatility	**20%**	n/a	**20%**	20%
Expected life	**3 years**	n/a	**3 to 5 years**	3 to 5 years
Risk-free rate	**0.53%**	n/a	**0.56% to 0.62%**	0.75% to 1.04%
Expected dividend yield	**5.55%**	n/a	**5.44%**	4.66%

Expected volatility is determined by calculating the historical volatility of the Group's share price over the previous ten years. The expected life used in the model has been determined based upon management's best estimate for the effects of non-transferability, vesting/exercise restrictions and behavioural considerations. The risk-free rate is the yield at the date of the grant of an award on a gilt-edged stock with a redemption date equal to the anticipated vesting of that award.

Fair value inputs for awards with market performance conditions

Fair values are calculated using the Monte Carlo simulation option pricing model for awards with market performance conditions. Awards made under the 2005 LTIP which were granted after 31 March 2009 include a TSR condition, which is a market-based condition. The weighted average inputs into this model for the scheme are as follows:

	Share price at date of grant		**Exercise price**		**Expected volatility – Group**		**Expected volatility – index of comparator companies**		**Correlation – Group vs. index**	
Year ended 31 March	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
Long-Term Incentive Plan	**820p**	953p	**n/a**	n/a	**20%**	20%	**20%**	20%	**85%**	85%

35. Ordinary share capital

Accounting policy

Ordinary shares are classified as equity. External costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds.

The consideration paid by any Group entity to acquire the Company's equity share capital, including any directly attributable incremental costs, is deducted from equity until the shares are cancelled, reissued or sold. Where own shares are sold or reissued, the net consideration received is included in equity.

	Group and Company Allotted and fully paid	
	2020 £m	2019 £m
Ordinary shares of $10\frac{2}{3}$p each	**80**	80

	Number of shares	
	2020	2019
At the beginning of the year	**751,300,993**	751,298,964
Issued on the exercise of options	**12,070**	2,029
At 31 March	**751,313,063**	751,300,993

The number of options over ordinary shares from Executive plans that were outstanding at 31 March 2020 was **1,877,442** (2019: 2,267,391). If all the options were exercised at that date then **1,877,442** (2019: 2,267,391) shares would be required to be transferred from the Employee Benefit Trust (EBT). The number of options over ordinary shares from Other plans that were outstanding at 31 March 2020 was **1,999,167** (2019: 2,150,274). If all the options were exercised at that date then **440,322** new ordinary shares (2019: 355,095) would be issued and **1,558,845** shares would be required to be transferred from the EBT (2019: 1,795,179).

Shareholders at the Annual General Meeting have previously authorised the acquisition of shares by the Company representing up to 10% of its share capital, to be held as treasury shares. During the years ended 31 March 2020 and 2019, there were no ordinary shares acquired to be held as treasury shares. At 31 March 2020 the Group held **9,839,179** ordinary shares (2019: 9,839,179) with a market value of **£55m** (2019: £90m) in treasury.

36. Own shares

Accounting policy

Shares acquired by the EBT are presented on the Group and Company balance sheets within 'Other reserves'. Purchases of treasury shares are deducted from retained earnings.

	Group and Company	
	2020 £m	2019 £m
At the beginning of the year	**11**	13
Transfer of shares to employees on exercise of share options	**(1)**	(2)
At 31 March	**10**	11

Own shares consist of shares in Land Securities Group PLC held by the EBT in respect of the Group's commitment to a number of its employee share option schemes (note 34).

The number of shares held by the EBT at 31 March 2020 was **957,692** (2019: 1,080,624). The market value of these shares at 31 March 2020 was **£5m** (2019: £10m).

37. Contingencies

The Group has contingent liabilities in respect of legal claims, guarantees, and warranties arising in the ordinary course of business. It is not anticipated that any material liabilities will arise from the contingent liabilities.

38. Related party transactions

Subsidiaries

During the year, the Company entered into transactions, in the normal course of business, with related parties as follows:

	Company 2020 £m	2019 £m
Transactions with subsidiary undertakings[1]:		
Recharge of costs	**(353)**	(344)
Dividends received	**–**	800
Interest paid	**(89)**	(93)

1. All cash payments, including dividend payments, are made by another Group company.

Joint arrangements

As disclosed in note 16, the Group has investments in a number of joint arrangements. Details of transactions and balances between the Group and its joint arrangements are as follows:

	Group							
	Year ended and as at 31 March 2020				Year ended and as at 31 March 2019			
	Income £m	**Net investments into joint ventures £m**	**Amounts owed by joint ventures £m**	**Amounts owed to joint ventures £m**	Income £m	Net investments into joint ventures £m	Amounts owed by joint ventures £m	Amounts owed to joint ventures £m
Nova, Victoria	**17**	**11**	**90**	**–**	19	(15)	89	–
Southside Limited Partnership	**4**	**(1)**	**72**	**–**	4	(3)	72	–
St. David's Limited Partnership	**1**	**(7)**	**1**	**–**	1	(13)	1	–
Westgate Oxford Alliance Limited Partnership	**1**	**(12)**	**–**	**–**	1	3	–	(1)
The Oriana Limited Partnership	**–**	**–**	**–**	**–**	–	(5)	–	–
Harvest	**–**	**(28)**	**–**	**–**	–	2	–	–
The Ebbsfleet Limited Partnership	**–**	**(17)**	**–**	**–**	–	–	–	–
West India Quay Unit Trust	**–**	**(2)**	**–**	**(1)**	–	(2)	–	(2)
	23	**(56)**	**163**	**(1)**	25	(33)	162	(3)

Remuneration of key management personnel

The remuneration of the Directors, who are the key management personnel of the Group and Company, is set out below in aggregate for each of the applicable categories specified in IAS 24 'Related Party Disclosures'. Further information about the remuneration of individual Directors is provided in the audited part of the Directors' Remuneration Report on pages 84 to 103.

	2020 £m	2019 £m
Short-term employee benefits	**5**	5
Share-based payments	**2**	3
	7	8

39. Operating lease arrangements

Accounting policy

The Group earns rental income by leasing its properties to tenants under non-cancellable operating and finance leases. Leases in which substantially all risks and rewards of ownership are retained by the Group as the lessor are classified as operating leases. Payments, including prepayments, received under operating leases (net of any incentives paid) are charged to the income statement on a straight-line basis over the period of the lease.

At the balance sheet date, the Group had contracted with tenants to receive the following future minimum lease payments:

	2020 £m	2019 £m
Not later than one year	**537**	559
Later than one year but not more than two years	**499**	528
Later than two years but not more than three years	**451**	487
Later than three years but not more than four years	**437**	441
Later than four years but not more than five years	**408**	427
More than five years	**3,550**	3,852
	5,882	6,294

The total of contingent rents recognised as income during the year was **£38m** (2019: £38m).

40. Events after the reporting period

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

Additional information

Contents

Business analysis – EPRA disclosures

In October 2019, the European Public Real Estate Association (EPRA) published new best practice recommendations (BPR) for financial disclosures by public real estate companies. The Group supports this reporting standardisation approach designed to improve the quality and comparability of information for investors.

The BPR introduced three new measures of net asset value: EPRA net tangible assets (NTA), EPRA net reinvestment value (NRV) and EPRA net disposal value (NDV). The Group has adopted these new guidelines early and applies them in our 2020 Annual Report. EPRA NTA is considered to be the most relevant measure for our business and therefore now acts as our primary measure of net asset value. Total business return is now calculated based on EPRA NTA. The previously reported EPRA measures of net assets are also included below for comparative purposes.

EPRA net asset measures

Table 62

	31 March 2020				
	Current measures			Previously reported measures	
	EPRA NRV £m	**EPRA NTA £m**	**EPRA NDV £m**	**EPRA net assets £m**	**EPRA triple net assets £m**
Net assets attributable to shareholders	**8,750**	**8,750**	**8,750**	**8,750**	**8,750**
Excess of fair value over net investment in finance lease book value[1]	**90**	**90**	**90**	**–**	**–**
Deferred tax liability on intangible asset	**1**	**1**	**–**	**1**	**–**
Goodwill on deferred tax liability (note 19)	**(1)**	**(1)**	**(1)**	**(1)**	**(1)**
Other intangible assets (note 19)	**–**	**(7)**	**–**	**–**	**–**
Fair value of interest-rate swaps	**1**	**1**	**–**	**1**	**–**
Excess of fair value of debt over book value (note 21)	**–**	**–**	**(274)**	**–**	**(274)**
Purchasers' costs[2]	**768**	**–**	**–**	**–**	**–**
Net assets used in per share calculation	**9,609**	**8,834**	**8,565**	**8,751**	**8,475**
	EPRA NRV	**EPRA NTA**	**EPRA NDV**	**EPRA net assets**	**EPRA triple net assets**
Diluted net assets per share	**1,297p**	**1,192p**	**1,156p**	**1,181p**	**1,144p**

	31 March 2019				
	Current measures			Previously reported measures	
	EPRA NRV £m	EPRA NTA £m	EPRA NDV £m	EPRA net assets £m	EPRA triple net assets £m
Net assets attributable to shareholders	9,920	9,920	9,920	9,920	9,920
Excess of fair value over net investment in finance lease book value[1]	80	80	80	–	–
Deferred tax liability on intangible asset	2	2	–	2	–
Goodwill on deferred tax liability (note 19)	(2)	(2)	(2)	(2)	(2)
Other intangible assets (note 19)	–	(11)	–	–	–
Excess of fair value of debt over book value (note 21)	–	–	(239)	–	(239)
Purchasers' costs[2]	829	–	–	–	–
Net assets used in per share calculation	10,829	9,989	9,759	9,920	9,679
	EPRA NRV	EPRA NTA	EPRA NDV	EPRA net assets	EPRA triple net assets
Diluted net assets per share	1,461p	1,348p	1,317p	1,339p	1,306p

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

EPRA performance measures

Table 63

Measure	Definition for EPRA measure	Notes	31 March 2020 Landsec measure	31 March 2020 EPRA measure
Adjusted earnings	Recurring earnings from core operational activity	5	**£414m**	**£414m**
Adjusted earnings per share	Adjusted earnings per weighted number of ordinary shares	5	**55.9p**	**55.9p**
Adjusted diluted earnings per share	Adjusted diluted earnings per weighted number of ordinary shares	5	**55.9p**	**55.9p**
EPRA net tangible assets (NTA)	Net assets adjusted to exclude the fair value of interest-rate swaps, intangible assets and excess of fair value over net investment in finance lease book value	5	**£8,834m**	**£8,834m**
EPRA net tangible assets per share	Diluted net tangible assets per share	5	**1,192p**	**1,192p**
EPRA net disposal value (NDV)	Net assets adjusted to exclude the fair value of debt and goodwill on deferred tax and to include excess of fair value over net investment in finance lease book value	5	**£8,565m**	**£8,565m**
EPRA net disposal value per share	Diluted net disposal value per share	5	**1,156p**	**1,156p**
		Table		
Voids/vacancy rate	ERV of vacant space as a % of ERV of Combined Portfolio excluding the development programme[1]	64	**2.4%**	**2.4%**
Net initial yield (NIY)	Annualised rental income less non-recoverable costs as a % of market value plus assumed purchasers' costs[2]	68	**4.8%**	**4.7%**
Topped-up NIY	NIY adjusted for rent-free periods[2]	68	**5.0%**	**4.9%**
Cost ratio	Total costs as a percentage of gross rental income (including direct vacancy costs)[3]	69	**18.6%**	**22.5%**
	Total costs as a percentage of gross rental income (excluding direct vacancy costs)[3]	69	**n/a**	**20.5%**

1. Our measure reflects voids in our like-for-like portfolio only. The EPRA measure reflects voids in the Combined Portfolio excluding only properties under development.
2. 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 only properties currently under development. Topped-up NIY reflects adjustments of **£21m** and **£21m** for rent-free periods and other incentives for the Landsec measure and EPRA measure, respectively.
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 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.

EPRA vacancy rate

The EPRA vacancy rate is based on the ratio of the estimated market rent for vacant properties versus total estimated market rent, for the Combined Portfolio excluding properties under development. There are no significant distorting factors influencing the EPRA vacancy rate.

Table 64

	2020 £m
ERV of vacant properties	**17**
ERV of Combined Portfolio excluding properties under development	**699**
EPRA vacancy rate (%)	**2.4%**

Change in net rental income from the like-for-like portfolio (before provisions related to 2020/21 rent)

Table 65

	2020 £m	2019 £m	Change £m	Change %
Office	**250**	243	**7**	**2.9**
Retail	**246**	256	**(10)**	**–3.9**
Specialist	**83**	84	**(1)**	**–1.2**
	579	583	**(4)**	**–0.7**

Business analysis – EPRA disclosures
continued

Acquisitions, disposals and capital expenditure

Table 66

	Group (excl. joint ventures)	Joint ventures	Adjustment for proportionate share[1]	Combined Portfolio	Combined Portfolio
	Year ended 31 March 2020				Year ended 31 March 2019
Investment properties	**£m**	**£m**	**£m**	**£m**	£m
Net book value at the beginning of the year	**12,094**	**1,117**	**(34)**	**13,177**	13,536
Acquisitions	**16**	**–**	**32**	**48**	136
Capital expenditure	**199**	**8**	**–**	**207**	117
Capitalised interest	**7**	**1**	**–**	**8**	5
Net movement in head leases capitalised	**30**	**1**	**–**	**31**	–
Disposals	**(49)**	**–**	**–**	**(49)**	(60)
Net deficit on revaluation of investment properties	**(1,000)**	**(181)**	**2**	**(1,179)**	(557)
Net book value at the end of the year	**11,297**	**946**	**–**	**12,243**	13,177
Loss on disposal of investment properties	**(6)**	**–**	**–**	**(6)**	(2)

Trading properties	**£m**	**£m**	**£m**	**£m**	£m
Net book value at the beginning of the year	**23**	**18**	**–**	**41**	74
Acquisitions	**–**	**–**	**–**	**–**	4
Capital expenditure	**1**	**–**	**–**	**1**	2
Disposals	**–**	**(15)**	**–**	**(15)**	(39)
Net book value at the end of the year	**24**	**3**	**–**	**27**	41
Profit on disposal of trading properties	**–**	**7**	**–**	**7**	–

	Investment properties[2]	Trading properties	Combined Portfolio	Combined Portfolio
Acquisitions, development and other capital expenditure	**£m**	**£m**	**£m**	£m
Acquisitions[3]	**48**	**–**	**48**	140
Development capital expenditure[4]	**165**	**–**	**165**	52
Other capital expenditure	**42**	**1**	**43**	67
Capitalised interest	**8**	**–**	**8**	5
Acquisitions, development and other capital expenditure	**263**	**1**	**264**	264

Disposals	**£m**	£m
Net book value – investment property disposals	**49**	60
Net book value – trading property disposals	**15**	39
Loss on disposal – investment properties	**(6)**	(2)
Profit on disposal – trading properties	**7**	–
Total disposal proceeds	**65**	97

1. This represents the interest in X-Leisure which we did not own, but which is consolidated in the Group numbers. In December 2019, the Group settled the redemption liability which represented this interest resulting in 100% ownership.
2. See EPRA analysis of capital expenditure table 67 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.

EPRA analysis of capital expenditure

Table 67

Year ended 31 March 2020

	Acquisitions[1] £m	Development capital expenditure[2] £m	Other capital expenditure: Incremental lettable space[3] £m	Other capital expenditure: No incremental lettable space £m	Other capital expenditure: Tenant improvements £m	Other capital expenditure: Total £m	Capitalised interest £m	Total capital expenditure – Combined Portfolio £m	Total capital expenditure – joint ventures (Group share) £m	Total capital expenditure – Group £m
Office										
West End	**–**	**34**	–	6	–	**6**	**1**	**41**	**9**	**32**
City	**–**	**113**	–	2	–	**2**	**7**	**122**	**–**	**122**
Mid-town	**1**	**–**	–	–	–	**–**	**–**	**1**	**–**	**1**
Southwark and other	**–**	**12**	5	–	–	**5**	**–**	**17**	**–**	**17**
Total Office	**1**	**159**	**5**	**8**	**–**	**13**	**8**	**181**	**9**	**172**
Retail										
London retail	**11**	**5**	4	4	–	**8**	**–**	**24**	**–**	**24**
Regional retail	**–**	**–**	1	3	–	**4**	**–**	**4**	**–**	**4**
Outlets	**–**	**–**	5	4	1	**10**	**–**	**10**	**–**	**10**
Retail parks	**–**	**–**	–	1	–	**1**	**–**	**1**	**–**	**1**
Total Retail	**11**	**5**	**10**	**12**	**1**	**23**	**–**	**39**	**–**	**39**
Specialist										
Leisure and hotels	**–**	**–**	–	4	2	**6**	**–**	**6**	**–**	**6**
Other	**4**	**1**	–	–	–	**–**	**–**	**5**	**–**	**5**
Total Specialist	**4**	**1**	**–**	**4**	**2**	**6**	**–**	**11**	**–**	**11**
Total capital expenditure	**16**	**165**	**15**	**24**	**3**	**42**	**8**	**231**	**9**	**222**
Conversion from accrual to cash basis								6	11	(5)
Total capital expenditure on a cash basis								**237**	**20**	**217**

1. Investment properties acquired in the year.
2. Expenditure on the development pipeline and completed developments.
3. Capital expenditure where the lettable area increases by at least 10%.

EPRA net initial yield (NIY) and topped up NIY Table 68

	2020 £m
Combined Portfolio	12,781
Trading properties at market value	29
Less: Properties under development, trading properties under development and land	(583)
Like-for-like investment property portfolio, proposed and completed developments, and completed trading properties	**12,227**
Plus: Allowance for estimated purchasers' costs	735
Grossed-up completed property portfolio valuation (b)	**12,962**
Annualised cash passing rental income[1]	654
Net service charge expense[2]	(10)
Other irrecoverable property costs	(33)
Annualised net rents (a)	**611**
Plus: Rent-free periods and other lease incentives	21
Topped-up annualised net rents (c)	**632**
EPRA net initial yield (a/b)	**4.7%**
EPRA topped-up initial yield (c/b)	**4.9%**

1. Annualised cash passing rental income as calculated by the Group's external valuer.
2. Including costs recovered through rents but not separately invoiced.

Cost analysis

Table 69

	£m
Gross rental income (before rents payable)	**678**
Rents payable	(15)
Gross rental income (after rents payable)	**663**
Net service charge expense	(4)
Net direct property expenditure	(53)
Provisions related to 2020/21 rent	(23)
Segment net rental income	**583**
Net indirect expenses	(74)
Segment profit before finance expense	**509**
Net finance expense – Group	(79)
Net finance expense – joint ventures	(16)
Revenue profit	**414**

Direct property costs £80m

Net indirect expenses[3] £74m

Total cost ratio[2] **18.6%**

	2020 Total £m	2020 Cost ratio %[2]	2019[1] Total £m	2019[1] Cost ratio %[2]
Gross rental income (before rents payable)	**678**		683	
Costs recovered through rents but not separately invoiced	(6)		(7)	
Adjusted gross rental income	**672**		676	
Rents payable	(15)		(13)	
EPRA gross rental income	**657**		663	
Managed operations	**10**	**1.5**	10	1.5
Tenant default	**10**	**1.5**	10	1.5
Tenant default – 2020/21 rent	**23**	**3.4**	–	–
Void related costs	**13**	**1.9**	13	1.9
Other direct property costs	**19**	**2.8**	16	2.4
Development expenditure	**9**	**1.3**	12	1.8
Asset management, administration and compliance	**70**	**10.4**	69	10.2
Total (incl. direct vacancy costs)	**154**	**22.9**	130	19.2
Costs recovered through rents	(6)		(7)	
Tenant default – 2020/21 rent	(23)		–	
Adjusted total costs	**125**	**18.6**	123	18.2
Tenant default – 2020/21 rent	23		–	
EPRA costs (incl. direct vacancy costs)	**148**	**22.5**	123	18.6
Less: Direct vacancy costs	(13)		(13)	
EPRA (excl. direct vacancy costs)	**135**	**20.5**	110	16.6

1. Restated for changes in accounting policies (see note 3 of the financial statements).
2. Percentages represent costs divided by Adjusted gross rental income, except for EPRA measures which represent costs divided by EPRA gross rental income.
3. Net indirect expenses amounting to **£7m** (2019: £5m) have been capitalised as development costs and are excluded from table 69. See note 14 of the financial statements for the Group's policy on capitalising indirect expenses.

Business analysis – Group

Combined Portfolio value by location at 31 March 2020[1]

Table 70

	Office %	Retail %	Specialist %	Total %
Central, inner and outer London	53.3	10.9	6.2	70.4
South East and East	–	12.2	2.8	15.0
Midlands	–	0.4	0.6	1.0
Wales and South West	–	2.7	0.5	3.2
North, North West, Yorkshire and Humberside	0.1	6.0	1.7	7.8
Scotland and Northern Ireland	–	1.8	0.8	2.6
Total	**53.4**	**34.0**	**12.6**	**100.0**

1. % figures calculated by reference to the Combined Portfolio value of £12.8bn.

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

Combined Portfolio performance relative to MSCI
Total property return – year ended 31 March 2020

Table 71

	Landsec %	MSCI %
Office	4.5	3.5[1]
Retail	-17.3	-9.8[2]
Specialist	-3.9	n/a[3]
Combined Portfolio	**-4.5**	**-0.4**[4]

1. MSCI Central and Inner London Office benchmark.
2. MSCI All Retail benchmark.
3. No benchmark available.
4. MSCI All Property Quarterly Universe.

Top 12 occupiers at 31 March 2020

Table 72

	% of Group rent[1]
Central Government	5.0
Deloitte	4.7
Accor	4.0
Cineworld	1.6
Mizuho Bank	1.5
Boots	1.4
Sainsbury's	1.2
Taylor Wessing	1.2
Equinix	1.1
Next	1.0
H&M	1.0
M&S	0.9
	24.6

1. On a proportionate basis.

Property Income Distribution (PID) calculation

Table 73

	Year ended 31 March 2020 £m	Year ended 31 March 2019 £m
Loss before tax per accounts	**(837)**	(123)
Accounting loss/(profit) on residual operations	**5**	(20)
Accounting loss on residual operations – prior year adjustment	**–**	23
Loss attributable to tax-exempt operations	**(832)**	(120)
Adjustments		
Capital allowances	**(47)**	(57)
Capitalised interest	**(5)**	(5)
Revaluation deficit	**1,179**	557
Tax exempt disposals	**7**	(13)
Capital expenditure	**4**	(2)
Other tax adjustments	**2**	2
Goodwill amortisation	**5**	15
Estimated tax-exempt income for the year	**313**	377
PID thereon (90%)	**282**	339

The table above provides a reconciliation of the Group's loss before tax to its estimated tax-exempt income, 90% of which the Company is required to distribute as a PID to comply with REIT regulations.

The Company has 12 months after the year end to make the minimum distribution. Accordingly, PID dividends paid in the year may relate to the distribution requirements of previous periods. The table below sets out the dividend allocation for the years ended 31 March 2020 and 31 March 2019:

Table 74

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

Additional information

Total shareholder returns[1]

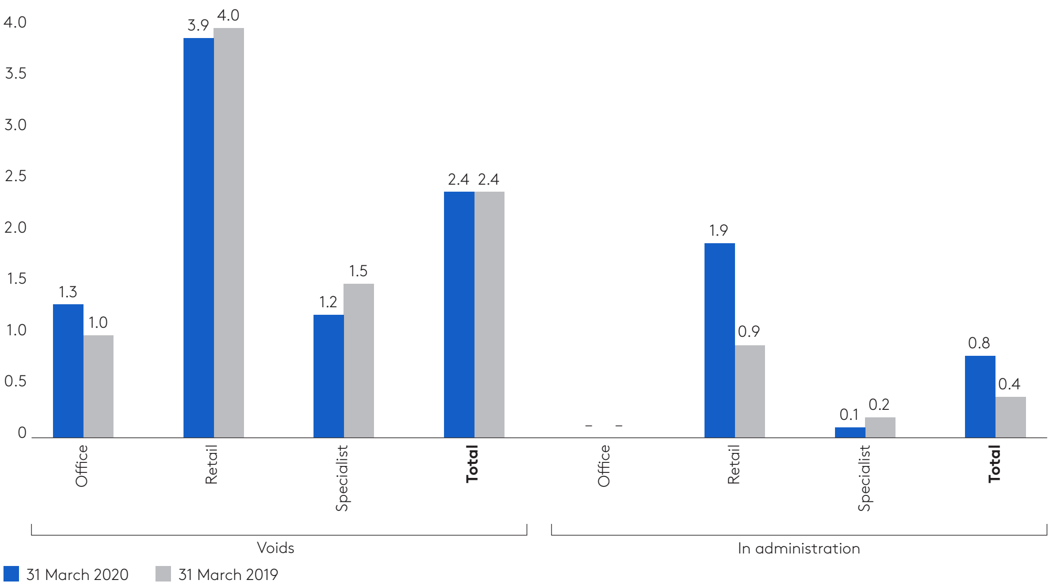
Table 75

	Period to 31 March 2020		
	5 years £	3 years £	1 year £
Land Securities Group PLC	54.3	60.3	63.5
FTSE 100	102.9	88.1	81.6
FTSE 350 Real Estate Index	85.8	91.9	85.5

1. Historical TSR performance for a hypothetical investment of £100 – source: Datastream.

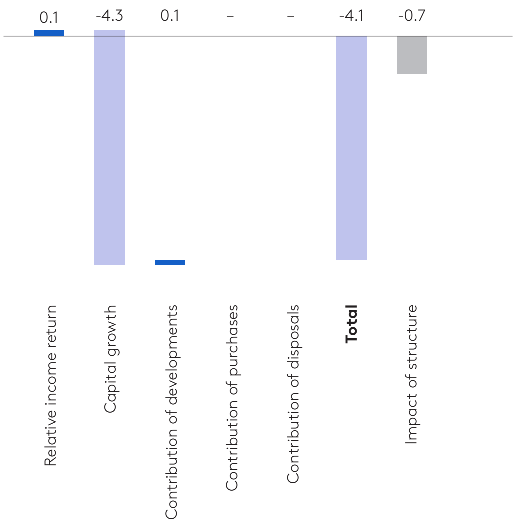
Voids and units in administration – like-for-like (%)

Chart 76



Analysis of performance relative to MSCI (%)

Chart 77



Attribution analysis, ungeared total return, 12 months to 31 March 2020, relative to MSCI Quarterly Universe – source: MSCI.

REIT balance of business

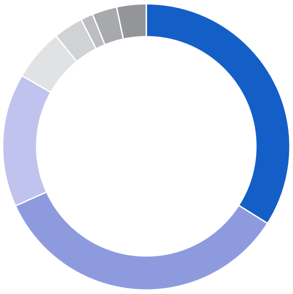
To retain the Group's REIT status, it must meet conditions from the REIT legislation. At least 75% of the Group's assets and 75% of the Group's income must relate to qualifying activities. The results of these tests at the balance sheet date are below:

Table 78

	Year ended 31 March 2020			Year ended 31 March 2019		
	Tax-exempt business	Residual business	Adjusted results	Tax-exempt business	Residual business	Adjusted results
Profit before tax (£m)[1]	**390**	**(4)**	**386**	421	3	424
Balance of business – 75% profits test	**100.0%**	**0.0%**		99.2%	0.8%	
Adjusted total assets (£m)[1]	**13,762**	**598**	**14,360**	13,502	726	14,228
Balance of business – 75% assets test	**95.9%**	**4.1%**		94.9%	5.1%	

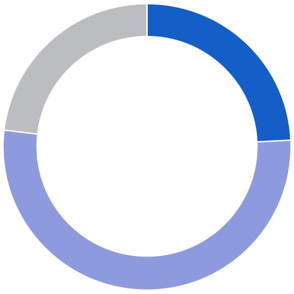
1. Calculated according to REIT rules.

Annual net rent breakdown by occupier business sector (%) Chart 79



Services	33.8%
Retail trade	34.2%
Financial services	15.1%
Public administration	5.6%
Wholesale trade	3.3%
Manufacturing	1.6%
Transport, communications	2.5%
Other	3.9%

Floor space (million sq ft)[1] Chart 80



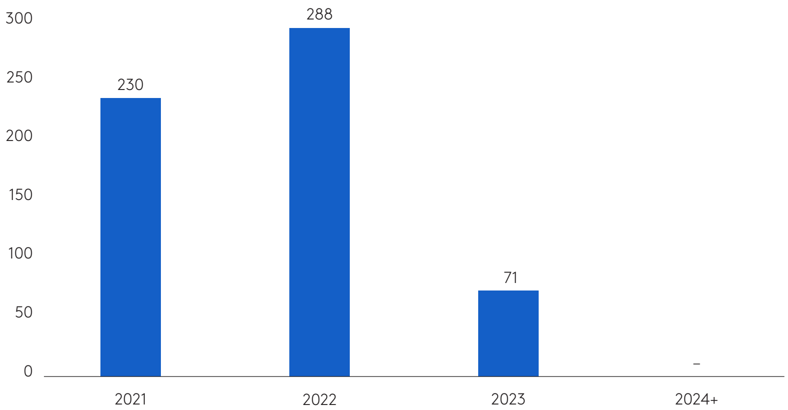
Office	5.8
Retail	12.7
Specialist	5.5
Total	24.0

1. Joint ventures are reflected at 100% values, not Group share.

% portfolio by value and number of property holdings at 31 March 2020 Table 81

£m	Value %	Number of properties
0 - 10	0.7	20
10 - 25	3.4	28
25 - 50	5.5	19
50 - 100	13.5	22
100 - 150	3.7	4
150 - 200	10.6	8
200+	62.6	18
Total	**100.0**	**119**

Estimated future development spend on approved developments (£m) Chart 82

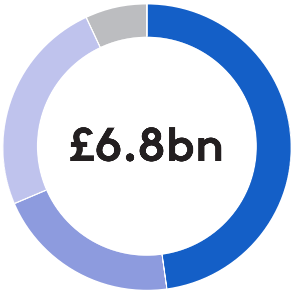


Estimated future spend excludes interest costs.

Additional information

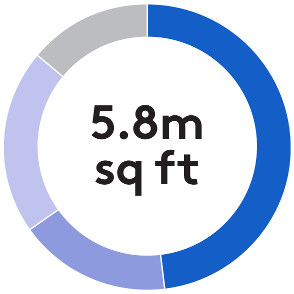
Business analysis – Office

Office segment (%) Chart 83



West End	47.8%
City	20.9%
Mid-town	24.4%
Southwark and other	6.9%

Office floor space (million sq ft) Chart 84



West End	2.8
City	1.0
Mid-town	1.2
Southwark and other	0.8
Total	5.8

West End
Our £3.3bn West End office portfolio is dominated by our Victoria assets which include Cardinal Place, Queen Anne's Gate, 62 Buckingham Gate, The Zig Zag Building, Portland House and Nova, all SW1.

City
Our £1.7bn City office portfolio includes 1 & 2 New Ludgate, EC4, One New Change, EC4 and the development at 21 Moorfields, EC2.

Mid-town
Positioned between the City and West End, our cluster of buildings at New Street Square, EC4 represent our major assets in Mid-town.

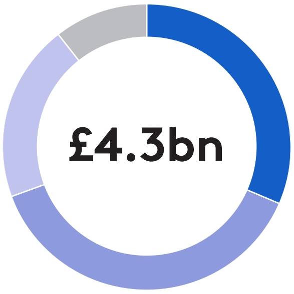
Southwark and other
Includes our assets at Docklands, E14 and Southwark, SE1.

Top 10 office customers Table 85

	% of Group rent
Central Government	5.0
Deloitte	4.7
Mizuho Bank	1.5
Taylor Wessing	1.2
Equinix	1.1
Bain & Co	0.8
Deutsche Bank	0.7
K&L Gates	0.6
Schlumberger	0.6
Alix Partners	0.6
	16.8
Office other	23.0
Total	**39.8**

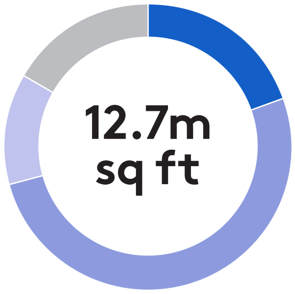
Business analysis – Retail

Retail segment (%) Chart 86



London retail	31.5%
Regional retail	38.2%
Outlets	20.0%
Retail parks	10.3%

Retail floor space (million sq ft) Chart 87



London retail	2.5
Regional retail	6.5
Outlets	1.6
Retail parks	2.1
Total	12.7

London retail
This sector comprises the retail space in our Office segment assets and at One New Change, as well as our retail space at The O2 Centre, Southside, Lewisham and Shepherd's Bush with potential for re-purposing.

Regional retail
Comprises our portfolio of shopping centres in major retail locations across the UK including Bluewater, Trinity Leeds and Westgate Oxford.

Outlets
Our five outlets offer a vibrant and engaging experience in locations such as Gunwharf Quays, Braintree Village and Clarks Village, Street.

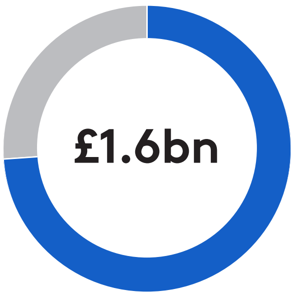
Retail parks
Our ten retail parks are typically located away from town centres and offer a range of retail and leisure with parking providing convenient shopping. Assets include Westwood Cross, Lakeside Retail Park and Bexhill Retail Park.

Top 10 retail customers Table 88

	% of Group rent
Boots	1.4
Sainsbury's	1.2
H&M	1.0
Next	1.0
M&S	0.9
Tesco	0.8
Primark	0.7
Dixons Carphone	0.6
Gap	0.6
Arcadia	0.6
	8.8
Retail other	36.9
Total	**45.7**

Business analysis – Specialist

Specialist segment (%) Chart 89



Leisure and hotels	74.0%
Other	26.0%

Leisure and hotels
We own five stand-alone leisure assets and the entire share capital of the X-Leisure Fund which comprises 15 schemes of prime leisure and entertainment space.

We also own 21 Accor hotels in the UK. They are leased to Accor until 2091 with a break clause in 2031 and 12 yearly thereafter.

Other
Comprises Piccadilly Lights and our residential space.

Specialist floorspace (million sq ft)	Table 90
Leisure and hotels	5.5
Total	**5.5**

Sustainability performance

Commitments
- Existing commitment
- New commitment
- Updated commitment

For us, sustainability is about the actions we take to fulfil our purpose so Landsec prospers far into the future. We want customers to prefer our spaces. We want communities to be pleased it's us operating in their area. We want partners to share our priorities. And we want employees to invest their energy and ambition here. When we get all this right, we create value for our investors.

To deliver this we've set 12 long-term sustainability commitments, covering each of our priority areas of creating jobs and opportunities, efficient use of natural resources and sustainable design and innovation. This section includes a summary of our performance against those commitments and our key disclosures.

For more information please visit www.landsec.com/sustainability.

Creating jobs and opportunities

Social Value

Commitment: Create £25m of social value through our community programmes by 2025.

Performance: On track
This year we have created more than £4.8m of social value through our community programmes, exceeding our in-year target to create £4m.

Our social value creation has included helping 180 people into jobs through our employment programme, engaging 298 students in our education programmes and donating nearly £2m to our charity partners. It also includes our volunteering activity with over 40% of our employees (more than 250 people) having volunteered this year, benefiting 3,400 people.

Fairness

Commitment: By 2020, ensure everyone working on our behalf, in an environment we control, is given equal opportunities, protected from discrimination and paid at least the Real Living Wage.

Performance: On track
Landsec continues to be an accredited Real Living Wage employer, both for our employees and those working on our behalf on our sites, including construction and service partners.

We are on track to meet our 2020 commitment to ensure everyone working on our behalf in an environment we control will be paid the Real Living Wage by the end of 2020.

Diversity

Commitment: Make measurable improvements to the profile – in terms of gender, ethnicity and disability – of our employee mix.

Performance: On track
Across the whole organisation 52% of our employees are female, exceeding our 2025 target of 50%. In the representation of women at leader level, we increased to 24% this year (2019: 19.5%) but at senior-leader level, we moved backwards to 30% (2019: 38%).

Health and safety

Commitment: Maintain an exceptional standard of health, safety and security in all the working environments we control.

Performance: On track
In February 2020, we successfully migrated from the British Standard OHSAS 18001 to the international H&S standard ISO 45001. We've also launched an ambitious programme of mandatory health, safety and security training for all our employees, including contingent workers.

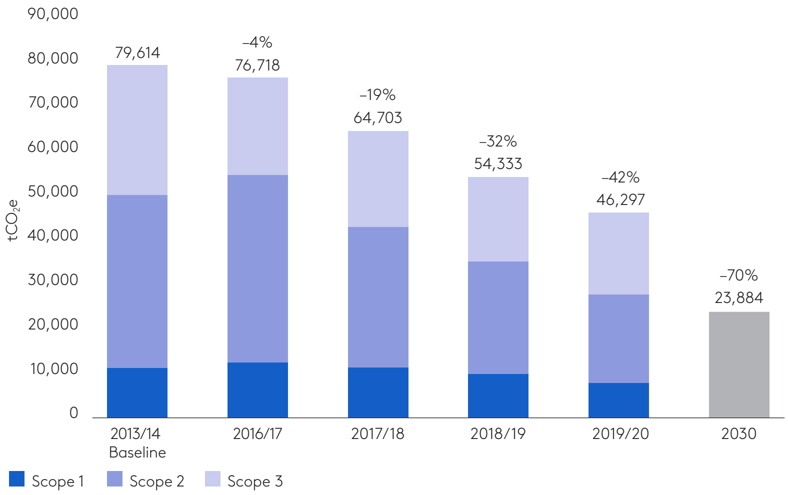
In response to the 2017 Grenfell fire, we reviewed fire safety across our entire portfolio and invested over £7m in rectifying approximately 125,000 firestopping defects in our buildings, and £4.3m in resolving cladding risks.

Efficient use of natural resources

Carbon

Commitment: Reduce carbon emissions (tCO_2e) by 70% by 2030 compared with a 2013/14 baseline, for property under our management for at least two years.

Landsec carbon reduction target performance Chart 91



Performance: On track
This year we achieved our original target to reduce carbon intensity by 40% by 2030, 11 years early, having reduced our carbon intensity by 48% compared to 2013/14. We therefore updated our target in line with the Science Based Targets initiative's new methodology for 1.5°C targets. In line with our updated target, we have reduced our absolute carbon emissions by 42% compared to a 2013/14 baseline.

We also launched our new net zero carbon strategy, setting out our five-stage plan to achieve this, including setting an internal price for carbon.

Renewable energy

Commitment: Ensure 100% of our electricity supplies through our corporate contract are from REGO-backed renewable sources.

Performance: Complete
We continue to procure 100% renewable electricity across our portfolio. We are looking to move our procurement towards direct purchasing from renewable projects through Power Purchase Agreements (PPA).

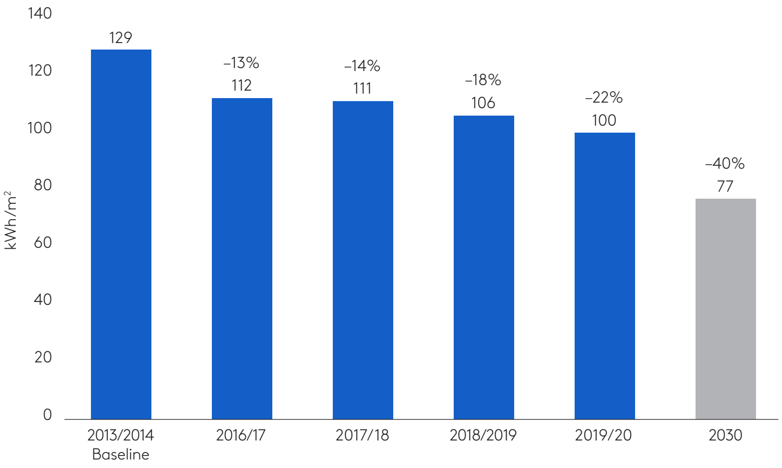
Commitment: Achieve 3 MW of renewable electricity capacity by 2030.

Performance: On track
Our current on-site renewable electricity capacity is 1.5 MW. We are currently reviewing solar PV feasibility studies for Bluewater and Hatfield Galleria Outlet Centre, and progressing feasibility study for on-site renewable technologies in our strategic land development pipeline.

Energy

Commitment: Reduce energy intensity (kWh/m^2) by 40% by 2030 compared with a 2013/14 baseline, for property under our management for at least two years.

Landsec energy intensity target performance Chart 92



Performance: On track
We have reduced energy intensity by 22% compared to 2013/14.

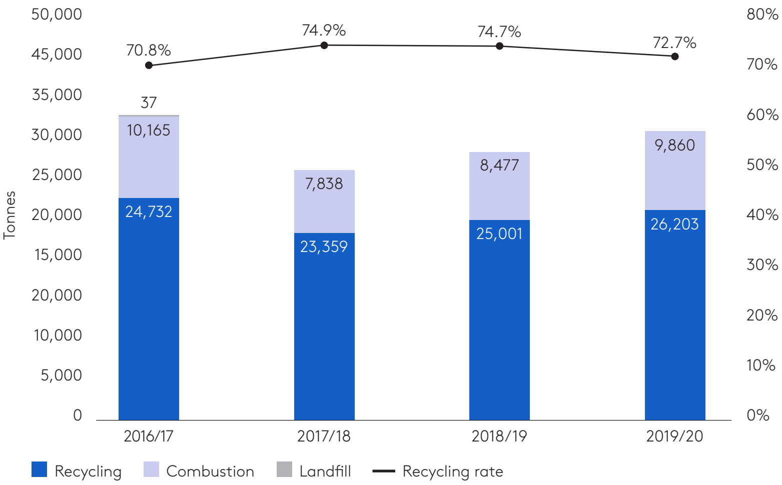
We continue to use our bespoke energy reduction plans to optimise our buildings to use less energy. This year at our Hatfield Galleria Outlet Centre we installed corridor temperature sensors allowing closer monitoring of energy usage. This has achieved a 75.5% reduction is gas use and an overall reduction of 13% in energy use at the site. Within our commercial developments, we are using the Design for Performance approach to set energy intensity targets for our base building performance, in line with achieving our 2030 targets.

Waste

Commitment: Send zero operational waste to landfill.

Performance: Complete
We continue to divert 100% from landfill across our operational activities.

Landsec waste performance Chart 93



Commitment: At least 75% waste recycled across all our operational activities by 2020.

Performance: On track
This year we recycled 73% of operational waste.

We continue to support our customers in reducing single use plastic by partnering with Ape2o and installing two filtered water dispensers within the public areas of our One New Change and New Street Square sites. The machines allow the public to refill their own water bottles with chilled still or sparkling water, and since September 2019 they have dispensed the equivalent of over 21,000 plastic bottles. As managing waste responsibly becomes an increasingly important issue, we have also expanded our waste management commitments to cover both operational and construction activities with demanding targets for re-use and reduction.

Sustainable design and innovation

Resilience

Commitment: Assess and mitigate physical and financial climate change adaptation risks that are material across our portfolio.

Performance: On track
To continue aligning our disclosures with the TCFD recommendations, we have commissioned Willis Tower Watson to update the physical climate change impact research conducted in 2017 and 2019 and to undertake a quantitative assessment of climate-related transition risks during the summer 2020.

In our development pipeline we undertake climate change adaptation risk reviews, addressing structural and fabric resilience as well as building services.

Materials

Commitment: Source core construction products and materials from ethical and sustainable sources.

Performance: On track
Our developments continue to make good progress against this target.

All our live developments are targeting 100% of core construction materials to be manufactured within UK and Europe, to reduce emissions from transportation and reduce risk of ethical issues in manufacture and extraction. Projects on site are sourcing 99.9% of core construction materials with responsible sourcing certification.

A new Prohibited Materials List has been developed with a clear focus on modern slavery and is now published on our website.

Biodiversity

Commitment: Maximise the biodiversity potential of all our development and operational sites and achieve a 25% biodiversity net gain across our five operational sites currently offering the greatest potential by 2030.

Performance: On track
We continue to partner with The Wildlife Trusts to enhance biodiversity net gain at five retail centres. Since 2016 we've implemented biodiversity enhancements including over half a square kilometre of wildflower planting. We're undertaking an ecological survey at each site to assess the effectiveness of these enhancements, and to measure progress toward our biodiversity net gain target of 25% by 2030.

Our developments embed ecological net gain as part of their brief and progressing designs. All developments are on target with significant net gain and we have published our new Biodiversity Brief for developments.

Wellbeing

Commitment: Ensure our buildings are designed and managed to maximise wellbeing and productivity.

Performance: On track
The WELL recertification process for our HQ is progressing and we're targeting a Platinum level. Where we provide HQ space for our customers, we're making sure the quality of our design enables them to achieve certification to the WELL Building Standard for their operations.

Benchmarking scores

Taking part in rigorous external benchmarking of our performance helps us to track and assess our progress. It also provides stakeholders with confidence that we're turning our commitments and targets into action, and that we're delivering on our ambition to be a sustainability leader in our industry.

Benchmark performance Table 94

Activity	Performance
CDP	2019: A-list (top 2%). The only A-list UK REIT 2018: A-list (Leadership) 2017: A-list (Leadership)
Global Real Estate Sustainability Benchmark (GRESB)	2019: score 90%. Sector leader, ranking 1st in Europe and UK diversified office/retail (mixed) 2018: score 90% 2017: score 78%
Dow Jones Sustainability Index (DJSI)	2019: score 82/percentile ranking 98 2018: score 73/percentile ranking 93 2017: score 75/percentile ranking 92
FTSE4Good	Percentile ranking 89. We continue to retain our established position in the FTSE4Good Index.
EPRA	Received our sixth Gold Award from EPRA for best practice sustainability reporting
Workforce Disclosure Initiative (WDI)	2019: score 51% (average score for all companies: 40%) 2018: score 73% (average score for all companies: 53%)
MSCI	ESG rating AA
Sustainalytics	Score 82/percentile ranking 97
EcoAct (previously Carbon Clear)	We've again been named a climate leader, ranking 5th for all FTSE 100 companies and 1st for our sector

Social value data 2019/20 Table 95

	2019/20
Total social value created through our community programmes	**£4,822,053**
Community employment	
Social value created	**£2,594,380**
Social value created by supporting offenders and ex-offenders into employment	**£929,694**
Social value created by supporting 18-24 NEETS (not in education, employment or training) into employment	**£648,697**
Social value created by helping people in supported accommodation into employment	**£226,461**
Total number of people helped into employment	**180**
Education	
Total number of students engaged	**298**
% female students	**63%**
% BAME students	**32%**
% of students reporting feeling more prepared for labour market (of 138 students who were asked this question on their feedback form)	**95%**
% students reporting teamwork increase (of 138 students who were asked this question on their feedback form)	**97%**
Volunteering	
Social value created	**£402,256**
Total number of people benefitted by Landsec volunteering programme	**3,400**
Total number of volunteer engagements	**539**
Total Landsec employees who have volunteered (at least once)	**253**
Total volunteering hours by Landsec staff	**8,527**
Charity partnerships	
Total value of support given to charities	**£1,823,184**
Total value directly donated to charities by Landsec	**£293,255**
Value of in-kind space donated to local charity partners	**£1,110,262**

Streamlined energy and carbon reporting

Our streamlined energy and carbon reporting figures include energy consumption and carbon emissions associated with all properties under our operational control (i.e. absolute portfolio). Energy consumption is reported as kWh and no normalisation technique is applied. Carbon emissions are reported as tonnes of carbon dioxide equivalent (tCO_2e). We report our full greenhouse gas (GHG) emissions annually in accordance to the WRI GHG Protocol.

GHG emissions are broken down into three scopes: scope 1,2 and 3.

Scope 1 emissions are direct emissions from activities controlled by us that release emissions into the atmosphere, while scope 2 emissions are indirect emissions associated with our consumption of purchased energy.

At Landsec, scope 1 comprises emissions from natural gas and refrigerant gases. Scope 2 emissions are from electricity, heating and cooling purchased for common areas and shared services. All material sources of scope 1 and 2 emissions are reported. As the remaining sources (e.g. diesel used in generator testing) represent such a small proportion of total emissions, we do not report them.

Scope 2 emissions are reported using both the "location-based" and "market-based" accounting methods. Location-based emissions are reported using the UK Government's 'Greenhouse gas reporting: conversion factors 2019'. Scope 2 market-based emissions are reported using the conversion factor associated with each individual electricity, heating and cooling supply, either obtained directly from the supplier or from their official company website.

Between April 2017 and March 2019, at least 15% of our gas purchases were from green sources (i.e. biogas). Scope 1 emissions for this period were also reported using both the "location-based" and "market-based" accounting methods. Our market-based emissions from biogas were reported as following: the CH_4 or N_2O emissions from biogas were reported as scope 1, and the CO_2 portion of the biogas was reported outside of the scopes, as a memo line. Therefore, our scope 1 market-based emissions were based on the emissions from the remaining 85% of our gas purchases, as well as the CH_4 or N_2O conversion factors associated with biogas. As we didn't purchase biogas in the current year, scope 1 emissions for 2019/20 are reported using only "location-based" method.

Scope 3 emissions are those that are a consequence of our business activities, but which occur at sources we do not own or control and which are not classified as scope 2 emissions. The GHG Protocol identifies 15 categories of which eight are directly relevant for Landsec.

Landsec – Scope 1 and 2 emissions 2017-2020

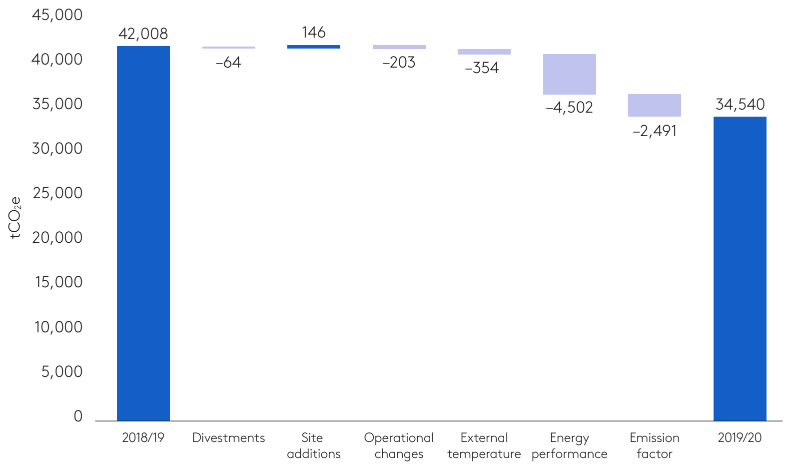
Table 96

Location-based emission			
Emissions	2017/18	2018/19	**2019/20**
Scope 1 tCO_2e	14,755	11,490	**9,158**
Scope 2 tCO_2e	36,620	30,518	**25,382**
Scope 1 and 2 tCO_2e	51,374	42,008	**34,540**
Intensity			
Scope 1 and 2 tCO_2e/m^2	0.03	0.02	**0.02**
Market-based emission			
Emissions	2017/18	2018/19	**2019/20**
Scope 1 tCO_2e	12,550	9,879	**9,158**
Scope 2 tCO_2e	2,200	3,517	**2,223**
Scope 1 and 2 tCO_2e	14,749	13,396	**11,381**
Intensity			
Scope 1 and 2 tCO_2e/m^2	0.01	0.01	**0.01**

Scope 1 and 2 GHG emissions using location-based emission factors have dropped by 18% compared with previous year. This has been primarily driven by a combination of energy efficiency initiatives and a reduction in the UK's emission factors due a cleaner energy mix. The detailed breakdown of main factors driving the change in our scope 1 and scope 2 can be seen in the waterfall chart 97 below. In terms of market-based emissions we have seen a reduction of 15%. This has been due to a significant reduction in gas consumption.

Landsec Scope 1 and 2 emissions – year-on-year driving factors

Chart 97



The table 98 shows the absolute energy consumption with a breakdown by landlord and tenant consumption. This year absolute energy intensity has reduced by 6% compared with previous year. This has been achieved by savings realised from our active energy management programme. This year we identified and committed to implement energy efficiency projects across our portfolio that will lead to over 5,500 MWh of savings per annum. Amongst these initiatives, at Hatfield Galleria Outlet Centre we have installed corridor temperature sensors which has allowed closer monitoring of our energy usage and allowed early switch-off of gas burning boilers. This has achieved a 75.5% reduction is gas use and an overall reduction of 13% in energy use at the site. More information on our energy programme can be found on page 39 (Physical review).

Sustainability performance
continued

Landsec – Energy consumption 2017-2020 Table 98

Energy consumption (kWh)		2017/18	2018/19	**2019/20**
Natural Gas	For landlord shared services	70,393,965	53,714,180	**43,015,309**
	(Sub)metered to tenants	15,943,826	27,595,980	**28,576,514**
	Total Natural Gas consumption	86,337,791	81,310,160	**71,591,823**
Electricity	For landlord shared services	101,815,934	102,604,274	**95,695,817**
	(Sub)metered to tenants	65,691,130	64,985,746	**68,977,474**
	Total Electricity consumption	167,507,064	167,590,020	**164,673,291**
District Heating and Cooling	For landlord shared services	5,238,035	9,607,784	**5,312,441**
	(Sub)metered to tenants	6,641,102	7,063,310	**7,356,140**
	Total Heating and Cooling consumption	11,879,137	16,671,094	**12,668,581**
Total Energy Consumption	For landlord shared services	177,447,934	165,926,238	**144,023,567**
	(Sub)metered to tenants	88,276,059	99,645,036	**104,910,128**
	Total Energy consumption	265,723,992	265,571,274	**248,933,695**
Energy intensity		144	142	**134**

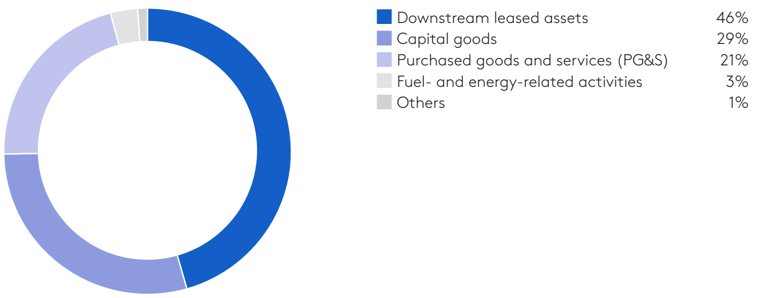
Every year we report our full carbon footprint, including indirect emissions from our value chain activities (i.e. scope 3 emissions). By developing a full GHG emissions inventory, incorporating scope 1, scope 2, and scope 3 emissions, we're able to understand the total emissions associated with our business. The GHG Protocol identifies 15 categories for scope 3 emissions of which eight are directly relevant to our business. The table below provides a breakdown of our entire emissions inventory. Our scope 3 reporting methodology is detailed in the 2020 Sustainability Performance and Data report available at landsec.com/sustainability.

Landsec – Carbon footprint Table 99

		2017/18		2018/19		**2019/20**	
GHG Scope	Category	Emissions (tCO_2e)	% of total value chain	Emissions (tCO_2e)	% of total value chain	**Emissions (tCO_2e)**	**% of total value chain**
Scope 1	Scope 1	14,755	3.6%	11,490	3.6%	**9,158**	**3.4%**
Scope 2	Scope 2	36,620	9.1%	30,518	9.7%	**25,382**	**9.4%**
Scope 3	Scope 3	353,099	87.3%	272,938	86.7%	**235,031**	**87.2%**
	Purchased goods and services (PG&S)	59,936	14.8%	48,123	15.3%	**48,787**	**18.1%**
	Capital goods	128,551	31.8%	89,149	28.3%	**69,123**	**25.6%**
	Fuel- and energy-related activities	11,699	2.9%	8,764	2.8%	**6,919**	**2.6%**
	Upstream transportation and distribution	Grouped under PG&S	0.0%	Grouped under PG&S	0.0%	**Grouped under PG&S**	**0.0%**
	Waste generated in operations	769	0.2%	785	0.2%	**770**	**0.3%**
	Business travel	366	0.1%	324	0.1%	**270**	**0.1%**
	Employee commuting	182	0.0%	180	0.1%	**166**	**0.1%**
	Upstream leased assets	n/a	0.0%	n/a	0.0%	**n/a**	**0.0%**
	Downstream transportation and distribution	n/a	0.0%	n/a	0.0%	**n/a**	**0.0%**
	Processing of sold products	n/a	0.0%	n/a	0.0%	**n/a**	**0.0%**
	Use of sold products	n/a	0.0%	n/a	0.0%	**n/a**	**0.0%**
	End-of-life treatment of sold products	n/a	0.0%	n/a	0.0%	**n/a**	**0.0%**
	Downstream leased assets	151,596	37.5%	125,612	39.9%	**108,995**	**40.4%**
	Franchises	n/a	0.0%	n/a	0.0%	**n/a**	**0.0%**
	Investments	n/a	0.0%	n/a	0.0%	**n/a**	**0.0%**
	Total emissions	404,473		314,945		**269,571**	

Our scope 3 reporting allows us to identify the most significant areas in our value chain to focus on reducing emissions. The chart below shows the largest categories.

Landsec – Scope 3 GHG emissions 2019/20 Chart 100



The two largest scope 3 categories are Capital goods and Downstream leased assets, making up over 66% of our total emissions.

Capital goods include the emissions associated with the manufacture and transport of materials used within our development activities and portfolio projects. Downstream leased assets are those emissions associated with energy consumed by our customers within our assets. In addition to working closely with partners and customers to reduce these emissions, there are additional reasons for year-on-year reduction in both categories.

For Downstream leased assets, lower absolute emissions in 2019/20 are associated with reduction in the UK's emission factors. The reduction in emissions for Capital goods, on the other hand, is partly explained by the fact that we have concluded a number of developments in previous years and most of our current projects were still in the design stage during the reporting year. Once these developments progress to construction phase, carbon emissions are expected to become more significant. The table below provides the amount of embodied carbon emissions reported for each development in 2019/20.

Because both categories represent a significant proportion of our total carbon footprint, we are committed to understanding the impacts of our buildings as much as we can to ensure that we build and run them as efficiently as possible. We therefore undertake full life-cycle assessments (LCAs) on all our development projects, following the RICS guidance document 'Whole life carbon assessment for the built environment' 1st Edition and BS EN 15978. The assessment considers both the embodied carbon emissions from our supply chain and construction activities (stages A1 to A5) as well as anticipated emissions from a building's operations and embodied carbon associated with maintenance and repairs over the lifetime of the building (stages B1 to C4). To minimise our construction impacts, we set targets on the embodied carbon emissions from supply chain (A1-A5) on a project-by-project basis, measured against design stage baseline (RIBA stage 3), and track these through to the completion of our buildings. The table below shows that we'll avoid nearly 30,000 tCO_2e by targeting an overall reduction of 16% in the embodied carbon across four developments. We also carefully design our buildings to minimise the energy demand of our operations and meet the remaining demand through renewable energy contracts.

Embodied carbon – development pipeline

Table 101

Development	Total embodied carbon baseline tCO_2	Forecasted total embodied carbon tCO_2	Target reduction %	Embodied carbon reported in 2019/20 tCO_2
21 Moorfields	108,451	92,776	–14%	21,152
Lucent	27,120	21,773	–20%	424
Nova East	24,780	21,470	–13%	564
Sumner Street	24,741	19,110	–23%	103
Landsec development pipeline	185,092	155,129	–16%	22,243

Assurance

Landsec's auditor, EY, has once again conducted sustainability assurance. This is part of our journey to embed sustainability across the business and enhance the integrity, quality and usefulness of the information we provide. EY performed a limited assurance engagement on selected performance data and qualitative statements in the Physical and Social sections of the Strategic Report on pages 38-47; the sustainability content in the 'Additional information' section of the Landsec 2020 Annual Report on pages 178-183; and the online Landsec 2020 Sustainability Performance and Data Report, which can be found at www.landsec.com/sustainability/reports-benchmarking. The full assurance statement is available at www.landsec.com/sustainability/governance-policies.

Combined Portfolio analysis

Like-for-like segmental analysis

	Market value[1]		Valuation movement[1]		Rental income[1]		Net estimated rental value[2]	
	31 March 2020 £m	31 March 2019 £m	**Surplus/(deficit) £m**	**Surplus/(deficit) %**	**31 March 2020 £m**	31 March 2019 £m	**31 March 2020 £m**	31 March 2019 £m
Office								
West End	**2,994**	2,944	**53**	**1.9%**	**132**	128	**144**	136
City	**1,247**	1,221	**28**	**2.4%**	**51**	49	**63**	61
Mid-town	**1,422**	1,400	**21**	**1.6%**	**60**	60	**72**	69
Southwark and other	**346**	336	**1**	**0.5%**	**15**	15	**21**	19
Total Office	**6,009**	5,901	**103**	**1.9%**	**258**	252	**300**	285
Retail								
London retail	**1,307**	1,547	**(242)**	**–15.8%**	**69**	70	**69**	73
Regional retail	**1,494**	2,058	**(562)**	**–27.5%**	**124**	130	**108**	120
Outlets	**871**	971	**(100)**	**–10.3%**	**61**	61	**62**	62
Retail parks	**444**	585	**(147)**	**–25.5%**	**38**	39	**36**	39
Total Retail	**4,116**	5,161	**(1,051)**	**–20.5%**	**292**	300	**275**	294
Specialist								
Leisure and hotels	**1,153**	1,288	**(143)**	**–10.9%**	**76**	79	**76**	78
Other	**398**	377	**7**	**1.7%**	**22**	20	**20**	18
Total Specialist	**1,551**	1,665	**(136)**	**–8.0%**	**98**	99	**96**	96
Like-for-like portfolio[6]	**11,676**	12,727	**(1,084)**	**–8.8%**	**648**	651	**671**	675
Proposed developments[1]	**218**	248	**(38)**	**–14.7%**	**12**	13	**–**	22
Development programme[7]	**558**	374	**19**	**3.5%**	**–**	1	**68**	40
Completed developments[8]	**169**	235	**(63)**	**–28.1%**	**14**	13	**11**	13
Acquisitions[9]	**160**	115	**(13)**	**–9.3%**	**2**	1	**4**	1
Sales[10]	**–**	51	**–**	**–**	**2**	4	**–**	4
Combined Portfolio	**12,781**	13,750	**(1,179)**	**–8.8%**	**678**	683	**754**	755
Properties treated as finance leases					**(9)**	(9)		
Combined Portfolio	**12,781**	13,750	**(1,179)**	**–8.8%**	**669**	674		

Total portfolio analysis

	Market value[1]		Valuation movement[1]		Rental income[1]		Net estimated rental value[2]	
	31 March 2020 £m	31 March 2019 £m	**Surplus/(deficit) £m**	**Surplus/(deficit) %**	**31 March 2020 £m**	31 March 2019 £m	**31 March 2020 £m**	31 March 2019 £m
Office								
West End	**3,264**	3,248	**(10)**	**–0.3%**	**144**	141	**160**	158
City	**1,668**	1,491	**61**	**3.9%**	**51**	49	**101**	100
Mid-town	**1,423**	1,400	**20**	**1.5%**	**60**	60	**72**	69
Southwark and other	**471**	446	**(1)**	**–0.4%**	**15**	15	**31**	19
Total Office	**6,826**	6,585	**70**	**1.1%**	**270**	265	**364**	346
Retail								
London retail	**1,370**	1,591	**(239)**	**–15.0%**	**70**	72	**73**	76
Regional retail	**1,663**	2,292	**(625)**	**–27.6%**	**138**	142	**120**	133
Outlets	**871**	971	**(100)**	**–10.3%**	**61**	62	**62**	62
Retail parks	**444**	636	**(147)**	**–25.5%**	**40**	43	**36**	42
Total Retail	**4,348**	5,490	**(1,111)**	**–20.5%**	**309**	319	**291**	313
Specialist								
Leisure and hotels	**1,188**	1,288	**(143)**	**–10.9%**	**77**	79	**79**	78
Other	**419**	387	**5**	**1.3%**	**22**	20	**20**	18
Total Specialist	**1,607**	1,675	**(138)**	**–8.0%**	**99**	99	**99**	96
Combined Portfolio	**12,781**	13,750	**(1,179)**	**–8.8%**	**678**	683	**754**	755
Properties treated as finance leases					**(9)**	(9)		
Combined Portfolio	**12,781**	13,750	**(1,179)**	**–8.8%**	**669**	674		
Represented by:								
Investment portfolio	**11,802**	12,603	**(998)**	**–8.1%**	**610**	617	**688**	693
Share of joint ventures	**979**	1,147	**(181)**	**–16.1%**	**59**	57	**66**	62
Combined Portfolio	**12,781**	13,750	**(1,179)**	**–8.8%**	**669**	674	**754**	755

Like-for-like segmental analysis continued

Table 102

	Gross estimated rental value[3] 31 March 2020 £m	31 March 2019 £m	Net initial yield[4] 31 March 2020 %	31 March 2019 %	Equivalent yield[5] 31 March 2020 %	31 March 2019 %	Voids (by ERV)[1] 31 March 2020 %	31 March 2019 %
Office								
West End	**144**	136	**4.5%**	4.0%	**4.6%**	4.5%	**0.3%**	1.5%
City	**64**	62	**4.0%**	4.2%	**4.5%**	4.5%	**4.2%**	–
Mid–town	**74**	71	**4.3%**	3.2%	**4.5%**	4.5%	**–**	–
Southwark and other	**21**	19	**4.2%**	4.1%	**5.0%**	5.2%	**2.9%**	4.8%
Total Office	**303**	288	**4.3%**	3.9%	**4.6%**	4.5%	**1.3%**	1.0%
Retail								
London retail	**69**	73	**4.6%**	4.1%	**4.6%**	4.3%	**3.0%**	2.3%
Regional retail	**116**	128	**6.4%**	4.9%	**6.2%**	5.2%	**4.3%**	5.2%
Outlets	**62**	62	**5.6%**	5.0%	**5.9%**	5.4%	**4.5%**	4.1%
Retail parks	**36**	39	**7.5%**	6.2%	**7.4%**	6.2%	**3.3%**	3.1%
Total Retail	**283**	302	**5.8%**	4.9%	**5.8%**	5.0%	**3.9%**	4.0%
Specialist								
Leisure and hotels	**77**	78	**4.3%**	5.2%	**5.8%**	5.5%	**1.4%**	1.5%
Other	**20**	18	**3.3%**	3.0%	**4.4%**	4.2%	**0.5%**	1.1%
Total Specialist	**97**	96	**4.1%**	4.7%	**5.4%**	5.2%	**1.2%**	1.5%
Like–for–like portfolio[6]	**683**	686	**4.8%**	4.4%	**5.1%**	4.8%	**2.4%**	2.4%
Proposed developments[1]	**–**	22	**–**	4.8%	**n/a**	n/a	**n/a**	n/a
Development programme[7]	**70**	43	**–**	–	**4.3%**	4.3%	**n/a**	n/a
Completed developments[8]	**12**	14	**6.1%**	3.9%	**6.0%**	4.9%	**n/a**	n/a
Acquisitions[9]	**4**	1	**2.2%**	0.7%	**4.8%**	4.5%	**n/a**	n/a
Sales[10]	**–**	4	**–**	–	**n/a**	n/a	**n/a**	n/a
Combined Portfolio	**769**	770	**4.5%**	4.2%	**5.1%**	4.8%	**n/a**	n/a

Total portfolio analysis continued

	Gross estimated rental value[3] 31 March 2020 £m	31 March 2019 £m	Net initial yield[4] 31 March 2020 %	31 March 2019 %
Office				
West End	**161**	158	**4.1%**	4.0%
City	**105**	103	**3.0%**	3.5%
Mid–town	**74**	71	**4.3%**	3.2%
Southwark and other	**30**	19	**3.1%**	3.2%
Total Office	**370**	351	**3.8%**	3.7%
Retail				
London retail	**74**	76	**4.6%**	4.1%
Regional retail	**128**	142	**6.4%**	4.8%
Outlets	**62**	62	**5.6%**	5.0%
Retail parks	**36**	43	**7.5%**	6.2%
Total Retail	**300**	323	**5.8%**	4.8%
Specialist				
Leisure and hotels	**79**	78	**4.3%**	5.2%
Other	**20**	18	**3.3%**	3.0%
Total Specialist	**99**	96	**4.1%**	4.7%
Combined Portfolio	**769**	770	**4.5%**	4.2%
Represented by:				
Investment portfolio	**702**	707	**4.6%**	4.3%
Share of joint ventures	**67**	63	**4.4%**	3.5%
Combined Portfolio	**769**	770	**4.5%**	4.2%

Notes

1. Refer to Glossary for definition.
2. Net estimated rental value is gross estimated rental value, as defined in the Glossary, after deducting expected rent payable.
3. 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.
4. Net initial yield – refer to Glossary for definition. This calculation includes all properties including those sites with no income.
5. Equivalent yield – refer to Glossary for definition. Proposed developments are excluded from the calculation of equivalent yield on the Combined Portfolio.
6. 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.
7. 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.
8. Completed developments – refer to Glossary for definition. Comprises Westgate Oxford.
9. Includes all properties acquired since 1 April 2018.
10. Includes all properties sold since 1 April 2018.

Lease lengths

Table 103

	Weighted average unexpired lease term at 31 March 2020	
	Like-for-like portfolio Mean[1]	Like-for-like portfolio, completed developments and acquisitions Mean[1]
	Years	Years
Office		
West End	7.5	7.5
City	7.6	7.6
Mid-town	9.0	9.0
Southwark and other	10.7	10.5
Total Office	**8.1**	**8.1**
Retail		
London retail	6.5	6.5
Regional retail	4.9	5.2
Outlets	3.5	3.5
Retail parks	5.6	5.6
Total Retail	**5.1**	**5.3**
Specialist		
Leisure and hotels	11.5	11.5
Other	n/a	n/a
Total Specialist	**11.5**	**11.5**
Combined Portfolio	**7.2**	**7.3**

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.

Development pipeline

Development pipeline at 31 March 2020 Table 104

Property	Description of use	Ownership interest %	Size sq ft	Letting status %	Market value £m	Net income/ ERV £m	Estimated completion date[1]	Total development costs to date £m	Forecast total development cost £m
Developments approved or in progress									
21 Moorfields, EC2	Office	100	564,000	100	421	38	Mar 2022	285	576
105 Sumner Street, SE1	Office	100	139,000	–	40	10	Mar 2022	36	140
	Retail		1,000						
Nova East, SW1	Office	50	166,000	–	13	6	Jul 2022	16	101
Lucent, W1	Office	100	111,000	–	83	14	Oct 2022	100	239
	Retail		30,000						
	Residential		3,000						
Proposed developments									
Castle Lane, SW1	Residential	100	54,000	n/a	n/a	n/a	Dec 2022	n/a	n/a
Portland House, SW1	Office	100	360,000	n/a	n/a	n/a	Feb 2023	n/a	n/a
	Retail		40,000						

1. The estimated completion dates shown in this table reflect our pre-Covid-19 expectation of practical completion. It is too early to assess the impact of Covid-19 with any certainty. However, our current estimate is a delay to the completion dates shown of up to two months for schemes in the development programme and up to seven months for proposed developments.

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 2020. 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 2020, 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 2020 on unlet units, both after rents payable.

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.

Table 105

Alternative performance measure	Nearest IFRS measure	Reconciliation
Revenue profit	Profit before tax	Note 4
Adjusted earnings	Profit attributable to shareholders	Note 5
Adjusted earnings per share	Basic earnings per share	Note 5
Adjusted diluted earnings per share	Diluted earnings per share	Note 5
EPRA net tangible assets	Net assets attributable to shareholders	Note 5
EPRA net tangible assets per share	Net assets attributable to shareholders	Note 5
Total business return	n/a	Note 5
Combined Portfolio	Investment properties	Note 14
Adjusted net debt	Borrowings	Note 20
Group LTV	n/a	Note 20

Reconciliation of segmental information note to statutory reporting

The table below reconciles the Group's income statement to the segmental information note (note 4 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.

Table 106

					Year ended 31 March 2020	
	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	611	59	(1)	669	669	–
Finance lease interest	9	–	–	9	9	–
Gross rental income (before rents payable)	**620**	**59**	**(1)**	**678**	**678**	**–**
Rents payable	(13)	(2)	–	(15)	(15)	–
Gross rental income (after rents payable)	**607**	**57**	**(1)**	**663**	**663**	**–**
Service charge income	88	10	–	98	98	–
Service charge expense	(90)	(12)	–	(102)	(102)	–
Net service charge expense	(2)	(2)	–	(4)	(4)	–
Other property related income	31	2	–	33	33	–
Direct property expenditure	(72)	(14)	–	(86)	(86)	–
Provisions related to 2020/21 rent	(21)	(2)	–	(23)	(23)	–
Segment net rental income	**543**	**41**	**(1)**	**583**	**583**	**–**
Other income	2	–	–	2	2	–
Indirect expense	(69)	(3)	–	(72)	(72)	–
Depreciation	(4)	–	–	(4)	(4)	–
Revenue profit before interest	**472**	**38**	**(1)**	**509**	**509**	**–**
Share of post-tax loss from joint ventures	(151)	151	–	–	–	–
Net deficit on revaluation of investment properties	(1,000)	(181)	2	(1,179)	–	(1,179)
Loss on disposal of investment properties	(6)	–	–	(6)	–	(6)
Profit on disposal of trading properties	–	7	–	7	–	7
Profit from long-term development contracts	–	3	–	3	–	3
Exceptional items	(5)	–	–	(5)	–	(5)
Other	–	–	(1)	(1)	–	(1)
Operating (loss)/profit	**(690)**	**18**	**–**	**(672)**	**509**	**(1,181)**
Finance income	18	–	–	18	17	1
Finance expense	(165)	(16)	–	(181)	(112)	(69)
Joint venture tax	–	(2)	–	(2)	–	(2)
(Loss)/profit before tax	**(837)**	**–**	**–**	**(837)**	**414**	**(1,251)**
Taxation	5	–	–	5		
Loss attributable to shareholders	**(832)**	**–**	**–**	**(832)**		

1. Reallocation of the share of post-tax loss 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 106

	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 2019[1]		
Rental income	619	57	(2)	674	674	–
Finance lease interest	9	–	–	9	9	–
Gross rental income (before rents payable)	**628**	**57**	**(2)**	**683**	**683**	**–**
Rents payable	(10)	(3)	–	(13)	(13)	–
Gross rental income (after rents payable)	**618**	**54**	**(2)**	**670**	**670**	**–**
Service charge income	86	9	–	95	95	–
Service charge expense	(88)	(10)	–	(98)	(98)	–
Net service charge expense	(2)	(1)	–	(3)	(3)	–
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	–
Revenue profit before interest	**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. Restated for changes in accounting policies. See note 3 of the financial statements for details.
2. Reallocation of the share of post-tax loss 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.

Ten year summary

Income statement

Table 107

	2020 £m	2019 £m	2018 £m	2017 £m	2016 £m	2015 £m	2014 £m	2013 £m	2012 £m	2011 £m
								Year ended and as at 31 March		
Revenue	**741**	757	830	781	936	765	712	734	670	701
Costs	**(274)**	(271)	(321)	(260)	(404)	(329)	(244)	(281)	(240)	(271)
	467	486	509	521	532	436	468	453	430	430
Share of post-tax (loss)/profit from joint ventures	**(151)**	(85)	27	69	199	326	196	59	52	144
Profit/(loss) on disposal of investment properties	**(6)**	–	1	19	75	107	16	(3)	45	75
Profit/(loss) on disposal of investments in joint ventures	**–**	–	66	(2)	–	3	2	–	–	–
Profit on disposal of other investments	**–**	–	–	13	–	–	–	1	–	–
Net (deficit)/surplus on revaluation of investment properties	**(1,000)**	(441)	(98)	(186)	739	1,771	607	197	170	794
Operating (loss)/profit	**(690)**	(40)	505	434	1,545	2,643	1,289	707	697	1,443
Net finance expense	**(147)**	(83)	(548)	(268)	(185)	(207)	(165)	(157)	(162)	(198)
Net gain on business combination	**–**	–	–	–	–	2	5	1	–	–
Impairment of investment in joint ventures	**–**	–	–	–	–	–	–	–	(2)	–
(Loss)/profit before tax	**(837)**	(123)	(43)	166	1,360	2,438	1,129	551	533	1,245
Taxation	**5**	4	(1)	1	2	–	8	–	8	17
(Loss)/profit attributable to shareholders	**(832)**	(119)	(44)	167	1,362	2,438	1,137	551	541	1,262
Net (deficit)/surplus on revaluation of investment properties[1]:										
Investment portfolio	**(998)**	(440)	(98)	(187)	736	1,768	609	197	170	794
Share of joint ventures	**(181)**	(117)	7	40	171	269	155	21	21	115
Total	**(1,179)**	(557)	(91)	(147)	907	2,037	764	218	191	909
Revenue profit	**414**	442	406	382	362	329	320	291	299	275
Results per share										
Total dividend payable in respect of the financial year	**23.2p**	45.55p	44.2p	38.55p	35.0p	31.85p	30.7p	29.8p	29.0p	28.2p
Basic (loss)/earnings per share	**(112.4)p**	(16.1)p	(5.8)p	21.1p	172.4p	308.6p	144.8p	70.7p	69.9p	165.0p
Diluted (loss)/earnings per share	**(112.4)p**	(16.1)p	(5.8)p	21.1p	171.8p	307.4p	144.3p	70.5p	69.7p	164.8p
Adjusted earnings per share	**55.9p**	59.7p	53.1p	48.4p	45.9p	41.7p	40.7p	37.0p	38.5p	35.5p
Adjusted diluted earnings per share	**55.9p**	59.7p	53.1p	48.3p	45.7p	41.5p	40.5p	36.8p	38.5p	35.5p
Net assets per share	**1,182p**	1,341p	1,404p	1,418p	1,434p	1,293p	1,016p	903p	863p	824p
Diluted net assets per share	**1,181p**	1,339p	1,404p	1,416p	1,431p	1,288p	1,012p	900p	860p	823p
EPRA net tangible assets per share[2]	**1,192p**	1,348p	1,410p	1,422p	1,433p	1,296p	1,016p	906p	866p	828p

1. Includes our non-wholly owned subsidiaries on a proportionate basis.
2. New metric presented as a result of the change in EPRA best practice recommendations. Refer to table 62 for further details.

Balance sheet

Table 108

As at 31 March

	2020 £m	2019 £m	2018 £m	2017 £m	2016 £m	2015 £m	2014 £m	2013 £m	2012 £m	2011 £m
Investment properties	**11,297**	12,094	12,336	12,144	12,358	12,158	9,848	9,652	8,453	8,889
Intangible assets	**14**	20	34	36	38	35	–	–	–	–
Net investment in finance leases	**156**	159	162	165	183	185	187	188	185	117
Loan investments	**–**	–	–	–	–	50	50	50	51	72
Investment in joint ventures	**824**	1,031	1,151	1,734	1,668	1,434	1,443	1,301	1,138	940
Trade and other receivables	**178**	176	165	123	86	53	35	11	–	77
Other non-current assets	**32**	30	49	51	44	29	14	14	41	21
Total non-current assets	**12,501**	13,510	13,897	14,253	14,377	13,944	11,577	11,216	9,868	10,116
Trading properties and long-term development contracts	**24**	23	24	122	124	222	193	152	133	129
Trade and other receivables	**433**	437	471	418	445	404	366	345	760	352
Monies held in restricted accounts and deposits	**9**	36	15	21	19	10	15	31	29	35
Cash and cash equivalents	**1,345**	14	62	30	25	14	21	42	30	38
Other current assets	**48**	14	–	–	–	–	–	–	–	–
Total current assets	**1,859**	524	572	591	613	650	595	570	952	554
Non-current assets held for sale	**–**	–	–	–	–	283	–	–	–	–
Borrowings	**(977)**	(934)	(872)	(404)	(19)	(191)	(513)	(436)	(11)	(33)
Trade and other payables	**(270)**	(273)	(294)	(302)	(289)	(367)	(320)	(364)	(361)	(423)
Other current liabilities	**(2)**	(18)	(14)	(7)	(19)	(10)	(12)	(37)	(30)	(43)
Total current liabilities	**(1,249)**	(1,225)	(1,180)	(713)	(327)	(568)	(845)	(837)	(402)	(499)
Borrowings	**(4,355)**	(2,847)	(2,858)	(2,859)	(3,222)	(3,985)	(3,262)	(3,748)	(3,676)	(3,819)
Trade and other payables	**(1)**	(1)	–	(25)	(28)	(30)	(23)	(18)	(28)	(6)
Other non-current liabilities	**(5)**	(5)	(8)	(9)	(47)	(45)	(4)	(11)	(9)	(2)
Redemption liability	**–**	(36)	(37)	(36)	(35)	(35)	(33)	(118)	–	–
Total non-current liabilities	**(4,361)**	(2,889)	(2,903)	(2,929)	(3,332)	(4,095)	(3,322)	(3,895)	(3,713)	(3,827)
Net assets	**8,750**	9,920	10,386	11,202	11,331	10,214	8,005	7,054	6,705	6,344
Net debt	**(3,942)**	(3,747)	(3,654)	(3,219)	(3,229)	(4,193)	(3,744)	(4,132)	(3,634)	(3,782)
Market value of the Combined Portfolio	**12,781**	13,750	14,103	14,439	14,471	14,031	11,859	11,446	10,331	10,559
Adjusted net debt	**(3,926)**	(3,737)	(3,652)	(3,261)	(3,239)	(4,172)	(3,948)	(4,290)	(3,981)	(4,186)

Subsidiaries, joint ventures and associates

As at 31 March 2020, the Company had a 100% interest, direct or indirect, in the ordinary share capital of the following subsidiaries, all of which are registered in the UK at 100 Victoria Street, London, SW1E 5JL.

Name
Alan House (Nottingham) (No. 1) Limited
Alan House (Nottingham) (No. 2) Limited
Arundel Great Court Development Management Limited
Blueco Limited
Bluewater Ground Lease Limited
Bluewater Outer Area Limited
Castleford (UK) Limited
Cedric (New Fetter Lane) (No.1) Limited
Cedric (New Fetter Lane) (No.2) Limited
Clock Tower (Canterbury) (No.1) Limited
Clock Tower (Canterbury) (No.2) Limited
Crossways 2000 Limited
Crossways 3065 Limited
Crossways 7055 Limited
Dashwood House Limited
Gunwharf Quays Limited
L.& P. Estates Limited
Land Securities (BH) Limited
Land Securities (Finance) Limited
Land Securities (Hotels) Limited
Land Securities (Insurance Services) Limited
Land Securities (Media Services) BH Limited
Land Securities (Media Services) PQ Limited
Land Securities Buchanan Street Developments Limited
Land Securities Business Services Limited
Land Securities Capital Markets PLC
Land Securities Consulting Limited
Land Securities Development Limited
Land Securities Ebbsfleet (No.2) Limited
Land Securities Ebbsfleet (No.3) Limited
Land Securities Ebbsfleet Limited
Land Securities Intermediate Limited[1]
Land Securities Investment Trust Limited
Land Securities Lakeside Limited
Land Securities Management Limited
Land Securities Management Services Limited
Land Securities Partnerships Limited
Land Securities PLC
Land Securities Portfolio Management Limited
Land Securities Properties Limited
Land Securities Property Holdings Limited[1]
Land Securities SPV's Limited

Name
Land Securities Trading Limited
Land Securities Trinity Limited
Landsec Limited
LC25 Limited
Leisure II (West India Quay LP) Shareholder Limited
Leisure Parks I Limited
Leisure Parks II Limited
LS (Bracknell) Limited
LS (Eureka Two) Limited
LS (Eureka) Limited
LS (Finchley Road) Limited
LS (Fountain Park Two) Limited
LS (Fountain Park) Limited
LS (Jaguar) GP Investments Limited
LS (Parrswood Two) Limited
LS (Parrswood) Limited
LS (Riverside Two) Limited
LS (Riverside) Limited
LS (Victoria) Nominee No.1 Limited
LS (Victoria) Nominee No.2 Limited
LS 1 New Street Square Developer Limited
LS 1 New Street Square Limited
LS 1 Sherwood Street Developer Limited
LS 1 Sherwood Street Limited
LS 105 Sumner Street Developer Limited
LS 130 Wood ST Limited
LS 21 Moorfields Development Management Limited
LS 21 Moorfields Limited
LS 25 Lavington Street Developer Limited
LS 60-78 Victoria Street Limited
LS 62 Buckingham Gate Limited
LS Aldersgate Limited
LS Ashdown Limited
LS Banbridge Phase Two Limited
LS Bankside Development Limited
LS Bexhill Limited
LS Braintree Limited
LS Buchanan Limited
LS Canterbury Limited
LS Cardiff (GP) Investments Limited
LS Cardiff (Holdings) Limited
LS Cardiff Limited

Name	Name	Name
LS Cardinal Limited	LS Nominees Holdings Limited	Oxford Castle Apartments Limited
LS Castleford Limited	LS Occupier Limited	QAM Nominee No 1 Limited
LS Chadwell Heath Limited	LS One New Change Developments Limited	QAM Nominee No 2 Limited
LS Chattenden Marketing Limited	LS One New Change Limited	Ravenseft Properties Limited
LS Chesterfield Limited	LS Oxygen Limited	Ravenside Investments Limited
LS City & West End Limited	LS Park House Development Management Limited	Retail Property Holdings Trust Limited
LS City Gate House Limited	LS Poole Retail Limited	Roebuck House (GP) Limited
LS Company Secretaries Limited	LS Portfolio Investments Limited	Rosefarm Leisure Limited
LS Cornerhouse Limited	LS Portland House Developer Limited	Sevington Properties Limited
LS Director Limited	LS Property Finance Company Limited	Stag Place (GP) Limited
LS Dundas Square Limited	LS QAM Limited	The City of London Real Property Company Limited
LS Eastbourne Terrace Limited	LS Red Lion Court Limited	The Imperial Hotel Hull Limited
LS Easton Park Investments Limited	LS Retail Warehouses Limited	Westminster Trust Limited(The)
LS Entertainment Venues Limited	LS Rose Lane Limited	The X-Leisure (General Partner) Limited
LS Fenchurch Development Management Limited	LS Shepherds Bush Limited	The X-Leisure Limited Partnership
LS Galleria Limited	LS Soho Square Limited	Tops Estates Limited
LS Greenwich Investments Limited	LS Southside Limited	Tops Shop Estates Limited
LS Greenwich Limited	LS Street Limited	Trinity Quarter Developments Limited
LS Gunwharf Limited	LS Street GP Limited	Wallace City Limited
LS Harbour Exchange Option Limited	LS Sumner Street Limited	Watchmaker Finance Limited
LS Harrogate Limited	LS Taplow Limited	Whitecliff Developments Limited
LS Harrow Properties Limited	LS Taplow No.2 Limited	Willett Developments Limited
LS Harvest (GP) Investments Limited	LS Tottenham Court Road Limited	X-Leisure (Bentley Bridge) Limited
LS Harvest 2 Limited	LS Nova Development Management Limited	X-Leisure (Boldon) Limited
LS Harvest Limited	LS Nova GP Investments Limited	X-Leisure (Brighton I) Limited
LS Hill House Limited	LS Nova LP1 Limited	X-Leisure (Brighton II) Limited
LS Howard Centre Welwyn Limited	LS Nova LP2 Limited	X-Leisure (Brighton Cinema II) Limited
LS Kings Gate Residential Limited	LS Victoria Properties Limited	X-Leisure (Brighton Cinema) Limited
LS Kingsmead Limited	LS Voyager Limited	X-Leisure (Cambridge I) Limited
LS Lavington Street Limited	LS Westminster Limited	X-Leisure (Cambridge II) Limited
LS Lewisham Limited	LS White Rose Limited	X-Leisure (Edinburgh) Limited
LS London Holdings One Limited	LS Whitefriars Limited	X-Leisure (Leeds I) Limited
LS London Holdings Three Limited	LS Wood Lane Limited	X-Leisure (Leeds II) Limited
LS Ludgate (No.1) Limited	LS Workington Limited	X-Leisure Management Limited
LS Ludgate (No.2) Limited	LS Zig Zag Limited	X-Leisure (Poole) Limited
LS Ludgate (No.3) Limited	L.S.I.T.(Management) Limited	X-Leisure Limited
LS Ludgate Development Limited	Nova Estate Management Company Limited	Xscape Castleford Limited Liability Partnership
LS Maidstone Limited	O2 Retail & Leisure UK Partnership No.1 LLP	Xscape Castleford Partnership
LS Mirage Limited	Oriana GP Limited	Xscape Milton Keynes Limited Liability Partnership
LS Moorgate Limited	Oriana LP Limited	Xscape Milton Keynes Partnership
LS Myo Limited	Oriana Residential Nominee No.1 Limited	
LS New Street Square Investments Limited	Oriana Residential Nominee No.2 Limited	

1. Subsidiary directly held by the Company, Land Securities Group PLC.

Additional information

Subsidiaries, joint ventures and associates
continued

As at 31 March 2020, the Company had an interest (as shown), direct or indirect, in the ordinary share capital of the following subsidiaries, joint ventures and associates, each of which is registered in the country indicated. The address for all entities included below is 100 Victoria Street, London, SW1E 5JL, except for entities with a footnote. Where the Group share of ordinary share capital is 100%, these entities are subsidiaries of the Company. Where the share of ordinary share capital between 50% and 100%, these entities are joint venture interests. All other holdings are associate interests.

Name	Group share %	Country of registration
Ebbsfleet Investment (GP) Limited	50.00%	UK
Ebbsfleet Nominee No.1 Limited	50.00%	UK
Greenhithe Holdings Limited	100.00%	Jersey[1]
Greenhithe Investments Limited	100.00%	Jersey[1]
Harbour Exchange Management Company Limited	25.73%	UK[2]
Harvest 2 GP Limited	50.00%	UK
Harvest 2 Limited Partnership	50.00%	UK
Harvest 2 Selly Oak Limited	50.00%	UK
Harvest Development Management Limited	50.00%	UK
Harvest GP Limited	50.00%	UK
Harvest Nominee No. 1 Limited	50.00%	UK
Harvest Nominee No. 2 Limited	50.00%	UK
Kent Retail Investments Limited	100.00%	Jersey[3]
Land Securities Insurance Limited	100.00%	Guernsey[4]
Leisure II (North Finchley Two) Limited	100.00%	Jersey[3]
Leisure II (North Finchley) Limited	100.00%	Jersey[3]
Leisure II (West India Quay Two) Limited	100.00%	Jersey[3]
Leisure II (West India Quay) Limited	100.00%	Jersey[3]
Metro Shopping Fund Management Limited	50.00%	UK
Nova Business Manager Limited	50.00%	UK
Nova Developer Limited	50.00%	UK
Nova GP Limited	50.00%	UK
Nova Limited Partnership	50.00%	UK
Nova Nominee 1 Limited	50.00%	UK
Nova Nominee 2 Limited	50.00%	UK
NOVA Residential (GP) Limited	50.00%	UK
NOVA Residential Intermediate Limited	50.00%	UK
NOVA Residential Limited Partnership	50.00%	UK
Queens Links Unit Trust	100.00%	Jersey[3]
Southside General Partner Limited	50.00%	UK
Southside Limited Partnership	50.00%	Jersey[5]
Southside Nominees No.1 Limited	50.00%	UK
Southside Nominees No.2 Limited	50.00%	UK
St David's (Cardiff Residential) Limited	50.00%	UK
St David's (General Partner) Limited	50.00%	UK
St David's Dewi Sant Merchant's Association Limited	Limited by guarantee	UK
St. David's (No. 1) Limited	50.00%	UK
St. David's (No. 2) Limited	50.00%	UK
St. David's Limited Partnership	50.00%	UK
The Ebbsfleet Limited Partnership	50.00%	UK
The X-Leisure Unit Trust	100.00%	Jersey[3]
Victoria Circle Developer Limited	50.00%	UK
West India Quay Limited	50.00%	UK
West India Quay Management Company Limited	62.99%	UK
West India Quay Unit Trust	50.00%	Jersey[3]
Westgate Oxford Alliance GP Limited	50.00%	UK
Westgate Oxford Alliance Limited Partnership	50.00%	UK
Westgate Oxford Alliance Nominee No.1 Limited	50.00%	UK
Westgate Oxford Alliance Nominee No.2 Limited	50.00%	UK
Wood Lane Nominee No.1 Limited	50.00%	UK
Wood Lane Nominee No.2 Limited	50.00%	UK
Xscape Castleford Limited	100.00%	Jersey[3]
Xscape Castleford No.2 Limited	100.00%	Jersey[3]
Xscape Castleford Property Unit Trust	100.00%	Jersey[3]
Xscape Milton Keynes (Jersey) No.2 Limited	100.00%	Jersey[3]
Xscape Milton Keynes Limited	100.00%	Jersey[3]
Xscape Milton Keynes Property Unit Trust	100.00%	Jersey[3]

1. 44 Esplanade, St Helier, Jersey, JE4 9WG.
2. Suite 1, 3rd Floor, 11-12 St. James's Square, London, SW1Y 4LB.
3. IFC 5, St Helier, Jersey, JE1 1ST.
4. PO Box 384, The Albany South Esplanade, St Peter Port, Guernsey, GY1 4NF.
5. 13-14 Esplanade, St Helier, Jersey, JE1 1EE.

Shareholder information

Financial calendar Table 109

	2020
Final dividend[1]	
Annual General Meeting[2]	9 July
2020/21 Half-yearly results announcement	10 November

	2021
2020/21 Financial year end	31 March
2020/21 Annual results announcement[3]	11 May

1. The Board is not proposing a final dividend for 2019/20. No decision has been made as to when dividends will be resumed. Further announcements will be made in due course.
2. The Annual General Meeting is scheduled to be held at 10.00 am on Thursday, 9 July 2020 at 80 Victoria Street, London SW1E 5JL. Due to Covid-19 social distancing measures, this will be a closed meeting with no shareholders able to attend. For further details, please see the Notice of Meeting, comprising a letter from the Chairman, resolutions proposed and explanatory notes which can be found on the Company's website: landsec.com/agm.
3. Provisional.

Share register analysis as at 31 March 2020 Table 110

Holding range:	Number of holders	%	Number of ordinary shares	%
1–1,000	7,382	65.7	2,827,348	0.4
1,001–5,000	2,488	22.2	5,107,110	0.7
5,001–10,000	369	3.3	2,634,645	0.4
10,001–50,000	447	3.9	10,641,921	1.4
50,001–100,000	129	1.2	9,236,023	1.2
100,001–500,000	228	2.0	52,137,529	6.9
500,001–highest[1]	189	1.7	668,728,487	89.0
Total	**11,232**	**100.0**	**751,313,063**	**100.0**

Share register analysis as at 31 March 2020 Table 111

Held by:	Number of holders	%	Number of ordinary shares	%
Private shareholders	8,569	76.3	9,848,623	1.3
Nominee and institutional investors[1]	2,663	23.7	741,464,440	98.7
Total	**11,232**	**100.0**	**751,313,063**	**100.0**

1. Including 9,839,179 shares held in treasury by the Company.

Shareholder information
continued

Ordinary shares
The Company's ordinary shares of nominal value 10⅔p each are traded on the main market for listed securities on the London Stock Exchange (LON:LAND).

Company website: landsec.com
The Company's Annual Report, results announcements and presentations are available to view and download from its website.

The website also includes information about the latest Landsec share price and dividend information, news about the Company, its properties and operations, and how to obtain further information.

Registrar: Equiniti
For assistance with queries about administration of shareholdings, such as lost share certificates, change of address or personal details, amalgamation of accounts and dividend payments, please contact the Company's Registrar:

Equiniti Group plc
Aspect House
Spencer Road
Lancing
West Sussex BN99 6DA
Telephone: 0371 384 2128[1]
International dialling: +44 121 415 7049[1]
www.shareview.co.uk

An online share management service is available which enables shareholders to access details of their Land Securities Group PLC shareholdings electronically. This is available on our website: landsec.com/investors or www.shareview.co.uk.

Electronic communications
We encourage shareholders to consider receiving their communications from the Company electronically as this will enable you to receive them more quickly and securely. It also allows Landsec to communicate in a more environmentally friendly and cost-effective manner. To register for this service, you should go to our website: landsec.com/investors or www.shareview.co.uk.

UK Real Estate Investment Trust (REIT) taxation and status on payment of dividends
As a UK REIT, Landsec does not pay corporation tax on Qualifying Activities, which are rental profits and chargeable gains relating to its property rental business.

At least 90% of income derived from Qualifying Activities must be distributed as Property Income Distributions (PIDs). For most shareholders, PIDs will be paid after deducting withholding tax at 20%. However, certain categories of shareholder may be able to receive PIDs gross (i.e. without deduction of withholding tax). These categories are principally UK companies, charities, local authorities, UK pension schemes and managers of ISAs, PEPs and Child Trust Funds.

A REIT may additionally pay ordinary dividends which will be treated in the same way as dividends from non-REIT companies.

Further information on UK REITs and the forms required to be completed to apply for PIDs to be paid gross are available on the Landsec website or from the Registrar. www.landsec.com/investors/shareholders-equity-investors.

Payment of dividends to UK resident shareholders
Shareholders whose dividends are currently sent to their registered address will need to change this arrangement with effect from October 2020 and will need to have their dividends paid directly into their personal bank or building society account or alternatively sign up to our Dividend Reinvestment Plan (see below). Receiving dividends directly into your bank account has a number of advantages, including the crediting of cleared funds on the actual dividend payment date. To arrange for your future dividends to be paid in this way, please contact the Registrar or complete a mandate instruction available on our website: landsec.com/investors and return it to the Registrar. Under this arrangement, dividend confirmations are still sent to your registered address. Dividend payments will no longer be paid by cheque with effect from October 2020.

Payment of dividends to non-UK resident shareholders
Shareholders will need to request that their dividends be paid directly to a personal bank account overseas, with effect from the October 2020 dividend. It's a service we can arrange in over 90 countries worldwide and it normally costs less than paying in a Sterling cheque. The dividend will be credited to your account automatically – normally just a few days after the Company's dividend payment date. For more information, you should contact the Registrar on +44 (0)121 415 7049[1] or download an application form online at www.shareview.co.uk. Alternatively, you can contact the Registrar at the address given above. Dividend payments will no longer be paid by cheque with effect from October 2020.

Dividend Reinvestment Plan (DRIP)
The DRIP gives shareholders the opportunity to use cash dividends to increase their shareholding in Land Securities Group PLC. It is a convenient and cost-effective facility provided by Equiniti Financial Services Limited. Under the DRIP, cash dividends are used to buy shares in the market as soon as possible after the dividend payment, with any residual cash being carried forward to the next dividend payment.

Details of the DRIP, including terms and conditions and participation election forms, are available on our website: landsec.com/investors.

They are also available from:

Dividend Reinvestment Plans
Equiniti
Aspect House
Spencer Road
Lancing
West Sussex BN99 6DA
Telephone: 0371 384 2268[1]
International dialling: +44 121 415 7173[1]

Share dealing facilities
Equiniti provides both existing and prospective UK shareholders with an easy to access and simple-to-use share dealing facility for buying and selling shares in Land Securities Group PLC by telephone, online or post. The telephone and online dealing service allows shareholders to trade 'real-time' at a known price that will be given to them at the time they give their instruction.

For telephone dealing, call 0345 603 7037 between 8.00am and 4.30pm, Monday to Friday (excluding public holidays in England and Wales). Calls are charged at the standard geographic rate and will vary by provider. Calls outside the UK will be charged at the applicable international rate. For online dealing, log on to www.shareview.co.uk/dealing. For postal dealing, call 0371 384 2248[1] for full details and a dealing instruction form. Existing shareholders will need to provide the account/shareholder reference number shown on their share certificate. Other brokers, banks and building societies also offer similar share dealing facilities.

ShareGift
Shareholders with only a small number of shares, the value of which makes it uneconomic to sell them, may wish to consider donating them to the charity through ShareGift, a registered charity (No. 1052686) which specialises in using such holdings for charitable benefit. A ShareGift donation form can be obtained from the Registrar and further information about ShareGift is available at www.sharegift.org.uk or by writing to:

ShareGift
PO Box 72253, London SW1P 9LQ
Telephone: +44 (0)20 7930 3737

Corporate Individual Savings Account (ISA)
The Company has in place a Corporate ISA which is managed by:

Equiniti Financial Services Limited
Aspect House
Spencer Road
Lancing
West Sussex BN99 6DA
Telephone: 0371 384 2244[1]

Capital Gains Tax
For the purpose of Capital Gains Tax, the price of a Land Securities share at 31 March 1982, adjusted for the capitalisation issue in November 1983 and the Scheme of Arrangement in September 2002, was 203p. On the assumption that the 5 for 8 Rights Issue in March 2009 was taken up in full and there were no fractional shares in the 2017 share consolidation, the adjusted price, post consolidation, for Capital Gains Tax purposes would be 229p per share. For further details www.landsec.com/investorsshareholders-equity-investors/uk-tax-gains-sale-landsec-shares.

General Data Protection Regulation (GDPR)
On 25 May 2018, the General Data Protection Regulation came into force which gives individuals improved clarity and rights over personal data. We have updated our Shareholder Privacy Notice to make it easier to understand how Landsec uses and protects shareholder information. A copy of the Shareholder Privacy Notice can be found on our website: landsec.com/policies/privacy-policy/shareholders.

Unclaimed Assets Register
The Company participates in the Unclaimed Assets Register, which provides a search facility for financial assets which may have been forgotten. For further information, contact:

The Unclaimed Assets Register Telephone: +44 (0)333 000 0182
email: uarenquiries@uk.experian.com www.uar.co.uk.

Unsolicited mail
The Company is obliged by law to make its share register available on request to other organisations and this may result in shareholders receiving unsolicited mail. To limit the receipt of unsolicited mail, shareholders may register with the Mailing Preference Service, an independent organisation whose services are free, by visiting www.mpsonline.org.uk.

Shareholder security
In the past, some of our shareholders have received unsolicited telephone calls or correspondence concerning investment matters from organisations or persons claiming or implying that they have some connection with the Company. These are typically from purported 'brokers' who offer to buy shares at a price often far in excess of their market value. These operations are commonly known as 'boiler rooms'.

Shareholders are advised to be very wary of any offers of unsolicited advice, discounted shares, premium prices for shares they own or free reports into the Company. If you receive any such unsolicited calls, correspondence or investment advice:

— ensure you get the correct name of the person and firm;
— check that the firm is on the Financial Conduct Authority (FCA) Register to ensure they are authorised at www.register.fca.org.uk;
— use the details on the FCA Register to contact the firm;
— call the FCA Consumer Helpline (0800 111 6768) if there are no contact details in the Register or you are told they are out of date; and
— if you feel uncomfortable with the call or the calls persist, simply hang up.

Additionally, feel free to report and/or discuss any shareholder security matters with the Company. To do this, please call: +44 (0)20 7413 9000 and ask to be put through to a member of the Company Secretariat department.

1. Lines are open 8.30am to 5.30pm (UK time), Monday to Friday, excluding public holidays. Please note that due to Covid-19, the hours have reduced in line with market opening, currently 8.30am-4.30pm. Calls are charged at the standard geographic rate and will vary by provider. Calls from outside the UK will be charged at the applicable international rate.

Key contacts and advisers

Registered office and principal UK address

Land Securities Group PLC
100 Victoria Street
London SW1E 5JL
Registered in England and Wales No. 4369054

Company Secretary

Tim Ashby
Group General Counsel and Company Secretary

Investor Relations

Edward Thacker
Head of Investor Relations

Telephone: +44 (0)20 7413 9000
Email: investor.relations@landsec.com
www.landsec.com

Registrar

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

Telephone: 0371 384 2128
Textel: 0371 384 2255
International dialling: +44 121 415 7049
www.shareview.co.uk

Auditor

Ernst & Young LLP
1 More London Place
London SE1 2AF

Telephone: +44 (0)20 7951 2000
www.ey.com

External advisers

Valuer: CBRE
Financial adviser: Citigroup
Solicitors: Slaughter and May
Joint brokers: JP Morgan Cazenove and UBS

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 head 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 2018.

Development pipeline
The development programme together with proposed developments.

Development programme
The development programme consists of committed developments (Board approved projects), 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 disposal value (NDV) per share
Diluted net assets per share adjusted to remove the impact of goodwill arising as a result of deferred tax, and to include the difference between the fair value and the book value of the net investment in tenant finance leases and fixed interest rate debt.

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.

EPRA net tangible assets (NTA) per share
Diluted net assets per share adjusted to remove the cumulative fair value movements on interest-rate swaps and similar instruments, the carrying value of goodwill arising as a result of deferred tax and other intangible assets, deferred tax on intangible assets and to include the difference between the fair value and the book value of the net investment in tenant finance leases.

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 Group as 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 20.

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 year, 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 2018 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 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.

Net zero carbon building
A building for which an overall balance has been achieved between carbon emissions produced and those taken out of the atmosphere, including via offset arrangements. This relates to operational emissions for all buildings while, for a new building, it also includes supply-chain emissions associated with its construction.

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 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 year 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.

Glossary

continued

Proposed developments
Proposed developments are properties which have not yet received 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 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 IFRS 16 (previously, 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.

Rental value change
Increase or decrease in the current rental value, as determined by the Group's external valuer, over the reporting year on a like-for-like basis.

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 years 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 tangible assets per share, divided by EPRA net tangible 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, financing costs and provisions related to 2020/21 rent, 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 (TPR)
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 year, 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 accounting for lease incentives under IFRS 16 (previously SIC-15). 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.

Cautionary statement

This 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 this 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 this Annual Report or Landsec's website should be construed as a profit forecast or an invitation to deal in the securities of the Company.

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